LPL RESEARCH

GLOBAL PORTFOLIO STRATEGY

August 2020

DEFYING THE SKEPTICS

LPL Research's Monthly Global Review and Look Forward

Stocks continued to rally in July despite elevated COVID-19 cases in many US states and globally, as well as evidence that the economic recovery was leveling off based on high-frequency economic data. Low interest rates amid ongoing massive stimulus and optimism surrounding vaccine prospects helped push stocks higher. Credit-sensitive bond sectors continued to perform well, but rate sensitivity was also rewarded as US Treasury yields drifted lower.

KEY CHANGES FROM JULY'S REPORT:

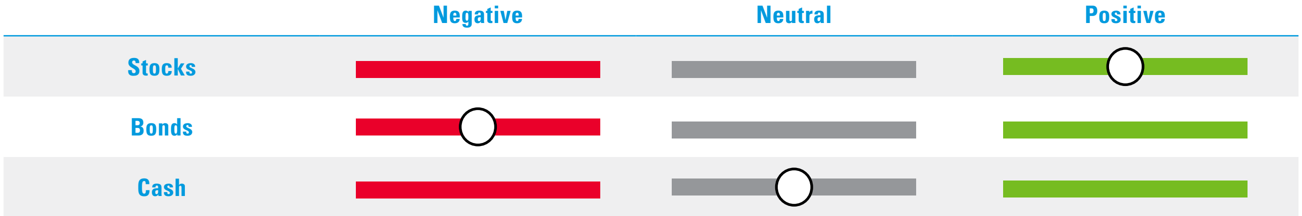
- Upgraded materials sector stocks from neutral to positive
- Downgraded financials stocks from neutral to negative.

INVESTMENT TAKEAWAYS

- **Our equities recommendation remains overweight.** Although we continue to believe markets may be pricing in an overly optimistic economic recovery scenario and a pullback may be overdue, we continue to favor stocks over bonds in a low-rate environment and on prospects for an end to the pandemic within our investment time horizon of 6 to 12 months.
- Our year-end 2020 fair-value target for the **S&P 500 Index** of 3,250–3,300 is based on a price-to-earnings multiple (PE) near 20 on $165 in normalized index earnings per share (EPS), though we acknowledge achieving that level of earnings may take another 12 to 24 months. We have raised our 2020 forecast to $125–$130 per share from $120–$125.
- We maintain our preference for **large cap stocks** for their relatively stronger financial positions as the economy faces a challenging road back to pre-pandemic levels of activity.
- Despite significant outperformance during the pandemic and elevated valuations, we continue to believe **growth stocks** are better positioned for the economic recovery, which we expect to be more restrained in the second half of the year.
- The relative strength of China's economy, a weakening US dollar, and low valuations enhance the attractiveness of **emerging market equities**, which we continue to favor over equities in **developed international markets.**
- **Our fixed income view remains underweight.** While Federal Reserve (Fed) policy and current economic uncertainty may limit the risk of yields moving substantially higher, a likely second-half economic recovery may continue to support riskier assets going out a full year.
- We favor a blend of **high-quality intermediate bonds** with a modest underweight to **US Treasuries** and an emphasis on short-to-intermediate maturities with sector weightings tilted toward **mortgage-backed securities** (MBS).

BROAD ASSET CLASS VIEWS

LPL Research's Views on Stocks, Bonds, and Cash



OUR ASSET CLASS & SECTOR CHOICES

Equity Asset Classes	Equity Sectors	Fixed Income	Alternative Asset Classes
▪ Emerging Markets Equities ▪ Large Cap US Equities ▪ Growth Equities	▪ Communication Services ▪ Healthcare ▪ Materials ▪ Technology	▪ Mortgage-Backed Securities	▪ Event Driven

2020 MARKET FORECASTS

COVID-19 Creates Significant Earnings and Interest Rate Uncertainty

	July *Global Portfolio Strategy* (GPS) Forecast	August 2020 Base Case	August 2020 Bear Case
10-Year US Treasury Yield	1.25–1.75%	1.0–1.5%	0–0.5%
S&P 500 Earnings per Share	$120–125	$125–130	$110–115
S&P 500 Fair Value	NA	3,250–3,300*	2,650

Source: LPL Research, Bloomberg

All indexes are unmanaged and cannot be invested into directly. Past performance is no guarantee of future results.

*As noted in our *Midyear Outlook 2020* dated 07/14/20, our year-end fair-value target range for the S&P 500 of 3,250–3,300 is based on a price-to-earnings ratio (PE) near 20 and potential normalized S&P 500 earnings per share (EPS) of $165 in 2021–22.

2020 ECONOMIC FORECASTS

COVID-19 May Have Sparked a Global Recession

	July GPS Base Case Forecast	August 2020 Base Case	August 2020 Bear Case
United States	-3% to -5%	-3% to -5%	-5% to -8%
Developed ex-US	-5% to -7%	-5% to -7%	-7% to -10%
Emerging Markets	flat to 2%	flat to 2%	flat to -3%
Global	-1% to -3%	-1% to -3%	-3% to -6%

Source: LPL Research, Bloomberg

The economic forecasts may not develop as predicted.

All data, views, and forecasts herein are as of 08/07/20.

EQUITY ASSET CLASSES

Favor US Large Caps and Emerging Markets

We expect the pace of economic recovery to level off and potentially slow the stock market rally that has generally continued uninterrupted for 4.5 months. In that environment, we favor the relatively stronger financial positions of large cap companies. From a style perspective, we believe growth stocks appear better positioned than value in the near term, but as a more durable economic recovery potentially emerges later this year, value could stage a turnaround. We believe the United States remains well positioned for a recovery, but China is leading the way out of the global economic crisis, which we expect to support emerging market equities.

	Sector	Overall View	Relative Trend	Rationale
Market Capitalization	Large Caps			We expect the pace of economic recovery to level off and potentially slow the stock market rally that has generally continued uninterrupted for 4.5 months. In that environment, we favor the greater financial strength typically enjoyed by **large cap** companies.
	Mid Caps			**Mid caps** enjoy some of the early cycle characteristics of small caps and should perform well in a durable recovery. Mid caps are also more attractively valued than small caps, though technical trends remain negative and they may struggle if volatility picks up.
	Small Caps			**Small caps** have tended to perform relatively well early in economic expansions, and the US economy likely emerged from recession in June. But our belief that the next leg of the recovery may be tougher suggests outperformance by small caps since the March 2020 stock market lows may fade.
Style	Growth			We upgraded our view of **growth stocks** from a style perspective in July. We believe the ability to grow earnings without much help from the economy, more resilient businesses, and generally better balance sheets favor growth.
	Value			As a more durable economic recovery potentially emerges later this year, **value stocks** could stage a turnaround. Valuations of value stocks relative to their growth counterparts are very depressed compared with their history.
Region	United States			Among developed markets, we remain US-focused, but COVID-19, a weak US dollar, and valuations have closed the gap between the United States and the rest of the developed world. The US market has a good sector mix for the current environment in our view, led by mega-cap growth stocks.
	Developed International			We expect economies in **Europe** to contract more than the United States or Japan in 2020 and continue to have structural concerns about the Eurozone. However, movement toward a coordinated fiscal response to COVID-19, potential further US dollar weakness, and attractive relative valuations make a more intriguing case. Bloomberg's consensus forecasts for **Japan** 2020 GDP growth are calling for a smaller contraction than in Europe, supported by a very aggressive stimulus response. However, a disappointing second quarter earnings season so far in Japan reduces the attractiveness.
	Emerging Markets			**China** has led the way out of the global crisis in terms of containing the virus and reopening its economy. Our positive **emerging markets** view is based on prospects for relatively better economic growth in 2020, attractive valuations, and a weaker US dollar. Our primary concerns are increasing US-China tensions, emerging market's inability to convert economic growth into profits and shareholder value in recent years, political instability, and Brazil's and India's difficulty containing COVID-19.

Trend is measured by relative performance of the index for the past 12 months, minus the most recent month, compared to the other indexes in a particular sector or asset class grouping.

EQUITY SECTORS

Upgrading Materials, Downgrading Financials

We continue to favor cyclical sectors in general, but with an emphasis on sectors we think are best positioned for the economic challenges presented by the pandemic, namely communication services, healthcare, and technology. Our materials upgrade is attributable to a weak US dollar and strong technical momentum. Our neutral view of industrials reflects a relatively weaker earnings outlook and potential underperformance in a pullback, though this sector would be expected to perform relatively well once a more durable economic recovery is in place.

	Sector	Overal View	Relative Trend	S&P	Rationale
Cyclical	Materials			2.6	As China's economy outpaces the rest of the world, metal and agriculture prices have firmed. Beneficiary of weak US dollar and strong housing market. Strong technical trend.
	Energy			2.6	Defaults are poised to rise with oil prices still below producers' marginal cost. Reaching a more economical $50 per barrel price may be difficult.
	Industrials			8.0	Significant hits to capital spending have significantly impaired the earnings outlook, richening valuations. Potential outperformer in an eventual durable economic recovery.
	Communication Services			11.0	Several industries benefit from stay-at-home environment. Above-average earnings outlook, fair valuations, and positive technical trend. Regulatory risk for internet companies appears manageable.
	Consumer Discretionary			11.2	E-commerce is thriving and stimulus has propped up consumers' cash hordes, but brick-and-mortal retailers and companies reliant on travel face a long road back.
	Technology			28.0	Among best earnings outlooks of all equity sectors, benefiting from the work-from-home environment. Top sector performer year to date.
	Financials			9.8	Difficult environment with the economy contracting, depressed interest rates, and dividends capped. Weakness early in economic cycle is discouraging. Weak technical trends offset attractive valuations.
Defensive	Utilities			3.0	Valuations have become a bit more reasonable, but we expect interest rates to rise and we prefer healthcare or consumer staples for defensive sector exposure.
	Healthcare			14.3	Still-strong healthcare spending outlook, favorable demographics, resilient earnings, attractive valuations, and positive technical trends. COVID-19 brings winners and losers but offers upside via biotech.
	Consumer Staples			7.0	Among the best positioned sectors to ride out another potential wave of COVID-19 with attractive yields, relatively resilient revenue streams, and more reasonable relative valuations than in recent years.
	Real Estate			2.7	Fundamentals have deteriorated, particularly for the retail and office areas. Healthcare, technology, and industrial segments appear better positioned for current environment.

Investing in real estate/REITs involves special risks such as potential illiquidity and may not be suitable for all investors. There is no assurance that the investment objectives of this program will be attained.

Because of its narrow focus, specialty sector investing, such as healthcare, financials, or energy, will be subject to greater volatility than investing more broadly across many sectors and companies.

FIXED INCOME

Limit Rate Sensitivity With Intermediate Focus

We suggest a blend of high-quality intermediate bonds in tactical portfolios. We expect modestly higher long-term rates over the rest of 2020 as economic activity recovers in the second half of the year. Compensation for longer-maturity bonds remains unattractive, in our view, supporting our positive view of MBS. We still see incremental value in corporate bonds over Treasuries, but risks temper our view. We favor municipal bonds as a high-quality option for taxable accounts. Valuations for municipals relative to Treasuries are still attractive. Economic uncertainty remains elevated, and we are biased toward higher-quality issuers.

		Low	Medium	High	Rationale
Positioning	Credit Quality		●		Valuations are attractive, but uncertainty merits some caution.
		Short	Int.	Long	
	Duration	●			We prefer below-benchmark interest-rate sensitivity due to historically low longer-maturity Treasury yields and prospects of a second-half economic rebound.

		Neg.	Neutral	Pos.	Rationale
Sectors	US Treasuries	●			Yield spreads to international sovereigns remain elevated but have narrowed. Valuations have become very expensive on COVID-19-related demand. TIPS break-even inflation rates still tilt attractive despite strong run.
	MBS			●	Fed buying is supportive, spreads are wider than other quantitative easing (QE) periods, and may provide some resilience if rates rise. Remains a diversifying source of yield among high-quality options.
	Investment-Grade Corporates		●		Risks tempered as economy improves and Fed support a plus, but valuations have moved closer to neutral. High issuance a longer-term concern. Favor high-quality non-cyclical issuers.
	Preferred Stocks		●		Higher credit quality among the riskier fixed income options. Bank fundamentals firm prior to pandemic. Can be rate sensitive.
	High-Yield Corporates	●			Valuations still lean attractive, but we believe equities have more upside, and high-quality options may be better diversifiers. Sector mix a concern. More attractive for income-oriented investors.
	Bank Loans	●			Weaker investor protections and Fed unlikely to raise rates for some time, which may limit investor demand.
	Foreign Bonds	●			Rich valuations, interest-rate risk, and potential currency volatility are among the negatives.
	EM Debt		●		Dovish central banks improve the valuation picture and stronger global growth could be supportive, but may be vulnerable to COVID-19-related risk. Liquidity can be an added risk during periods of stress. Positive bias for second half of 2020.

Yield spread is the difference between yields on differing debt instruments, calculated by deducting the yield of one instrument from another. The higher the yield spread, the greater the difference between the yields offered by each instrument. The spread can be measured between debt instruments of differing maturities, credit ratings, and risk. **Bank loans** are loans issued by below investment-grade companies for short-term funding purposes with higher yield than short-term debt and involve risk. For the purposes of this publication, **intermediate-term bonds** have maturities between 3 and 10 years, and short-term bonds are those with maturities of less than 3 years.

All bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and are subject to availability and change in price. **Corporate bonds** are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate, and credit risk, as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features. Investing in **foreign and emerging market debt (EMD)** securities involves special additional risks. These risks include, but are not limited to, currency risk, geopolitical and regulatory risk, and risk associated with varying settlement standards. **High-yield/junk bonds** are not investment-grade securities, involve substantial risks, and generally should be part of the diversified portfolio of sophisticated investors. **Municipal bonds** are subject to availability, price, and market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise. Interest income may be subject to the alternative minimum tax. Federally tax-free but other state and local taxes may apply. **Mortgage-backed securities (MBS)** are subject to credit, default, prepayment risk that acts much like call risk when you get your principal back sooner than the stated maturity, extension risk, the opposite of prepayment risk, market and interest rate risk.

COMMODITIES

Favor Precious Metals

We continue to favor **precious metals**, which are benefiting from safe-haven buying, lower interest rates, and massive stimulus from the Fed. We anticipate further **US dollar weakness**, providing additional potential support for precious metals, particularly **gold**, which set a new all-time record high and eclipsed $2,000 in late July.

Our neutral **industrial metals** view reflects a still-challenging near-term global demand outlook; however, China has been the first major global economy to emerge from the health crisis and is supportive of industrial metals, notably **copper**.

Our **crude oil** outlook remains negative. We expect the next leg of the economic recovery in the United States to be gradual and choppy and for travel to be slow to come back. The US supply overhang may eventually cap gains if oil prices approach production costs in the $50 per barrel range. Domestic crude is disadvantaged by being less levered to China's relatively stronger economy.

ALTERNATIVE INVESTMENTS

Stocks and Bonds Both Contribute to Returns

Alternative investments were supported by broad-based strength across the equity and fixed income markets. Event-driven strategies, which remain our preferred implementation solution across alternatives, gained 0.90% as announced deal spreads moved closer to their acquisition prices. New deal announcements also exceeded deal closings during the month, indicating that the merger universe is growing. This is a positive development for the space going forward, as a majority of the existing positions were confined to transactions announced prior to March 2020. Fewer transactions can lead to significant position crowding across the industry.

Also, the expansion and significant capital flowing into "special purpose acquisition companies," or SPACs, has provided managers an additional investment choice within the broader event-driven umbrella. While SPACs offer a very distinct risk/return profile than traditional merger arbitrage, they're providing an alternative source of capital for acquisitions.

A LOOK BACK AT THE PRIOR MONTH

Economy: Recovery Starts to Level Off

Economic data released in July reflected a leveling off of economic momentum as COVID-19 cases continued to rise, and some reopening plans were rolled back.

- **Conference Board's Leading Economic Index (LEI)** increased 2% month over month in June, reflecting improvements in the economy due to reopening. Improving labor market conditions and stock prices were cited as the main contributors, while broader financial conditions and the consumer outlook on business conditions continued to point to a weak outlook. The improvement is encouraging, but the 8.6% year-over-year drop in the LEI suggests the US recovery remains in its early stages.

- **Payrolls and Labor.** Nonfarm payrolls rose 1.8 million in July, according to the US Bureau of Labor Statistics, beating expectations amid worries about COVID-19 cases and slowing economic momentum reflected in high-frequency data. In the last three months, the economy has added back more than 9 million of the 22 million jobs lost in March and April. The unemployment rate fell about one percentage point to 10.2%.

- **Inflation.** The core Consumer Price Index (CPI) tallied its first monthly increase since February, rising 0.2% in June, driven primarily by increases in apparel, medical care, and transportation services. Meanwhile, the Producer Price Index (PPI) declined 0.2% month over month, suggesting an increasing share of costs being shouldered by consumers.

- **US Consumer.** The Conference Board's Consumer Confidence Index decreased in July after increasing in June. While the Present Situation Index component improved, the Expectations Index—reflecting consumers' short-term outlooks—declined, particularly in states that saw higher COVID-19 cases. Retail sales beat expectations for a second consecutive month, rising 7.5% month over month and suggesting continued pent-up demand, though total sales remained below pre-pandemic levels.

- **US Manufacturing.** The Institute for Supply Management (ISM) Purchasing Managers' Index (PMI) continued its progress from the month prior, rising to 54.2 and firmly in expansionary territory (>50). The new orders component of the index also showed marked improvement from the prior month. While the increase in manufacturing activity is a positive development, it is important to note that the service economy bore the brunt of the economic impact from COVID-19 and may likely take longer to recover.

- **US Business.** Several regional Fed surveys suggest that business sentiment improved moderately despite rising cases in some regions, but it remains well below February levels. Small business optimism ticked higher in June as many survey respondents noted a pickup in consumer spending, though uncertainty about reopening plans continued to limit plans for capital investment. Capacity utilization rebounded from the lowest level since 2009, rising to 68.6%, though still well below the expansion high seen in 2018.

- **Policy.** Negotiations for another pandemic relief bill are still underway in Congress following the expiration of supplemental unemployment benefits on July 31. It is widely expected that they will reach an agreement, potentially in the $1.5 trillion range, prior to the Senate's recess. The Fed has reiterated its commitment to use all policy tools to support the recovery; however, Fed Chair Jerome Powell has continued to emphasize the need for additional fiscal stimulus to support the economy.

EQUITIES

Rally Continued

The **S&P 500** continued to defy the skeptics, rallying 5.5% in July despite evidence that the economic recovery was losing steam as COVID-19 cases continued to increase in many parts of the country. Optimism around vaccine prospects, expectations of more stimulus, low and still-falling interest rates, and a good start to earnings season provided fuel for the bulls. Despite still-high unemployment and tremendous uncertainty, the S&P 500 returned 2.4% over the first seven months of the year.

Style/Capitalization

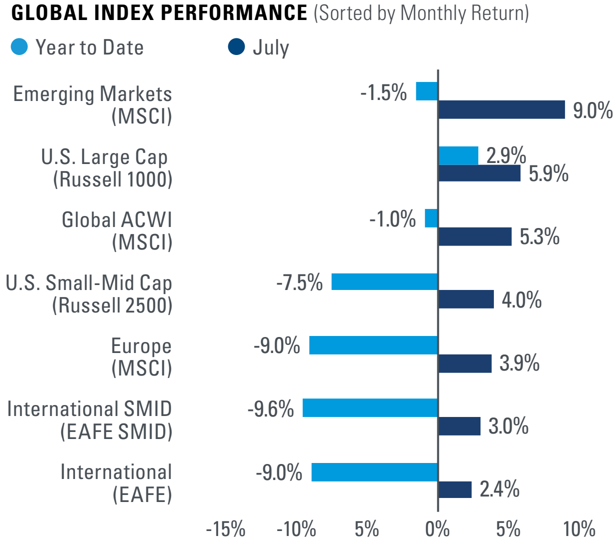
Large cap stocks broke their three-month losing streak vs. **small caps** in July primarily due to weakness in small cap financials and healthcare stocks. **Mid cap stocks** were able to keep up with large caps' solid advance. Boosted by technology and internet stocks, the **growth style** outpaced **value** for the tenth straight month. Energy's losses dragged down value.

Global Equities

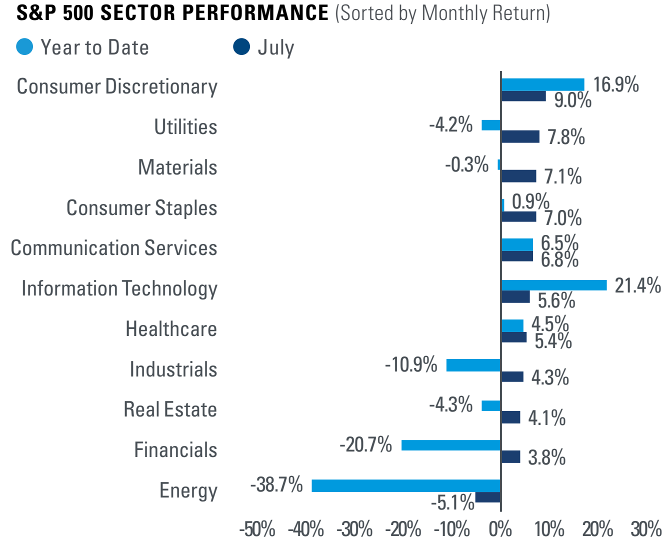
Emerging market equities handily outpaced returns for **US** and **international developed** markets in July. Emerging market equities, which gained an impressive 9% based on the MSCI Emerging Markets Index, got a boost from relatively strong economic growth in China and outsized gains in the growth sectors, including technology and consumer discretionary. Strength was concentrated in Asia, notably in **China** and **Taiwan**.

Despite the boost from US dollar weakness, international developed equities gained just 2.4% for the month, based on the MSCI EAFE Index, lagging the S&P 500 and the emerging market indexes. Based on the MSCI EAFE country indexes, the biggest contributors to the gains included **Germany** and **Switzerland**, while weakness in **Japan** and the **United Kingdom** weighed on the index.

GLOBAL INDEX PERFORMANCE (Sorted by Monthly Return)



S&P 500 SECTOR PERFORMANCE (Sorted by Monthly Return)



Source: LPL Research, FactSet 07/31/20

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Stock investing involves risk, including loss of principal. Because of its narrow focus, sector investing will be subject to greater volatility than investing more broadly across many sectors and companies.

FIXED INCOME

Credit Strength

While equities continued to deliver robust returns in July, Treasury yields declined. The **10-year Treasury yield** fell roughly 10 basis points (0.1%) for the month of July, ending at 0.54%. The Treasury yield curve flattened, driven by larger declines in rates on the long end of the yield curve.

The Fed's policy actions remained an important catalyst for a risk-on environment for bonds. Investors were attracted to spread opportunities in the **investment-grade bond** market, as shown in the Fixed Income Performance Table. The **Bloomberg Barclays US Aggregate Bond Index** (Agg) rose 1.5% on corporate bond strength, bringing its year-to-date return to a solid 7.7%. **Treasuries** underperformed in July but remained the strongest fixed income sector in 2020. Lower-quality bond sectors delivered outperformance in fixed income, with **high yield, emerging markets debt**, and **bank loans** outperforming the broad bond market benchmark during July. Higher-quality **municipal bonds** produced returns similar to higher-quality taxable bonds during July; high-yield municipals outpaced high-quality municipals.

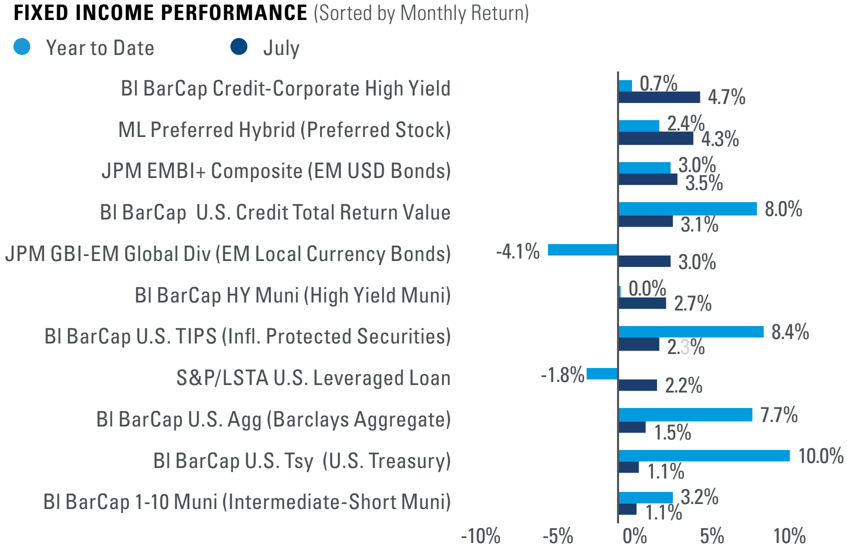
COMMODITIES

Currency Boost

Commodities gained 5.7% in July as measured by the Bloomberg Commodities Index, buoyed by a weaker US dollar and strong growth in China. The index remains down 14.8% year to date.

Amid a slowing economic recovery and weaker dollar, commodities rose broadly in July. **Precious metals** in particular benefited from both factors as gold gained 8.6% and silver, which tends to exaggerate moves in gold, jumped 30%. **Industrial metals** also posted solid gains on the back of China's strong economic recovery. **Crude oil** posted more modest gains of 2.4%, as demand concerns and OPEC's decision to pull back production cuts offset currency benefits. Soft commodities generally rose, led by **coffee**, which was boosted by supply concerns related to COVID-19 outbreaks in key producing nations.

FIXED INCOME PERFORMANCE (Sorted by Monthly Return)



US Treasury Yields

Security	6/30/20	7/31/20	Change in Yield
3 Month	0.16	0.09	-0.07
2 Year	0.16	0.11	-0.05
5 Year	0.29	0.21	-0.08
10 Year	0.66	0.55	-0.11
30 Year	1.41	1.20	-0.21

AAA Municipal Yields

Security	6/30/20	7/31/20	Change in Yield
2 Year	0.39	0.23	-0.16
5 Year	0.68	0.48	-0.20
10 Year	1.26	1.04	-0.22
20 Year	1.75	1.51	-0.24
30 Year	1.88	1.64	-0.24

Source: LPL Research, Bloomberg, FactSet 07/31/20

Indexes are unmanaged and cannot be invested into directly. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. Past performance is no guarantee of future results.

Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values and yields will decline as interest rates rise, and bonds are subject to availability and change in price.

IMPORTANT DISCLOSURES

This material has been prepared for informational purposes only, and is not intended as specific advice or recommendations for any individual. There is no assurance that the views or strategies discussed are suitable for all investors and they do not take into account the particular needs, investment objectives, tax and financial condition of any specific person. To determine which investment(s) may be appropriate for you, please consult your financial professional prior to investing. Any economic forecasts set forth may not develop as predicted and are subject to change.

Stock investing involves risk including loss of principal. Because of their narrow focus, sector investing will be subject to greater volatility than investing more broadly across many sectors and companies. Value investments can perform differently from the market as a whole and can remain undervalued by the market for long periods of time. The prices of small and mid-cap stocks are generally more volatile than large cap stocks. Bonds are subject to market and interest rate risk if sold prior to maturity.

Bond values will decline as interest rates rise and bonds are subject to availability and change in price. Corporate bonds are considered higher risk than government bonds. Municipal bonds are subject to availability and change in price. Interest income may be subject to the alternative minimum tax. Municipal bonds are federally tax-free but other state and local taxes may apply. If sold prior to maturity, capital gains tax could apply. U.S. Treasuries may be considered “safe haven” investments but do carry some degree of risk including interest rate, credit, and market risk. Bond yields are subject to change. Certain call or special redemption features may exist which could impact yield. Mortgage-backed securities are subject to credit, default, prepayment, extension, market and interest rate risk.

Credit Quality is one of the principal criteria for judging the investment quality of a bond or bond mutual fund. Credit ratings are published rankings based on detailed financial analyses by a credit bureau specifically as it relates the bond issue’s ability to meet debt obligations. The highest rating is AAA, and the lowest is D. Securities with credit ratings of BBB and above are considered investment grade. Duration is a measure of the sensitivity of the price (the value of principal) of a fixed-income investment to a change in interest rates. It is expressed as a number of years.

Alternative investments may not be suitable for all investors and should be considered as an investment for the risk capital portion of the investor’s portfolio. The strategies employed in the management of alternative investments may accelerate the velocity of potential losses.

Commodity-linked investments may be more volatile and less liquid than the underlying instruments or measures, and their value may be affected by the performance of the overall commodities baskets as well as weather, geopolitical events, and regulatory developments. The fast price swings in commodities and currencies will result in significant volatility in an investor’s holdings.

Investing in foreign and emerging markets securities involves special additional risks. These risks include, but are not limited to, currency risk, geopolitical risk, and risk associated with varying accounting standards. Investing in emerging markets may accentuate these risks. All information is believed to be from reliable sources; however, LPL Financial makes no representation as to its completeness or accuracy.

Earnings per share (EPS) is the portion of a company’s profit allocated to each outstanding share of common stock. EPS serves as an indicator of a company’s profitability. Earnings per share is generally considered to be the single most important variable in determining a share’s price. It is also a major component used to calculate the price-to-earnings valuation ratio.

Gross Domestic Product (GDP) is the monetary value of all the finished goods and services produced within a country’s borders in a specific time period, though GDP is usually calculated on an annual basis. It includes all of private and public consumption, government outlays, investments and exports less imports that occur within a defined territory.

All index data from FactSet.

For a list of descriptions of the indexes referenced in this publication, please visit our website at lplresearch.com/definitions.