Late February 2012

Global economic and market outlook

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J.P. Morgan Private Banking

Investment Products:	**- Not FDIC Insured**	**- No Bank Guarantee**	**- May Lose Value**

Please read important information at the end of this presentation.

J.P.Morgan

J.P. Morgan view: Europe's sovereign debt crisis still unresolved

- U.S. economic data point to low growth but not a recession. Employment has improved and consumer spending is growing. Outsized budget deficits appear the biggest stumbling block to lasting economic health.

- European sovereign debt and bank funding problems escalated in the past year as policymakers proposed a series of half-hearted and unworkable solutions. Severe austerity, meanwhile, has made a European recession a near certainty.

- The European Central Bank (ECB) has recently taken a major step toward alleviating the European bank funding squeeze, bolstering bond markets and buying time for deficit reduction. But peripheral Europe remains mired in crisis.

- Emerging market economies are feeling the effects of Europe's economic slowdown and reduction in bank lending. China has slowed, but a hard landing seems avoidable.

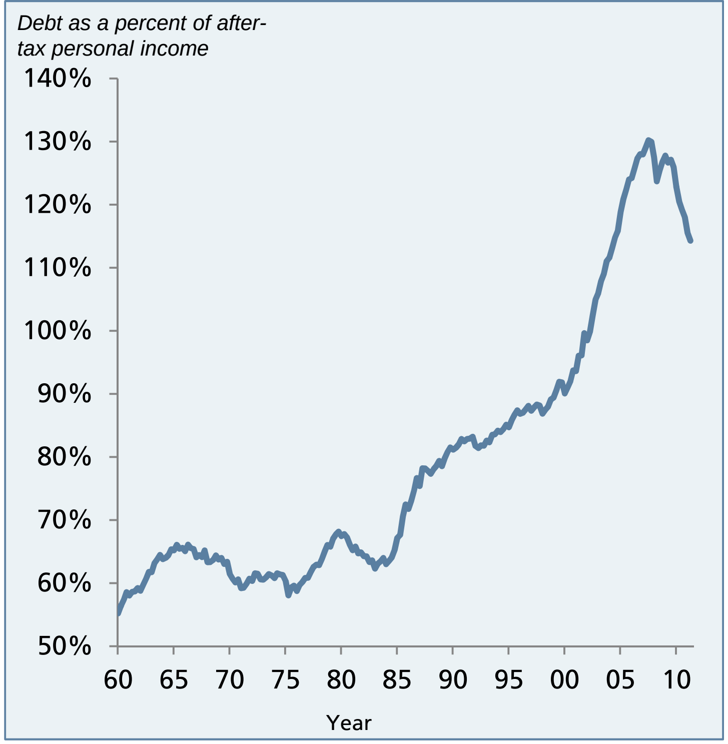
- Commodity prices have stabilized, reducing near-term inflation risks. But natural resource prices appear likely to rise in the longer-term, given strong resource demand in the emerging world.

- U.S. corporate profits are likely to remain resilient, but equity prices may continue to be buffeted by investor anxiety over economic, financial and political risks. High yield, leveraged loans and mezzanine debt appear to offer attractive supply/demand dynamics.

Past performance is no guarantee of future results.

U.S. household debt is still enormous, but monthly payment costs have declined

Household debt outstanding



Source: Federal Reserve, Bureau of Economic Analysis, J.P. Morgan. Data as of 3Q 2011.

Household debt service costs

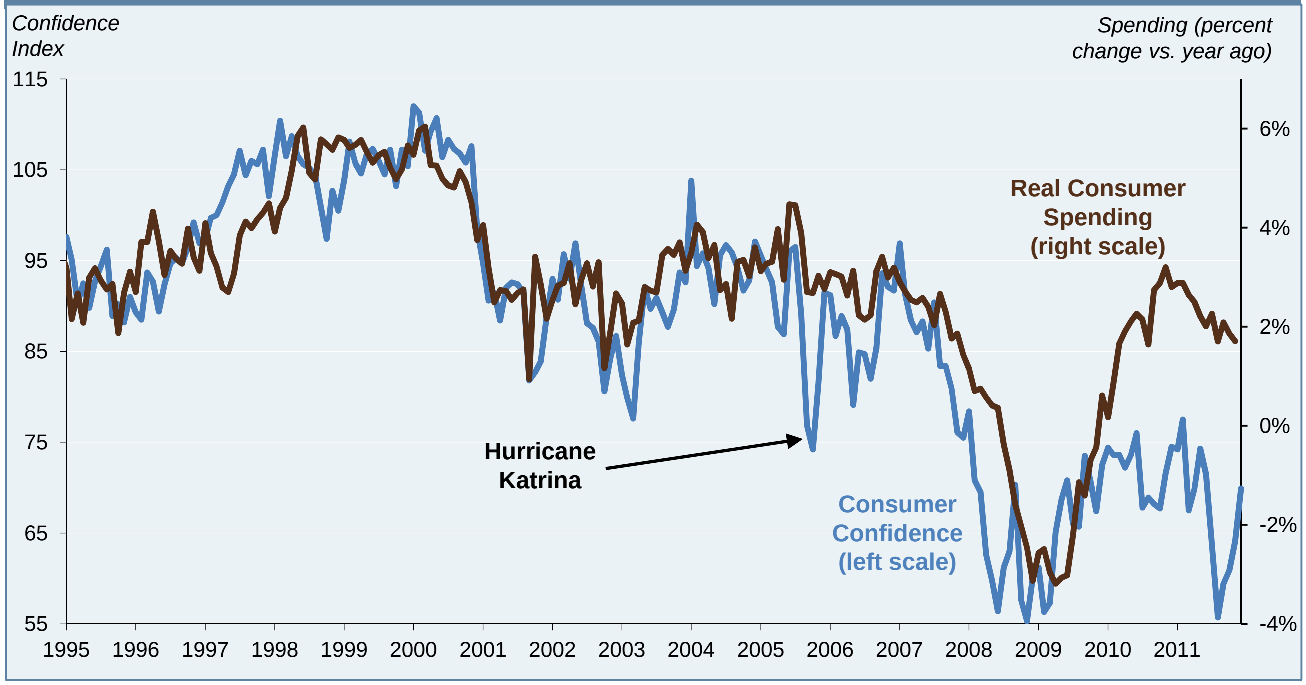
Source: Federal Reserve, Bureau of Economic Analysis, J.P. Morgan. Data as of 2Q 2011.

Past performance is no guarantee of future results.

The charts and/or graphs shown above and throughout the presentation are for illustration and discussion purposes only

Which may explain the gap between consumer spending and confidence

The recent gap between spending and confidence

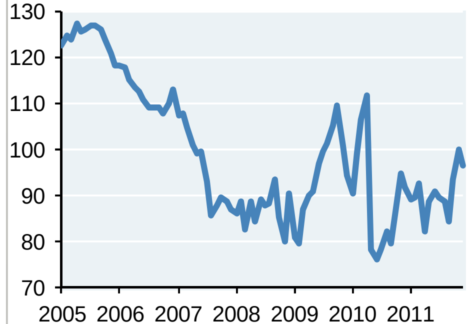


Source: University of Michigan, Bureau of Economic Analysis. Spending data as of November 2011, confidence data as of December 2011.

Past performance is no guarantee of future results.

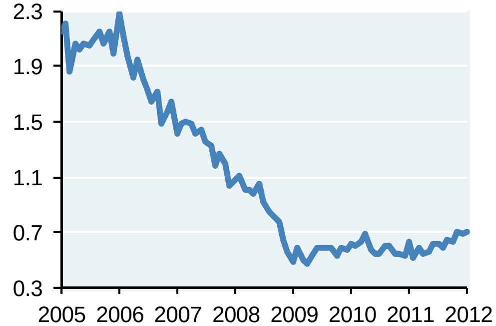
Starting to see improvement in U.S. housing indicators

Pending home sales
Index



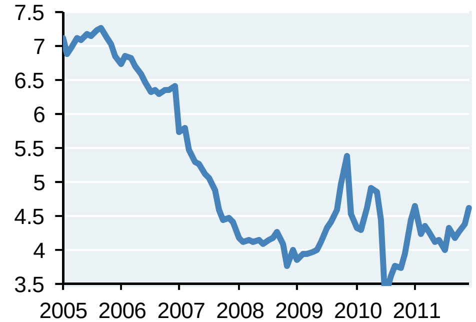
Source: National Association of Realtors.
Data as of Dec. 2011

Housing starts
Millions



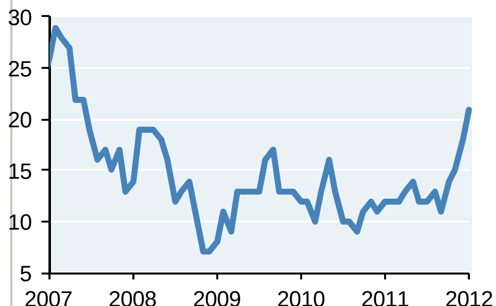
Source: US Census Bureau.
Data as of Jan 2012

Existing home sales
Millions



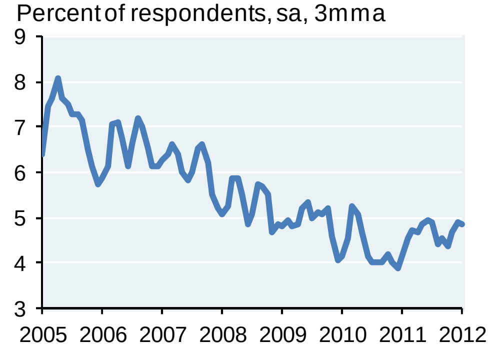
Source: US Census Bureau.
Data as of Dec. 2011

Traffic of prospective buyers of new homes, Index, sa



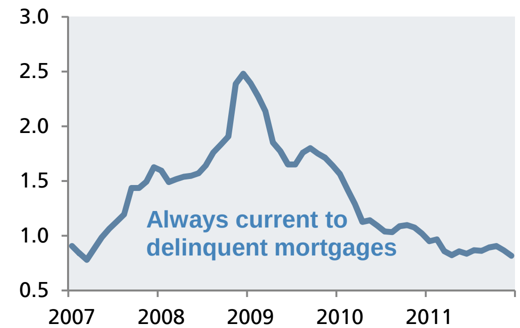
Source: National Association of Home Builders.
Data as of Jan 2012

Conf. Board plans to buy house
Percent of respondents, sa, 3mma



Source: The Conference Board.
Data as of Jan 2012

Non-agency mortgage delinquencies
Percent

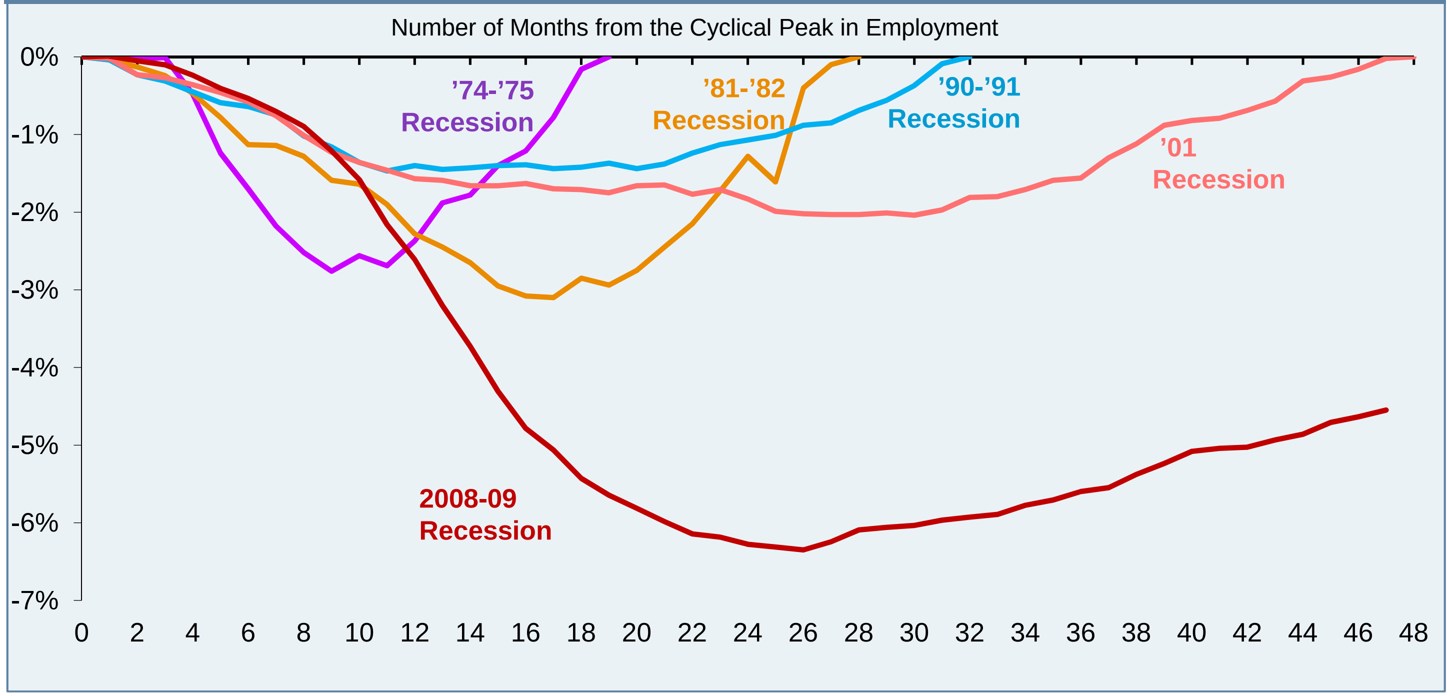


Source: J.P. Morgan Securities LLC, LoanPerformance. Data as of Dec. 2011

Past performance not indicative of future results

U.S. employment is on a painfully slow trajectory

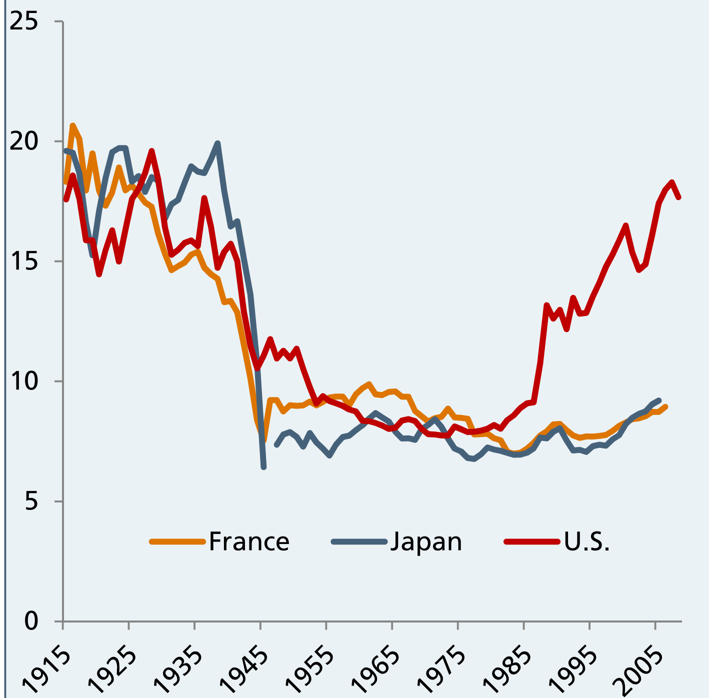
Change in employment following cyclical peaks
Cumulative change in percent



Source: Bureau of Labor Statistics, J.P. Morgan.
Data as of November 2011. Excludes census hiring and firing in 2010. Chart displays the percent difference in employment relative to the prior peak, as of the indicated number of months after the peak.

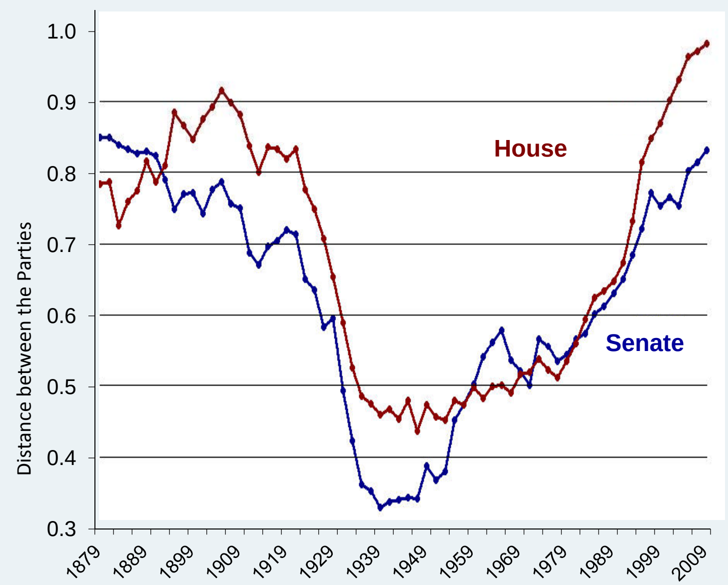
Rising U.S. income inequality and political polarization – two sides of the same coin

Income share of the top 1% of earners, 1915-2008
Percent of income in the indicated economies



Source: The World Top Incomes Database, Paris School of Economics

Party polarization at an all-time high, 1879-2010
Degree of partisanship as measured through analysis of all Congressional roll calls



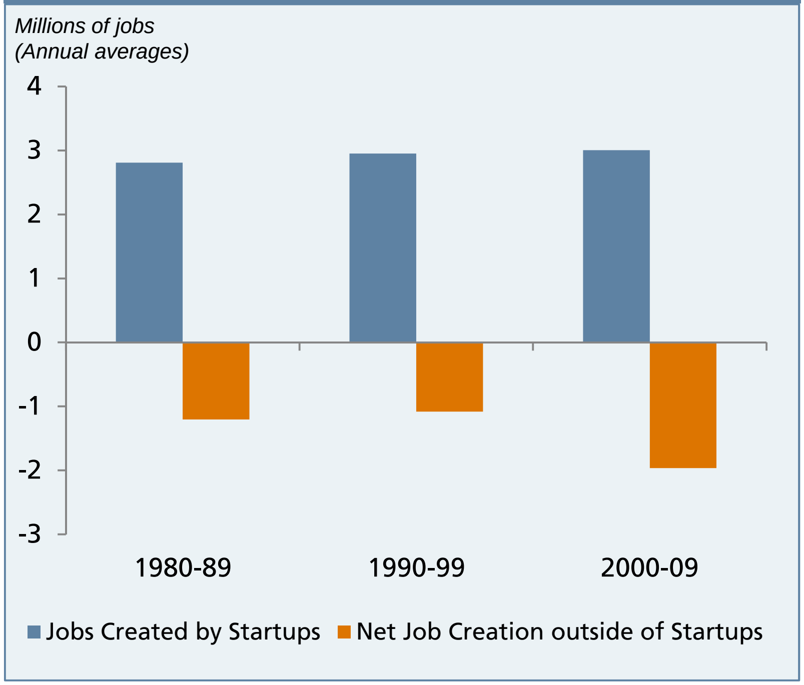
Source: Keith T. Poole, University of California - San Diego, January 2011.

Past performance is no guarantee of future results.

Entrepreneurs have been the primary source of U.S. job growth over time

- Job creation is rarely smooth. There is substantial labor turnover every year as companies and jobs come and go. This is the essence of capitalism's process of creative destruction.
- Although large, existing companies employ far more workers than new, generally smaller firms; the evidence suggests that they are unlikely to be the source of job growth in the future.
- Historical evidence points to new and young firms as the primary sources of job growth in the U.S. economy over time.
- U.S. job growth would likely benefit from government policies that encourage (do not discourage) entrepreneurship and risk-taking.
- Government job-creation (spending) initiatives seem unlikely to have any lasting effect on employment opportunity.

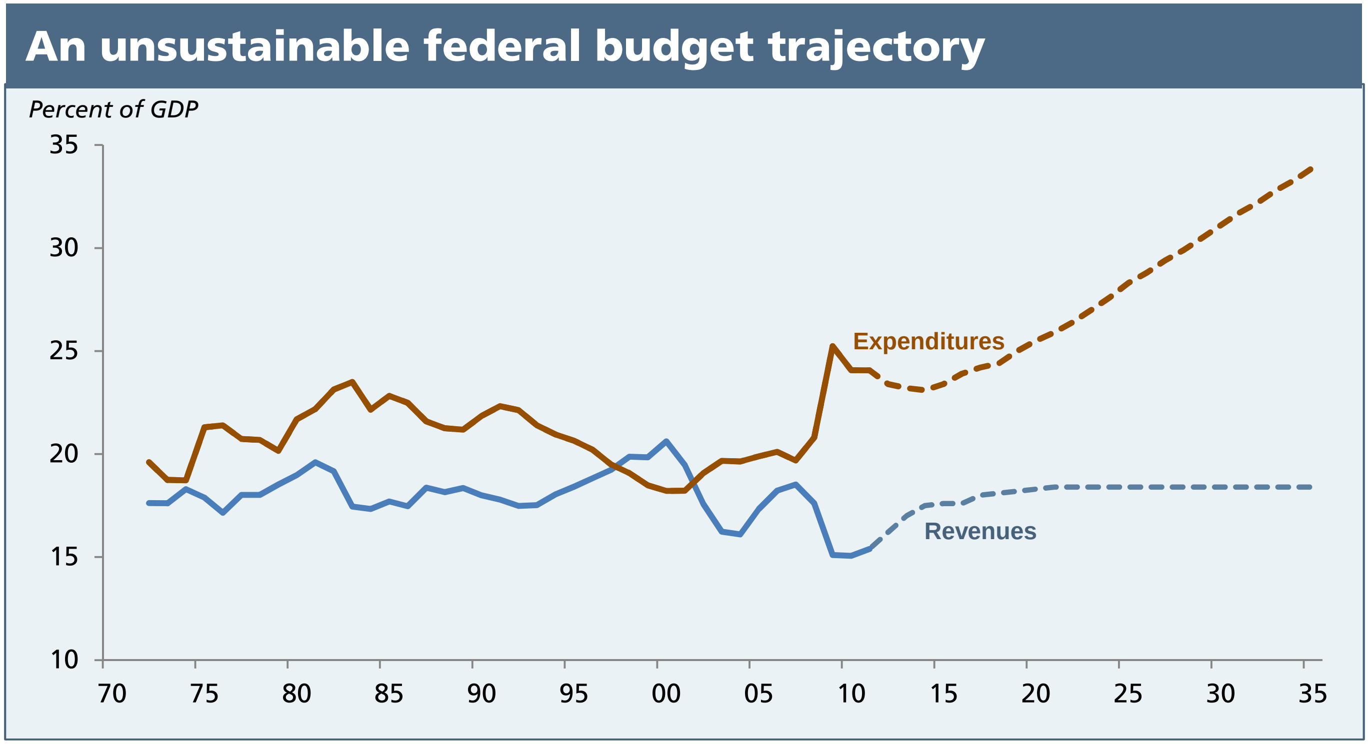
Composition of U.S. private-sector job growth



Source: Calculations based on Kauffman Foundation, Business Dynamics Statistics Briefing, March 2011, and U.S. Census Bureau Business Dynamics Database.
Data as of August 2011. Past performance is no guarantee of future results.

Past performance is no guarantee of future results.

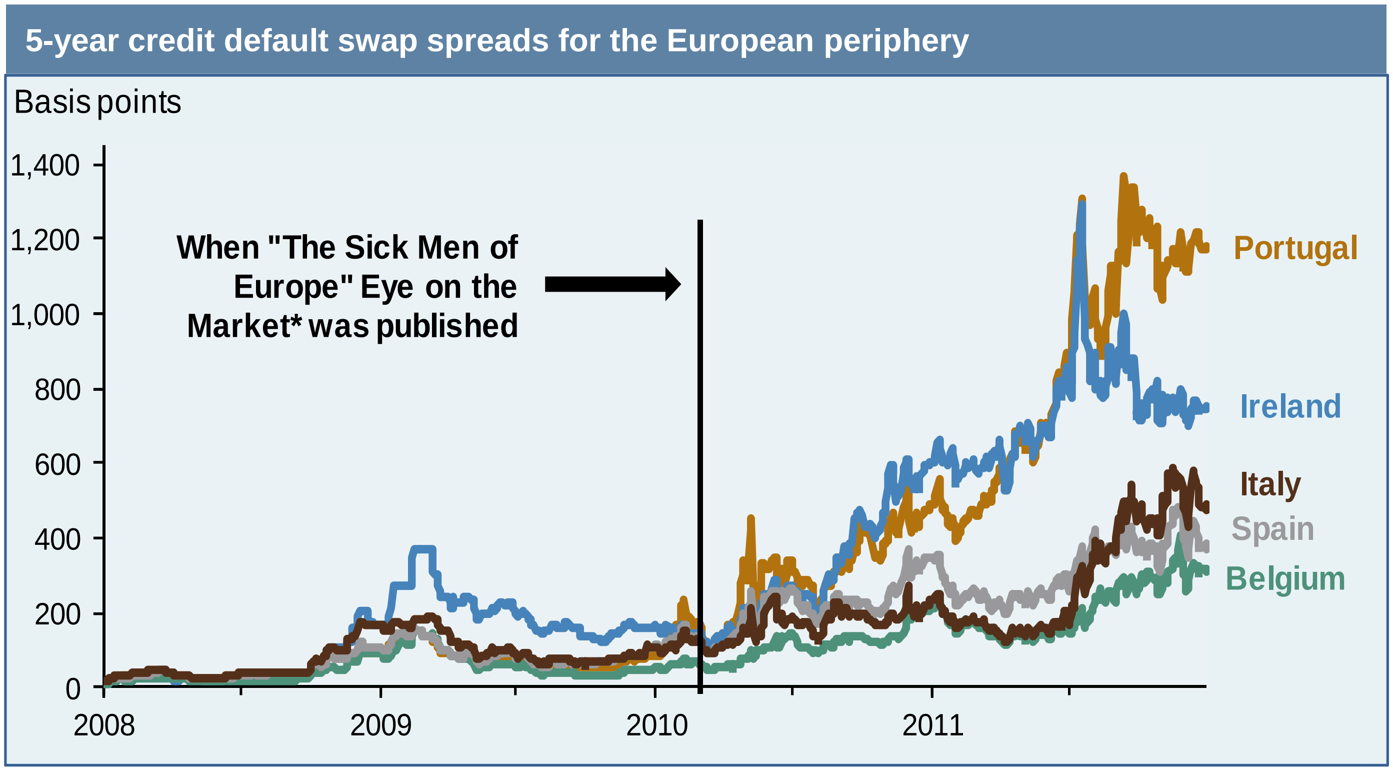
U.S. government spending: Headed to unprecedented levels unless policies change dramatically



Source: Congressional Budget Office (CBO). Forecasts based on "CBO Alternative Fiscal Scenario" in which certain current tax and spending policies are assumed to remain in effect. Data as of July 2011.

Past performance is no guarantee of future results.

We have worried about Europe since early 2010



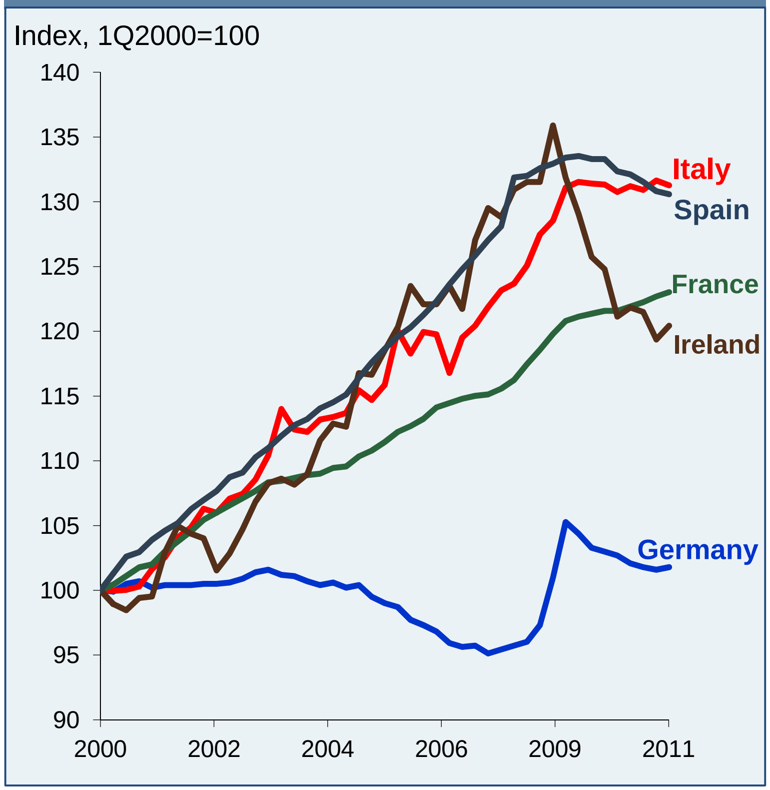
Source: J.P. Morgan Securities LLC, J.P. Morgan Private Bank. Data through Dec. 29, 2011

***Eye on the Market, J.P. Morgan Private Bank, February 11, 2010.**

Past performance is no guarantee of future results.

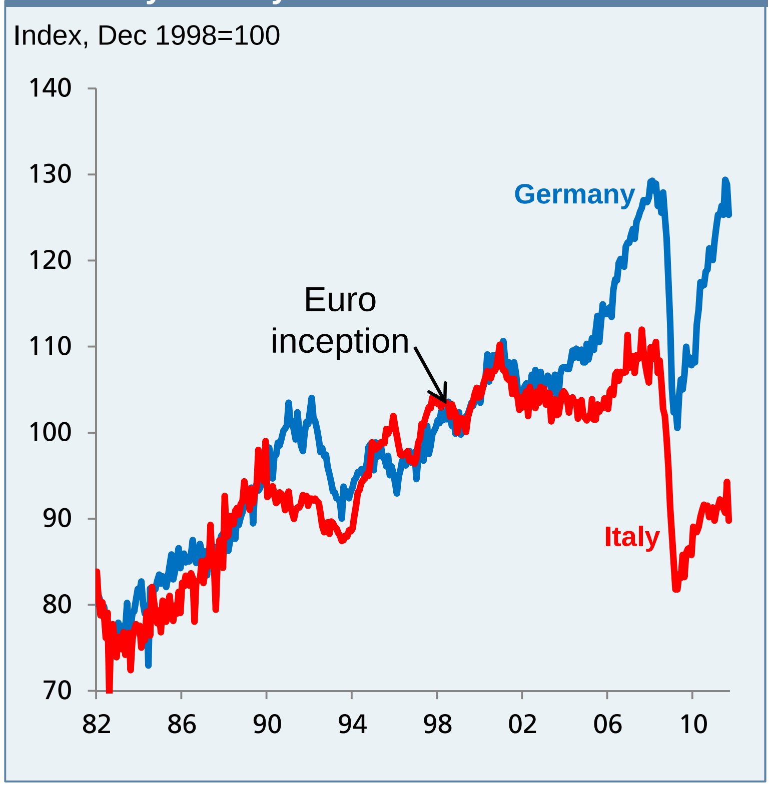
Peripheral Europe plagued by a lack of competitiveness

Euro zone unit labor costs



Source: Organization for Economic Cooperation and Development, J.P. Morgan.
Data as of 1Q2011

Industrial production
Germany vs. Italy



Source: Bundesbank, ISTAT, J.P. Morgan. Data as of Sept. 2011.

Past performance not indicative of future results.

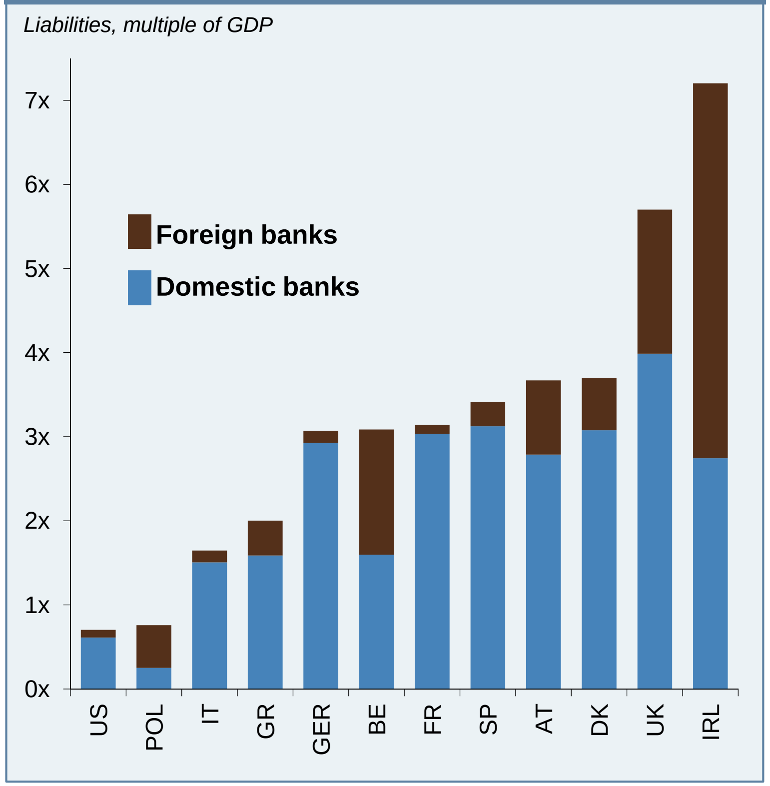
What hasn't worked so far

- European Financial Stability Facility
- European Central Bank's Securities Markets Programme
- IMF Austerity
- Doing nothing
- Unlimited central bank repo facilities
- Blaming it on US/UK hedge funds
- Proposing that rating agencies not be able to downgrade countries under certain conditions
- Sand-bagged bank stress tests

Past performance not indicative of future results.

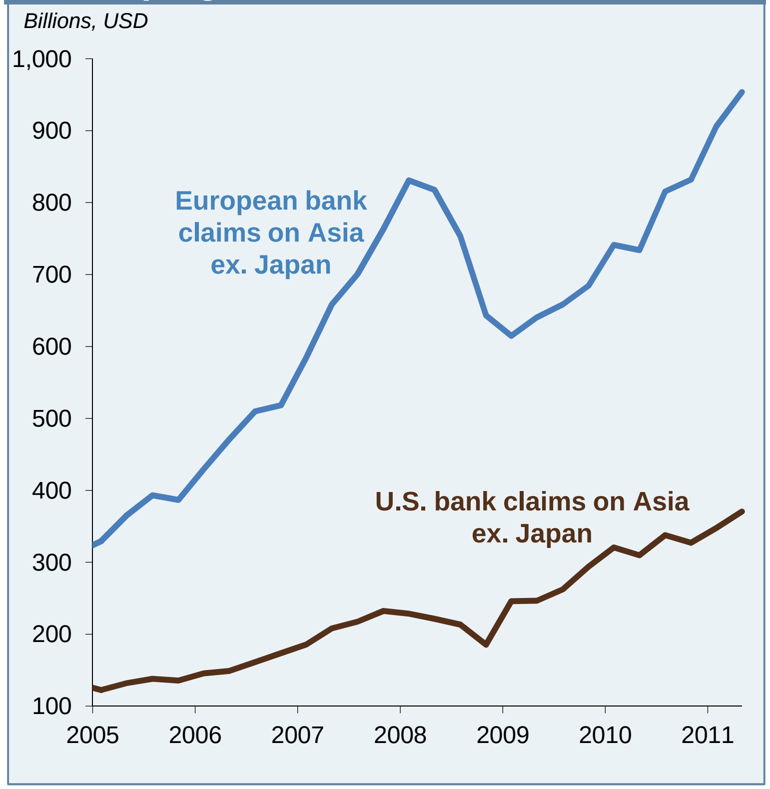
This is not just a sovereign debt problem

Europe: bigger banks, bigger problems



Source: Federal Reserve, ECB, J.P. Morgan Asset Management. Data as of 4Q10. Select liabilities include deposits and other debt securities.

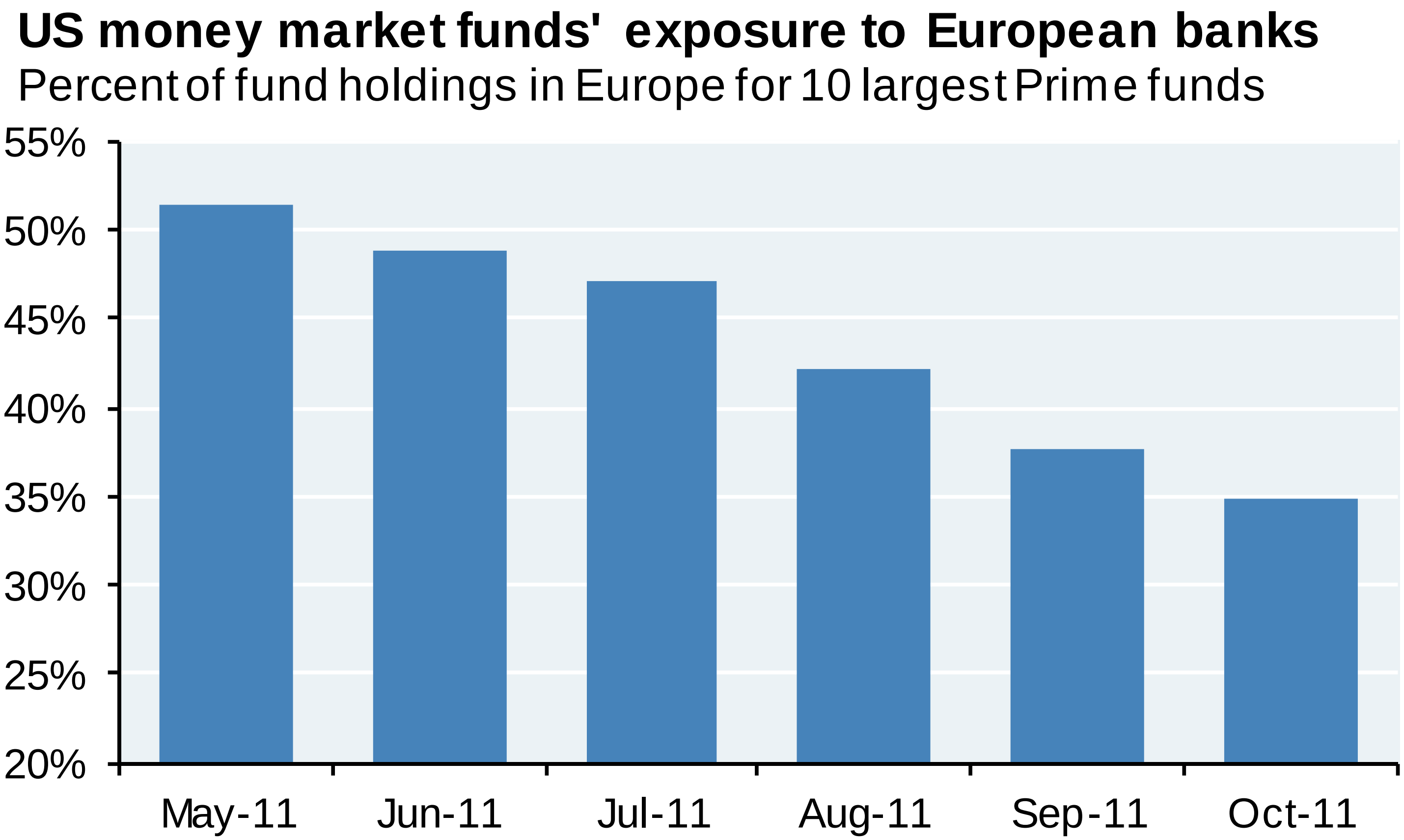
A huge rise in European bank credit to developing economies



Source: Bank for International Settlements, J.P. Morgan.
Data as of March 31, 2011

Past performance is no guarantee of future results.

Funding pressures on European banks appear to be the result of investor cutbacks such as these



Source: Fitch Ratings. As of October 2011.

Past performance is no guarantee of future results.

The latest ECB efforts (announced December 8) to arrest Europe's bank funding squeeze

- A 25 basis point cut in the main ECB interest rates
- New long-term refinancing operations, which for the first time will last three years
- A cut in the minimum bank reserve ratio from 2% to 1%
- Broadening of collateral eligibility rules
- ECB to serve as agent for the European Financial Stability Facility in its market operations, speeding its full launch

Past performance is no guarantee of future results.

The situation as we see it in Greece

• Miniscule chance of rescue package "working" even if official sector forgives debt as well. After proposed private sector exchange, debt ratios still above 130%

• Greek economy continues to contract

• Greece now closer to primary *budget* surplus: lower cost of defaulting, although there is still the question of the 8% *current account* deficit .

• Currently, the only capital flows going into Greece to finance this are official sector ones. Without official sector capital, the only way to attract foreign capital in recessionary conditions is to either

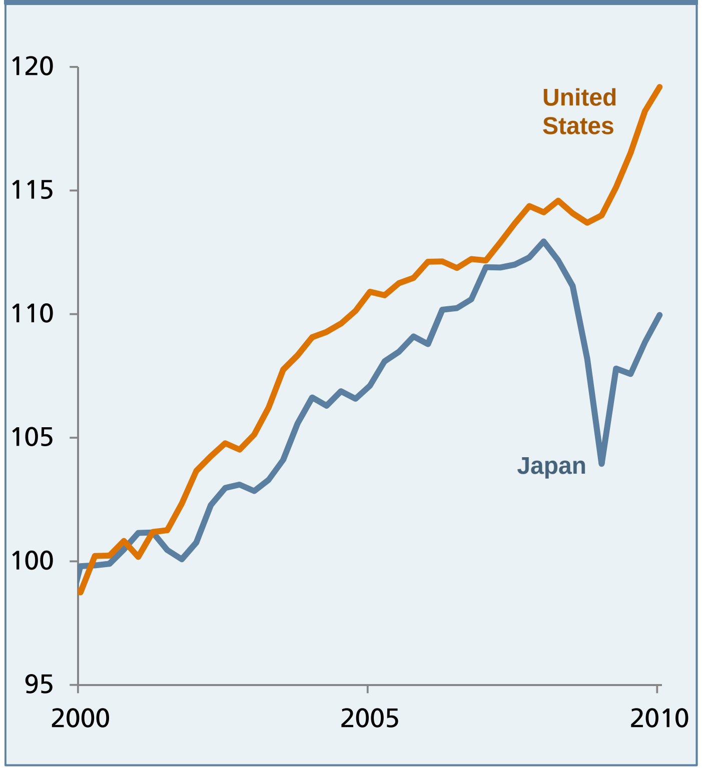
(a) continue socially combustible wage and price declines,

or (b) devalue

•Prognosis: Greek austerity ad infinitum, amid social, political and economic exhaustion

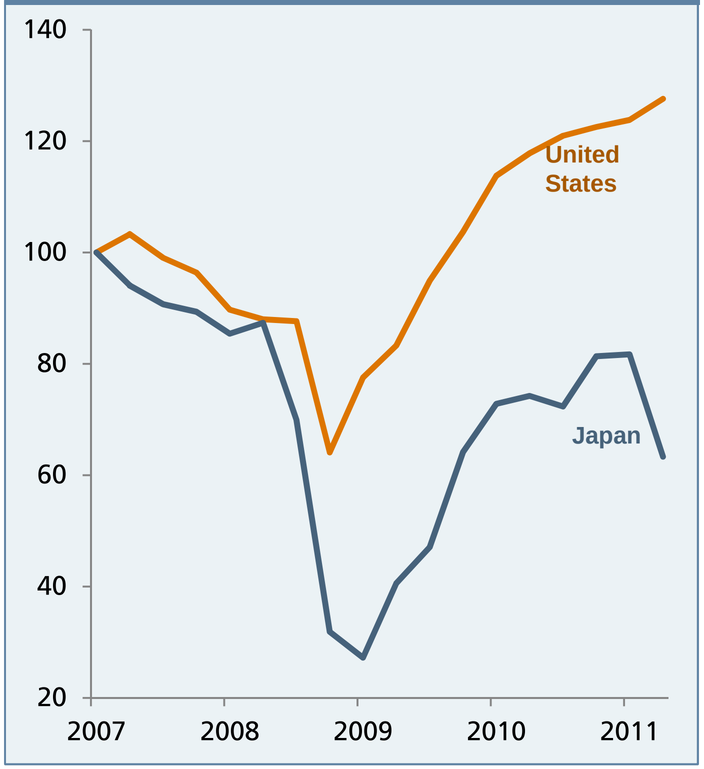
Japan continues to lag in efficiency and profitability

Labor productivity
Index, 100 = Calendar Year 2000



Source: Organization for Economic Cooperation and Development, J.P. Morgan.
Data as of 1Q2011.

Corporate profits
Indexes, 100 = Q1 2007

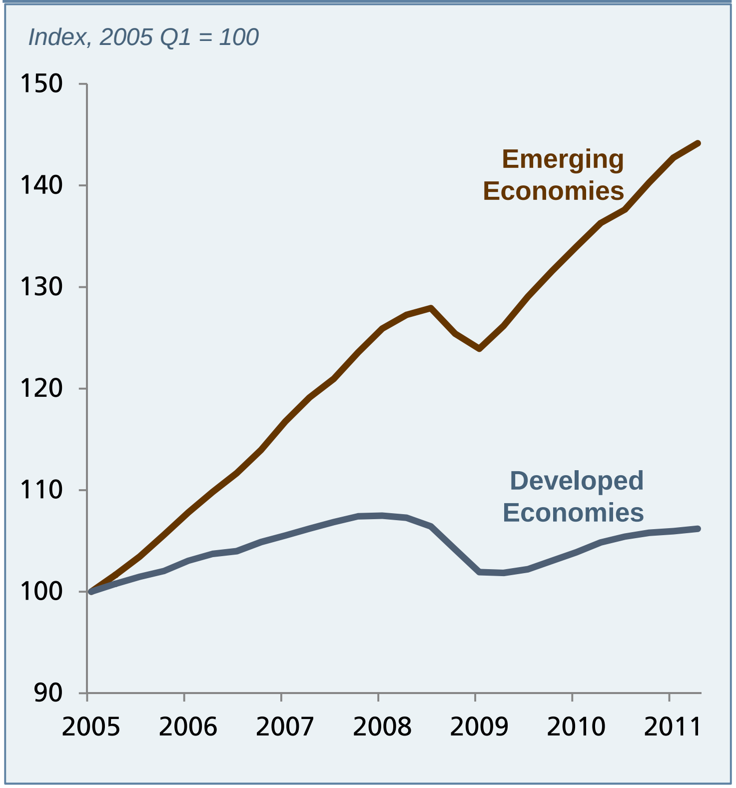


Source: U.S. Bureau of Economic Analysis, Japan Ministry of Finance, J.P. Morgan.
Data as of 2Q2011.

Past performance is no guarantee of future results

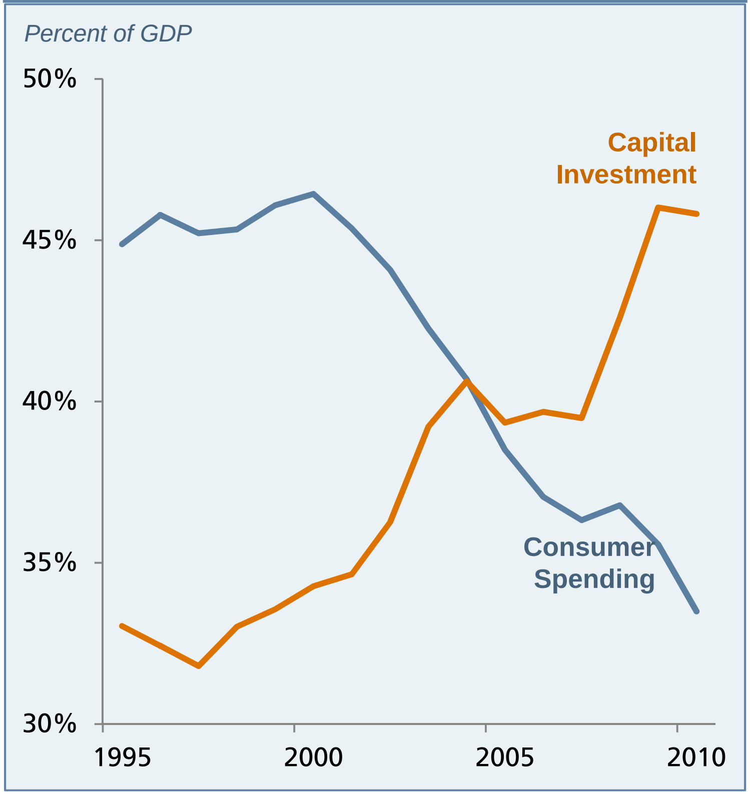
Emerging markets: Comparatively strong longer-term growth fundamentals

Emerging vs. Developed Economies – GDP Levels



Source: J.P. Morgan. As of Q2 2011.

China: Investing for growth



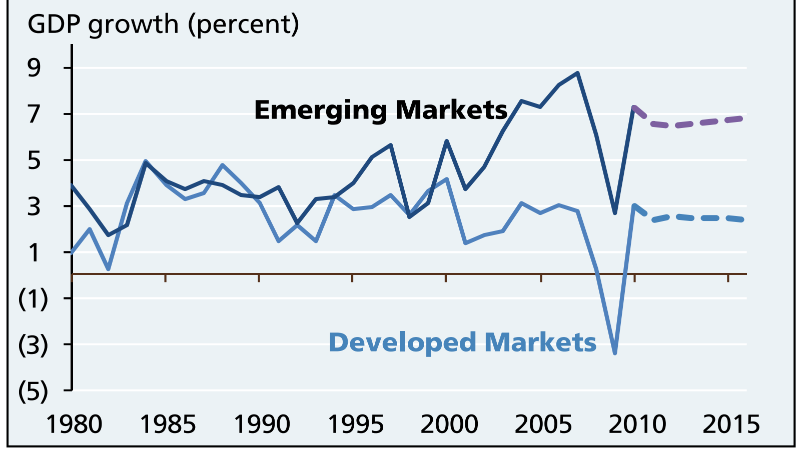
Source: China State Statistics Bureau, International Monetary Fund, J.P. Morgan. Annual data; as of Calendar Year 2010.

Past performance is no guarantee of future results

Emerging markets are not immune to the slowdown in global growth, but we still see strong long-term fundamentals

- Emerging economies have become key drivers of global growth in the aftermath of the 2008-09 financial crisis.
- A healthier fiscal outlook (relative to developed markets), elevated terms of trade and a growing middle class will likely contribute to economic strength going forward.
- Emerging market central banks are raising policy rates and/or allowing currency appreciation to cool inflation.
- Low G-3 yields and broad under-allocation on the part of many investors should direct flows to fundamentally strong emerging markets once investor risk appetites improve.

Emerging market growth is projected to outpace developed markets



Source: IMF. Data as of 4/1/2011.

Growth prospects relative to developed markets make emerging market valuations attractive

Source: MSCI, Factset. Data as of 7/31/2011.

Past performance is no guarantee of future results

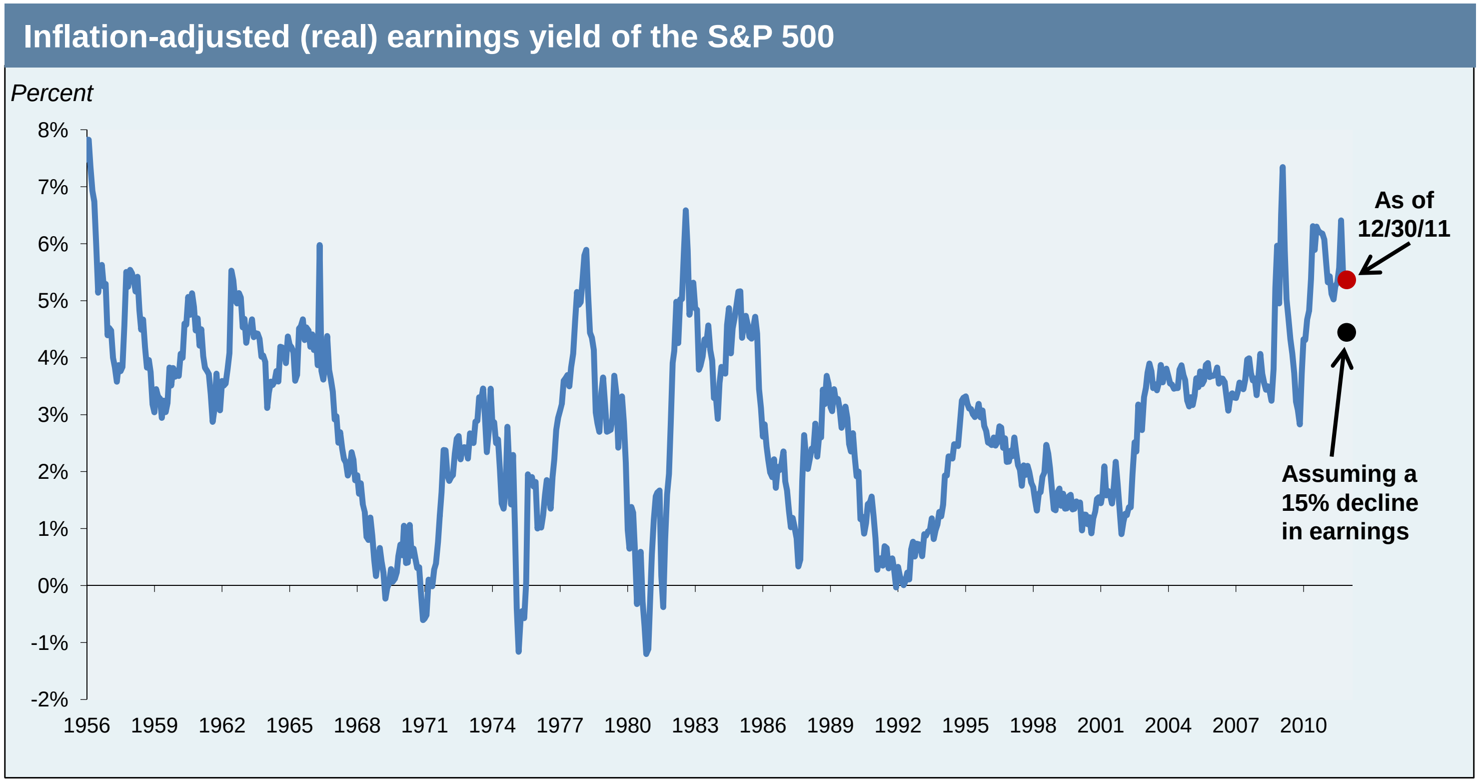
The current recession is the worst since…

‘The U.S. economy remains almost comatose…The current slump already ranks as the longest period of sustained weakness since the Great Depression. That was the last time the economy staggered under as many "structural" burdens, dislocations that will take years to work out. Among them: the job drought, the debt hangover…the real estate depression, the health-care cost explosion and the runaway federal deficit.’

Excerpted from Time Magazine
September 28, 1992
Link to full article:
http://www.time.com/time/printout/0,8816,976602,00.html

Past performance is no guarantee of future results

Earnings: as cheap as they have been in a long time, even assuming a decline next year

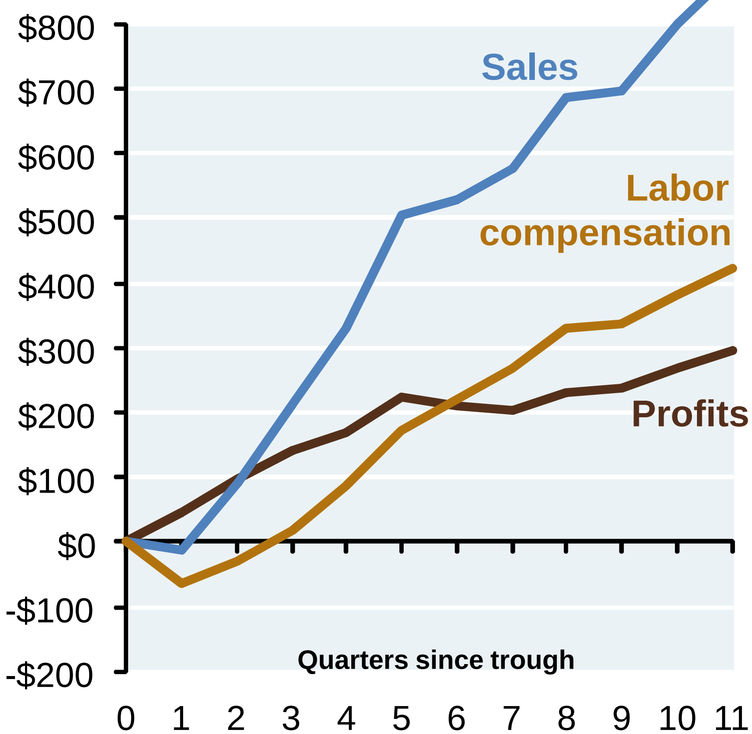


Trailing earnings yield less core CPI (excluding food and energy) inflation. Data as of December 30, 2011.
Source: Bloomberg, U.S. Bureau of Labor Statistics, Empirical Research Partners, J.P. Morgan.

Past performance is no guarantee of future results. It is not possible to invest directly in an index.

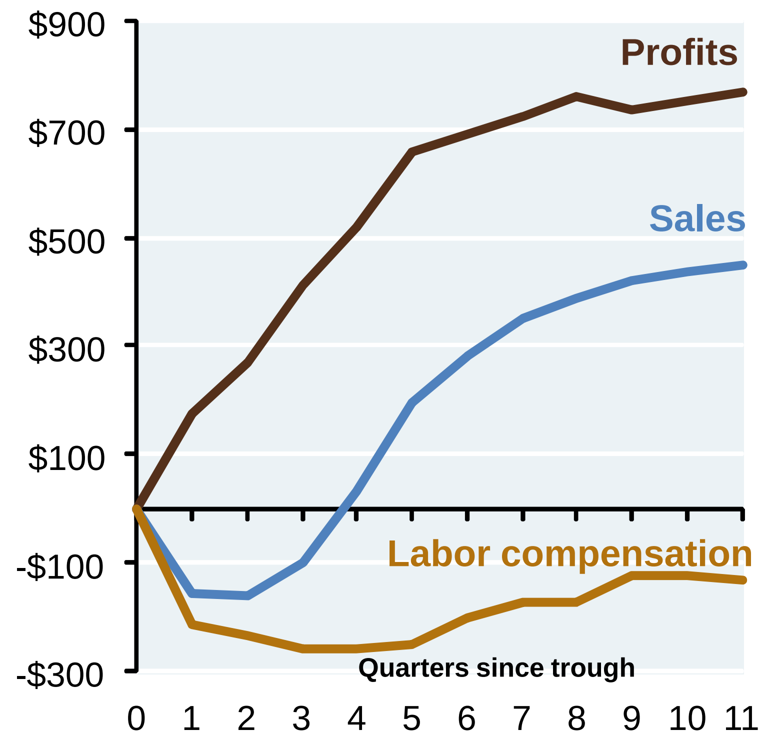
How high of a multiple do you want to pay for profits like these?

Corporate profit cycle - 5 past recoveries, Change since profit trough - billions of 2005 dollars



Source: Bureau of Economic Analysis, J.P. Morgan Private Bank. Data as of December 2011.

Corporate profit cycle - current recovery, Change since profit trough - billions of 2005 dollars

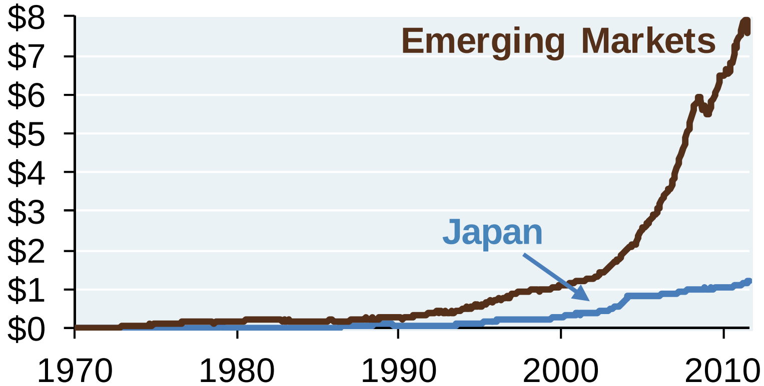


Source: Bureau of Economic Analysis, J.P. Morgan Private Bank. Data as of December 2011.

Past performance is no guarantee of future results

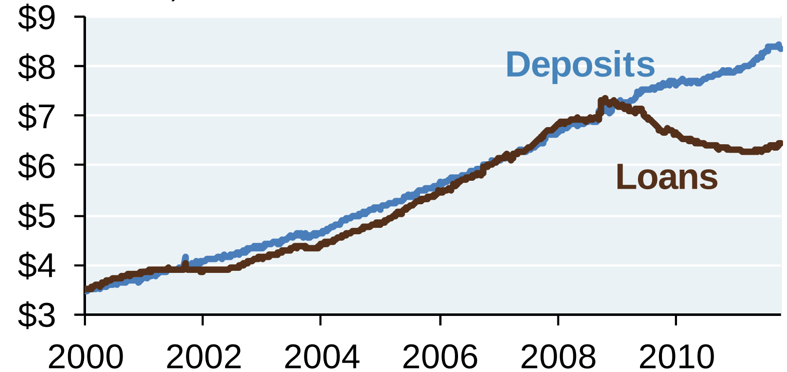
Cash: everywhere, and earning close to nothing

Foreign exchange reserves
Trillions, USD



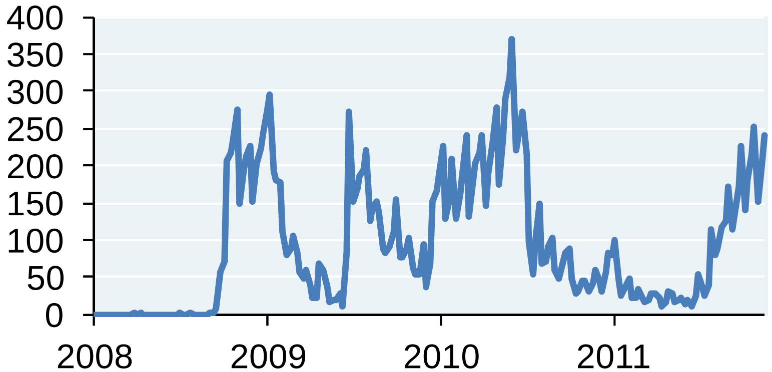
Source: Ministry of Finance Japan, IFS, J.P. Morgan Securities LLC. As of August 2011

US commercial banks
Trillions, USD



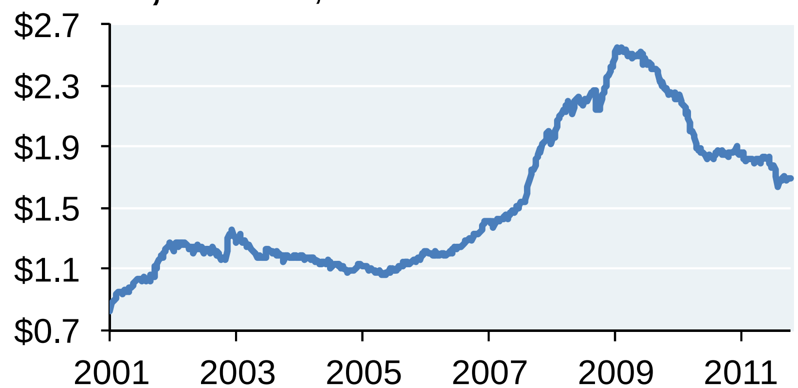
Source: Federal Reserve Board weekly H.8 report. As of 12/5/2011
Loans exclude assets reclassified under FASB Statement 166.

European banks' excess cash deposited at ECB, Billions, EUR



Source: ECB. As of 11/21/2011

US institutional money market fund assets, Trillions, USD

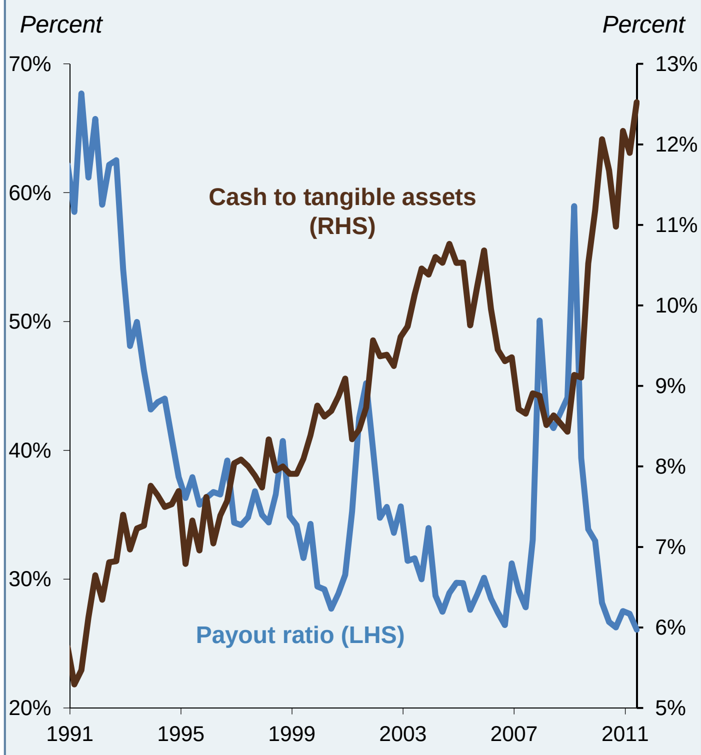


Source: Investment Company Institute. As of 10/19/2011

Past performance is no guarantee of future results

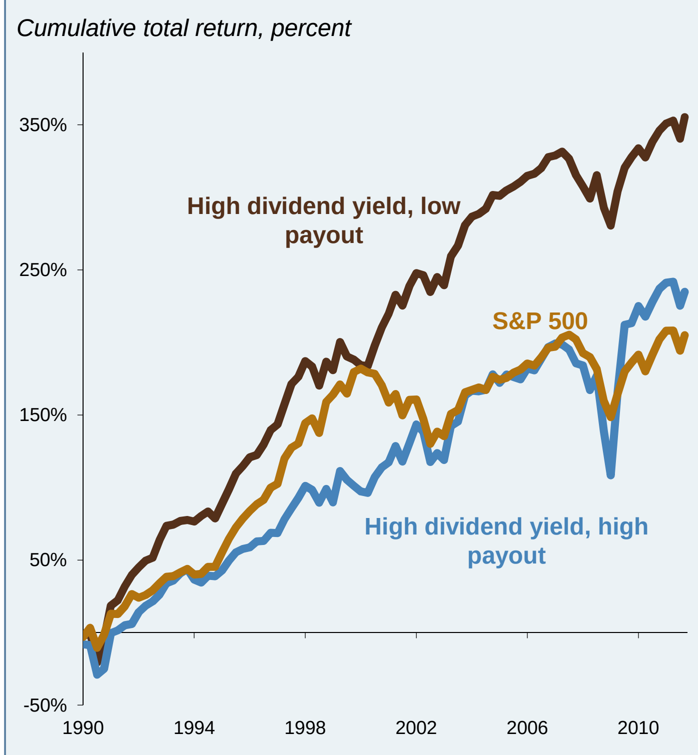
Companies that can afford to pay high dividends have tended to deliver superior performance

Selected dividend affordability metrics



Source: Standard & Poor's, J.P. Morgan. Data as of June 2011.

Performance of companies that can afford high dividends



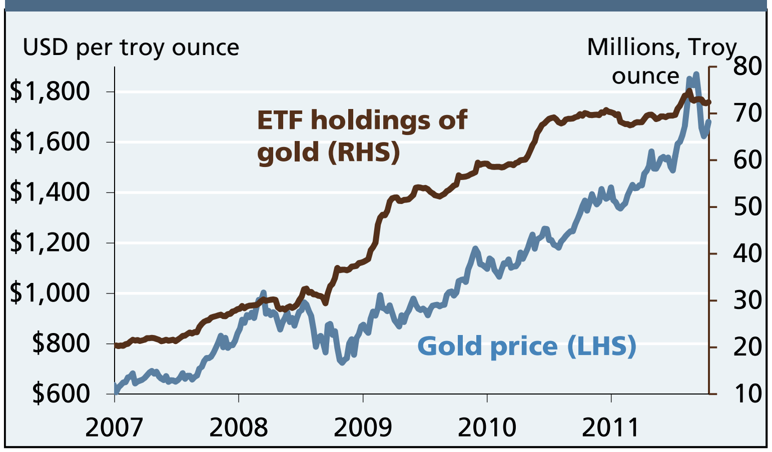
Source: Credit Suisse Quantitative Equity Research, J.P. Morgan. Data as of November 2011.

Past performance is no guarantee of future results

We maintain our long-term bullish outlook for metals despite recent declines

- Gold has seen some decline since the peak in summer with the recent rally in risk assets. However, fundamental and technical indicators support continued strategic exposure.
  - Concerns about easy monetary policy and deficits in developed markets and rising global prices are helping to support gold prices.
  - Central banks' appetite for gold remains strong.
  - Gold ETF holdings have stabilized.
- In broader commodities, we recommend supply-constrained commodities with strong ties to emerging markets.
  - We remain bullish on palladium and platinum, given their widespread use in auto parts production and the continued rise in emerging market auto sales.
  - Copper should continue to benefit from strong domestic demand in China.

Gold price remains elevated

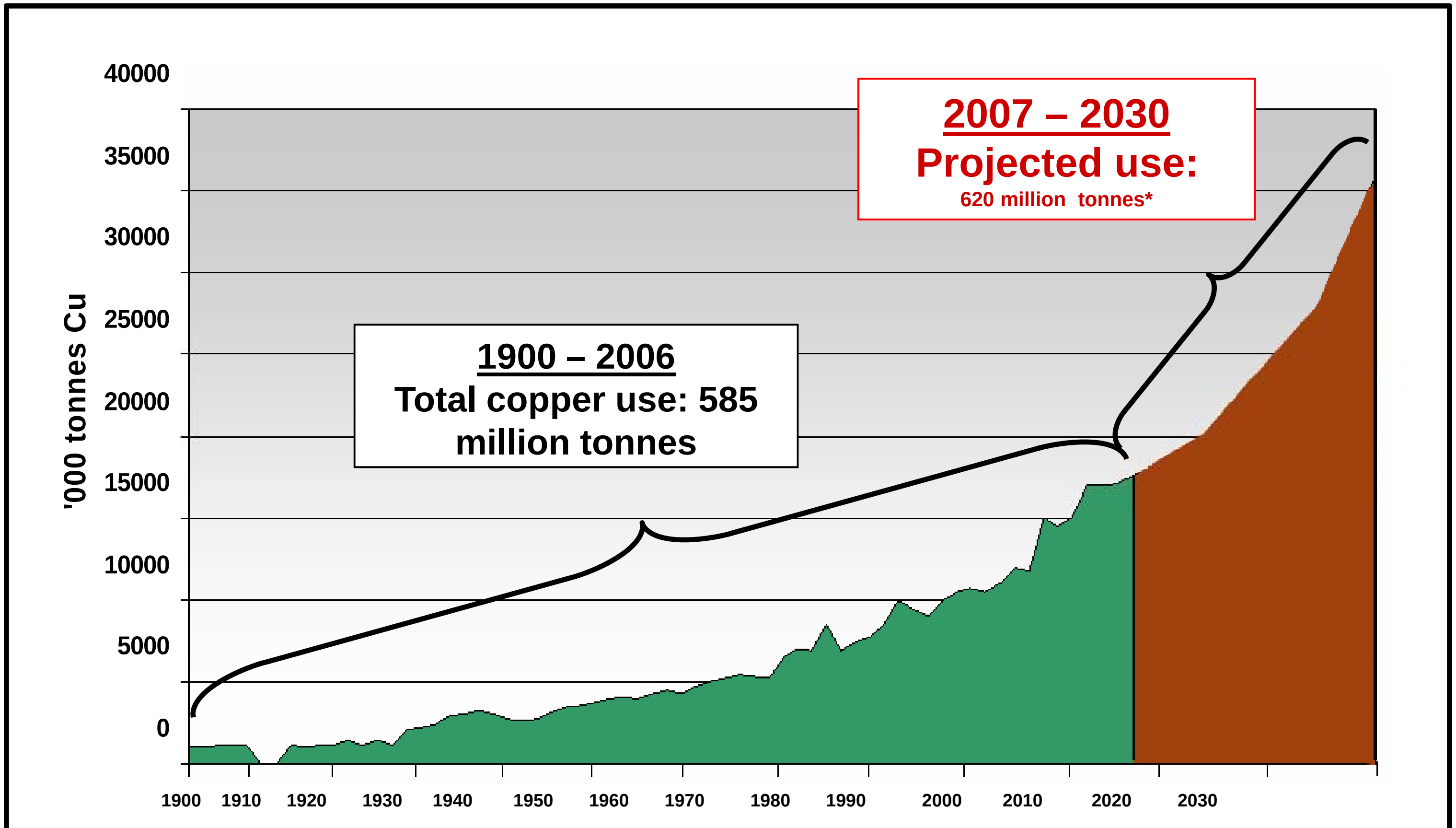


Source: Bloomberg. Data as of 11/11/2011.

China's import of copper is on upward track

Source: Customs General Administration. Data as of 9/30/2011.

Copper consumption appears likely to grow substantially

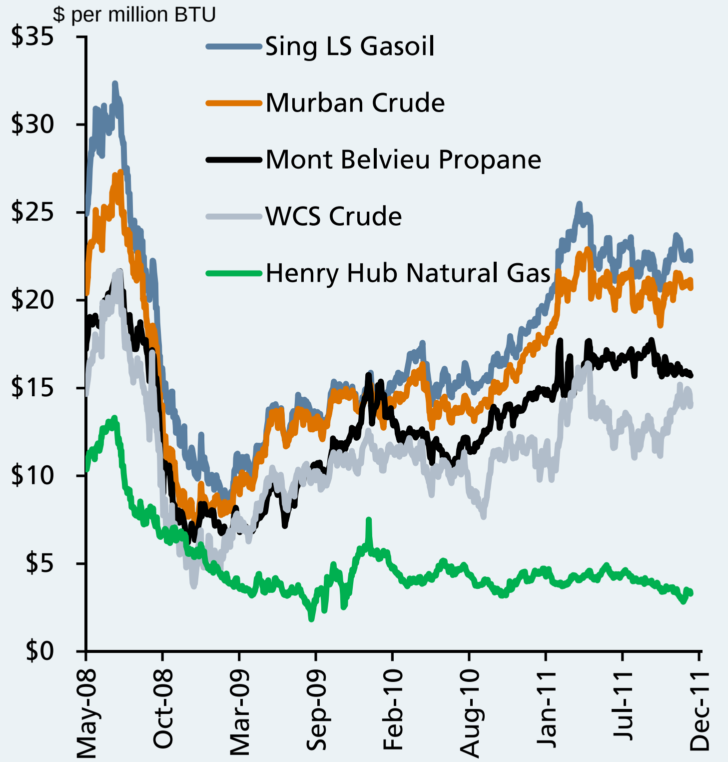


*At a hypothetical world average annual growth rate of 3%

Sources: CRU Group; BHP Billiton, J.P. Morgan. Figures as of 2011.
Note: I metric tonne = 2240 pounds
Past performance not indicative of future results.

US natural gas is the cheapest in the world, with demand from Asia expected to increase

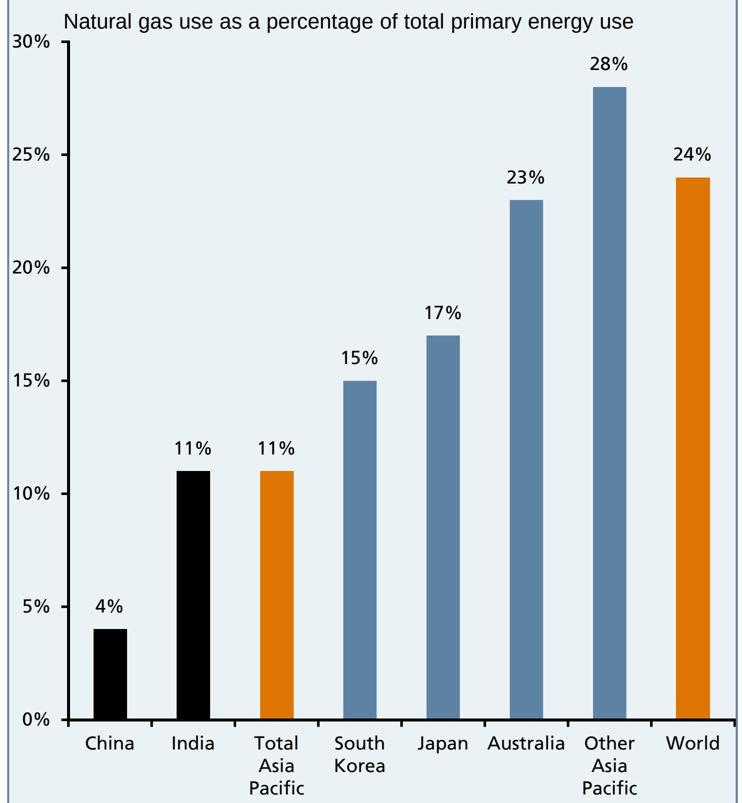
US gas is cheapest in the world



Source: Bloomberg, J.P. Morgan Commodities Research, December 2011

Past performance not indicative of future results.

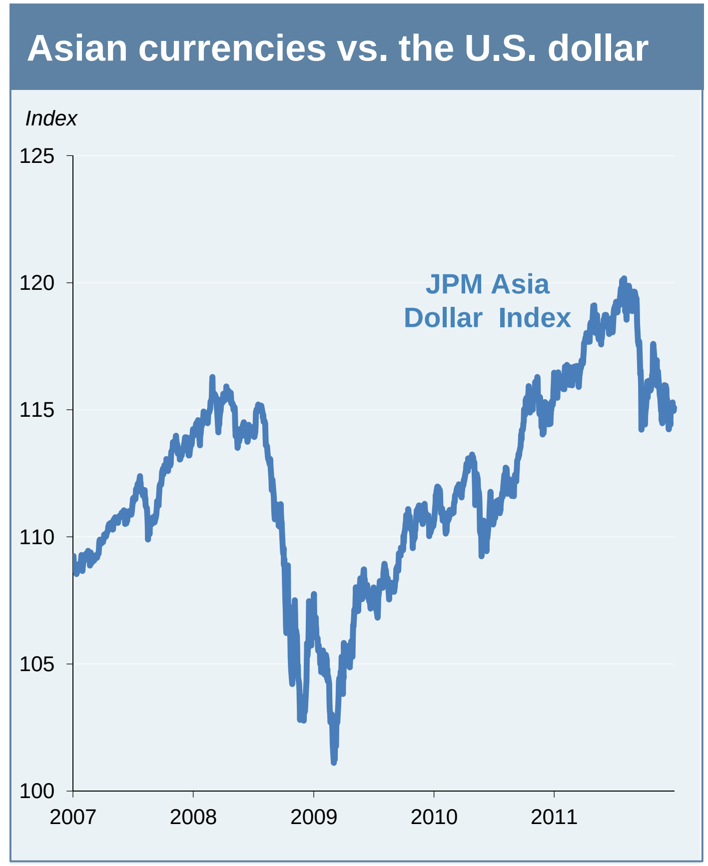
India and China remain below other markets' gas usage



Source: BP 2011 Statistical Review of World Energy , J.P. Morgan Equities Research, November 2011

The uneven path of the dollar: trend vs. volatility

Source: J.P. Morgan Securities LLC. Data as of 12/30/2011.



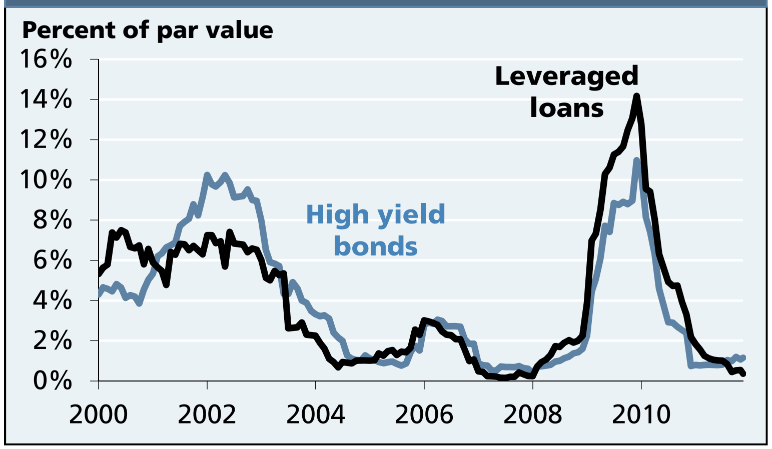
Source: J.P. Morgan Securities LLC. Data as of 12/30/2011.

Past performance not indicative of future results.

Strong corporate fundamentals and supply/demand dynamics should support high yield over the near term

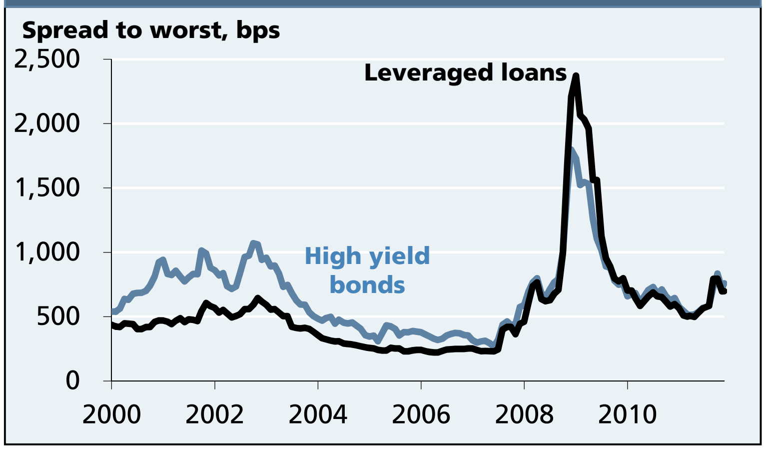
- Market fundamentals remain strong:
  - As in 2009, high yield bonds are priced cheaply relative to historical default measures. Default rates are still around their lows.
  - Companies have taken advantage of the favorable issuance environment over the past year to reduce leverage, refinance at lower rates and extend debt maturities. In addition, many issuers have increased their cash positions.
- We expect stable to modestly tighter credit spreads over the next several months, with demand continuing to provide strong support and coupon income helping to cushion against further volatility.
- We continue to favor high quality, short-dated high yield and leveraged loan exposure and have been opportunistically adding to our positions.

The default rate continues to trend lower



Source: J.P. Morgan Securities LLC. Data as of 11/16/2011.

Wider spreads have created attractive entry levels



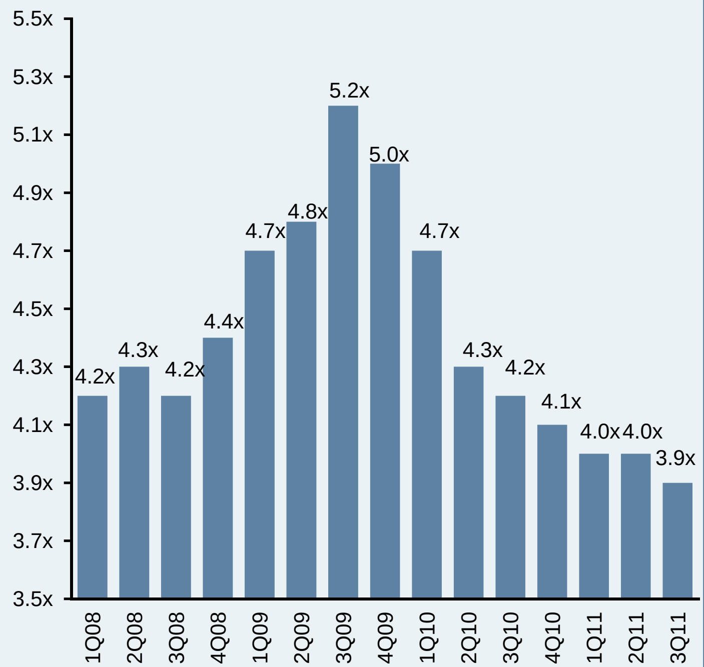
Source: J.P. Morgan Securities LLC. Data as of 11/16/2011.

Past performance not indicative of future results.
High Yield bonds are speculative non-investment grade bonds that have higher risk of default or other adverse credit events which are appropriate for high risk investors only.

High-yield issuer fundamentals appear strong

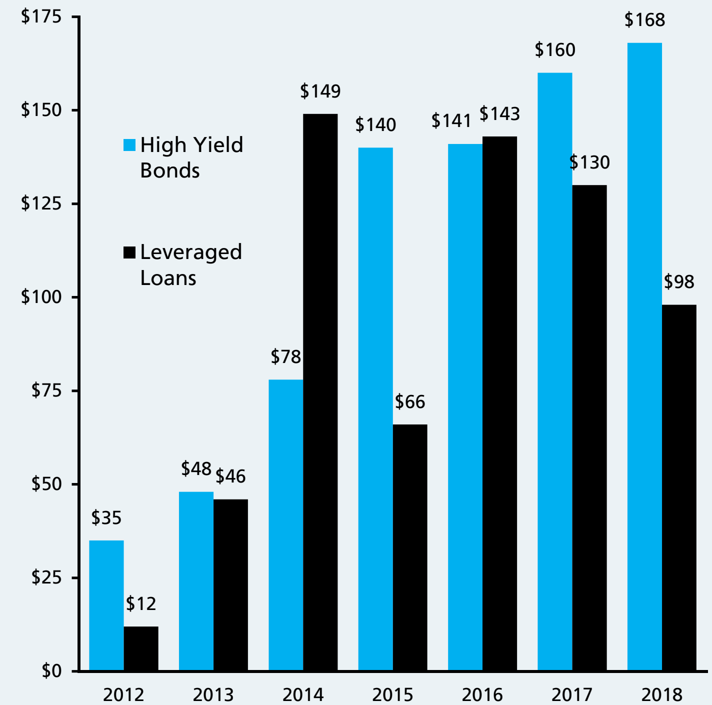
Leverage has declined

Total leverage of high yield and leveraged loans issuers



Near-term refinancing needs are low

Upcoming debt maturities ($billion)



Source for both charts: J.P. Morgan; Capital IQ. "North American High Yield Review", December 2011

Past performance not indicative of future results.

Commercial real estate: improved lending environment

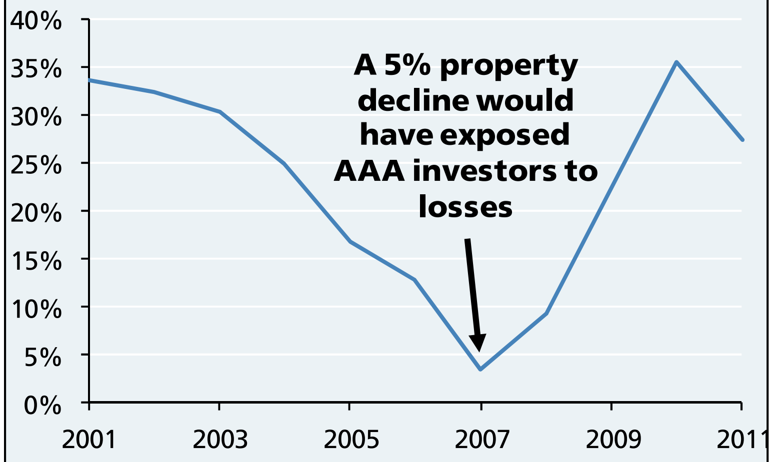
- With property valuations having fallen around 30% from their peak and tighter senior debt lending criteria, there is a pocket of capital scarcity for commercial property.

- Given today's increased investor credit protection, property declines would have to exceed 25% for losses to impact senior-most lenders. Further, given revised underwriting criteria applied to lower valuations, we believe the risk-return opportunity seems properly matched.

- Well-leased office and multi-family properties in major market areas have seen some uptick in prices due to the recent increase in liquidity.

Lender cushions against property price declines have rebounded from 2007 levels

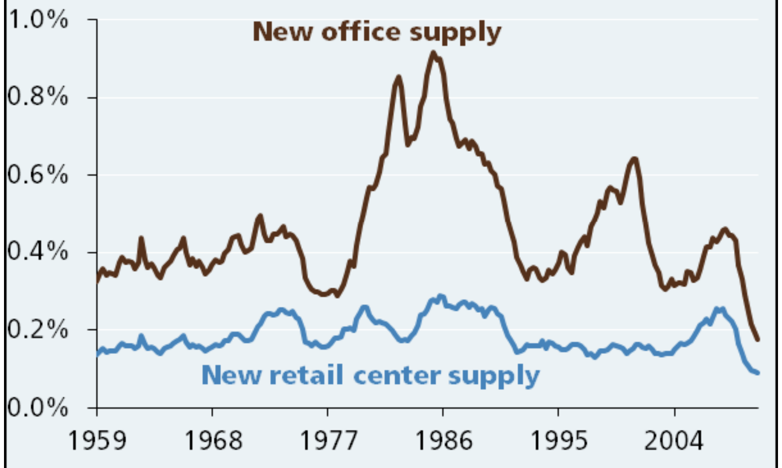
AAA CMBS subordination adjusted for loan-to-value ratios



Source: J.P. Morgan Securities LLC, Trepp, rating agencies, Bloomberg. CMBS = Commercial Mortgage Backed Securities

There has been less overbuilding in the commercial real estate space this time around

Fixed investment in office and retail, percent of GDP



Source: Bureau of Economic Analysis. Data as of Q3 2010.

Past performance not indicative of future results.

Concluding thoughts

- Excess indebtedness continues to weigh on the global economy. The United States has more scope for growth than Europe, but emerging economies have the best growth prospects of all.
- Economic policy in Europe is at a critical juncture, but the U.S. also needs to chart a course for meaningful deficit reduction. The wrong choices could compound already difficult situations.
- Equity volatility is likely to stay high. Valuations are relatively cheap versus much of history, especially in the case of emerging markets, but further disappointments are possible.
- U.S. government bond yields have declined significantly, reflecting meager growth and reduced inflation risks. Higher interest rates are likely over time as investor risk appetites return.
- Short-dated U.S. high-yield bonds are comparatively attractive on fundamental grounds.
- The dollar is likely to head lower relative to selected Asian currencies. The outlook for the Euro hinges on whether European policymakers take strong, consistent action to resolve the region's peripheral debt and banking crisis.

Opinions, estimates, forecasts, projections and statements of financial market trends that are based on current market conditions constitute our judgment and are subject to change without notice. There can be no guarantee they will be met.

Definition of indices

- All index performance information has been obtained from third parties and should not be relied upon as being complete or accurate. **Indices are shown for comparison purpose only. While an investor may invest in vehicles designed to track certain indices, an investor cannot invest directly in an index.**
- **Barclays US Aggregate Total Return Index -** The Lehman Aggregate Index covers the U.S. investment grade bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities.
- **S&P 500 Total Return Index** - The S&P 500 is a capitalization-weighted index of 500 stocks from a broad range of industries. The component stocks are weighted according to the total market value of their outstanding shares. The impact of a component's price change is proportional to the issue's total market value, which is the share price times the number of shares outstanding. "S&P 500" is a trademark of Standard and Poor's Corporation.
- **MSCI EAFE Total Return Index** - The MSCI EAFE Total Return Index (Europe, Australasia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US & Canada. As of June 2006 the MSCI EAFE Index consisted of the following 21 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom.
- **MSCI Emerging Markets Index –** The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. As of June 2006 the MSCI Emerging Markets Index consisted of the following 25 emerging market country indices: Argentina, Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Israel, Jordan, Korea, Malaysia, Mexico, Morocco, Pakistan, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.
- **MSCI Europe Index –** The MSCI Europe Index is a capitalization weighted index that monitors the performance of stocks listed in the continent of Europe.
- **MSCI World Index –** The MSCI World Index is a capitalization weighted index that monitors the performance of stocks from around the world.
- **JPMorgan Commodity Curve Index** – The JPMorgan Commodity Curve Index is an aggregate market index which weights individual commodities by their open interest. The index uses open interest in order to reflect the financial deepening and broadening of commodities markets.
- **J.P.Morgan Domestic High Yield Index** – The J.P.Morgan Domestic High Yield Index is an index designed to track the performance of the investible universe of the U.S. dollar domestic high yield corporate debt market.
- **Asset Backed Securities Index (ABX) –** The ABX Index is a series of credit-default swaps based on 20 bonds that consist of subprime mortgages. A decline in the ABX Index signifies investor sentiment that subprime mortgage holders will suffer increased financial losses from those investments. Likewise, an increase in the ABX Index signifies investor sentiment looking for subprime mortgage holdings to perform better as investments. The ABX Index has four series (06-1 to 07-2) and five tranches per series.
- **Commercial Mortgage-Backed Securities Index (CMBX) –** The sister mortgage derivative to the ABX Index is the CMBX Index. The CMBX Index is a group of credit default swaps (CDS) tied to 25 bonds of commercial mortgage-backed securities (CMBS) tranched by credit rating and vintage. The CMBX Index is the first attempt at letting participants trade risks that closely resemble the current credit health of the commercial mortgage market by investing in credit default swaps, which put specific interest rate spreads on each risk class.
- **Chicago Board Options Exchange Volatility Index (VIX) -** The VIX index is a measure of the implied volatility of the U.S. equity market which is calculated using a weighted blend of prices for a range of options on the S&P 500 index.
- **NCREIF –** The NCREIF index is the NCREIF total return property index calculated to reflect the quarterly total returns % on a compounded basis.
- **Moody's/REAL CPPI Index –** A monthly index that is a composite commercial real estate price index
- **S&P Case-Shiller Home Price Index** – The Case-Shiller Index measures the value of residential real estate prices in the United States
- **J.P. Morgan U.S. Liquid Index** - An index of U.S. dollar-denominated high grade bonds
- **J.P. Morgan Developed Market High Yield Index** - An index of developed market high yield bonds

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