LPL RESEARCH
GLOBAL PORTFOLIO STRATEGY

June 2020

No “Sell In May” This Year

LPL Research’s monthly global review and look forward

Investment Takeaways

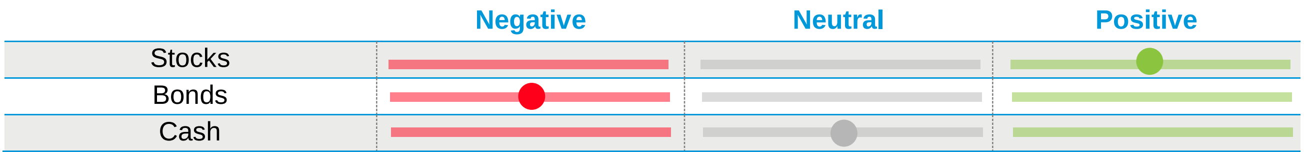
Market pundits may have to revisit the popular “Sell in May” adage as stocks rose for the seventh May in the past eight years. The disconnect between the strong stock market rally in the S&P 500 Index from March lows and the economic impact of the COVID-19 response remains. Rising US-China tensions and civil unrest have added to the wall of worry.

- **Our equities recommendation remains overweight**. Although we believe markets may be pricing in an overly optimistic economic recovery scenario and a pullback may be overdue, the progress toward re-opening the US and global economies is encouraging, while massive fiscal and monetary stimulus and low interest rates improve the attractiveness of stocks relative to bonds.
- Our expectation for a pullback in stocks in the near term is bolstered by the **S&P 500 Index** having achieved our 2020 year-end fair-value target of 3,150–3,200. That target is based on a price-to-earnings multiple (PE) of 19 on $165 in normalized index earnings per share (EPS), which we believe is reasonable, even though the timing around achieving that level of earnings is very uncertain.*
- We favor **large cap stocks** for their greater potential resilience during recessions and recommend balanced exposure between the growth and value styles in equity allocations where suitable, though in the short term, we maintain a slight growth bias.
- China has led the way out of the global crisis and supported **emerging market** equities, which we find attractively valued relative to **developed 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).
- We have made no changes to our asset allocation views this month, though we did raise our S&P 500 bear case fair-value forecast from 2,400 to 2,650.**

Key changes from May’s report: No changes this month.

LPL Financial

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	Communication Services Healthcare Technology	Mortgage-Backed Securities	Event Driven

Data as of June 5, 2020

2020 Market Forecasts
COVID-19 Creates Significant Earnings and Interest Rate Uncertainty

	April GPS Forecast	Base Case	Bear Case
10-Year US Treasury Yield	1.25–1.75%	1.25–1.75%	0–0.5%
S&P 500 Earnings per Share	$158–162	$120–125	$110–115
S&P 500 Fair Value	3,150–3,200	3,150–3,200*	2,650**

*As noted in our *Weekly Market Commentary* dated 06/1/2020, our year-end fair value target for the S&P 500 of 3,150–3,200 is based on a price-to-earnings ratio (PE) of about 19 and potential normalized S&P 500 earnings per share of $165 in 2021–22.

**The Bear Case of 2,650 increased from 2,450 in the May *Global Portfolio Strategy*.

Source: LPL Research, Bloomberg 06/5/2020
All indexes are unmanaged and cannot be invested into directly.
Past performance is no guarantee of future results.

2020 Economic Forecasts
COVID-19 May Have Sparked a Global Recession

	April GPS Forecast	Base Case	Bear Case
United States	1.25–1.75%	-2% to -4%	-4% to -6%
Developed ex-US	0.75–1%	-3% to -5%	-5% to -7%
Emerging Markets	3.75–4%	flat to 2%	-2% to flat
Global	2.5–2.75%	-2% to flat	-4% to -2%

Source: LPL Research, Bloomberg 06/5/2020

The economic forecasts may not develop as predicted.

Equities Asset Classes: Favor US Large Caps and Emerging Markets

With a still-tough road ahead for the US economy as it reopens, we favor large cap stocks with better balance sheets and greater earnings stability. We are skeptical that small caps can continue their recent outperformance relative to large caps beyond the short term, despite early-cycle characteristics. In the near term, growth-style stocks appear better positioned than value, but as a more durable economic recovery potentially emerges later this year, we may see a sustained value 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.

	Asset Class	Neg	Neutral	Pos	Rationale
Market Cap	Large Caps			●	With a challenging road ahead for the US economy recovering from the pandemic, we favor **large cap stocks** with better balance sheets and greater earnings stability even though large caps historically have tended not to perform as well early in economic cycles.
	Small Caps	●			**Small caps** have benefited recently from early-cycle characteristics since the March 2020 lows, but we expect a choppy economic recovery to preclude sustained small cap outperformance, and small caps would be expected to lag in a potential correction. If moving down market cap, we prefer fundamentals and valuations for **mid caps** over small.
Style	Growth		●		We have a positive bias toward the **growth** style in the short term as the economic recovery is in its early stages. We believe the ability to grow earnings without much help from the economy, more resilient earnings, and generally better balance sheets favor growth. On the other side of this crisis, growth companies may be in a better position to take advantage of market opportunities.
	Value		●		As the economic recovery potentially picks up steam, we could see a sustained turnaround for **value** stocks. Valuations of value stocks relative to their growth counterparts are very depressed compared with their history, and the technical picture has recently improved.
Region	United States		●		Among developed markets, we remain US-focused. We believe the US economy, bolstered by massive fiscal and monetary stimulus, is better positioned to recover from COVID-19 in the second half of the year than Europe. The US market has a good sector mix for the current environment in our view, led by mega-cap growth stocks, and we expect US earnings growth to outpace Europe's in a potential global economic recovery scenario.
	Developed International	●			We expect economies in **Europe** to contract more than the United States or Japan in 2020. In an eventual post-crisis economic recovery, fiscal deficits and populism may continue to weigh on sentiment, spending, and investment for the Eurozone. Movement toward a coordinated fiscal response to COVID-19 introduces potential long-term upside, as does the possibility of continued US dollar weakness. 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. The latest fiscal proposal could bring Japan's fiscal policy boost to 40% of GDP, increasing the chances of a solid second-half recovery.
	Emerging Markets			●	**China** has led the way out of the global crisis in terms of containing the virus and reopening its economy. However, that has not been enough to enable emerging market stocks to outperform the United States in 2020, based on the MSCI Emerging Market Index. Still, we find emerging markets attractive based on relative valuations and prospects for better economic growth in 2020 and likely well beyond. A potentially weak US dollar may provide a boost. 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 inability to contain COVID-19.

Equities Sectors: Favor Cyclicals for the Rebound

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 neutral views of financials and industrials reflect a relatively weaker earnings outlook, though these sectors—among the leaders in recent weeks—would be expected to perform relatively well once the economic recovery picks up steam; they may underperform if the market pulls back, as we anticipate.

	Sector	Neg	Neutral	Pos	S&P 500 Weight(%)	Rationale
Cyclical	Materials		●		2.6	As China's economy outpaces the rest of the world, commodity prices have firmed. But global demand will likely come back gradually, curbing our enthusiasm.
Cyclical	Energy	●			2.9	The rebound from negative prices for a WTI futures contract has been impressive, but we urge caution as defaults are poised to rise with oil prices still far below producers' marginal cost. The US shale supply overhang isn't going away.
Cyclical	Industrials		●		8.1	Significant hits to capital spending have led to a weaker-than-expected earnings outlook, although the technical analysis picture has improved, and the sector is a likely outperformer in an eventual more durable economic recovery.
Cyclical	Communication Services			●	10.5	Several industries benefit from lockdowns and prevalence of work-from-home trends. Earnings outlook is above average, and valuations are fair. Regulatory risk for internet companies remains.
Cyclical	Consumer Discretionary	●			9.8	Brick-and-mortal retailers and companies reliant on travel and large gatherings have been hit very hard by the pandemic. But stimulus, lower energy costs, and near-zero interest rates help. Technicals are strong and e-commerce is thriving.
Cyclical	Technology			●	25.0	Among best earnings outlooks of all equity sectors, benefiting from the work-from-home environment. Strong relative performer so far in 2020. Leaders late in cycles have historically performed relatively well early in the next cycle.
Cyclical	Financials		●		11.4	Difficult environment with near-record-low Treasury yields, the fed funds rate at zero, and the US economy contracting, though attractive valuations and historical tendency to outperform early in economic cycles are worth noting.
Defensive	Utilities	●			3.6	Valuations have become a bit more reasonable, but the technical picture is poor, and we expect interest rates to rise over the intermediate to long term. For defensive exposure, consider healthcare or consumer staples.
Defensive	Healthcare			●	15.2	The pandemic strengthens an already bullish case, based on a strong healthcare spending outlook, favorable demographics, and steady earnings growth with high visibility.
Defensive	Consumer Staples		●		7.7	Among the best positioned sectors to ride out the COVID-19 storms with attractive yields, relatively resilient revenue streams, and more reasonable relative valuations than in recent years.
Defensive	Real Estate	●			3.2	Fundamentals have deteriorated, particularly for the retail and office areas. At the same time, there are pockets of strength in the healthcare, technology, and industrial segments.

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 in 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 mortgage-backed securities (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. Supply dynamics still look supportive, and valuations relative to Treasuries are still attractive. Economic risks are elevated, and we are biased toward higher-quality issuers.

		Low Medium High	Rationale
Fixed Income Positioning	Credit Quality		Valuations are attractive, but uncertainty merits some caution.
		Short Intermediate 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	
Sectors	US Treasuries		Yield spreads to international sovereigns remain elevated but have narrowed. Valuations have become very expensive on COVID-19-related demand. Better valuations suggest adding TIPS to the mix.
	MBS		Fed buying is supportive, spreads are wider than other quantitative easing (QE) periods, and risks from refinancing have receded. Remains a diversifying source of yield among high-quality options.
	Investment-Grade Corporates		Risks elevated due to economic uncertainty, but Fed support a plus. Valuations still attractive but have moved toward 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, but distributions optional and at increased risk. Can be rate sensitive.
	High-Yield Corporates		Fed support announced in April resulted in spread tightening. Valuations remain attractive, but we believe equities have more upside, and high-quality options may be better diversifiers. More attractive for income-oriented investors.
	Bank Loans		Weaker investor protections and Fed unlikely to raise rates for some time.
	Foreign Bonds		Rich valuations, interest-rate risk, and potential currency volatility are among the negatives.
	Emerging Markets Debt		Dovish central banks improve the valuation picture but may be vulnerable to COVID-19-related risk. Liquidity a 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. The **US dollar** has reversed gains earlier in the year and may weaken further, providing additional potential support for precious metals, particularly **gold**.

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, though we acknowledge progress in recent weeks toward balancing global supply and demand through global production cuts as economies reopen globally. We expect the next leg of the economic recovery to be gradual and choppy, travel will be slow to come back, and the US supply overhang may eventually cap gains if oil prices approach production costs in the $50 per barrel range.

Alternative Investments: Event-Driven Rebounded From Weak March

Equity-based alternative investments led monthly returns, as the HFRX Equity Hedge and HFRX Event Driven Index gained 1.2% and 1.9%, respectively. Our preferred strategy remains the event-driven space, which captured almost half of the broader markets gain with a beta of only 0.17. While new merger and acquisition activity has experienced a significant year-over-year decline, the March sell-off and corresponding increase in existing deal spreads produced a constructive environment for skilled managers. While the merger market is slowly repricing those dislocations, the space remains attractive. Potential buyers can still access attractive financing, private equity cash available for deployment remains elevated, and structural business adjustments as a result of COVID-19 may lead to additional volume in the merger market. A resumption and any escalation between the United States and China related to trade should be closely monitored for cross-border deals.

A Look Back at the Prior Month

Economy: Early Signs of Recovery Emerge

Economic data released in May reflected depressed economic activity due to lockdowns and business closures, though high-frequency data revealed signs of improvement.

- **Conference Board's Leading Economic Index (LEI)** fell 4.4% in April, continuing its downward trajectory as shutdowns continued to limit economic activity. Deterioration was widespread across the index's ten components, although the yield curve and stock prices were the lone bright spots.
- **Payrolls and Labor.** Nonfarm payrolls rose 2.5 million in May, a shocking 10 million better than Bloomberg's consensus estimates following a devastating 22 million job losses in March and April. The unemployment rate fell to 13.3%, well below expectations around 19%. Though the unemployment rate was understated due to employees being classified as employed but absent from work, this report provided solid evidence of a bottoming job market.
- **Inflation.** Shuddered consumer demand pushed the core Consumer Price Index (CPI) lower 0.4% on a month-over-month basis in April—the largest drop in history—after contracting the month prior. Oil prices continued their freefall, causing front-month contracts for WTI crude oil to trade negative for the first time in history amid limited storage capacity. Producer prices didn't fare any better, as the headline Producer Price Index (PPI) sank 1.3% in April, as many manufacturing plants closed to contain local outbreaks.
- **US Consumer.** The Conference Board's Consumer Confidence Index held steady in May following April's sharp decline. The report's expectations component continued its improvement as states began their phased reopening processes. Retail sales fell the most on record as malls and storefronts closed due to lockdowns, plummeting 16.4% month over month. Concerns over a second wave of infections may keep a cloud of uncertainty over consumer spending, though confidence may have bottomed.
- **US Manufacturing**. The closely watched Institute for Supply Management (ISM) Purchasing Managers' Index (PMI) rose in May for the first time in four months to 43.1 from an 11-year low in April, though still in contractionary territory below 50. The ISM's gauge of factory inventories rose to a one-year high, suggesting elevated stockpiles that may limit production. While the overall data shows producers are slowly recovering, a depressed labor market and rising tensions between the United States and China continue to create uncertainty for the sector.
- **US Business.** Business sentiment remains depressed, though showing a slight improvement over the previous month as several regional Fed surveys suggest that activity is slowly rebounding off depressed levels amid economic reopening. Rising geopolitical tensions have added to the impact of the COVID-19 outbreak, sinking durable goods orders to the lowest level since 2009 and falling 29.9% year over year as capacity utilization fell to its lowest level in history at 64.9%.
- **Policy.** As May ended, speculation increased that another potential $1 trillion stimulus package would begin to come together in June, centered on support for state and local governments, liability protections for re-opening businesses, and more unemployment benefits. The **Fed** argued against negative rates, while the minutes of its policy meeting reiterated its stance to provide extraordinary support for markets in response to the pandemic. Main Street sentiment in the Fed's Beige Book was subdued.

Equities: Rally Continued

The **S&P 500 Index** added to big April gains and defied the "Sell in May" adage to return 4.8% last month. The index has risen in May seven of the last eight years and ended the month with only a 5% year-to-date loss despite a recession, falling corporate profits, and rising US-China tensions. Massive stimulus, improving COVID-19 trends, progress reopening economies, and optimism around vaccine prospects fueled gains.

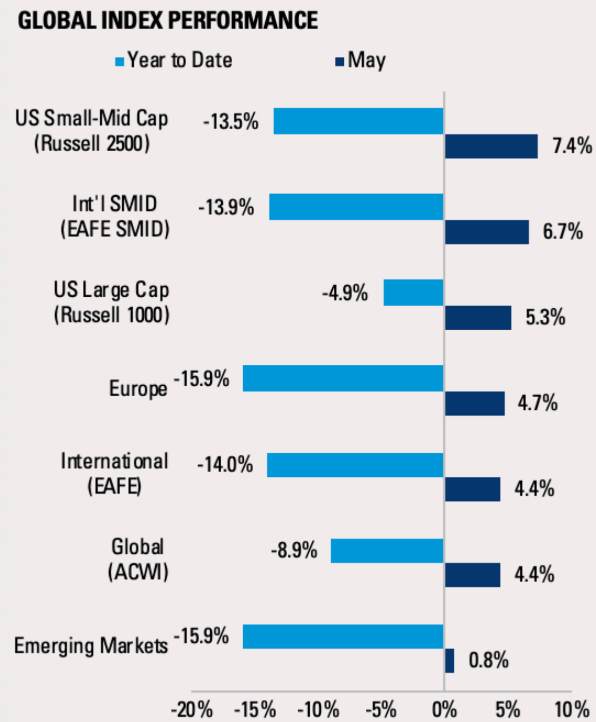
Style/Capitalization

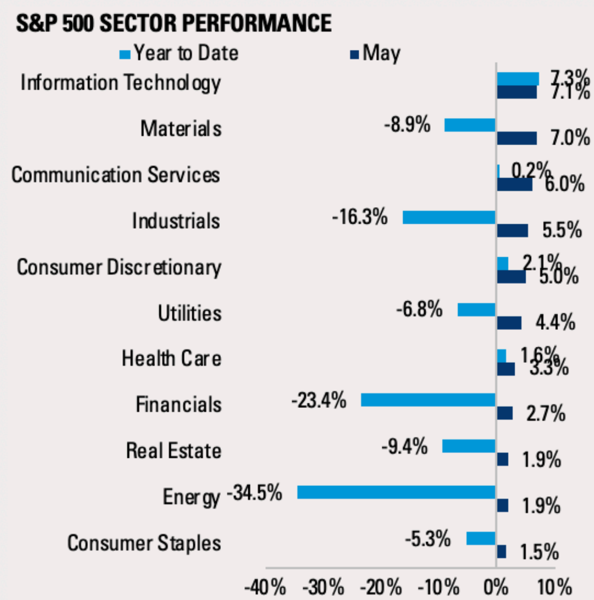
Small and **midcap stocks** bested their **large cap** peers in May, following their historical pattern of outperforming large caps coming out of recessions, as the economy began to reopen and economic activity picked up. Mid cap financial and technology stocks were particularly strong performers. Boosted by technology stocks, **growth-style** outpaced value for the eighth straight month, though value finished the month strong.

Global Equities

International developed equities produced similar gains as the United States in May, while **emerging market** equities lagged. A weakening US dollar helped buoy developed international equity benchmarks, while emerging market equities were weighed down by weakness in China amid escalating tensions with the United States.

International developed equities gained 4.4% for the month**,** based on the MSCI EAFE Index. Based on the MSCI EAFE country indexes, the biggest contributors to the gains included **Germany** and **Japan**, while the **United Kingdom** lagged. Emerging markets equities gained just 0.8%, based on the MSCI Emerging Markets Index, weighed down by losses in **China**, **India**, and **Taiwan**.





Source: FactSet 05/29/20

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

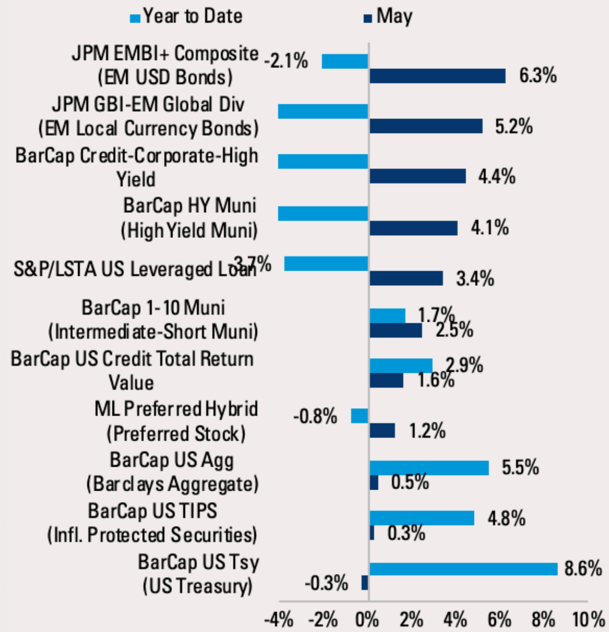
Stock investing involves risk, including loss of principal. Because of its narrow focus, sector investing will be subject to greater volatility than investing more broadly across many sectors and companies.

Fixed Income: Corporate Strength

While equities continued to rally sharply in May, it was somewhat surprising to see Treasury yields barely budge. The **10-year Treasury yield** inched higher to end May at 0.65%. The Treasury yield curve remained relatively stable during the month, maintaining its upward slope following the Fed's actions to lower short-term rates earlier in 2020 in response to the pandemic.

The Fed's policy actions continued to be an important catalyst for a risk-on environment in the bond market. 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 0.5% on corporate bond strength, bringing its year-to-date return to a solid 5.5%. **Treasuries** fell modestly during the month but remain the strongest fixed income sector in 2020. Lower-quality bond sectors, including **high yield**, **emerging markets local currency debt**, and **bank loans**, delivered the strongest returns in fixed income. **Municipal bonds** outperformed high-quality taxable bonds during May, as investors may have been encouraged by the potential for more fiscal stimulus aimed at relief for states and municipalities.

FIXED INCOME PERFORMANCE



US Treasury Yields

Security	4/30/20	5/31/20	Change in Yield
3 Month	0.09	0.14	0.05
2 Year	0.20	0.16	-0.04
5 Year	0.36	0.30	-0.06
10 Year	0.64	0.65	0.01
30 Year	1.28	1.41	0.13

AAA Municipal Yields

Security	4/30/20	5/31/20	Change in Yield
2 Year	1.06	0.37	-0.69
5 Year	1.31	0.68	-0.63
10 Year	1.81	1.29	-0.52
20 Year	2.33	1.79	-0.54
30 Year	2.45	1.91	-0.54

Source: FactSet 05/29/20
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 subjec t to availability and change in price.

Commodities: Crude Comeback

Commodities rebounded in May, gaining 4.3% for the month as measured by the **Bloomberg Commodities Index** and supported by a weakening **US dollar**. Still, the index remained more than 21% below where it began the year.

Crude oil again dominated headlines as front-end futures contracts stabilized, sending prices soaring from historic low levels as global economies reopened and economic activity picked up from depressed levels. **Gold** rose slightly in May, while **silver** and **platinum** outgained the yellow metal. **Industrial metals** continued to benefit from economies reopening and China's recovery. Most major **agricultural** prices were flat to slightly lower. The pandemic and related escalating US-China tensions put the Phase 1 trade deal signed in January 2020 at risk and likely weighed on grain prices during the month.

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.