

# MARKET INSIGHTS

## Weekly Market Recap February 27, 2012

### Headlines

- Middle East tensions worried investors, oil prices rose.
- Payroll tax cut extension was signed into law.

### Economic News

- Existing home sales increased 4.3% in January.
- New home sales fell to 321,000 saar.
- Consumer sentiment was better than expected.
- Next Week: Durable Goods, GDP, Vehicle Sales.

### Thought of the Week

The Baltic Dry Index, a global economic indicator that tracks the cost of moving major raw materials by sea, has traditionally been influenced by the supply of and demand for ships. As highlighted in this week's chart, global vessel shipping capacity increased an average of 4.0% per year from 2000 to 2007, which given rapid global economic growth and an increase in physical commodity trading, drove both the demand for ships and the index higher. This encouraged more ship building, increasing shipping capacity by an average of 7.6% per year from 2008 to 2011, well above the rate of global economic growth during this period, and resulting in oversupply and a sharp fall in the index. Thus, multiple factors have been affecting this index, which should serve as a reminder of the importance of taking a broad view, and not placing too much importance on any individual data point.

### Question of the week:

How much has U.S. money market fund exposure to the Euro zone increased since December 2011?

### Prior week's question:

Petroleum products account for about 80% of Iranian exports. What are the major destinations for Iranian exports?

### Answer to prior week's question:

According to the EIA, China, India and Japan accounted for a combined 53% of Iranian exports in 2010. Exports to Japan and India fell in the first half of 2011 as sanctions began to impact trade financing, a trend that looks set to continue.

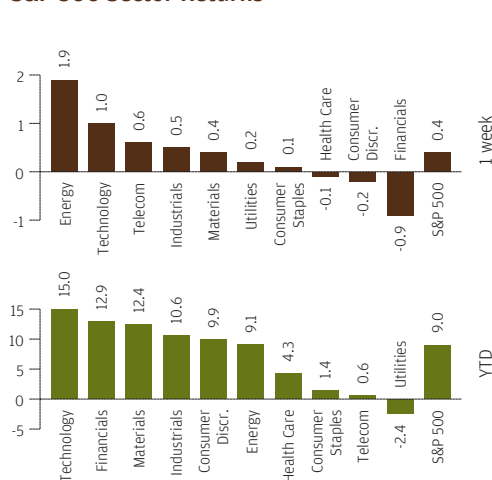
Index Levels	Friday Close 2/24/12	Prior Week 2/17/12	Year End 12/30/11	Year Ago 2/24/11
Dow Jones 30	12,983	12,950	12,218	12,069
S&P 500	1,366	1,361	1,258	1,306
Nasdaq	2,964	2,952	2,605	2,738
Russell 2000	827	829	741	804

### Bond Rates

	Friday Close 2/24/12	Prior Week 2/17/12	Year End 12/30/11	Year Ago 2/24/11
Fed Funds Target	0.25	0.25	0.25	0.25
2 Year Treasury	0.31	0.29	0.24	0.73
10 Year Treasury	1.98	2.01	1.87	3.44
10 Year Municipal	2.29	2.27	2.45	3.68
High Yield	7.05	7.30	8.36	6.89

Market Returns	1 week		YTD	
	Local	USD	Local	USD
S&P 500	0.37	0.37	8.96	8.96
MSCI - EAFE	1.02	1.70	9.98	11.71
United Kingdom	0.57	0.85	6.99	9.17
Europe ex-UK	0.00	2.34	9.41	13.79
Japan	2.94	1.25	15.09	9.75
Asia ex-Japan	0.57	0.66	11.32	14.46

### S&P 500 Sector Returns



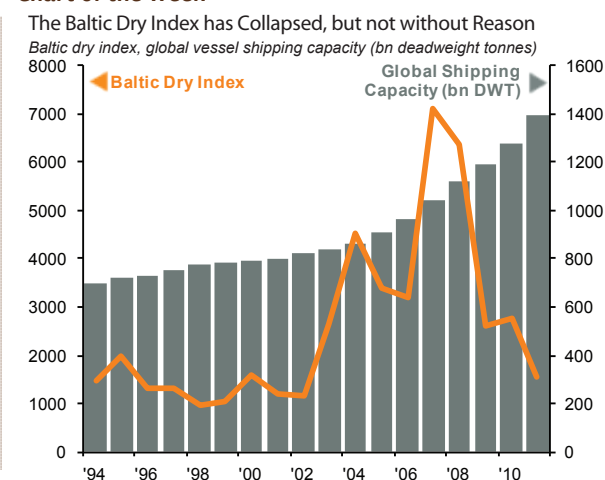
### Style Returns

	V	B	G
L	-0.1	0.4	0.8
M	-0.2	0.0	0.3
S	-0.8	-0.2	0.4

	V	B	G
L	8.0	9.0	11.0
M	9.5	11.1	12.7
S	10.3	11.8	13.2

### Chart of the Week



Consumer Rates	Friday Close 2/24/12	Prior Week 2/17/12	Year End 12/30/11	Year Ago 2/24/11
6 Month CD	0.51	0.51	0.64	0.38
30 Year Mortgage	4.08	4.08	4.07	5.00
Prime Rate	3.25	3.25	3.25	3.25

### Commodities

	Friday Close 2/24/12	Prior Week 2/17/12	Year End 12/30/11	Year Ago 2/24/11
Gold	1777.50	1723.00	1531.00	1411.50
Crude Oil	109.77	103.24	98.83	95.98
Gasoline	3.59	3.52	3.26	3.19

### Currency

	Friday Close 2/24/12	Prior Week 2/17/12	Year End 12/30/11	Year Ago 2/24/11
\$ per €	1.35	1.32	1.30	1.38
\$ per £	1.59	1.58	1.55	1.61
¥ per \$	80.69	79.36	76.94	81.77

Index Characteristics	P/E Forward	P/E Trailing	Dividend Yield	Wtd Avg Mkt Cap (billions)
S&P 500	12.94	15.50	2.09	104.04
Russell 1000 Value	11.90	13.91	2.57	75.50
Russell 1000 Growth	14.70	16.34	1.55	109.05
Russell 2000	18.90	24.00	1.38	1.34

*Chart of the Week:* Source: Baltic Exchange, United Nations, J.P. Morgan Asset Management.

*Thought of the Week:* Source: Barclays Capital, J.P. Morgan Asset Management.

*Question of the Week:* Source: EIA, 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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**Diversification does not guarantee investment returns and does not eliminate the risk of loss.**

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Unless otherwise stated, all data is as of February 24, 2012 or as of most recently available.