Global Asset Allocation
J.P.Morgan Chase Bank NA, J.P. Morgan Securities Ltd.
Sep 30, 2011

The J.P. Morgan View

Still too many banana peels

- **Economics** — Further cuts to growth forecasts, this time in Japan and EM Europe. US Q3 is tracking a 1.5% pace. We retain the view that Europe is sliding into recession.
- **Portfolio strategy** — Riskier markets are trying to rebound as many active managers are short. We find it too early to go long risk, as there remain too many banana peels in front of us, on which risk assets can slip.
- **Fixed Income** — Falling growth projections remain bullish for bonds.
- **Equities** — 2012 Eurostoxx50 dividends provide an attractive return to risk
- **Credit** — EU recession forecasts justify staying defensive.
- **Foreign exchange** — Be long JPY vs EUR and GBP. On the USD, we prefer to buy it against NOK.
- **Commodities** — We close our outright longs in copper, corn and wheat but we remain long gold and a basket of EM driven against a basket of US driven commodities.

Jan Loeys[AC]
[redacted]

John Normand
[redacted]

Nikolaos Panigirtzoglou
[redacted]

Seamus Mac Gorain
[redacted]

Matthew Lehmann
[redacted]

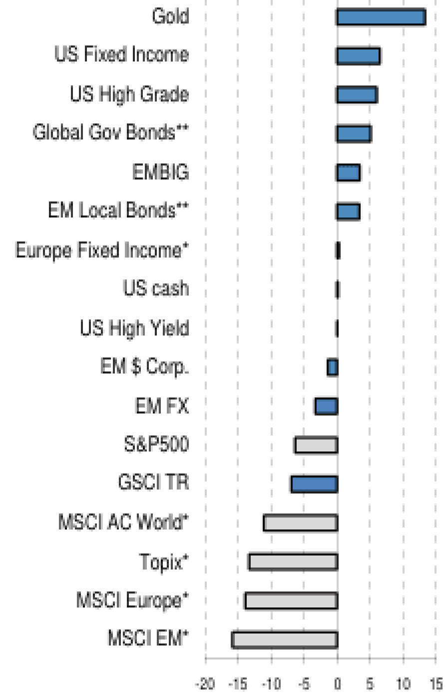
- **Risk markets rallied early this week**, and bond yields rebounded strongly, as some of the feared event risks in Europe did not materialise. But they then lost ground again later in the week as investors have no confidence that underlying conditions in the world have improved.

- **We retain a defensive posture**, underweighting risky assets, as (1) the Euro area is far from creating the fiscal solidarity and discipline needed to resolve its sovereign funding crisis — even as it is now at least talking about these more openly— and likely requires a renewed crisis before its takes these actions; (2) whatever the outcome of the EMU debt crisis, Western Europe is likely now already sliding into recession; (3) the US is probably not in recession yet, but Congress seems too divided to prevent the main risk of recession coming from the massive fiscal tightening, that is on the books for 2012; and (4) Japan and Asia are now also weakening and will thus not be able to turn around the US and European economies.

- Investors are heavily underweight European assets as they see a significant risk that **EMU** members are unable to combine resources to battle their self-inflicted debt crisis. The required degree of fiscal integration implies surrendering much of their cherished national sovereignty and will not be taken in a single yea-or-nay vote. It can only come about through a long set of decisions and actions over the coming year by all the EMU member states. Each such decision constitutes a banana peel on which Europe could slip in its journey for a full resolution to the euro crisis. The best that can be said about the last few days is that nobody slipped on this week's bag of bananas. But there remains quite a few in front of us.

- **Over the next few weeks, we expect few major actions,** although still half a dozen EU countries have to ratify the EFSF enlargement. The decision on the next Greek package has been pushed out to later in October to give Greece

YTD returns through Sep 29
%, equities are in lighter colour.



Source: J.P. Morgan, Bloomberg. Returns in USD. *Local currency. **Hedged into USD. Euro Fixed Income is Iboxx Overall Index. US HG, HY, EMBIG and EM $ Corp are JPM indices. EM FX is ELMI+ in $.

www.morganmarkets.com

The certifying analyst is indicated by an AC. See page 7 for analyst certification and important legal and regulatory disclosures.

more time to meet the fiscal criteria. And the muted leveraging up of the EFSF can only be openly discussed once all EU countries have ratified the EFSF enlargement. Funding conditions in the Euro area improved this week with two uncovered bond issues by banks, which will likely be followed by more, especially as we expect the ECB to buy bank covered bonds again (see this week's *Flows & Liquidity*).

- Near-term funding conditions might improve in the euro area, but a true rebound requires both a **TARP-like recapitalization of European banks and a massive increase in EFSF firepower** beyond the €440bn now voted on by EU parliaments. It is good to see that both of these options are now more openly discussed in Europe, but it is our sense that the **Euro Area truly needs a knife on its throat** before it takes the needed decisions. A near-term fading of the crisis is thus more likely to lead to further procrastination by EU decision makers. Even with some form of a resolution to the euro crisis, it will likely involve further fiscal tightening and is thus unlikely prevent the recession that our economists believe is just about to start in the Euro area. We thus retain that view that **conditions have to become worse before they get better, and hold on to EU asset underweights.**

- **US economic data** on the margin improved slightly this week, but the overall set tracks a Q3 GDP growth pace of only 1.5%. This is better than our forecast of 1.0%, but below consensus of 1.9%. More importantly, the major threat to the US economy — from next year's unwinding of fiscal stimulus measures — remains on the horizon. It is only reversed if Congress and the Administration agree on a combination of near-term stimulus extension and longer-term fiscal tightening. We see little sign of impending compromise and thus remain pessimistic here.

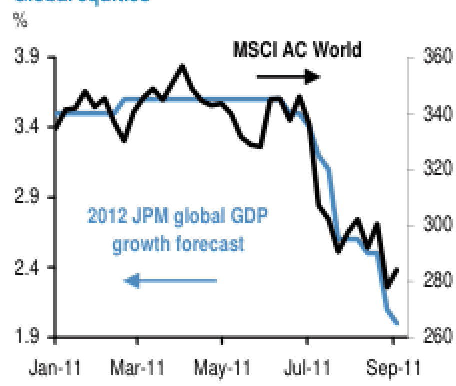
- Until recently, there was hope that **continued growth in EM and the V-shaped rebound in Japan** would soften the blow from fiscal tightening in Europe and the US. Recently data make us a lot less optimistic. Weaker IP, PMIs, and consumption forced us to take 0.3% and 0.6%, respectively, out of this and next year's growth in Japan. Our EM growth projections for 2012 have been cut by 0.9% to 5.1% over recent months, this week through downgrades of growth in EM Europe.

Fixed income

- **Yields on government debt are up this week, in line with the modest rebound in the prices of riskier asset classes.** Our defensive posture on riskier asset classes implies a near -term bullish bias on bonds. But we are not ecstatic about them, as risk is not balanced in their favour. If the US and Europe fall into recession, then Bunds and USTs will rally further, quite likely by another 30-ish basis points. But if such a recession is avoided and the Euro area puts together a convincing plan to tackle its debt crisis, then both these bond yield curves can easily rise by 100bp. Hence, we feel better outright shorting equities than being long duration in bonds.

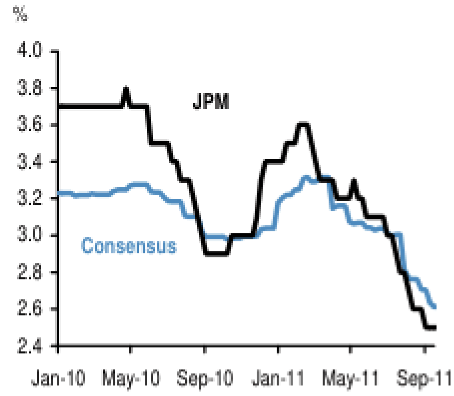
- **EMU government bonds spreads** have come in nicely this week on tons of rumours of plans to leverage the EFSF and recapitalise the banks. These plans are all smoke and no fire yet, and we thus stay defensive on the EMU periphery.

2012 JPMorgan global GDP growth forecast vs. Global equities



Source: J.P. Morgan, Consensus Economics. Consensus Economics forecasts are for regions and countries that we averaged using the same 5-year rolling USD GDP weights that we use for our own global growth forecast.

2011 global GDP growth forecasts: JPMorgan and Consensus



Source: J.P. Morgan, Consensus Economics. Consensus Economics forecasts are for regions and countries that we averaged using the same 5-year rolling USD GDP weights that we use for our own global growth forecast.

More details in ...

Global Data Watch, Bruce Kasman and David Hensley

Global Markets Outlook and Strategy, Jan Loeys, Bruce Kasman, et al.

US Fixed Income Markets, Terry Belton and Srini Ramaswamy

Global Fixed Income Markets, Pavan Wadhwa and Fabio Bassi

Emerging Markets Outlook and Strategy, Joyce Chang

Key trades and risk: Emerging Market Equity Strategy, Adrian Mowat et al.

Flows and Liquidity, Nikos Panigirtzoglou et al.

J.P.Morgan

Equities

- **Equities rebounded this week but they remain in the middle of the narrow range held since the beginning of August.** On the two fronts that continue to trouble investors — policy action in Europe and the prospect of a recession — the signals we received this week continued to be rather mixed.

- While the rise in our **EASI** — US Economic Activity Surprise Index — into positive territory suggests that US economic data have stopped surprising on the downside, economic data outside the US keep disappointing. In terms of policy action, on the positive side, the ECB is expected to cut its policy rate next week, including the re-introduction of 1-year repos and the resumption of its covered bond program. But impending policy actions regarding Greece, bank recapitalizations and leveraging the EFSF are clouded by uncertainty.

- We keep a defensive stance favouring large-cap defensive stocks in the US. We remain cautious in Europe. Our model for allocating between the US and Euro area equities continues to suggest holding a **long in S&P500 vs. MSCI EMU** currency hedged (Panigirtzoglou et al., *Trading the US vs Europe*, June 24). In Europe, we believe that buying dividend futures — **2012 Eurostoxx50 dividends** — provides an attractive return to risk . The prospect of a recession in the Euro area does not meaningfully shift our positive stance on 2012 dividends, since they are paid out of 2011 earnings which are nearly 3/4 accrued. See Peng Cheng, *European Equity Derivatives Strategy*, Sep 28.

- We remain overweight **DAX vs. Eurostoxx50**. The main motivation is German growth outperformance vs. the rest of the Euro area. Healthier balance sheets (both private and public) in Germany allow the country to escape the painful adjustments that other Euro area countries have to make. **Within EM, we continue to underweight BRICs** and focus our exposure on ASEAN countries. Investors remain sceptical about BRICs and are concerned about overheating and corporate governance.

Credit

- A calmer week in credit markets than some of late. **US bond and CDS spreads continued their upward bleed**, ending slightly wider on the week. Volatility remains elevated, however, with the VIX sitting a mere 1.5 points of the YTD high of 43 it registered last month.

- **European credit** tightened a little, although JPM economists revised their forecasts to reflect a mild European recession starting this quarter. Some positive steps have been made on the EU policy front, however, with Germany's approval of an expansion of the EFSF yesterday.

- **In Emerging Markets**, last week's **70bp gapping of the CEMBI Broad** was its worst performance since September 2008. Poor liquidity and weak sponsorship are seen as the biggest challenges in this market. Our strategists believe that redemption risk has increased and that investors are building cash balances to maintain liquidity (see Warren Mar et al., *Emerging Markets Corporate Strategy*, Sep 28). **We remain wholly defensive EM corporate credit**.

Foreign Exchange

- Next week the ECB will almost certainly cut the refi rate (50bp baseline) and the Bank of England could restart asset purchases (£50bn initially), and at least

More details in ...

EM Corporate Outlook and Strategy, Warren Mar et al.

US Credit Markets Outlook and Strategy, Eric Beinstein et al.

High Yield Credit Markets Weekly, Peter Acciavatti et al.

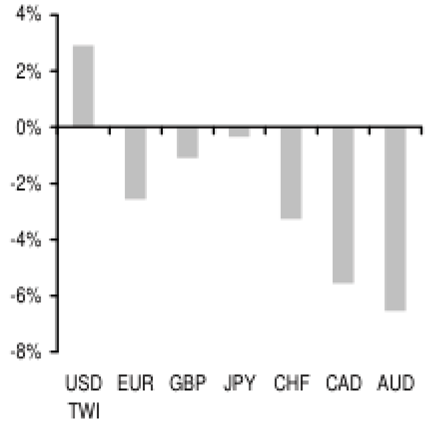
European Credit Outlook & Strategy, Steven Dulake et al.

two other central banks should relaunch easing cycles by month-end — Norway on Oct 19, and Sweden on Oct 27. There are **abundant precedents for why this outcome could extend the dollar's summer rally** into the fall, but also a good technical argument for thinking these moves will be smaller than usual. The USD-bullish case reflects the well-established tendency of currencies to respond to narrowing rate spreads, even when the country cutting will remain the higher yielder indefinitely. Even the global high-yielder Brazil succumbed to this phenomenon since rate cuts surprised an investor base which was still long the currency.

- But after a summer of deleveraging, the technical backdrop for G-10 currencies is the opposite of the emerging markets easers entering this growth slump and easing cycle. Currency funds and CTAs are not just long of dollars; they hold their **largest USD longs of any recession's starting point**, such as late 2000 and 2007. What applies for the whole applies to the parts. Euro shorts are close to record large in absolute terms, and twice as large as they were entering the 2008 easing cycle. Sterling positions were long entering the 2001 and 2007 easing cycles and are now, as in euro, approaching record shorts.

- This unusual skew limits currency declines in October more than it can prevent them, since there are still huge uncertainties about how large and lengthy these easing cycles will be. Hence the decision to **re-enter short EUR/JPY and GBP/JPY** this week after taking profits mid-month. Execute through options to limit short-term market-to-market on Bank of Japan intervention, and to position for only modest declines in the crosses. We are also long USD/NOK to position for contagion from the EM local bond and stock unwind.

FX weekly change vs USD



Source: [redacted] Morgan

Commodities

- **Commodities are slightly down this week** having stabilised somewhat following last week's sharp correction. Our economists have now sharply revised down their Japanese 2012 growth forecast, which in addition to last week's forecast of a recession in the Euro area means that DM demand is unlikely to improve anytime soon. Our commodity strategist, Colin Fenton, was stopped out of his outright long copper, corn and wheat positions but he retains a long position in gold as well as a relative value position, which is long commodities where supply is tight and marginal demand comes from EM and short commodities linked to US consumption. For long term investors we recommend opening an outright long in the Dec 13 copper future which we believe to be priced too low given our expectation of a supply/demand deficit in 2012 (see *Trade opportunities for long-term investors*, Sep 27).

- At the time of writing, **Brent prices are at their lowest since February** and since last week, the discount between spot and the first futures contract has almost halved. **The coming Euro area recession raises notable downside risks to demand from Europe** but at the same time, **demand in Asia continues to be strong**. This is evident from the spread between Brent and Dubai crudes, which is at its lowest since the beginning of the year, as strong Asian demand pushes up Dubai prices relative to Brent. **We remain of the view that this demand from Asia coupled with ongoing supply issues in the North Sea and OPEC production cuts will support global oil prices, but risks are now biased to the downside.**

More details in ...

FX Markets Weekly, John Normand *et al.*

Commodity Markets Outlook & Strategy, Colin Fenton et al.

Oil Markets Monthly, Lawrence Eagles et al.

Metals Review and Outlook, Michael Jansen

Global Metals Quarterly, Michael Jansen

EFTA01169189

J.P.Morgan

Interest rates		Current	Sep-11	Dec-11	Mar-12	Jun-12	YTD Return*
United States	Fed funds rate	0.125	0.125	0.125	0.125	0.125	
	10-year yields	1.91	2.05	2.60	2.80	3.00	8.7%
Euro area	Refi rate	1.50	1.00	1.00	1.00	1.00	
	10-year yields	1.89	2.10	2.05	2.00	2.00	7.1%
United Kingdom	Repo rate	0.50	0.50	0.50	0.50	0.50	
	10-year yields	2.43	2.45	2.55	2.55	2.55	9.7%
Japan	Overnight call rate	0.10	0.05	0.05	0.05	0.05	
	10-year yields	1.02	0.90	0.95	1.05	1.10	1.9%
GBI-EM hedged in $	Yield - Global Diversified	6.65		6.90			3.4%

Credit Markets	Current	Index	YTD Return*
US high grade (bp over UST)	242	JPMorgan US Index (JULI) i-spread	5.8%
Euro high grade (bp over Euro gov)	318	iBoxx Euro Corporate Index	2.9%
USD high yield (bp vs. UST)	812	JPMorgan Global High Yield Index	0.1%
Euro high yield (bp over Euro gov)	935	iBoxx Euro HY Index	-6.4%
EMBIG (bp vs. UST)	462	EMBI Global	3.4%
EM Corporates (bp vs. UST)	513	JPM EM Corporates (CEMBI)	-1.4%

Commodities	Current	Quarterly Averages 11Q3	11Q4	12Q1	12Q2	GSCI Index	YTD Return*
Brent ($/bbl)	102.4	110.0	115.0	115.0	110.0	Energy	-5.2%
Gold ($/oz)	1624	1650	1800	1800	1750	Precious Metals	13.3%
Copper ($/metric ton)	7210	9750	10000	10250	9500	Industrial Metals	-20.9%
Corn ($/Bu)	5.93	7.20	6.90	7.10	7.40	Agriculture	-12.2%

Foreign Exchange	Current	Sep-11	Dec-11	Mar-12	Jun-12	3m cash index	YTD Return in USD
EUR/USD	1.34	1.38	1.38	1.40	1.42	EUR	2.9%
USD/JPY	77.1	75	74	73	72	JPY	5.8%
GBP/USD	1.56	1.59	1.58	1.58	1.60	GBP	1.0%
USD/BRL	1.88	1.70	1.70	1.70	1.70	BRL	-4.7%
USD/CNY	6.38	6.30	6.20	6.10	6.00	CNY	1.6%
USD/KRW	1178	1070	1050	1020	1010	KRW	-1.7%
USD/TRY	1.86	1.65	1.65	1.65	1.65	TRY	-13.0%

Equities	Current	YTD Return (local ccy)
S&P	1141	-7.9%
Nasdaq	2437	-7.6%
Topix	761	-13.4%
FTSE 100	5128	-10.6%
MSCI Eurozone*	125	-18.8%
MSCI Europe*	960	-15.2%
MSCI EM $*	894	-20.4%
Brazil Bovespa	52017	-24.9%
Hang Seng	17592	-21.4%
Shanghai SE	2359	-16.0%

*Levels/returns as of Sep 29, 2011
Local currency except MSCI EM $

Sector Allocation *	US YTD	Europe YTD	Japan YTD	EM YTD ($)
Energy	-8.9%	**-10.6%**	**-8.3%**	-21.2%
Materials	-18.8%	-27.4%	-16.6%	-25.7%
Industrials	-11.8%	-20.7%	**-13.2%**	-30.0%
Discretionary	**-3.0%**	**-15.2%**	-18.1%	**-9.3%**
Staples	**4.6%**	**-2.6%**	**4.9%**	**-6.8%**
Healthcare	**3.8%**	**2.6%**	**-2.3%**	**-19.0%**
Financials	-22.4%	-22.6%	-20.7%	-25.0%
Information Tech.	**-3.1%**	**-11.2%**	-25.9%	**-20.4%**
Telecommunications	**-0.4%**	**-4.6%**	**-4.2%**	**-5.1%**
Utilities	**12.0%**	**-10.3%**	-43.3%	**-19.6%**
Overall	**-7.9%**	**-15.2%**	**-13.4%**	**-20.4%**

Source: Bloomberg, Datastream, IBES, Standard & Poor's Services, J.P. Morgan estimates

EFTA01169190

J.P.Morgan

Global Economic Outlook Summary

	Real GDP % over a year ago			Real GDP % over previous period, saar							Consumer prices % over a year ago			
	2010	2011	2012	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q10	2Q11	4Q11	2Q12
The Americas														
United States	3.0	**1.6** ↑	**1.3** ↑	0.4	**1.3** ↑	**1.5** ↑	1.0	0.5	1.5	2.5	1.2	3.3	3.2	1.4
Canada	3.2	2.2	2.2	3.6	-0.4	1.8	2.4	2.6	2.6	2.4	2.3	3.4	2.6	1.6
Latin America	6.0	4.3	3.5	5.6	4.1	3.4	3.1	**2.5** ↓	**4.2** ↓	4.4	6.7	6.7	7.2	7.2
Argentina	9.2	7.0	4.8	13.1	10.2	6.0	3.0	4.0	6.0	4.0	11.0	9.7	11.0	13.0
Brazil	7.5	3.4	3.8	5.0	3.1	2.3	3.9	4.3	4.1	3.5	5.6	6.6	6.7	5.3
Chile	5.2	6.5	4.5	6.4	5.7	3.5	2.5	5.0	4.5	4.3	2.5	3.3	4.0	3.6
Colombia	4.3	5.3	**3.7** ↓	2.9	8.5	3.5	1.5	**3.0** ↓	**4.0** ↓	**5.0** ↓	2.7	3.0	3.5	3.1
Ecuador	3.6	6.0	3.0	7.3	3.0	2.0	1.0	2.0	3.5	4.0	3.4	4.1	3.9	3.6
Mexico	5.4	4.0	2.5	2.4	4.5	5.7	2.6	-1.5	3.7	4.9	4.2	3.3	3.4	3.6
Peru	8.8	6.3	**4.5** ↓	6.9	4.5	2.5	3.0	7.0	5.3	5.3	2.1	3.1	3.6	3.0
Venezuela	-1.5	3.5	3.0	14.7	-3.2	-1.5	3.0	3.0	5.0	6.5	27.3	24.6	29.0	33.6
Asia/Pacific														
Japan	4.0	**-0.6** ↓	**1.9** ↓	-3.7	-2.1	**5.5** ↓	**2.0** ↓	**1.8** ↓	**1.5** ↓	**1.3** ↓	-0.3	-0.4	-0.2	-0.7
Australia	2.7	1.4	3.5	-3.4	4.8	2.1	2.2	4.1	3.4	4.8	2.7	3.6	3.8	3.2
New Zealand	1.7	2.0	3.8	3.5	0.4	2.8	4.1	3.9	3.9	5.6	4.0	5.3	3.2	2.4
Asia ex Japan	9.1	7.2	7.0	8.9	5.3	**5.9** ↓	**6.8** ↑	7.2	**7.4** ↓	**7.5** ↓	4.9	5.7	4.9	4.5
China	10.3	8.9	8.5	8.9	7.0	7.5	8.5	8.7	8.9	9.0	4.7	5.7	4.6	4.3
Hong Kong	7.0	5.2	4.0	13.0	-2.0	1.5	3.5	5.5	5.6	4.5	2.7	5.2	5.1	4.3
India	8.5	7.6	8.5	8.3	7.6	7.5	7.1	8.6	9.0	9.5	9.2	9.1	8.7	7.8
Indonesia	6.1	6.4	6.2	6.8	5.4	6.5	6.2	6.2	6.2	6.2	6.3	5.9	4.5	5.6
Korea	6.2	**3.9** ↓	**4.0** ↓	5.4	3.6	**3.6** ↓	**4.2** ↑	4.0	**4.0** ↓	**4.0** ↓	3.6	4.2	3.7	3.1
Malaysia	7.2	4.2	3.3	5.5	3.2	1.0	3.2	3.6	3.6	3.6	2.0	3.3	2.8	2.4
Philippines	7.6	4.3	4.8	7.8	2.4	4.1	5.3	4.9	4.9	5.3	3.5	5.0	4.6	3.3
Singapore	14.5	5.1	3.8	27.2	-6.5	0.0	3.2	4.5	6.1	7.0	4.0	4.7	**5.6** ↑	**4.0** ↑
Taiwan	10.9	5.0	3.8	14.6	0.9	1.5	3.8	4.2	4.7	4.8	1.1	1.6	2.2	2.0
Thailand	7.8	3.1	3.3	8.1	-0.8	2.0	3.5	4.0	3.8	3.8	2.9	4.1	3.7	3.6
Africa/Middle East														
Israel	4.8	4.3	2.9	4.7	3.5	2.4	1.2	0.8	3.2	6.1	2.5	4.1	2.8	2.3
South Africa	2.8	3.1	**2.5** ↓	4.5	1.3	1.0	**3.9** ↓	2.3	2.6	**2.8** ↓	3.5	4.6	5.8	5.1
Europe														
Euro area	1.7	1.6	-0.5	3.1	0.6	0.5	-0.5	-1.0	-1.5	0.0	2.0	2.8	**2.8** ↑	**1.7** ↑
Germany	3.6	2.8	0.2	5.5	0.5	1.5	-0.5	0.0	-0.5	0.5	1.6	2.5	**2.5** ↑	**1.5** ↑
France	1.4	1.6	-0.1	**3.7** ↑	0.0	1.0	0.0	-0.5	-1.0	0.5	1.9	2.2	**2.4** ↑	1.4
Italy	1.2	0.5	-1.2	0.5	1.2	-1.0	-1.5	-1.5	-2.5	-0.5	2.0	2.9	**3.5** ↑	2.5
Norway	2.1	2.2	0.7	1.9	4.1	1.5	0.5	0.0	0.0	1.0	2.2	1.4	1.3	1.2
Sweden	5.4	4.1	0.4	3.1	3.6	2.0	0.0	-0.5	-0.5	0.5	1.9	2.9	2.6	1.3
United Kingdom	1.4	1.0	0.8	1.9	0.7	1.5	1.0	0.5	-1.0	2.5	3.4	4.4	4.9	2.8
Emerging Europe	4.5	3.8	**2.5** ↓	3.6	1.2	**2.0** ↑	**1.3** ↓	**3.1** ↓	**3.0** ↓	3.8	6.6	7.1	6.0	5.2
Bulgaria	0.2	2.8	**2.4** ↓	...	...	...	...	...	...	...	...	...	...	...
Czech Republic	2.3	2.0	**1.0** ↓	3.5	0.3	**0.5** ↑	**-0.3** ↓	**0.3** ↓	**1.3** ↓	**2.5** ↑	2.1	1.8	**1.8** ↓	**2.5** ↓
Hungary	1.2	**1.4** ↓	**0.5** ↓	1.2	-0.2	**0.3** ↑	**0.0** ↓	**0.0** ↓	**1.0** ↓	**1.5** ↓	4.4	4.0	3.8	**4.2** ↑
Poland	3.8	3.8	**2.7** ↓	4.5	4.5	**2.5** ↑	**2.0** ↓	**2.0** ↓	**2.5** ↓	3.0	2.9	4.6	**3.9** ↓	2.5
Romania	-1.3	1.2	**0.8** ↓	...	...	...	...	...	...	...	7.9	8.2	4.0	3.5
Russia	4.0	3.4	**3.0** ↓	3.7	0.4	**2.0** ↑	**1.0** ↓	**4.0** ↓	**3.5** ↓	4.5	8.2	9.6	7.4	6.5
Turkey	9.0	6.3	2.7	...	...	...	...	...	...	...	7.4	5.9	6.7	6.0
Global	3.9	2.5	**2.0** ↓	2.6	**1.6** ↑	2.5	**1.8** ↓	**1.6** ↓	**1.8** ↓	**2.7** ↓	2.7	3.7	3.5	2.4
Developed markets	2.6	1.3	**0.8** ↓	0.9	**0.7** ↑	1.7	**0.7** ↓	**0.3** ↓	0.4	**1.5** ↓	1.5	2.7	2.7	**1.4** ↑
Emerging markets	7.3	5.7	**5.1** ↓	7.1	4.3	4.5	**4.9** ↓	**5.2** ↓	**5.8** ↓	**6.0** ↓	5.6	6.2	5.7	5.3

Source: J.P. Morgan

J.P.Morgan

Analyst Certification:
The research analyst(s) denoted by an "AC" on the cover of this report certifies (or, where multiple research analysts are primarily responsible for this report, the research analyst denoted by an "AC" on the cover or within the document individually certifies, with respect to each security or issuer that the research analyst covers in this research) that: (1) all of the views expressed in this report accurately reflect his or her personal views about any and all of the subject securities or issuers; and (2) no part of any of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report.

Disclosures: J.P. Morgan ("JPM") is the global brand name for J.P. Morgan Securities LLC ("JPMS") and its affiliates worldwide. J.P. Morgan Cazenove is a marketing name for the U.K. investment banking businesses and EMEA cash equities and equity research businesses of JPMorgan Chase & Co. and its subsidiaries.

Options related research: If the information contained herein regards options related research, such information is available only to persons who have received the proper option risk disclosure documents. For a copy of the Option Clearing Corporation's Characteristics and Risks of Standardized Options, please contact your J.P. Morgan Representative or visit the OCC's website at http://www.optionsclearing.com/publications/risks/riskstoc.pdf.

Legal Entities Disclosures
U.S.: JPMS is a member of NYSE, FINRA,SIPC and the NFA. JPMorgan Chase Bank, N.A. is a member of FDIC and is authorized and regulated in the UK by the Financial Services Authority. **U.K.:** J.P. Morgan Securities Ltd. (JPMSL) is a member of the London Stock Exchange and is authorized and regulated by the Financial Services Authority. Registered in England & Wales No. 2711006. Registered Office 125 London Wall, London EC2Y 5AJ. **South Africa:** J.P. Morgan Equities Limited is a member of the Johannesburg Securities Exchange and is regulated by the FSB. **Hong Kong:** J.P. Morgan Securities (Asia Pacific) Limited (CE number AAJ321) is regulated by the Hong Kong Monetary Authority and the Securities and Futures Commission in Hong Kong. **Korea:** J.P. Morgan Securities (Far East) Ltd, Seoul Branch, is regulated by the Korea Financial Supervisory Service. **Australia:** J.P. Morgan Australia Limited (ABN 52 002 888 011/AFS Licence No: 238188) is regulated by ASIC and J.P. Morgan Securities Australia Limited (ABN 61 003 245 234/AFS Licence No: 238066) is a Market Participant with the ASX and regulated by ASIC. **Taiwan:** J.P.Morgan Securities (Taiwan) Limited is a participant of the Taiwan Stock Exchange (company-type) and regulated by the Taiwan Securities and Futures Bureau. **India:** J.P. Morgan India Private Limited, having its registered office at J.P. Morgan Tower, Off. C.S.T. Road, Kalina, Santacruz East, Mumbai - 400098, is a member of the National Stock Exchange of India Limited (SEBI Registration Number - INB 230675231/INF 230675231/INE 230675231) and Bombay Stock Exchange Limited (SEBI Registration Number – INB 010675237/INF 010675237) and is regulated by Securities and Exchange Board of India. **Thailand:** JPMorgan Securities (Thailand) Limited is a member of the Stock Exchange of Thailand and is regulated by the Ministry of Finance and the Securities and Exchange Commission. **Indonesia:** PT J.P. Morgan Securities Indonesia is a member of the Indonesia Stock Exchange and is regulated by the BAPEPAM LK. **Philippines:** J.P. Morgan Securities Philippines Inc. is a member of the Philippine Stock Exchange and is regulated by the Securities and Exchange Commission. **Brazil:** Banco J.P. Morgan S.A. is regulated by the Comissao de Valores Mobiliarios (CVM) and by the Central Bank of Brazil. **Mexico:** J.P. Morgan Casa de Bolsa, S.A. de C.V., J.P. Morgan Grupo Financiero is a member of the Mexican Stock Exchange and authorized to act as a broker dealer by the National Banking and Securities Exchange Commission. **Singapore:** This material is issued and distributed in Singapore by J.P. Morgan Securities Singapore Private Limited (JPMSS) [MICA (P) 025/01/2011 and Co. Reg. No.: 199405335R] which is a member of the Singapore Exchange Securities Trading Limited and is regulated by the Monetary Authority of Singapore (MAS) and/or JPMorgan Chase Bank, N.A., Singapore branch (JPMCB Singapore) which is regulated by the MAS. **Malaysia:** This material is issued and distributed in Malaysia by JPMorgan Securities (Malaysia) Sdn Bhd (18146-X) which is a Participating Organization of Bursa Malaysia Berhad and a holder of Capital Markets Services License issued by the Securities Commission in Malaysia. **Pakistan:** J. P. Morgan Pakistan Broking (Pvt.) Ltd is a member of the Karachi Stock Exchange and regulated by the Securities and Exchange Commission of Pakistan. **Saudi Arabia:** J.P. Morgan Saudi Arabia Ltd. is authorized by the Capital Market Authority of the Kingdom of Saudi Arabia (CMA) to carry out dealing as an agent, arranging, advising and custody, with respect to securities business under licence number 35-07079 and its registered address is at 8th Floor, Al-Faisaliyah Tower, King Fahad Road, P.O. Box 51907, Riyadh 11553, Kingdom of Saudi Arabia. **Dubai:** JPMorgan Chase Bank, N.A., Dubai Branch is regulated by the Dubai Financial Services Authority (DFSA) and its registered address is Dubai International Financial Centre - Building 3, Level 7, PO Box 506551, Dubai, UAE.

Country and Region Specific Disclosures
U.K. and European Economic Area (EEA): Unless specified to the contrary, issued and approved for distribution in the U.K. and the EEA by JPMSL. Investment research issued by JPMSL has been prepared in accordance with JPMSL's policies for managing conflicts of interest arising as a result of publication and distribution of investment research. Many European regulators require a firm to establish, implement and maintain such a policy. This report has been issued in the U.K. only to persons of a kind described in Article 19 (5), 38,

47 and 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (all such persons being referred to as "relevant persons"). This document must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is only available to relevant persons and will be engaged in only with relevant persons. In other EEA countries, the report has been issued to persons regarded as professional investors (or equivalent) in their home jurisdiction. **Australia:** This material is issued and distributed by JPMSAL in Australia to "wholesale clients" only. JPMSAL does not issue or distribute this material to "retail clients." The recipient of this material must not distribute it to any third party or outside Australia without the prior written consent of JPMSAL. For the purposes of this paragraph the terms "wholesale client" and "retail client" have the meanings given to them in section 761G of the Corporations Act 2001. **Germany:** This material is distributed in Germany by J.P. Morgan Securities Ltd., Frankfurt Branch and J.P.Morgan Chase Bank, N.A., Frankfurt Branch which are regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht. **Hong Kong**: The 1% ownership disclosure as of the previous month end satisfies the requirements under Paragraph 16.5(a) of the Hong Kong Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission. (For research published within the first ten days of the month, the disclosure may be based on the month end data from two months' prior.) J.P. Morgan Broking (Hong Kong) Limited is the liquidity provider/market maker for derivative warrants, callable bull bear contracts and stock options listed on the Stock Exchange of Hong Kong Limited. An updated list can be found on HKEx website: http://www.hkex.com.hk. **Japan:** There is a risk that a loss may occur due to a change in the price of the shares in the case of share trading, and that a loss may occur due to the exchange rate in the case of foreign share trading. In the case of share trading, JPMorgan Securities Japan Co., Ltd., will be receiving a brokerage fee and consumption tax (shouhizei) calculated by multiplying the executed price by the commission rate which was individually agreed between JPMorgan Securities Japan Co., Ltd., and the customer in advance. Financial Instruments Firms: JPMorgan Securities Japan Co., Ltd., Kanto Local Finance Bureau (kinsho) No. 82 Participating Association / Japan Securities Dealers Association, The Financial Futures Association of Japan. **Korea:** This report may have been edited or contributed to from time to time by affiliates of J.P. Morgan Securities (Far East) Ltd, Seoul Branch. **Singapore:** JPMSS and/or its affiliates may have a holding in any of the securities discussed in this report; for securities where the holding is 1% or greater, the specific holding is disclosed in the Important Disclosures section above. **India:** For private circulation only, not for sale. **Pakistan:** For private circulation only, not for sale. **New Zealand:** This material is issued and distributed by JPMSAL in New Zealand only to persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money. JPMSAL does not issue or distribute this material to members of "the public" as determined in accordance with section 3 of the Securities Act 1978. The recipient of this material must not distribute it to any third party or outside New Zealand without the prior written consent of JPMSAL. **Canada:** The information contained herein is not, and under no circumstances is to be construed as, a prospectus, an advertisement, a public offering, an offer to sell securities described herein, or solicitation of an offer to buy securities described herein, in Canada or any province or territory thereof. Any offer or sale of the securities described herein in Canada will be made only under an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators and only by a dealer properly registered under applicable securities laws or, alternatively, pursuant to an exemption from the dealer registration requirement in the relevant province or territory of Canada in which such offer or sale is made. The information contained herein is under no circumstances to be construed as investment advice in any province or territory of Canada and is not tailored to the needs of the recipient. To the extent that the information contained herein references securities of an issuer incorporated, formed or created under the laws of Canada or a province or territory of Canada, any trades in such securities must be conducted through a dealer registered in Canada. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed judgment upon these materials, the information contained herein or the merits of the securities described herein, and any representation to the contrary is an offence. **Dubai:** This report has been issued to persons regarded as professional clients as defined under the DFSA rules.

General: Additional information is available upon request. Information has been obtained from sources believed to be reliable but JPMorgan Chase & Co. or its affiliates and/or subsidiaries (collectively J.P. Morgan) do not warrant its completeness or accuracy except with respect to any disclosures relative to JPMS and/or its affiliates and the analyst's involvement with the issuer that is the subject of the research. All pricing is as of the close of market for the securities discussed, unless otherwise stated. Opinions and estimates constitute our judgment as of the date of this material and are subject to change without notice. Past performance is not indicative of future results. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The opinions and recommendations herein do not take into account individual client circumstances, objectives, or needs and are not intended as recommendations of particular securities, financial instruments or strategies to particular clients. The recipient of this report must make its own independent decisions regarding any securities or financial instruments mentioned herein. JPMS distributes in the U.S. research published by non-U.S. affiliates and accepts responsibility for its contents. Periodic updates may be provided on companies/industries based on company specific developments or announcements, market conditions or any other publicly available information. Clients should contact analysts and execute transactions through a J.P. Morgan subsidiary or affiliate in their home jurisdiction unless governing law permits otherwise.

"Other Disclosures" last revised June 30, 2011.