

MARKET INSIGHTS

Weekly Market Recap August 16, 2010

Headlines

- GM announced their CEO would step down.
- Johnson & Johnson issued debt at record-low rates.
- Former U.S. Senator Ted Stevens was killed.

Economic News

- The Fed said it will purchase additional Treasuries.
- The trade deficit widened in June.
- Retail Sales came in slightly below expectations.
- CPI came in at 0.3% for July.
- Next Week: PPI, Housing Starts, Industrial Production.

Thought of the Week

While the future of the Bush Tax Cuts remains uncertain, this week's Chart of the Week highlights 3 possible scenarios. **Scenario 1** would extend all of the tax cuts. Under **Scenario 2**, tax cuts on individuals making over \$200k and households making over \$250k would expire, resulting in an estimated loss of \$57.7B of disposable income in 2011. All of the tax cuts would expire in **Scenario 3**, cutting disposable income by an additional \$89.1B, and bringing total disposable income lost to \$146.8B, or 1.23% of our estimate for 2011. While the issue of government debt is serious, given the sluggish economic recovery, there clearly is a case for waiting until the economy is stronger before increasing tax rates.

Question of the week:

According to the most recent Job Openings and Labor Turnover Report, how many people were hired during the year ending June 2010?

Prior week's question:

In a recent national survey by FINRA, what % of retail investors failed to identify which direction bond prices will move if interest rates rise?

Answer to prior week's question:

79% failed to correctly answer that bond prices will fall as interest rates rise.

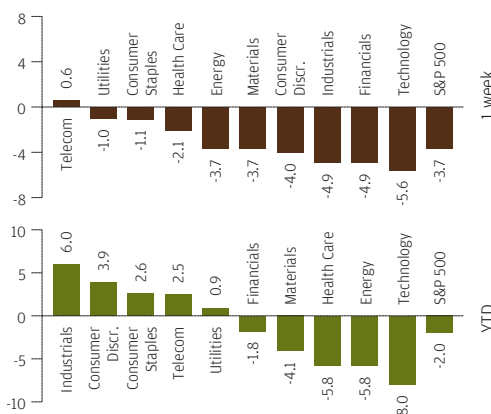
Index Levels	Friday Close 8/13/10	Prior Week 8/6/10	Year End 12/31/09	Year Ago 8/13/09
Dow Jones 30	10,303	10,654	10,428	9,398
S&P 500	1,079	1,122	1,115	1,013
Nasdaq	2,173	2,288	2,269	2,009
Russell 2000	609	651	625	575

Bond Rates

	Friday Close 8/13/10	Prior Week 8/6/10	Year End 12/31/09	Year Ago 8/13/09
Fed Funds Target	0.25	0.25	0.25	0.25
2 Year Treasury	0.54	0.51	1.14	1.10
10 Year Treasury	2.69	2.82	3.84	3.59
10 Year Municipal	2.93	3.07	3.69	3.85
High Yield	8.51	8.24	9.06	11.25

Market Returns	1 week		YTD	
	Local	USD	Local	USD
S&P 500	-3.71	-3.71	-2.02	-2.02
MSCI - EAFE	-2.18	-4.72	-3.35	-6.17
United Kingdom	-0.96	-3.35	-0.27	-3.75
Europe ex-UK	-2.29	-5.85	-1.42	-10.24
Japan	-3.50	-4.85	-8.10	-0.93
Asia ex-Japan	-1.71	-2.77	-0.48	-0.38

S&P 500 Sector Returns



Style Returns

	V	B	G
L	-3.6	-3.7	-4.1
M	-4.1	-4.3	-4.5
S	-6.3	-6.3	-6.3

	V	B	G
L	-0.6	-2.0	-3.2
M	3.6	2.1	0.6
S	-1.2	-1.8	-2.5

Chart of the Week

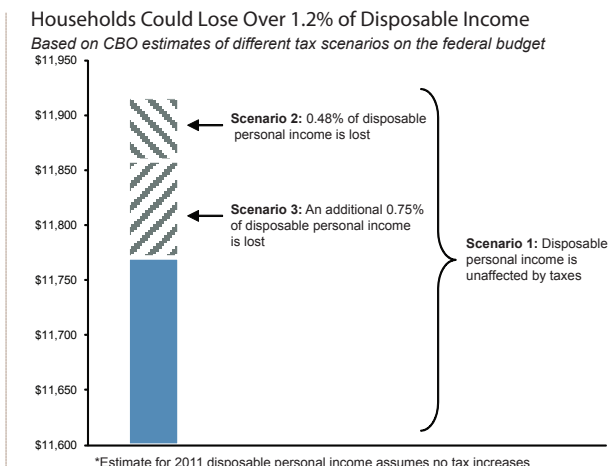


Chart of the Week: Source: CBO, BEA, J.P. Morgan Asset Management.

Thought of the Week: Source: CBO, BEA, J.P. Morgan Asset Management.

Question of the Week: Source: FINRA, J.P. Morgan Asset Management.

Market Returns: All data represents total return including the reinvestment of dividends for stated period. Index: MSCI – EAFE; provided by: MSCI – gross official pricing. Index: UK; provided by: MSCI – gross official pricing. Index: Europe ex-UK; provided by: MSCI – gross official pricing. Index: Japan; provided by: MSCI – gross official pricing. Index: Asia ex-Japan; provided by: MSCI – gross official pricing. Index: S&P 500 Index; provided by: IDC.

(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 Rates: Fed Funds Target, EcoWin; 2 Year Treasury, IDC; 10 Year Treasury, IDC; 10 Year Muni, Barclays Capital; High Yield, Barclays Capital High-yield Index.

Consumer Rates: 6 Month CD, Federal Reserve; 30 Year Mortgage, Mortgage Bankers Association (MBA); Prime Rate: Federal Reserve.

Commodities: Gold, EcoWin; Crude Oil (WTI), EcoWin; Gasoline, EcoWin.

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

Index Price Levels: Reflects closing price level for each index as of stated date. Dow Jones Industrial 30 (The Dow Jones is a price-weighted index composing of 30 widely-traded blue chip stocks.): IDC, S&P 500 Index (The S&P 500 Index is widely regarded as the best single gauge of the U.S. equities market, this world-renowned index includes a representative sample of 500 leading companies in leading industries of the U.S. economy. Although the S&P 500 focuses on the large-cap segment of the market, with approximately 75% coverage of U.S. equities, it is also an ideal proxy for the total market.): IDC, NASDAQ Composite Index (The NASDAQ Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange.): IDC, Russell 2000 Index: IDC. Indexes are not available for direct investment.

S&P Index Characteristics: Trailing P/E price is provided by Factset Pricing database while trailing earnings is provided by Compustat. 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. Marketcap 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.

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. Marketcap 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.

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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Unless otherwise stated, all data is as of August 13, 2010 or as of most recently available.