

The week in review

- European Finance Ministers agreed on the ECB's role as sole regulator of large banks.
- Jobless claims fell to 343k.
- Retail sales increased 0.3% for November.
- Answer to last week's question: +1.7tn in 3Q12

The week ahead

- Empire State Manufacturing Survey
- Housing Starts
- Existing home sales
- Philly Fed Manufacturing Survey
- 3Q12 Real GDP, final estimate
- Personal income and consumer spending
- Consumer sentiment, final estimate

Thought of the week

Last week, the Federal Reserve announced it would begin purchasing longer-dated U.S. Treasuries at a pace of \$45bn per month to offset the end of Operation Twist, while also continuing to buy agency mortgage-backed securities next year. In aggregate, these actions are expected to expand the Federal Reserve's balance sheet by \$85bn per month, driving the Fed's assets to nearly \$4tn by January 2014. Since the financial crisis, the Fed's balance sheet has increased +350%, but the effectiveness of the Fed's quantitative easing remains debatable. With additional unprecedented monetary policy on the horizon, it is important to remain cognizant of the risks associated with these measures. For better or for worse, the Federal Reserve is in uncharted territory, and as such, it is as important as ever that investors stay balanced in an effort to grapple with the uncertainty created by unconventional monetary policy.

Please see important disclosure on next page.

Weekly data center

Equities	Last	1 week	QTD	Index returns		
				YTD	1 year	3 years
S&P 500	1414	-0.32	3.77	12.40	16.65	26.88
Dow Jones 30	13135	-0.15	-2.25	7.51	11.09	25.08
Russell 2000	823.75	0.18	-1.64	11.18	16.27	35.09
Russell 1000 Growth	651.86	-0.56	-2.75	12.22	15.81	31.24
Russell 1000 Value	709.56	-0.04	-0.18	13.34	18.48	25.08
MSCI EAFE	763.61	0.69	5.61	11.94	14.64	-0.42
MSCI EM	46329	1.61	4.09	12.96	13.80	8.64

Fixed income	Last	1 week	QTD	Index returns		
				YTD	1 year	3 years
U.S. Aggregate	109.32	-0.28	-0.56	0.30	0.28	4.38
U.S. Corporates	113.86	-0.33	-0.54	3.47	3.75	7.10
Municipals (10yr)	114.70	-1.04	0.61	2.93	3.59	7.42
High Yield	104.57	0.27	1.24	6.79	7.80	10.91
2-yr U.S. Treasuries	0.25	0.00	6.96	1.23	5.13	-70.95
10-yr U.S. Treasuries	1.71	4.92	4.53	-9.16	-10.38	-51.88
30-yr U.S. Treasuries	2.87	2.14	1.77	-0.69	-1.37	-35.94
10-yr German Bund	1.35	4.02	-7.88	-26.98	-29.17	-57.83

Key rates	Last	1 week	QTD	Index returns		
				YTD	1 year	3 years
3-mo. LIBOR	0.31	0.31	0.36	0.58	0.56	0.25
3-mo. EURIBOR	0.19	0.19	0.22	1.38	1.44	0.73
6-mo. CD rate	0.32	0.33	0.34	0.64	0.67	0.30
30-yr fixed mortgage	3.47	3.52	3.53	4.07	4.12	4.92
Prime Rate	3.25	3.25	3.25	3.25	3.25	3.25

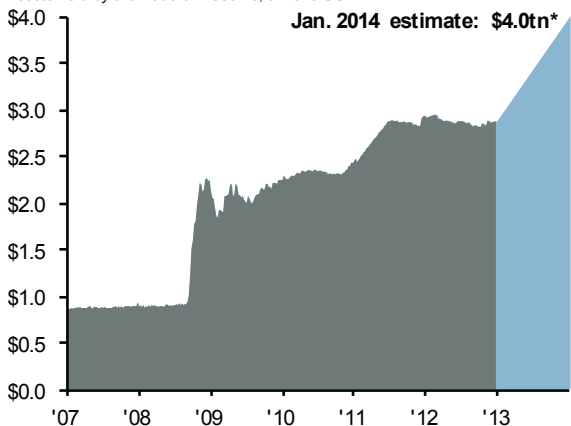
Index characteristics			
P/E Forward	P/B	Div. Yld.	Mkt. Cap (bn)
12.64	2.29	2.31	102.81
11.84	2.82	2.46	N/A
16.57	1.69	1.49	1.28
14.66	4.70	1.80	95.71
11.57	1.54	2.56	87.19
11.91	1.43	3.54	44.14
10.73	1.75	2.81	39.89

Levels			
Currencies	Latest	-1 month	-1 year
\$ per €	1.31	1.27	1.30
\$ per £	1.61	1.58	1.54
¥ per \$	83.50	80.22	78.11

Commodities	Latest	-1 month	-1 year
Oil (WTI)	86.73	86.32	94.95
Gasoline	3.35	3.39	3.29
Natural Gas	3.15	3.66	3.07
Gold	1696	1726	1603
Silver	32.52	32.48	29.92
Copper	8048	7635	7350
Corn	7.34	7.20	5.67

Chart of the week

New Bond Buying Program Could Push Fed Assets to \$4tn by 2014
Assets held by the Federal Reserve, trillions USD

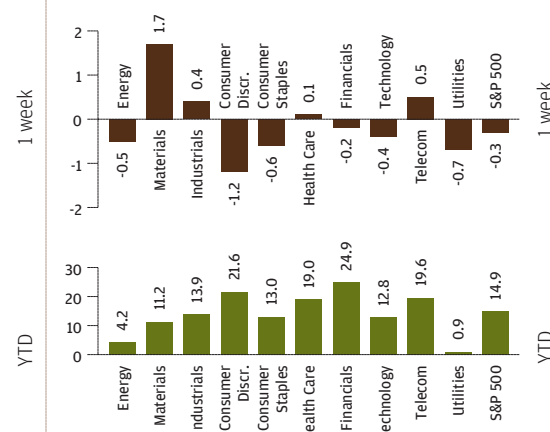


Style returns

	V	B	G
L	0.0	-0.3	-0.5
M	0.0	0.1	0.1
S	0.3	0.2	0.2

	V	B	G
L	16.2	14.9	14.1
M	16.5	15.3	13.9
S	14.2	12.7	11.2

S&P 500 sector returns



Note: All returns represent total return including dividends.

Chart of the Week: Source: Federal Reserve, J.P. Morgan Asset Management.

Thought of the Week: Source: Federal Reserve, J.P. Morgan Asset Management.

Equity Price Levels and Returns: All data represents total return including the reinvestment of dividends for stated period. Index: S&P 500; provided by: Standard & Poor's. Index: Dow Jones Industrial 30 (The Dow Jones is a price-weighted index composing of 30 widely-traded blue chip stocks.); provided by: Dow Jones & Company. Index: Russell 2000; provided by: Russell Investments. Index: Russell 1000 Growth; provided by: Russell Investments. Index: Russell 1000 Value; provided by: Russell Investments. Index: MSCI - EAFE; provided by: MSCI - gross official pricing. Index: MSCI - EM; provided by: MSCI - gross official pricing.

(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).

Bond Returns: All data represents total return. Index: Barclays US Aggregate; provided by: Barclays Capital. Index: Barclays Investment Grade Credit; provided by: Barclays Capital. Index: Barclays Municipal Bond 10 Yr; provided by: Barclays Capital. Index: Barclays Capital High Yield Index; provided by: Barclays Capital.

Bond Rates: 2 Year Treasury, FactSet; 10 Year Treasury, FactSet; 30 Year Treasury, FactSet; 10 Year German Bund, FactSet.

Consumer Rates: 3 Month LIBOR, British Bankers' Association; 3 Month EURIBOR, European Banking Federation; 6 Month CD, Federal Reserve; 30 Year Mortgage, Mortgage Bankers Association (MBA); Prime Rate: Federal Reserve.

Commodities: Gold, FactSet; Crude Oil (WTI), FactSet; Gasoline, FactSet; Natural Gas, FactSet; Silver, FactSet; Copper, FactSet; Corn, FactSet.

Currency: Dollar per Pound, FactSet; Dollar per Euro, FactSet; Yen per Dollar, FactSet.

S&P Index Characteristics: 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. Market cap 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.

MSCI Index Characteristics: Dividend Yield provided by FactSet Pricing database. Fwd. P/E is a bottom-up weighted Harmonic average for the "Next 12 Months" (NTM) period. Market cap is a bottom-up weighted average based on share information from MSCI and Price information from FactSet's Pricing database as provided by MSCI.

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. Market cap 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.

Unless otherwise stated, all data is as of December 14, 2012 or as of most recently available.

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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