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To: Undisclosed recipients;;

Subject: 2Q 2013 J.P. Morgan Guide to the Markets

Date: Tue, 02 Apr 2013 22:51:50 +0000

Attachments: ATT00001.thmx; ATT00002.xml; ATT00007.htm; Guide_to_the_Markets_2Q13.pdf

Inline-Images: image003.jpg

J.P.Morgan

We are pleased to present the J.P. Morgan Funds [Guide to the Markets](#) for the second quarter 2013.

Entering 2013, financial markets faced significant challenges including a slumping European economy, concerns about inflation in some emerging markets and fiscal drag in the United States from tax increases and spending cuts. Despite this, equity markets had a remarkably strong quarter, with major stock market indices hitting all-time highs in a full recovery from the 2007-2009 bear market. Fixed income markets, however, saw more mixed performance as investors moved cash toward risk assets.

For investors, it is important to understand the drivers of recent market performance, as well as some of the issues which will impact returns going forward.

In this quarter's *Guide to the Markets* we illustrate some of these themes including:

- How a surge in household wealth is offsetting some of the impacts of fiscal drag (p. 20 and 23)
- Potential stock market returns starting from higher valuations (p. 7, 11, 14 and 15)
- Implications of Federal Reserve policy for inflation, bonds and equities (p. 12, 27, 32, 33 and 34)
- The contrast between aggressive fiscal and monetary stimulus in Japan and austerity in Europe (p. 47, 48, 49 and 52)
- Risks and opportunities in emerging markets (p. 44, 45, 50 and 54)

Please see the full guide attached.

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