

MARKET INSIGHTS

Weekly Market Recap January 23, 2012

Headlines

- Greece continued negotiations with private investors.
- France threatened to withdraw from Afghanistan.

Economic News

- Industrial Production increased 0.4% in December.
- CPI: +3.0%oya; Core CPI: 2.2%oya.
- Housing Starts missed consensus estimates.
- Jobless Claims fell to 352,000.
- Next Week: New Home Sales, 4Q11 GDP, Sentiment.

Thought of the Week

Uncertainty about the direction of future government policies can weigh on the economy. While uncertainty can be difficult to quantify, as shown in this week's chart, a team of professors from Stanford and the University of Chicago have created a policy uncertainty index that looks at the frequency of articles on the issue of policy uncertainty in the news, expiring federal tax provisions (there are 41 in 2012) and disagreement among forecasters over inflation and federal government purchases. The increase in policy uncertainty in recent years has increased overall economic uncertainty, which the authors estimate has resulted in the loss of 2.5 million jobs. One clear implication of this study is that more clarity on tax and spending policies over the years ahead could contribute to an acceleration in economic growth.

Question of the week:

How much did the Federal Reserve's Treasury holdings increase in 2011?

Prior week's question:

Consumer credit increased \$20.4bn in November; what was the primary driver of this increase?

Answer to prior week's question:

Approximately 75% of the rise in consumer credit was due to an increase in non-revolving credit, which continued to show strength in student loans.

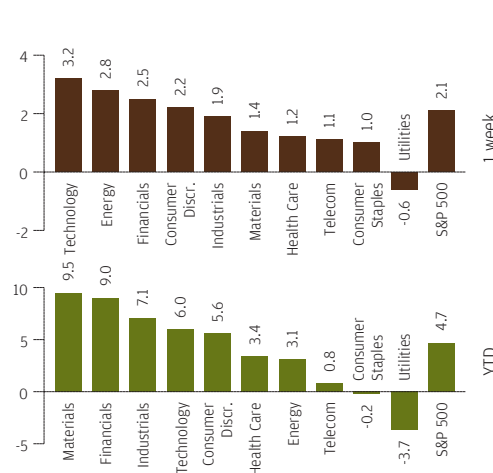
Index Levels	Friday Close 1/20/12	Prior Week 1/13/12	Year End 12/30/11	Year Ago 1/20/11
Dow Jones 30	12,720	12,422	12,218	11,823
S&P 500	1,315	1,289	1,258	1,280
Nasdaq	2,787	2,711	2,605	2,704
Russell 2000	785	764	741	778

Bond Rates

	1/20/12	1/13/12	12/30/11	1/20/11
Fed Funds Target	0.25	0.25	0.25	0.25
2 Year Treasury	0.24	0.22	0.24	0.63
10 Year Treasury	2.03	1.85	1.87	3.46
10 Year Municipal	2.29	2.27	2.45	4.01
High Yield	7.78	8.00	8.36	7.13

Market Returns	1 week		YTD	
	Local	USD	Local	USD
S&P 500	2.06	2.06	4.70	4.70
MSCI - EAFE	2.61	4.04	4.20	4.26
United Kingdom	1.66	3.27	2.79	2.70
Europe ex-UK	3.23	5.44	4.80	4.56
Japan	2.98	2.79	3.75	3.51
Asia ex-Japan	2.59	3.60	6.14	7.68

S&P 500 Sector Returns

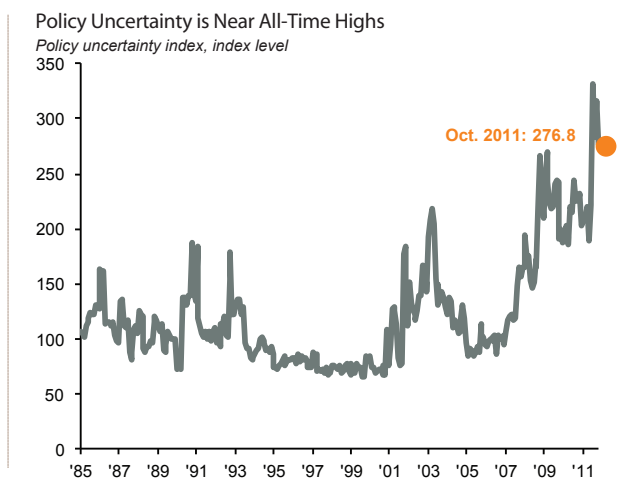


Style Returns

	V	B	G
L	1.9	2.1	2.3
M	1.9	2.2	2.6
S	2.6	2.7	2.8

	V	B	G
L	4.9	4.7	4.9
M	4.9	5.5	6.1
S	5.7	5.9	6.1

Chart of the Week



Consumer Rates	Friday Close 1/20/12	Prior Week 1/13/12	Year End 12/30/11	Year Ago 1/20/11
6 Month CD	0.59	0.64	0.64	0.38
30 Year Mortgage	4.06	4.11	4.07	4.77
Prime Rate	3.25	3.25	3.25	3.25

Commodities

	1/20/12	1/13/12	12/30/11	1/20/11
Gold	1653.00	1642.00	1531.00	1345.00
Crude Oil	98.46	98.70	98.83	88.86
Gasoline	3.39	3.38	3.26	3.10

Currency

	1/20/12	1/13/12	12/30/11	1/20/11
\$ per £	1.55	1.53	1.55	1.58
¥ per \$	77.12	76.98	76.94	83.00

Index Characteristics	P/E Forward	P/E Trailing	Dividend Yield	Wtd Avg Mkt Cap (billions)
S&P 500	12.69	14.93	2.13	97.88
Russell 1000 Value	11.71	13.33	2.64	76.03
Russell 1000 Growth	14.32	15.90	1.62	98.61
Russell 2000	18.52	23.02	1.46	1.28

Chart of the Week: Source: *Measuring Economic Policy Uncertainty*, J.P. Morgan Asset Management.

Thought of the Week: Source: *Measuring Economic Policy Uncertainty*, J.P. Morgan Asset Management.

Question of the Week: Source: Federal Reserve, 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 January 20, 2012 or as of most recently available.