



Market Analysis, Research & Education

A unit of Fidelity Management & Research Co.

Q2 2010 Market Update

*The **Market Analysis, Research and Education (MARE)** group, a unit of Fidelity Management & Research Co. (FMRCo.), provides timely analysis on developments in the financial markets.*



Topics

- 4 **Market Summary**
- 4 **Economy / Macro Backdrop**
- 4 **Quarterly Theme: *Understanding the Sovereign Debt Problem***
- 4 **U.S. Equity Markets**
- 4 **International Equity Markets & Global Assets**
- 4 **Fixed-Income Markets**
- 4 **Long-Term Investing Themes**



Q2 2010 Market Summary

- 4 **Volatility and risk aversion returned to global capital markets**
 - Greek sovereign debt crisis weighed on Europe; slower global growth expected
 - Credit market improvement trend hit speed bump; some borrowing costs moved higher
 - Developing markets led continued recovery; weak employment dampened U.S. outlook
 - Deflationary forces gathered steam, though many reflationary monetary policies still in place

- 4 **U.S. stocks suffered a correction, worst quarter since 2008**
 - Across-the-board declines; no segments spared
 - Defensive-oriented sectors held up best; materials, financials and energy lagged
 - U.S. corporate profit growth & confidence remained favorable; valuations fell below average

- 4 **Foreign stocks also tumbled; gold was one of few global bright spots**
 - Europe hit hardest amid sovereign debt turmoil; emerging-market stocks held up best
 - Falling foreign currencies generally worsened returns for U.S. investors

- 4 **Risk aversion in fixed-income markets caused flight to U.S. Treasuries**
 - Credit spreads widened some, though still far below 2008 panic levels
 - Treasuries posted best returns; leveraged loans and high-yield corporate bonds declined
 - Expectations for Fed rate increases pushed out until 2011

Past performance is no guarantee of future results.



Q2 2010: Major Factors That Affected the U.S. Market

Positive

Monetary Policy
Corporate Earnings

Neutral

Fiscal Policy
Inflation
Valuations
Energy Prices

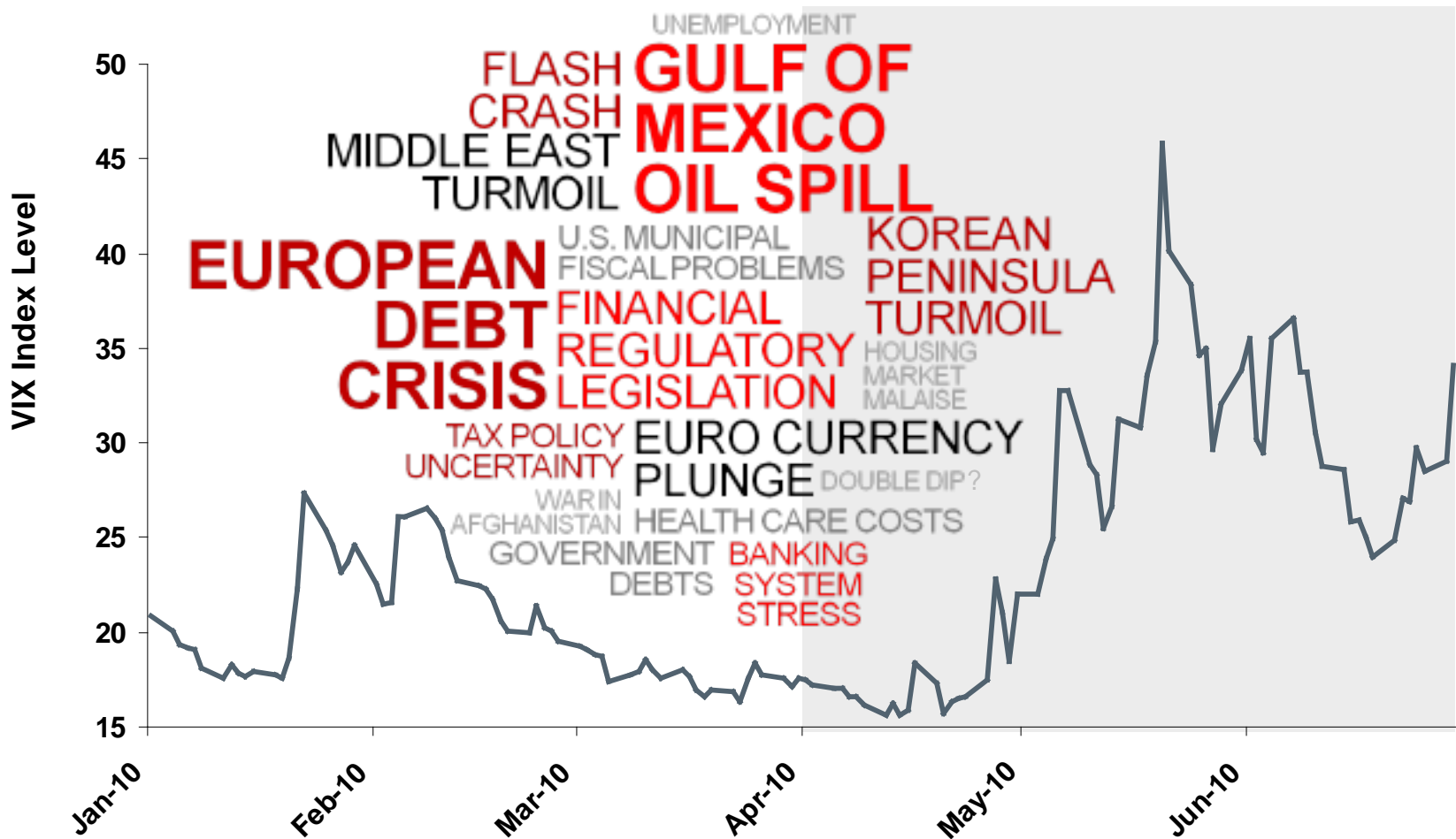
Negative

Credit Conditions
Economic Activity

Economy / Macro Backdrop

Volatility Returned and "Fear Gauge" Spiked

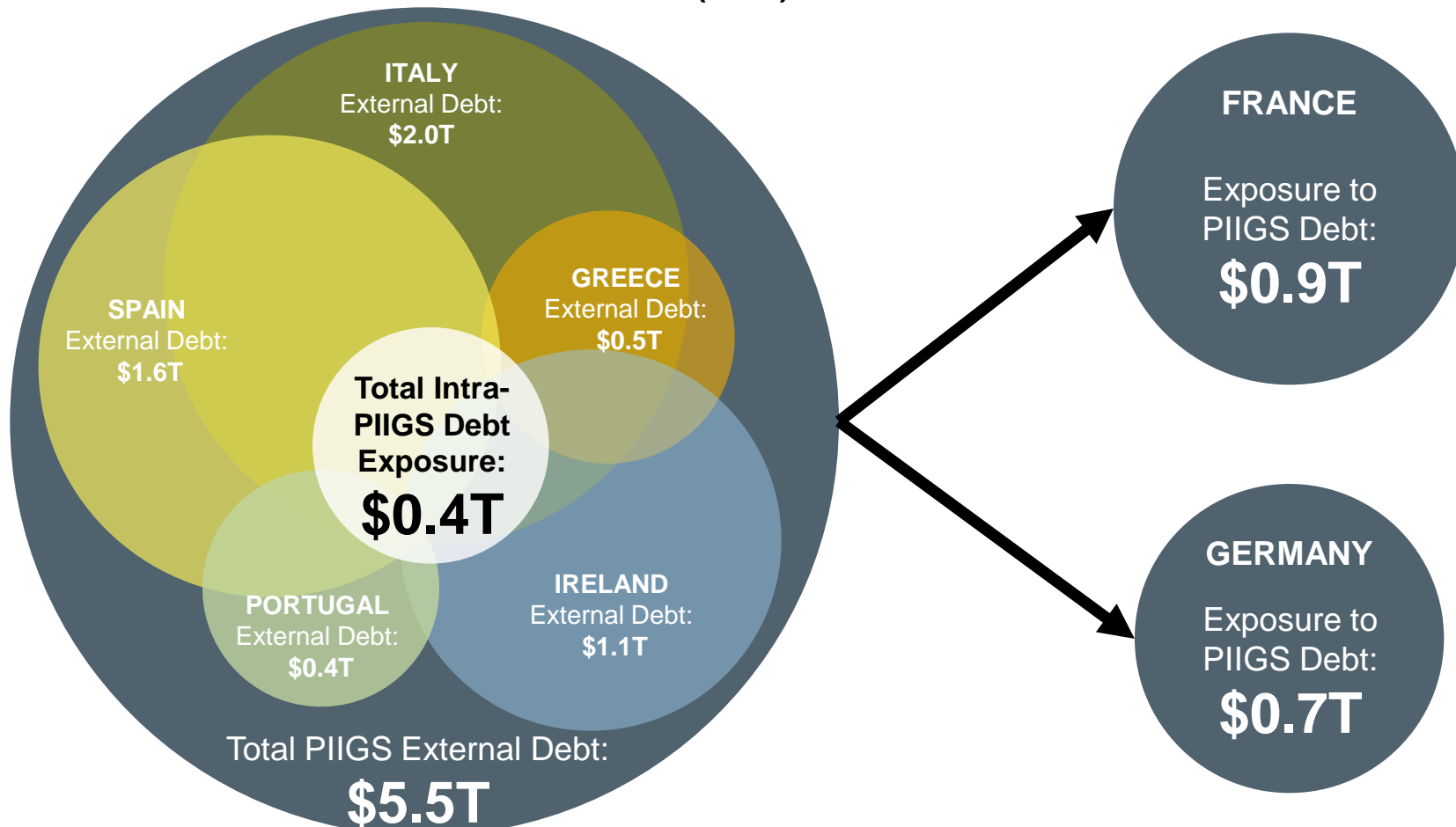
VIX and News Headlines (2010)



VIX = Chicago Board Options Exchange Volatility Index. Source: Wall Street Journal, Haver Analytics, FMRCo. (MARE) as of 6/30/10.

Intertwined Sovereign Debt and Banking Exposures Dampened Europe's Outlook

External Government and Bank Debt (2009)

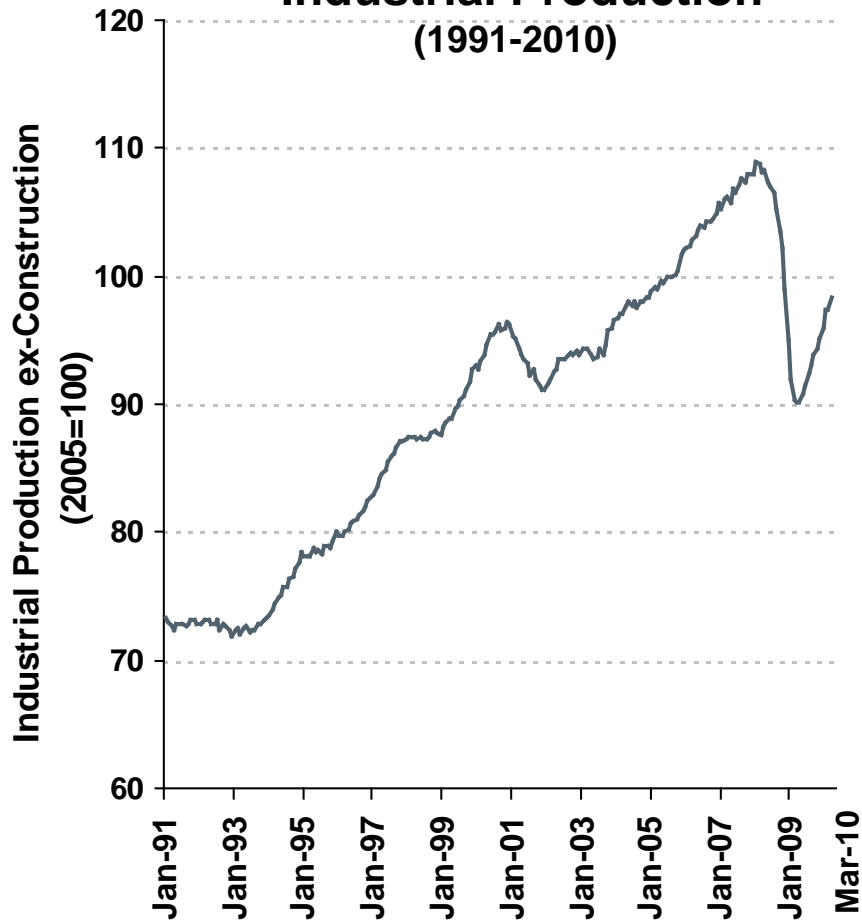


PIIGS = Portugal, Ireland, Italy, Greece, and Spain. Actual sum of total PIIGS external debt may be slightly different than what is shown above due to rounding. External Debt: the respective country's gross external government and bank debt. Debt exposure: the total exposure of deposit-taking institutions headquartered in one country to the deposits, loans, and advances to entities in a foreign country. T=\$ trillion. Source: Bank for International Settlements, Haver Analytics, FMRCo. (MARE) as of 12/31/2009.



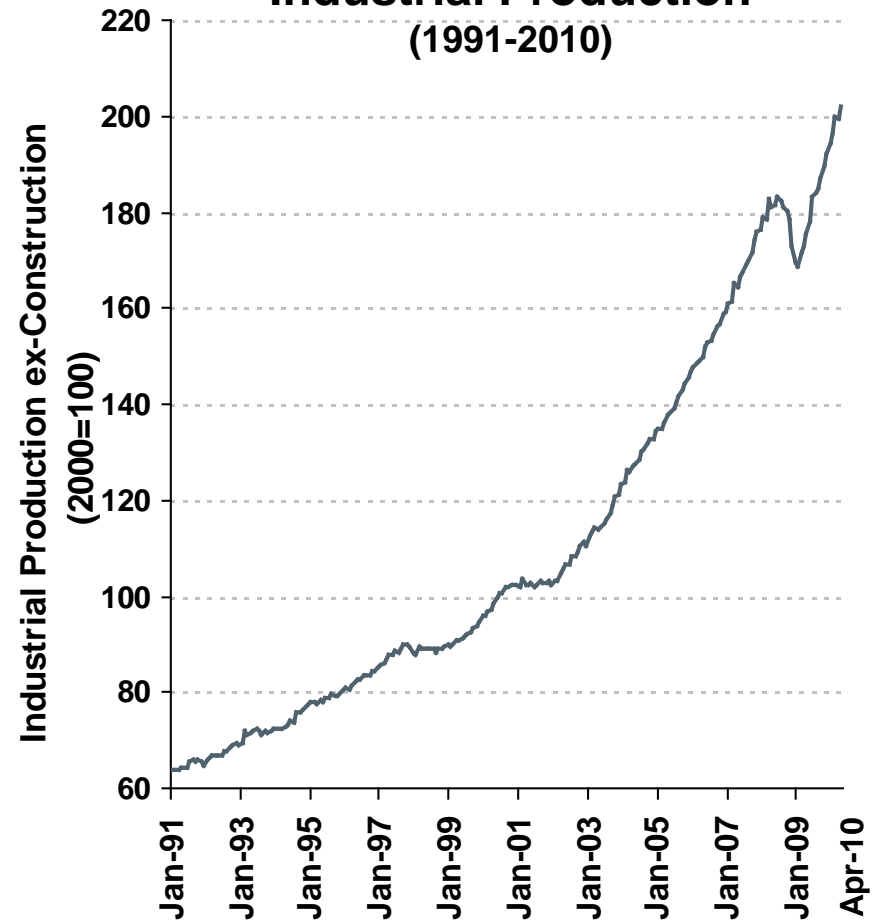
Developing Countries Continued to Lead Global Recovery

Developed-Country Industrial Production (1991-2010)



Industrial production data for all Organisation for Economic Co-operation and Development (OECD) countries. See appendix for country list. Source: OECD, Haver Analytics, FMRCo (MARE) as of 3/31/10.

Developing-Country Industrial Production (1991-2010)

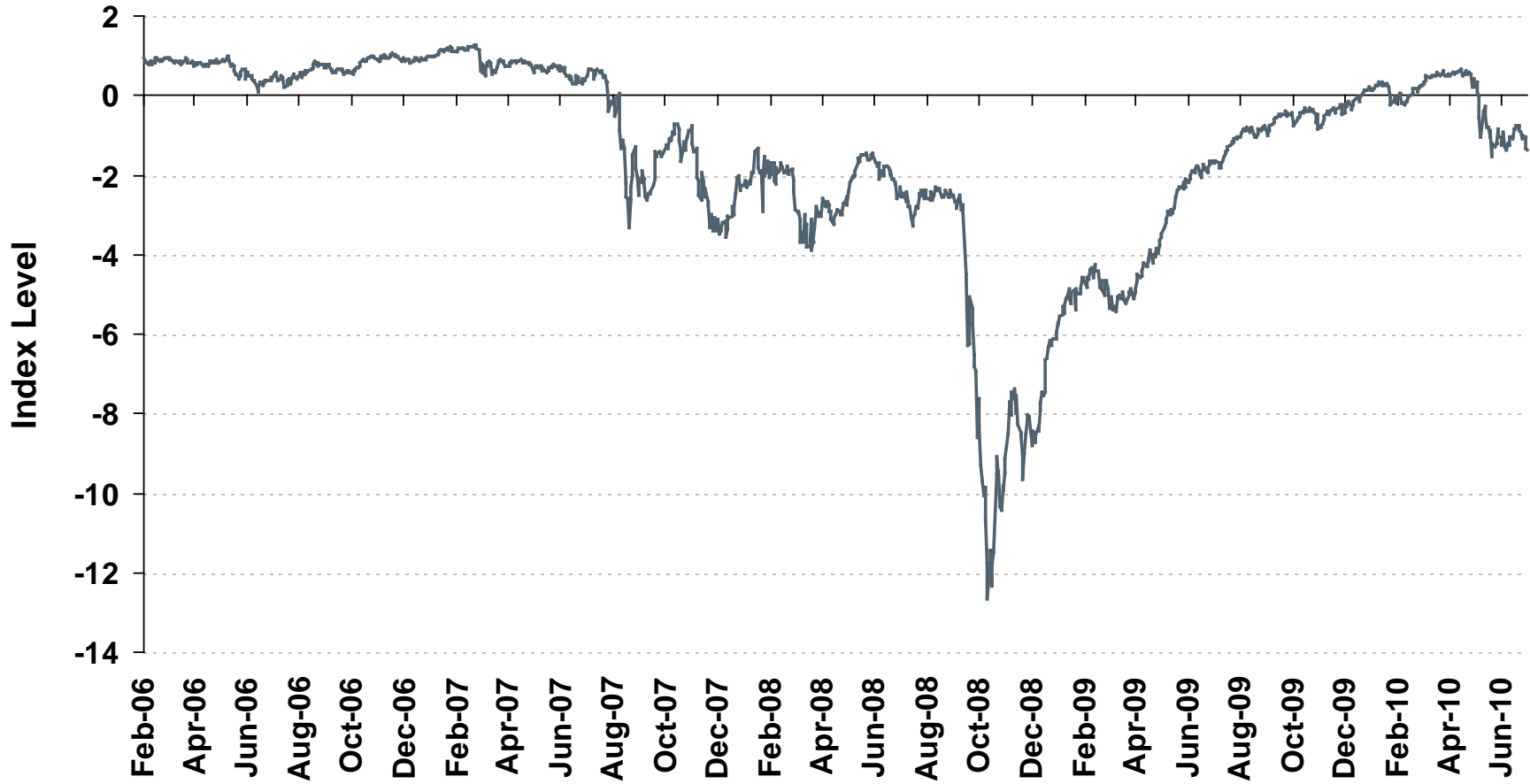


See appendix for country list of emerging markets and developing countries. Source: Netherlands Bureau for Economic Policy Analysis, Haver Analytics, FMRCo (MARE) as of 4/30/10.



Credit Markets Worse But Not Panicked

Bloomberg Financial Conditions Index (2006-2010)



Source: Bloomberg, FMRCo (MARE) as of 6/30/10. Please refer to the appendix for important index information.



Business Confidence: Fragile But Rising Trend Remained Intact

ISI Survey of Corporate Spending Plans

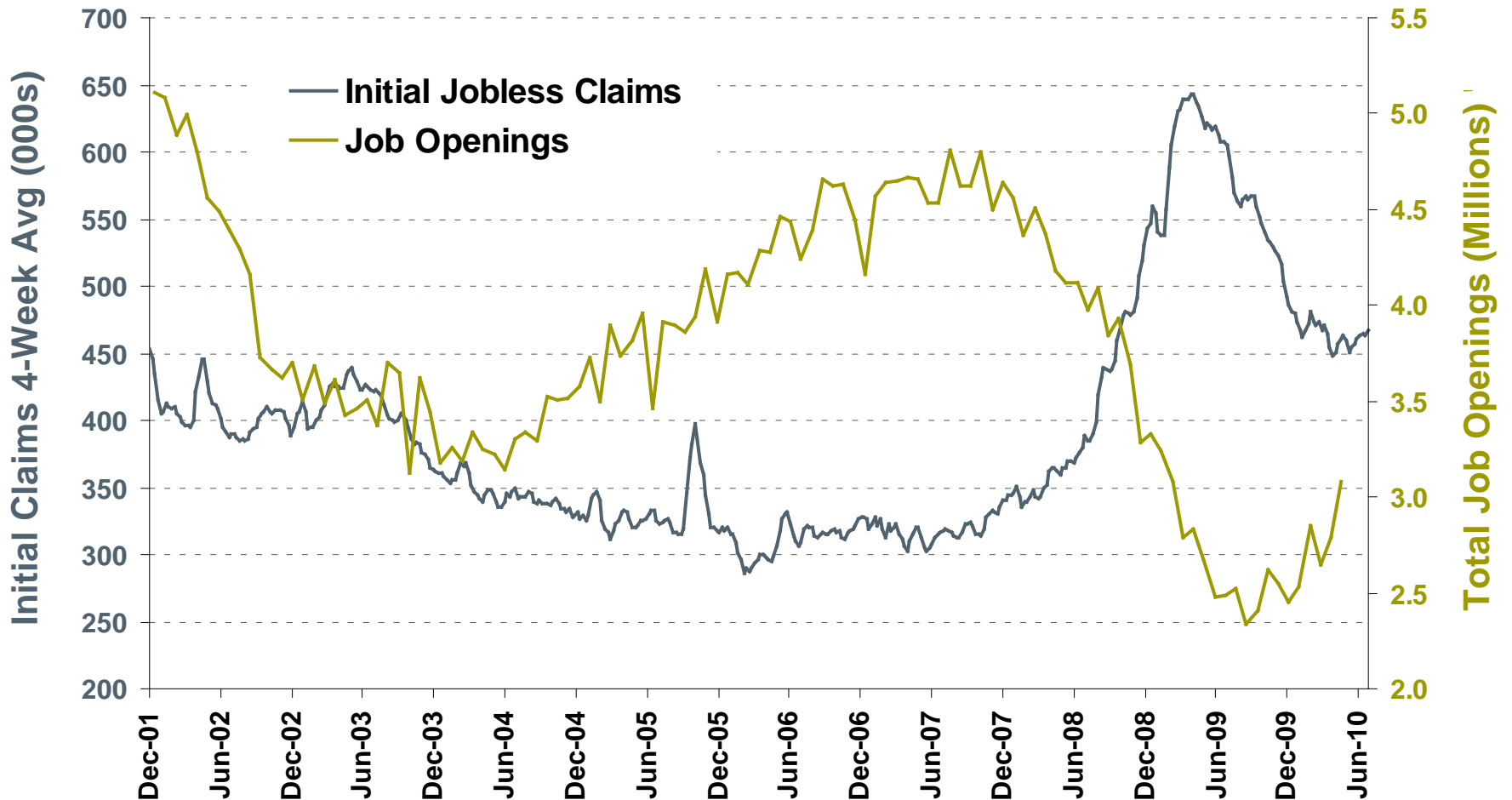
Net % (% Increase minus % Decrease)

	Capital Spending	Employment
2003	+3%	
2004	+20%	
2005	+52%	
2006	+38%	
2007	+25%	+9%
2008	+10%	-11%
2009	-47%	-66%
2010 (Nov 2009)	+26%	+10%
*2010 (May 2010)	+49%	+30%

*Data reflects CFO expectations for 2010 spending as of May 2010. All other data points reflect expectations for the stated year as of the prior November. Percentages shown reflect the rate of respondents (117 companies) stating plans to boost spending minus the rate of respondents stating an intent to reduce spending (net percentage). Hiring plans were not surveyed prior to 2007. Source: Investment Strategy & Investment (ISI) Group, FMRCo (MARE) as of 5/21/10.

Employment Trends Showed Slow Recovery

Initial Jobless Claims & Job Openings (2001-2010)

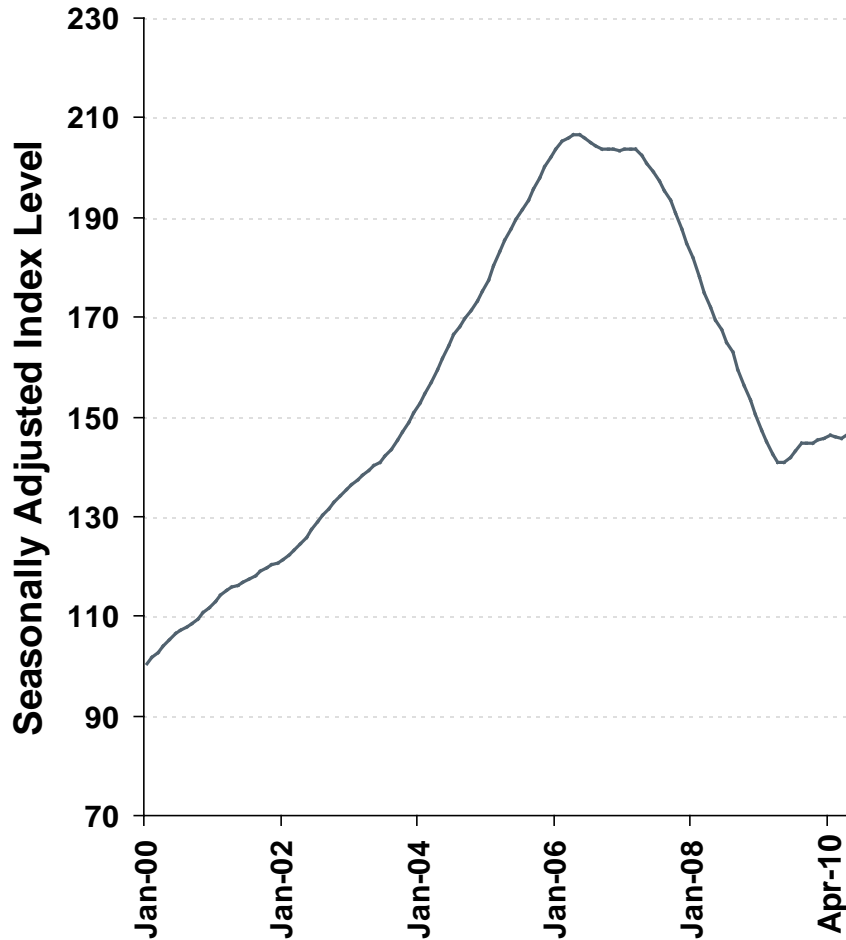


Source: U.S. Bureau of Labor Statistics, Department of Labor, Haver Analytics, FMRCo (MARE) as of 6/30/10. Job openings data through April 2010.



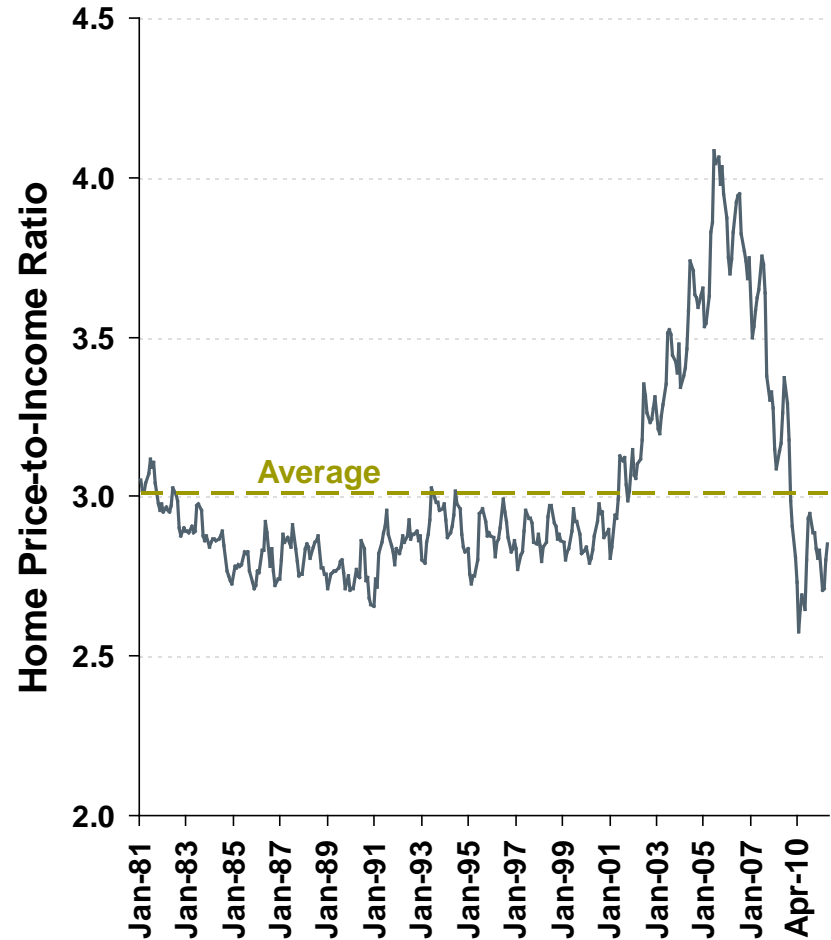
Housing Data Mixed, But Prices and Valuations Stabilized

Home Prices (2000-2010)



S&P Case-Shiller Composite 20 Price Index, seasonally adjusted.
Source: S&P, Fiserv, MacroMarkets LLC., Haver Analytics, FMRCo (MARE) as of 4/30/10.

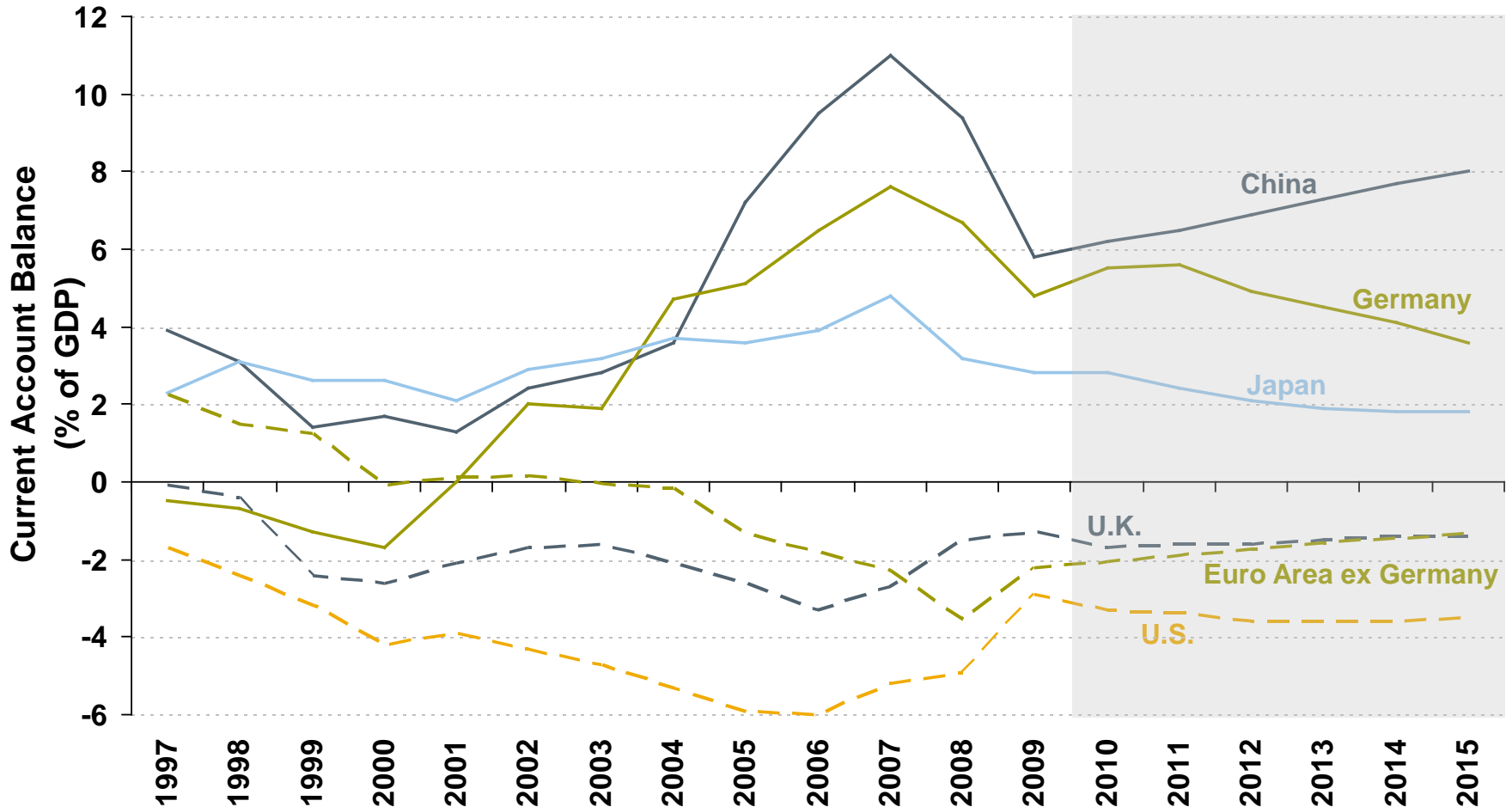
Home Price-to-Income Ratio (1981-2010)



Median Home Price-to-Median Family Income ratio shown.
Source: National Association of Realtors, Haver Analytics, FMRCo (MARE) as of 4/30/10.

Global Imbalances: Where Will Final Demand Come From?

Current Account Balance (1997-2015)



Shaded region indicates International Monetary Fund (IMF) forecasts. Source: IMF, Haver Analytics, FMRCo (MARE) as of 6/30/10.

Inflationary vs. Deflationary Forces

INFLATION

MONETARY POLICY

- 4 Low global interest rates
- 4 Quantitative easing (central bank balance sheet expansion)

DEFLATION

DELEVERAGING

- 4 Consumers
- 4 Financial system
- 4 Governments

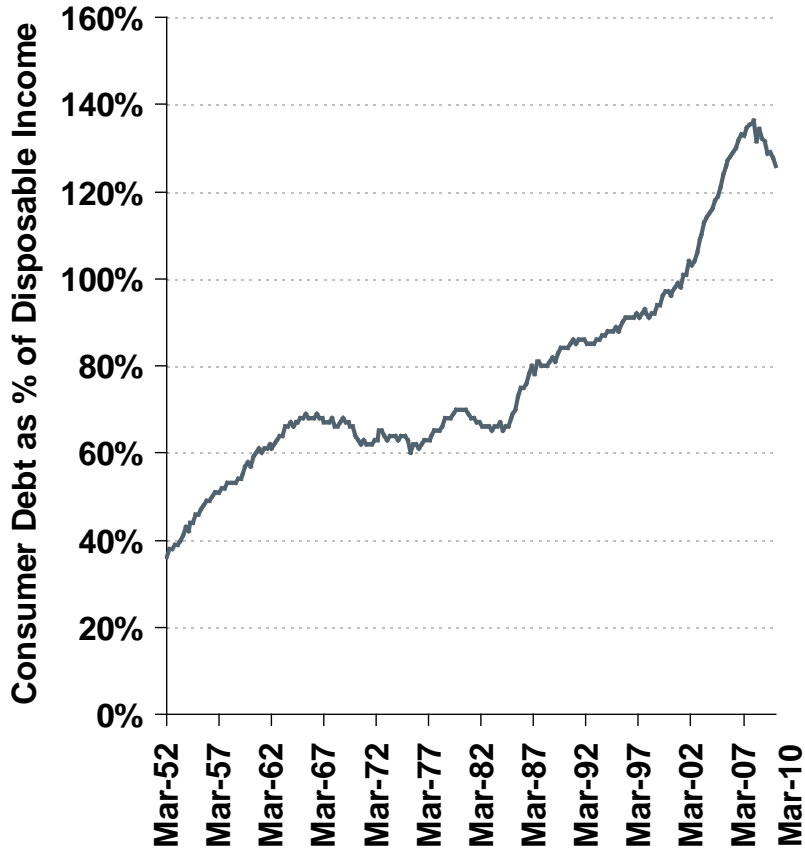
REAL ECONOMIC INFLUENCES & RESULTS

- 4 Rising industrial production
- 4 Growing developing-market economies
- 4 Rising commodity prices

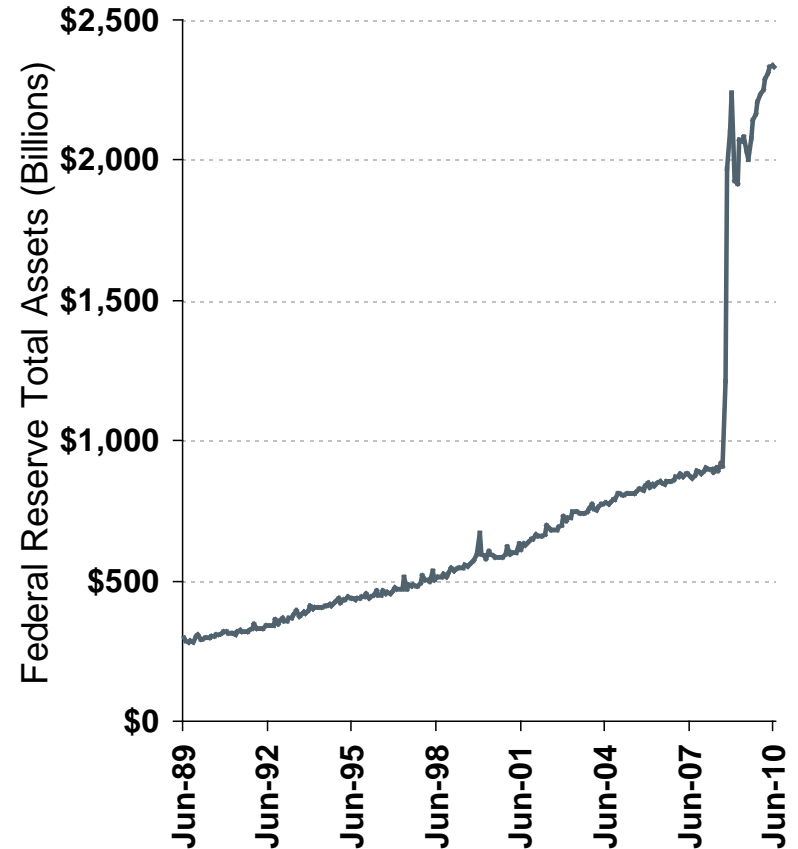
- 4 High unemployment
- 4 Low industrial capacity utilization
- 4 Oversupply of housing

De-leveraging Deflation vs. Policy Reflation

Consumer Debt-to-Disposable Income Ratio (1952-2010)



Federal Reserve Total Assets (1989-2010)

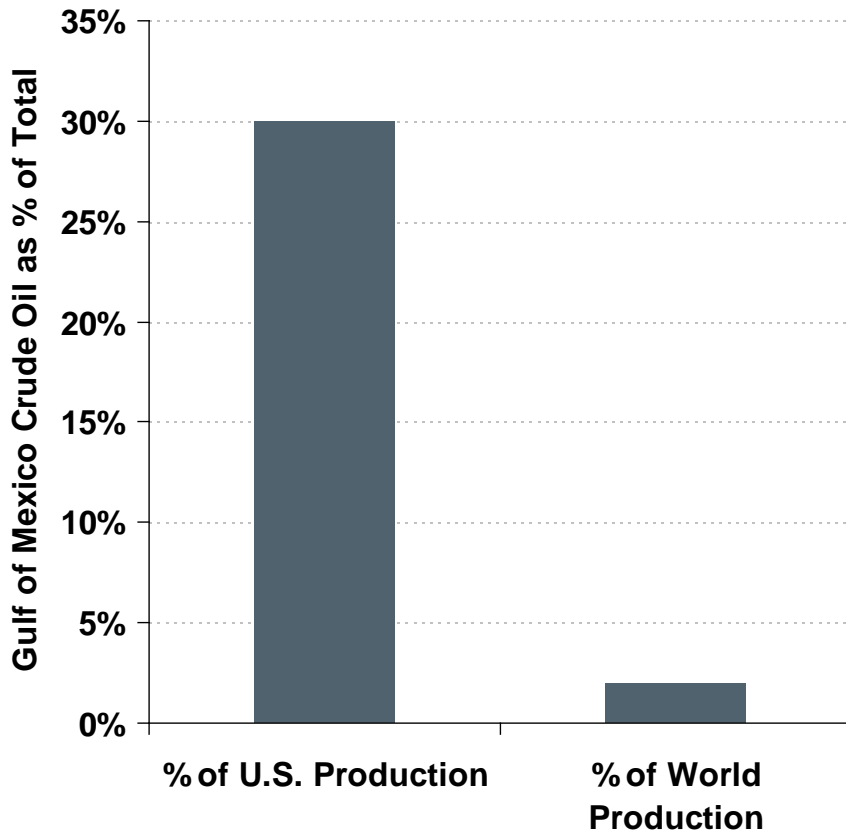


Consumer Debt-to-Disposable Income Ratio shows total liabilities of households & nonprofit organizations divided by disposable personal income. Source: Federal Reserve Board Flow of Funds, Bureau of Economic Analysis, Haver Analytics, FMRCo (MARE) as of 3/31/10.

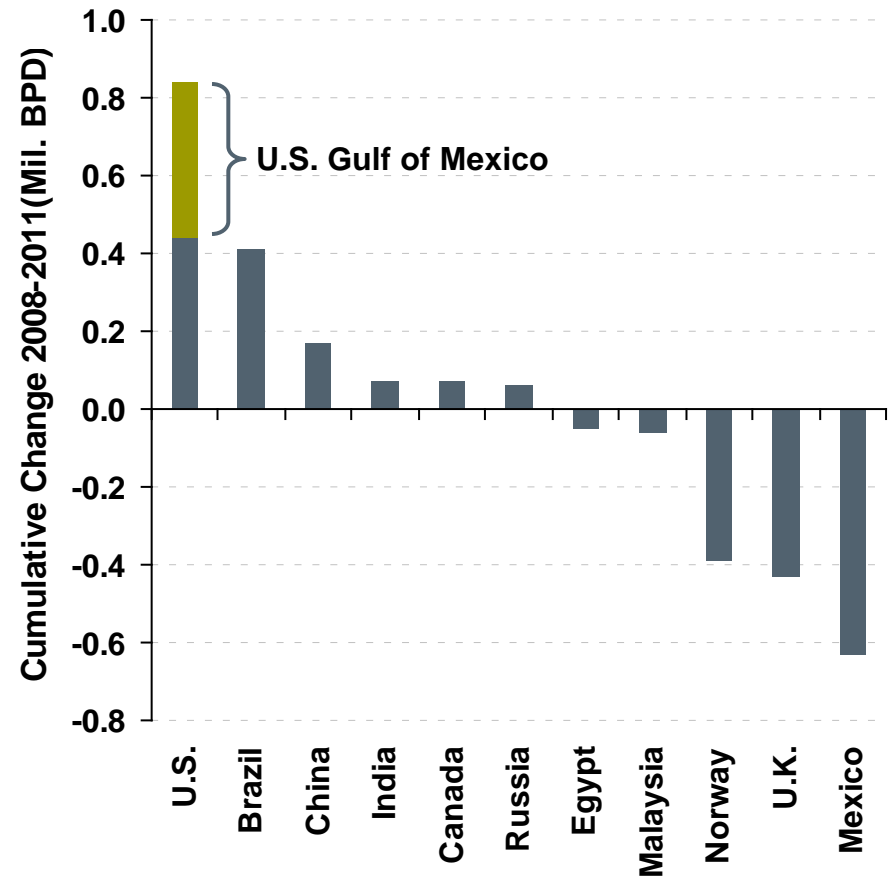
All Federal Reserve banks: Total Assets (end of period). Source: Federal Reserve Board, Haver Analytics, FMRCo. (MARE) as of 6/30/10.

Oil Spill Impact on World Energy Supplies

Gulf of Mexico Crude Production (2010)



Non-OPEC Fuels Production Growth (2008-2011)



Source: U.S. Energy Information Administration, Bloomberg, FMRCo (MARE) as of 5/31/10.

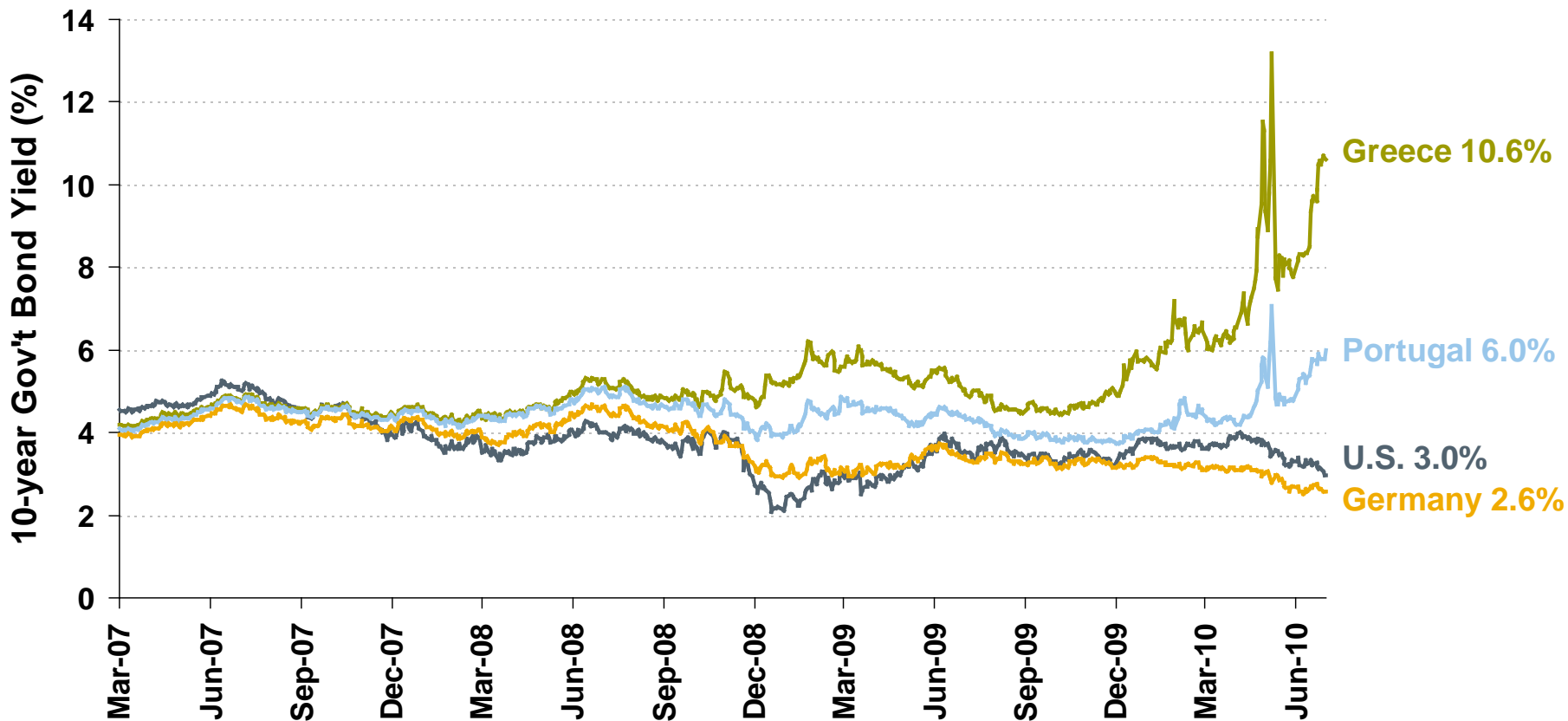
BPD = Barrels per day. U.S. Energy Information Administration estimates used.
 Source: U.S. Energy Information Administration, FMRCo (MARE) as of 6/8/10.

**Quarterly Theme: *Understanding the
Sovereign Debt Problem***



Rising Borrowing Costs: When a Problem Becomes a Crisis

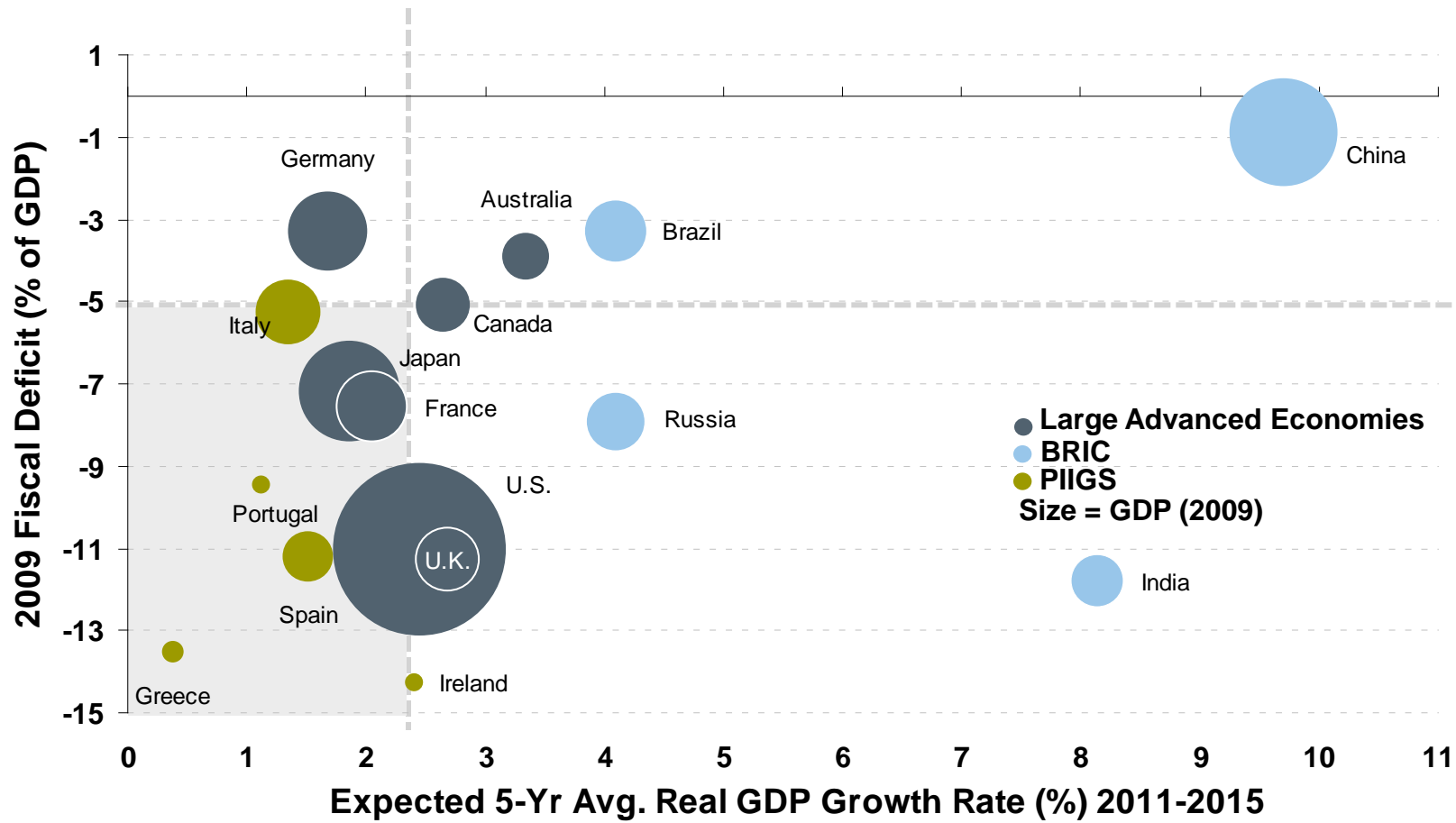
10-year Government Bond Yields (2007-2010)



Source: Federal Reserve Board, Financial Times, FMRCo (MARE) as of 6/30/10. Past performance is no guarantee of future results.

Growth Prospects Also Key to Fiscal Outlook

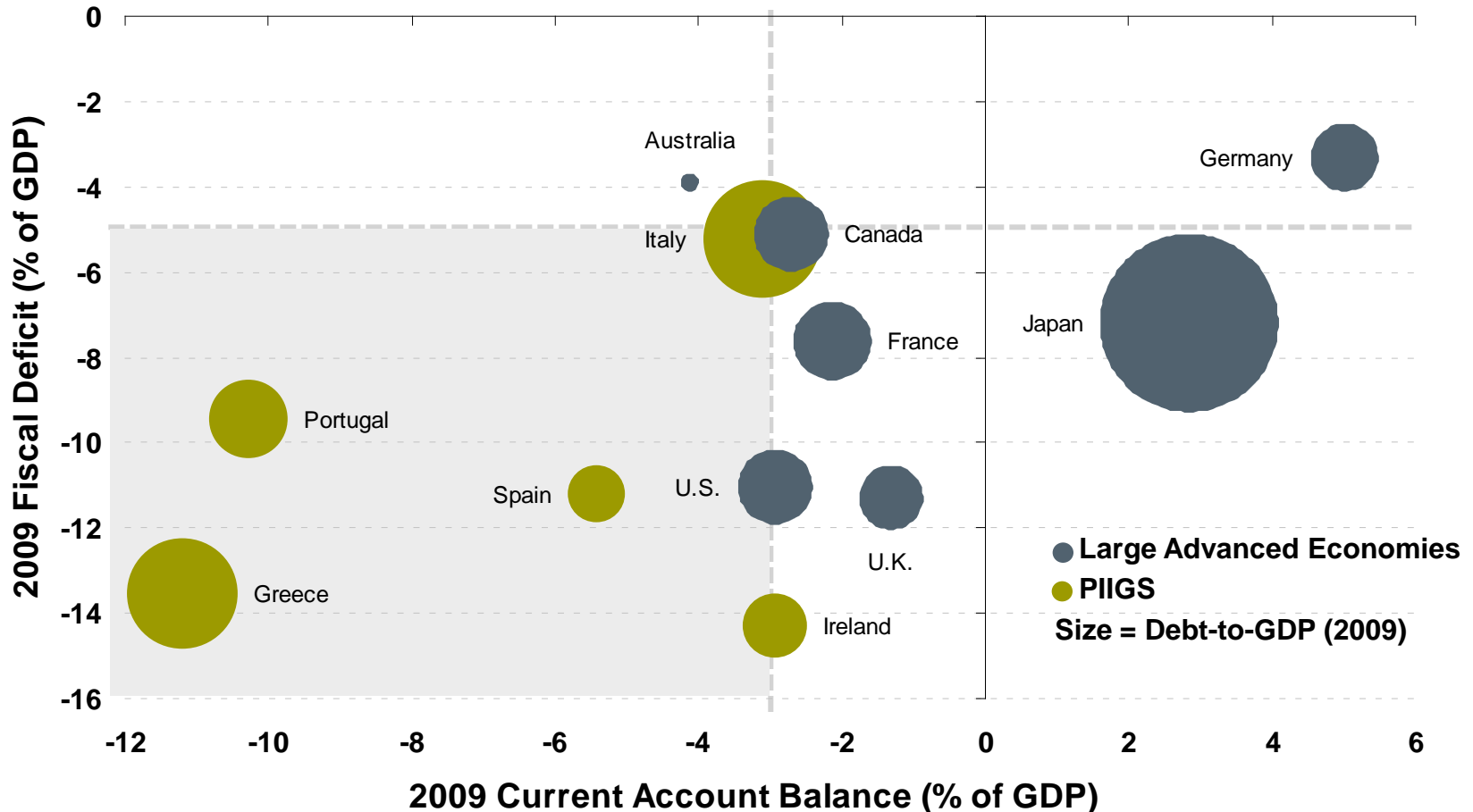
Real GDP Growth, Deficits and GDP Size



Average GDP growth for advanced economies from 2011-2015, International Monetary Fund (IMF) estimates. PIIGS = Portugal, Ireland, Italy, Greece, and Spain. BRIC = Brazil, Russia, India, and China. Source: OECD, IMF, FMRCo (MARE) as of 6/30/10.

High Debt Levels and External Financing Needs Are A Challenging Combination

Current Account Balance, Deficits, and Debt Size (2009)

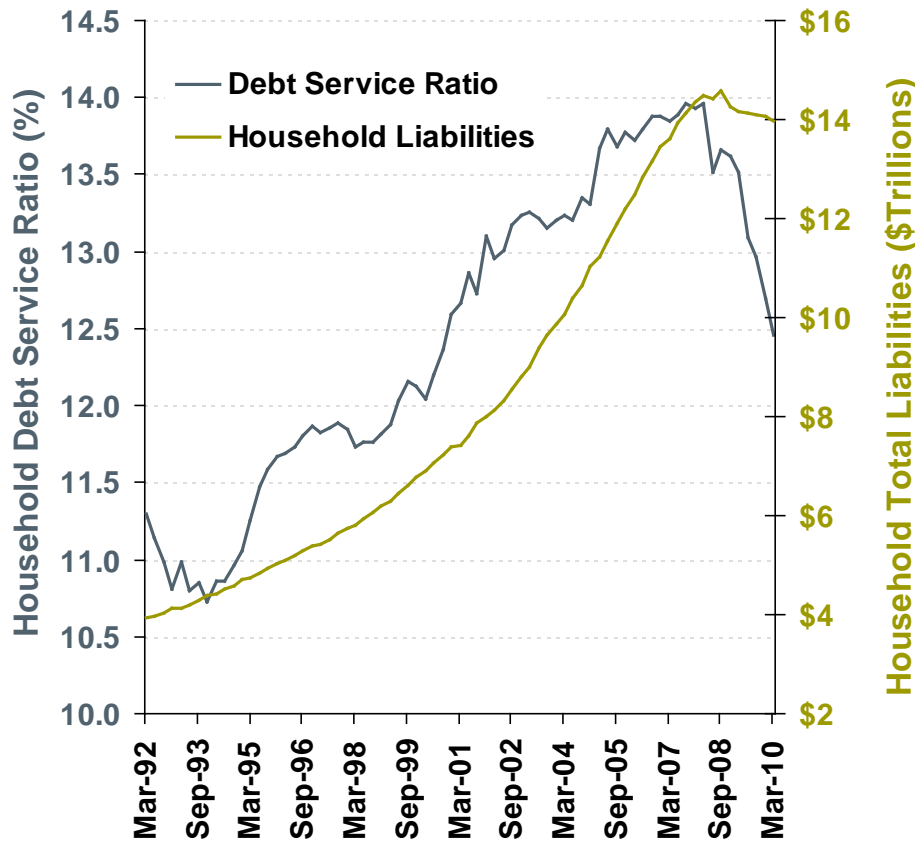


Debt-to-GDP reflects the country's gross government debt as a percentage of GDP. Source: OECD, FMRCo (MARE) as of 6/30/10.

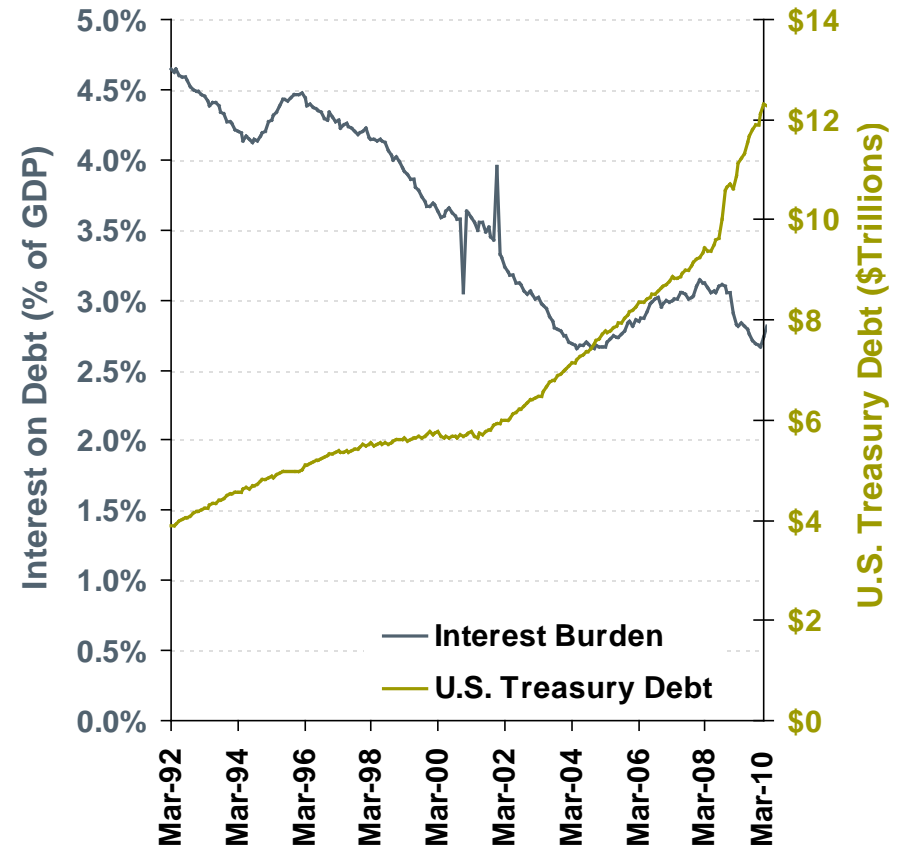


U.S. Debt Outlook Sensitive to Interest Rates

Household Debt Service Ratio and Liabilities (1992-2010)



U.S. Interest Burden and Government Debt (1992-2010)



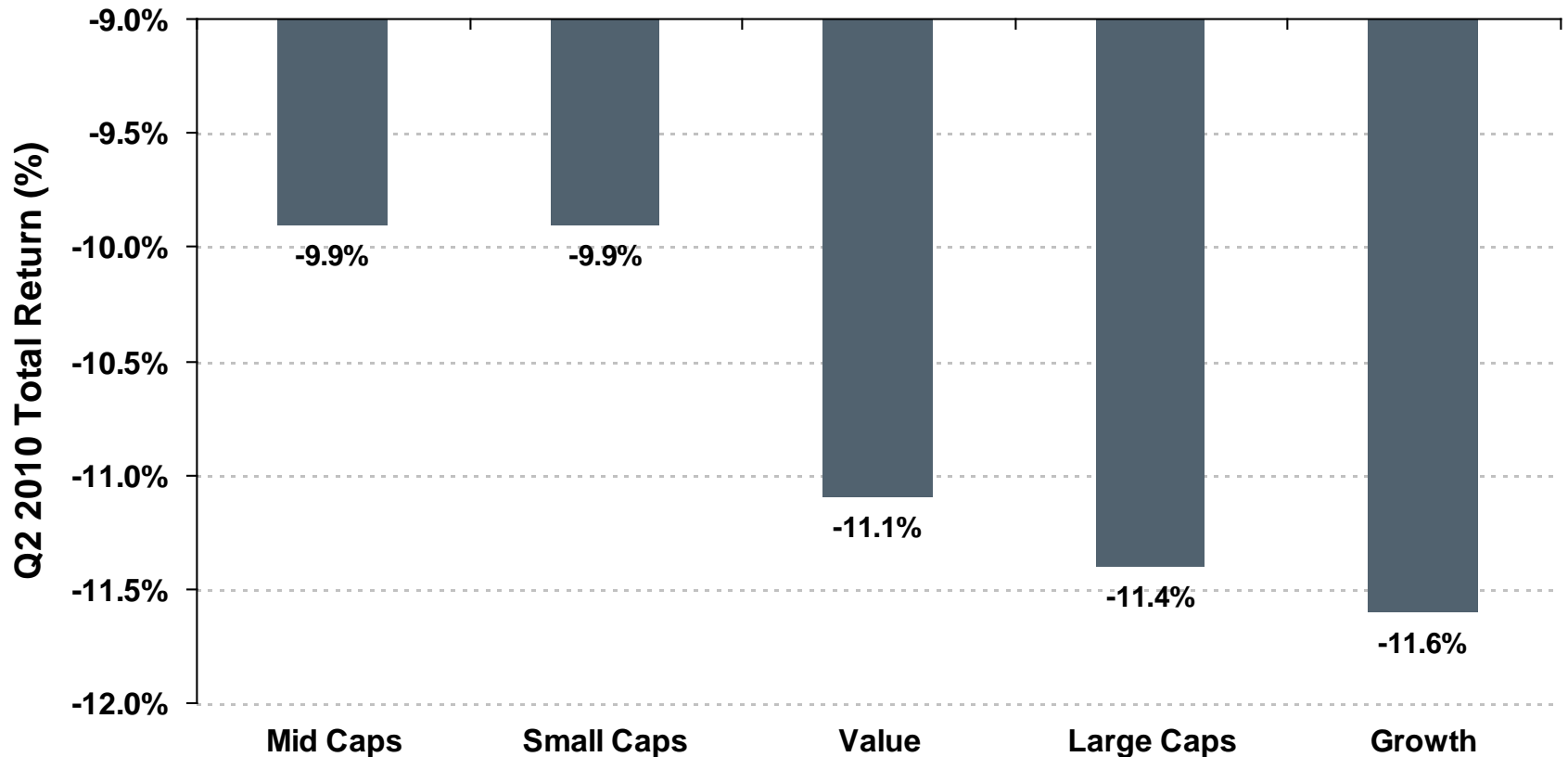
Source: Federal Reserve Board, Haver Analytics, FMRCo (MARE) as of 3/31/10.

Source: U.S. Treasury, Macroeconomic Advisers, Haver Analytics, FMRCo (MARE) as of 3/31/10.

U.S. Equity Markets



U.S. Stocks Fell Into Correction Territory



1-Year Return

25.1%

21.5%

17.6%

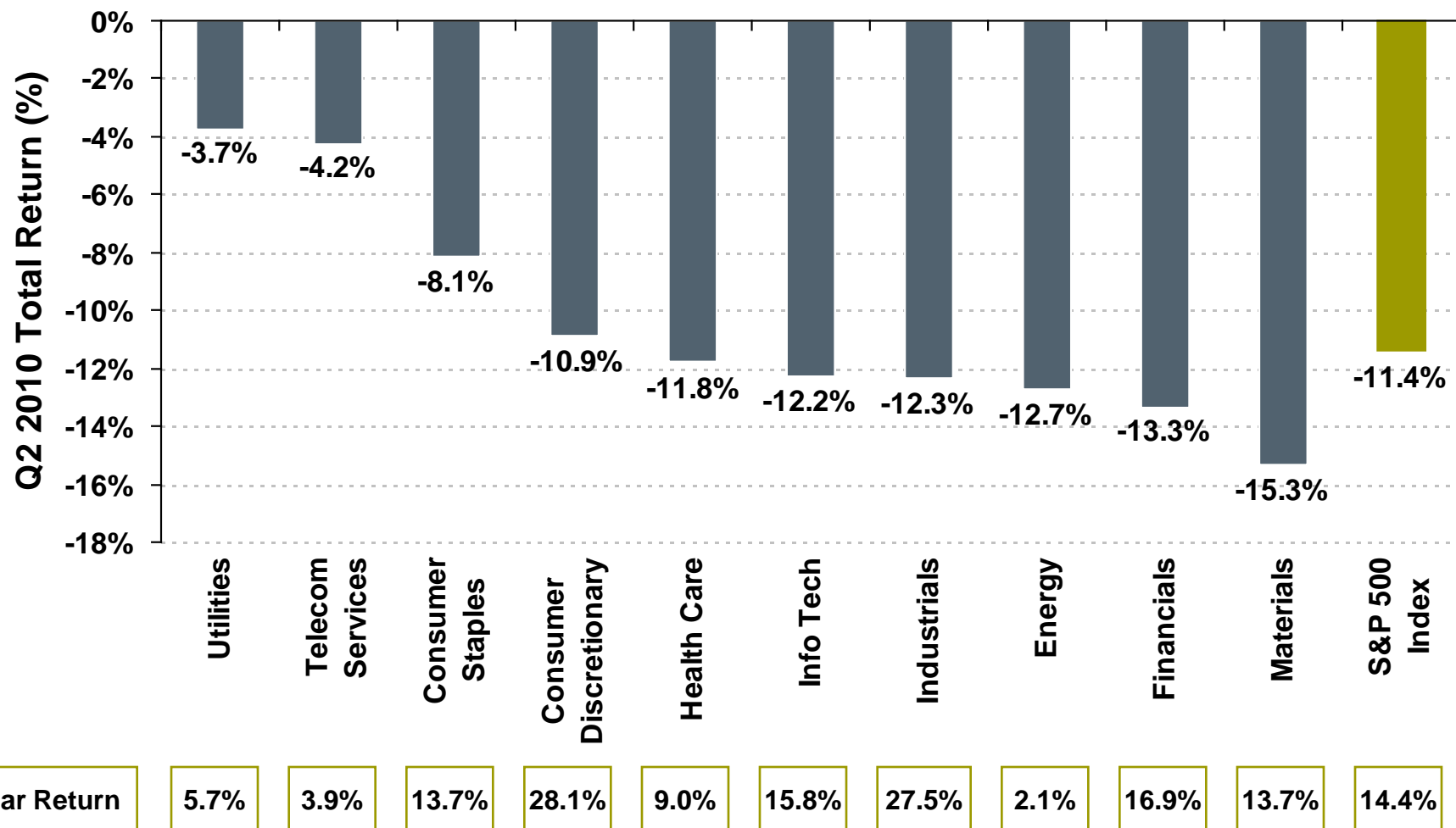
14.4%

14.0%

The above returns represented by: Mid Caps – Russell MidCap Index; Small Caps – Russell 2000 Index; Value – Russell 3000 Value Index; Large Caps – S&P 500 Index; Growth – Russell 3000 Growth Index. Source: FMRCo as of 6/30/10. Past performance is no guarantee of future results. You cannot invest directly in an index. Please refer to the appendix for important index information.



U.S. Equity Sectors: Defensive Sectors Held Up Best



Source: FMRCo (MARE) as of 6/30/10. Past performance is no guarantee of future results. Sector investing involves risk. Because of its narrow focus, sector investing may be more volatile than investing in a more diversified basket of securities. Investing in sectors may be more volatile than diversifying across many industries. You cannot invest directly in an index. Sector returns represented by S&P 500 sectors. Please refer to the appendix for important index information.



Market Corrections: Unsettling But Not Unusual

Historical Stock Market Corrections (1928-2010)

	All Corrections		1 st Corrections in Bull Markets	
	Magnitude of Correction	Length of Correction (Days)	Time to 1 st Year Correction (Years)	Gain Before 1 st Correction
April 23 – June 30, 2010	-15%	68	1.2	80%
Median	-12%	54	1.5	57%
Maximum	-19%	252	7.0	233%
Minimum	-10%	3	0.3	21%

Bull and bear markets are defined as a 20% or more increase (bull) or decrease (bear) in the S&P 500® Index. Corrections are defined as a decrease of 10% or more that does not exceed 20%. "Length of Correction" refers to the amount of time between the index peak and trough of the correction. Data related to "1st Corrections in Bull Markets" only include data from the first correction of a bull market (first correction since the end of the prior bear market). "Gain Before 1st Correction" defined as S&P 500 index price return from end of prior bear market to the peak established at the beginning of the correction. All returns are calculated using closing price return data from 1/3/1928 - 6/30/2010. Past performance is no guarantee of future results. Source: Bloomberg, FMRCo. (MARE) as of 6/30/2010.



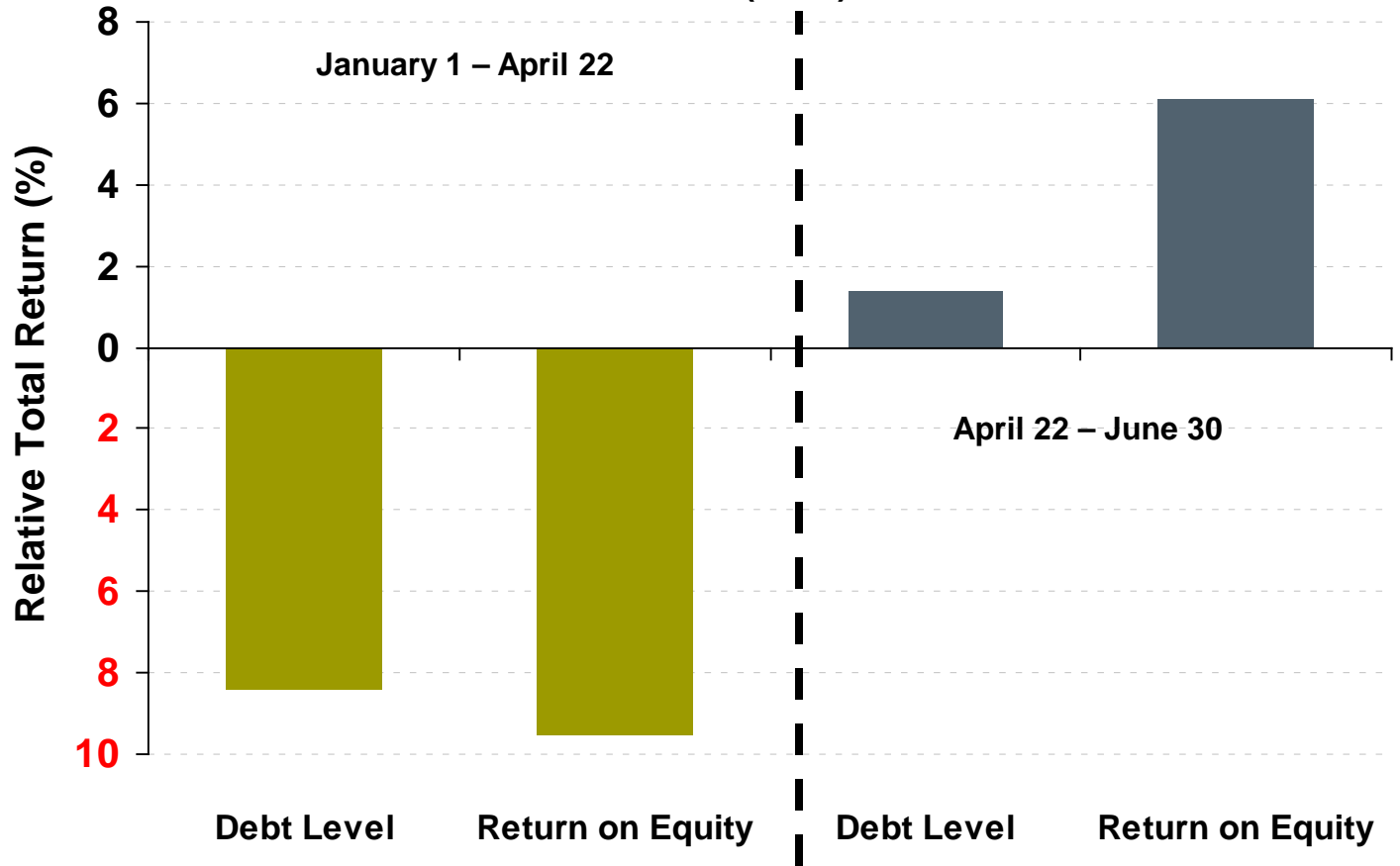
Intra-Quarter Reversal to Higher Quality Stocks

S&P 500 Performance by Quality Metrics (2010)

High-Quality Stocks Outperformed (Higher ROE, Lower Debt)



Low-Quality Stocks Outperformed (Lower ROE, Higher Debt)

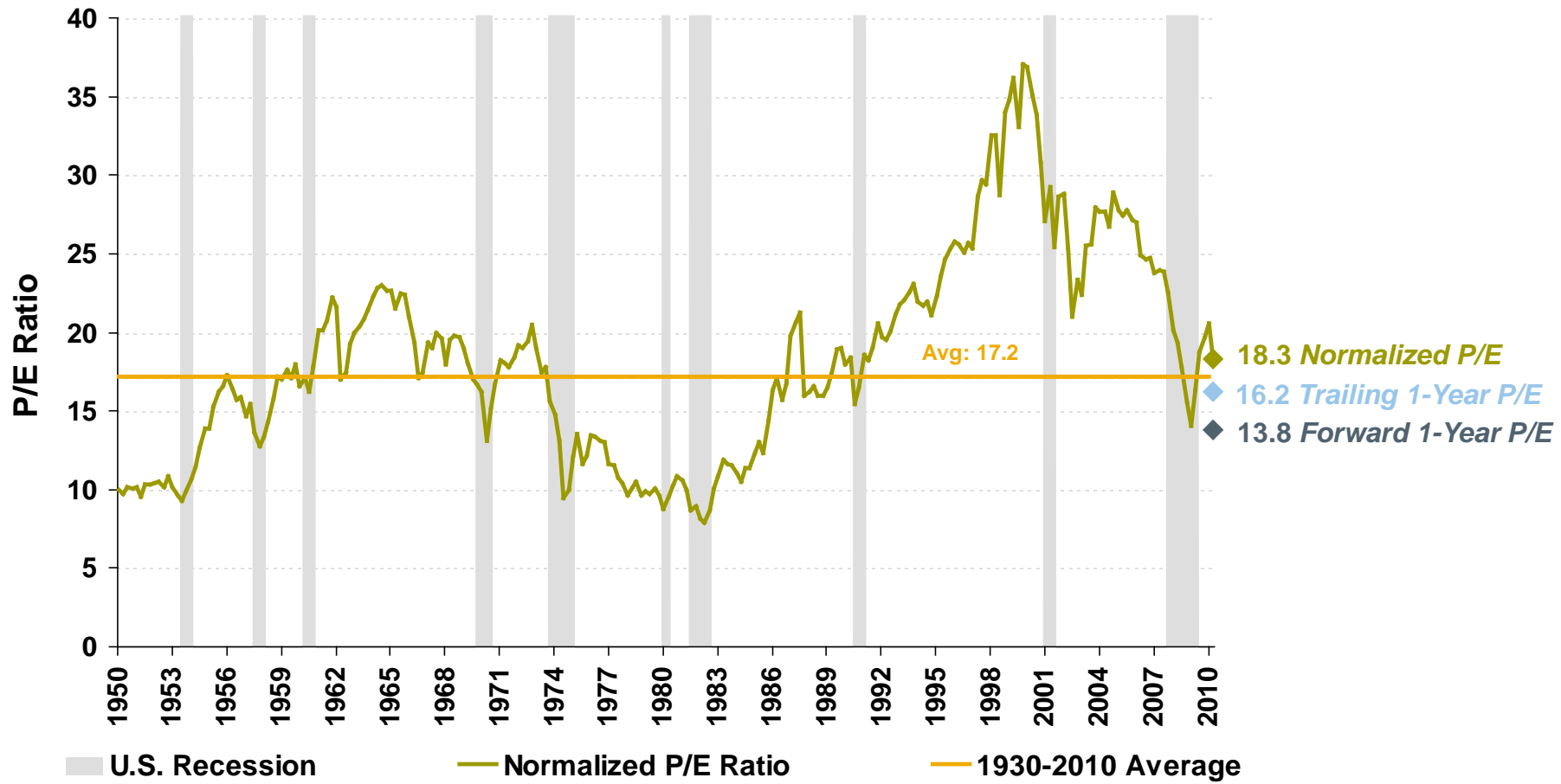


Performance measured by dividing the S&P 500 Index into quintiles ranked by Return-on-Equity (ROE) and Debt-to-Enterprise Value (D/EV) metrics. A value above the axis for ROE shows that the quintile of the highest ROE stocks had a higher total return than the quintile of lowest ROE stocks over the stated period, and vice versa. A value above the axis for Debt Level shows that the quintile of the lowest debt level stocks as measured by D/EV had a higher total return than the quintile of the highest D/EV stocks over the stated period, and vice versa. Past performance is no guarantee of future results. Source: FactSet, FMRCo (MARE) as of 6/30/10.



Stock Valuations Ended Near Historical Average Level

S&P 500 Normalized P/E Ratio (1930-2010)

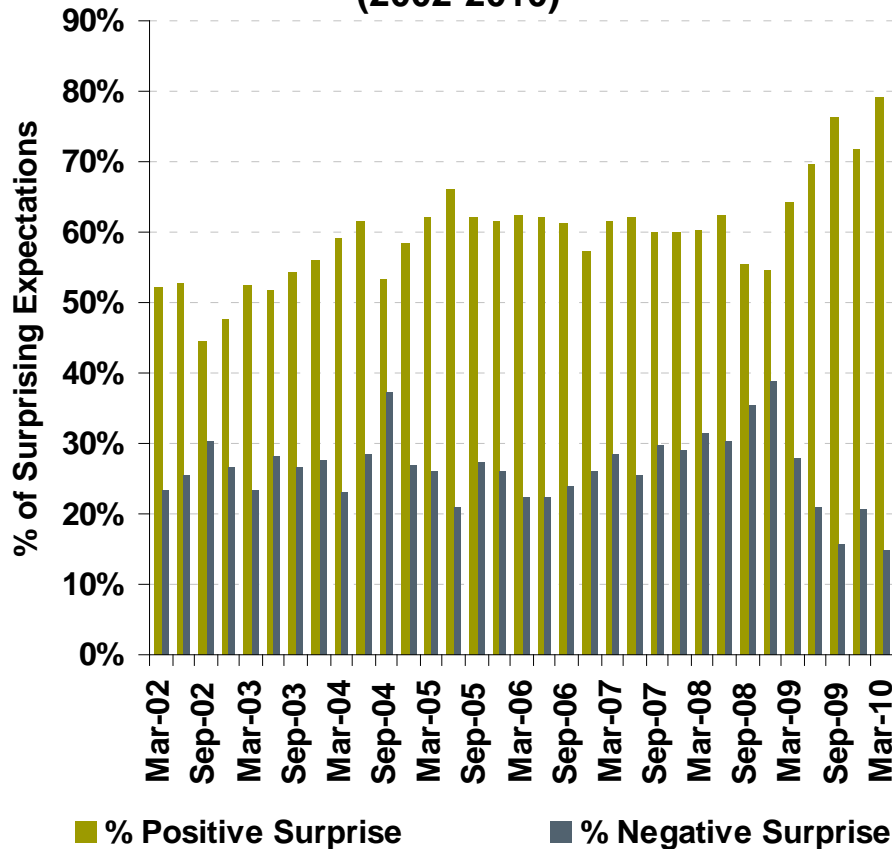


Price-to-earnings ratio (P/E): The price of a stock divided by its earnings per share. Normalized P/E Ratio uses 5-year average annual reported earnings. Standard & Poor's earnings estimates. Recessions defined by National Bureau of Economic Research. Source: Standard & Poor's, National Bureau of Economic Research, Haver Analytics, FMRCo (MARE) as of 6/30/10.

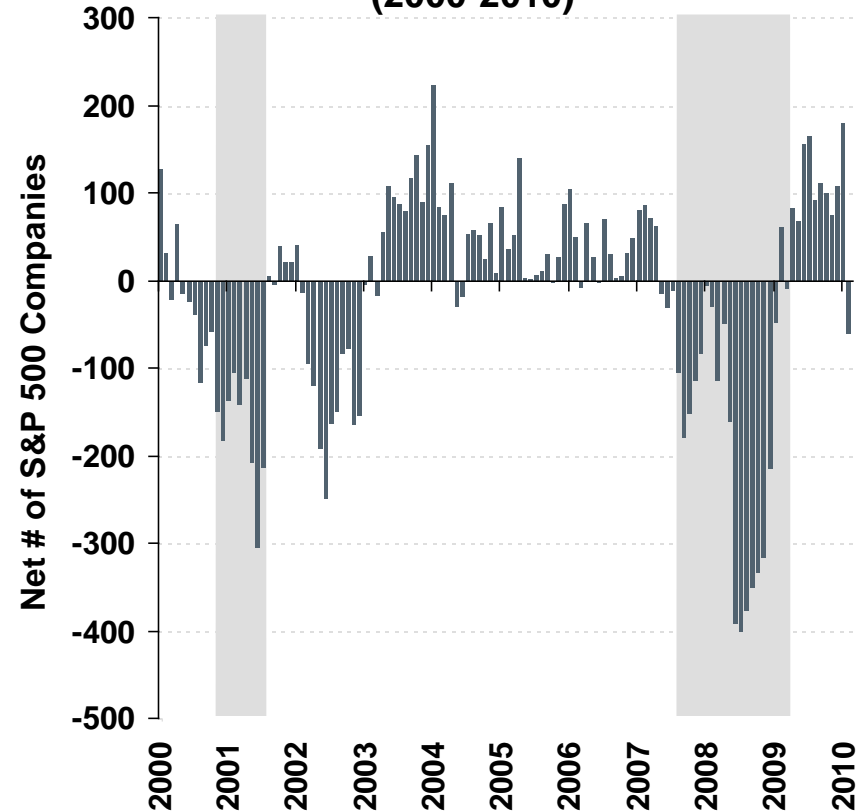


Better-Than-Expected Sales Growth Drove Upside Earnings Surprises

S&P 500 Earnings Results vs. Expectations (2002-2010)



Net S&P 500 Company Earnings Revisions (2000-2010)



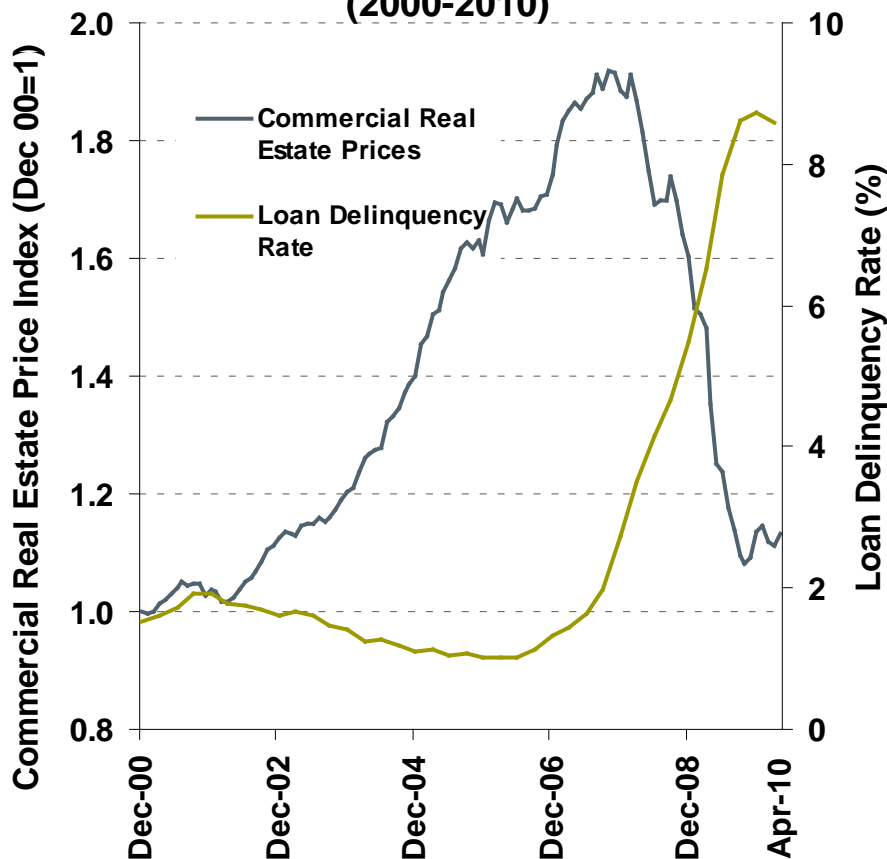
Net revisions show number of companies within the S&P 500 Index that revised earnings expectations upward minus the number of companies that revised earnings expectations downward. Source: Institutional Brokers' Estimate System (I/B/E/S), FactSet, FMRCo (MARE) as of 6/11/10.

Source: FactSet Estimates, FMRCo (MARE) as of 7/6/10. Past performance is no guarantee of future results.



Signs of Stabilization in Commercial Real Estate, REITs Held Up Relatively Well

Commercial Real Estate Prices & Loan Delinquencies (2000-2010)



Moodys/REAL Commercial Property Price Index. Source: Federal Reserve Board, MIT Center for Real Estate, Haver Analytics, FMRCo (MARE) as of 4/30/2010.

Quarterly Total Return (%)

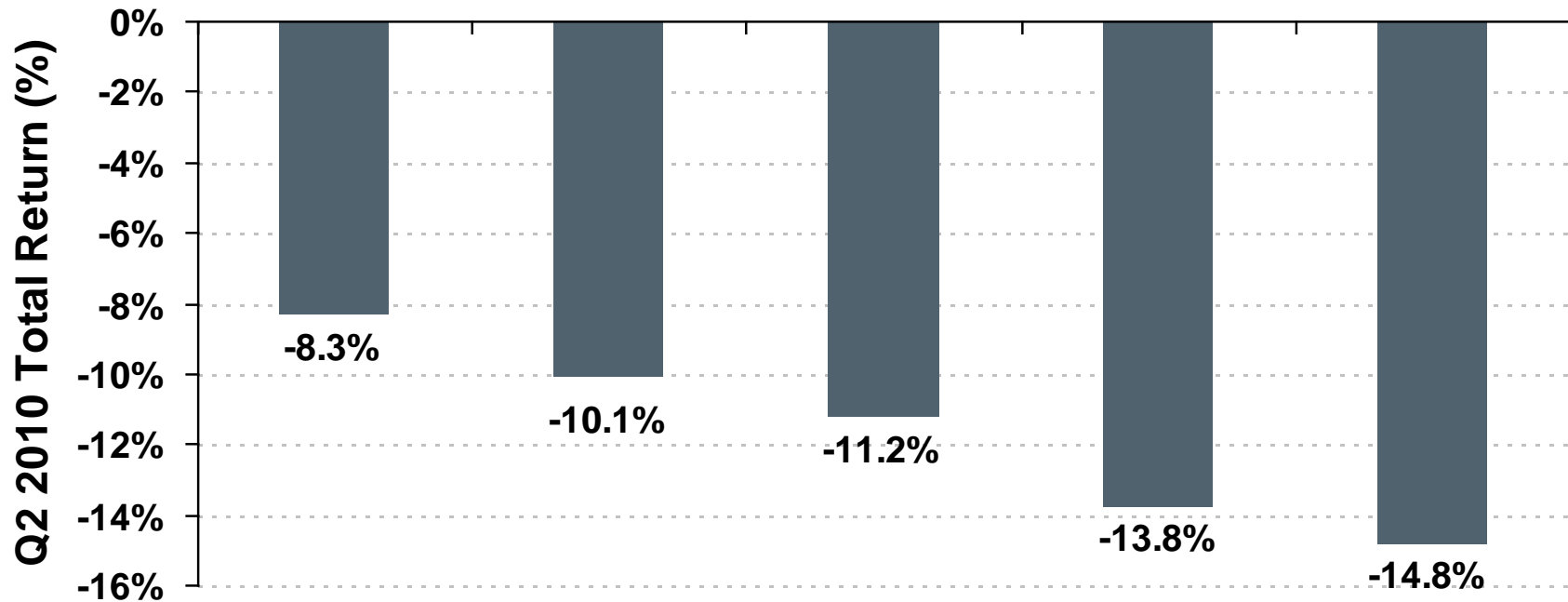
Date	S&P 500	REITs	Difference
Q2 2008	-2.7	-4.9	-2.2
Q3 2008	-8.4	5.6	14.0
Q4 2008	-21.9	-38.8	-16.9
Q1 2009	-11.0	-31.9	-20.9
Q2 2009	15.9	28.9	13.0
Q3 2009	15.6	33.3	17.7
Q4 2009	6.0	9.4	3.4
Q1 2010	5.4	10.0	4.6
Q2 2010	-11.4	-4.1	7.3

Past performance is no guarantee of future results. REIT: Real Estate Investment Trust; REIT performance represented by NAREIT Equity-Only Index. See appendix for important index information. Source: FMRCo (MARE) as of 6/30/2009.

International Equity Markets & Global Assets



Foreign Stocks Suffered Widespread Declines



	Emerging Markets	Japan	MSCI EAFE Small Cap	MSCI EAFE	Europe
Q2 2010 LC Return	-5.5%	-14.8%	-8.8%	-10.9%	-9.5%
1-Year USD Return	23.5%	0.9%	12.6%	6.4%	6.3%

Note: All returns are gross in U.S. dollars unless otherwise noted. Past performance is no guarantee of future results. LC – Local currency. The above returns are represented by: Europe – MSCI® Europe Index; Japan – MSCI® Japan Index; Emerging Markets – MSCI® EM Index. You cannot invest directly in an index. Please refer to the appendix for important index information. Source: FactSet, FMRCo (MARE) as of 6/30/10.



Foreign Country Performance: Strengthening U.S. Dollar Exacerbated Many Declines

Q2 2010 Total Return (%)

	Local	U.S.\$
Developed Europe	(10)	(15)
Germany	(3)	(12)
U.K.	(13)	(14)
Greece	(34)	(40)

Q2 2010 Total Return (%)

	Local	U.S.\$
EMEA	(8)	(13)
Turkey	(0)	(4)
South Africa	(6)	(10)
Russia	(11)	(15)

Q2 2010 Total Return (%)

	Local	U.S.\$
Latin America	(10)	(12)
Colombia	3	4
Mexico	(5)	(9)
Brazil	(14)	(15)

Q2 2010 Total Return (%)

	Local	U.S.\$
Asia Pacific	(10)	(9)
Japan	(15)	(10)
China	(4)	(4)
Australia	(12)	(19)

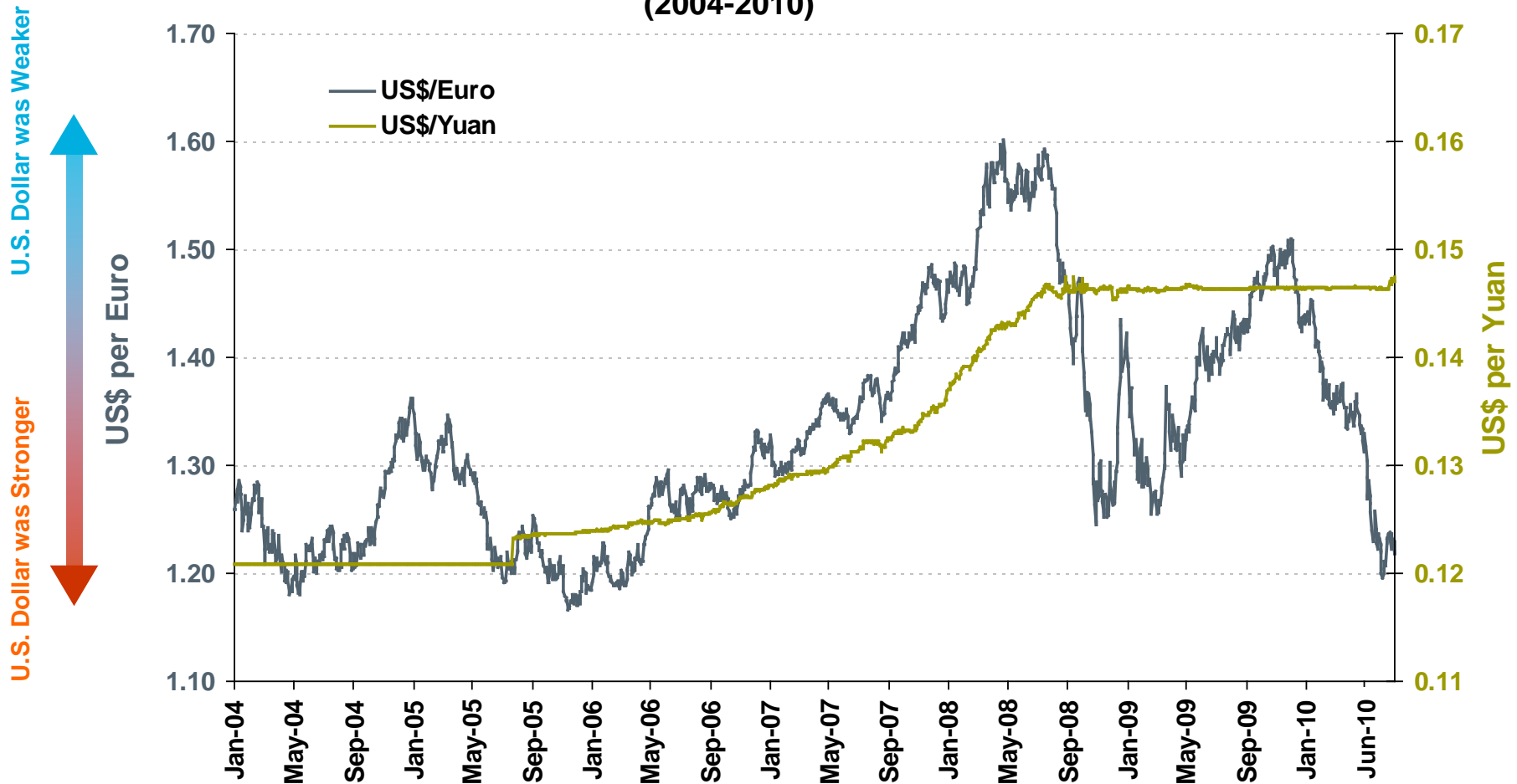
Local = Local currency returns. US\$ = U.S. dollar (\$) returns. Parentheses denote negative returns.

Sources: MSCI®, FactSet, FMRCo (MARE) as of 6/30/10. Europe, Middle East, & Africa (EMEA) = MSCI EM EMEA. Dev Europe = MSCI® Europe Index. Asia Pacific = MSCI AC Asia Pacific Index. Latin America = MSCI EM Latin America. All country/region returns are gross MSCI® country/region indexes, in USD (\$) unless otherwise noted.

Past performance is no guarantee of future results. You cannot invest directly in an index. Please refer to the appendix for important index information.

Currency Moves: Euro Plunged, China Shifted Policy

Foreign Exchange Rates - Euro & Chinese Yuan (2004-2010)

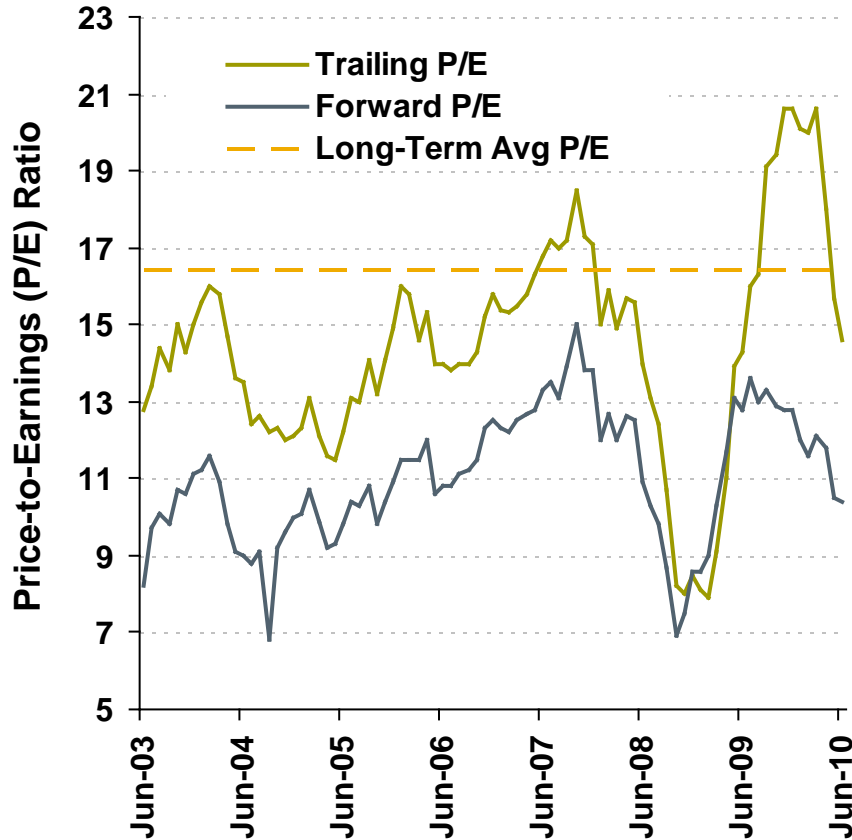


Source: Federal Reserve Board, Haver Analytics, FMRCo (MARE) as of 6/30/10.

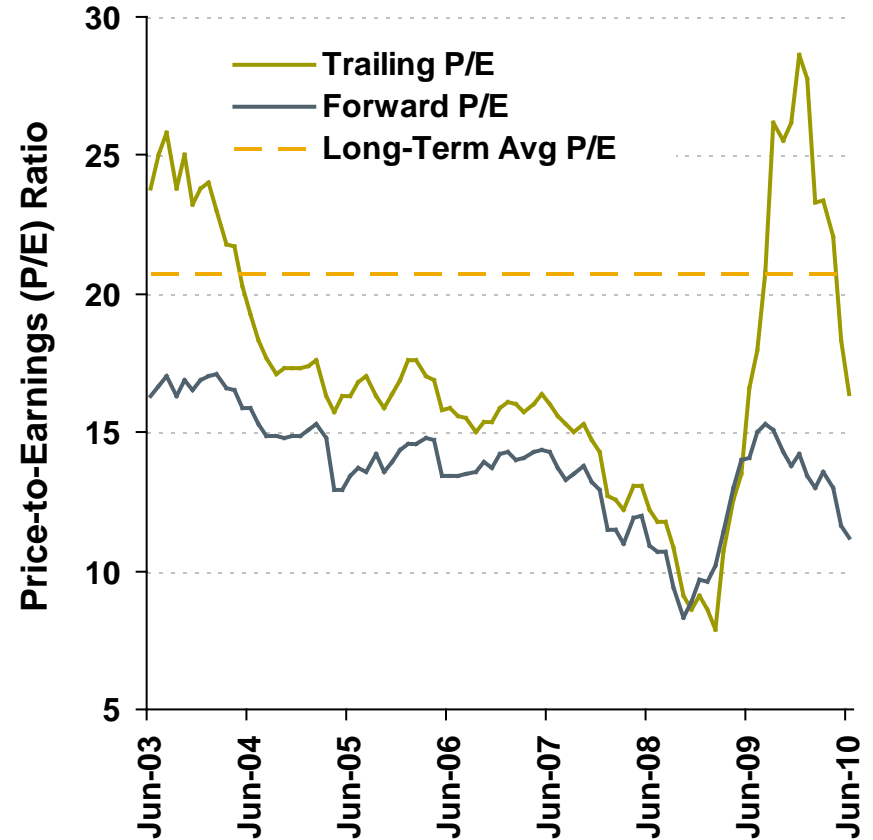


Foreign Stock Valuations Fell, Stood At Below Average Levels

Emerging Markets' P/E Ratio (2003-2010)



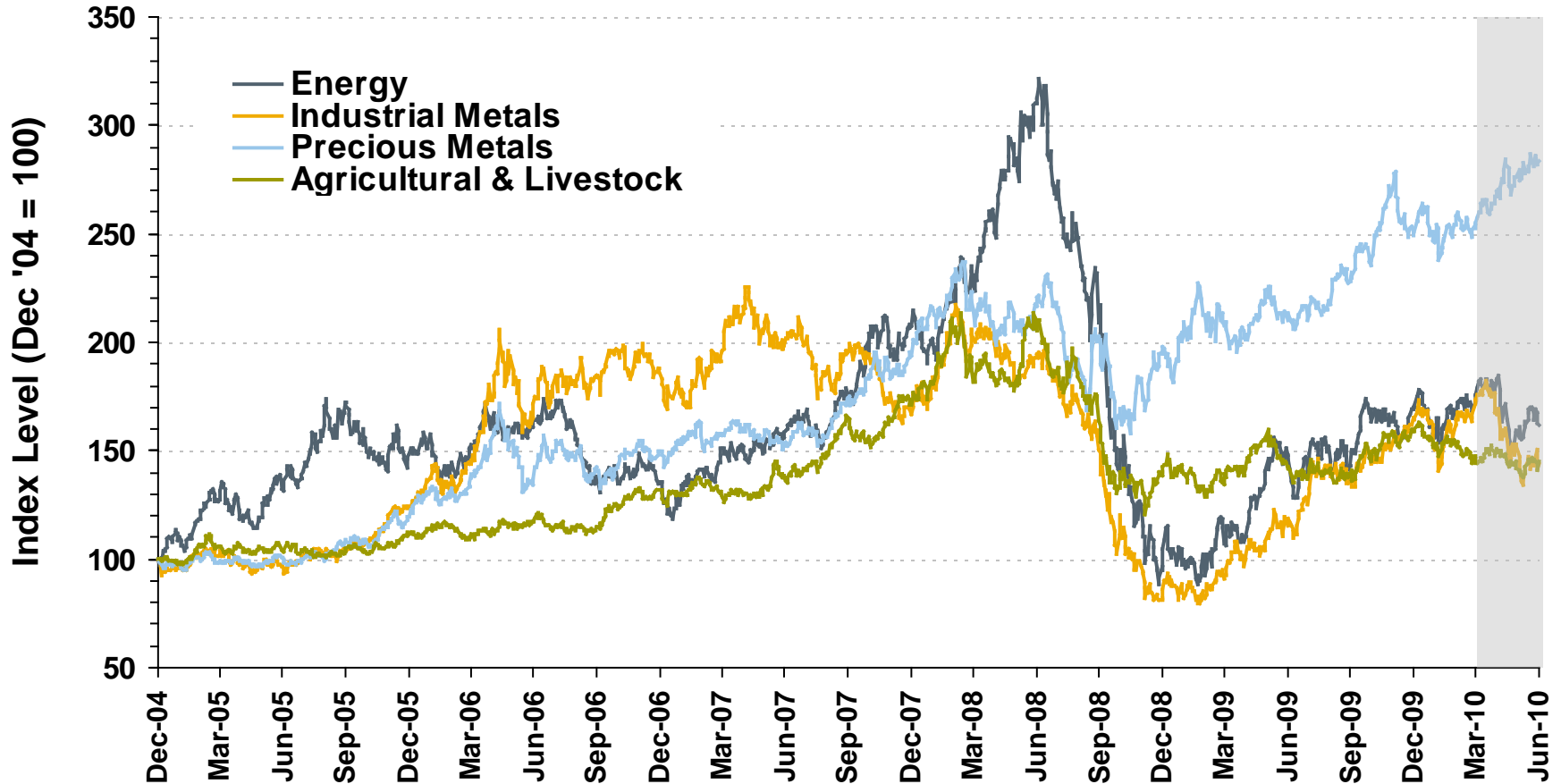
Developed Markets' P/E Ratio (2003-2010)



Past performance is no guarantee of future results. You cannot invest directly in an index. Please refer to the appendix for important index information. Price-to-earnings ratio (P/E): The price of a stock divided by its earnings per share. Also known as the "multiple," the P/E ratio gives investors an idea of how much they are paying for a company's earnings power. Long-term average P/E for Emerging Markets includes data from 1988-2010. Long-term average P/E for Developed Markets include data from 1978-2010. Foreign Developed: MSCI EAFE Index, Emerging Markets: MSCI EM Index. Source: FactSet, FMRCo (MARE) as of 6/30/10.

Precious Metals Soared, Other Commodities Fell

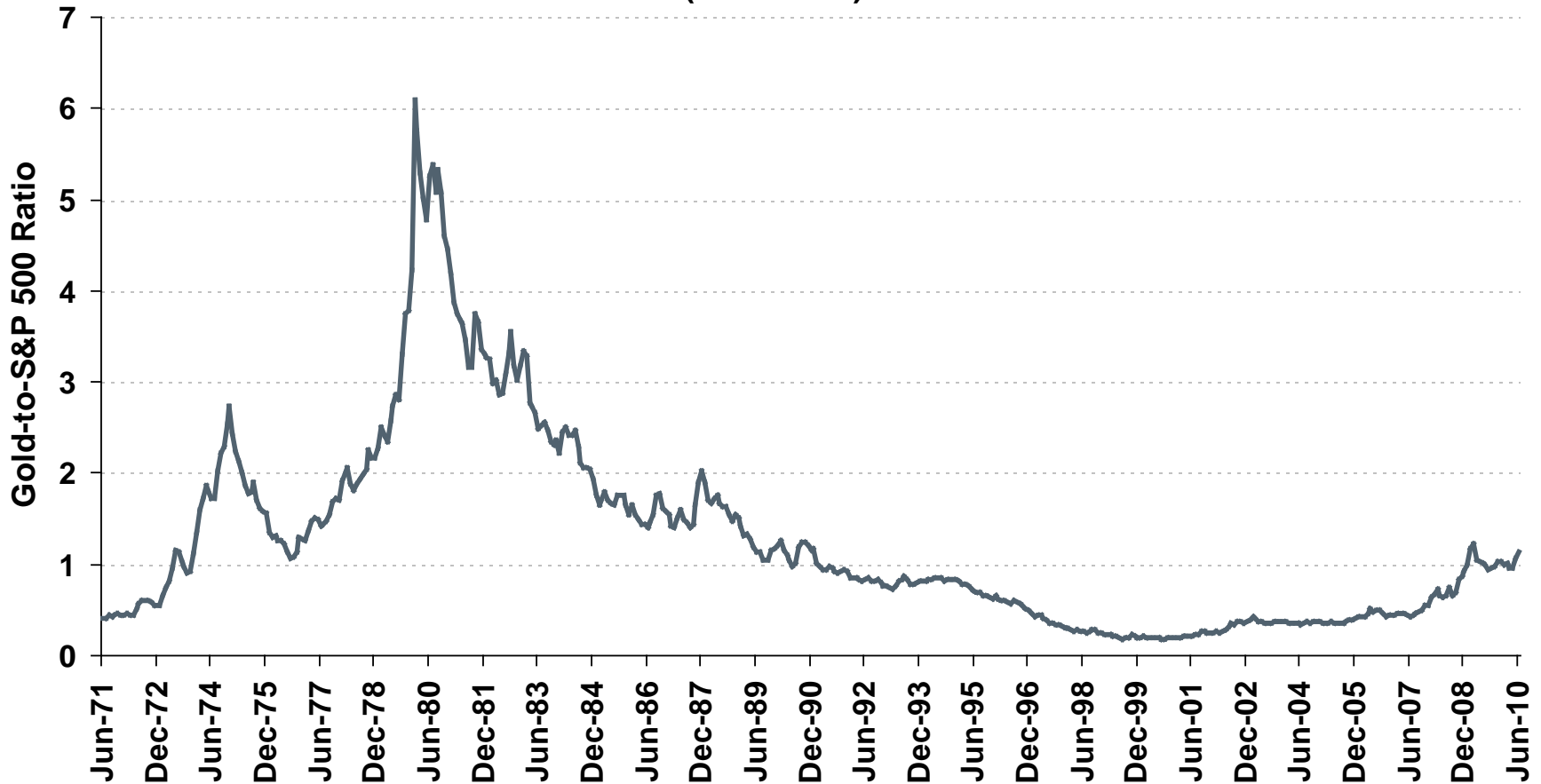
Commodity Prices (2004-2010)



Shaded region indicates Q2 data. Commodity groups represented by respective S&P Goldman Sachs Commodity Index (GSCI) Spot Indices. See appendix for important index information. Past performance is no guarantee of future results. Source: Standard and Poor's, Haver Analytics, FMRCo (MARE) as of 6/30/10.

Gold: Not Widely Over-Valued vs. U.S. Stocks

Gold vs. S&P 500 Ratio (1971-2010)

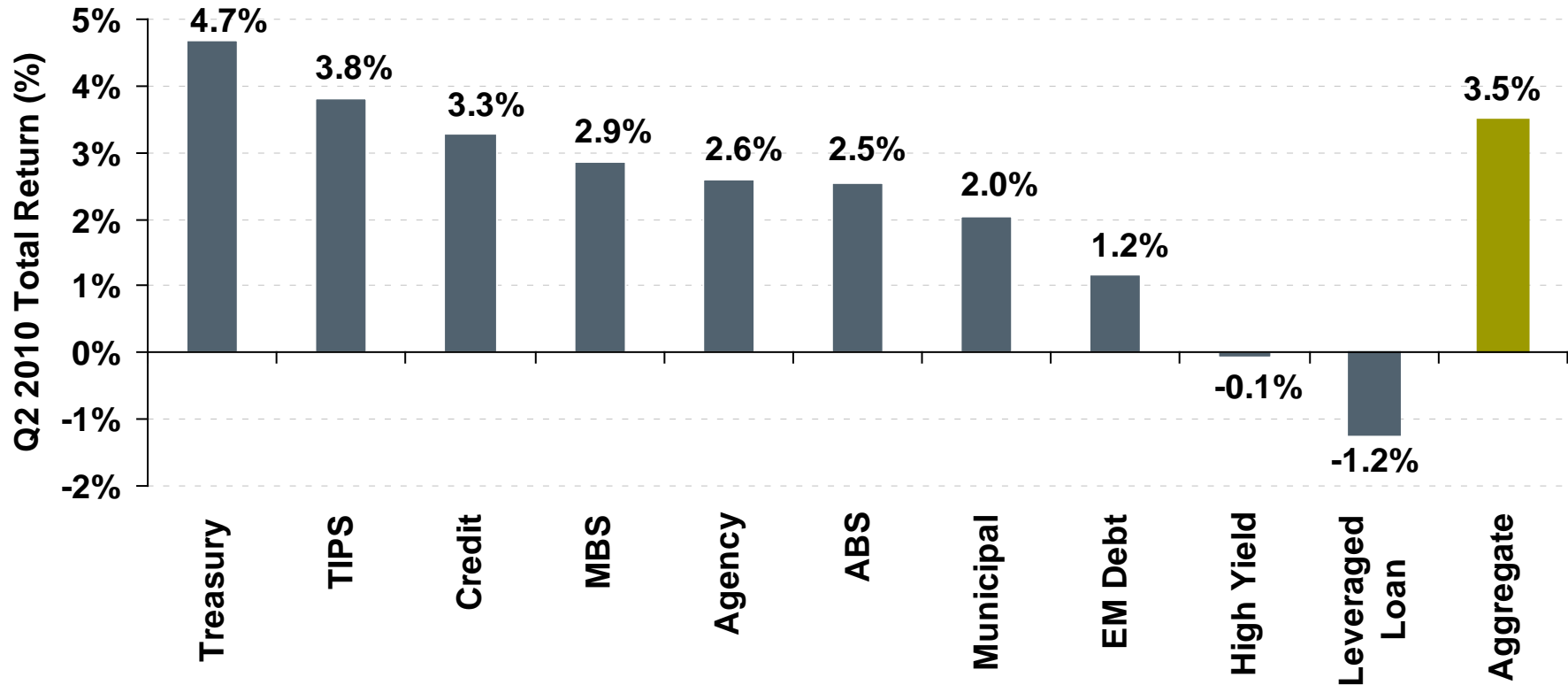


The ratio of gold to the S&P 500 uses the monthly average of the London PM Fix gold price divided by the monthly average of the S&P 500 close price. Past performance is no guarantee of future results. Source: Standard and Poor's, Wall Street Journal, Haver Analytics, FMRCo (MARE) as of 6/30/10.

Fixed Income Markets



Fixed-Income Markets: Flight to Safety Amid Growing Risk Aversion



1-Year Return

6.7%

9.5%

14.7%

7.5%

5.5%

12.9%

9.6%

17.9%

27.5%

18.5%

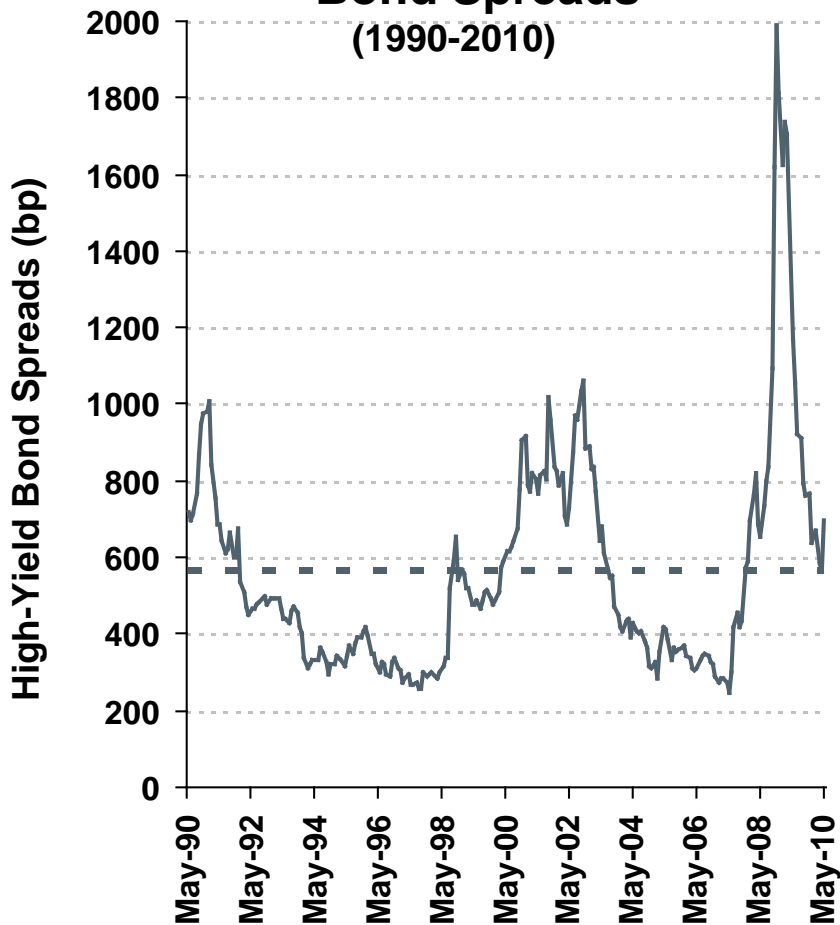
9.5%

Past performance is no guarantee of future results. You cannot invest directly in an index. Please refer to the appendix for important index information. Source: FMRCo (MARE) as of 6/30/10. BC: Barclays Capital® Note: The above sectors are represented by the following indexes: Treasury – BC Treasury Index; Aggregate – BC Aggregate Bond Index; Agency – BC U.S. Agency Index; Mortgage Backed Securities (MBS) – BC MBS Index; Asset Backed Securities (ABS) – BC ABS Index; Credit – BC Credit Bond Index; High Yield – Bank of America Merrill Lynch® U.S. High Yield Master II Index; Municipal – BC Municipal Bond Index; TIPS – BC U.S. TIPS Index; Leveraged Loan – S&P/LSTA Leveraged Loan Index; Emerging Market Debt (EMD) – JP Morgan EMBI Global Index.

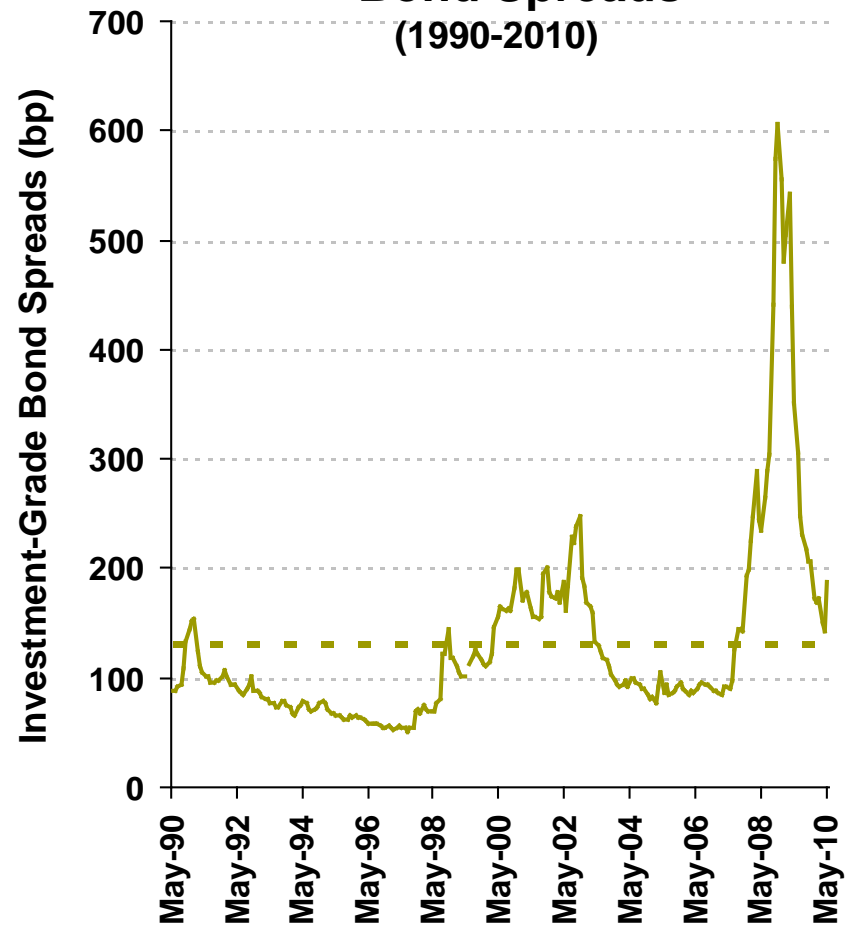


Corporate Bond Yield Spreads Reversed Trend and Ticked Higher

High-Yield Corporate Bond Spreads (1990-2010)



Investment-Grade Corporate Bond Spreads (1990-2010)

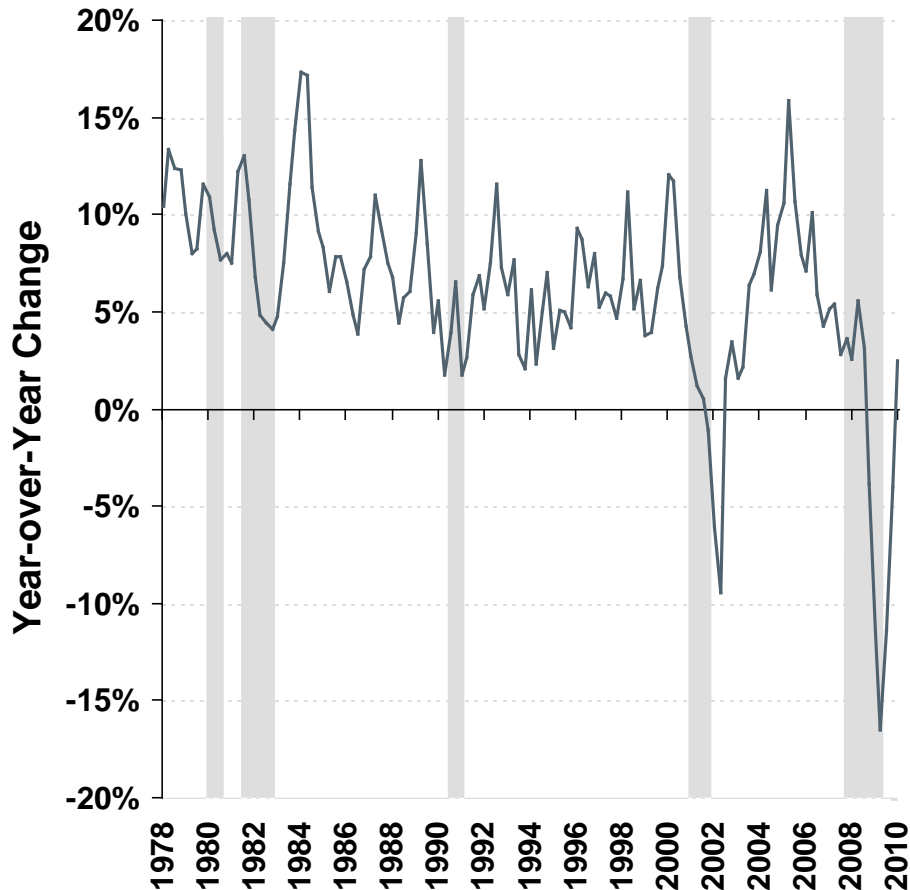


Past performance is no guarantee of future results. You cannot invest directly in an index. Please refer to the appendix for important index information. Source: Merrill Lynch®, Barclays Capital, FMRCo (MARE) as of 5/31/10. High Yield represented by Merrill Lynch High Yield Master II Index; Investment-grade represented by Barclays Capital Corporate Bond Index. Spread is index Option-Adjusted Spread (OAS).



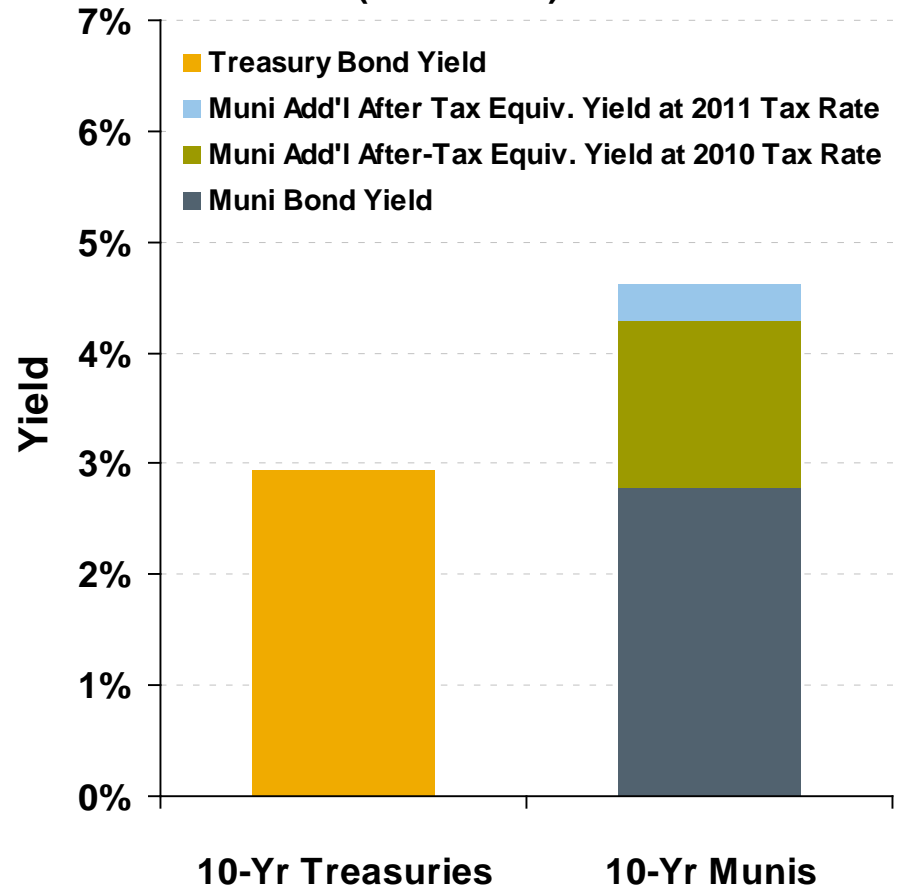
Muni Bonds: Fiscal Challenges, Attractive After-Tax Yields

State Tax Revenues (1978-2010)



U.S. recessions are defined by National Bureau of Economic Research. MARE estimates the most recent recession ended in July 2009, and recession shading reflects this estimate. Total U.S. state tax revenues from all sources. Source: Bureau of the Census, Haver Analytics, FMRCo (MARE) as of 3/31/10.

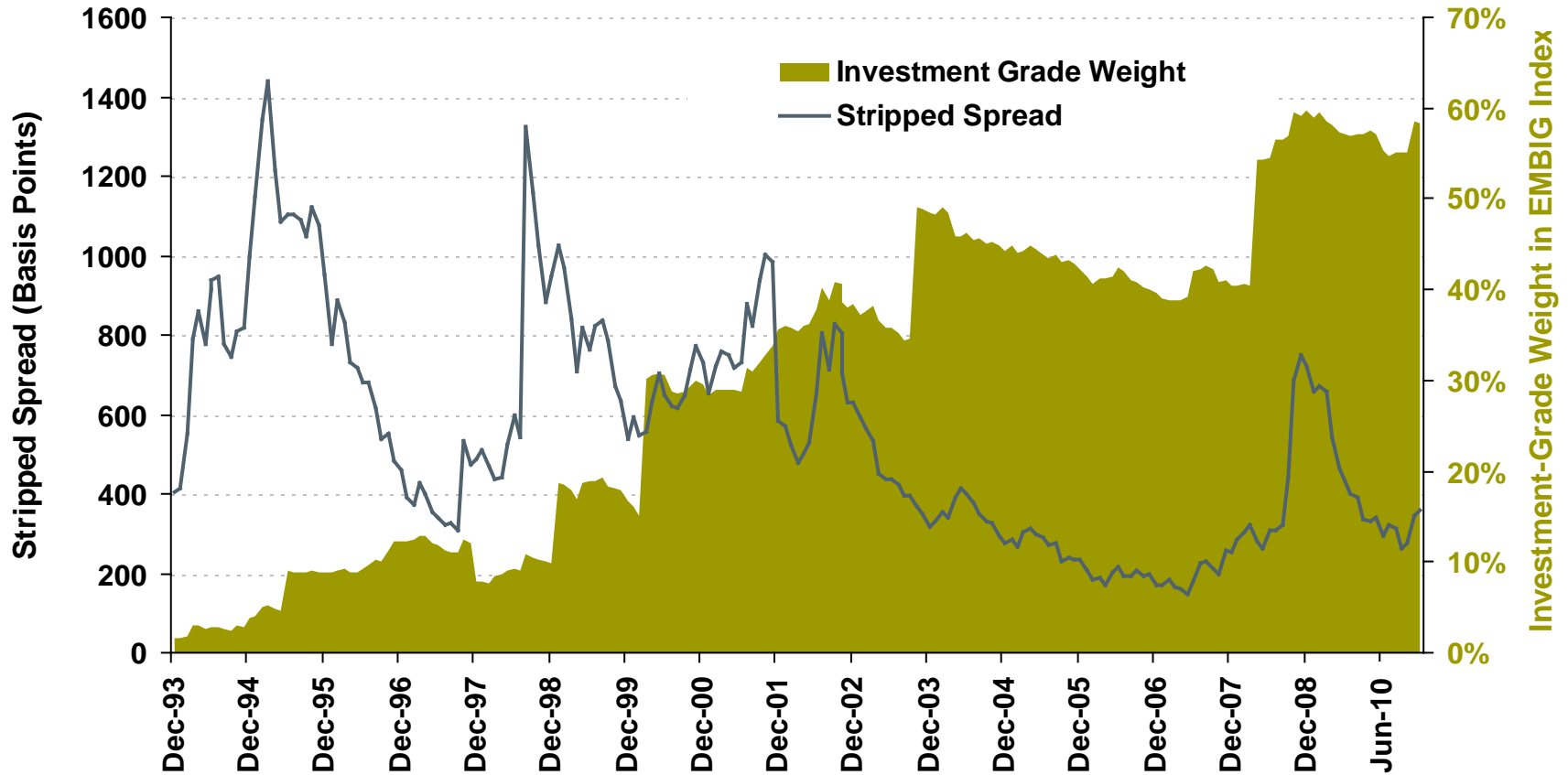
Municipal vs. Treasury Bond Yields (June 2010)



Tax-equivalent yield calculated using top federal income tax rate (35%). 2011 tax equivalent yield uses top federal income tax rate for 2011 (39.6%) as prescribed by current law. Source: Municipal Market Data - Thomson Financial Services, Bloomberg, FMRCo (MARE) as of 6/30/10.

Rising Credit Quality Has Supported Emerging Market Debt Universe

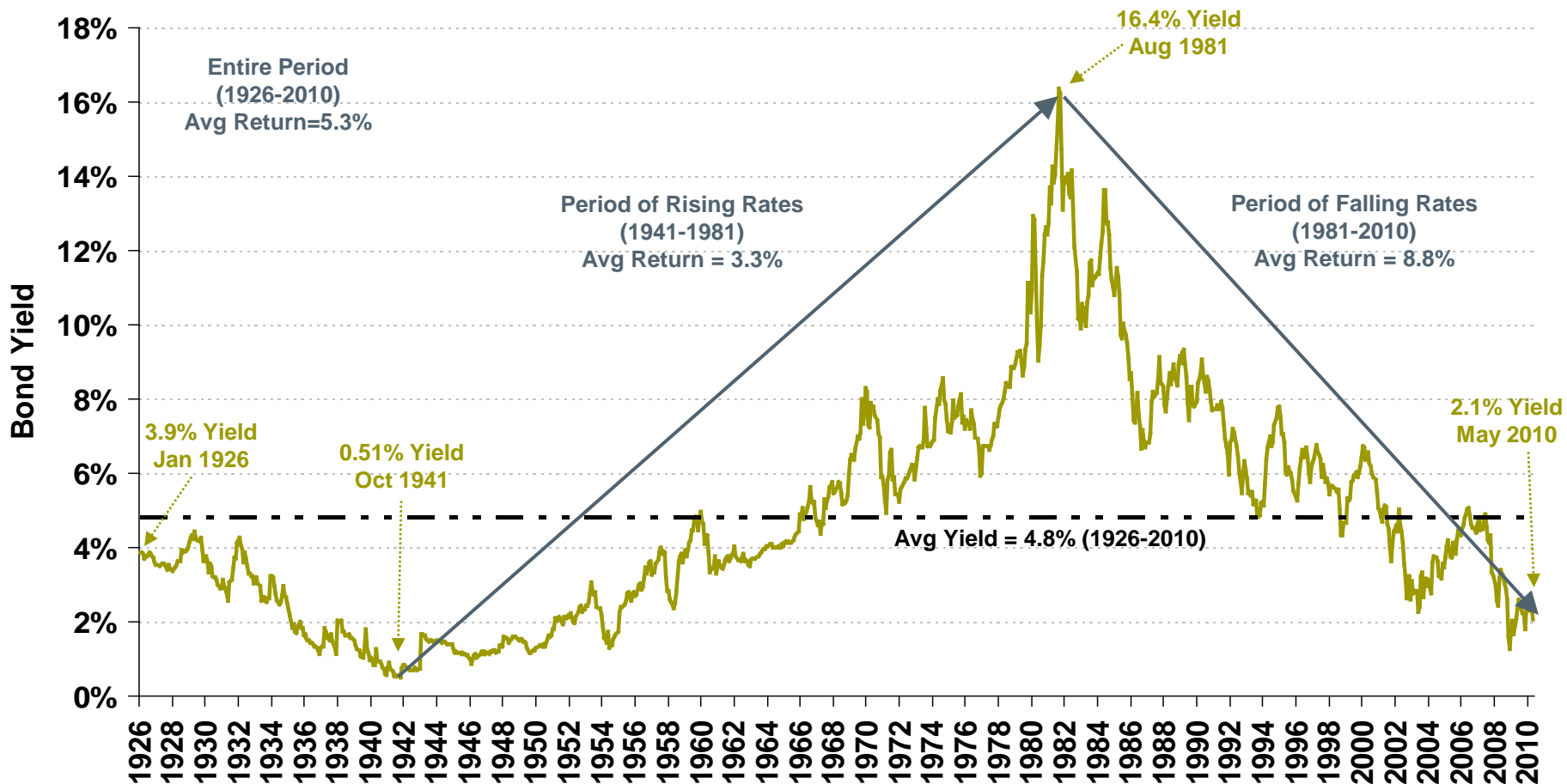
Emerging-Market Debt Spreads & Credit Quality (1993-2010)



Past performance is no guarantee of future results. You cannot invest directly in an index. JP Morgan EMBI Global Index used to represent Emerging Market Debt (EMD) characteristics. Stripped spread reflects yield spread above similar maturity Treasury bonds after stripping out collateral yields. Source: FactSet, FMRCo (MARE) as of 6/30/09.

Aftermath of Secular Decline in Rates: Low Yield Environment

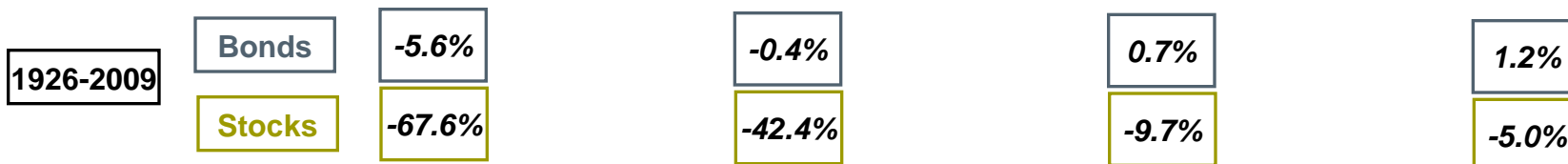
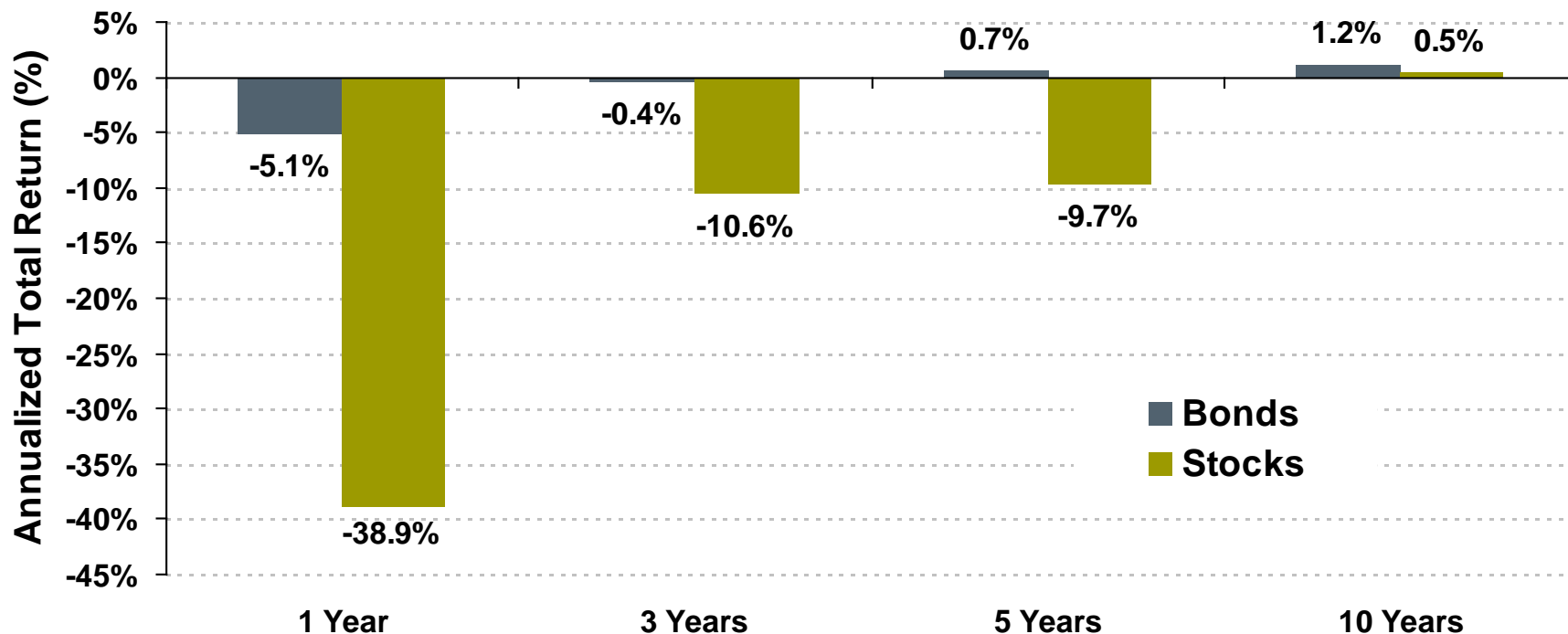
Intermediate-Term Treasury Bond Yield (1926-2010)



Intermediate-term Treasury bond represented by Ibbotson Associates SBBI U.S. IT Govt. Index. See appendix for important index information. Source: Ibbotson Associates, FMRCo (MARE) as of 5/31/10. Past performance is no guarantee of future results.

Worst Bond Periods Much Better Than Worst Stock Periods (Even in Period of Rising Rates)

Worst Holding Period Returns (1941-1981)



Bonds represented by the Ibbotson Associates SBBI Intermediate-Term Government Bond Index and stocks represented by the S&P 500 Index. See appendix for important index information. Source: Ibbotson Associates, FMRCO (MARE) as of 6/30/10. Past performance is no guarantee of future results.

Long-Term Investing Themes



More Asset Class Options Help Investors Counter Higher Correlations

Legend	Asset Category Performance By Decade (%) (Average Annual Returns: 1930-2009)							
	30s	40s	50s	60s	70s	80s	90s	00s
() denotes year of index inception								
Investment-Grade Bonds (1926)	5.4 IG Bonds	20.7 U.S. SmCaps	19.4 U.S. LgCaps	15.5 U.S. SmCaps	21.3 Commodities	22.8 For. Devlpd	18.2 U.S. LgCaps	10.9 EM Debt
U.S. Small Caps (1926)	1.4 U.S. SmCaps	9.2 U.S. LgCaps	16.9 U.S. SmCaps	7.8 U.S. LgCaps	11.5 U.S. SmCaps	17.6 U.S. LgCaps	15.1 U.S. SmCaps	10.6 REITs
U.S. Large Caps (1926)	-0.1 U.S. LgCaps	2.1 IG Bonds	1.2 IG Bonds	2.9 IG Bonds	10.1 For. Devlpd	15.8 U.S. SmCaps	11.2 HY Bonds	10.1 EM Stocks
Commodities (1970)					7.0 IG Bonds	15.6 REITs	11.0 EM Stocks	7.7 TIPS
Foreign Developed-Country Stocks (1970)					5.9 U.S. LgCaps	12.4 IG Bonds	9.1 REITs	6.5 HY Bonds
REITs (1972)						10.7 Commodities	7.7 IG Bonds	6.3 IG Bonds
High-Yield Bonds (1984)							7.3 For. Devlpd	6.3 U.S. SmCaps
Emerging-Market Stocks (1988)							3.9 Commodities	5.1 Commodities
Emerging-Market Debt (1994)								1.6 For. Devlpd
TIPS (1997)								-0.1 U.S. LgCaps

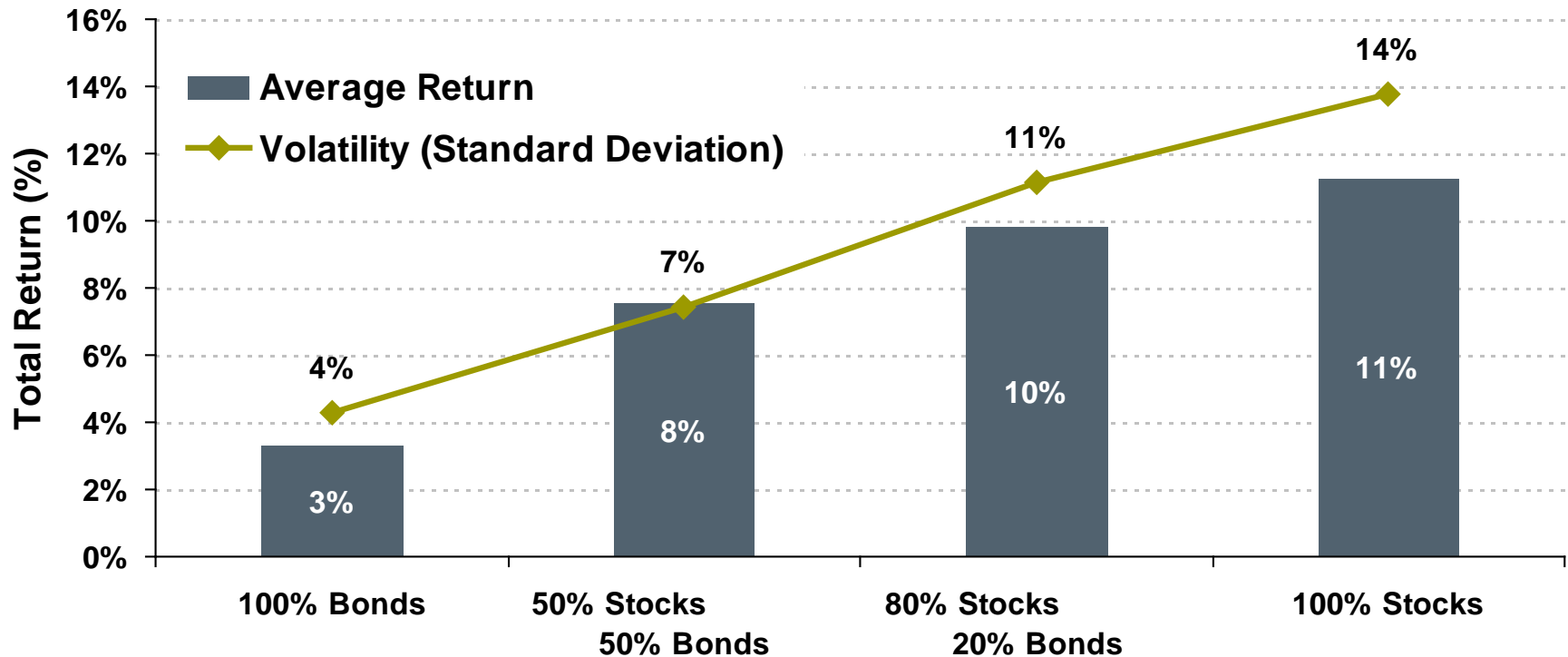
Dark outlined boxes denote first full calendar decade of history for each index.
 Note: Category performance expressed as average annual percentage rate for each decade.

IG Bonds – BC Aggregate Bond Index (1976-2009), weighted composite of IA Long-term Corporate Bond Index and IA Intermediate-term Government Bond Index (1926-1975). U.S. Small-Capitalization Stocks - IA SBBI U.S. Small Stock Index. U.S. Large-Cap Stocks - Standard and Poor's (S&P) 500 Index. Commodities - S&P GSCI Commodities Total Return Index. Foreign Developed-Country Stocks - Morgan Stanley Capital International (MSCI) Europe, Australasia & Far East (EAFE) Index. Real Estate Investment Trusts (REITs) - FTSE NAREIT Equity REITs. High-Yield Bonds - Merrill Lynch (ML) U.S. HY Master II Index. Emerging-Market (EM) Stocks - MSCI Emerging Market Index. Emerging-Market (EM) Debt - J.P. Morgan EMBI+ Index. Treasury Inflation-Protected Securities - BC U.S. TIPS Index. Source: Ibbotson Associates, FMRCo (MARE) as of 12/31/09. Past performance is no guarantee of future results. See appendix for important index information.



Bonds Reduced Portfolio Risk Even in Period of Rising Rates

Bond and Stock Portfolios (1941-1981)



1926-2009

Period	Return (%)	Std. Dev. (%)
1926-2009	5%	4%
1941-1981	8%	10%
1982-2009	9%	15%
1941-2009	10%	19%

Bonds represented by the Ibbotson Associates SBBI Intermediate-Term Government Bond Index and stocks represented by the S&P 500 Index. See appendix for important index information. Source: Ibbotson Associates, FMRCO (MARE) as of 6/30/10. Past performance is no guarantee of future results.



How Often is Cash King?

Frequency (Rate) of Outperformance For Cash vs. Stocks & Bonds Over 1-year Periods (1926-2010)

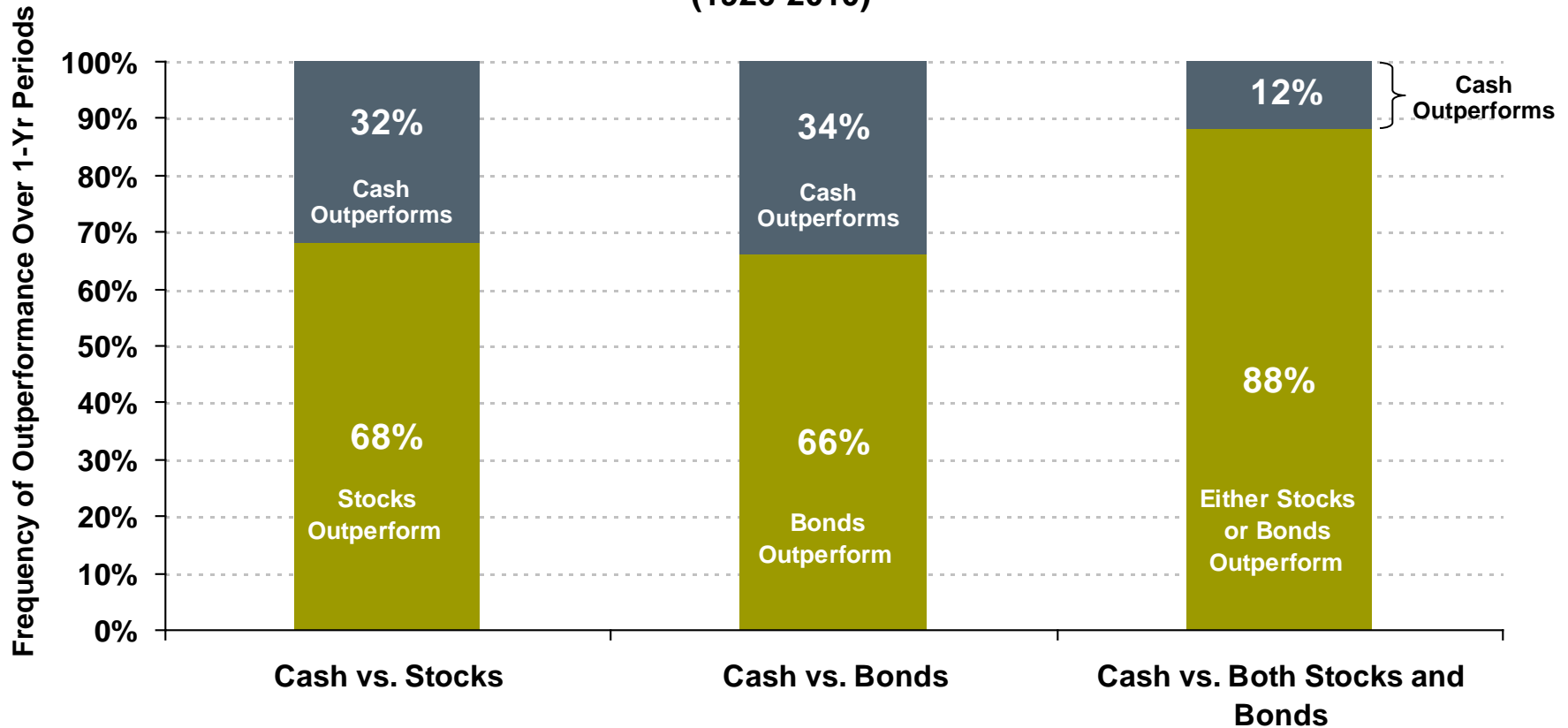
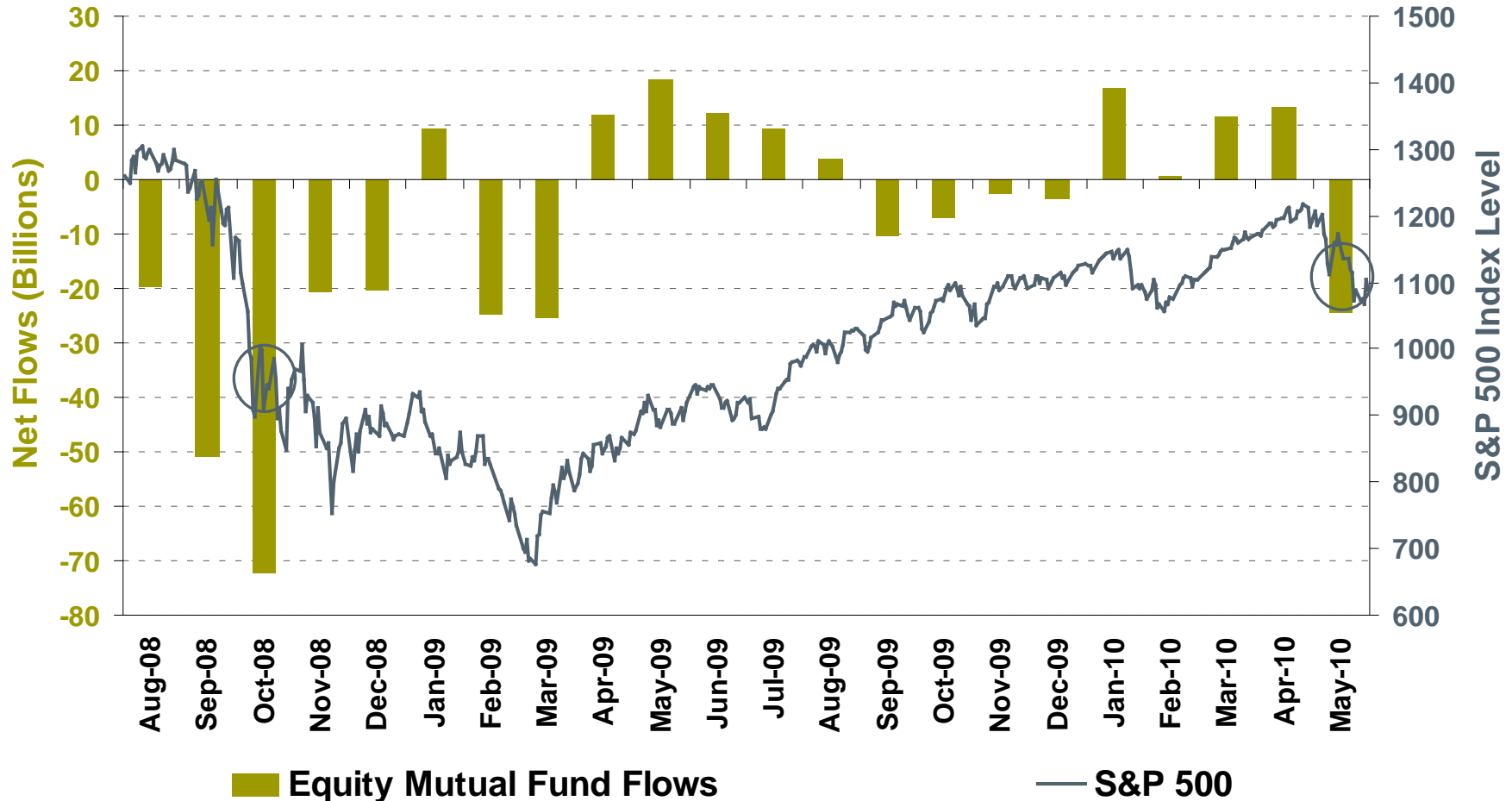


Chart shows the frequency rate of outperformance among cash, investment-grade bonds and large-cap stocks over rolling one-year periods on a monthly basis from 1926-2010. All indices are unmanaged and performance of the indices includes reinvestment of dividends and interest income. Cash represented by the Ibbotson Associates (IA) 30-Day T-Bill. Stocks represented by S&P 500 Index. Bonds represented by Barclay's Capital Aggregate Bond Index from 1976-2010. From 1926-1975 bonds are represented by a weighted composite of the IA Long-term Corporate Bond Index (34%) and the IA Intermediate-term Government Bond Index (66%). Source: Ibbotson Associates, FMRCo. (MARE) as of 5/31/2010. Past performance is no guarantee of future results.

Many Market Timers Liquidated Stocks After Steep Declines

Equity Mutual Fund Flows vs S&P 500 Performance (2008-2010)



Source: Investment Company Institute, FMRCo (MARE) as of 5/31/10. Past performance is no guarantee of future results.



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The Market Analysis, Research and Education (MARE) group, a unit of Fidelity Management & Research Company (FMRC), provides timely analysis on developments in the financial markets.

Featured content includes:

- Content on the economic environment and major issues influencing the financial markets.
- Updates and commentary on various asset classes.
- Insight on portfolio construction.
- Education on investing principles, such as diversification and asset allocation.

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Alan Wilkinson — Investment Director, FMRC.

Kevin Lavelle — Editorial Director, FMRC.

Miles Betto — Research Analyst, FMRC.

Craig Blackwell — Associate Research Analyst, FMRC.

Send feedback to MARE: e-mail market.analysis@fmr.com.





Appendix: Important Information

Views and opinions expressed are as of June 30, 2010 and may change based on market and other conditions.

Investment decisions should be based on an individual's own goals, time horizon, and tolerance for risk.

Past performance is no guarantee of future results.

Investing involves risk, including risk of loss.

Diversification does not ensure a profit or guarantee against loss.

All indices are unmanaged and performance of the indices include reinvestment of dividends and interest income, unless otherwise noted, are not illustrative of any particular investment and an investment cannot be made in any index.

Although bonds generally present less short-term risk and volatility than stocks, bonds do contain interest rate risk (as interest rate rise, bond prices usually fall and vice versa) and the risk of default, or the risk that an issuer will be unable to make income or principal payments. Additionally, bonds and short-term investments entail greater inflation risk, or the risk that the return of an investment will not keep up with increases in the prices of goods and services, than stocks.

Foreign investments involve greater risks than U.S. investments, including political and economic risks and the risk of currency fluctuations, all of which may be magnified in emerging markets.

Lower-quality debt securities generally offer higher yields, but also involve greater risk of default or price changes due to potential changes in the credit quality of the issuer. Any fixed income security sold or redeemed prior to maturity may be subject to loss.

The municipal market is volatile and can be significantly affected by adverse tax, legislative or political changes and the financial condition of the issuers of municipal securities. Interest rate increases can cause the price of a debt security to decrease. A portion of the dividends you receive may be subject to federal, state, or local income tax or may be subject to the federal alternative minimum tax.

Stock values fluctuate in response to the activities of individual companies and general market and economic conditions, domestically and abroad.

Changes in real estate values or economic conditions can have a positive or negative effect on issuers in the real estate industry, which may affect your investment.

The Organisation for Economic Co-operation and Development (OECD) countries include: Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Spain, Sweden, Switzerland, Turkey, United Kingdom, United States.

The International Monetary Fund categorizes the following as advanced economies: Australia, Austria, Belgium, Canada, Cyprus, Denmark, Finland, France, Germany, Greece, Hong Kong SAR, Iceland, Ireland, Israel, Italy, Japan, Korea, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, Taiwan Province of China, United Kingdom, and United States.

The Netherlands Bureau for Economic Policy Analysis categorizes the following as emerging markets and developing countries: Armenia, Belarus, Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Hungary, Kazakhstan, Latvia, Lithuania, Poland, Romania, Russian Federation, Slovakia, Slovenia, Turkey, Ukraine, China, Hong Kong, India, Indonesia, Republic of Korea, Malaysia, Pakistan, Philippines, Singapore, Taiwan, Thailand, Argentina, Brazil, Chile, Colombia, Ecuador, Mexico, Panama, Peru, Trinidad and Tobago, Uruguay, Venezuela, Algeria, Angola, Gabon, Iran, Iraq, Israel, Jordan, Kuwait, Libya, Morocco, Nigeria, Oman, Qatar, Saudi Arabia, South Africa, Syria, Tunisia, United Arab Emirates.



Appendix: Important Information

The Russell 2000® Index is a market capitalization-weighted index of smaller company stocks. The Russell 2000 Value and Growth indexes are market capitalization-weighted indexes of smaller value and smaller growth companies, respectively. The Russell Mid-cap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represent approximately 27% of the total market capitalization of the Russell 1000 Index. The Russell Mid-cap Value Index measures the performance of the 800 smallest companies in the Russell 1000 Index with lower price-to-book ratios and lower forecasted growth values. The Russell Mid-cap Growth Index measures the performance of the 800 smallest companies in the Russell 1000 Index with higher price-to-book ratios and higher forecasted growth values. The Russell 3000 Index offers investors access to the broad U.S. equity universe representing approximately 98% of the U.S. market. The Russell 3000 is constructed to provide a comprehensive, unbiased, and stable barometer of the broad market and is completely reconstituted annually to ensure new and growing equities are reflected. The Russell 3000® Growth Index measures the performance of those Russell 3000 Index companies with higher price-to-book ratios and higher forecasted growth values. The Russell 3000 Value Index is an unmanaged index and measures the performance of those Russell 3000 Index companies with lower price-to-book ratios and lower forecasted growth values.

The Morgan Stanley Capital InternationalSM (MSCI®) Europe, Australasia, Far East Index (EAFE), an unmanaged market capitalization-weighted index, is designed to represent the performance of developed stock markets outside the United States and Canada. MSCI Europe Index is a market capitalization weighted index of over 550 stocks traded in 14 European markets. The MSCI® Emerging Markets (EM) Free Index is a market capitalization weighted index of over 850 stocks traded in 22 world markets.

MSCI Japan Index is an unmanaged index of over 317 foreign stock prices, and reflects the common stock prices of the index companies translated into U.S. dollars, assuming reinvestment of all dividends paid by the index stocks net of any applicable foreign taxes. The Morgan Stanley Capital International AC Asia Pacific Free Index (MSCI AP) is an unmanaged index generally representative of developed and emerging markets in the Asia/Pacific region, including Australia, China, Hong Kong, India, Indonesia, Japan, Korea, Malaysia, New Zealand, Pakistan, the Philippines, Singapore, Sri Lanka, Taiwan and Thailand. MSCI United Kingdom Index – a free float-adjusted market capitalization index that is designed to measure equity market performance in the United Kingdom. MSCI Germany Index – a free float-adjusted market capitalization index that is designed to measure equity market performance in Germany. MSCI Colombia Index – a free float-adjusted market capitalization index that is designed to measure equity market performance in Colombia. MSCI Mexico Index – a free float-adjusted market capitalization index that is designed to measure equity market performance in Mexico. MSCI Brazil Index – a free float-adjusted market capitalization index that is designed to measure equity market performance in Brazil. MSCI Russia Index – a free float-adjusted market capitalization index that is designed to measure equity market performance in Russia. MSCI South Africa Index – a free float-adjusted market capitalization index that is designed to measure equity market performance in South Africa. MSCI India Index – a free float-adjusted market capitalization index that is designed to measure equity market performance in India. MSCI China Index – a free float-adjusted market capitalization index that is designed to measure equity market performance in China. MSCI Australia Index – a free float-adjusted market capitalization index that is designed to measure equity market performance in Australia. MSCI Greece Index – a free float-adjusted market capitalization index that is designed to measure equity market performance in Greece. MSCI Turkey Index – a free float-adjusted market capitalization index that is designed to measure equity market performance in Turkey. MSCI Japan Index – a free float-adjusted market capitalization index that is designed to measure equity market performance in Japan.

The MSCI EAFE Small Cap Index currently consists of the following 21 developed-market countries: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and United Kingdom. This index aims to capture 40% of the full market capitalization of the eligible small cap universe of companies of each country by industry. This is a range of 200-1500 billion USD. MSCI then free float-adjusts the included companies.

The MSCI EM (Emerging Markets) Latin America Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in Latin America. The MSCI EM Latin America Index consists of the following six emerging-market country indices: Argentina, Brazil, Chile, Colombia, Mexico, and Peru.

The MSCI EM (Emerging Markets) Europe, Middle East and Africa (EMEA) Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the emerging-market countries of Europe, the Middle East & Africa. The MSCI EM EMEA Index consists of the following 10 emerging-market country indices: Czech Republic, Hungary, Poland, Russia, Turkey, Israel, Jordan, Egypt, Morocco and South Africa.



Appendix: Important Information

MSCI® Europe Index - a free float-adjusted market capitalization index that is designed to measure developed market equity performance in Europe. As of September 2002, the MSCI Europe Index consisted of the following 16 developed market country indices: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

S&P GSCI Commodities Index is a world-production weighted index composed of 24 widely traded commodities. All sub-indices of the S&P GSCI™ sub-indices (Energy, Industrial Metals, Precious Metals, and Agriculture and Livestock) follow the same rules regarding world production weights, methodology for rolling and other functional characteristics.

The NASDAQ Composite® Index is an unmanaged market capitalization-weighted index that is designed to represent the performance of the National Market System.

Barclays Capital® (BC) U.S. Treasury Index—an index which covers public obligations of the U.S. Treasury with a remaining maturity of one year or more. The BC Aggregate Bond Index is an unmanaged market value weighted performance benchmark for investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities with maturities of at least one year. BC U.S. Credit Index—Publicly issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements. To qualify, bonds must be SEC-registered. BC U.S. Agency Index— Publicly issued debt of U.S. Government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. Government. BC Asset-Backed Securities Index—The ABS component of the Aggregate index, including credit/charge cards, autos, home equity loans, utilities and manufactured housing. The BC Credit Bond Index includes all publicly issued, fixed-rate, non-convertible investment grade corporate debt; the index is composed of both U.S. and Brady bonds. The BC MBS Index covers agency mortgage-backed pass-through securities (both fixed-rate and hybrid ARMs) issued by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC). The BC U.S. Municipal Bond Index covers the USD-denominated long term tax exempt bond market with four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds. BC TIPS Index represents an unmanaged market index made up of U.S. Treasury Inflation Linked Index securities. The BC Government Bond Index is an unmanaged market value-weighted index of U.S. Government and government agency securities (other than mortgage securities) with maturities of one year or more. The Bank of America Merrill Lynch High-Yield Bond Master II Index is an unmanaged index that tracks the performance of below investment grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market. The Citigroup Group-Of-Seven (G7) Government Bond Index is designed to measure the performance of the domestic government bond market for the G7 countries, namely Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States.

The JPM® EMBI+ Index tracks total returns for U.S. dollar-denominated debt instruments issued by emerging-market sovereign and quasi-sovereign entities. The JPM® EMBI Global Index tracks total returns for traded external debt instruments issued by emerging-market sovereign and quasi-sovereign entities.

The Ibbotson US Intermediate-Term Government Bond Index is a custom index designed to measure the performance of Intermediate-Term US government bonds. The Ibbotson US Long-Term Government Bond Index is a custom index designed to measure the performance of Long-Term US government bonds. The Ibbotson US Long-Term Corporate Bond Index is a custom index designed to measure the performance of long-term US corporate bonds. Ibbotson Associates SBBI 30 Day T Bill Total Return Index – An index which reflects U.S. Treasury Bill returns. Ibbotson Associates SBBI U.S. Inflation – An inflationary indicator based on the Consumer Price Index (CPI) that measures the change in the cost of a fixed basket of products and services, including housing, electricity, food, and transportation. CPI values reflect mid-month price levels, thus Ibbotson Associates estimates the most current month by taking the average rate of the previous two months to match month-end asset class returns. The Ibbotson Small Cap Stock Index is a custom index designed to measure the performance of US Small Cap Stocks.

Lower-quality debt securities involve greater risk of default or price changes due to potential changes in the credit quality of the issuer.

CPI – Consumer Price Index. An inflationary indicator that measures the change in the cost of a fixed basket of products and services, including housing, electricity, food, and transportation. The CPI is published monthly.

The Bloomberg Financial Conditions Index combines yield spreads and indices from the Money Markets, Equity Markets, and Bond Markets into a normalized index. The values of this index are z-scores, which represent the number of standard deviations that current financial conditions lie above or below the average of the 1992-June 2008 period.

The CBOE Volatility Index (VIX) is based on the prices of eight S&P 500 index put and call options



Appendix: Important Information

The Moodys/REAL Commercial Property Price Index (CPPI) is a periodic same-property round-trip investment price change index of the U.S. commercial investment property market.

NAREIT Equity-Only Index. The unmanaged National Association of Real Estate Investment Trusts (NAREIT) Equity Index is a market-value-weighted index based upon the last closing price of the month for tax-qualified REITs listed on the NYSE

The S&P/Case-Shiller® Home Price Indices are designed to be a reliable and consistent benchmark of housing prices in the United States. Their purpose is to measure the average change in home prices in a particular geographic market. They are calculated monthly and cover 20 major metropolitan areas (Metropolitan Statistical Areas or MSAs), which are also aggregated to form two composites – one comprising 10 of the metro areas, the other comprising all 20.

S&P/LSTA Leveraged Performing Loan Index Standard & Poor's/Loan Syndications and Trading Association Leveraged Performing Loan Index is a market value-weighted index designed to represent the performance of U.S. dollar-denominated institutional leveraged performing loan portfolios (excluding loans in payment default) using current market weightings, spreads and interest payments.

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The following is a definition of the S&P 500 sectors: Consumer Discretionary – Companies that tend to be the most sensitive to economic cycles. Consumer Staples – Companies whose businesses are less sensitive to economic cycles. Energy – Companies whose businesses are dominated by either of the following activities: The construction or provision of oil rigs, drilling equipment and other energy-related service and equipment, including seismic data collection. The exploration, production, market, refining and/or transportation of oil and gas products, coal and consumable fuels. Financials – Companies involved in activities such as banking, consumer finance, investment banking and brokerage, asset management, insurance and investments, and real estate, including REITs. Health Care – Companies in two main industry groups: Health care equipment suppliers, manufacturers, and providers of health care services; and companies involved in research development, production and marketing of pharmaceuticals and biotechnology products. Industrials – Companies whose businesses manufacture and distribute capital goods, provide commercial services and supplies, provide transportation services. Information Technology – Companies in technology software & services, and technology hardware & equipment. Materials – Companies that are engaged in a wide range of commodity-related manufacturing. Telecommunication Services – Companies that provide communications services primarily through a fixed line, cellular, wireless, high bandwidth and/or fiber-optic cable network. Utilities – Companies considered electric, gas or water utilities, or companies that operate as independent producers and/or distributors of power.

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