

MARKET INSIGHTS

Weekly Market Recap October 31, 2011

Headlines

- European leaders reached an agreement to stem contagion in the Euro zone.

Economic News

- 3Q11 Real GDP: 2.5% saar.
- Durable Goods orders fell less than expected.
- New Home Sales rose 5.7% in September.
- Next Week: ISM indices, Vehicle Sales, Employment.

Thought of the Week

Last week, European policymakers agreed on a deal in an effort to stem Euro zone contagion, which involved an estimated €106bn bank recapitalization, a 50% haircut on privately held Greek debt, and leveraging the EFSF to about €1tn. These efforts appear well intentioned, but many details remain undecided. However, one detail is that any shortfall in bank capital will be financed by individual countries, which is of particular importance to France given the contingent claims exposure to their banking sector. As shown in this week's chart, French and German government bond yields have historically tracked each other closely, suggesting their recent divergence could be due to these banking sector dynamics. It is encouraging to see government leaders working together toward a common goal, but the impact of these proposals will be dependent on the specific details.

Question of the week:

Last Friday, the Italian government issued bonds in the primary market. What was the yield paid on 10-year bonds at this auction?

Prior week's question:

Last week, we learned that core CPI increased 2% from September 2010 to September 2011; when was the last time core inflation was increasing 2% year-over-year?

Answer to prior week's question:

The last time core inflation was increasing at a rate of 2% year-over-year was November 2008.

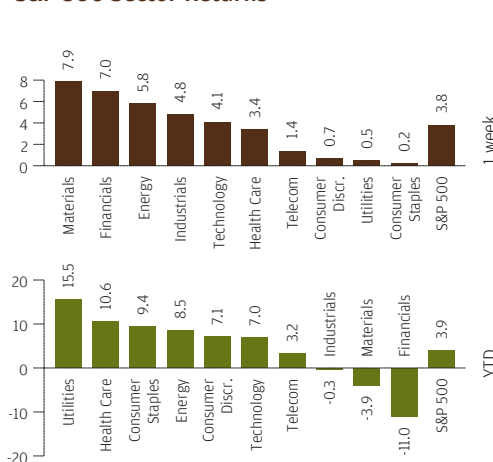
Index Levels	Friday Close 10/28/11	Prior Week 10/21/11	Year End 12/31/10	Year Ago 10/28/10
Dow Jones 30	12,231	11,809	11,578	11,114
S&P 500	1,285	1,238	1,258	1,184
Nasdaq	2,737	2,637	2,653	2,507
Russell 2000	761	712	784	701

Bond Rates

	Friday Close 10/28/11	Prior Week 10/21/11	Year End 12/31/10	Year Ago 10/28/10
Fed Funds Target	0.25	0.25	0.25	0.25
2 Year Treasury	0.29	0.27	0.60	0.37
10 Year Treasury	2.30	2.20	3.30	2.66
10 Year Municipal	3.05	3.04	3.75	3.01
High Yield	8.10	8.71	7.51	7.29

Market Returns	1 week		YTD	
	Local	USD	Local	USD
S&P 500	3.79	3.79	3.87	3.87
MSCI - EAFE	4.52	6.28	-7.91	-2.91
United Kingdom	3.89	5.16	-0.14	2.97
Europe ex-UK	4.56	6.82	-8.62	-3.17
Japan	4.02	4.53	-13.49	-7.39
Asia ex-Japan	7.12	9.54	-7.94	-6.90

S&P 500 Sector Returns



Style Returns

	V	B	G
L	4.3	3.8	3.7
M	4.8	5.0	5.2
S	6.3	6.8	7.4

	V	B	G
L	1.7	3.9	5.3
M	0.2	1.6	3.1
S	-4.3	-1.9	0.4

Chart of the Week

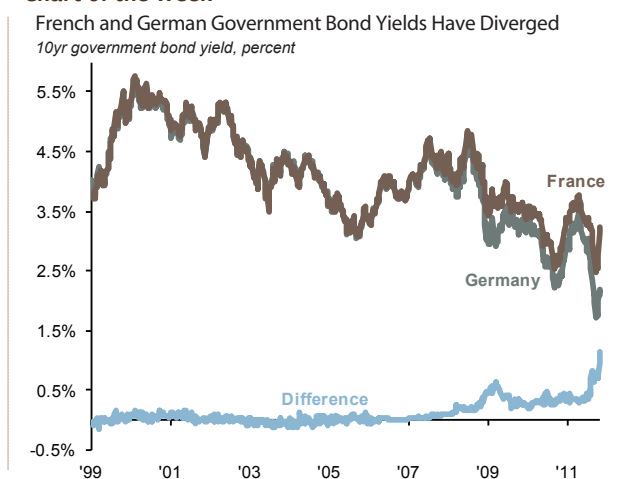


Chart of the Week: Source: FactSet, J.P. Morgan Asset Management.

Thought of the Week: Source: European Union, 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 28, 2011 or as of most recently available.