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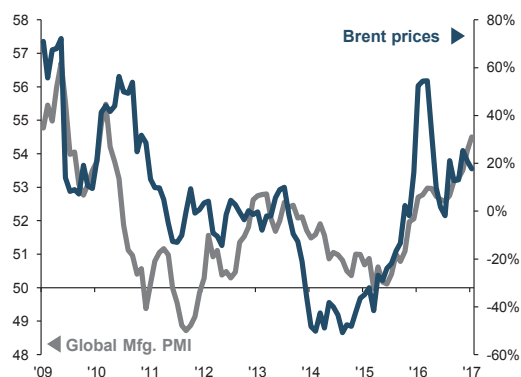
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The Markets (as of market close January 5, 2017)

The first week of 2018 saw equities enjoy a strong start to the new year. Less than a year after breaking the 20000 mark, the Dow soared past 25000 last week. The wide-ranging S&P 500 also posted a record close while climbing 2.60%. The Nasdaq picked up in 2018 right where it left off in 2017, posting a 3.38% weekly gain, boosted by surging technology stocks. Energy stocks were strong as the price of oil rose again last week. As bond prices fell, bond yields moved higher, with the yield on 10-year Treasuries increasing by 6 basis points.

The price of crude oil (WTI) climbed to \$61.55 per barrel last Friday, up from the prior week's closing price of \$60.10 per barrel. The price of gold (COMEX) rose to \$1,320.90 by early Friday evening, ahead of the prior week's price of \$1,305.10. The national average retail regular gasoline price increased to \$2.520 per gallon on January 1, 2018, \$0.048 above the prior week's price and \$0.143 more than a year ago.

Strong manufacturing data is supporting oil prices
Global Mfg. PMI, year-over-year % change in Brent crude oil prices



Source: Bloomberg Finance L.P., FactSet, ICE, J.P. Morgan Asset Management.

Last Week's Headlines

The employment sector finished 2017 in good shape. There were 148,000 new jobs added in December and the unemployment rate, at 4.1%, was unchanged for the third consecutive month. Job gains occurred in health care, construction, and manufacturing. In 2017, payroll employment growth totaled 2.1 million, compared with a gain of 2.2 million in 2016. Over the year, the unemployment rate and the number of unemployed persons were down by 0.6 percentage point and 926,000, respectively. The labor force participation rate, at 62.7%, was unchanged over the month and over the year. The employment-population ratio was unchanged at 60.1% in December but was up by 0.3 percentage point over the year. The average workweek was unchanged at 34.5 hours in December. Average hourly earnings for December rose by \$0.09 to \$26.63. Over the year, average hourly earnings have risen by \$0.65, or 2.5%.

The international trade deficit for goods and services was \$50.5 billion in November, up \$1.6 billion from October. November exports were \$200.2 billion, \$4.4 billion more than October exports. November imports were \$250.7 billion, \$6.0 billion more than October imports. Year-to-date, the goods and services deficit increased \$53.4 billion, or 11.6%, from the same period in 2016.

Purchasing managers noted an improving manufacturing sector in December, according to the survey conducted by IHS Markit. The U.S. Manufacturing Purchasing Managers' Index™ registered 55.1 in December, up from 53.9 in November — the highest such reading since March 2015. Greater demand spurred acceleration in new orders, stronger production growth, and cost inflation.

According to the Manufacturing ISM® Report On Business®, supply managers/respondents also reported that economic activity in the manufacturing sector expanded in December. The December PMI® registered 59.7%, up from November's 58.2% reading. New orders, production, supplier deliveries, inventories,

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MARKETSUMMARY

	1/5/18	1 Week	QTD	YTD	1 Year		1/5/18	12/29/17	1/5/17
S&P 500	2743	2.63 ▲	2.63	2.63 ▲	23.34 ▲	\$ per €	1.20	1.20	1.06
Dow Jones	25296	2.37 ▲	2.37	2.37 ▲	30.19 ▲	\$ per £	1.36	1.35	1.24
Russell 2000	3877	1.61 ▲	1.61	1.61 ▲	15.22 ▲	¥ per \$	113.23	112.65	115.54
MSCI EAFE	2101	2.45 ▲	2.45	2.45 ▲	25.86 ▲	Oil (WTI)	61.48	60.46	53.77
NASDAQ	7137	3.40 ▲	3.40	3.40 ▲	31.46 ▲	Gasoline	2.52	2.47	2.38
10-Year U.S. Treasuries	2.47	2.40 ▲	2.40	2.40 ▲	2.37 ▲	Gold	1317	1291	1177

Source: J.P. Morgan Asset Management

and prices increased in December. Only employment decreased last month.

Growth slowed in the services sector in December, according to the Non-Manufacturing ISM® Report On Business®. The Non-Manufacturing Index registered 1.5 percentage points lower than the November reading. Business activity and new orders also decreased last month. On the plus side, business managers reported an uptick in employment and prices. Included in the report are service industries such as retail trade; utilities; arts, entertainment and recreation; health care; accommodation and food services; finance and insurance; and real estate.

In the week ended December 30, initial claims for unemployment insurance was 250,000, an increase of 3,000 from the previous week's level, which was revised up by 2,000. The advance insured unemployment rate remained 1.4%. The advance number of those receiving unemployment insurance benefits during the week ended December 23 was 1,914,000, a decrease of 37,000 from the previous week's level, which was revised up 8,000.

Eye on the Week Ahead

Trading is expected to pick up this week following the prior two holiday-shortened weeks. Inflation indicators for December are available this week, led by the Consumer Price Index. Inflation had been stagnant for much of 2017, although consumer demand for goods and services during the holiday season may nudge prices upward — at least for December.

Key Dates/Data Releases

- 1/9: JOLTS
- 1/10: Import and export prices
- 1/11: Producer Price Index, Treasury budget
- 1/12: Consumer Price Index, retail sales

Sources: Broadridge/Forefield.