Note: Jazzy, upbeat score plays

Text on screen: J.P. Morgan.

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Text on screen: J.P. Morgan. Fall Quarterly Economic Commentary with Andy Goldberg.

On screen: Video clips of New York City show The Empire State Building,
Grand Central Station, and a crowd of pedestrians on Park Avenue and East 48th Street. Three executives, stride down a hall. They stand by a large window, overlooking Manhattan.

Text on screen: Winter Quarterly - ECONOMIC COMMENTARY. With Andy Goldberg.

On screen: In an office with bookshelves, the executives prepare to be filmed for a discussion.


Andy: Gentlemen, thank you so much for being here for the winter edition of our Quarterly Economic Commentary.

Text on screen: Jake Manoukian. Member of Client Investment Strategy Team, J.P. Morgan.

Andy: I'm joined by Jake Manoukian, a Strategist on our Global Strategy
Team, and a man who needs no introduction, Dr. Anthony Chan, Chief Economist for Chase.

**Text on screen:** Anthony Chan, PhD Chief Economist, Chase.

Andy: And gentlemen, I'm cognizant that winter is upon us. The thing I'm more concerned about on behalf of our clients is that after 10 years of frankly great weather, in the economy and in markets, we've now started to talk about the seasons changing.

**Text on screen:** "We've now started to talk about seasons changing."

Andy: I wanted to talk a little bit about that today and what investors should do. And Anthony, I thought we would start with you. Tell me a little bit about where we are in the economy so that we can start to think about why we're telling, uh, our clients about winter.

Dr. Chan: Well, right now, Andy, the economy is doing just fine.

**Text on screen:** U.S. Economic Growth Prospects.
Dr. Chan: We had two solid calendar quarters of economic growth, and the Federal Reserve realizes that with an unemployment rate of 3.7%.


Dr. Chan: And they believe that the unemployment rate should be 4.5% just to get full employment. So guess what they're going to do? They're going to continue to raise short-term interest rates. And that in turn slows down the economy as you go into 2019. Additionally, we know that fiscal stimulus was stronger in 2018, and next year it will not be as much of a positive contributor, so that hurts economic growth. And then on top of that, the trade tension is a little bit of a negative impact on business sentiment. So all these factors suggest that economic growth slows down a little bit in 2019, and that probably slows even further into 2020.

Text on screen: "Economic growth slows in 2019, and even further in 2020."
Andy: Jake, what about the rest of the world? I know we started off the beginning of the year thinking that the growth baton would be passed from the U.S. to the rest of the world. It doesn't seem like that's played out, has it?

Text on screen: Global Growth Prospects:

Jake: At the beginning of the year, we were really hopeful that the rest of the world would be able to take the growth baton from the U.S. and would be able to drive global growth forward.

Text on screen: "We were really hopeful that the rest of the world would be able to drive global growth forward."

Jake: Unfortunately, it's starting to look like that's never really going to pan out. Um, Europe started the year off on a great foot, but a lot of sentiment issues around Italy and Brexit have taken their toll. Further in China and other emerging markets, those higher rates are taking their toll there as well. It's just harder to finance things, and growth is set to slow in the coming quarters.
Andy: Yeah, I heard someone say slowing, but growing. Um, so the question becomes, guys, what should investors do with their portfolio?

Text on screen: "What should investors do?"

Jake: You need to have a safer portfolio today than you did 12 or 18 months ago.

Andy: And what's that mean?

Jake: In equities, we're really focused on sectors that have secular drivers.

Text on screen: "In equities, focus on secular drivers."

Jake: So think about technology, um, the buildout of cloud computing and data storage. And then in healthcare, the population is going to continue to age whether or not we enter a mild slowdown in 2019 or 2020.

Andy: Sure, so secular being something that's not so vulnerable to a cycle.
Jake: Absolutely, not as vulnerable to those rising interest rates that we talked about earlier. In fixed income, move from high yield to investment grade. Go to safer issuers. Lend money to safer companies that are going to be able to weather the storm.

Text on screen: "In fixed income, move from high yield to investment grade."

Andy: Move up in quality. Um, Anthony, any final words of wisdom? What's the best advice you have?

Dr. Chan: The best way to prepare a portfolio is to have a diversified portfolio so that you have equities and fixed income. And when you have those two things together, what we see is that the bump down is less steeper, and of course, the bounce back is a lot sharper.

Text on screen: "The best way to prepare a portfolio is to have equities and fixed income."
**Dr. Chan:** So we want to make sure the portfolio has not only equities, but also has fixed income.

**Andy:** Great, thank you, Anthony, so much, and Jake, thanks for doing this. Let me just summarize to make sure that we're clear. While winter is here from a seasonal perspective, it's not yet upon us from an investing one. And yet out of prudence, when we think about the environment, we've got rising interest rates, stimulus likely to fade. It's time to start thinking about winterizing portfolios. And you've given us some great tips. We can move up in quality, whether it's in fixed income or stocks. We can add some duration and interest rate risk now that there's more yield to be had. And of course, we can look at sectors that are not so sensitive to the economic cycle and focus on ones that have more staying power.

**Text on screen:**

1 - Move up in quality for fixed income and stocks;
2 - Add duration and interest rate risk to seek yield;
3 - Look at sectors that are less sensitive to the economic cycle.

**Andy:** Guys, thank you both so much for being here, really appreciate it.
**On screen:** The executives shake hands.

**Text on screen:** J.P. Morgan.

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