Friends,

JPMorgan Asset Management recently published the latest quarterly installment of its Guide to the Markets (attached). I always find this guide helpful to keep recent data points in perspective of their long-term trends. After reviewing the Guide, there are a few highlights worth sharing:

GLOBAL GROWTH
For the first time since the Great Recession, every single country of economic significance around the globe is expanding. Page 42 of the Guide shows global purchasing managers indexes above 50, indicating expansion. This is an indication that, despite room for improvement, the global economy is firing on all cylinders.

OIL PRICES
The fundamental supply/demand environment for oil looks solid, and should be supported by an improving global growth outlook. Page 27 of the Guide has more detail, but generally we've seen rising oil prices this year. US oil inventories have fallen steadily, and the increase in US rig count that began the middle of last year seems to have stabilized. Considering how quickly US shale rigs can be transitioned from dormant to active, I would be surprised to see oil move up dramatically from here (JPMorgan Strategist Dr. David Kelly personally thinks the ~$60/bbl level is likely the upper limit). However, prices between $50-60 should be supportive of energy company earnings.

EARNINGS AND VALUATION
The improving global growth scenario has been positive for corporate earnings, with the US on track for ~15% earnings growth this year over 2016. This means the US (and Japan) are near all-time high earnings. This isn't surprising, considering both countries are experiencing low unemployment and high capacity utilization. Emerging markets overall and European economies are also showing significant improvement from 2016, but these two regions still have a lot of room for growth to get back to their all-time high earnings. This isn't surprising considering there's still a lot of room for improvement in unemployment and capacity utilization in these economies. And from a valuation perspective, these two sectors offer more attractive valuation compared to the US, and relative to their own historical averages. See page 41 for more detail.

US DOLLAR
Finally, 2012-2015 saw a period of a strengthening USD, however this year the USD has weakened noticeably, and is likely returning to its long-term weakening trend since 1985. If so, this weakness will likely be supportive of US corporate earnings, but will also support USD-based returns of foreign debt and equity investments.

Overall this paints a picture that, to me, makes overseas developed (especially Europe) and developing markets seem more attractive than their US counterparts, based on improving economic growth, improving earnings, and more attractive valuation. I hope this helps; if you'd like to discuss further, give me a call. Have a great week!

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