

MARKET INSIGHTS

Weekly Market Recap October 17, 2011

Headlines

- Slovakia approved expansion of the EFSF.
- Italian PM Berlusconi survived a confidence vote.

Economic News

- The Trade Deficit was unchanged in August.
- Jobless Claims edged lower.
- Retail Sales were better than expected.
- Consumer Sentiment remains weak.
- Next Week: Industrial Production, PPI, CPI, Housing Starts, Existing Home Sales.

Thought of the Week

Positive economic surprises and incremental progress in Europe have helped to nurture a relief rally in risk assets this month. However, it is also worth considering the technical factors at play. This week's chart shows that short interest as a percentage of total NYSE volume was at its highest since July 2009 at the end of September, forcing investors to "cover" their short positions as the macro news got a little better. While such "short covering" often proceeds "real buying" during a rally, it is too early to give the "all clear". The weeks and months ahead are likely to see intense focus on earnings, economic data and actions by policymakers in the U.S. and Europe. Unfortunately, investors should probably expect the bumpy ride to continue.

Question of the week:

What was the total value of the bonds purchased by the ECB through their Securities Markets Programme as of October 7, 2011?

Prior week's question:

The economy lost approximately 8.8 million jobs during the most recent recession; as of September, how many jobs had we added back?

Answer to prior week's question:

As of September, the economy had added 2.6 million jobs.

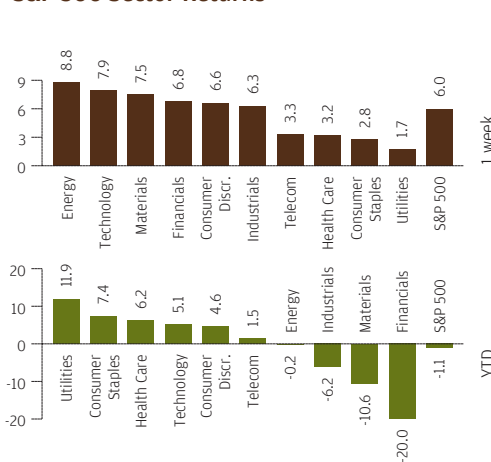
| Index Levels | Friday Close 10/14/11 | Prior Week 10/7/11 | Year End 12/31/10 | Year Ago 10/14/10 |
|--------------|--------------------------|-----------------------|----------------------|----------------------|
| Dow Jones 30 | 11,644 | 11,103 | 11,578 | 11,095 |
| S&P 500 | 1,225 | 1,155 | 1,258 | 1,174 |
| Nasdaq | 2,668 | 2,479 | 2,653 | 2,435 |
| Russell 2000 | 712 | 656 | 784 | 705 |

Bond Rates

| | Friday Close 10/14/11 | Prior Week 10/7/11 | Year End 12/31/10 | Year Ago 10/14/10 |
|-------------------|--------------------------|-----------------------|----------------------|----------------------|
| Fed Funds Target | 0.25 | 0.25 | 0.25 | 0.25 |
| 2 Year Treasury | 0.26 | 0.29 | 0.60 | 0.38 |
| 10 Year Treasury | 2.23 | 2.07 | 3.30 | 2.49 |
| 10 Year Municipal | 3.18 | 3.15 | 3.75 | 2.83 |
| High Yield | 9.21 | 9.76 | 7.51 | 7.43 |

| Market Returns | 1 week | | YTD | |
|----------------|--------|------|--------|--------|
| | Local | USD | Local | USD |
| S&P 500 | 6.01 | 6.01 | -1.05 | -1.05 |
| MSCI - EAFE | 2.78 | 4.50 | -11.53 | -8.99 |
| United Kingdom | 3.11 | 4.31 | -4.29 | -3.42 |
| Europe ex-UK | 3.66 | 6.44 | -12.32 | -9.50 |
| Japan | 1.19 | 0.40 | -16.31 | -12.26 |
| Asia ex-Japan | 3.58 | 5.48 | -12.53 | -13.44 |

S&P 500 Sector Returns



Style Returns

| | V | B | G |
|---|-----|-----|-----|
| L | 5.5 | 6.0 | 6.7 |
| M | 6.0 | 6.6 | 7.2 |
| S | 8.3 | 8.6 | 8.8 |

| | V | B | G |
|---|-------|------|------|
| L | -4.6 | -1.1 | 1.5 |
| M | -6.3 | -4.6 | -2.7 |
| S | -10.6 | -8.2 | -5.8 |

Chart of the Week



| Consumer Rates | Friday Close 10/14/11 | Prior Week 10/7/11 | Year End 12/31/10 | Year Ago 10/14/10 |
|------------------|--------------------------|-----------------------|----------------------|----------------------|
| 6 Month CD | 0.50 | 0.50 | 0.41 | 0.36 |
| 30 Year Mortgage | 4.17 | 4.17 | 4.82 | 4.21 |
| Prime Rate | 3.25 | 3.25 | 3.25 | 3.25 |

Commodities

| | Friday Close 10/14/11 | Prior Week 10/7/11 | Year End 12/31/10 | Year Ago 10/14/10 |
|-----------|--------------------------|-----------------------|----------------------|----------------------|
| Gold | 1678.00 | 1652.00 | 1405.50 | 1373.25 |
| Crude Oil | 86.80 | 82.98 | 89.84 | 82.69 |
| Gasoline | 3.42 | 3.43 | 3.05 | 2.82 |

Currency

| | Friday Close 10/14/11 | Prior Week 10/7/11 | Year End 12/31/10 | Year Ago 10/14/10 |
|----------|--------------------------|-----------------------|----------------------|----------------------|
| \$ per € | 1.39 | 1.35 | 1.34 | 1.41 |
| \$ per £ | 1.58 | 1.56 | 1.57 | 1.60 |
| ¥ per \$ | 77.37 | 76.76 | 81.11 | 81.38 |

| Index Characteristics | P/E Forward | P/E Trailing | Dividend Yield | Wtd Avg Mkt Cap (billions) |
|-----------------------|-------------|--------------|----------------|----------------------------|
| S&P 500 | 11.83 | 14.40 | 2.20 | 93.50 |
| Russell 1000 Value | 10.61 | 11.68 | 2.85 | 69.77 |
| Russell 1000 Growth | 13.72 | 14.99 | 1.74 | 95.74 |
| Russell 2000 | 16.87 | 19.95 | 1.65 | 1.15 |

Chart of the Week: Source: NYSE, FactSet, J.P. Morgan Asset Management.

Thought of the Week: Source: NYSE, J.P. Morgan Asset Management.

Question of the Week: Source: BLS, J.P. Morgan Asset Management.

Market Returns: All data represents total return including the reinvestment of dividends for stated period. Index: MSCI – EAFE; provided by: MSCI – gross official pricing. Index: UK; provided by: MSCI – gross official pricing. Index: Europe ex-UK; provided by: MSCI – gross official pricing. Index: Japan; provided by: MSCI – gross official pricing. Index: Asia ex-Japan; provided by: MSCI – gross official pricing. Index: S&P 500 Index; provided by: IDC.

(MSCI EAFE is a Morgan Stanley Capital International Index that is designed to measure the performance of the developed stock markets of Europe, Australia, and the Far East).

Dow Jones-UBS Commodity Index (DJ-UBSCI) is a broadly diversified index composed of futures contracts on physical commodities. The index is designed to minimize concentration in any one commodity or sector. It includes 19 commodity futures in five groups.

Bond Rates: Fed Funds Target, EcoWin; 2 Year Treasury, IDC; 10 Year Treasury, IDC; 10 Year Muni, Barclays Capital; High Yield, Barclays Capital High-yield Index.

Consumer Rates: 6 Month CD, Federal Reserve; 30 Year Mortgage, Mortgage Bankers Association (MBA); Prime Rate: Federal Reserve.

Commodities: Gold, EcoWin; Crude Oil (WTI), EcoWin; Gasoline, EcoWin.

Currency: Dollar per Pound, IDC; Dollar per Euro, IDC; Yen per Dollar, IDC.

Index Price Levels: Reflects closing price level for each index as of stated date. Dow Jones Industrial 30 (The Dow Jones is a price-weighted index composing of 30 widely-traded blue chip stocks.): IDC, S&P 500 Index (The S&P 500 Index is widely regarded as the best single gauge of the U.S. equities market, this world-renowned index includes a representative sample of 500 leading companies in leading industries of the U.S. economy. Although the S&P 500 focuses on the large-cap segment of the market, with approximately 75% coverage of U.S. equities, it is also an ideal proxy for the total market.): IDC, NASDAQ Composite Index (The NASDAQ Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange.): IDC, Russell 2000 Index: IDC. Indexes are not available for direct investment.

S&P Index Characteristics: Trailing P/E price is provided by Factset Pricing database while trailing earnings is provided by Compustat. Dividend Yield provided by FactSet Pricing database. Fwd. P/E is a bottom-up weighted Harmonic average using First Call Mean estimates for the "Next 12 Months" (NTM) period. Marketcap is a bottom-up weighted average based on share information from Compustat and Price information from FactSet's Pricing database as provided by Standard & Poor's.

Russell 1000 Value Index, Russell 1000 Growth Index, and Russell 2000 Index Characteristics: Trailing P/E is provided directly by Russell. Fwd. P/E is a bottom-up weighted harmonic average using First Call Mean estimates for the "Next 12 Months" (NTM) period. Marketcap is a bottom-up weighted average based on share information from Compustat and Price information from FactSet's Pricing database as provided by Russell.

Sector Returns: Sectors are based on the GICS Classification model. Return data are calculated by FactSet using constituents and weights as provided by Standard & Poor's. Returns are cumulative total return for stated period, including reinvestment of dividends.

Style Returns: Style box returns based on Russell Indexes with the exception of the Large-Cap Blend box, which reflects the S&P 500 Index. All values are cumulative total return for stated period including the

reinvestment of dividends. The Index used from L to R, top to bottom are: S&P 500 Index (Index represents the 500 Large Cap portion of the stock market, and is comprised of 500 stocks as selected by the S&P Index Committee), Russell 1000 Value Index (Measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values), Russell 1000 Growth Index (Measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values), Russell Mid Cap Value Index (Measures the performance of those Russell Mid Cap companies with lower price-to-book ratios and lower forecasted growth values), Russell Mid Cap Index (The Russell Midcap Index includes the smallest 800 securities in the Russell 1000), Russell Mid Cap Growth Index (Measures the performance of those Russell Mid Cap companies with higher price-to-book ratios and higher forecasted growth values), Russell 2000 Value Index (Measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values), Russell 2000 Index (The Russell 2000 includes the smallest 2000 securities in the Russell 3000), Russell 2000 Growth Index (Measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values).

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Unless otherwise stated, all data is as of October 14, 2011 or as of most recently available.