

HVAC (Chiller) Selloff Post NVDA/CES Keynote (JCI, TT, CARR); NVDA/CES Summary ex Chillers; LMT / DoW Agreement; PH Init w OW (Tusa); Autos Dec SAAR; Repair/Remodel Survey; Defense Expert Call

Paige Hanson
+1 212 622 2747
paige.hanson@jpmorgan.com

Today: JPM: Call with Jim McAleese, Principal, McAleese and Associates (11a ET), NVDA CFO Fireside Hosted by JPM (11a ET), VZ Webinar (11:30a ET)

Key Highlights Today

- HVAC Selloff (JCI, TT, CARR) on Jensen CES Keynote (Chiller Comments)
- NVDA/CES Follow Ups ex Chiller (JPM hosting NVDA CFO Fireside 11a ET)
- LMT / DoW Announcement (Inv Feedback Positive)
- PH: Tusa Initiates with OW; Inv Feedback
- Machinery/Trucks (PCAR, CMI): Dec Prelim Class 8 Orders
- Elevators: Global Report (upgrade European peers, OTIS already OW)
- Autos: Dec SAAR Details Out
- Defense: 11a Expert Call, LHX announcements 1/5
- Repair/Remodel Survey (Bullish Setup into '26)
- VST: Gas Plant M&A (c/o Brendan Henrici)
- Energy Rotation post VZ (Brendan Henrici)
- Macro

Detailed Commentary

Trends in the tape yesterday with cyclicals significantly outperforming AI/aero (especially if the cyclical name was at all shorted and the AI/aero name is at all well owned as crowding unwind was very evident on Monday), are very much continuing out of the gate this morning, and the CES commentary from Jensen's keynote post close Monday is serving to give industrial investors even more reason to lean bearish AI names, especially the chiller commentary and cooling needs on next gen arch which is here – sentiment has already been so negative on AI for industrial folks into 2026 that you don't need to give people much reason to view things glass half empty, and we're seeing the entire data center infrastructure complex selloff today with particular selling pressure in HVAC names (TT, JCI -HSD% and CARR -LSD% but already near lows on resi portion of biz) – feedback outlined on this topic in first part of note as it is the most topical news of the day in addition to LMT (+5% on headlines, feedback below).

HVAC/Data Centers (Chillers) Pressure Post NVDA CES Keynote (JCI 7%, TT -8%, CARR -3%); Initial Feedback – the main topical items from Jensen's keynote last night as it pertains to our industrials world is commentary on chilling needs in the next gen architecture (“With 45 degrees C, no water chillers are necessary for data centers”). While this concept on next gen

power architecture cooling needs was not viewed as new (at least not for industrial folks that I speak with), it is certainly not viewed as a positive for the growth profile of these companies going forward, and would imagine that is more tied to the pressure in the names today more so than it being 'new news' (i.e. next gen is here, and the shift in cooling needs for that next gen makes it harder for folks to get excited about owning co's with higher chiller exposure, particularly when the multiple debate on data center infrastructure suppliers is very active, even for co's that have good liquid cooling market position (which will see significant outgrowth vs chillers in this next gen).

- **HVAC Chiller/NVDA CES Comment Follow Up Feedback** – my conversations and inbounds this morning continue to be dominated on the chiller commentary from Jensen at his CES keynote with many believing Jensen explicitly saying NO water chillers will be necessary at 45 degrees C is new and a thesis changer (negative for chiller makers JCI TT CARR) vs prior perception that the next gen would just need fewer, not zero. On the flip side, many others feel that there will still be some need for chillers (within the data centers even if not in the LC part and despite what was said last night), even if less growth vs historical and vs liquid cooling in next gen arch, so there is clearly a lot of investor debate this morning on a) if this is new, and b) what exactly this one Jensen comment means for the industry. Either way, folks feel this is thesis confirming for the preference to own names with higher liquid cooling vs chiller exposure going forward in next gen deployment (Rubin) and that it is missing the forest for the trees whether it is 'zero' or 'fewer than the past' because either way will have growth step down materially in next few years – there is also just little to no appetite to own AI names in industrial world to start the year so this is not helping things. Love to hear further thoughts, thanks!

NVDA/CES Follow Up ex Chiller commentary (CES Keynote; JPM hosting NVDA CFO Fireside TODAY at 11a ET) – while the main conversation post Jensen's CES keynote Monday afternoon out at CES has been focused on the chiller comments (HVAC names), there was obviously a lot more shared at the keynote that is relevant for our world in terms of 2026 shaping up to be yet another strong year for AI compute demand as Harlan wrote about in his takeaway notes from NVDA, INTC & AMD meetings. Key bullets c/o Josh Meyers below from Harlan's note and would flag that Harlan is hosting NVDA CFO at 11a for a fireside, [Register Here](#)

- **Harlan's Takes from CES Day 1 per Josh Meyers** ---> NVDA and AMD both highlighted explosive growth in inference token generation as a major driver of compute demand, with many customers now compute constrained and clamoring for additional capacity. NVDA's Vera Rubin and AMD's Helios MI455X platforms were confirmed to be on-track for customer ramps in C2H26. Both companies also highlighted physical AI as a significant, as-yet largely untapped opportunity (though in our view NVDA does appear to be favorably positioned to capture a larger share of the TAM relative to AMD).
- **In the realm of edge AI, INTC unveiled its Core Ultra 3 Series (Panther Lake)**, which delivers up to 180 TOPS, capable of handling a 70 billion parameter model. Given the performance, privacy, security, cost efficiency, and data control concerns around the cloud, there is a strong case for localized computing. Intel is leveraging its scale and ecosystem to develop and enable AI processing across PC compute and into a wide range of AI edge devices. [read here](#)

LMT: Agreement with Dept of War (DoW); Initial Investor Feedback (sales comment only) – this morning LMT signed a 'landmark framework agreement' with DoW to rapidly accelerate production & delivery of PAC-3 MSE interceptors, with 7-yr agreement increasing annual capacity to 2,000 (from ~600 in 2025), and the PR notes that it incorporates a 'collaborative financing approach designed to preserve initial cash neutrality' (which folks read as little change to N-T cash flow ests). Initial feedback is mild positive on N-T demand visibility, but most do not seem to be viewing it as enough of a true thesis changer for the LMT bull/bear case which is largely tied to L-T FCF (on the bear side, which is where most investors gravitate). LMT PR: [read here](#)

- **Follow Up Feedback (Skews More Positive)** – over the course of the morning more feedback has come in skewing more distinctly positive vs initial feedback on the headlines with particular focus on the language in the PR from the Dept of War (DoW), linked below, which investors are taking as an important signal shift from the gov't on funding/supporting these types of contracts as it suggests it is the first of many ("This facilitization strategy will be applied to multiple munitions procurement contracts over the next year, pending Congressional appropriations, to replenish our stockpiles, rebuild our military, reestablish deterrence and strengthen and grow our defense industrial base"), and folks feel that is a bullish shift for

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multi-year programs like this that the gov't is backing visibly. [Read here](#)

PH: Tusa Initiates with OW, \$1,050 PT – Tusa adds PH to his coverage universe this morning with an OW rating for this mega-cap compounder with best-in-class operating model, especially as the cyclical portion of the business seems to be shifting to not be a drag and potentially have cycle timing in its favor, at least for the next several quarters as these markets bottom, orders accelerate and margin expansion still has room to go. Tusa notes, “Parker probably one of the few remaining companies that could be considered a premium “compounder”. The larger the company gets, the harder this will be to sustain, but we think the setup looks good to continue this run through the next 3-5 years. With this backdrop, while the recent run does not set the current level as “opportunistic”, we think the current premium is warranted, especially when considering cycle timing.” Full note: [read here](#)

- **Investor Feedback** – PH has been a mega cap darling across fund types & geographies for multiple years, and out of the previous ‘core 4’ favorite large cap names in multis (ETN, TT, IR, PH), it is the only one that still remains a consensus favorite name to own with many feeling a new bull case will be unlocked in 2026 as cycle turns and as they continue to flex their capital allocation muscle well.

Machinery/Trucks: Prelim Class 8 Dec Orders – last night, ACT Research released preliminary NA truck net orders for December 2025. Class 8 net orders were 42,700 units, up 118% MoM and up 16% YoY. **Seasonally adjusted net orders of Class 8 trucks came in at an implied 34,000 units (408K SAAR), up 98% MoM and up 14% YoY.** Using preliminary orders and corresponding OEM build plans, Class 8 backlog is expected to increase by ~25.6K units MoM to ~119.4K in December, down 26.1K units and 18% YoY. However, ACT Research’s Carter Vieth further notes: *“As trucking fundamentals remain thin, if improving, we view December’s Class 8 result as overstating the improvement.”*

- **Full commentary from ACT’s Vieth:** “Despite ongoing challenges, demand is likely aided by three main factors: (1) the economy, even if supported by AI tailwinds, continues to outperform expectations, rising 4.3% q/q in Q3. Crucially for the trucking industry, consumer spending remains robust, accounting for more than half of Q3 GDP growth. Preliminary reports also suggest strong holiday spending in Q4; (2) spot rates surged through November and December, helped by demand, severe weather, and quickening capacity contraction. Though much of these gains likely to reverse in January if weather continues to warm, the ~24 cent per mile van rate increase from November to December (+14%, ex-fuel), provides carriers with some confidence/hope that the rate recession is finally ready to turn after four years at the bottom; and (3) EPA’s mid-November announcement regarding EPA’27 added much needed regulatory clarity and likely drove decision making. The EPA’s Clean Truck regulation is expected to add an estimated \$10k increase in equipment costs starting in 2027.” [read here](#)

Elevators: Global Report (incl u/g of Schindler to OW and Neutral on Kone; OTIS already OW-rated) – our European team is out with a few rating changes on elevator names (moving to more positive view on the group) with a comprehensive look at the industry and note that Tusa moved to OW on OTIS in July. Full report has a lot of detail but just to flag in a nutshell the call: “The global elevator sub-group typically generates sector-leading returns on capital, is relatively simple to understand and, after a difficult few years due to the correction in Chinese construction, is entering a period of structurally higher margins, in our view. We move to OW on Schindler (TP: CHF 340) and to Neutral on KONE (TP: €65), both from NR, favouring the former over the latter on the basis of upside to consensus and relative valuation. Steve Tusa upgraded [OTIS to OW \(from N\) in July](#) and, taking a view across all three, OTIS is the most mispriced.” [read here](#)

Autos: Dec SAAR Details --> US SAAR came in at 16.36m in Dec’25 (-4.1% y/y), up from 15.84 mn in November but short of the December 2024 SAAR of 17.06 mn. Total U.S. demand in 2025 came to 16.40 mn units (2024: 16.05 mn). Notably, industry volumes increased by ~10% in Apr’25, ~2% in May, decreased by ~5% in June, then recovered with a ~9% rise in July, a ~4% gain in August, and a ~6% uptick in September. This was followed by a ~4% decrease in October, an estimated ~6% drop in November and a ~1% fall in December. For the full year 2025, industry volumes were up ~2% YoY vs. 2024. On a monthly basis,

industry volumes in Dec'25 were up 14.8%. Significant decline in BEV sales, ongoing momentum in HEVs: Following the expiration of IRA subsidies at the end of September, BEV sales fell sharply for a third consecutive month in December, to ~87k vehicles (-36% YoY), with monthly penetration dropping to 6% (vs. 9% a year ago). Meanwhile, HEV sales rose to ~192k vehicles in December (+~13% YoY), maintaining double-digit growth and a high penetration rate of ~13%. [read here](#)

Defense: Flagging Expert Call today (11a ET) + LHX Seth's Thoughts – the highlight of today in defense is of course the LMT/DoW announcement (feedback included above), but wanted to flag an expert call Seth is hosting at 11a ET and his thoughts on LHX news yesterday (FWIW I got little to no feedback on LHX announcements) –

- **11a Defense Expert Call with Jim McAleese** (Principal, McAleese and Associates): [Register Here](#)
- **LHX: Seth's Thoughts on 1/5 Announcements** -- LHX is off to a fast start in 2026 with two pieces of news today: 1) plans to sell a 60% stake of its Space Propulsion and Power Business to AE Industrial Partners, and 2) a re-segmentation to three business units from four. The sale should allow LHX to focus more on the missile and missile defense side of Aerojet, while the re-segmentation will allow mgmt to present the business to investors in ways that highlight different elements of LHX. Note has further detail: [Read Here](#)

Building Products: Repair/Remodel Tracker (Expected to Inflect Modestly in 2026 after 3 yrs of Modest Declines)

(Rehaut) -- In this report, we track and examine repair/remodel activity – which represents the largest end market for our building products universe – and the demand drivers behind such activity, as well as present volume and/or sales growth by industry category (i.e., faucets, flooring, roofing) and company. Lastly, we rank order organic sales growth across our universe and provide end market exposure by company as well as valuation histories across our building products universe.

- Overall, repair/remodel activity largely remained negative in 2025, effectively extending the prior two years' low single-digit declines. **Looking forward to 2026, however, we expect repair/remodel activity to inflect modestly to flat to slightly up**, driven by 2025's more stabilized level of existing home sales, although consumer confidence and home prices remain potential downside risks.
- Across our universe, organic sales growth during 3Q25 was led by TREX, MHK and WHR. Finally, valuations on average across our universe are currently at generally modest discounts against both 5-year and 10-year averages on a P/E basis, as well as being roughly in-line with their 5-year and 10-year averages on an EV/EBITDA basis. [read here](#)

Some Energy Flags from Brendan Henrici: VST Announcement (Power/IPPs), VZ Call 11:30a ET, Follow up VZ Feedback on Energy Rotation

Gas Plant M&A (c/o Brendan Henrici): VST announced that it was buying 10 gas plants (5.5GW) for \$4bn (7.25x '27 adj. EBITDA) from Cogentrix Energy (JT's recap here). This is something we have heard more and more from investors in 4Q25. That 2026 isn't just about hyperscaler deals, it's about further gas plant M&A. After all, the market has been rewarding it. The 3 largest single day moves for US IPPs in the past 2 years came in the wake of their respective gas plant announcements (see chart below).

- **The question now from investors will turn to, how many of these large-scale platform remains remain available after this wave of consolidation?** As JT notes, we see limited ones of this size (>\$500mm EBITDA) in the market. One interesting question posed to me by an investor after the news yesterday evening was, what does the consolidation of all the merchant assets by the 4 IPPs mean for the consumer? Also, this wasn't the only gas plant acquisition announced yesterday. Doesn't seem to be too well covered but Elon Musk confirmed that xAI has bought 380MW worth of gas turbines from South Korea's Doosan Enerbility.

VZ Conf Call at 11:30a ET Today -- Join experts from across Global Research for an in-depth discussion on market implications following the latest headlines from Venezuela. **J.P. Morgan Speakers:** Natasha Kaneva, Head of Global Commodities Research, Derek Chollet, Head of the Center for Geopolitics, Katherine Marney, Emerging Markets Economist, Diego W. Pereira, Chief Economist for the Southern Cone and Andeans. <https://jp-morgan-venezuela-update-jan-2026.open-exchange.net/registration>

Venezuela Aftermath: Brendan Henrici (US Energy Spec) on Rotation Feedback-- Yesterday's energy rotation was, if nothing else, historical. It's a bit of a pick your poison on the way in which you could measure it but there were a number of relative relationships or dispersions that occurred Monday that either have not happened in quite some time or have not happened at all. To pick one, the difference between our oilfield services basket and our E&P basket was the largest spread for a single day (~8%) on record (see chart below).

- **Most energy specialists who peeled back the curtain on the move saw some name-by-name relationships that seemed to be suggestive of quite a bit of "energy tourism" in price action yesterday.** While most agreed the directional moves made sense given the thematic, the magnitude was what was in question. By sub-group, the most scrutinized or questioned moves by investors (Energy-wise) were (in order): OFS, Refiners, E&Ps, Sands. Ironically, the highest volume of questions was in sectors unrelated to traditional energy/Venezuela. While the move abated some into the bell, Utilities & certain pockets of renewables were down, at one point 3-4% with little to no explanation. Explanations offered by investors included 1) a cyclical>defensive rotation and 2) traditional energy rotation bleeding through to other pockets (like utilities and renewables). Given if it was just risk on/pro-cyclical we would have seen a bid to power (and renewables), which we did not. As such, I am partial to the second explanation for now.

Macro: Top Of Agenda

SPX -0.1%, **NDX** +0.0%, **RTY** -0.3%. **WTI** +14bps at \$58.40, **NatGas** -210bps to \$3.45, **UK NatGas** +200bps to £0.7226, **Gold** +2bps to \$4,450, **Silver** +169bps to \$77.88, **10Y @** 4.173%, and **VIX @** 15.14.

US: Futs are flat with RTY underperforming as geopolitics dominate the headlines including a potential US/EU deal that provides a security guarantee for UKR potentially with American soldiers maintaining a presence in UKR. Pre-mkt, Mag7 names are weaker ex-NVDA which is leading Semis higher post-CES presentation. Defensives are leading Cyclicals ex-Energy. Bond yields are higher by 1-2bp with USD also bid.

EU/UK: Major markets are mixed with UK leading (+1z move) and France lagging. APAC is off to its best start since 2012; MXAP +3% YTD. China institutes export controls on Japan, appears to be -ve for heavy machinery. Momentum is leading, Cyclicals are lagging; Growth over Value. **UKX** +0.6%, **SX5E** -0.4%, **SXXP** +0.1%, **DAX** +0.1%. **CSI** +1.5%, **HSI** +1.4%, **NKY** +1.3%, **ASX** -0.5%, **KOSPI** +1.5%

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Industrials & Macro Headlines

On the Street

Key Global Research

Key Macro Research

Save the Date: J.P. Morgan Industrials Events

J.P. Morgan Industrials Contacts

Key Global Research

- **Centrus Energy** - \$900M Green Light: The Race Starts for the Long Road Ahead- Bill Peterson [Read here](#)
- **Parker Hannifin** -Mega-cap Compounder With Industrial Strength; Initiating Coverage with an OW Rating- C Stephen Tusa Jr [Read here](#)
- **Delta Air Lines, Inc.** - Model Update- Jamie Baker [Read here](#)
- **Global Autos Driver** -Global Autos Newsflow & Research- Jose M Asumendi [Read here](#)
- **Multiplan** - 10% Stake Sold in BH Shopping for R\$285mn at ~7.6% Cap Rate - Another Positive Divestment- Marcelo Motta [Read here](#)
- **US Weekly Prospects** - - Michael Feroli [Read here](#)
- **Repair/Remodel Tracker** -R&R Activity, Following Three Years of Modest Declines, Should Inflect Modestly in 2026 to Flat to Slightly Up- Michael Rehaut [Read here](#)
- **Global Elevators** -Next-level margins deserving of elevated valuations- Phil Buller [Read here](#)
- **L3Harris Technologies Inc** - Our Take On Propulsion JV, Re-segmentation- Seth M Seifman [Read here](#)
- **NA Trucks** - Class 8 Orders of 42,700 Units, Up 118% MoM & Up 16% YoY in December- Tami Zakaria [Read here](#)
- **Nexans** - Model update for restatement and FY25 results preview - lifting PT to €145- Akash Gupta [Read here](#)
- **InPost** - Flash News: InPost states it has received an indicative all-share offer; no assurances, but reflects strong attractions of business model currently under-appreciated by market- Alexia Dogani [Read here](#)
- **CIMC Enric** -Raising PT as new businesses move into earnings- Beatrice Lam [Read here](#)
- **Akzo Nobel** - 4Q preview: Lowering estimates- Chetan Udeshi [Read here](#)
- **Fluidra** - Early Look at Q4'25 Results: Limited changes to estimates ahead of results- Chitrita C Sinha [Read here](#)
- **FLSmidth** - Early look at Q4'25 Results: Expect a good end to the year- Chitrita C Sinha [Read here](#)
- **Saint-Gobain** - Previewing Q4/H2 expectations- Elodie Rall [Read here](#)
- **JPM | Building Broadcast: SGO, HOLN, SIKA, DG, FER, ADP** - JPMC Construction Daily- Elodie Rall [Read here](#)
- **Lufthansa** -Checking-In for Q4 earnings- Harry J Gowers [Read here](#)
- **IAG** -Checking-in for Q4 earnings- Harry J Gowers [Read here](#)
- **JPM Autos Tracker: US Light Vehicle Sales** - Dec'25 US SAAR at 16.36m; Toyota, Ford, Stellantis, Mercedes, Nissan, Hyundai and Kia outperform peers; GM, Tesla, Audi, BMW, Volvo and VW report softer volumes- Jose M Asumendi [Read here](#)
- **China Railways** - 2026 outlook: Conservative guidance at working group meeting sets the stage for positive surprise- Karen Li [Read here](#)
- **Rotork** - Early look at the FY25 Results: Expecting a reiteration of trends- Lushanthan Mahendrarajah [Read here](#)
- **Spirax Group** - Early look at the FY25 Results: Expecting limited surprises; focus on FY26 outlook and margin progression- Lushanthan Mahendrarajah [Read here](#)
- **Bodycote Plc** - Early look at FY25 Results: Expecting FY25 and guidance for FY26 to be broadly in line, as well as another buyback- Lushanthan Mahendrarajah [Read here](#)
- **Tech Snippets** -Microchip positively pre-announces again. MCU inventory seems to be ending.- Sandeep Deshpande [Read here](#)

Key Macro Research

- **Global Sustainable Investing Research Library** - Must-Reads and Highlights - December 2025- Virginia Martin Heriz [Read here](#)
- **China monthly data outlook** -Revising 4Q25 and 1H26 growth forecast- Tingting Ge [Read here](#)
- **Daily Economic Briefing** -Smooth operator- Maia Crook [Read here](#)

Save the Date: J.P. Morgan Industrials Events

Event Type	Start Date	Event Name	Marketing Cities
Investor Tour	6-Jan	CES MEETINGS 2026	Las Vegas
Expert Access	6-Jan	CALL WITH JIM MCALEESE, PRINCIPAL, MCALEESE AND ASSOCIATES	Conference Call
Analyst Access	9-Jan	2026 COMMODITIES OUTLOOK CALL FOR EQUITY INVESTORS	Conference Call
Expert Access	15-Jan	FARMING COMES TO NYC - 2026	New York
Analyst Access	22-Jan	BUSINESS & INFORMATION SERVICES NYC GROUP LUNCH	New York

J.P. Morgan Industrials Contacts



Sector Specialists:

US Industrials: Paige Hanson paige.hanson@jpmorgan.com +1 212 622 2747
EU Industrials: Sam Edmunds sam.edmunds@jpmorgan.com +44 207 742 8733
APAC Industrials: Joann Kim joann.kim@jpmorgan.com +85 228 008 016

Industrials Trading:

Pierre Napert-Frenette – US Industrials + US Energy (incl Renewables) pierre.napert-frenette@jpmorgan.com +12126222034
 Taylor Barry – US Industrials taylor.barry@jpmchase.com +12126222776
 Evangelos Kozonis – US Industrials Derivatives evangelos.kozonis@jpmchase.com +12126222539
 Dan Daly – US Industrials Derivatives daniel.daly@jpmorgan.com +12126222580

Electrical Equipment & Multi-Industry Research:

Stephen Tusa stephen.tusa@jpmorgan.com +12126226623
 Patrick Baumann patrick.m.baumann@jpmchase.com +12126220160
 Chigusa Katoku chigusa.katoku@jpmchase.com +12126220855
 Parth Patel parth.x2.patel@jpmchase.com +12126229327
 Chandreyee Sengupta chandreyee.sengupta@jpmorgan.com +912261573205

Aerospace & Defense Research:

Seth Seifman seth.m.seifman@jpmorgan.com +12126225597
 Rocco Barbero rocco.j.barbero@jpmorgan.com +12126228140
 Alex Ladd alex.ladd@jpmorgan.com +12126220077

Airfreight & Surface Transportation Research:

Brian Ossenbeck brian.p.ossenbeck@jpmorgan.com +12126221023
 Grady Carr grady.carr@jpmchase.com +12126221251
 Brandon Wexler brandon.wexler@jpmchase.com +16463265683
 Piyush Khaitan piyush.khaitan@jpmchase.com +912261575169

Machinery, Engineering & Construction Research:

Tami Zakaria tami.zakaria@jpmchase.com +12126229888
Chaya Levkowitz chaya.levkowitz@jpmchase.com +12126224929
Alec McGuire alec.mcguire@jpmorgan.com +16292736311
Eshan Desai eshan.hj.desai@jpmchase.com +912261575194

SMid Cap Industrials:

Tomohiko Sano tomohiko.sano@jpmorgan.com (212) 622-1099
Brendan Shea brendan.shea@jpmorgan.com (212) 622-0770
Ethan Coyle ethan.coyle@jpmorgan.com (212) 270-0613

Chemicals & Packaging Research:

Jeffrey Zekauskas jeffrey.zekauskas@jpmorgan.com +12126226644
Silke Kueck silke.x.kueck@jpmorgan.com +12126226503
Katie Zhang katie.zhang@jpmchase.com +12126223262
Lydia Huang lydia.huang@jpmorgan.com +12126220086

Autos & Auto Parts Research:

Ryan Brinkman ryan.j.brinkman@jpmorgan.com +12126226581
Rajat Gupta rajat.gupta@jpmorgan.com +12126226382
Jash Patwa jash.patwa@jpmchase.com +13473718551
Yash Beswala yash.beswala@jpmchase.com +912261574230

Clean Energy / Sustainable Investing Research:

Mark Strouse mark.w.strouse@jpmorgan.com +12126228244
Michael Fairbanks michael.fairbanks@jpmchase.com +12126224908

Clean Tech Research:

Bill Peterson bill.peterson@jpmchase.com +14153156766
Mahima Kakani mahima.kakani@jpmchase.com +12126220526
Bennett Moore bennett.moore@jpmchase.com +12126220188

Airlines Research:

Jamie Baker jamie.baker@jpmorgan.com (1-212) 622 -6713
James Kirby james.m.kirby@jpmchase.com (1-212) 622-8297

Homebuilders and Building Products:

Michael Rehaut michael.rehaut@jpmorgan.com (1-212) 622 -6696
Andrew Azzi andrew.azzi@jpmchase.com (1-212) 622-3072
Alex Issac alex.isaac@jpmorgan.com (1-212) 622-9159

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Paige Hanson - Specialist Sales - US Industrials ^{AC}
(1212) 622 2747
paige.hanson@jpmorgan.com

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