

# Guide to the Markets®



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*Past performance is no guarantee of comparable future results.*

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Charts reflect index levels (price change only). All returns and annotations reflect total return, including dividends.

**Equities**



	3Q 2012			2012 YTD		
	Value	Blend	Growth	Value	Blend	Growth
<b>Large</b>	6.5%	6.4%	6.1%	15.7%	16.4%	16.8%
<b>Mid</b>	5.8%	5.6%	5.3%	14.0%	14.0%	13.9%
<b>Small</b>	5.7%	5.3%	4.8%	14.4%	14.2%	14.1%

	Since Market Peak (October 2007)			Since Market Low (March 2009)		
	Value	Blend	Growth	Value	Blend	Growth
<b>Large</b>	-6.9%	2.7%	14.2%	132.2%	129.6%	132.9%
<b>Mid</b>	5.8%	8.3%	9.8%	170.3%	161.4%	153.8%
<b>Small</b>	2.3%	6.2%	9.6%	153.1%	156.2%	158.7%

Source: Russell Investment Group, Standard & Poor's, FactSet, J.P. Morgan Asset Management.

All calculations are cumulative total return, including dividends reinvested for the stated period. Since Market Peak represents period 10/9/07 – 9/28/12, illustrating market returns since the most recent S&P 500 Index high on 10/9/07. Since Market Low represents period 3/9/09 – 9/28/12, illustrating market returns since the S&P 500 Index low on 3/9/09. Returns are cumulative returns, not annualized. For all time periods, total return is based on Russell-style indexes with the exception of the large blend category, which is reflected by the S&P 500 Index. Past performance is not indicative of future returns.

Data are as of 9/30/12.

Equities

	Financials	Technology	Health Care	Industrials	Energy	Cons. Discr.	Cons. Staples	Telecom	Utilities	Materials	S&P 500 Index	Weight
<b>S&amp;P Weight</b>	14.6%	20.1%	12.0%	9.8%	11.3%	11.0%	10.9%	3.3%	3.5%	3.5%	100.0%	
Russell Growth Weight	4.3%	32.6%	11.9%	11.8%	4.1%	16.4%	12.7%	2.3%	0.2%	3.8%	100.0%	
Russell Value Weight	26.4%	6.3%	11.7%	9.1%	16.9%	7.9%	7.3%	3.8%	6.8%	3.9%	100.0%	
<b>3Q 2012</b>	6.9	7.4	6.2	3.6	10.1	7.5	3.8	8.1	-0.5	5.1	6.4	
<b>2012 YTD</b>	21.6	21.8	17.8	11.2	7.6	21.4	12.7	25.9	4.3	12.0	16.4	
<b>Since Market Peak</b> (October 2007)	-51.4	22.8	23.3	-4.9	4.2	34.7	47.7	13.5	8.5	-3.2	2.7	Return
<b>Since Market Low</b> (March 2009)	165.1	157.3	98.7	161.4	90.9	211.7	107.1	116.8	90.0	130.6	129.6	
<b>Beta to S&amp;P 500</b>	1.39	1.24	0.64	1.17	0.92	1.11	0.52	0.84	0.51	1.28	1.00	β
Forward P/E Ratio	10.7x	12.7x	12.8x	12.5x	11.5x	15.1x	15.8x	18.3x	14.9x	12.7x	12.9x	
<b>15-yr avg.</b>	12.9x	24.0x	18.6x	17.0x	14.8x	18.7x	18.3x	17.5x	13.6x	16.2x	16.8x	P/E
Trailing P/E Ratio	12.4x	15.9x	18.2x	14.5x	10.9x	15.7x	18.6x	47.1x	16.5x	16.8x	15.2x	
<b>20-yr avg.</b>	15.9x	26.7x	24.1x	20.4x	18.2x	19.6x	21.1x	19.4x	14.3x	19.6x	19.6x	
Dividend Yield	1.8%	1.5%	2.2%	2.5%	2.3%	1.6%	2.9%	4.6%	4.2%	2.5%	2.1%	
<b>20-yr avg.</b>	2.1%	0.6%	1.5%	1.8%	1.8%	1.0%	2.0%	3.8%	4.4%	2.1%	1.7%	Div

Source: Standard & Poor's, Russell Investment Group, FactSet, J.P. Morgan Asset Management.

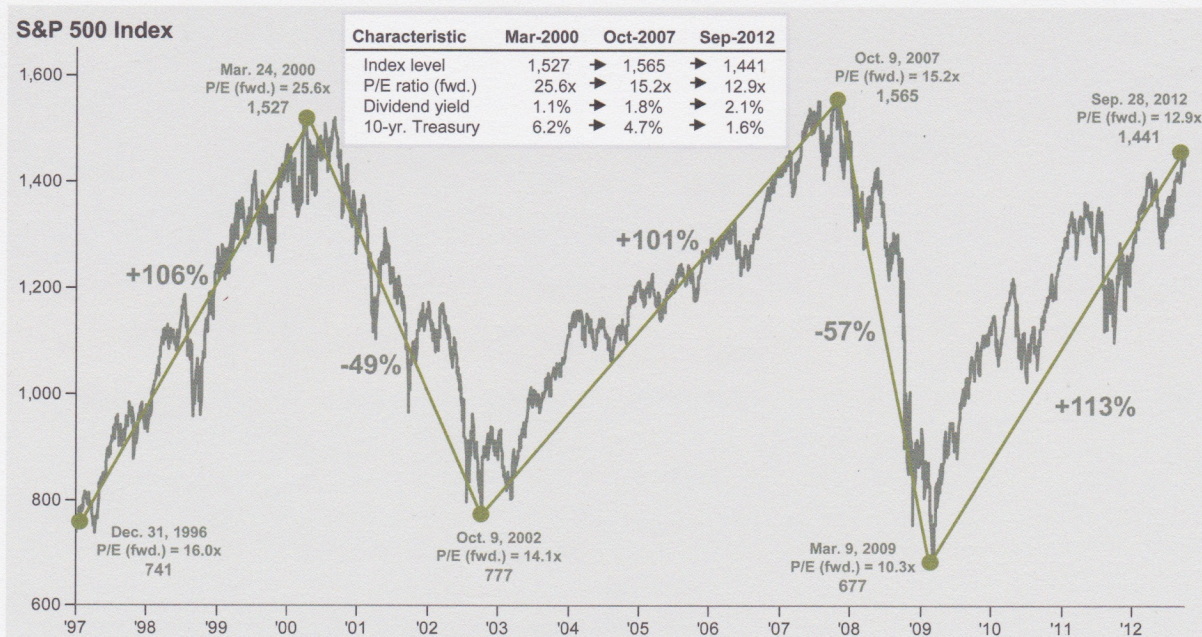
All calculations are cumulative total return, not annualized, including dividends for the stated period. Since Market Peak represents period 10/9/07 – 9/28/12. Since Market Low represents period 3/9/09 – 9/28/12.

Forward P/E Ratio is a bottom-up calculation based on the most recent S&P 500 Index price, divided by consensus estimates for earnings in the next 12 months (NTM), and is provided by FactSet Market Aggregates. Trailing P/E ratios are bottom-up values defined as month-end price divided by the last 12 months of available reported earnings. Historical data can change as new information becomes available. Note that P/E ratios for the S&P 500 may differ from estimates elsewhere in this book due to the use of a bottom-up calculation of constituent earnings (as described) rather than a top-down calculation. This methodology is used to allow proper comparison of sector level data to broad index level data. Dividend yields are bottom-up values defined as the annualized value of the most recent cash dividend as a percent of month-end price. Beta calculations are based on 10 years of monthly price returns for the S&P 500 and its sub-indices.

Past performance is not indicative of future returns.

Data are as of 9/30/12.

Equities



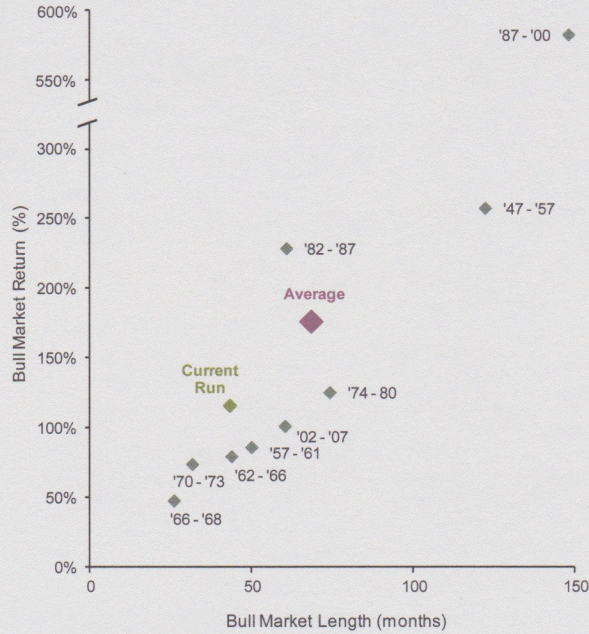
Source: Standard & Poor's, First Call, Compustat, FactSet, J.P. Morgan Asset Management.

Dividend yield is calculated as the annualized dividend rate divided by price, as provided by Compustat. Forward Price to Earnings Ratio is a bottom-up calculation based on the most recent S&P 500 Index price, divided by consensus estimates for earnings in the next 12 months (NTM), and is provided by FactSet Market Aggregates. Returns are cumulative and based on S&P 500 Index price movement only, and do not include the reinvestment of dividends. Past performance is not indicative of future results.

Data are as of 9/30/12.

Equities

Historical Bull Markets: Duration and Magnitude\*



Bear Market Cycles vs. Subsequent Bull Runs

Market Peak	Market Low	Bear Market Return	Length of Decline	Bull Run	Length of Run	Yrs. to Reach Old Peak
5/29/46	5/19/47	-28.6%	12	257.6%	122	3.1 yrs.
7/15/57	10/22/57	-20.7%	3	86.4%	50	0.9 yrs.
12/12/61	6/26/62	-28.0%	6	79.8%	44	1.2 yrs.
2/9/66	10/7/66	-22.2%	8	48.0%	26	0.6 yrs.
11/29/68	5/26/70	-36.1%	18	74.2%	31	1.8 yrs.
1/5/73	10/3/74	-48.4%	21	125.6%	74	5.8 yrs.
11/28/80	8/12/82	-27.1%	20	228.8%	60	0.2 yrs.
8/25/87	12/4/87	-33.5%	3	582.1%	148	1.6 yrs.
3/24/00	10/9/02	-49.1%	31	101.5%	60	4.6 yrs.
10/9/07	3/9/09	-56.8%	17	112.9%	43*	
<b>Average:</b>		<b>-35.0%</b>	<b>14 mo's</b>	<b>176.0%</b>	<b>68 mo's</b>	<b>2.2 yrs.</b>

Source: Standard & Poor's, FactSet, J.P. Morgan Asset Management. Chart is for illustrative purposes only. Past performance does not guarantee future results. A bear market is defined as a peak-to-trough decline in the S&P 500 Index (price only) of 20% or more. The bull run data reflect the market expansion from the bear market low to the subsequent market peak. All returns are S&P 500 Index returns and do not include dividends. \*Current bull run from 3/9/09 through 9/28/12.

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Data are as of 9/30/12.

J.P.Morgan Asset Management

Equities

S&P 500 Index: Valuation Measures

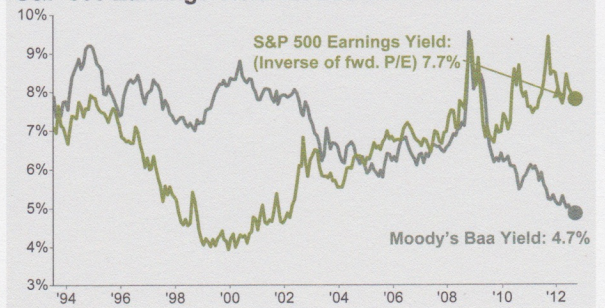
Valuation Measure	Description	Historical Averages					
		Latest	1-year ago	3-year avg.	5-year avg.	10-year avg.	15-year avg.
P/E	Price to Earnings	12.9x	10.8x	12.8x	13.0x	14.3x	16.8x
P/B	Price to Book	2.3	2.0	2.1	2.2	2.5	3.0
P/CF	Price to Cash Flow	9.0	7.5	8.5	8.5	9.8	11.1
P/S	Price to Sales	1.3	1.0	1.2	1.1	1.3	1.5
PEG	Price/Earnings to Growth	1.7	0.8	0.9	1.1	1.2	1.2
Div. Yield	Dividend Yield	2.3%	2.4%	2.2%	2.3%	2.1%	1.9%

S&P 500 Shiller Cyclically Adjusted P/E

Adjusted using trailing 10-yr. avg. inflation adjusted earnings



S&P 500 Earnings Yield vs. Baa Bond Yield



Source: (Top) Standard & Poor's, FactSet, Robert Shiller Data, J.P. Morgan Asset Management.

Price to Earnings is price divided by consensus analyst estimates of earnings per share for the next 12 months. Price to Book is price divided by book value per share. Data post-1992 include intangibles and are provided by Standard & Poor's. Price to Cash Flow is price divided by consensus analyst estimates of cash flow per share for the next 12 months. Price to Sales is calculated as price divided by consensus analyst estimates of sales per share for the next 12 months. PEG Ratio is calculated as NTM P/E divided by NTM earnings growth. Dividend Yield is calculated as consensus analyst estimates of dividends for the next 12 months divided by price. All consensus analyst estimates are provided by FactSet.

(Bottom left) Cyclically adjusted P/E uses as reported earnings throughout.

(Bottom right) Standard & Poor's, Moody's, FactSet, J.P. Morgan Asset Management.

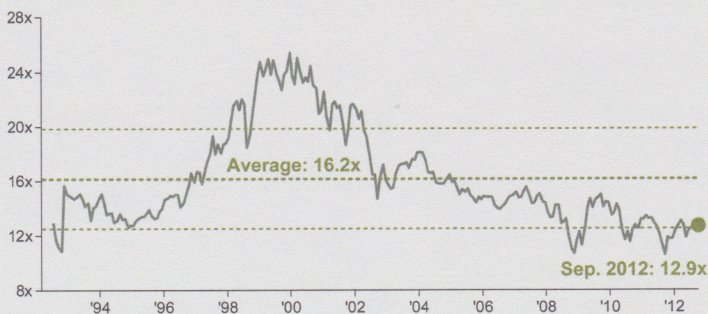
Data are as of 9/30/12.

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S&P 500 Index: Forward P/E Ratio



Current P/E vs. 20-year avg. P/E

	Value	Blend	Growth
Large	11.6 / 14.0	12.9 / 16.2	15.2 / 21.0
Mid	12.3 / 14.0	14.1 / 16.3	16.6 / 21.8
Small	13.0 / 14.2	14.4 / 17.1	16.2 / 21.3

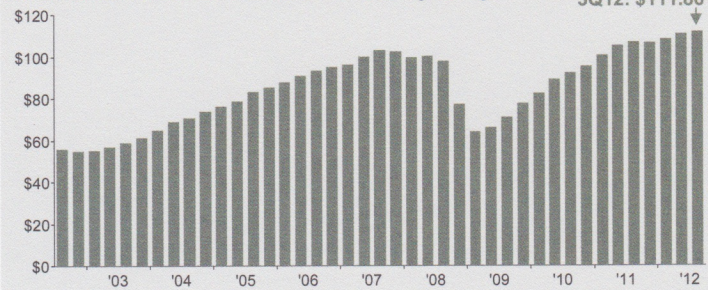
Current P/E as % of 20-year avg. P/E

E.g.: Large Cap Blend stocks are 20.3% cheaper than their historical average.

	Value	Blend	Growth
Large	82.7%	79.7%	72.3%
Mid	87.8%	86.3%	75.9%
Small	91.2%	84.6%	75.8%

S&P 500 Operating Earnings Estimates

Consensus estimates of the next twelve months' rolling earnings

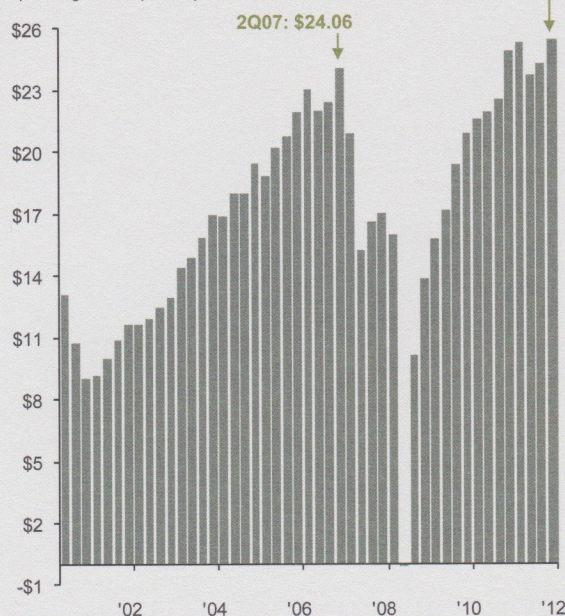


Source: (Top and bottom left) Standard & Poor's, FactSet, J.P. Morgan Asset Management. (Right) Russell Investment Group, IBES, FactSet. Earnings estimates are for calendar years and taken at quarter end dates throughout the year. Forward Price to Earnings is price divided by consensus analyst estimates of earnings per share for the next 12 months. P/E ratios are calculated and provided by Russell based on IBES consensus estimates of earnings over the next 12 months except for large blend, which is the S&P 500. Data are as of 9/30/12.

Equities

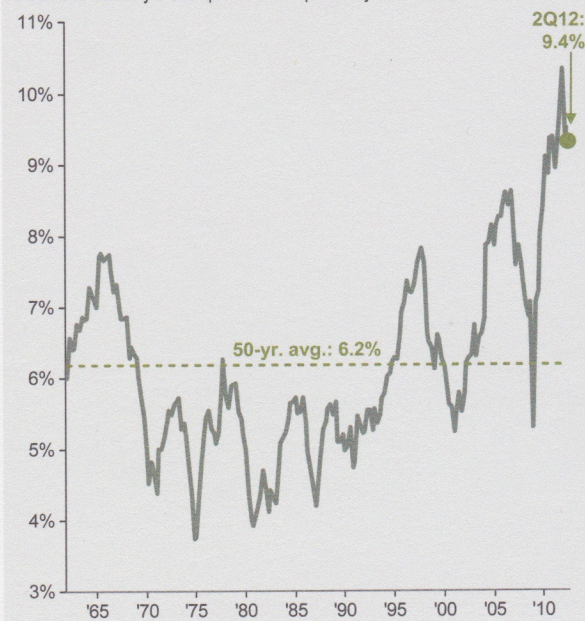
S&P 500 Earnings Per Share

Operating basis, quarterly



Adjusted After-Tax Corporate Profits (% of GDP)

Includes inventory and capital consumption adjustments



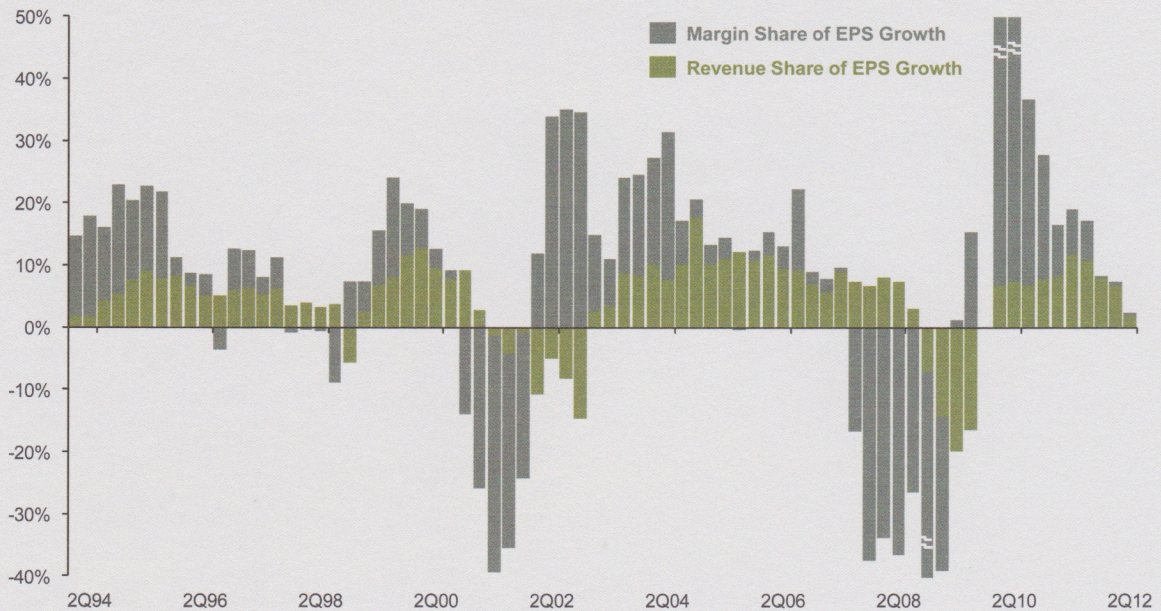
Source: Standard & Poor's, Compustat, BEA, J.P. Morgan Asset Management. EPS levels are based on operating earnings per share. Most recently available data is 2Q12. Past performance is not indicative of future returns.

Data are as of 9/30/12.

Equities

**S&P 500 Year-Over-Year EPS Growth**

Growth broken into revenue growth and margin expansion, quarterly



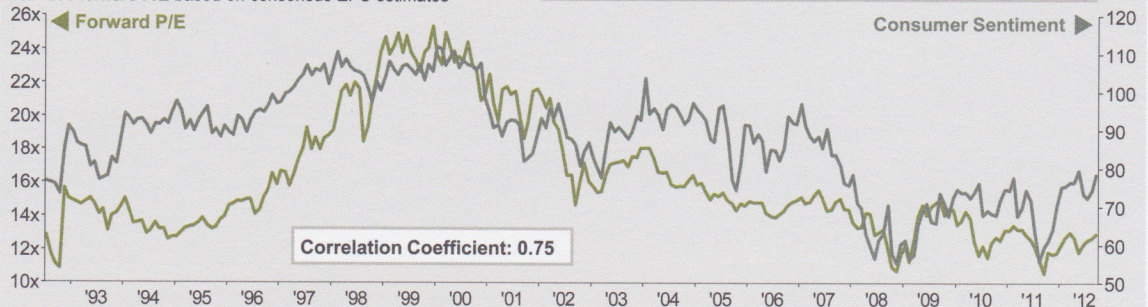
Source: Standard & Poor's, Compustat, J.P. Morgan Asset Management. EPS levels are based on operating earnings per share. Most recently available data is 1Q12. \*2Q12 data are Standard & Poor's estimates. Past performance is not indicative of future returns. 4Q2008, 1Q2010 and 2Q2010 reflect -101%, 92% and 51% growth in operating earnings, and are adjusted on the chart.

Data are as of 9/30/12.

Equities

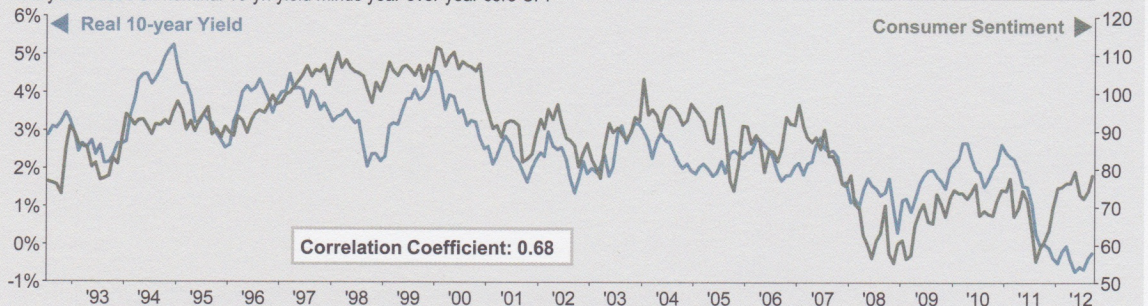
**Multiple Expansion and Contraction**

S&P 500 forward P/E based on consensus EPS estimates



**Sentiment & Real Yields**

Real yield based on nominal 10-yr. yield minus year-over-year core CPI

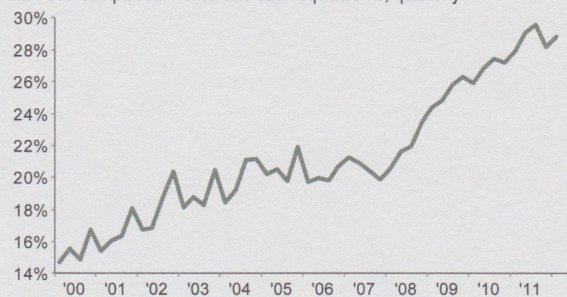


Source: (Top) Standard & Poor's, FactSet, J.P. Morgan Asset Management. (Bottom) U.S. Treasury, BLS, University of Michigan, J.P. Morgan Asset Management. Price to Earnings is price divided by consensus analyst estimates of earnings per share for the next twelve months. Real 10-year Treasury yields are calculated as the daily Treasury yield less year-over-year core inflation for that month. \*Estimated impact based on coefficients from regression analysis. Data are as of 9/30/12.

Equities

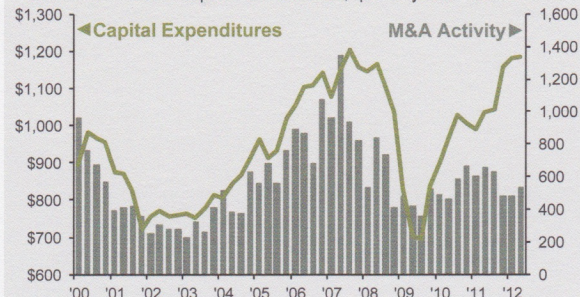
**Corporate Cash as a % of Current Assets**

S&P 500 companies – cash and cash equivalents, quarterly



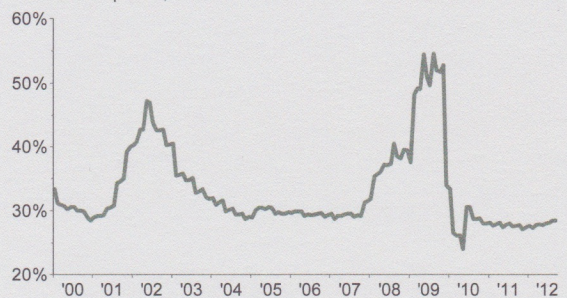
**Corporate Growth**

Nonfarm nonfinancial capex in billions USD, quarterly deal volume



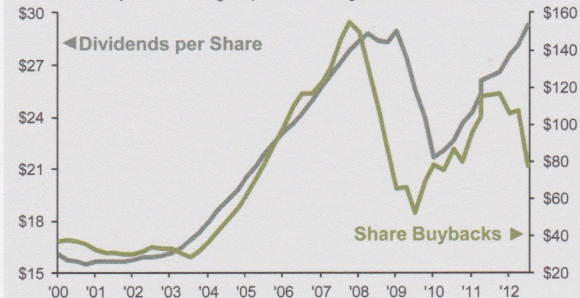
**Dividend Payout Ratio**

S&P 500 companies, LTM



**Cash Returned to Shareholders**

S&P 500 companies, rolling 4-quarter averages, billions USD



Source: Standard & Poor's, FRB, Bloomberg, FactSet, J.P. Morgan Securities, J.P. Morgan Asset Management.

(Top left) Standard & Poor's, FactSet, J.P. Morgan Asset Management. (Top right) M&A activity is quarterly number of deals of any value and capital expenditures are for nonfarm nonfinancial corporate business. (Bottom left) Standard & Poor's, FactSet, J.P. Morgan Asset Management. (Bottom right) Standard & Poor's, Compustat, FactSet, J.P. Morgan Asset Management. Data are most recent as of 9/30/12.

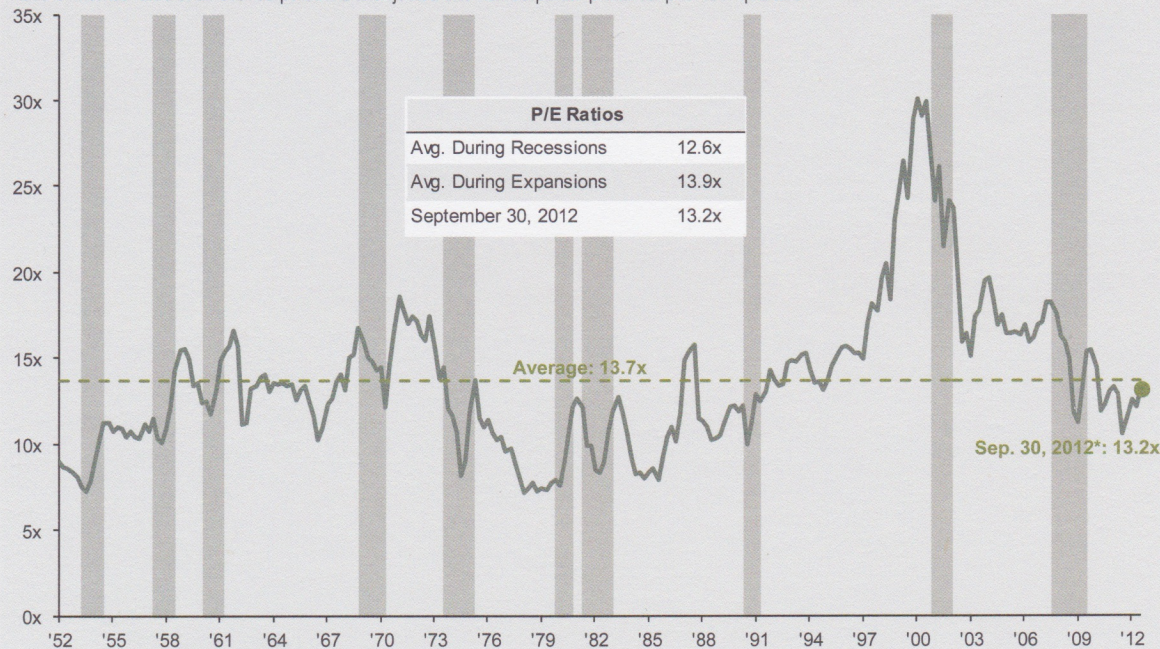
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J.P.Morgan Asset Management

Equities

**Lagged P/E Ratio – All U.S. Corporations**

Ratio of market value of all U.S. corporations to adjusted after-tax corporate profits for prior four quarters



Source: BEA, Federal Reserve Board, Wilshire Associates, J.P. Morgan Asset Management.

\*The September 28, 2012 price is a J.P. Morgan Asset Management estimated based on the daily value of the Wilshire Total Market Index.

Data are as of 9/30/12.

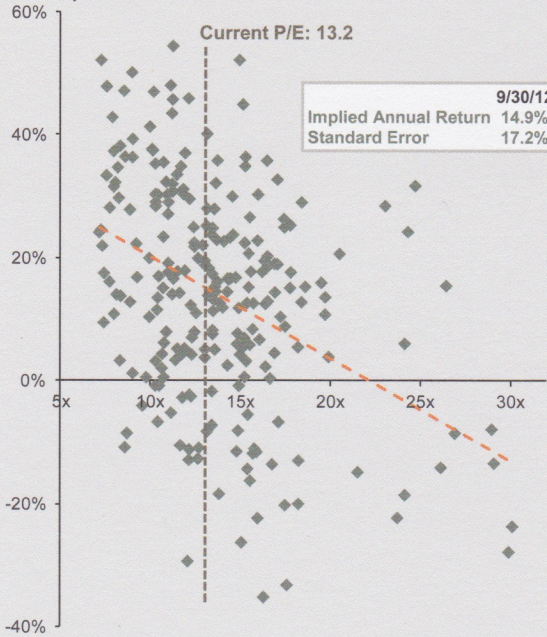
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J.P.Morgan Asset Management

Equities

**P/E and Total Return Over 1-yr. Periods**

Quarterly, 1Q 1952 to 2Q 2011



**P/E and Total Return Over 5-yr. Annualized Periods**

Quarterly, 1Q 1952 to 2Q 2007



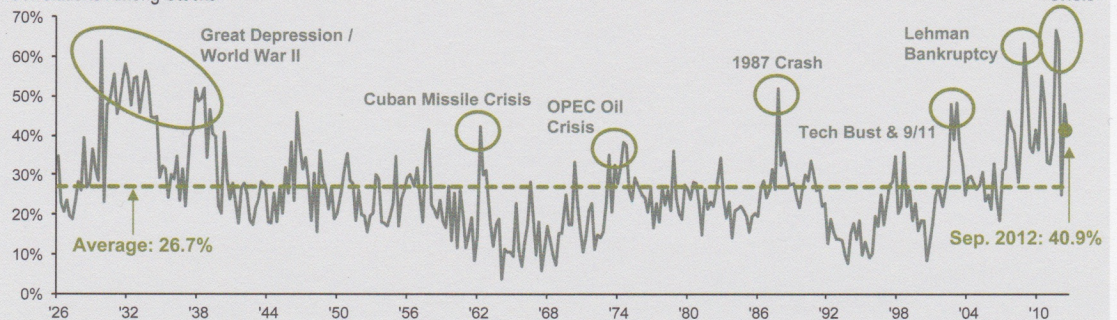
Source: BEA, FRB, J.P. Morgan Asset Management. Prices are based on the market value of all U.S. corporations and include quarterly dividends. Valuation based on long-term PE ratio.

Note: Orange line denote results of linear regression with R-squared of 0.15 for 1-yr. returns (left) and 0.35 for 5-yr. returns (right). Data are as of 9/30/12.

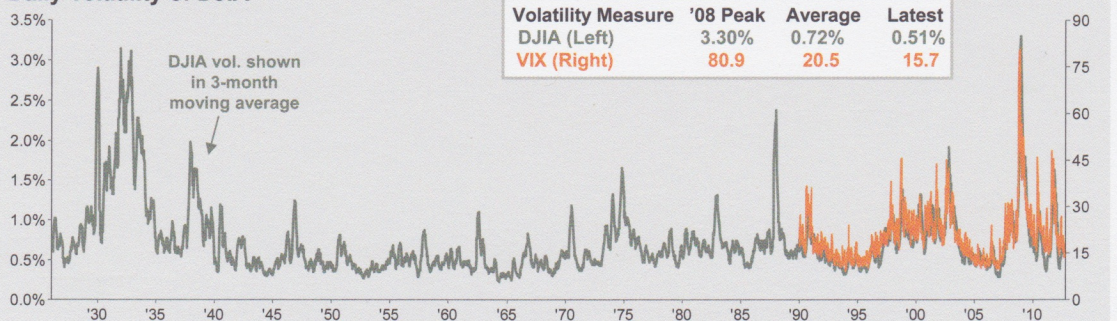
Equities

**Large Cap Stocks**

Correlations Among Stocks



**Daily Volatility of DJIA**

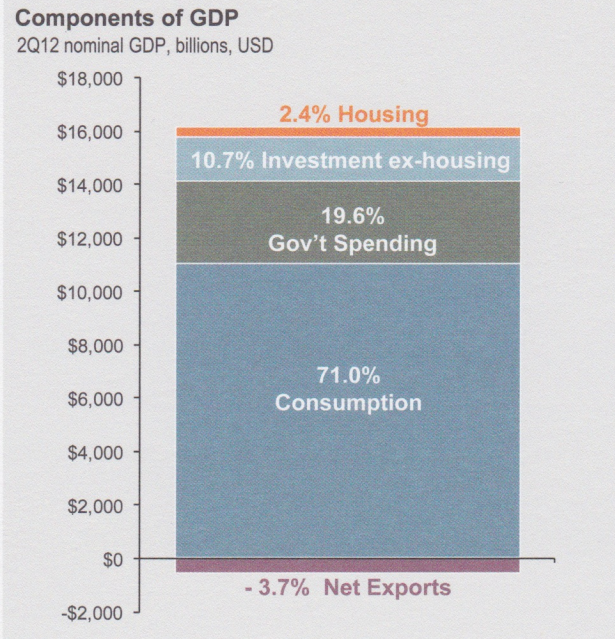
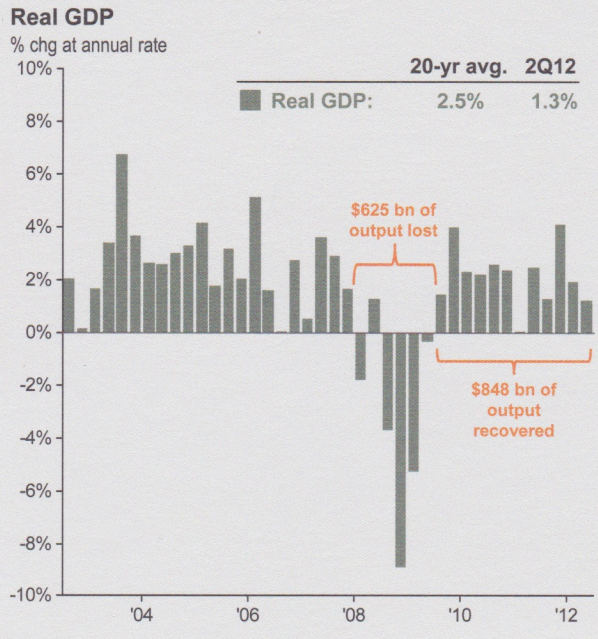


Source: (Top) Empirical Research Partners LLC, Standard & Poor's, J.P. Morgan Asset Management. Capitalization weighted correlation of top 750 stocks by market capitalization, daily returns, 1926 – Sep. 28, 2012. (Bottom) CBOE, Dow Jones, J.P. Morgan Asset Management. DJIA volatility are represented as three-month moving averages of the daily absolute percentage change in the Dow Jones Industrial Average.

Charts shown for illustrative purposes only. Data are as of 9/30/12.

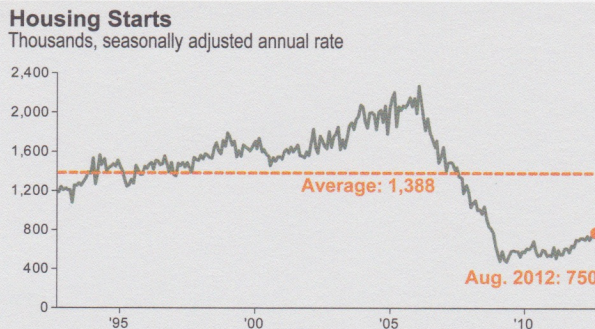
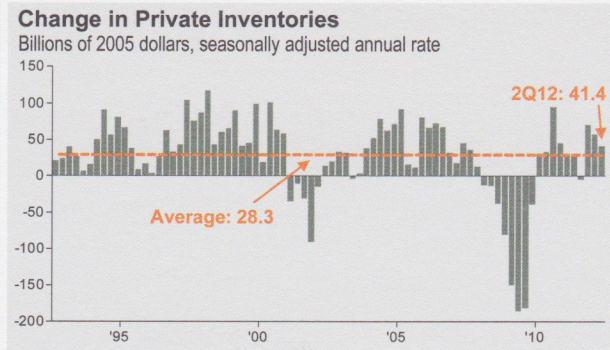
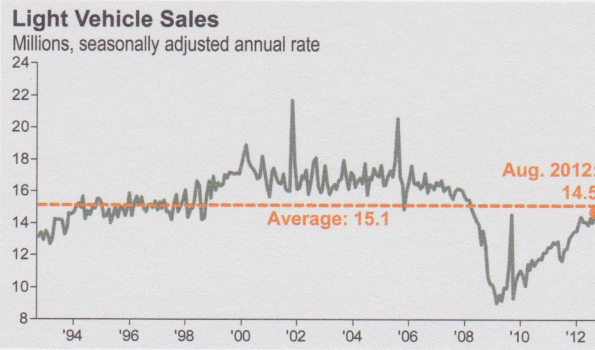


Economy



Source: BEA, FactSet, J.P. Morgan Asset Management.  
GDP values shown in legend are % change vs. prior quarter annualized and reflect 2Q12 GDP.  
Data are as of 9/30/12.

Economy

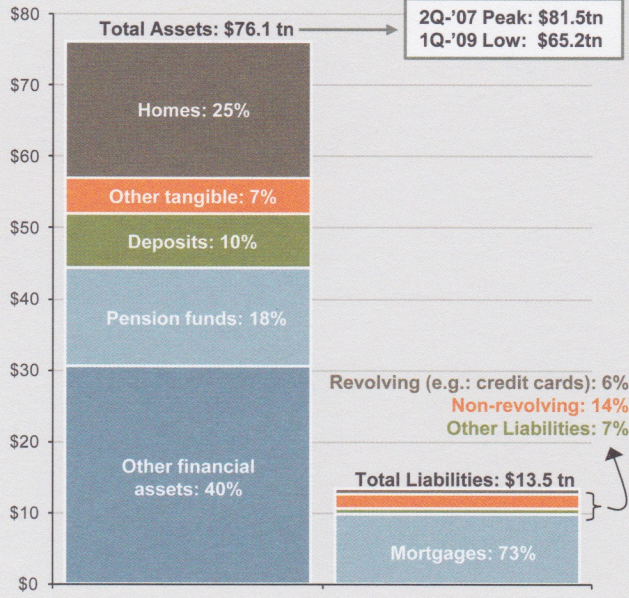


Source: (Top left) BEA, FactSet, J.P. Morgan Asset Management. (Top right) Census Bureau, FactSet, J.P. Morgan Asset Management. (Bottom left) Census Bureau, FactSet, J.P. Morgan Asset Management. (Bottom right) Census Bureau, FactSet, J.P. Morgan Asset Management.  
Capital goods orders deflated using the producer price index for capital goods.  
Data are as of 9/30/12.

Economy

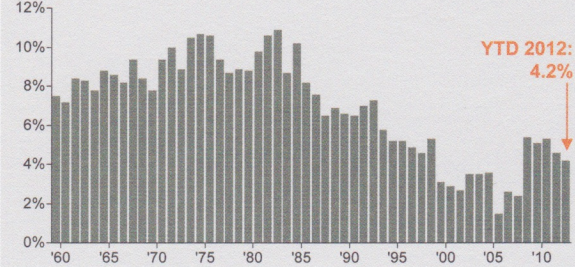
**Consumer Balance Sheet**

Trillions of dollars outstanding, not seasonally adjusted



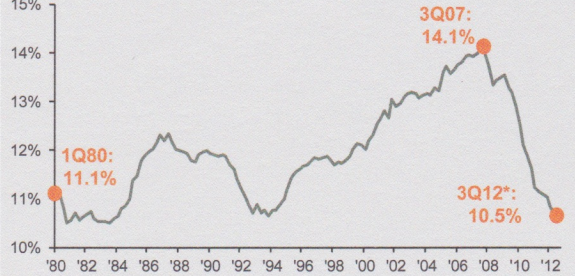
**Personal Savings Rate**

Annual, % of disposable income



**Household Debt Service Ratio**

Debt payments as % of disposable personal income, seasonally adjusted

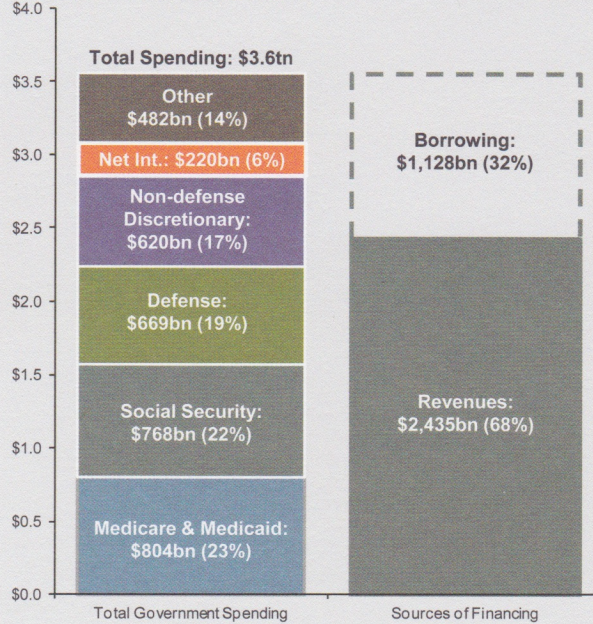


Source: (Left) FRB, J.P. Morgan Asset Management. Data includes households and nonprofit organizations. (Right) BEA, FRB, J.P. Morgan Asset Management. Personal savings rate is calculated as personal savings (after-tax income – personal outlays) divided by after-tax income. Employer and employee contributions to retirement funds are included in after-tax income but not in personal outlays, and thus are implicitly included in personal savings. Savings rate data as of August 2012. \*3Q12 Household Debt Service Ratio is a J.P. Morgan Asset Management estimate. All other data are as of 2Q12 which is most recently available as of 9/30/12.

Economy

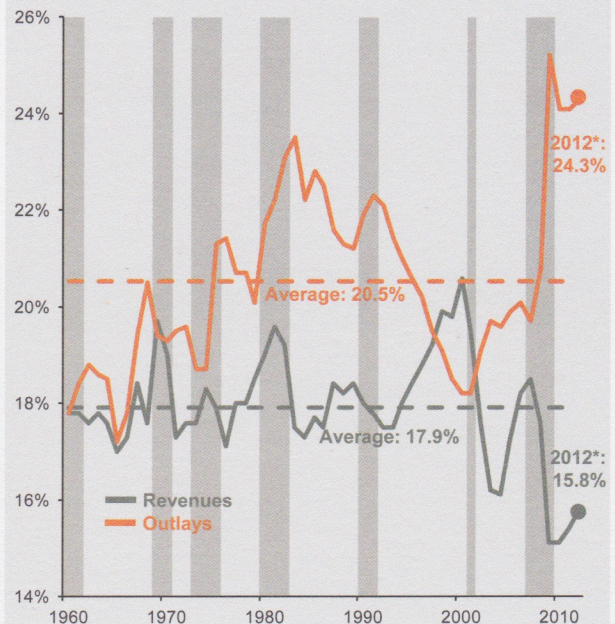
**The 2012 Federal Budget**

CBO Baseline forecast, trillions USD



**Federal Outlays and Receipts**

1960 – 2012, % of GDP



Source: U.S. Treasury, BEA, CBO, J.P. Morgan Asset Management.

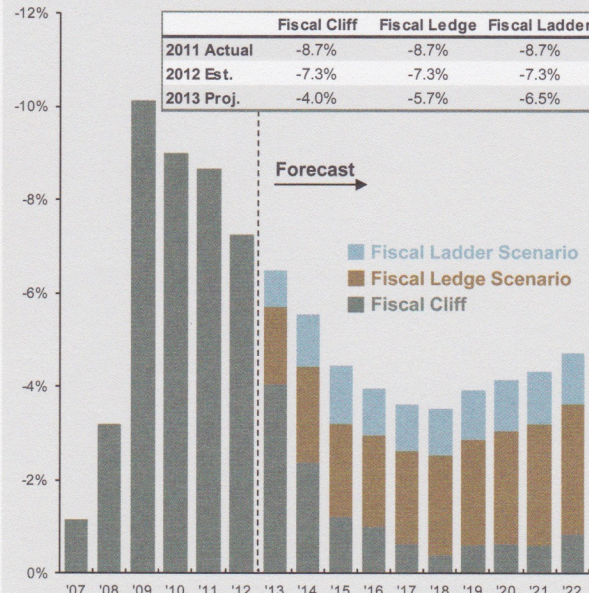
2012 Federal Budget is based on the CBO's August 2012 Baseline Scenario. \*2012 revenues and outlays are forecasts from the Congressional Budget Office (CBO).

Note: Years shown are fiscal years (Oct. 1 through Sep. 30).

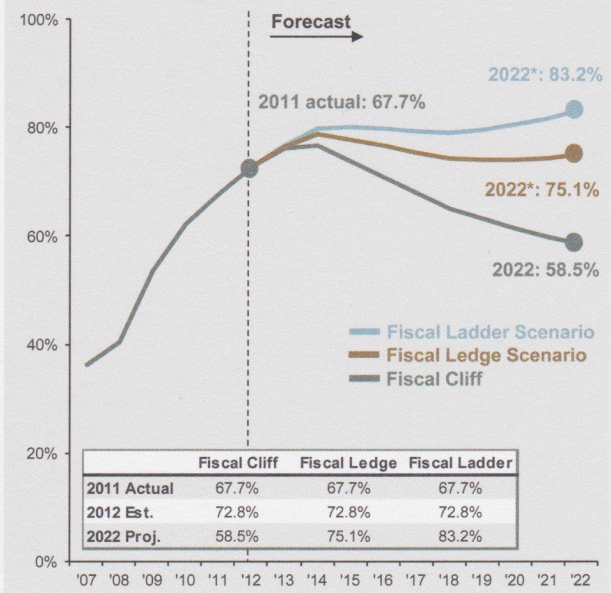
Data are as of 9/30/12.

Economy

**Federal Budget Surplus/Deficit**  
% of GDP, 2007 – 2022



**Federal Debt (Accumulated Deficits)**  
% of GDP, 2007 – 2022

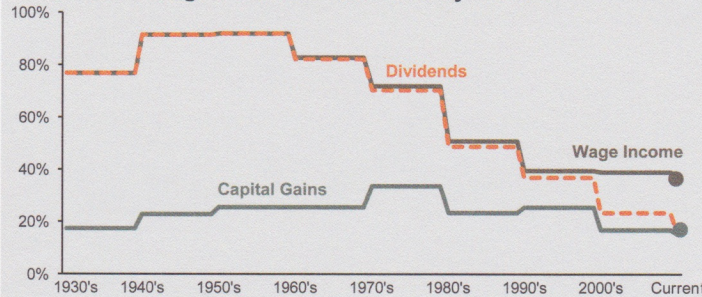


Source: U.S. Treasury, BEA, CBO, J.P. Morgan Asset Management.

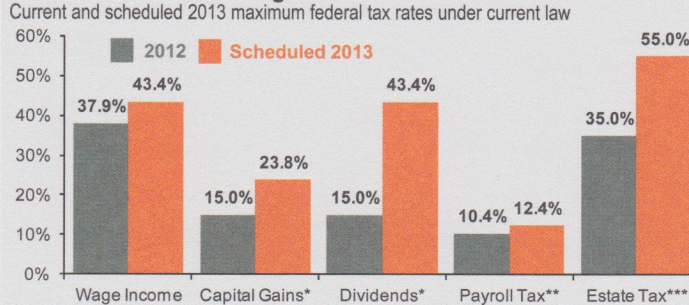
2011 numbers are actuals. Fiscal Cliff is based on the CBO Baseline scenario. \*Fiscal ledge scenario assumes Bush tax cuts are extended only for households earning less than \$250k per year, the AMT is fixed, dividend and capital gain tax rates increase to 20%, the payroll tax cut expires, extended unemployment benefits expire on schedule, higher Medicare taxes take effect and both sets of spending cuts agreed to last fall are implemented. Fiscal Ladder scenario assumes Bush tax cuts are extended in full for 2013 and for households earning less than \$250k per year for 2014 the AMT fix, dividend and capital gain tax rates increase to 20% in 2014 payroll tax cut is maintained in 2013, phased down to 1% in 2014 and eliminated in 2016 extended unemployment benefits expire on schedule higher Medicare taxes take effect and only the first round of spending cuts take effect. Note: Years shown are fiscal years (Oct. 1 through Sep. 30). Chart on the left displays federal surplus/deficit (revenues – outlays). Data are as of 9/30/12.

Economy

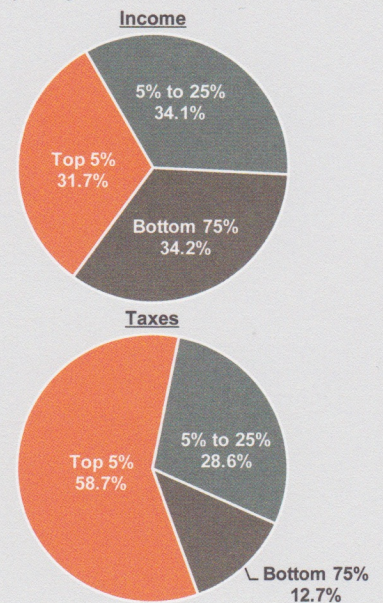
**Historical Average Maximum Tax Rates by Decade**



**Potential Tax Rate Changes**



**Share of Income and Taxes by Income Level**  
Based on adjusted gross income and federal taxes, 2009

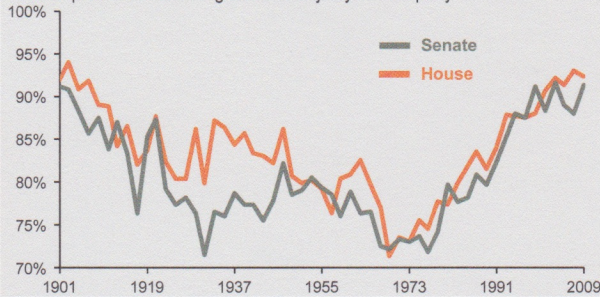


Source: (Top left) IRS, J.P. Morgan Asset Management. Wage income tax rates include employer and employee contributions to the Medicare tax. (Bottom left) IRS, The Tax Foundation, J.P. Morgan Asset Management. Tax rates based on maximum U.S. individual income tax. Wage income tax rates include employer and employee contributions to the Medicare tax. \*Includes recently enacted healthcare tax of 3.8%. \*\*In 2011 and 2012, the payroll tax cut reduced the employee's share of Social Security taxes by 2%. Rates shown include both employer and employee contributions to the payroll tax. \*\*\*In 2013, the estate tax exemption amount was expected to fall to \$1 million from \$5.12 million in 2012. (Right) IRS, J.P. Morgan Asset Management. Taxes paid are based on federal individual income taxes, which are responsible for about 25% of the nation's taxes paid. Data are as of 9/30/12.

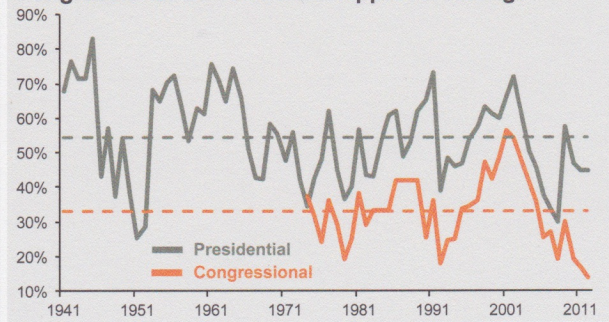
Economy

**Political Polarization**

% of Representatives voting with the majority of their party\*

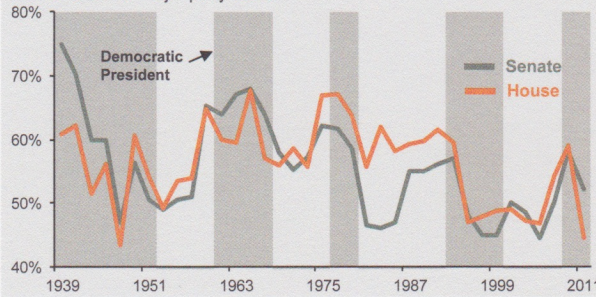


**Congressional & Presidential Approval Ratings**



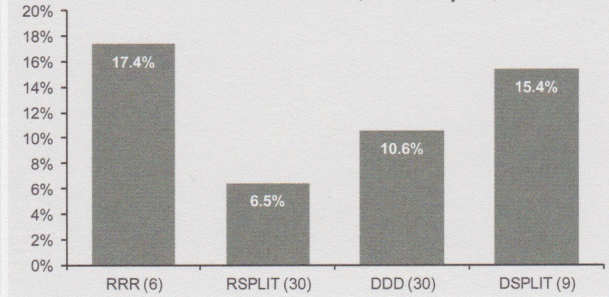
**Political Party Dominance**

Democratic % of major party seats



**Annual Market Returns by Political Party Control**

Parties identified as President/Senate/House, number of years, 1937-2011



Source: U.S. House of Representatives, U.S. Senate, Gallup Inc., FactSet, J.P. Morgan Asset Management.

\*In roll call votes where the majority in one party voted the opposite way to the majority in the other. Data compiled by Professors Keith T. Poole and Howard Rosenthal, available at www.voteview.com. Stock market returns are total return and calculated by calendar year. RSPLIT denotes Republican president and split government, and DSPLIT denotes Democratic President and split government.

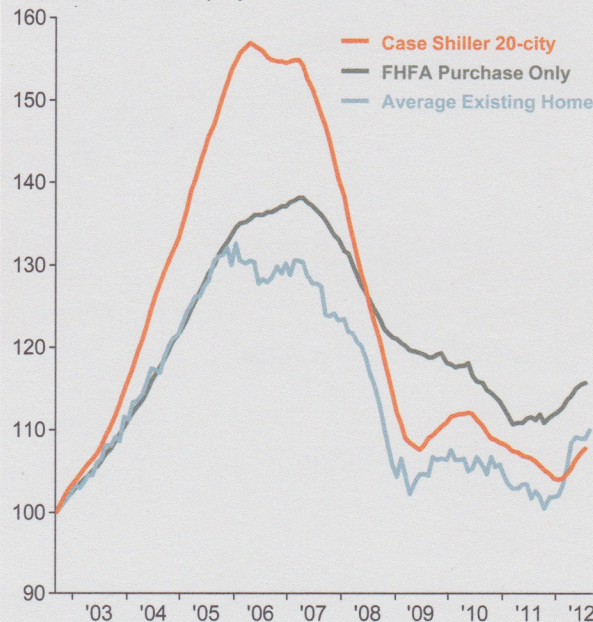
Data are as of 9/30/12.

J.P.Morgan Asset Management

Economy

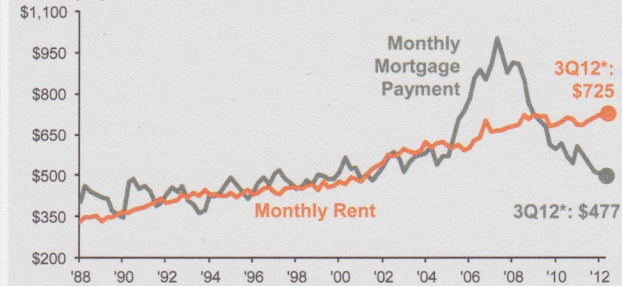
**Home Prices**

Indexed to 100, seasonally adjusted



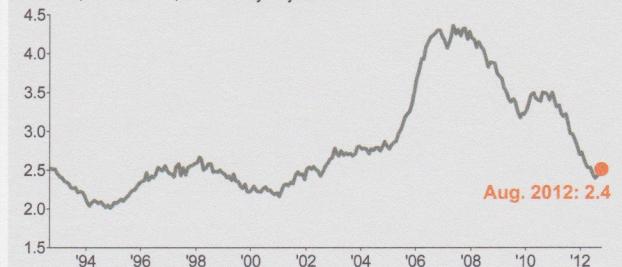
**Monthly Rent vs. Monthly Mortgage Payment**

Vacant properties



**Home Inventories**

Millions, annual rate, seasonally adjusted

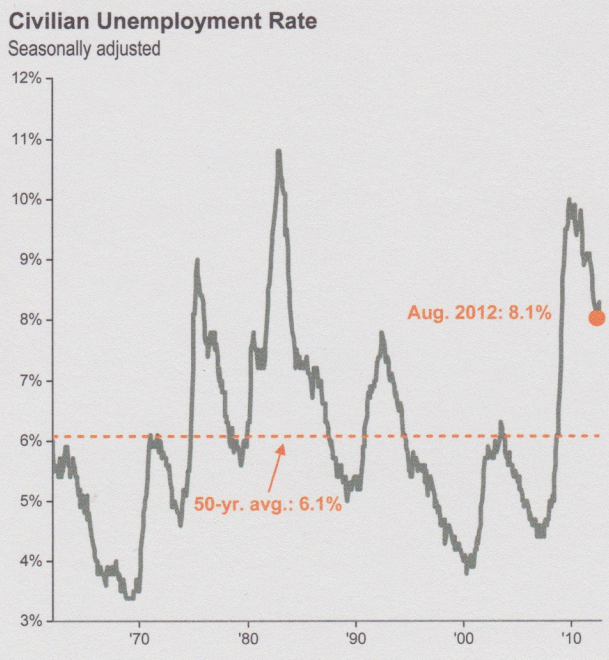


Sources: (Left) National Association of Realtors, Standard & Poor's, FHFA, FactSet, J.P. Morgan Asset Management. (Top right) Census Bureau, J.P. Morgan Asset Management. Monthly mortgage payment assumes a 20% down payment at prevailing 30-year fixed-rate mortgage rates; analysis based on median asking rent and median mortgage payment based on asking price. (Bottom right) Census Bureau, National Association of Realtors, J.P. Morgan Asset Management. \*3Q12 rent and mortgage payment values are J.P. Morgan Asset Management estimates.

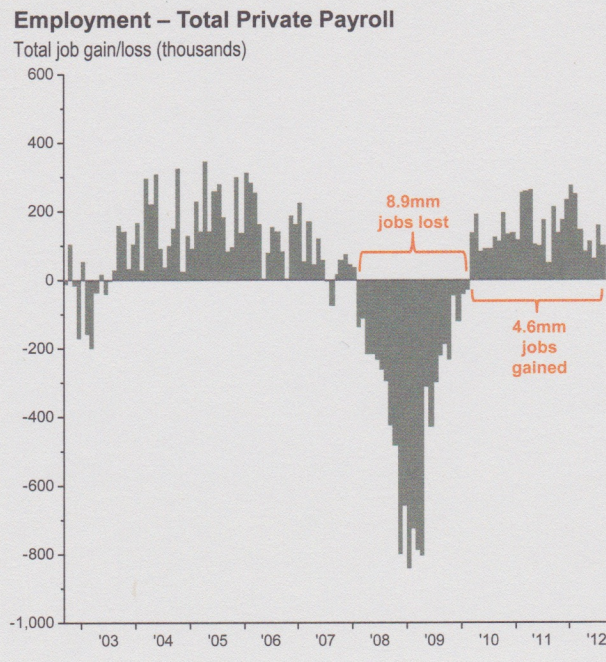
Data are as of 9/30/12.

J.P.Morgan Asset Management

Economy

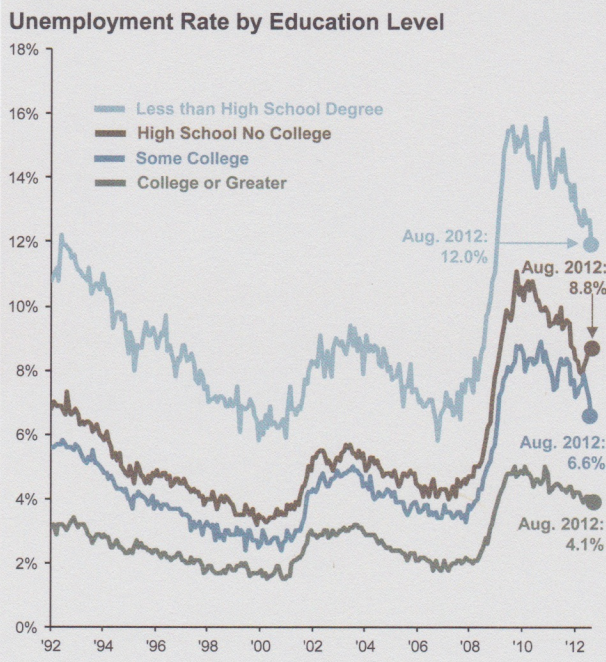


Source: BLS, FactSet, J.P. Morgan Asset Management.  
Data are as of 9/30/12.

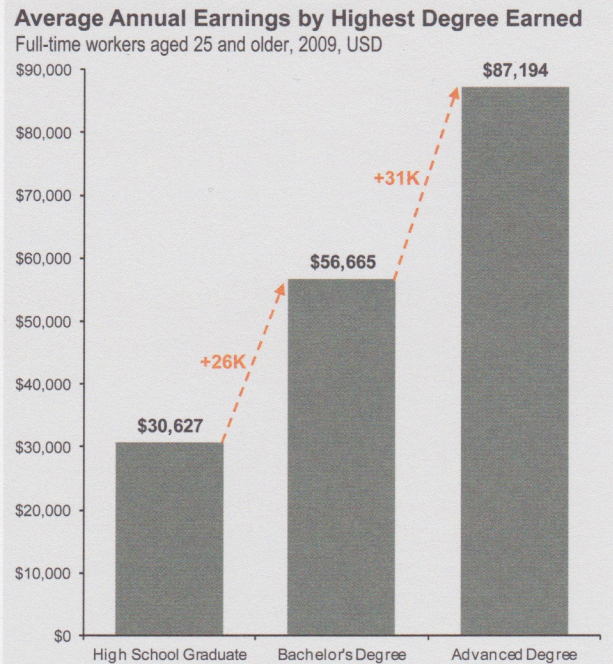


Source: BLS, FactSet, J.P. Morgan Asset Management.

Economy



Source: BLS, FactSet, J.P. Morgan Asset Management.  
Unemployment rates shown are for civilians aged 25 and older.  
Data are as of 9/30/12.



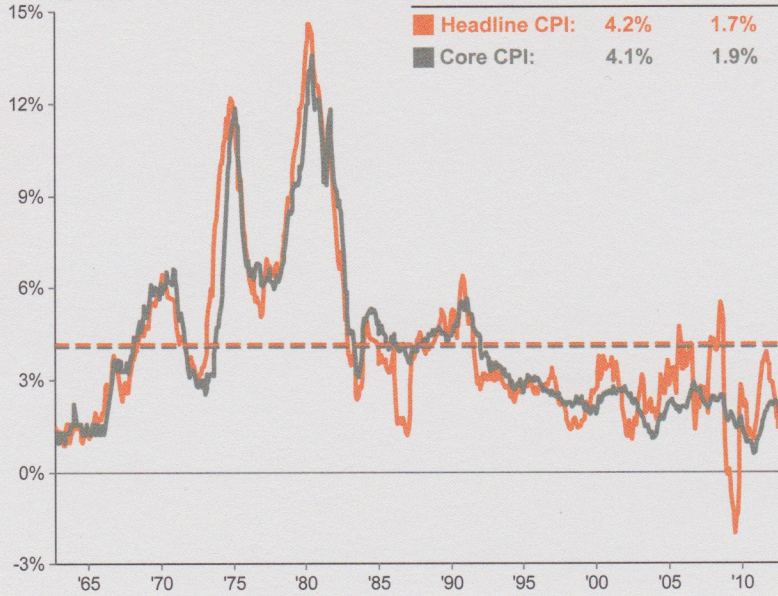
Source: Census Bureau, J.P. Morgan Asset Management.

Economy

**CPI and Core CPI**

% change vs. prior year, seasonally adjusted

50-yr. Avg. Aug. 2012



CPI Components	Weight in CPI	12-month Change
Food & Bev.	15.3%	2.0%
Housing	41.0%	1.4%
Apparel	3.6%	1.6%
Transportation	16.9%	1.4%
Medical Care	7.1%	4.1%
Recreation	6.0%	1.2%
Educ. & Comm.	6.8%	1.5%
Other	3.4%	2.4%
<b>Headline CPI</b>	<b>100.0%</b>	<b>1.7%</b>
Less:		
Energy	9.7%	-0.6%
Food	13.7%	2.0%
<b>Core CPI</b>	<b>76.6%</b>	<b>1.9%</b>

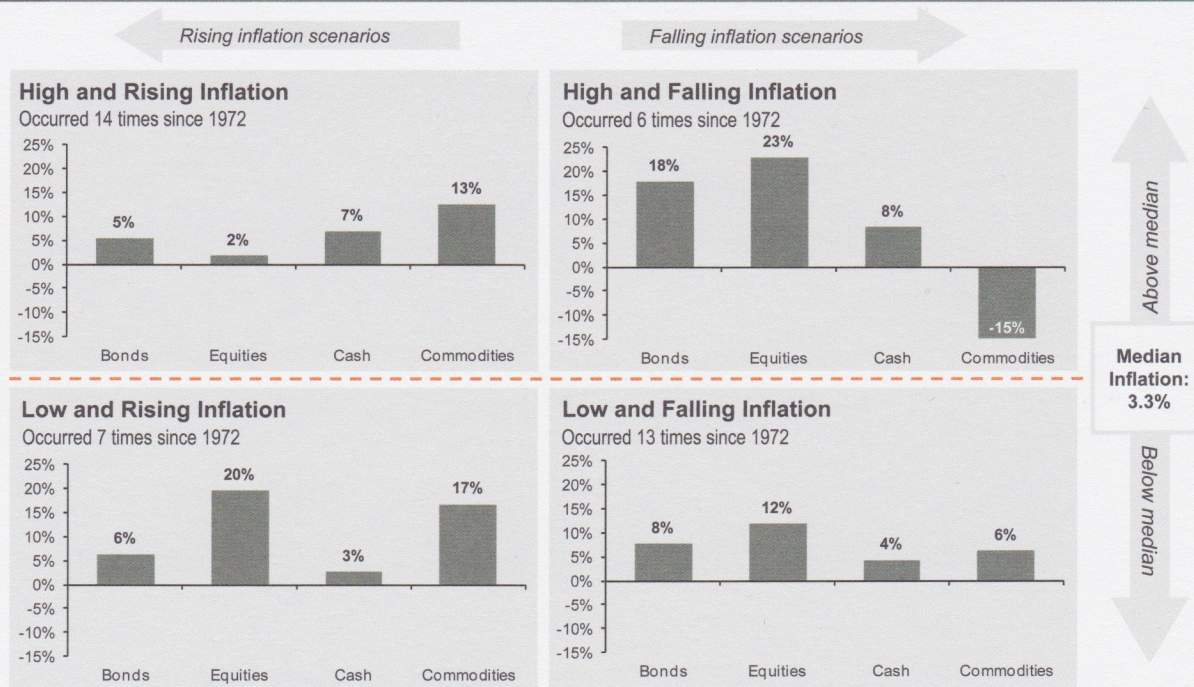
Source: BLS, FactSet, J.P. Morgan Asset Management.

CPI values shown are % change vs. 1 year ago and reflect August 2012 CPI data. CPI component weights are as of December 2011 and 12-month change reflects non-seasonally adjusted data through August 2012. Core CPI is defined as CPI excluding food and energy prices.

Data are as of 9/30/12.

Returns in Different Inflation Environments - 40 years

Economy



Source: BLS, Barclays Capital, Robert Shiller, Federal Reserve, Strategas/Ibbotson, Standard & Poor's, FactSet, J.P. Morgan Asset Management.

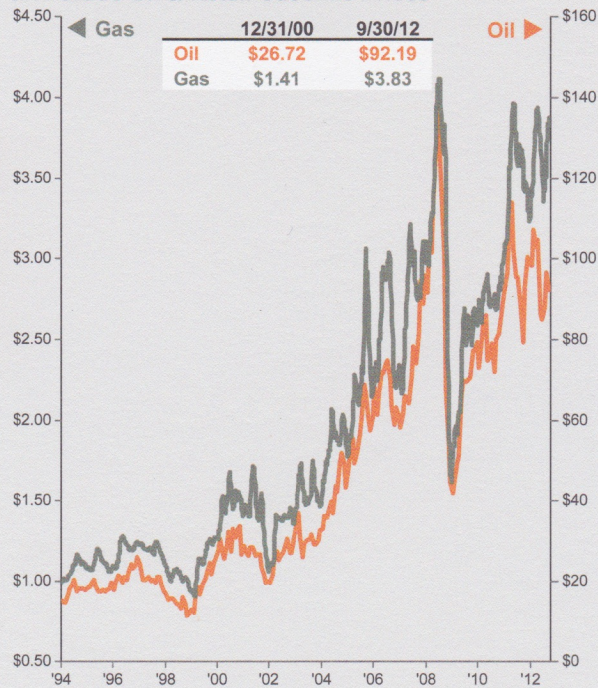
High or low inflation distinction is relative to median CPI-U inflation for the period 1971 to 2011. Rising or falling inflation distinction is relative to previous year CPI-U inflation rate. Bond returns are based on the Barclays U.S. Aggregate index since its inception in 1976 and a composite bond index prior to that. Equity returns based on S&P 500 price return and annual dividend yield. Cash returns are based on the Barclays 1-3 Month T-Bill index since its inception in 1992 and 3-month T-Bill rates prior to that. Commodities returns based on GSCI.

For illustrative purposes only. Past performance is not indicative of comparable future returns.

Data are as of 9/30/12.

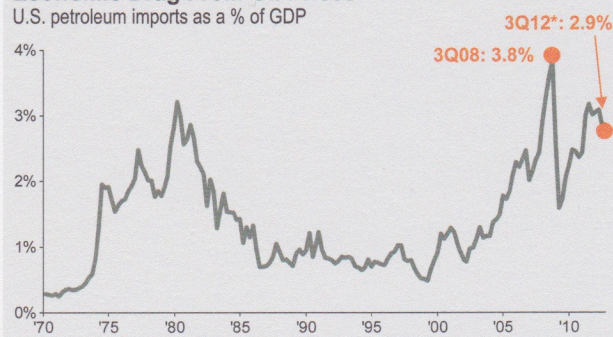
Economy

WTI Crude Oil & Retail Gasoline Prices

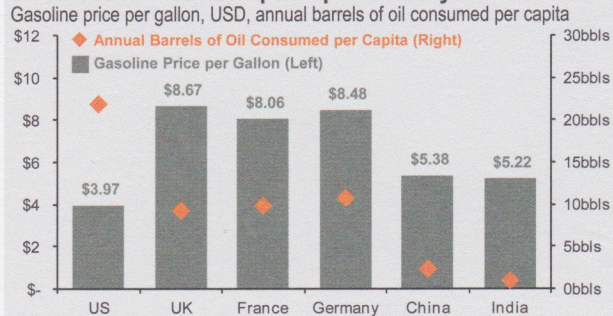


Source: U.S. Department of Energy, FactSet, J.P. Morgan Asset Management. Price of gas based on U.S. retail national average of all formulations and WTI for crude. Data are as of 9/30/12.

Economic Drag From Oil Prices



Oil Prices and Consumption per Country



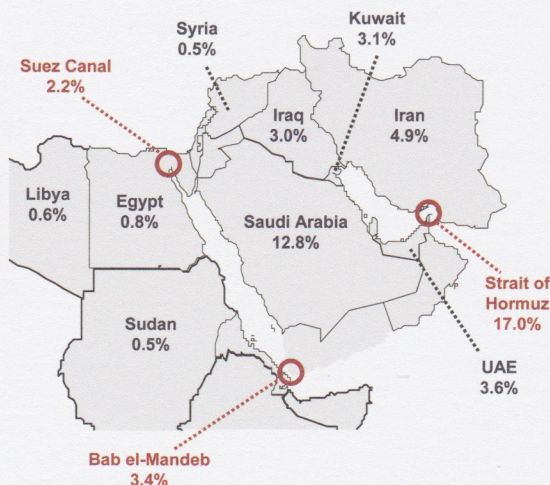
Source: (Top) BEA, FactSet, J.P. Morgan Asset Management. (Bottom) EIA, J.P. Morgan Asset Management. \*3Q12 drag on growth is a J.P. Morgan Asset Management estimate.

J.P.Morgan Asset Management

Economy

Middle East Energy Production & Chokepoints

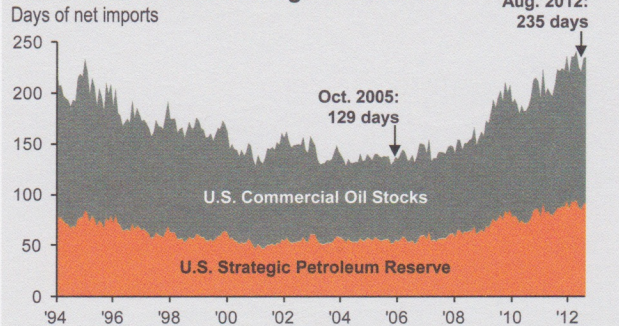
Percent of global liquid fuel production, 2011



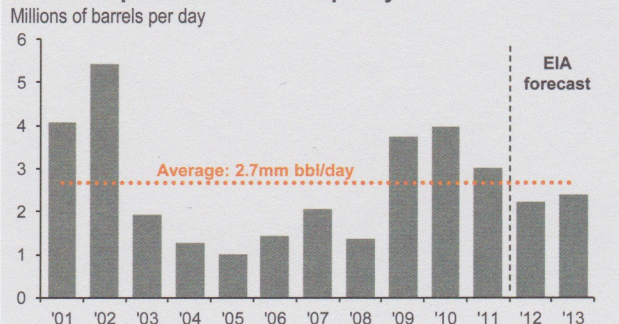
Major Producers				Major Consumers			
Percent of global total, 2011				Percent of global total, 2011			
Saudi Arabia	13%	China	5%	United States	22%	India	4%
Russia	12%	Iran	5%	China	10%	Saudi Arabia	3%
United States	12%	Canada	4%	Japan	5%	Brazil	3%

Source: EIA, J.P. Morgan Asset Management. Forecast from the September EIA Short Term Energy Outlook. Data are as of 9/30/12.

U.S. Commercial & Strategic Oil Stocks



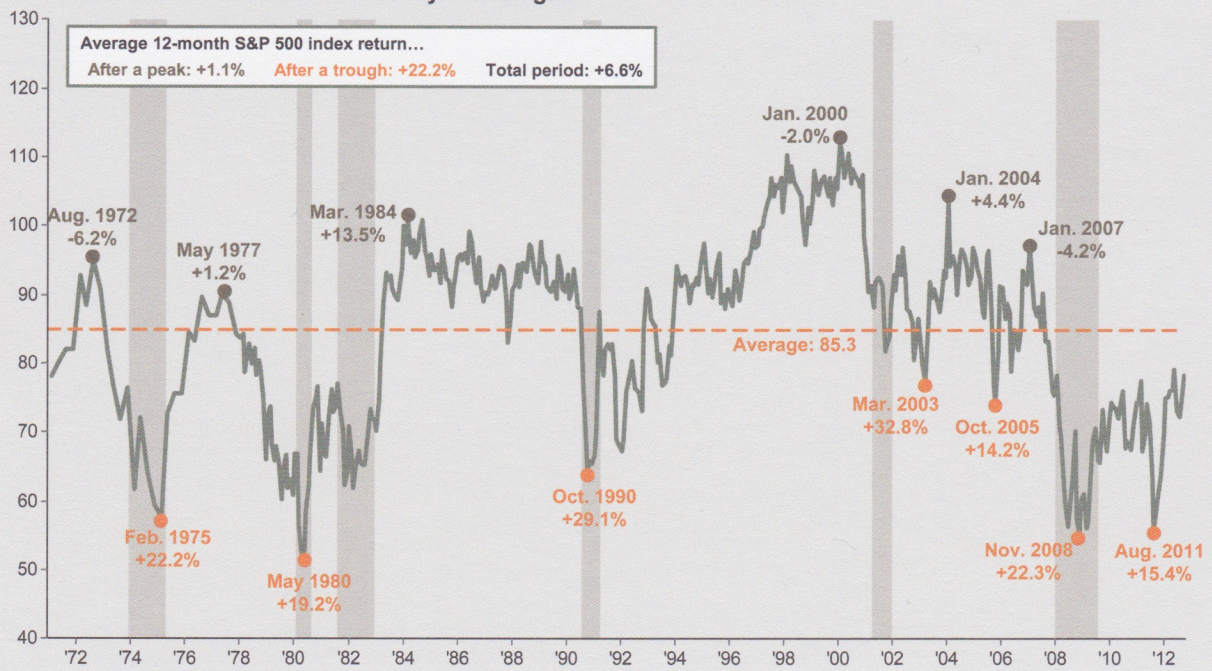
OPEC Surplus Production Capacity



J.P.Morgan Asset Management

Economy

Consumer Sentiment Index – University of Michigan



Source: University of Michigan, FactSet, J.P. Morgan Asset Management.

Peak is defined as the highest index value before a series of lower lows, while a trough is defined as the lowest index value before a series of higher highs. Subsequent 12-month S&P 500 returns are price returns only, which excludes dividends.

Data are as of 9/30/12.

Fixed Income Sector Returns

Fixed Income

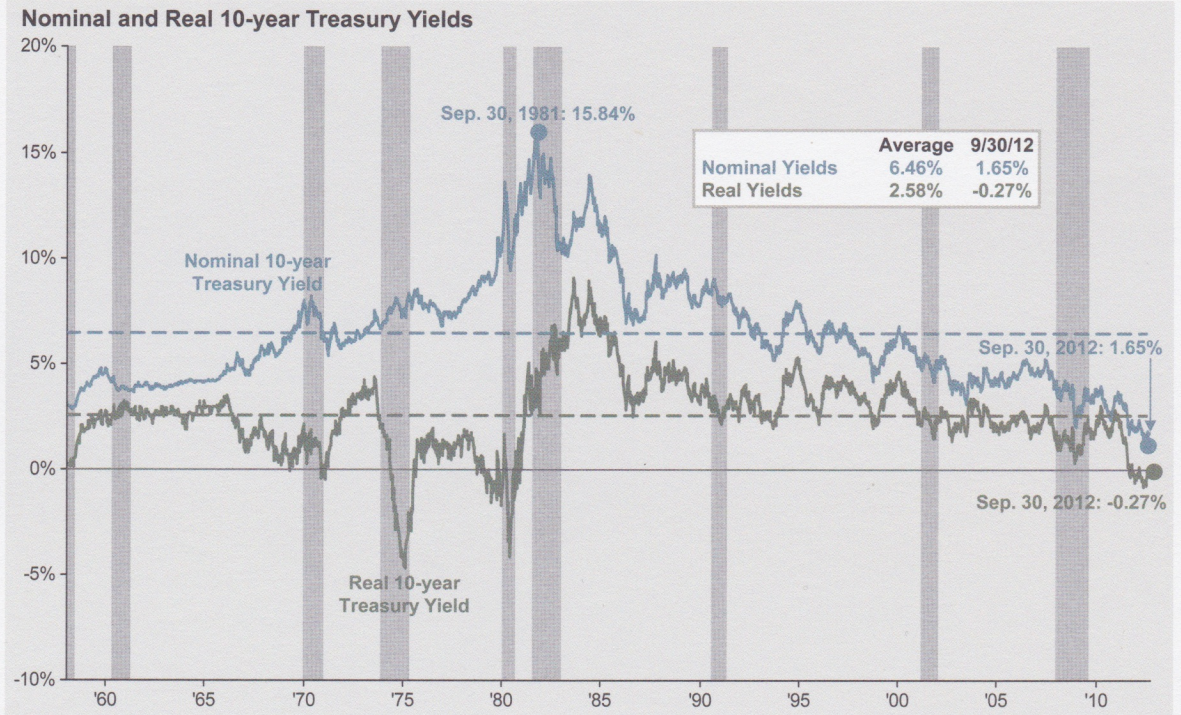
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012 YTD	3Q12	10-ys '02 - '11 Cum.	'11 Ann.
TIPS	High Yield	EMD	EMD	High Yield	TIPS	Treas.	High Yield	High Yield	TIPS	EMD	EMD	EMD	EMD	EMD
16.6%	29.0%	11.9%	12.3%	11.8%	11.6%	13.7%	58.2%	15.1%	13.6%	14.2%	6.8%	185.6%	11.1%	
EMD	EMD	High Yield	Asset Alloc.	EMD	Treas.	MBS	EMD	EMD	Muni	High Yield	High Yield	High Yield	High Yield	High Yield
12.2%	26.9%	11.1%	3.6%	10.0%	9.0%	8.3%	34.2%	12.8%	10.7%	12.1%	4.5%	133.6%	8.9%	
Treas.	Asset Alloc.	TIPS	Muni	MBS	Barclays Agg	Barclays Agg	Corp.	Corp.	Treas.	Corp.	Corp.	TIPS	TIPS	TIPS
11.8%	9.7%	8.5%	3.5%	5.2%	7.0%	5.2%	18.7%	9.0%	9.8%	8.7%	3.8%	107.5%	7.6%	
Barclays Agg	TIPS	Asset Alloc.	TIPS	Asset Alloc.	MBS	Asset Alloc.	Asset Alloc.	Asset Alloc.	Asset Alloc.	Asset Alloc.	Asset Alloc.	Asset Alloc.	Asset Alloc.	Asset Alloc.
10.3%	8.4%	6.3%	2.8%	5.1%	6.9%	-1.4%	15.8%	7.6%	8.9%	6.7%	2.7%	96.0%	7.0%	
Corp.	Corp.	Corp.	Treas.	Muni	Asset Alloc.	TIPS	Muni	Barclays Agg	Corp.	TIPS	Muni	Corp.	Corp.	Corp.
10.1%	8.2%	5.4%	2.8%	4.8%	6.2%	-2.4%	12.9%	6.5%	8.1%	6.2%	2.3%	85.2%	6.4%	
Asset Alloc.	Muni	MBS	High Yield	Barclays Agg	EMD	Muni	TIPS	TIPS	Barclays Agg	Muni	TIPS	Barclays Agg	Barclays Agg	Barclays Agg
10.0%	5.3%	4.7%	2.7%	4.3%	5.2%	-2.5%	11.4%	6.3%	7.8%	6.1%	2.1%	75.4%	5.8%	
Muni	Barclays Agg	Muni	MBS	Corp.	Corp.	Corp.	Barclays Agg	Treas.	EMD	Barclays Agg	Barclays Agg	Treas.	Treas.	Treas.
9.6%	4.1%	4.5%	2.6%	4.3%	4.6%	-4.9%	5.9%	5.9%	7.0%	4.0%	1.6%	74.3%	5.7%	
MBS	MBS	Barclays Agg	Barclays Agg	Treas.	Muni	EMD	MBS	MBS	MBS	MBS	MBS	MBS	MBS	MBS
8.7%	3.1%	4.3%	2.4%	3.1%	3.4%	-14.7%	5.9%	5.4%	6.2%	2.8%	1.1%	73.9%	5.7%	
High Yield	Treas.	Treas.	Corp.	TIPS	High Yield	High Yield	Treas.	Muni	High Yield	Treas.	Treas.	Muni	Muni	Muni
-1.4%	2.2%	3.5%	1.7%	0.4%	1.9%	-26.2%	-3.6%	2.4%	5.0%	2.1%	0.6%	68.8%	5.4%	

Source: Barclays Capital, FactSet, J.P. Morgan Asset Management.

Past performance is not indicative of future returns. Fixed income sectors shown above are provided by Barclays Capital and are represented by: Barclays Capital U.S. Aggregate Index; MBS: Fixed Rate MBS Index; Corporate: U.S. Corporates; Municipals: Muni Bond Index; Emerging Debt: Emerging Markets Index; High Yield: Corporate High Yield Index; Treasuries: Barclays Capital U.S. Treasury; TIPS: Barclays Capital TIPS. The "Asset Allocation" portfolio assumes the following weights: 10% in MBS, 20% in Corporate, 15% in Municipals, 10% in Emerging Debt, 10% in High Yield, 25% in Treasuries, 10% in TIPS. Asset allocation portfolio assumes annual rebalancing.

Data are as of 9/30/12.





Source: Federal Reserve, BLS, J.P. Morgan Asset Management.

Real 10-year Treasury yields are calculated as the daily Treasury yield less year-over-year core inflation for that month except for September 2012, where real yields are calculated by subtracting out August 2012 year-over-year core inflation.

Data are as of 9/30/12.

U.S. Treasuries	# of issues	Mkt. Value	Avg. Maturity	Yield		Return	
				9/30/2012	9/30/2011	2012 YTD	3Q12
2-Year	# of issues: 164 Total value: \$5.067 tn		2 years	0.23%	0.25%	0.25%	0.21%
5-Year			5	0.62	0.96	2.30	0.83
10-Year			10	1.65	1.92	4.37	0.93
30-Year			30	2.82	2.90	3.66	-0.28
Sector							
Broad Market	7,967	\$16,815 bn	6.7 years	1.61%	2.35%	3.99%	1.58%
MBS	861	5,052	3.8	1.77	2.82	2.80	1.13
Corporates	4,231	3,551	10.7	2.79	3.83	8.66	3.83
Municipals	46,180	1,339	13.7	2.17	3.02	6.06	2.32
Emerging Debt	525	798	11.1	4.61	6.59	14.19	6.77
High Yield	1,931	1,082	6.7	6.51	9.51	12.13	4.53
TIPS	33	823	9.2	1.46	1.86	6.25	2.12

Source: U.S. Treasury, Barclays Capital, FactSet, J.P. Morgan Asset Management.

Fixed income sectors shown above are provided by Barclays Capital and are represented by – Broad Market: U.S. Barclays Capital Index; MBS: Fixed Rate MBS Index; Corporate: U.S. Corporates; Municipals: Muni Bond Index; Emerging Debt: Emerging Markets Index; High Yield: Corporate High Yield Index. TIPS: Treasury Inflation Protection Securities (TIPS). Treasury securities data for # of issues and market value based on U.S. Treasury benchmarks from Barclays Capital. Yield and return information based on Bellwethers for Treasury securities.

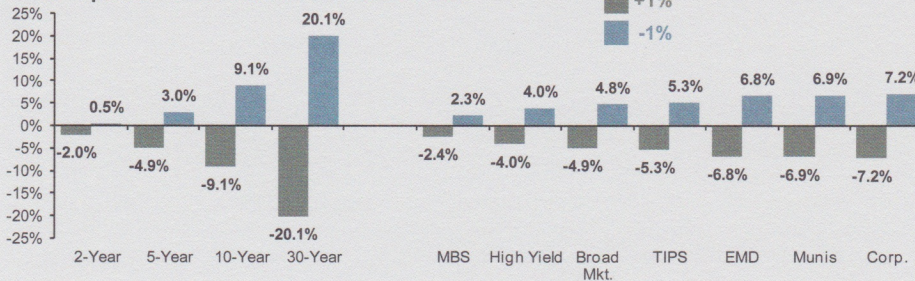
Change in bond price is calculated using both duration and convexity according to the following formula:  
 New Price = (Price + (Price \* -Duration \* Change in Interest Rates)) + (0.5 \* Price \* Convexity \* (Change in Interest Rates)^2)

\*Calculation assumes 2-year Treasury interest rate falls 0.23% to 0.00% and the 5-year Treasury falls 0.62% to 0.00%, as interest rates can only fall to 0.00%.

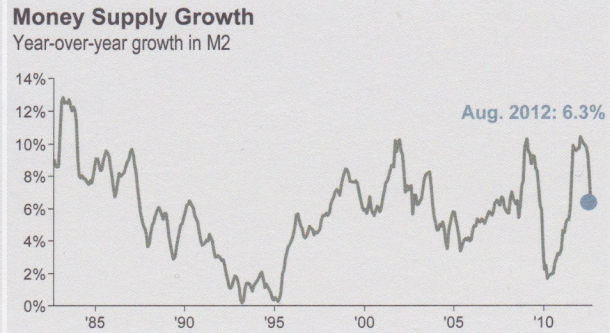
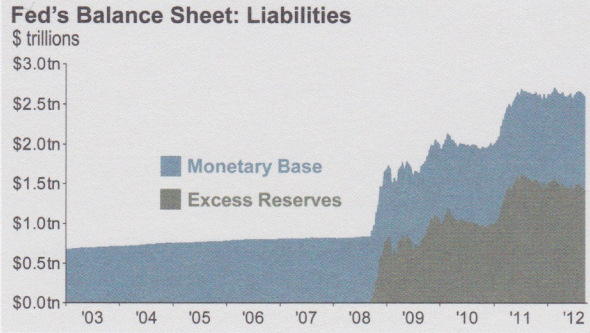
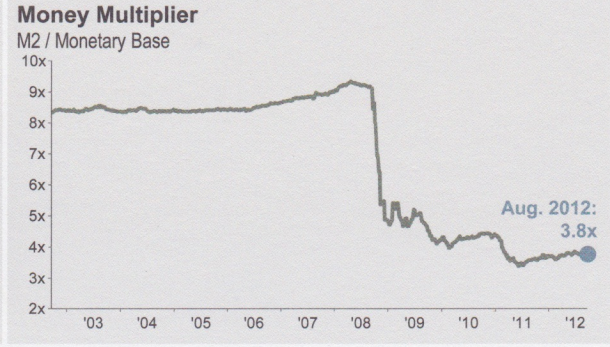
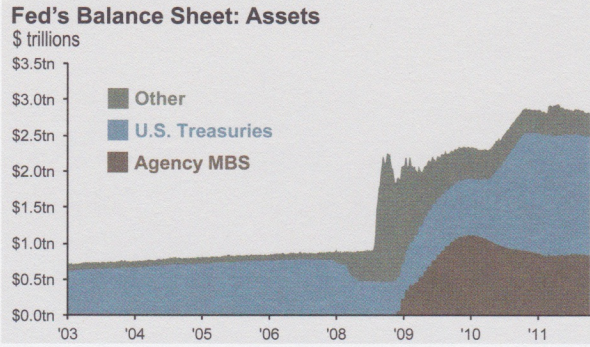
Chart is for illustrative purposes only. Past performance is not indicative of comparable future results.

Data are as of 9/30/12.

Price Impact of a 1% Rise/Fall in Interest Rates



Fixed Income

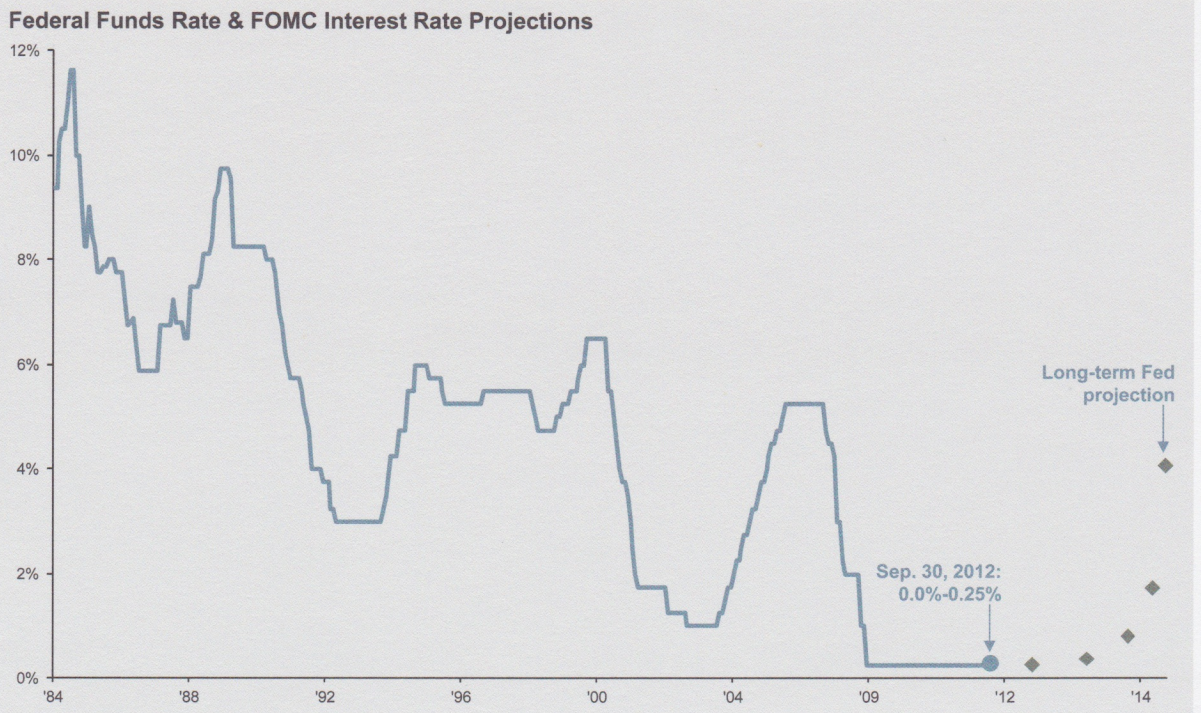


Source: Federal Reserve, FactSet, J.P. Morgan Asset Management.

Monetary base is defined as the total amount of a currency that is either circulated in the hands of the public or in the commercial bank deposits held in the central bank's reserves. Money multiplier defined as M2 divided by the monetary base.

Data are as of 9/30/12.

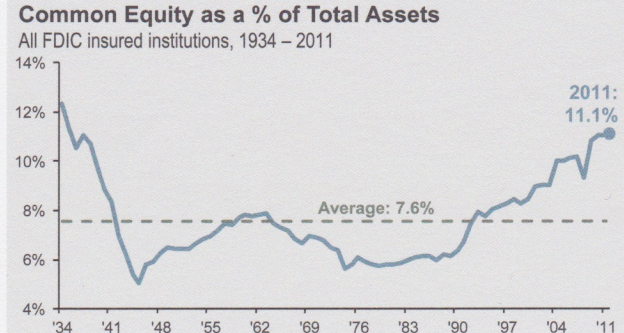
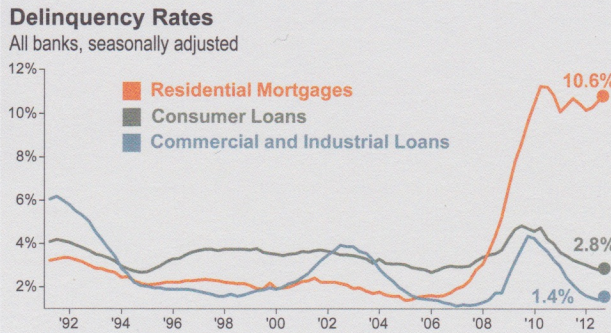
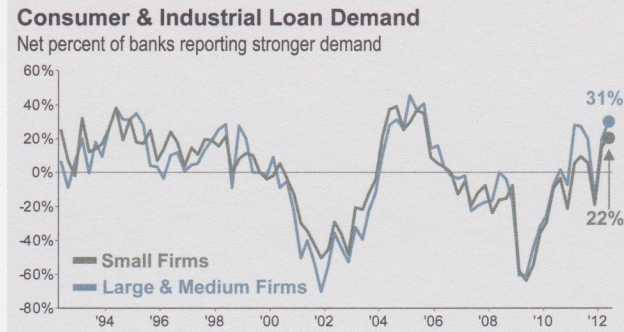
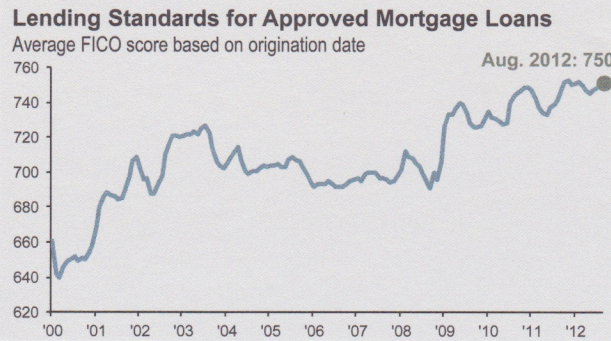
Fixed Income



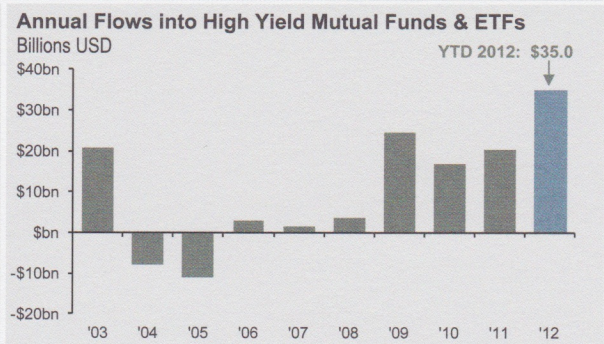
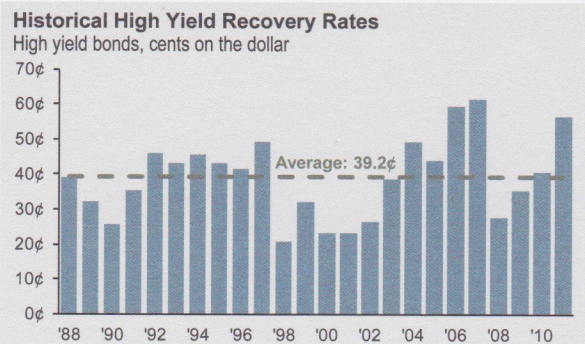
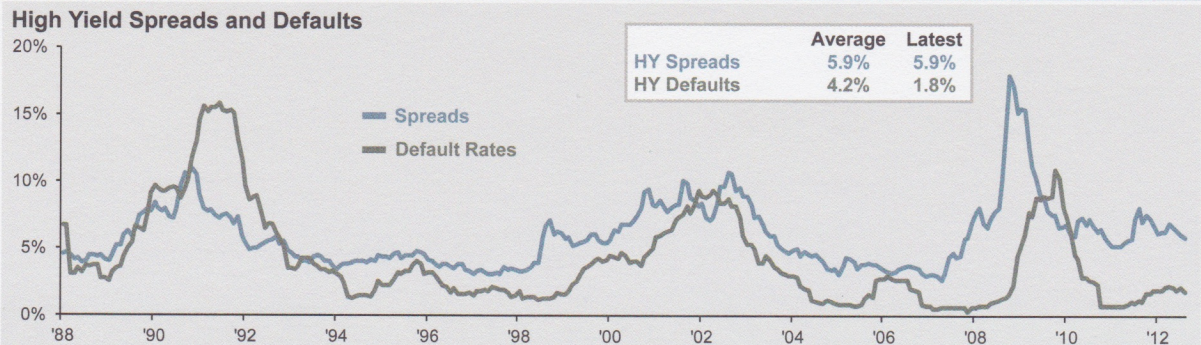
Source: Federal Reserve, J.P. Morgan Asset Management.

Fed Funds Rate projections are based on an average of the FOMC interest rate projections for a given year.

Data are as of 9/30/12.



Source: (Top left) McDash, J.P. Morgan Securitized Product Research, J.P. Morgan Asset Management. (Top right) Federal Reserve, FactSet, J.P. Morgan Asset Management. (Bottom left): Federal Reserve, FactSet, J.P. Morgan Asset Management. (Bottom right) FDIC, J.P. Morgan Asset Management. All data reflect most recently available releases. Data are as of 9/30/12.

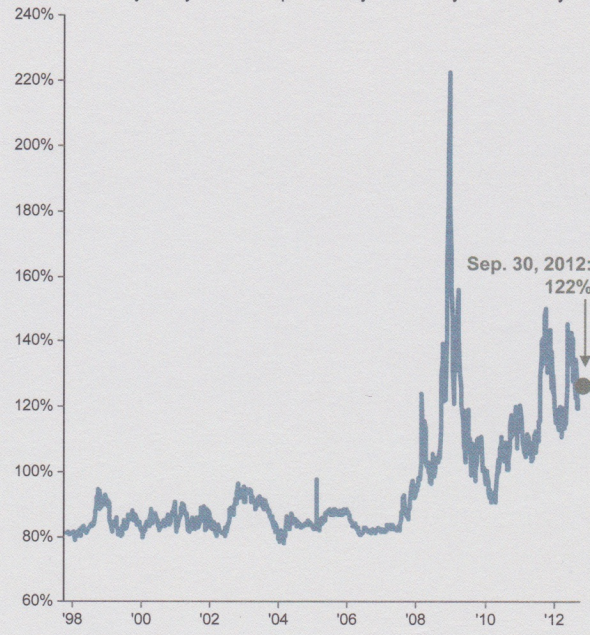


Source (Top chart): U.S. Treasury, J.P. Morgan, J.P. Morgan Asset Management. Default rates are defined as the par value percentage of the total market trading at or below 50% of par value and include any Chapter 11 filing, prepackaged filing or missed interest payments. (Bottom left): J.P. Morgan, Moody's, J.P. Morgan Asset Management. (Bottom right): Strategic Insight, J.P. Morgan Asset Management. Yield to worst is defined as the lowest potential yield that can be received on a bond without the issuer actually defaulting and reflects the possibility of the bond being called at an unfavorable time for the holder. Spreads indicated are benchmark yield to worst less comparable maturity Treasury yields. Past performance is not indicative of comparable future results. 2011 recovery rates are as of March 30, 2012. Data are as of 9/30/12.

Fixed Income

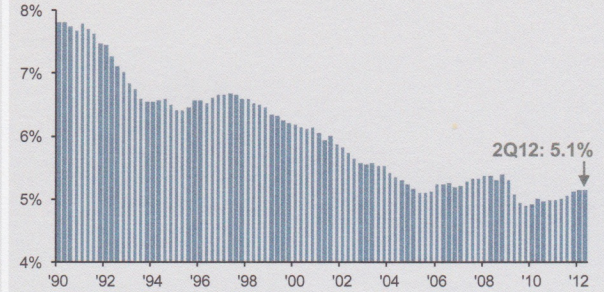
**Muni/Treasury Ratio**

Ratio of Barclays 10-year Municipal Bond yield to 10-year Treasury



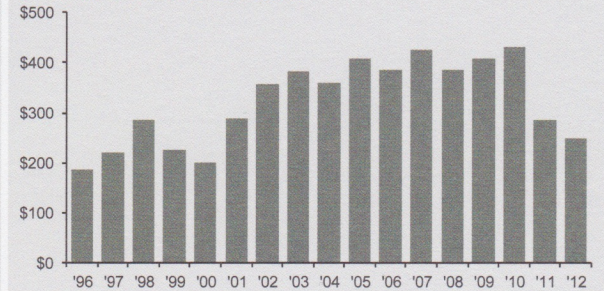
**State & Local Government Debt Service**

Percent of current expenditures



**Municipal Bond Issuance\***

Billions USD, revenue and GO issues



Source (Left chart): Barclays Capital, U.S. Treasury, FactSet, J.P. Morgan Asset Management. (Top right) BEA, J.P. Morgan Asset Management. (Bottom right) SIFMA, J.P. Morgan Asset Management.

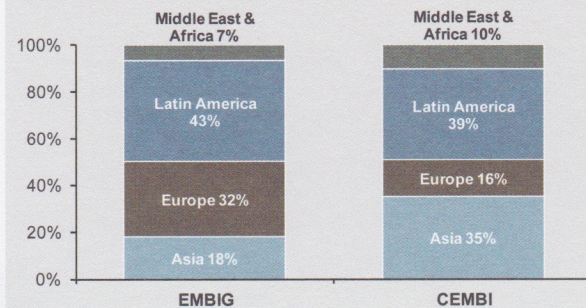
\*Excludes maturities of 13 months or less and private placements. 2012 issuance data is as of August 2012.

Data are as of 9/30/12.

J.P.Morgan Asset Management

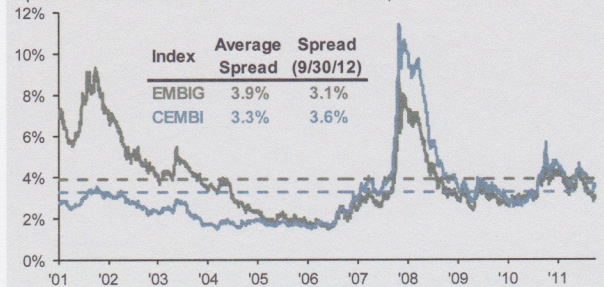
Fixed Income

**Index Breakdown – USD Denominated EMD**



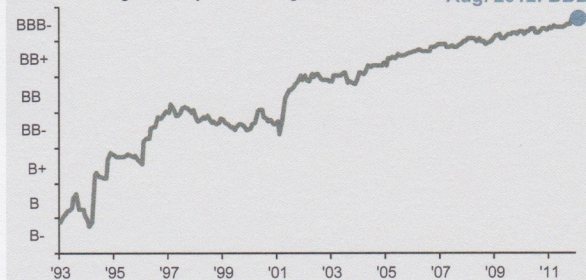
**Emerging Markets Debt Spreads**

Spread to Treasuries of USD-denominated debt, percent



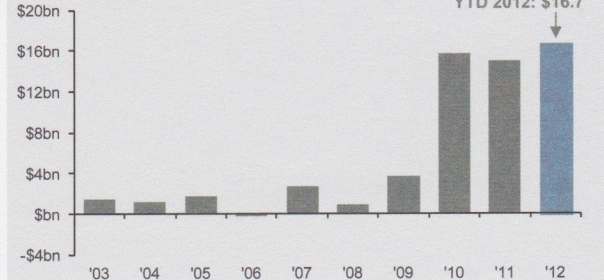
**Emerging Market Debt Credit Rating**

EMBIG average monthly credit rating, inverse scale



**Annual Flows into EMD Mutual Funds & ETFs**

Billions USD

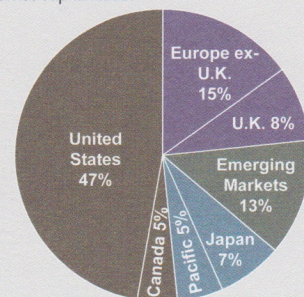


Source: J.P. Morgan, IMF, MorganMarkets, FactSet, Strategic Insight, J.P. Morgan Asset Management. Spreads measure the credit risk premium over comparable maturity U.S. Treasury bonds. The J.P. Morgan EMBI Global (EMBIG) Index is a USD-denominated external debt index tracking bonds issued by sovereigns and quasi-sovereigns in developing nations. The J.P. Morgan Corporate Emerging Bond Index (CEMBI) is a USD-denominated external debt index tracking bonds issued by corporations. The J.P. Morgan GBI-EM Index is a local currency-denominated index tracking bonds issued by emerging market governments. Past performance is not indicative of comparable future results. Data are as of 9/30/12.

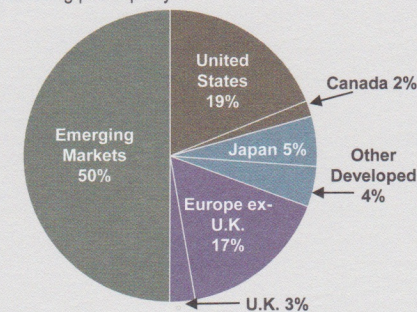
J.P.Morgan Asset Management

Country / Region	3Q12		YTD 2012	
	Local	USD	Local	USD
<b>Regions / Broad Indexes</b>				
USA (S&P 500)	-	6.4	-	16.4
EAFE	4.7	7.0	9.6	10.6
Europe ex-U.K.	8.0	9.7	13.1	12.8
Pacific ex-Japan	9.5	11.0	15.5	17.6
Emerging Markets	6.0	7.9	11.4	12.3
<b>MSCI: Selected Countries</b>				
United Kingdom	4.0	7.1	6.5	10.7
France	5.9	7.4	11.7	10.7
Germany	12.4	13.9	22.8	21.7
Japan	-3.2	-0.8	3.6	2.4
China	4.7	4.7	8.9	9.1
India	9.0	15.4	24.5	25.4
Brazil	5.3	4.8	5.4	-3.1
Russia	6.0	9.4	8.9	11.6

**Weights in MSCI All Country World Index**  
% global market capitalization



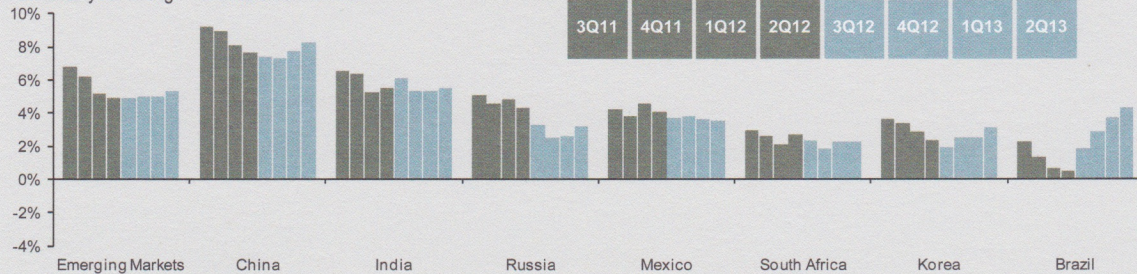
**Share of Global GDP**  
Based on purchasing power parity



Source: Standard & Poor's, MSCI, IMF, FactSet, J.P. Morgan Asset Management.  
All return values are MSCI Gross Index (official) data. Share of global GDP based on purchasing power parity (PPP) as calculated by the IMF for 2012. Definition of emerging markets is based on MSCI and IMF data sources, respectively. Percentages may not sum to 100% due to rounding.  
Data as of 9/30/12.

**Emerging Market Country Real GDP Growth**

Year-over-year % chg. – forecasts from JPMSI

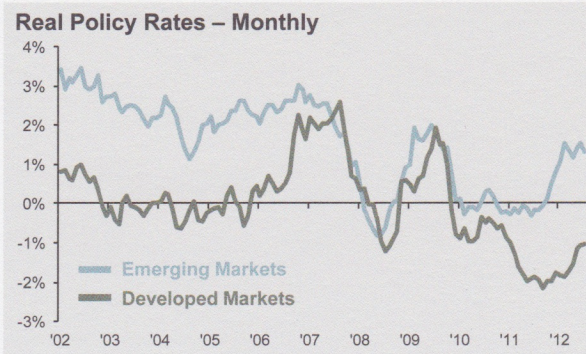
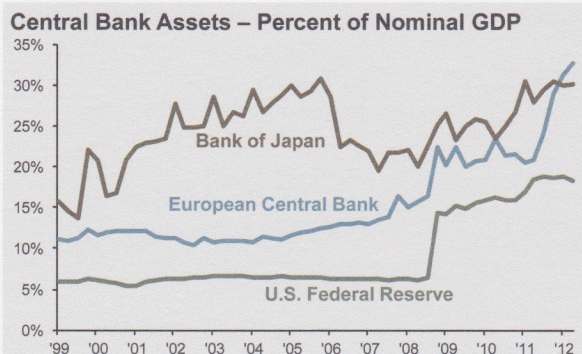


**Developed Market Country Real GDP Growth**

Year-over-year % chg. – forecasts from JPMSI



Source: J.P. Morgan Global Economic Research, J.P. Morgan Asset Management.  
Forecast and aggregate data come from J.P. Morgan Global Economic Research.  
Data are as of 9/30/12.

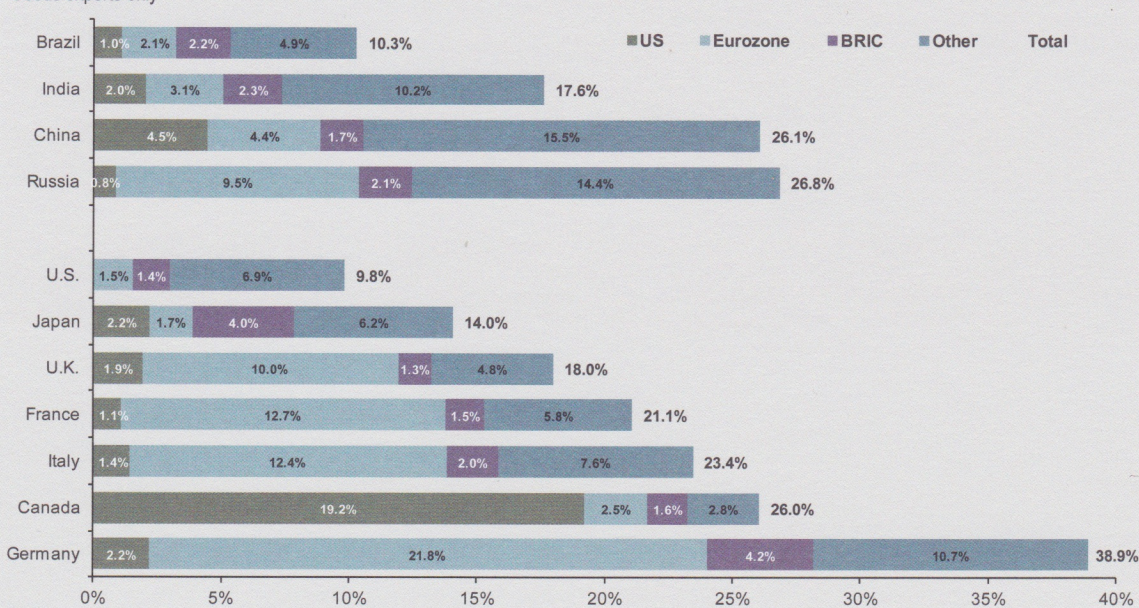


Source: J.P. Morgan Global Economics Research, J.P. Morgan Asset Management. (Top charts) Emerging and Developed Economy GDP growth and real policy rates represent GDP weighted aggregates estimated by J.P. Morgan Global Economics Research. (Bottom chart) Target policy rates are the short-term target interest rates set by central banks. Inflation rates shown represent year-over-year quarterly rates for 2Q12. Real policy rates are short-term target interest rates set by central banks minus year-over-year inflation. Data are as of 9/30/12.

International

### Exports as a % of GDP – 2011

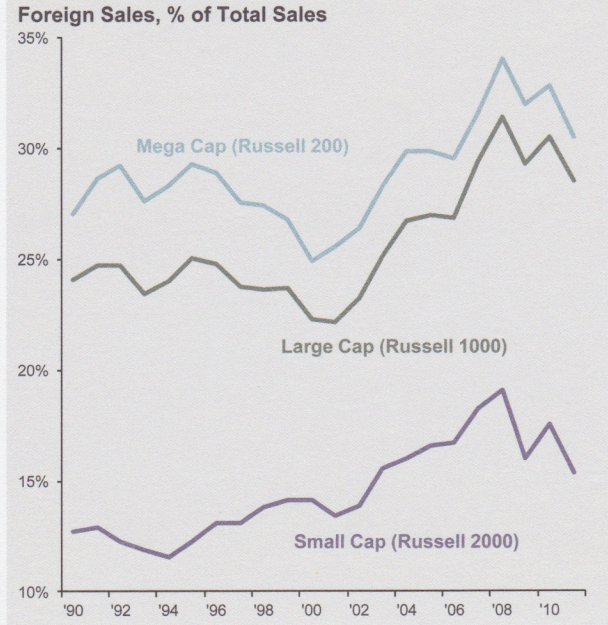
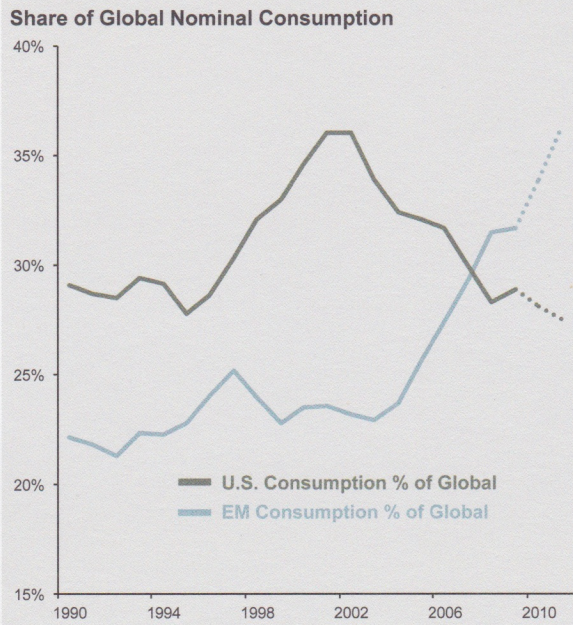
Goods exports only



Source: IMF, J.P. Morgan Asset Management. Numbers represent exports of goods only and would be higher if services were included. Data are as of 9/30/12.

International

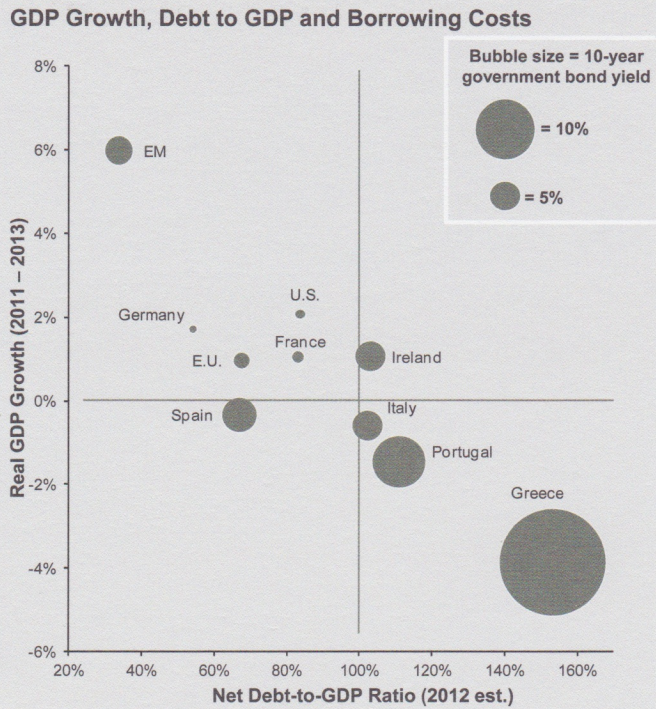
International



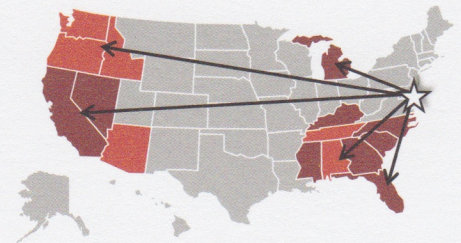
Source: FactSet, Compustat, Russell, J.P. Morgan Global Economics Research, J.P. Morgan Asset Management. Estimates of global consumption for 2010 and 2011 provided by J.P. Morgan Global Economics Research. Foreign sales as a percentage of total sales is calculated as an unweighted average of individual index constituent companies' reported sales figures and does not capture all index members due to differences in reporting practices.

Data are as of 9/30/12.

International



Example of Fiscal Redistribution in the U.S.



The E.U. Lacks a Similar Fiscal Mechanism

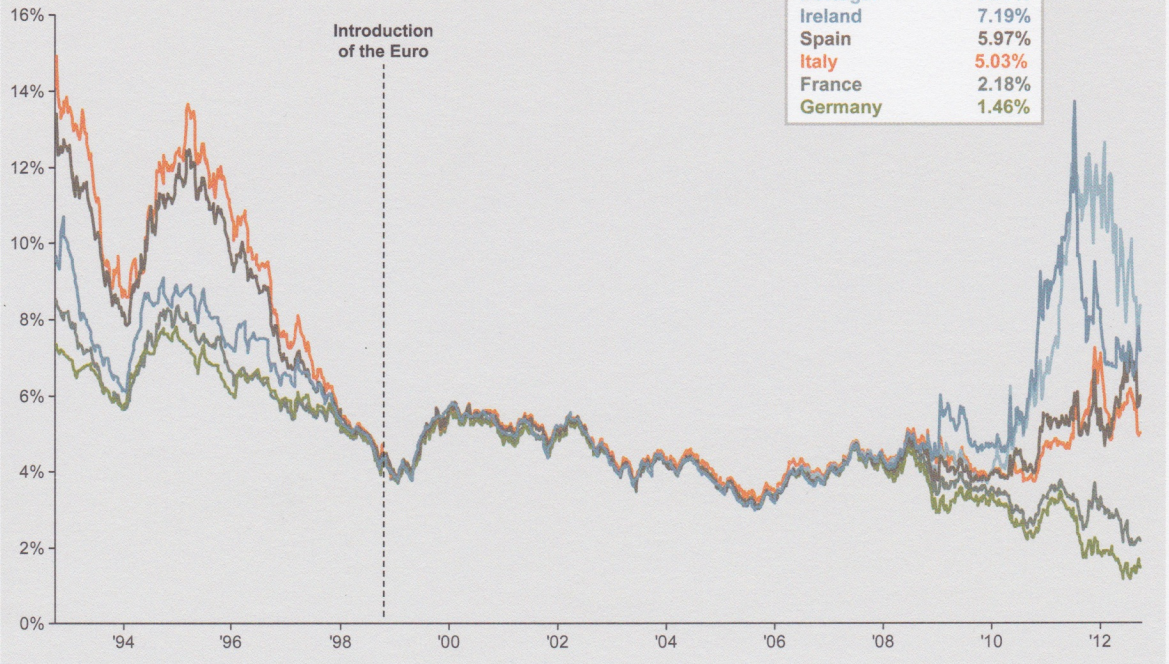


Source: IMF, BLS, J.P. Morgan Asset Management. Maps are for illustrative purposes only and are intended to show the current sources of stress in each region. The U.S. state colors are based on level of unemployment rate. European country colors are based on levels of sovereign stress, including but not exclusively, the measure shown in the above chart on the left. Growth and debt data based on the April 2012 World Economic Outlook. Bond yields as of 9/30/12.

Data are as of 9/30/12.

International

**European Sovereign Funding Costs**  
10-year benchmark bond yields, daily



Source: FactSet, ECB, J.P. Morgan Asset Management. Data are as of 9/30/12.

International

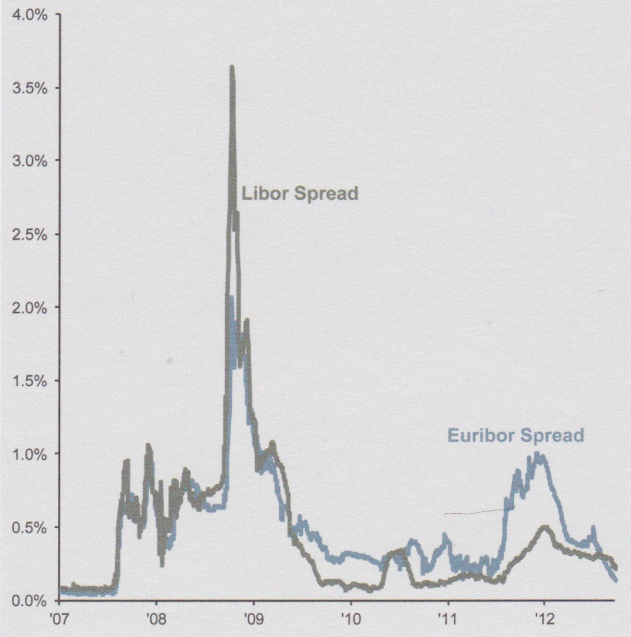
**European Bank Exposure**  
Billions USD



Source: Bloomberg, BIS, J.P. Morgan Asset Management.

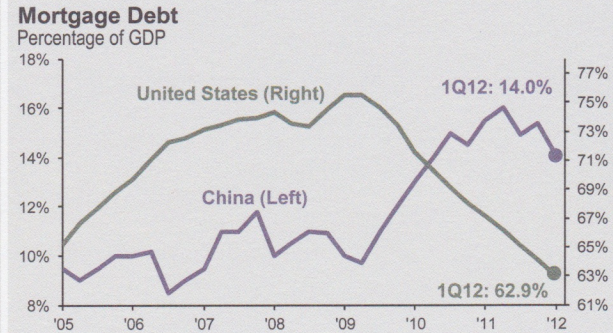
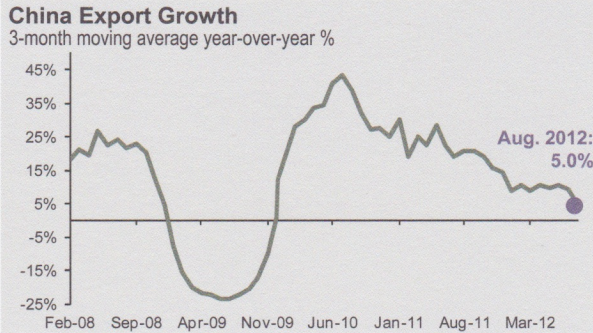
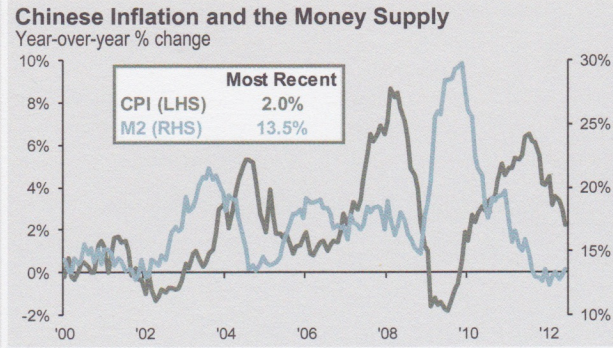
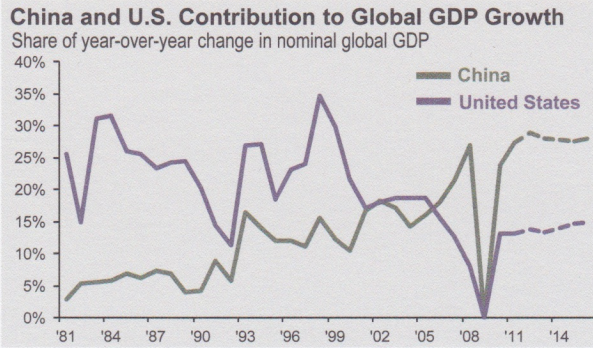
The Libor OIS spread is the difference between the interest rate at which banks borrow unsecured funds from other banking institutions and overnight indexed swaps at the effective federal funds rate. The Euribor EONIA spread is the difference between the interest rate at which European Union banks borrow unsecured funds from other Euro banking institutions and the standard interest rate for Euro area deposits calculated by the European Central Bank. Both are standard measures of perceived risk in banking institutions. Data are as of 9/30/12.

**Euribor and Libor Spreads**  
3M Euribor - EONIA, 3M Libor - OIS





International



Source: (Top left) IMF, J.P. Morgan Asset Management. (Top right) National Bureau of Statistics, J.P. Morgan Economics, J.P. Morgan Asset Management. (Bottom left) IMF, J.P. Morgan Asset Management. (Bottom right) Barclays Capital, Federal Reserve, J.P. Morgan Asset Management.  
 \*In 2009, global growth was negligible, while Chinese growth was robust, which resulted in China contributing more than 1200% to global growth. Calculations based on PPP exchange rates and 2012 – 2016 growth forecasts are from the IMF.

International



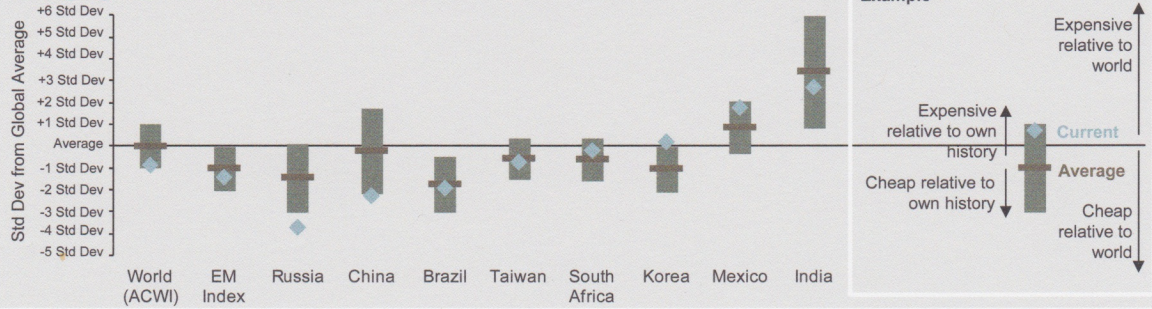
	Current Composite Index	Current				10-year avg.			
		Fwd. P/E	P/B	P/CF	Div. Yld.	Fwd. P/E	P/B	P/CF	Div. Yld.
World (ACWI)	-0.88	12.0	1.7	6.9	2.8%	13.4	2.1	7.0	2.5%
EAFE Index	-1.88	10.9	1.3	5.5	3.7%	12.9	1.7	6.2	3.3%
France	-2.39	10.2	1.1	5.2	4.2%	11.5	1.6	5.8	3.7%
Japan	-2.00	11.5	0.9	3.9	2.7%	17.9	1.4	6.2	1.9%
U.K.	-1.78	10.2	1.6	6.1	4.1%	11.4	2.0	7.1	3.9%
Germany	-1.69	9.8	1.4	6.6	3.6%	11.8	1.5	4.6	3.3%
Australia	-1.48	12.1	1.7	6.5	4.9%	13.4	2.2	8.2	4.5%
Canada	-0.92	12.7	1.8	5.1	2.8%	13.8	2.1	7.2	2.4%
Switzerland	0.34	12.2	2.0	11.9	3.5%	13.7	2.4	9.8	2.9%
United States	0.55	12.6	2.2	8.2	2.0%	14.4	2.4	8.4	2.0%

Source: MSCI, FactSet, J.P. Morgan Asset Management.

Note: Each valuation index shows an equally weighted composite of four metrics: price to forward earnings (Fwd. P/E), price to current book (P/B), price to last 12 months' cash flow (P/CF) and price to last 12 months' dividends. Results are then normalized using means and average variability over the last 10 years. The grey bars represent valuation index variability relative to that of the All Country World Index (ACWI). See disclosures page at the end for metric definitions.

Data are as of 9/30/12.

Emerging Market Countries



	Current Composite Index	Current				10-year avg.			
		Fwd. P/E	P/B	P/CF	Div. Yld.	Fwd. P/E	P/B	P/CF	Div. Yld.
World (ACWI)	-0.88	12.0	1.7	6.9	2.8%	13.4	2.1	7.0	2.5%
EM Index	-1.43	10.3	1.6	6.1	2.9%	10.9	1.9	5.7	2.7%
Russia	-3.71	5.2	0.8	3.6	3.6%	7.9	1.3	4.9	2.2%
China	-2.28	9.0	1.5	4.5	3.3%	12.2	2.1	4.1	2.8%
Brazil	-1.92	10.8	1.4	6.2	4.1%	9.6	1.9	5.5	3.5%
Taiwan	-0.74	15.0	1.8	5.9	3.3%	15.2	1.8	6.5	3.5%
South Africa	-0.21	11.6	2.3	9.7	3.5%	10.9	2.3	7.5	3.4%
Korea	0.19	8.7	1.3	5.7	1.1%	9.4	1.5	5.0	1.8%
Mexico	1.76	16.7	2.9	6.3	1.6%	13.4	2.6	5.6	2.0%
India	2.69	14.0	2.5	12.7	1.5%	15.1	3.2	12.0	1.5%

Source: MSCI, FactSet, J.P. Morgan Asset Management.

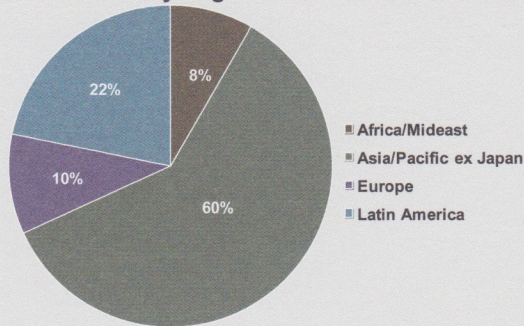
Note: Each valuation index shows an equally weighted composite of four metrics: price to forward earnings (Fwd. P/E), price to current book (P/B), price to last 12 months' cash flow (P/CF) and price to last 12 months' dividends. Results are then normalized using means and average variability over the last 10 years. The grey bars represent valuation index variability relative to that of the All Country World Index (ACWI). See disclosures page at the end for metric definitions.

International

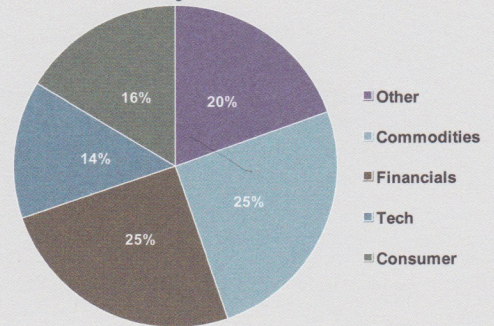
Data are as of 9/30/12.

Emerging Market Equity Composition

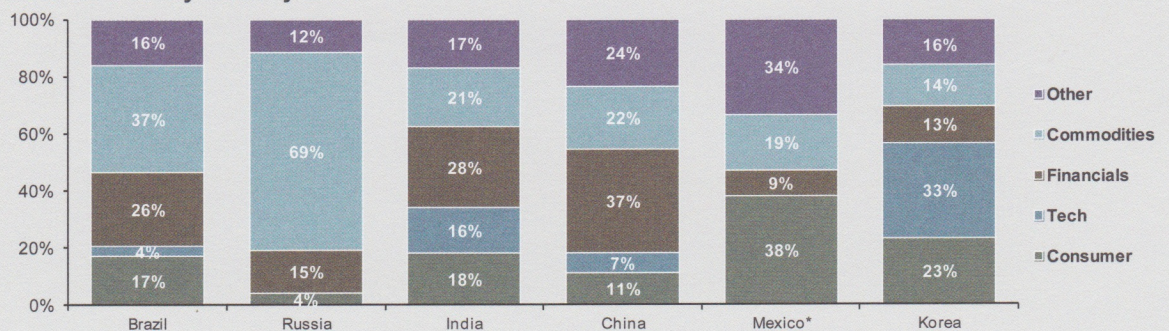
MSCI EM Index by Region



MSCI EM Index by Sector



MSCI EM Country Index by Sector



International

Source: MSCI, FactSet, J.P. Morgan Asset Management. \*Other is comprised of Healthcare, Industrials, Telecom, and Utilities sectors. \*Mexican Telecom sector accounts for 28% of the country's market capitalization. Values may not sum to 100% due to rounding.

Data are as of 9/30/12.

Economics							Demographics			
	GDP USD (B\$)	GDP Per Capita	GDP Growth	Unempl. Rate	Inflation (CPI)	C.A. (%GDP)	Population	Population Growth	Median Age	Migration per 1000
<b>Developed</b>										
<b>U.S.</b>	\$15,094	\$48,387	1.3%	8.1%	1.7%	-3.6%	314 mm	0.9%	37.1 yrs	+3.6
<b>Canada</b>	1,737	50,436	1.9	7.3	1.4	-2.5	34	0.8	41.2	+5.7
<b>U.K.</b>	2,418	38,592	2.0	8.1	2.5	-2.3	63	0.6	40.2	+2.6
<b>Germany</b>	3,577	43,742	0.3	6.8	2.0	5.3	81	-0.2	45.3	+7
<b>France</b>	2,776	44,008	-0.3	10.2	2.2	-1.9	66	0.5	40.4	+1.1
<b>Japan</b>	5,869	45,920	-2.0	4.3	-0.4	1.5	127	-0.1	45.4	-
<b>Italy</b>	2,199	36,267	-2.5	10.6	3.2	-2.3	61	0.4	43.8	+4.7
<b>Emerging</b>										
<b>Russia</b>	1,850	12,993	2.0	5.2	6.9	5.4	143	-0.5	38.8	+0.3
<b>Mexico</b>	1,155	10,153	3.5	5.4	4.6	-0.4	115	1.1	27.4	-3.1
<b>Brazil</b>	2,493	12,789	4.8	5.3	5.3	-2.1	199	1.1	29.6	-0.1
<b>China</b>	7,298	5,414	7.4	4.1	2.0	2.8	1,343	0.5	35.9	-0.3
<b>India</b>	1,676	1,389	5.2	9.8	7.7	-2.5	1,205	1.3	26.5	-0.1

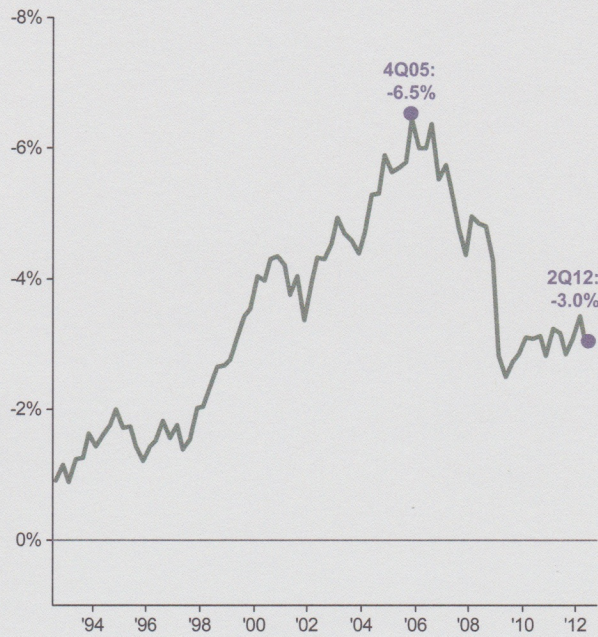
Source: FactSet, Eurostat, CIA, J.P. Morgan Securities, J.P. Morgan Asset Management.

GDP levels represent 2011 data and are from the April 2012 World Economic Outlook published by the IMF, except for the U.S. levels, which come directly from the BEA. All GDP Growth data are from J.P. Morgan Economics and expressed as % change versus prior quarter annualized. All GDP growth data are for 3Q12. India unemployment is from CIA estimates and is as of 2011. CPI Inflation is shown as % change versus a year ago and all data are for August 2012, except for Japan, which is as of July 2012. Unemployment rate for developed countries comes from FactSet Economics, Eurostat and Statistics Canada and represent the most recently available data. Demographic data provided by CIA World Factbook at CIA.gov.

Current Account (C.A.) represents each country's current account balance as of 6/30/12. Russia, China and Brazil's current accounts are as of 12/31/11.

Data are as of 9/30/12.

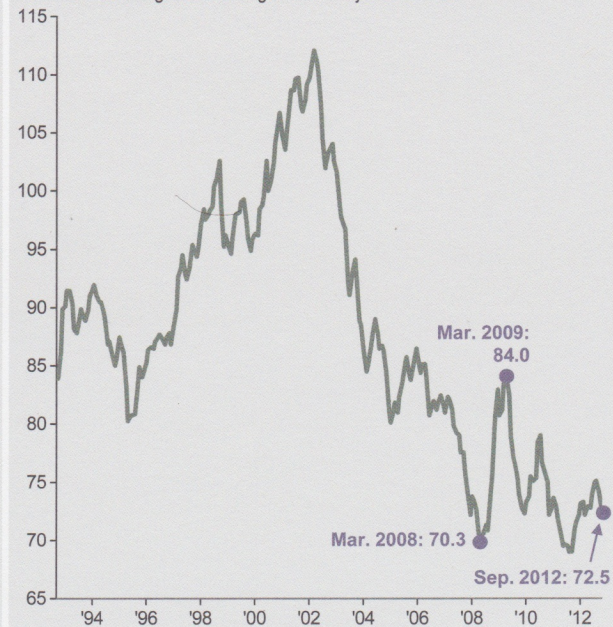
Current Account Balance, % of GDP



Source: BEA, FactSet, J.P. Morgan Asset Management. Data are as of 9/30/12 and are reported quarterly.

U.S. Dollar Index

Nominal trade-weighted exchange index: major currencies



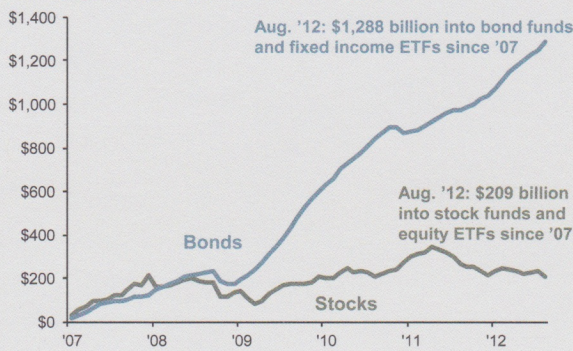
Source: Federal Reserve, FactSet, J.P. Morgan Asset Management. Data are as of 9/30/12.



Billions, USD	Fund Flows															
	AUM	YTD 2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<b>Domestic Equity</b>	4,270	(77)	(132)	(81)	(28)	(148)	(65)	(0)	18	101	120	(26)	55	261	176	149
<b>World Equity</b>	1,492	18	4	58	28	(80)	139	149	106	71	24	(3)	(22)	53	11	8
<b>Taxable Bond</b>	2,724	169	135	230	311	22	97	45	26	5	40	125	76	(36)	8	59
<b>Tax-exempt Bond</b>	562	39	(12)	11	69	8	11	15	5	(15)	(7)	17	11	(14)	(12)	15
<b>Hybrid</b>	946	39	31	24	10	(26)	42	18	37	49	38	9	9	(36)	(14)	10
<b>Money Market</b>	2,554	(138)	(124)	(525)	(539)	637	654	245	62	(157)	(263)	(46)	375	159	194	235

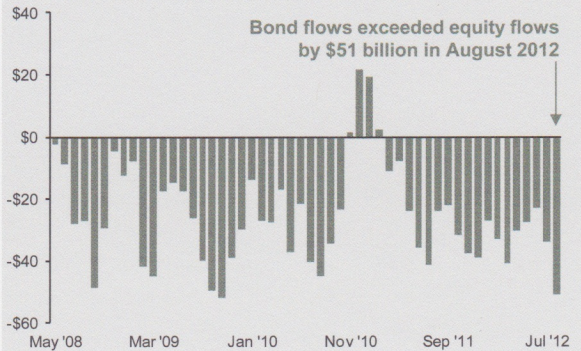
**Cumulative Flows into Stock & Bond Funds**

Includes both mutual funds and ETFs, \$ billions



**Difference Between Flows Into Stock and Bond Funds**

Billions, USD, U.S. and international funds, monthly



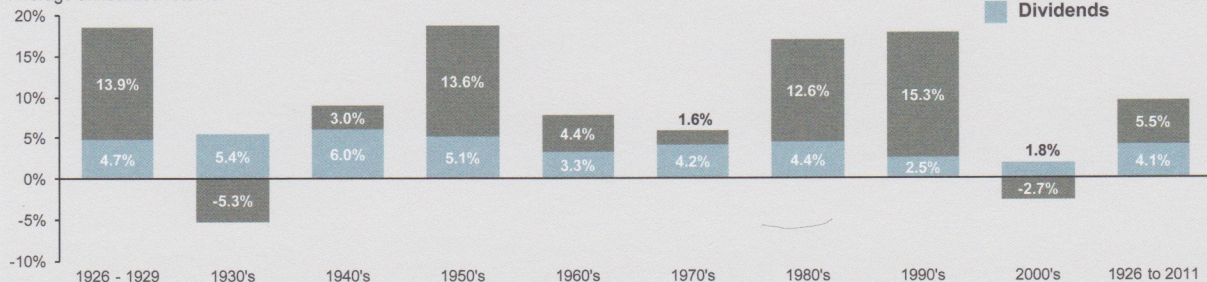
Source: Investment Company Institute, J.P. Morgan Asset Management.

Data include flows through August 2012 and exclude ETFs. ICI data are subject to periodic revisions. World equity flows are inclusive of emerging market, global equity and regional equity flows. Hybrid flows include asset allocation, balanced fund, flexible portfolio and mixed income flows. Data are as of 9/30/12.

Asset Class

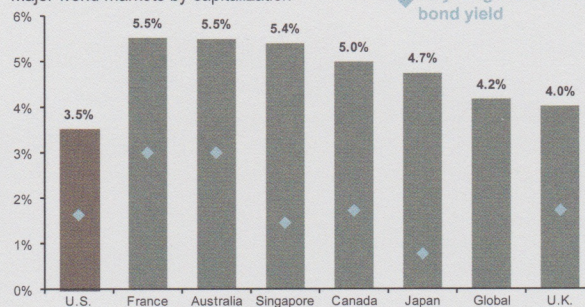
**S&P 500 Total Return: Dividends vs. Capital Appreciation**

Average annualized returns



**REIT Dividend Yields**

Major world markets by capitalization



**Equity Dividend Yields**

Major world markets by capitalization



Source: (Top chart) Standard & Poor's, Ibbotson, J.P. Morgan Asset Management. (Bottom left) FactSet, NAREIT, J.P. Morgan Asset Management. Yields shown are that of the appropriate FTSE NAREIT REIT index, which excludes property development companies. (Bottom right) FactSet, MSCI, J.P. Morgan Asset Management. Yields shown are that of the appropriate MSCI index.

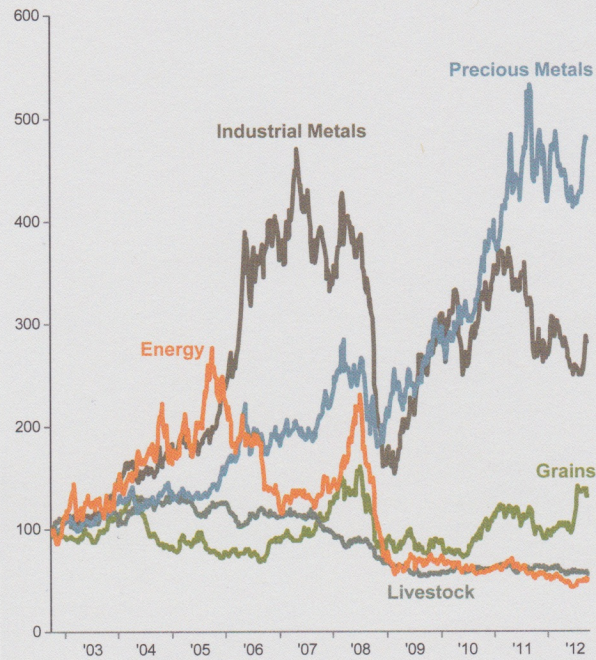
Data are as of 9/30/12.

Asset Class

Asset Class

**Commodity Prices**

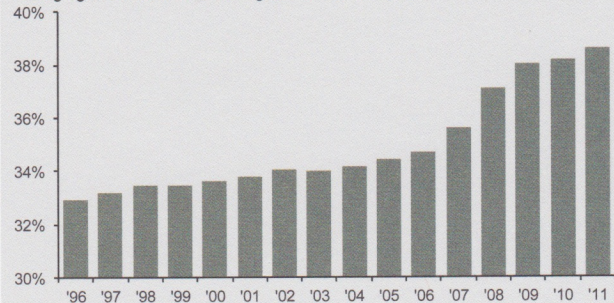
Weekly index prices rebased to 100



Source: Dow Jones/UBS, FactSet, J.P. Morgan Asset Management.  
Commodity prices represented by the appropriate DJ/UBS Commodity sub-index.  
Data are as of 9/30/12.

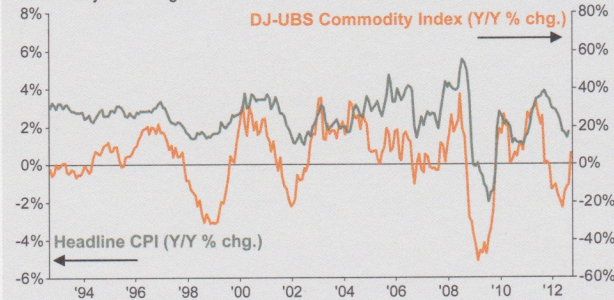
**Oil Demand: Emerging Markets Share**

Emerging markets as % of total global oil consumption



**Commodity Prices and Inflation**

Year-over-year % chg.

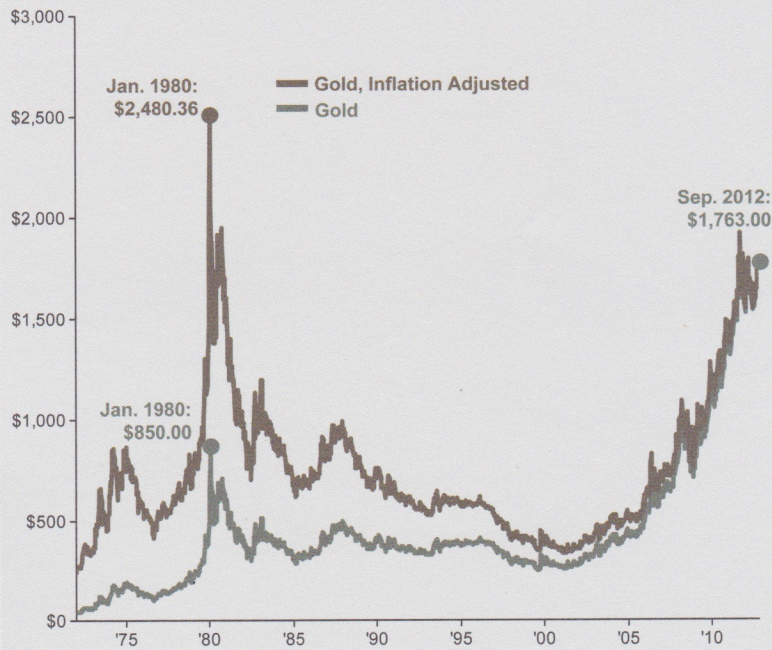


Source: (Top) BP Statistical Review of World Energy, J.P. Morgan Asset Management. (Bottom) BLS, DJ/UBS, FactSet, J.P. Morgan Asset Management.  
Data are as of 9/30/12.

Asset Class

**Gold Prices**

\$/oz



Source: (Left chart) EcoWin, BLS, U.S. Department of Energy, FactSet, J.P. Morgan Asset Management. (Right table) U.S. Geological Survey, World Gold Council, J.P. Morgan Asset Management. CPI adjusted gold values are calculated using month averages of gold spot prices divided by the CPI value for that month. CPI is rebased to 100 at the end of the chart. 2011 world production is a U.S. Geological Survey estimate.  
Data are as of 9/30/12.

**World Gold Production**

Year	Troy Ounces	Total Value
2000	83.3 mm	\$23 bn
2001	83.6 mm	\$23 bn
2002	82.0 mm	\$25 bn
2003	81.7 mm	\$30 bn
2004	77.8 mm	\$32 bn
2005	79.4 mm	\$35 bn
2006	76.2 mm	\$46 bn
2007	75.6 mm	\$53 bn
2008	73.3 mm	\$64 bn
2009	79.1 mm	\$77 bn
2010	82.3 mm	\$101 bn
2011	86.8 mm	\$136 bn

Range of Stock, Bond and Blended Total Returns

Annual total returns, 1950 – 2011



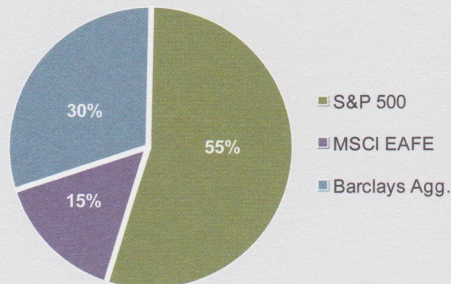
Asset Class

Sources: Barclays Capital, FactSet, Robert Shiller, Strategas/Ibbotson, Federal Reserve, J.P. Morgan Asset Management. Returns shown are based on calendar year returns from 1950 to 2011. Data are as of 9/30/12.

Diversification and the Average Investor

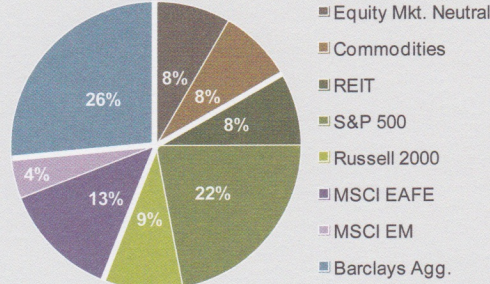
Maximizing the Power of Diversification (1994 – 2011)

Traditional Portfolio



Return: 6.75%  
Standard Deviation: 10.94%

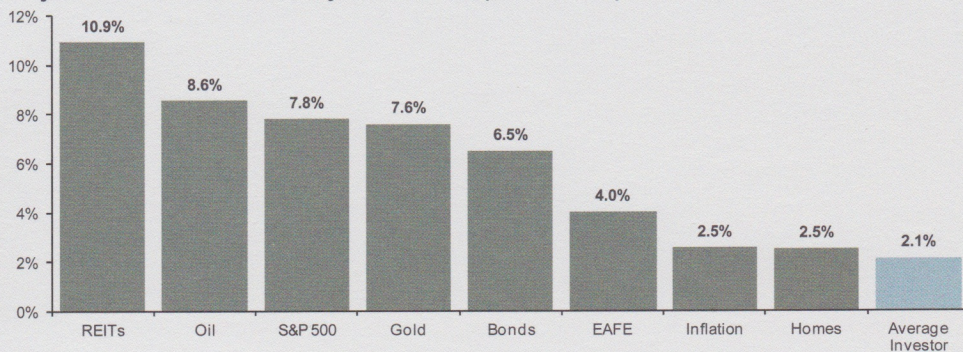
More Diversified Portfolio



Return: 7.09%  
Standard Deviation: 9.97%

(Top) Indexes and weights of the traditional portfolio are as follows: U.S. stocks: 55% S&P 500, U.S. bonds: 30% Barclays Capital Aggregate. International stocks: 15% MSCI EAFE. Portfolio with 25% in alternatives is as follows: U.S. stocks: 22.2% S&P 500, 8.8% Russell 2000; International Stocks: 4.4% MSCI EM, 13.2% MSCI EAFE; U.S. Bonds: 26.5% Barclays Capital Aggregate; Alternatives: 8.3% CS/Tremont Equity Market Neutral, 8.3% DJ/UBS Commodities, 8.3% NAREIT Equity REIT Index. Return and standard deviation calculated using Morningstar Direct. Charts are shown for illustrative purposes only. Past returns are no guarantee of future results. Diversification does not guarantee investment returns and does not eliminate risk of loss. Data are as of 9/30/12.

20-year Annualized Returns by Asset Class (1992 – 2011)

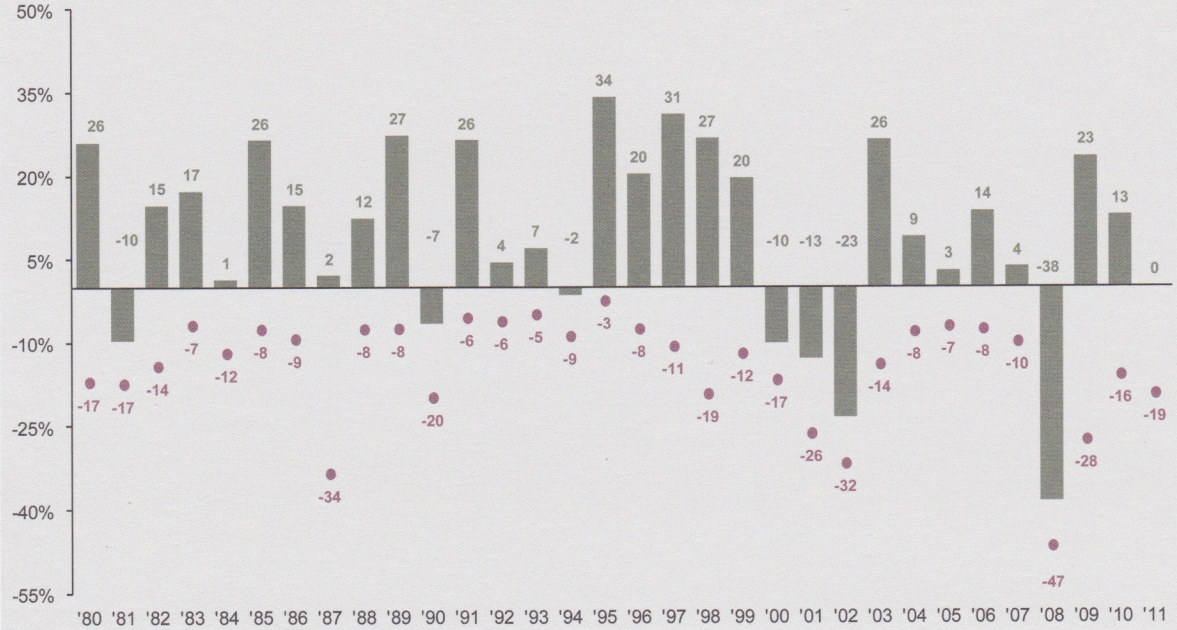


(Bottom) Indexes used are as follows: REITs: NAREIT Equity REIT Index, EAFE: MSCI EAFE, Oil: WTI Index, Bonds: Barclays Capital U.S. Aggregate Index, Homes: median sale price of existing single-family homes, Gold: USD/troy oz., Inflation: CPI. Average asset allocation investor return is based on an analysis by Dalbar Inc., which utilizes the net of aggregate mutual fund sales, redemptions and exchanges each month as a measure of investor behavior. Returns are annualized (and total return where applicable) and represent the 20-year period ending 12/31/11 to match Dalbar's most recent analysis.

Asset Class

**S&P 500 Intra-year Declines vs. Calendar Year Returns**

Despite average intra-year drops of 14.5%, annual returns positive in 25 of 32 years



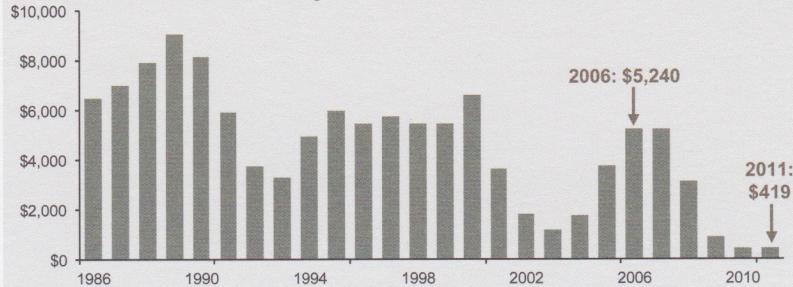
Source: Standard & Poor's, FactSet, J.P. Morgan Asset Management.

Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest market drops over periods of 6 months or less. For illustrative purposes only. Returns shown are calendar year returns from 1980 to 2011.

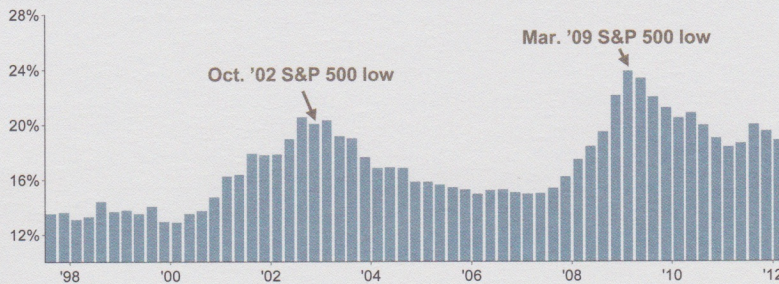
Data are as of 9/30/12.

Asset Class

**Annual Income Generated by \$100,000 Investment in a 6-month CD**



**Cash as a % of Total Household Financial Assets**



Source: Federal Reserve, St. Louis Fed, Bankrate.com, J.P. Morgan Asset Management. All cash measures obtained from the Federal Reserve are seasonally adjusted monthly numbers. All numbers are in billions of U.S. dollars.

Small-denomination time deposits are those issued in amounts of less than \$100,000. All IRA and Keogh account balances at commercial banks and thrift institutions are subtracted from small time deposits.

Annual income is for illustrative purposes and is calculated based on the 6-month CD yield on average during each year and \$100,000 invested.

IRA and Keogh account balances at money market mutual funds are subtracted from retail money funds.

Past performance is not indicative of comparable future results.

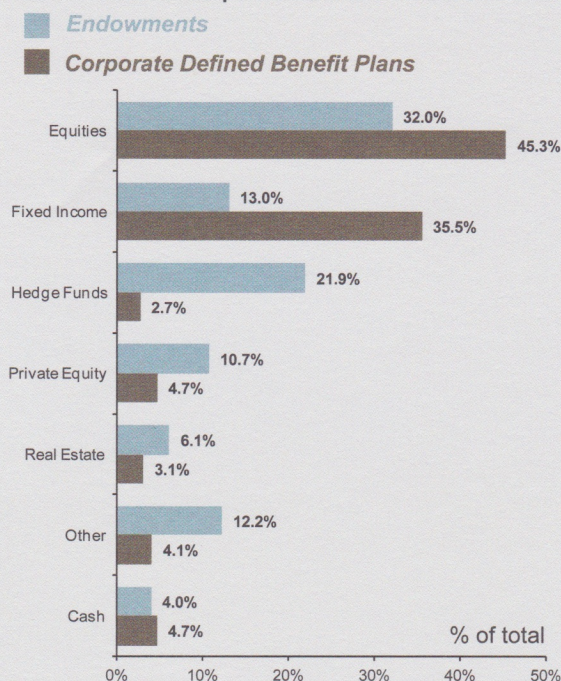
Data are as of 9/30/12.

Money Supply Component	\$ Billions	Weight in Money Supply
M2-M1	7,688	76.7%
Retail MMMFs	641	6.4%
Savings deposits	6,348	63.3%
Small time deposits	700	7.0%
Institutional MMMFs	1,723	17.2%
Cash in IRA & Keogh accounts	616	6.1%
<b>Total</b>	<b>10,026</b>	<b>100.0%</b>

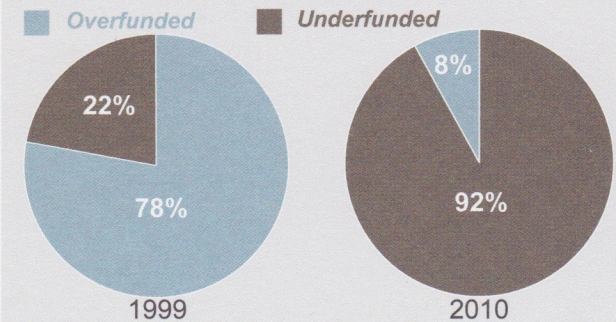
Asset Class



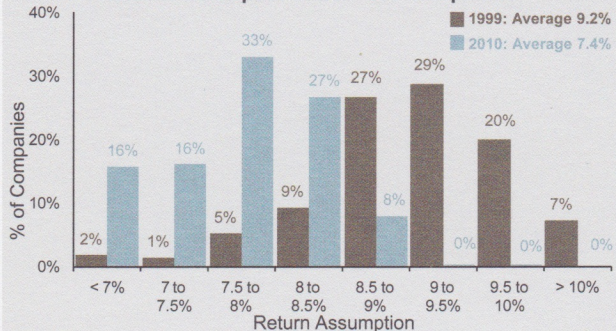
Asset Allocation: Corporate DB Plans vs. Endowments



Defined Benefit Plans – Funded Status: S&P 500 Companies



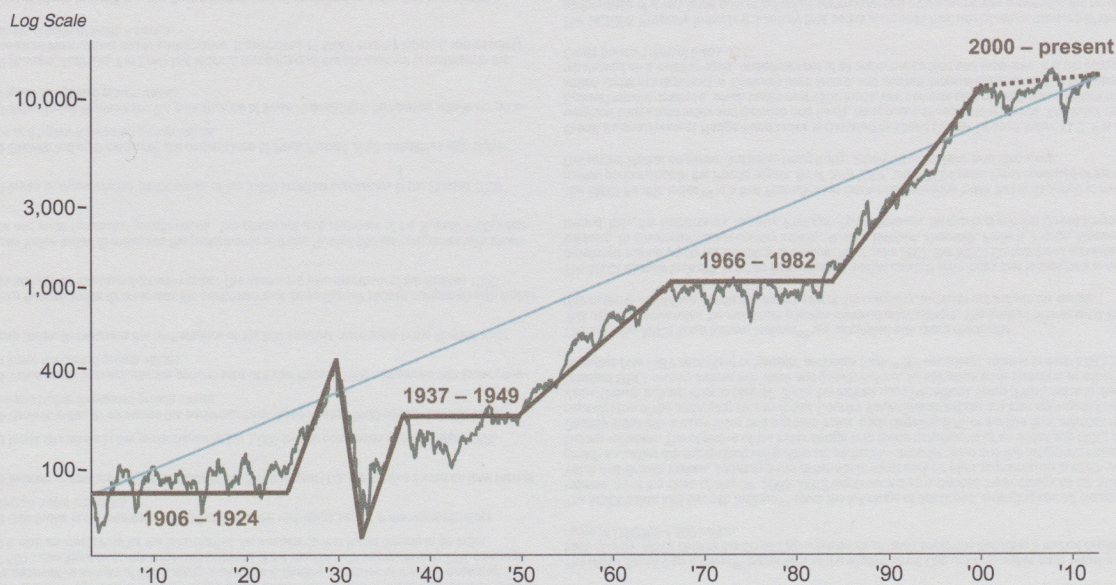
Pension Return Assumptions: S&P 500 companies



Source: NACUBO (National Association of College and University Business Officers), Towers Watson, Compustat/FactSet, J.P. Morgan Asset Management. Endowments represents dollar-weighted average data of 842 colleges and universities. Pension Return Assumptions based on all available and reported data from S&P 500 Index companies. Funded Status based on 351 companies reporting pension funding status as of 3/31/11. Return assumption bands are inclusive of upper range. All information is shown for illustrative purposes only. Data are as of 9/30/12.

Asset Class

Dow Jones Industrial Index, Price Return (Since 1900)



Source: IDC, FactSet, J.P. Morgan Asset Management. Data shown in log scale to best illustrate long-term index patterns. Past performance is not indicative of future returns. Chart is for illustrative purposes only. Data are as of 9/30/12.

Asset Class