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US Weekly Prospects

Economic and Policy Research

Michael Feroli
(1-212) 834-5523
michael.e.feroli@jpmorgan.com

Michael S Hanson
(1-212) 622-8603
michael.s.hanson@jpmchase.com

Abiel Reinhart
(1-617) 712 9122
abiel.reinhart@jpmchase.com

Bennett Parrish
(1-212) 622-9003
bennett.parrish@jpmchase.com
JPMorgan Chase Bank NA

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See page 15 for analyst certification and important disclosures.

Michael Feroli (1-212) 834-5523
michael.e.feroli@jpmorgan.com
JPMorgan Chase Bank NA
Abiel Reinhart (1-617) 712 9122
abiel.reinhart@jpmchase.com

United States

- **Downside risks diminished at the end of the week with Iran reportedly declaring the Strait of Hormuz open**
- **But oil inventories are getting low, raising the urgency of a durable settlement to the Middle East conflict**
- **Latest business surveys, labor data constructive**
- **Next week: Warsh hearings, solid retail sales, watching if PMI services can recover**

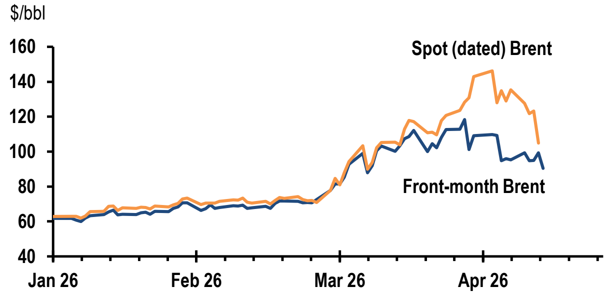
This week saw positive developments in the Middle East conflict that support our baseline view for continued US economic growth. On Friday, Iran's foreign minister reportedly said that, following the 10-day ceasefire between Israel and Lebanon, the Strait of Hormuz was "completely open" to commercial traffic. The front-month Brent contract, which is for June, promptly fell over $10 and is now back around $90 per barrel. Retail gasoline prices had already started to fall marginally.

President Trump noted that a blockade of Iranian ports would continue until a permanent peace deal could be reached, and suggested that further talks could happen this weekend. The temporary ceasefire between the US, Israel, and Iran is set to expire by the middle of next week, but that could get extended. Assuming the Strait can be re-opened, the question becomes how quickly oil could start flowing again. The last of the pre-war Persian Gulf cargoes have already reached their destinations and inventories are becoming low, with demand destruction in progress.

Earlier this month, our colleagues in Commodity Strategy outlined what would happen were the Strait to re-open, noting that financial prices would normalize far faster than physical flows. They estimated that about half of petroleum production could resume within the first three weeks, with most production back online within three to four months. Tanker traffic could remain low for a couple of weeks, then rapidly grow, exceeding 80% of prior levels within a month. Loaded cargoes can reach Asia in two weeks, and, assuming the Bab el-Mandeb is open, reach Europe in three weeks and the US East Coast/Gulf in just over four weeks.

Of course, there is no permanent peace deal yet in hand, so it's still worth noting the downside case. With Iranian oil now blockaded and other traffic still not recovered as of yesterday, the world economy is likely missing 15-16mbpd of supply. In a note earlier this week, our commodity strategists suggested that, even with meaningfully slower throughput by refiners, OECD commercial crude inventories could run down to operational minimums by early May. If that were to happen, petroleum prices would spike globally and more demand destruction would need to occur. Consequently, without a quick resolution, the outlook could turn decidedly more negative, although the US should be in a better position from a supply standpoint than Asia or Europe. One positive observation here is that spot prices for Brent, which had surged well above front-month futures prices, had already started to converge back to futures prices as of Thursday (Figure 1).

Figure 1: Spot Brent oil price vs. front-month Brent contract



Source: Bloomberg Finance L.P., J.P. Morgan

Fed chairs: presumptive and pro tem

Turning from international to domestic political developments, the nomination hearing for Fed chair nominee Warsh has been set for next Tuesday. We expect support on the Senate Banking Committee to be split along party lines, but Republican Senator Tillis has pledged to block confirmation until the Department of Justice drops its investigation of Chair Powell. President Trump pushed back this week, saying the investigation should continue. If this impasse is not resolved by May 15, when Powell's chairmanship ends, we will enter an unprecedented period of uncertainty around Fed leadership. Powell has already indicated he would stay on as chair pro tempore, citing past precedent—although those prior instances did not face opposition from the president. This week Trump promised to fire Powell if he were to attempt to stay on as a governor after his term as chair ends.

Even though a committee vote is not likely to happen this week, Warsh's hearing will be of interest to market participants. His strong advocacy for rate cuts is likely to run into questions about how he views the appropriate policy stance—especially as other more dovish Fed governors, including both Waller and Miran, this week indicated somewhat less support for easing given recent inflation data. Warsh also is likely to be quizzed on how he intends to maintain Fed independence. For his part, Warsh is likely to argue against "institutional bloat" and for a smaller balance sheet.

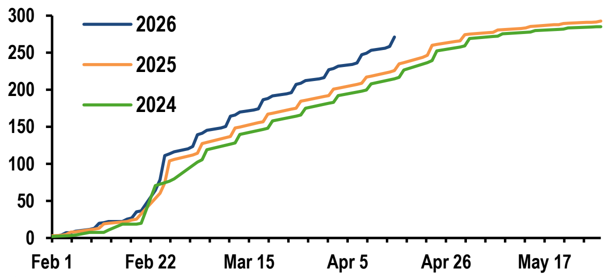
Beyond politics, next week's key data developments will be March retail sales and the April flash PMIs. Although gas prices spiked in March, our Chase card data has shown retail sales continuing to perform well, which could in part reflect the disbursement of tax refunds, which by mid-April were $36bn higher than the same time last year (Figure 2). On the

Michael Feroli (1-212) 834-5523
michael.e.feroli@jpmorgan.com
JPMorgan Chase Bank NA
Abiel Reinhart (1-617) 712 9122
abiel.reinhart@jpmchase.com

PMIs, the key thing to watch will be if PMI services can recover, after steadily falling since last July and dipping below 50 in March.

Figure 2: Cumulative individual income tax refunds

$bn



Source: Treasury Department, J.P. Morgan

Business sentiment steady amidst war

Beyond the risks from higher energy prices, one of the key near-term risks from the Middle East conflict is how that would translate into business confidence and hiring. Last month's business surveys didn't point to any significant change in confidence, which is positive. This week brought a few new data points, which were more mixed, though nothing that we would consider a game-changer.

On the business side, the Fed's Beige Book, which gathered responses through April 6, noted that "The conflict in the Middle East was cited as a major source of uncertainty that complicated decision-making around hiring, pricing, and capital investment, with many firms adopting a wait-and-see posture." On the other hand, the summary of labor markets said employment was "steady to up slightly" in almost all districts, reasonably close to other recent Beige Books. Moreover, high-frequency hard data on employment has been positive. Initial jobless claims were just 207k as of mid-month, continuing claims remain near two-year lows, and ADP's four-week average private payroll growth was accelerating through the end of March (Figure 3).

Figure 3: Four-week change in ADP private payrolls

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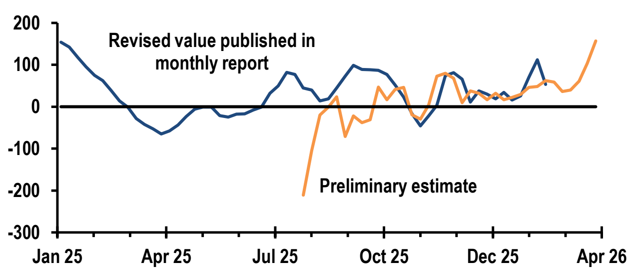


Source: ADP, J.P. Morgan

The early April regional Fed surveys were also broadly constructive. Current activity measures in the Empire and Philadelphia Fed manufacturing surveys both improved, which suggests that IP will grow again after what may have been a temporary setback in March. Forward business confidence did weaken somewhat in the Empire and FRBNY services surveys, but held steady in the Philadelphia survey.

Price pressures remain a concern

The core PPI, like the core CPI the week before, surprised modestly to the downside, but the overall pattern of price developments still points to underlying inflation trends remaining firm. Naturally the spike in energy prices is making it harder to extract the signal on non-energy prices from the business surveys, but the Beige Book remarked that "Input cost pressures beyond energy-related increases were also widespread." Nonfuel import prices continue to rise at a brisk pace, and our estimate of core PCE inflation for March is 0.32%m/m, which could lift the over-year-ago rate from 3.0% to 3.2%, the highest since the start of 2024.

Oil shock adds to housing market woes

Before the outbreak of conflict in the Middle East, improving affordability metrics had provided a hopeful signal that lackluster housing activity would pick up into the spring buying season. In the event, mortgage rose 40bp from the first week of March to the first week of April. Additionally, consumer confidence slid against the backdrop of heightened uncertainties. Incoming activity data for March reflect this more challenging environment. Existing home sales fell 3.6% last month to a nine-month low, and the NAR's Housing Affordability Index posted its first decline since June 2025.

On the supply side, builder confidence in the NAHB's monthly housing market index dropped four points to a seven-month low in April, while expected sales over the next six months tumbled seven points to its lowest reading since last June. The press release noted the feed-through of higher fuel prices into building material costs. A potential reopening of the Strait of Hormuz would provide some relief, but the normalization of input costs and reversal of recent demand destruction may take time.

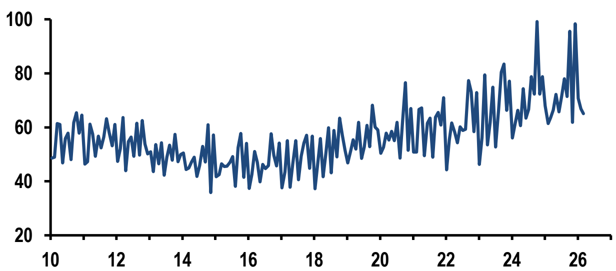
Abiel Reinhart (1-617) 712 9122
abiel.reinhart@jpmchase.com
JPMorgan Chase Bank NA
Michael Feroli (1-212) 834-5523
michael.e.feroli@jpmorgan.com

US Focus: NIPAs go to war

Most US economic commentary on the Middle East conflict has focused on the impact of higher energy prices. In this piece, we focus on how the associated military outlays can affect economic data. The monthly Treasury statement for March, the first full month of the conflict, showed little evidence of clearly higher spending (Figure 1). The data are noisy and contain a lot of seasonality, but even after employing standard adjustment methods, there is still no impression of a noticeable impact of the conflict.

Figure 1: Monthly defense spending

$bn



Source: US Treasury

This contrasts with reports that the conflict could be costing the US$1-2 billion per day. If that were true, and that spending were to flow through to GDP, the impact on annualized GDP growth could be significant. But there are several reasons why one should map these cost estimates onto GDP.

The first reason is that the cost estimates that have been reported primarily reflect the consumption of goods that are in inventory, not new production. For instance, the DoD reportedly told Congress that the first six days of the war cost $11bn. While the government hasn't released a breakdown of that figure, the CSIS estimates that it can be entirely accounted for by the use of munitions, such as missile interceptors or bombs. Moreover, conflict intensity has waned, so the speed at which munitions are coming out of inventory has slowed. While depleting these inventories creates future demand, that won't show up in GDP until the government takes delivery of replacements. This idea also applies to costs associated with the loss of aircraft or other equipment.

The second point is that while the White House has proposed large increases in defense outlays, those are just proposals. Members of Congress have had little to say on the White House's proposed $500-600bn increase in the defense budget for FY27, of which $350bn would come via another reconciliation bill. While a reconciliation bill can be passed with a simple majority, deficit concerns are already high in Congress, so the final defense budget could be well below the proposed increase. As for the FY26 budget, enacted appropriations for selected DoD missile defense and munitions programs only totaled $35bn.

Finally, some forms of higher outlays don't show up as higher real spending. Higher troop pay for combat or extended deployments is recognized as a labor price increase, not as an increase in real output, although it could later spur higher consumer spending.

It's also helpful to consider historical examples of how conflicts have affected US GDP via defense expenditures. We break those expenditures into three buckets: (1) investment, purchases of durable intermediates, and depreciation, to capture spending on physical weapons systems along with R&D; (2) compensation of military and civilian employees, and (3) purchases of intermediate nondurable goods and services, of which the most important category is personnel support.

These different categories tend to move in concert, with non-compensation expenses driving most of the variation (Figure 2). During the 1990s, the end of the Cold War caused defense spending to be a drag on GDP, but the wars in Afghanistan and Iraq caused defense to contribute up to 0.4% to GDP on an annual basis.

Figure 2: Defense contributions to real GDP growth

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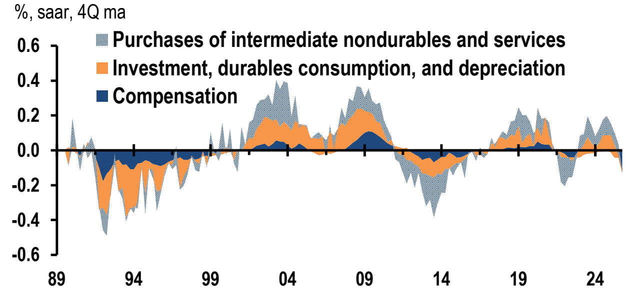


Source: BEA, J.P. Morgan

The deployment of American military resources was considerably larger in those wars than the current Middle East conflict. Moreover, as noted above, the intensity of the current conflict has at least temporarily diminished. While the March MTS does not show much in military spending, those past conflicts do show that the defense contribution can grow quickly once a conflict gets going. There was a sizable jump in defense spending as early as 1Q02, and on a four-quarter basis spending didn't fall again until 2004.

Finally, while the current conflict may not map immediately onto higher government defense GDP, note the defense industry had been reporting strong sales before the conflict began. Shipments of defense capital goods, deflated by the government defense PPI, rose 21% in the year to February, which would add 0.1% to GDP.

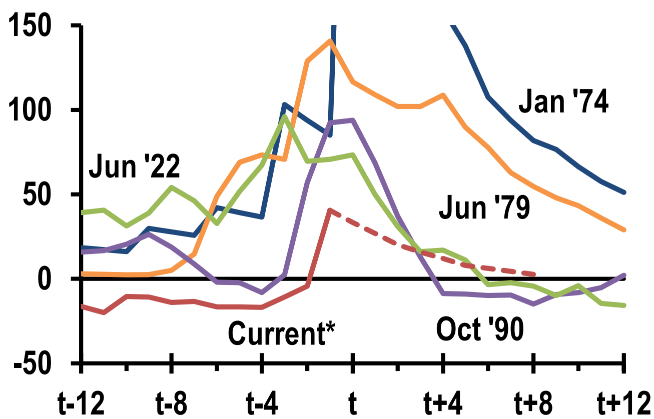
Global Data Watch: Is it safe?

- **Confidence builds for the baseline scenario, which envisions …**
- **… resilience, a jobs rebound, and divergent core inflation**
- **ECB and BoJ looking more cautious; China 1Q booms**
- **Next week: Solid US ret sales; Warsh hearing; DM PMIs up**

Reports of the opening of the Strait of Hormuz and progress on a broader US-Iran agreement are constructive signals that should alleviate the building pressure on global energy supply. Although the conflict remains unresolved and disruptive tail risks linger, they are receding in a manner that shifts our focus to a baseline scenario which has incorporated a Strait opening sometime in the coming weeks. The central building blocks of this baseline are:

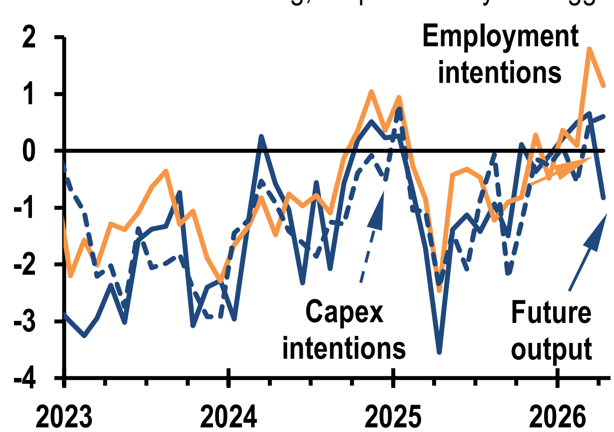
- **A modest energy drag with a lingering tail.** The closure of the Strait of Hormuz produced one of the sharpest contractions in energy supply on record, but the initial rise in energy prices was smaller than in 2022 and other geopolitical energy sector shocks (Figure 1). A smaller price spike will likely produce a more modest "stagflationary" tilt depressing growth and lifting inflation. At the same time, the March/April contraction in supply and damage to energy sector production should keep prices elevated. We look for a more modest shock to be followed by a far smaller unwind of price increases than in previous episodes, with Brent crude prices anticipated to remain at $80bbl in 4Q26.
- **Growth downshifts to a trend pace …** A near-term growth drag remains in the offing from a March/April squeeze on household purchasing power and a softening in business sentiment. However, all indications suggest this drag is slowing an economy that carried strong momentum into the new year. Rapid exports allowed China to post an estimated 6.7%ar rise in 1Q26 GDP growth this week, an outcome that aligns with our tracking of a robust 7%ar rise in global capex gains and 3% increase in global factory output last quarter. In the US, a divergent mix of softening consumption, accelerating business spending and a rebound from a government shutdown looks set to deliver a solid 2.5%ar GDP gain.
- **… without disrupting recoupling.** The energy sector drag is not expected to produce a lasting behavioral turn, short-circuiting the normalization in non-tech spending and job gains this year. In this regard, this week's early April Fed

Figure 1: Oil price around geopolitical shocks
% deviation prior 2y avg; t = peak in %6m Brent oil



Source: World Bank, JPM. *Assumes %6m peak in Apr '26.

Figure 2: US manufacturing sentiment
Std dev from 2010-19 avg; Empire & Philly Fed agg.



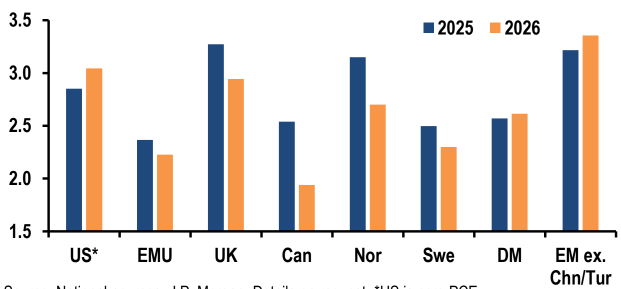
Source: FRB, J.P. Morgan

Michael Feroli (1-212) 834-5523
michael.e.feroli@jpmorgan.com
JPMorgan Chase Bank NA
Michael S Hanson (1-212) 622-8603
michael.s.hanson@jpmchase.com
Abiel Reinhart (1-617) 712 9122
abiel.reinhart@jpmchase.com
Bennett Parrish (1-212) 622-9003
bennett.parrish@jpmchase.com

regional surveys send a constructive message as a dip in output expectations below its norm contrasted with a more upbeat signal from hiring and capex intentions (Figure 2). Next week's April flash PMIs are expected to deliver a further decline in output expectations, but we expect sentiment readings to rebound by midyear if there is more tangible evidence that the conflict is receding.

- **A synchronized rise in headline inflation** … Global inflation has remained close to an elevated 3%ar for the past three years and higher energy and other product prices look set to push CPI increases broadly higher this quarter. While future prices are currently below our forecast for a $100bbl 2Q26 average, CPI inflation is still set to move to at least a 4%ar across the globe this quarter.
- **… with a DM core divide.** While headline inflation moves broadly higher, we expect differentiation in core inflation outcomes (Figure 3). As US core PCE inflation firms above 3% this year, Canada and Continental Europe are expected to see inflation approach their 2% target. EM performance is expected to vary, with an overall projection of a sticky moderately elevated outcome.

Figure 3: Core inflation
%4Q/4Q; 2026 is JPM forecast



Source: National sources, J.P. Morgan. Details on request. *US is core PCE.

While the assessment of risk should become more responsive to incoming economic data, geopolitics and the broader healing of the energy sector remain important factors. Even with a quick re-opening, it will take weeks for the first ships to reach ports around the world—creating a potential air pocket of continued supply loss. Repairs to damaged infrastructure will take longer. The latest news of Asian and global airline industry shutdowns points to supply constraints remaining an issue for some time to come. But the biggest influence on our perception of growth risk is financial conditions. The absence of a material tightening in global financial conditions during a major energy supply shock is unprecedented. If the latest rally in risk assets is reinforced by further constructive geopolitical news, the risk profile for 2H26 growth will skew squarely in the direction of strength.

Watching Warsh waltz

We link supportive financial conditions to the Fed's signal of its willingness to maintain a patient policy hold through the initial phase of the crisis – a development which supports a similar stance from most EM central banks. But the realization of our baseline forecast will challenge the Fed as it moves through 2H26. With core PCE inflation holding close to 3% this year, we anticipate a rebound in US employment growth, which will combine with weak labor force gains to lower the US unemployment rate.

Next week's confirmation hearing for Kevin Warsh will likely give him a platform to reiterate his views that rates should be cut, in part, as he argues for a reduction in the Fed balance sheet. No vote is likely to be taken, and Warsh will probably not be confirmed when Chair Powell's term expires next month. We see no material policy change under a new chair who has only one vote and will need to mend fences and build credibility within the committee. It will be interesting to see how the tension between his need to move down this path and the administration's desire for a Fed chair to advocate for rate cuts is managed in his remarks.

ECB and BoJ look more cautious

Although Fed caution is the linchpin for supportive global financial markets, the signals of greater caution from the ECB and BoJ have promoted this week's rise in risk appetite. We have removed our forecast for an April ECB hike this week, based on commentary showing little urgency to act. With headline inflation likely to rise to 3% this year rate hikes are still a reasonable prospect. But the prospect of a modest growth drag and continued low core inflation skews the risks towards less action than our forecast for two hikes.

With Middle East risks fading, the BoJ should shift its focus to strong domestic activity in the lead up to its April 28 meeting. Although signs of weakness are seen in chemical and oil-related industries, manufacturers' sentiment in the services sector remains historically high and capex orders are surging. On balance, our nowcaster is tracking a 2.2%ar rise in GDP last quarter. Market pricing for a hike has plunged over the past week, and Governor Ueda refrained from signaling that a rate hike is still on the table — departing from prior hawkish guidance (Figure 4). The BoJ will not want to shock markets, and a signal will be needed next week to align with our view of an April hike.

Michael Feroli (1-212) 834-5523
michael.e.feroli@jpmorgan.com
JPMorgan Chase Bank NA
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michael.s.hanson@jpmchase.com
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abiel.reinhart@jpmchase.com
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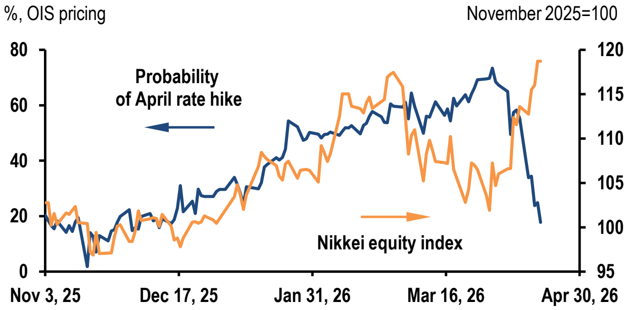
Figure 4: BoJ April meeting rate hike pricing and Nikkei-225



Source: Bloomberg Finance L.P., J.P. Morgan

China booms in 1Q, but headwinds ahead

China continues to be buffeted by booming global goods demand and weak domestic demand. On balance, China's GDP jumped a strong 6.7%ar last quarter (5%oya) as soaring exports and government investment in strategically important industries more than offset ongoing weakness in consumer demand and real estate. Industrial production leapt 10%ar last quarter, powered by a 70%ar skyrocketing in exports. The strength in activity was front-loaded and, while IP posted a solid 0.6% gain in March, exports slumped last month and retail sales edged lower. Deflation has ended but GDP prices remain flat. The recovery is still leaning on policy-tilted, production-led, export-reliant growth, which we expect to fade and slow growth to below a 4%ar over the coming quarters.

EMAX treading lightly through shock

Our view of regional central banks being less hawkish than market pricing remains intact. The MAS this week tightened its FX policy slightly (i.e., a 50bp increase in its policy slope) and sounded dovish on the economic outlook. This is consistent with our view of an incremental approach rather than a more aggressive stance (i.e., a wider band, a re-centering, or a 100bp slope increase). Despite ongoing tech tailwinds, regional data suggest growth is softening, underpinning the more cautious approach by the MAS, and the similarly dovish tone in India and Korea last week. For Singapore, 1Q26 GDP growth undershot expectations, slowing sharply to -1.3%q/q, saar from 5.2%. Malaysia also reported a material slowdown in sequential growth, to a weaker-than-expected 1.4%q/q, saar. We have lowered our 2026 GDP growth forecasts to 3.1% from 4.1% for Singapore and to 4.6% from 5.3% for Malaysia.

Hungary for change

Hungary delivered a massive vote for change last Sunday, handing Peter Magyar's Tisza a two-thirds supermajority in a record-turnout election that ends PM Viktor Orban's long hold on power. A supermajority is critical as it clears the path for deep institutional reform that would defuse Hungary's dispute with the EU. The expected unlocking of frozen EU grants and loans is expected to catalyze investment and support forint appreciation. A strong mandate also gives the new government room to pursue fiscal consolidation and begin unwinding a web of price caps, subsidized lending, and state interventionism that has distorted the economy. In the near term, monetary policy will be constrained by the likely inflationary impact of unwinding domestic price suppression. Once inflation stabilizes, we see room for the NBH to cut rates in 2027 by 150bps.

Brazil: 1Q rebound is likely transitory

Following three quarters of tepid Brazil growth, fiscal stimulus and strong agricultural output is generating a 1Q26 pickup. This week's BCB February economic activity index is tracking a 4%ar gain, well above our forecast for a 2.8%ar gain. With the recovery in the credit channel losing momentum in February, and sentiment slipping in March, this lift is likely to be short-lived. High frequency indicators point to a March softening and we continue to project below-potential growth this quarter. Upside risks to this forecast relate to the government's policy of front-loading some of its budgeted spending while simultaneously rolling out a series of measures to cushion the impact of the oil shock on domestic prices, extend credit to exporters, and reduce household indebtedness.

Michael Feroli (1-212) 834-5523
michael.e.feroli@jpmorgan.com
JPMorgan Chase Bank NA
Michael S Hanson (1-212) 622-8603
michael.s.hanson@jpmchase.com
Abiel Reinhart (1-617) 712 9122
abiel.reinhart@jpmchase.com
Bennett Parrish (1-212) 622-9003
bennett.parrish@jpmchase.com

US Indicator forecasts

J.P. Morgan Research versus the consensus

Release date/ Indicator	J.P. Morgan forecast	Consensus median	Consensus range
Tue, Apr 21			
Retail sales (Mar)	1.6%	1.3%	0.7% to 2.0%
Ex auto	1.6%	1.3%	0.2% to 2.2%
Pending home sales (Mar)	1.5%	-0.1%	-2.0% to 1.0%
Thu, Apr 23			
Initial claims (w/e Apr 18)	215k	210k	205k to 215k
Manufacturing PMI (Apr flash)	53.0	52.5	50.5 to 52.9
Services PMI (Apr flash)	51.0	50.0	49.4 to 51.5
Fri, Apr 24			
Consumer sentiment (Apr final)	49.0	48.2	47.0 to 50.8

Source: J.P. Morgan, consensus forecasts reported by Bloomberg Finance L.P.

Michael Feroli (1-212) 834-5523
michael.e.feroli@jpmorgan.com
JPMorgan Chase Bank NA
Michael S Hanson (1-212) 622-8603
michael.s.hanson@jpmchase.com
Abiel Reinhart (1-617) 712 9122
abiel.reinhart@jpmchase.com
Bennett Parrish (1-212) 622-9003
bennett.parrish@jpmchase.com

Sources for all: ADP/Moody's Analytics, BEA, BLS, Census Bureau, Conference Board, Department of Labor, Federal Reserve Board, ISM, J.P. Morgan forecasts, NAHB, NAR, NFIB, NY Fed, Philadelphia Fed, S&P Global, Standard & Poor's, University of Michigan, US Treasury

Tue
Apr 21
8:30am

Retail sales
%m/m, sa

	Dec	Jan	Feb	Mar
Total	0.0	-0.1	0.6	1.6
Ex autos	0.0	0.0	0.5	1.6
Ex autos and gas	0.0	0.2	0.4	0.6
Building materials	1.1	0.6	0.4	0.3
Vehicle dealers and parts	0.0	-0.7	1.2	1.5
Gasoline stations	0.4	-1.9	0.9	12.9
Food services	-0.4	-0.2	0.4	1.0
Control group[1]	0.0	0.2	0.5	0.5
Ex. autos and building mat.	-0.1	0.0	0.5	1.7

1. Total ex. gasoline, automotive dealers, building materials, and food serv.

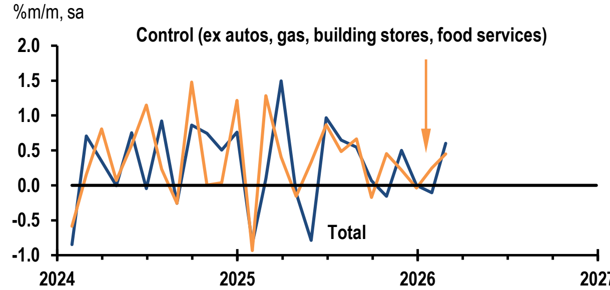
Rising gasoline prices should have caused a sizable increase in March retail sales, which we forecast rose 1.6%. But we also expect that non-gas sales were also quite strong. Unit auto sales rose 3.7% m/m, supported by a 4.3% m/m uptick in incentive spending by automakers coupled with continued normalization in temperatures, as noted by our auto equities team. They mention that demand for automobiles has not reflected a hit from the Middle East conflict, although there are some downside risks to the category from rising pass-through of tariff costs. We also look for a 13% m/m spike in sales at gasoline stations, as retail gasoline prices rose 25% m/m amid the surge in global energy prices arising from the Middle East conflict.

Even outside of autos and gasoline, we look for a firm 0.6% m/m uptick in sales. That includes a solid 1.0% m/m increase in food services, as informed by our Chase card data[1]. We look for slower growth in building material store sales, as earlier growth was possibly buoyed by demand for snow clearing and heating equipment amid unusually cold weather.

The control group (excluding food services, autos, gas, and building material stores) is expected to rise 0.5% m/m, with that forecast based on our Chase card data. We recently discussed the implications for the boost from OBBBA tax cuts amid rising energy prices, noting that total benefits could be concentrated in lower April payments, which should keep consumer spending on a strong trajectory in the coming months. The Chicago Fed CARTS indicator, which incorporates high-frequency data on retail transactions, foot traffic, gasoline sales, and consumer sentiment, points to a 1.3% m/m rise in retail and food services sales ex. autos for March.

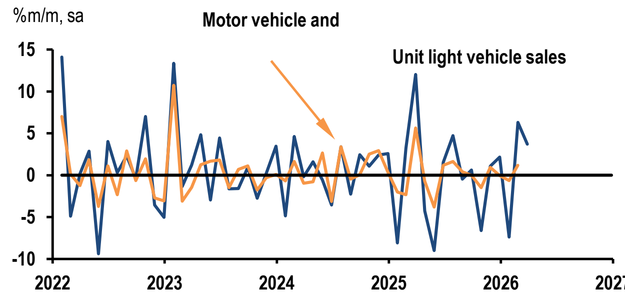
1. Source: JPMorgan Chase Bank, NA, JPMC Index File 2.0, select Chase credit and debit card transaction data. See here for disclaimers and methodology

Retail sales and food services sales: total and control



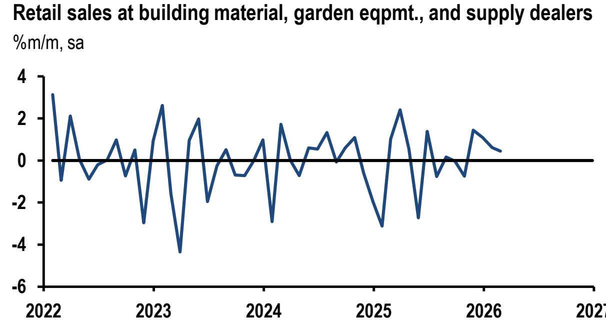
Source: Census Bureau, J.P. Morgan

Unit vehicle sales vs sales at motor vehicle and parts dealers



Source: BEA, Census Bureau, J.P. Morgan

Retail sales at building material, garden eqpmt., and supply dealers



Source: Census Bureau, J.P. Morgan

Tue
Apr 21
10:00am

Pending home sales
sa, unless noted

	Dec	Jan	Feb	Mar
Total (mn, ar)	71.5	70.8	72.1	73.2
%ch m/m	-7.4	-1.0	1.8	1.5
%oya (sa)	-3.4	-0.6	-0.8	-1.8

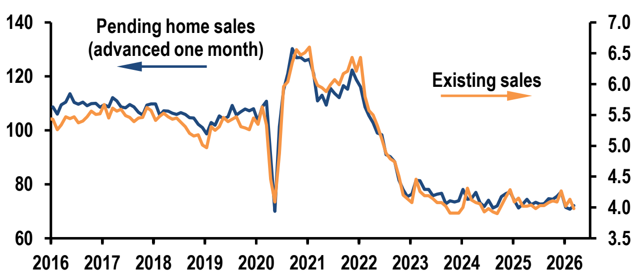
We project that pending home sales rose 1.5%m/m in March to 73.2. Inclement weather pushed sales sharply lower around the turn of the year, and February's partial rebound reflected some normalization from that distortion. Mortgage purchase applications rose 6.4% in March, only partially recovering from a weak February, and the improvement in applications has consistently outpaced realized sales in recent months. Looking ahead, a 40bp rise in mortgage rates in March—driven by higher Treasury yields amid an escalating Mideast conflict—is likely to weigh on sales in upcoming reports. The lock-in effect continues to keep many potential buyers and sellers on the sidelines.

Michael Feroli (1-212) 834-5523
michael.e.feroli@jpmorgan.com
JPMorgan Chase Bank NA
Michael S Hanson (1-212) 622-8603
michael.s.hanson@jpmchase.com

Abiel Reinhart (1-617) 712 9122
abiel.reinhart@jpmchase.com
Bennett Parrish (1-212) 622-9003
bennett.parrish@jpmchase.com

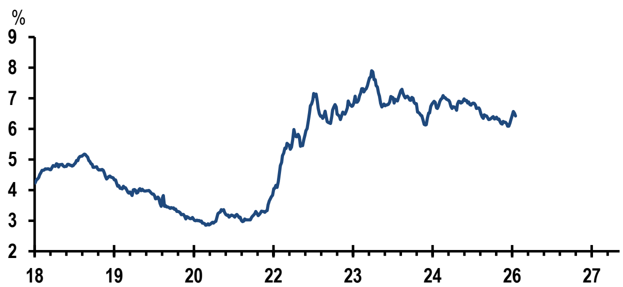
The February pending home sales report attributed a 1.8%m/m rise in sales to improving affordability conditions, but cautioned that "those conditions could reverse if higher oil prices lead to an uptick in mortgage rates." That warning has since proved prescient. Existing home sales, which lag pending home sales by one to two months, fell 3.6%m/m to a nine-month low in March.

Pending home sales and existing home sales



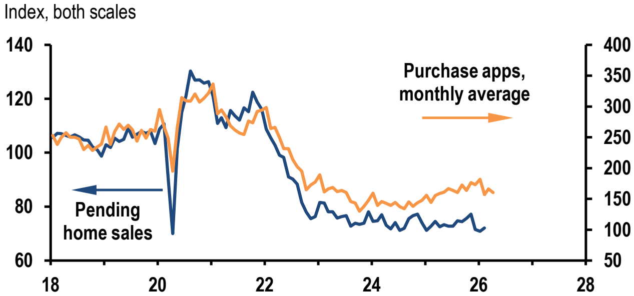
Source: NAR, J.P. Morgan

FRM 30-year contract interest rate



Source: MBA, J.P. Morgan

Pending home sales and mortgage purchase app. volumes



Source: NAR, MBA, J.P. Morgan

Thu
Apr 23
8:30am

Jobless claims
Thousands, sa

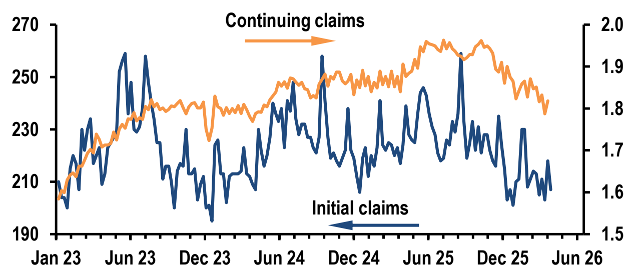
	New claims (wr.)		Continuing claims		Insured
	Wkly	4-wk avg	Wkly	4-wk avg	Jobless,%
Feb 7	230	220	1865	1847	1.2
Feb 14[1]	208	220	1827	1848	1.2
Feb 21	211	220	1871	1856	1.2
Feb 28	214	216	1847	1853	1.2
Mar 7	213	212	1851	1849	1.2
Mar 14[1]	205	211	1816	1846	1.2
Mar 21	211	211	1832	1837	1.2
Mar 28	203	208	1787	1822	1.2
Apr 4	218	209	1818	1813	1.2
Apr 11	207	210			
Apr 18[1]	215	211			

1. Payroll survey week

We project initial jobless claims to inch up to 215k in the week ending April 18, from 207k in the prior report. The series has been moving below recent years since the middle of March, apart from a brief spike at the beginning of April. Claims in the week prior to Easter Sunday have historically marked a weekly increase, although the 15k rise this year was a bit higher than in the past few years.

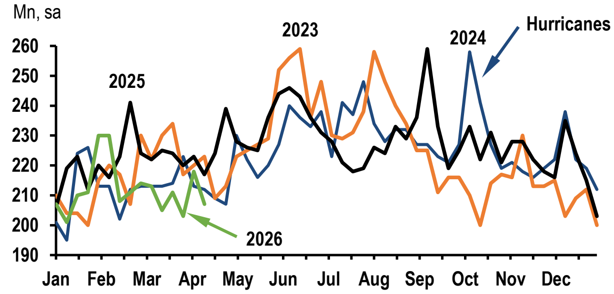
Continuing claims moved higher in the latest report to 1.818mn from 1.787mn in the last week of March, which had marked the lowest level in two years. The four-week average continues to mark cycle-low over-year-ago readings, moving to -2.9% in the week ending April 4. The downward drift in continuing claims suggests that the unemployment rate may have peaked or be about to peak soon.

Jobless claims



Source: Department of Labor, J.P. Morgan

Initial jobless claims, comparison by week to prior years (SA)

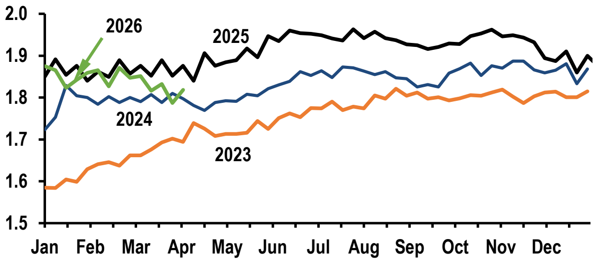


Source: Department of Labor, J.P. Morgan

Michael Feroli (1-212) 834-5523
michael.e.feroli@jpmorgan.com
JPMorgan Chase Bank NA
Michael S Hanson (1-212) 622-8603
michael.s.hanson@jpmchase.com
Abiel Reinhart (1-617) 712 9122
abiel.reinhart@jpmchase.com
Bennett Parrish (1-212) 622-9003
bennett.parrish@jpmchase.com

Continuing jobless claims, by week of the year (SA)

Mn, sa



Source: Department of Labor, J.P. Morgan

Thu
Apr 23
9:45am

S&P Global manufacturing PMI (US flash)

Index, sa

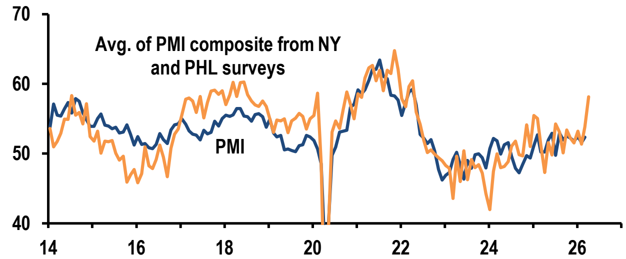
	Mar 25	Mar 26	Apr 26
Composite	50.2	52.3	53.0
Output	48.6	53.2	
ISM-weighted composite	50.2	52.2	

We expect the flash manufacturing PMI to tick up to 53.0 in April from 52.3 in March, as the sector continues to grow at a steady pace despite mounting inflationary pressure. The Empire and Philadelphia Fed regional manufacturing surveys marked large increases through the month, with the average PMI-adjusted composite rising to 58.1 from 53.8. The measure of output in the PMI survey had reached one of the best levels in the current cycle in January at 55.2 before moving 2 points lower through the rest of the quarter. However, new orders have been on an upward trajectory since the year-low level in December, marking 52.2 in the recent March report. Stocks of finished goods have fallen to the lowest level since September 2023, which could boost production activity in the coming months as new orders remain stable.

Price pressures intensified in the latest print, with a 3.7-point rise in input prices and a larger 4.7-point increase in output prices. The series could remain elevated as global energy prices persist at high levels due to the ongoing Middle East conflict. While the index for backlogs of work has risen in recent months to 52.7, the highest since the fall of 2022, the employment index has declined by 2.4 points since the end of last year.

Manufacturing PMI and regional survey PMI composites

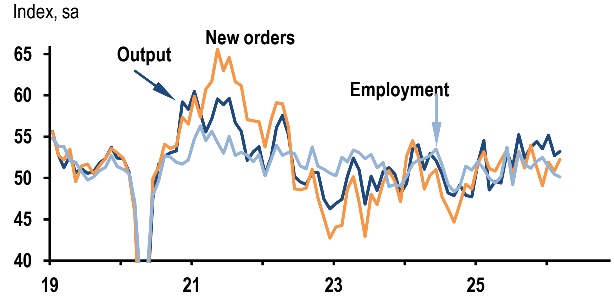
Index, sa



Source: S&P Global, New York Fed, Philadelphia Fed, J.P. Morgan

Manufacturing PMI: output, new orders, and employment

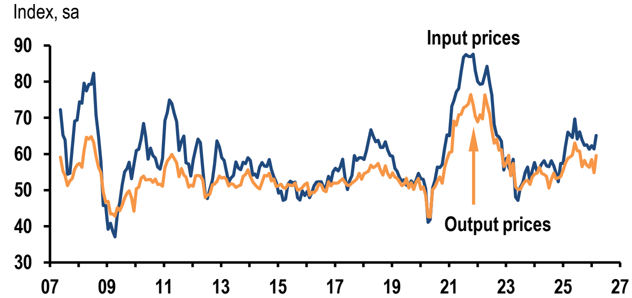
Index, sa



Source: S&P Global, J.P. Morgan

Manufacturing PMI: prices

Index, sa



Source: S&P Global, J.P. Morgan

Thu
Apr 23
9:45am

S&P Global services PMI (US flash)

Index, sa

	Mar 25	Mar 26	Apr 26
Business activity	54.4	49.8	51.0
New business	53.7	50.8	

We look for business activity in the flash services PMI in April to rise to 51.0 from 49.8 in March, which marked the lowest level in over three years. The series has been declining since July, well before the recent surge in global energy prices. The recent release noted that "Worst hit is consumer-facing service sectors where, barring the pandemic lockdowns, the downturn reported in March was among the steepest recorded since data were first available in 2009." While the PMI survey does not cover the retail sector, retail sales and payrolls have held up, and lower tax payments around mid-April could boost activity in the sector.

Michael Feroli (1-212) 834-5523
michael.e.feroli@jpmorgan.com
JPMorgan Chase Bank NA
Michael S Hanson (1-212) 622-8603
michael.s.hanson@jpmchase.com
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The employment index also hit its lowest level in just over a year, despite payroll growth largely holding in. This was coupled with a 2.7-point drop in backlogs of work. The rise in input prices has been benign since the recent peak in December, despite rising energy prices. However, the output price index has risen close to levels seen in the middle of last year. Expectations of future activity moved to 61.5 from 63.4 in February, which could signal some downward pressure from the Middle East conflict.

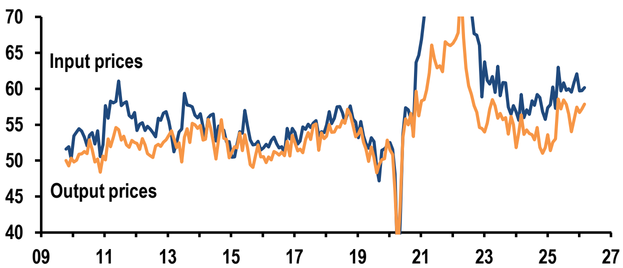
Services PMI: business activity and components

Index, sa

Source: S&P Global, J.P. Morgan

Services PMI: prices

Index, sa



Source: S&P Global, J.P. Morgan

Services PMI: future business activity

Index, nsa

Source: S&P Global, J.P. Morgan

Fri
Apr 24
10:00am

Consumer sentiment

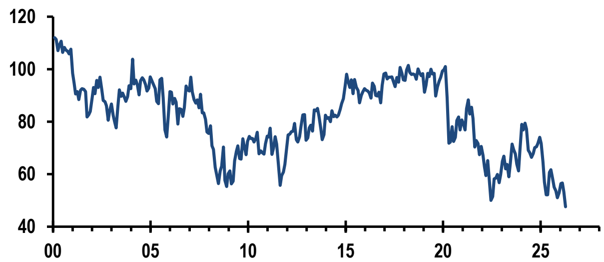
	Feb	Mar	Pre Apr	Fin Apr
Univ. of Mich. Index (nsa)	56.6	53.3	47.6	49.0
Current conditions	56.6	55.8	50.1	
Expectations	56.6	51.7	46.1	
Inflation expectations				
Short term	3.4	3.8	4.8	
Long term	3.3	3.2	3.4	

We expect the University of Michigan consumer sentiment index to inch up to 49.0 in the final April print from 47.6 in the preliminary report. The press release attributed the recent drop to the the Middle East conflict, with the headline index falling to historically low levels. Much of the preliminary survey captured responses prior to the ceasefire announcement, and coupled with improving equity prices, the final report could mark a better reading.

The recent decline was broad-based across both the current conditions and expectations indexes. Consumer expectations of inflation rose in response to the surge in gasoline prices, although they remain lower than the levels seen in 2025 when respondents were concerned about tariff-linked price hikes. One-year inflation expectations rose by 100bps between March and April to 4.8%, while 5-year ahead inflation expectations moved 20bps higher in the same period to 3.4%.

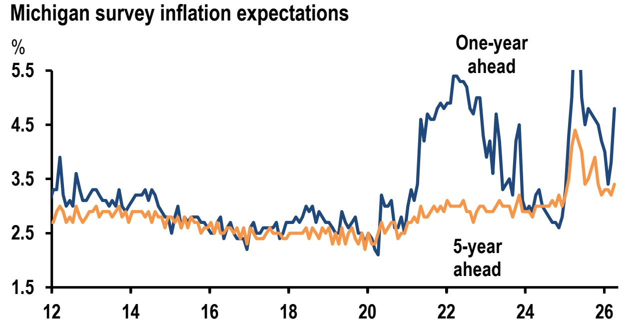
U. of Michigan consumer sentiment index

Index, nsa



Source: University of Michigan, J.P. Morgan

Michigan survey inflation expectations



Source: University of Michigan, J.P. Morgan

Michael Feroli (1-212) 834-5523
michael.e.feroli@jpmorgan.com
JPMorgan Chase Bank NA

Michael S Hanson (1-212) 622-8603
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Abiel Reinhart (1-617) 712 9122
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Bennett Parrish (1-212) 622-9003
bennett.parrish@jpmchase.com

J.P. Morgan US forecast

	%q/q, saar								%q4/q4			%y/y		
	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26	4Q26	1Q27	2025	2026	2027	2025	2026	2027
Gross domestic product														
Real GDP	3.8	4.4	0.5	2.5	1.5	1.5	1.8	2.3	2.0	1.8	2.0	2.1	2.1	1.9
Final sales	7.5	4.5	0.3	1.7	1.6	1.6	1.7	2.3	2.2	1.7	2.1	2.2	2.1	2.0
Domestic	2.4	2.8	0.6	2.5	2.2	2.2	2.3	2.4	1.8	2.3	2.1	2.4	2.0	2.2
Consumer spending	2.5	3.5	1.9	1.1	1.5	1.4	1.5	2.0	2.1	1.4	1.7	2.6	1.8	1.7
Business investment	7.3	3.2	2.4	6.2	6.3	6.7	6.7	4.5	5.6	6.5	4.1	4.1	5.3	5.2
Equipment	8.5	5.3	4.3	12.0	9.0	10.0	10.0	5.0	9.6	10.2	4.5	8.3	8.5	6.6
Structures	-7.5	-5.0	-6.5	-5.5	-2.0	-2.0	-2.0	2.0	-5.5	-2.9	2.0	-5.3	-4.5	0.5
Intellectual property products	15.0	5.6	5.4	6.0	7.0	7.0	7.0	5.0	8.0	6.7	4.5	5.6	6.7	5.5
Residential investment	-5.1	-7.1	-1.7	-5.5	1.0	1.0	1.0	4.0	-3.8	-0.7	4.0	-2.2	-2.6	3.1
Government	-0.1	2.2	-5.6	6.5	1.4	1.4	1.4	1.5	-1.2	2.7	1.5	1.1	1.3	1.5
Net exports ($bn, chained $2017)	-1058	-955	-969	-1019	-1058	-1097	-1137	-1146	-	-	-	-	-	-
Exports (goods and services)	-1.8	9.6	-3.2	15.0	0.5	0.5	0.5	1.5	1.1	3.9	1.2	1.6	4.2	1.0
Imports (goods and services)	-29.3	-4.4	-1.0	17.0	4.5	4.5	4.5	2.0	-1.9	7.5	2.0	2.7	2.6	2.9
Inventories (ch $bn, chained $2017)	-18.3	-23.9	-15.6	29.3	22.1	14.7	17.3	12.4	-	-	-	-	-	-
Contribution to real GDP growth (% pts):														
Domestic final sales	2.4	2.9	0.6	2.6	2.3	2.3	2.4	2.5	1.8	2.3	2.1	2.4	2.0	2.2
Net exports	4.8	1.6	-0.2	-0.8	-0.6	-0.6	-0.6	-0.1	0.4	-0.6	-0.1	-0.1	0.1	-0.2
Inventories	-3.4	-0.1	0.1	0.7	-0.1	-0.1	0.0	-0.1	-0.2	0.1	-0.1	-0.1	-0.1	-0.1
Income and profits (NIPA basis)														
Adjusted corp profits	0.7	19.1	26.3	12.0	21.5	5.5	2.5	6.3	6.4	10.1	6.0	7.3	14.9	6.2
Real disposable personal income	1.8	1.0	0.0	3.2	-2.5	1.2	2.3	2.6	1.3	1.0	1.9	1.7	0.8	1.8
Nominal disposable personal income	4.0	3.8	2.9	7.5	2.6	3.5	4.3	4.0	4.1	4.4	3.9	4.3	4.3	3.8
Saving rate[1]	5.0	4.4	4.0	4.5	3.5	3.5	3.7	3.8	-	-	-	4.7	3.8	3.9
Prices and labor cost														
Consumer price index	1.7	3.1	2.5	3.6	5.6	2.7	2.1	1.5	2.7	3.5	2.2	2.7	3.4	2.3
Core	2.2	3.2	2.0	2.8	3.2	3.0	2.4	2.3	2.7	2.9	2.5	2.9	2.7	2.6
PCE deflator	2.1	2.8	2.9	4.4	5.1	2.3	2.0	1.4	2.8	3.4	2.0	2.6	3.5	2.0
Core	2.6	2.9	2.7	4.1	3.5	2.6	2.2	2.3	2.9	3.1	2.4	2.8	3.2	2.4
GDP chain-type price index	2.1	3.8	3.7	4.3	4.9	2.4	2.1	2.2	3.3	3.4	2.3	2.8	3.7	2.4
S&P/C-S house price index (%oya)	2.4	1.5	1.2	0.0	0.0	0.0	0.0	3.0	1.2	0.0	3.0	2.2	0.0	3.0
Employment Cost Index	3.8	3.2	3.0	3.1	3.0	3.0	3.0	3.2	3.4	3.0	3.2	3.5	3.1	3.1
Productivity	4.2	5.2	1.8	1.7	2.2	1.2	0.6	1.7	2.5	1.4	1.6	2.2	2.3	1.4
Other indicators														
Housing starts (mn units, saar)[1]	1.354	1.346	1.328	1.300	1.300	1.300	1.300	1.350	-	-	-	1.357	1.300	1.388
Industrial production, mfg.	2.5	2.7	-3.2	3.0	1.0	1.0	1.0	1.0	1.4	1.5	1.0	0.9	1.0	1.0
Light vehicle sales (mn units, saar)[1]	16.2	16.6	15.7	15.6	15.5	15.5	15.5	15.8	-	-	-	16.2	15.5	15.8
Unemployment rate[1]	4.2	4.3	4.5	4.3	4.3	4.3	4.2	4.1	-	-	-	4.3	4.3	4.1
Payroll employment (ch, '000s, samr)	56	11	-30	44	50	75	100	100	-	-	-	26	67	63
Nominal GDP	6.0	8.3	4.2	6.9	6.5	3.9	3.9	4.5	5.4	5.3	4.4	5.0	5.9	4.4
Current account balance ($bn)[1]	-248	-239	-191	-240	-249	-257	-266	-266	-	-	-	-1116	-1012	-1069
% of GDP	-3.3	-3.1	-2.4	-3.0	-3.1	-3.1	-3.2	-3.2	-	-	-	-3.6	-3.1	-3.1
Federal budget balance ($bn)[1]	-	-	-	-	-	-	-	-	-	-	-	-1775	-1875	-2000
% of GDP	-	-	-	-	-	-	-	-	-	-	-	-5.8	-5.8	-5.9

1. Entries are average level for the period. Federal balance figures are for fiscal years.

	Apr 17	2Q26	3Q26	4Q26	1Q27	2Q27	3Q27	4Q27
Interest rate forecast (end of period)								
Fed funds target (top of range)	3.75	3.75	3.75	3.75	3.75	3.75	4.00	4.00
2-yr Treasury	3.70	3.70	3.80	3.85	3.85			
5-yr Treasury	3.84	3.90	4.00	4.05	4.05			
10-yr Treasury	4.24	4.25	4.30	4.35	4.35			
30-yr Treasury	4.88	4.85	4.85	4.85	4.85			

Source: J.P. Morgan

Abiel Reinhart (1-617) 712 9122
abiel.reinhart@jpmchase.com
JPMorgan Chase Bank NA

US economic calendar

Monday	Tuesday	Wednesday	Thursday	Friday
20 Apr	**21 Apr** **Retail sales**(8:30am) Mar 1.6% Ex. autos 1.6% **Business inventories**(10:00am) Feb **Pending home sales**(10:00am) Mar 1.5%	**22 Apr** Auction 20-year bond (r) $13bn	**23 Apr** **Initial claims**(8:30am) w/e Apr 18 215,000 **Manufacturing PMI**(9:45am) Apr flash 53.0 **Services PMI**(9:45am) Apr flash 51.0 **KC Fed survey**(11:00am) Apr Auction 5-year TIPS $26bn Announce 2-year note $69bn Announce 7-year note $44bn Announce 5-year note $70bn Announce 2-year FRN $30bn	**24 Apr** **Consumer sentiment**(10:00am) Apr final 49.0
27 Apr **Dallas Fed manufacturing**(10:30am) Apr Auction 2-year note $69bn Auction 5-year note $70bn	**28 Apr** **FHFA HPI**(9:00am) Feb **S&P/Case-Shiller HPI**(9:00am) Feb **Housing vacancies**(10:00am) 1Q **Consumer confidence**(10:00am) Apr **Richmond Fed survey**(10:00am) Apr Auction 7-year note $44bn Auction 2-year FRN $30bn	**29 Apr** **Wholesale trade prelim**(8:30am) Mar **Durable goods prelim**(8:30am) Mar **Housing starts**(8:30am) Mar **FOMC meeting**(2:00pm) Apr	**30 Apr** **Real GDP**(8:30am) 1Q advance **Initial claims**(8:30am) w/e Apr 25 **Personal income**(8:30am) Mar **Employment cost index**(8:30am) 1Q **Leading indicators**(10:00am) Mar	**1 May** **Manufacturing PMI**(9:45am) Apr final **ISM manufacturing**(10:00am) Apr **Light vehicle sales** Apr
4 May **Durable goods**(10:00am) Mar **Factory orders**(10:00am) Mar **Senior loan officer survey**(2:00pm) 2Q	**5 May** **International trade**(8:30am) Mar **Services PMI**(9:45am) Apr final **JOLTS**(10:00am) Mar **New home sales**(10:00am) Mar **ISM services**(10:00am) Apr	**6 May** **ADP employment**(8:15am) Apr Announce 3-year note $58bn Announce 10-year note $42bn Announce 30-year bond $25bn	**7 May** **Productivity and costs prelim**(8:30am) 1Q **Initial claims**(8:30am) w/e May 2 **Construction spending**(10:00am) Mar **Consumer credit**(3:00pm) Mar	**8 May** **Employment**(8:30am) Apr **Wholesale trade**(10:00am) Mar **Consumer sentiment**(10:00am) May preliminary
11 May **Existing home sales**(10:00am) Apr Auction 3-year note $58bn	**12 May** **NFIB survey**(6:00am) Apr **CPI**(8:30am) Apr **Federal budget**(2:00pm) Apr Auction 10-year note $42bn	**13 May** **PPI**(8:30am) Apr Auction 30-year bond $25bn	**14 May** **Import prices**(8:30am) Apr **Retail sales**(8:30am) Apr **Initial claims**(8:30am) w/e May 9 **Business inventories**(10:00am) Mar	**15 May** **Empire State survey**(8:30am) May **Industrial production**(9:15am) Apr

Source: Private and public agencies and J.P. Morgan. Further details available upon request.

Michael Feroli (1-212) 834-5523
michael.e.feroli@jpmorgan.com
JPMorgan Chase Bank NA
Michael S Hanson (1-212) 622-8603
michael.s.hanson@jpmchase.com
Abiel Reinhart (1-617) 712 9122
abiel.reinhart@jpmchase.com
Bennett Parrish (1-212) 622-9003
bennett.parrish@jpmchase.com

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Michael Feroli (1-212) 834-5523
michael.e.feroli@jpmorgan.com
JPMorgan Chase Bank NA
Michael S Hanson (1-212) 622-8603
michael.s.hanson@jpmchase.com
Abiel Reinhart (1-617) 712 9122
abiel.reinhart@jpmchase.com
Bennett Parrish (1-212) 622-9003
bennett.parrish@jpmchase.com

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