J.P.Morgan | Data Assets & Alpha Group

INTERNATIONAL MARKET INTELLIGENCE: MORNING BRIEFING

MARCH 19, 2025

NEED TO KNOW-

IDEAS & INSIGHTS (scroll down for charts & more details)

- **Thoughts on the Market:** we stay **net long in EU with some near-term hedges**. Outlook surveys continue to signal inflection in Europe. **EU Defence supply chain has upside**. We looked at what's priced in for RU-UA ceasefire. **Our ETF trading desk saw heavy dip-buying in the US** (with international interest returning) and immense demand for Europe beginning to subside.
- **INDIA:** The Desk sees **opportunities in India's oversold** amid possible inflection in data and change of sentiment. **Clarity on tariffs could be a catalyst**. Banks would be first play to gross up
- **EM Equity Strategy:** Better EU growth/stronger EUR is a positive for EM Equities, as long as no US recession
- **Russia:** Interest rising as ceasefire looks more likely. **Best case MSCI re-entry would be June 2027**.
- **FOMC Preview (here):** SEP revisions should look stagflationary. No change in median dot for 2025
- **TWO CALLS: The VOICE call will bring Positioning, Trading, Factor and Research lenses on US markets** (here). Research will be discussing **Global Crude and EU Gas markets** (here)

OVERNIGHT BRIEF:

EU/US Trade: **European Equities closed higher** (UKX 0.3%, SX5E 0.7%, SXXP 0.6%), **outperforming the US** as Germany's spending plan passed in the Bundestag. Defence (3%) and Green Energy & Renewables (1.8%) were amongst key winners, with €100bn of the Infrastructure package being transferred to the Climate and Transformation Fund. Sectorally, Banks (2.2%) outperformed and Cyclicals (1.1%) led broader moves higher, with gains sustained despite the US selloff. EU rates were little changed (UK 2Y 1bp, 10Y 1bp, GE 2Y -1bp, 10Y -1bp), with the Bundestag vote largely anticipated. **US Equities closed lower** (SPX -1.1%, NDX -1.7%, RTY -0.9%), **ending the two-day rally streak.** Most sectors closed in the red, with the Trump/Putin call doing little to recover sentiment absent key ceasefire progress. Tech underperformed, dragged lower by Mag7 (-2.7%). This drove MOMO (-1%) lower via the long leg, as High Short Interest (-3.5%) pulled back. Overall, Cyclicals lagged Defensives (-2.7%). UST curve continued to steepen (2Y flat, 10Y -2bps) with all eyes on the Fed today.

Asia Trade: **APAC stocks were mixed (**NKY -0.3%, TPX 0.5%, HSI 0.1%, CSI 300 0.1%**).** In Japan, reaction to BoJ meeting was muted, with USDJPY little changed on announcement (rates kept unchanged). Equities gave back intraday gains towards close, with the yen unwinding earlier losses as the press conference kicked off. Defence (1.8%) was the main outperformer, in line with Europe, while Tech (-0.9%) was dragged by Semis (-2%), in line with US moves. Moves were muted in China, despite encouraging headlines that 'US will be friendly with China'. Strong earnings from Xiaomi and further Tech earnings this week did little to hold up the sector (HSTECH -0.8%), with Staples (2.1%) outperforming today. EU and US futures are mixed (SX5E -0.1%, SPX 0.1%).

CATALYSTS TODAY (WEEK AHEAD)

- **MACRO DATA: US:** MBA Mortgage Applications, TIC Flows; **EU**: EC F Feb CPI; **Asia:** Japan IP, Capacity Utilization, Machine Tool Orders
- **CENTRAL BANKS**: **ECB**: Villeroy, Centeno, Guindos, Elderson, **FED**: Rate Decision (Preview here); **BOJ**: Rate Decision; **BCB**: Rate Decision
- **EARNINGS: Asia**: Tencent

IDEAS & INSIGHTS

MARKET INTELLIGENCE IS NOT A PRODUCT OF RESEARCH

INTERNATIONAL MARKET INTELLIGENCE

GE FISCAL, WHAT IS PRICED IN FOR RU-UA, EU DEFENCE SUPPLY CHAIN, EU MACRO *(we pasted this in IB chats, let us know if us want to be in a chat with us)*

Our view is to stay **NET LONG Europe** with key exposure to GE factor (now picked up by ResVol) but alongside some SX5E PUT SPREAD hedge. On the **macro**, Another good ZEW print, confirming our view that we can see an INFLECTION in Europe (forward looking data good, lagging indicators still turbulent/mixed). The Expectation (51.6 vs 48.3 exp) vs Current Situation (-87.6 vs -80.5 exp, -88.5 prev) also tells you this. Of note, this is the **second March survey** after Sentix that reads well, and polls a different subset of respondents (Sentix is investors, ZEW is analysts/economists). We wait for EC Cons. Sentiment on Friday for further confirmation.

We are **optimistic GE FISCAL** should go through. The German const. court has rejected the new emergency suits and while it will look into these matters later, it won't stop parliament from taking a vote now. Meanwhile, the govt coalition from Bavaria stated that they will vote in favour of the package (a key variable to get to the 2/3 majority required in Bundesrat on Friday). Related to this, WATCH EUR/USD levels as this is seen as an important factor for **FURTHER ROTATION International/EM for US INVESTORS**. CTAs have been flipping long and fair value on rates models is 1.11. But don't forget there should be a tariff discount.

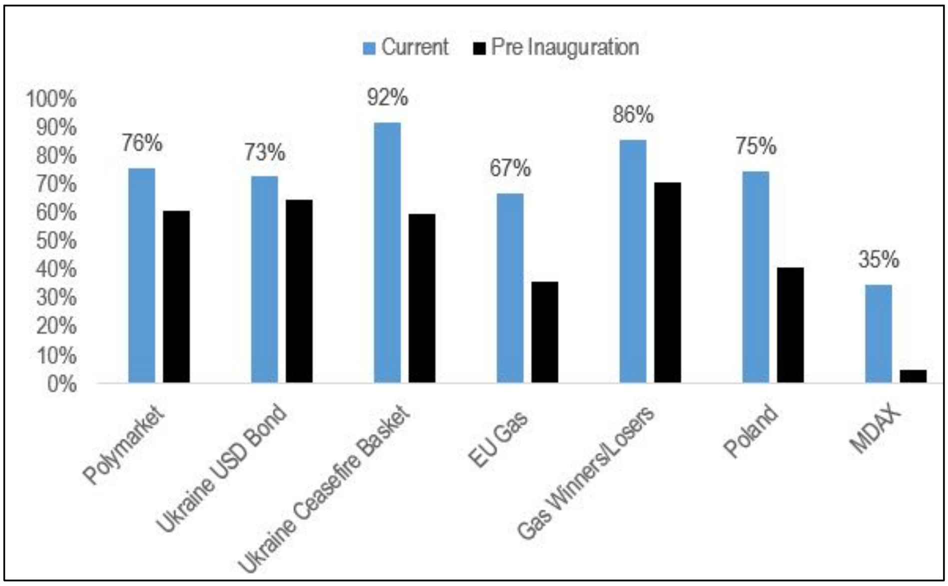
EU DEFENCE SUPPLY CHAIN. We like the EU Defence Secondary Winners basket (JPEUDEFS Index) and think it have some catchup potential. We added a bit yesterday morning to this theme. The below table compares basket upside relative to price targets (Core basket is JPEUDEFN Index).

	SECONDARY DEF WINNERS	CORE DEFENCE
basket wgted	9.53%	-7.6%
median	11%	-1.5%
mean	13%	-2.5%

Source: JPM D1

WHAT'S PRICED IN FOR RU-UA CEASEFIRE? The chart below attempts to do a comparison across different proxies. Of note, there is some dispersion within the RU-UA Ceasefire Basket. Poland (Wig20) has moved a lot in past 5 days and Research has flipped OW on the GEM portfolio.

PROBABILITY OF A CEASEFIRE PRICED IN (as of 18th of March morning)



Source: Int Mkt Intel

SALES & TRADING: ETFS (JONATHAN ROGERSON)

DIP BUYERS: Our investor base has participated heavily in dip-buying over the last two sessions, driven by asset allocators opportunistically repurchasing benchmark risk unloaded last week (IVV/VOO) and real money reloading in US Tech (IGV) and Midcap Growth (IWP). We are also seeing **demand return from overseas investors** (Asia/Japan) – these accounts were early sellers (late Feb) and are gradually reloading their US allocations here. None of the flow has felt panicky; if anything there has been more time pressure on the reloads than on the initial sales. One item to put a pin in: we have seen the **immense demand for Europe begin to subside**. Relative valuation differentials were a linchpin of the investment thesis here and the edge on that leg has been reduced with incredible speed – MSCI Europe (IEUR) outperforming SPX by 19% YTD, 13.5% over the last month. **China remains controversial**; our sense is that our investor base is watching the grind higher with extreme frustration – the post-Golden Week swoon in 24Q4 was tough for many who had chosen that moment to reduce generational underweights and there is hesitation to chase the rally here. Rather than picking favorites it may be worth looking at a more broad-based global allocation – ACWI (MSCI All-Country World, down 4.5% from the highs) and IXUS (Core MSCI International) are good names we can facilitate block demand in.

INDIA: MISPRICED INVESTMENT OPPORTUNITIES IN AN OVERSOLD MARKET! (**Abhinav Krishna, S&T).**
This is a sales Commentary (Not Research). Please reach out to Abhinav for full email chain on India.

Slowly but steadily India market is making a come-back, and some indicators are telling us that we are near an inflection point – 1) Nifty vol has come off and at YTD lows now; 2) US listed ADRs like HDB are finally witnessing the premium widening after a period of premium compression; 3) onshore we have seen 23% reduction in Foreign Inst. Investors ('FII') shorts in last 2 sessions; 4) post 17 consecutive sessions of net selling, FIIs turned net buyers (albeit small) in India cash market yesterday (+$80mn yesterday vs -$4bn MTD selling).

Further, we are also seeing initial signs of change in sentiment towards India market –

1) On our EDG desk, **we have seen Asia based HFs lifting call spreads on Nifty**, as a catch up trade vs rest of Asia peers and re-allocation out of US.
2) **At our Macro conference in Singapore last week, we got consensus feedback from Macro funds that they are turning incrementally positive on India** after the steep under-performance.

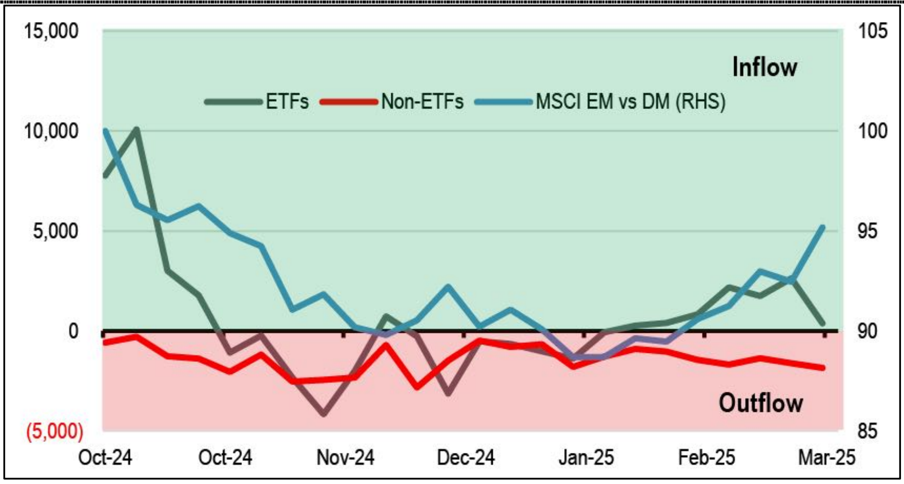
An immediate catalyst for the market will be getting clarity on US reciprocal tariffs around April 2nd which could give more conviction to global investors to add India exposure. From a strategy perspective we continue to prefer **Largecaps > SMIDs** & **Value > Momentum** in terms of style (per chart below this trade is doing very well). **We think Banks are the first play to gross up as macro environment is improving. Reach out for single stocks recommendations.**

JPM RESEARCH: EM EQUITY STRATEGY (HERE)

The read-across of **better European growth/stronger EUR is a positive for EM equities,** as long as the US doesn't go into a recession.

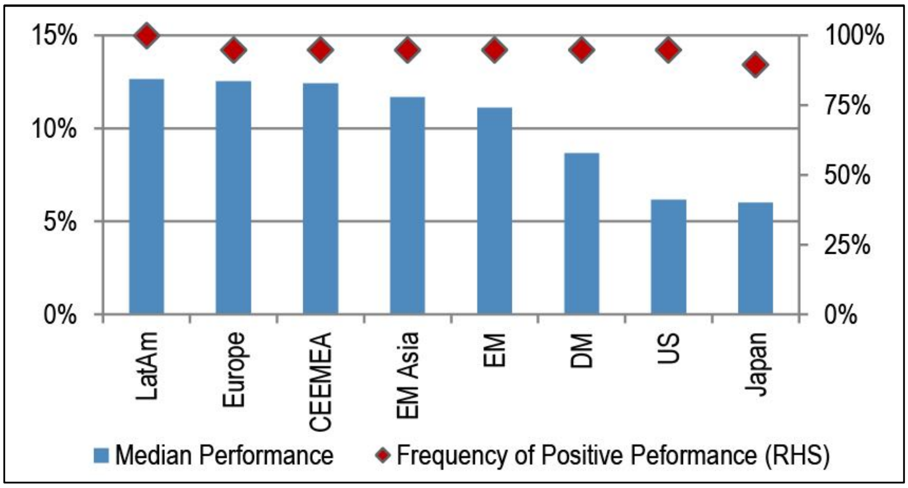
- As US retreats from its position as the linchpin of the global trade system, **cross-correlation of EMs will decline further and faster**. EM as a share of global equities AUM now stands at 5% versus 13% in 2010 and half of what a neutral allocation would be. Thus, global asset managers can comfortably double their EM allocations. **Inflows to EM ETFs** have been steadily positive since end-Jan. Still, this is a movement that is tentative but should firm once trade uncertainty declines some.
- **Which EMs win the most from the stronger EUR?** We looked for periods in the last 20 years when EUR rallied >5% versus the DXY. On these occasions, EM beats DM 89% of the time with a median performance of 11%. Unsurprisingly, the most geared markets are Hungary, Poland, Türkiye, and Czech Republic while the weakest performers were dollar-pegged Saudi Arabia, Kuwait and UAE as well as Egypt. The **best performing region overall is LatAm** while Industrials and Materials were among the best performing sectors whereas Communication Services and Healthcare were the laggards.
- Note also looks at **Emerging markets with higher correlation to European equities and Economic exposures of EM to Europe**
- **Other key asset allocation changes:** CEEMEA strategy team moved Poland from UW to OW (follow upgrade in GEM portfolio). Upgrade Brazil to OW vs. downgrade Mexico to N; Cut Taiwan to N; Downgrade South Africa to N; Downgrade MENA to N but stay OW UAE.

EM ETF INFLOWS POSITVE SINCE JAN EVEN IF REAL MONEY OUTFLOWS CONTINUE



*Source: EPFR Global, MSCI. *Excludes Onshore funds.*

GLOBAL & EM REGIONS – MEDIAN EQUITY PERFORMANCE DURING PERIODS OF EURO STRENGTH



Source: Bloomberg Finance L.P., J.P. Morgan

JPM RESEARCH: INTEREST RISING IN RUSSIA (HERE)

As a Russia-Ukraine ceasefire looks more likely to more investors, we are receiving questions on the Russian stock market. We look at: 1) the current state of play on the Moscow Exchange and 2) the possible path of index re-entry. We also look at the different kinds of ceasefire - good versus bad and how this might impact index re-entry. **We conclude best case MSCI re-entry would be June '27, but base case we expect it to be years later.**

MSCI Russia: In CEEMEA Strategy, we have a strong opinion that, as soon as Russia becomes investable again, MSCI will launch another "consultation with international institutional investors on the accessibility and investability." It will try to obtain "feedback from a large number of global market participants" and it will probably do what its clients want it to do. **However, MSCI has a framework on timing -** it's a 2 year process that starts in June. **Investors who expect a quick peace deal** could expect June of Year 0 to be three months away / EM index re-entry as soon as end-May 2027. However, in CEEMEA Strategy, we think that is too optimistic.

A "durable ceasefire" makes index re-entry more likely more quickly. However, we doubt the ceasefire will be good. And we think it will take a more comprehensive peace deal for both the US / UK / EU and Russia **to lift sanctions** on each other. We discussed what a durable ceasefire means here.

POSITIONING INTELLIGENCE INSIGHTS

POSITIONING INTELLIGENCE IS NOT A PRODUCT OF RESEARCH

Report: *Weekly Wrap* | In Search of Stability… Gross Lev Starts to Fall as Perf Improves

Summary: After a few challenging days at the end of last week and start of this week, HF fortunes improved a bit and gross flows reverted from large de-grossing to some gross additions in the past 3 days.

HF performance is -2.3% MTD (globally). More dramatically, we estimate that **N. Am. returns for market neutral Multi-Strats improved from -3.2% MTD as of Mon to -0.7% MTD as of Thurs.** N. Am. L/S funds are down ~3.5% MTD & -2.8% YTD, which is about half the decline in the SPX. EMEA and APAC returns are close to flat, as are Quant Equity returns globally MTD.

While it's hard to argue that much gross has been actively cut cumulatively in the past few weeks (despite sharp de-grossing for a few days), it's notable that **HF gross leverage is starting to fall**. All Strategies gross lev fell 7.4% WoW (91st %-tile on 12m basis and 98th %-tile on 5yr), while net leverage fell another 3.4% WoW (55th %-tile on 12m basis and 46th on 5yr). Among Equity L/S funds globally, gross lev fell 5.5% WoW to 72nd %-tile over last 12m and last 5yr), while net was about flat WoW.

The fact that gross leverage has been able to decline in the past few days is a sign that HF performance is healing. However, the lack of more significant de-grossing flows does suggest it's not clear whether the coast is clear.

One thing to note is that the **recent divergence between Equity L/S gross leverage at highs, while nets more moderate does not appear to be a great set-up for future market returns** over the next few months (though sample size is very small). I.e., the 3 times we've seen similar divergences were in mid-2018, early 2020, and early 2022.

That being said, there are **some reasons we could bounce in the near term due to depressed positioning**:

- **The aggregate level of US positioning is somewhat low:** Our US Tactical Positioning Monitor shows the 12m z-score at about -2z and the longer term metric is down to -0.6z or the 20th %-tile since 2015 (the longer-term level is similar to lows seen in the early part of the drawdown in 1Q22 as well as Oct '23, but well above very low levels in 1Q16, 4Q18, 1Q20, 2/3Q22).

- **HF net leverage has fallen by 2z over both the last 4wks and last 8wks** when looking across All Strategies. This has often been followed by a near-term bounce, but the medium term outlook is still mixed.

- **CTA positioning in US equities appears to be net short (in line with late Oct '23 lows)** and just the 15th %-tile since 2002

Outside the US, the HF de-grossing in **Europe** has eased in recent days, though still a -1.8z event over the past 5d. In addition, HF net flows are starting to turn more negative in Europe. However, the **most negative net flows in the past week were in HK stocks (-3z net selling)** as performance came off recent highs.

MARKETS

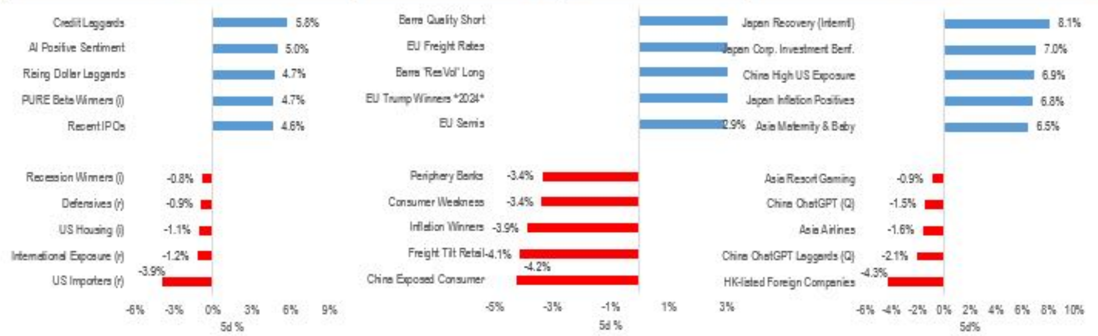
Equities				
US	1d%	5d%	20d%	YTD%
S&P500	-0.3%	1.6%	-7.8%	12.1%
Nasdaq	-0.4%	1.9%	-11.1%	10.1%
Russell 2000	-0.5%	1.6%	-10.4%	-3.9%
Europe				
DAX	0.7%	4.3%	1.6%	31.6%
FTSE MIB	0.4%	3.9%	1.4%	29.5%
Stoxx 50	0.4%	2.9%	-1.7%	18.8%
FTSE 100	0.3%	2.6%	-0.3%	10.0%
CAC 40	0.2%	1.8%	-1.6%	5.2%
Asia				
HSI	2.2%	3.8%	7.4%	44.8%
CSI 300	0.3%	1.7%	2.4%	16.8%
Nikkei 225	1.2%	2.9%	-3.6%	13.1%

US Eq Factors				
Thematic	1d%*	5d%	20d%	YTD%
PURE Momentum	-1.4%	2.3%	-5.2%	36.8%
Recession L/S	-0.8%	-3.1%	3.7%	6.8%
Cycl v Def	0.4%	4.9%	####	0.9%
Styles				
PURE Size	-0.4%	0.3%	1.6%	8.0%
PURE Growth	0.0%	-0.8%	-3.1%	5.9%
PURE Quality	-0.7%	-2.2%	-1.6%	2.1%
PURE Value	-0.5%	-0.5%	0.2%	-5.4%
PURE Beta	0.6%	2.8%	-12.0%	-15%
Macro				
PURE Commodities	0.3%	1.4%	6.0%	19.5%
PURE Inflation	0.0%	1.3%	-0.9%	3.4%
PURE Rate	0.4%	0.8%	-5.3%	2.7%

FICC				
Bonds	1d%	5d%	20d%	YTD%
US 10Y	0.0%	-0.2%	1.6%	-3.4%
JGB 10Y	0.0%	0.1%	0.0%	-3.6%
Bund 10Y	-0.2%	0.5%	-2.6%	-7.3%
FX				
USD/JPY	0.4%	1.4%	-1.5%	6.3%
DXY	0.1%	0.1%	-3.3%	2.1%
GBP/USD	-0.1%	0.2%	2.9%	2.0%
USD/CNH	0.1%	0.1%	-0.6%	1.5%
EUR/USD	0.0%	0.0%	4.5%	-1.1%
Commodities				
Gold	0.5%	3.5%	3%	46.2%
Copper	-0.1%	4.0%	7%	21.5%
Brent	0.6%	2.8%	-5.0%	4.5%

Equity Macro Thematic Baskets (top/bottom 5, 5d%)

US | Europe | Asia



Note: US/Europe Equities are futures this morning

Source: Bloomberg and J.P. Morgan D1. For Information on the thematic baskets, please contact D1_NA@jpmorgan.com, D1_EMEA@jpmorgan.com and D1_ASIA@jpmorgan.com

JPM RESEARCH WATCH

LINKS TO REGULAR JPM RESEARCH MACRO PUBLICATIONS: Strategy:, *Equity Strategy*, *Global Fixed Income Markets Weekly*, *Oil Markets Weekly*, *FX Markets Weekly* Eco: *Global Data Watch*, *US Weekly Prospects*, *China Monthly Data Outlook*

2025 Outlooks

- https://www.jpmm.com/research/content/GPS-4685052-0*Year Ahead Outlook*
- https://www.jpmm.com/research/content/GPS-4685052-0*Global Equity Outlook*
- https://www.jpmm.com/research/content/GPS-4685052-0*Global Economic Outlook*
- *Global FX Outlook*
- https://www.jpmm.com/research/content/GPS-4685052-0*Global Fixed Income Markets Outlook*
- *Global Commodities Outlook*
- https://www.jpmm.com/research/content/GPS-4685052-0*Emerging Markets Outlook and Strategy*
- *US High Grade Credit Outlook*
- *US High Yield Bond and Leveraged Loan Outlook*
- *European Credit Outlook*
- https://www.jpmm.com/research/content/GPS-4685052-0*US Fixed Income Outlook*

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Fusion by J.P.Morgan

Market Intelligence

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Data Intelligence

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Positioning Intelligence

Proprietary positioning and flows-based data and analysis, leveraging the J. P. Morgan Prime book, Retail investor and ETF flows. Data sets including positioning, flows, crowding, leverage, performance and alpha, and grouped by sector, industry, factor, and strategy

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Our data toolkit

By leveraging proprietary data and signals from our industry-leading Markets business, we utilize a combination of tools to inform our insights and trade ideas including equity market timing indicators, positioning, flows and sentiment. ***These toolkits are available to our institutional clients via written and audio content, automated daily emails and via API feed from the J.P. Morgan DataQuery application & Fusion platform.***

More details on our flagship datasets ***Signal from the Noise****,* ***Tactical Positioning Monitor****,* ***Through the Retail Lens, Strategic Index Fundamental Toolkit (SIFT)*** *and* ***Quantitatively Selected Themes (QUEST)*** *are shown below. Contact us* *here* *if you would like access to the datasets or to learn more.*

Signal from the Noise

Signal from the Noise reflects market timing signals for the US equity market (S&P 500) based on fundamental and (externally derived) positioning data. For the framework to be bullish on the S&P500, either the Positioning or Fundamental signals need to be flashing ‘Strong Buy’ (and likewise for a low conviction bullish view). The ‘Strong Buy’ strategy demonstrated an 8.6% annual return and 1.7x Sharpe ratio (69% per trade hit ratio) from 2010 to 2021.

Tactical Positioning Monitor

Tactical Positioning Monitor (TPM) reflects the level of broader positioning data. For the framework to be bullish on the S&P500, short-term positioning data points either need to be very light (-1.5z), or rising (+1.5z) but with markets below peaks. The strategy demonstrated an 8.9% annual return and 1.0x Sharpe ratio (69% per trade hit ratio) from 2015 to 2021.

Through the Retail Lens

Through the Retail Lens focuses on US retail trading activity and social media sentiment. The product combines proprietary and high frequency retail flow data from our *QDS Research* colleague *Peng Cheng*, with sentiment analysis of retail social media activity, at a market, sector, thematic basket and single stock level.

Bull / Bear Buzz

***Bull / Bear Buzz** data set shows market sentiment across web & social media sources, leveraging an extensive pre-defined 'bag of words' for market sentiment, and aggregated using big data techniques.*

Strategic Indices: Fundamental Toolkit (SIFT)

SIFT (Strategic Indices: Fundamental Toolkit) is a proprietary toolkit of 21,000 aggregate global equity indices with an extensive cross section of 46 different metrics including risk, valuation, debt, profitability, and investment, across each index from the 1960s – created by our colleagues in the *J.P. Morgan Equities Structuring team.* With its comprehensive metrics and long history, the database can be used for a variety of investment analyses for the market, sectors & factors.

QUEST (Quantitatively Selected Theme)

QUEST (Quantitatively Selected Themes) is a proprietary NLP-based JPM toolbox used for identifying & screening for topical and structural investment themes in the market – created by our colleagues in the *J.P. Morgan Equities Structuring team*, in partnership with the *J.P. Morgan Chief Markets Strategist Marko Kolanovic and team*. The database is comprehensive and customizable, and allows clients to screen for themes at a granular level across a wide universe of stocks.

Access all of this and more through J.P. Morgan's *DataQuery* application and *Fusion* platform.

DataQuery application allows investors to develop, back-test and validate new investment ideas with 500+ datasets, integrated analysis tools, and advanced analysis & visualization. The application offers an extensive data history, broad asset coverage and integrated analysis and visualization tools.

Fusion delivers end-to-end data management and reporting solutions, enabling investors to leverage the power of clean, interoperable data to maximize operational efficiencies. The platform allows clients to seamlessly integrate and combine data from multiple sources into a single data model that delivers the benefits of scale and reduced costs, along with the ability to more easily unlock timely analysis and insights.