Market Insights

Investing in an AI transformation

1Q26

As of February 28, 2026

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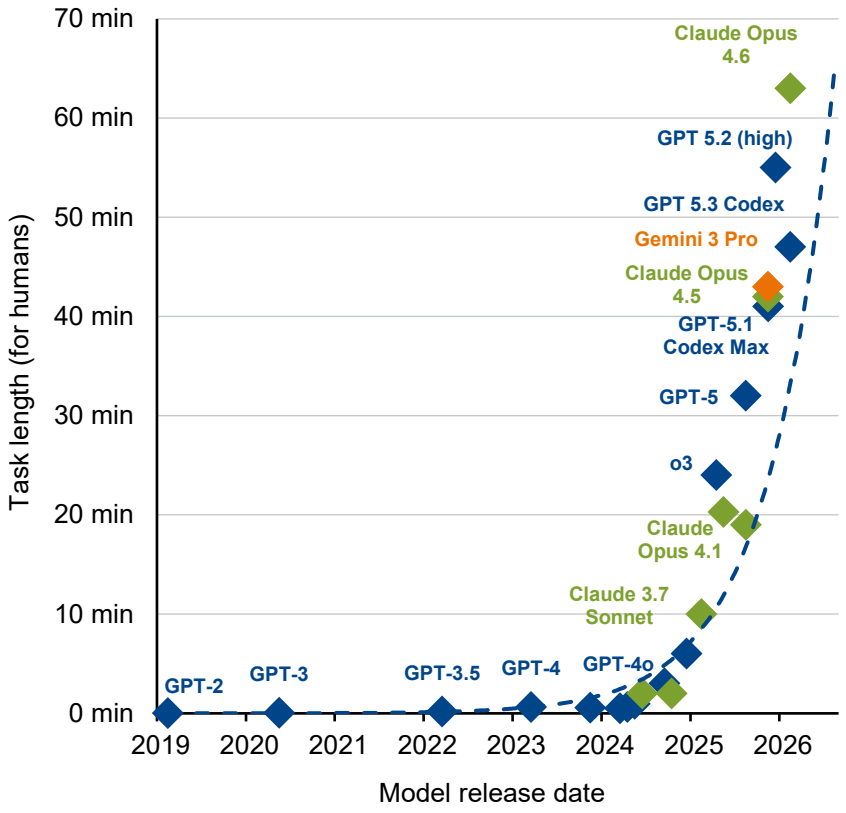
Length of tasks AI models can complete vs. their reliability

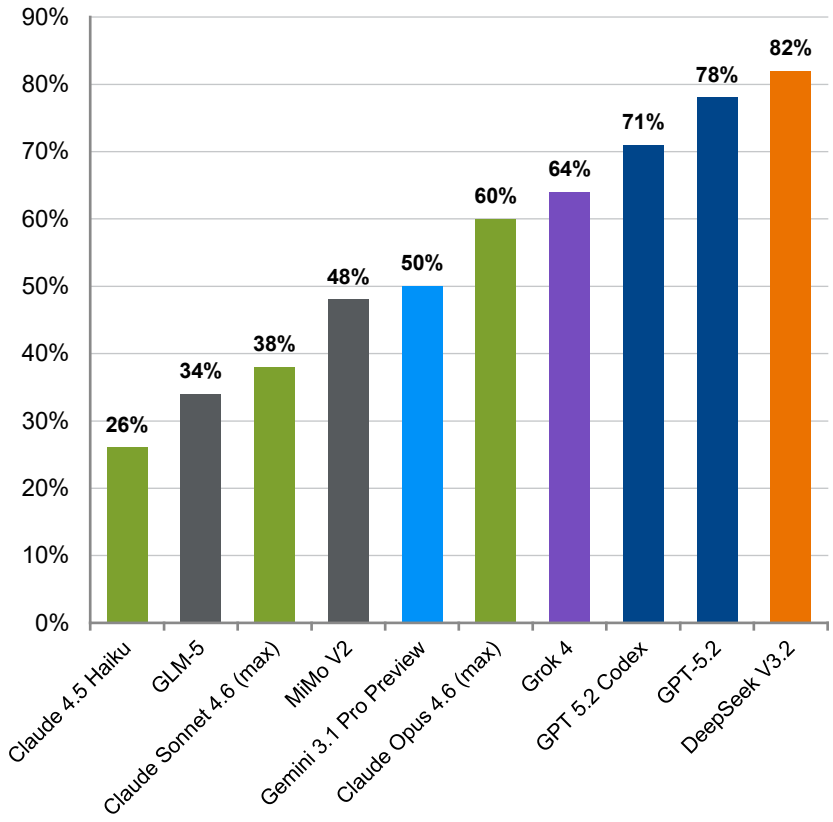
Length of tasks AI agents can autonomously complete

Multi-step software engineer, cybersecurity, general reasoning and ML tasks that models complete at 80% success



Hallucination rates for select AI models

% of time model answers incorrectly when it should have refused or admitted to not knowing the answer



Source: (Left) METR, "Measuring AI Ability to complete long tasks", (Right) Artificial Analysis, J.P. Morgan Asset Management. The length of tasks (measured by how long they take human professionals) that generalist frontier model agents can complete autonomously with 80% reliability has been doubling approximately every 7 months for the last 6 years. Hallucination rates measure how often a model guesses when it lacks the required knowledge, which is a broader definition than accuracy (i.e. how often a model answers correctly.)
Date are as of February 28, 2026.

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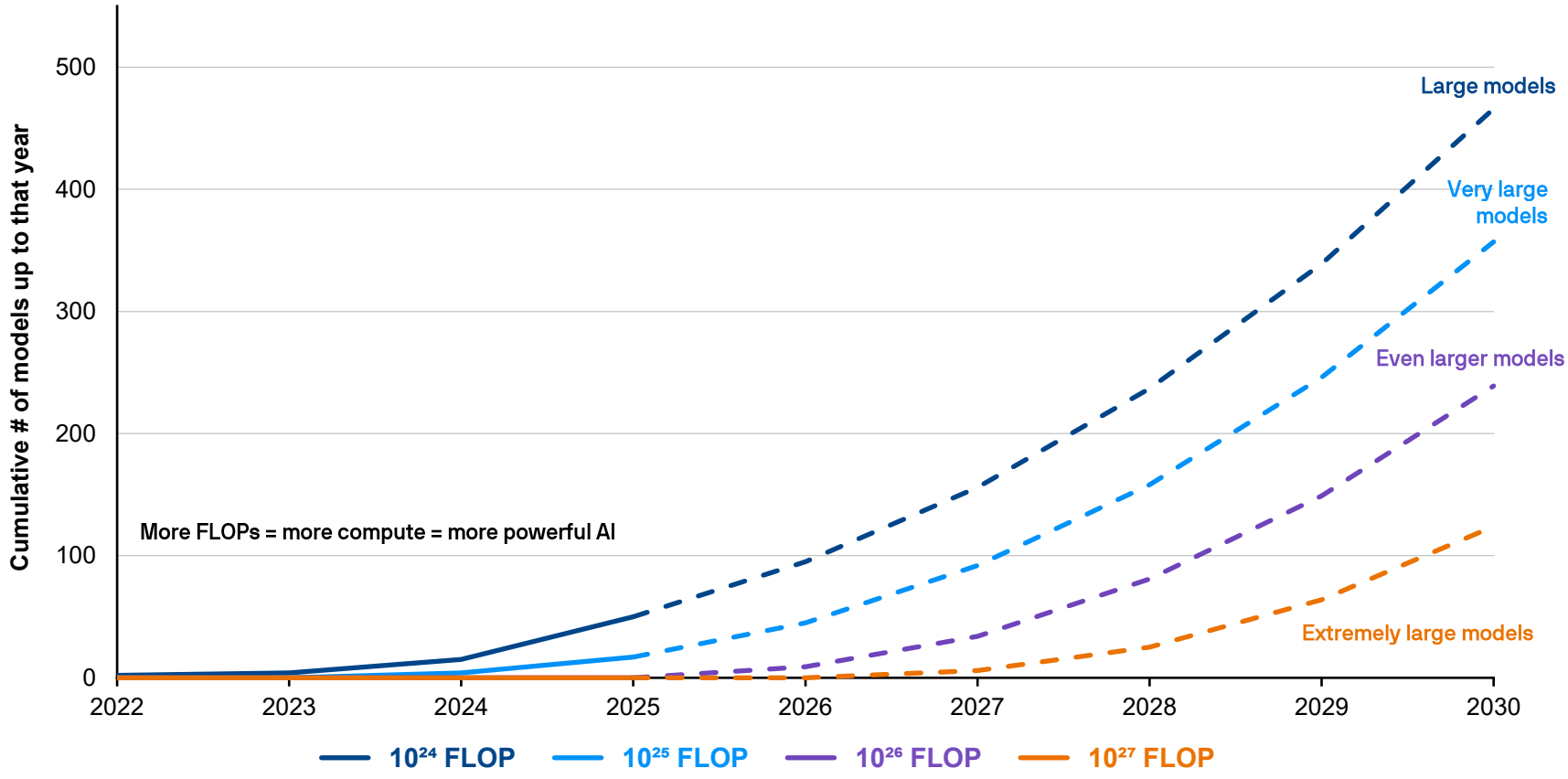
Training compute for AI models

The number of very large AI models is expected to grow quickly over the next few years

Median projection for different training compute thresholds, cumulative number of notable AI models



Source: Epoch AI, J.P. Morgan Asset Management. Dashed lines indicate EpochAI projections (2025-2030) from 'How many AI models will exceed compute thresholds?", May 30, 2025. FLOPS (Floating-point Operations Per Second) are the primary metric for computing power, measuring the number of arithmetic calculations a processor performs per second to train or run models.

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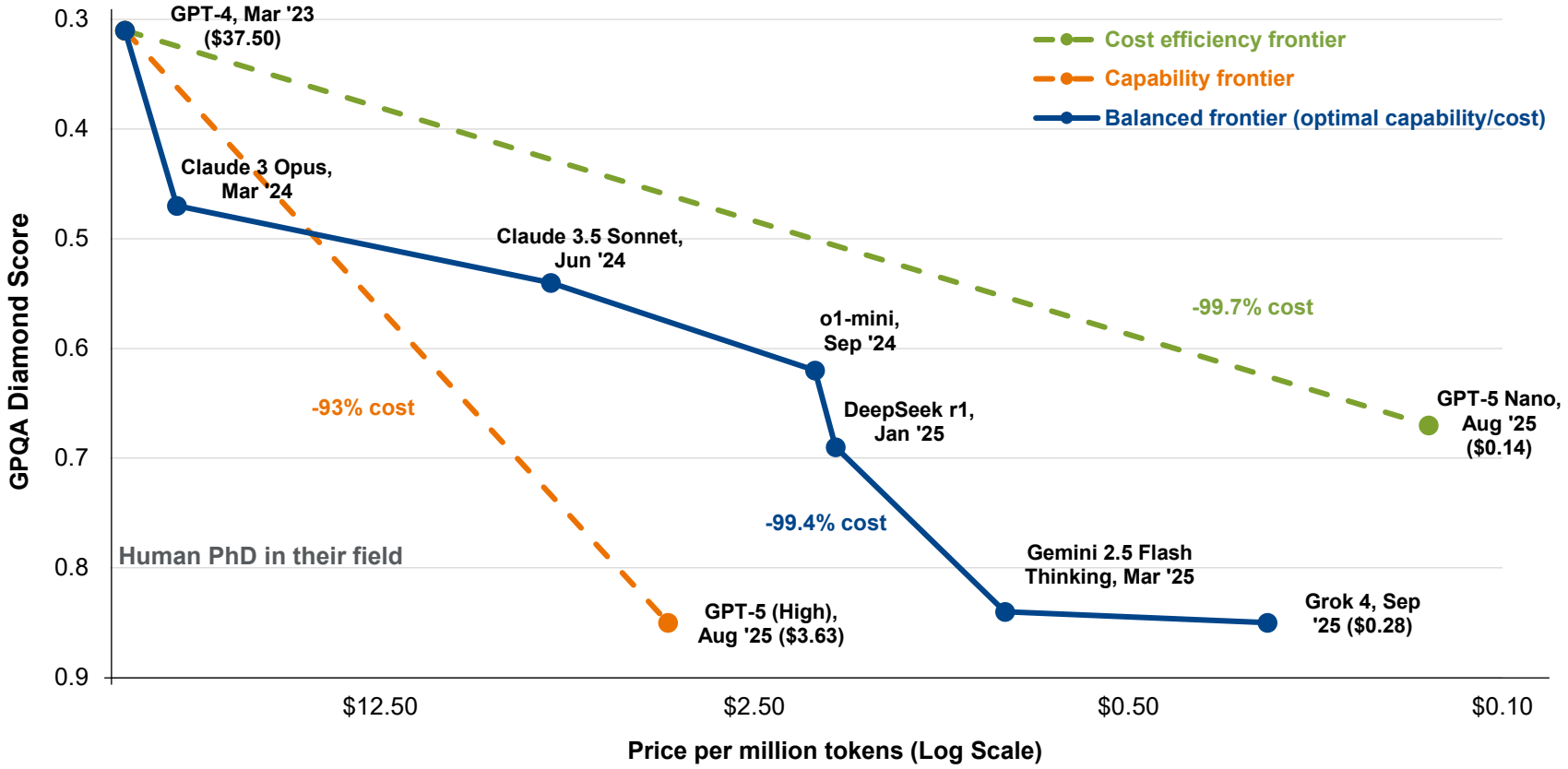
The cost of querying AI models

Shifting frontier of AI model performance and cost

Cost of querying a trained model (price per 1M tokens)



Source: Ethan Mollick "One Useful Thing", Artificial Analysis AI, Epoch AI, J.P. Morgan Asset Management. The cost efficiency frontier refers to the cheapest models that still deliver strong results, minimizing cost per performance unit. The capability frontier represents the most capable models regardless of cost, which tend to be expensive and compute-intensive. The balanced frontier represents models that are "balanced" in the sense that they offer strong reasoning at a reasonable cost. GPQA (Diamond) measures PhD level reasoning. Cost per million tokens refers to the average API price to process one million input and output tokens (weighted 3:1). Data reflect latest available as of February 28, 2026.

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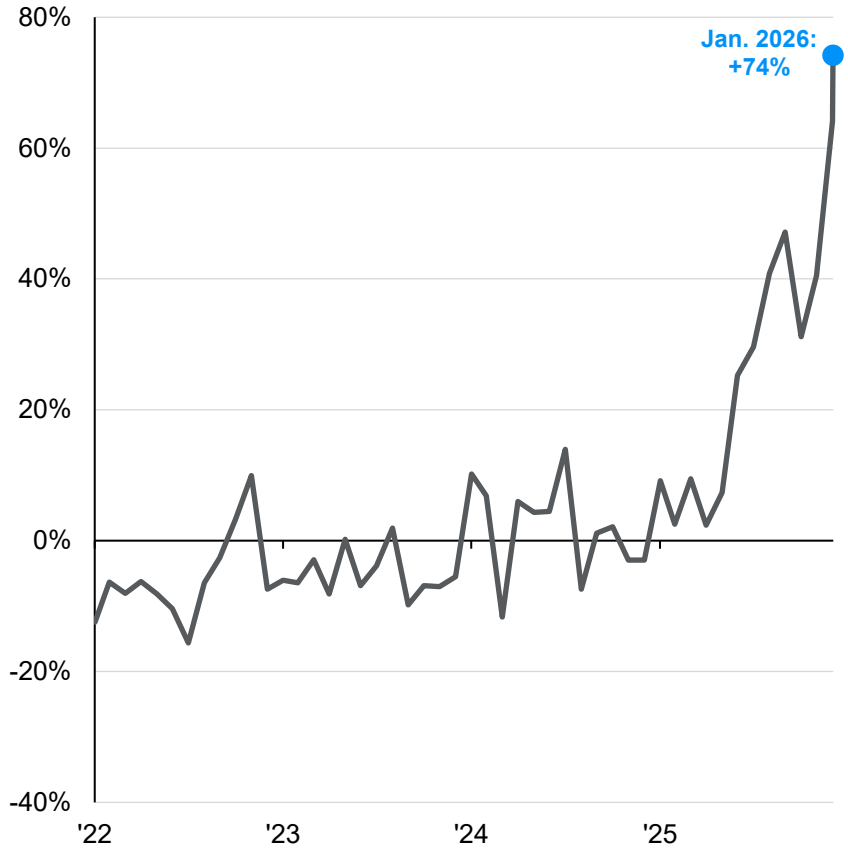
Accelerated product development and new business formation

iOS apps released each month in the U.S.

Year-over-year %



New business applications

Thousands, seasonally adjusted

Source: J.P. Morgan Asset Management, (Left) Sensor Tower, (Right) Census Bureau. Data are as of February 28, 2026.

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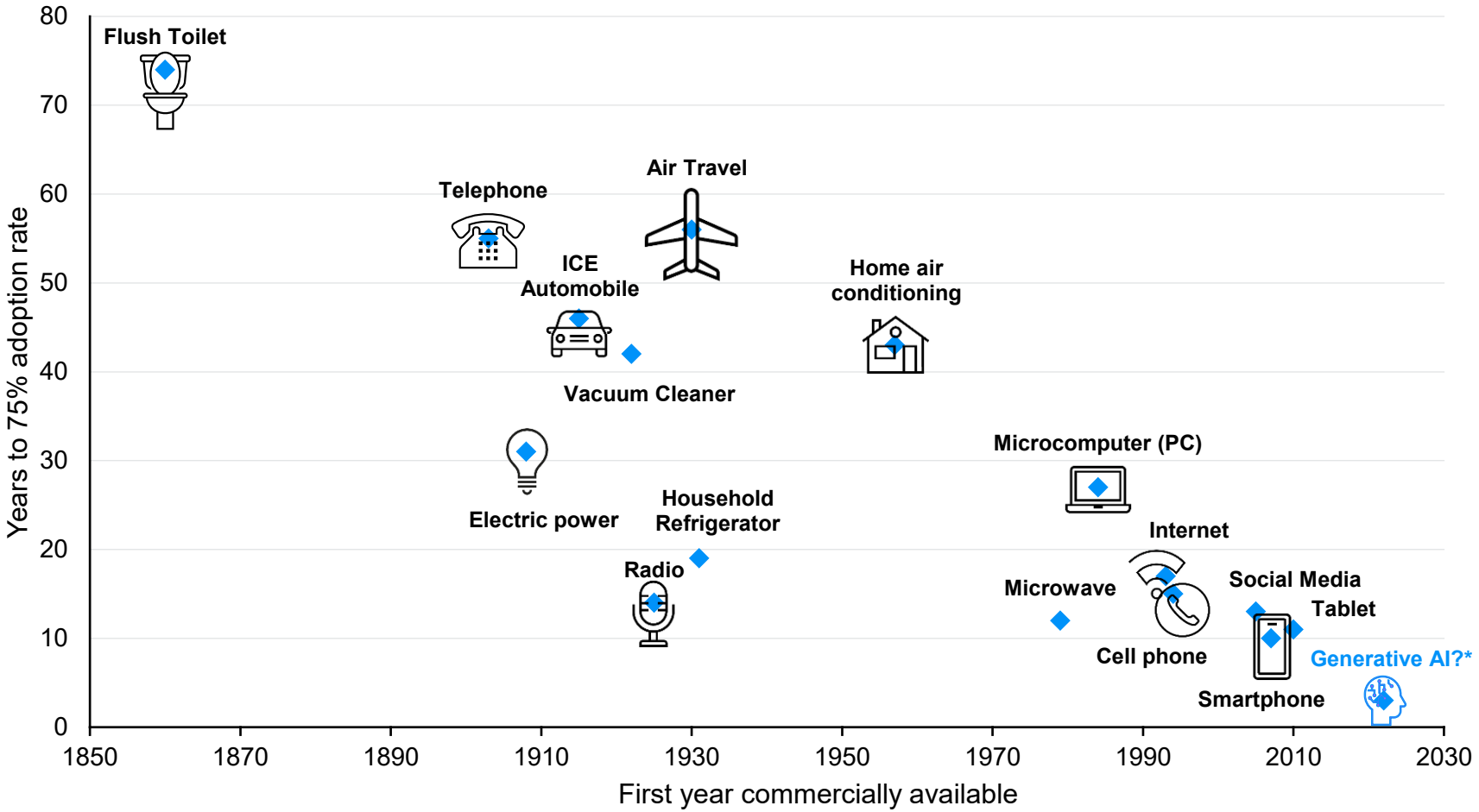
Time to mass adoption for new technologies

U.S. technology rate of adoption



Source: Asymco, J.P. Morgan Asset Management. Compiled from various sources with support of the Clayton Christensen Institute.
*The Harvard Project on Workforce estimates that as of November 2025, generative AI usage is at 56% of the U.S. population aged 18 to 64. However, depending on how you define AI, usage could be nearly 100% if you include the usage of AI-powered products across search, maps, social media, etc. Gallup finds that only 64% of Americans consciously realize they are using AI-powered products.
Data are as of February 28, 2026.

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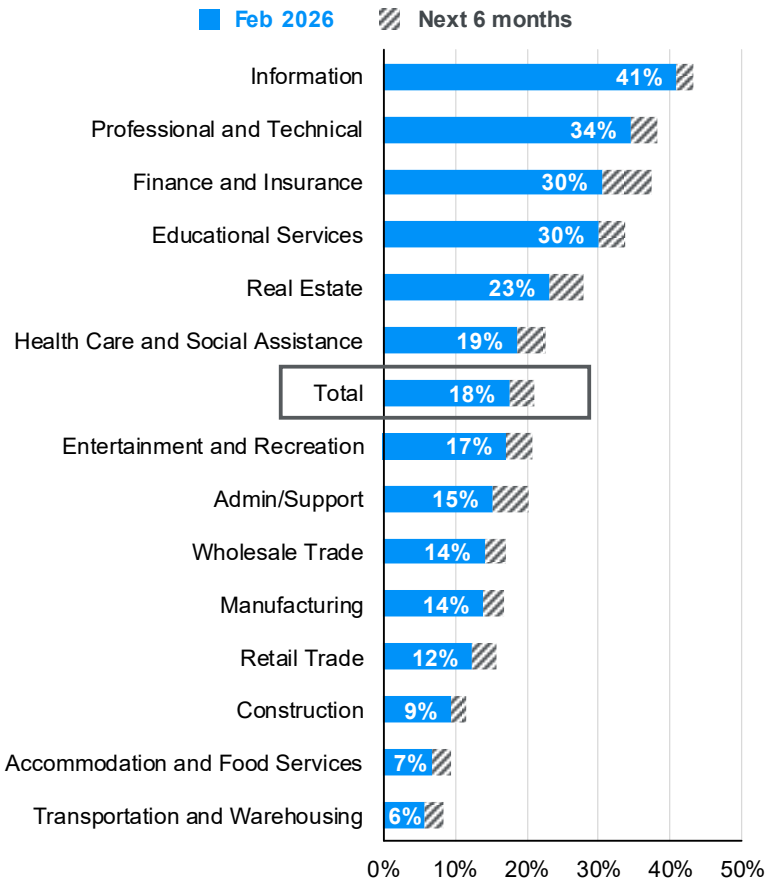
U.S. business adoption of AI

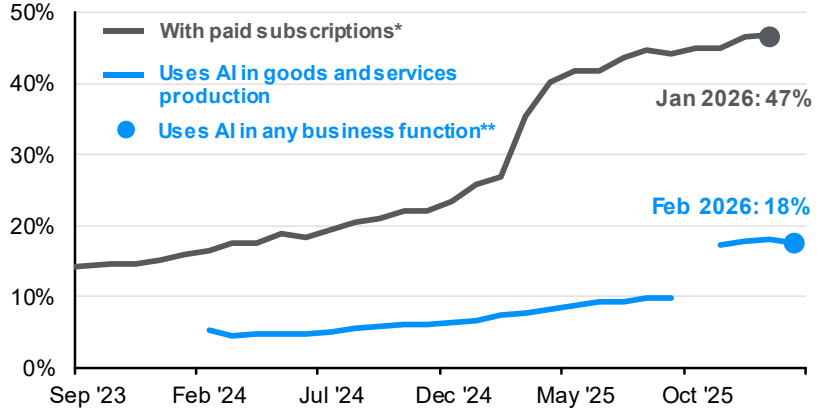
Businesses using AI in any business function

% of all firms reporting use of AI applications



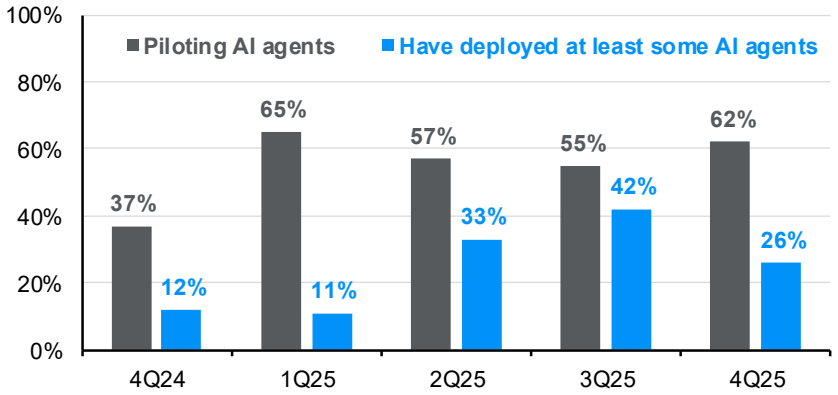
Companies spending on AI models, platforms and tools

% of businesses



AI agent deployment

% of organizations with revenues above $1bn, KPMG Quarterly AI Pulse survey



Source: J.P. Morgan Asset Management; (Left) Census Business Trends and Outlook Survey; (Top right) RAMP AI Index; (Bottom right) KPMG Quarterly AI Pulse Survey. *Ramp data is based on anonymized corporate card and bill-pay transactions with AI vendors across over 50,000 U.S. businesses on Ramp's spend platform to provide a spend-based measure of AI adoption that complements the self-reported AI use (which includes free and internal tools) in the Census survey series. The two measures differ in firm coverage and methodology, with Ramp data skewed towards digitally enabled firms.**Starting Dec. 2025, the Census changed the wording of their survey question to capture usage of AI in "any business function", broader language compared to their prior "in producing goods and services" question. Total adoption jumped from 10% to 17% of businesses because of this switch. AI agents refer to AI systems designed to autonomously execute specific tasks or workflows with minimal human intervention.

Guide to the Markets – U.S. Data are as of February 28, 2026.

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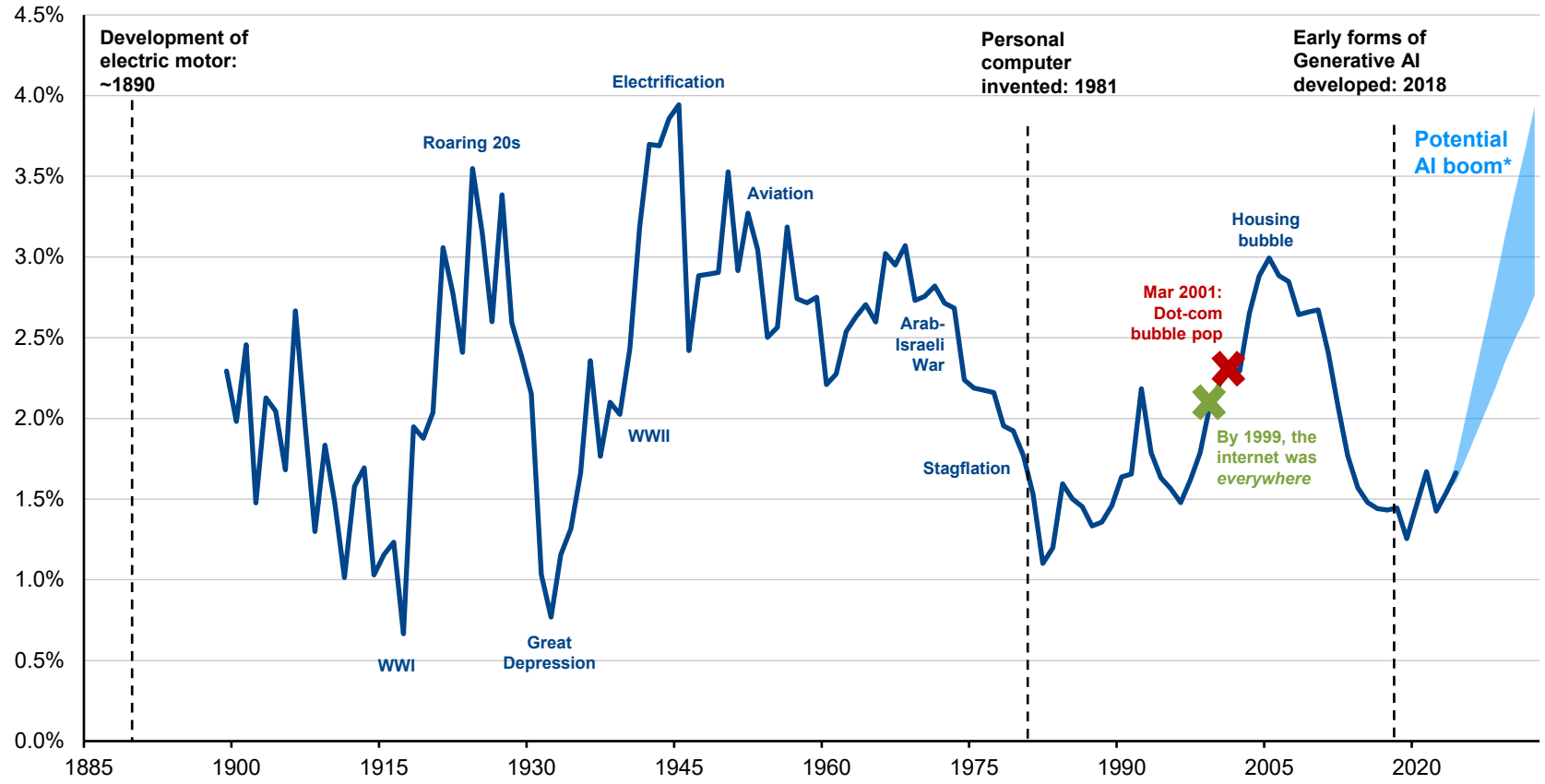
Long-run productivity growth

U.S. labor productivity growth

Rolling 10-year annualized rate, annual



*J.P. Morgan Asset Management estimates plausible productivity gains of 1.4-2.7% from generative AI and other AI technologies over the next few years, in addition to the expected 1.5% annual productivity growth projected by the Congressional Budget Office.

Source: BLS, NBER, J.P. Morgan Asset Management. Data from 1888 to 1957 reflect productivity data for the total private economy from John Kendrick, "Productivity Trends in the United States," NBER. Data from 1958 to 2023 reflect non-farm productivity data from the BLS. Forecasts, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward-looking statements, actual events, results or performance may differ materially from those reflected or contemplated. Data are as of February 28, 2026.

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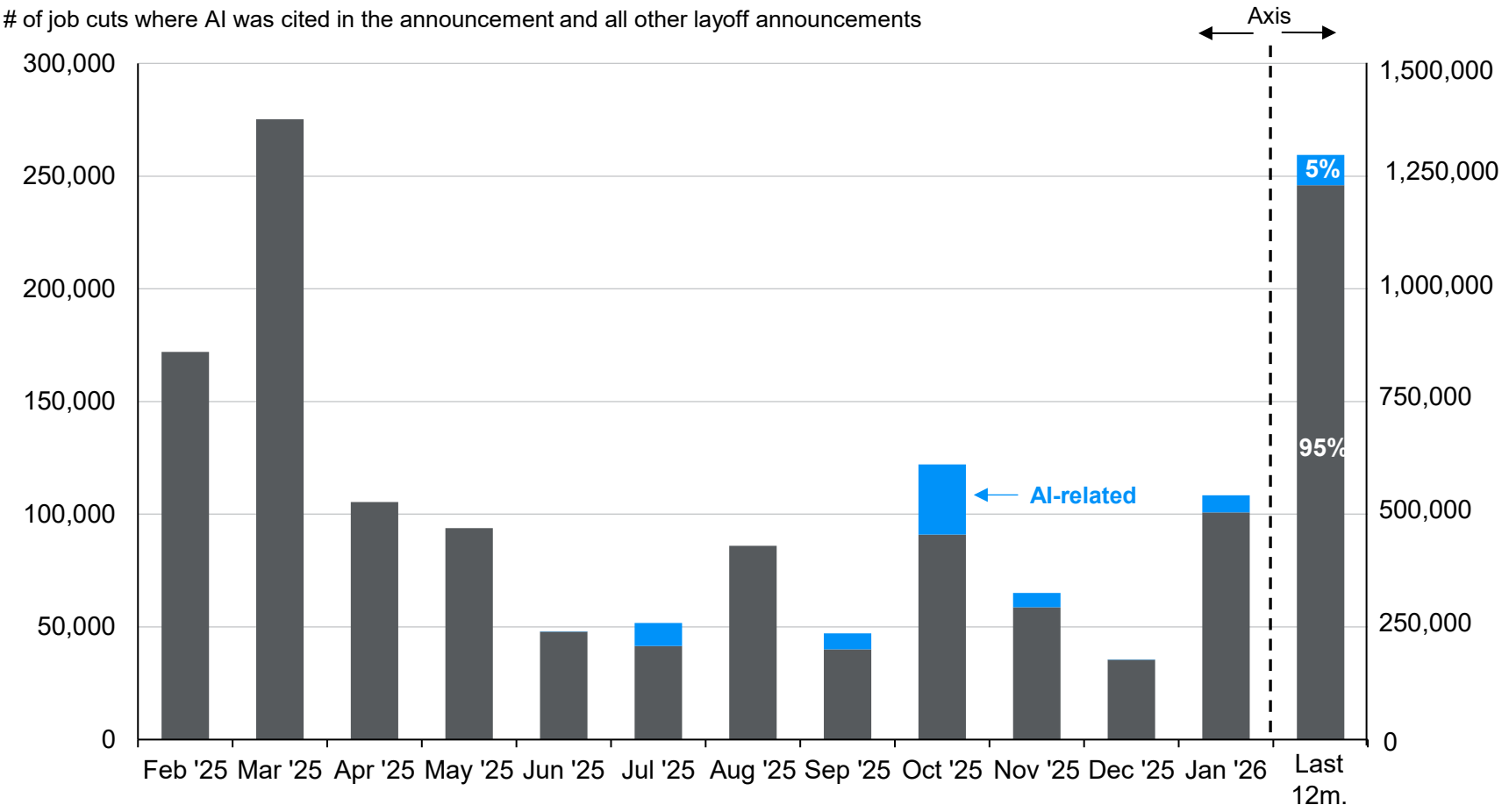
AI-related layoffs

Announced job cuts

of job cuts where AI was cited in the announcement and all other layoff announcements



Source: Challenger, Gray and Christmas; J.P. Morgan Asset Management. Other popular reasons cited include DOGE actions, market/economic conditions, restructuring or closing, and cost-cutting efforts. Data are as of February 28, 2026.

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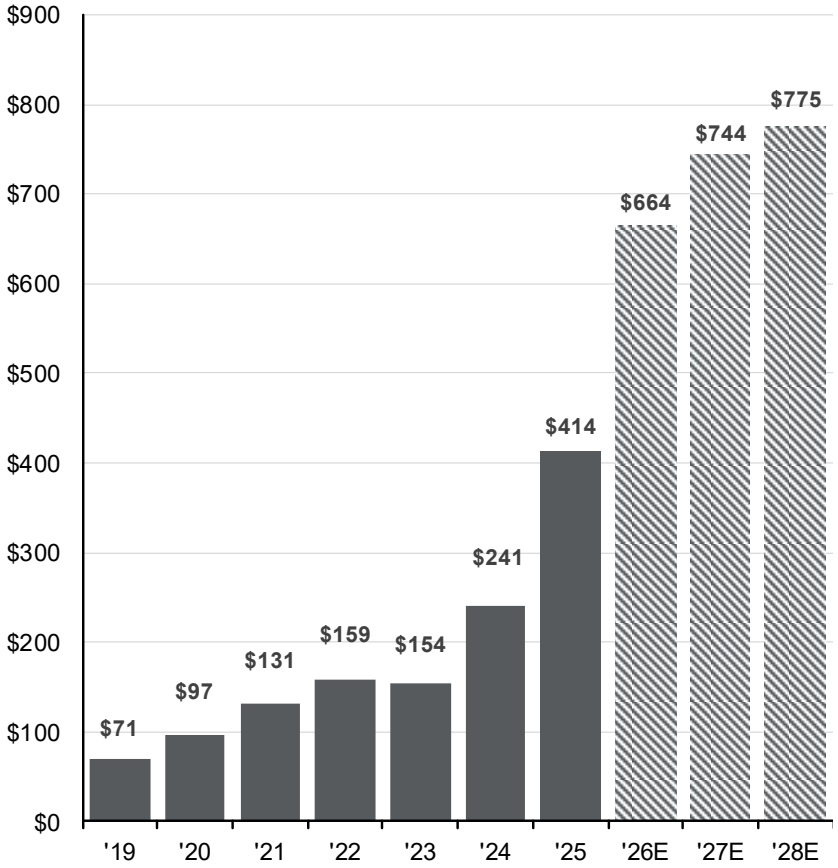
Hyperscaler capital spending boom

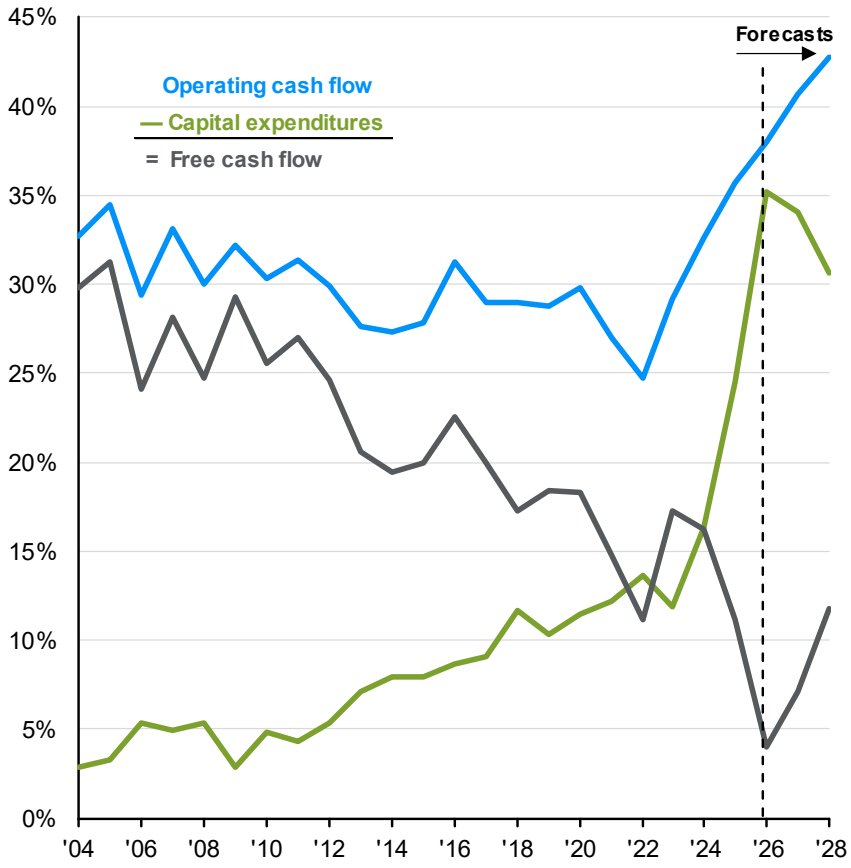
Capex from the major AI hyperscalers*

USD billions; Alphabet, Amazon, Meta, Microsoft, Oracle



Hyperscalers' cash flow and capex

% of sales



Source: Bloomberg, J.P. Morgan Asset Management.
Data for 2026, 2027 and 2028 reflect consensus estimates. Capex shown is company total. *Hyperscalers are the large cloud computing companies that own and operate data centers with horizontally linked servers that, along with cooling and data storage capabilities, enable them to house and operate AI workloads.
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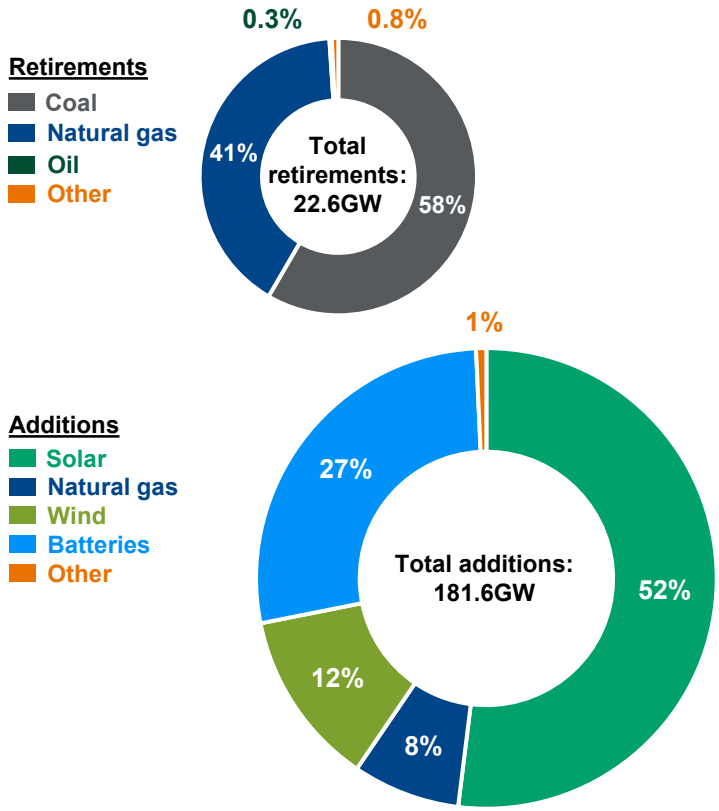
Sources of new electricity generation

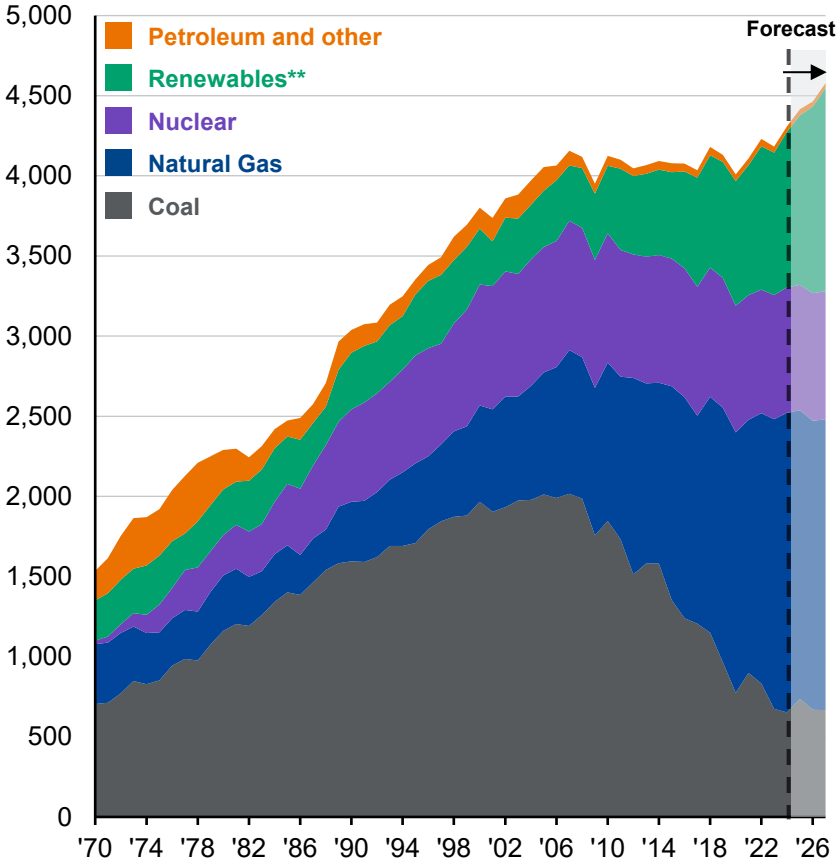
Planned U.S. electricity generating capacity

Remainder of 2025, 2026 and 2027



U.S. electricity generation by source

Billion kWh, 1970 – 2027F*



Source: EIA, J.P. Morgan Asset Management.
(Left) Data is from the EIA's "January 2026 Electric Power Monthly" report and uses net summer capacity to illustrate share of retirements and additions. Percentages may not sum to 100 due to rounding. (Right) Data is from the EIA's "January 2026 Monthly Energy Review" report. *Energy forecast figures are from EIA's "Short Term Energy Outlook." **Renewables include wind, solar, geothermal, biomass waste, biomass wood and hydroelectric.
Guide to Alternatives. Data are based on availability as of February 28, 2026.

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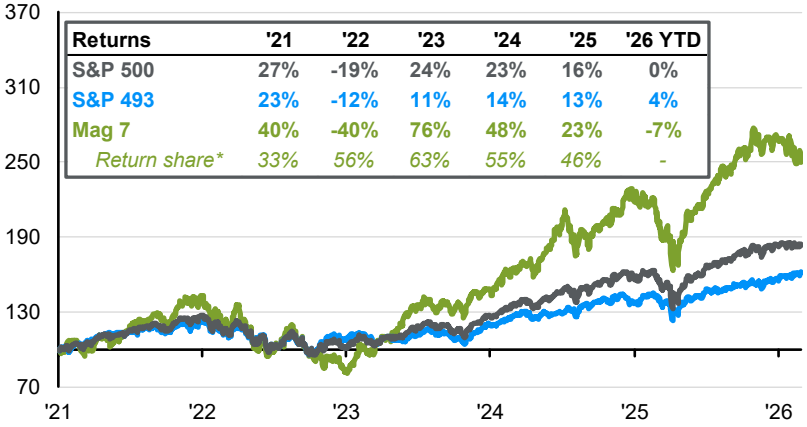
Magnificent 7: Performance, earnings and dispersion

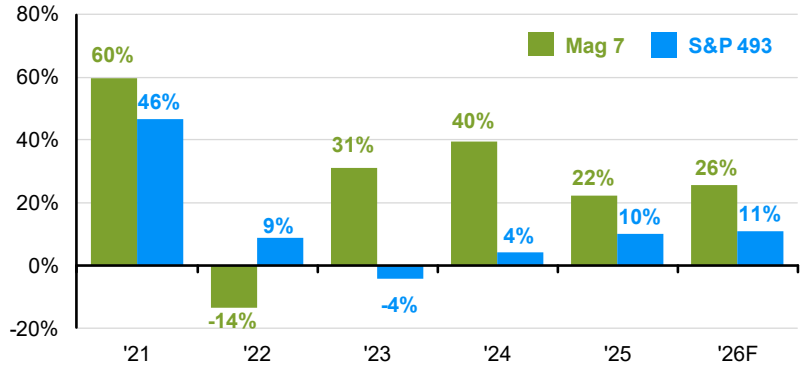
Magnificent 7 performance in the S&P 500

Indexed to 100 on 1/1/2021, price return

Returns	'21	'22	'23	'24	'25	'26 YTD
S&P 500	27%	-19%	24%	23%	16%	0%
S&P 493	23%	-12%	11%	14%	13%	4%
Mag 7	40%	-40%	76%	48%	23%	-7%
*Return share**	*33%*	*56%*	*63%*	*55%*	*46%*	-

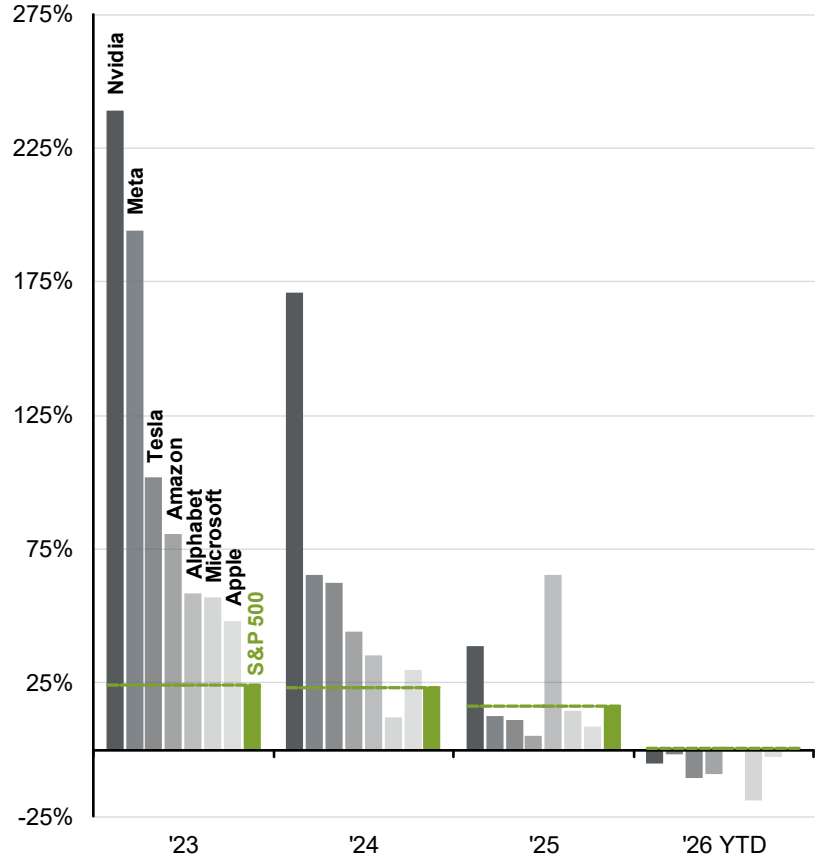


Year-over-year earnings growth



Magnificent 7 performance dispersion

Price return



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.
Magnificent 7 (Mag 7) includes AAPL, AMZN, GOOGL/GOOG, META, MSFT, NVDA and TSLA. The S&P 500 ex-Mag 7 (S&P 493) is calculated by backing out a weighted average Mag 7 price return from the S&P 500 price return. *Share of returns represents the Mag 7's contribution to the index return. Past performance is no guarantee of future results.
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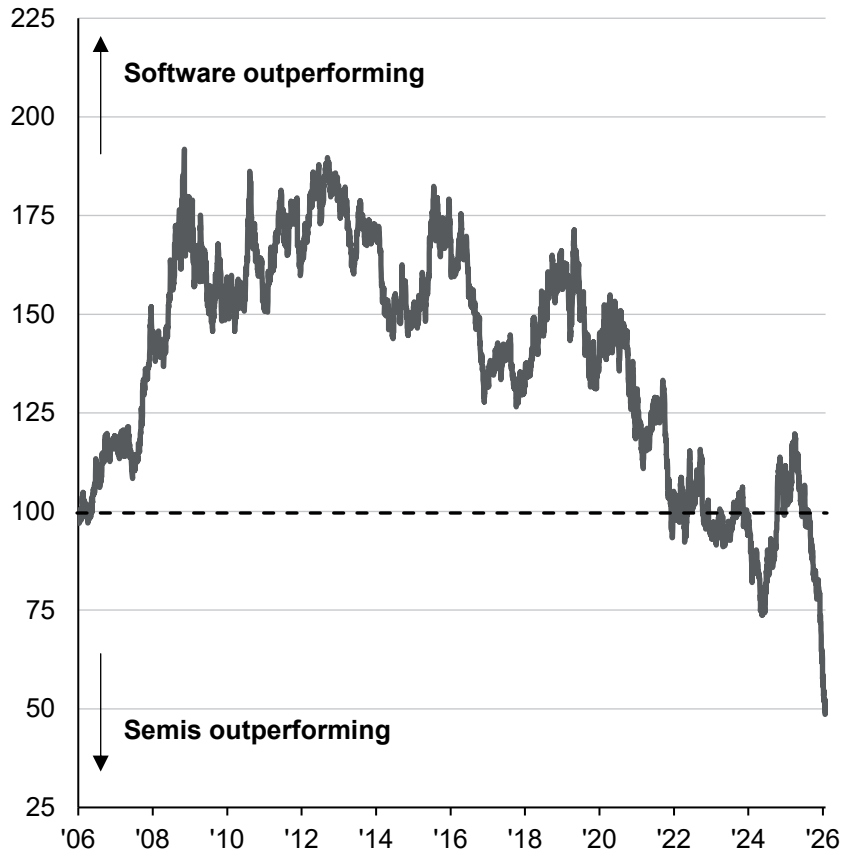
AI disruption: Software's relative performance

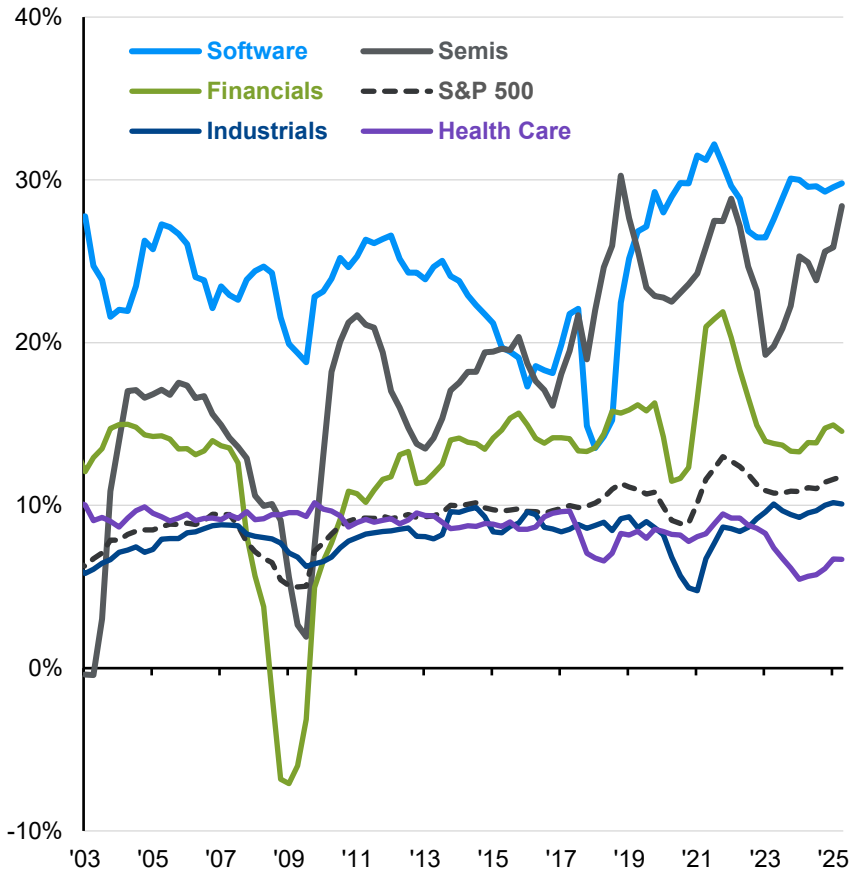
Software vs. Semiconductors: Relative performance

IGV vs. SOXX, total return ratio indexed to 100 in February 2006



Profit margins for select S&P 500 sectors

Net margins, last 12 months, quarterly



Source: Bloomberg, FactSet, J.P. Morgan Asset Management. IGV = iShares Expanded Tech-Software ETF. SOXX = iShares Semiconductor ETF. Net profit margins measure total profitability after all overhead and expenses. Data are as of February 28, 2026.

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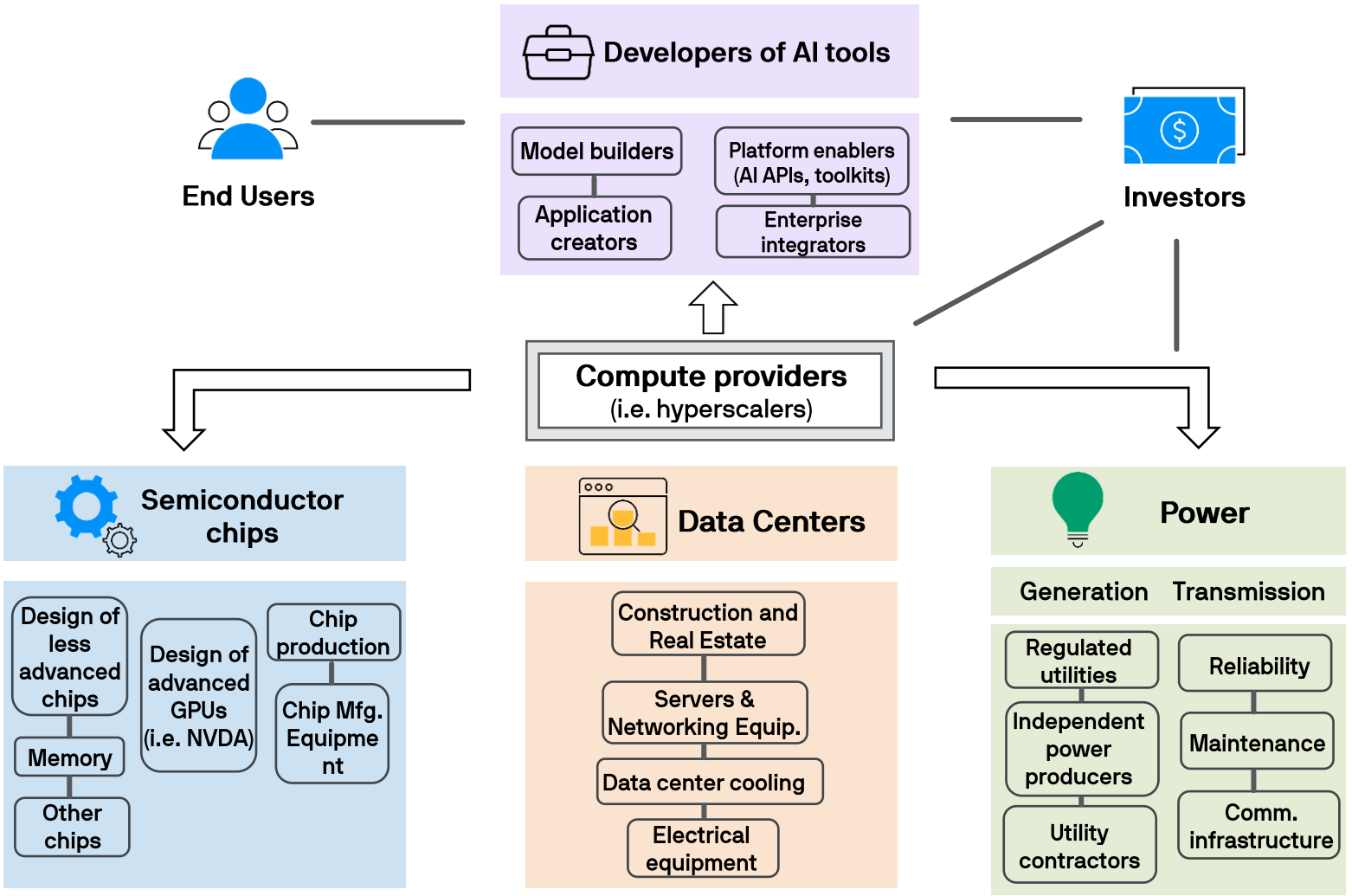
The AI Value Chain

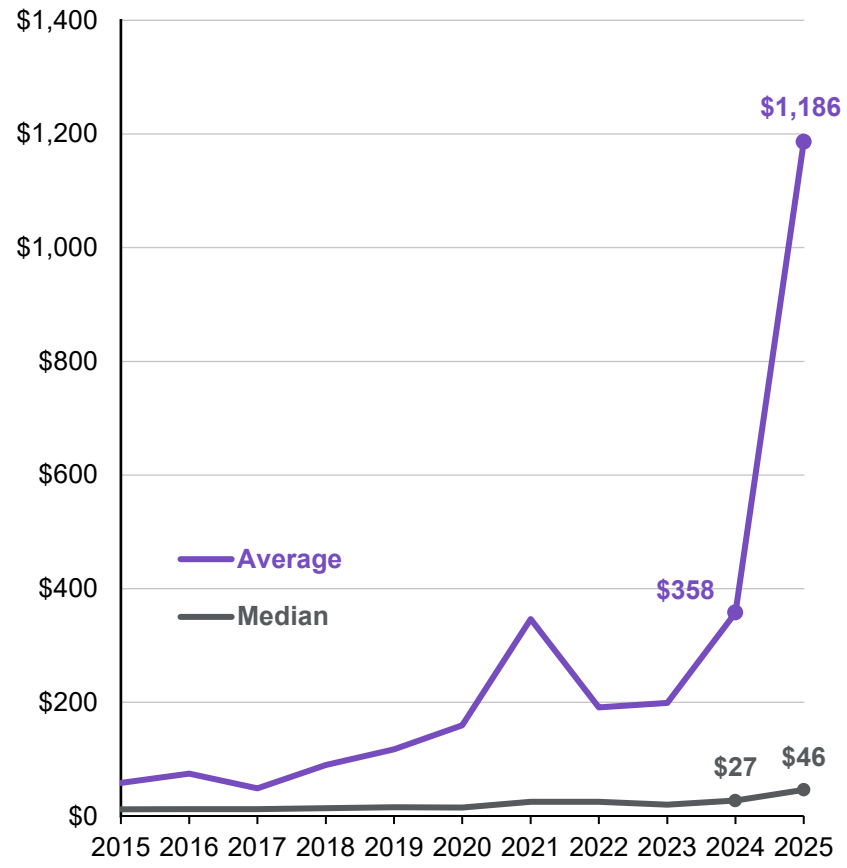


Source: Bridgewater, J.P. Morgan Asset Management.

Private AI company valuations and deal count

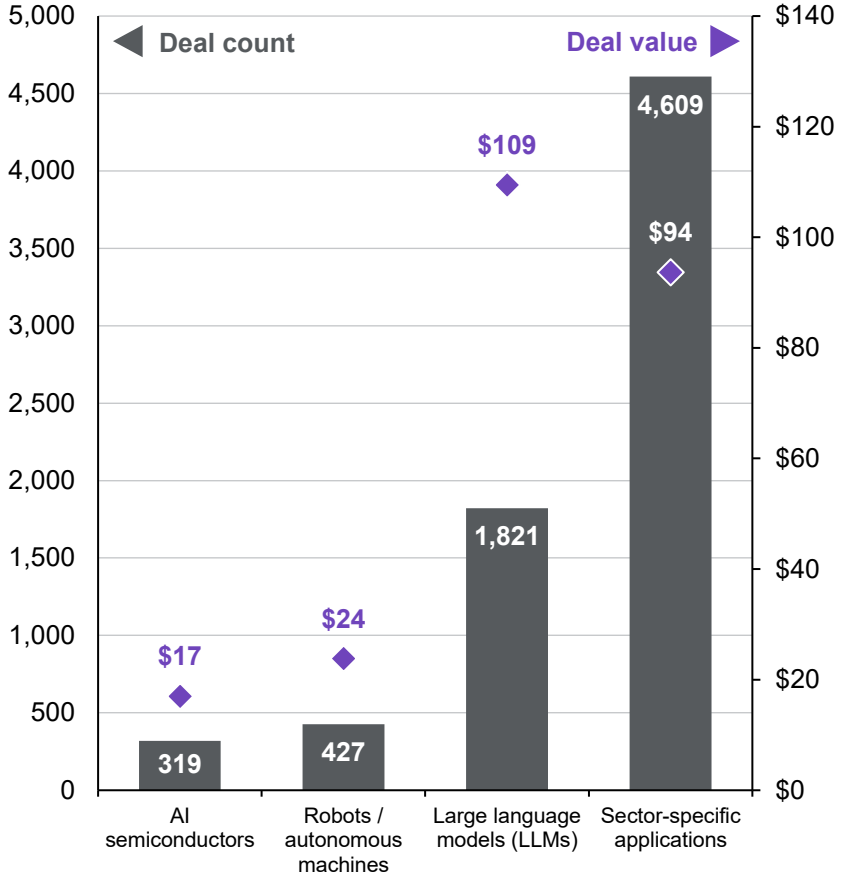
AI-related venture capital pre-money valuation

USD millions



Venture capital AI deal activity by type

Trailing 12 months count, USD billions, 4Q25



Source: PitchBook Data, Inc, J.P. Morgan Asset Management.
(Right) AI-related includes deal value for AI and Machine Learning (ML)-related deal activity. North America does not include Mexico.
Data are based on availability as of February 28, 2026.

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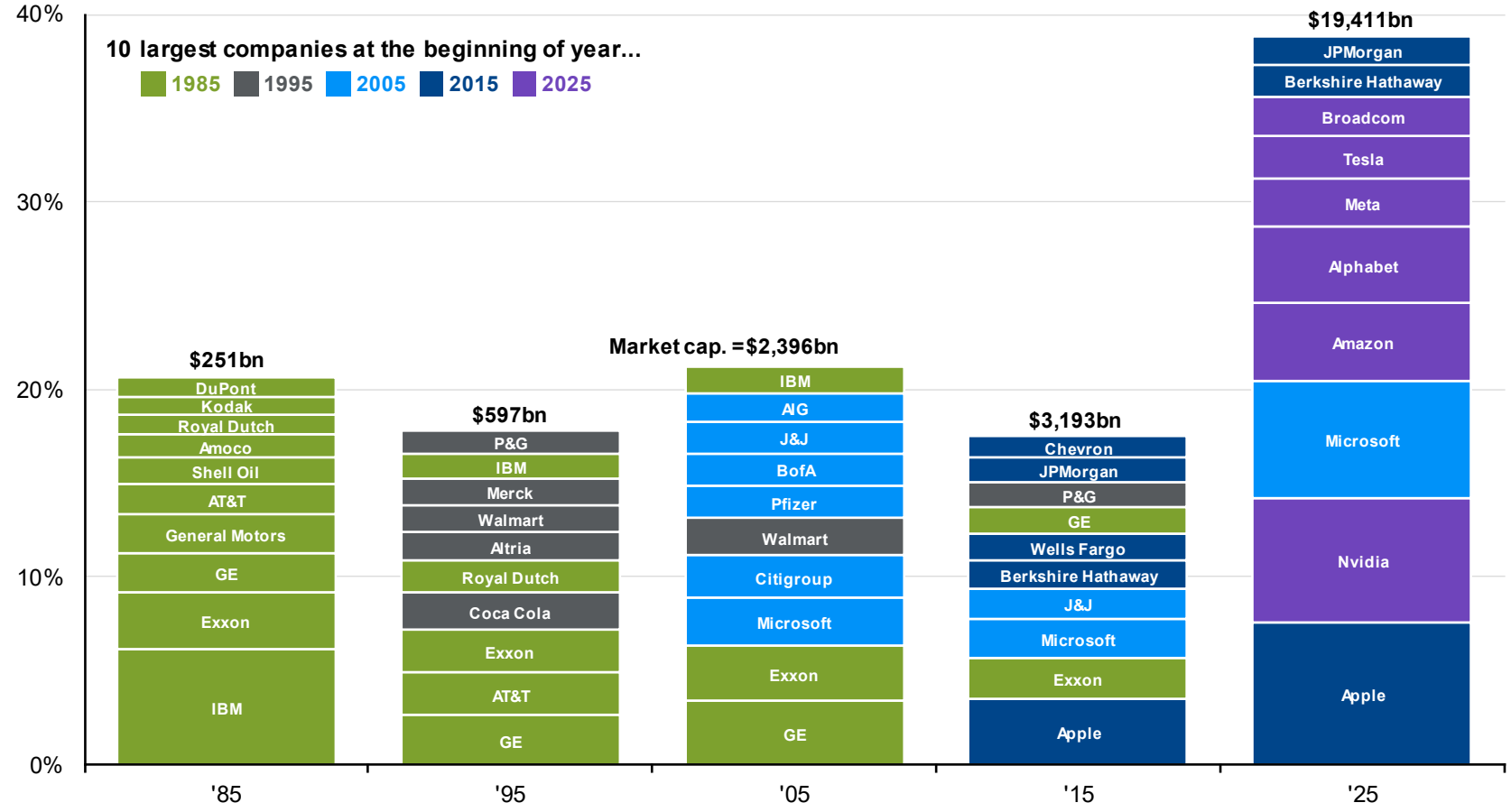
Top 10 companies by decade

Top 10 S&P 500 companies by market capitalization

Percent of S&P 500 market capitalization as of the first day of the indicated year



Source: Bloomberg, Standard & Poor's, J.P. Morgan Asset Management.
Companies are organized from highest weight at the bottom to lowest weight at the top. Past performance is no guarantee of future results.
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Prepared by: Stephanie Aliaga.

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