

Monthly Market Review

Asia Pacific | February 2019

Global economy:

- The Federal Reserve (Fed) kept policy rates unchanged as expected, but its statement provided much relief to the market. It said the Fed would be patient on future policy rate changes and could be more flexible with its balance sheet reduction. This was interpreted by investors as a greater willingness to go slow on rate hikes as policy rates are already at neutral level, according to the Fed. (GTMA P. 27)
- Another round of U.S.-China trade negotiations did not yield a major breakthrough but U.S. officials are expected to be engaging in another round of discussions in China in February. Comments on both sides are generally upbeat, raising expectations that further escalation in tariffs is less likely. Meanwhile, there was strong jobs data in the U.S. for December, with non-farm payrolls up 304,000, much higher than expected. In China, economic growth for the 4Q decelerated to 6.4% and the latest Purchasing Managers' Index figure fell further, promoting speculation that Chinese authorities would need to step up economic stimulus. (GTMA P. 25, 6)

Equities:

- Following a very difficult 4Q 2018, equities rebounded in January with the Fed taking a more gradual stance on rate hikes and the worry over recession being reduced. The S&P 500 was up 8% and the MSCI emerging markets (EM) index was up 8.8%. (GTMA P. 31)
- A weaker U.S. dollar and possible relief in U.S.-China trade tensions have helped to provide more support to EM/Asian equities. The CSI 300 was up 7.9% due to greater policy support to the economy. South Korea, Hong Kong and ASEAN markets all performed strongly within Asia. Taiwan is weighed down by concerns over weak demand for smartphones. Election uncertainties are pressuring Indian equities. (GTMA P. 31, 39, 40)

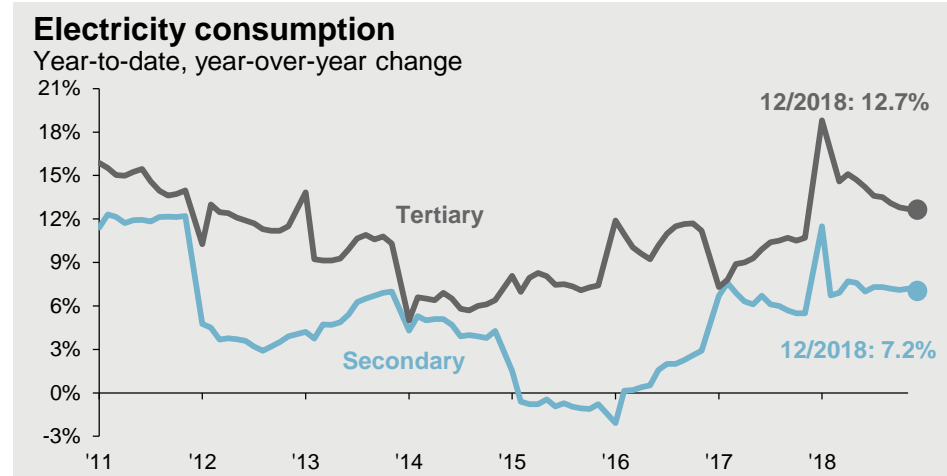
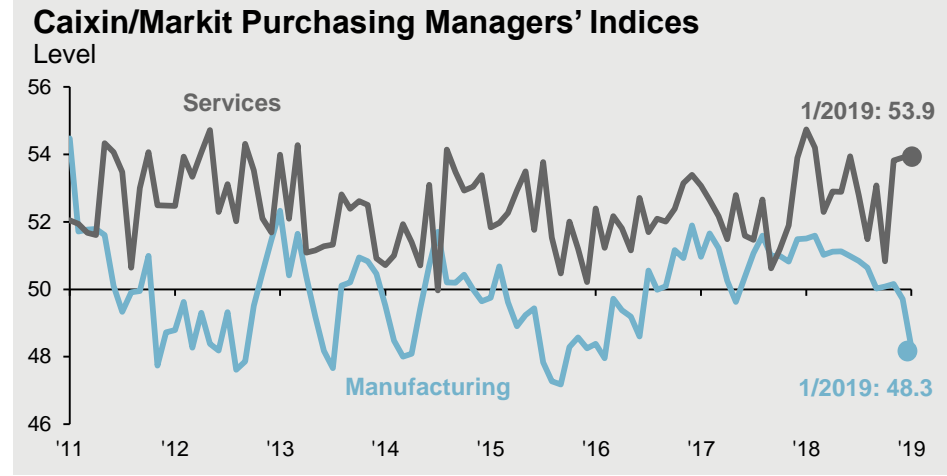
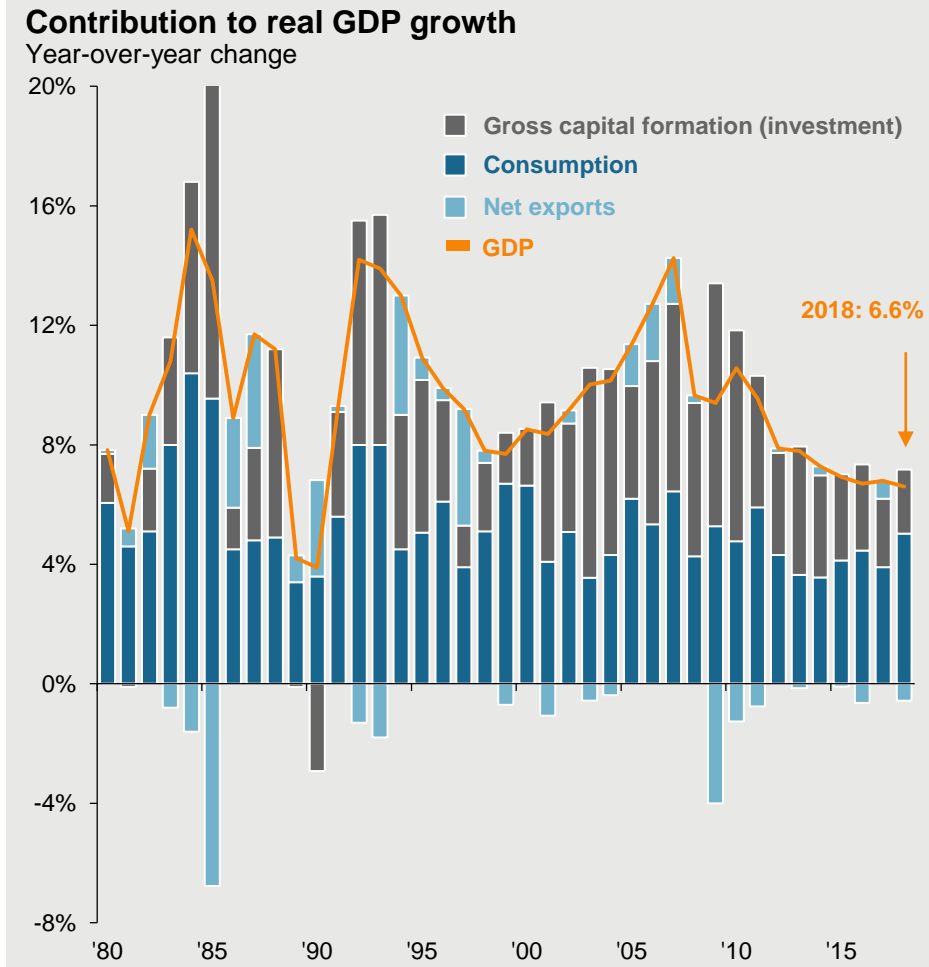
Fixed income:

- The 10-year U.S. Treasury yield was broadly range bound between 2.6%-2.8% after the sharp fall in December. A stable economic outlook is helping to anchor the long end of the yield curve. (GTMA P. 44, 47)
- Returns in both corporate and emerging market debt improved markedly in January following the 4Q's correction. EM USD government bonds returned over 4% in the month, with the spread narrowing by 57bps. Local currency equivalents were boosted further on the back of U.S. dollar weakness. For U.S. corporate credit, high yield delivered a 4.6% return with the 93bps spread narrowing, outperforming high grade corporate debt, which delivered a 2.1% return in the month. (GTMA P. 44, 46, 50, 51)

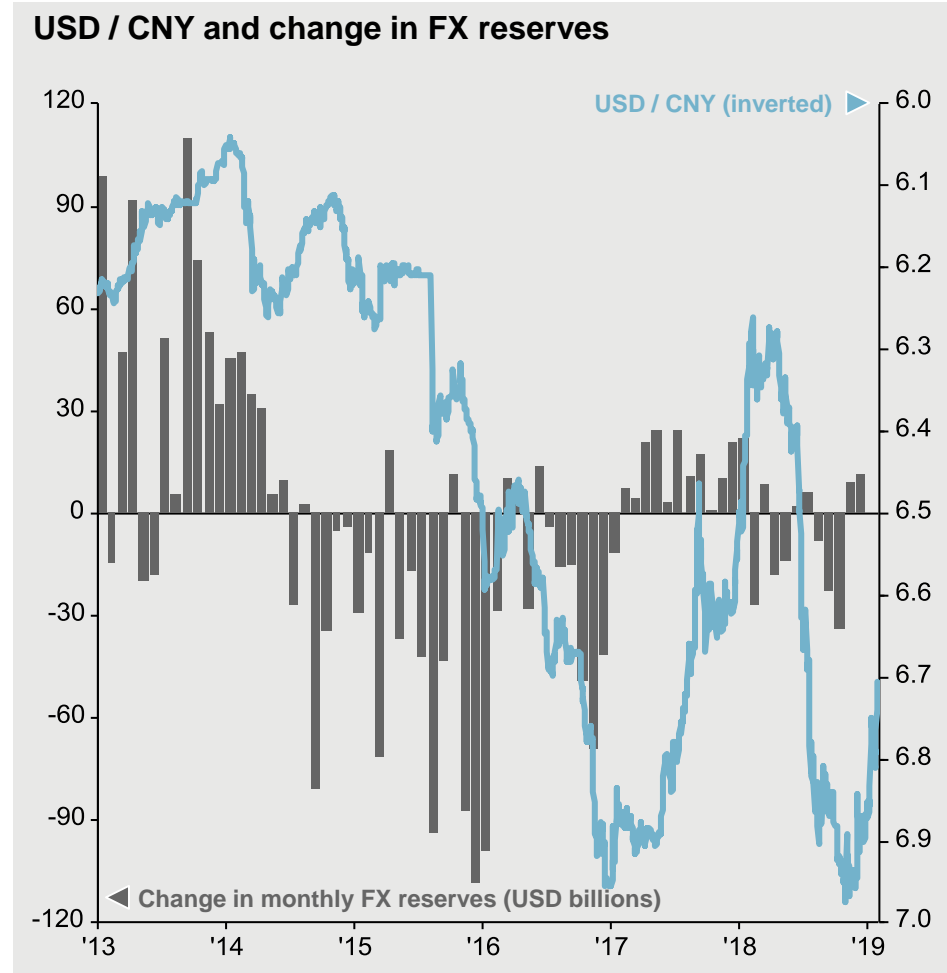
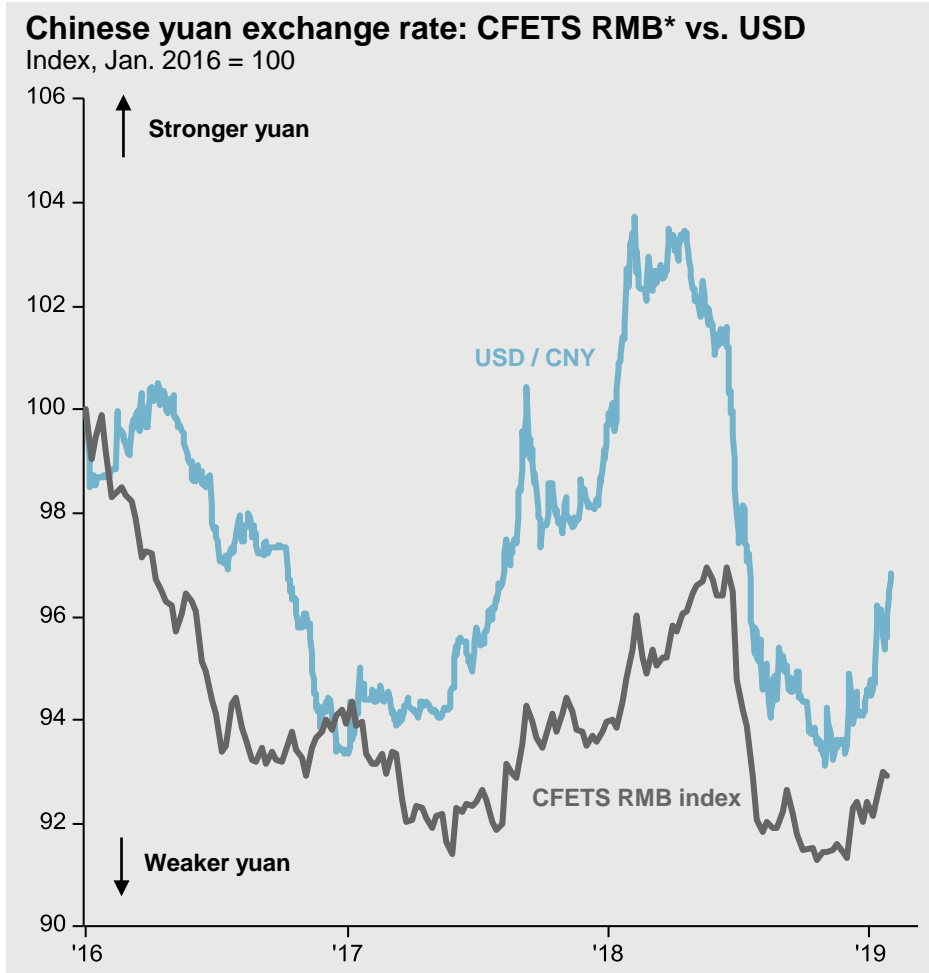
Other assets:

- The USD index lost 0.6% in the month given a more patient Fed on policy tightening and the return of risk appetite, especially for emerging markets. Against major currencies, the U.S. dollar lost ground against the Australian dollar (-4.3%), New Zealand dollar (-4.1%) and the British pound (-4%). The U.S. dollar also depreciated against a broad range of EM currencies, especially the South African rand, Russian ruble and Turkish Lira. (GTMA P. 57, 58)
- Gold gained 3% in January, to USD 1321/oz, as real yields and the U.S. dollar continue to fall. Brent crude rebounded to above USD 60pb as growth concerns eased and investors turned toward possible supply worries due to political tension in Venezuela. (GTMA P. 60, 61)

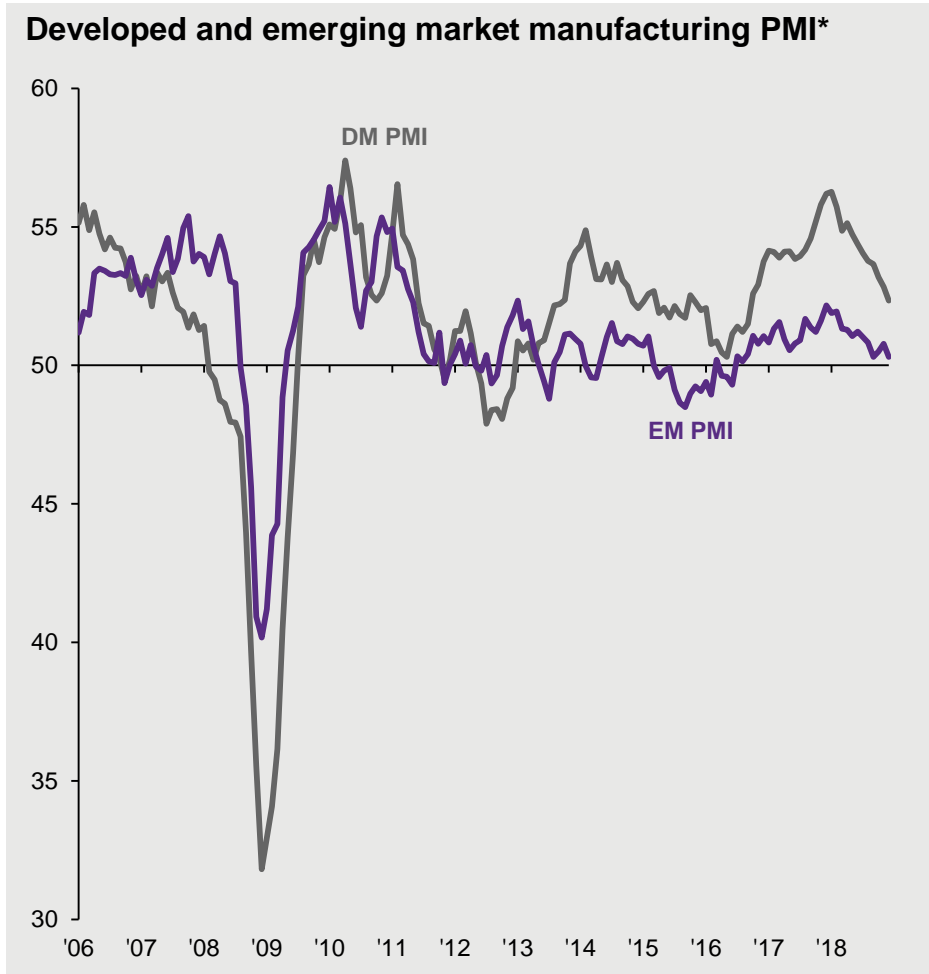
Regional and local economy



Source: J.P. Morgan Asset Management; (Left) CEIC, National Bureau of Statistics of China; (Top right) Caixin/Markit, J.P. Morgan Economic Research; (Bottom right) CEIC, China Electricity Council.
 Guide to the Markets – Asia. Data reflect most recently available as of 31/1/19.



Source: FactSet, J.P. Morgan Asset Management; (Left) China Foreign Exchange Trade Center, J.P. Morgan Economic Research; (Right) People's Bank of China.
 *CFETS RMB index is the China Foreign Exchange Trade System basket of 24 currencies traded against the Chinese renminbi. Past performance is not a reliable indicator of current and future results.
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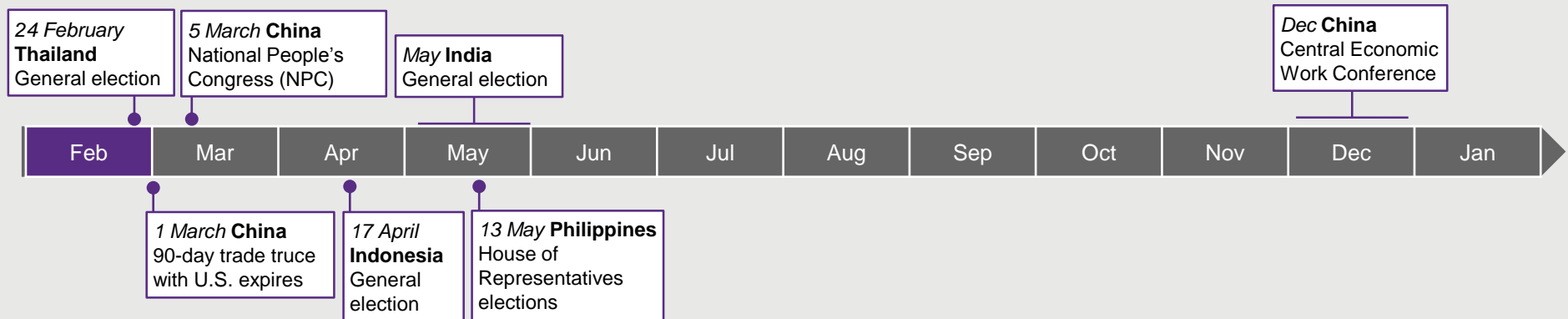


Source: Australian Industry Group, J.P. Morgan Economic Research, Markit, J.P. Morgan Asset Management. PMIs are relative to 50, which indicates contraction (below 50) or expansion (above 50) of the sector. *Developed market includes Australia, Canada, Denmark, Euro area, Japan, New Zealand, Norway, Sweden, Switzerland, UK and U.S. Emerging market includes Brazil, Chile, China, Colombia, Croatia, Czech Republic, Hong Kong SAR, Hungary, India, Indonesia, Israel, Korea, Malaysia, Mexico, Philippines, Poland, Romania, Russia, Saudi Arabia, Singapore, South Africa, Taiwan, Thailand, Turkey and Vietnam. **% of countries available with a manufacturing PMI above 50. *Guide to the Markets – Asia*. Data reflect most recently available as of 31/1/19.

Developed markets political timeline



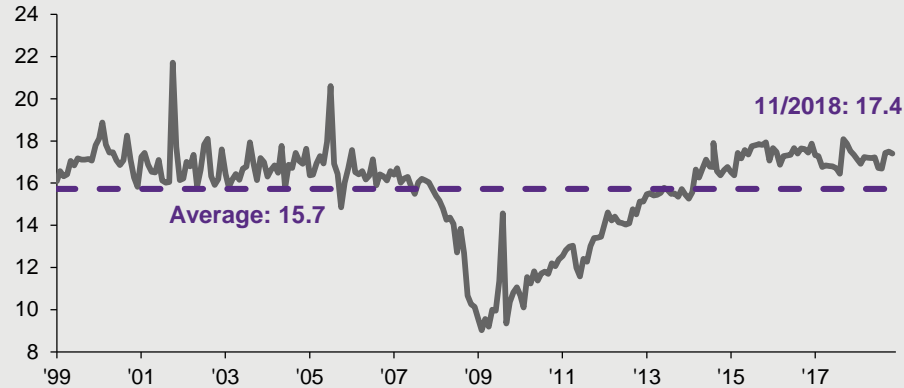
Emerging markets political timeline



Source: Bloomberg Finance L.P., J.P. Morgan Asset Management. *Guide to the Markets – Asia*. Data reflect most recently available as of 31/1/19.

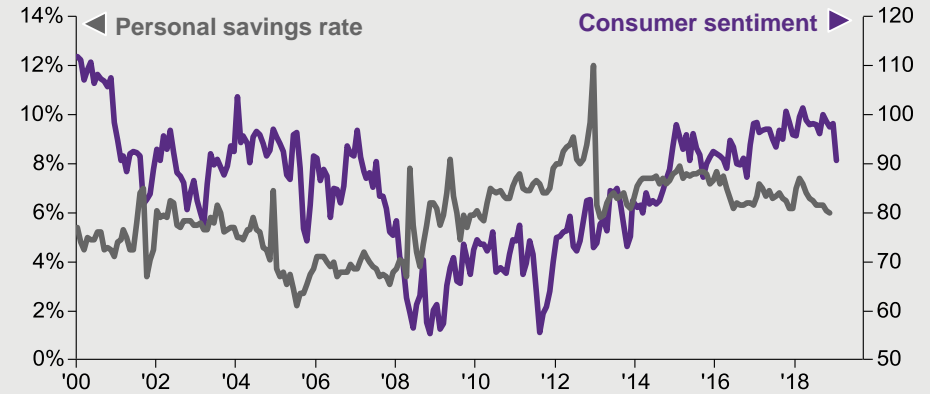
Light vehicle sales

Millions, seasonally adjusted annualized rate



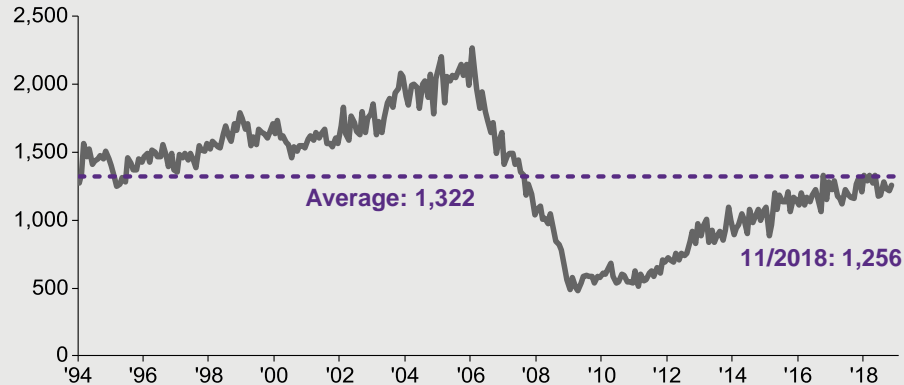
Savings and sentiment

Savings rate



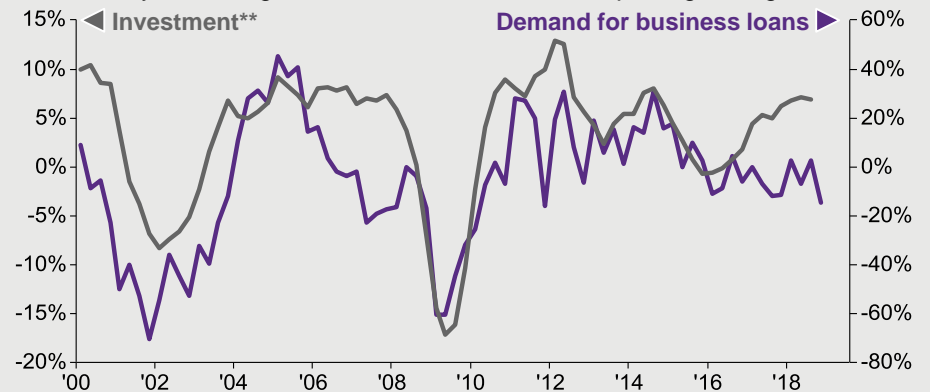
Housing starts

Thousands, seasonally adjusted annualized rate



Investment and demand for credit

Year-over-year change



Source: J.P. Morgan Asset Management; (Top left) U.S. Bureau of Economic Analysis; (Top right, bottom left and right) FactSet; (Bottom left and right) U.S. Census Bureau. *Net percent of participants in the Senior Loan Officer Survey. **Private investment in non-residential fixed assets in real terms. *Guide to the Markets - Asia*. Data reflect most recently available as of 31/1/19.

U.S. business cycle indicators

	Recent recessions																
	1990	2001	2007	2017			2018										
	Jul	Apr	Dec	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Real consumer spending SAAR (y/y)	2.6%	2.7%	1.2%	2.8%	2.7%	2.5%	2.4%	2.2%	2.5%	2.6%	2.7%	3.0%	3.1%	2.7%	3.0%	2.8%	
Light vehicle sales SAAR (mil.)	13.8	16.5	15.7	17.5	17.3	17.1	16.9	17.2	17.2	17.2	17.2	16.7	16.7	17.4	17.5	17.4	
Housing starts SAAR (mil.)	1.17	1.65	1.04	1.30	1.21	1.33	1.29	1.33	1.28	1.33	1.18	1.18	1.28	1.24	1.22	1.26	
ISM Mfg.	46.6	42.7	49.0	58.2	59.3	59.1	60.7	59.3	57.9	58.7	60.0	58.4	60.8	59.5	57.5	58.8	54.3
ISM Non-mfg.		48.2	53.2	57.3	56.0	59.9	59.5	58.8	56.8	58.6	59.1	55.7	58.5	61.6	60.3	60.7	57.6
Durable goods orders (y/y)		-11.9%	5.8%	8.4%	10.5%	5.6%	11.3%	11.2%	8.5%	9.5%	3.1%	10.0%	12.1%	7.1%	6.8%	5.3%	
Change in nonfarm payrolls (000s)	-33	-286	110	220	174	171	330	182	196	270	262	178	282	108	277	196	222
Avg. hourly earnings (y/y)	4.0%	4.0%	3.8%	2.3%	2.5%	2.5%	2.5%	2.7%	2.8%	2.9%	2.9%	2.9%	3.1%	3.0%	3.2%	3.4%	3.5%
S&P 500 net margin (%)		8.5%	9.7%	9.6%	9.7%	9.7%	9.8%	9.8%	9.8%	10.0%	10.0%	10.1%	10.3%	10.4%	10.4%	10.7%	10.7%
Monetary policy gauge (%)*	1.5%	0.3%	0.5%	-1.2%	-1.1%	-1.0%	-1.0%	-1.3%	-1.0%	-1.1%	-1.0%	-0.9%	-0.9%	-0.8%	-0.5%	-0.5%	-0.4%
Yield curve spread (bps)**	45	105	99	64	51	58	62	47	46	43	33	29	24	24	28	21	21
High yield credit spread (bps)***	718	779	597	411	404	372	389	410	387	403	406	383	387	365	418	464	567

Source: BEA, BLS, Department of Labor, FactSet, Institute for Supply Management, Standard & Poor's, U.S. Census Bureau, J.P. Morgan Asset Management. SAAR stands for seasonally adjusted annualized rate. *Monetary policy gauge is the spread between the effective federal funds rate deflated by core Personal Consumption Expenditure price index and the Laubach Williams 2-sided estimate of the natural rate of interest. **Yield curve spread is the spread between the 2-year and 10-year U.S. Treasury yields. ***High yield credit spread is the J.P. Morgan Domestic High Yield index spread-to-worst. Heatmap colors are based on each indicator's deviation from its average value during the start of the last 3 recessions (6/90 – 8/90, 3/01 – 5/01 and 11/07 – 1/08) using data where available. The exception to this is the yield curve spread, which is scored around 0. Colors closer to green denote early or mid-cycle behavior while colors closer to red denote late cycle or recessionary behavior.

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Global and Asia equity market returns

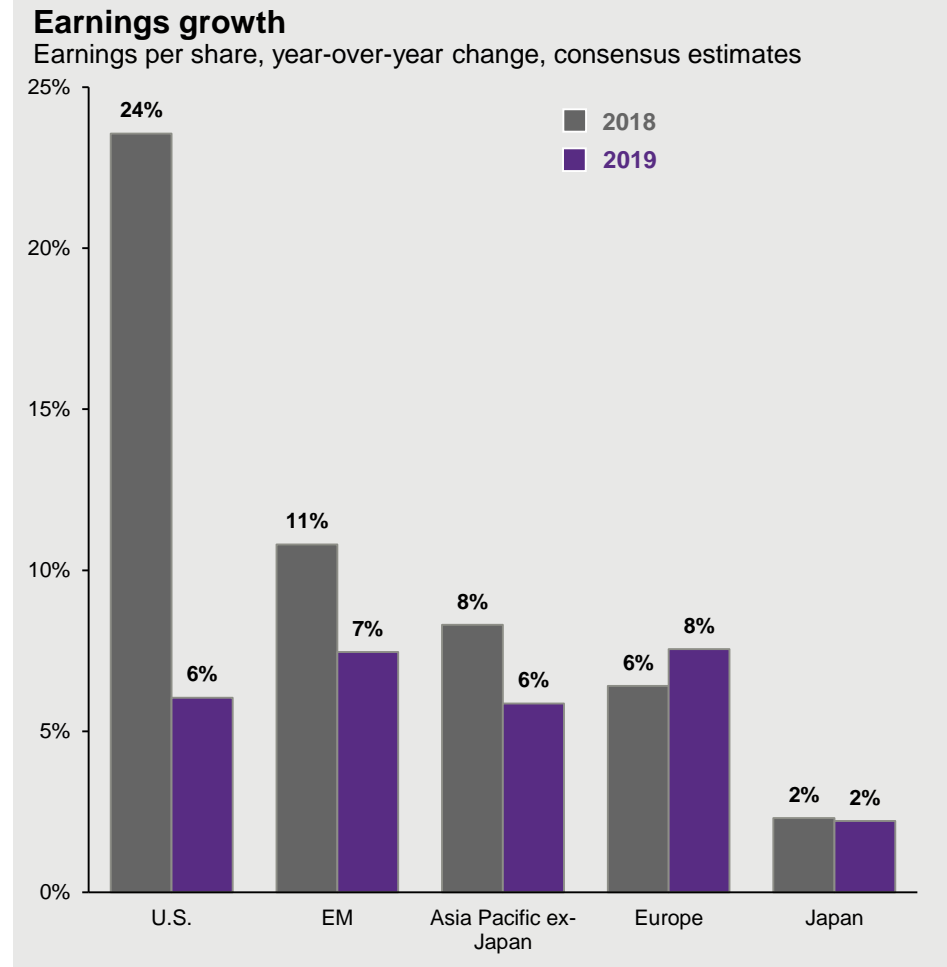
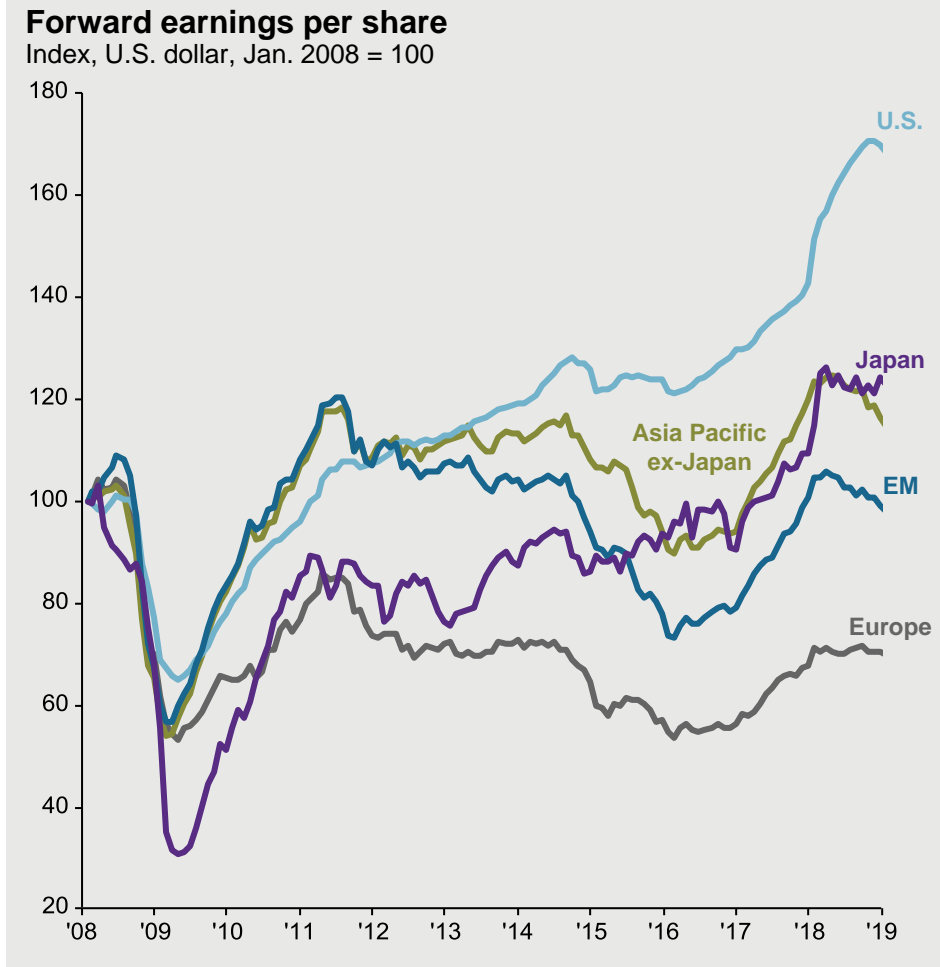
Equities

												10-yrs ('09 - '19)	
2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	4Q '18	YTD '19	Ann. Ret.	Ann. Vol.
India 102.8%	ASEAN 32.4%	U.S. 2.1%	India 26.0%	U.S. 32.4%	China A 52.1%	Japan 9.9%	Taiwan 19.6%	China 54.3%	U.S. -4.4%	India 2.5%	China 11.1%	U.S. 15.0%	China A 26.8%
China A 98.5%	Korea 27.2%	ASEAN -6.1%	China 23.1%	Japan 27.3%	India 23.9%	China A 2.4%	U.S. 12.0%	Korea 47.8%	India -7.3%	ASEAN -3.4%	Korea 10.3%	Taiwan 13.6%	India 25.7%
Taiwan 80.2%	Taiwan 22.7%	Europe -10.5%	ASEAN 22.8%	Europe 26.0%	U.S. 13.7%	U.S. 1.4%	Korea 9.2%	India 38.8%	Taiwan -8.2%	APAC ex- JP -8.8%	China A 8.9%	ASEAN 12.1%	Korea 23.8%
ASEAN 75.0%	India 20.9%	Korea -11.8%	APAC ex- JP 22.6%	Taiwan 9.8%	Taiwan 10.1%	Europe -2.3%	APAC ex- JP 7.1%	APAC ex- JP 37.3%	ASEAN -8.4%	China -10.7%	U.S. 8.0%	APAC ex- JP 11.8%	China 21.4%
APAC ex- JP 73.7%	APAC ex- JP 18.4%	Japan -14.2%	Korea 21.5%	Korea 4.2%	China 8.3%	India -6.1%	ASEAN 6.2%	China A 32.6%	Japan -12.6%	China A -12.2%	APAC ex- JP 7.3%	Korea 11.7%	Taiwan 19.0%
Korea 72.1%	Japan 15.6%	APAC ex- JP -15.4%	Europe 19.9%	China 4.0%	ASEAN 6.4%	Korea -6.3%	Japan 2.7%	ASEAN 30.1%	APAC ex- JP -13.7%	Europe -12.7%	Europe 6.6%	India 10.7%	APAC ex- JP 18.4%
China 62.6%	U.S. 15.1%	China -18.2%	Taiwan 17.7%	APAC ex- JP 3.7%	APAC ex- JP 3.1%	China -7.6%	China 1.1%	Taiwan 28.5%	Europe -14.3%	Korea -12.8%	ASEAN 6.5%	China 10.6%	Europe 17.8%
Europe 36.8%	China 4.8%	Taiwan -20.2%	U.S. 16.0%	China A -2.6%	Japan -3.7%	APAC ex- JP -9.1%	Europe 0.2%	Europe 26.2%	China -18.7%	U.S. -13.5%	Japan 6.1%	Europe 8.7%	ASEAN 17.3%
U.S. 26.5%	Europe 4.5%	China A -20.5%	China A 10.9%	India -3.8%	Europe -5.7%	Taiwan -11.0%	India -1.4%	Japan 24.4%	Korea -20.5%	Taiwan -13.7%	Taiwan 1.7%	Japan 7.0%	Japan 14.1%
Japan 6.4%	China A -8.4%	India -37.2%	Japan 8.4%	ASEAN -4.5%	Korea -10.7%	ASEAN -18.4%	China A -15.2%	U.S. 21.8%	China A -27.6%	Japan -14.2%	India -1.9%	China A 6.8%	U.S. 13.4%

Source: FactSet, MSCI, Standard & Poor's, J.P. Morgan Asset Management.

Returns are total returns based on MSCI indices, except the U.S., which is the S&P 500 and China A, which are based on the CSI 300 index in U.S. dollar terms. China return is based on the MSCI China index. 10-yr total (gross) return data is used to calculate annualized returns (Ann. Ret.) and annualized volatility (Ann. Vol.) and reflect the period 31/1/09 – 31/1/19. Past performance is not a reliable indicator of current and future results.

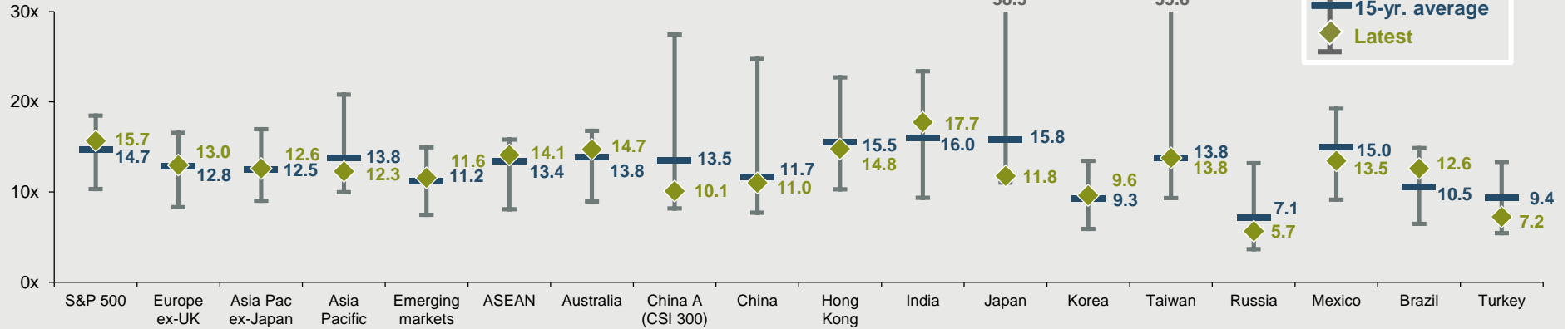
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Source: FactSet, J.P. Morgan Asset Management. (Left) MSCI, Standard & Poor's; (Right) IBES. Asia Pacific ex-Japan, EM, Europe, Japan and U.S. equity indices used are the MSCI Asia Pacific ex-Japan, MSCI Emerging Markets, MSCI Europe, MSCI Japan and S&P 500, respectively. Consensus estimates used are calendar year estimates from IBES. Past performance is not a reliable indicator of current and future results. *Guide to the Markets - Asia*. Data reflect most recently available as of 31/1/19.

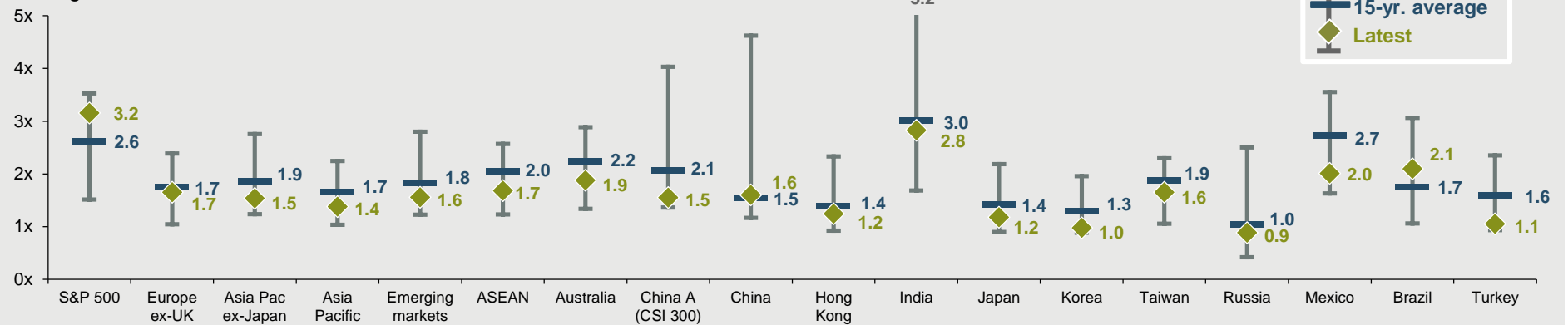
Equity market valuations – Price to earnings

Forward P/E ratios



Equity market valuations – Price to book

Trailing P/B ratios



Source: Bloomberg Finance L.P., China Securities Index, FactSet, MSCI, Standard & Poor's, J.P. Morgan Asset Management. Price-to-earnings (P/E) and price-to-book (P/B) ratios are in local currency terms. China A valuations based on the CSI 300 Index and use 10 years of data due to availability. China valuation is based on the MSCI China. 15-year range for P/E and P/B ratios are cut off to maintain a more reasonable scale for some indexes. Past performance is not a reliable indicator of current and future results. *Guide to the Markets – Asia*. Data reflect most recently available as of 31/1/19.

Corporate earnings

Next 12-month consensus earnings per share, USD, Jan. 2013 = 100



Foreign investors' holdings of onshore Chinese equities

RMB trillions



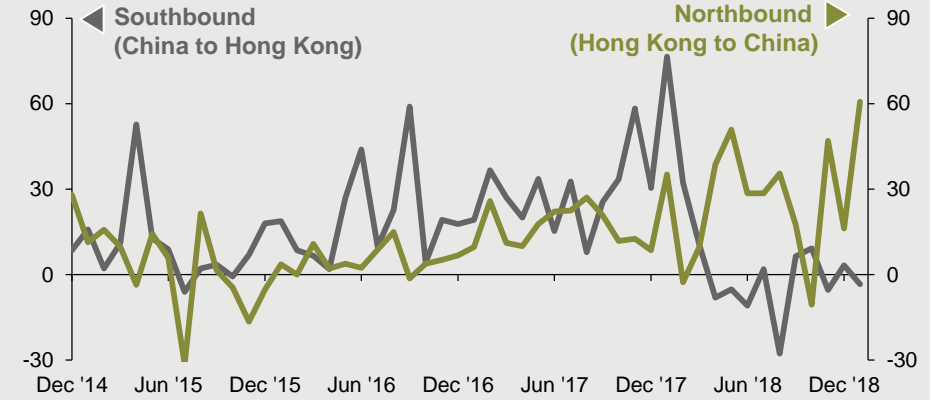
Valuation of major indices

12-month forward P/E ratio



Stock Connect monthly net flows

HKD billions



Source: J.P. Morgan Asset Management; (Top and bottom left) FactSet, MSCI; (Bottom left) Bloomberg Finance L.P.; (Top right) CEIC, People's Bank of China (Bottom right) CEIC, Hong Kong Exchanges and Clearing Limited. The CSI 300 represents onshore Chinese A-share large cap equities. MSCI China represents primarily offshore listed Chinese equities and the onshore equities included in MSCI benchmarks. Past performance is not a reliable indicator of current and future results. *Guide to the Markets - Asia*. Data reflect most recently available as of 31/1/19.

Global bond opportunities

Sector	YTM	Duration* (years)	Correl. to MSCI AC World**	Correl. to 10-year UST
Asia HY	8.3%	4.4	0.71	-0.20
U.S. HY	7.1%	3.7	0.81	-0.23
Local EMD	6.9%	4.6	0.69	-0.02
USD EMD	6.5%	6.8	0.62	0.19
USD Asian	5.3%	5.2	0.60	0.21
Europe HY	4.8%	3.5	0.79	-0.29
U.S. IG	3.9%	7.2	0.36	0.47
U.S. Treasury	2.6%	6.1	-0.33	0.99
Cash	2.4%	0.2	-0.04	-0.02
DM Gov't	1.5%	8.0	0.25	0.55

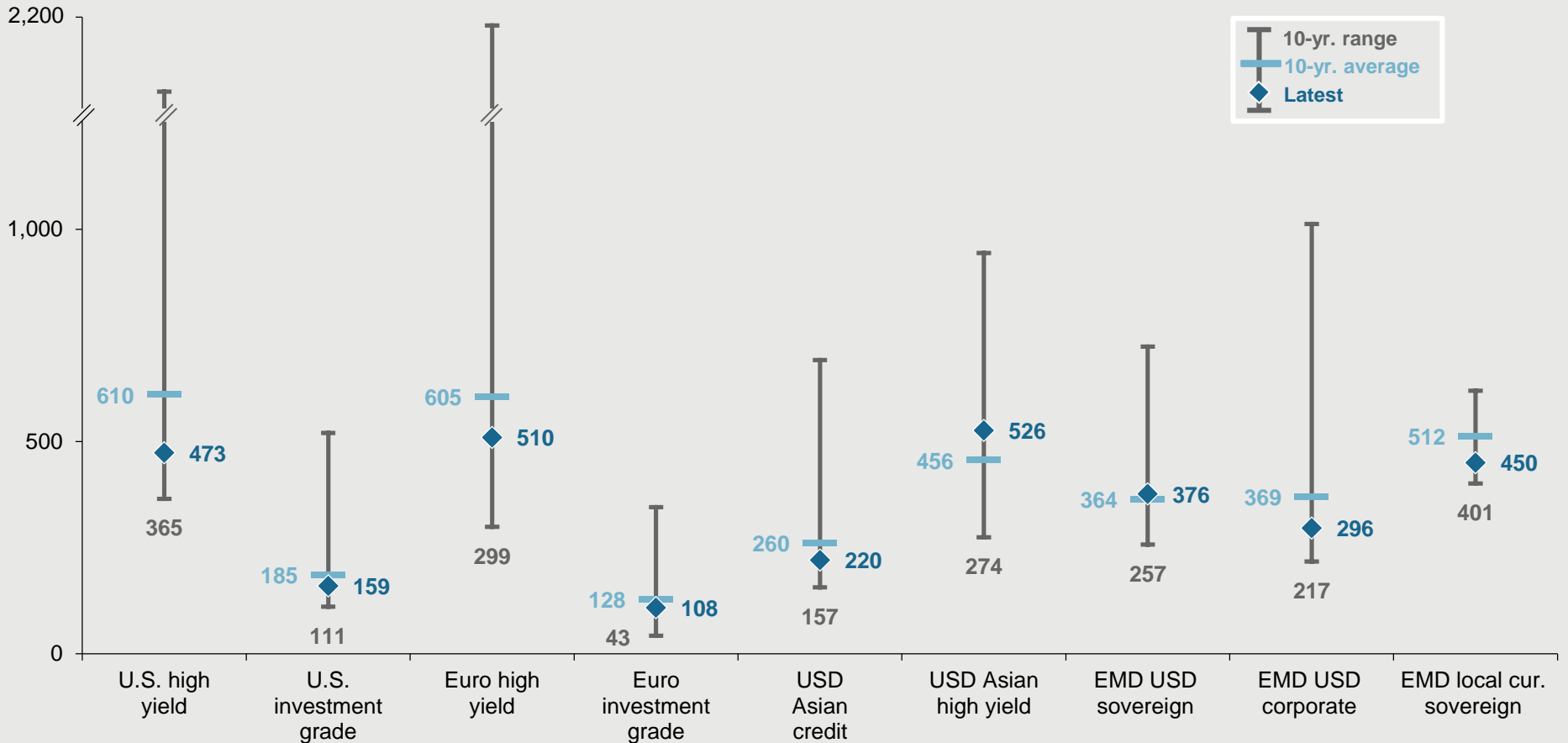
Fixed income sector returns

2013	2014	2015	2016	2017	2018	4Q '18	YTD '19	5-yrs Ann. Ret.
Europe HY 14.9%	USD Asian 8.3%	Asia HY 5.8%	U.S. HY 17.1%	Europe HY 21.0%	Cash 1.8%	Local EMD 2.8%	Local EMD 6.2%	Asia HY 5.8%
U.S. HY 7.4%	U.S. IG 7.5%	USD Asian 2.8%	Local EMD 11.4%	Local EMD 15.4%	U.S. Treas 0.9%	U.S. Treas 2.6%	U.S. HY 4.5%	USD EMD 5.3%
Asia HY 4.3%	Asia HY 5.5%	USD EMD 1.2%	Asia HY 11.4%	USD EMD 9.3%	DM Gov't -0.7%	DM Gov't 2.0%	USD EMD 4.4%	USD Asian 4.6%
Cash 0.0%	USD EMD 5.5%	U.S. Treas 0.8%	USD EMD 10.2%	U.S. HY 7.5%	USD Asian -0.8%	USD Asian 0.7%	Asia HY 3.2%	U.S. HY 4.6%
USD Asian -1.4%	U.S. Treas 5.1%	Cash 0.0%	U.S. IG 6.1%	DM Gov't 6.8%	U.S. HY -2.1%	Cash 0.6%	Europe HY 2.8%	U.S. IG 3.4%
U.S. IG -1.5%	U.S. HY 2.5%	U.S. IG -0.7%	USD Asian 5.8%	U.S. IG 6.4%	U.S. IG -2.5%	U.S. IG -0.2%	U.S. IG 2.4%	U.S. Treas 1.8%
U.S. Treas -2.7%	DM Gov't 0.7%	DM Gov't -2.6%	Europe HY 3.4%	Asia HY 6.2%	Asia HY -3.2%	Asia HY -1.0%	USD Asian 2.0%	DM Gov't 1.0%
DM Gov't -4.5%	Cash 0.0%	U.S. HY -4.5%	DM Gov't 1.6%	USD Asian 5.8%	USD EMD -4.6%	USD EMD -1.2%	DM Gov't 1.3%	Europe HY 0.7%
Local EMD -5.5%	Europe HY -6.0%	Europe HY -7.6%	U.S. Treas 1.0%	U.S. Treas 2.3%	Local EMD -6.7%	U.S. HY -4.5%	U.S. Treas 0.5%	Cash 0.6%
USD EMD -6.6%	Local EMD -6.1%	Local EMD -18.0%	Cash 0.3%	Cash 0.8%	Europe HY -8.2%	Europe HY -5.2%	Cash 0.2%	Local EMD 0.6%

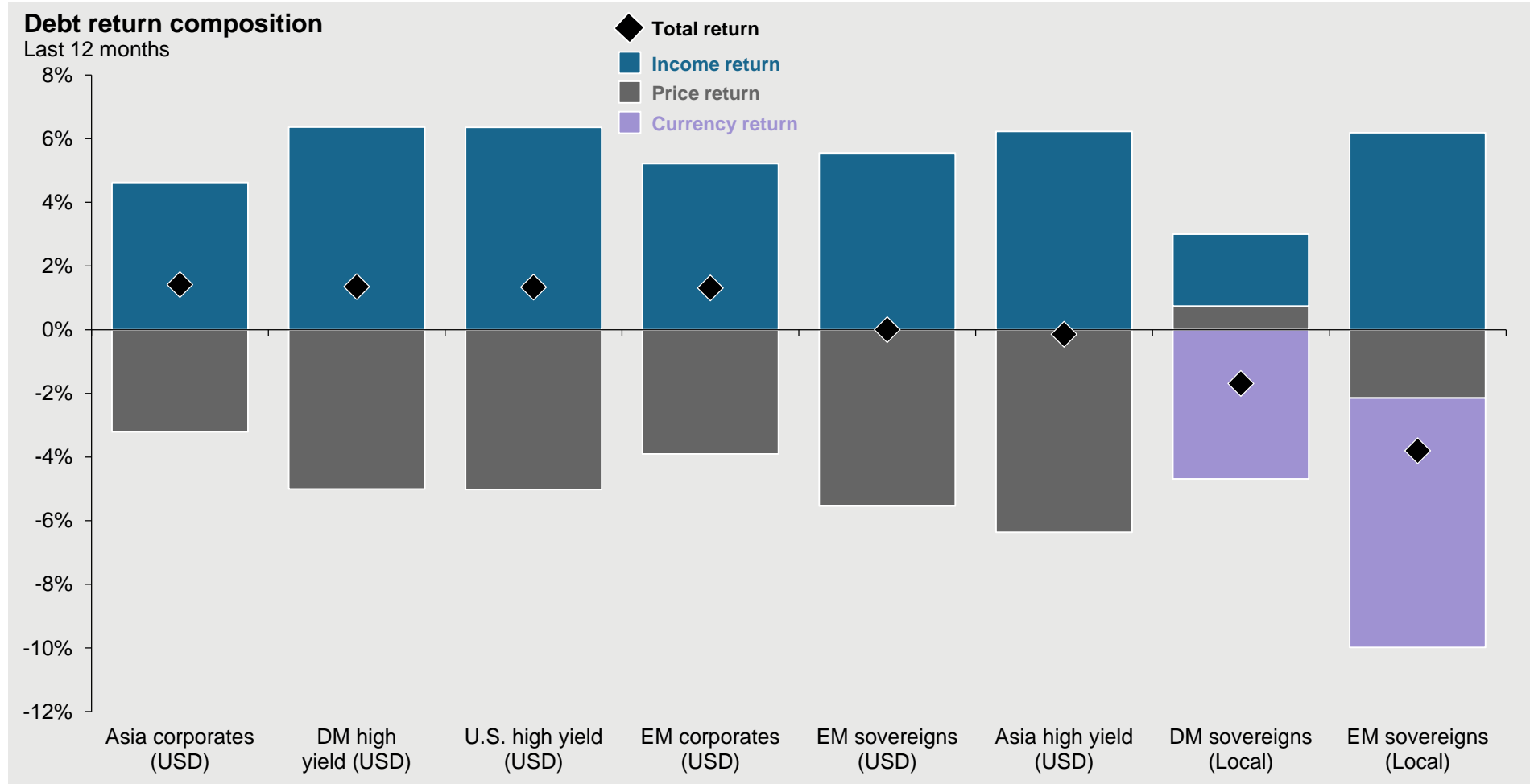
Source: Bloomberg Finance L.P., FactSet, J.P. Morgan Economic Research, J.P. Morgan Asset Management. Based on Bloomberg Barclays U.S. Aggregate Credit – Corporate High Yield Index (U.S. Corporate HY), Bloomberg Barclays U.S. Aggregate Credit – Corporate Investment Grade Index (U.S. Corporate IG), J.P. Morgan Government Bond Index – EM Global (GBI-EM) (Local EMD), J.P. Morgan Emerging Market Bond Index Global (EMBIG) (USD EMD), J.P. Morgan Asia Credit Index (JACI) (USD Asian Bond), Bloomberg Barclays Pan European High Yield (Europe HY), J.P. Morgan Government Bond Index – Global Traded (DM Government Bond), J.P. Morgan Asia Credit Non-investment Grade Corporate Index (Asia Corporate HY), Bloomberg Barclays U.S. Treasury – Bills (3-5 years) (U.S. Treasury) and Bloomberg Barclays U.S. Treasury – Bills (1-3 months) (Cash). 5-year data is used to calculate annualized returns (Ann. Ret.). Returns are in U.S. dollar and reflect the period from 31/1/14 – 31/1/19. *Duration is a measure of the sensitivity of the price (the value of the principal) of a fixed-income investment to a change in interest rates and is expressed as number of years. Rising interest rates mean falling bond prices, while declining interest rates mean rising bond prices. **Correlation to the MSCI AC World Index is a measure over 10 years of data. Positive yield does not imply positive return. Past performance is not a reliable indicator of current and future results. *Guide to the Markets – Asia*. Data reflect most recently available as of 31/1/19.

Spread to worst across fixed income sub-sectors

Basis points



Source: BofA/Merrill Lynch, iBoxx, J.P. Morgan Economic Research, J.P. Morgan Asset Management. Based on J.P. Morgan Domestic High Yield Index (*U.S. High Yield*), J.P. Morgan U.S. Liquid Index (JULI) (*U.S. Investment Grade*), BofA/Merrill Lynch Euro Non-Financial High Yield Constrained Index (*Euro High Yield*), iBoxx EUR corporates (*Euro Investment Grade*), J.P. Morgan Asia Credit Index (JACI) (*USD Asian Credit*), J.P. Morgan Asia Credit High Yield Index (*USD Asian High Yield*), J.P. Morgan EMBI Global (*EMD USD Sovereign*), J.P. Morgan Corporate Emerging Markets Bond Index – CEMBI (*EMD USD Corporate*), J.P. Morgan GBI-EM (*EMD Local Cur. Sovereign*). Positive yield does not imply positive return. Past performance is not a reliable indicator of current and future results. *Guide to the Markets – Asia*. Data reflect most recently available as of 31/1/19.



Source: J.P. Morgan Economic Research, J.P. Morgan Asset Management.
 Based on J.P. Morgan Developed Market HY Index (DM USD high yield), J.P. Morgan Domestic High Yield Index (U.S. USD high yield), J.P. Morgan EMBIG (EM USD sovereigns), J.P. Morgan CEMBI (EM USD corporates), J.P. Morgan Asia Credit High Yield Index (Asian USD high yield), J.P. Morgan GBI-EM (EM local cur. sovereigns), J.P. Morgan Asia Credit Corporates Index (Asian USD corporates), J.P. Morgan GBI-DM (DM local cur. sovereigns). Past performance is not a reliable indicator of current and future results.
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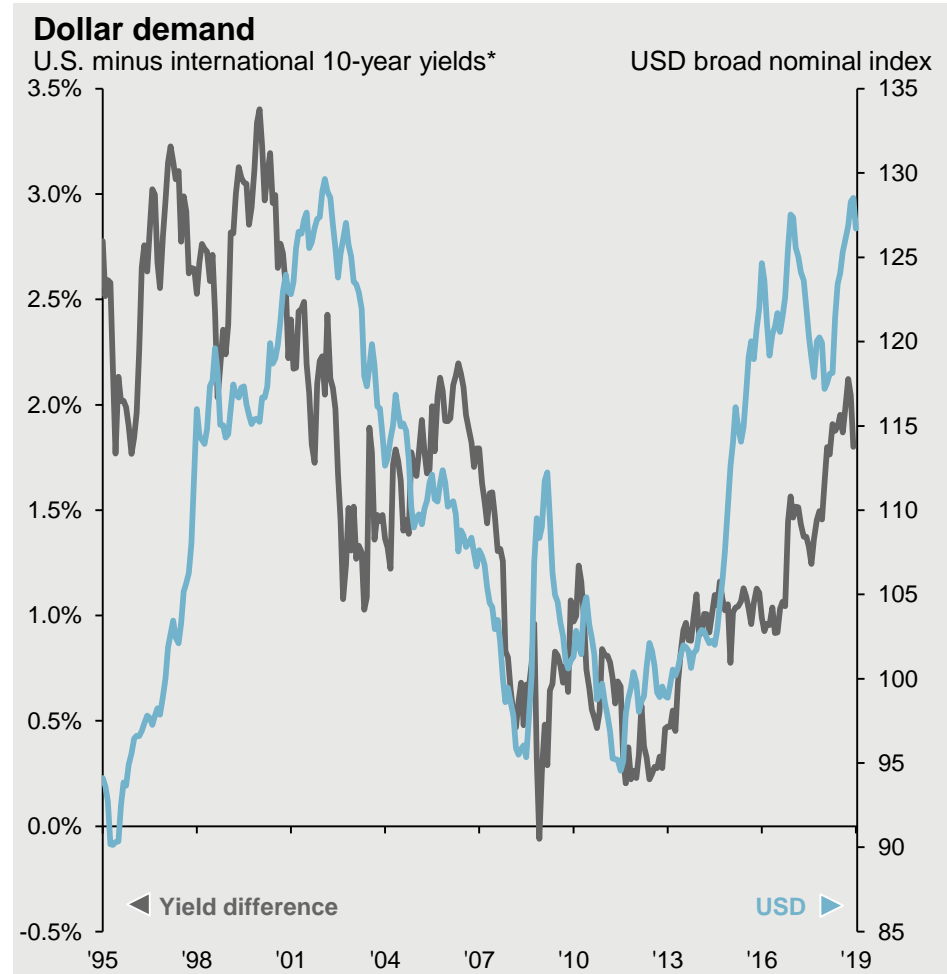
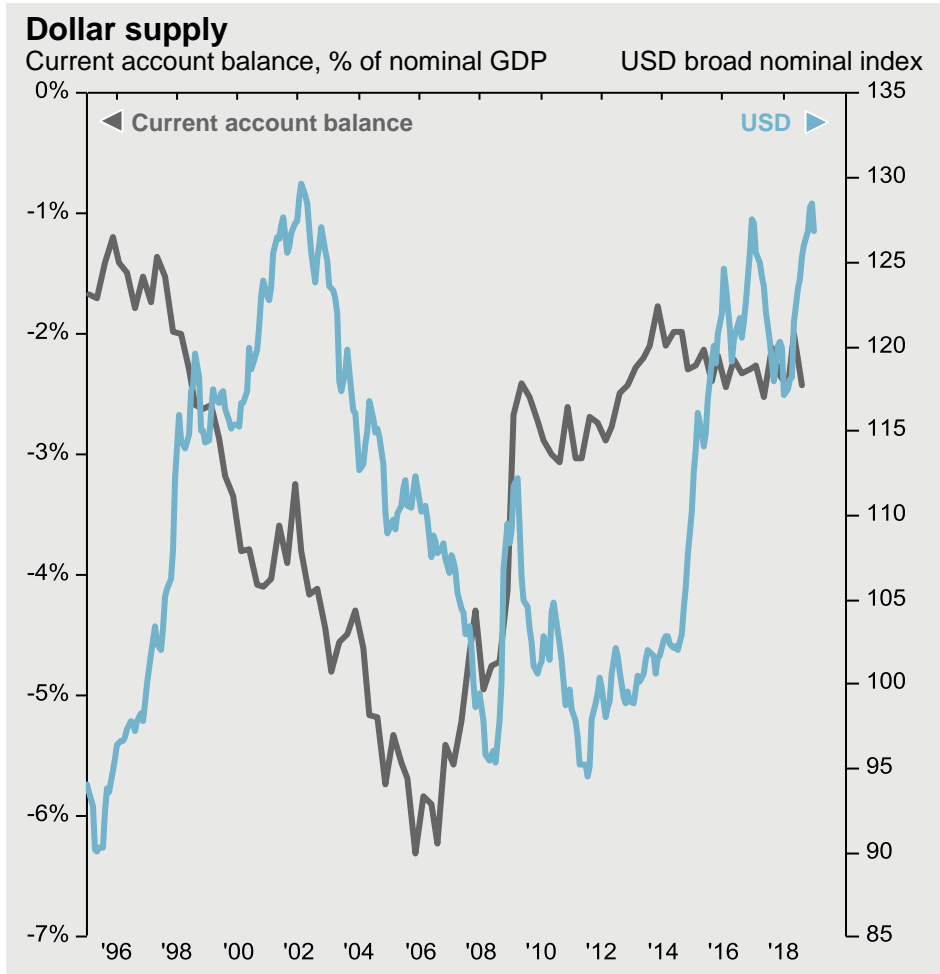
Asset class returns

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	4Q '18	YTD '19	10-yrs ('09 - '19)	
												Ann. Ret.	Ann. Vol.
EM ex-Asia 91.3%	U.S. REITs 28.5%	U.S. REITs 8.7%	APAC ex-JP 22.6%	DM Equities 27.4%	U.S. REITs 30.4%	Asian Bonds 2.8%	EM ex-Asia 27.1%	APAC ex-JP 37.3%	Cash 1.8%	Global Bonds 1.2%	EM ex-Asia 12.3%	U.S. REITs 15.7%	EM ex-Asia 23.3%
APAC ex-JP 73.7%	APAC ex-JP 18.4%	EMD 8.5%	Global Corp HY 18.9%	Global Corp HY 8.4%	Asian Bonds 8.3%	U.S. REITs 2.5%	Global Corp HY 14.0%	DM Equities 23.1%	Asian Bonds -0.8%	Asian Bonds 0.7%	U.S. REITs 11.8%	DM Equities 12.1%	U.S. REITs 20.4%
Global Corp HY 63.9%	EM ex-Asia 16.6%	Global Bonds 5.6%	EMD 18.5%	Diversified 5.6%	EMD 5.5%	EMD 1.2%	EMD 10.2%	EM ex-Asia 20.3%	Global Bonds -1.2%	Cash 0.6%	DM Equities 7.8%	APAC ex-JP 11.8%	APAC ex-JP 18.4%
Diversified 41.0%	Global Corp HY 13.8%	Asian Bonds 4.1%	U.S. REITs 17.8%	APAC ex-JP 3.7%	DM Equities 5.5%	Cash 0.0%	U.S. REITs 8.6%	Diversified 17.0%	Global Corp HY -3.5%	EMD -1.2%	APAC ex-JP 7.3%	Global Corp HY 10.9%	DM Equities 14.2%
DM Equities 30.8%	Diversified 13.1%	Global Corp HY 2.6%	EM ex-Asia 17.0%	U.S. REITs 2.5%	Diversified 4.1%	DM Equities -0.3%	Diversified 8.3%	Global Corp HY 10.3%	U.S. REITs -4.6%	EM ex-Asia -1.9%	Diversified 5.4%	Diversified 9.8%	Diversified 10.1%
U.S. REITs 28.6%	DM Equities 12.3%	Cash 0.1%	DM Equities 16.5%	Cash 0.0%	APAC ex-JP 3.1%	Global Bonds -3.2%	DM Equities 8.2%	EMD 9.3%	EMD -4.6%	Global Corp HY -4.2%	Global Corp HY 4.1%	EMD 8.1%	Global Corp HY 8.7%
Asian Bonds 28.3%	EMD 12.0%	Diversified -2.4%	Diversified 15.9%	Asian Bonds -1.4%	Global Bonds 0.6%	Diversified -3.2%	APAC ex-JP 7.1%	Global Bonds 7.4%	Diversified -5.9%	Diversified -5.2%	EMD 3.4%	Asian Bonds 7.6%	EMD 6.9%
EMD 28.2%	Asian Bonds 10.6%	DM Equities -5.0%	Asian Bonds 14.3%	Global Bonds -2.6%	Global Corp HY 0.2%	Global Corp HY -4.9%	Asian Bonds 5.8%	Asian Bonds 5.8%	EM ex-Asia -6.8%	U.S. REITs -6.7%	Asian Bonds 2.0%	EM ex-Asia 6.9%	Global Bonds 5.0%
Global Bonds 6.9%	Global Bonds 5.5%	APAC ex-JP -15.4%	Global Bonds 4.3%	EMD -6.6%	Cash 0.0%	APAC ex-JP -9.1%	Global Bonds 2.1%	U.S. REITs 5.1%	DM Equities -8.2%	APAC ex-JP -8.8%	Global Bonds 1.5%	Global Bonds 3.0%	Asian Bonds 4.7%
Cash 0.1%	Cash 0.1%	EM ex-Asia -21.2%	Cash 0.1%	EM ex-Asia -8.5%	EM ex-Asia -20.2%	EM ex-Asia -22.7%	Cash 0.3%	Cash 0.8%	APAC ex-JP -13.7%	DM Equities -13.3%	Cash 0.2%	Cash 0.4%	Cash 0.2%

Source: Bloomberg Finance L.P., Dow Jones, FactSet, J.P. Morgan Economic Research, MSCI, J.P. Morgan Asset Management.

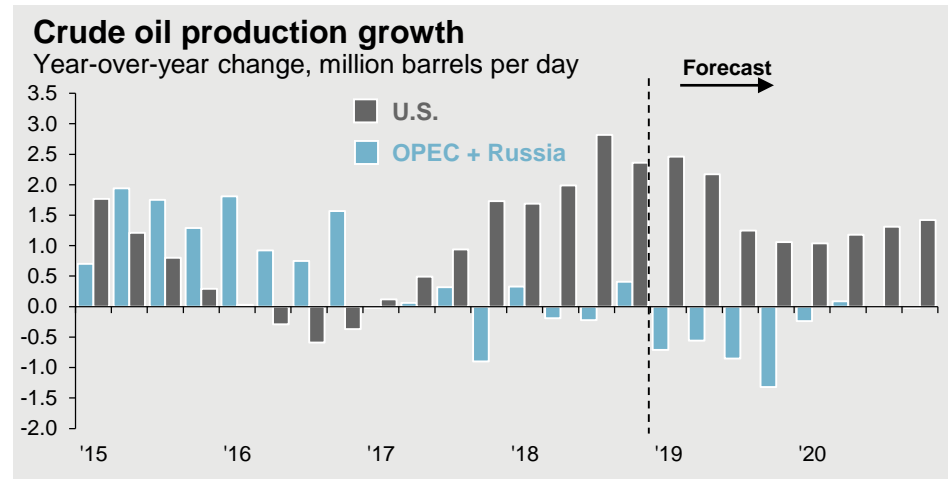
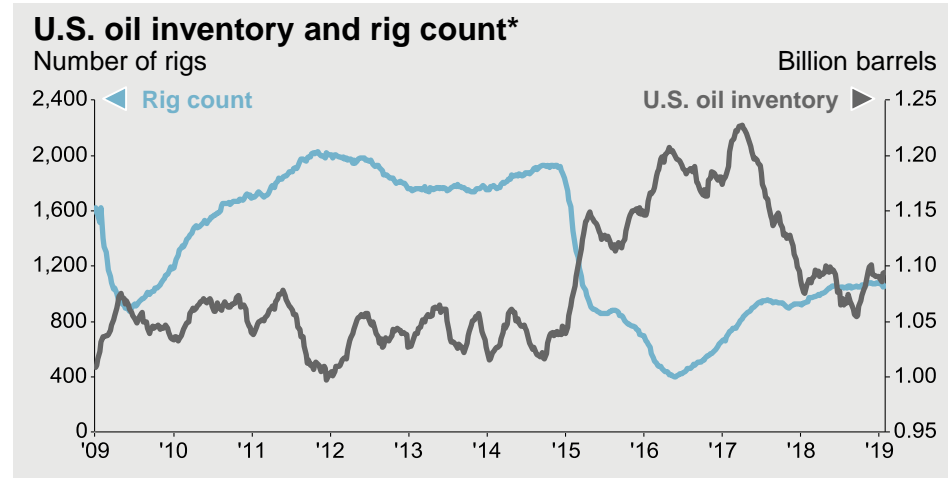
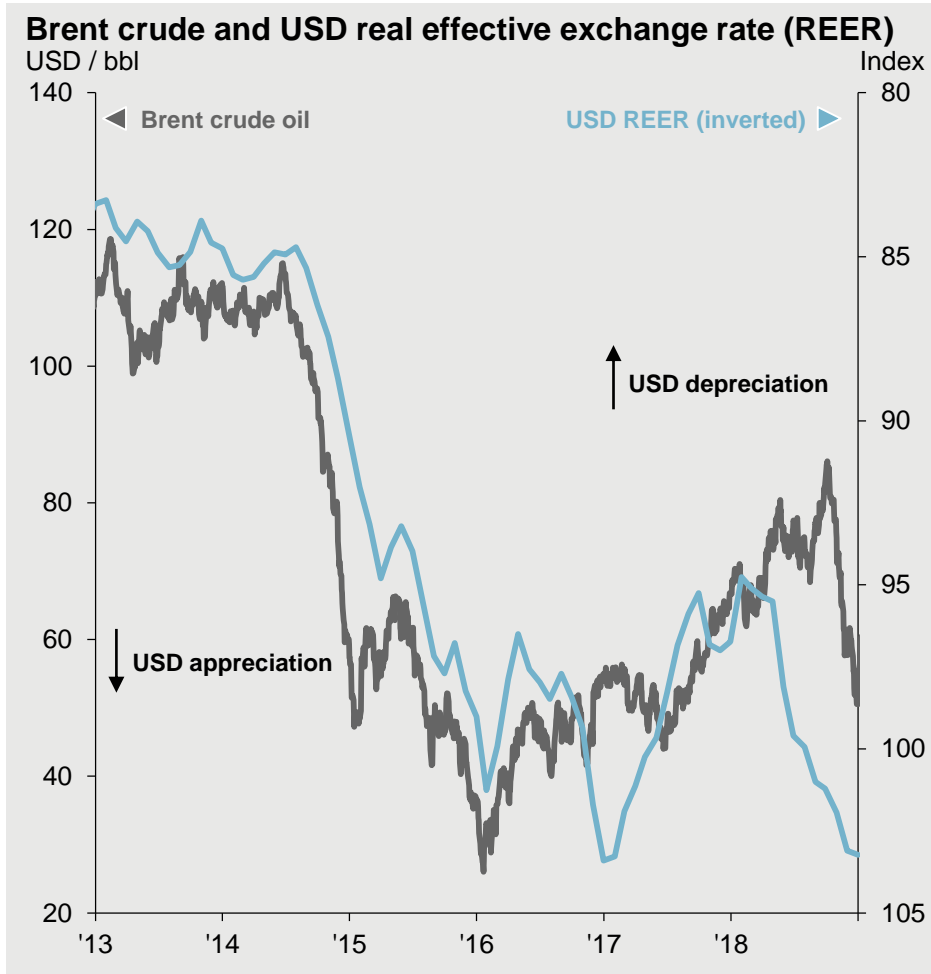
The "Diversified" portfolio assumes the following weights: 20% in the MSCI The World Index (*DM Equities*), 20% in the MSCI AC Asia Pacific ex-Japan (*APAC ex-JP*), 5% in the average of the MSCI EM Latin America and MSCI EM EMEA Indices (*EM ex-Asia*), 10% in the J.P. Morgan EMBIG Index (*EMD*), 10% in the Bloomberg Barclays Aggregate (*Global Bonds*), 10% in the Bloomberg Barclays Global Corporate High Yield Index (*Global Corporate High Yield*), 15% in J.P. Morgan Asia Credit Index (*Asian Bonds*), 5% in MSCI U.S. REITs Index (*U.S. REITs*) and 5% in Bloomberg Barclays U.S. Treasury - Bills (1-3 months) (*Cash*). Diversified portfolio assumes annual rebalancing. All data represent total return in U.S. dollar terms for the stated period. 10-year total return data is used to calculate annualized returns (Ann. Ret.) and 10-year price return data is used to calculate annualized volatility (Ann. Vol.) and reflects the period 31/1/09 - 31/1/19. Please see disclosure page at end for index definitions. Past performance is not a reliable indicator of current and future results.

Guide to the Markets - Asia. Data reflect most recently available as of 31/1/19.



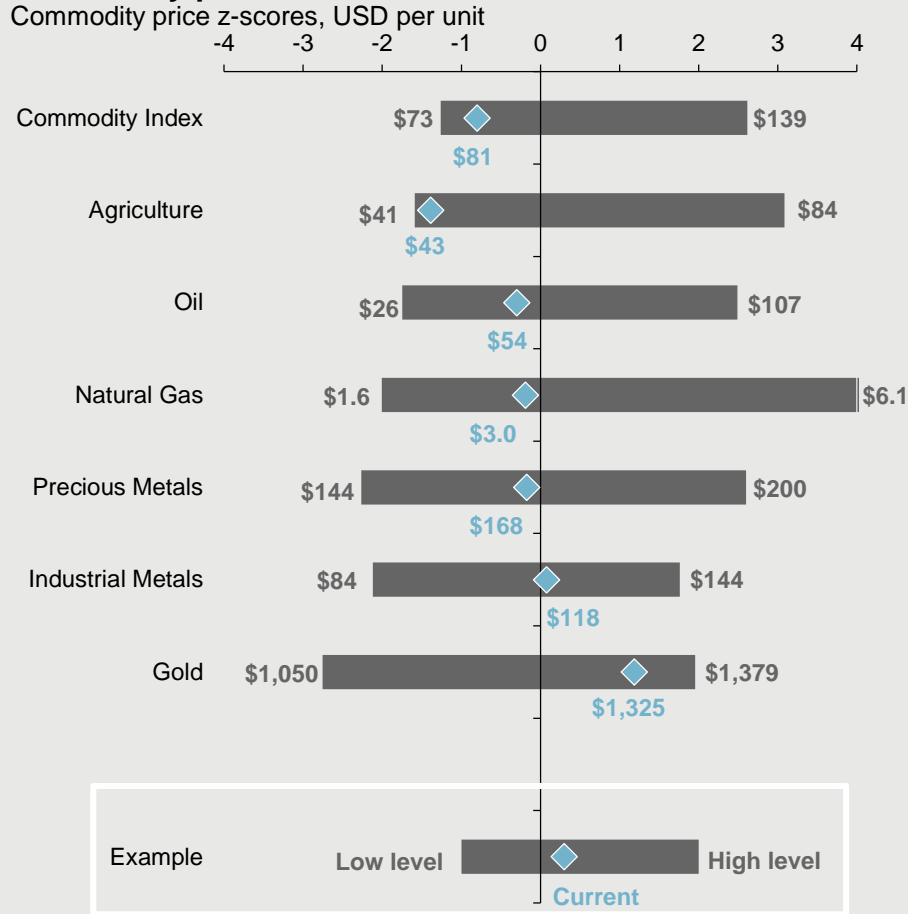
Source: FactSet, Federal Reserve, J.P. Morgan Asset Management; (Left) U.S. Bureau of Economic Analysis; (Right) BIS, Federal Reserve, Tullett Prebon.
 *Interest rate differential is the difference between the 10-year U.S. Treasury yield and a basket of the 10-year yields of each of the markets included in the Federal Reserve's Broad Nominal Trade-Weighted Index (except Chile, Saudi Arabia and Venezuela due to data limitations), weighted by each market's share of total global debt securities outstanding. Europe is defined as the 19 countries in the euro area.
 Past performance is not a reliable indicator of current and future results.
 Guide to the Markets – Asia. Data reflect most recently available as of 31/1/19.

Other asset classes



Source: FactSet, J.P. Morgan Asset Management; (Top right) Baker Hughes, U.S. Department of Energy; (Bottom right) U.S. Energy Information Administration.
 *Weekly U.S. crude oil and petroleum ending inventory includes strategic petroleum reserve, and active rig count represents both natural gas and oil rigs. Past performance is not a reliable indicator of current and future results.
 Guide to the Markets – Asia. Data reflect most recently available as of 31/1/19.

Commodity prices



Returns

						2014 - 2018	
2014	2015	2016	2017	2018	YTD '19	Ann. Ret.	Ann. Vol.
Euro M&M (FI)	Energy (FI)	Gold (E)	M&M (E)	Euro M&M (FI)	M&M (E)	EM M&M (FI)	Gold (E)
8.6%	-7.3%	62.9%	37.5%	-0.9%	10.8%	5.8%	36.4%
Energy (FI)	EM M&M (FI)	M&M (E)	Agri. (E)	US M&M (FI)	Energy (E)	Euro M&M (FI)	M&M (E)
2.1%	-10.9%	57.8%	20.3%	-3.5%	9.2%	2.7%	23.4%
Agri. (E)	Agri. (E)	US M&M (FI)	EM M&M (FI)	Energy (FI)	Gold (E)	US M&M (FI)	Energy (E)
-0.2%	-13.7%	45.5%	14.7%	-3.7%	8.5%	2.4%	19.5%
EM M&M (FI)	Euro M&M (FI)	EM M&M (FI)	US M&M (FI)	EM M&M (FI)	Agri. (E)	Energy (FI)	Comdty.
-0.8%	-16.1%	32.4%	9.9%	-4.1%	8.3%	2.0%	14.1%
US M&M (FI)	Energy (E)	Energy (E)	Gold (E)	Agri. (E)	Comdty.	Agri. (E)	US M&M (FI)
-4.4%	-20.6%	29.2%	9.4%	-8.9%	5.4%	1.8%	13.3%
Energy (E)	US M&M (FI)	Euro M&M (FI)	Energy (E)	Comdty.	US M&M (FI)	Gold (E)	Agri. (E)
-15.1%	-23.7%	21.9%	9.1%	-11.2%	4.8%	-0.9%	11.8%
Gold (E)	Comdty.	Agri. (E)	Energy (FI)	Energy (E)	Energy (FI)	M&M (E)	EM M&M (FI)
-16.4%	-24.7%	15.7%	9.0%	-11.4%	3.3%	-2.8%	10.9%
Comdty.	Gold (E)	Comdty.	Euro M&M (FI)	Gold (E)	EM M&M (FI)	Energy (E)	Euro M&M (FI)
-17.0%	-26.3%	11.8%	3.9%	-13.0%	3.1%	-3.4%	8.4%
M&M (E)	M&M (E)	Energy (FI)	Comdty.	M&M (E)	Euro M&M (FI)	Comdty.	Energy (FI)
-19.0%	-40.1%	11.1%	1.7%	-17.8%	1.0%	-8.8%	5.4%

Source: Bloomberg Finance L.P., FactSet, J.P. Morgan Asset Management; (Left) CME; (Right) Barclays, J.P. Morgan Economic Research, MSCI. Commodities are represented by the appropriate Bloomberg Commodity sub-index priced in U.S. dollars. Crude oil shown is West Texas Instrument (WTI) crude. Other commodity prices are represented by futures contracts. Z-scores are calculated using daily prices over the past five years. Based on Bloomberg Commodity Index (Comdty.); MSCI ACWI Select – Energy Producers IMI, Metals & Mining Producers ex Gold & Silver IMI, Gold Miners IMI, Agriculture Producers IMI (Energy (E), M&M (E), Gold (E), Agri. (E)); Bloomberg Barclays Global Aggregate Credit – Corporate Energy Index (Energy (FI)); Bloomberg Barclays U.S. Aggregate Credit – Corporate High Yield Metals & Mining Index (U.S. M&M (FI)); Bloomberg Barclays Euro Aggregate Credit – Corporate Metals & Mining Index (Euro M&M (FI)); J.P. Morgan Emerging Market Corporate Credit – Corporate Metals & Mining Index (EM M&M (FI)). Five-year total return data is used to calculate annualized returns (Ann. Ret.) and 5-year price return data is used to calculate annualized volatility (Ann. Vol.) and reflects the period 31/12/13 – 31/12/18. Past performance is not a reliable indicator of current and future results. Guide to the Markets – Asia. Data reflect most recently available as of 31/1/19.

Monthly Market Review

Asia Pacific | February 2019

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