

MARKET COMMENTARY

Equities in developed economies generated strong results, led by continued economic improvement in the Eurozone and gains in technology and consumer stocks in the U.S. The largest headwind in the U.S. remains energy, which suffered as oil traded below \$50/bbl to a four month low, creating fresh losses in energy-related investments and negatively impacting Q2 corporate earnings. Bonds generated their first positive return in three months, despite the Fed further communicating the likelihood of an interest rate hike later this year. A sell-off in Chinese equities and further weakness in the global commodity complex resulted in large losses in emerging markets.

MARKET NEWS

- Greece reached an agreement with its creditors to extend its debt obligations and made €6.8 billion payment; its banking system was reopened, though withdrawal limits remain in place for depositors
- After trading near \$60/bbl for two months, crude prices turned sharply lower during July, closing at \$47/bbl, as concerns over Iranian supply coming online in 2016 and a further decline in energy company capex weighed on the market
- S&P 500 earnings were dragged lower by energy weakness in Q2 and are on pace for a 9.5% loss relative to Q2 2014; earnings misses by energy companies outweighed profits in consumer, technology, and financial stocks (J.P. Morgan)

INDEX RETURNS & MARKET LEVELS^{1, 2}

	Description	Month	3 Months	YTD	1yr
Equities					
S&P 500	<i>U.S. large cap</i>	2.10%	1.41%	3.35%	11.21%
Russell 2000	<i>U.S. small cap</i>	-1.16%	1.85%	3.54%	12.03%
MSCI EAFE	<i>Non-U.S. developed</i>	2.08%	-1.32%	7.72%	-0.28%
MSCI EM	<i>Emerging markets</i>	-6.93%	-12.98%	-4.19%	-13.38%
Fixed Income					
Barclays U.S. Aggregate	<i>U.S. core inv. grade</i>	0.70%	-0.64%	0.59%	2.82%
Barclays Municipal	<i>U.S. municipal</i>	0.72%	0.35%	0.84%	3.56%
BofAML High Yield Master II	<i>U.S. sub inv. grade</i>	-0.62%	-1.84%	1.86%	0.16%
JPMorgan EMBI Global TR	<i>Emerging markets</i>	0.41%	-1.82%	2.18%	-1.28%
Alternatives					
HFRX Global Hedge Fund	<i>Hedge funds</i>	-0.03%	-1.01%	1.24%	-0.21%
Alerian MLP	<i>MLPs</i>	-3.25%	-14.43%	-13.89%	-19.56%
S&P U.S. REIT	<i>REITs</i>	5.61%	0.58%	-0.83%	9.79%
Bloomberg Commodity TR	<i>Commodities</i>	-10.62%	-11.53%	-12.01%	-28.23%
U.S. Economic Measures					
U.S. GDP ³		-0.2%	(Q1 2015, third est.)		
CPI-U ex Food & Energy ⁴	<i>"Core" inflation</i>	1.7%	(5/31/2015)		
Unemployment Rate		5.5%	(5/31/2015)		
Levels					
		7/31/2015	12/31/2014	7/31/2014	
Rates					
2yr U.S. Treasury		0.67%	0.67%	0.53%	
10yr U.S. Treasury		2.20%	2.17%	2.58%	
3mo LIBOR		0.31%	0.26%	0.24%	
Prime Rate		3.25%	3.25%	3.25%	
30yr Mortgage Fixed		4.17%	4.04%	4.33%	
Commodities					
Gold (\$/oz.)		1,098	1,206	1,285	
Copper (\$/MT)		5,220	6,359	7,136	
Oil-WTI (\$/barrel)		47.11	53.49	98.22	
Corn (\$/bushel)		3.66	3.80	3.49	
Currencies					
Euro (\$/€)		1.10	1.21	1.34	
Pound (\$/£)		1.56	1.56	1.69	
Jap. Yen (¥/\$)		123.90	119.90	102.83	

Notes: 1) Sources: Bloomberg, J.P. Morgan Asset Management, Morningstar, Hedge Fund Research, Bureau of Labor Statistics, Bureau of Economic Analysis. 2) Data as of the date of this report unless otherwise noted. 3) U.S. GDP measures the percentage change during the referenced quarter as published by BEA. 4) Consumer Price Index for All Urban Consumers: U.S. City Average, All Items Less Food and Energy is based on 12-month percent change as published by BLS.

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