

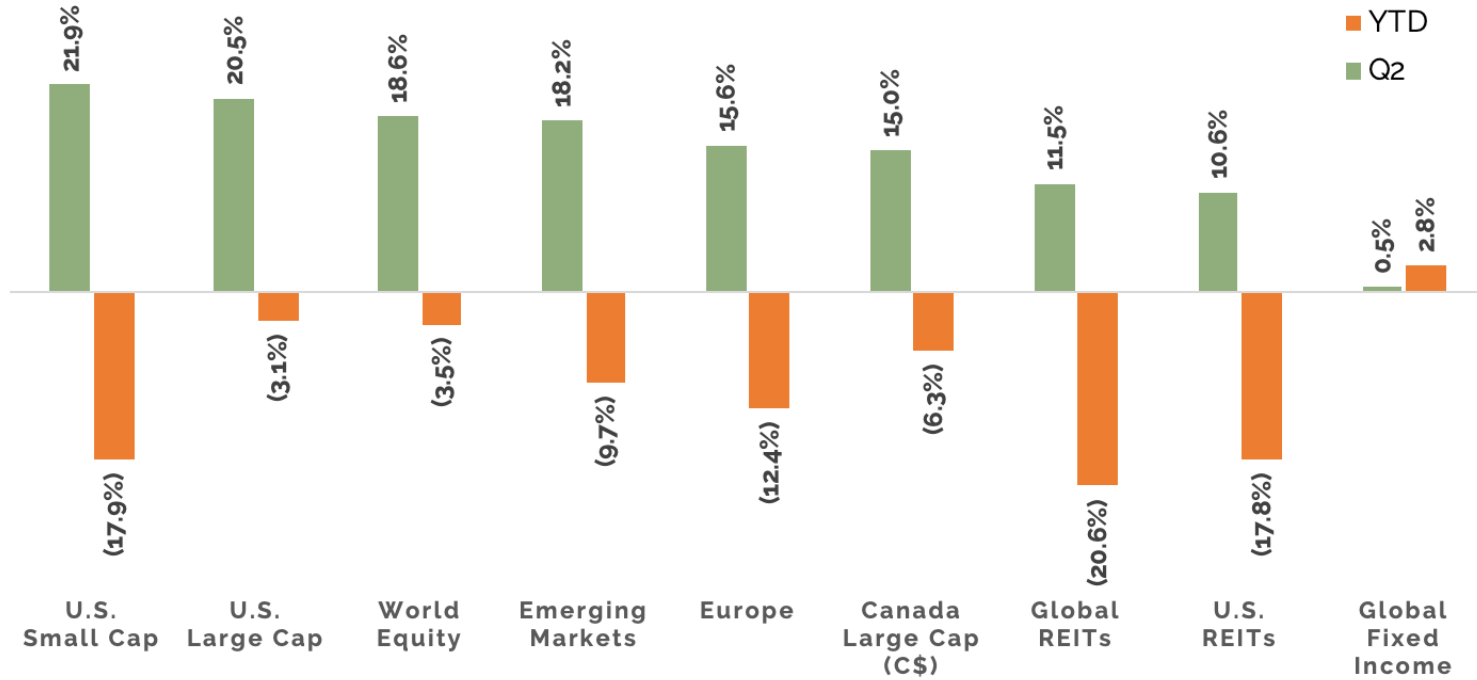
*Summer 2020*

Our *Playbook* is designed to share our quarterly views in a visual presentation with comments providing context to what we believe are the pertinent issues of the most recent quarter and what we see moving forward.

# Stocks Rally

## Global Capital Market Returns

Periods ending June 30, 2020

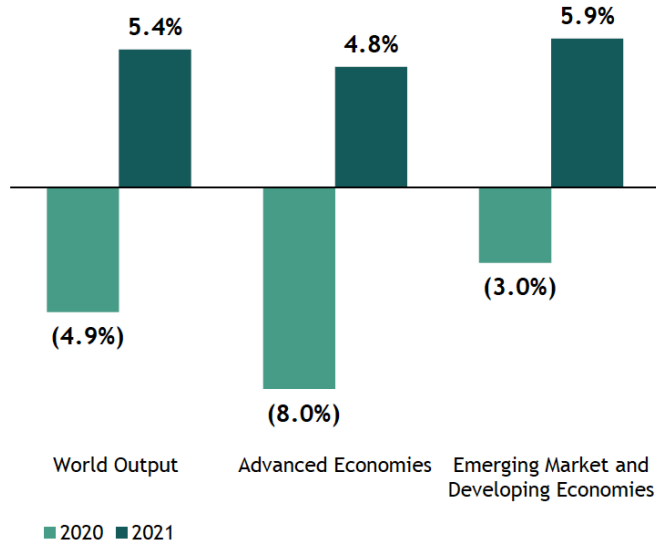


Source: Standard & Poor's, MSCI, FTSE, Wilshire. U.S. Large Cap: S&P 500 Composite (incl. Dividends), Canada (C\$): S&P/TSX 60 Composite, World Equity: S&P Global 1200 (incl. Dividends), Europe: MSCI Europe Gross, U.S. Small Cap: S&P 600 Small Cap, Emerging Markets: MSCI Emerging Markets Gross, U.S. REITs: Wilshire U.S. REITs Index, Global REITs: S&P Global REITs Index, Fixed Income: FTSE World Government Bond Index 1-5 Year Hedged

# Recovery Comes Into View

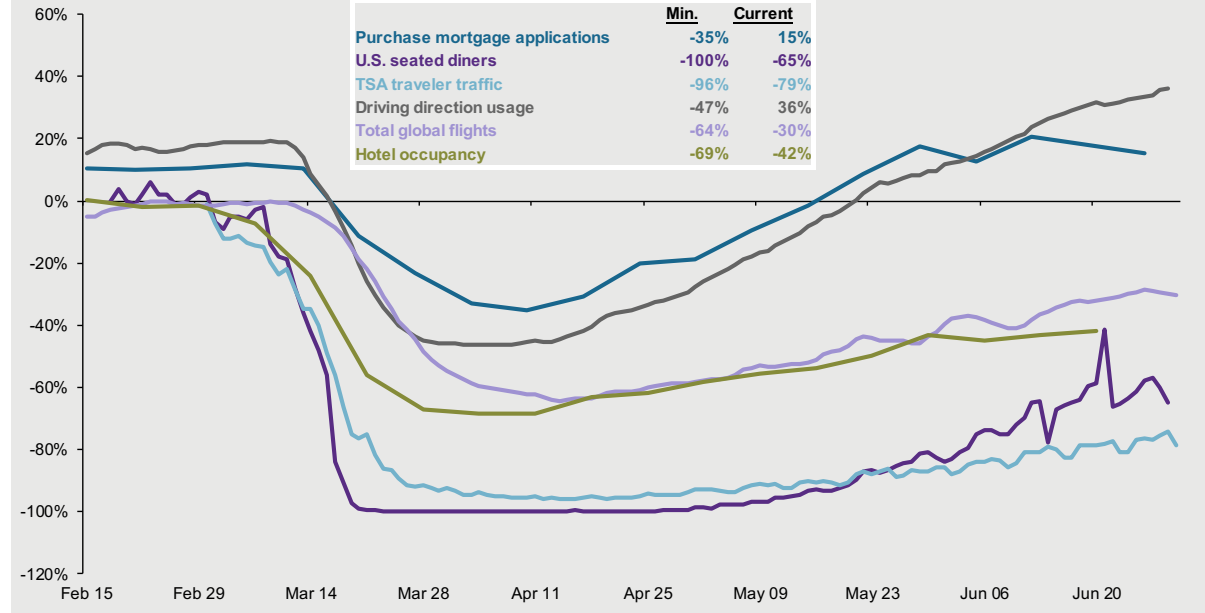
## Estimates for Real GDP Growth

(YoY % change)



## High frequency data

Year-over-year % change\*

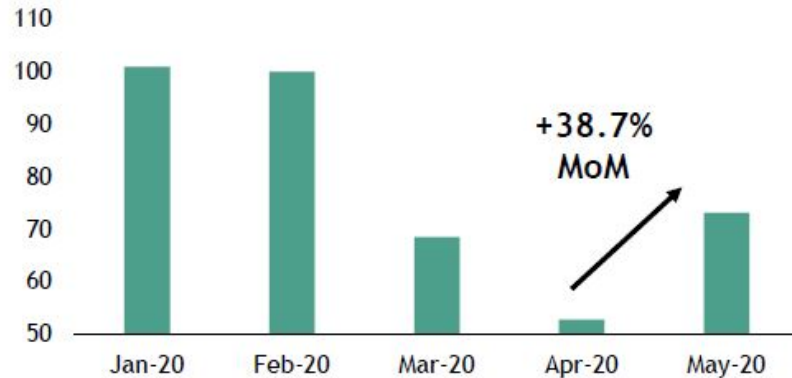


Source: Real GDP Growth – IMF World Economic Outlook and Blackstone Investment Strategy, as of 6/24/20. High-frequency data – Apple Inc., FlightRadar24, Mortgage Bankers Association (MBA), OpenTable, STR, Transportation Security Administration (TSA), J.P. Morgan Asset Management. \*Driving directions and total global flights are 7-day moving averages and are compared to a pre-pandemic baseline. Guide to the Markets – U.S. Data are as of June 30, 2020.

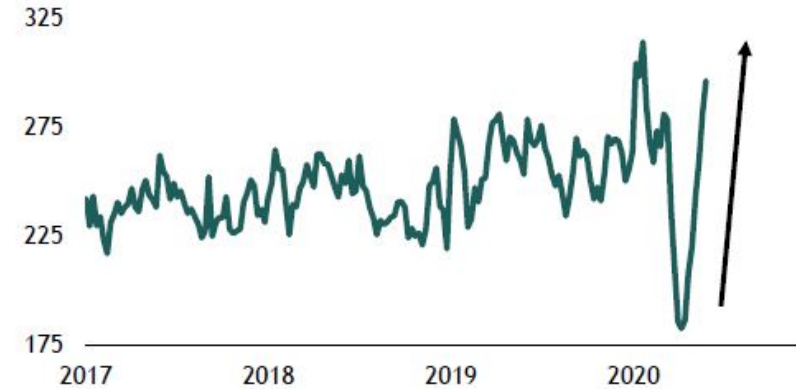
# Green Shoots Appear

## Total Vehicle Sales

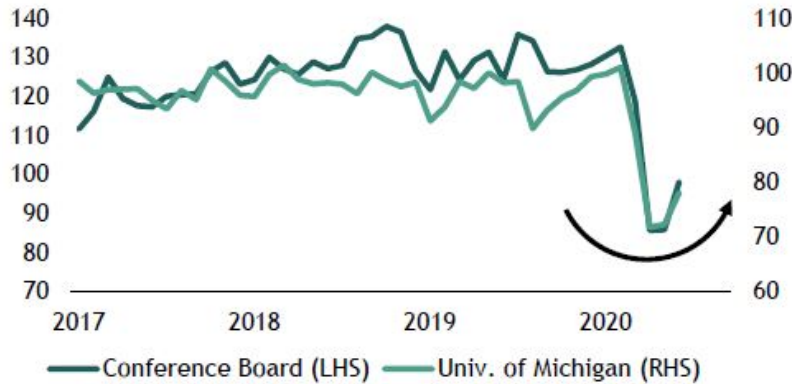
(annualized rate, indexed to 100 as of Feb 2020)



## Index of Mortgage Originations for Home Purchase

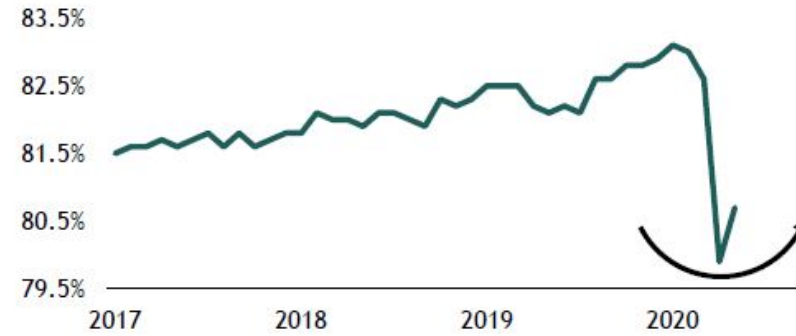


## Consumer Sentiment



## Labor Force Participation Rate

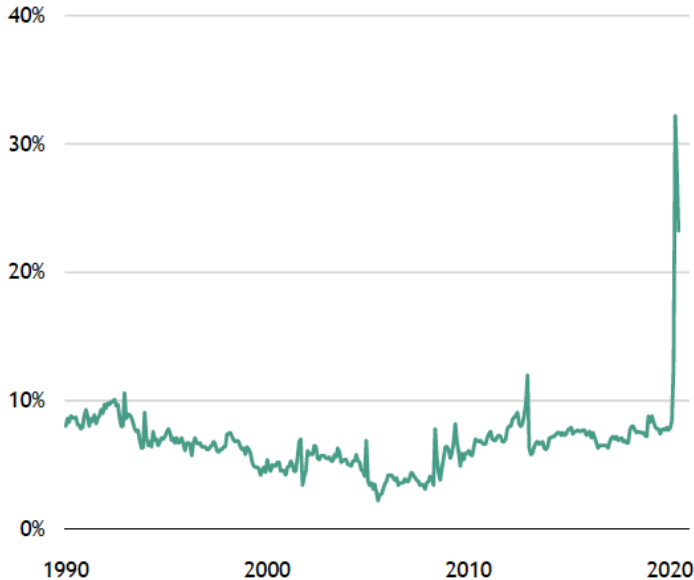
(ages 25-54)



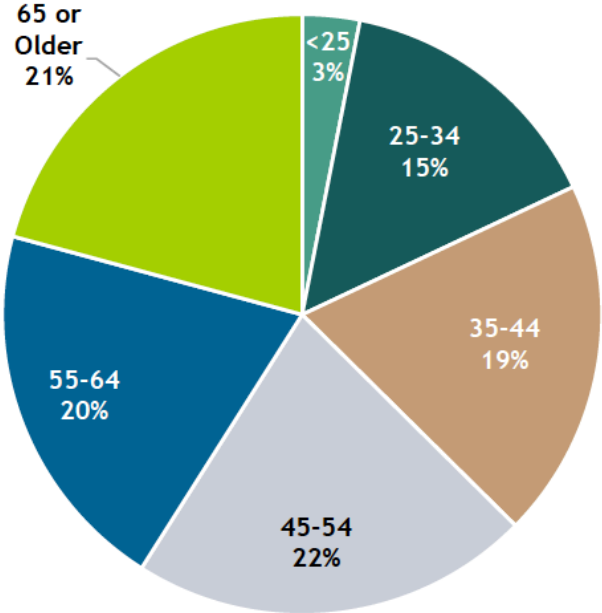
Source: Total Vehicle Sales – BEA, as of 5/31/20. Mortgage Originations – Mortgage Bankers Association and Bloomberg, as of 5/31/20. Consumer Sentiment – University of Michigan, Conference Board and Haver Analytics, as of 6/30/20. Labor Force Participation Rate – BLS and Haver Analytics, as of 5/31/20.

# U.S. Consumers Saving More – Key to Recovery

U.S. Personal Saving Rate



Share of U.S. Total Aggregate Expenditures by Age Range

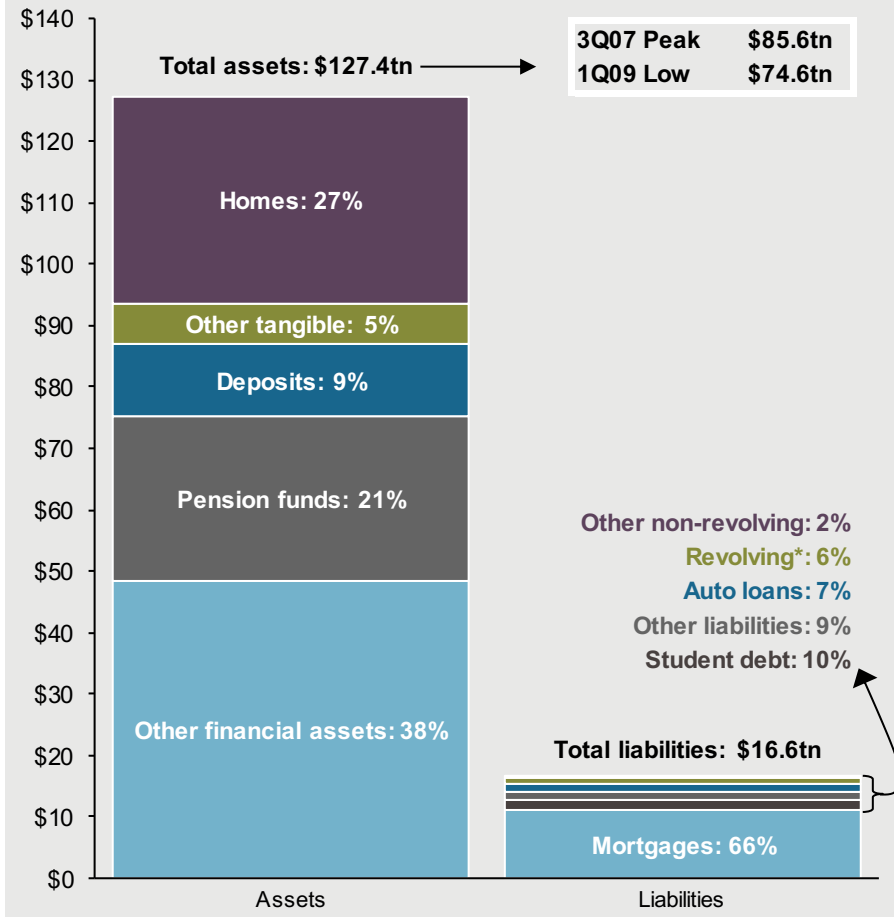


Source: BEA, BLS and Blackstone Investment Strategy. Savings rate data as of 5/31/20. Expenditures data as of 12/31/18.

# Consumer Remains Financially Healthy

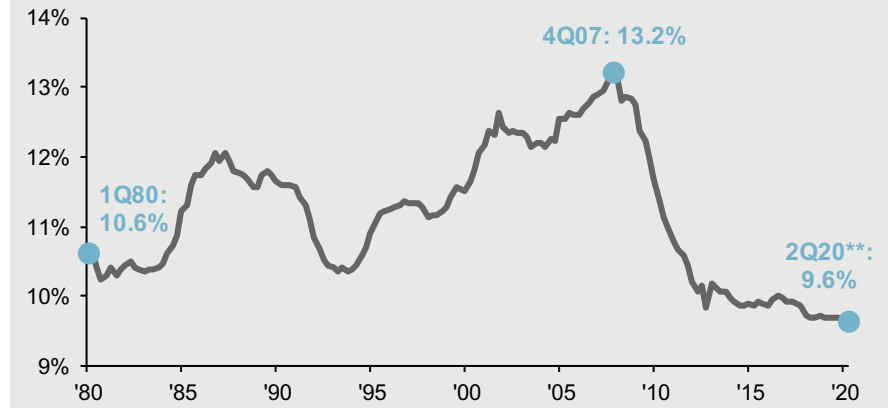
## Consumer balance sheet

1Q20, trillions of dollars outstanding, not seasonally adjusted



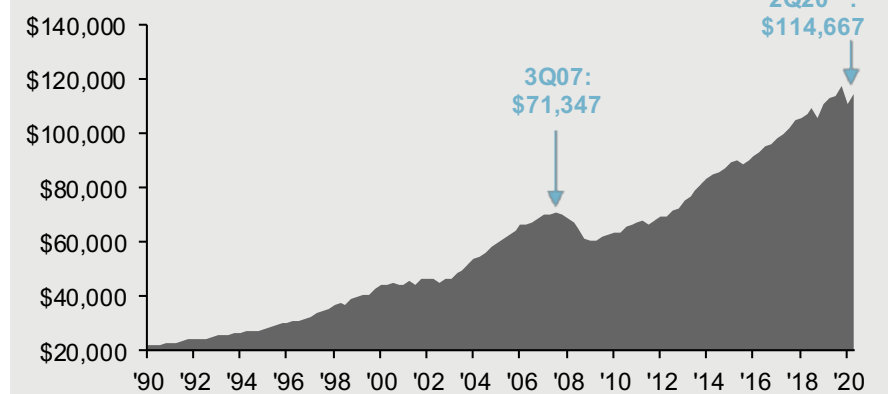
## Household debt service ratio

Debt payments as % of disposable personal income, SA



## Household net worth

Not seasonally adjusted, USD billions



Source: FactSet, FRB, J.P. Morgan Asset Management; (Top and bottom right) BEA. Data include households and nonprofit organizations. SA – seasonally adjusted. \*Revolving includes credit cards. Values may not sum to 100% due to rounding. \*\*2Q20 figures for debt service ratio and household net worth are J.P. Morgan Asset Management estimates. Guide to the Markets – U.S. Data are as of June 30, 2020.

## An Extraordinary Response

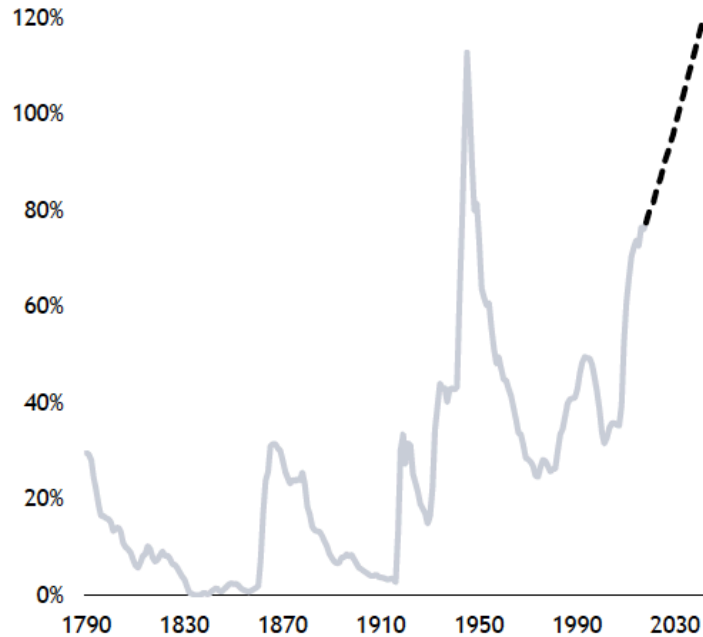
Amount (\$B)	Measure
\$293	One-time recovery rebate checks amounting to \$1,200 per adult and \$500 per child up to certain income limits
\$268	Boost to unemployment benefits, adding \$600 per week to every check until July 31 <sup>st</sup> , expanding program to cover contractors and self-employed and extending programs from 26 weeks to 39 weeks
\$27	Grants to airlines and businesses deemed important for national security. Non-forgivable loans through Fed are excluded as they are assumed to be repaid
\$760	Small business relief, mostly "forgivable loans" for spending on payroll, rent and utilities
\$150	Direct aid to state and local governments
\$425	Health-related spending
\$517	Other spending and tax breaks
<b>\$2.441 Trillion</b> ~ 11.8% of GDP	

Source: CBO, J.P. Morgan Asset Management. JPMAM estimates include costs of CPRSA, FFCR, CARES and PPPHCE Acts, signed into law on March 6, 18 and 27 and April 24 as estimated by CBO. Charts on right add impacts of these acts, interest cost of additional debt, an assumed extra \$1 trillion in further acts in 2020 and 2021 and recession impacts on revenues, spending and GDP. Congressional Budget Office (CBO) March 2020 Baseline Budget Forecast. Note: Years shown are fiscal years (Oct. 1 through Sep. 30). Guide to the Markets – U.S. Data are as of June 30, 2020.

# No Holding Back - U.S. Fiscal Policy Continues to Expand

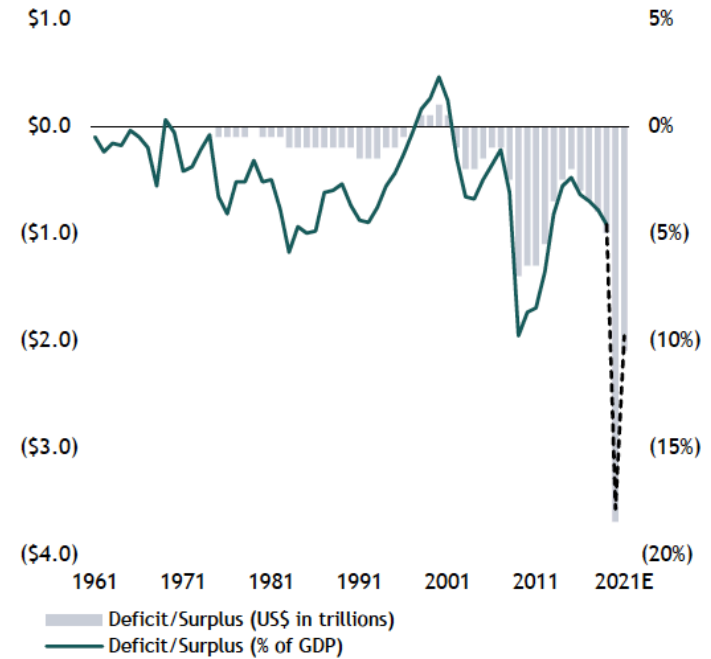
## Total Federal Debt Held by the Public

(% of GDP)



## Federal Deficit (Annual)

(US\$ in trillions)



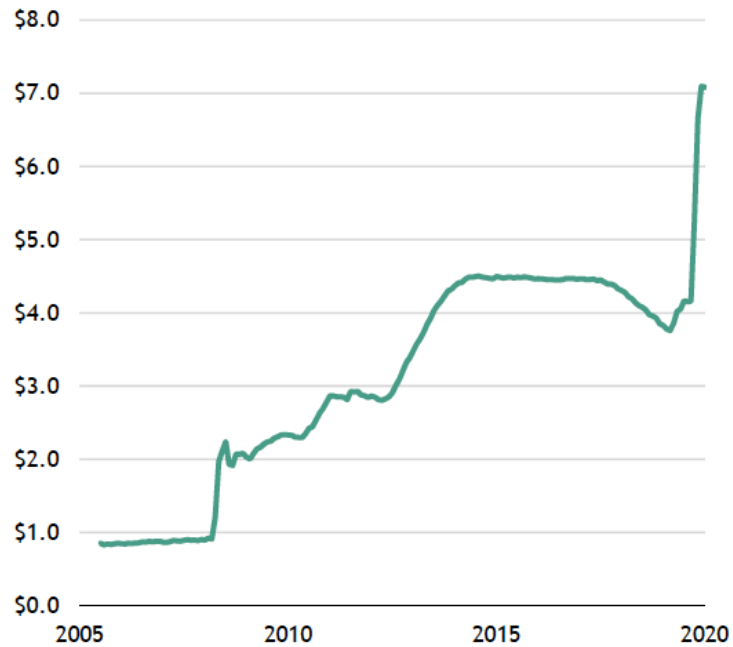
Source: OMB, CBO, Federal Reserve, Haver Analytics and Blackstone Investment Strategy, actual data as of 12/31/19. Data for 2020-2030 are estimates from the most recent CBO update, as of 6/30/20.



# Economic CPR - Monetary Policy Actions

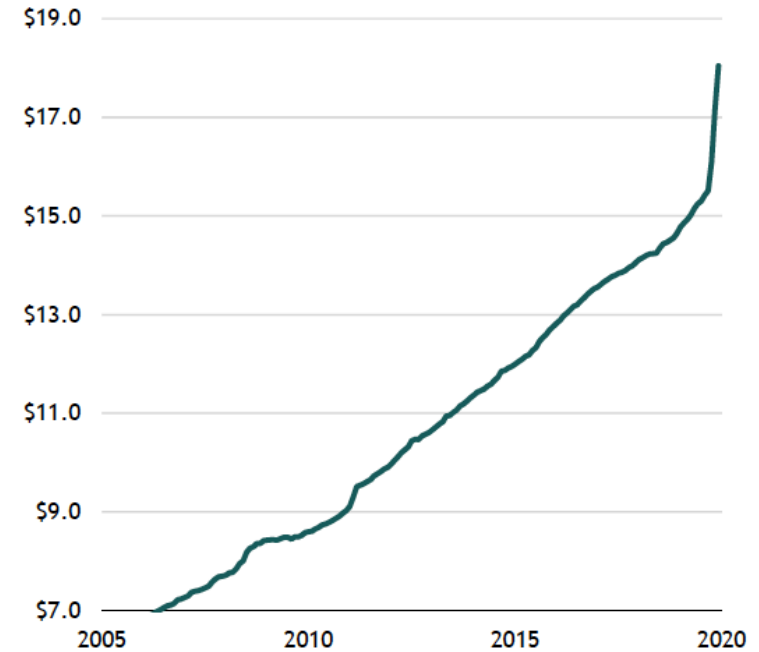
## Federal Reserve Balance Sheet Assets

(US\$ in trillions)



## U.S. Money Supply (M2)

(US\$ in trillions)

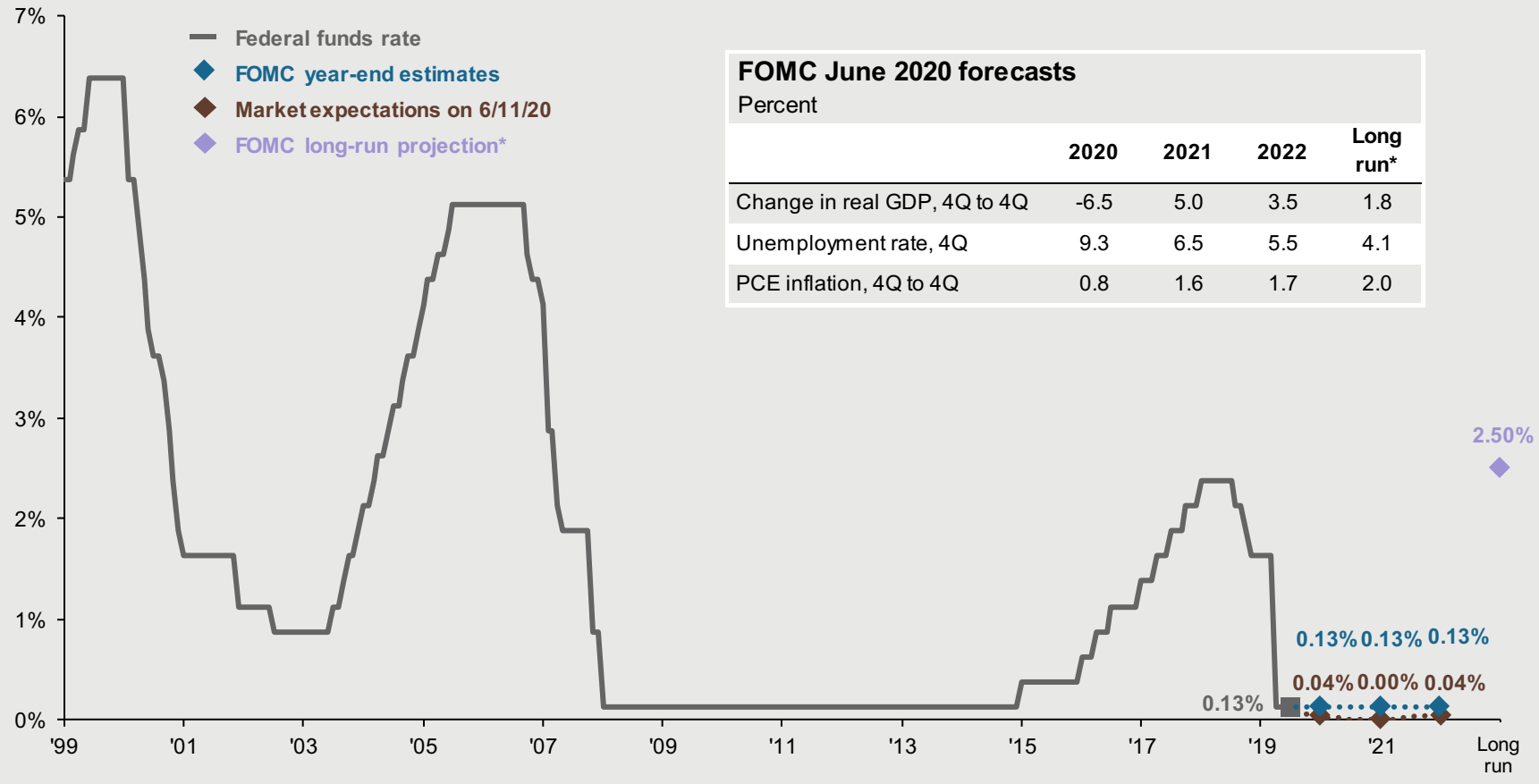


Source: Federal Reserve, Haver Analytics and Blackstone Investment Strategy. Fed balance sheet data as of 6/30/20, money supply data as of 5/31/20.

# Interest Rates and Inflation Accommodative

## Federal funds rate expectations

FOMC and market expectations for the federal funds rate

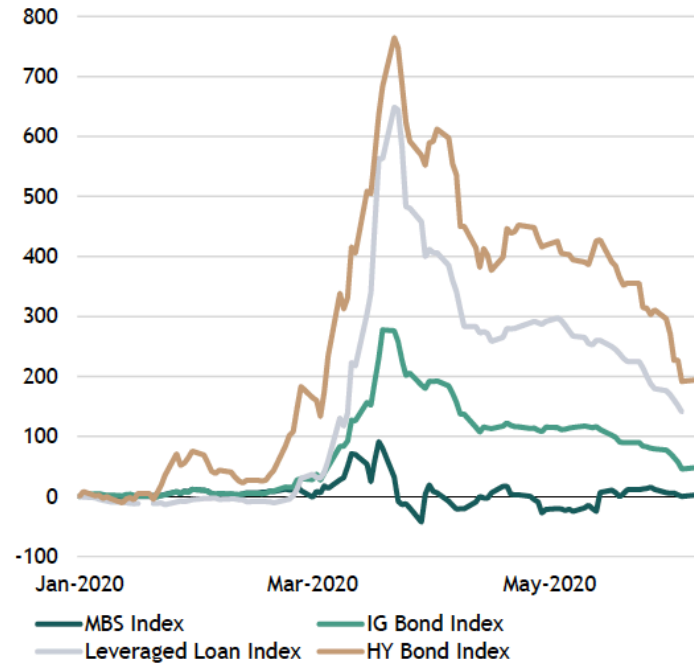


Source: Bloomberg, FactSet, Federal Reserve, J.P. Morgan Asset Management. Market expectations are the federal funds rates priced into the fed futures market as of the following date of the June 2020 FOMC meeting and are through December 2022. \*Long-run projections are the rates of growth, unemployment 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. Guide to the Markets – U.S. Data are as of June 30, 2020.

# Measuring Bond Markets

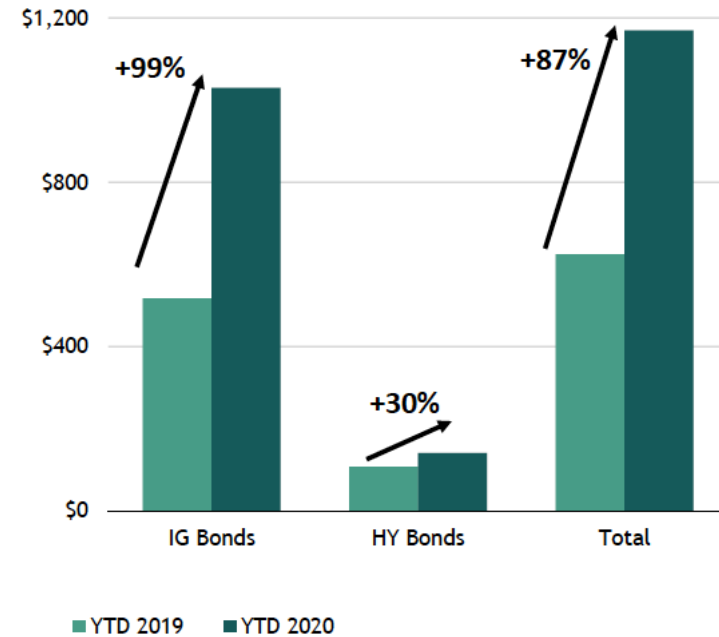
## Credit Market Spreads

(bps, 1/1/2020=0)



## U.S. Corporate Bond Issuance

(US\$ in billions)

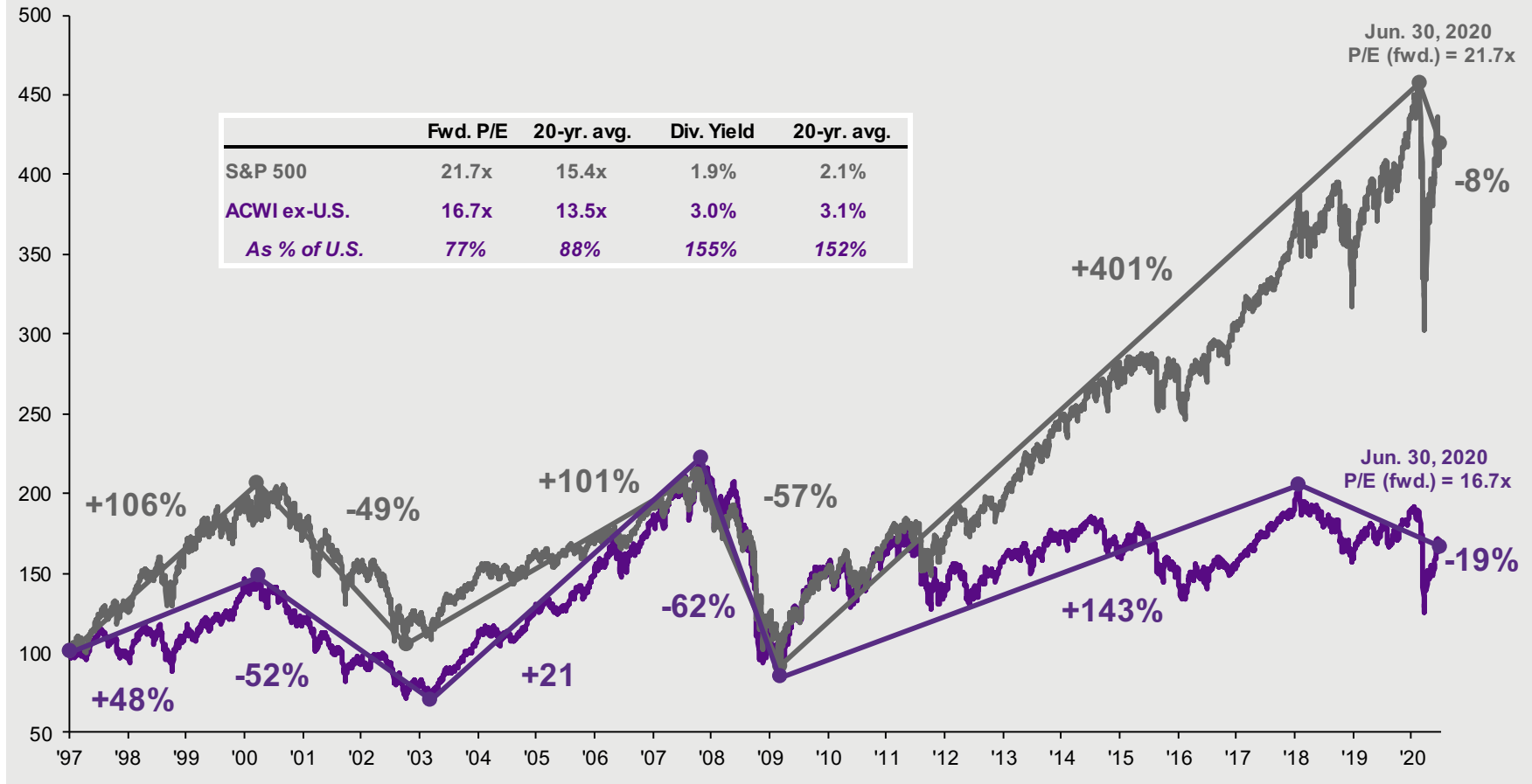


Source: S&P Global, Bloomberg, JP Morgan, SIFMA, and Blackstone Investment Strategy, as of 6/1 and 6/5/20. Represents the Bloomberg Barclays US Corporate Bond Index, the Bloomberg Barclays US High Yield Corporate Bond Index, Bloomberg Barclays US MBS Index and the S&P/LSTA Leveraged Loan Index. Spreads for IG, HY and MBS represent the yield to worst of each index relative to the generic 10Y UST yield. Spreads for the LL Index represent spread to maturity.

# U.S. and Global Equities

## MSCI All Country World ex-U.S. and S&P 500 Indices

Dec. 1996 = 100, U.S. dollar, price return



Source: FactSet, MSCI, Standard & Poor's, J.P. Morgan Asset Management. Forward price to earnings ratio is a bottom-up calculation based on the most recent index price, divided by consensus estimates for earnings in the next 12 months (NTM), and is provided by FactSet Market Aggregates. Returns are cumulative and based on price movement only, and do not include the reinvestment of dividends. Dividend yield is calculated as consensus estimates of dividends for the next 12 months, divided by most recent price, as provided by FactSet Market Aggregates. Past performance is not a reliable indicator of current and future results. Guide to the Markets – U.S. Data are as of June 30, 2020.

## Portfolio Updates

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**Actions taken the last quarter to adjust to and take advantage of current conditions.**

- **Increased holdings in High Yield Fixed Income**
- **Added quality individual names: Starbucks, Visa, Pag Seguro**
- **Added CCL Industries to Canada portfolios**
- **Sold companies with concerns Haliburton, Dow Chemical, BNP Paribas**
- **Trimmed emerging markets exposure while also focusing on high opportunity individual names**



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July 25, 2020