

From: US GIO <us.gio@jpmorgan.com>

To: Undisclosed recipients;;

Subject: JPM View 08.03.2012

Date: Fri, 03 Aug 2012 20:45:54 +0000

Attachments: JPM_View_08.03.2012-pdf.zip

Inline-Images: image003.png

J.P.Morgan

The J.P. Morgan View

Stay in mid-risk assets

- **Asset Allocation** — Investors flows and the environment of low growth, super easy money and no fiscal blowups yet continue to support the strategy of mid-risk assets, EM and corporate bonds and defensive stocks.
 - **Economics** — Weak PMIs and demand indicators are pointing to a risk scenario of an extended bottom in growth and a delay in our expected lift in growth, but not to an acceleration in the downshift in growth.
 - **Fixed Income** — Weakening growth and scramble for yield support duration overweights.
 - **Equities** — An underweight in Cyclical vs. Defensives is not necessarily inconsistent with a long equity directional stance.
 - **Credit** — Carry is king in a weak growth, cheap money, low-volatility world. OW EM credit and US high-yield.
 - **Foreign exchange** — We add two mean reversion trades, short GBP/NOK and AUD/NZD.
 - **Commodities** — We maintain our OW in energy vs. base metals and our long in gold. We also open a small OW in agriculture.
- **Equities are again net up on the week, and fixed income overall is slightly up, both beating zero-yielding cash and commodities, and continuing to play by the asset reflation tune we have been harking on for some time. Cash and commodities remain at the bottom of the YTD return parade (chart on right).**
- **Investor flows, and our strategy continue to focus on what we call mid-risk assets – better-yielding corporate and EM bonds as well as defensive equities – which sit in between aggressive asset classes, such as higher-beta cyclical and EM stocks on one side, and safer cash and government bonds. The combination of low, below-trend economic growth, super-easy monetary policy, and a postponing of fiscal blowups in the US and Europe remains positive for the mid-risk strategy, in our view.**
- **On the growth side, this week's Global Manufacturing PMI was even weaker than feared, and is near recession levels. To offset the dangerous signal of this production indicator, we need to get better news from services, demand, and jobs. Much of what we have received recently is quite mixed. June retail sales were poor and G3 shipments likely fell. But July car sales and US jobs data were OK, but not great. The July Global All-Industry PMI, which includes services, did move up 1.4%, but still only to a level consistent with no change in growth from Q2. As a result, we believe the risk is that global growth will not rise much from the estimated 1.7% pace in Q2, which is so far the lowest in the expansion. But there is little in the data that suggests a further lurching down in growth. We view a more extended bottoming in growth and later modest rebound as the more likely scenario (more details in GDW).**

See page 7 for analyst certification and important disclosures.

Global Asset Allocation
03 August 2012

Global Asset Allocation

Jan Loeys ^{AC}

(1-212) 834-5874

jan.loeys@jpmorgan.com

JPMorgan Chase Bank NA

John Normand

(44-20) 7134-1818

john.normand@jpmorgan.com

J.P. Morgan Securities plc

Nikolaos Panigirtzoglou

(44-20) 7134-7815

nikolaos.panigirtzoglou@jpmorgan.com

J.P. Morgan Securities plc

Seamus Mac Gorain

(44-20) 7134-7781

seamus.maogorain@jpmorgan.com

J.P. Morgan Securities plc

Matthew Lehmann

(44-20) 7134-7813

matthew.m.lehmann@jpmorgan.com

J.P. Morgan Securities plc

Leo Evans

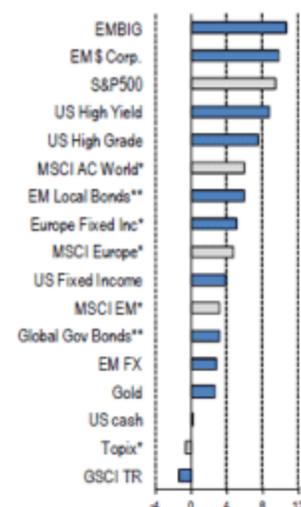
(44-20) 7742-2537

leonard.a.evans@jpmorgan.com

J.P. Morgan Securities plc

YTD returns through Jul 26

% , equities are in lighter color.



Source: J.P. Morgan, Bloomberg. See blue box on page 2 for description.

www.morganmarkets.com

This email is confidential and subject to important disclaimers and conditions including on offers for the purchase or sale of securities, accuracy and completeness of information, viruses, confidentiality, legal privilege, and legal entity disclaimers, available at <http://www.jpmorgan.com/pages/disclosures/email>.