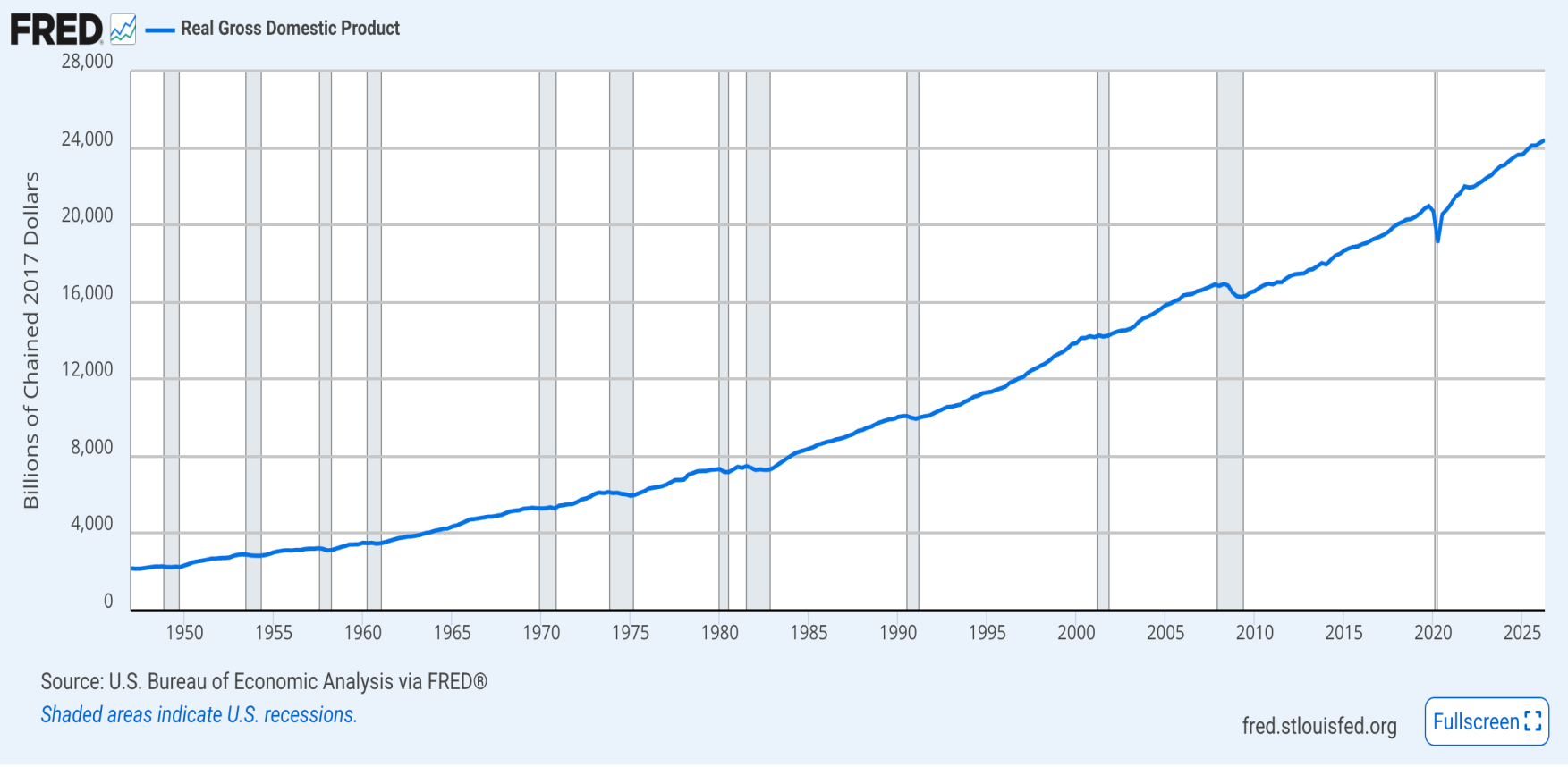


Economic & Market Update: *Ramble On—The Economy, Earnings, and a Bull Market That Keeps Moving Along*

Jason Ware, *MBA, BFA™*
Chief Investment Officer & Head of Research

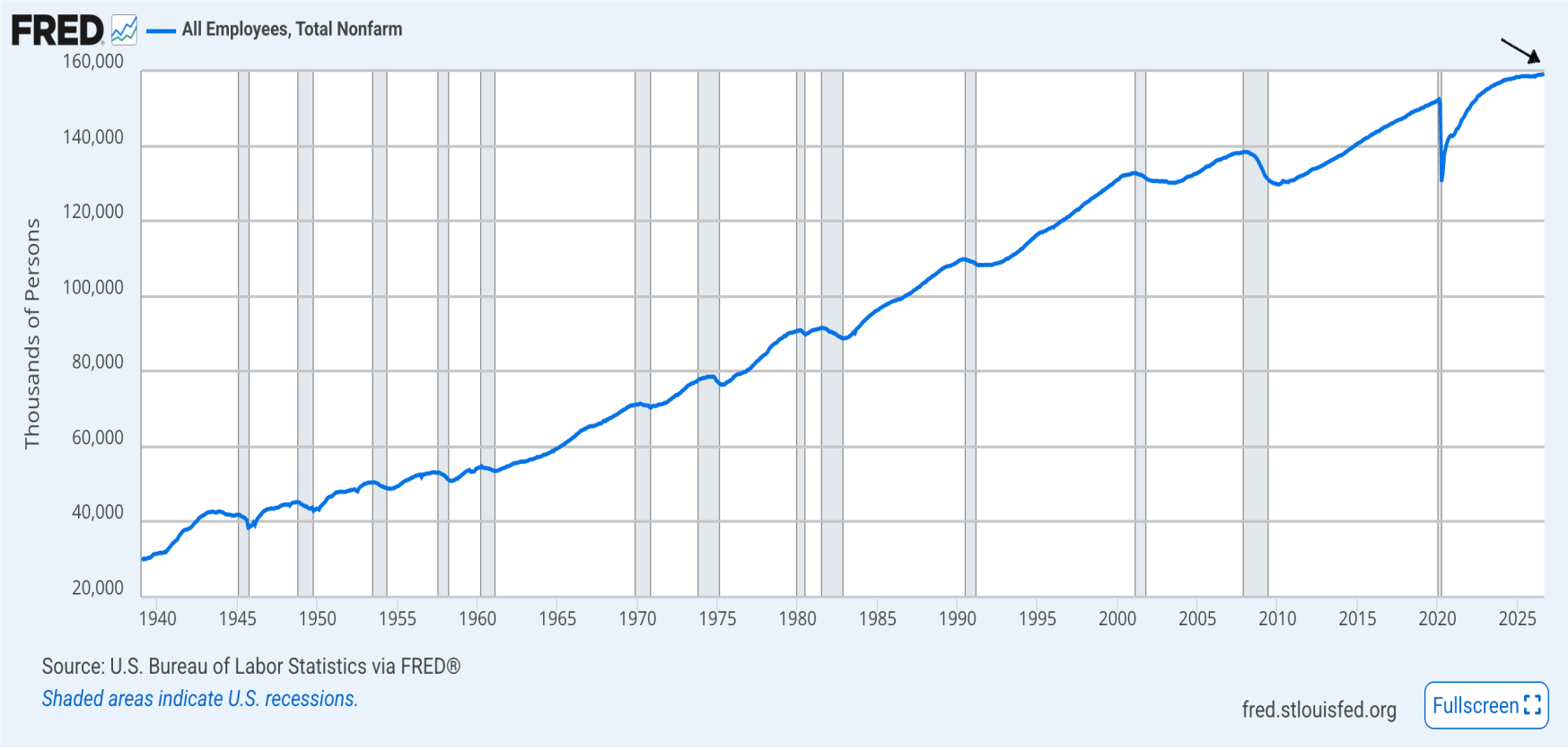
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The Economy



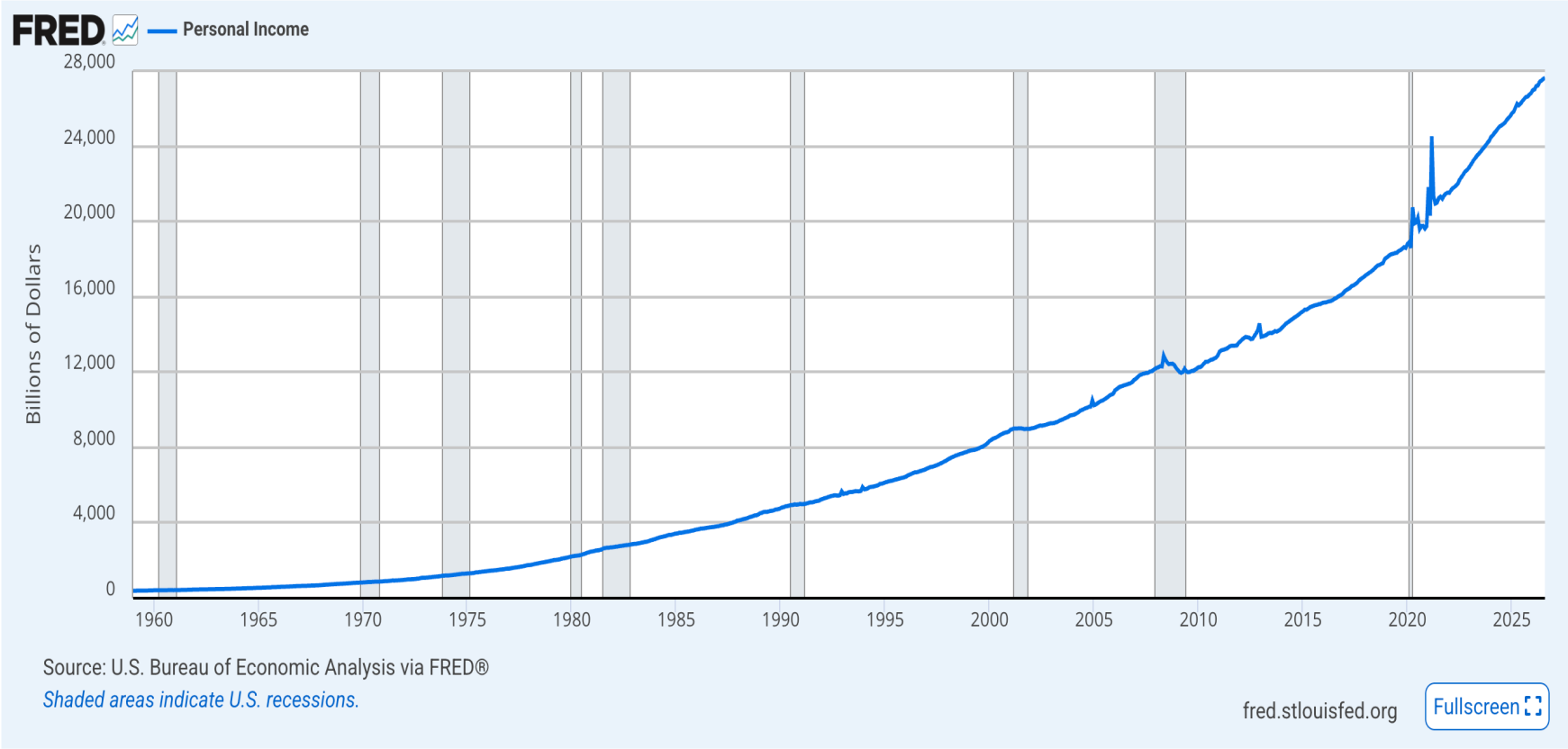
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Jobs



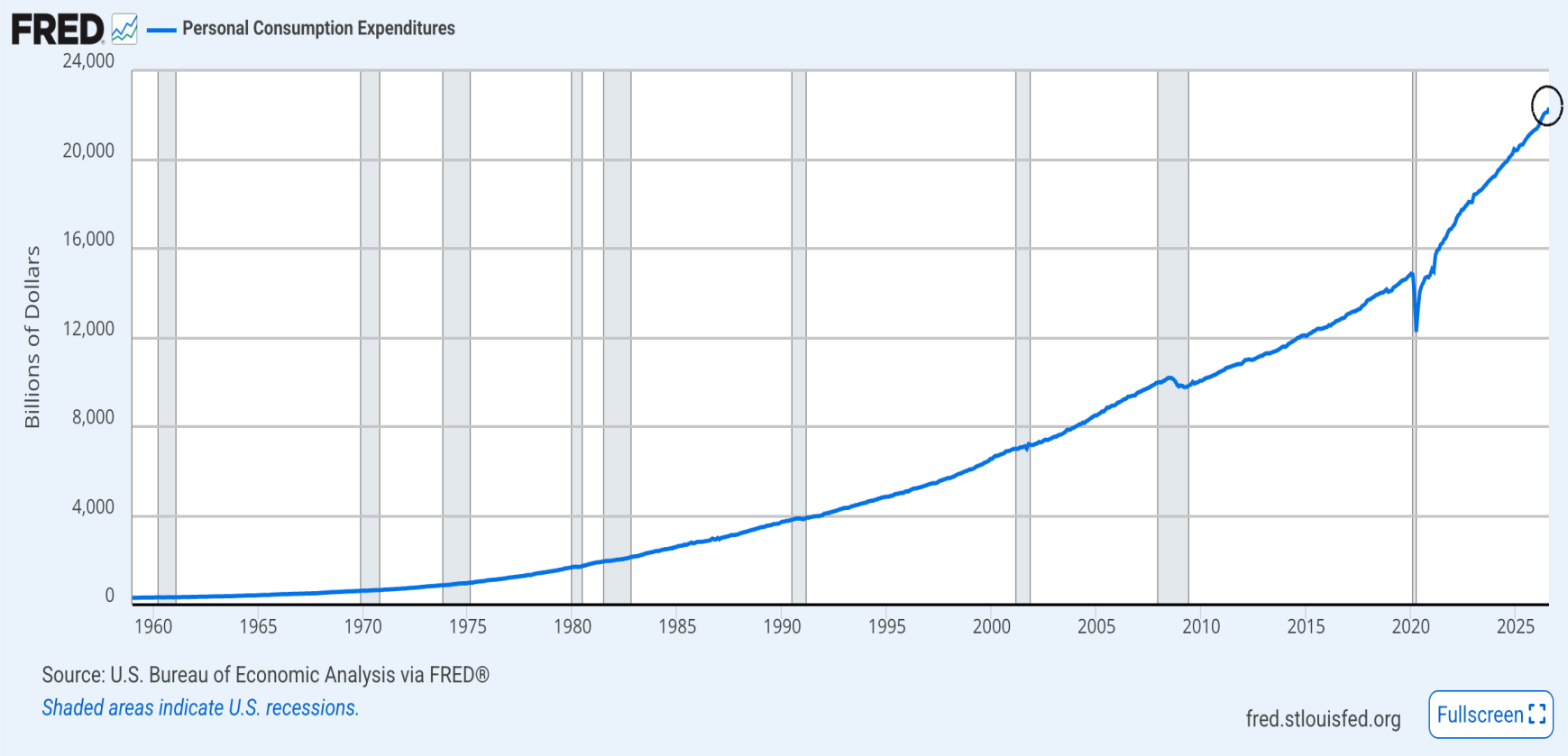
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Jobs + Income + Balance Sheet = Consumption



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Consumption is ~70% of GDP



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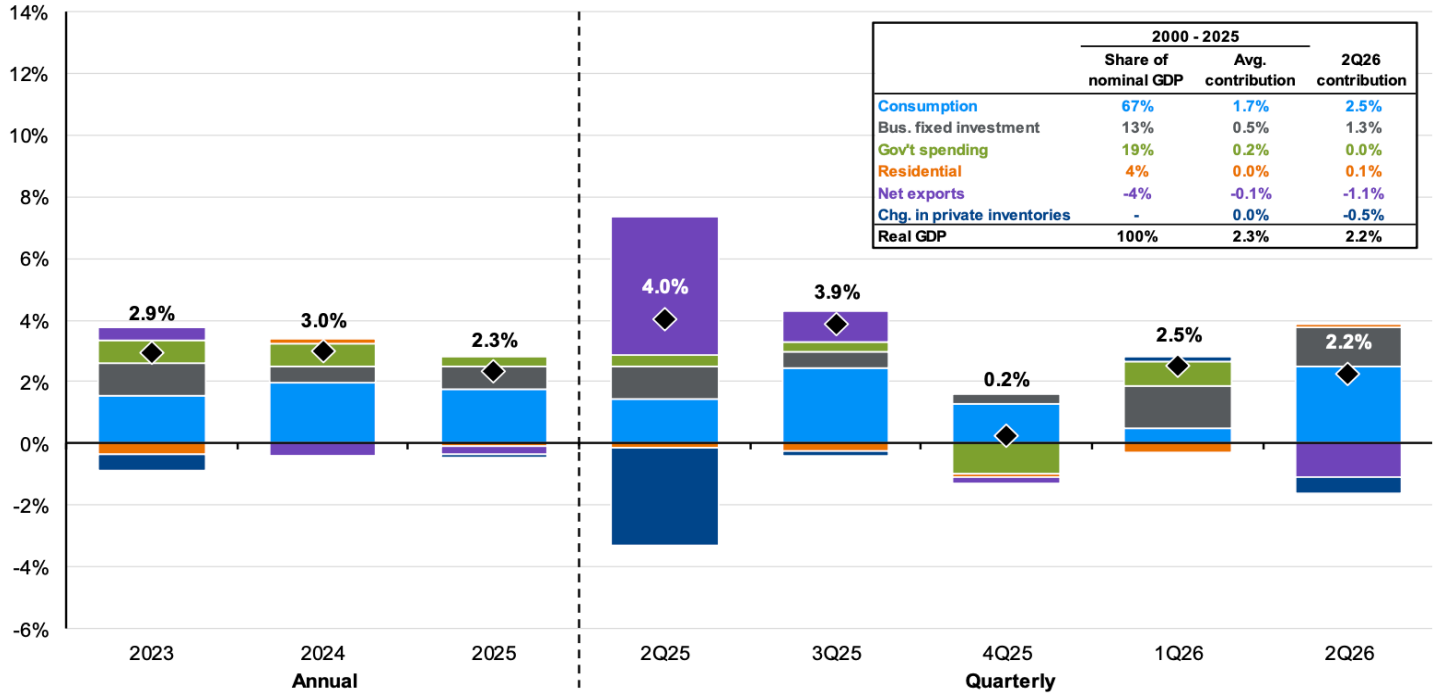
Business Fixed Investment

Components of GDP growth

GTM | U.S. | 17

Contributors to real GDP growth

Seasonally adjusted annualized rate



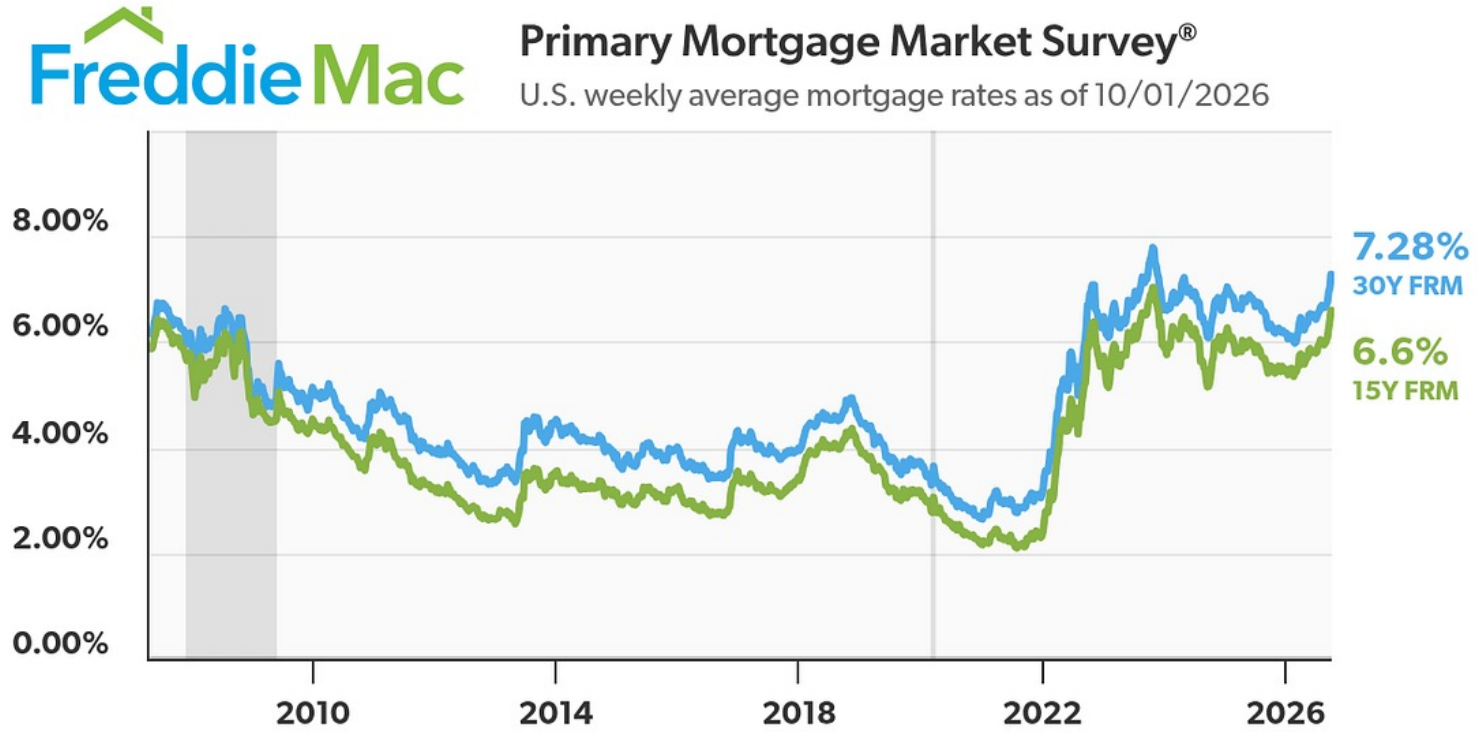
	2000 - 2025 Share of nominal GDP	2000 - 2025 Avg. contribution	2Q26 contribution
Consumption	67%	1.7%	2.5%
Bus. fixed investment	13%	0.5%	1.3%
Gov't spending	19%	0.2%	0.0%
Residential	4%	0.0%	0.1%
Net exports	-4%	-0.1%	-1.1%
Chg. in private inventories	-	0.0%	-0.5%
Real GDP	100%	2.3%	2.2%

Source: BEA, FactSet, J.P. Morgan Asset Management.
Guide to the Markets – U.S. Data are as of September 30, 2026.

J.P.Morgan ASSET MANAGEMENT

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“Other” … er, Gov’t + Housing



(Source: Freddie Mac)

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Rates / Yields

The Fed and interest rates

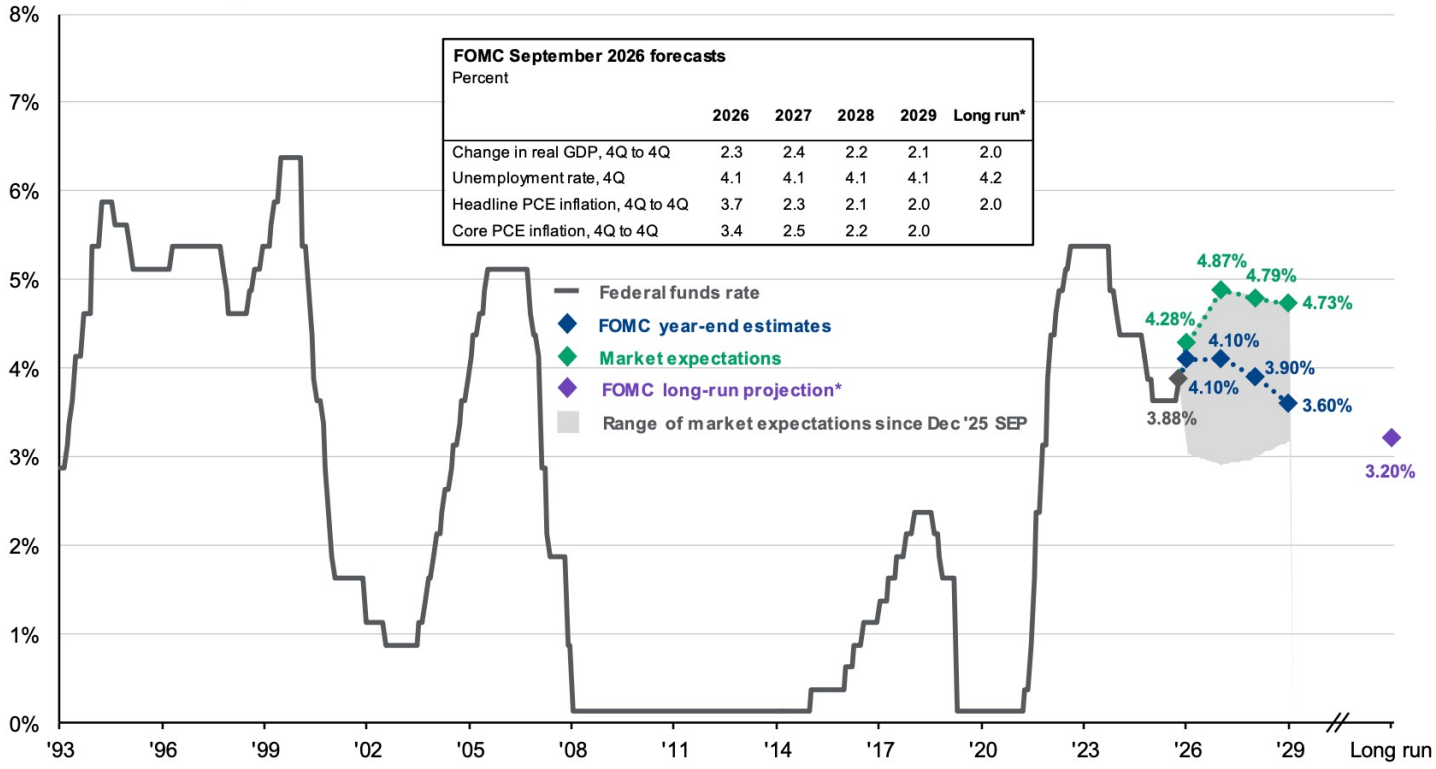
GTM | U.S. | 31

Federal funds rate expectations

FOMC and market expectations for the federal funds rate

FOMC September 2026 forecasts
Percent

	2026	2027	2028	2029	Long run*
Change in real GDP, 4Q to 4Q	2.3	2.4	2.2	2.1	2.0
Unemployment rate, 4Q	4.1	4.1	4.1	4.1	4.2
Headline PCE inflation, 4Q to 4Q	3.7	2.3	2.1	2.0	2.0
Core PCE inflation, 4Q to 4Q	3.4	2.5	2.2	2.0	



Source: Bloomberg, FactSet, Federal Reserve, J.P. Morgan Asset Management.
Market expectations are based off USD Overnight Index Swaps. *Long-run projections are the rates of growth, unemployment and inflation to which policymakers expect the economy to converge over the next five to six years in absence of further shocks and under appropriate monetary policy. Forecasts, projections and other forward-looking statements are based upon current beliefs and expectations and are for illustrative purposes only.
Guide to the Markets – U.S. Data are as of September 30, 2026.

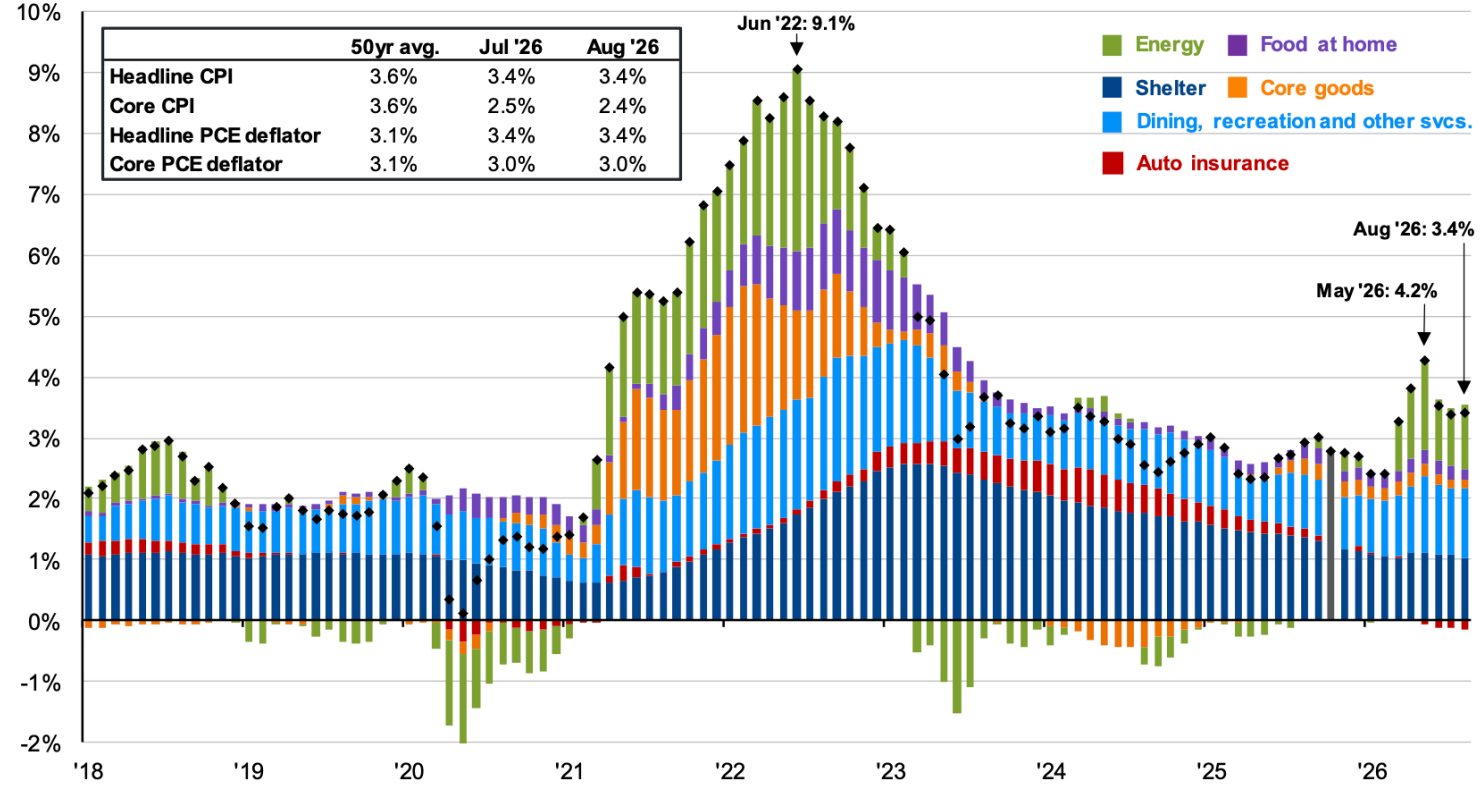
J.P.Morgan
ASSET MANAGEMENT

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Inflation

Contributors to headline CPI inflation

Contribution to year-over-year % change in CPI, non-seasonally adjusted



Source: BLS, FactSet, J.P. Morgan Asset Management.

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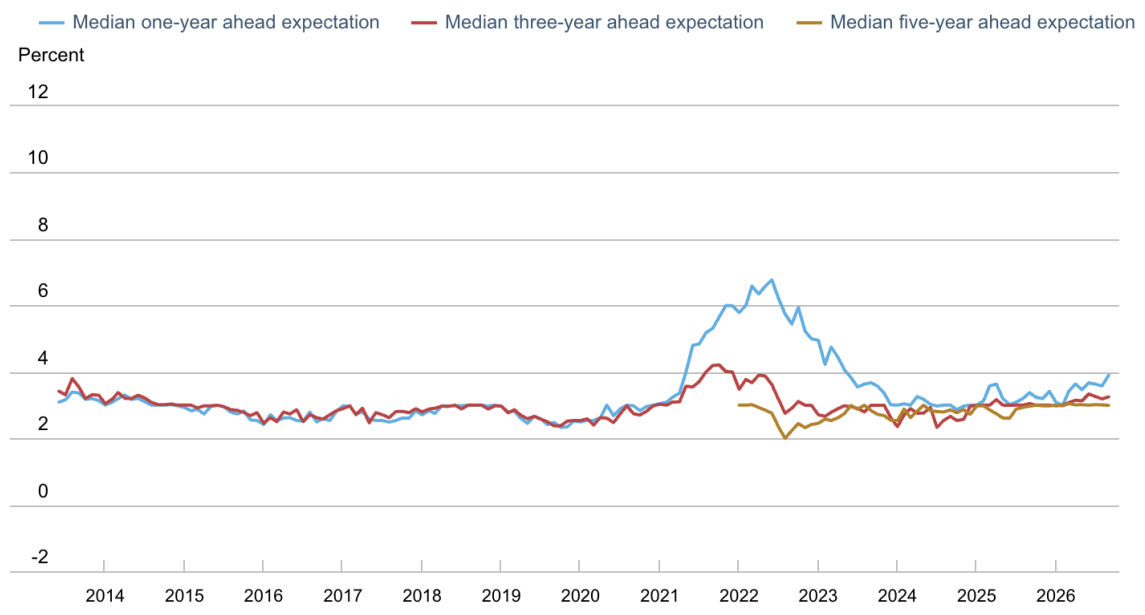
Inflation Through the Windshield

Inflation expectations

Median one-, three-, and five-year ahead expected inflation rate

OVERVIEW | DEMOGRAPHICS

Main | 1-year detail | 3-year detail | 5-year detail

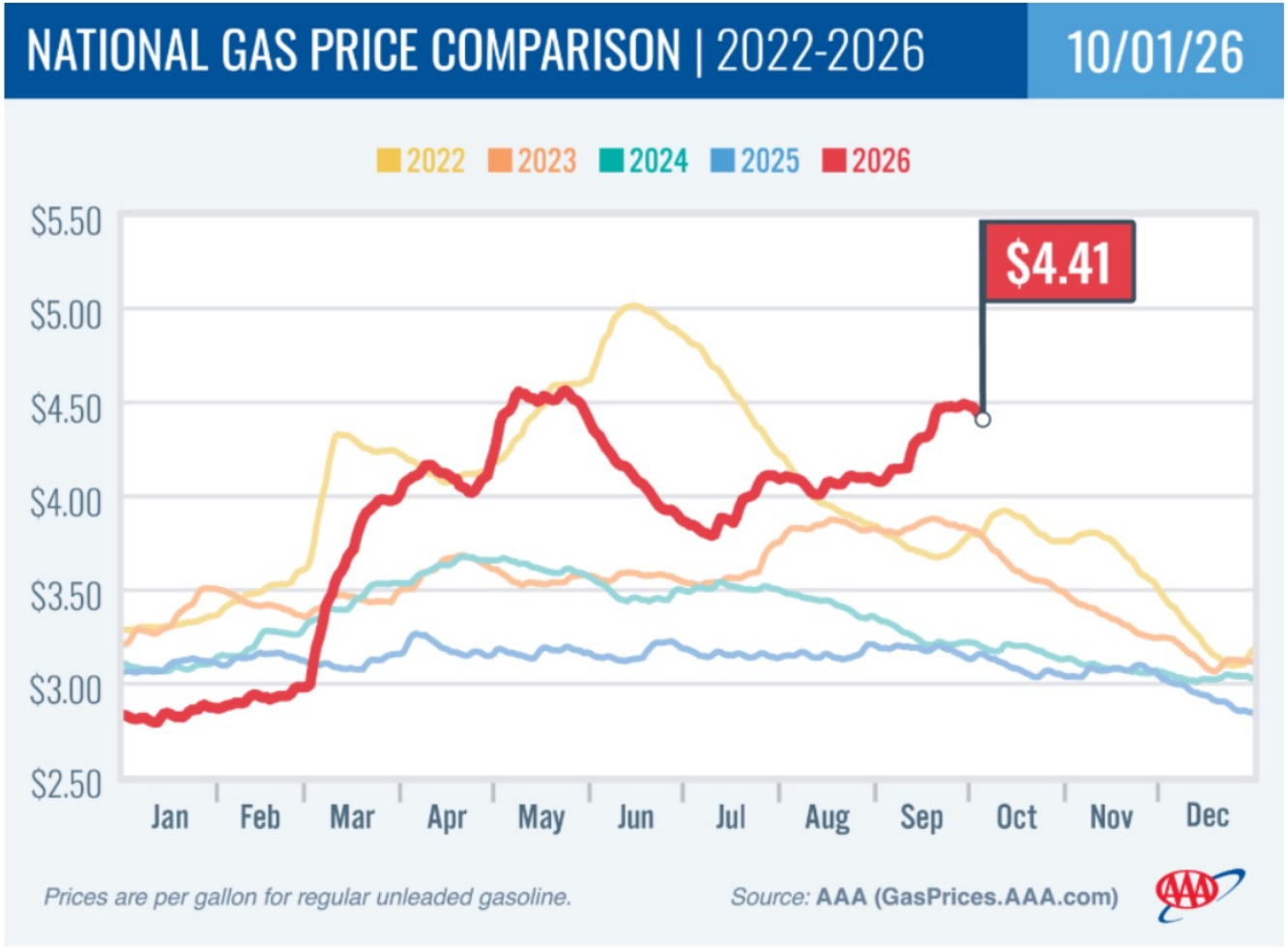


Source: New York Fed Survey of Consumer Expectations

Note: Collection of data for the five-year-ahead inflation expectation began in January 2022.

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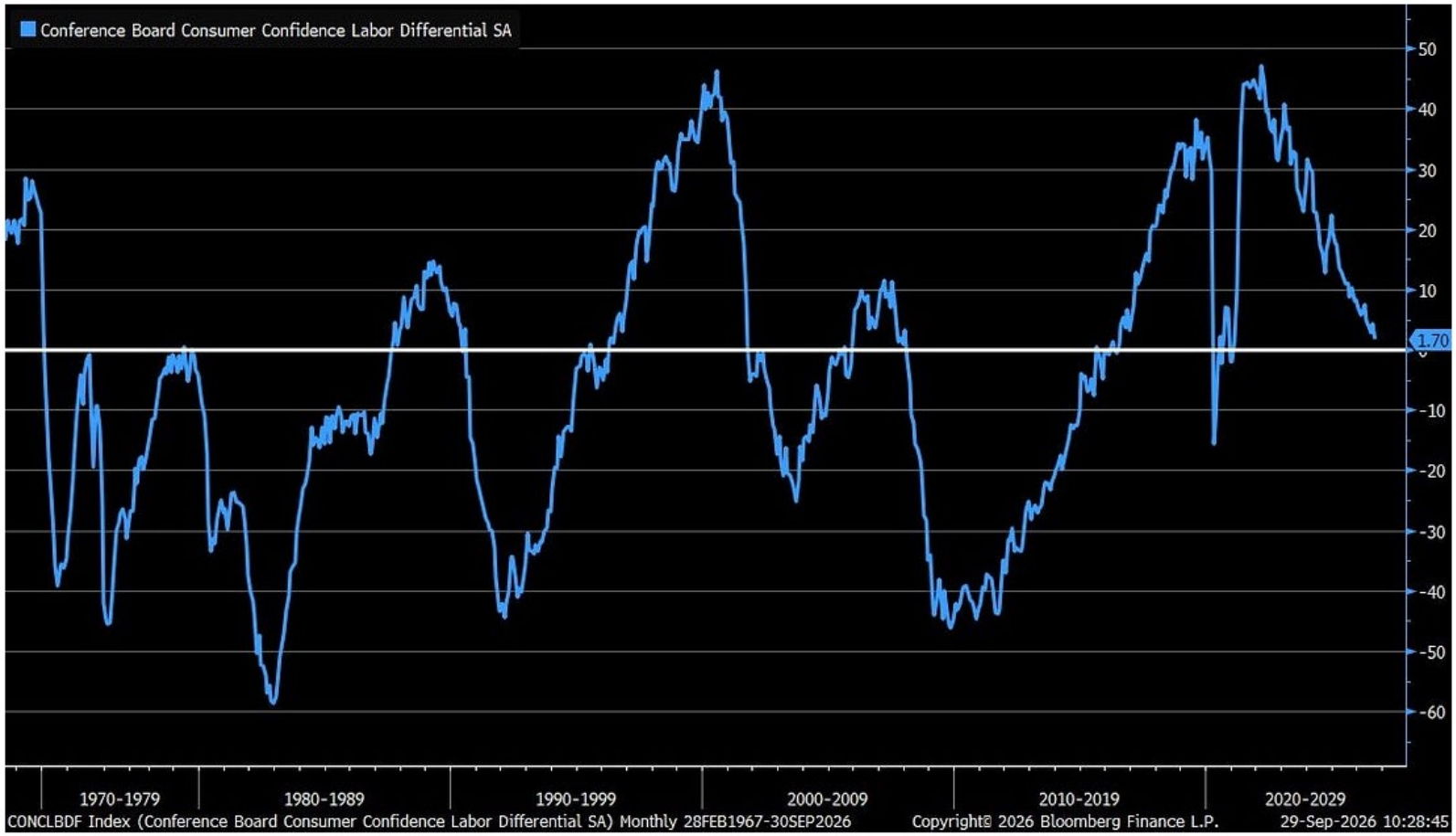
OK, But …



(Source: AAA)

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But Wait, There's More …



(Source: Liz Ann Sonders)

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Putting it all together 📋

Growth remains resilient: The US economy is still expanding at a decent pace. Consumer spending remains healthy, AI and infrastructure capex are strong, and recession risk appears low.

Labor has cooled—not cracked: Job growth is slower than in the post-pandemic surge, but unemployment remains low, layoffs are contained, and wages are still growing faster than inflation.

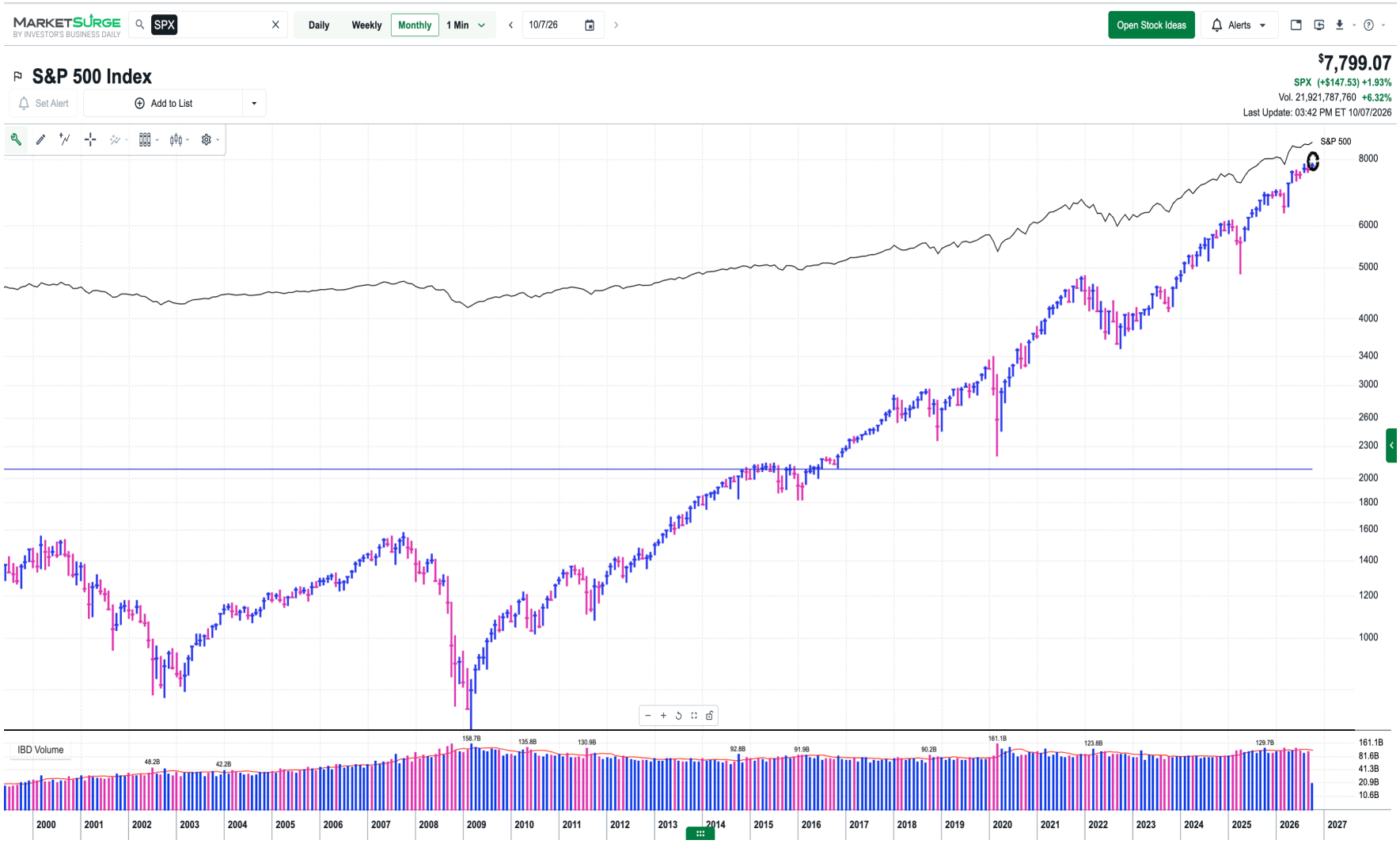
Inflation is contained: The inflation problem of 2021-2023 has largely been solved. Services inflation is still a bit sticky, but overall inflation in the 2s to low 3s is compatible with continued growth and healthy markets.

Hard data over soft data: Sentiment surveys have often looked worse than the real economy. What matters is that spending, hiring, and business activity continue to hold up.

Overall takeaway: This is an economy of balance, not extremes—still growing, still durable, and still supportive of corporate earnings and the broader bull market.

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Financial Markets

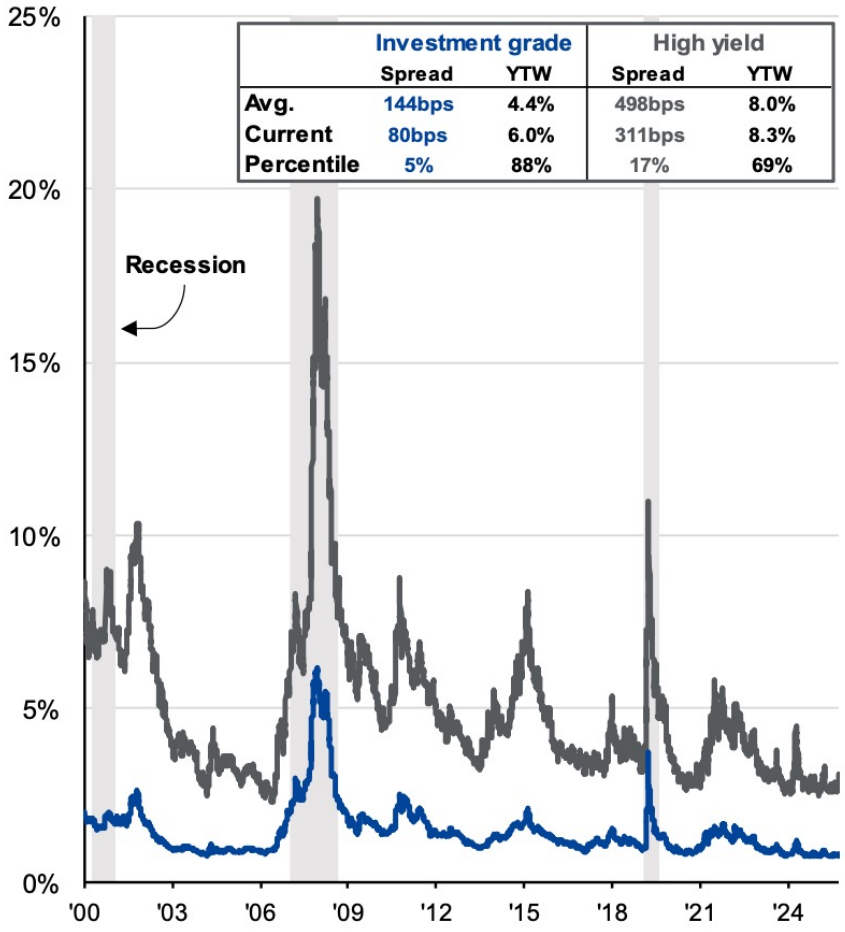


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Over in Credit …

Corporate credit spreads

Option adjusted spread, 2001 - present

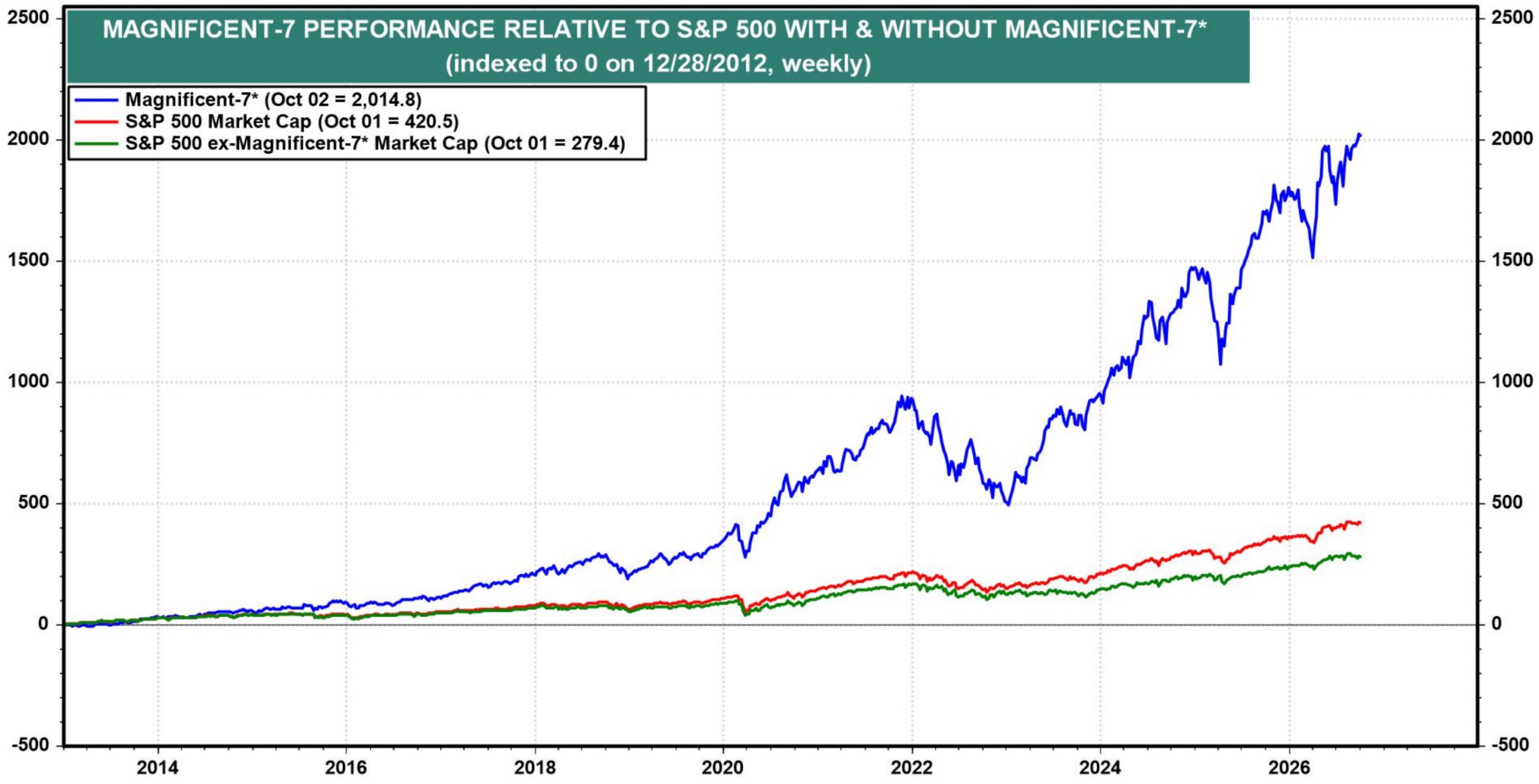


	Investment grade		High yield	
	Spread	YTW	Spread	YTW
Avg.	144bps	4.4%	498bps	8.0%
Current	80bps	6.0%	311bps	8.3%
Percentile	5%	88%	17%	69%

Source: Bloomberg, J.P. Morgan Research, J.P. Morgan Asset Management.

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Under the Hood (Internals)

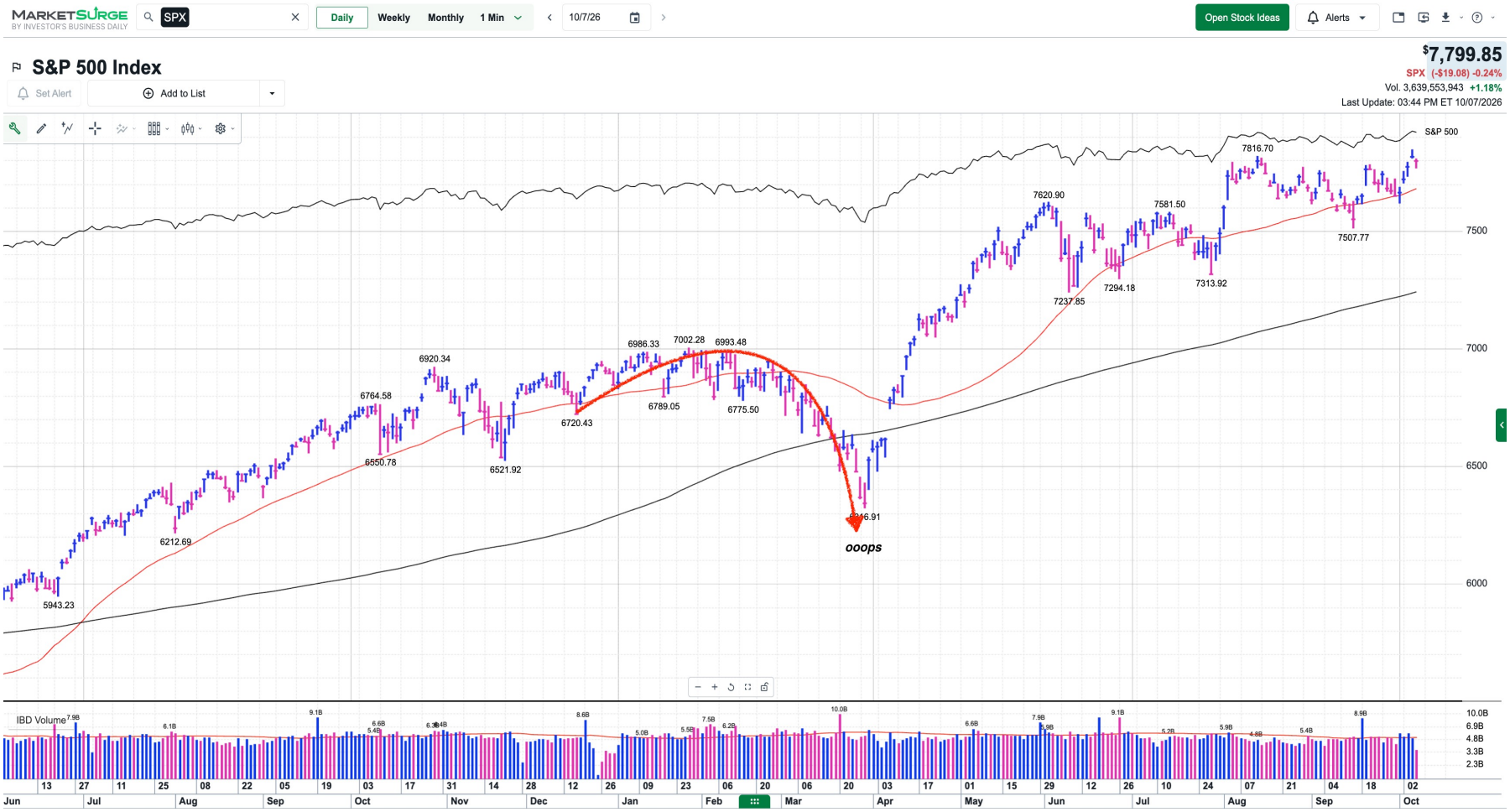


Source: LSEG Datastream and © Yardeni Research. IBES.

* Magnificent-7 stocks include Alphabet (Google), Amazon, Apple, Meta (Facebook), Microsoft, NVIDIA, and Tesla. Both classes of Alphabet are included.

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Oh, the Uncertainty!



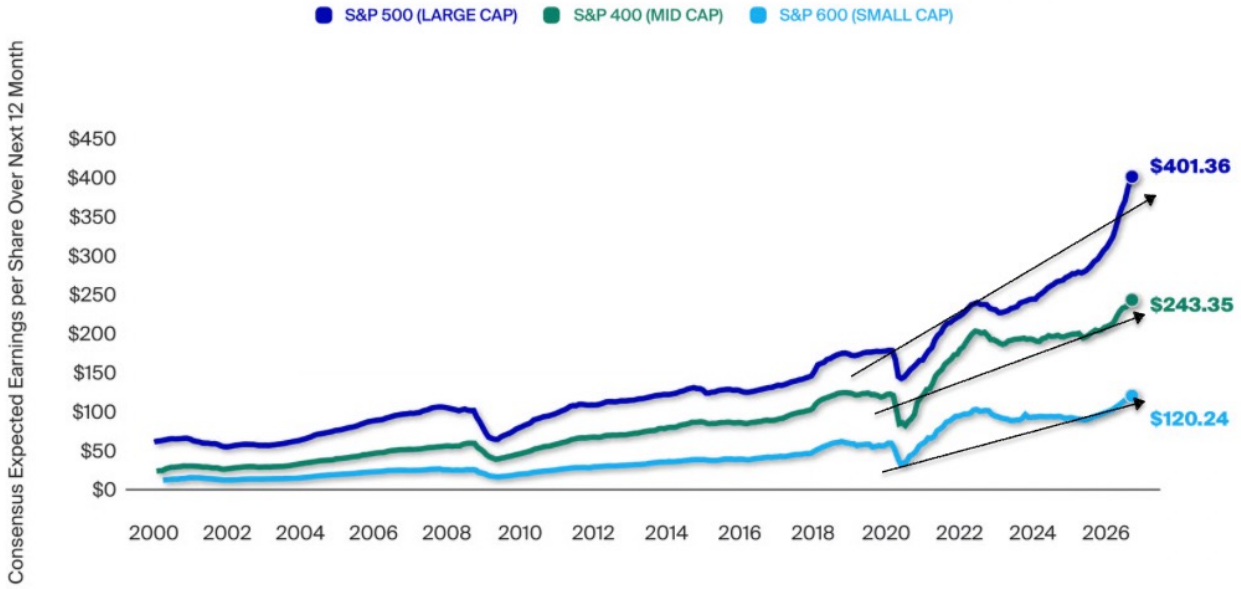
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What's the Path?

Consensus Expected Earnings Estimates

Consensus Expected Earnings per Share Over the Next 12 Months for the S&P 500, S&P 400, and S&P 600

Since 2000



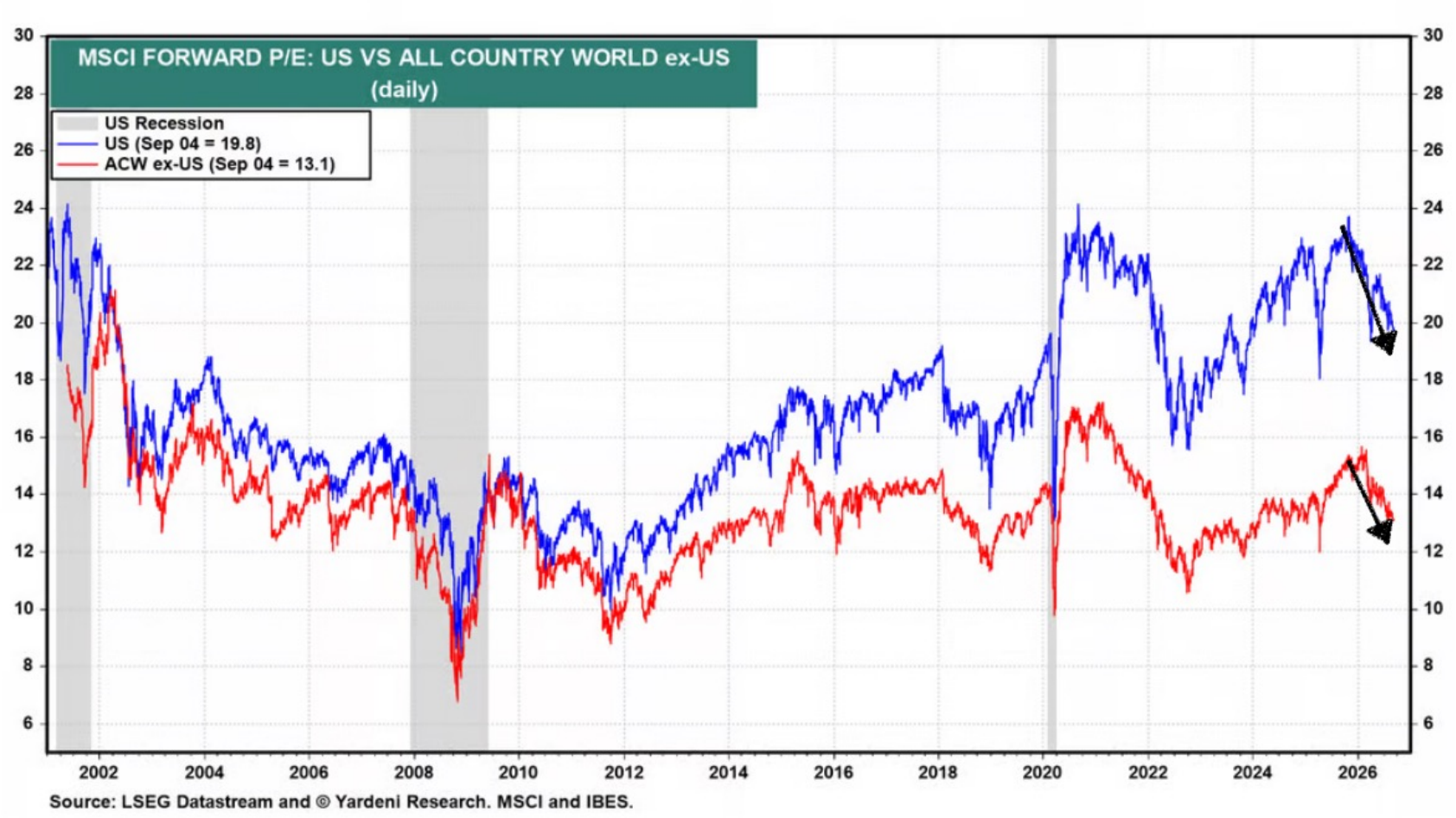
Source: © Exhibit A, FactSet Research Systems Inc., Standard & Poor's | Latest: 2026-09-16

This slide is for informational and illustrative purposes only. The data provided is believed to be accurate, but there is no guarantee of its accuracy, completeness, or timeliness. This is not a recommendation or offer of any financial product. **Past performance is not indicative of future results, and investors should consider their own objectives and risk tolerance.** Indices, if presented, do not include fees, are unmanaged, and not available for direct investment. Definitions & Methodology: The S&P 500 tracks the performance of 500 large-cap U.S. companies, serving as a benchmark for the U.S. stock market. The index is weighted by market capitalization. The Consensus Expected Earnings Estimates ($) for an index represents the average earnings forecast for the companies within that index over the next 12 months. These estimates are aggregated from analyst projections, such as those from FactSet, and provide insight into expected profitability trends for the index as a whole.

OPENING BELL DAILY

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Valuations are Fine

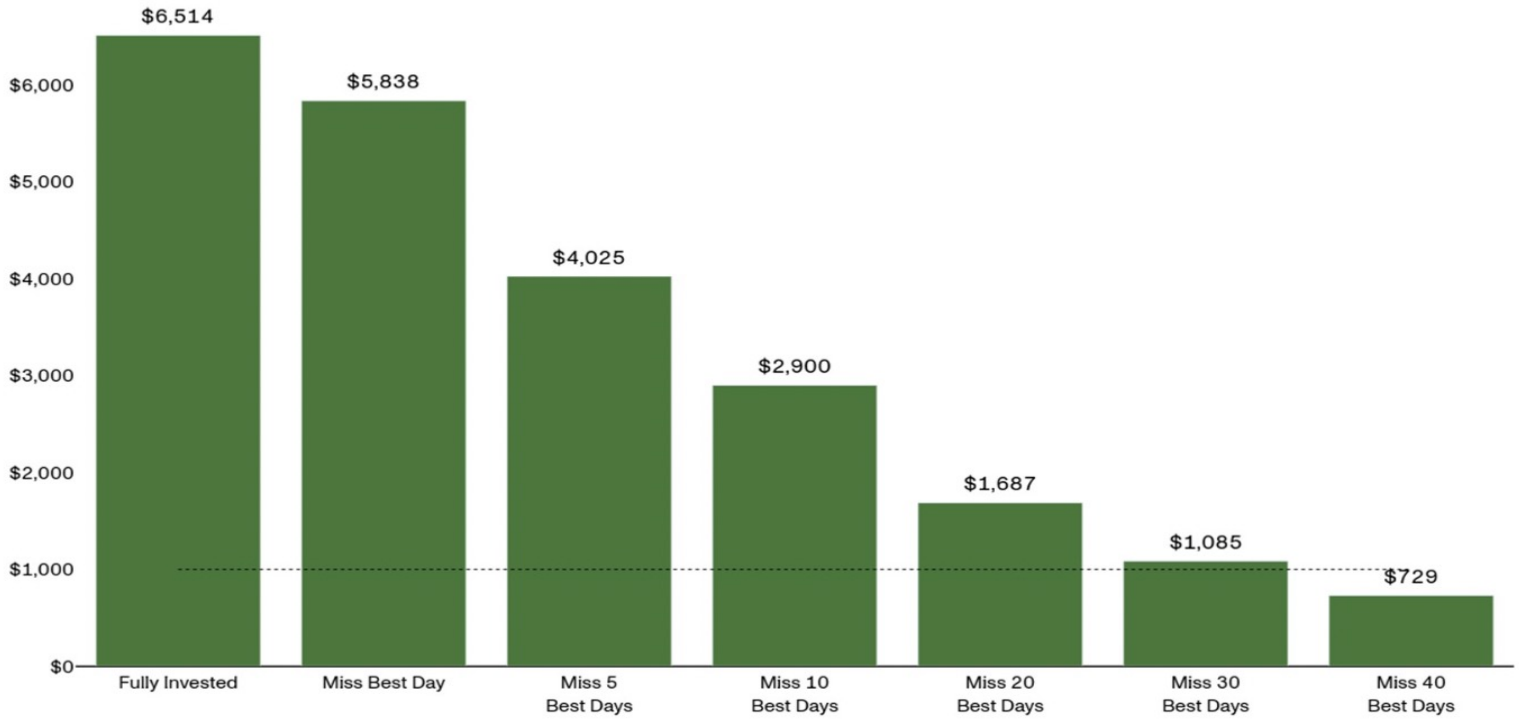


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Long run > Short run

Staying Invested: Missing the Best Days

The impact of missing the best market days over the past 25 years
Based on an initial $1,000 investment using S&P 500 returns before transaction costs



Sources: Clearnomics, Standard & Poor's

Latest data point is Apr 17, 2026

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Long run > Short run

The Impact of Bad Investing Behavior

Every major sell-off in history has been accompanied by a mix of economic concerns, monetary policy shifts, geopolitical tensions, or some other source of consternation that might make a rational person demand a higher premium for putting their capital at risk. The details are different each time. But structurally, it's generally the same story: it's risky out there.

Amid all this, one pattern has stood the test of time: stocks will go down a lot, but then they'll go up a lot more.



Source: © Exhibit A, FactSet Research Systems Inc., Standard & Poor's | Latest: 2026-03-13



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Compliance Disclosure

Investing in securities is subject to a number of risks and is not suitable for all investors. Investors should carefully consider their investment objectives, risk tolerance, financial situation, and other information before investing. Additionally, the financial planning process is a great tool for providing clarity regarding your financial life, however this process cannot provide certainty.

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Supplemental Charts

APOLLO

Weekly business formation exploding higher, likely driven by AI



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Supplemental Charts

Academic studies inconclusive about the impact of AI on productivity

Paper	Annual Productivity / TFP Gain (pp)	Horizon	Cumulative Level Effect	Key Assumptions
Acemoglu (2024)	0.07	10 years	0.7%	Narrow task coverage, slow diffusion, limited reorganization
Penn Wharton Budget Model (2024/25)	0.1–0.2 (peak)	10–20 years	1.5% by 2035; 3% by 2055	Task-based GPT framework, gradual diffusion, conservative adoption
Aghion & Bunel (2024)	0.2–0.4	10–20 years	2–6%	AI as GPT boosting innovation and creative destruction
Baily et al. (2023)	0.5 (peak)	10–15 years	5–10%	Broad diffusion comparable to late-1990s IT boom
Filippucci et al. (2024)	0.2–0.5	15–20 years	3–8%	Firm-level adoption, capital deepening, sectoral reallocation
Bergeaud (2024)	0.3–0.6	10–20 years	6–12%	Reallocation toward frontier firms dominates automation
St. Louis Fed (2025) — State of Generative AI Adoption in 2025	1.1%	2-3 years (2022-2024)	1.1% relative to pre-AI baseline	Based on Real-Time Population Survey time-savings and adoption, observational, early era evidence, not a structural long-run model

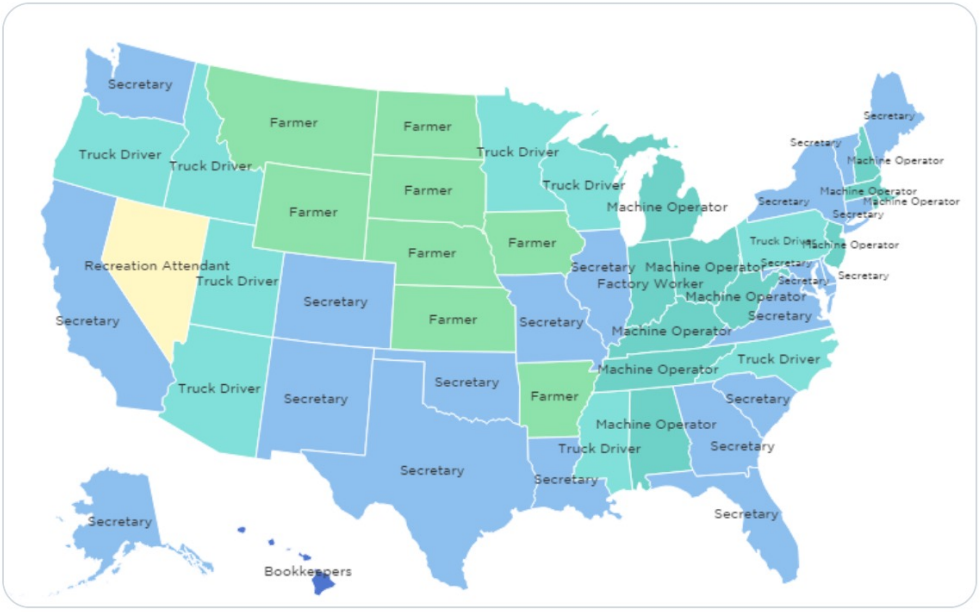
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Supplemental Charts

Rowland Manthorpe
@rowlsmanthorpe

I wanted to understand how automation hits white collar jobs so I went on a huge research trip into the last time it happened: the 1980s

We rarely talk about the mass automation brought about by the PC. But it was massive! Take a look at this map of the most popular job in every US state in 1978. With the exception of truck drivers – for now – every job on that map has been reshaped by automation



8:23 AM · Mar 1, 2026 · **175.5K** Views

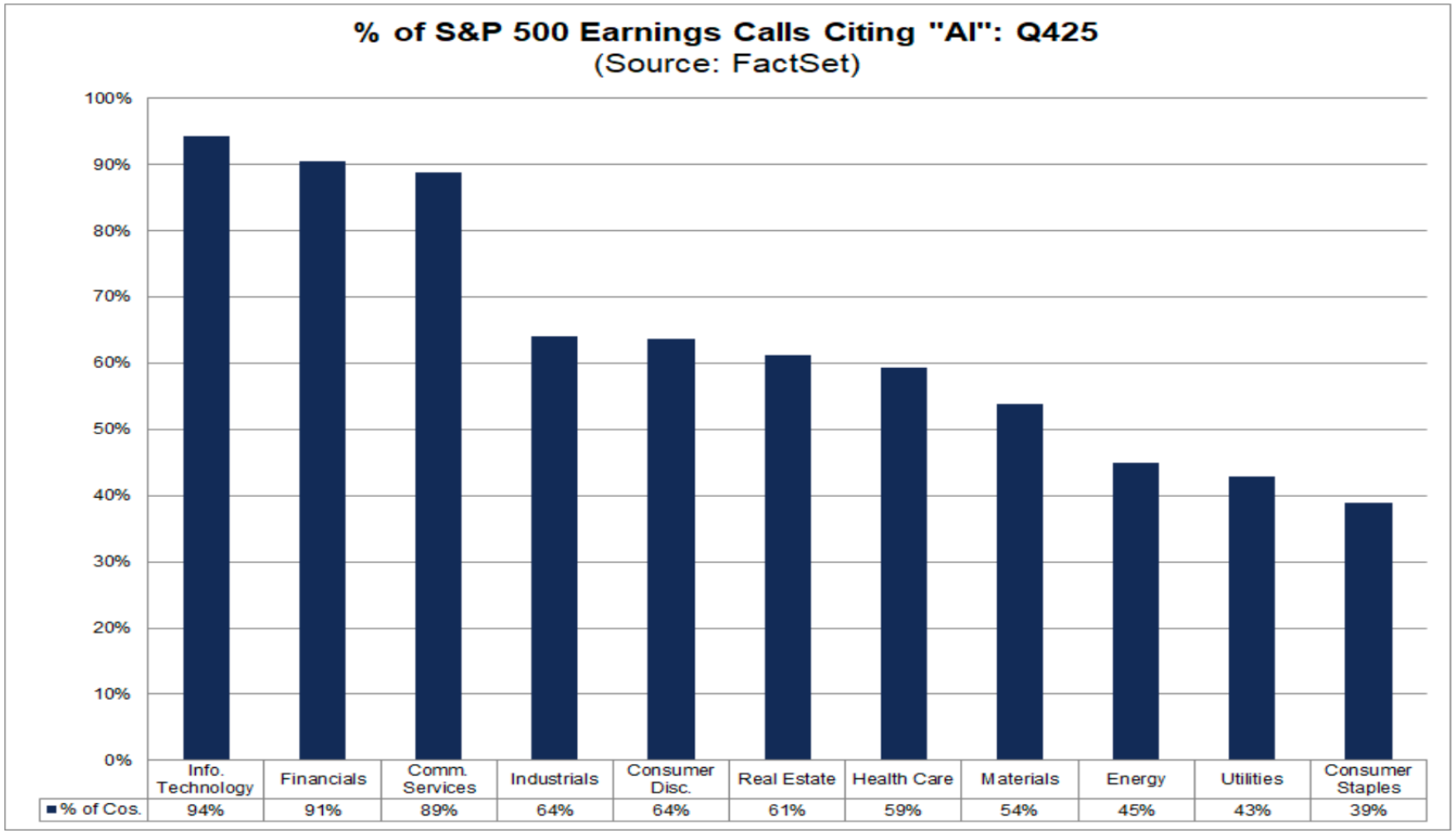
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Supplemental Charts



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Supplemental Charts



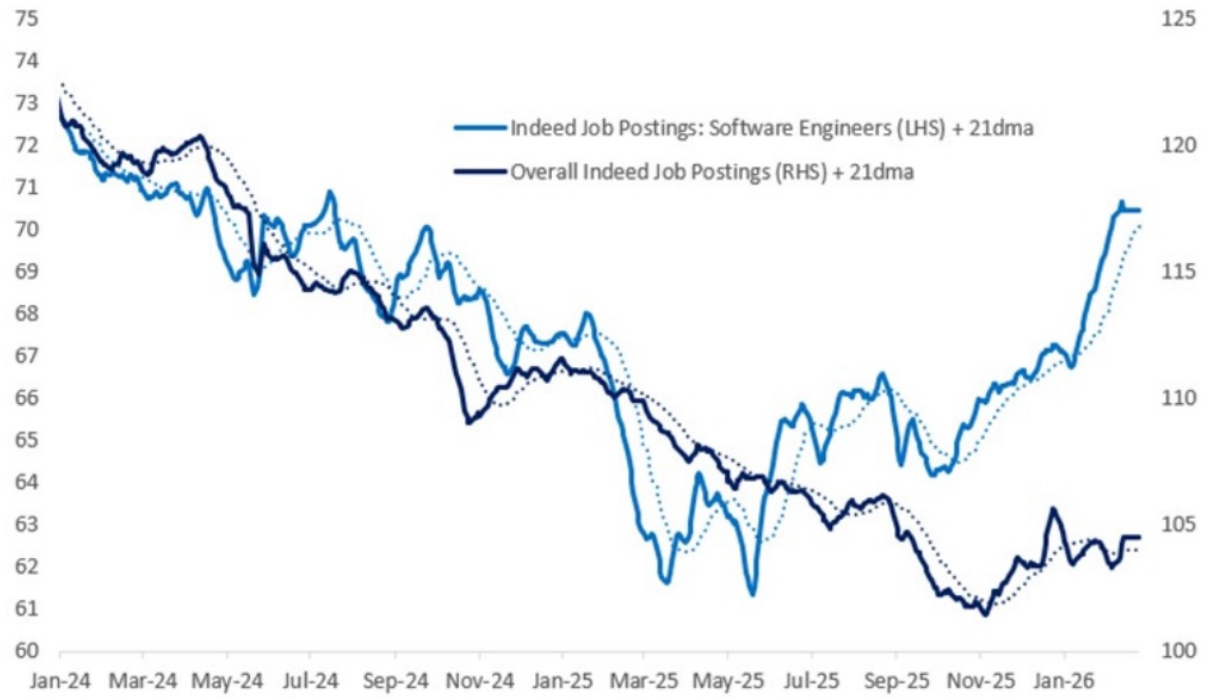
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Supplemental Charts

Job Postings For Software Engineers Are Rapidly Rising

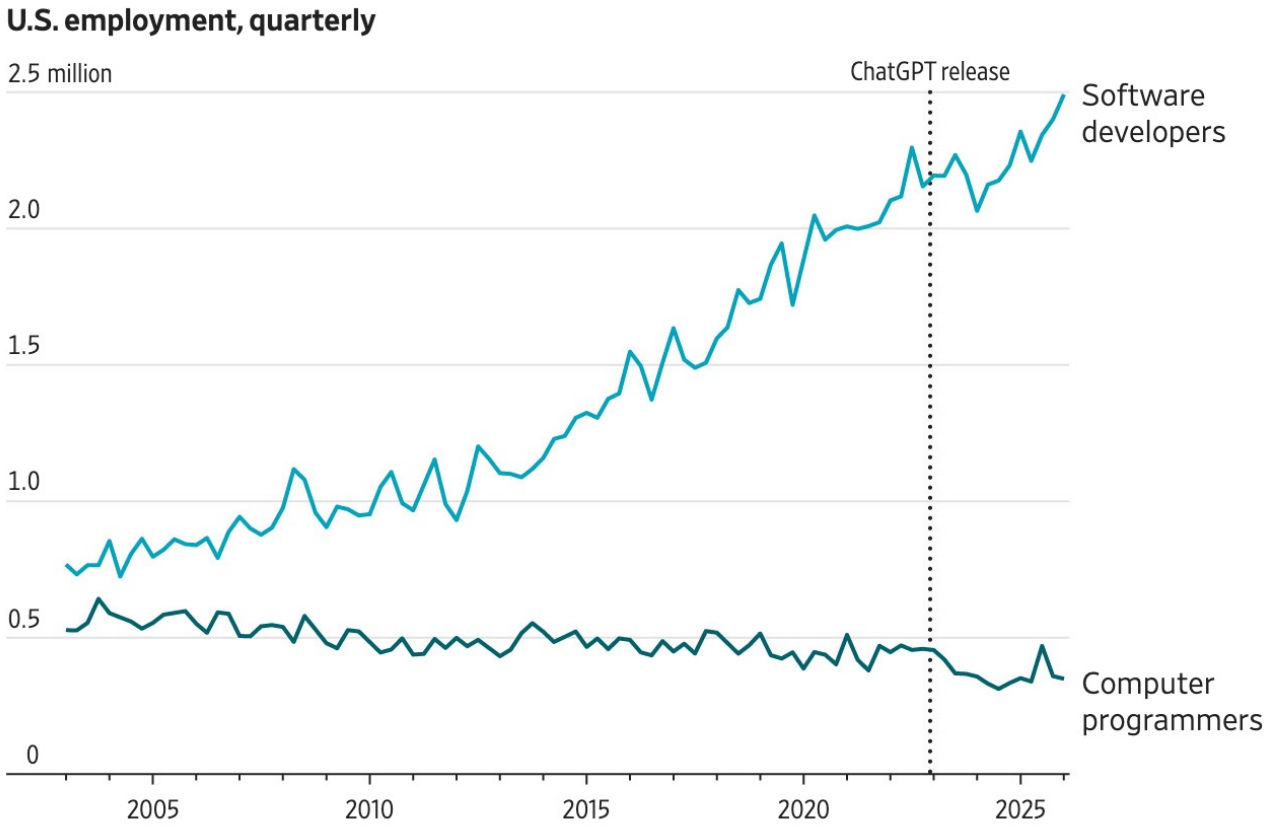
Indeed Job Postings: Software Engineers + Overall Postings, Daily and 21dma



Source: Citadel Securities, Indeed. Figures are for illustrative purposes only. Past performance figures do not guarantee future results.

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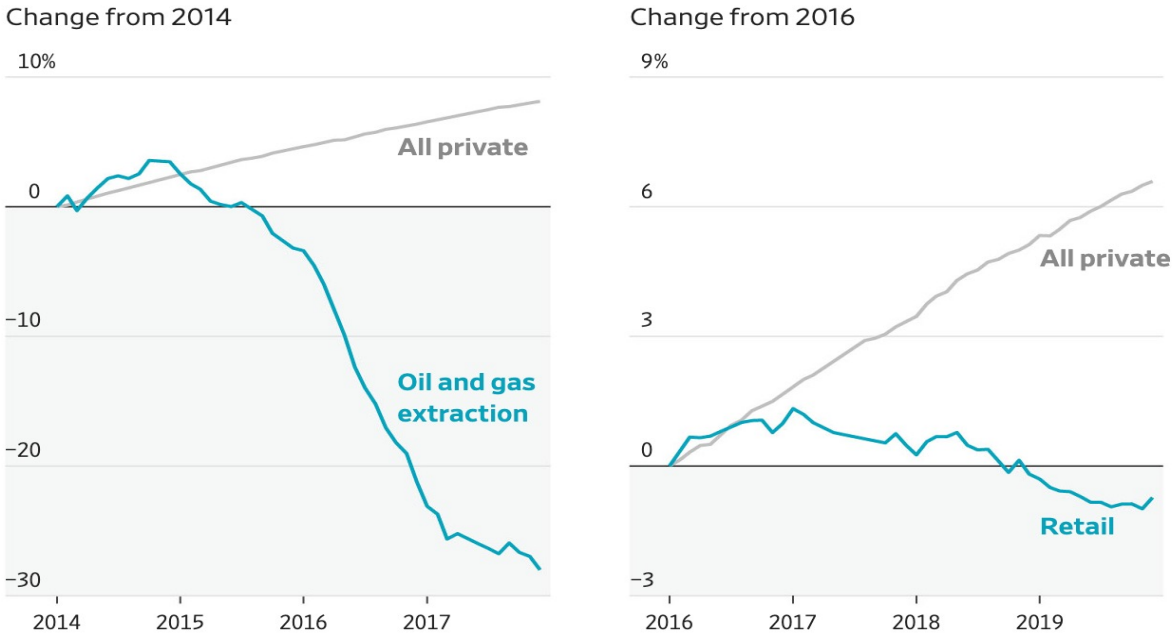


Note: Quarterly averages; 1Q 2026 figure is as of January. Not seasonally adjusted.
Source: Labor Department via James Bessen, Technology and Policy Research Initiative at Boston University

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Supplemental Charts

Change in U.S. employment for select economic industries and private-sector employment



Note: Seasonally adjusted
Source: Labor Department via St. Louis Fed

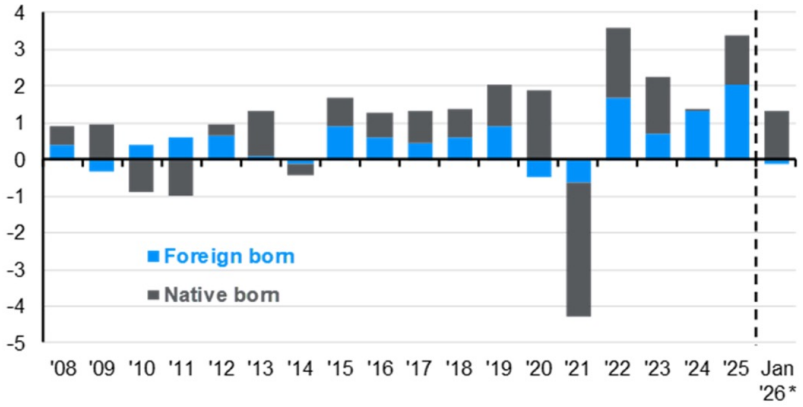
China's entry into the World Trade Organization in 2001 cost the U.S. hundreds of thousands of manufacturing jobs in the following years. Oil and gas production jobs fell by a quarter after oil prices collapsed in 2014. And amid a spasm of bricks-and-mortar bankruptcies driven in part by e-commerce, retail employment fell by a quarter-million between 2017 and late 2019. In all three episodes, overall employment grew.

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Supplemental Charts

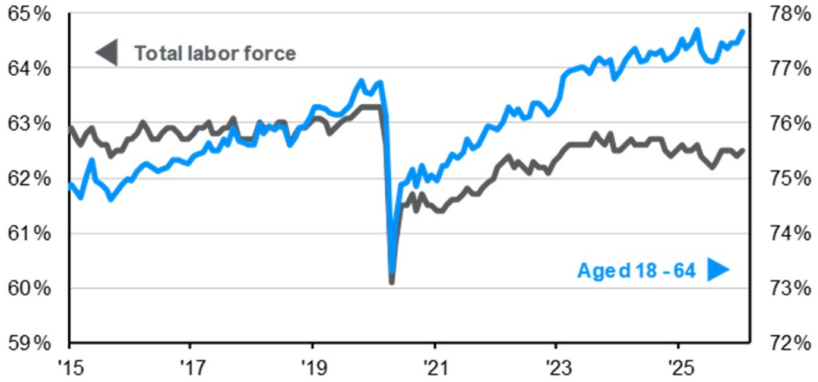
Labor force growth, native and immigrant contribution

Year-over-year change as of January, aged 16+, millions



Labor force participation

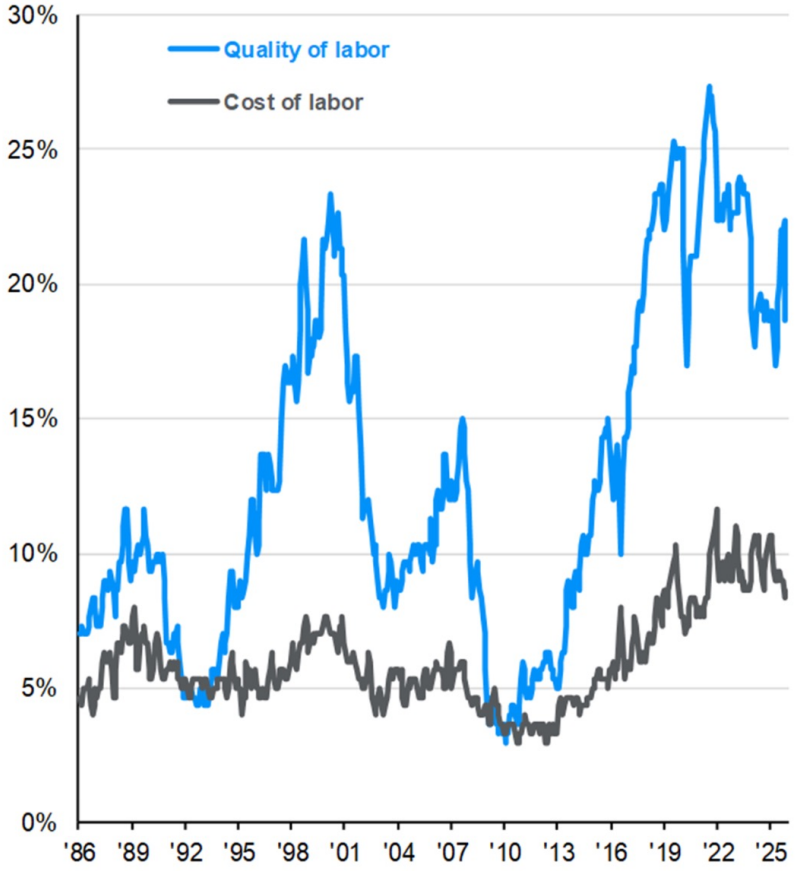
% of civilian noninstitutional population, seasonally adjusted (SA)



Source: JPMorgan

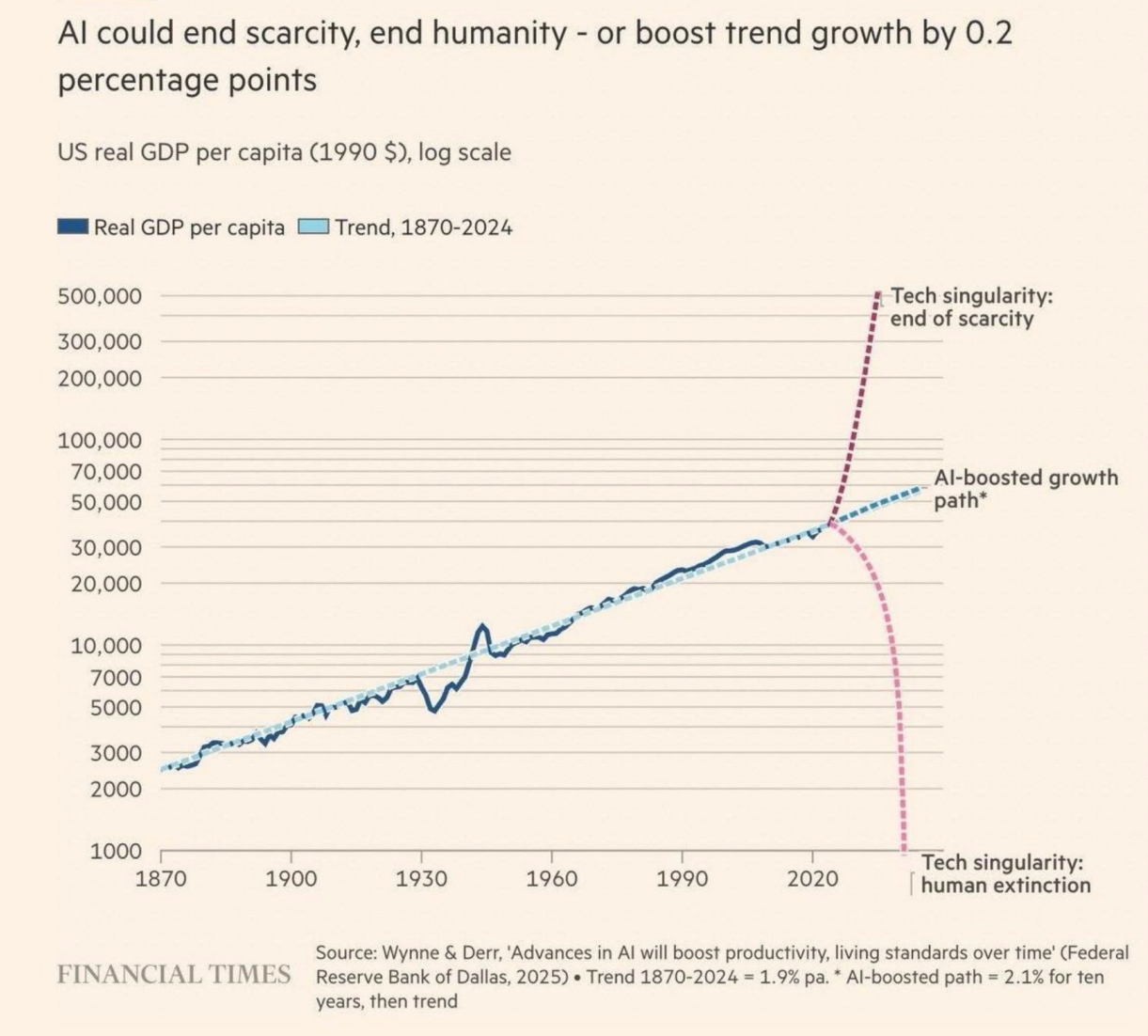
Single most important problem facing small businesses

% of firms, 3-month moving average



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Supplemental Charts



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Supplemental Charts



Ben Carlson @awealthofcs · 3h

Some tech predictions this decade:

Crypto is going to take over the dollar

Everyone is going to live in the metaverse

NFTs are going to replace art

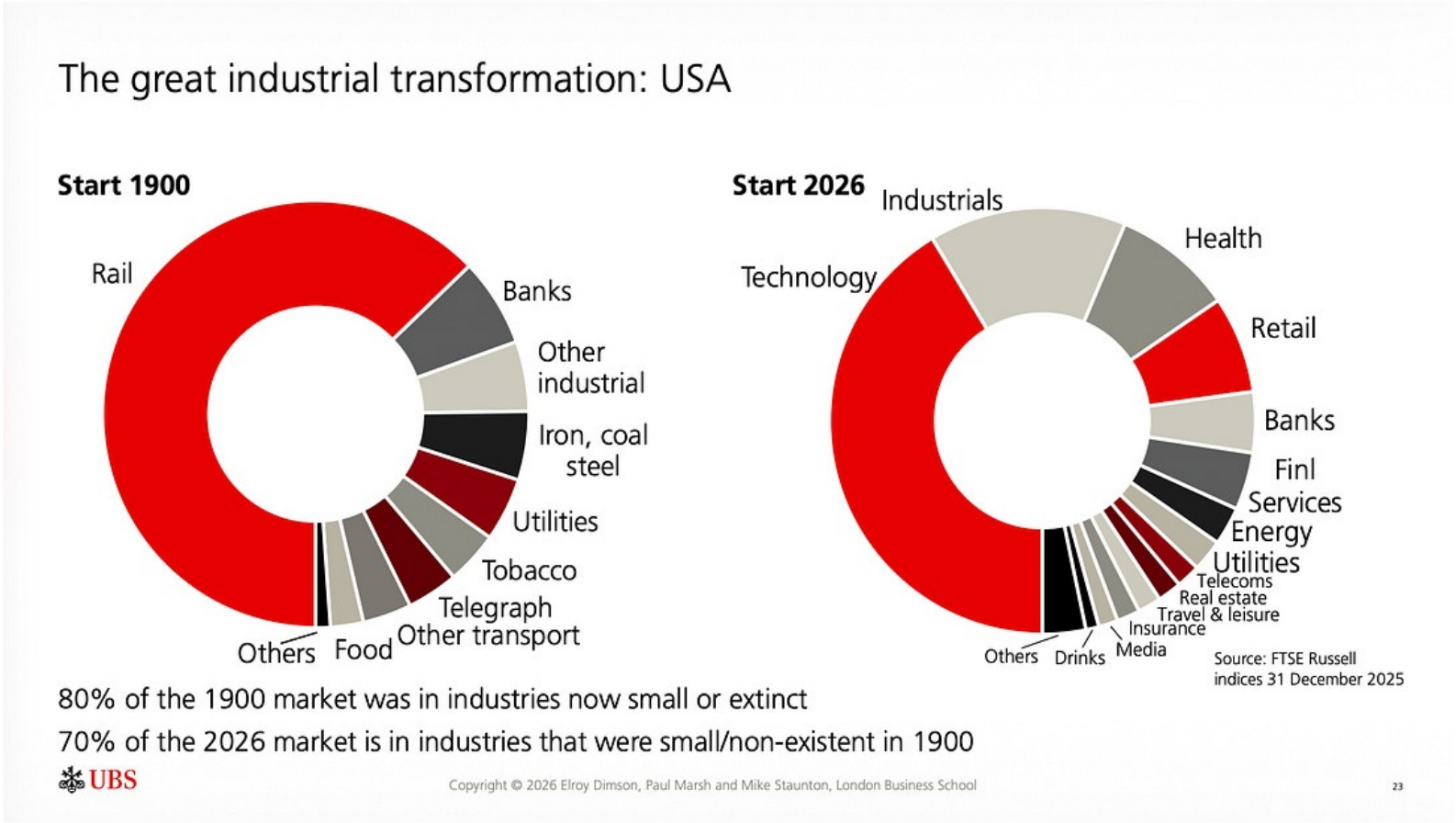
DOGE is going to save the govt trillions

I think it's perfectly fair (for now) to be skeptical about tech's AI forecasts

46 58 767 33K

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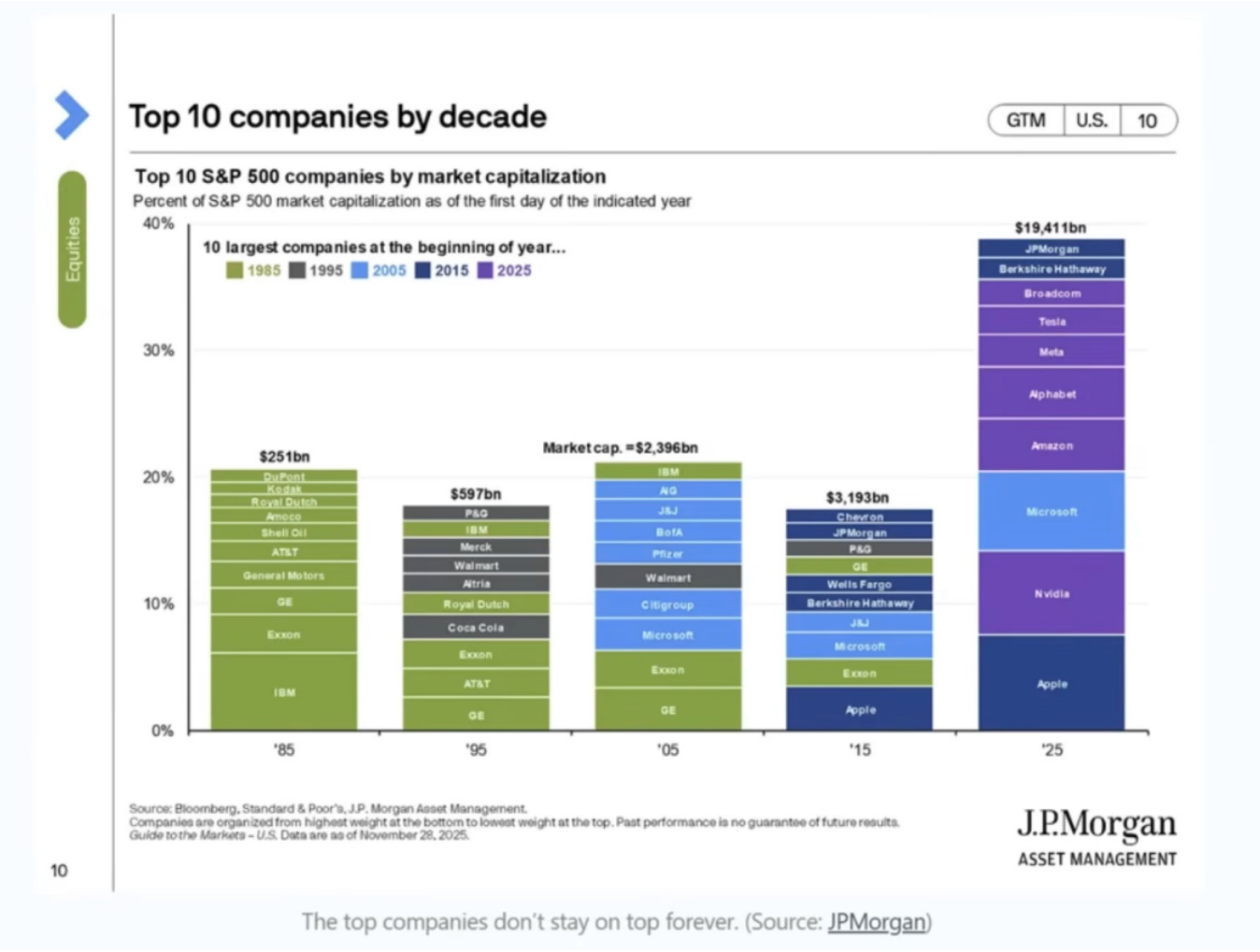
Supplemental Charts



Rail once dominated the stock market. (Source: UBS)

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Supplemental Charts



The top companies don't stay on top forever. (Source: JPMorgan)

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Supplemental Charts

"Of the U.S. firms listed in 1900, some 80% of their value was in industries that are small or extinct today, including railroads, textiles, iron, coal, and steel," the authors wrote. "Meanwhile, 70% of today's companies in the U.S. come from industries that were small or non-existent in 1900. Technology and healthcare were almost totally absent from stock markets in 1900."

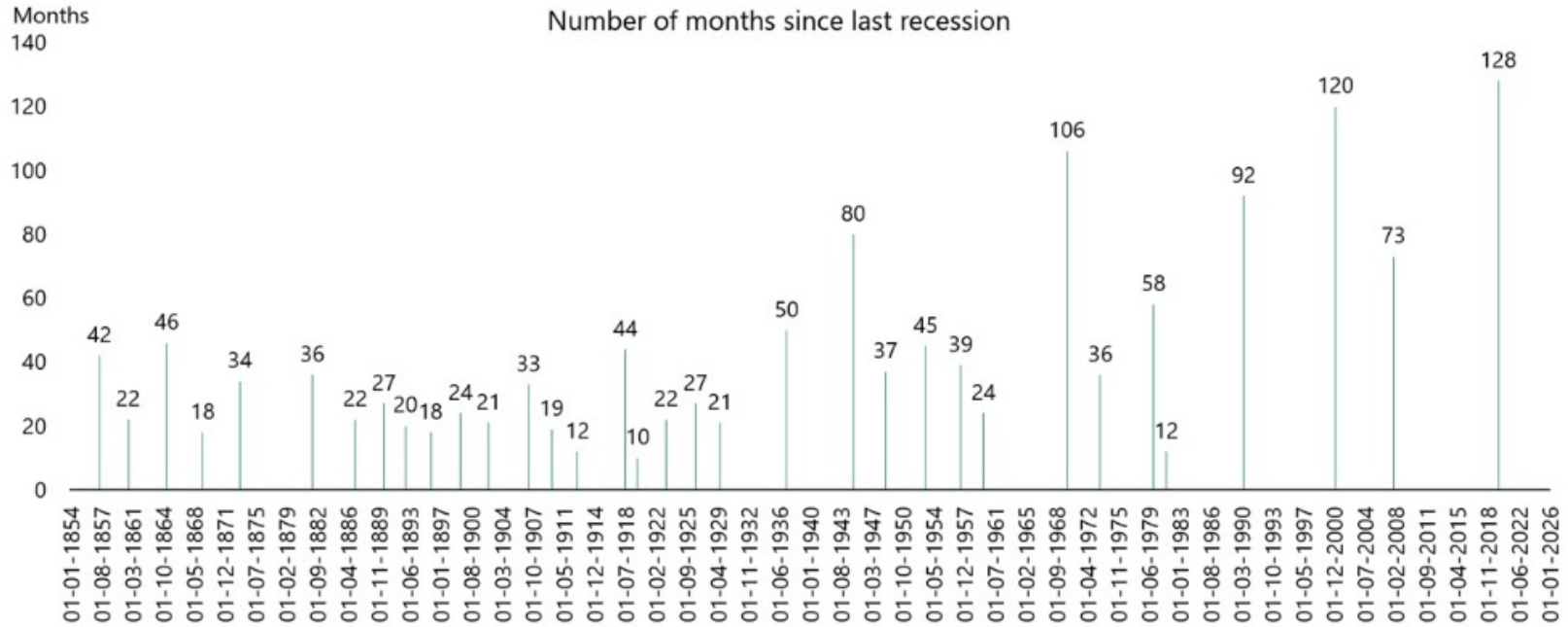
That's the markets and the economy for you. Industries rise and fall. Jobs come and go. And yet the markets and the economy always manage to come out on top.

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Supplemental Charts

APOLLO

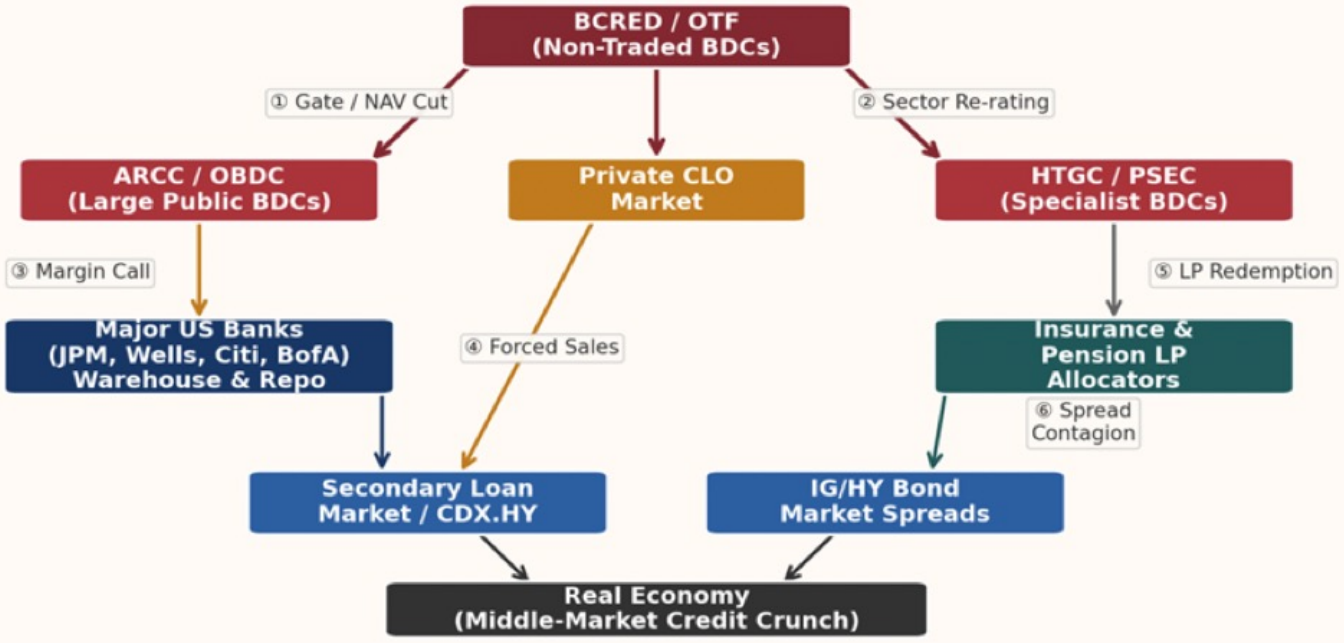
Recessions are occurring less frequently



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Supplemental Charts

Figure 8 — Private Credit Contagion Network: Fund Stress Transmission Map
(Numbered arrows show stress propagation sequence)



Illustrative contagion pathways. Red nodes = private credit vehicles; Blue/Teal = bank/institutional channels; Gray = real economy.

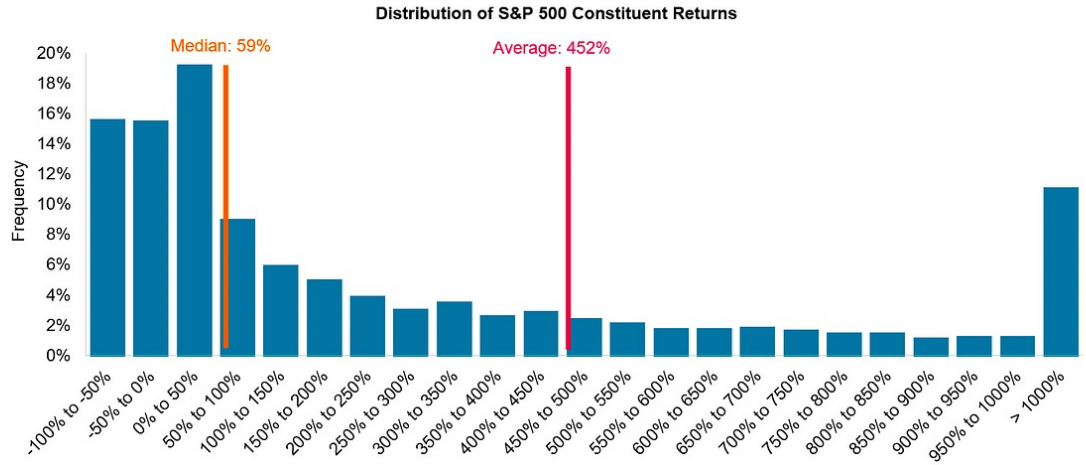
Figure 8 — Private Credit Contagion Network Map. Numbered arrows show the stress propagation sequence. A gate or major NAV cut at a non-traded BDC (BCRED/OTF) triggers the cascade through public BDCs, bank counterparties, and ultimately the secondary loan market and real economy.

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Supplemental Charts

Picking stocks in an attempt to beat market averages is an incredibly challenging and sometimes money-losing effort. Most professional stock pickers aren't able to do this consistently. One of the reasons for this is that most stocks don't deliver above-average returns. According to S&P Dow Jones Indices, only 19% of the stocks in the S&P 500 outperformed the average stock's return from 2001 to 2025. Over this period, the average return on an S&P 500 stock was 452%, while the median stock rose by just 59%.

Exhibit 2: S&P 500 Stock Returns Are Positively Skewed

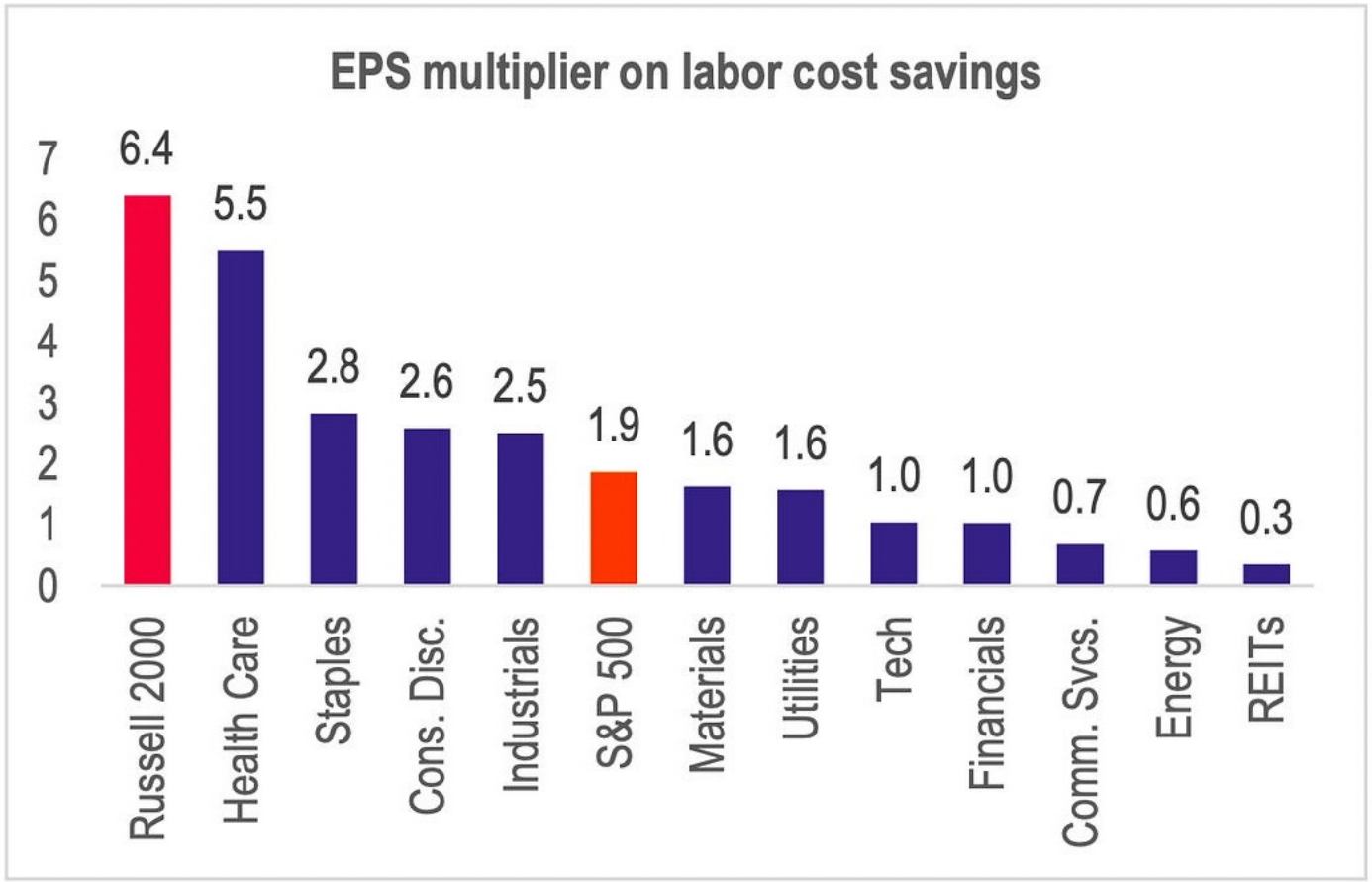


Source: S&P Dow Jones Indices LLC, FactSet. Data as of June 30, 2025. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

(Source: SPDJI via TKer)

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Supplemental Charts



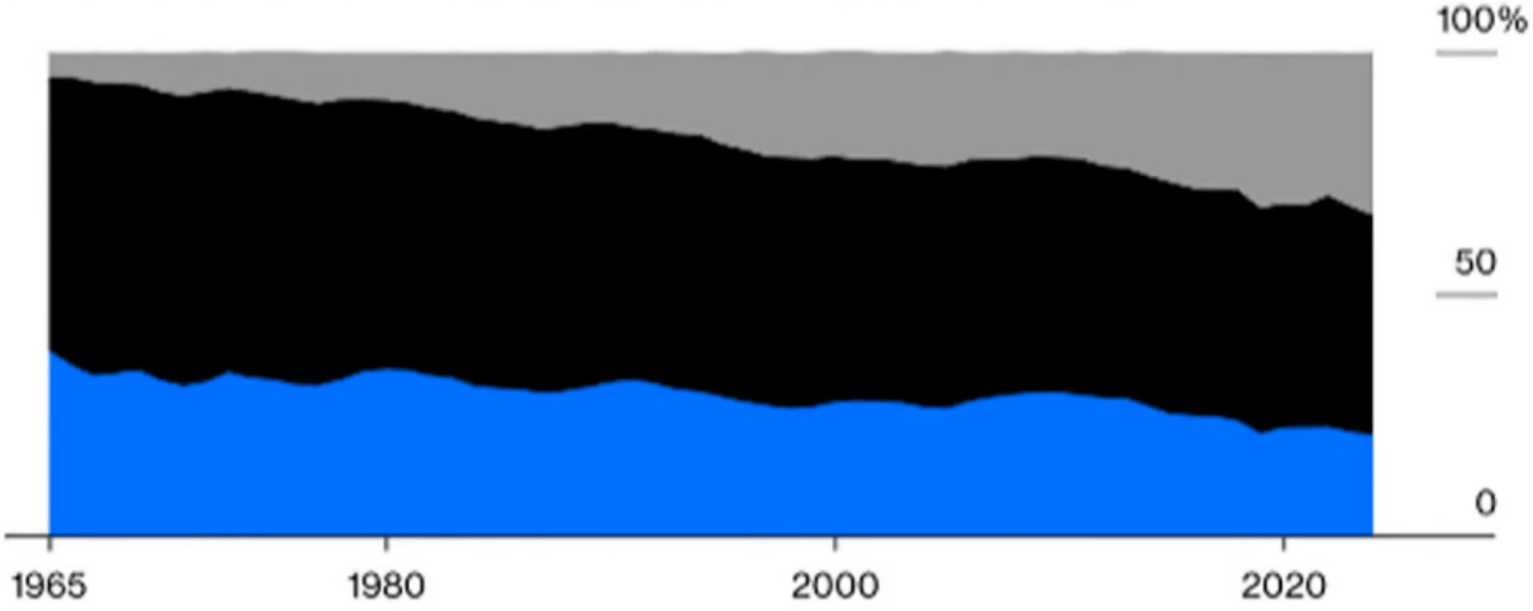
Source: Wells Fargo Securities, LLC, FactSet

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Supplemental Charts

Growing Wealth — and Inequality

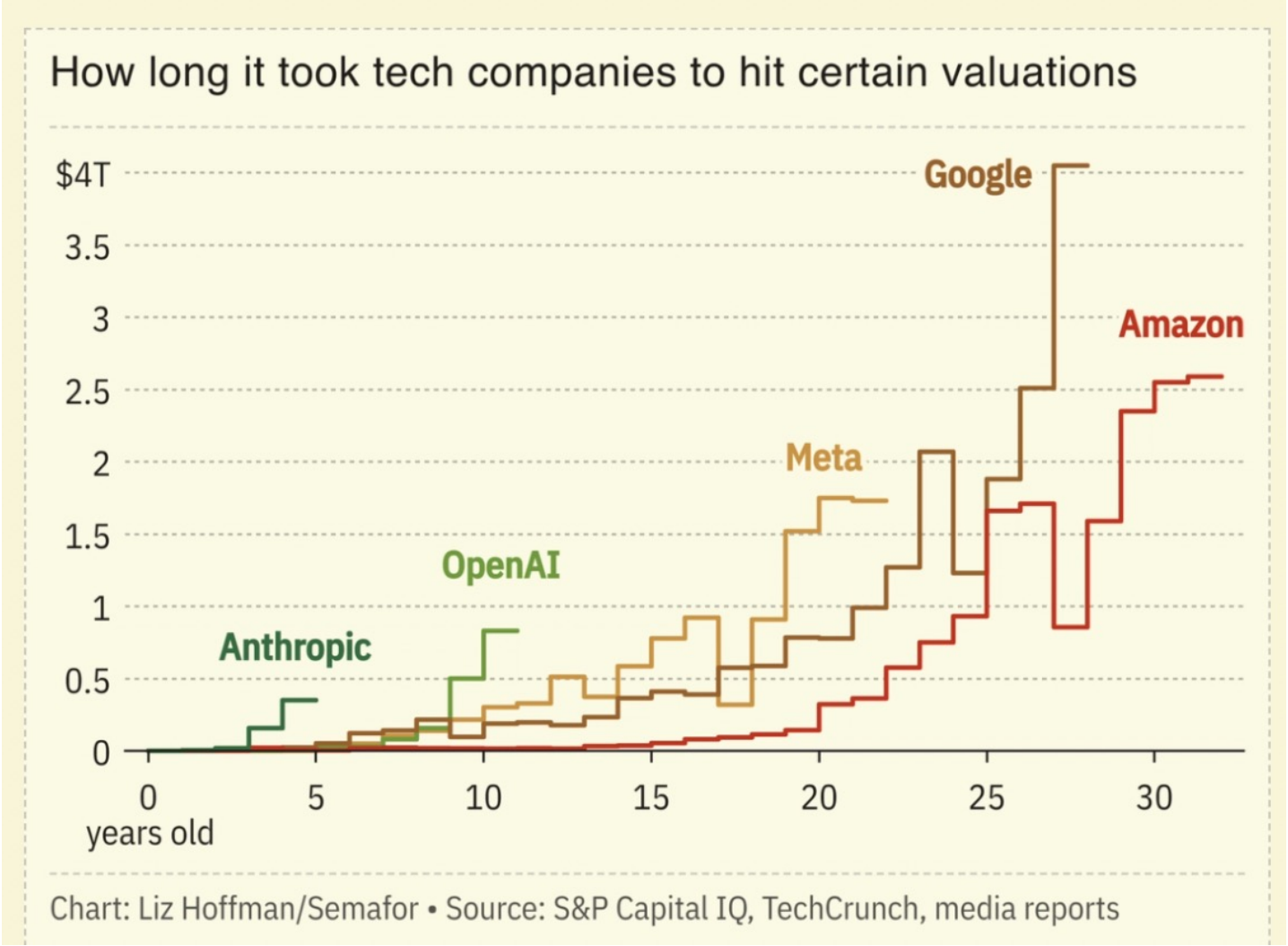
The percentage of US households with a total income greater than $150,000 has increased as the middle class has been shrinking



Source: US Census Bureau
Note: In 2024 dollars.

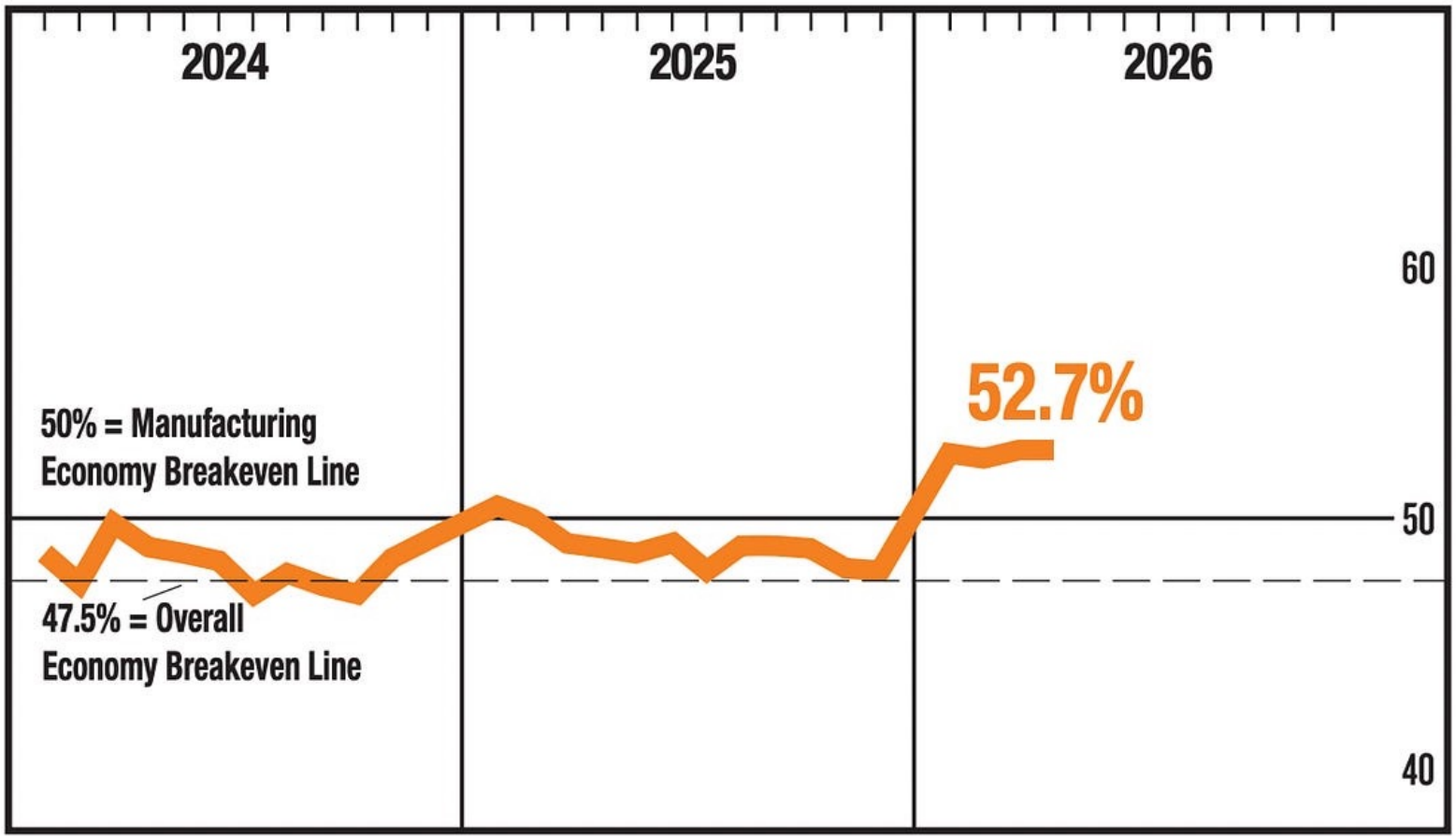
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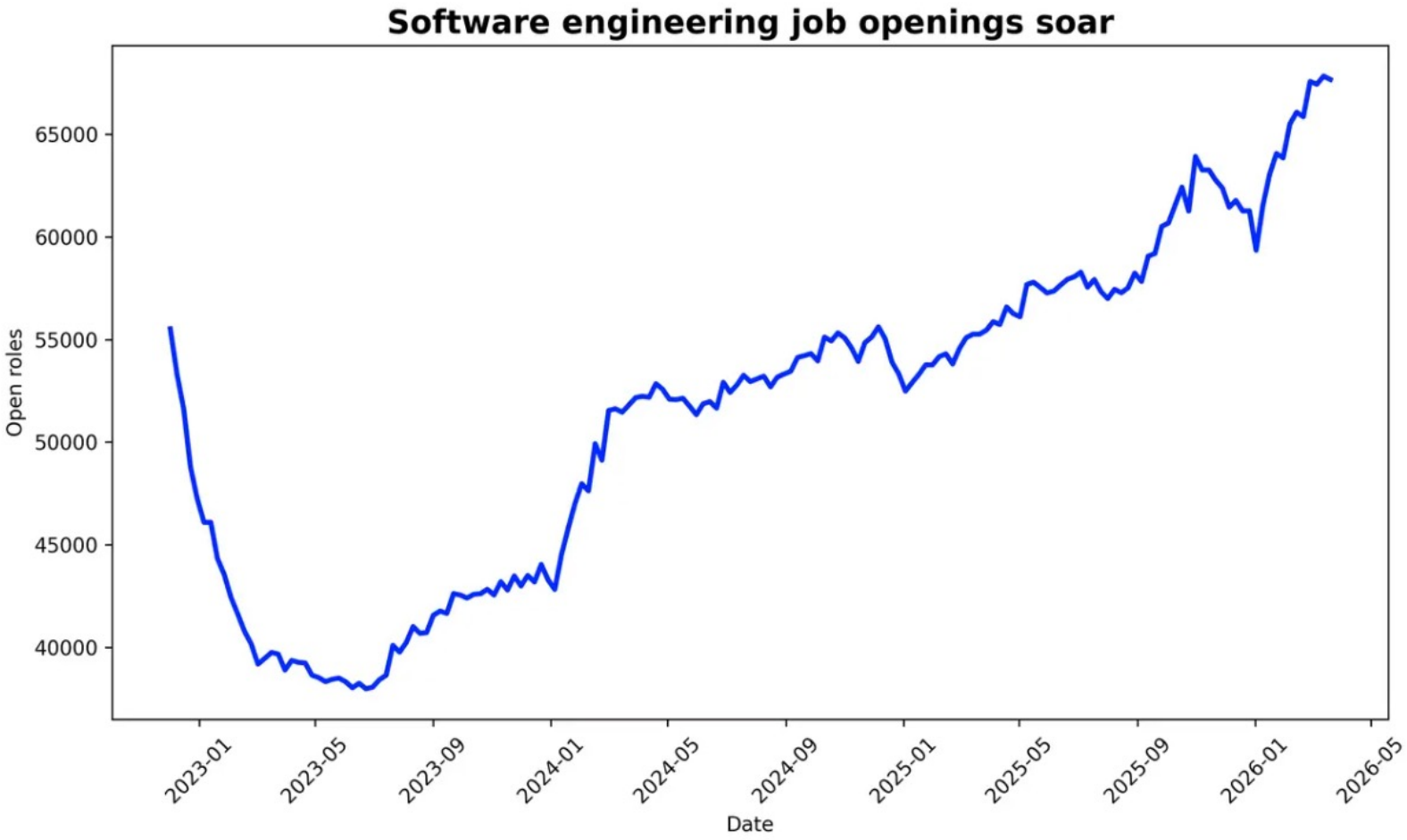
Supplemental Charts



(Source: ISM)

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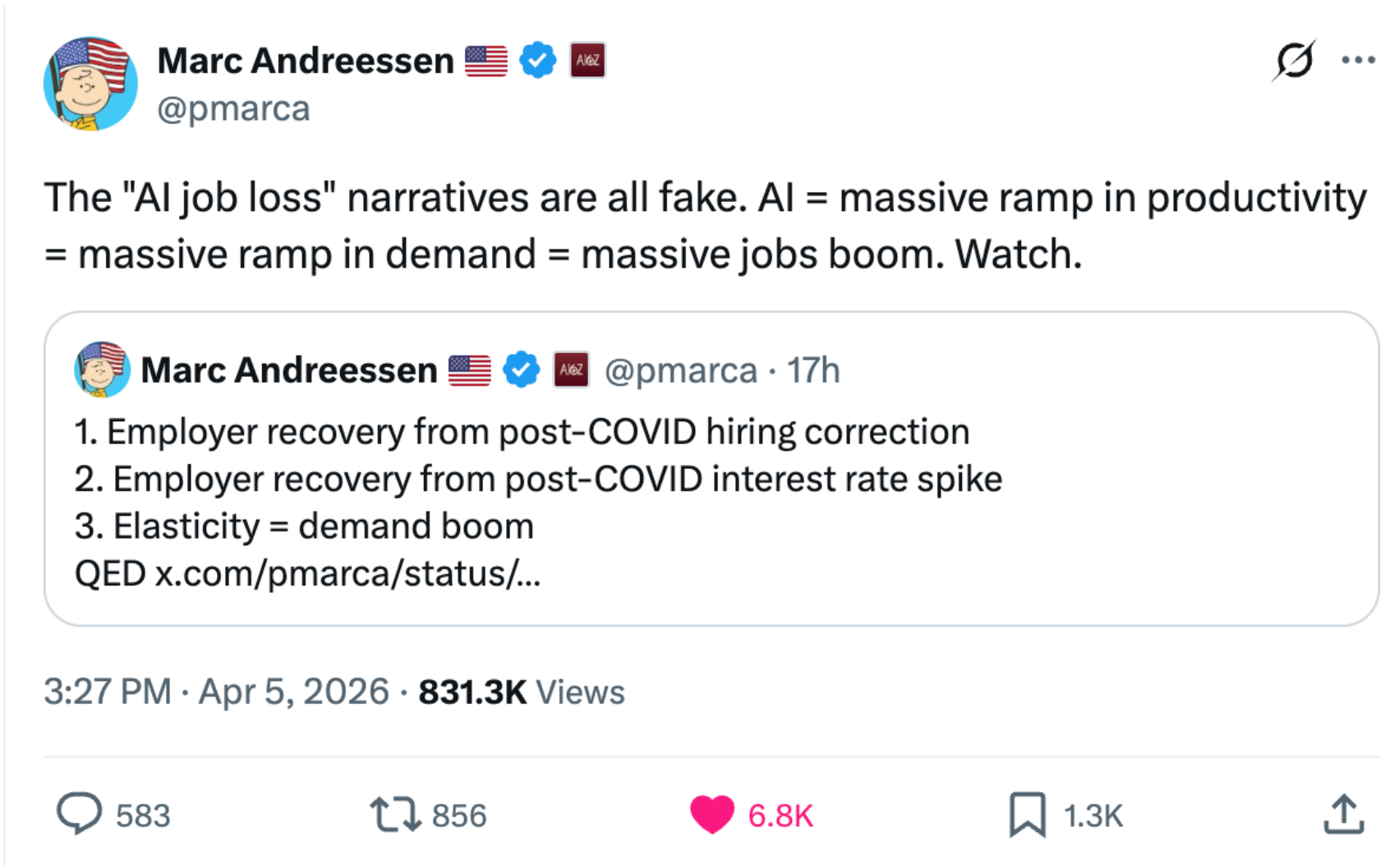
Supplemental Charts



Open software engineering roles at tech companies TrueUp

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Supplemental Charts

Pedro Serôdio @pdmsero · Apr 22

Is AI killing jobs?

New data shows that, more than three years after the release of ChatGPT, there is no evidence for a significant impact of AI on overall employment in the UK.

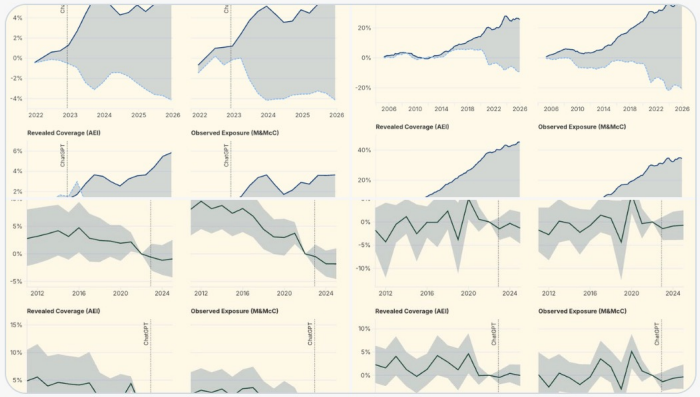
In our new report, we break down the labour force into different occupations and use four measures of AI exposure to determine how likely they are to be affected by the technology.

Surprisingly, occupations with higher exposure to AI have grown faster than least-exposed ones, not slower. This holds across all four measures, and across two different data sources.

The wage picture is different. Pay in AI-exposed occupations has lagged the rest of the labour market since 2019.

But that gap opened three years before ChatGPT, which makes AI an unlikely candidate for the observed wage compression.

This flattening of the wage structure is visible across the within-occupation distribution and strongest at the top quartile, which is consistent with labour market dynamics that predate generative AI.



59 348 1.2K 427K

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While the top 10 holdings of the S&P 500 account for about 37% of the index, most other economies see top-10 concentrations between 50% and 70%.

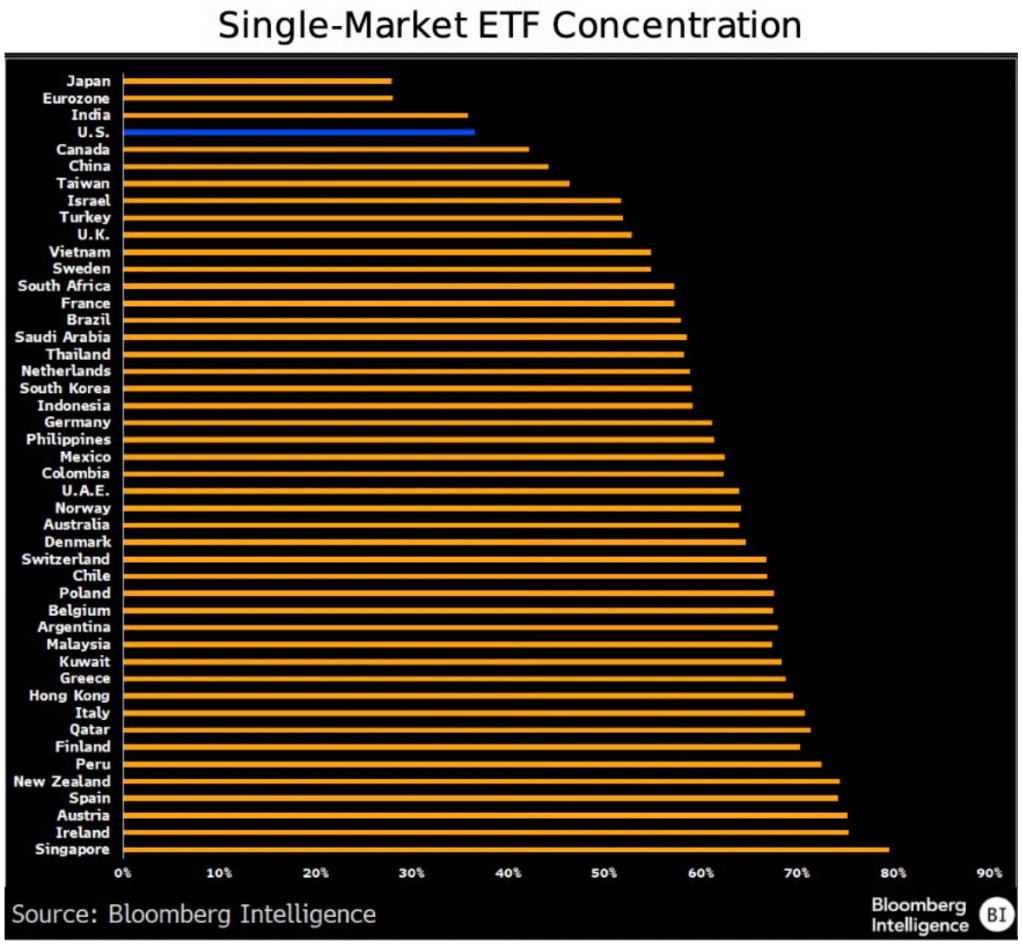


Chart courtesy of Bloomberg Intelligence