Market Update

MARKET UPDATE

Having just come through a regional banking storm in the first quarter, markets once again persevered through additional uncertainty as political brinkmanship pushed the U.S. debt ceiling resolution to the 11th hour. This pessimism and concern were complimented by AI optimism and equity markets rallied in the last month of the quarter, fueled by large cap technology companies.

Inflation continued to moderate from the 2022 high of 9.1%; U.S. CPI touched 4.0% for the May reading (released in June). The shelter component of CPI remains stubbornly high, but other real-time housing data indicates relief may be on the way. The Federal Reserve raised interest rates in May but paused in June and markets have all but priced in an additional hike in July. We view the Fed is close to the end of its rate hike campaign, but data related to inflation and the labor market will dictate policy action as we move toward the end of the year.

The highly anticipated “recession of 2023” has yet to materialize. While the economy grew 2% in the first quarter, we acknowledge there are increasing warning signs of a potential economic slowdown to come: an inverted yield curve, contracting leading indicators, tighter financial conditions and a weaker consumer indicate strain. However, a resilient labor market and waning inflation may provide support.

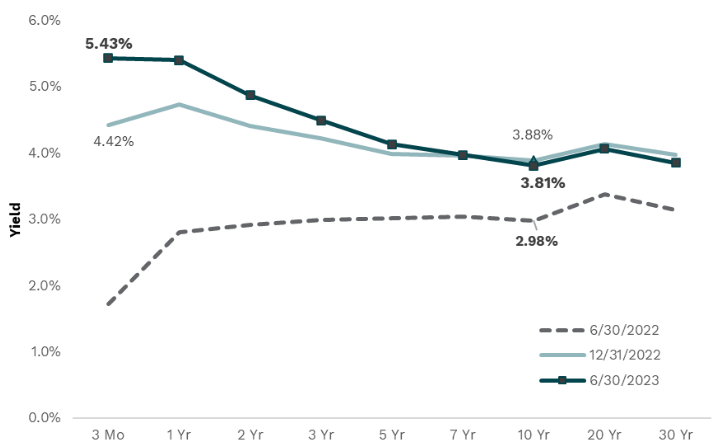
EQUITY

U.S. equity markets posted another favorable quarter with the S&P 500 Index returning 8.7% in the second quarter. Market leadership has been extremely concentrated this year with the top five names of the index driving 56% of the return year-to-date. Technology companies associated with artificial intelligence have been a primary source of large cap stocks outpacing smaller cap companies. While still positive, the Russell 2000 Index returned 5.2% in the quarter.

Non-U.S. equities saw positive returns in the quarter as well, but lagged the U.S. Developed markets (MSCI EAFE Index) gained 3.0%, while MSCI Emerging Markets rose a modest 0.9%. Japan was a standout in the developed segment on the back of favorable economic data. On the EM side, Brazil and India saw strong returns, returning 20.7% and 12.2% respectively. However, China (-9.7%), which is the largest single country in the index, offset these strong gains as the country’s sluggish recovery from COVID-zero policies has disappointed investors.

FIXED INCOME

Interest rate volatility continued in the second quarter, and rates ultimately ended higher across the U.S. yield curve. The Bloomberg Aggregate Bond Index returned -0.8% in the second quarter but remains positive year to date. The U.S. yield curve remains inverted as the Federal Reserve raised the Federal Funds rate in May and took a pause in June, sending short-dated rates higher. Riskier segments of fixed income, such as the high yield sector, fared well in the quarter. The Bloomberg US Corporate High Yield Index gained 1.7% in the second quarter. Credit spreads tightened as fundamentals remain favorable and investors believe many companies are in a favorable position to weather a potential slowdown.

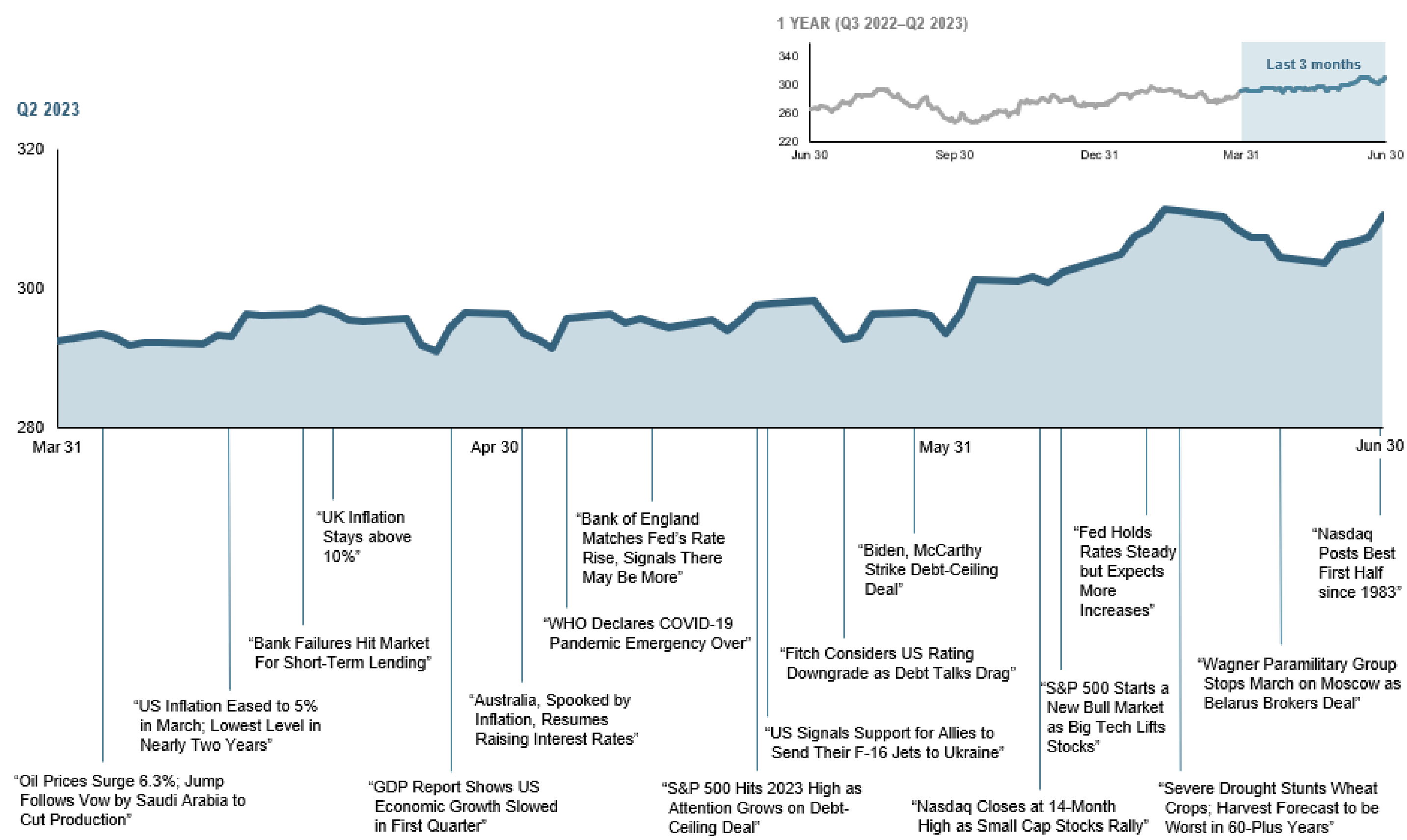


PERFORMANCE SNAPSHOT

	US Stock Market	International Developed Stocks	Emerging Market Stocks	Global Real Estate	US Bond Market	Global Bond Market ex-US
Q2 2023	8.39%	3.03%	0.90%	0.71%	-0.84%	0.73%
YTD	16.17%	11.29%	4.89%	2.09%	2.09%	0.83%
1 Year	18.95%	17.41%	1.75%	-3.02%	-0.94%	1.51%
5 Year	11.39%	4.58%	0.93%	1.35%	0.77%	0.95%
10 Year	12.34%	5.40%	2.95%	3.80%	1.52%	2.48%

Index performance is provided as a benchmark. It is not illustrative of any particular investment. An investment cannot be made in an index. Past performance is not an indication of future results. Russell 3000 Index, MSCI World ex USA Index, MSCI Emerging Markets Index, S&P Global REIT Index, Bloomberg Aggregate Bond Index and Bloomberg Global Aggregate Bond Index ex-US. Returns as of 6/30/2023

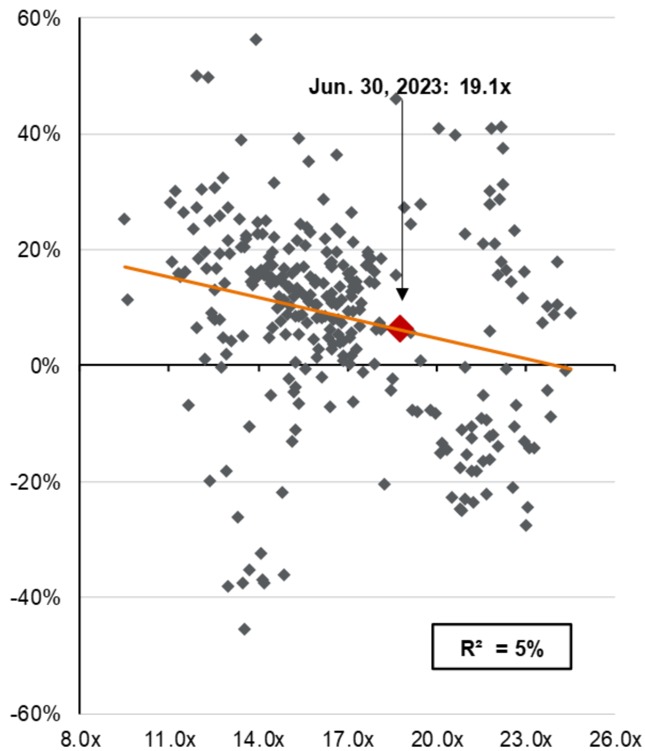
WORLD STOCK MARKET PERFORMANCE – Selected headlines from the past 3 months



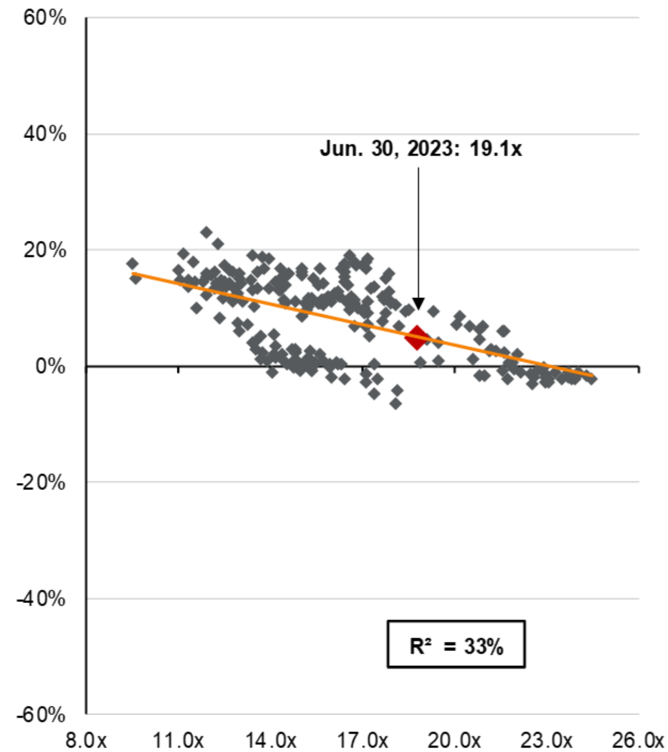
These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.

VALUATIONS MATTER – Short-term and longer-term outlook encouraging. At current valuations, the typical go-forward result is positive, especially over longer time periods.

Forward P/E and subsequent 1-yr. returns
S&P 500 Total Return Index

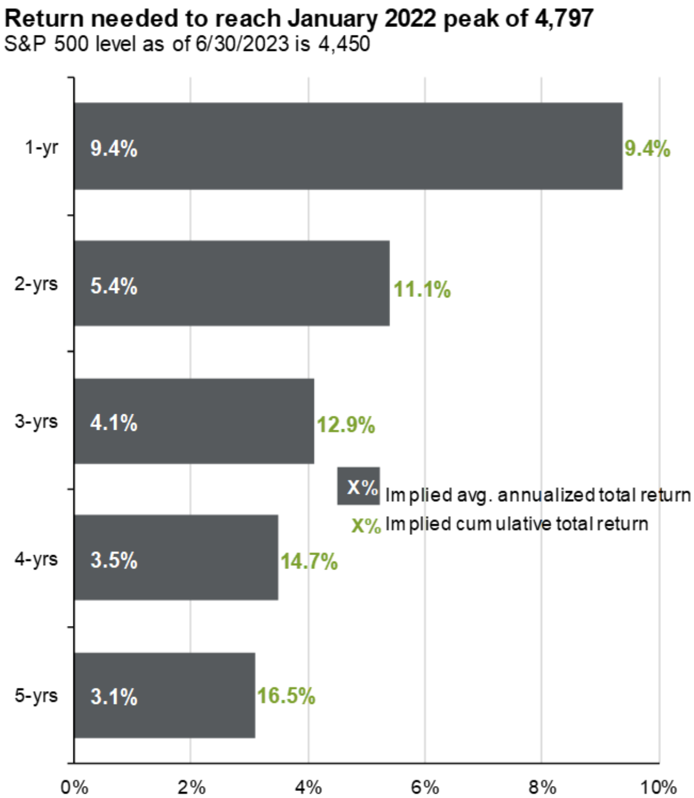


Forward P/E and subsequent 5-yr. annualized returns
S&P 500 Total Return Index



Source: FactSet, Refinitiv Datastream, Standard & Poor's, Thomson Reuters, J.P. Morgan Asset Management. Returns are 12–month and 60-month annualized total returns, measured monthly, beginning 2/28/98. R^2 represents the percent of total variation in total returns that can be explained by forward price-to- earnings ratios. Price-to-earnings is price divided by consensus analyst estimates of earnings per share for the next 12 months as provided by IBES since January 1997 and by FactSet since January 2022. Guide to the Markets – U.S. Data are as of June 30th, 2023

SCENARIO – Now what? With the market officially falling into a Bear market, it's important to put the returns needed to recover and the typical duration of these market wobbles into context.



Bull and bear markets

Bull markets			Bear markets		
Bull begin date	Bull return	Duration (months)	Market peak	Bear return*	Duration (months)*
Jul 1926	152%	37	Sep 1929	-86%	32
Mar 1935	129%	23	Mar 1937	-60%	61
Apr 1942	158%	49	May 1946	-30%	36
Jun 1949	267%	85	Aug 1956	-22%	14
Oct 1960	39%	13	Dec 1961	-28%	6
Oct 1962	76%	39	Feb 1966	-22%	7
Oct 1966	48%	25	Nov 1968	-36%	17
May 1970	74%	31	Jan 1973	-48%	20
Mar 1978	62%	32	Nov 1980	-27%	20
Aug 1982	229%	60	Aug 1987	-34%	3
Oct 1990	417%	113	Mar 2000	-49%	30
Oct 2002	101%	60	Oct 2007	-57%	17
Mar 2009	401%	131	Feb 2020	-34%	1
Mar 2020	114%	21	Jan. 2022**	-25%	9
Averages	**162%**	**51**	**-**	**-41%**	**20**

*Source: FactSet, NBER, Robert Shiller, Standard & Poor's, J.P. Morgan Asset Management. (Right) The current peak of 4797 was observed on January 3, 2022. The current market level as of June 30th, 2023 is 4450. (Left) *A bear market is defined as a 20% or more decline from the previous market high. The related market return is the peak to trough return over the cycle. Bear and bull returns are price returns. **The bear market beginning in January 2022 is currently ongoing. The "bear return" for this period is from the January 2022 market peak through the current trough in October 2022. Averages for the bear market return and duration do not include figures from the current cycle. Guide to the Markets – U.S. Data are as of June 30th, 2023*

SCENARIO – Feeling gloomy about the go-forward? You are not alone. Fortunately, that general sentiment doesn't stay at these lower levels for very long. Moreover, the market returns subsequent to a trough in sentiment have been remarkably strong.

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