# WEEKLY MARKET COMMENTARY

A Candid Look into the Current State of the Markets

March 2015

Making a positive impact on as many lives as I can.

**David Haire**
HBK Wealth Management
President
9075 Centre Pointe Dr.
Suite 100
West Chester, OH 45069
513-942-9700
Fax: 513-942-9701
d.haire@hbkwealthmanagement.com
www.hbkwealthmanagement.com

## In This Issue

### Weekly Market Commentary | Week of March 9, 2015

The current bull market celebrates its sixth birthday this week (March 9, 2015). Bull markets do not die of old age, they die of excesses, and we do not see evidence of excesses emerging today.

### Weekly Economic Commentary | Week of March 9, 2015

The latest Beige Book suggests that the U.S. economy is still growing at a modest or moderate pace that is at or above its long-term trend, and that some upward pressure on wages is beginning to emerge.

### Client Letter | "Diversification Under Pressure" | March 2015

With any investment approach, it is crucial to have a plan, and the bedrock of any investment plan is to have a well-diversified portfolio among various asset classes. The rationale behind diversification is to mitigate risk, as you never know when something could adversely affect one of your investments.


Weekly Market Commentary | Week of March 9, 2015

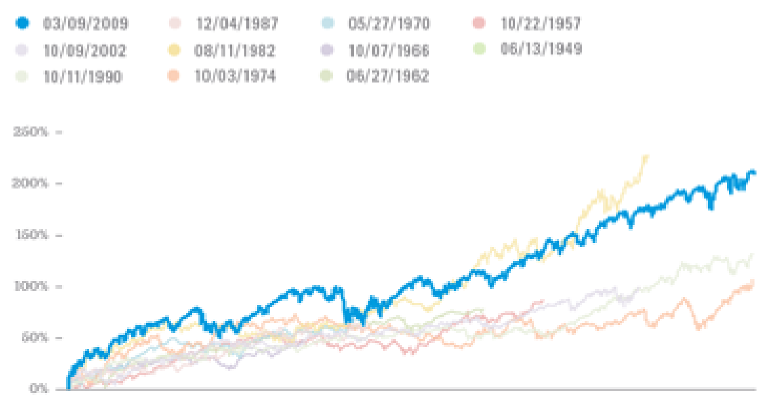
## KEY TAKEAWAYS

- The current bull market celebrates its sixth birthday this week (March 9, 2015).
- Bull markets do not die of old age, they die of excesses, and we do not see evidence of excesses emerging today.
- Some of our favorite leading indicators suggest the economic expansion and bull market may continue through the end of 2015.

## HAPPY BIRTHDAY BULL MARKET

The current bull market, one of the most powerful in the S&P 500's history, celebrates its sixth birthday this week, on March 9, 2015. The S&P 500 has more than tripled since the financial crisis closing low on March 9, 2009 (the index is up 206% since then), achieving a cumulative return, including dividends, of 244% (22.8% annualized). Since World War II, just three other bull markets have reached their sixth birthday, and only one (1982-1987) produced bigger gains ahead of its sixth birthday, as shown in Figure 1.

1 ONE OF THE STRONGEST BULL MARKETS SINCE WWII




Source: LPL Research, FactSet 03/06/15

Past performance is not indicative of future results.

Indexes cannot be invested into directly.

### IS THIS BULL SET TO END?

We do not think this bull market is about to end just because it's six years old. Bull markets do not die of old age, they die of excesses, and we do not see evidence today that economic excesses are emerging. There is still slack in labor markets despite healthy job growth in recent months. The credit markets reflect rational behavior. We see few signs of overbuilding in the commercial and residential real estate markets. Inflation (with or without the effects of depressed energy prices) remains low, which has enabled the Federal Reserve (Fed) to remain accommodative. The accommodative Fed provides further evidence of the absence of the types of excesses that have marked prior stock market peaks.

Historically, the timing of Fed rate hikes can provide some insight into when recessions might be coming (though the Fed's track record is far from perfect). The Fed typically reacts to built-up excesses with multiple rate hikes, contributing to the start of recessions. Bear markets then begin as market participants anticipate those economic downturns. Most of the post-WWII bull markets, including the internet and housing bubbles in 2000 and 2007, came after a period of multiple Fed interest rate hikes. The slow economic recovery has delayed the formation of excesses and the start of the Fed's rate hike campaign. Rate hikes will come--perhaps as early as this summer--but until we see more evidence that economic growth and monetary stimulus from the Fed are creating worrisome inflation, we expect this bull market will live on.

### Looking for a Warning Signal

To help us possibly get some warning on when a market downturn may be coming, we have identified several leading indicators (which we have dubbed the "Five Forecasters," as discussed in our *Outlook 2015: In Transit* publication) that have been pretty effective predictors of impending market downturns and recessions when combined. These indicators give us more confidence in our positive stock market outlook for 2015 [Figure 2].

Click here for Figure 2, Five Forecasters Suggest Low Probability of Recession or Bear Market in the Coming Year.

**WHAT ABOUT VALUATIONS?**

The one "Five Forecaster" that has sent off a potential warning signal is valuations. The trailing price-to-earnings ratio (PE), the series that goes back the furthest, stands at 17.5 (as of March 6, 2015, based on Thomson Reuters earnings data). That is above the long-term average dating back to World War II of 15.1, but not much above the average since 1980 of 16.4 [Figure 3].

Click here for Figure 3, Valuations Are Only Slightly Above Post-1980 Average and Not Excessive in Our View.

While valuations may be higher, we do not think it means an impending end to this bull market for several reasons:

- **Valuations are not a reliable short-term predictor.** Although above-average valuations may signal muted longer term returns, valuations have proven to be a poor predictor of shorter-term stock market performance. Prior bull markets have shown that earnings gains can lift stocks for quite a while even after valuations exceed long-term averages and PE expansion is halted.
- **Stocks may be preferable to bonds.** Low interest rates have made bonds a less attractive alternative to stocks, making stock valuations more attractive. Stocks may be slightly overvalued, but bonds are much more stretched, in our view.
- **Earnings gains are possibly set to continue.** We see continued, though modest, earnings gains in 2015, as the benefits of lower energy prices for consumers and businesses help offset the sharp downturn in energy sector profits. Despite sharp downward revisions to energy estimates, consensus still reflects S&P 500 earnings gains in 2015. The Institute for Supply Management (ISM) Manufacturing Index, our favorite leading earnings indicator, is still signaling positive earnings growth despite dipping in recent months. Corporate earnings are benefiting from share buybacks (which lower share counts, the denominator in the earnings per share calculation), as well as low borrowing costs and limited wage pressures, which are all helping to support profit margins and continued earnings growth.
- **Low inflation increases the value of future corporate earnings, supporting stock valuations.** Though certainly tied to interest rates and the Fed, and a driver of bond performance, inflation by itself is a drag on the value of cash flows and dividends that corporations generate; therefore, it is a key driver of stock market valuations.

**ARE WE DUE FOR A CORRECTION?**

After "Are stocks too expensive?" perhaps the second most common question we have been getting during the latest leg up of this bull market is, "Are we due for a correction?" We define a correction as a drop in the S&P 500 of 10-20% (a 20% or more decline is a bear market). It has been a long time since the S&P 500 dropped 10% or more--1,250 days to be exact--but we only have to go back to the past two decades to find longer periods. During the 1990s bull market, the S&P 500 went 2,553 days, or just shy of seven years, without a correction, and during the 2000s bull market, the S&P 500 went 1,673 days, or about 4.5 years, without dropping more than 10% at any point [Figure 4]. The age of this bull market could mean volatility may increase in the coming year, and 10% corrections are fairly common, even in bull markets; but the length of this period of relative calm is not without precedent, so we would caution against moving to a defensive stance in anticipation of a correction.

**4 CORRECTIONS CAN BE RARE IN LONG BULL MARKETS**

| Periods Without Double-Digit Declines in the S&P 500 | Number of Days |
|---|---|
| October 11, 1990 – October 7, 1997 | 2553 |
| March 11, 2003 – October 9, 2007 | 1673 |
| October 3, 2011 – March 6, 2015 (Present) | 1250 |
| July 24, 1984 – August 25, 1987 | 1127 |

Source: LPL Research 03/06/15

Past performance is not indicative of future results.

Indexes are unmanaged and cannot be invested into directly.

**CONCLUSION**

Bull markets die of excesses, not old age. We do not see the types of excesses in the U.S. economy today that suggest a bear market decline is forthcoming. The Fed, which has historically raised interest rates multiple times before bull markets end, has not yet begun to hike interest rates during this cycle. And some of our favorite leading indicators suggest the economic expansion and bull market may continue through 2015. Although valuations are above average and a correction may come should the aging bull market become more volatile, we think the chances are good that at this time next year, we will be wishing this bull market a happy seventh birthday.

*IMPORTANT DISCLOSURES*

*The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investment(s) may be appropriate for you, consult your financial advisor prior to investing. All performance referenced is historical and is no guarantee of future results.*

*The economic forecasts set forth in the presentation may not develop as predicted and there can be no guarantee that strategies promoted will be successful.*

*Investing in stock includes numerous specific risks including: the fluctuation of dividend, loss of principal, and potential liquidity of the investment in a falling market.*

*All investing involves risk including loss of principal.*

*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.*

*All indexes are unmanaged and cannot be invested into directly.*

*INDEX DESCRIPTIONS*

*The Standard & Poor's 500 Index is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.*

*The Institute for Supply Management (ISM) Index is based on surveys of more than 300 manufacturing firms by the Institute of Supply Management. The ISM Manufacturing Index monitors employment, production inventories, new orders, and supplier deliveries. A composite diffusion index is created that monitors conditions in national manufacturing based on the data from these surveys.*

*The Leading Economic Index is a monthly publication from the Conference Board that attempts to predict future movements in the economy based on a composite of 10 economic indicators whose changes tend to precede changes in the overall economy.*

*The Purchasing Managers' Index (PMI) is an indicator of the economic health of the manufacturing sector. The PMI is based on five major indicators: new orders, inventory levels, production, supplier deliveries, and the employment environment.*

*The PE ratio (price-to-earnings ratio) is a measure of the price paid for a share relative to the annual net income or profit earned by the firm per share. It is a financial ratio used for valuation: a higher PE ratio means that investors are paying more for each unit of net income, so the stock is more expensive compared to one with lower PE ratio.*

*The trailing PE is the sum of a company's price-to-earnings, calculated by taking the current stock price and dividing it by the trailing earnings per share for the past 12 months. This measure differs from forward PE, which uses earnings estimates for the next four quarters.*

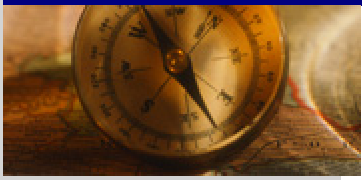
*Earnings per share (EPS) is the portion of a company's profit allocated to each outstanding share of common stock. EPS serves as an indicator of a company's profitability. EPS is generally considered to be the single most important variable in determining a share's price. It is also a major component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

*This research material has been prepared by LPL Financial.*

*To the extent you are receiving investment advice from a separately registered independent investment advisor, please note that LPL Financial is not an affiliate of and makes no representation with respect to such entity.*

*Not FDIC or NCUA/NCUSIF Insured | No Bank or Credit Union Guarantee | May Lose Value | Not Guaranteed by Any Government Agency | Not a Bank/Credit Union Deposit*

*Tracking #1-361611 (Exp. 03/16)*



Weekly Economic Commentary | Week of March 9, 2015

## KEY TAKEAWAYS

- The latest Beige Book suggests that the U.S. economy is still growing at a "modest or moderate" pace that is at or above its long-term trend, and that some upward pressure on wages is beginning to emerge.
- Optimism on Main Street remains high despite the recent barrage of bad news on the economy.
- Over the past three Beige Books, the BBB averaged +85, in-line with the +89 average reading in all of 2014.

## BEIGE BOOK: WINDOW ON MAIN STREET

### BEIGE BOOK SUGGESTS CONTINUED MODEST ECONOMIC GROWTH

The Beige Book is a qualitative assessment of the U.S. economy and each of the 12 Federal Reserve (Fed) districts. We believe the Beige Book is best interpreted quantitatively by measuring how the descriptors change over time. The latest edition of the Fed's Beige Book was released Wednesday, March 4, 2015, ahead of the March 17-18, 2015, Federal Open Market Committee (FOMC) meeting. The qualitative inputs for the March 2015 Beige Book were collected from early-January 2015 through February 23, 2015; thus, they captured a period of:

- Increasing market concern around Greece
- A run of weaker than expected reports on the U.S. economy for December 2014 and early 2015
- Rising U.S. dollar
- Supply chain disruptions due to work stoppages and strikes at West Coast ports
- Ongoing cuts to energy sector capital spending
- A spike in layoffs in the energy sector
- Unusually cold and snowy weather in many parts of the eastern United States

Despite the headwinds noted above, the latest Beige Book suggests that the U.S. economy is still growing at a pace that is at or above its long-term trend, and that some upward pressure on wages is beginning to emerge. Overall, the Beige Book described the economy as expanding at a "modest or moderate" pace, and even the Boston district, which endured record cold temperatures and near record snowfall, noted that "business contacts were fairly upbeat this period, notwithstanding the severe weather." In general, optimism regarding the economic outlook far outweighed pessimism throughout the Beige Book, as it has for the past 18 months or so.

As it has over the past year, the March 2015 Beige Book noted that employers were having a difficult time finding qualified workers for certain skilled positions, and some reported upward wage pressures for particular industries and occupations. In the past, these characterizations of labor markets have been a precursor to more prevalent economy-wide wage increases. Indeed, for the first time in this business cycle, the latest three Beige Books (December 2014, January 2015, and March 2015) contained several mentions of employers having difficulty attracting and retaining low-skilled workers, and retaining and compensating key workers. If this trend persists over the next few Beige Books, history suggests it may not be long until Fed policymakers begin to take note of a faster pace of wage inflation in their monetary policy deliberations. Indeed, after the release of the stronger than expected February 2015 employment report on March 6, 2015, some market participants expect that the FOMC may remove its commitment to remain "patient" in keeping rates low. We'll discuss our outlook for the March 17-18, 2015, FOMC meeting in the March 16, 2015, edition of the *Weekly Economic Commentary*.

### SENTIMENT SNAPSHOT

To provide a snapshot of the sentiment behind the entire Beige Book collage of data, we created our proprietary Beige Book Barometer (BBB) [Figure 1]. In March 2015, the barometer ticked up to +82, from +73 in January 2015. The barometer was +100 in December 2014. Over the past three Beige Books, the BBB averaged +85, in-line with the +89 average reading in all of 2014. For perspective, our Beige Book Barometer averaged just +55 from 2011-13, when economic growth (as measured by inflation-adjusted gross domestic product [GDP]) was just 2.1%.

The +85 reading on the BBB over the past 3 Beige Books is also consistent with the above-trend pace of GDP growth seen in the final three quarters of 2014, when the U.S. economy grew, on average, by 3.9%, well above the long-term average of around 3.0%. In addition, the word "weak" or its variants appeared just 22 times in the latest Beige Book and just under 19 times, on average, in the last 3 Beige Books (December 2014, January 2015, and March 2015), well under half of the long-term average of 50 mentions and the fewest since mid-2005. This suggests to us that the negative headwinds that have held the U.S. economy back over the past seven years may finally be abating, and that as of late February 2015, the global growth concerns around the drop in oil prices, deflation in Europe, a slowing Chinese economy, and the rising U.S. dollar may be overdone. In short, while the latest reading on our Beige Book Barometer was below the 100+ readings seen in mid-2014, temporary factors like the weather and the port strike--rather than renewed global headwinds--are the likely culprits. In general, the Beige Book painted a much brighter picture of the U.S. economy than the string of lower than expected readings on the economic data released during January and February 2015.

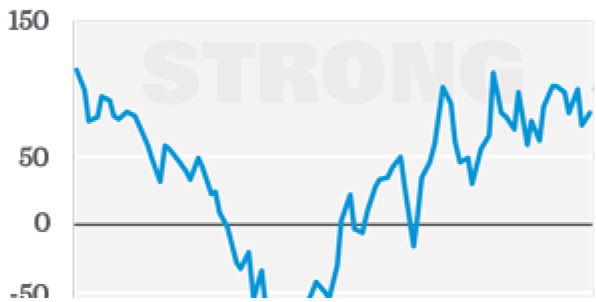
# HOW THEY WORK
## BEIGE BOOK AND BEIGE BOOK BAROMETER

The **Beige Book** compiles qualitative observations made by community bankers and business owners about economic (labor market, prices, wages, housing, nonresidential construction, tourism, manufacturing) and banking (loan demand, loan quality, lending conditions) conditions in each of the 12 Fed districts (Boston, New York, Philadelphia, Kansas City, etc.). This local color that makes up each Beige Book is compiled by 1 of the 12 regional Federal Reserve districts on a rotating basis — the report is much more "Main Street" than "Wall Street" focused. It provides an excellent window into economic activity around the nation using plain, everyday language. The report is prepared eight times per year, ahead of each of the eight Federal Open Market Committee (FOMC) meetings. The next FOMC meeting is March 17 – 18, 2015.

The **Beige Book Barometer** is a diffusion index that measures the number of times the word "strong" or its variations appear in the Beige Book less the number of times the word "weak" or its variations appear. When the Beige Book Barometer is declining, it suggests that the economy is deteriorating. When the Beige Book Barometer is rising, it suggests that the economy is improving.

**1 DESPITE AWFUL WEATHER, THE PORT STRIKE, AND STRONGER DOLLAR, OUR BEIGE BOOK BAROMETER TICKED HIGHER IN MARCH**

● Number of Times "Strong" (and Variations of This Word) Is Mentioned Minus Number of Times "Weak" (and Variations) Is Mentioned



**COMMENTS ON OIL & ENERGY STILL ELEVATED**

Oil and energy got a combined 50 mentions in the March 2015 Beige Book, below the 73 mentions in the January 2015 Beige Book but just above the 44-45 mentions per Beige Book in 2014 and in 2011-13 [Figure 2]. The summary comment on energy in the January 2015 Beige Book was: "Oil and natural gas drilling declined in the Cleveland, Minneapolis, Kansas City, and Dallas Districts. In contrast, the Richmond District reported that natural gas production was unchanged. The number of drilling rigs for oil and natural gas declined sharply in the Cleveland, Minneapolis, and Kansas City Districts. Oil and gas producers in the Cleveland, Kansas City, and Dallas Districts anticipate cuts in capital expenditures during 2015."

In particular, contacts in the Kansas City District--which includes all or parts of key oil- and gas-producing states like Oklahoma, Texas, Colorado, Wyoming, and New Mexico--noted: "Energy activity in the District continued to slow and oil and gas producers attempted to reduce costs in January and early February as a result of low oil prices. The number of active oil and gas drilling rigs fell sharply through early February. Many producers reported large capital spending cuts and several announced layoffs. Future drilling activity was expected to fall, and to increasingly focus on core areas."

Comments on the mining sector from the Minneapolis Fed District (which includes North Dakota) noted: "The energy and mining sectors contracted since the last report. Oil and gas exploration activity fell rapidly in response to lower prices; the number of active drilling rigs in North Dakota and Montana fell to 128 in mid-February compared with 179 at the beginning of the year."

However, the latest Beige Book was also full of comments about how lower fuel and energy prices were benefiting multiple industries throughout all 12 Fed districts. In short, the comments in the latest Beige Book on the impact of falling oil prices are consistent with our view that while falling oil prices will be a net plus for the U.S. economy as a whole, economies in certain states could see significant impacts from the slowdown in drilling activity that is likely to occur over the next year or so. (Please see our *Weekly Economic Commentary,* "Drilling into the Labor Market," from January 12, 2015, for more details.)

In our view, falling oil prices will be a net plus for the U.S. economy as a whole.

**UNCERTAINTY FADING FOR FISCAL POLICY & HEALTHCARE, BUT GLOBAL GROWTH & DROP IN OIL ARE STILL CONCERNS**

The uncertainty and lack of confidence around fiscal policy (fiscal cliff, debt ceiling, sequester, government shutdown) that dominated the Beige Book for most of 2013, and throughout 2011 and 2012 as well, is now clearly fading. These words were mentioned just 6 times in the March 2015 edition of the Beige Book and just 13 times in January 2015 [Figure 2]. In the 8 Beige Books released in 2014, the words noted above were mentioned a total of 96 times, or around 12 mentions per Beige Book. In contrast, these words were mentioned 31 times, on average, in each of the 24 Beige Books released over the course of 2011-13. However, in some cases, the uncertainty surrounding fiscal issues here and in Europe has been replaced by uncertainty surrounding the drop in oil prices and what it might signal for global growth.

Click here for Figure 2, Bad Weather and Oil Replace Uncertainty/ACA As Drags on Growth.

As we wrote in our *Outlook 2014: The Investor's Almanac*, we expected concerns over government policy to fade during the course of 2014, and that was largely the case. But as 2015 begins, policy-related uncertainty could make a comeback. Please see our *Outlook 2015: In Transit* for more details.

The Affordable Care Act (ACA), and healthcare in general, remained a consistent source of concern among respondents to the Beige Book, although the impact faded a bit recently. The ACA (and healthcare in general) received 14 mentions in the latest Beige Book, up from just 7 mentions in the January 2015 edition and similar to the 15 mentions in the December 2014 Beige Book. On average, the ACA/healthcare saw 16 mentions per Beige Book in 2013 and 13 per Beige Book in 2014. The outcome of the current case before the Supreme Court on the legality of ACA subsidies may lead to a spike in mentions of the ACA/healthcare later this year.

The unusually cold and snowy/icy weather that descended on much of the eastern part of the country in January and February 2015 did not go unnoticed in the latest Beige Book. Indeed, weather was mentioned 36 times in the March 2015 Beige Book, and almost all the mentions were in a negative context. Although the cold and snow in January and February 2015 were debilitating, they did not have as big of an impact as the harsh winter weather in early 2014, which impacted a wider area of the country. In the first few Beige Books of 2014, weather was mentioned, on average, 80 times per Beige Book. The strong February 2015 employment report (released last Friday, March 6, 2015) saw little impact from harsher than usual winter weather, consistent with the findings in the Beige Book. Still, even colder and more disruptive winter weather impacted the eastern U.S. in late February and early March 2015, so mentions of weather may again be elevated in the Beige Book released in mid-April.

Optimism on Main Street remains high despite the recent barrage of bad news on the economy, as noted in the first section of this week's commentary. In the March 2015 Beige Book, the word "optimism" (or its related words) appeared 24 times, whereas the word "pessimism" appeared just once. Not surprisingly, the pessimism was expressed by contacts in the energy sector. The large number of optimistic comments in the Beige Book is not the start of a new trend; in the 8 Beige Books released in 2014, the word "optimism" appeared, on average, 30 times in each edition. In 2013, "optimism" appeared, on average, 25 times per Beige Book. Looking back to the worst of the 2007-09 financial crisis and Great Recession, the word "optimism" appeared, on average, just 9 times in the 8 Beige Books released in 2009, whereas the word "pessimism" appeared, on average, 5 times.

Concerns that the economic and market environment we are in today is similar to the period just prior to the onset of the Great Recession and stock market peak in late 2007 also appear to be well overdone, based on this metric. In the 8 Beige Books released in 2007, the word "optimism" appeared, on average, just 10 times per edition--a far cry from the 30 times per edition in the 8 Beige Books released in 2014 [Figure 3].

**3 OPTIMISM ON THE MAIN STREET ECONOMY IS RUNNING HIGH IN THE BEIGE BOOK**

| Mentions per Beige Book in: | Optimism | Pessimism |
|---|---|---|
| Mar 2015 | 24 | 1 |
| Jan 2015 | 21 | 0 |
| 2014 | 30 | 0 |
| 2013 | 25 | 1 |
| 2009 | 9 | 5 |
| 2007 | 10 | 1 |

Source: LPL Research, Federal Reserve Beige Book 03/06/15

Client Letter | "Diversification Under Pressure" | March 2015

Dear Valued Investor,

With any investment approach, it is crucial to have a plan, and the bedrock of any investment plan is to have a well-diversified portfolio among various asset classes. The rationale behind diversification is to mitigate risk, as you never know when something could adversely affect one of your investments. If you had a portfolio concentrated in equities in 2008 or in energy-sensitive securities following the recent drop in oil prices, you would have lost a significant amount of your investment value. As investors, we diversify portfolios to seek to reduce this risk.

However, simply because diversification has been an effective way to potentially reduce risk over long periods of time, by definition you would expect it will outperform some years and underperform others. Unfortunately, this can be painful when the outperforming asset class is the most well-known U.S. index--the S&P 500, an index of the 500 largest U.S. public companies. This is exactly what happened in 2014--the S&P 500 significantly outperformed many other often diversifying asset classes, including small cap stocks by nearly 9% and foreign developed stocks by approximately 18%. Therefore, a diversified portfolio last year would have significantly lagged the S&P 500.

So why not just invest in large cap stocks or the S&P 500? Over the past 20 years, the S&P 500 has only outperformed all other major asset classes (including small, mid, foreign developed, and emerging markets) 30% of the time, and it was the worst performing asset class 25% of the time. It is important to stick with your investment plan and be invested in at least several different types of investments. Diversification has historically worked, and as we look at 2015 so far, it may be starting to work again.

In 2015, we will continue looking for places to effectively diversify, and will be closely monitoring potential opportunities. In Europe, the European Central Bank is taking aggressive steps to stimulate its economy. As commodity prices stabilize, emerging markets could join the global growth trend. After decades, Japan emerged from deflation with a massive stimulus effort, which may continue to offer an investment opportunity. There are many potential opportunities on the horizon, and looking ahead, I believe returns may come from a much broader set of investment choices, which has already begun in 2015.

When it comes to investing, it is always important to monitor the risks. A key to risk management is a diversified portfolio. You may not always outperform the most well-known index that many undiversified portfolios emphasize, but that should not lead you to abandon your plan and chase the hot asset class. We remain committed to seeking to outperform in different investment climates, but doing so with a well-diversified portfolio that does not take on undue risk.

As always, if you have any questions, I encourage you to contact me.

*The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual security. To determine which investment(s) may be appropriate for you, consult your financial advisor prior to investing. All performance referenced is historical and is no guarantee of future results. Indexes are unmanaged and cannot be invested into directly.*

*Economic forecasts set forth may not develop as predicted.*

*All investing involves risk including loss of principal.*

*All indexes are unmanaged and cannot be invested into directly.*

*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.*

*There is no guarantee that a diversified portfolio will enhance overall returns or outperform an undiversified portfolio. Diversification does not ensure against market risk.*

*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.*

*The S&P 500 Index is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.*

*This research material has been prepared by LPL Financial.*

*Securities offered through LPL Financial. Member FINRA/SIPC.*

*Tracking #1-360252 (Exp. 03/16)*