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## US Equity Strategy

### Market Update, Earnings, Reopening Theme

We remain constructive on equities and see the latest round of growth and slowdown fears premature and overblown. Even though equity leadership and bonds are trading as if the global economy is entering late cycle, our research suggests the recovery is still in early-cycle and gradually transitioning towards mid-cycle. While the second derivatives of macro-cyclical indicators in US and Asia (JPM QMIs, Figure 6 and Figure 7) appear to be cresting, going from exaggerated low levels to seemingly extreme high levels, we believe this does not signal the beginning of a down cycle but rather a transition to a more sustained cycle. Continuation of US recovery is rooted in the improving labor market (healthy job gains and wage growth), still very strong consumer setup (i.e. record household savings and wealth), healthy corporate fundamentals with strong pricing power, supportive global central bank policies which continue to prioritize employment growth over inflation fears (e.g. last week Powell again confirmed the Fed's dovish stance, ECB announced new monetary policy strategy, PBOC reduced required reserve ratio), and further potential for broadening fiscal policies (e.g. infrastructure spending, child-care tax).

Global reopening has taken a step back recently on account of re-emerging COVID-19 fears (i.e. Delta variant), but as detailed in our recent research ([Market Commentary: Delta Variant](#)) we remain of the view that this latest wave will not derail the broader reopening process. While cases have gone up, deaths / hospitalizations remain low and stable due to broadening vaccination rollout and self-immunity from prior waves. As argued previously, reopening of the economy is not an event but rather a process, which in our opinion is still not priced-in, and especially not now given recent market moves. For instance, an increasing number of reopening stocks are now down 30-50% from 1Q21 highs (i.e. travel, cruise lines, oil) and some have reversed back to last year June levels when COVID-19 uncertainty and economic setup were vastly worse than today. Given the above, we see increasingly compelling risk/reward for the reopening theme, which can be expressed through Consumer Recovery (JPAMCONR <Index>), Domestic Recovery (JPAMCRDB <Index>) and International Recovery (JPAMCRIB <Index>) baskets, see Fig 1. Global mobility remains nascent and its normalization will continue to release pent-up demand. Similarly, tight inventories and new orders bode positively for global growth.

We are revising higher our EPS estimates by an additional \$5 to \$205 for 2021 and raising our long-held 2021 year-end price target of 4,400 to 4,600. At a thematic/sector level, the risk/reward for reopening stocks has improved significantly with the recent pullback creating many unusually attractive opportunities for investors to re-enter various parts of the cyclical cohort. Consumer Discretionary (i.e. Retail, Travel & Leisure), Semis, Banks and Energy are strong buys at current levels. For instance, large-cap Energy is now trading at a ~10% FCF yield and a >8% FCF/EV yield at \$70 Brent in 2022, with leverage that is <1x (see [Report](#)). The sector has increasing potential for a sharp short squeeze and move higher, given its extreme disconnect from oil fundamentals (i.e. widest in 30+ years, Figure 10). In addition, our Semiconductor research (see [Report](#)) argues that we are only 30-40% of the way into the current semiconductor upcycle and expect strong Y/Y growth into next year with positive EPS revisions for the next 3-4 quarters. Supply will likely remain tight into 2022, while demand remains strong (20-40% above companies' ability to supply), thus this supply demand imbalance will persist through 2021. Although customers are responding to tight supply with higher than needed orders, ongoing supply tightness is

**See page 13 for analyst certification and important disclosures.**

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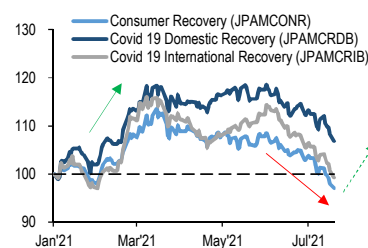
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J.P. Morgan Securities LLC

**Fig 1: Recovery Themes Give Back Most YTD Gains**

Perf. Rebased to 100 vs. Market



Source: J.P. Morgan US Equity Strategy & Global Quantitative Research, Bloomberg Finance L.P.

Bloomberg subscribers can use the tickers JPAMCONR, JPAMCRDB, JPAMCRIB to access tracking information on baskets created by the J.P. Morgan Delta One desk to leverage the themes discussed in this report. Over time, the performance of JPAMCONR, JPAMCRDB, JPAMCRIB could diverge from returns quoted in our research because of differences in methodology. J.P. Morgan Research does not provide research coverage of these baskets and investors should not expect continuous analysis or additional reports relating to them. For more information, please contact your J.P. Morgan salesperson or the Delta One Desk.

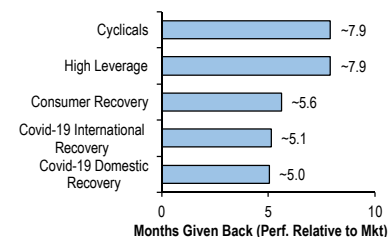
limiting fulfillment. In fact, JPM expects channel and customer inventories to decline Q/Q again in the just completed June quarter.

**Growth stocks (including mega-cap tech) were screening GARP in 2Q based on our analysis** (see [Momentum Unwind](#), [Extreme Style Correlations](#)), **have since re-rated substantially on a relative basis and are no longer that straightforward of a trade.** Over this period, Sectors and Themes tied to Growth have significantly outperformed and are now increasingly vulnerable to yields normalizing off of current low levels and to profit taking as we enter earnings season. Growth cohort has benefited from multiple re-rating on account of collapsing yields, but we don't expect that to continue if bond market strength persists. Yields moving lower (i.e. 10-year yield towards 1%) poses a risk for the overall market. However, that is not our house view, which expects yields to normalize and retrace higher as we go deeper into 2H21. We see attractive entry points for Reopening, Reflation, Small Cap, Oil Themes also given that systematic positioning in these markets has largely-to-fully reversed (i.e. CTA signals are max long bonds, unwound their oil longs). A reversal of these signals could easily amplify moves in the opposite direction.

**S&P 500 should be supported by strong earnings growth and capital return until 2023.** Our earnings optimism is far from fully reflected in consensus estimates, which we see correcting with positive revisions and earnings beats in coming quarters. We are adjusting our above consensus S&P 500 EPS by another \$5 for 2022 to \$230 (consensus \$214) and 2023 to \$250 (consensus \$233). This revision is largely due to global reopening which is delayed and bound to release further pent-up demand, inventory replenishment, rising profitability for Energy companies, and ongoing policy actions (childcare, infrastructure, etc). We expect cumulative revenue growth of ~30% by 2023 relative to pre-COVID (FY 2019), ~150bp net income margin expansion to a record high at over 13%, and gross buybacks nearing an annual pace of ~\$1t during this period. While all sectors are expected to contribute to earnings growth, we expect reflation sensitive sectors (Commodities, Financials, Industrials) and Consumer to do the heaviest lifting in the coming quarters in terms of beats and revisions. In line with our outlook for strong earnings growth and low rates, corporates have already increased gross buybacks from pandemic era low of \$525b (trailing twelve months as of 1Q21) to an annualized run rate of ~\$775b YTD and should surpass previous record of ~\$850b (as of 1Q19). Considering this outlook for earnings and shareholder return, we are raising our Price Target to 4,600 for year-end 2021.

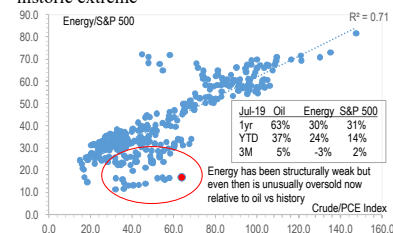
- **2Q earnings season — consensus sales and margins estimates are again too low for the quarter and we expect growth and shareholder return estimates to adjust sharply higher.** The Consumer-led demand recovery is strengthening, see [The US Consumer](#). This coupled with expected increase in global mobility suggests that estimates are too conservative for this quarter and beyond. Take 2Q for an example, which is seasonally stronger than 1Q for S&P 500 companies, consensus is assuming q/q revenue growth of only +0.9% (+0.7% ex-Energy). In our view, this aggregate growth dismisses the steady reopening in the US, pent-up demand, and strong pricing seen across Commodities to Retail. At the sector level, the most surprising revenue growth estimate is for Energy where consensus is assuming positive 3% q/q growth at a time when oil price and demand were both up double-digit in 2Q. We find consensus margin assumptions are also low when it assumes ~90bp q/q margin compression. While the benefit of NOLs is certainly fading and inability to pass on rising input costs is a risk for a short list of S&P 500 companies, in aggregate net income margins should remain well-supported and costs should be offset by pricing power and operating leverage. Also, households are well positioned to absorb rising costs given elevated household savings and strong labor market. Overall, greater than 10% earnings surprises and positive guidance on revenue and margin estimates this earnings season should help dismiss some perceived fears around stalling growth momentum, especially ahead of what should be a record setting back-to-school and holiday season in the US.

**Fig 2: How Many Months of Relative Performance Have Been Given Back?**  
JPM Baskets



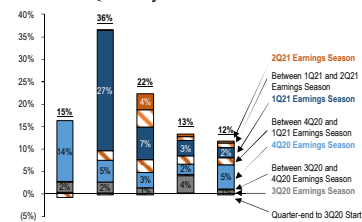
**Fig 3: Energy is Oversold Relative to Oil**

Disconnect between crude price and Energy is at historic extreme

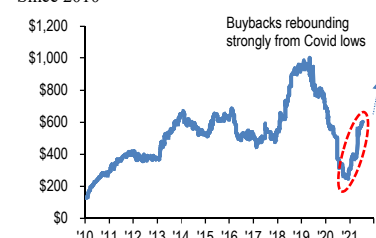


**Fig 4: Forward Earnings Revisions Lagging Actual Earnings Surprises**

S&P 500 Quarterly Consensus Est. Revisions



**Fig 5: Rolling 12M Buyback Announcements Since 2010**

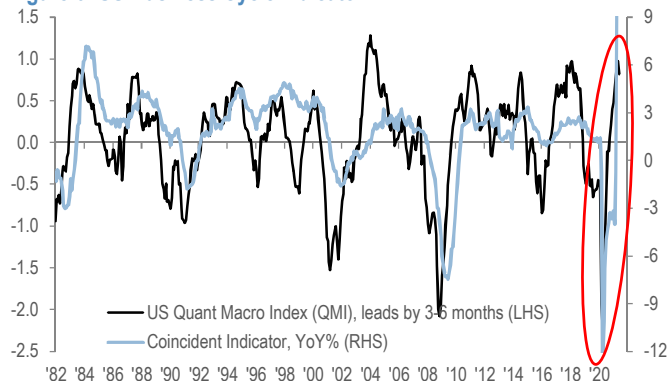


Source: J.P. Morgan US Equity Strategy & Global Quantitative Research, Bloomberg Finance L.P.

- **Expecting a boom in shareholder return led by buybacks.** Buybacks are re-emerging as a key theme with net buyback activity significantly improving this year after bottoming in 2Q20. Corporate buyback announcements, typically a leading indicator of buyback execution activity and corporate confidence, have already well-exceeded 2020 levels (\$431B YTD vs. \$307B 2020, see Figure 25). In fact, the rebound in announcement activity is similar to the surge post-TCJA (see Figure 23) which is tracking towards and it is likely to easily surpass ~\$650B by year-end and likely to see rolling 12-month announcements surpass prior record level of ~\$1T. Historically, buyback announcements have been concentrated within Technology and Financials. However, YTD we are seeing strong announcement activity from Communications as well (driven by GOOGL ~\$50B in Apr). As a reminder, ~\$90B of Tech's \$133B in announcements YTD is supported by AAPL and ~\$25B of Financial's ~\$92B is supported by BAC. With the June 30th lifting of pandemic era restriction on US Banks, we could see some further pick-up in buyback announcements. Dry powder (i.e. announced repurchase programs not yet executed) levels have been recovering to pre-pandemic levels (~\$658B, see Figure 27) as executions have been relatively slower to rebound but should show a material sequential growth in the coming quarters. With record profit margins (~13% in 2022 vs ~11.5% in 2019), bloated cash levels of \$2.0T ex-financials (vs. \$1.6T pre-COVID), and lower high grade debt yields (JULI at 2.6% now, vs 3.3% pre-pandemic), we are expecting a boom in buyback activity over the next year. Gross buybacks should surpass the prior executed high of \$850b. Assuming \$875b in buybacks and dividend income of \$575 over the next year, the expected shareholder yield is 3.9%. This is a significant cross-asset valuation support for equities at a time when 10yr US bonds are yielding 1.2% and \$13 trillion of global debt has a negative yield ([Yield Monitor](#)).

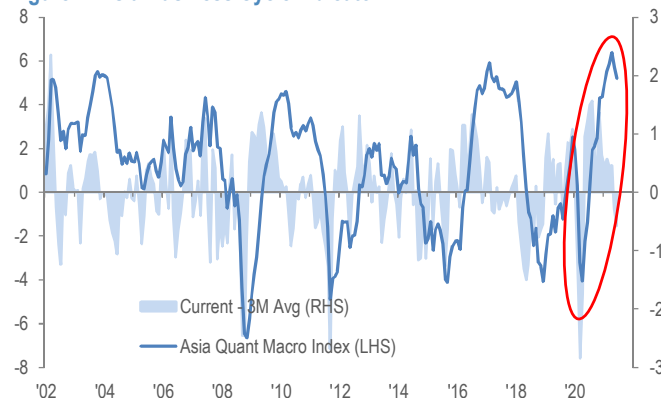
## Business Cycle Recovery Still in Early Cycle

Figure 6: US Business Cycle Indicator



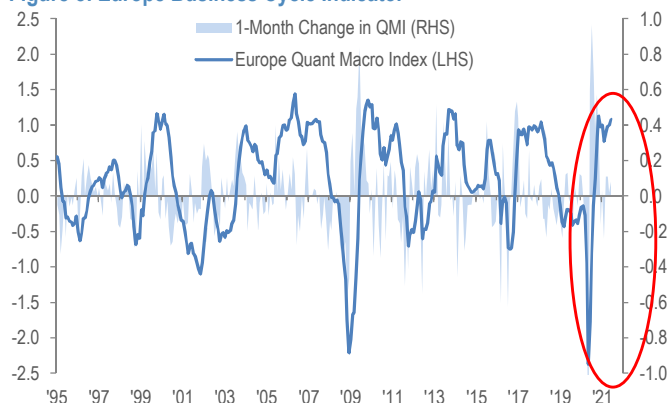
Source: J.P. Morgan US Equity Strategy & Global Quantitative Research

Figure 7: Asia Business Cycle Indicator



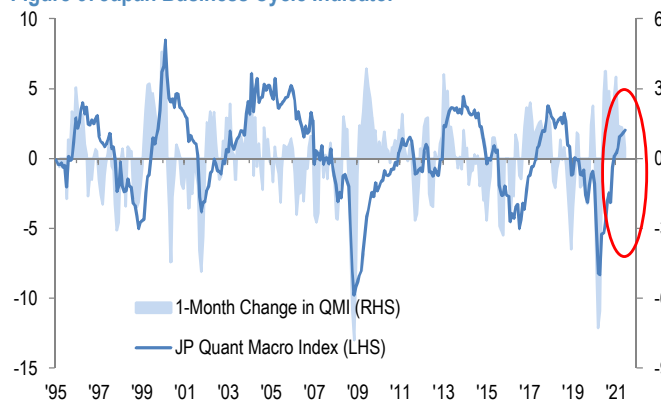
Source: J.P. Morgan US Equity Strategy & Global Quantitative Research

Figure 8: Europe Business Cycle Indicator



Source: J.P. Morgan US Equity Strategy & Global Quantitative Research

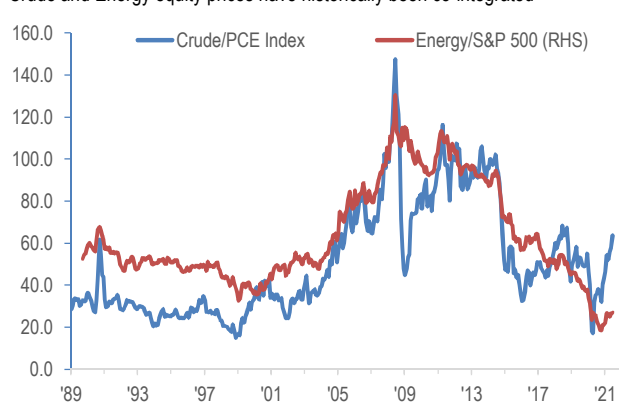
Figure 9: Japan Business Cycle Indicator



Source: J.P. Morgan US Equity Strategy & Global Quantitative Research

Figure 10: Oil Price and Energy Sector Move Together

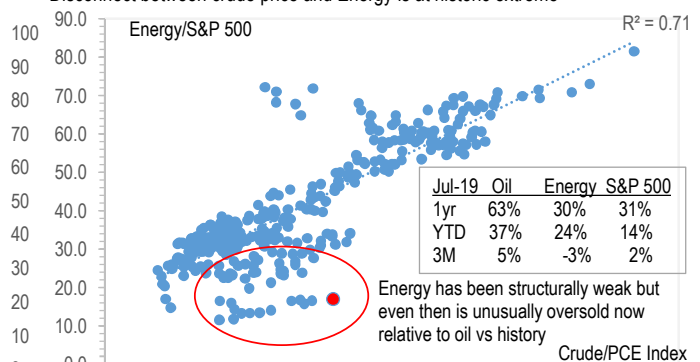
Crude and Energy equity prices have historically been co-integrated



Source: J.P. Morgan US Equity Strategy & Global Quantitative Research, Bloomberg Finance L.P.

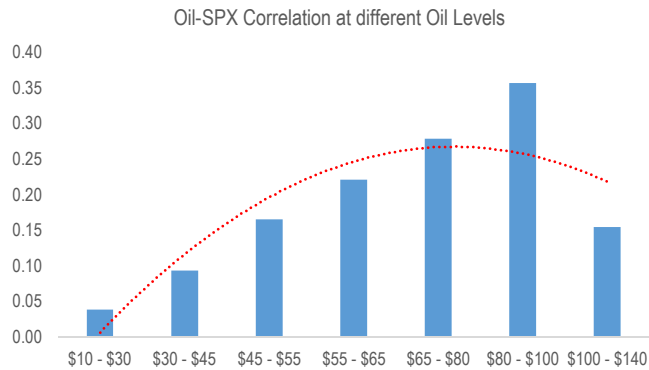
Figure 11: Energy Is Oversold Relative to Oil

Disconnect between crude price and Energy is at historic extreme



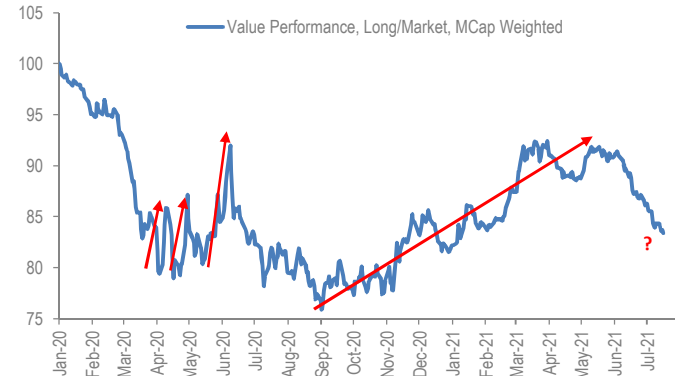
Source: J.P. Morgan US Equity Strategy & Global Quantitative Research, Bloomberg Finance L.P.

**Figure 12: Oil Correlation with SPX Varies at Different Levels of Oil**  
Quarterly avg, based on daily returns correlation



Source: J.P. Morgan US Equity Strategy & Global Quantitative Research

**Figure 13: Value Underperformance as Yields Lowered**  
S&P 500, Quintile Portfolio, Sector Neutral

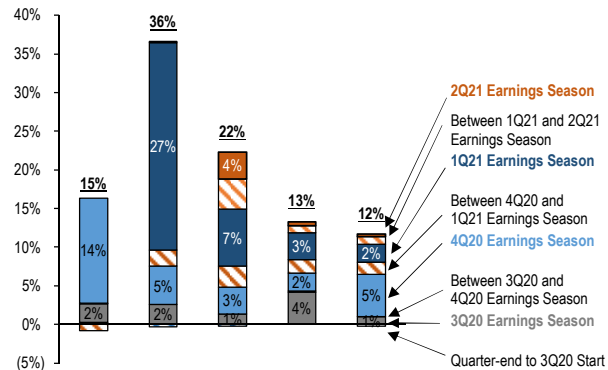


Source: J.P. Morgan US Equity Strategy & Global Quantitative Research

## Fundamentals Remain Upbeat

**Figure 14: Forward Earnings Revisions Lagging Actual Earnings Surprises**

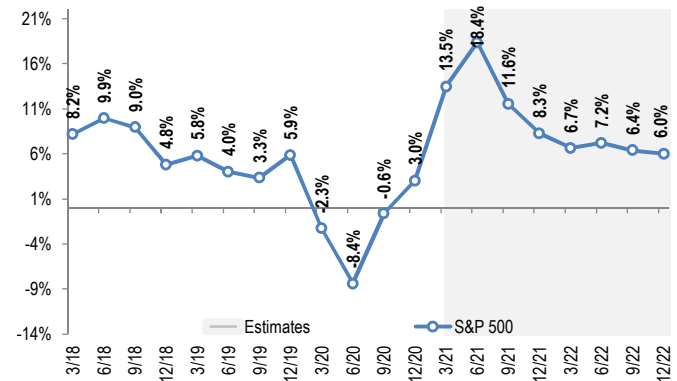
S&P 500 Quarterly Consensus Estimate Revisions



Source: J.P. Morgan US Equity Strategy & Quantitative Research, Factset

**Figure 15: Sales Growth — Strong Pent-up Demand**

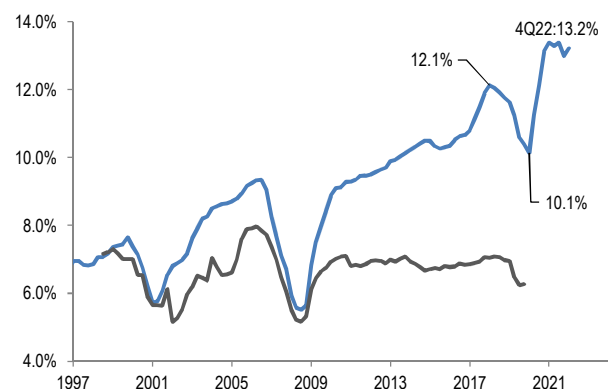
S&P 500 Actual and Consensus Estimates



Source: J.P. Morgan US Equity Strategy & Global Quantitative Research

**Figure 16: Margin Expansion (100bp+ Higher than Prior High)**

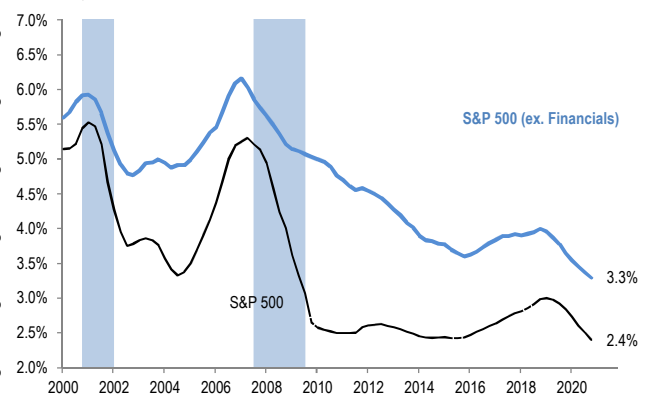
S&P 500 Actual and Consensus Net Income Margin



Source: J.P. Morgan US Equity Strategy & Global Quantitative Research

**Figure 17: Interest Costs Drifting Lower with Debt Roll**

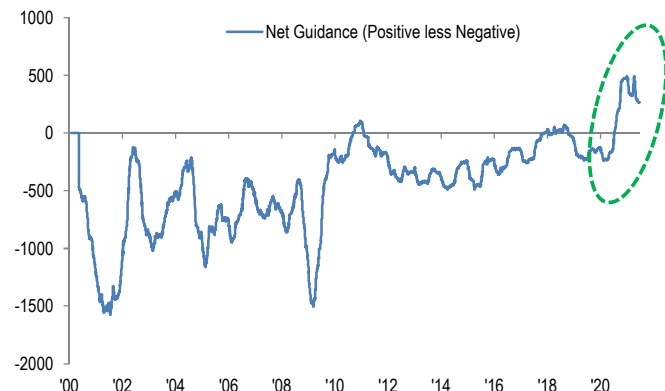
as of 1Q21



Source: J.P. Morgan US Equity Strategy & Global Quantitative Research

**Figure 18: Corporate Guidance Very Strong YTD**

Total Up less Down Guidance



Source: J.P. Morgan US Equity Strategy & Global Quantitative Research, Bloomberg Finance L.P.

**Figure 19: Expecting Double-Digit Beats Again**

1Q21 and 2Q21 Actual vs. Estimated EPS Growth

	1Q21 EPS Growth			2Q21 EPS Growth		
	04/2021	Current	Delta	07/2021	Current	Delta
Discretionary	99.0%	226.1%	127.1%	270.9%	285.0%	14.1%
Staples	0.3%	11.1%	10.8%	10.1%	11.7%	1.6%
Energy	-5.1%	28.0%	33.1%	225.5%	224.0%	-1.5%
Financials	68.9%	138.0%	69.1%	100.3%	134.2%	33.9%
Healthcare	17.9%	26.7%	8.8%	10.8%	12.4%	1.6%
Industrials	-13.4%	3.0%	16.4%	568.5%	589.1%	20.6%
Materials	47.0%	62.4%	15.4%	115.2%	118.9%	3.7%
Real Estate	0.2%	5.8%	5.6%	24.7%	25.7%	1.0%
Technology	24.3%	44.9%	20.6%	31.6%	31.8%	0.2%
Communication Svcs	13.6%	53.1%	39.5%	39.8%	40.2%	0.4%
Utilities	2.6%	-0.9%	-3.5%	-0.9%	-0.7%	0.2%
<b>S&amp;P 500</b>	<b>24.2%</b>	<b>52.8%</b>	<b>28.6%</b>	<b>65.4%</b>	<b>72.2%</b>	<b>6.8%</b>

Source: J.P. Morgan US Equity Strategy & Global Quantitative Research



Figure 20: Net Income Margins by Sector

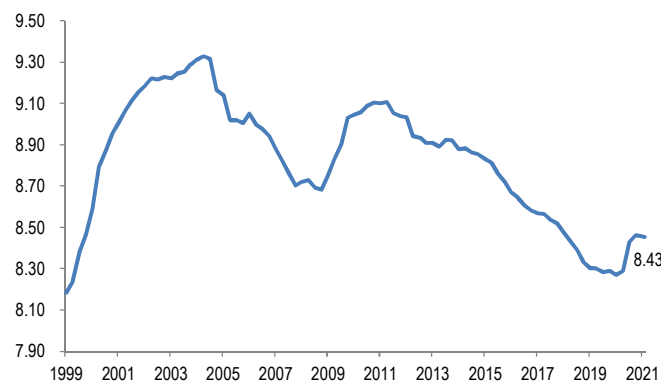
	Actual Net Income Margin				Consensus Estimates						
	2020/2C	2020/3C	2020/4C	2021/1C	2021/2C	2021/3C	2021/4C	2022/1C	2022/2C	2022/3C	2022/4C
Energy	-9.2%	-0.9%	-0.3%	4.5%	6.0%	6.8%	6.6%	6.8%	7.4%	7.6%	7.2%
Materials	7.5%	8.1%	8.9%	10.9%	13.9%	13.2%	12.0%	10.9%	12.3%	11.3%	10.5%
Industrials	3.2%	6.8%	7.7%	6.9%	8.6%	9.9%	10.0%	9.7%	11.2%	11.3%	11.0%
Discretionary	2.7%	7.3%	6.0%	7.9%	6.8%	7.2%	6.8%	8.1%	8.8%	9.1%	7.9%
Staples	7.2%	8.4%	7.2%	7.4%	7.4%	8.0%	7.4%	7.5%	7.7%	8.3%	7.7%
HealthCare	10.3%	9.9%	9.3%	11.0%	10.0%	9.8%	9.4%	10.3%	10.2%	10.4%	9.9%
Financials	9.9%	17.8%	21.4%	26.2%	23.5%	19.6%	19.9%	19.9%	19.5%	19.2%	19.8%
Technology	21.4%	22.9%	24.8%	25.3%	23.6%	23.8%	25.1%	24.3%	24.2%	25.0%	26.1%
Communication	13.3%	15.3%	16.8%	18.8%	15.8%	15.4%	16.1%	17.3%	16.1%	16.5%	18.0%
Utilities	10.9%	10.6%	8.9%	7.1%	11.9%	13.0%	8.0%	9.8%	10.2%	12.3%	11.7%
<b>S&amp;P 500</b>	<b>8.9%</b>	<b>11.3%</b>	<b>12.0%</b>	<b>13.6%</b>	<b>12.7%</b>	<b>12.4%</b>	<b>12.5%</b>	<b>12.8%</b>	<b>12.9%</b>	<b>13.2%</b>	<b>13.3%</b>
<b>ex-Energy</b>	<b>9.8%</b>	<b>12.1%</b>	<b>12.7%</b>	<b>14.3%</b>	<b>13.2%</b>	<b>12.9%</b>	<b>12.9%</b>	<b>13.3%</b>	<b>13.3%</b>	<b>13.7%</b>	<b>13.7%</b>

	Incremental Net Margin — YoY Change in BP				Consensus Estimates						
	2020/2C	2020/3C	2020/4C	2021/1C	2021/2C	2021/3C	2021/4C	2022/1C	2022/2C	2022/3C	2022/4C
Energy	-1505bp	-637bp	-499bp	110bp	1527bp	776bp	695bp	233bp	134bp	78bp	57bp
Materials	-259bp	-47bp	124bp	388bp	639bp	506bp	312bp	-1bp	-153bp	-182bp	-144bp
Industrials	-765bp	-431bp	-238bp	-55bp	547bp	304bp	235bp	277bp	250bp	143bp	98bp
Discretionary	-482bp	-81bp	-97bp	481bp	419bp	-8bp	77bp	20bp	194bp	188bp	116bp
Staples	-29bp	59bp	-8bp	62bp	24bp	-42bp	18bp	10bp	33bp	38bp	31bp
HealthCare	52bp	44bp	17bp	163bp	-28bp	-7bp	17bp	-72bp	18bp	56bp	46bp
Financials	-1042bp	-56bp	305bp	1471bp	1361bp	177bp	-149bp	-625bp	-399bp	-35bp	-12bp
Technology	-34bp	66bp	131bp	357bp	222bp	91bp	33bp	-99bp	58bp	120bp	105bp
Communication	-185bp	29bp	68bp	519bp	250bp	12bp	-66bp	-147bp	33bp	103bp	186bp
Utilities	328bp	-206bp	-108bp	-641bp	100bp	241bp	-90bp	271bp	-165bp	-68bp	372bp
<b>S&amp;P 500</b>	<b>-310bp</b>	<b>-58bp</b>	<b>23bp</b>	<b>394bp</b>	<b>377bp</b>	<b>109bp</b>	<b>51bp</b>	<b>-78bp</b>	<b>24bp</b>	<b>81bp</b>	<b>80bp</b>
<b>ex-Energy</b>	<b>-286bp</b>	<b>-46bp</b>	<b>28bp</b>	<b>412bp</b>	<b>341bp</b>	<b>80bp</b>	<b>25bp</b>	<b>-100bp</b>	<b>16bp</b>	<b>79bp</b>	<b>78bp</b>

Source: J.P. Morgan US Equity Strategy & Global Quantitative Research

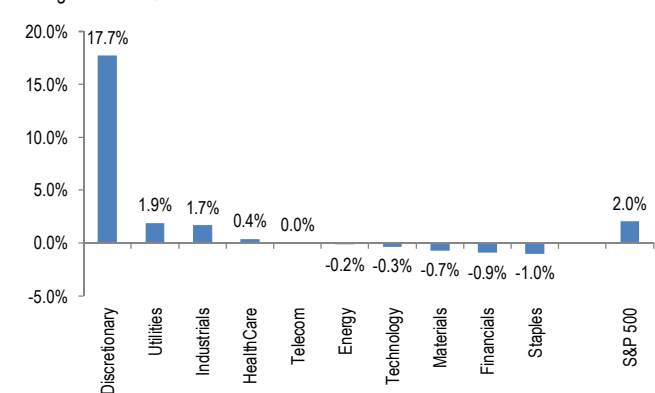
Figure 21: S&P 500 Share Count Should Decline Sharply Next 24mos with Pickup in Buybacks and Lower Issuance Activity

S&P 500 Divisor



Source: J.P. Morgan US Equity Strategy & Global Quantitative Research

Figure 22: Divisor Increase Due to COVID-epicenter Consumer Stocks Change since 4Q2019

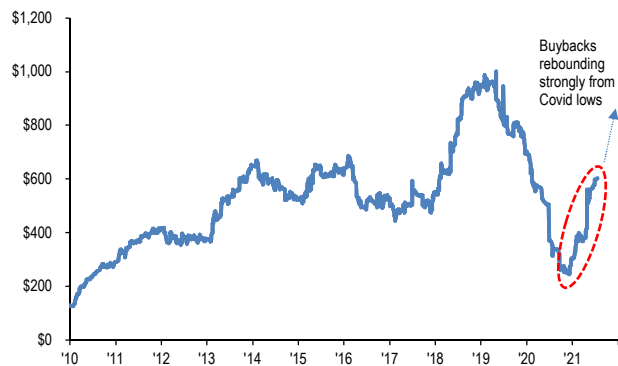


Source: J.P. Morgan US Equity Strategy & Global Quantitative Research

## Shareholder Payouts to Strengthen Led by Buybacks

Figure 23: Rolling 12M Buyback Announcements

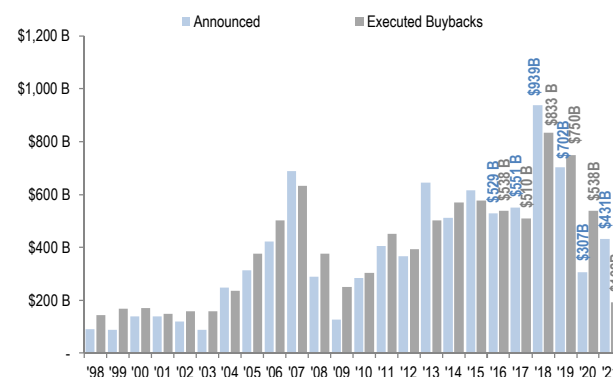
Since 2010



Source: J.P. Morgan US Equity Strategy & Global Quantitative Research, Bloomberg Finance L.P., Factset

Figure 24: Announced vs. Executed Buybacks

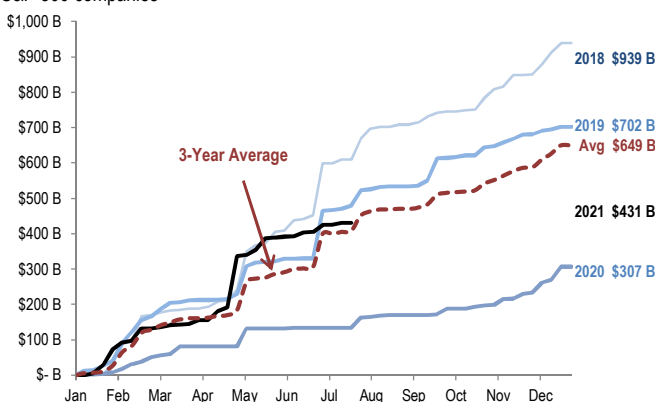
\$ in billions



Source: J.P. Morgan US Equity Strategy & Quantitative Research, Bloomberg Finance L.P., Factset

Figure 25: \$ Announced Share Repurchases

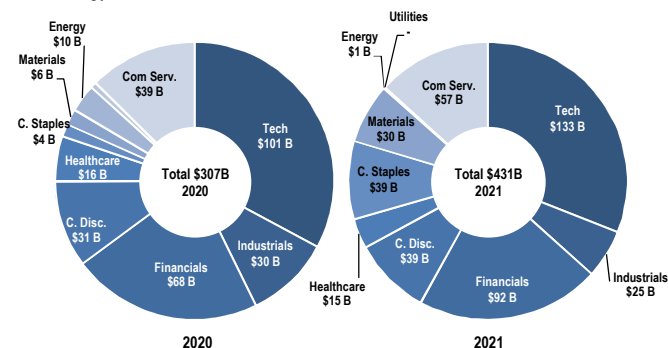
S&P 500 companies



Source: J.P. Morgan US Equity Strategy & Global Quantitative Research, Bloomberg Finance L.P.

Figure 26: Announced Buybacks by Sector (2021 YTD vs. 2020)

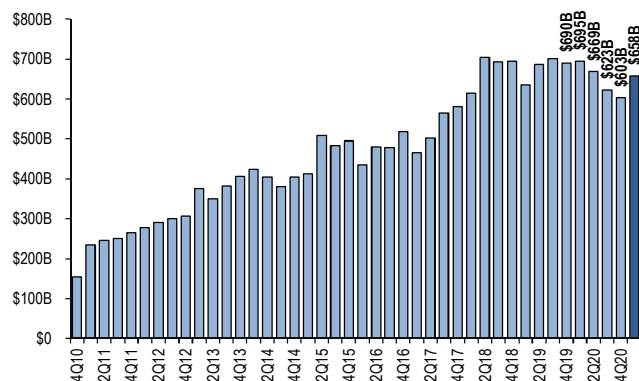
Technology and Financials Most Active



Source: J.P. Morgan US Equity Strategy & Global Quantitative Research, Bloomberg Finance L.P.

Figure 27: Existing Buyback Program Capacity

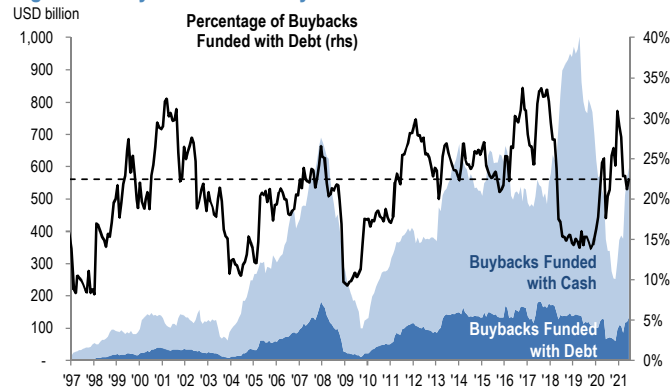
S&P 500 Companies, \$ in Billions



Source: J.P. Morgan US Equity Strategy & Global Quantitative Research, Bloomberg Finance L.P.

Figure 28: Buybacks Funded by Debt

USD billion



Source: J.P. Morgan US Equity Strategy & Global Quantitative Research, Bloomberg Finance L.P.



## J.P. Morgan Consumer Recovery Basket (JPAMCONR <Index>)

**Methodology:** Stocks at the epicenter of the 2020 pandemic should be the largest beneficiaries especially within Consumer Discretionary (in particular, Consumer Services such as Leisure, Gaming, Hotels, Off-line Retail, as well as Energy (Oil & Gas, Energy Services) and Financials. This basket is compiled with input from JPM Stock Analysts and is designed to capture the strong consumer recovery theme (see [Full Report](#)).

Figure 29: J.P. Morgan Consumer Recovery Basket (JPAMCONR <Index>)

GICS Sector/Industry	Company	Ticker	Company Stats			Price Perf (%)		Technicals				IBES Estimates		Valuation		
			Current Price	52-Wk High/Low	Market Cap	Avg Vol. (mm)	12-mos Change	YTD	Short as % of Out	Avg Rating RSI 30Day	Repurchase 1 = Sell 5 = Buy	Stock LTM % Mkt Cap	Sales Growth	EPS Growth	EV/EBITDA	P/E
<b>Sector: Industrials</b>	Fortune Brands Home & Security, FBHS		\$95.41	114/67	\$13,207	\$89.5	49%	11%	1%	43	3.8	0.8%	18%	25%	14.7x	16.1x
2 Airlines	Delta Air Lines, Inc. DAL		\$40.06	52/24	\$25,635	\$613.0	43%	0%	3%	35	4.4	0.0%	96%	- to +	NA	40.4x
3	United Airlines Holdings, Inc. UAL		\$46.01	64/30	\$14,888	\$932.6	33%	6%	6%	33	3.5	0.0%	204%	Neg	NA	Neg
4	Alaska Air Group, Inc. ALK		\$54.62	74/33	\$6,799	\$107.3	51%	5%	2%	33	4.8	0.0%	172%	- to +	NA	31.2x
5	Southwest Airlines Co. LUV		\$49.91	65/30	\$29,516	\$429.5	46%	7%	3%	33	4.6	0.0%	176%	- to +	NA	37.7x
6 Road & Rail	Lyft, Inc. Class A LYFT		\$53.40	68/21	\$17,118	\$438.0	62%	9%	9%	42	4.1	0.1%	92%	- to +	NA	379.2x
7	Uber Technologies, Inc. UBER		\$46.19	64/28	\$86,744	\$958.4	49%	-9%	4%	41	4.7	0.0%	71%	Neg	NA	Neg
<b>Sector: Consumer Discretionary</b>	American Axle & Manufacturing Hc AXL		\$9.17	13/5	\$1,045	\$16.2	21%	10%	5%	42	3.4	0.4%	20%	335%	5.9x	4.8x
9 Automobiles	Ford Motor Company F		\$13.61	16/6	\$53,362	\$981.1	124%	55%	2%	46	3.9	0.0%	22%	3%	6.5x	8.6x
10	General Motors Company GM		\$55.46	64/24	\$80,454	\$983.5	119%	33%	1%	42	4.8	0.0%	19%	6%	4.2x	8.0x
11 Household Durables	Newell Brands Inc NWL		\$27.04	30/16	\$11,500	\$74.4	70%	27%	2%	45	3.5	—	4%	-9%	11.5x	14.8x
12	PulteGroup, Inc. PHM		\$51.00	64/36	\$13,488	\$149.6	50%	18%	3%	43	4.1	1.8%	37%	45%	7.2x	6.1x
13	Whirlpool Corporation WHR		\$219.86	258/141	\$13,769	\$150.5	70%	22%	6%	43	3.8	1.1%	7%	3%	7.2x	9.4x
14 Textiles Apparel & Luxury Goods	Lululemon Athletica Inc LULU		\$371.69	400/269	\$46,444	\$542.2	19%	7%	1%	61	4.3	0.3%	29%	34%	36.9x	49.0x
15	Tapestry, Inc. TPR		\$39.06	50/13	\$10,892	\$184.2	194%	26%	2%	40	4.1	0.1%	26%	61%	13.6x	12.2x
16 Hotels Restaurants & Leisure	Norwegian Cruise Line Holdings L NCLH		\$23.14	34/13	\$8,560	\$546.1	41%	-9%	12%	34	3.9	0.2%	10812%	Neg	NA	Neg
17	Wynn Resorts, Limited WYNN		\$104.70	144/68	\$12,109	\$326.8	41%	-7%	5%	33	4.0	0.1%	193%	Neg	NA	Neg
18	Starbucks Corporation SBUX		\$118.73	121/73	\$139,900	\$768.3	61%	11%	1%	53	4.1	0.1%	30%	174%	30.4x	33.9x
19	Royal Caribbean Group RCL		\$72.39	99/46	\$18,428	\$427.6	44%	-3%	5%	37	3.5	0.0%	3077%	Neg	NA	Neg
20	Las Vegas Sands Corp. LVS		\$47.82	67/43	\$36,533	\$280.0	5%	-20%	1%	35	4.3	0.0%	211%	- to +	NA	33.2x
21	Restaurant Brands International Inc QSR		\$63.04	71/51	\$19,352	\$98.1	15%	3%	2%	35	4.3	0.0%	18%	39%	19.0x	21.7x
22	Dave & Buster's Entertainment, Inc PLAY		\$35.29	52/12	\$1,699	\$107.6	165%	18%	14%	37	3.7	0.1%	161%	- to +	NA	42.3x
23	Caesars Entertainment Inc CZR		\$89.90	113/29	\$18,762	\$361.9	124%	21%	5%	40	4.5	0.1%	109%	- to +	45.3x	248.0x
24	MGM Resorts International MGM		\$37.93	45/15	\$18,606	\$411.3	126%	20%	3%	40	3.8	0.6%	139%	Neg	NA	Neg
25	Cedar Fair, L.P. FUN		\$42.80	53/23	\$2,432	\$23.1	56%	9%	8%	35	4.8	0.1%	861%	- to +	NA	47.8x
26	McDonald's Corporation MCD		\$234.75	239/190	\$175,164	\$683.7	27%	9%	1%	47	4.5	0.0%	19%	41%	22.0x	25.5x
27	Expedia Group, Inc. EXPE		\$157.61	188/77	\$22,293	\$439.7	92%	19%	8%	40	4.0	0.3%	138%	- to +	NA	42.3x
28	Booking Holdings Inc. BKNG		\$2,144.72	2516/1585	\$88,047	\$781.0	35%	-4%	2%	38	3.7	0.2%	119%	- to +	NA	31.7x
29 Multiline Retail	Target Corporation TGT		\$251.15	255/119	\$124,250	\$925.9	109%	42%	2%	72	4.6	1.1%	5%	-2%	10.0x	20.5x
30	Dollar General Corporation DG		\$222.17	225/174	\$52,478	\$448.2	17%	6%	1%	63	4.4	6.5%	5%	-2%	11.4x	20.8x
31	Nordstrom, Inc. JWN		\$32.70	46/12	\$5,196	\$213.2	111%	5%	11%	43	3.1	0.3%	21%	- to +	10.1x	18.6x
32 Specialty Retail	L Brands, Inc. LB		\$72.75	78/17	\$19,988	\$333.2	386%	96%	2%	52	4.0	1.0%	12%	7%	8.0x	12.0x
33	Gap, Inc. GPS		\$28.32	38/12	\$10,694	\$230.1	124%	40%	4%	40	3.3	0.3%	11%	134%	15.6x	14.4x
34	Ulta Beauty Inc ULTA		\$332.12	356/188	\$18,186	\$293.9	63%	16%	4%	47	4.2	2.4%	17%	33%	14.4x	25.4x
35	Ross Stores, Inc. ROST		\$119.49	134/82	\$42,672	\$255.7	40%	-3%	1%	43	4.5	0.1%	24%	56%	28.4x	24.8x
36	TJX Companies Inc TJX		\$67.41	75/50	\$81,296	\$458.4	33%	-1%	1%	45	4.5	0.0%	26%	95%	25.9x	23.5x
37	Best Buy Co., Inc. BBY		\$110.59	129/86	\$27,700	\$289.9	27%	11%	3%	44	3.6	4.2%	-3%	-11%	7.6x	13.2x
38	Advance Auto Parts, Inc. AAP		\$205.85	214/142	\$13,471	\$183.0	45%	31%	5%	55	4.1	4.6%	1%	7%	9.2x	17.5x
39	Five Below, Inc. FIVE		\$182.46	205/101	\$10,217	\$135.4	71%	4%	4%	45	4.3	0.1%	29%	31%	22.2x	35.1x
40	Lithia Motors, Inc. LAD		\$340.92	418/168	\$10,145	\$134.7	125%	16%	6%	46	4.2	0.2%	55%	15%	15.1x	13.5x
41	Burlington Stores, Inc. BURL		\$320.48	339/176	\$21,338	\$210.0	63%	23%	3%	48	4.3	0.1%	30%	101%	23.3x	33.5x
42 <b>Sector: Consumer Staples</b>	Coca-Cola Company KO		\$56.40	57/46	\$243,179	\$890.1	26%	3%	1%	56	4.4	0.1%	14%	15%	24.0x	24.7x
43 Beverages	Constellation Brands, Inc. Class A STZ		\$224.01	245/161	\$37,690	\$240.4	28%	2%	1%	42	4.3	1.1%	2%	7%	21.9x	20.9x
44 Food Products	Hostess Brands, Inc. Class A TWNK		\$16.13	17/12	\$2,123	\$21.2	32%	10%	17%	51	4.3	0.3%	4%	8%	12.5x	18.2x
45 Household Products	Reynolds Consumer Products Inc REYN		\$29.39	36/27	\$6,165	\$14.8	-15%	-2%	2%	45	4.6	0.0%	7%	-2%	11.7x	14.7x
46 <b>Sector: Financials</b>	American Express Company AXP		\$170.01	175/89	\$136,570	\$630.3	79%	41%	1%	51	3.7	—	23%	40%	11.5x	19.9x
47 <b>Sector: Information Technology</b>	Mastercard Incorporated Class A MA		\$387.12	402/281	\$380,502	\$1,439.2	31%	8%	0%	48	4.7	1.2%	33%	48%	41.5x	41.2x
48 IT Services	Visa Inc. Class A V		\$248.12	250/179	\$419,771	\$2,030.8	28%	13%	2%	56	4.7	1.5%	29%	37%	29.1x	36.3x
49 <b>Sector: Communication Services</b>	Walt Disney Company DIS		\$179.31	203/113	\$325,794	\$1,897.5	61%	-1%	1%	45	4.5	0.0%	42%	358%	55.5x	39.5x
50 <b>Sector: Real Estate</b>	MGM Growth Properties LLC Clas MGP		\$36.67	38/25	\$5,625	\$40.6	35%	17%	1%	50	4.3	—	3%	1%	12.6x	26.5x
			48.9%	9.7%	2.6%	4.2	0%	27%	31%	14.6x	22.6x	5.1x				

Source: J.P. Morgan US Equity Strategy and Quantitative Research, Bloomberg Finance L.P., IBES, Reuters, FactSet. Note on noncovered companies: This basket has been created to leverage the theme of this research report. It can include companies that are not covered by J.P. Morgan Research and should not be viewed as a recommendation with respect to these companies.

## J.P. Morgan COVID-19 Recovery International Basket (JPAMCRIB <Index>)

**Criteria:** This basket is designed to benefit as the economy reopens and there is progress in containment of the virus. Our screening methodology for COVID-19 Recovery International stocks is based on S&P 500 companies that became considerably cheaper during the pandemic compared to the pre-COVID-19 period (Q2'20 vs Q4'19) based on our Value composite score (sector-neutral equal weight combination of price-to-forward-earnings, price-to-book-value and price-to-sales). The list is then filtered to select only International candidates based on their Revenue exposure. The list is reviewed and further revised to incorporate fundamental Stock Analysts' feedbacks (see [Full Report](#)).

Figure 30: J.P. Morgan COVID-19 Recovery International Basket (JPAMCRIB <Index>)

GICS Sector/Industry	Company	Ticker	Company Stats			IBES Estimates		Valuation		
			Current Price	Market Cap	YTD Perf	Sales Growth NTM	EPS Growth NTM	EV/EBITDA LTM	P/E NTM	P/B
<b>Sector: Energy</b>	Exxon Mobil Corporation	XOM	\$57.3	\$242,666	39%	47%	- to +	17.0x	13.1x	1.5x
Oil Gas & Consumable Fuels	Chevron Corporation	CVX	\$98.6	\$190,609	17%	51%	- to +	30.3x	14.4x	1.4x
	ConocoPhillips	COP	\$55.5	\$74,893	39%	55%	- to +	15.2x	12.6x	1.7x
	Dow, Inc.	DOW	\$60.0	\$44,827	8%	21%	162%	11.8x	9.5x	3.2x
<b>Sector: Materials</b>	DuPont de Nemours, Inc.	DD	\$76.2	\$40,555	7%	-14%	22%	39.9x	18.2x	1.5x
Chemicals	International Flavors & Fragrance	IFF	\$143.4	\$35,700	32%	91%	11%	49.5x	22.7x	1.6x
	Nucor Corporation	NUE	\$92.0	\$27,542	73%	42%	123%	9.2x	7.6x	2.4x
	Metals & Mining									
<b>Sector: Industrials</b>	Boeing Company	BA	\$217.7	\$127,337	2%	50%	- to +	NA	84.7x	NA
Electrical Equipment	Eaton Corp. Plc	ETN	\$152.7	\$60,867	27%	10%	44%	23.7x	23.0x	4.1x
	Caterpillar Inc.	CAT	\$208.0	\$113,912	14%	22%	52%	17.2x	18.6x	6.9x
	Deere & Company	DE	\$342.5	\$106,837	27%	21%	39%	10.8x	17.0x	7.1x
Airlines	Delta Air Lines, Inc.	DAL	\$40.1	\$25,635	0%	98%	- to +	NA	36.7x	20.0x
	United Airlines Holdings, Inc.	UAL	\$46	\$14,888	6%	205%	Neg	NA	Neg	2.9x
<b>Sector: Consumer Discretionary</b>	Ford Motor Company	F	\$13.6	\$53,362	55%	22%	3%	6.5x	8.6x	1.6x
Household Durables	Newell Brands Inc	NWL	\$27.0	\$11,500	27%	4%	-9%	11.5x	14.8x	3.0x
	Las Vegas Sands Corp.	LVS	\$47.8	\$36,533	-20%	211%	- to +	NA	33.2x	13.7x
	Wynn Resorts, Limited	WYNN	\$104.7	\$12,109	-7%	193%	Neg	NA	Neg	51.8x
Hotels Restaurants & Leisure	Royal Caribbean Group	RCL	\$72.4	\$18,428	-3%	3077%	Neg	NA	Neg	2.0x
	Norwegian Cruise Line Holdings	NCLH	\$23.1	\$8,560	-9%	10812%	Neg	NA	Neg	2.0x
	Starbucks Corporation	SBUX	\$118.7	\$139,900	11%	30%	174%	30.4x	33.9x	NA
	Restaurant Brands International	QSR	\$63.0	\$19,352	3%	18%	39%	19.0x	21.7x	8.2x
	Booking Holdings Inc.	BKNG	\$2,144.7	\$88,047	-4%	119%	- to +	NA	31.7x	18.5x
	Expedia Group, Inc.	EXPE	\$157.6	\$22,293	19%	138%	- to +	NA	42.3x	19.1x
<b>Sector: Consumer Staples</b>	Coca-Cola Company	KO	\$56.4	\$243,179	3%	14%	15%	24.0x	24.7x	11.9x
<b>Sector: Financials</b>	Citigroup Inc.	C	\$66.9	\$138,285	8%	1%	—	7.9x	7.7x	0.7x
Consumer Finance	American Express Company	AXP	\$170.0	\$136,570	41%	23%	40%	11.5x	19.9x	5.6x
	Morgan Stanley	MS	\$91.3	\$167,353	33%	3%	-4%	10.8x	12.7x	1.7x
	Goldman Sachs Group, Inc.	GS	\$364.8	\$123,945	38%	-11%	-20%	7.9x	8.3x	1.4x
<b>Sector: Information Technology</b>	Visa Inc. Class A	V	\$248.1	\$419,771	13%	29%	37%	29.1x	36.3x	15.4x
IT Services	Mastercard Incorporated Class A	MA	\$387.1	\$380,502	8%	33%	48%	41.5x	41.2x	60.7x
<b>Sector: Communication Services</b>	Walt Disney Company	DIS	\$179.3	\$325,794	-1%	42%	358%	55.5x	39.5x	3.8x
<b>Sector: Real Estate</b>	Iron Mountain, Inc.	IRM	\$43.3	\$12,508	47%	8%	30%	10.7x	29.2x	13.0x
Real Estate Management & Develop	CBRE Group, Inc. Class A	CBRE	\$83.0	\$27,846	32%	13%	24%	18.9x	19.7x	3.9x

Source: J.P. Morgan US Equity Strategy and Quantitative Research, Bloomberg Finance L.P., IBES, Reuters, FactSet. Note on noncovered companies: This basket has been created to leverage the theme of this research report. It can include companies that are not covered by J.P. Morgan Research and should not be viewed as a recommendation with respect to these companies.

## J.P. Morgan COVID-19 Recovery Domestic Basket (JPAMCRDB <Index>)

**Criteria:** This basket is designed to benefit as the economy reopens and there is progress in containment of the virus. Our screening methodology for COVID-19 Recovery Domestic stocks is based on S&P 500 companies that became considerably cheaper during the pandemic compared to the pre-COVID-19 period (Q2'20 vs Q4'19) based on our Value composite score (sector-neutral equal weight combination of price-to-forward-earnings, price-to-book-value and price-to-sales). The list is then filtered to select only Domestic candidates based on their Revenue exposure. The list is reviewed and further revised to incorporate fundamental Stock Analysts' feedbacks (see [Full Report](#)).

Figure 31: J.P. Morgan COVID-19 Recovery Domestic Basket (JPAMCRDB <Index>)

GICS Sector/Industry	Company	Ticker	Company Stats			IBES Estimates		Valuation		
			Current Price	Market Cap	YTD Perf	Sales Growth NTM	EPS Growth NTM	EV/EBITDA LTM	P/E NTM	P/B
<b>Sector: Industrials</b>	United Rentals, Inc.	URI	\$306.1	\$22,154	32%	14%	30%	8.4x	13.4x	4.7x
Airlines	Southwest Airlines Co.	LUV	\$49.9	\$29,516	7%	177%	- to +	NA	37.8x	3.2x
	Alaska Air Group, Inc.	ALK	\$54.6	\$6,799	5%	172%	- to +	NA	31.2x	2.4x
<b>Sector: Consumer Discretionary</b>	General Motors Company	GM	\$55.5	\$80,454	33%	19%	6%	4.2x	8.0x	1.6x
Household Durables	Lennar Corporation Class A	LEN	\$96.0	\$26,360	26%	21%	26%	8.1x	7.1x	1.5x
Hotels Restaurants & Leisure	MGM Resorts International	MGM	\$37.9	\$18,606	20%	139%	Neg	NA	Neg	3.0x
-	Caesars Entertainment Inc	CZR	\$89.9	\$18,762	21%	109%	- to +	45.3x	248.0x	4.0x
	Hilton Worldwide Holdings Inc	HLT	\$119.8	\$33,354	8%	124%	- to +	NA	37.8x	NA
	Planet Fitness, Inc. Class A	PLNT	\$73.4	\$6,104	-6%	70%	- to +	59.4x	51.8x	NA
	Six Flags Entertainment Corporat	SIX	\$39.7	\$3,393	17%	304%	- to +	NA	40.0x	NA
	Cedar Fair, L.P.	FUN	\$42.8	\$2,432	9%	861%	- to +	NA	47.8x	NA
	Dunkin' Brands Group, Inc.	DNKN			—	—	—	NA	NA	NA
	Dave & Buster's Entertainment, Ir	PLAY	\$35	\$1,699	18%	161%	- to +	34.4x	17.0x	9.5x
Specialty Retail	TJX Companies Inc	TJX	\$67.4	\$81,296	-1%	26%	95%	25.9x	23.5x	13.2x
	Ross Stores, Inc.	ROST	\$119.5	\$42,672	-3%	24%	56%	28.4x	24.8x	11.7x
	L Brands, Inc.	LB	\$72.8	\$19,988	96%	12%	7%	8.0x	12.0x	NA
	Gap, Inc.	GPS	\$28.3	\$10,694	40%	11%	134%	15.6x	14.4x	3.8x
	Best Buy Co., Inc.	BBY	\$110.6	\$27,700	11%	-3%	-11%	7.6x	13.2x	6.7x
	Ulta Beauty Inc	ULTA	\$332.1	\$18,186	16%	17%	33%	14.4x	25.4x	9.9x
	CarMax, Inc.	KMX	\$131.0	\$21,336	39%	15%	1%	10.8x	18.2x	4.5x
<b>Sector: Health Care</b>	DaVita Inc.	DVA	\$119.4	\$12,677	2%	2%	22%	10.5x	13.1x	10.2x
Health Care Providers & Services	HCA Healthcare Inc	HCA	\$219.2	\$73,857	33%	8%	10%	9.0x	14.9x	296.2x
<b>Sector: Financials</b>	Bank of America Corp	BAC	\$37.9	\$321,833	25%	7%	5%	NA	12.1x	1.3x
Banks	PNC Financial Services Group, I	PNC	\$183.4	\$77,958	23%	15%	—	NA	13.5x	1.4x
	Citizens Financial Group, Inc.	CFG	\$43.0	\$18,315	20%	-2%	25%	NA	9.6x	0.9x
	SVB Financial Group	SIVB	\$561.8	\$31,568	45%	8%	-11%	NA	20.8x	3.4x
Consumer Finance	Capital One Financial Corporation	COF	\$157.5	\$71,119	59%	5%	17%	3.3x	8.9x	1.2x
-	Synchrony Financial	SYF	\$46.7	\$27,178	35%	8%	55%	2.8x	8.2x	2.1x
Capital Markets	Raymond James Financial, Inc.	RJF	\$128.7	\$17,679	34%	17%	24%	8.3x	13.4x	2.3x
Mortgage Real Estate Investment Tr	Apollo Commercial Real Estate Fi	ARI	\$15.3	\$2,140	37%	1%	39%	NA	10.6x	0.9x
Insurance	Assurant, Inc.	AIZ	\$155.8	\$9,434	14%	2%	25%	NA	13.8x	1.6x
	Allstate Corporation	ALL	\$130.5	\$39,049	19%	5%	-18%	NA	9.2x	1.5x
	Travelers Companies, Inc.	TRV	\$156.4	\$39,332	11%	7%	12%	NA	13.2x	1.4x
<b>Sector: Real Estate</b>	Duke Realty Corporation	DRE	\$50.4	\$18,899	26%	12%	-23%	32.5x	67.8x	3.6x
Equity Real Estate Investment Trusts	Alexandria Real Estate Equities, I	ARE	\$193.6	\$30,117	9%	11%	-55%	27.9x	67.9x	2.2x
	Mid-America Apartment Commun	MAA	\$184.7	\$21,148	46%	5%	8%	22.8x	74.8x	3.6x
	Public Storage	PSA	\$313.9	\$54,933	36%	12%	20%	24.8x	38.9x	11.4x
	Weyerhaeuser Company	WY	\$34.0	\$25,488	1%	7%	27%	10.8x	13.3x	2.7x
	Extra Space Storage Inc.	EXR	\$171.9	\$22,993	48%	10%	4%	24.1x	37.5x	7.9x
	VICI Properties Inc	VICI	\$31.1	\$16,724	22%	22%	-9%	19.0x	15.2x	1.8x

Source: J.P. Morgan US Equity Strategy and Quantitative Research, Bloomberg Finance L.P., IBES, Reuters, FactSet. Note on noncovered companies: This basket has been created to leverage the theme of this research report. It can include companies that are not covered by J.P. Morgan Research and should not be viewed as a recommendation with respect to these companies.

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**Stock Merger.** If the acquirer is a member of the basket, then the weight allocated to the acquired will transfer to the surviving entity on the close of the last day it trades. If the acquirer is not a part of the basket, then proceeds (losses) from the acquired company will be redistributed to the surviving basket constituents based on the recalculated weighting on the close of its last trading day.

**Spinoffs.** The spinoff company and parent will be included in the basket, and both the spinoff and parent company weights will be readjusted according to new market capitalizations after the spinoff date.

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