

Economic & Markets Overview

October 2022



Partnering with:



Stubborn Inflation, and Fed's Commitment to Containing It, Spook Investors

- High inflation is dominant challenge – expect 6-8% through 2022
- 8.3% August report suggests we are not out of the woods

Probability of Recession Grows as Fed Withdraws Liquidity

- Fed takes aggressive action with 75 bps hikes in June, July and September
- Unwinding of Fed balance sheet adds risk
- Global commodity shock and ongoing supply chain issues complicate matters
- Russian/Ukraine war leaves open wide range of scenarios

Equities: S&P 500's Decline Through September Is Worst Start Since 1970

- Virtually all sectors, styles and geographies declined in first nine months of 2022
- Profit outlook is vulnerable as growth slows
- Valuations are more attractive now (assuming earnings hold up)

Bonds: Inflation Data Drives Worst Start Ever

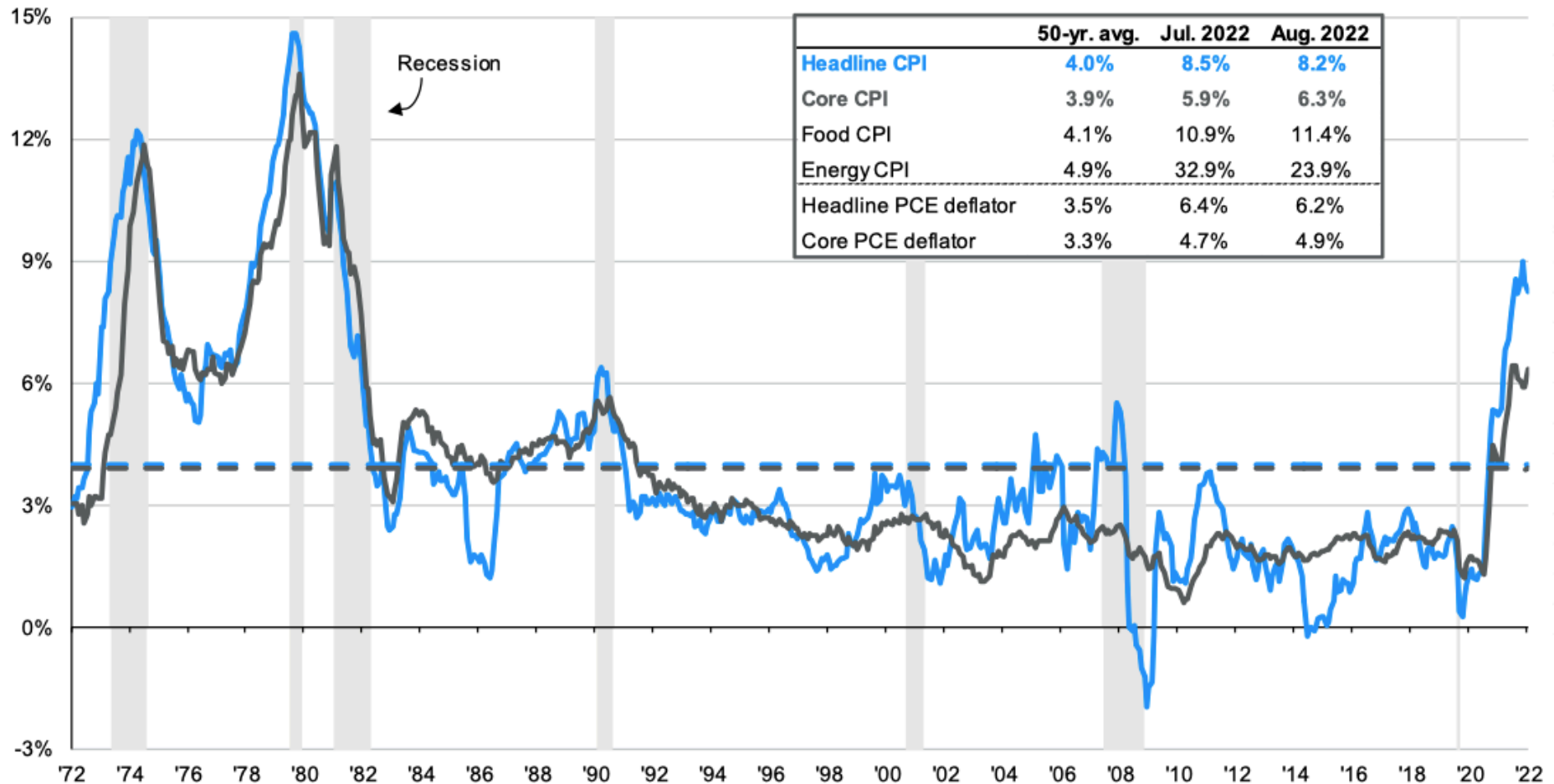
- Monetary tightening drove yields higher across the board
- Yield curve now flat from 5 to 30 years – reflects recession risk
- Short duration portfolio positioning protected capital as yields rose

Higher Prospective Returns Are A Ray Of Light

INFLATION IS KEY VARIABLE | DID NOT PROVE TRANSITORY

CPI and core CPI

% change vs. prior year, seasonally adjusted



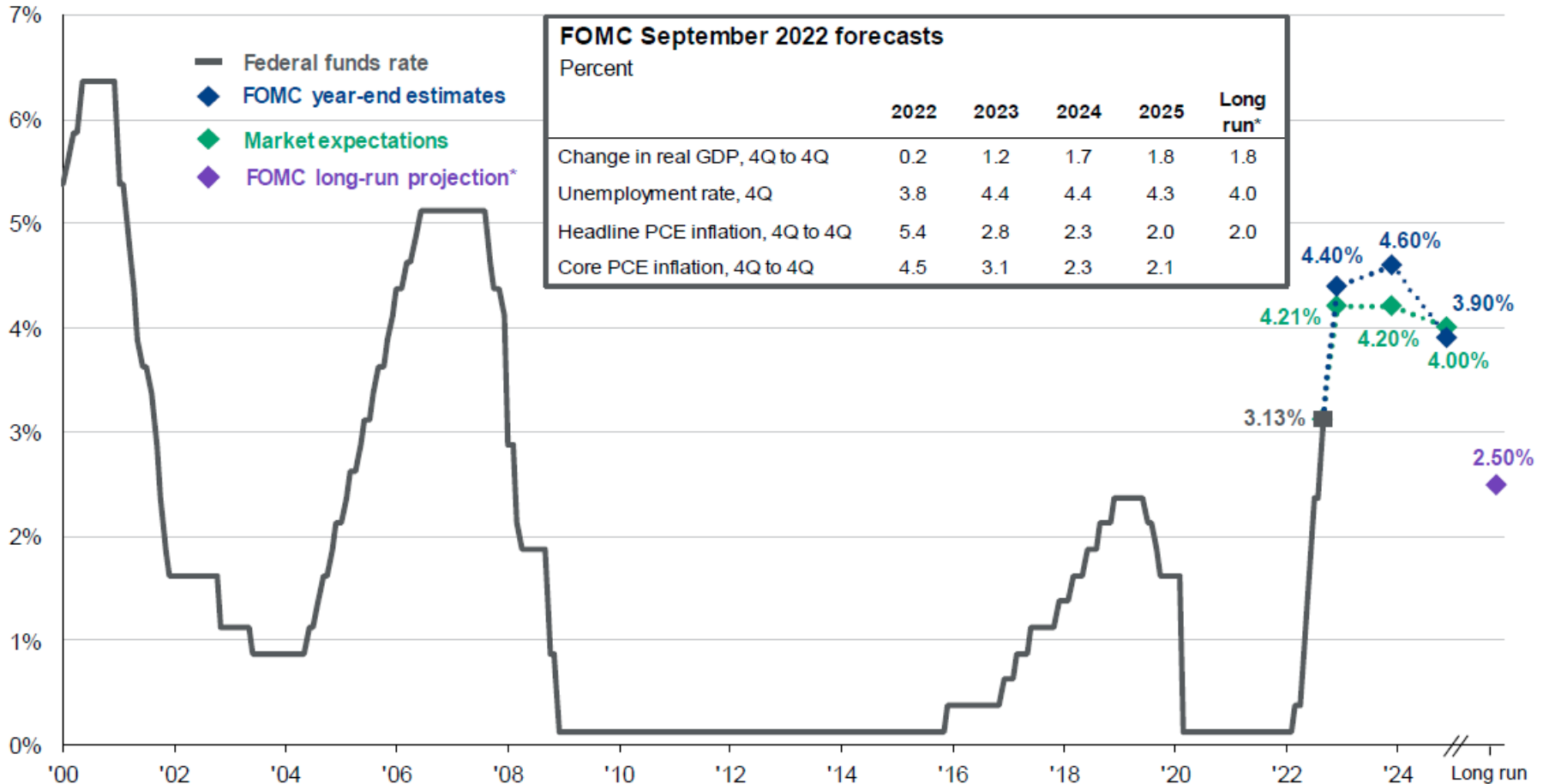
WILBANKS SMITH & THOMAS ASSET MANAGEMENT, LLC

Source: BLS, FactSet, J.P.Morgan Asset Management. CPI used is CPI-U and values shown are % change vs. one year ago. Core CPI is defined as CPI excluding food and energy prices. The Personal Consumption Expenditure (PCE) deflator employs an evolving chain-weighted basket of consumer expenditures instead of the fixed-weight basket used in CPI calculations. Guide to the Markets – U.S. Data are as of August 31, 2022.

FED NEEDS TO THREAD THE NEEDLE ON PACE OF TIGHTENING

Federal funds rate expectations

FOMC and market expectations for the federal funds rate

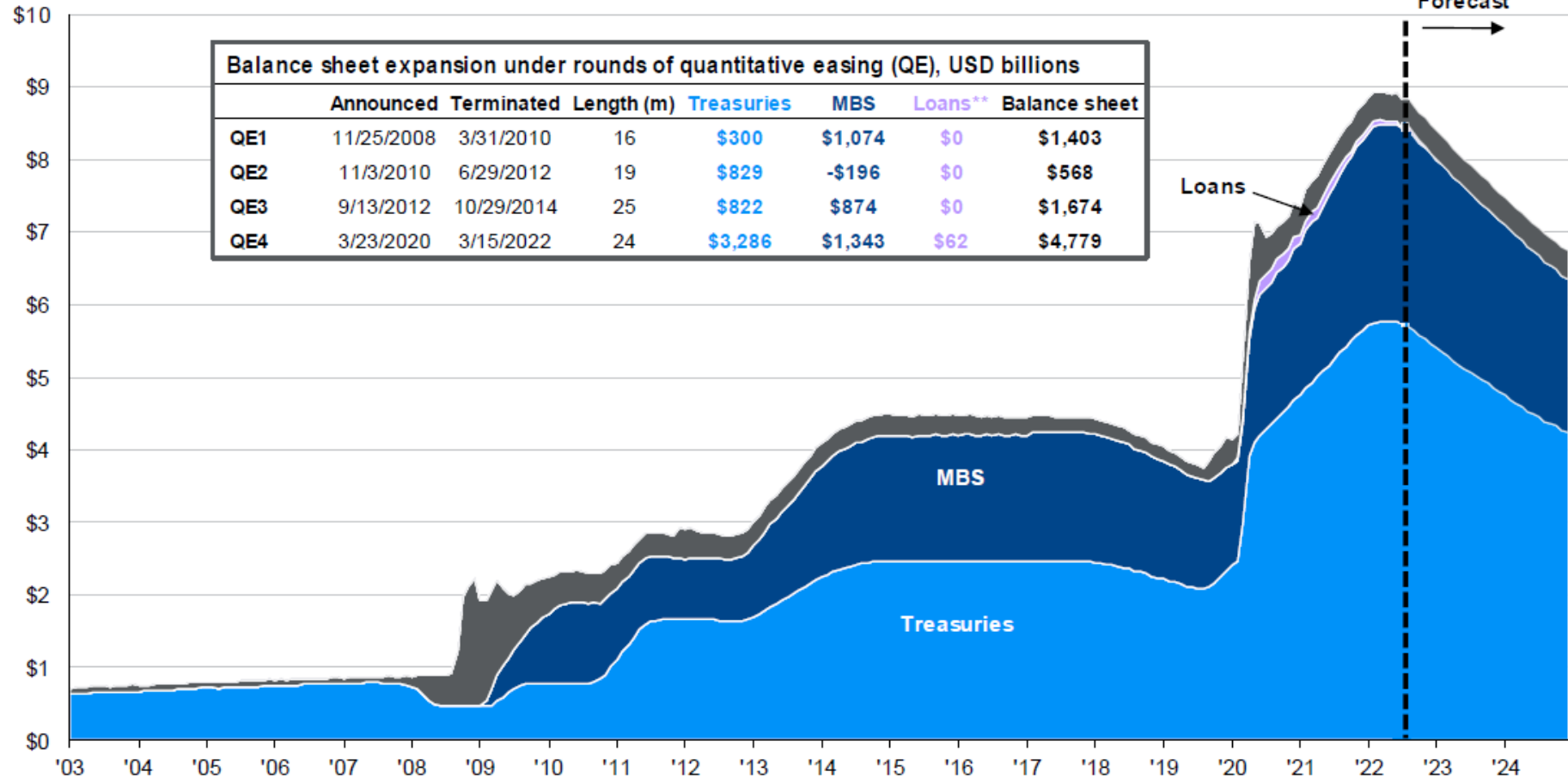


Source: Bloomberg, FactSet, Federal Reserve, J.P. Morgan Asset Management. Market expectations are based off of the USD Overnight Index Forward Swap rates. *Long-run projections are the rates of growth, unemployment and inflation to which a policymaker expects the economy to converge over the next five to six years in absence of further shocks and under appropriate monetary policy. Forecasts are not a reliable indicator of future performance. Forecasts, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward-looking statements, actual events, results or performance may differ materially from those reflected or contemplated. Guide to the Markets – U.S. Data are as of September 30, 2022.

THE UNWINDING OF QUANTITATIVE EASING ADDS RISK

The Federal Reserve balance sheet

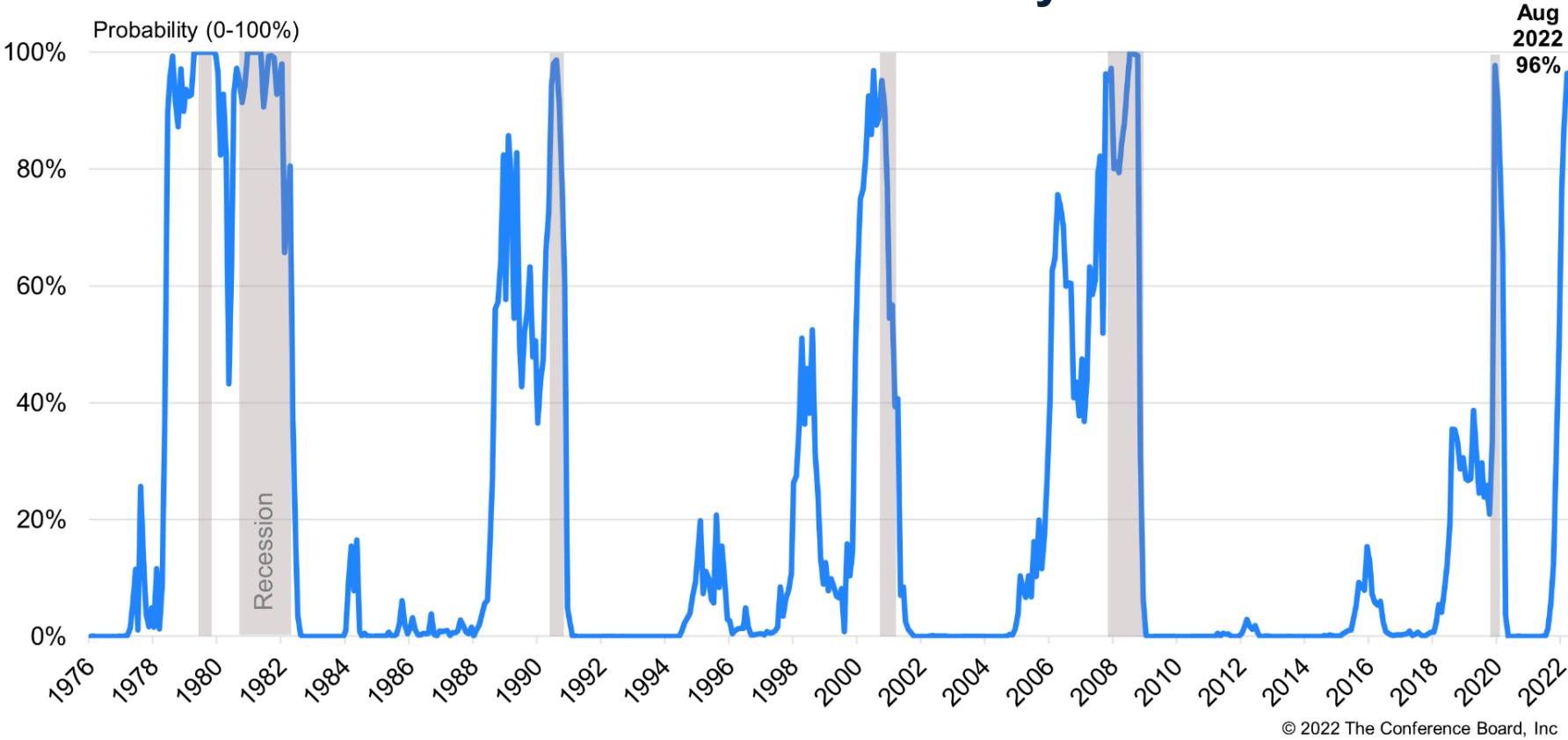
USD trillions



Source: FactSet, Federal Reserve, J.P. Morgan Investment Bank, J.P. Morgan Asset Management. Currently, the balance sheet contains \$5.7tn in Treasuries and \$2.6tn in MBS. *The end balance sheet forecast assumes the Federal Reserve reduces the pace of purchases of Treasuries and MBS by \$30bn per month, beginning January through mid-March, as suggested in the December 2021 FOMC meeting. **Loans include liquidity and credit extended through corporate credit facilities established in March 2020. Other includes primary, secondary and seasonal loans, repurchase agreements, foreign currency reserves and maiden lane securities. ***QE4 is ongoing and the expansion figures are as of the most recent Wednesday close as reported by the Federal Reserve. Forecasts are not a reliable indicator of future performance. Forecasts, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward-looking statements, actual events, results or performance may differ materially from those reflected or contemplated. Guide to the Markets – U.S. Data are as of September 30, 2022.

RECESSION ALMOST CERTAIN IN U.S.

US Recession Probability Model

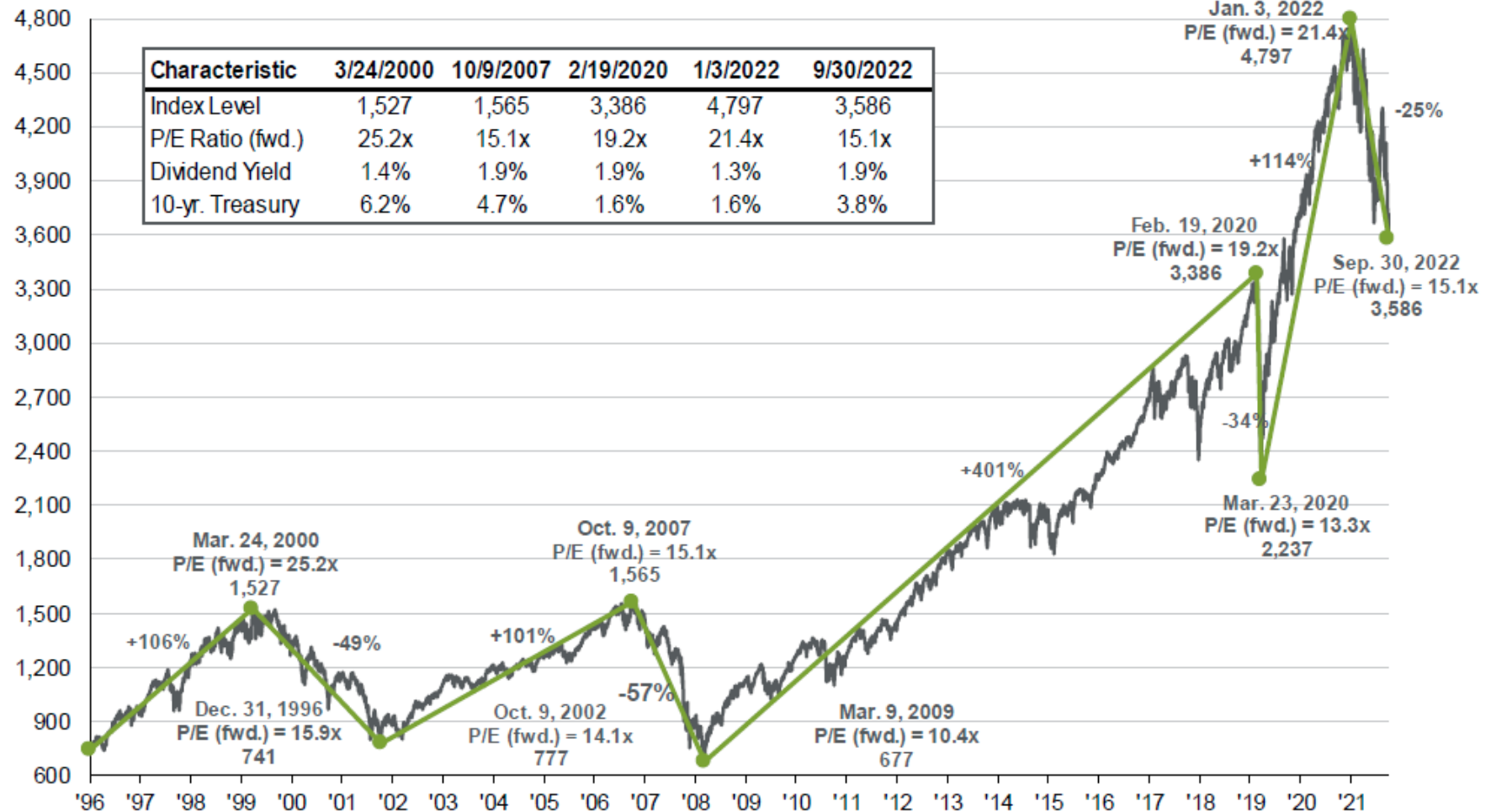


MARKET RETURNS SUMMARY – SEPTEMBER 30, 2022

Equity Index	1 Week	MTD	1 Month	QTD	YTD	1 Year	3 Year	5 Year
Dow Jones Industrial Average	-4.5	-8.8	-8.8	-6.2	-19.7	-13.4	4.3	7.4
S&P 500 Index	-4.6	-9.2	-9.2	-4.9	-23.9	-15.4	8.1	9.2
Large Cap Stocks (Russell 1000)	-4.4	-9.3	-9.3	-4.6	-24.6	-17.2	7.9	9.0
Growth	-4.4	-9.7	-9.7	-3.6	-30.7	-22.5	10.6	12.1
Value	-4.4	-8.8	-8.8	-5.6	-17.8	-11.3	4.3	5.3
Small Cap Stocks (Russell 2000)	-3.3	-9.6	-9.6	-2.2	-25.1	-23.4	4.3	3.5
Growth	-1.9	-9.0	-9.0	0.2	-29.3	-29.2	2.9	3.6
Value	-4.6	-10.2	-10.2	-4.6	-21.1	-17.6	4.7	2.9
MSCI All Country World Index	-4.4	-9.5	-9.5	-6.7	-25.3	-20.2	4.2	4.9
International Stocks (MSCI EAFE)	-3.9	-9.3	-9.3	-9.3	-26.8	-24.7	-1.4	-0.4
Growth	-2.4	-9.7	-9.7	-8.4	-32.8	-30.0	-1.2	1.0
Value	-5.4	-8.9	-8.9	-10.1	-20.6	-19.6	-2.2	-2.1
Emerging Markets Stocks (MSCI EM)	-5.0	-11.7	-11.7	-11.4	-26.9	-27.7	-1.7	-1.4
Fixed Income Index/ETF	1 Week	MTD	1 Month	QTD	YTD	1 Year	3 Year	5 Year
Barclays U.S. Aggregate Bond Index	-1.2	-4.3	-4.3	-4.8	-14.6	-14.5	-3.2	-0.3
iShares 1-3 Year Treasury Bond ETF	-0.1	-1.2	-1.2	-1.6	-4.5	-5.1	-0.6	0.4
iShares 3-7 Year Treasury Bond ETF	-0.5	-2.9	-2.9	-3.9	-10.5	-11.3	-2.4	-0.1
iShares 20+ Year Treasury Bond ETF	-2.7	-8.2	-8.2	-10.3	-29.9	-27.6	-9.0	-1.9
iShares TIPS Bond ETF	-2.9	-6.7	-6.7	-5.3	-13.9	-11.8	0.5	1.7
iShares National AMT-Free Municipal Bond ETF	-1.0	-2.8	-2.8	-3.0	-10.6	-10.0	-1.5	0.6
SPDR Barclays Intermediate Term Corporate Bond ETF	-1.2	-3.3	-3.3	-3.4	-12.1	-12.5	-1.9	0.5
SPDR Barclays High Yield Bond ETF	-2.3	-3.9	-3.9	-1.7	-16.2	-15.6	-2.1	0.4
PowerShares Senior Loan ETF	-2.0	-3.3	-3.3	0.7	-6.0	-5.3	-0.1	1.2
SPDR Barclays International Treasury Bond ETF	-2.9	-6.3	-6.3	-9.8	-25.8	-26.7	-9.2	-4.8
iShares JPM USD Emerging Market Bond ETF	-4.2	-6.6	-6.6	-5.8	-24.9	-24.6	-7.4	-3.1

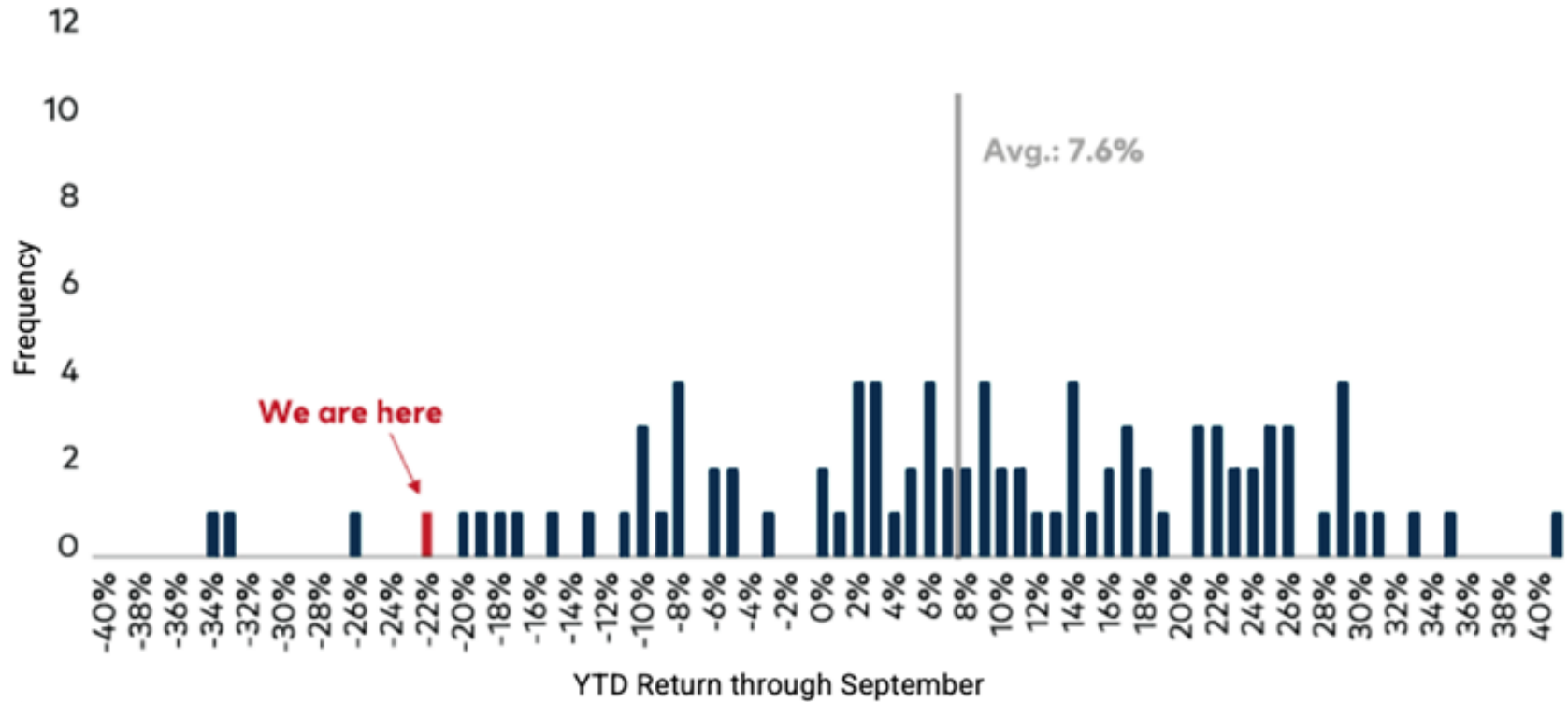
OPTIMISM GAVE WAY TO RESIGNATION AS INFLATION DATA EMERGED

S&P 500 Price Index



STOCK RETURNS – YTD AMONG WORST YEARS EVER

Distribution of S&P 500 Returns



FIXED INCOME RETURNS - THE WORST EVER

Distribution of Bond Returns



STOCK VALUATIONS ARE REASONABLE, IF EARNINGS HOLD UP

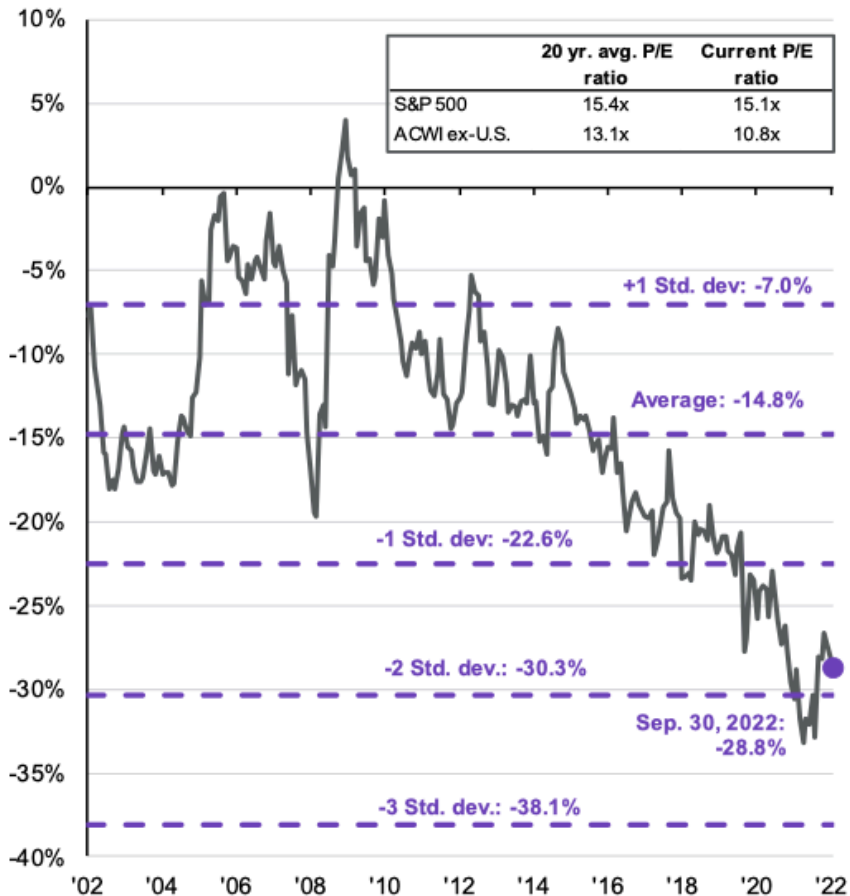
S&P 500 Index: Forward P/E ratio



INTERNATIONAL STOCKS: HISTORICALLY CHEAP AS DOLLAR SURGES

International: Price-to-earnings discount vs. U.S.

MSCI AC World ex-U.S. vs. S&P 500 Indices, next 12 months

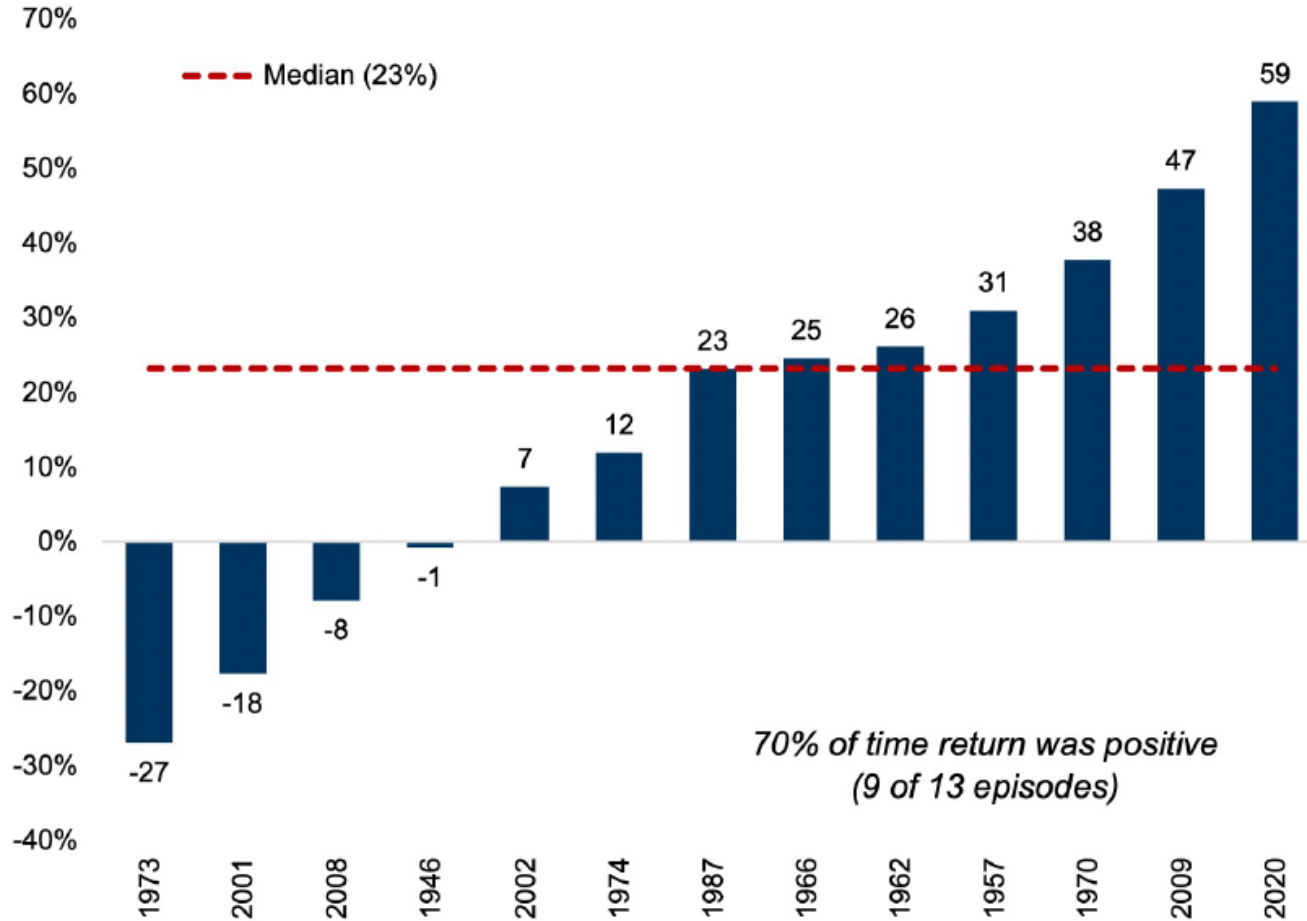


International: Difference in dividend yields vs. U.S.

MSCI AC World ex-U.S. minus S&P 500 Indices, next 12 months



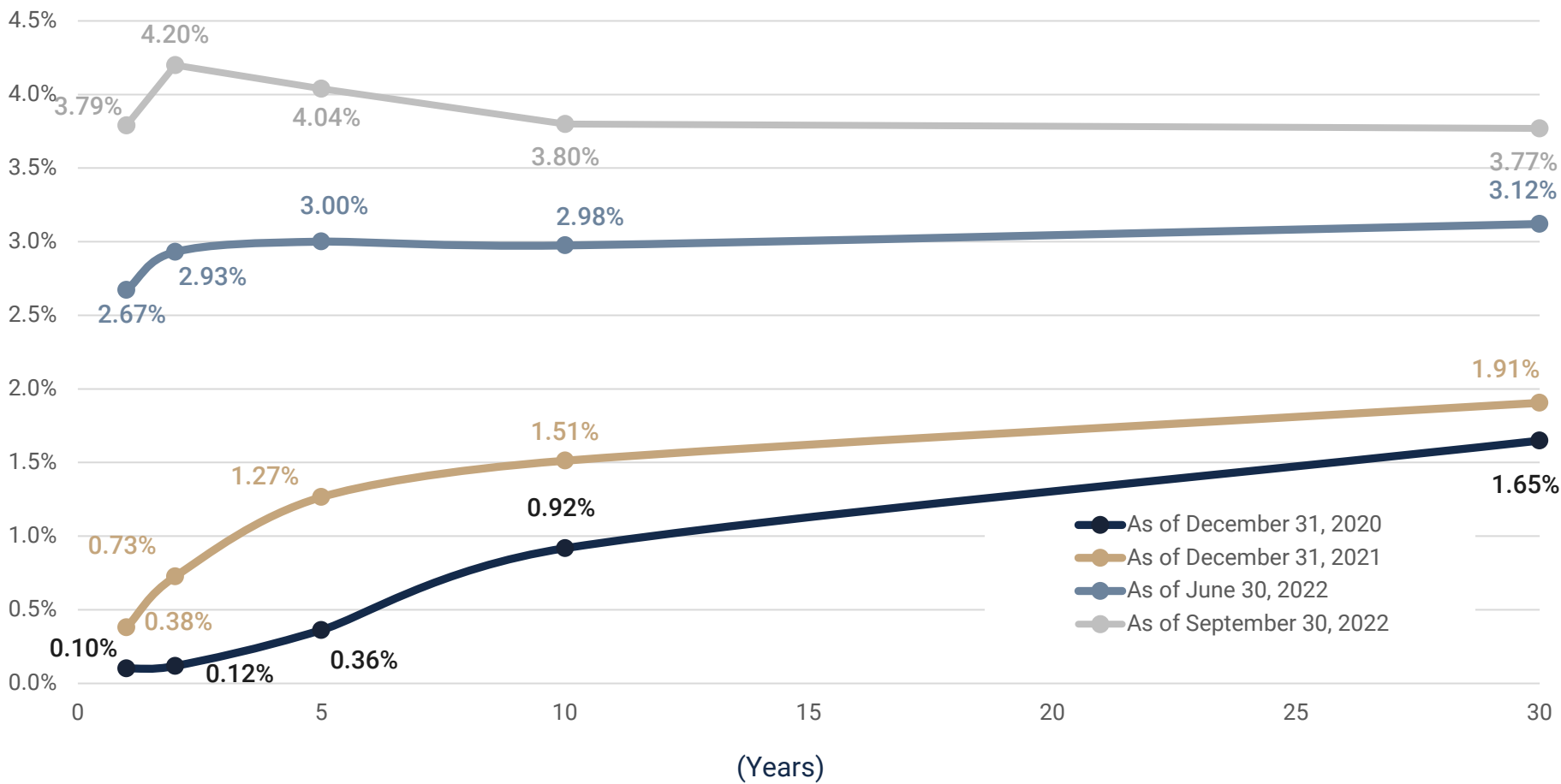
S&P 500 RETURN IN 12-MONTHS AFTER 20%+ PULLBACK IN CALENDAR YEAR (POST-WWII)



- The median equity gain in the year following past bear markets was 23% and 32% over a two-year holding period.
- These relatively quick recoveries highlight the potential cost of exiting equities that have already suffered a bear market decline.

BOND MARKET TRUSTS THE FED TO CONTAIN INFLATION

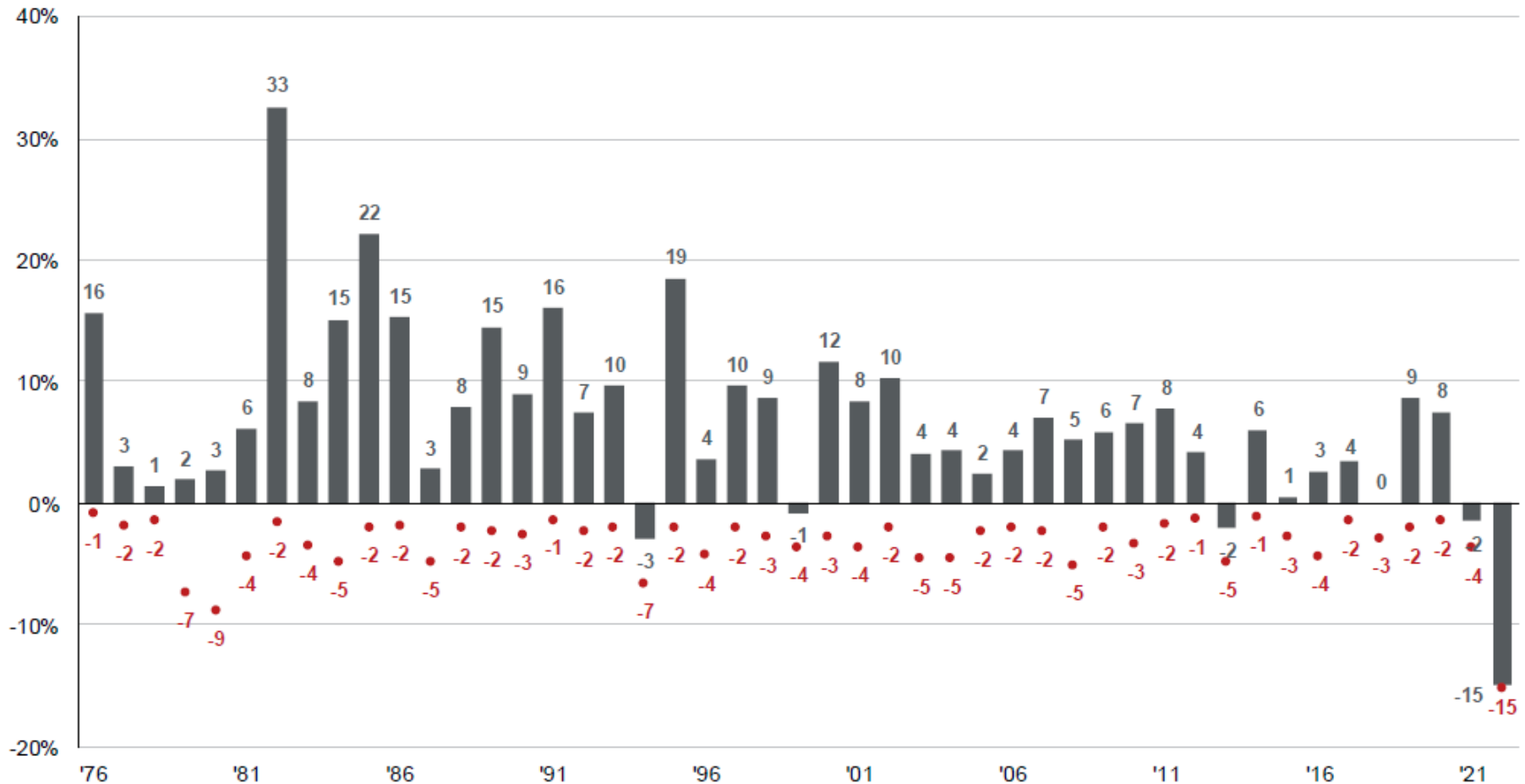
U.S. Treasury Yield Curves



BONDS BREAK LONG STRING OF POSITIVE RETURNS

Bloomberg U.S. Aggregate intra-year declines vs. calendar year returns

Despite average intra-year drops of 3.1%, annual returns positive in 42 of 46 years

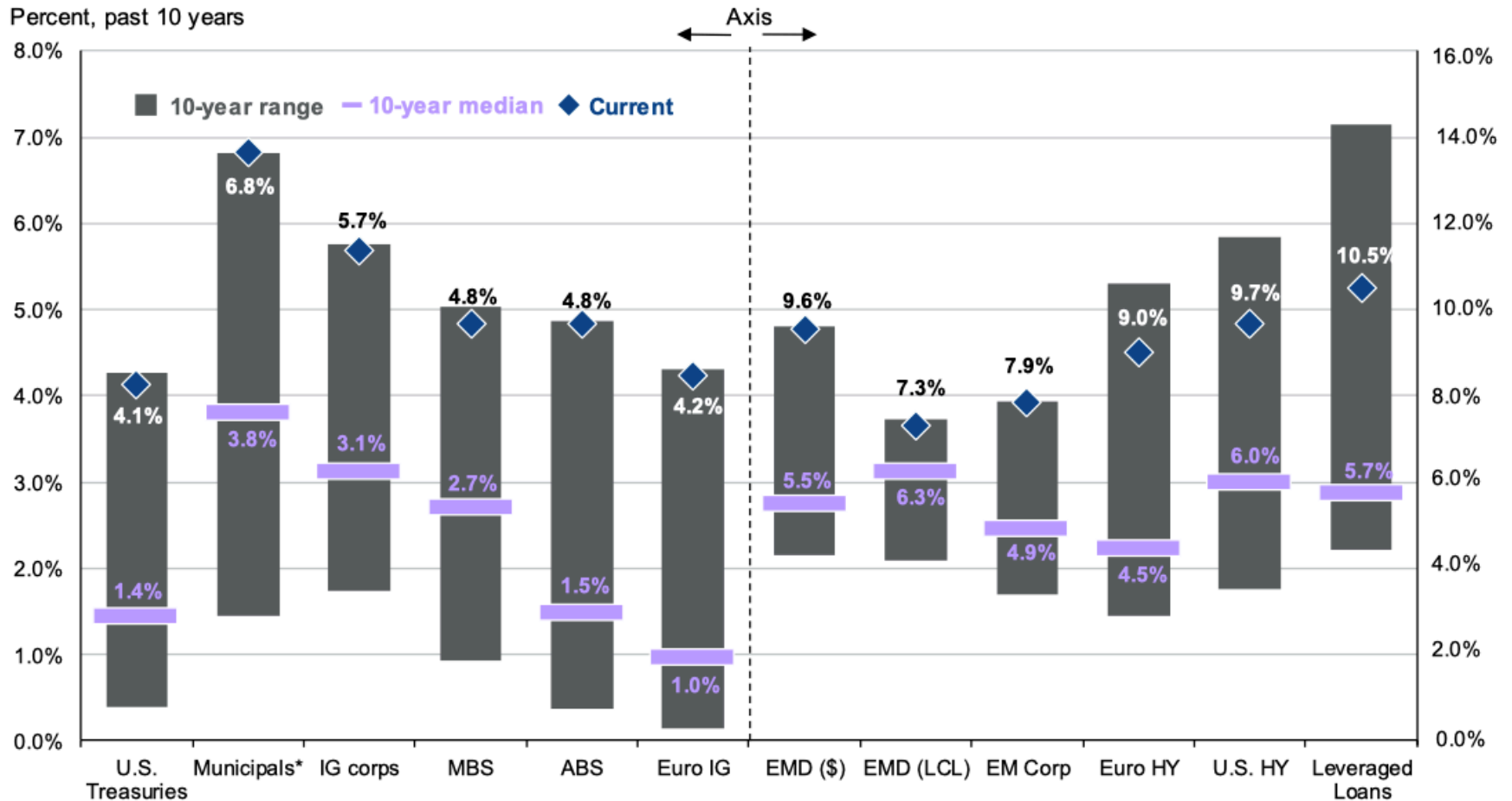


Source: Bloomberg, FactSet, J.P. Morgan Asset Management.
Returns are based on total return. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1976 to 2021, over which time period the average annual return was 7.1%. Returns from 1976 to 1989 are calculated on a monthly basis; daily data are used afterwards.
Guide to the Markets – U.S. Data are as of September 30, 2022.

BOND VALUATIONS PROMISE BETTER RETURNS

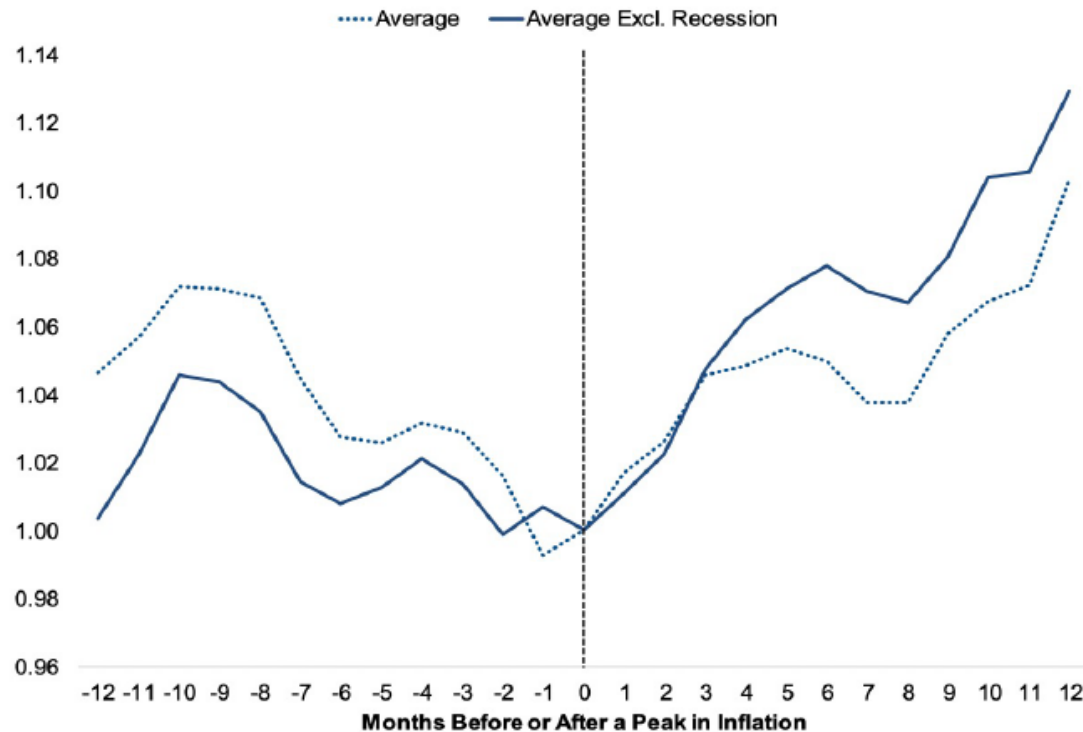
Yield-to-worst across fixed income sectors

Percent, past 10 years



PEAK IN INFLATION HAS HISTORICALLY BEEN AN IMPORTANT POSITIVE CATALYST FOR EQUITY RETURNS

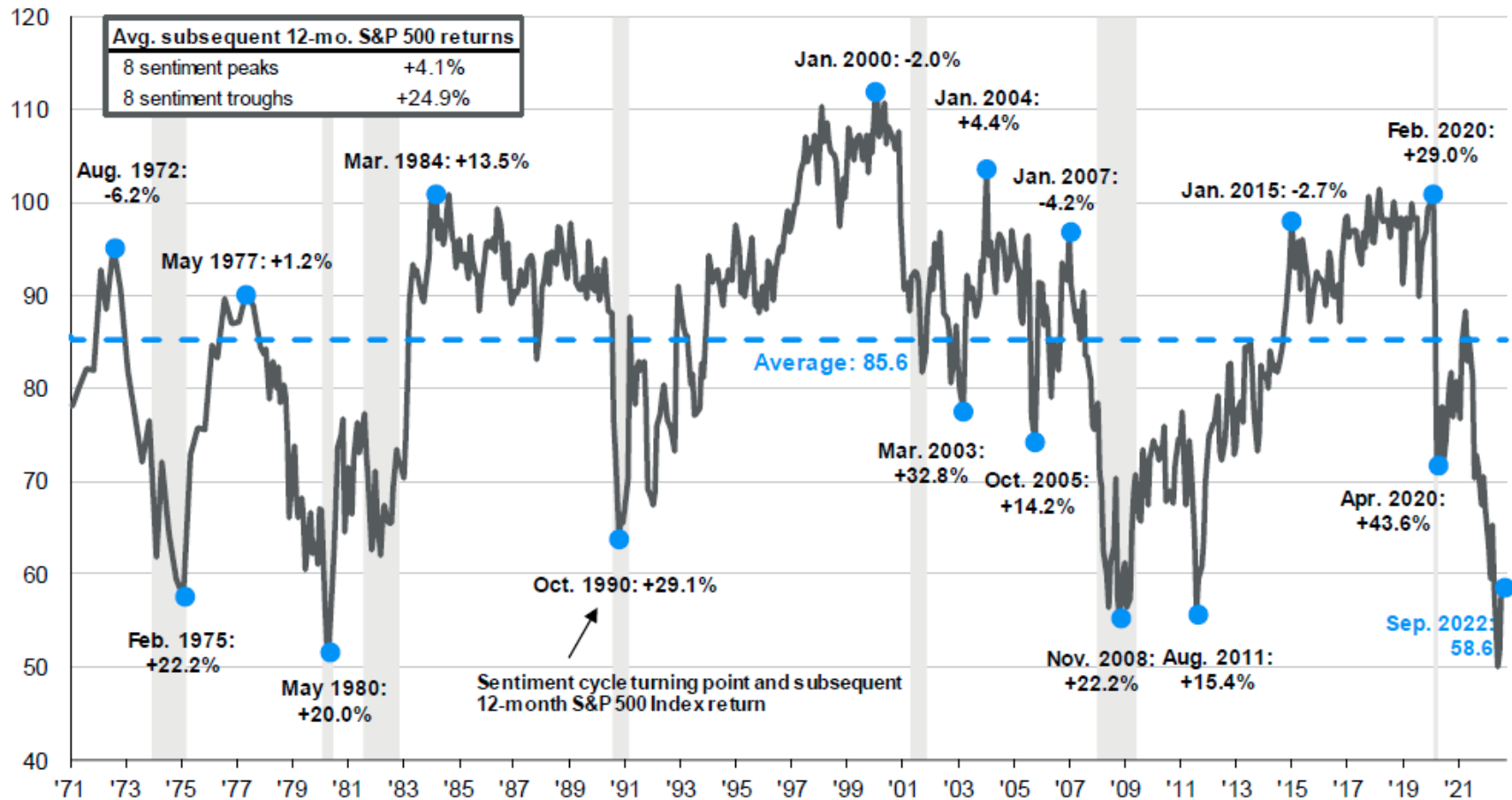
S&P 500 Indexed Price Return in the Year Before and After Past Peaks in CPI Inflation¹



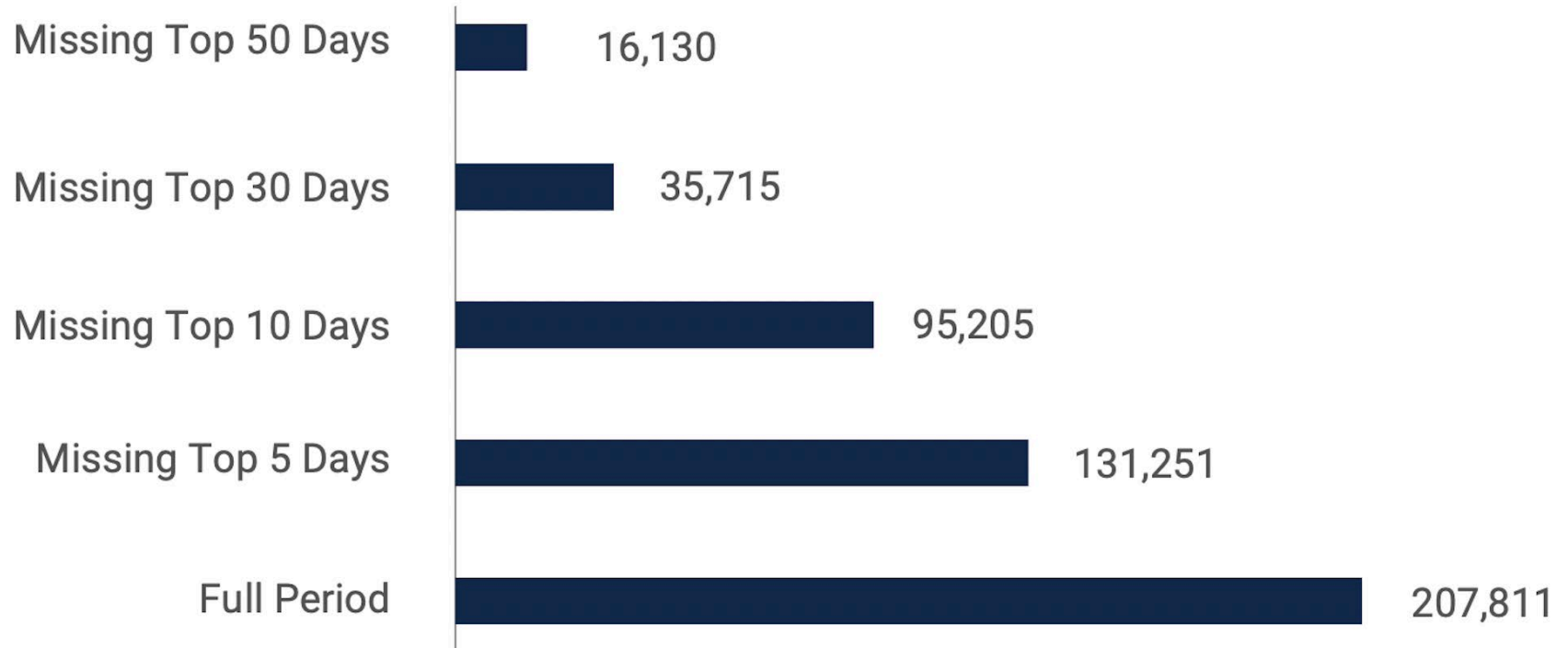
- Equities have typically declined in the months leading up to inflation peaks.
- Those losses were typically reversed over the subsequent 12 months, especially if the US avoided a recession.
- The new high in the June CPI delayed the peak by at least another month but price declines since June are encouraging.

CONSUMER SENTIMENT IS OFTEN A CONTRARY INDICATOR

Consumer Sentiment Index and subsequent 12-month S&P 500 returns



Growth of \$10,000 in S&P 500 Since January 1990



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Barclays US Aggregate Bond Index: Benchmark covering the USD-denominated, investment-grade, fixed-rate, taxable bond market of SEC-registered securities. The index includes bonds from the Treasury, Government-Related, Corporate, MBS, ABS, and CMBS sectors.

Yield to Call is the yield of a bond or note if you were to buy and hold the security until the call date. This yield is valid only if the security is called prior to maturity.

Yield to Maturity is the rate of return anticipated on a bond if it is held until the maturity date.

During the period(s) shown, there were no material market or economic conditions which affected the results portrayed. With the exception of several market corrections during the period(s), the overall market as measured by the S&P 500 was generally rising. If such trends are broken, the clients may experience real capital losses in their managed accounts.

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MSCI Emerging Markets Index: A free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. The MSCI Emerging Markets Index consists of the following 21 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

S&P 500 Index: The S&P 500 Index is a market capitalization-weighted index, including reinvestment of dividends and capital gains distributions that is generally considered representative of the U.S. stock market.

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