

GUIDE  
TO THE  
MARKETS

Q3 | 2010

As of 30 June 2010

GTTM: A guide to global financial markets  
EUROPE

*J.P. Morgan*

**J.P.Morgan**  
Asset Management

# Table of Contents

EUROPE	
WORLD	
UNITED STATES	
JAPAN	
EMERGING MARKETS	
FIXED INCOME	
OTHER ASSET CLASSES	
TOPICAL CHARTS	

MSCI Europe Index at Inflection Points	3
Europe Equity Valuations	4
Europe Returns by Style (EUR)	5
Europe Returns by Country % (EUR)	6
Eurozone GDP and Inflation	7
Eurozone Unemployment, Retail Sales and Confidence Indicators	8
Eurozone Market Scorecard	9

# MSCI Europe Index at Inflection Points

Europe

MSCI Europe Index 1995 – June 2010, log scale

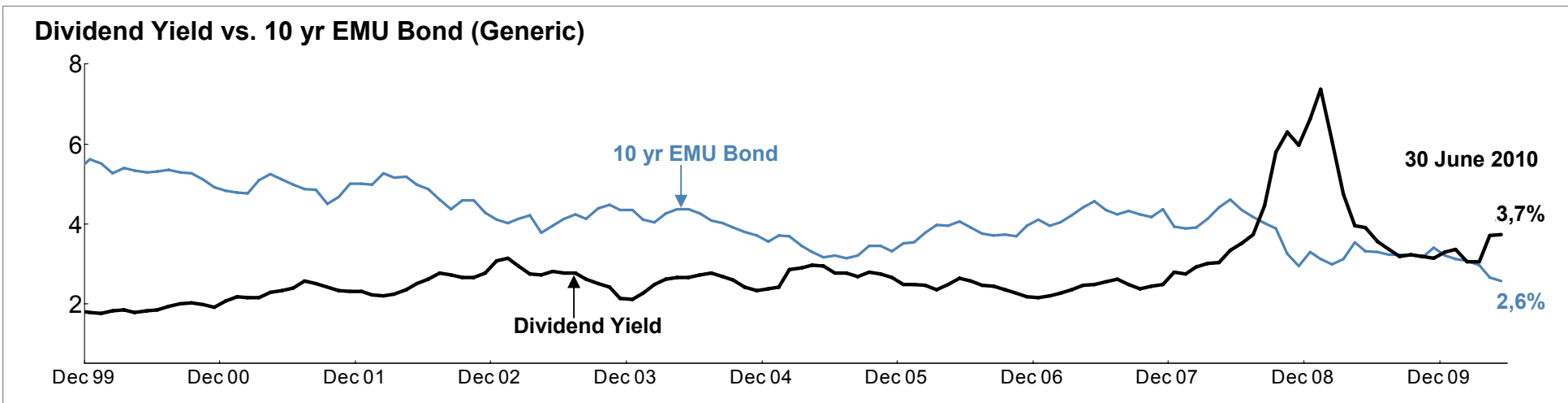
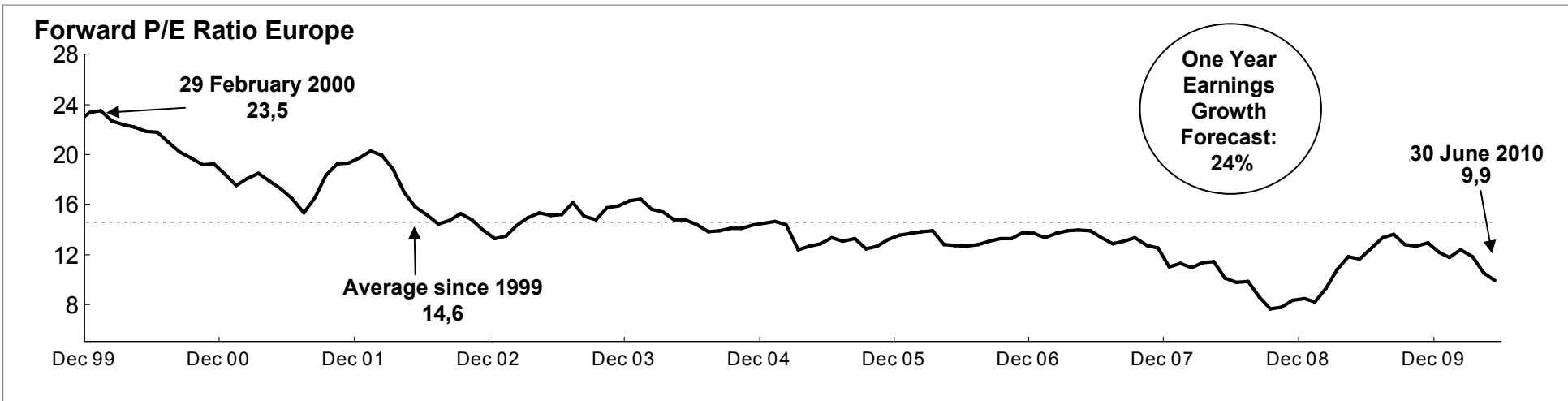


Source: FactSet, MSCI, J.P. Morgan.

Returns are cumulative and based on MSCI Europe price movement only and do not include the reinvestment of dividends. Past performance is not indicative of future returns. Data is from 31/12/94 to 30/06/10 on a daily frequency. FactSet Aggregates for forward P/E.

# Europe Equity Valuations

Europe



Source: Bloomberg, J.P. Morgan, FactSet Aggregates Composite Index and I/B/E/S for forward P/E and dividend yield, data is on a monthly frequency. 10 year EMU Generic Bond yields from FactSet.

# Europe Returns by Style (EUR)

Europe

2001	2002	2003	2004	2005	2006	2007	2008	2009	YTD	Q2 2010
MSCI Europe Small Cap -5,0%	MSCI Europe Small Cap -25,4%	MSCI Europe Small Cap 35,0%	MSCI Europe Small Cap 23,7%	MSCI Europe Small Cap 37,6%	MSCI Europe Small Cap 30,4%	DJ Stoxx 50 9,6%	MSCI Europe Growth -40,5%	MSCI Europe Small Cap 60,3%	MSCI Europe Small Cap 4,6%	MSCI Europe Growth -3,0%
MSCI Europe Value -10,8%	MSCI Europe Value -30,4%	MSCI Europe Value 21,9%	MSCI Europe Value 16,3%	MSCI Europe Value 28,9%	MSCI Europe Value 23,1%	MSCI EMU 8,5%	DJ Stoxx 50 -42,4%	MSCI Europe Value 34,6%	MSCI Europe Growth 3,0%	MSCI Europe Small Cap -4,8%
MSCI Europe -15,3%	MSCI Europe -30,5%	MSCI EMU 19,9%	MSCI EMU 13,4%	MSCI Europe 26,7%	MSCI EMU 22,8%	MSCI Europe Growth 8,2%	MSCI Europe -43,3%	MSCI Europe 32,5%	MSCI Europe -2,0%	MSCI Europe -5,9%
MSCI EMU -17,9%	MSCI Europe Growth -30,7%	DJ Stoxx 50 18,4%	MSCI Europe 12,6%	MSCI EMU 26,3%	MSCI Europe 20,2%	MSCI Europe 3,2%	MSCI EMU -44,3%	MSCI Europe Growth 30,5%	MSCI Europe Value -6,9%	MSCI EMU -8,7%
DJ Stoxx 50 -19,1%	MSCI EMU -33,4%	MSCI Europe 15,8%	DJ Stoxx 50 9,4%	MSCI Europe Growth 24,3%	DJ Stoxx 50 18,0%	MSCI Europe Value -1,8%	MSCI Europe Value -46,1%	MSCI EMU 28,7%	MSCI EMU -7,8%	MSCI Europe Value -9,0%
MSCI Europe Growth -19,9%	DJ Stoxx 50 -36,1%	MSCI Europe Growth 9,7%	MSCI Europe Growth 8,9%	DJ Stoxx 50 24,3%	MSCI Europe Growth 17,3%	MSCI Europe Small Cap -7,2%	MSCI Europe Small Cap -51,6%	DJ Stoxx 50 25,6%	DJ Stoxx 50 -11,1%	DJ Stoxx 50 -10,2%

Source: FactSet, MSCI, Dow Jones, J.P. Morgan.

All data is reported in euro and represents total returns including the reinvestment of dividends and calculated with maximum withholding tax, when applicable. Past performance is not indicative of future returns. Changes in currency exchange rate and political or economic climate can raise or lower returns.

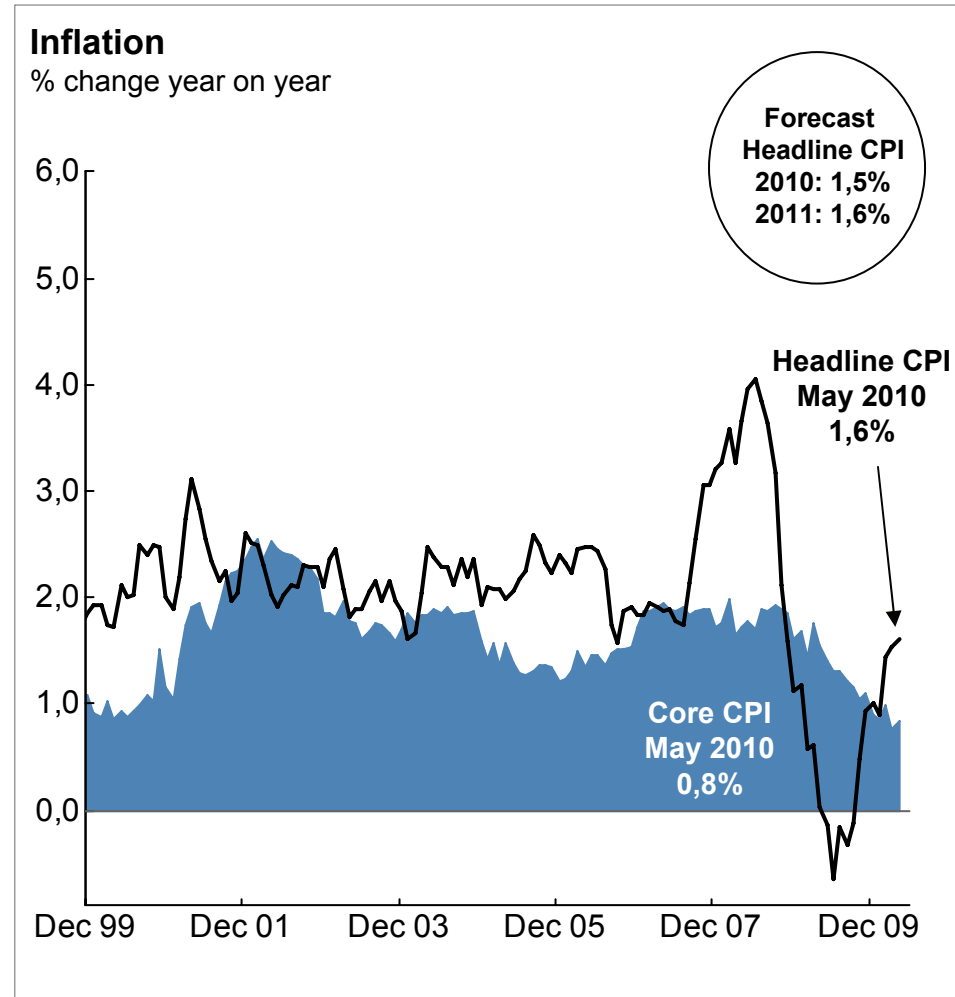
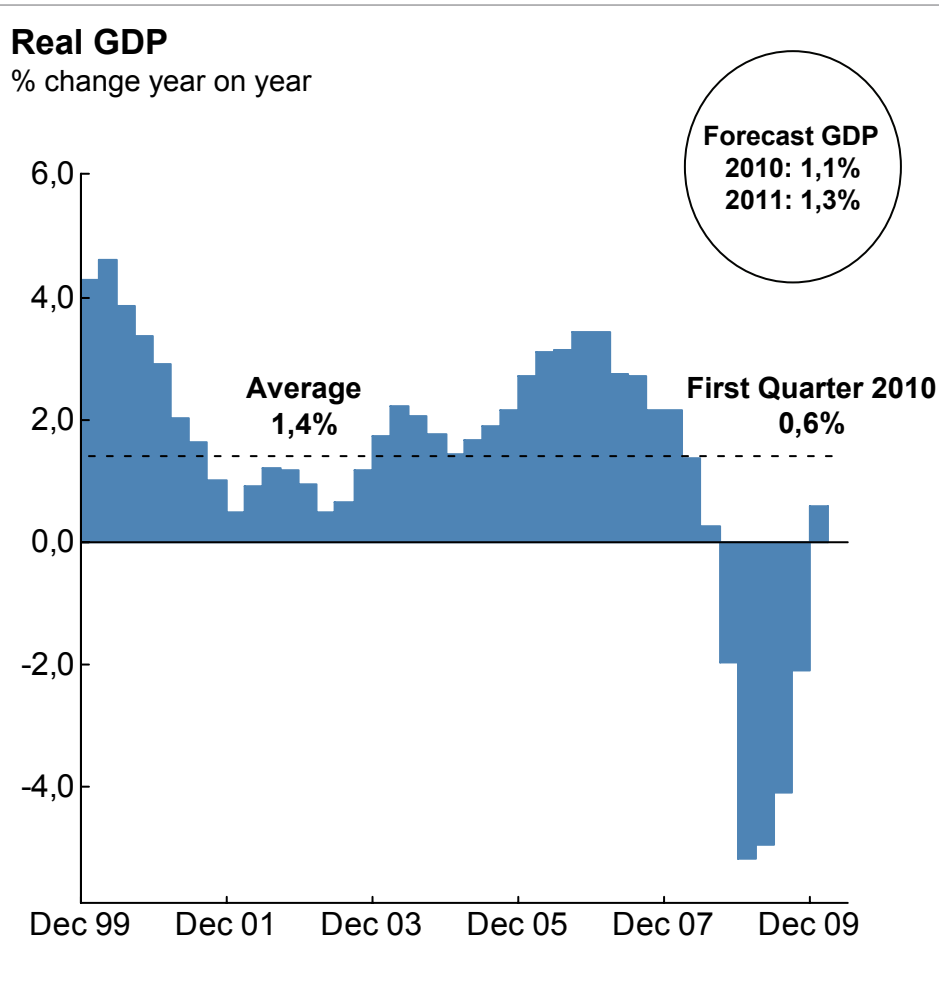
## Returns by Country % (EUR)

MSCI Europe Index	Weight %	2008	2009	YTD	Q2 2010
United Kingdom	33,2	-45,7	-38,9	0,3	-4,8
France	15,4	-39,8	-29,1	-8,0	-9,7
Switzerland	12,7	-26,3	22,7	8,5	-2,0
Germany	12,3	-42,7	22,6	0,2	-3,0
Spain	5,5	-37,0	40,6	-21,0	-12,1
Sweden	4,6	-46,5	60,7	17,9	3,2
Italy	4,5	-46,6	24,0	-14,2	-12,7
Netherlands	4,2	-45,2	38,6	0,9	-3,9
Finland	1,6	-52,3	9,2	-2,5	-18,2
Denmark	1,6	-44,6	32,8	21,9	4,5
Belgium	1,5	-64,4	53,6	1,7	-3,1
Norway	1,2	-62,0	82,7	-9,5	-8,8
Austria	0,5	-66,6	40,3	-9,6	-13,7
Greece	0,4	-64,3	21,4	-39,4	-34,2
Portugal	0,4	-49,3	37,3	-12,5	-8,0
Ireland	0,4	-70,3	9,4	-6,3	-11,4
<b>MSCI Europe Index</b>	<b>100</b>	<b>-43,3</b>	<b>32,5</b>	<b>-2,0</b>	<b>-5,9</b>

Source: FactSet, MSCI, J.P. Morgan. Index weights and total returns as at 30/06/10. Past performance is not indicative of future returns.

# Eurozone GDP and Inflation

Europe



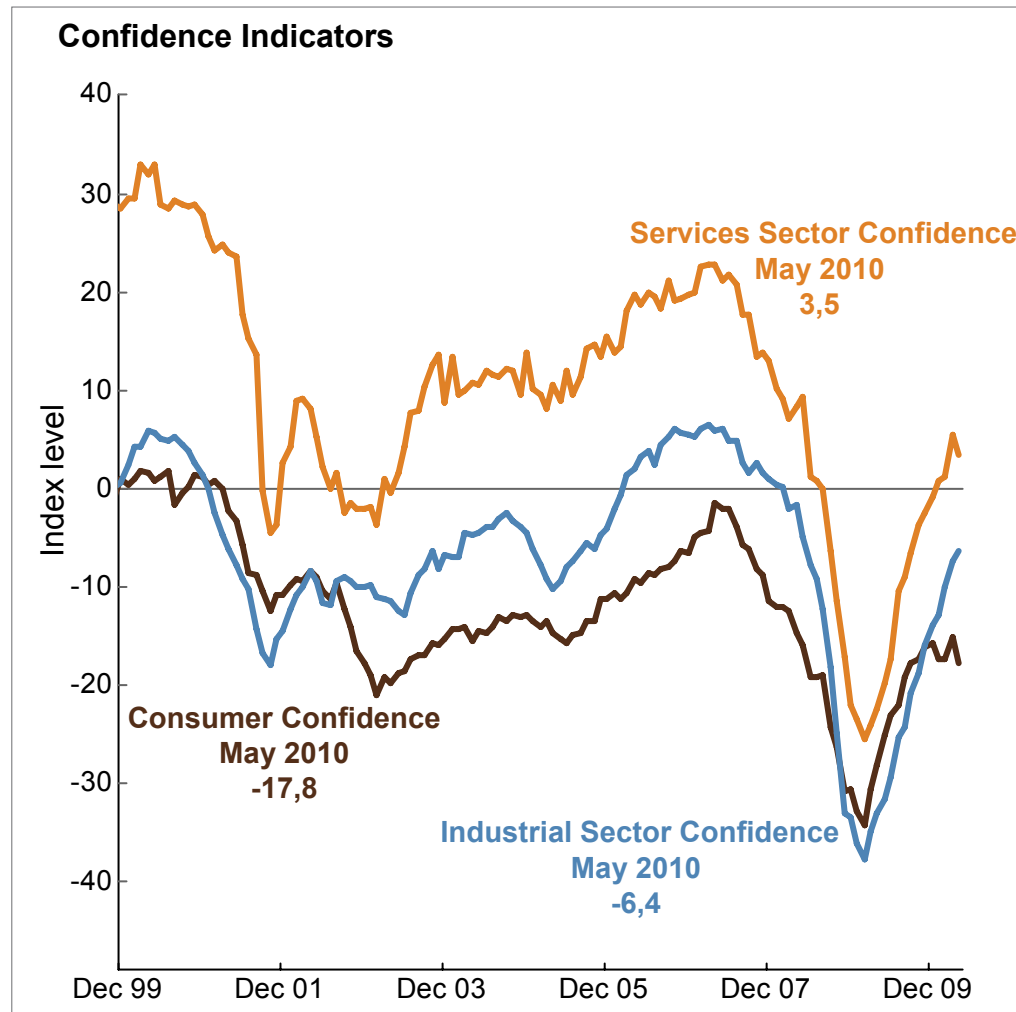
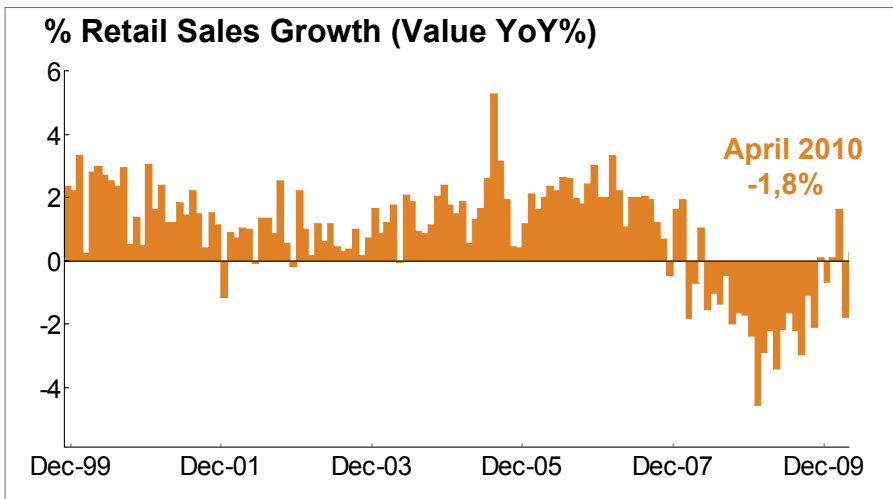
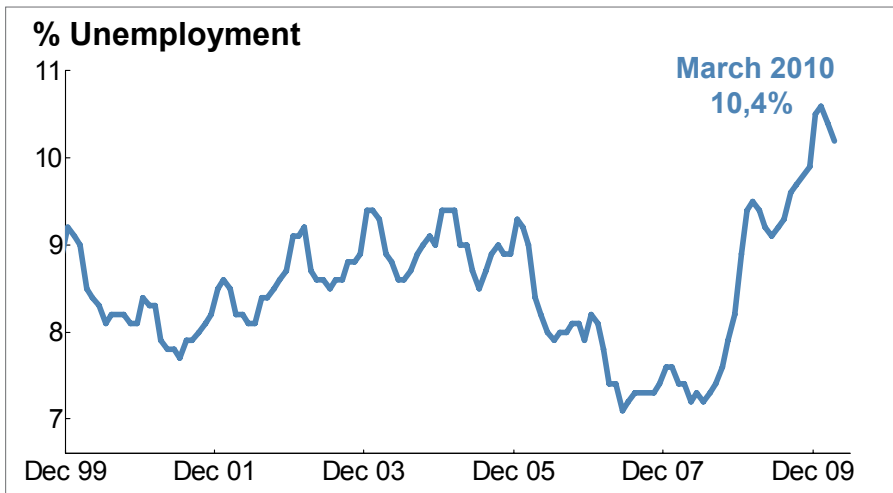
Source: FactSet, Eurostat, J.P. Morgan.

Headline inflation includes all items, core includes all items except energy, food, alcoholic beverages and tobacco (FactSet definition). Forecasts are from Bloomberg consensus and represent annual growth and headline inflation rates.



# Eurozone Unemployment, Retail Sales and Confidence Indicators







Europe



Source: FactSet, Eurostat, OECD, J.P. Morgan.

Monthly data for all indices, using ILO definition for eurozone unemployment. Retail sales (by value) and confidence indicators are all eurozone. Data is from 31/12/99 to the most recent available.

## Eurozone Market Scorecard

Overall Economy		First quarter GDP growth for the eurozone grew 0,6% compared to the same period the previous year, and rose 0,8% versus the previous quarter at an annualised rate. This was somewhat disappointing given the weakness of the euro recently; Germany registered just 0,6% growth at annualised rate and France grew by 0,5%, while Greece saw a significant contraction of 4,0%. Bloomberg consensus estimates suggest the region may grow by 1,1% in 2010, and by 1,3% in 2011.
Employment		Eurozone unemployment is currently 10,4%. It is likely to fall as economic recovery takes place, but in those countries that will be seeing a shrinkage of the state due to budget deficit reduction, a rise in public sector unemployment may limit the overall fall.
Corporate Earnings		Exporters have benefited from recent weakness of the euro against the dollar and the yen, but domestic demand growth remains weak and perhaps still dependent on fiscal stimulus programmes.
Interest Rates		The European Central Bank (ECB) repo rate stands at 1%, and may remain at that level for the rest of 2010 given the fiscal and economic problems facing many of the peripheral eurozone countries. Core eurozone bond markets have proved a safe haven relative to those of peripheral eurozone countries, helping to reduce corporate borrowing costs. However, with M3 eurozone money supply down 0,7% year on year, it appears there is not much bank lending taking place in the region in aggregate. The ECB's instance on sterilising its bond market purchase operation is illustrative of a generally more hawkish stance than that of the Bank of England or the US Federal Reserve.
Inflation		Eurozone headline CPI inflation of 1,6% year on year might seem dangerously close to the ECB's 2% target to some at the central bank, but this hides substantial regional variations. Greek inflation was 5,4% over the same period, while Germany saw prices rise by only 0,2%. Bloomberg consensus estimates suggest little change in the year on year rate of eurozone inflation over the next year, as fiscal retrenchment limits regional growth prospects.
Key News Items		It is unclear whether European banks will require more state aid, and whether bond market investors will look kindly on governments that add to their deficits through nationalising more bank debt. However, if the recent austerity budgets that have been announced throughout the region do indeed cut into the region's budget deficits, bond investors may be more sympathetic to attempts by governments to re-capitalise banks should it prove necessary. Recent anecdotal evidence suggests that Germany has seen a boom in exports recently, suggesting a two-speed recovery in the eurozone is taking place with the core countries outpacing the peripheral countries.

Source: FTSE, J.P. Morgan.

Opinions, estimates, forecasts and statements of financial market trends that are based on current market conditions constitute our judgment and are subject to change without notice.

World Stock Market Returns (EUR & Local Currency)	11
World Returns (EUR)	12
World Index Weighting by Country and Changes in Dividends	13
MSCI World by Sector (EUR)	14
Growth and Value	15
Market Returns after Consecutive Down Years S&P 500 Index	16
Dollar vs. Sterling/Euro/Yen	17
Oil and Commodities	18
Credit Suisse Global Risk Appetite Indicator	19
VIX and VDAX Volatility	20
World Economic Data	21
Government Deficits by Country	22
Consensus Estimates 2010 and 2011	23
Demographic Pyramids	24

# World Stock Market Returns (EUR & Local Currency)

World

	2001	2002	2003	2004	2005	2006	2007	2008	2009	YTD	Q2 2010
EUR	3,1%	-20,2%	30,1%	16,8%	55,0%	20,9%	26,7%	-23,0%	73,4%	14,5%	5,1%
	MSCI EM	MSCI EM	MSCI EM	MSCI EM	MSCI EM	MSCI Asia ex Japan	MSCI Asia ex Japan	Japan TOPIX	MSCI EM	Japan TOPIX	MSCI Asia ex Japan
Local	7,8%	-7,3%	46,4%	16,0%	35,3%	28,6%	37,6%	-40,6%	62,8%	-6,4%	-2,8%
EUR	1,5%	-22,2%	22,4%	12,6%	45,3%	20,2%	26,1%	-33,7%	67,2%	12,9%	1,3%
	MSCI Asia ex Japan	MSCI Asia ex Japan	MSCI Asia ex Japan	MSCI Europe	Japan TOPIX	MSCI Europe	MSCI EM	US S&P 500	MSCI Asia ex Japan	MSCI Asia ex Japan	MSCI EM
Local	-1,2%	-11,7%	45,2%	12,7%	45,2%	19,6%	33,2%	-37,0%	67,2%	-2,9%	-5,5%
EUR	-7,1%	-22,7%	15,8%	9,1%	41,9%	18,6%	3,2%	-43,3%	32,5%	10,1%	0,4%
	US S&P 500	Japan TOPIX	MSCI Europe	MSCI Asia ex Japan	MSCI Asia ex Japan	MSCI EM	MSCI Europe	MSCI Europe	MSCI Europe	MSCI EM	Japan TOPIX
Local	-11,9%	17,5%	20,3%	11,8%	24,1%	28,5%	6,5%	-38,5%	28,6%	-4,2%	-13,9%
EUR	-15,3%	-30,5%	15,3%	8,1%	26,7%	3,6%	-4,9%	-49,8%	22,5%	9,3%	-2,2%
	MSCI Europe	MSCI Europe	Japan TOPIX	Japan TOPIX	MSCI Europe	US S&P 500	US S&P 500	MSCI Asia ex Japan	US S&P 500	US S&P 500	US S&P 500
Local	-16,1%	-29,1%	25,2%	11,3%	25,5%	15,8%	5,5%	-47,8%	26,5%	-6,7%	-11,4%
EUR	-25,5%	-33,9%	7,1%	2,9%	20,9%	-8,7%	-14,5%	-50,8%	1,5%	-2,0%	-5,9%
	Japan TOPIX	US S&P 500	US S&P 500	US S&P 500	US S&P 500	Japan TOPIX	Japan TOPIX	MSCI EM	Japan TOPIX	MSCI Europe	MSCI Europe
Local	-18,9%	-22,1%	28,7%	10,9%	4,9%	3,0%	-11,1%	-45,9%	7,6%	-6,2%	-9,5%

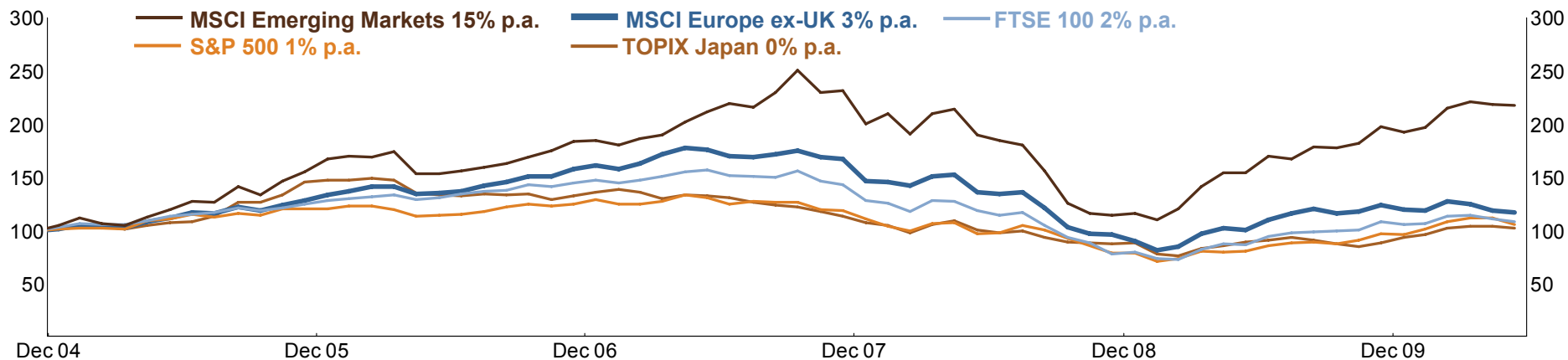
Source: FactSet, S&P, FTSE, MSCI, TOPIX, J.P. Morgan.

All data is reported in euro and local currency and represents total return including the reinvestment of dividends and calculated with maximum withholding tax, when applicable. Data for MSCI EM represents total return including dividend gross of withholding tax and net of domestic tax credit. Past performance is not indicative of future returns. International investing involves a greater degree of risk and volatility. Changes in currency exchange rate and political and economic climate can raise or lower returns.

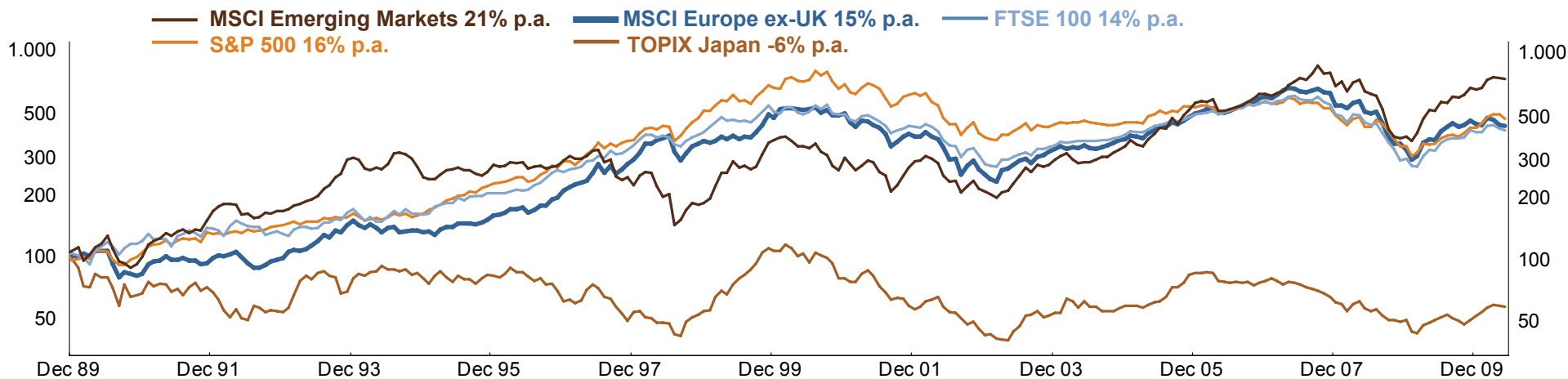
# World Returns (EUR)

World

## 5 years to June 2010



## 20 years to June 2010, log scale



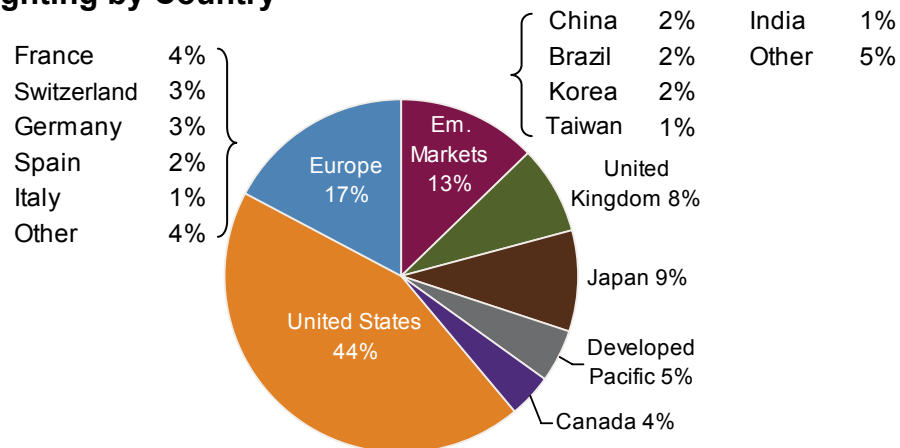
Source: FactSet, MSCI, FTSE and S&P, J.P. Morgan.

All data is reported in euro and represents total return including the reinvestment of dividends and calculated with maximum withholding tax, when applicable. Data for MSCI EM represents total return including dividend gross of withholding tax and net of domestic tax credit. Past performance is not indicative of future returns.

# World Index Weighting by Country and Changes in Dividends

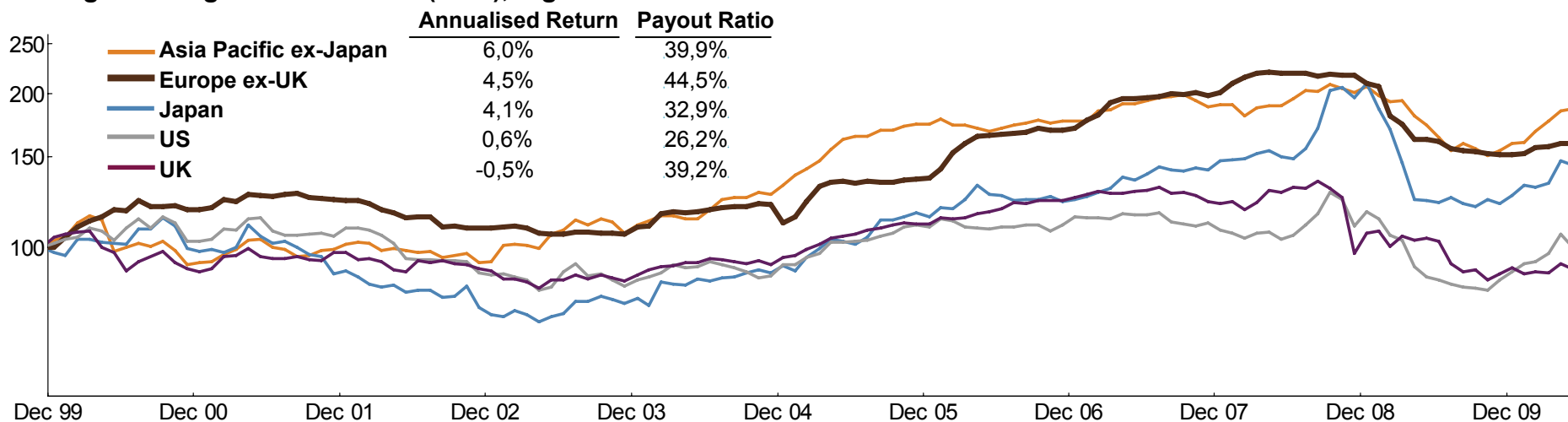
World

**MSCI AC World Index: % Weighting by Country**



Source: FactSet, MSCI, J.P. Morgan. Data as of 30/06/10.

**Changes in Regional Dividends (EUR), log scale**



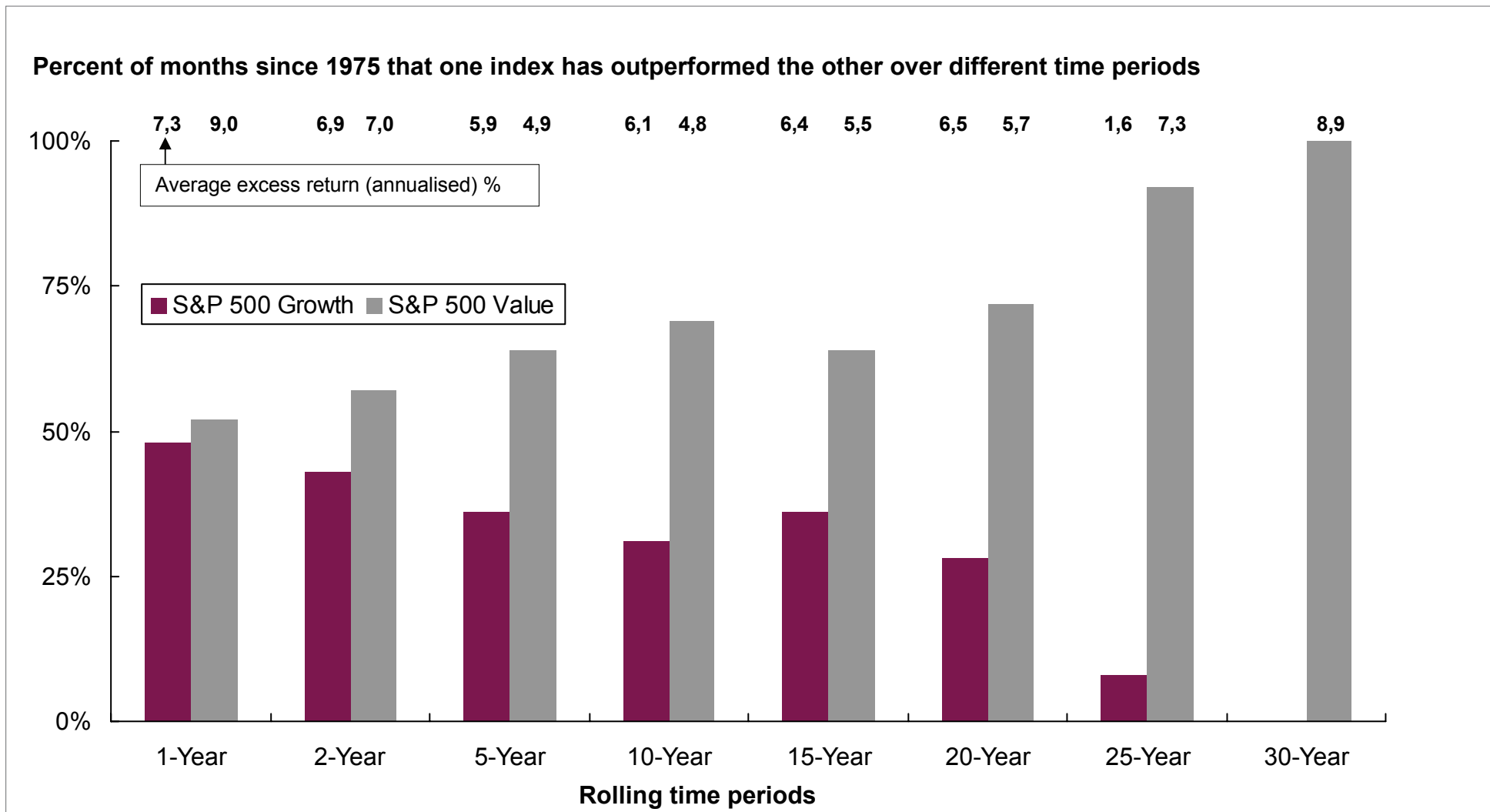
Note: Regular dividends only. Data is from 31/12/99 to 30/06/10, rebased to 100. Source: FactSet, MSCI, J.P. Morgan.

# MSCI World by Sector (EUR)

	Energy	Materials	Industrials	Cons Disc	Cons Staples	Healthcare	Financials	Info Tech	Telecom Services	Utilities	MSCI World
<b>MSCI World weight %</b>	<b>10,0</b>	<b>7,3</b>	<b>11,0</b>	<b>9,9</b>	<b>10,5</b>	<b>10,2</b>	<b>20,5</b>	<b>12,0</b>	<b>4,2</b>	<b>4,4</b>	<b>100</b>
<b>Q2 2010 return (EUR) %</b>	-7,3	-6,8	-2,2	-0,8	1,7	-1,5	-6,6	-4,0	2,2	0,5	-3,3
<b>YTD return (EUR) %</b>	-2,7	1,2	13,1	12,5	12,3	6,4	3,6	5,7	4,5	2,7	5,9
<b>Dividend yield %</b>	3,0	1,7	2,1	1,7	3,0	2,7	2,7	1,1	5,8	4,9	2,5
<b>Historic P/E</b>	14,4	24,9	20,4	25,5	15,8	12,8	n/a	19,8	12,6	11,4	17,4
<b>Forward P/E</b>	10,4	11,4	14,0	15,0	13,9	11,1	10,9	13,3	11,3	12,3	12,2
<b>S&amp;P 500 impl. Volatility by sector</b>	35,4	35,2	34,0	32,5	20,5	23,4	38,1	30,1	n/a	23,3	<b>S&amp;P 500</b> 28,1

Source: FactSet, J.P. Morgan.

All calculations are total return on the MSCI World index including dividends reinvested for the stated period. Performance is total return and in EUR. Sector weightings as at 30/06/10. Past performance is not indicative of future returns. Volatility is implied volatility over the next 12 months. Forward PE based on next 12 month consensus estimates from I/B/E/S.

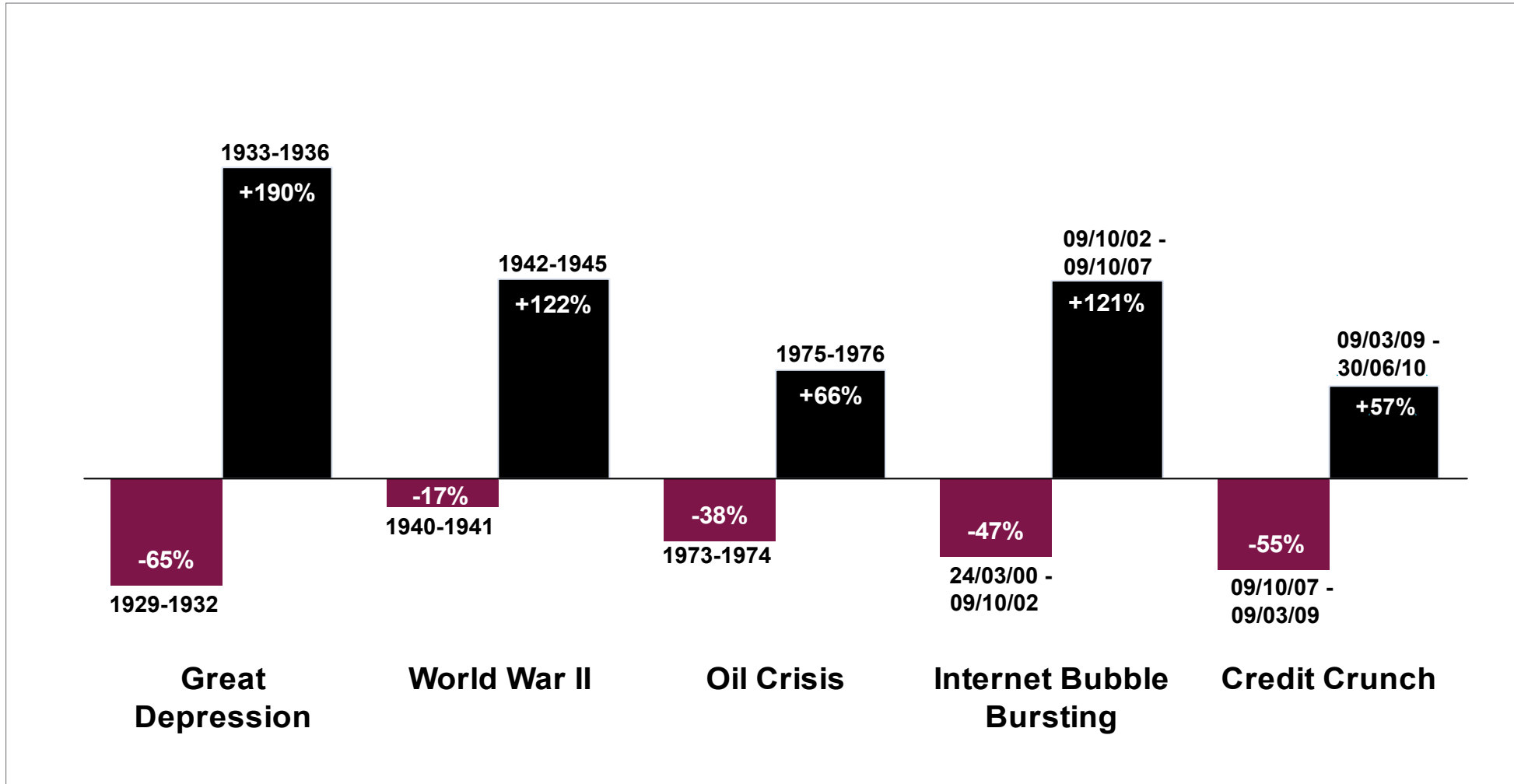


Source: FactSet, Bloomberg, J.P. Morgan. Data as at 17/12/09. The chart shows percentage of times one has outperformed the other with rolling time periods.



# Market Returns After Consecutive Down Years S&P 500 Index

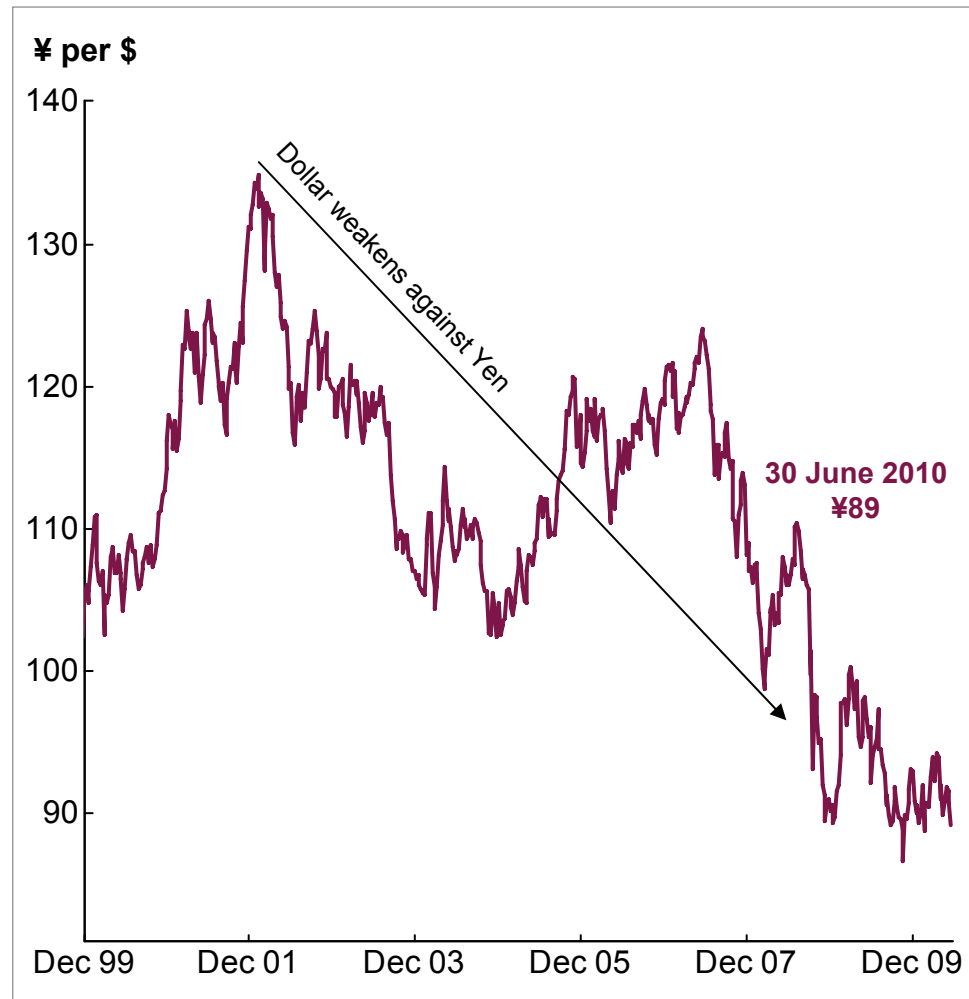
World



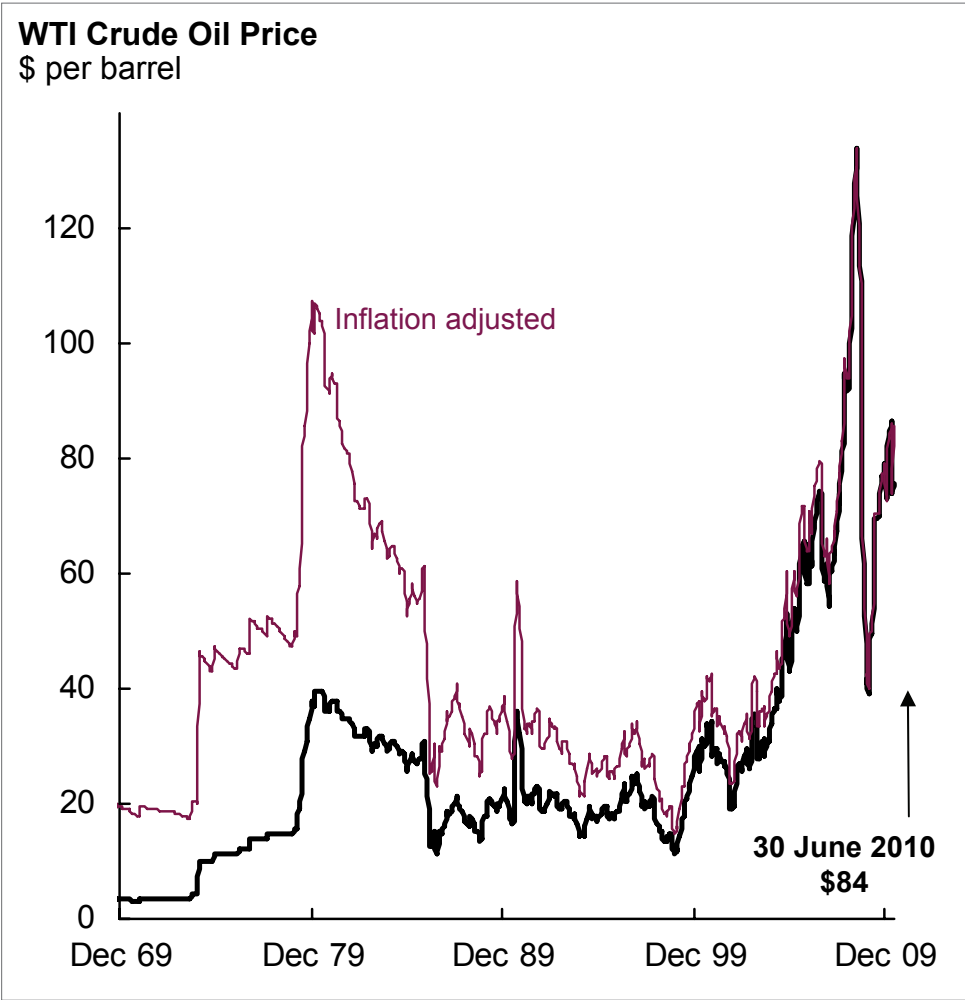
Source: Dimson, Marsh and Staunton, S&P, FactSet, J.P. Morgan. Market returns represented by S&P 500 index returns in dollars, dividends reinvested. For complete calendar years, except where stated otherwise, most recent returns as at 30/06/10. Past performance is not indicative of future returns.

# Dollar vs. Sterling/Euro/Yen

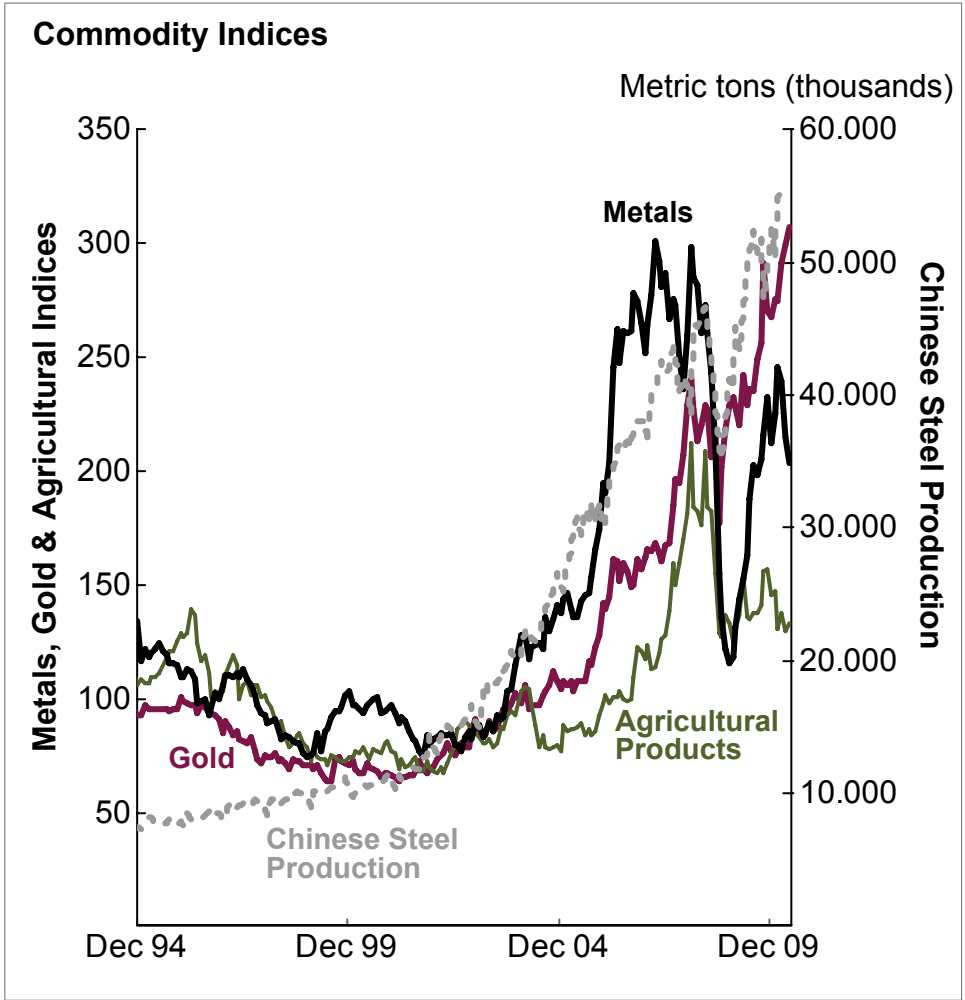
World



Source: FactSet, J.P. Morgan. Data is weekly. Data is from 31/12/99 to 30/06/10.



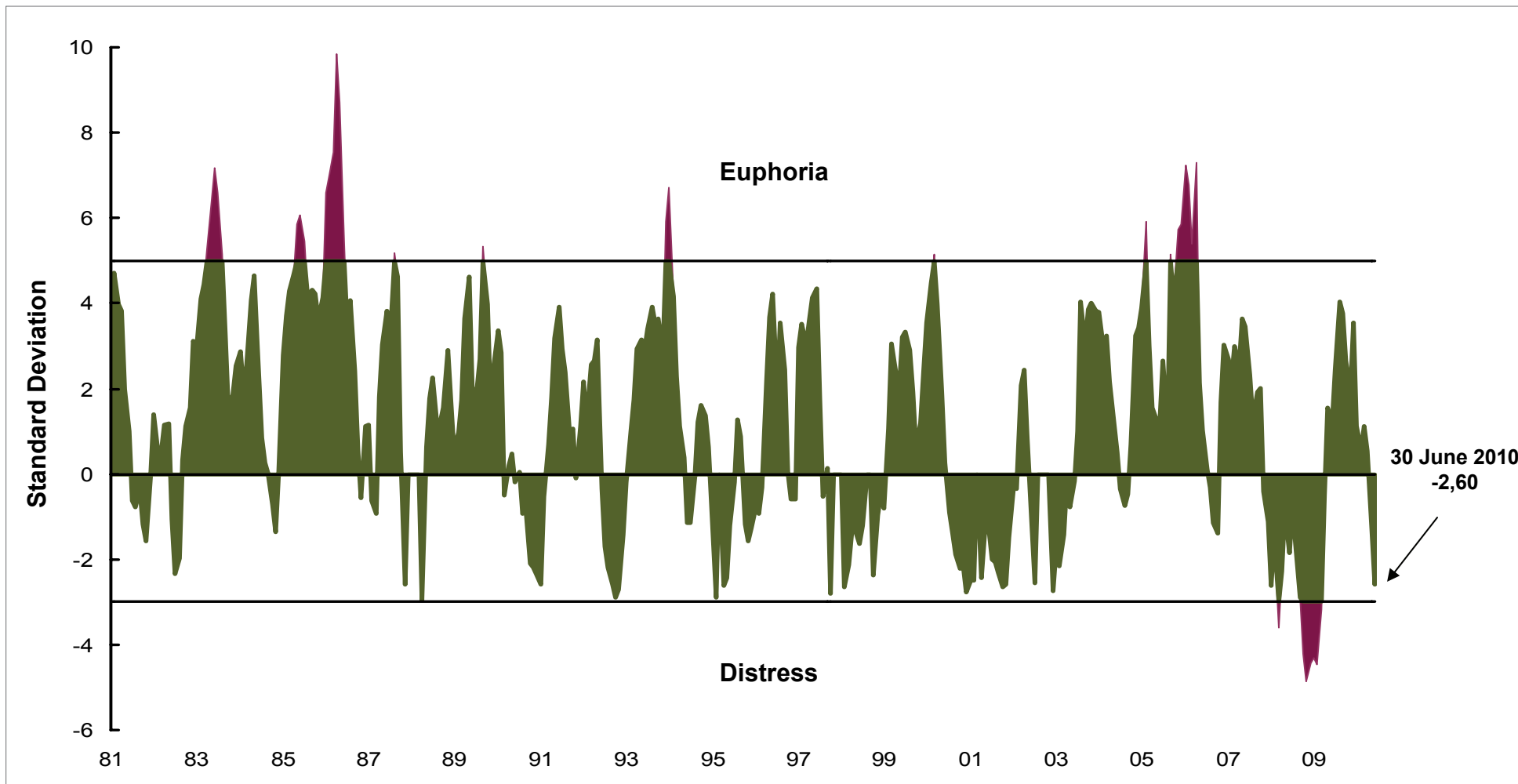
Source: FactSet, Bloomberg, J.P. Morgan. Price used is West Texas Intermediate crude, monthly frequency. Data as at 30/06/10.



Source: S&P Goldman Sachs Commodity Index, FactSet, National Bureau of Statistics of China, steel production in thousand metric tons. J.P. Morgan. Data is on a monthly frequency, latest data as at 30/06/10.

# Credit Suisse Global Risk Appetite Indicator

World

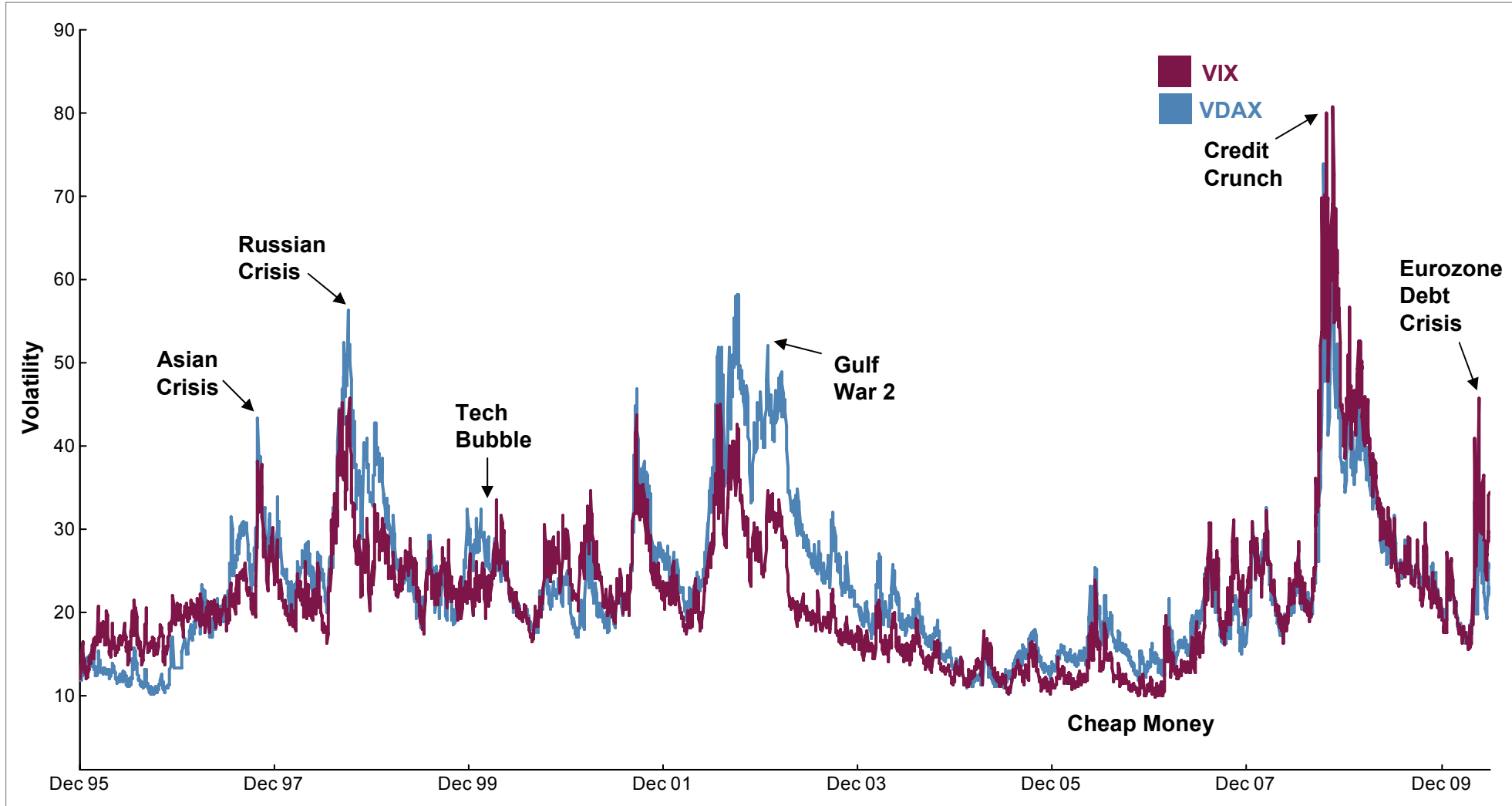


Source: Credit Suisse, J.P. Morgan.

The Credit Suisse Global Risk Appetite Indicator compares aggregated risk-adjusted returns across 64 markets (both equity and fixed income). It compares six month excess returns over cash with 12 month volatility for each asset, and plots the resulting score on the vertical (Y) axis. Data as at 30/06/10.

# VIX and VDAX Volatility

World



Source: Bloomberg, Chicago Board Options Exchange, Deutsche Boerse, J.P. Morgan. VIX is the name of the Chicago Board Options Exchange Volatility Index, a popular measure of the implied volatility of S&P 500 index options. Referred to by some as the fear index, it represents one measure of the market's expectation of volatility over the next 30 day period. VDAX is the name given to the Deutsche Boerse equivalent, based on the DAX.

	Q1 GDP Growth		Unemployment %	CPI Inflation YoY %	Money Supply Growth YoY, M3 %	Current Account as % GDP
	YoY %	QoQ Annualised %				
<b>Austria</b>	0,2↑	-0,4↓	4,9↓	1,9↑	-3,4↑	1,2
<b>Belgium</b>	-1,0↓	0,4↓	11,6↓	2,3↑	2,6↓	-0,3
<b>Finland</b>	-0,8↑	-1,8↓	8,4↓	1,0↑	-1,3↑	1,9
<b>France</b>	1,2↑	0,5↓	10,1→	1,6↑	-2,1↓	-2,1
<b>Germany</b>	1,7↑	0,6↑	7,7↓	0,2↓	0,2↑	5,5
<b>Greece</b>	-2,5→	-4,0↓	11,6↑	5,4↑	-0,3→	-7,2
<b>Italy</b>	0,5↑	1,7↑	8,5↑	1,4↑	6,3↓	-2,8
<b>Netherlands</b>	0,6↑	1,0→	5,6→	1,0↑	5,1↑	5,3
<b>Spain</b>	-1,3↑	0,3↑	19,7↑	1,8↑	-5,2↓	-4,3
<b>Eurozone</b>	0,6↑	0,8↑	10,4↓	1,6↑	-0,7↑	-0,1
<b>Denmark</b>	-0,4↑	2,6↑	4,1↓	2,2↑	3,0↑	2,9
<b>Sweden</b>	3,0↑	5,9↑	8,8↓	1,2→	0,2↓	6,8
<b>Switzerland</b>	2,2↑	1,6↓	4,0↓	1,1↑	5,4↓	8,9
<b>UK</b>	-0,2↑	1,2↑	7,9↑	3,4→	2,7↓M4	-1,0
<b>US</b>	2,4↑	3,0↓	9,7→	2,0↓	1,8↓M2	-3,2
<b>Japan</b>	4,6↑	5,0↑	5,1↑	-0,9↑	2,8↑M2	3,5
<b>China</b>	11,9↑	n/a	9,6↓	3,1↑	21,5↓M2	4,1

Source: EIU, BEA, OECD, FactSet and J.P. Morgan. Arrows represent change on previous quarter. Unemployment rate is ILO and local definitions.

# Government Deficits by Country

World

In percent of GDP and Summer 2010, unless otherwise specified

	Maturing Debt (a)	Deficit (b)	Gross Financing Needs (a + b)	Gross Debt (2009)	Average Maturity (years)
Australia	2,0	5,0	7,0	15,5	4,8
Belgium	20,8	5,1	25,9	97,3	5,4
Canada	15,9	5,3	21,2	82,5	5,6
France	16,9	8,2	25,1	77,4	6,5
Germany	10,2	5,7	15,9	72,5	6,0
Greece	13,4	8,1	21,5	115,1	7,4
Ireland	7,7	12,2	19,9	64,5	6,7
Italy	21,2	5,2	26,4	115,8	6,7
Japan	54,2	9,8	64,0	217,7	5,2
Portugal	13,0	8,8	21,8	77,1	6,2
Spain	10,3	10,4	20,7	55,2	6,7
Sweden	6,8	3,3	10,1	40,9	6,0
United Kingdom	8,6	11,4	20,0	68,2	12,8
United States	21,2	11,0	32,2	83,2	4,4

Source: IMF Fiscal Monitor, 14/05/10, p. 21, J.P. Morgan.

## Consensus Estimates 2010 and 2011

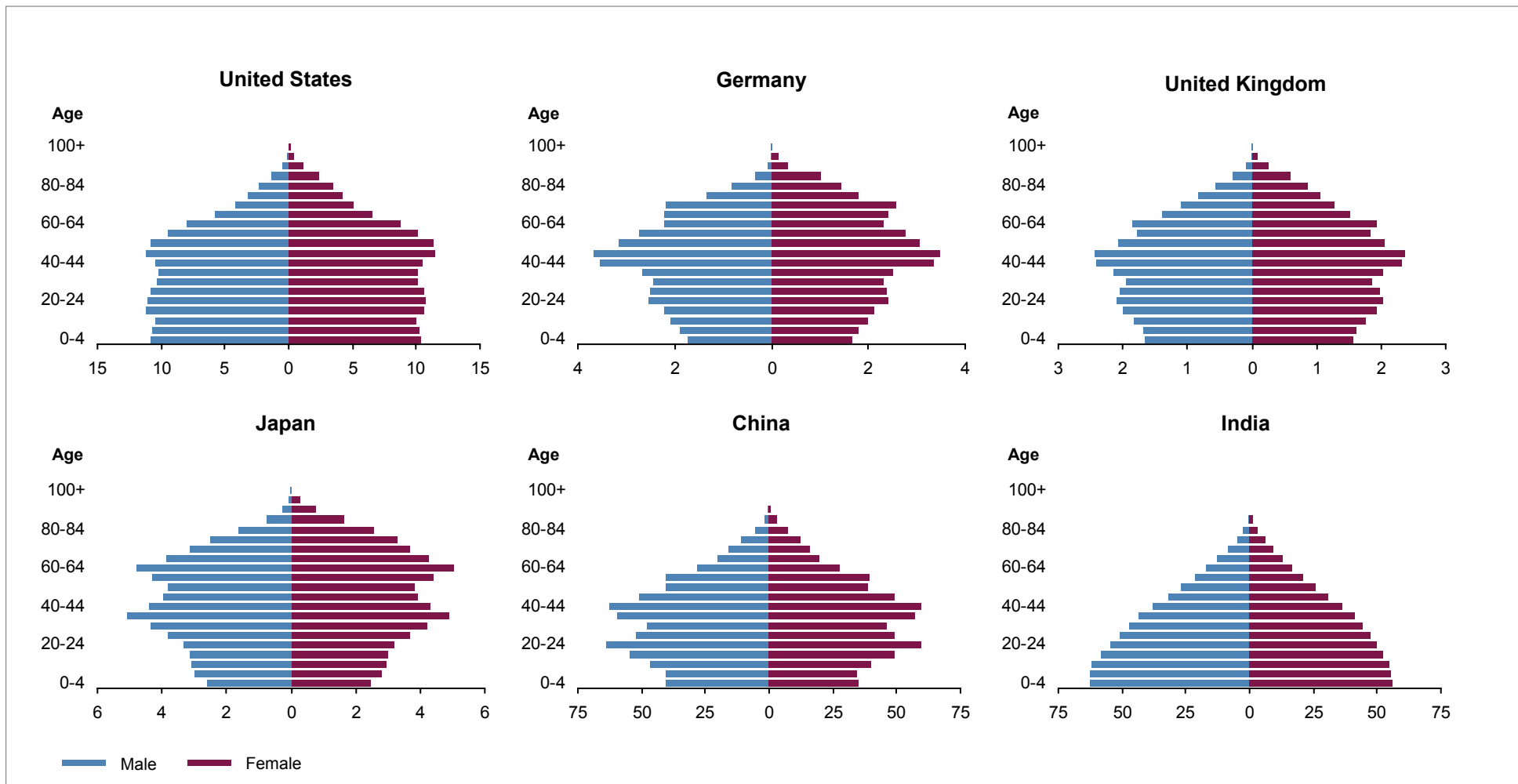
	Real GDP Growth %		CPI Headline Inflation %		Policy Rates %	
	2010	2011	2010	2011	Actual Jul 10	Forecast Dec 10
	France	1,3	1,4	n/a	n/a	1,00
Germany	1,9	1,6	1,1	1,4	1,00	1,00
Eurozone	1,1	1,3	1,5	1,6	1,00	1,00
Switzerland	2,0	2,1	1,1	1,1	0,25	0,50
UK	1,2	2,0	3,1	1,9	0,50	0,50
US	3,2	2,9	1,8	1,7	0,25	0,25
Japan	2,2	1,9	-1,1	-0,3	0,10	0,10
China	10,1	9,3	3,4	3,5	5,31	4,75

Source: All are consensus estimates from Bloomberg 30/06/10, J.P. Morgan.



# Demographic Pyramids

World



Source: US Census Bureau, International Division, J.P. Morgan. National data and independent sources are combined to make assumptions for the current year. Populations are in millions. Data as at March 2010.

US S&P 500 Index at Inflection Points	26
US Equity Valuations	27
US Returns by Style (USD)	28
US GDP and Inflation	29
US Market Scorecard	30

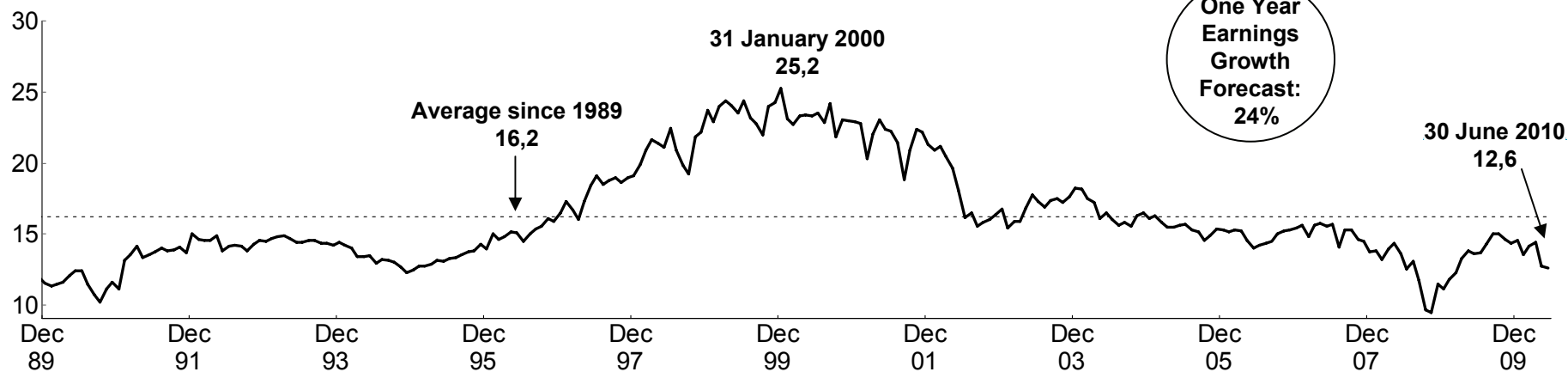
# US S&P 500 Index at Inflection Points



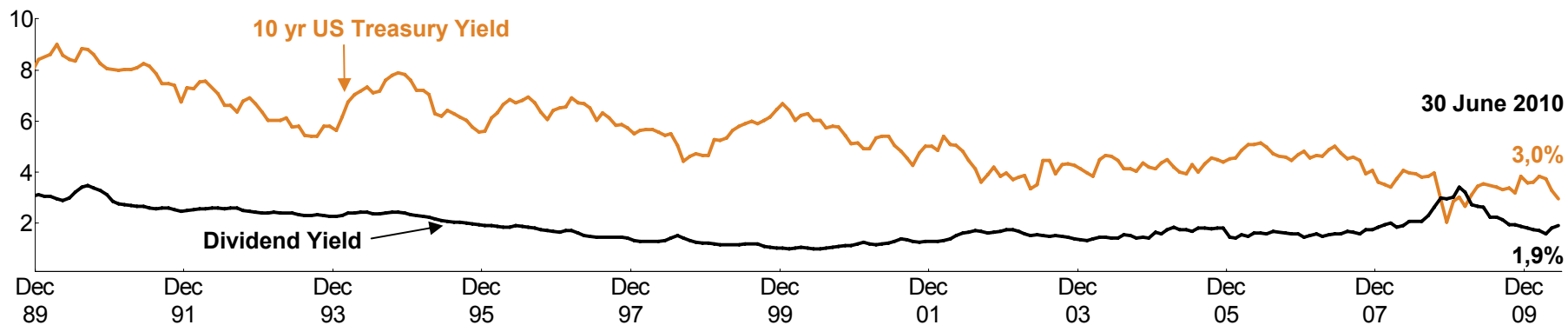
Source: FactSet, S&P, J.P. Morgan.

Returns are cumulative and based on S&P price movement only and do not include the reinvestment of dividends. Past performance is not indicative of future returns. Data is from 31/12/94 to 30/06/10 on a daily frequency. FactSet for forward P/E.

Forward P/E Ratio S&P 500



Dividend Yield vs. 10 yr US Treasury Yield



Source: MSCI USA and I/B/E/S for forward P/E, data is on a monthly frequency. FactSet Aggregate Index for dividend yield, Thomson Datastream. Treasury prices from FactSet. Reuters, J.P. Morgan.

# US Returns by Style (USD)

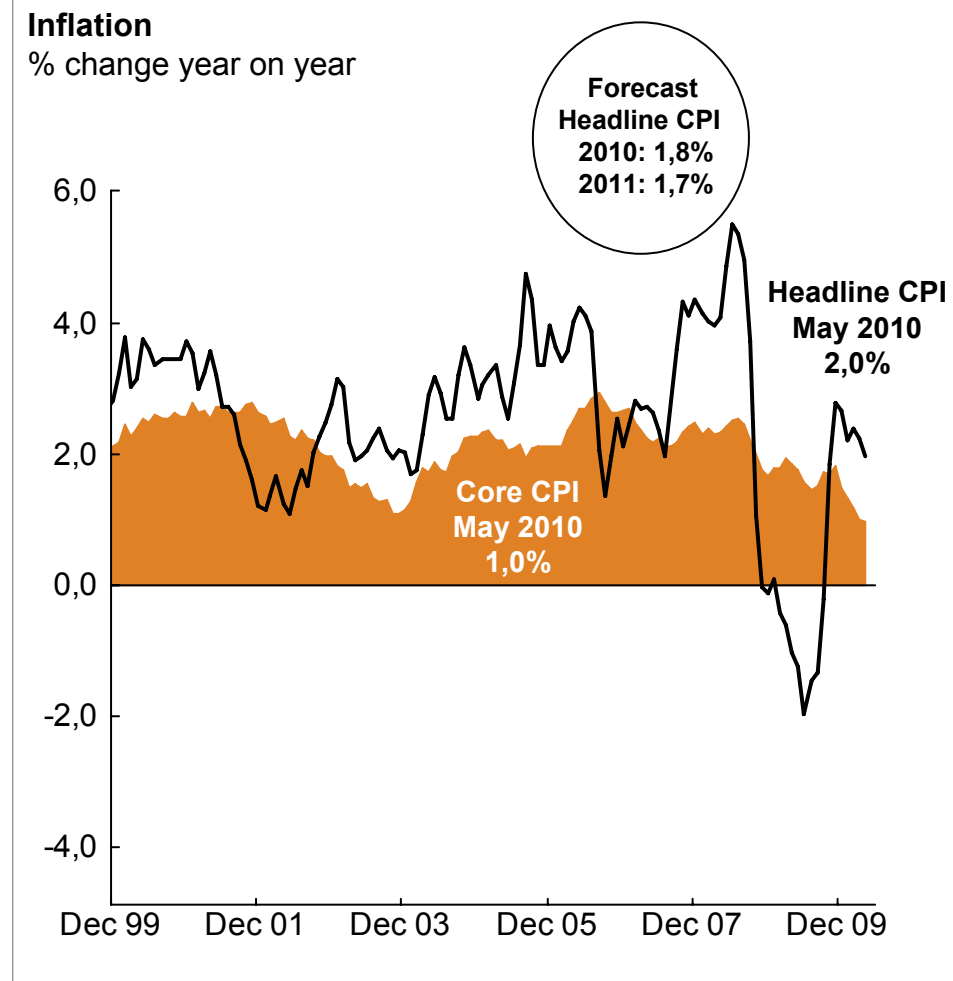
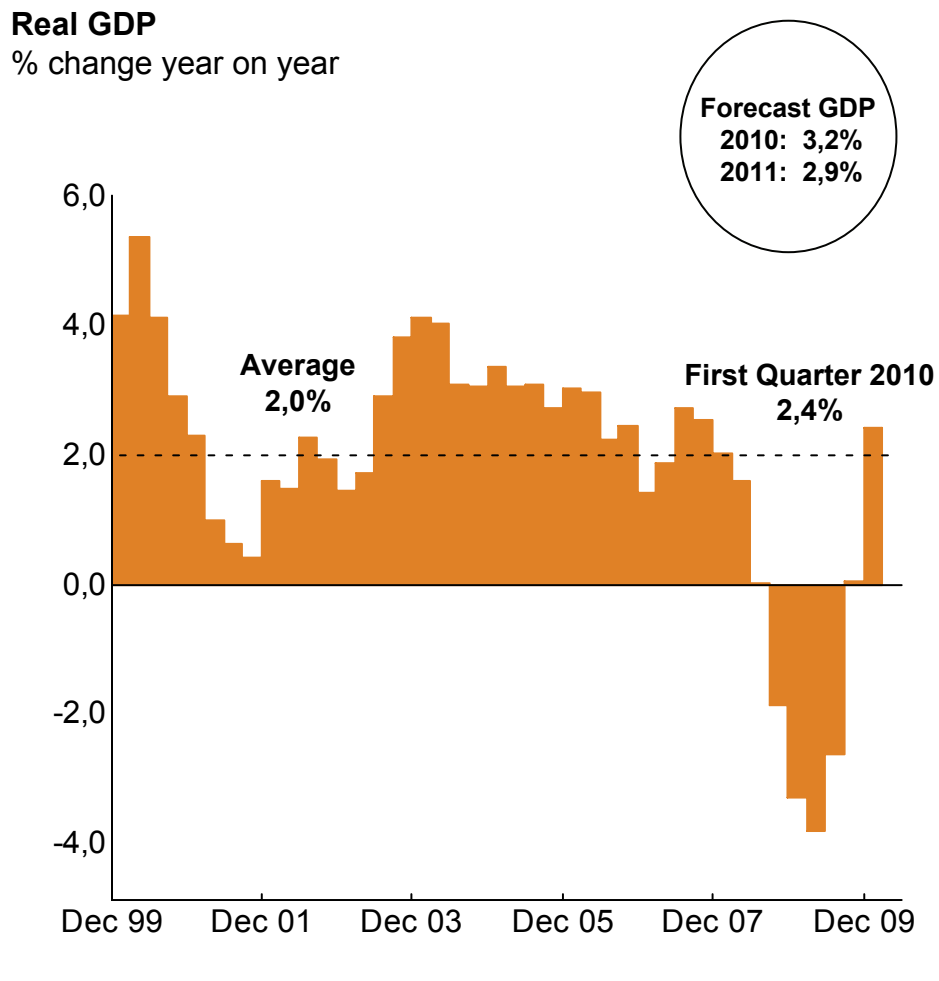
2001	2002	2003	2004	2005	2006	2007	2008	2009	YTD	Q2 2010
Russell 2000 2,5%	Russell Mid Cap -16,2%	Nasdaq 50,8%	Russell Mid Cap 20,2%	Russell Mid Cap 12,7%	MSCI US Value 22,0%	MSCI US Growth 11,6%	Russell 2000 -33,8%	Nasdaq 45,3%	Russell 2000 -2,0%	Russell 2000 -9,9%
Russell Mid Cap -5,6%	Russell 2000 -20,5%	Russell 2000 47,3%	Russell 2000 18,3%	MSCI US Value 6,0%	Russell 2000 18,4%	Nasdaq 10,7%	MSCI US Value -35,4%	Russell Mid Cap 40,5%	Russell Mid Cap -2,1%	Russell Mid Cap -9,9%
MSCI US Value -11,8%	S&P 500 -22,1%	Russell Mid Cap 40,1%	MSCI US Value 14,6%	MSCI US Growth 5,4%	S&P 500 15,8%	Russell Mid Cap 5,6%	S&P 500 -37,0%	MSCI US Growth 36,7%	MSCI US Value -5,5%	Nasdaq -10,8%
S&P 500 -11,9%	MSCI US Value -22,6%	MSCI US Value 33,4%	S&P 500 10,9%	S&P 500 4,9%	Russell Mid Cap 15,3%	S&P 500 5,5%	MSCI US Growth -39,0%	Russell 2000 27,2%	Nasdaq -6,6%	MSCI US Value -11,1%
MSCI US Growth -13,3%	MSCI US Growth -23,0%	S&P 500 28,7%	Nasdaq 9,1%	Russell 2000 4,6%	Nasdaq 10,4%	MSCI US Value 0,5%	Nasdaq -40,5%	S&P 500 26,5%	S&P 500 -6,7%	S&P 500 -11,4%
Nasdaq -19,3%	Nasdaq -31,2%	MSCI US Growth 24,8%	MSCI US Growth 6,8%	Nasdaq 2,1%	MSCI US Growth 8,9%	Russell 2000 -1,6%	Russell Mid Cap -41,5%	MSCI US Value 18,0%	MSCI US Growth -8,1%	MSCI US Growth -12,1%

Source: FactSet, MSCI, Russell, S&P, Nasdaq Composite, J.P. Morgan.

All data is reported in USD and represents total return including the reinvestment of dividends and calculated with maximum withholding tax, when applicable. Past performance is not indicative of future returns.







# US GDP and Inflation

United States



Source: BEA, J.P. Morgan.

Headline inflation includes all items, core includes all items except energy and food (FactSet definition). Forecasts are from Bloomberg consensus and represent annual growth and headline inflation rates.

Overall Economy		First quarter GDP growth in the US rose 2,4% compared to the same quarter in the previous year, and at an annualised rate of 3,0% versus the last quarter of 2009. Recent labour market and housing data has been weaker than had been expected, but the US is nonetheless recovering from the recession at a much faster pace than the major European economies. Bloomberg consensus estimates are for GDP growth of 3,2% in 2010 and for a slightly lower rate of 2,9% in 2011.
Employment		Unemployment has stabilised at 9,7%. However new job creation is not robust and some analysts fear that a 'jobless recovery' is taking place.
Corporate Earnings		While blue chip companies can continue to benefit from strong demand growth in Asia and the emerging markets, mid and small cap stocks are vulnerable to weak consumer demand growth at home and will be more susceptible to any disappointment in growth data over the coming months.
Interest Rates		The Federal Reserve Bank appears to be in no hurry to raise interest rates, given subdued core inflation and weak money supply growth. The Bloomberg Consensus estimate for the Fed's target rate is to remain at 0,25% until the year end. Despite the large US budget deficit, Treasury yields fell in May and June which has helped to lower the cost of borrowing for corporates.
Inflation		Headline CPI inflation stands at 2,0% year on year (down from 2,2% in April). Inflation does not appear to be a major risk as long as disinflationary forces, such as high unemployment and weak wage growth, remain in place.
Key News Items		The US is unlikely to face a double dip recession, but it faces several challenges over the coming months. These include: 1) the difficulty of increasing domestic consumption at a time when households are paying off debt and rebuilding savings, and employment growth is weak. 2) The difficulty of exporting more when trading partners in Europe have also adopted the export growth strategy, and have the advantage of weaker currencies. In Asia, China has slightly revalued the yuan but other large exporters remain wedded to a dollar peg. 3) The impact on the economy of the eventual withdrawal of the fiscal stimulus.

Source: FactSet, J.P. Morgan.

The above is shown for illustrative purposes only.

Opinions, estimates, forecasts and statements of financial market trends that are based on current market conditions constitute our judgment and are subject to change without notice.

Japan TOPIX Index at Inflection Points

32

Japan Equity Valuations

33

Japan GDP and Inflation

34

Japan Market Scorecard

35



# Japan TOPIX Index at Inflection Points

Japan

TOPIX Index 1990 – June 2010, log scale



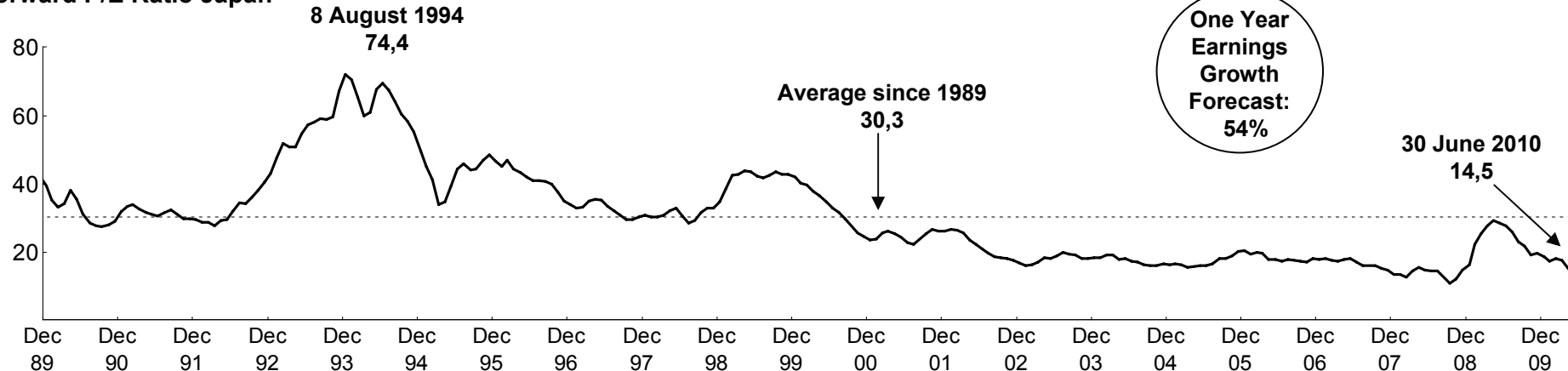
Source: FactSet, TOPIX, J.P. Morgan.

Returns are cumulative and based on TOPIX price movement only and do not include the reinvestment of dividends. Past performance is not indicative of future returns. Data is from 31/12/89 to 30/06/10 on a daily frequency. FactSet aggregates for forward P/E.

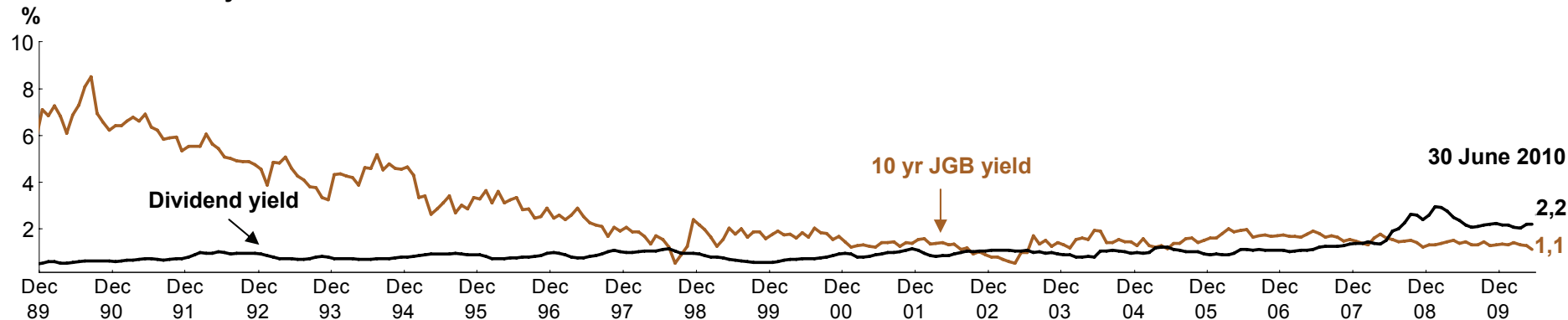
# Japan Equity Valuations

Japan

Forward P/E Ratio Japan



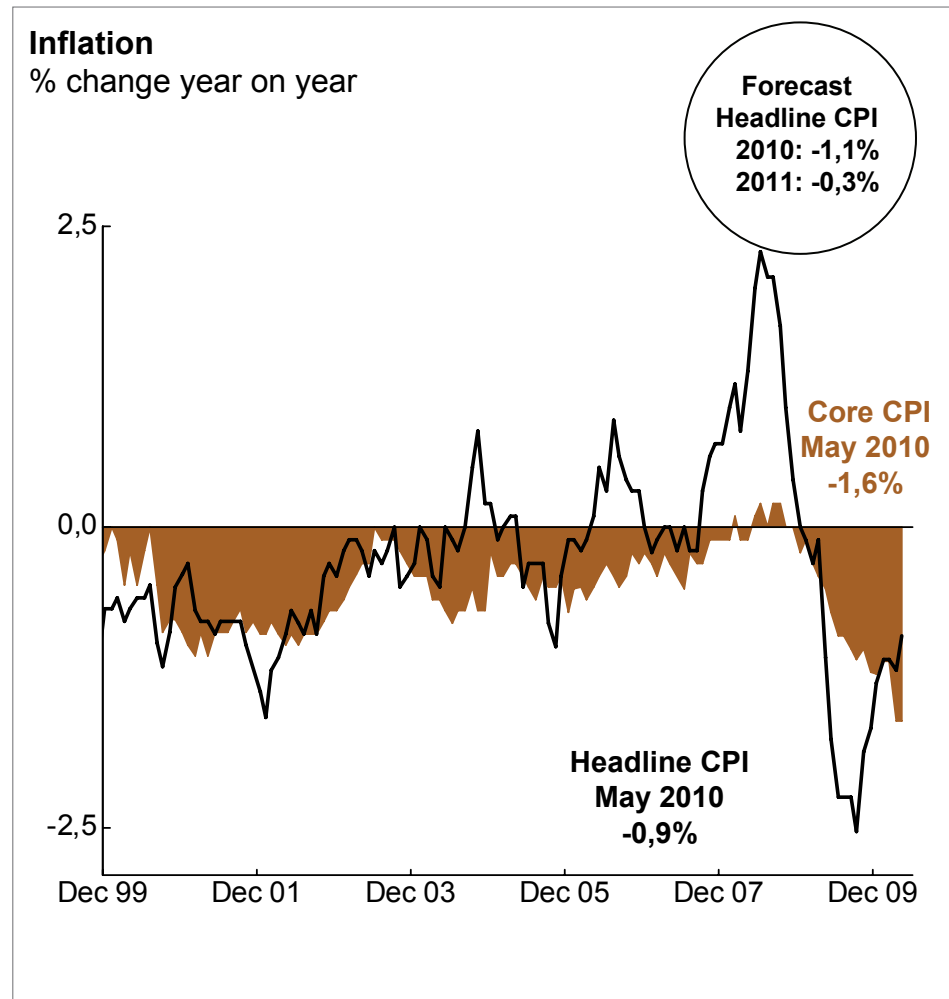
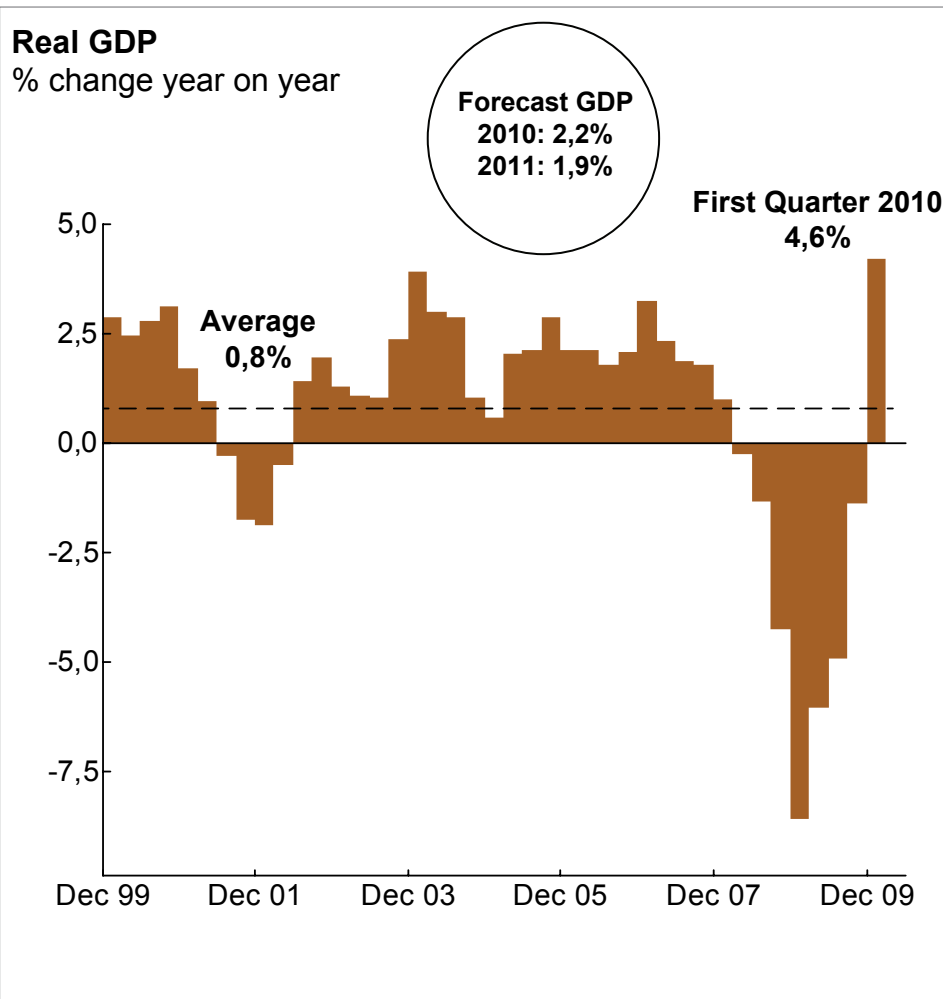
Dividend Yield vs. 10 yr JGB Yield



Source: FactSet Aggregate Composite Index and I/B/E/S for forward P/E and dividend yield, data is on a monthly frequency. JGB yield from FactSet. Reuters, J.P. Morgan.







# Japan GDP and Inflation

Japan



Source: FactSet, Ministry of Internal Affairs and Communications, Economic & Social Research Institute, J.P. Morgan.

Headline inflation includes all items, core includes all items excluding energy and food (FactSet definition). Official Japanese core CPI excludes fresh food only; this was at -1,2%. Forecasts are from Bloomberg consensus and represent annual growth and headline inflation rates.

Overall Economy		First quarter GDP growth came in at an impressive 4,6% over the same period the previous year, and was at 5,0% at an annualised rate versus the pervious quarter. Japan is benefiting from an inventory rebuild in Asia and elsewhere, and from temporary government schemes to boost consumption. However the strengthening yen, persistent deflation and a ballooning fiscal deficit create a problematic macro economic background. The Bloomberg consensus estimate for GDP growth is 2,2% this year and 1,9% in 2011.
Employment		Unemployment has risen since April, and now stands at 5,1%. Nonetheless, it is low by the standards of other G7 countries.
Corporate Earnings		Export driven companies have enjoyed strong overseas sales growth, but the 19% fall of the euro against the yen in the first half of 2010, and the 5% fall of the dollar (and Asian currencies pegged to the dollar), may slow down export growth later this year. Domestic focused companies face weak demand growth, aggravated by persistent deflation and an aging population.
Interest Rates		The Bank of Japan's call rate stands at 0,1%. Given the deflationary environment, interest rates are positive in contrast to all other major developed economies. The call rate is likely to remain very low, given the persistent problem of deflation.
Inflation		Headline CPI inflation is currently standing at minus 0,9% year on year. Given the country's shrinking population and relatively weak consumer sector, deflation seems likely to persist.
Key News Items		Investors hope that the new government will engage in long-awaited supply-side reforms, which will stimulate competition within the economy and boost consumer demand. Japan may be able to muddle on without them in the near term, but the longer term picture is bleak if economic reform is not addressed.

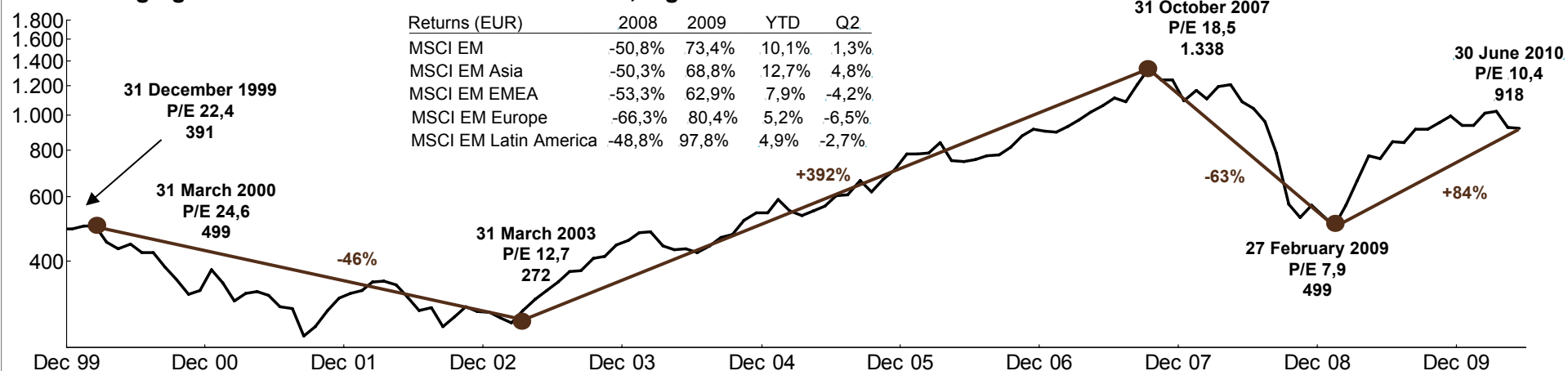
Source: FactSet, J.P. Morgan.

Opinions, estimates, forecasts and statements of financial market trends that are based on current market conditions constitute our judgment and are subject to change without notice.

Emerging Markets Valuations, Returns and Data	37
EM Asia ex Japan Index at Inflection Points	38
Emerging Markets Indices and GDP Growth	39
China GDP and Inflation	40

# Emerging Markets Valuations, Returns and Data

MSCI Emerging Markets USD Index at Inflection Points, log scale



## Economic and Demographic Data

	GDP \$ bn	GDP \$ per Capita	Q1 GDP Growth YoY %	Unemployment Rate %	Population Millions	Population Growth % p.a.	Median Age
Eurozone	14.510	32.600	0,6↑	10,4↓	492	0,1	n/a
UK	2.149	35.200	-0,2↑	7,9↑	61	0,3	40,5
US	14.260	46.400	2,4↑	9,7→	310	1,0	36,8
China	8.789	6.600	11,9↑	9,6↓	1.330	0,5	35,2
India	3.560	3.100	8,6↑	10,7→	1.173	1,4	25,9
Brazil	2.025	10.200	9,0↑	7,3↑	201	1,2	28,9
Korea	1.356	28.000	8,1↑	3,2↓	49	0,3	37,9
Russia	2.116	15.100	2,9↑	7,3↓	139	-0,5	38,5
South Africa	495	10.100	1,4↑	25,2↑	49	-0,1	24,7
Mexico	1.482	13.500	4,3↑	5,4↓	113	1,1	26,7

Source: FactSet, CIA, EIU, MSCI, J.P. Morgan. Data is from 31/12/99 to 30/06/10. Forward PE based on 12 month consensus estimates from I/B/E/S for MSCI Emerging Markets. GDP USD and GDP Per Capita data is based on purchasing power parity methodology, most recently available data and is provided by the CIA, data as at 24/06/10. GDP growth data is first quarter 2010, year on year percent change. Arrows represent change on previous quarter. Unemployment data: ILO and local definitions. Past performance is not indicative of future returns.

# EM Asia ex Japan Index at Inflection Points

MSCI Asia ex Japan 1995 – June 2010, Log scale

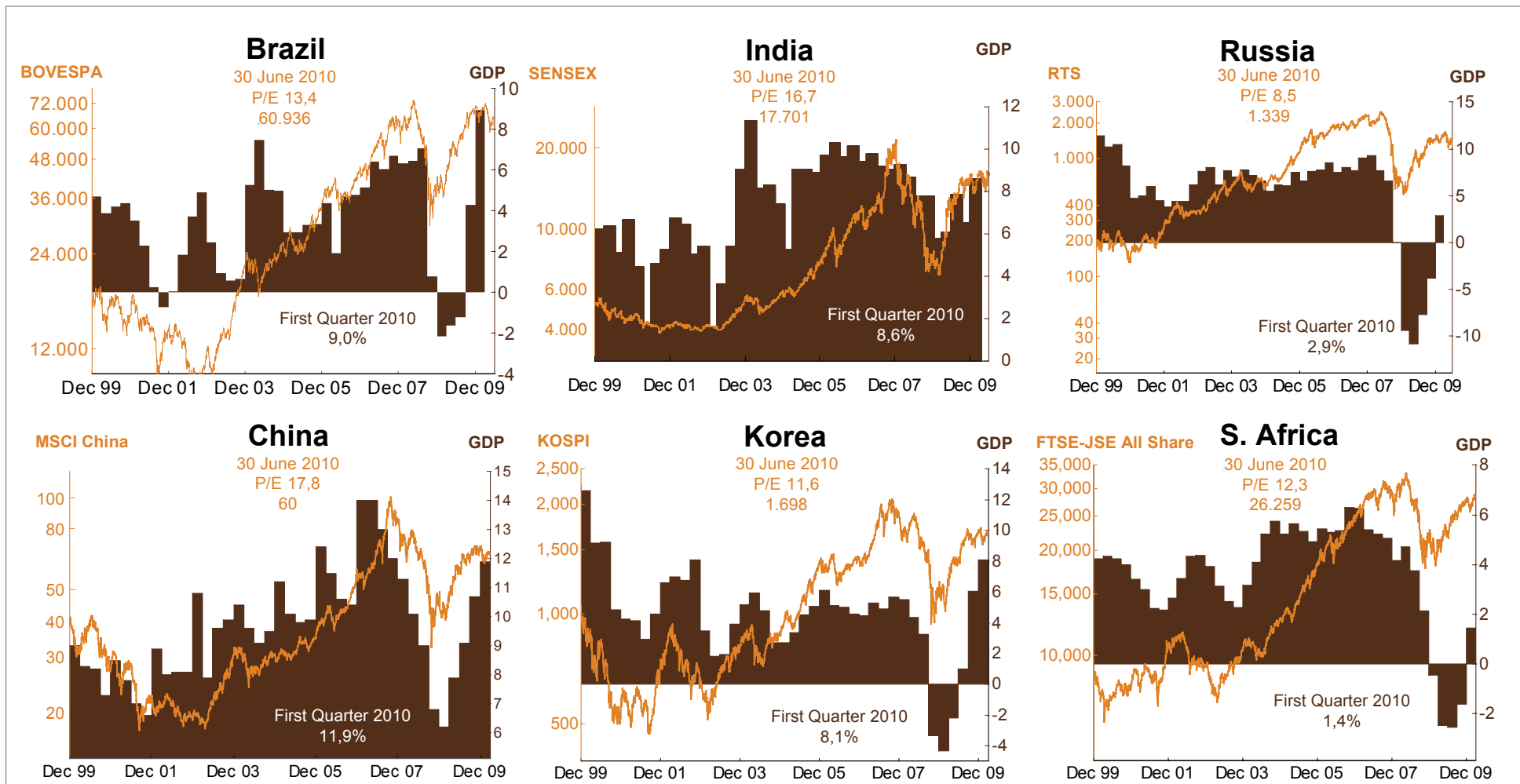


Source: FactSet, MSCI Asia ex Japan, J.P. Morgan.

Returns are cumulative and based on MSCI Asia ex Japan price movement only and do not include the reinvestment of dividends. Past performance is not indicative of future returns. Data is from 30/12/94 to 30/06/10 on a daily frequency. FactSet Aggregates for forward P/Es. Forward PE based on 12 month consensus estimates from I/B/E/S.

# Emerging Markets Indices and GDP Growth

Emerging Markets



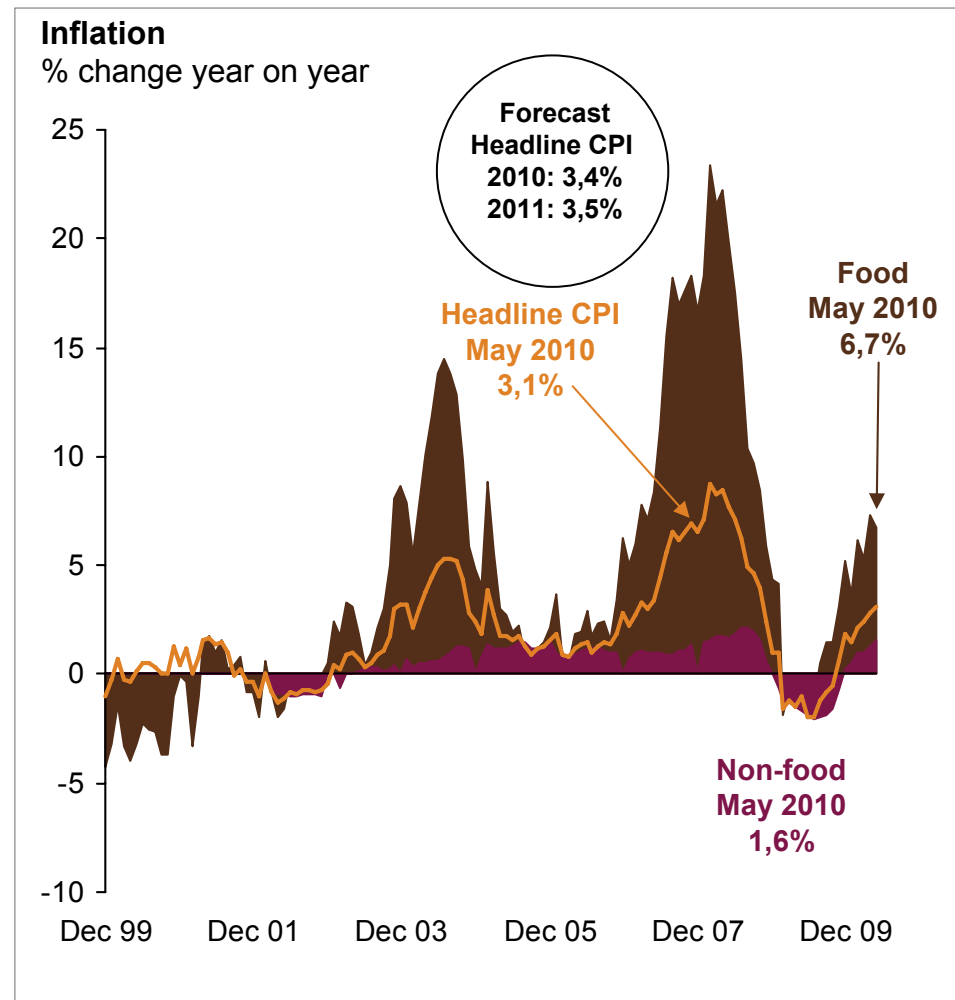
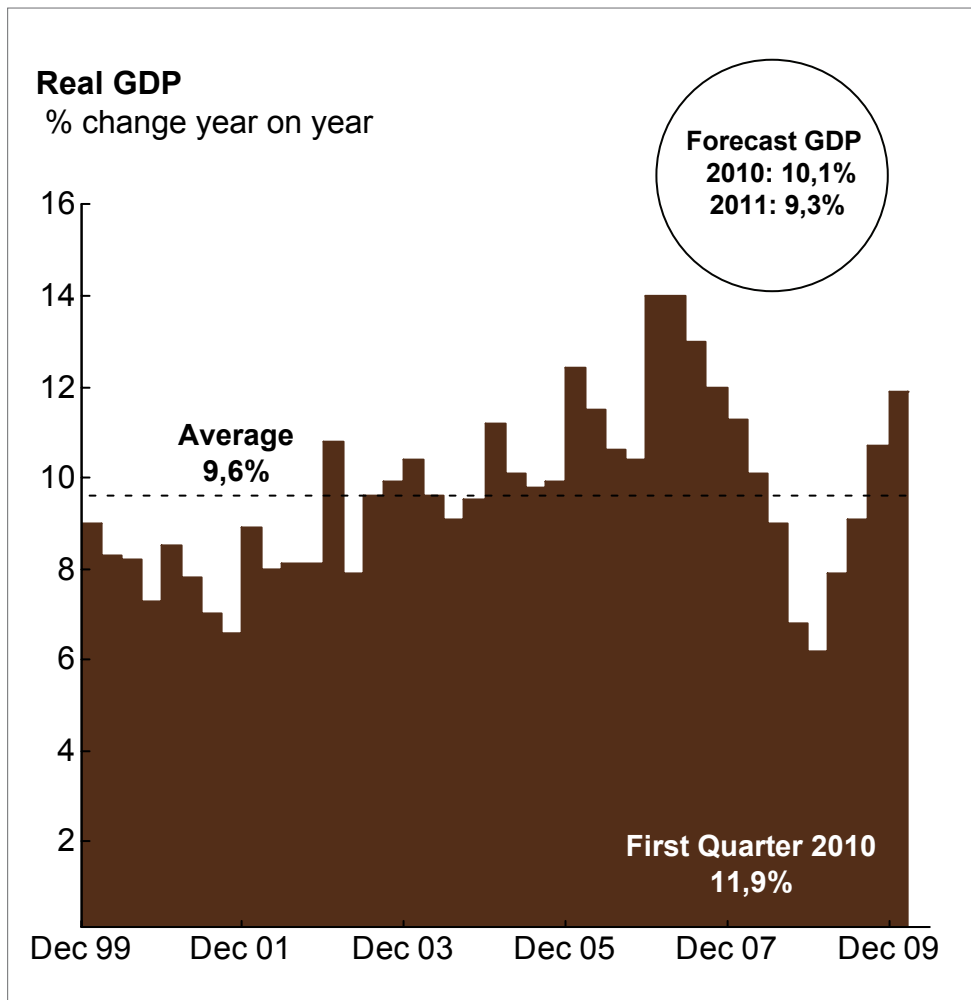
Source: Factset, Bloomberg, J.P. Morgan

Returns are cumulative and based on price movement only and do not include the reinvestment of dividends. Past performance is not indicative of future returns. Data is from 31/12/99 to 30/06/10. FactSet Aggregates for historic P/E. GDP is percentage change year on year.



# China GDP and Inflation

Emerging Markets



Source: National Bureau Of Statistics of China, J.P. Morgan.

Headline inflation includes all items, food includes grain, meat, poultry & related products, eggs, aquatic products, fresh vegetable and fresh fruits. Non-Food is tobacco and liquor products, clothing, household facilities, articles & maintenance services, medicines, medical care & personal articles, traffic and communication equipment, recreational, educational & cultural articles & services and residence (FactSet definition).

Government Fixed Income Market Returns (EUR and Local Currency)	42
US Deficit Trade	43
US Deficit and Foreign Holders of Treasuries	44
International Yield Curves	45
ECB and Bank of England Policy and Real Rates	46
US Fed and Bank of Japan Policy and Real Rates	47
US and European Interbank Rates, Investment Grade and High Yield Bonds	48
Investment Grade and High Yield Bond Spreads	49
Emerging Market Debt and Index Weighting	50

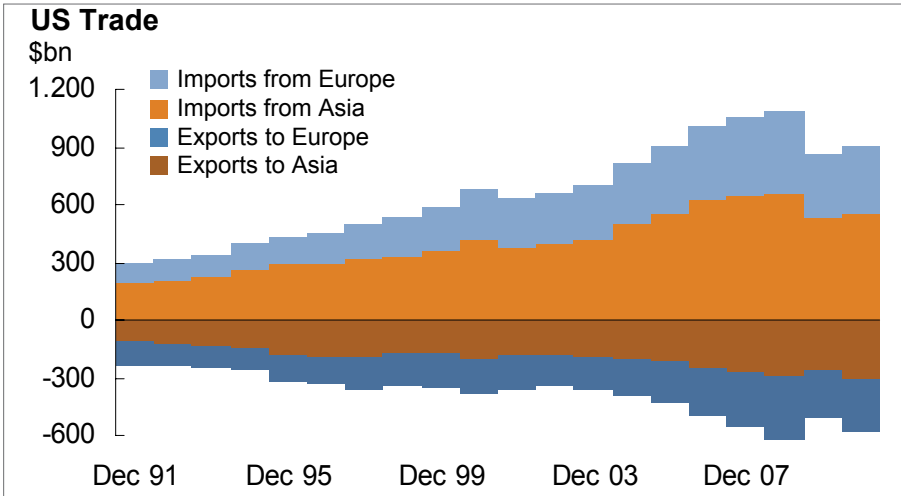
# Government Fixed Income Market returns (EUR and Local Currency)

Fixed Income

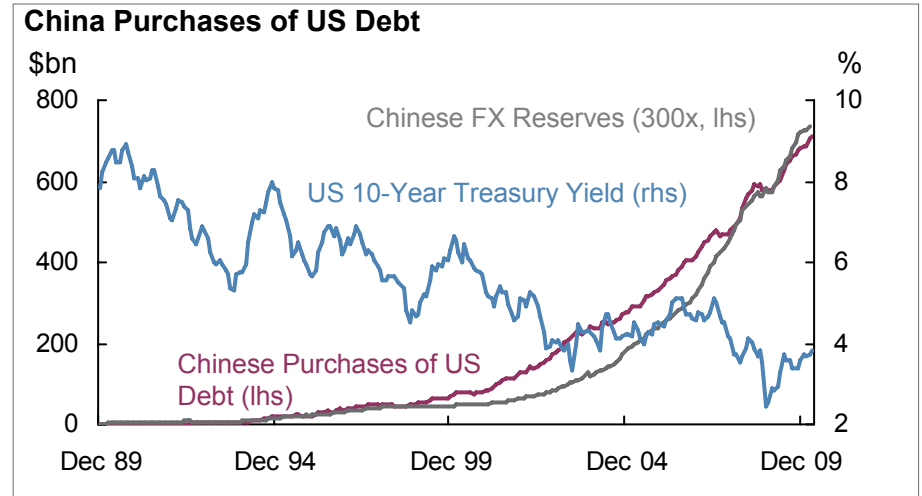
	2001	2002	2003	2004	2005	2006	2007	2008	2009	YTD	Q2 2010
<b>Euro</b>	12,4%	9,9%	4,0%	7,7%	18,6%	2,1%	1,8%	34,6%	7,8%	26,0%	19,4%
<b>Local</b>	6,5%	9,9%	4,0%	7,7%	2,9%	0,2%	1,8%	3,9%	-1,0%	2,2%	2,4%
<b>Euro</b>	6,2%	2,4%	-4,7%	6,1%	11,3%	-0,3%	-0,1%	20,2%	4,3%	24,2%	15,8%
<b>Local</b>	3,4%	9,1%	2,2%	6,6%	8,1%	-0,3%	4,0%	14,3%	4,3%	6,0%	4,8%
<b>Euro</b>	5,9%	1,3%	-5,6%	2,2%	7,7%	-5,2%	-1,2%	17,8%	-1,3%	17,6%	14,1%
<b>Local</b>	5,9%	8,5%	2,0%	4,9%	3,7%	0,8%	2,7%	9,2%	0,7%	4,2%	4,7%
<b>Euro</b>	4,6%	-3,1%	-8,6%	-1,7%	5,3%	-7,8%	-1,5%	9,4%	-4,8%	15,0%	12,1%
<b>Local</b>	5,2%	3,4%	-0,8%	1,3%	5,3%	3,1%	9,2%	9,4%	0,9%	5,9%	3,0%
<b>Euro</b>	-4,8%	-4,8%	-14,8%	-3,7%	0,9%	-11,1%	-3,6%	-13,7%	-6,8%	2,4%	0,1%
<b>Local</b>	3,6%	12,2%	2,4%	3,7%	0,8%	0,3%	5,1%	13,6%	-3,8%	2,4%	0,1%

Source: J.P. Morgan Global Bond Index. Past performance is not indicative of future returns.

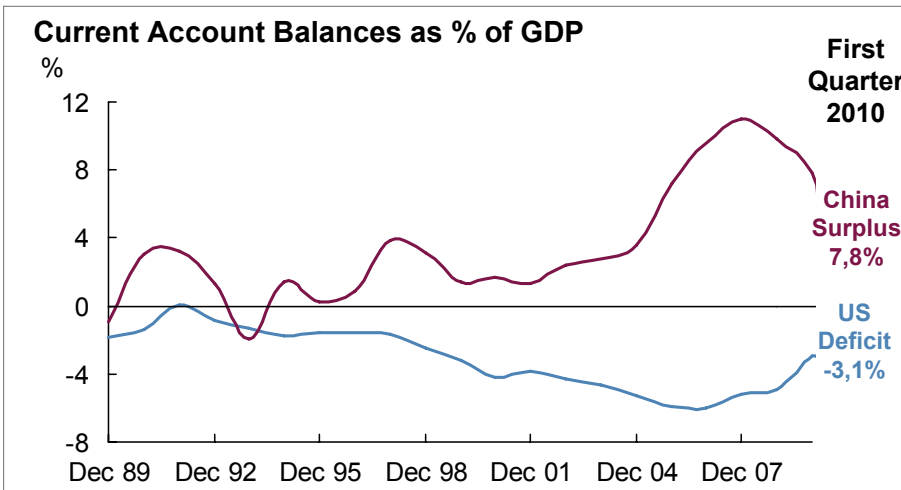
Fixed Income



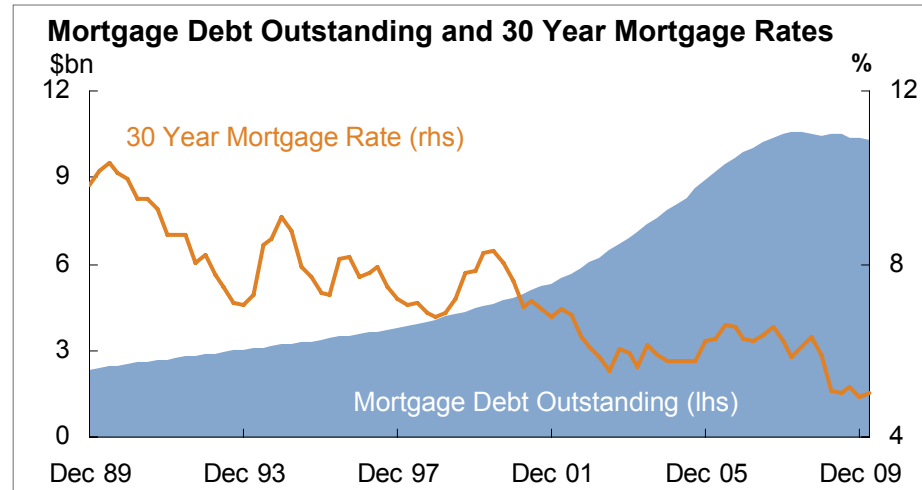
Source: US Census Bureau, J.P. Morgan. Annual total. Most recent observation is January through to April annualised.



Source: US Treasury Department, US Treasury, J.P. Morgan.



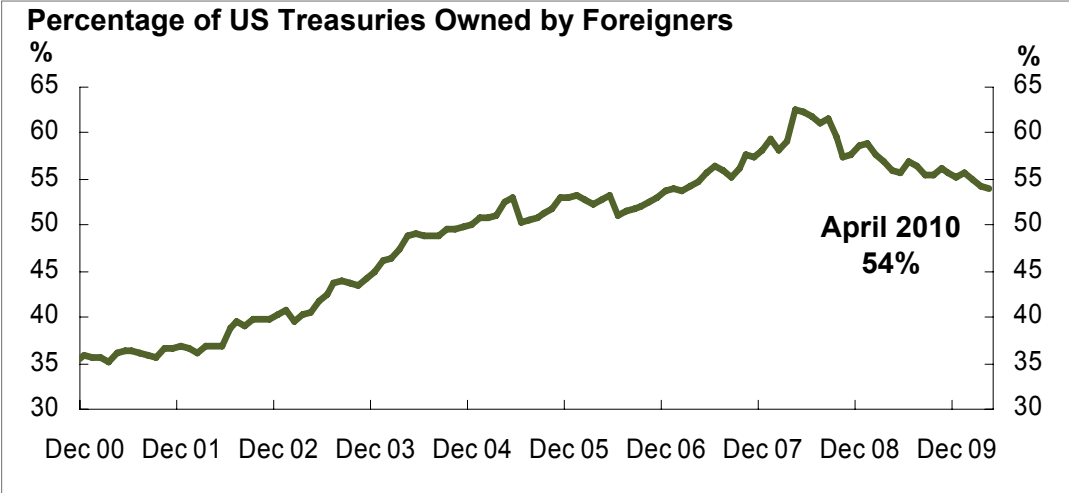
Source: US Census Bureau, Bureau of Statistics of China, EIU, J.P. Morgan.



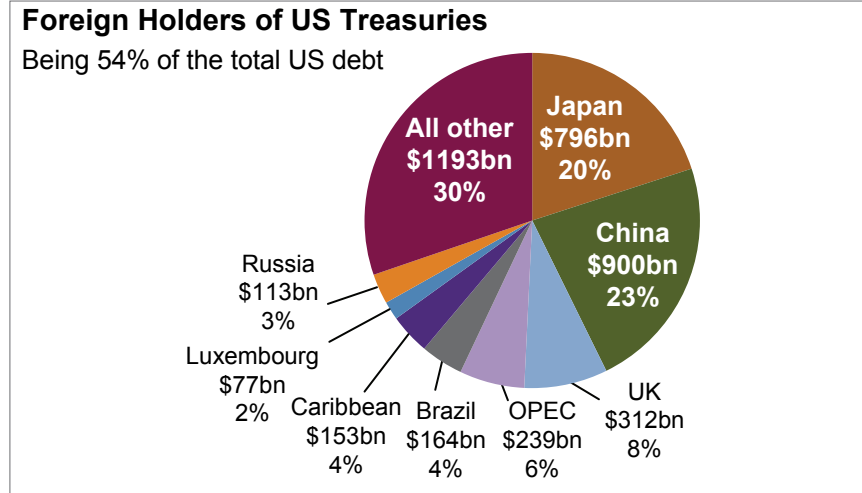
Source: Federal Reserve, Freddie Mac, Danter Company, J.P. Morgan.

# US Deficit and Foreign Holders of Treasuries

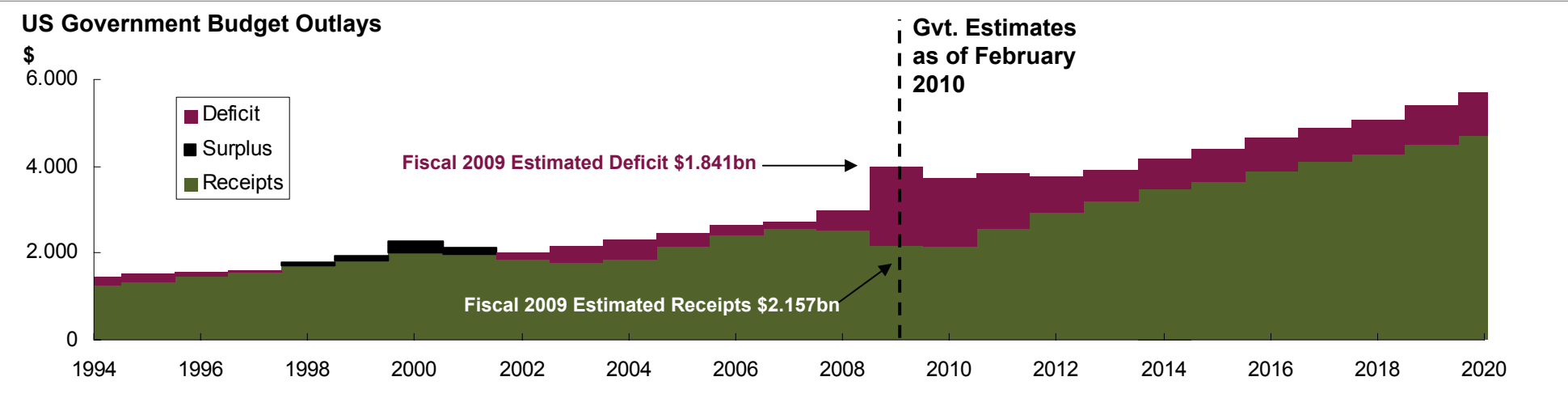
Fixed Income



Source: J.P. Morgan, US Treasury, FactSet.

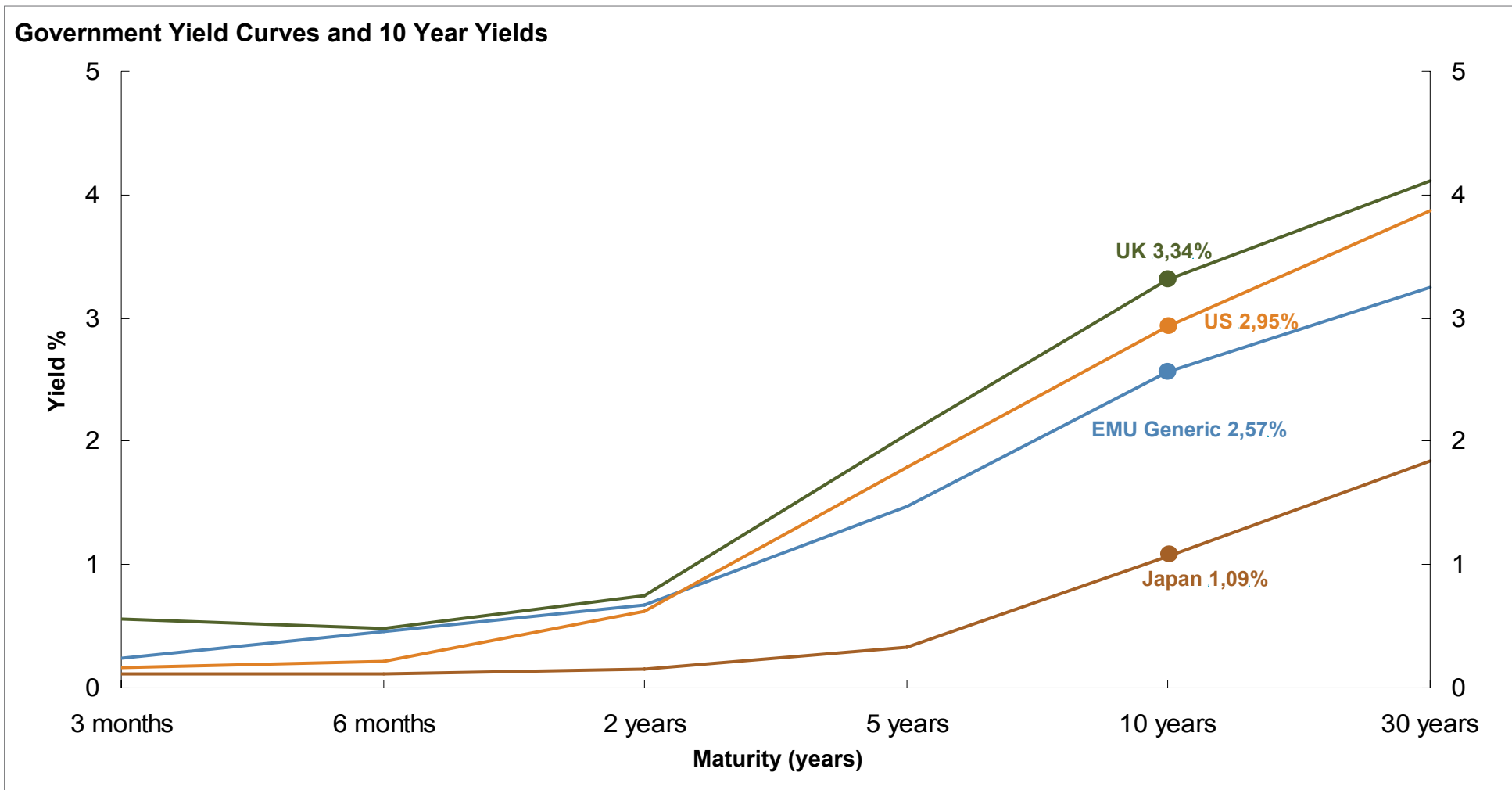


Source: J.P. Morgan, US Treasury Department TIC. All Other includes Hong Kong, Taiwan, Switzerland, Germany, Ireland and Singapore. Data as at 30/04/10.



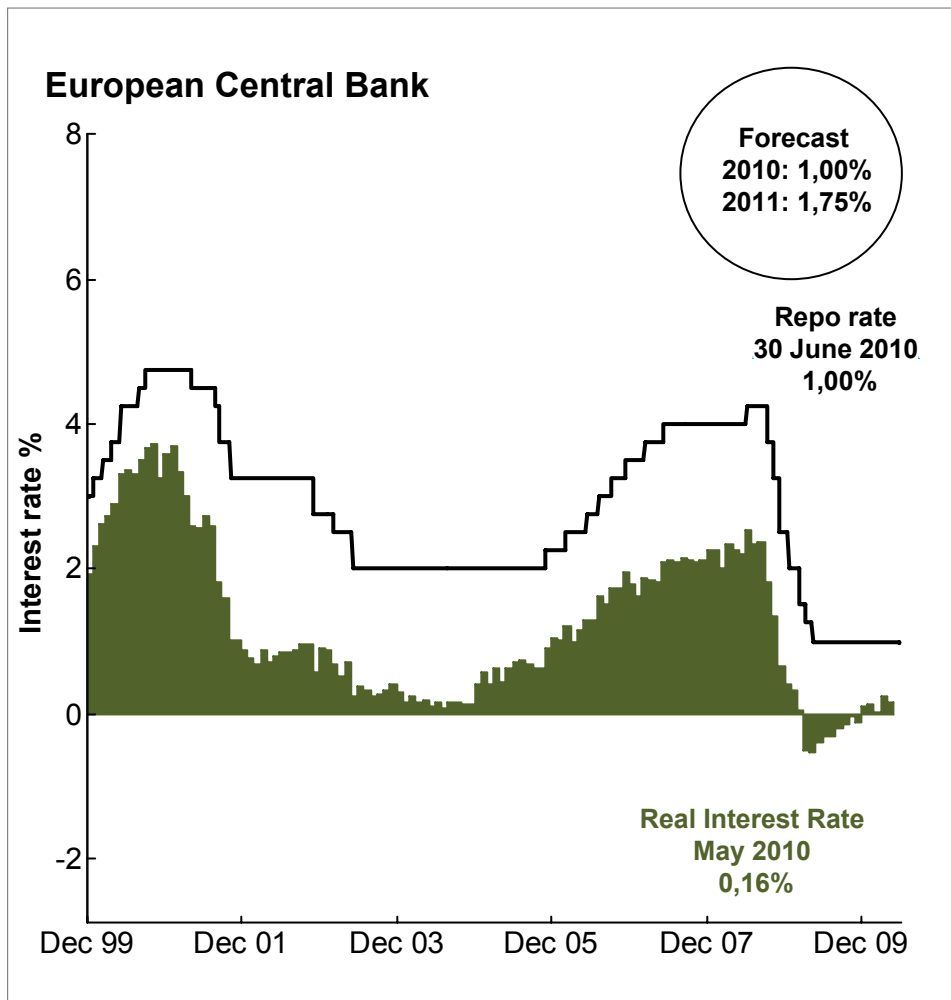
Source: J.P. Morgan, OMB (Office of Management & Budget), US Government Budget. Fiscal 2009 year starts in October and ends in September 2010. Estimates from Budget of the US Government, Fiscal year 2011.

Government Yield Curves and 10 Year Yields

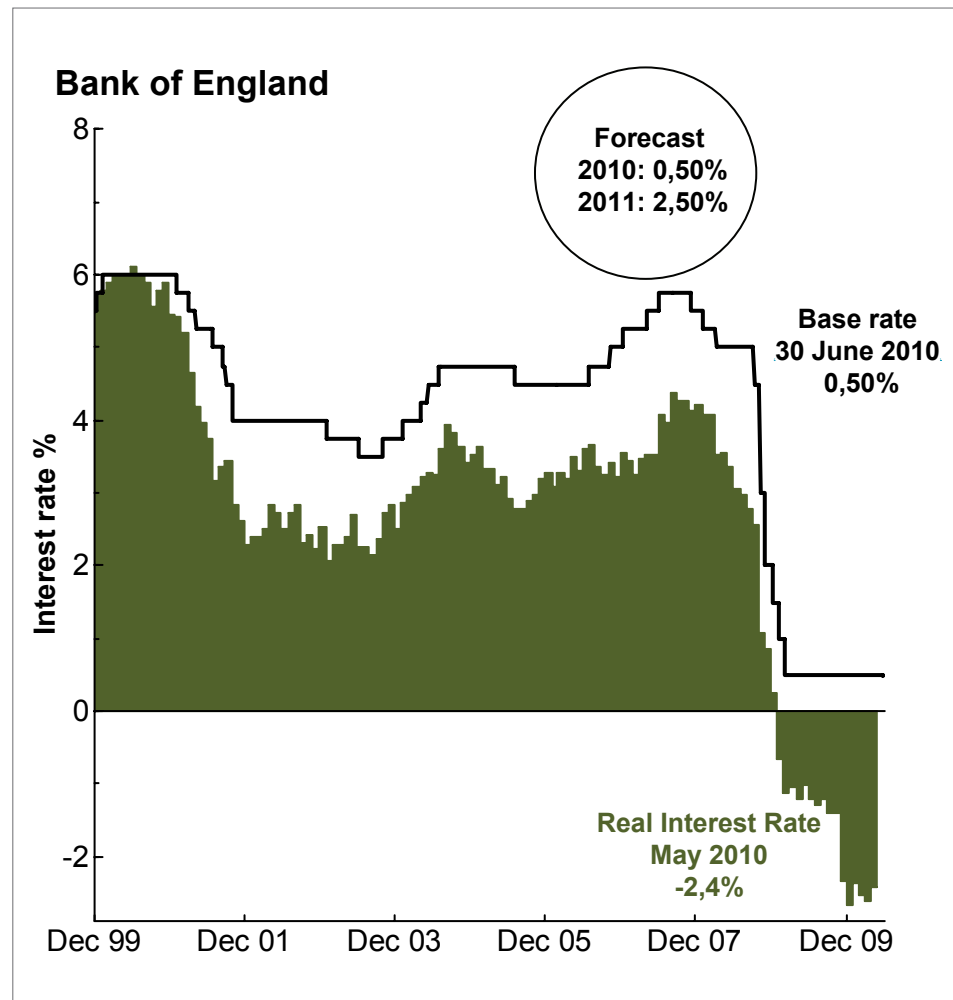


Source: Bloomberg, FactSet, J.P. Morgan. Data as at 30/06/10

# ECB and Bank of England Policy and Real Rates



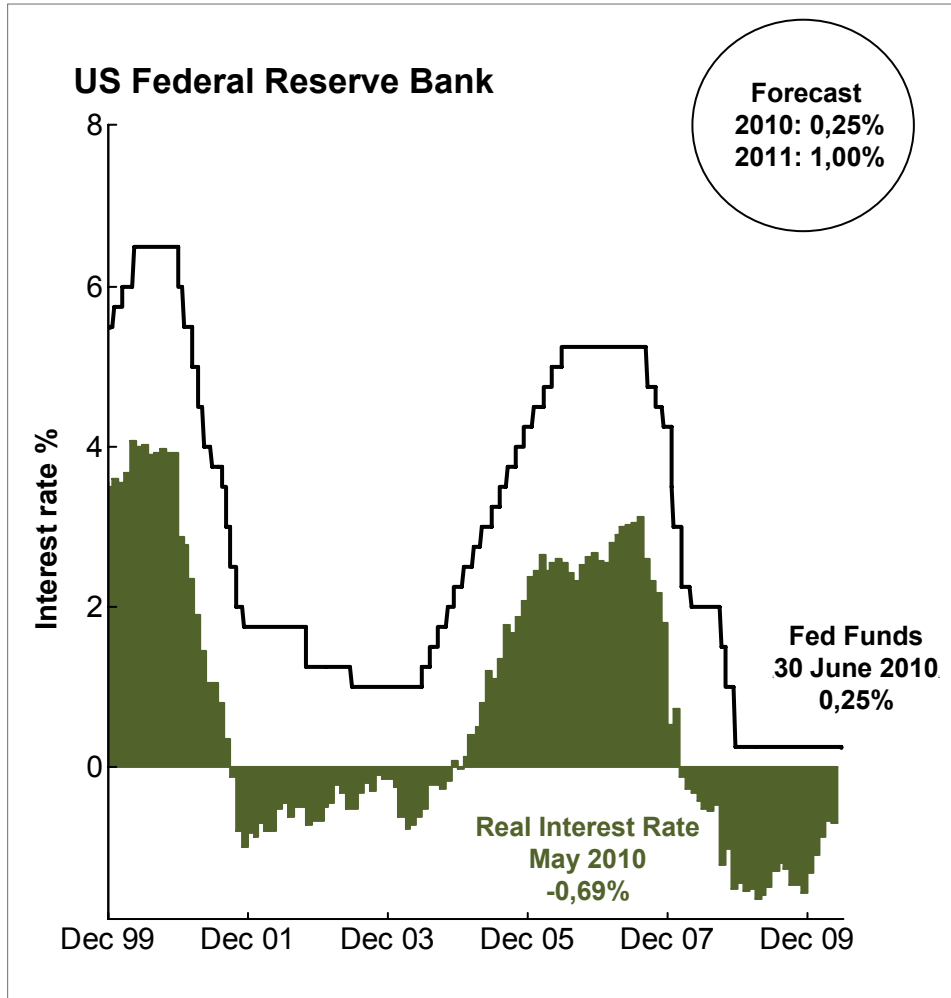
Source: FactSet, ECB, J.P. Morgan.  
Real interest rates are calculated using Core CPI (FactSet definition) and Repo Rate.



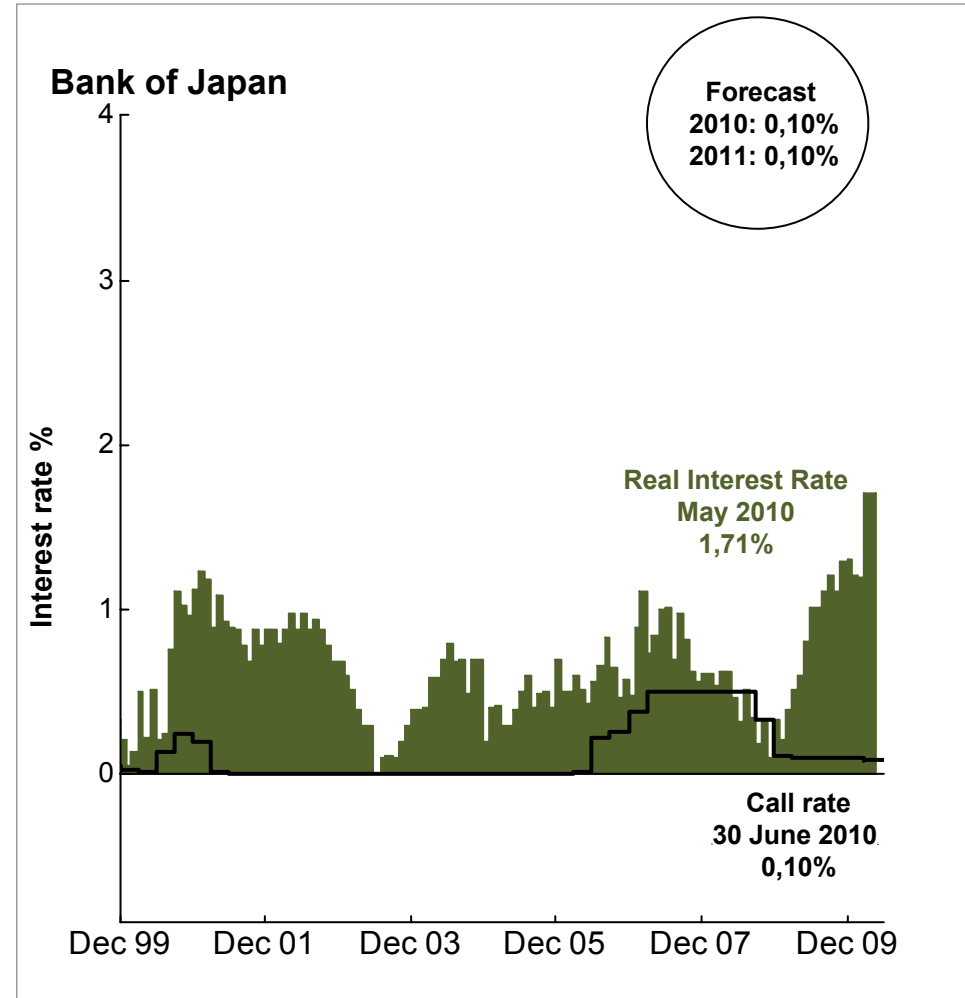
Source: FactSet, Bank of England, ONS, J.P. Morgan.  
Real interest rates are calculated using Core CPI (FactSet definition) and Base Rate.

# US Fed and Bank of Japan Policy and Real Rates

Fixed Income



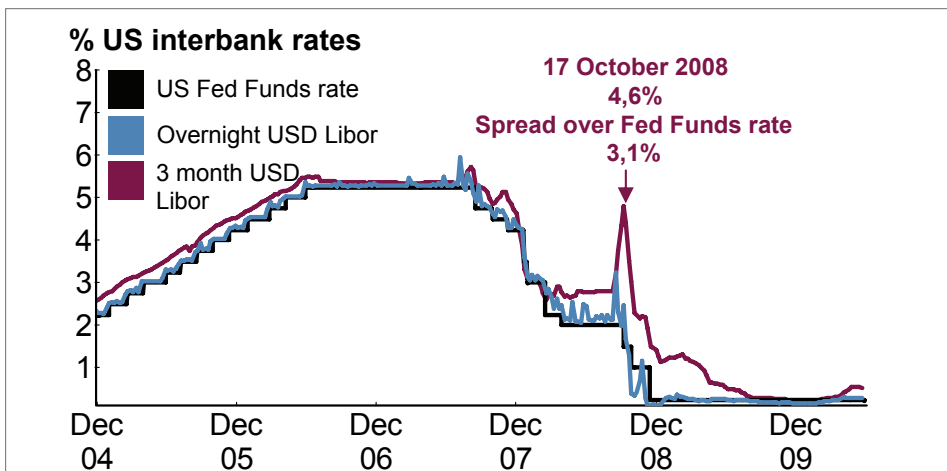
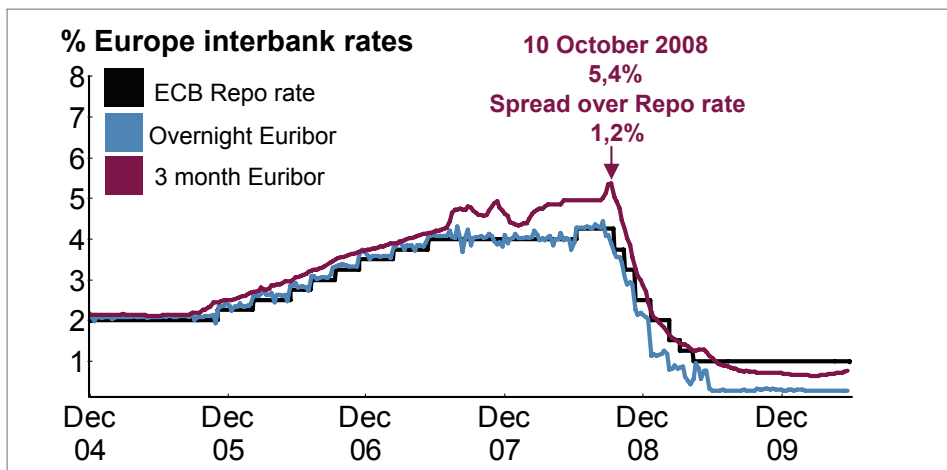
Source: FactSet, US Federal Reserve Bank, J.P. Morgan.  
Real interest rates are calculated using Core CPI (FactSet definition) and Fed Funds Rate.



Source: FactSet, Bank of Japan, J.P. Morgan.  
Real interest rates are calculated using Core CPI (FactSet definition) and Call Rate.



# US and European Interbank Rates, Investment Grade and High Yield Bonds



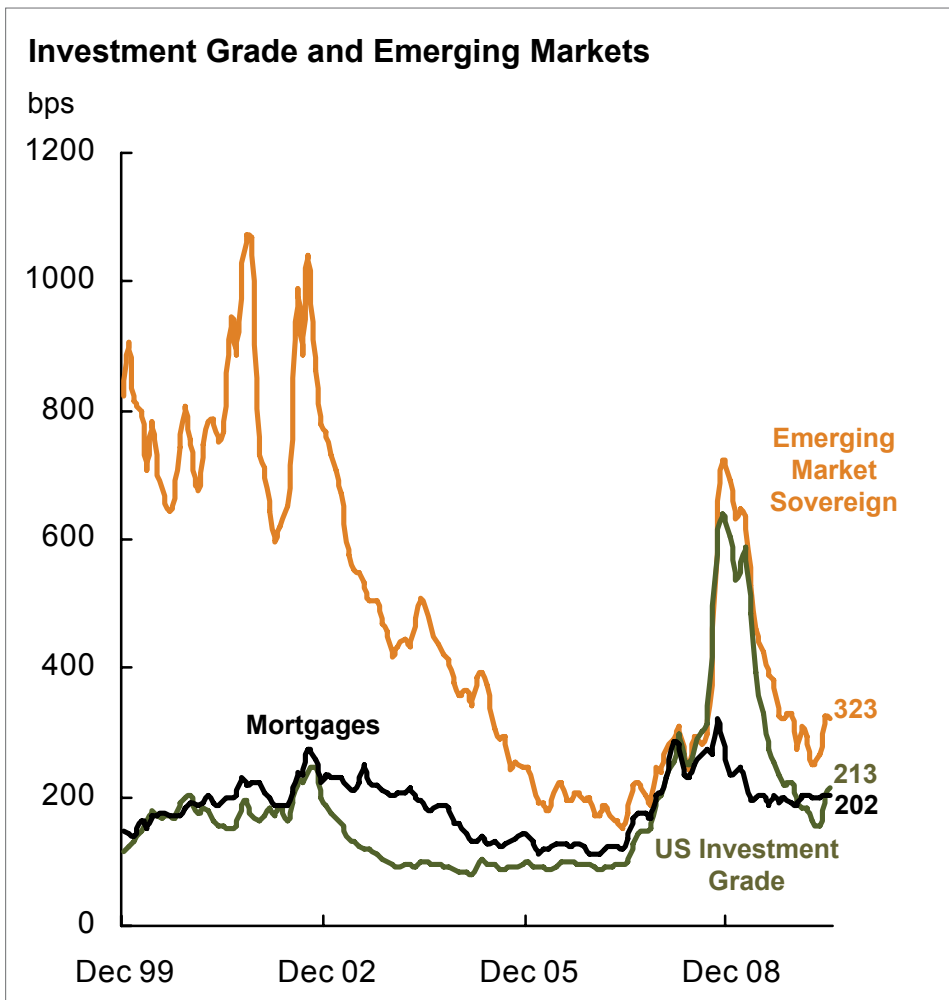
Source: FactSet, J.P. Morgan. 3 month and overnight Libor and Euribor rates, 2 year US Treasury and German bund yields are all on a weekly frequency. Data as at 30/06/10.

## Investment Grade and High Yield Bond Returns

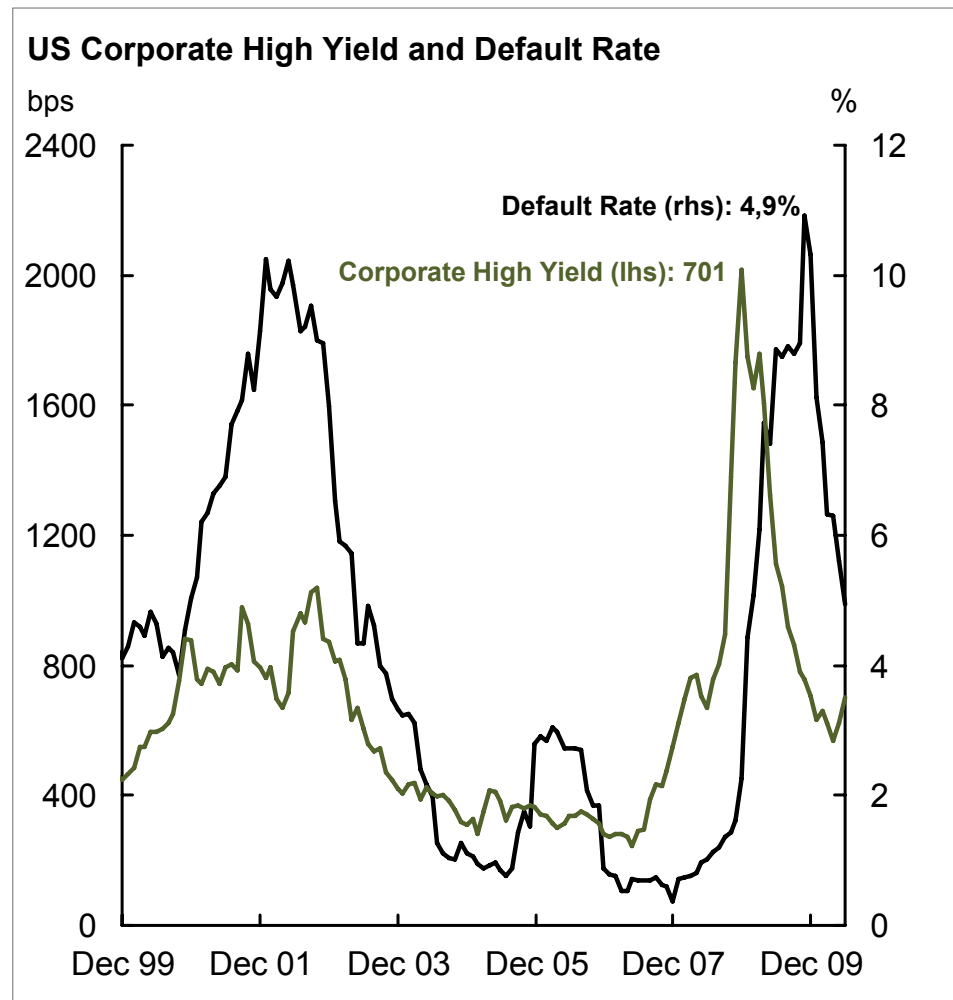
Index	Yields 30 June 2010	Total Returns in USD			
		2008	2009	YTD	Q2 2010
JPMorgan Government Bond Index	2,7%	12,0%	1,9%	0,4%	1,5%
JPMorgan Emerging Market Bond Index Plus (EMBI+)	6,5%	-9,7%	25,9%	5,4%	1,2%
BarCap Global Aggregate	2,5%	4,8%	6,9%	-0,3%	0,0%
BarCap Global 1-3 year Aggregate	1,4%	3,8%	7,4%	-3,1%	-2,1%
BarCap Global Corp	4,8%	-11,2%	23,7%	4,8%	-1,2%
Merrill Lynch High Yield US B-BB Index	7,9%	-28,8%	54,5%	7,4%	-5,1%

Source: Barclays Capital, Bank of America Merrill Lynch, FactSet, J.P. Morgan. Data as at 30/06/10.

# Investment Grade and High Yield Bond Spreads



Source: Investment Grade is Merrill Lynch Investment Grade (C0A0), Mortgage Yield Securities is Mortgage Current Cdns FNMA 30 Year (MTGEFNCL) and Emerging Markets Bond is JPMorgan EMBI + spread over treasuries (JPEMSOSD) J.P. Morgan. Data over 10 years to 30/06/10.

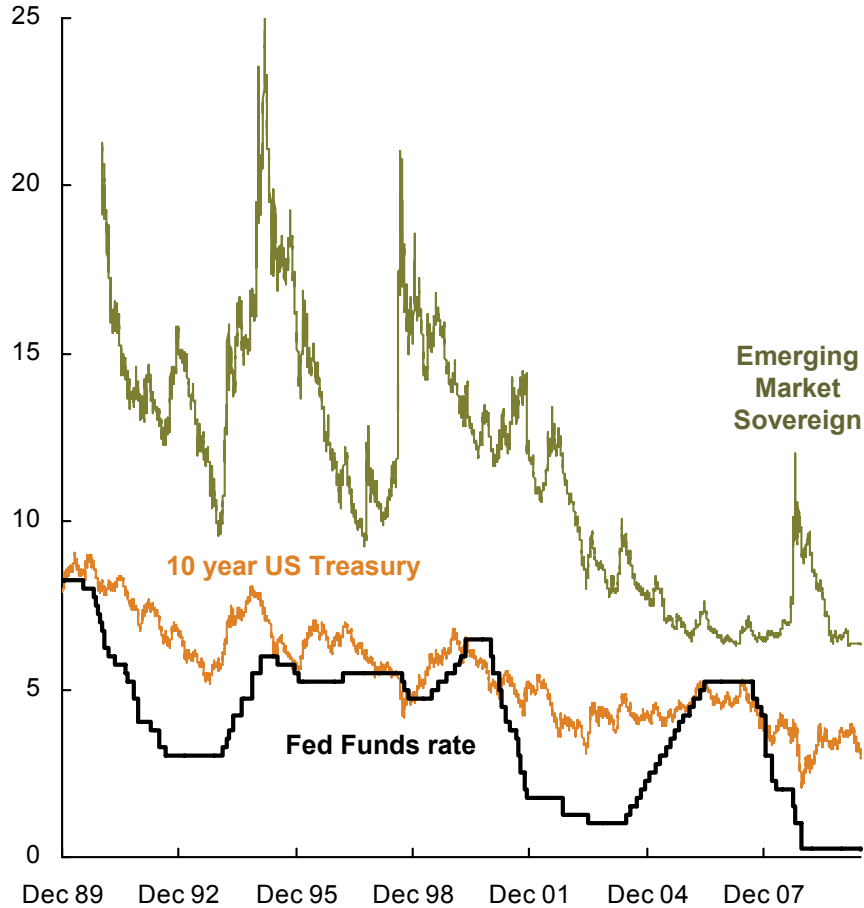


Source: FactSet, Merrill Lynch US High Yield Master Index II (H0A0), Par-weighted default rate of the JPM High Yield Bond Index J.P. Morgan. Data over 10 years to 30/06/10.

# Emerging Market Debt and Index Weighting

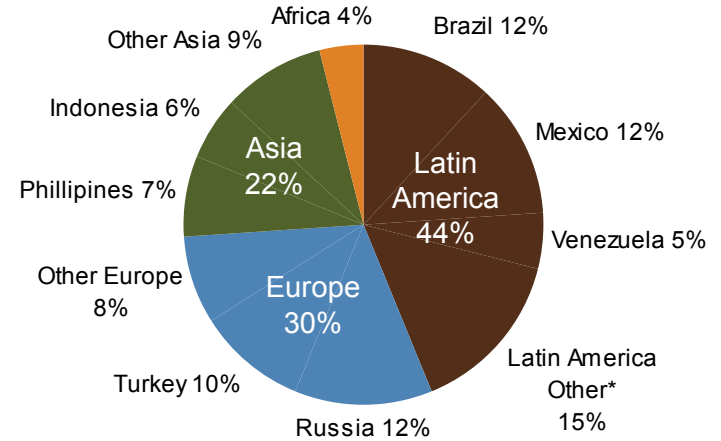
Fixed Income

US and Emerging Market Sovereign Debt Yields

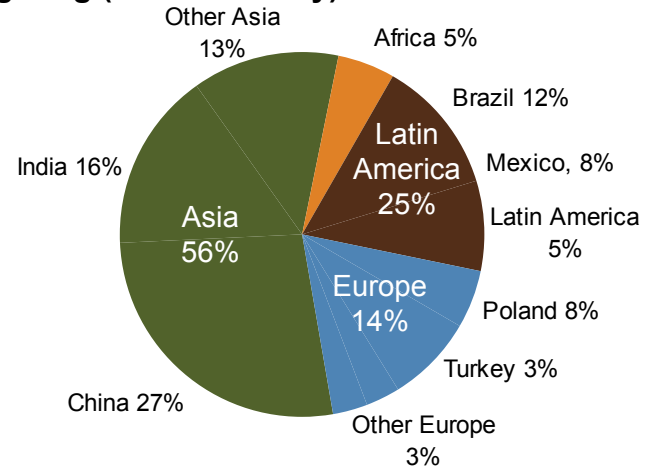


Source: FactSet, DataQuery, J.P. Morgan. Emerging Markets Sovereign is the JPMorgan EMBI Index until March 2003 thereafter it is the EMBI+.

EMBI weighting (dollar denominated debt)



EMBI weighting (local currency)



Source: J.P. Morgan. EMBI+ for dollar denominated debt, GBI-EM Broad Composite for local currency denominated debt.\*Includes the Caribbean.

Correlation of Returns over 7 years (EUR)

52

Property

53

Cumulative Returns on Global Assets 1900-2009

54

# Correlation of Returns over 7 years (EUR)

Other Asset classes

	MSCI Europe	MSCI Japan	S&P 500	MSCI EM	Pan Europe Bonds	Global 250 Property	MSCI World	MSCI Asia ex Japan	EM Debt	High Yield Bonds
MSCI Europe	1,00	0,57	0,83	0,87	-0,20	0,77	0,95	0,86	0,48	0,56
MSCI Japan		1,00	0,60	0,63	-0,05	0,62	0,69	0,61	0,27	0,53
S&P 500			1,00	0,71	-0,13	0,77	0,94	0,74	0,29	0,71
MSCI EM				1,00	-0,18	0,68	0,88	0,98	0,53	0,52
Pan Europe Bonds					1,00	0,00	-0,18	-0,15	0,15	-0,12
Global 250 Property						1,00	0,81	0,70	0,54	0,61
MSCI World							1,00	0,89	0,43	0,68
MSCI Asia ex Japan								1,00	0,50	0,55
EM Debt									1,00	0,30
High Yield Bonds										1,00

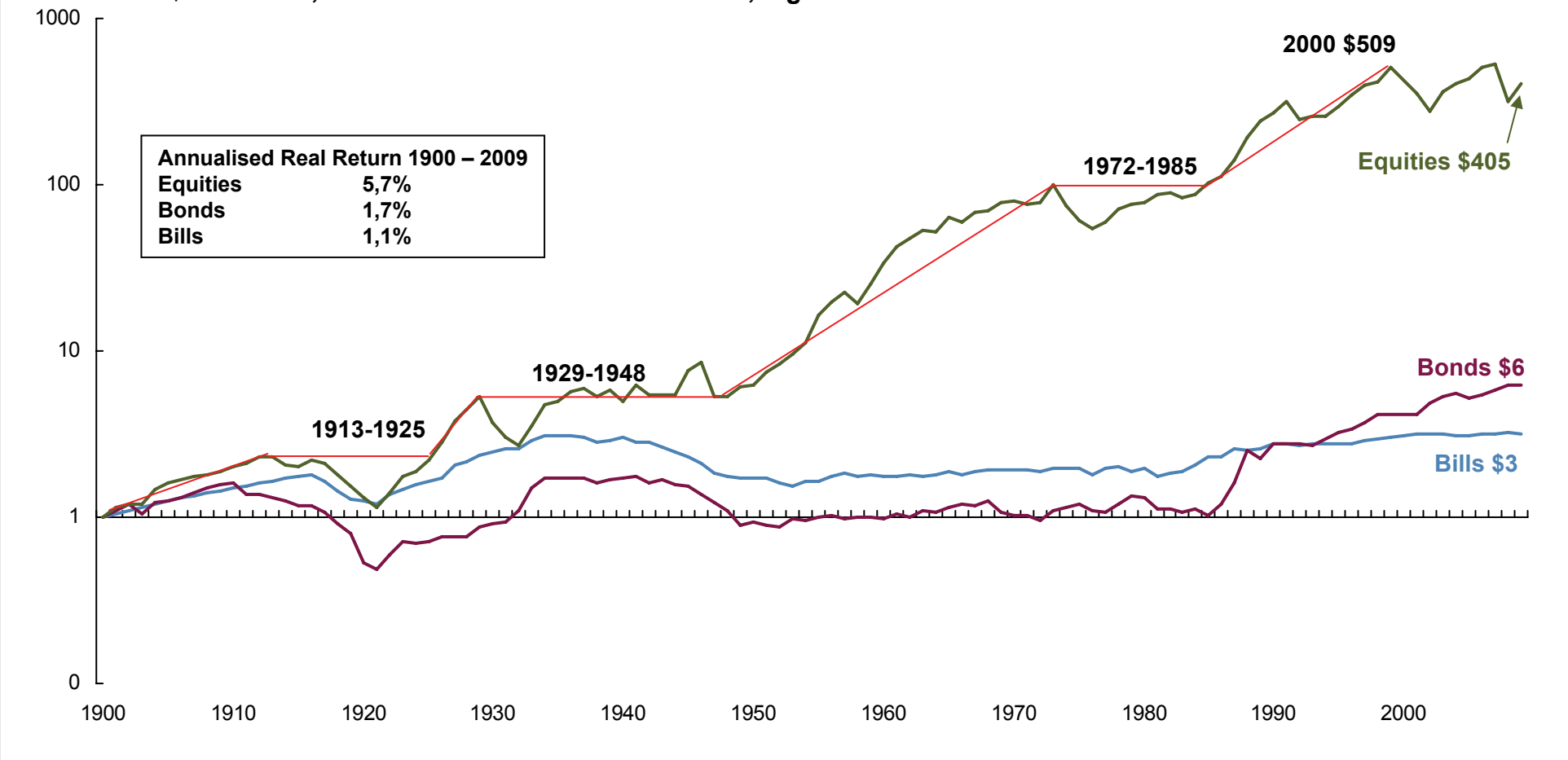
Source: FactSet, Bloomberg, MSCI, S&P, J.P. Morgan. Pan Europe Bonds is represented by the Citigroup Europe World Government Bond Index (WGBI). Global Property Securities is represented by the GPR 250 Property Index, emerging market debt is represented by JPMorgan EMBI+, High Yield Bonds is represented by Merrill Lynch US High Yield Master. All correlation values are calculated on monthly return data in euro for period 30/06/03 to 30/06/10. Correlation measures the direction and degree of linear association between two variables. A correlation of +1 means that two variables move up and down together in proportion. A correlation of zero means that there is no pattern to the movement at all. A correlation of -1 means that the variables move in opposite directions. This chart is for illustrative purposes only. All indices are price return only except emerging market debt.

IPD Property Index									
	All Property			Office			Residential		
	Total Return YoY % Change	Yield %	Date of Update	Total Return YoY % Change	Yield %	Date of Update	Total Return YoY % Change	Yield %	Date of Update
Australia	1,0	7,4	Mar 10	2,0	7,5	Dec 08	n/a	n/a	n/a
Canada	1,1	6,9	Mar 10	7,6	7,1	Dec 08	3,4	6,1	Mar 10
France	-1,4	6,1	Dec 09	-1,9	6,5	Dec 09	0,1	3,7	Dec 09
Germany	2,5	5,2	Dec 09	2,0	5,1	Dec 09	5,3	4,2	Dec 09
Ireland	0,4	2,2	Mar 10	0,2	2,3	Mar 10	n/a	n/a	n/a
Italy	0,8	5,7	Dec 09	1,5	5,2	Dec 09	n/a	n/a	n/a
Japan	-4,9	5,3	Feb 10	-8,2	5,1	Dec 09	-5,0	5,4	Dec 09
Korea	5,6	5,7	Dec 09	5,0	5,5	Dec 09	n/a	n/a	n/a
Netherlands	-0,2	1,2	Dec 09	-0,2	1,7	Dec 09	-0,8	0,8	Dec 09
South Africa	8,7	8,4	Dec 09	8,0	9,3	Dec 09	n/a	n/a	n/a
Spain	-9,4	4,6	Dec 09	-8,1	5,5	Dec 09	10,3	2,9	Dec 06
Sweden	1,4	5,4	Dec 09	-0,4	5,5	Dec 09	13,9	3,5	Dec 09
Switzerland	5,5	4,8	Dec 09	5,3	4,9	Dec 09	5,3	4,7	Dec 09
United Kingdom	1,1	0,6	May 10	1,2	0,6	May 10	n/a	n/a	n/a
United States	1,2	1,7	Mar 10	1,2	1,8	Mar 10	1,9	5,8	Mar 10

Source: IPD Index, includes residential and commercial, J.P. Morgan. Office and Residential are two categories within the IPD Property Index, other categories include Industrial, Retail and Retail Warehouses.

# Cumulative Returns on Global Assets 1900-2009

The value of \$1 invested, dividends reinvested in real terms, log scale

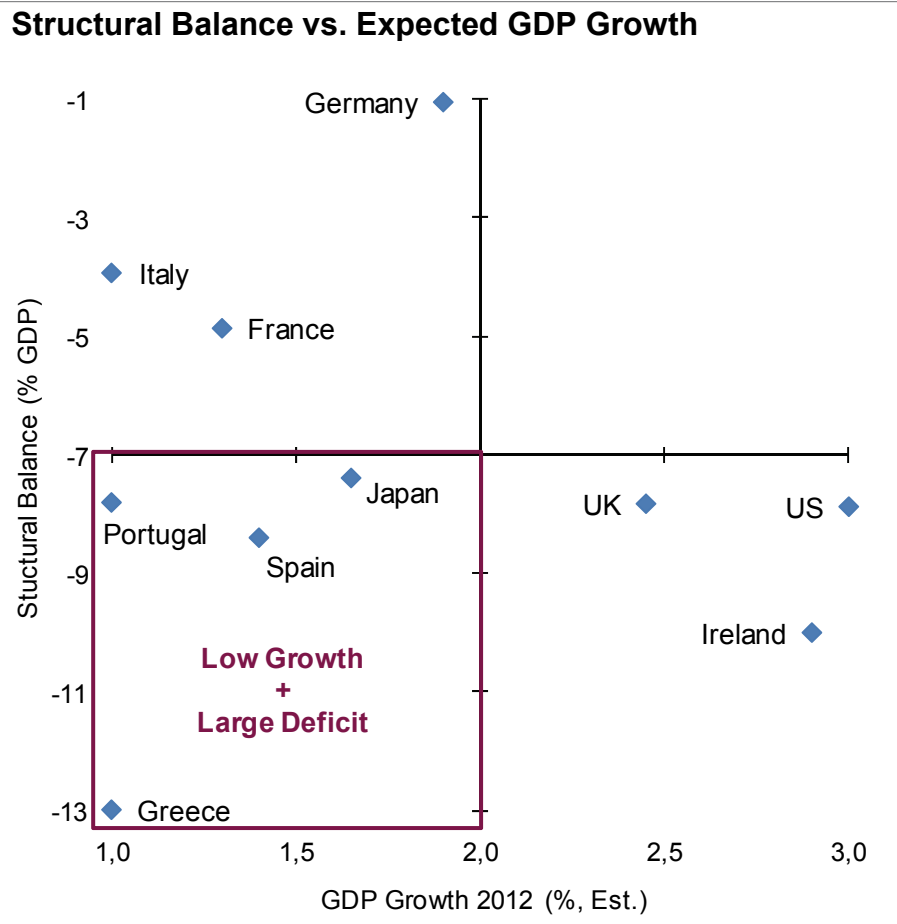


Source: Dimson, Marsh and Staunton ABN AMRO/LBS Global Investment Returns Yearbook 2008, J.P. Morgan. J.P. Morgan estimate from 2007: equities are represented by MSCI World, bonds by BarCap Global Treasury GDP Weighted Unhedged USD Total Return Index and bills by BarCap US Treasury Bills Unhedged USD Total Return Index. Annualised real return calculations by J.P. Morgan. Years of flat stock market performance also calculated by J.P. Morgan. Past performance is not indicative of future returns.

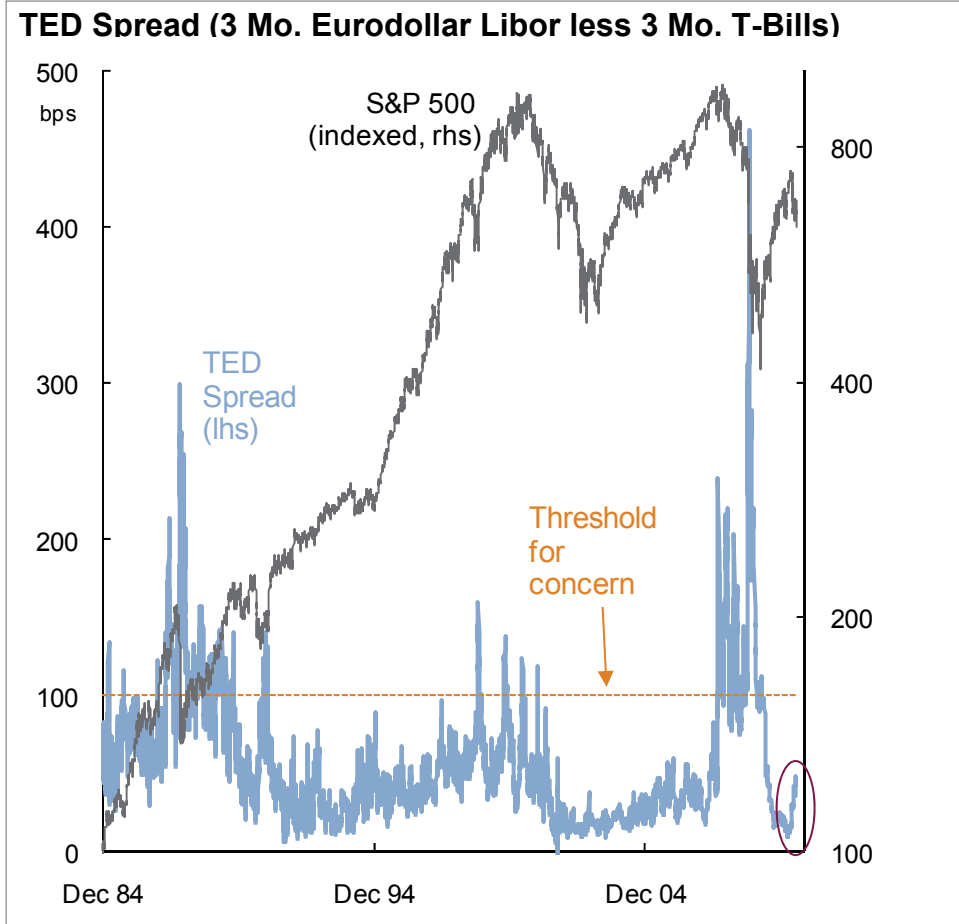
# Topical Charts

Debt and Market Stress	56
Earnings & Money Supply	57
Exports and Bond Yields	58
Banks & Employment	59



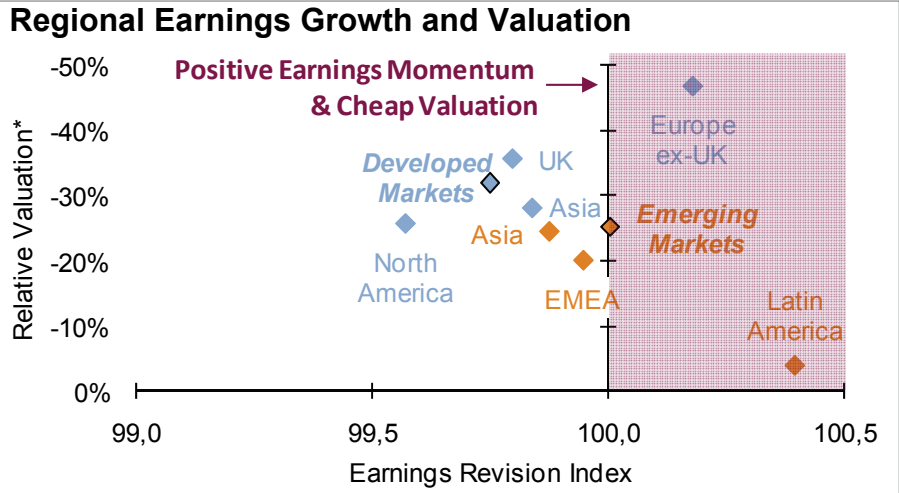


Note: The structural budget balance refers to the general government cyclically adjusted balance adjusted for nonstructural elements beyond the economic cycle. These include temporary financial sector and asset price movements as well as one-off, or temporary, revenue or expenditure items. The cyclically adjusted balance is the fiscal balance adjusted for the effects of the economic cycle. As at 2009. Source: IMF, Bloomberg, J.P. Morgan.

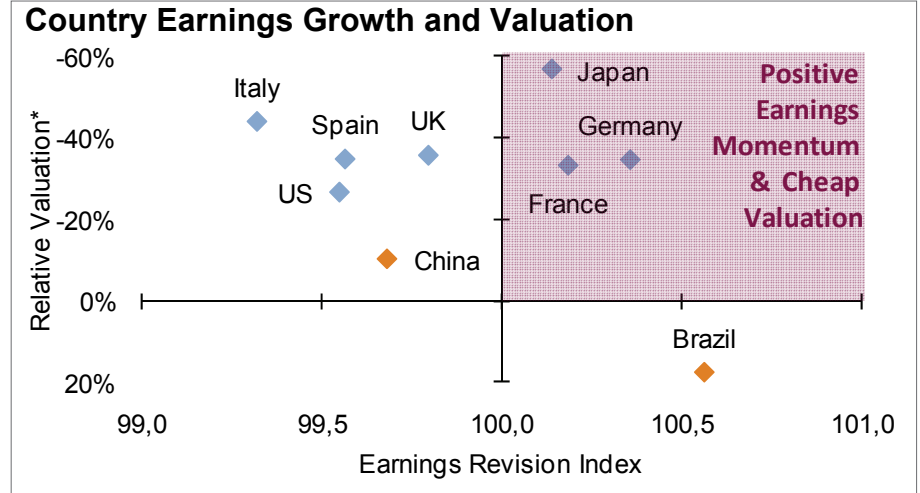


Source: Bloomberg, J.P. Morgan.

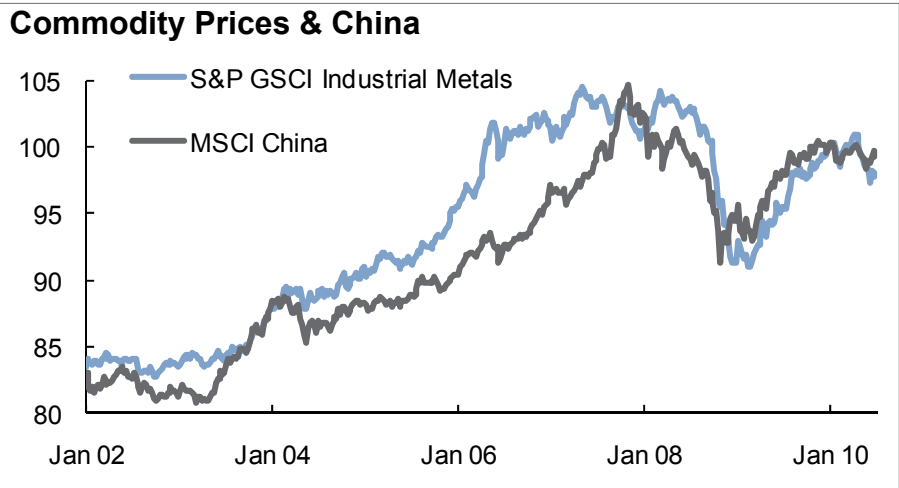
Topical Charts



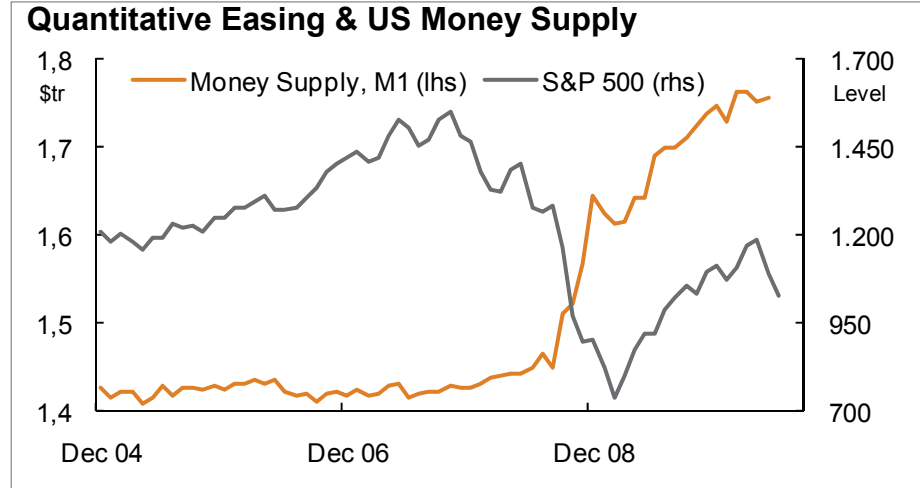
Note: Earnings revisions are magnitude of changes over the last month. \*Latest value of forward PE relative to long-run average. Source: I/B/E/S, J.P. Morgan.



Note: Earnings revisions are magnitude of changes over the last month. \*Latest value of forward PE relative to long-run average. Source: I/B/E/S, J.P. Morgan.



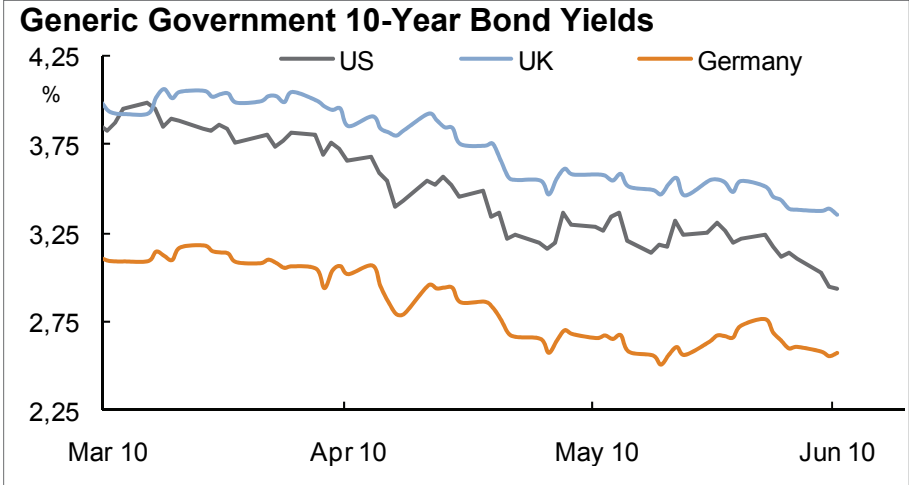
Source: MSCI, Standard & Poors, J.P. Morgan.



Source: US Federal Reserve, J.P. Morgan.



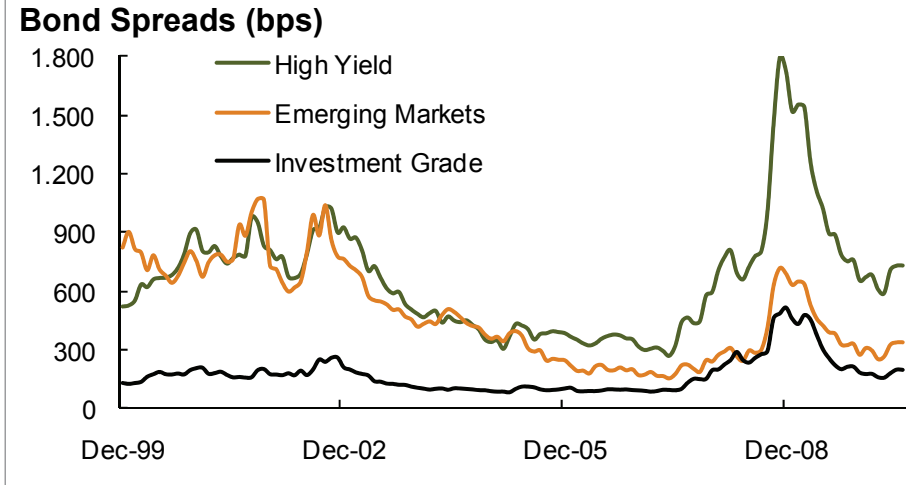
Note : Chinese statistics in USD. Source: Bureau of Statistics of China, German Federal Statistics Office, J.P. Morgan.



Source: Bloomberg, J.P. Morgan.

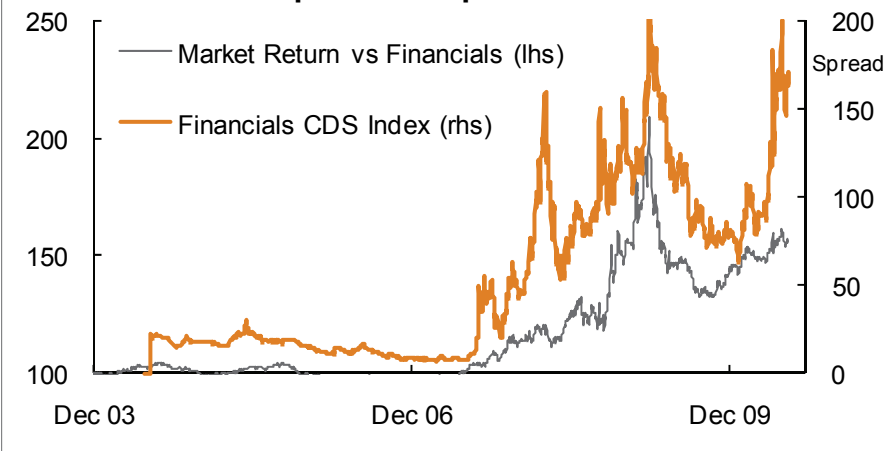


Source: Deutsche Bundesbank, J.P. Morgan.



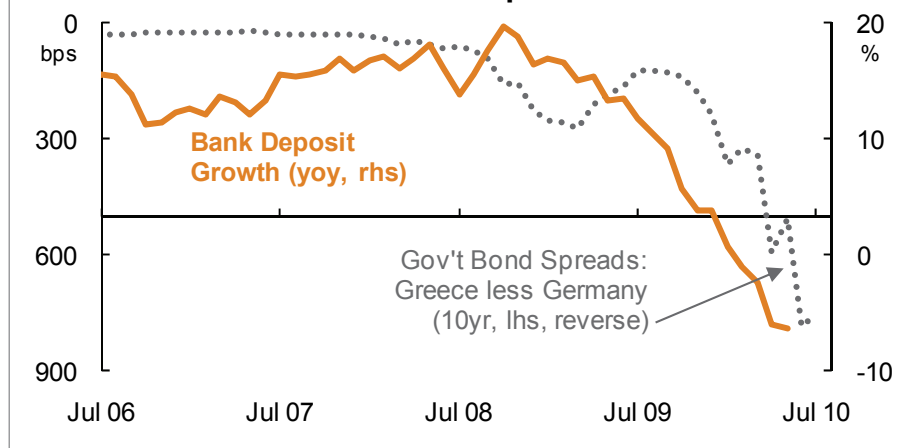
Source: Bloomberg, Merrill Lynch, J.P. Morgan.

## Credit Default Swaps on European Banks



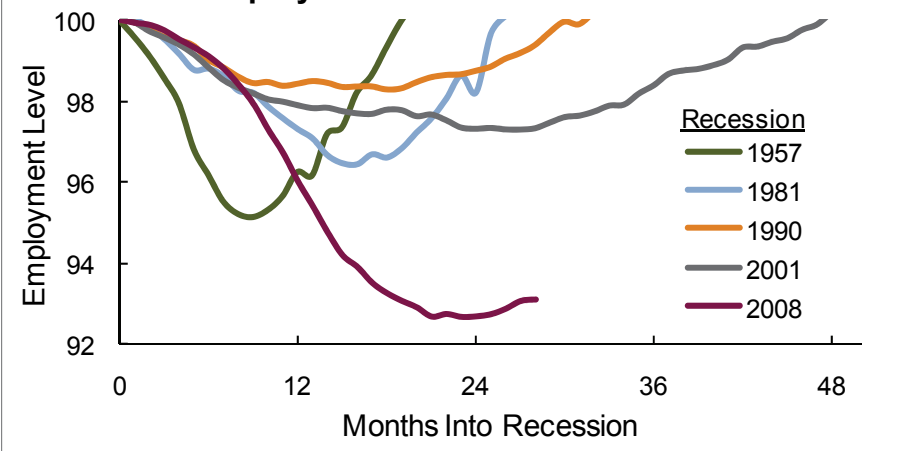
Note: Stock return based on MSCI Europe. Source: Markit iTraxx, Royal Bank of Scotland, J.P. Morgan.

## Growth in Greek Retail Bank Deposits



Source: Bank of Greece, Bloomberg, J.P. Morgan.

## Indexed US Employment Levels



Note: US Non-Farm Private Payrolls from beginning of recession. Source: BEA, J.P. Morgan.

## Zurich office

J.P. Morgan (Suisse) SA, Zurich Branch  
Dreikönigstrasse 21  
8002 Zurich

Tel No: +41 44 206 86 20  
Fax No: +41 44 206 86 30  
info.zurich@jpmorgan.com  
www.jpnam.ch

## Geneva office

J.P. Morgan (Suisse) SA  
8, rue de la Confédération  
1204 Geneva

Tel No: +41 22 744 19 00  
Fax No: +41 22 744 19 10  
info.geneva@jpmorgan.com  
www.jpnam.ch

**THIS MATERIAL IS INTENDED FOR USE SOLELY BY PROFESSIONAL ADVISERS AND INSTITUTIONAL INVESTORS. NOT FOR PUBLIC DISTRIBUTION.**

The opinions expressed in this document are those held by the author at 9 July 2010. The views expressed herein are not to be taken as an advice or recommendation to support an investment decision. The information included in this document has been taken from source considered as reliable; JPMorgan Asset Management (Europe) S.à r.l. cannot however guarantee its accuracy. J.P. Morgan (Suisse) SA has been authorised by the Swiss Financial Market Supervisory Authority FINMA as Swiss representative and as paying agent of the funds. The latest FINMA approved version of the prospectus and of the simplified prospectus, the articles, the annual and semi-annual reports of the funds as well as the list of the purchases and sales which the funds have undertaken during the financial year, may be obtained, on simple request and free of charges, at the head office of the Swiss representative, J.P. Morgan (Suisse) SA, 8, rue de la Confédération, PO Box 5507, 1211 Geneva 11, Switzerland.

Unless otherwise stated, all data is as of 30 June 2010.

Issued by J.P. Morgan (Suisse) SA, Zurich Branch, Dreikönigstrasse 21, PO Box, CH-8022 Zurich.