

The Week in Review

- ISM nonmanufacturing index cooled a bit to 55.2 for Jan.
- Jobless claims came down to 366k, generally in line with trend.
- Productivity fell 2% in 4Q12 on flat output and rising employment costs.
- The trade deficit shrank in Dec., which should help 4Q12 GDP be revised up.

The Week Ahead

- NFIB Small Business Optimism Index
- Retail sales & Business inventories
- Jobless claims
- Empire State Mfg, Industrial production & Consumer sentiment

Thought of the Week

Correlation, or the degree to which things move together, is a backbone of financial diversification, as a mix of lowly correlated assets should provide smoother returns - when one zigs, another zags and investor returns are somewhere in the middle. As we show on p. 15 of the Guide to the Markets, correlations spike in periods of crisis, as macro events are indiscriminately priced into the market. Of course not all companies should be priced the same way; so periods of high correlation, like those shown in this week's chart, can provide opportunities for informed investors. While correlations among stocks have fallen to more normal levels recently, if macro risks combine with policy intervention once again, correlations could very well spike again, creating both fear and opportunity for long-term investors.

Weekly Data Center

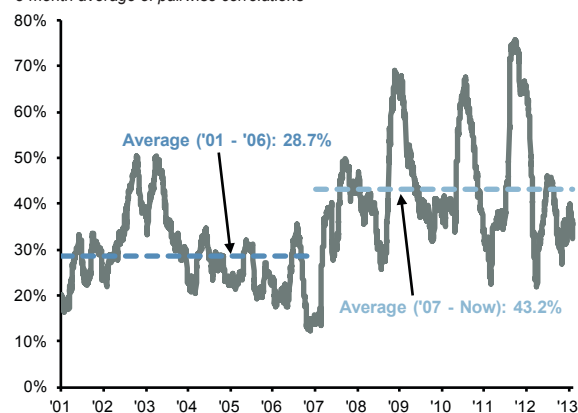
Equities	Level	Index Returns (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
S&P 500	1518	0.38	6.64	6.64	15.02	53.11
Dow Jones 30	13993	-0.07	7.15	7.15	11.56	53.03
Russell 2000	2271	0.29	7.64	7.64	11.93	62.22
Russell 1000 Growth	460.28	0.51	5.91	5.91	11.98	54.48
Russell 1000 Value	476.33	0.37	7.89	7.89	18.29	54.33
MSCI EAFE	1673	-1.44	4.40	4.40	12.45	27.34
MSCI EM	1061	-1.09	0.65	0.65	3.01	28.69
NASDAQ	3194	0.56	5.89	5.89	11.03	55.25

Fixed Income	Yield	Index Returns (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
U.S. Aggregate	1.91	0.17	-0.61	-0.61	3.01	17.07
U.S. Corporates	2.82	0.35	-0.73	-0.73	6.73	26.91
Municipals (10yr)	2.01	0.18	0.38	0.38	4.91	21.99
High Yield	6.70	-0.38	1.01	1.01	12.43	40.86

Key Rates	Levels (%)					
	2/8/13	2/1/13	12/31/12	12/31/12	2/8/12	2/8/10
2-yr U.S. Treasuries	0.25	0.27	0.25	0.25	0.27	0.79
10-yr U.S. Treasuries	1.99	2.04	1.78	1.78	2.01	3.62
30-yr U.S. Treasuries	3.17	3.21	2.95	2.95	3.14	4.52
10-yr German Bund	1.61	1.67	1.31	1.31	1.98	3.13
3-mo. LIBOR	0.29	0.30	0.31	0.31	0.51	0.25
3-mo. EURIBOR	0.23	0.24	0.19	0.19	1.09	0.67
6-mo. CD rate	N/A	0.28	0.33	0.31	0.53	0.30
30-yr fixed mortgage	3.73	3.73	3.52	3.52	4.05	4.94
Prime Rate	3.25	3.25	3.25	3.25	3.25	3.25

Chart of the Week

Correlation Among Stocks in the S&P 500
3-month average of pairwise correlations



Style Returns

	V	B	G
L	0.4	0.4	0.5
M	0.9	0.6	0.4
S	0.2	0.3	0.4

	V	B	G
L	7.9	6.6	5.9
M	9.3	8.5	7.6
S	7.2	7.6	8.1

S&P 500 Sector Returns

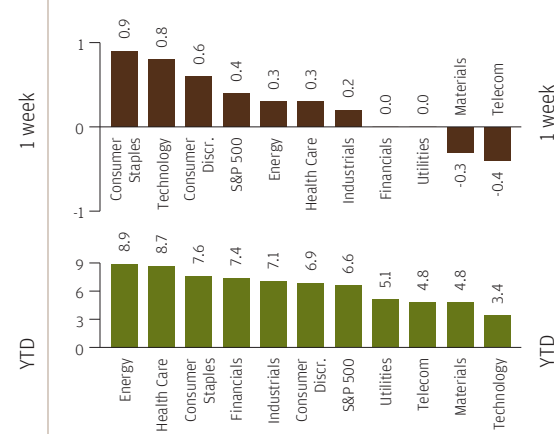


Chart of the Week: Source: S&P Case-Shiller, BEA, J.P. Morgan Asset Management.

Thought of the week: Source: J.P. Morgan Asset Management.

Equity Price Levels and Returns: All returns represent total return 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: S&P Dow Jones Indices LLC. 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. Index: Nasdaq Composite; provided by: NASDAQ OMX Group.

MSCI EAFE is a Morgan Stanley Capital International Index that is designed to measure the performance of the developed stock markets of Europe, Australasia, and the Far East.

Bond Returns: All returns represent 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.

Key Interest Rates: 2 Year Treasury, FactSet; 10 Year Treasury, FactSet; 30 Year Treasury, FactSet; 10 Year German Bund, FactSet. 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. Dow Jones UBS Commodity Index, S&P Dow Jones Indices LLC.

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 methodology. 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: Russell 1000 Value Index (Measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values), 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 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 February 8, 2013 or as of most recently available.