

## TOP OPPORTUNISTIC INVESTMENT THEMES FOR 1Q 2012

Global Investment Opportunities Group  
J.P. Morgan Private Bank

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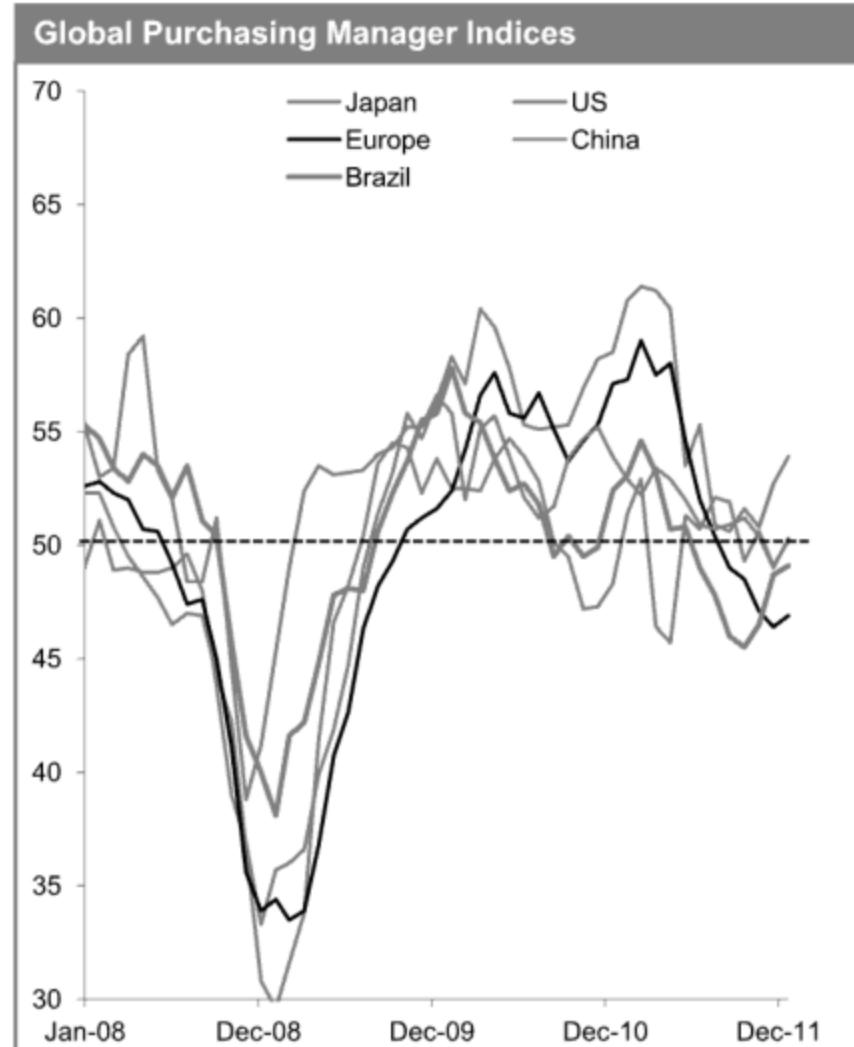
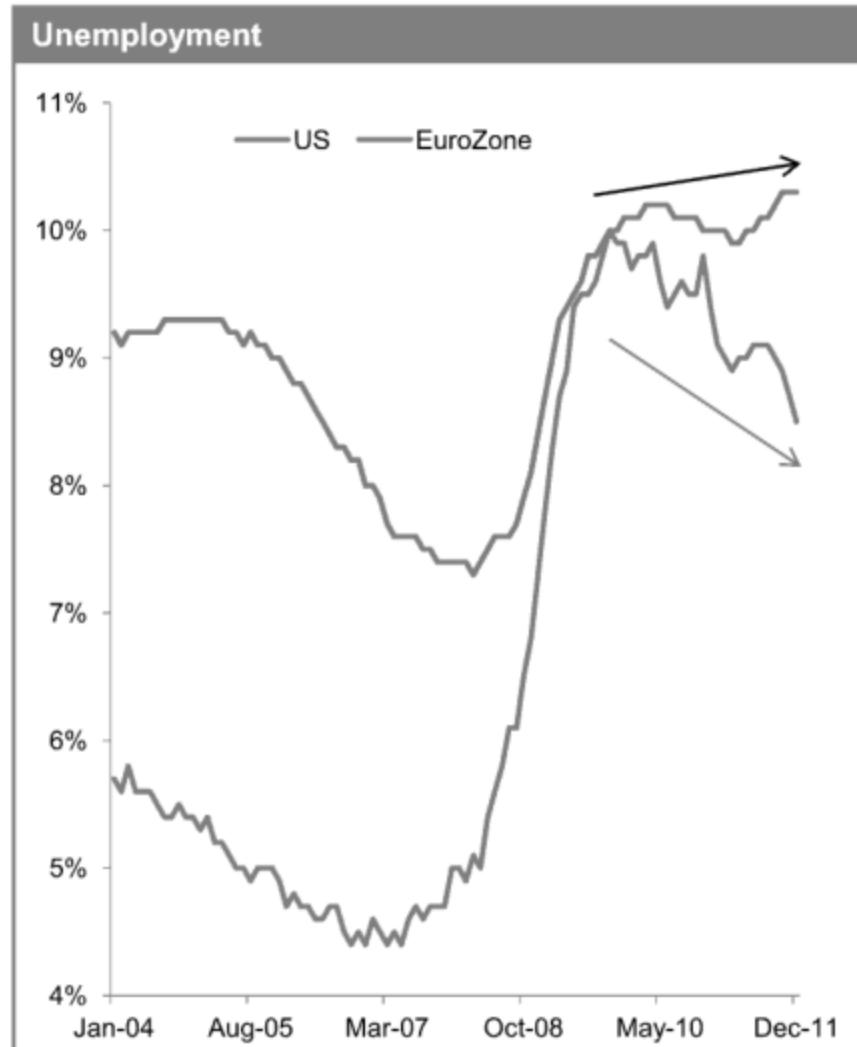
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## Global Growth At A Turning Point

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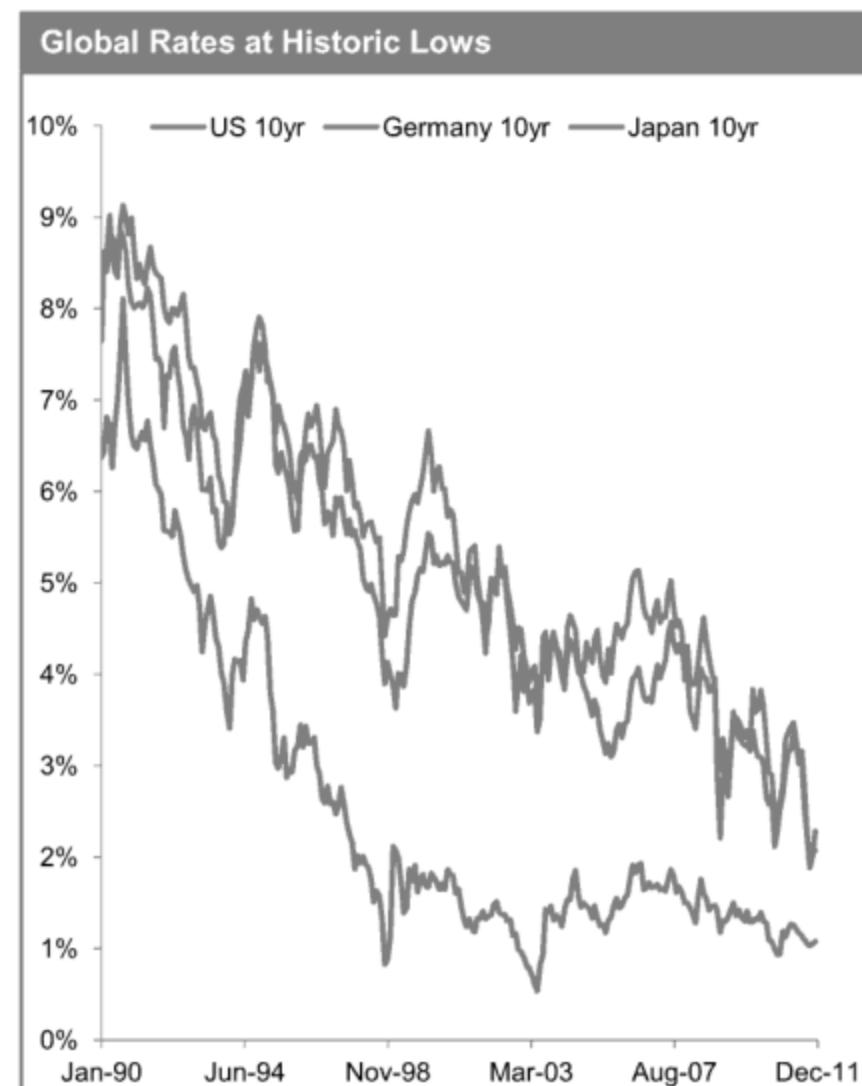


## Markets Are Pricing In A Lot Of Bad News

TOP OPPORTUNISTIC INVESTMENT THEMES FOR 1Q 2012



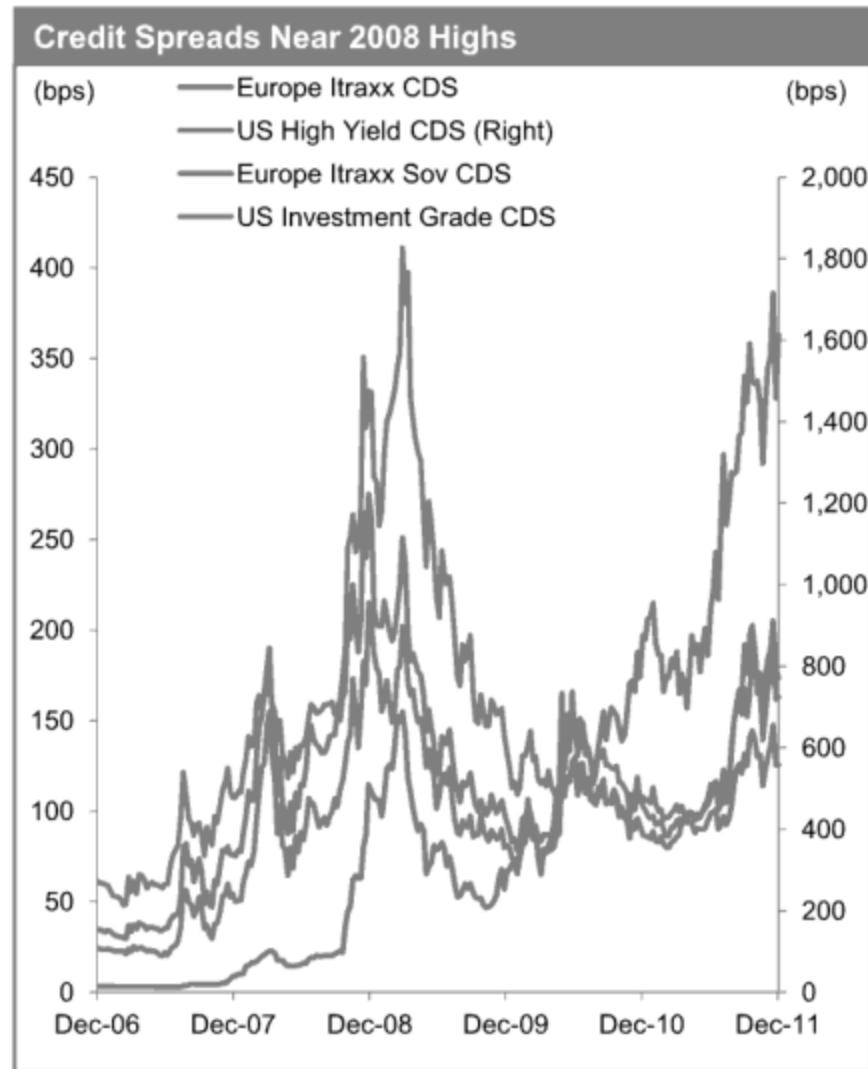
Source: Factset, Bloomberg, As of 12/30/11



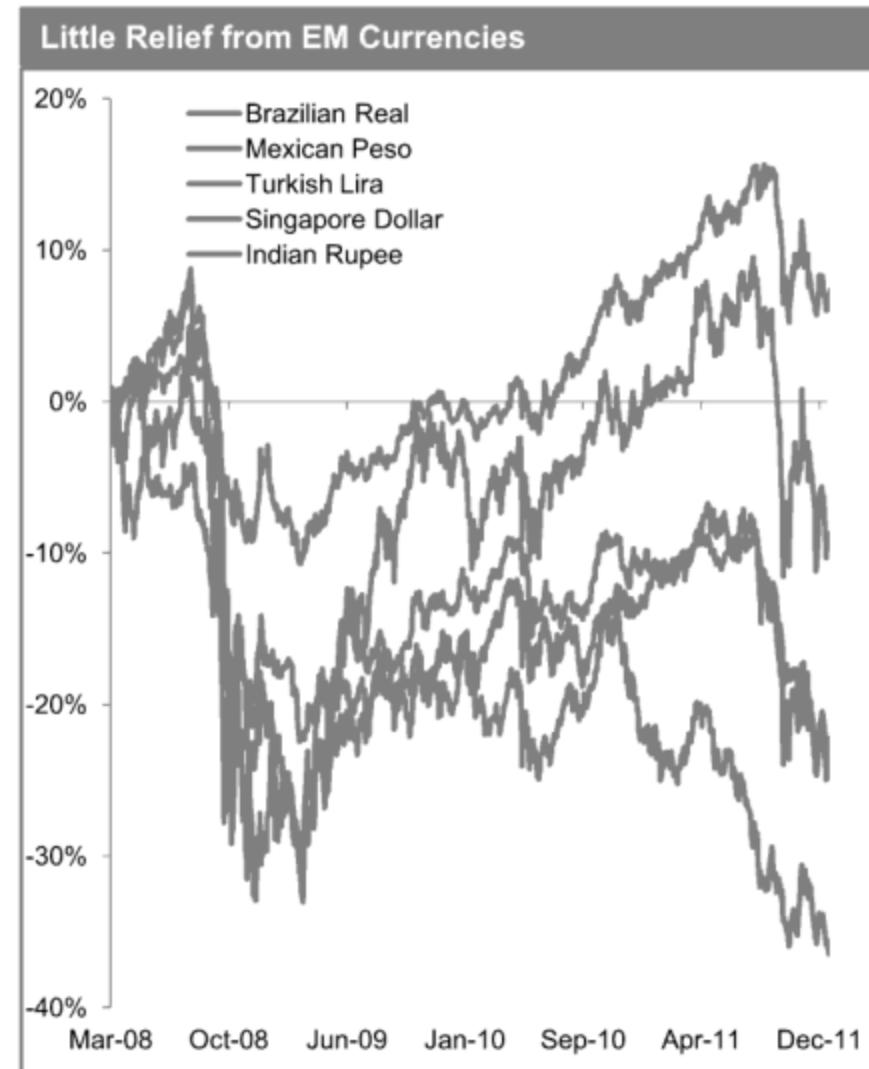
Source: Bloomberg, As of 12/30/11

## Markets Are Pricing In A Lot Of Bad News (con't)...

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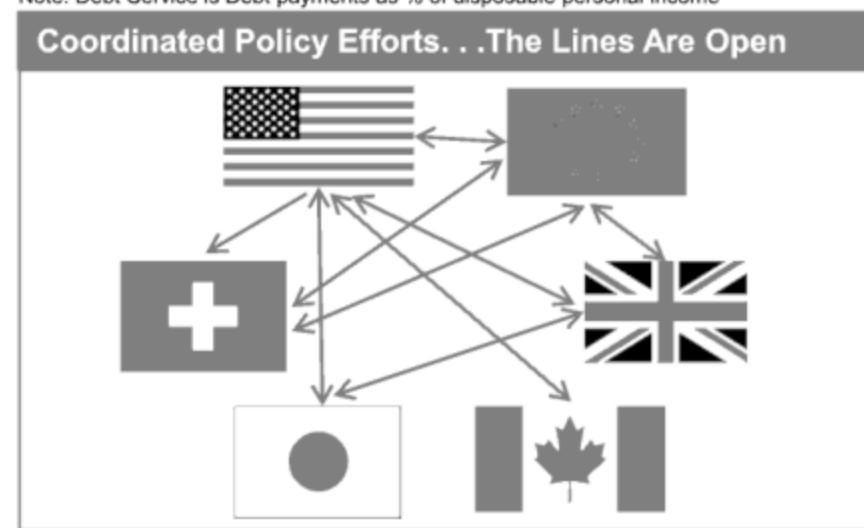
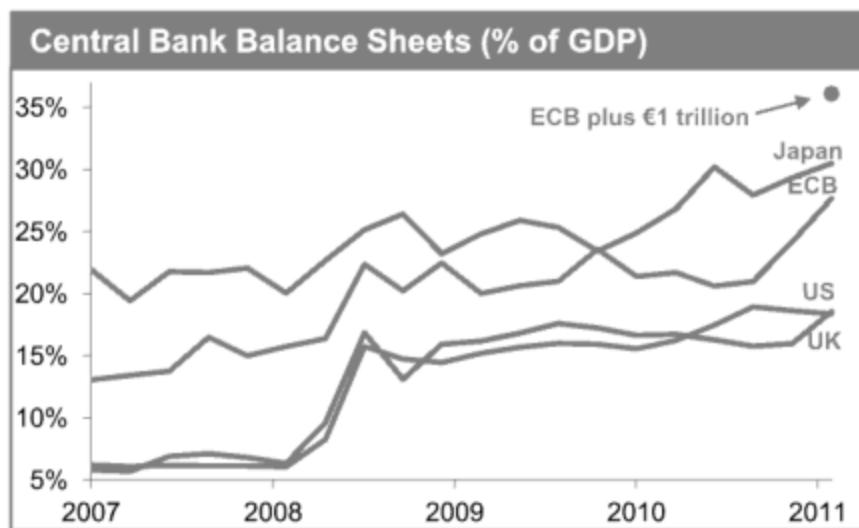
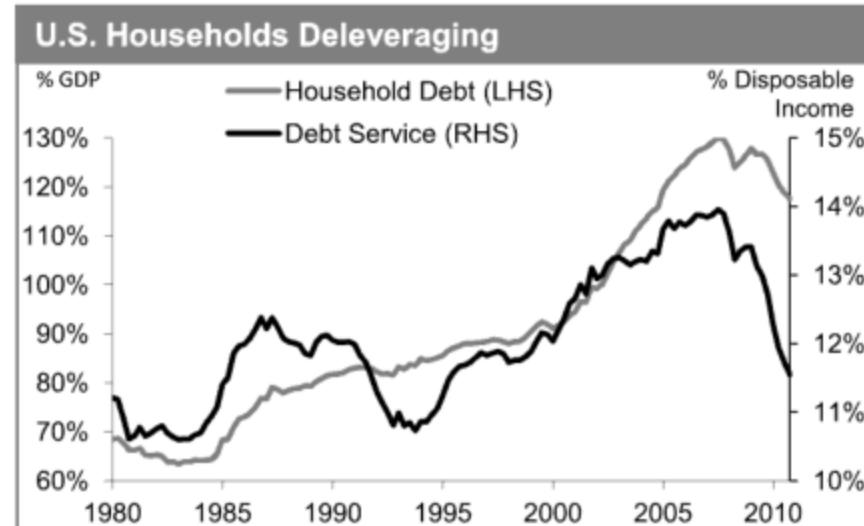
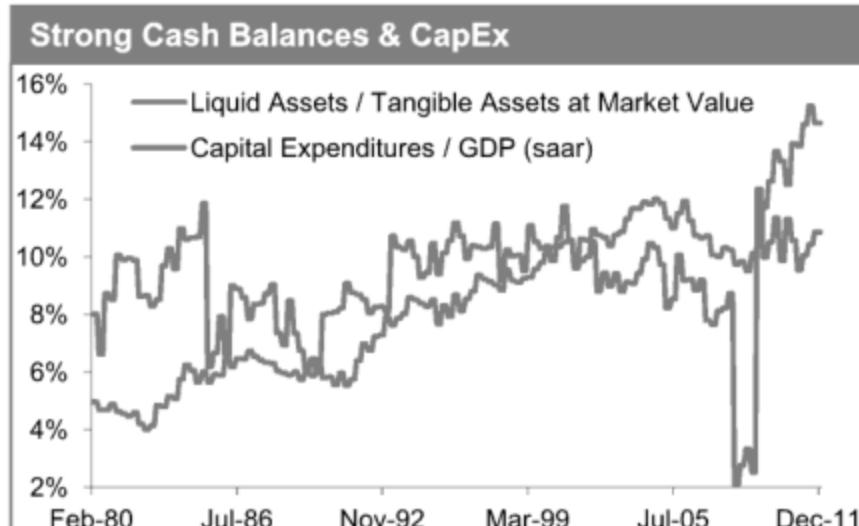


Source: DataQuery, As of 12/30/11



Source: Bloomberg, As of 12/30/11

## ...But This Is Not 2008

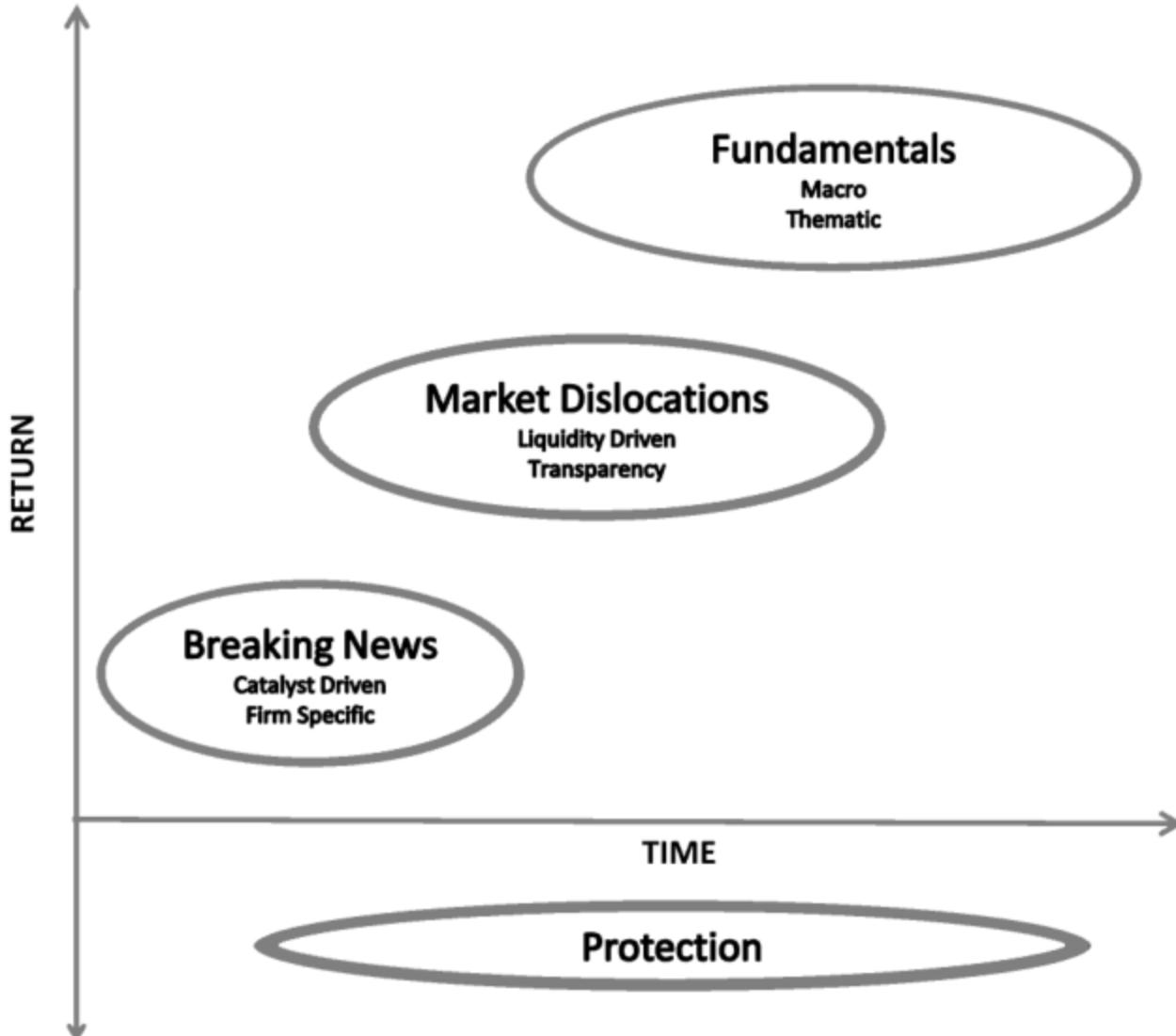


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# GIO: Approach to Absolute Return Investing

We are asset class agnostic

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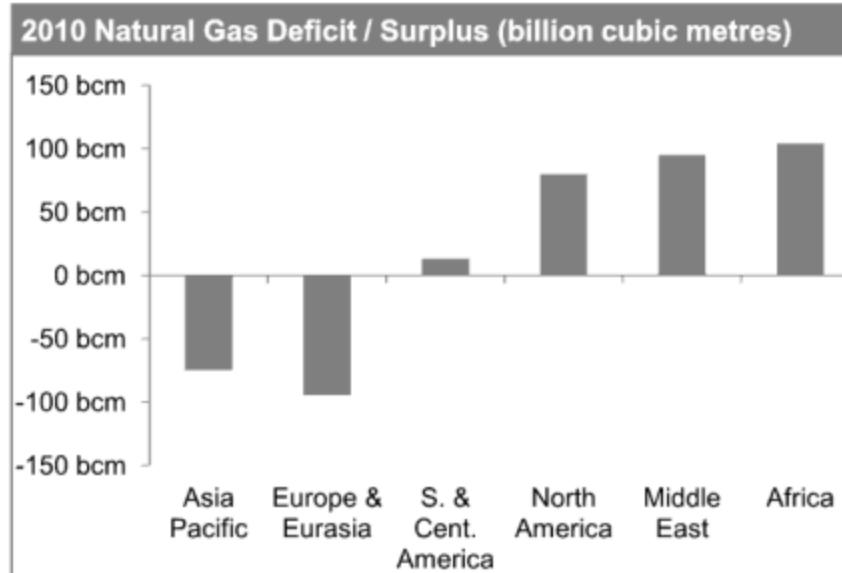
## SOURCES:

- Global Yield Curve
- Global Equity Valuations
- JPM Strategy
- Market Anomalies
- Trade Journals
- JPM IB Research
- In-house asset class experts
- 3<sup>rd</sup> party investment professionals
- Macro view
- Client expertise

# Investment Opportunities

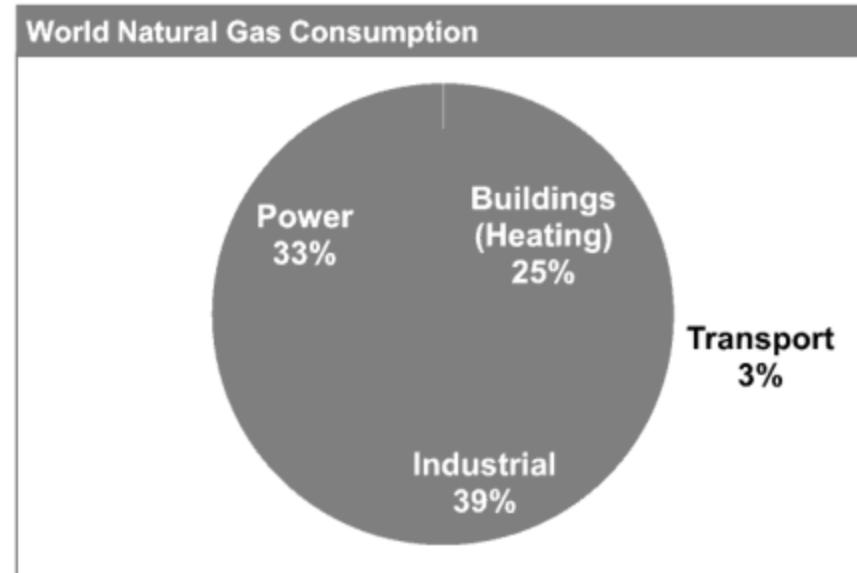
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## Globalization of Natural Gas

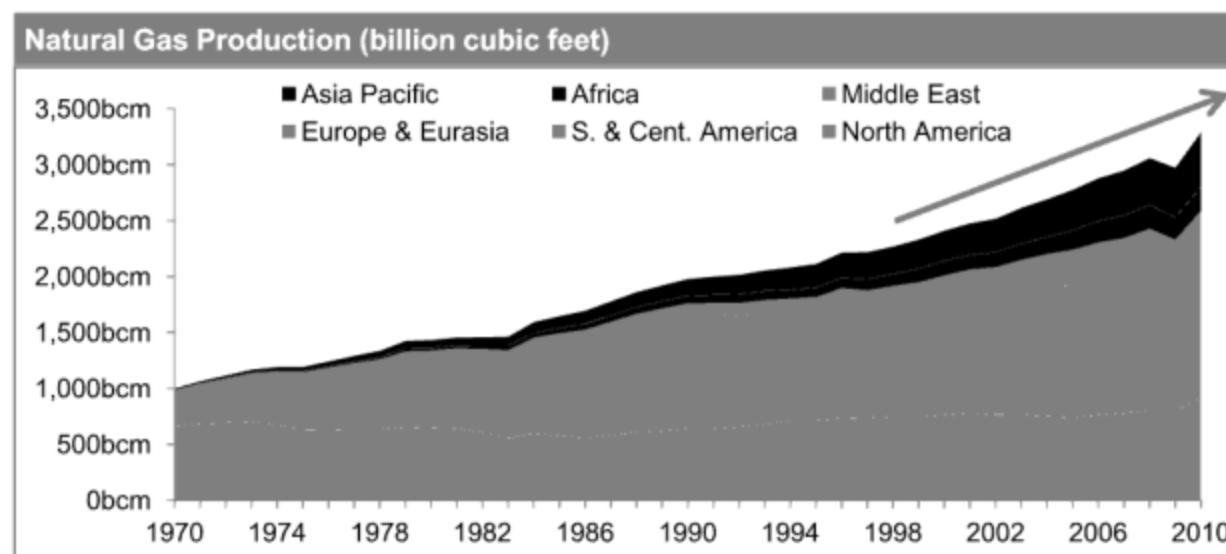


Source: BP Statistical Review, IEA Gas Scenario

Note: North America includes US Domestic Supply Stored

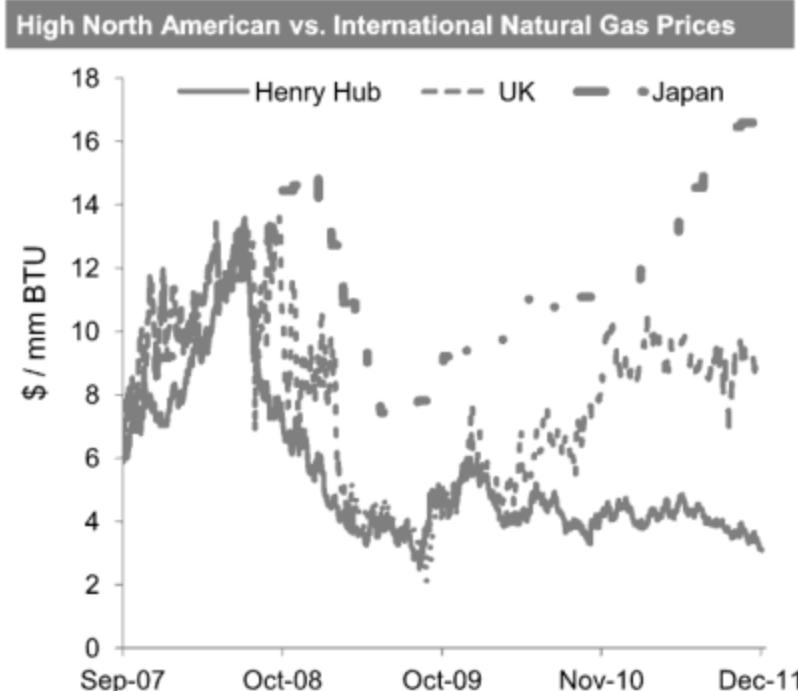


Source: International Energy Outlook, EIA, Sept 2011

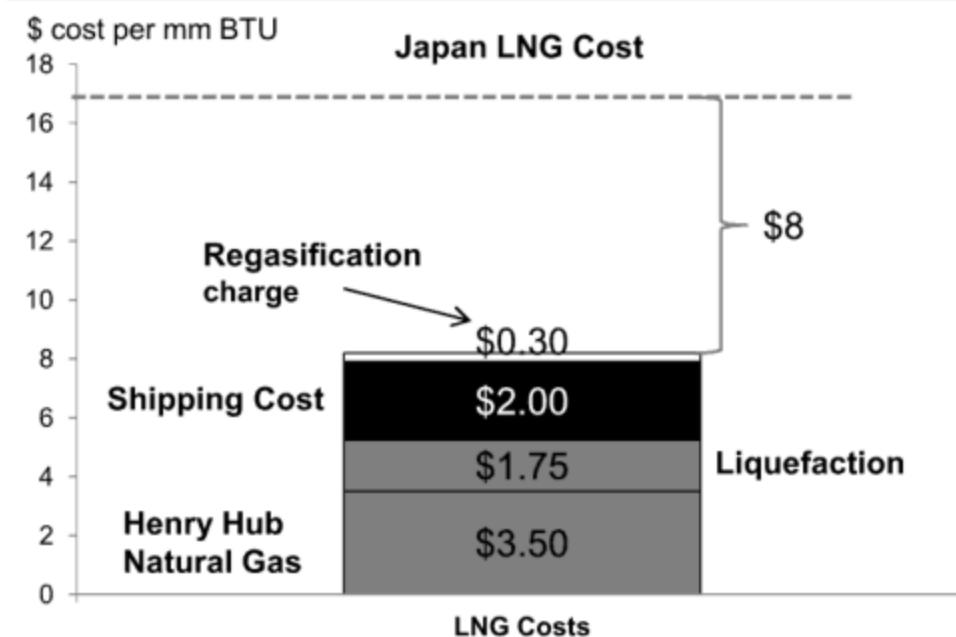


Source: BP Statistical Review 2011

## Globalization of Natural Gas



### Current Gas Prices Supportive of LNG Transport



### Trades

Longer Term	<b>Liquefaction</b>
	<b>Pipelines</b>
	<b>Exploration &amp; Production</b>
	<b>End Users</b>

E&C firms focused on global energy projects

MLPs

LNG sites/investments or shale investments near liquefaction sites

Fertilizer and Chemical Companies

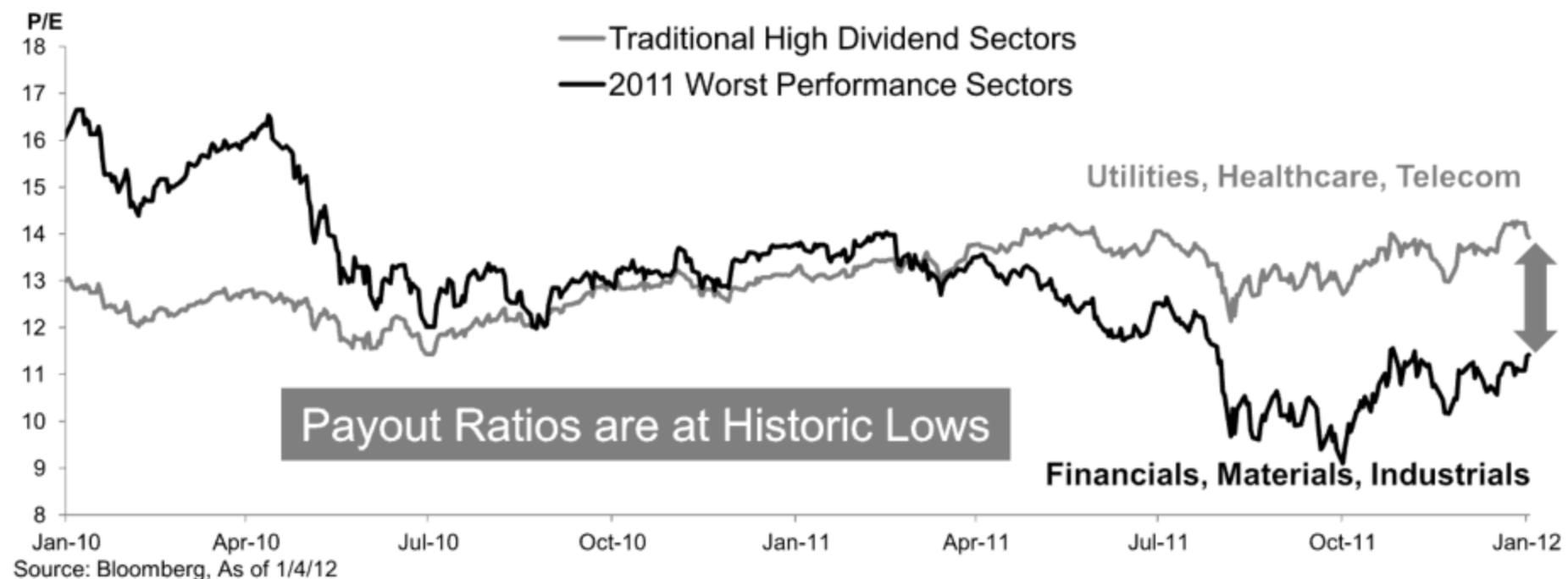
Source: JPMorgan, Alliance Bernstein, Guggenheim Research, Cheniere Energy, Data as of: 12/30/11

## Dislocation: Searching for Cheap Income

### Criteria

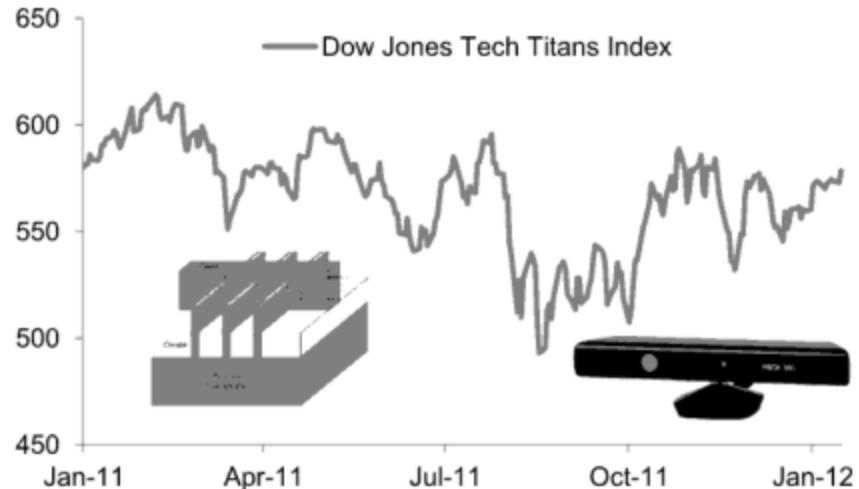
- S&P 500 Sectors that declined in 2011
- Stocks that declined in 2011
- Dividend Yield above the S&P 500
- Payout Ratio < 50%
- Market Cap > \$10b
- P/E Ratio < Sector Average

### Rotation in Sector Valuations

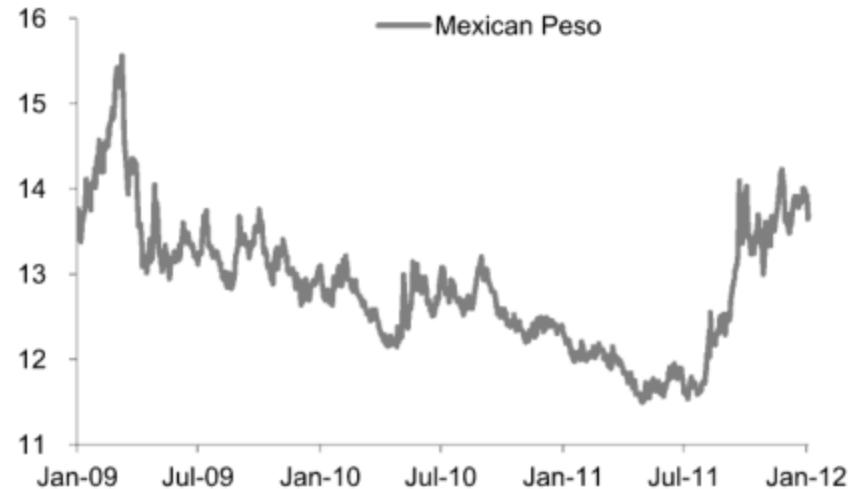


## Tactical Trading Opportunities

### Buy Technological Game Changers



### Buy MXN Peso



### Sell Calls on 10yr Treasuries



Source: Bloomberg, J.P. Morgan

### Buy Calls on Asia Equity Upside



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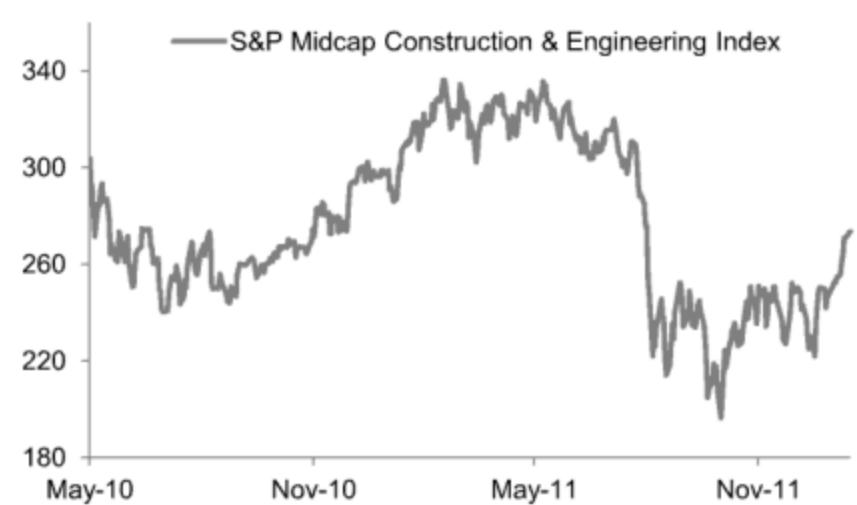
# Tactical Trading Opportunities

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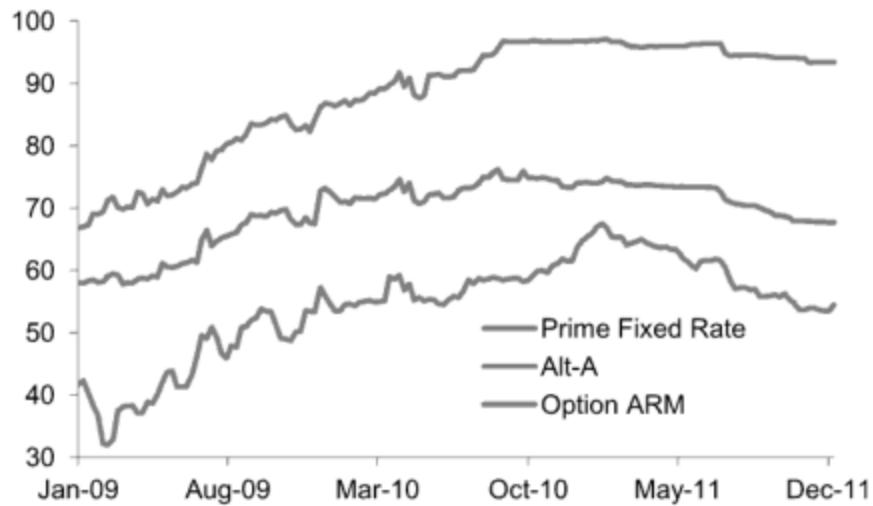
## Buy South American Oil Company



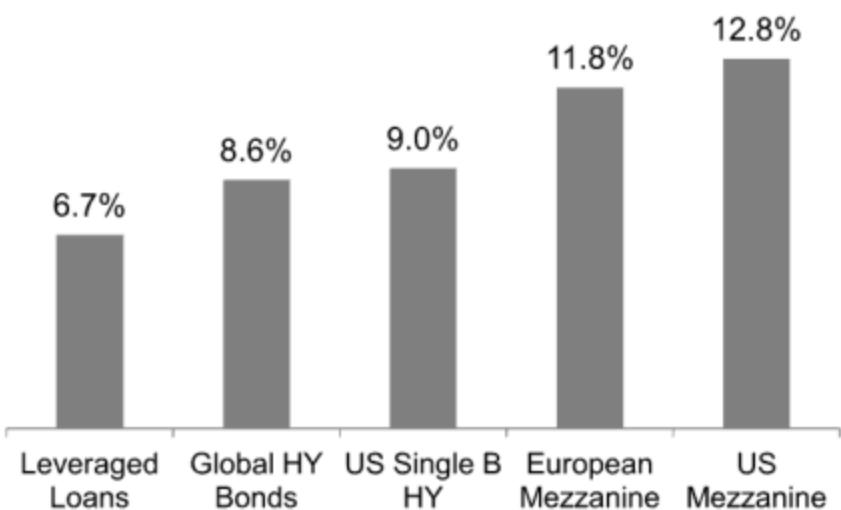
## Buy Flood Control Companies



## Buy Private Label MBS



## Buy Private vs. Public Credit (YTM)

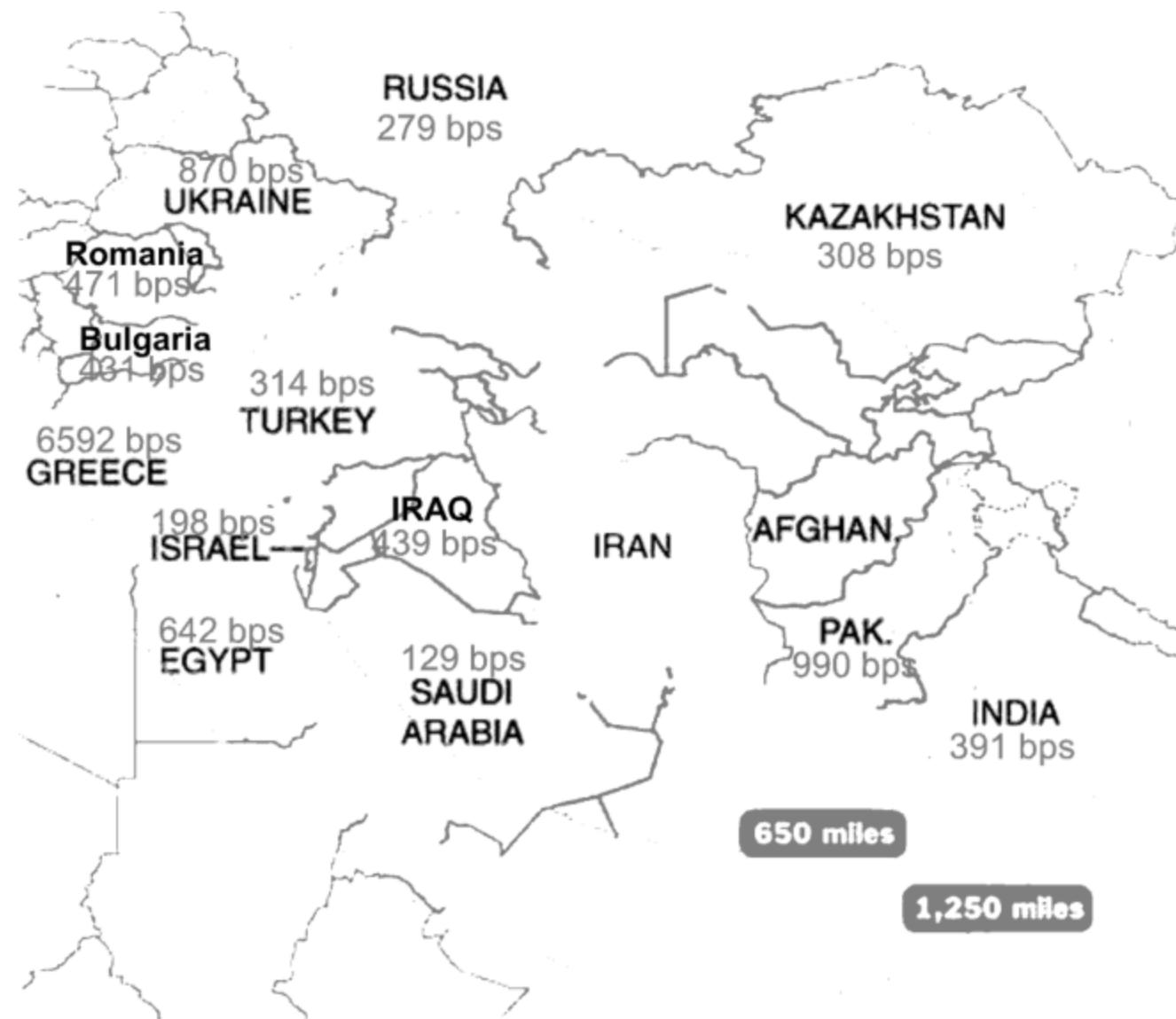


Source: Bloomberg, JPMorgan, S&P LCD, LCD European Mezzanine Review, Highbridge Principal Strategies, As of 1/4/12

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## Wildcard: Middle East



Source: Bloomberg, Data as of 1/6/12

## Protection Ideas

### Gold



### VIX



### EUR / German 10yr Rates



Source: All data from Bloomberg, As of 1/9/12

### Long AUD Rates



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## Definition of Indices

**S&P 500 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.

**Hang Seng** - The Hang Seng Index is a free-float capitalization-weighted index of a selection of companies from the Stock Exchange of Hong Kong.

**EuroStoxx 50** – The Euro Stoxx 50 Index is a free-float market capitalization-weighted index of 50 European blue-chip stocks from those countries participating in the EMU.

**European Itraxx** – Itraxx Europe index comprises 125 equally weighted CDS on investment grade European corporate entities.

**Barclays Aggregate Bond Fund** - The Barclays Aggregate Bond Fund is a market capitalization-weighted index, of U.S. traded investment grade bonds including Treasury securities, Government agency bonds, Mortgage-backed bonds, Corporate bonds, and a small amount of foreign bonds traded in the U.S.

**London Interbank Offered Rate** - daily reference rate at which banks borrow unsecured funds from banks in the London wholesale money market. It is set daily by the British Bankers' Association.

**Commercial Paper** – money market security with a fixed maturity of 270 days or less. It is sold by banks and corporations for short term financing needs.

**JPMorgan Domestic High Yield Bond Index** – index tracking U.S. high yield bond securities selected by J.P.Morgan.

**JPMorgan US Liquid Index (JULI)** – index tracking U.S. high grade bond securities selected by J.P.Morgan.

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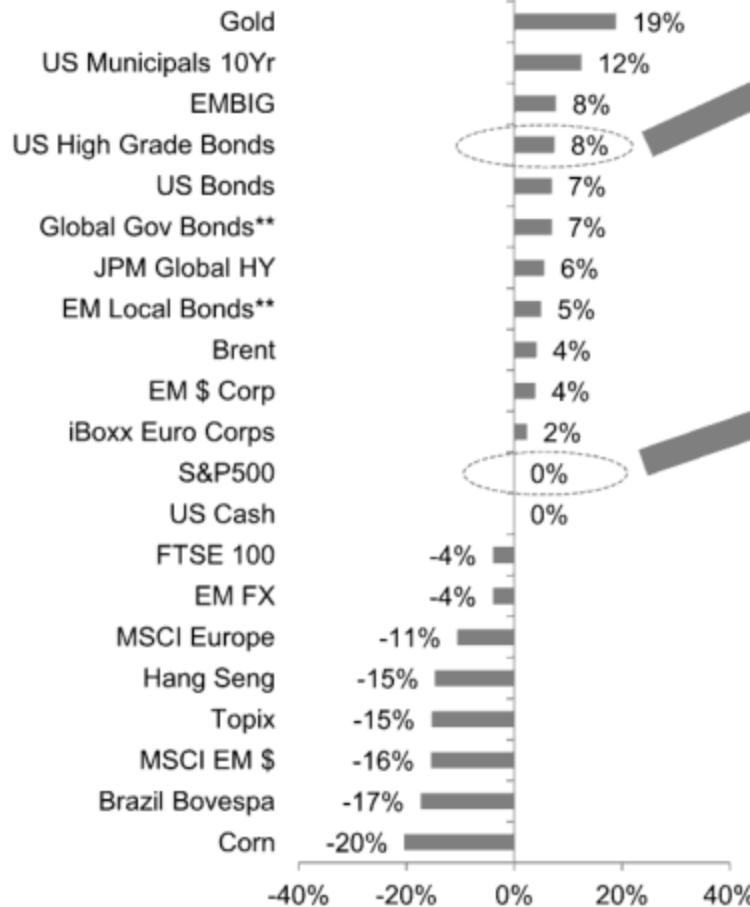
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Additional information is available upon request.

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## Market Snap-Shot

### Global YTD Returns (As of 12/30/11)



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

### Barclays Agg Index



### S&P 500 Sector Performance

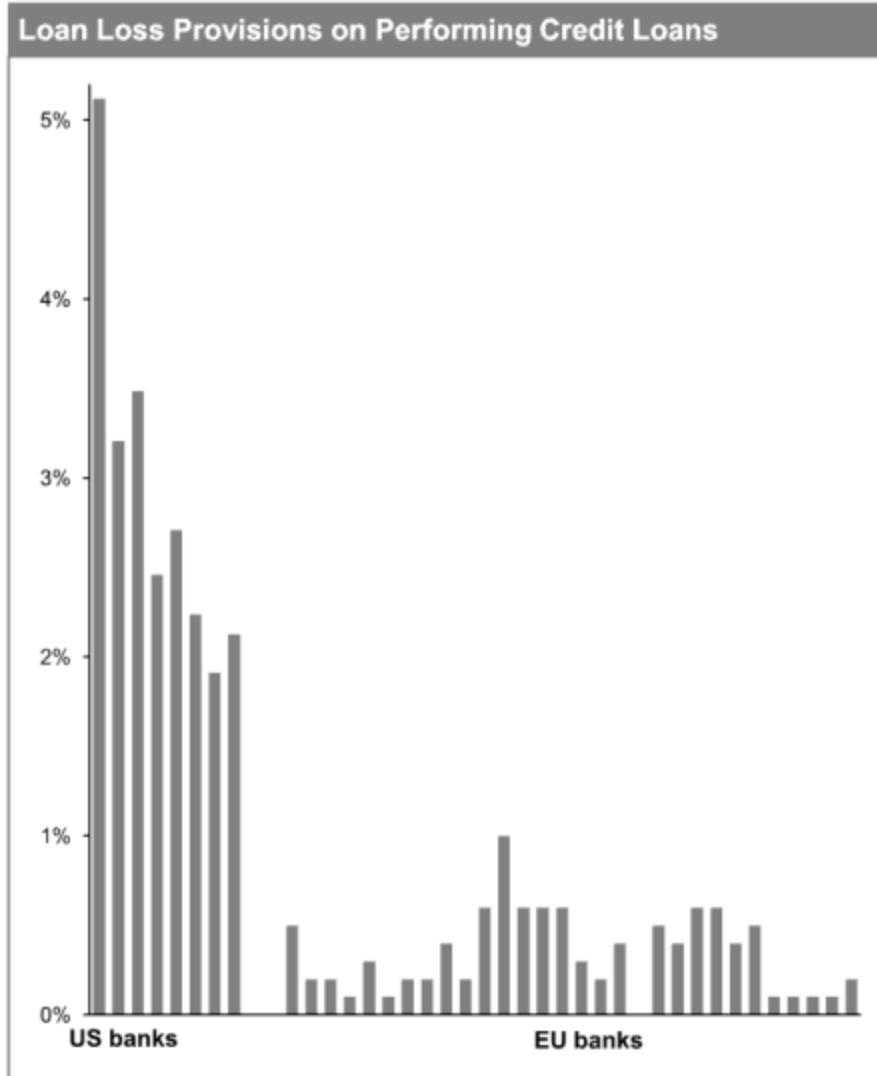
Utilities	14.8%
Consumer Staples	10.5%
Health Care	10.2%
Consumer Discretionary	4.4%
Energy	2.8%
Information Technology	1.3%
Telecommunication Services	0.8%
S&P 500	0.0%
Industrials	-2.9%
Materials	-11.6%
Financials	-18.4%

### S&P 500 YTD Market Return Distribution

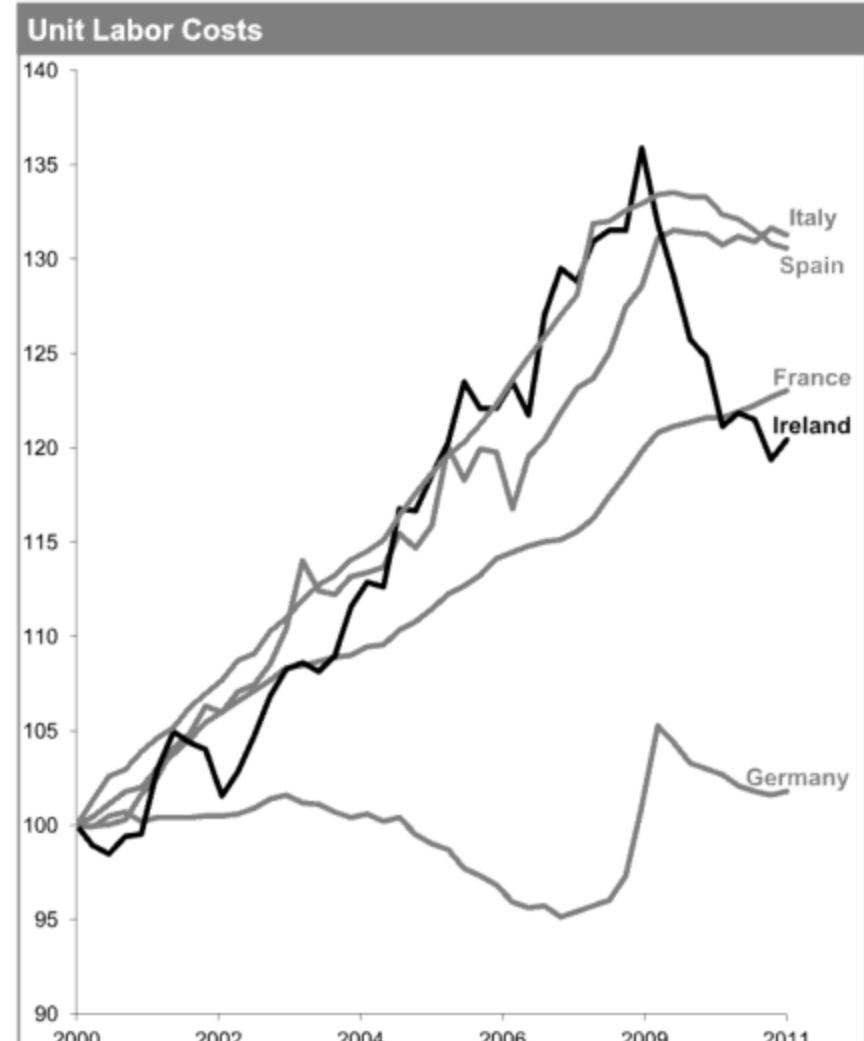
	Price Return	Total Return
# Positive	237	247
# Negative	263	253

Source: Bloomberg, through 12/30/11

## Loan Loss Provisions and Unit Labor Costs



Source: European Banking Authority, US 10-Ks. Data as of Dec '10



Source: OECD, Note: index, 1Q00, sa