

February 17 2016

# NAVIGATING THE MARKETS

## COMPASS CHANGES

- Downgraded consumer discretionary to neutral from neutral/positive.
- Upgraded utilities to negative/neutral from negative, and telecom to neutral from negative/neutral.
- Upgraded investment-grade corporates to neutral/positive from neutral; downgraded bank loans to neutral from neutral/positive.
- Upgraded precious metals to neutral from negative/neutral.

## INVESTMENT TAKEAWAYS

- We expect stock market gains in 2016\* despite the latest correction, led by U.S. large caps.
- We are taking a more balanced sector approach as the business cycle ages, but continue to favor growth.
- While the start of 2016 has seen strength in safe-haven assets, a low-return fixed income environment may persist throughout 2016.
- While we believe high-yield bonds represent value, a bottom remains elusive as risk aversion remains high.
- A delayed Federal Reserve (Fed) timetable, dollar weakness, and crisis risk are good for precious metals in the near term.
- From a technical perspective, the S&P 500 price, if sustained below its 1812 support level, increases the likelihood that the current downtrend is extended.

## CONTENTS

Compass Changes.....1

Macroeconomic Views.....2

What We're Watching.....3

Asset Class & Sector Top Picks.....4

Equity Asset Classes.....5

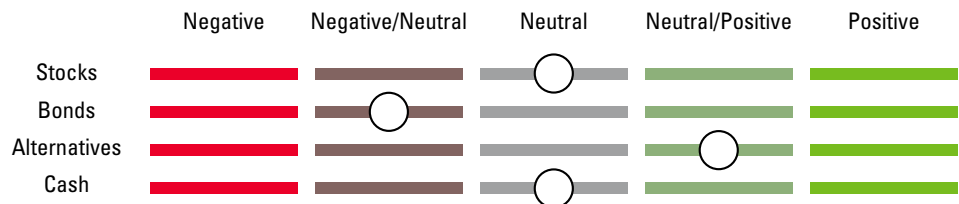
Equity Sectors.....6

Fixed Income.....7

Commodities & Alternative Asset Classes.....9

## BROAD ASSET CLASS VIEWS

LPL Financial Research's views on stocks, bonds, cash, and alternatives are illustrated below.



All performance referenced herein is as of February 16, 2016, unless otherwise noted.

\*Historically since WWII, the average annual gain on stocks has been 7–9%. Thus, our forecast is roughly in-line with average stock market growth. We forecast a mid-single-digit gain, including dividends, for U.S. stocks in 2016 as measured by the S&P 500. This gain is derived from earnings per share (EPS) for S&P 500 companies assuming mid- to high-single-digit earnings gains, and a largely stable price-to-earnings ratio (PE). Earnings gains are supported by our expectation of improved global economic growth and stable profit margins in 2016.

## MACROECONOMIC VIEWS

	Economic Factor	Outlook	Investing Impact
ECONOMY	<b>U.S. GDP Growth</b>	We expect near trend 2.5–3% GDP growth* in 2016.	Recession odds have risen but remain low, providing potential support for equity markets.
	<b>Consumer Spending</b>	Low oil prices and home price gains, labor market should help.	Supports consumer cyclicals.
	<b>Business Spending</b>	Priorities slowly shifting toward investment.	Industrials (outside oil-sensitive areas), technology most likely to benefit.
	<b>Housing</b>	Tight supply, years of underbuilding may help but consumers are still cautious.	A stronger turnaround could support housing/financials stocks.
	<b>Import/Export</b>	Strong dollar weighing, but “know-how” service sectors and oil independence help trade imbalance.	Supports technology, business services.
	<b>Labor Market</b>	Steadily improving. Early signs of wage pressure in a few fields.	Profit margins may begin to narrow.
	<b>Inflation</b>	Continued global growth pointing to normalization once commodities stabilize.	Interest rates likely to rise but process will be gradual.
	<b>Business Cycle</b>	Still mid-cycle but have likely moved into latter half.	Equity markets may have room to run, but expect more volatility.
	<b>Dollar</b>	Dollar remains strong, helped by foreign central bank stimulus.	Drag on foreign market returns, hurts U.S. profits.
	<b>Global GDP Growth</b>	Potential modest improvement in 2016 overseas ex-China amid lower expectations.	Supports multinational technology and industrials, global diversification.
POLICY	<b>Fiscal</b>	Federal deficit has declined for three consecutive years.	Helps dollar, but high debt-to-GDP is a longer-term headwind.
	<b>Monetary</b>	Policy remains data dependent.	Modest negative for bonds.
	<b>Government</b>	Major initiative in election year unusual, but smaller tax deal such as profit repatriation possible.	May benefit multinationals.
RISKS	<b>Financial</b>	Signs of financial stress related to energy complex, but may be overdone.	Uncertainty still high, but may support riskier assets later in 2016.
	<b>Geopolitical &amp; Other</b>	Monitoring Chinese economy, Russia, Islamic State.	May contribute to higher stock volatility.
OVERSEAS	<b>Developed Overseas</b>	Supportive monetary policy may contribute to stronger growth.	Favor U.S. equities, but geographic diversification may be attractive later in year.
	<b>Emerging Markets</b>	China searching for right policy mix to smooth transition to consumer-driven economy.	Faster growth outside China may help lift low valuations.
FINANCIAL CONDITIONS	<b>Corporate Profits</b>	Expect earnings growth to accelerate in second half of 2016.	May be supportive of single-digit stock market gains for 2016.
	<b>Main Street</b>	Fed Beige Book depicts optimistic economic outlook despite concerns about energy, dollar.	Supportive of consumer cyclicals.

Source: LPL Research, U.S. Department of Energy, Haver Analytics 02/16/16

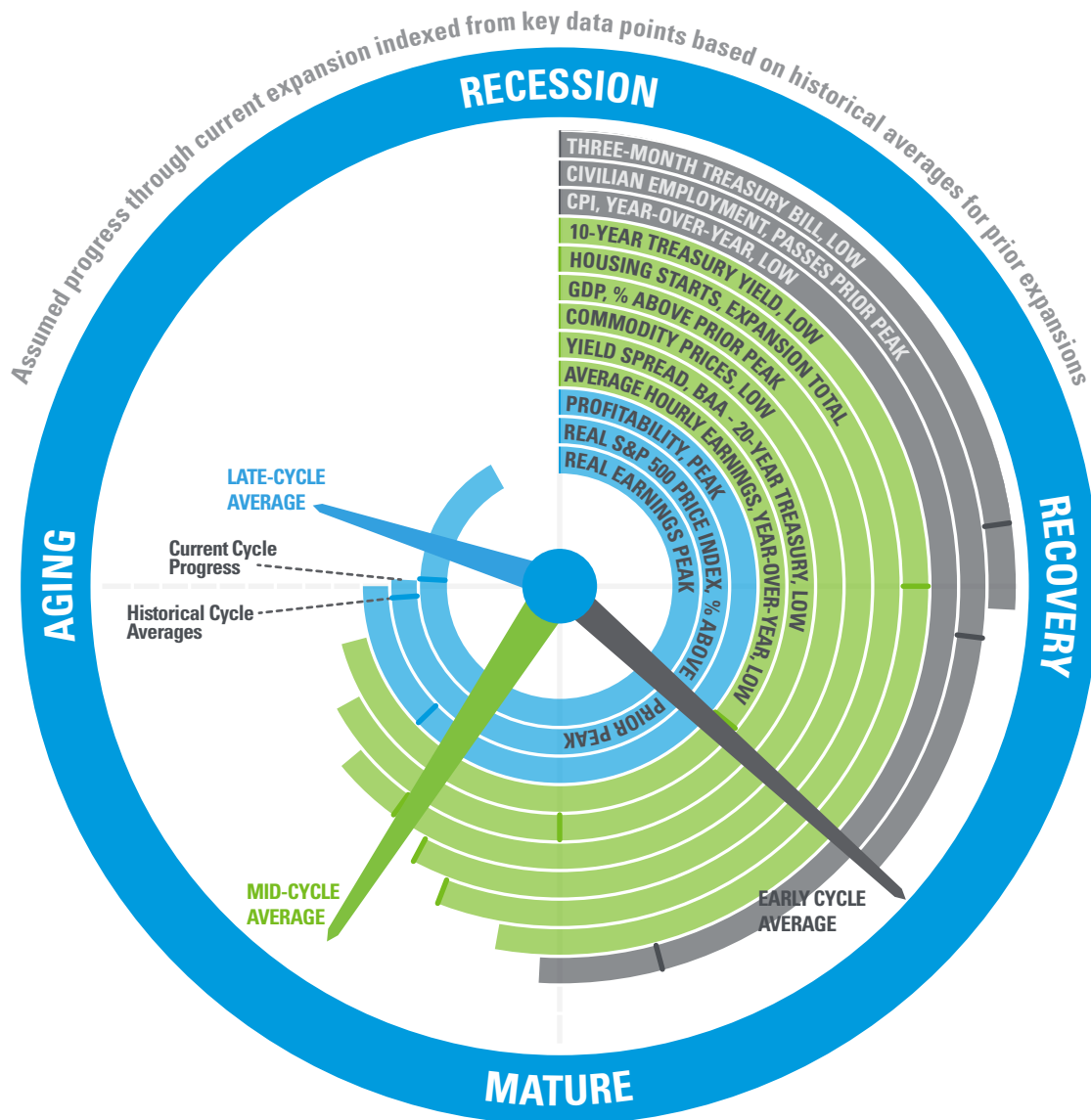
\*Our forecast for GDP growth of between 2.5–3% is based on the historical mid-cycle growth rate of the last 50 years. Economic growth is affected by changes to inputs such as: business and consumer spending, housing, net exports, capital investments, and government spending.

The opinions voiced in this material are for general information only and are not intended to provide or be construed as providing specific investment advice or recommendations for your clients. Any economic forecasts set forth in the presentation may not develop as predicted and there can be no guarantee that strategies promoted will be successful.

## WHAT WE'RE WATCHING

The Cycle Clock suggests we are in the mid-to-late stage of the current expansion, but we are still seeing some early cycle and late cycle behavior. Extended loose monetary policy, inflation, and employment growth are still exhibiting early cycle behavior, while some items relating to corporate profits are showing late cycle behavior, although they may be reset if profits improve.

*"What We're Watching"* features indicators that are keys to the current LPL Research macroeconomic outlook. Economic and market dynamics will dictate featured topics and their durability.



Sources: LPL Research, Federal Reserve, U.S. Bureau of Economic Analysis (BEA), U.S. Bureau of Labor Statistics, U.S. Bureau of the Census, Standard and Poor's, Robert Shiller, National Bureau of Economic Research, Haver Analytics 02/16/16


Data for all series are as of February 16, 2016. Starting point for all series is June 1954 except housing starts (March 1961), hourly earnings (December 1970), and commodity prices (December 1970). Real prices and real earnings determined using the Consumer Price Index for all urban consumers (CPI-U). Commodity prices are based on the GSCI Total Return Index. Profitability is based on real profit per unit value added for non-financial corporate business based on current production as calculated by the BEA.

## ASSET CLASS & SECTOR TOP PICKS

Below we provide our top overall ideas across the various asset classes and sectors covered in this publication, as well as our best ideas within the three disciplines of our investment process: fundamentals, technicals, and valuations. More details on these and other investment ideas can be found in subsequent pages.

Characteristics	EQUITY ASSET CLASSES	EQUITY SECTORS	FIXED INCOME	Characteristics	ALTERNATIVE ASSET CLASSES
<b>BEST OVERALL IDEAS</b>	U.S. Large Cap	Healthcare Technology	High-Yield Bonds Investment-Grade Corporates	<b>BEST OVERALL IDEAS</b>	Global Macro
<b>Fundamentals</b>	U.S. Large Cap	Healthcare Technology	Munis Mortgage-Backed Securities	<b>Catalysts</b>	Event Driven Global Macro
<b>Technicals</b>	Large Value REITs	Consumer Staples Healthcare	Munis	<b>Trading Environment</b>	Managed Futures
<b>Valuations</b>	U.S. Large Cap Emerging Markets	Industrials Healthcare Technology	Investment-Grade Corporates High-Yield Bonds	<b>Volatility</b>	Global Macro

### READING THE PORTFOLIO COMPASS

RATING	ICON	
Negative	■ ●	<p>Fundamental, technical, and valuation characteristics for each category are shown by their blue icons below, and displayed as colored squares.</p> <p>Negative, neutral, or positive views are illustrated as a colored circle positioned over the scale, while an outlined black circle with an arrow indicates change and shows the previous view.</p> <p>Rationales for our views are provided on the right side.</p> 
Negative/Neutral	■ ●	
Neutral	■ ●	
Positive/Neutral	■ ●	
Positive	■ ●	
Previous Position	⊙	

Sector	F	T	V	⊖	○	+	S&P*	Rationale
Materials	■	■	■	■	●	●	3.2	China stimulus could help more, but technicals are negative and China's growth is stalling
Energy	■	■	■	■	●	●	8.2	Intriguing potential contrarian opportunity, but supply and technicals suggest caution; favor MLPs.

Global macro strategy is a hedge fund strategy that selects its holdings primarily on the macroeconomic and political views of various countries, and is subject to numerous risks such as: geopolitical, derivative, commodity, volatility, currency, and regulatory.

## EQUITY ASSET CLASSES

In 2016, we expect mid-single-digit returns with large cap and growth leadership, as discussed in our *Outlook 2016: Embrace the Routine* publication. Due to the age of the business cycle and weakening technical analysis indicators, we have turned more cautious on small cap stocks. We recommend investors focus allocations in the U.S., but are watching for potential opportunities overseas where valuations are relatively more attractive and further stimulus efforts may boost performance.

Sector		F	T	V	⊖	○	⊕	Rationale
Style/Capitalization	Large Growth	■	■	■	—	—	●	We expect large cap leadership in 2016, consistent with our views for a maturing market cycle. We continue to prefer growth over value due to our cyclical sector preferences—including our positive technology view and cautious stance on interest rate-sensitive sectors.
	Large Value	■	■	■	—	●	—	
	Mid Growth	■	■	■	—	●	—	Mid caps may not stand out in a mid-to-late cycle environment in 2016, but relative valuations have fallen far enough to suggest that they may be a beneficiary of a near-term stock market rebound.
	Mid Value	■	■	■	—	●	—	
	Small Growth	■	■	■	●	—	—	The mid-to-late stages of the business cycle suggest maintaining limited small cap exposure. Despite relatively attractive small cap valuations versus their history (based on the Russell 2000), we continue to favor large and mid for a potential stock market rebound.
	Small Value	■	■	■	●	—	—	
Region	U.S. Stocks	■	■	■	—	—	●	We continue to focus equity portfolios in the U.S. but are watching for opportunities overseas.
	Large Foreign	■	■	■	—	●	—	Short term, mixed earnings and lack of relative performance momentum suggest waiting for a more attractive entry point to add developed international market exposure. However, these markets may present attractive opportunities later this year, as earnings growth may outpace the U.S. and valuations are relatively attractive. We expect marginal improvement in Japan in 2016, buoyed by a weak yen currency and additional stimulus.
	Small Foreign	■	■	■	—	●	—	
	Emerging Markets	■	■	■	●	—	—	Mixed technical picture suggests caution in the near term in EM, but attractive valuations, favorable demographics, likely additional China stimulus, and potential oil price stability suggest watching for opportunities to add EM exposure in 2016. Within EM, we continue to favor Asia.
REITs	REITs	■	■	■	—	●	—	Improved technicals, generally favorable U.S. economic backdrop, and solid yields are supportive; may be a good short-term trade as the market continues to roll back Fed rate hike expectations. Positive bias.
MLPs	MLPs	■	■	■	—	●	—	Although yields are very attractive and distributions are still growing for midstream units, U.S. crude oil production declines, producer default fears, and technical weakness may lead to continued near-term volatility.

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.

Investing in MLPs involves additional risks as compared with the risks of investing in common stock, including risks related to cash flow, dilution, and voting rights. MLPs may trade less frequently than larger companies due to their smaller capitalizations, which may result in erratic price movement or difficulty in buying or selling. MLPs are subject to significant regulation and may be adversely affected by changes in the regulatory environment, including the risk that an MLP could lose its tax status as a partnership. Additional management fees and other expenses are associated with investing in MLP funds.

## EQUITY SECTORS

We continue to favor healthcare and cyclical growth sectors, including technology, as the economic expansion continues, but generally favor more benchmark-like positioning in the near term. As the bull market ages, we have become less positive on consumer discretionary despite the continued benefit from low gas prices. Strong technicals, rich yields, and in the case of telecom, low valuations, support less negative tactical views on telecom and utilities. The slow supply response to lower oil prices and technical weakness keep us cautious on energy, while our temporary caution on industrials reflects the sector’s sensitivity to oil prices.

	Sector	F	T	V	⊖	○	⊕	S&P*	Rationale
Cyclical	Materials	■	■	■	●			2.8	China’s slowdown and transition to a consumer-oriented economy suggest caution; better opportunities may arise later in 2016.
	Energy	■	■	■		●		6.5	Process of balancing supply and demand may continue well into 2016; still, we believe fair value for oil is likely \$40 to \$50 and expect the sector may turn around by midyear.
	Industrials	■	■	■		●		10.1	Sensitivity to oil leads to our temporary caution; however, we continue to expect improving global growth and higher business spending in 2016, and valuations are attractive.
	Consumer Discretionary	■	■	■		●	⊖	12.6	Consumers are still in good shape and lower gas prices help, but the sector’s mixed performance record later in business cycles and increased recession risk suggest tempering enthusiasm.
	Technology	■	■	■			●	20.3	Potential uptick in business spending and technology’s role as enablers of productivity are supportive, and valuations still look attractive, but the sector is not immune to global growth/recession fears.
	Financials	■	■	■		●		16.7	Difficult regulatory, capital markets, and interest rate environments persist, while financial crisis risk has increased; although we see valuations now as attractive for longer-term investors.
Defensive	Utilities	■	■	■	⊖	●		3.4	We acknowledge improvement in technicals and the drop in interest rates with a modest upgrade, but rich valuations and interest rate risk may cap further potential outperformance.
	Healthcare	■	■	■			●	14.9	Favorite sector amid strong earnings, demand from the Affordable Care Act (ACA), favorable drug development trends, and attractive valuations, even amid the drug pricing controversy.
	Consumer Staples	■	■	■		●		10.9	We still generally favor cyclical sectors but consumers are in good shape, with help from energy cost savings, commodity input costs are low, and technicals are positive.
	Telecommunications	■	■	■	⊖	●		2.8	Business risks remain (saturation, capital outlays) but technicals have strengthened, yields are attractive, valuations are still quite reasonable, and earnings are growing.

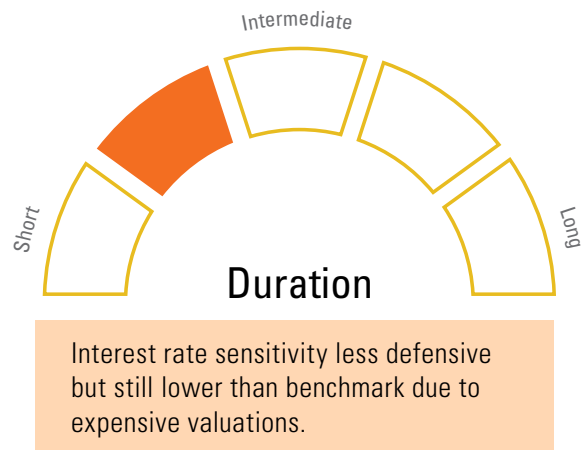
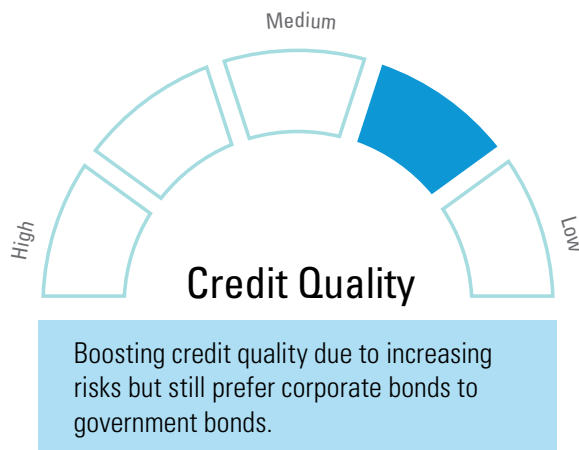
\* S&P 500 Weight (%)

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 a nondiversified portfolio. Diversification does not ensure against market risk.

## FIXED INCOME

Municipal bonds have begun 2016 on a strong note, even if they are lagging Treasuries during recent high-quality bond strength. Valuations have cheapened as a result, but a favorable supply-demand balance and prospects for higher (local) taxes may provide support in 2016. Municipal bonds' credit quality remains generally good; problem issuers remain isolated and have not impacted the broader market.



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.

Sector	F	T	V	⊖	○	⊕	Rationale
Munis-Short-Term	■	■	■	●			Higher relative valuations and lower yields limit appeal.
Munis-Intermediate-Term	■	■	■		●		Valuations more attractive relative to Treasuries, but yields are lower after early 2016 strength. Unlikely to repeat 2015 strength.
Munis-Long-Term	■	■	■		●		Yields back above comparable Treasuries. Favorable supply-demand balance continues to provide support.
Munis-High-Yield	■	■	■		●		High-yield munis have lagged high-quality municipals slightly, but most volatility is due to Puerto Rico issues.

Continued on next page.

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.

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 interest income may be subject to the alternative minimum tax. Federally tax-free but other state and local taxes may apply.

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.

## FIXED INCOME (CONTINUED)

A low-return environment will potentially persist despite a strong start to 2016 on safe-haven buying. Still, current stock market volatility illustrates how high-quality bonds still play a role in portfolios. High-yield bonds have endured the worst stretch since August 2011 and the peak of European debt fears. While we believe high-yield bonds represent value with an average yield spread of 8.5%, a bottom remains elusive as risk aversion remains high. In general, we find default expectations among energy companies—and the overall high-yield market—too pessimistic, and a “coupon clipping” environment may still aid suitable investors. For fixed income allocations, we emphasize a blend of high-quality intermediate bonds coupled with less interest rate-sensitive sectors such as high-yield bonds for suitable investors.

Sector	F	T	V	⊖	○	⊕	Rationale
Taxable Bonds – U.S.	Treasuries	■	■	■	●		Additional strength will likely require a recession to materialize, which we view as unlikely.
	TIPS	■	■	■	●		Implied inflation expectations remain low and the sector remains attractive relative to conventional Treasuries.
	Mortgage-Backed Securities (MBS)	■	■	■	●		Historically resilient against Fed rate hikes but valuations are fair to expensive.
	Investment-Grade Corporates	■	■	■		●	Valuations are more attractive among high-quality options.
	Preferred Stocks	■	■	■		●	Fundamentals are firm for U.S. banks, but low yields and above-average valuations warrant caution.
	High-Yield Corporates	■	■	■		●	Average yield spread is now above 8% and offers value given low defaults. Volatility is likely to persist in the near term, however.
	Bank Loans	■	■	■		●	Much less energy exposure compared with high-yield, but high-yield valuations are more compelling.
Taxable Bonds – Foreign	Foreign Bonds – Hedged	■	■	■		●	Given easing bias of foreign central banks, the sector may be more resilient if U.S. rates continue to rise.
	Foreign Bonds – Unhedged	■	■	■	●		Lingering U.S. dollar strength, low yields, and unattractive valuations are negatives.
	Emerging Markets Debt	■	■	■		●	Yield spread is near 4.5% in response to overseas fears. Lingering challenges from China, strong dollar, and lower commodity prices limit upside over the near term.

Investing in foreign and emerging markets debt 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.

Mortgage-backed securities 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.

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.

Treasury Inflation-Protected Securities (TIPS) help eliminate inflation risk to your portfolio, as the principal is adjusted semiannually for inflation based on the Consumer Price Index (CPI)—while providing a real rate of return guaranteed by the U.S. government. Investing in foreign and emerging markets debt 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.



## COMMODITIES & ALTERNATIVE ASSET CLASSES

U.S. dollar strength and concerns regarding the health of the Chinese economy have us remaining cautious on the broad commodities market. That said, we do believe that oil prices could possibly engineer a turnaround in 2016, potentially by midyear as production drops to realign supply with demand. Divergent central bank policy may lead to higher market volatility and more asset dispersion, creating a more fertile environment for macro strategies. Highly directional strategies, either in credit or equities, have fared the worst.

Sector		F	T	V	⊖	○	⊕	Rationale
Commodities	Industrial Metals	■	■		●			Lowered view reflects continued weak Chinese demand and resulting technical deterioration, despite bold policy reforms and monetary stimulus efforts.
	Precious Metals	■	■		●	●		The dollar has weakened, interest rates have fallen as Fed rate hike expectations get pushed out, and odds of a China-driven currency crisis have risen, all supportive of precious metals near term. Longer term, we remain cautious as these factors are priced in or reversed.
	Energy	■	■			●		Some progress has been made to balance oil markets; we continue to believe fair value is above the current trading range and expect a turnaround in 2016, but the timing is uncertain.
	Agricultural	■	■		●			Agricultural commodities continue their long-term downward trend. Fears of continued slowing global demand continue to weigh on the complex.
Sector		T E	C T	V O	⊖	○	⊕	Rationale
Alternatives	Long/Short Equity	■	■	■		●		Recent market volatility should provide stock picking opportunities going forward, but overall market action limits the attractiveness of any long-biased manager.
	Event Driven	■	■	■	●			We remain cautious on certain sub-strategies, due to the overcrowding in certain widespread industry positions, as well as illiquidity concerns in the debt sector.
	Managed Futures	■	■	■		●		Managed futures have performed very well in 2016, as strategies have benefited from the flight to quality into Treasuries, and programs with short-term models have been able to capture the recent downturn in equity markets. Short commodity exposure continues to help.
	Global Macro	■	■	■			●	Continue to view as preferred alternative strategy. The ability to tactically adjust portfolio exposure, as well as position portfolios ahead of market inflection points, has supported global macro managers during the recent market turbulence.

### LEGEND

CHARACTERISTICS	ICON	DEFINITION
Catalysts	C T	Potential for favorable macroeconomic and/or idiosyncratic market developments that may benefit the investment strategy.
Trading Environment	T E	Market characteristics present sufficient investment opportunities for this investment style.
Volatility	V O	The current volatility regime provides a constructive environment that an investment of this style can capitalize on.

Alternative strategies 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.

## IMPORTANT DISCLOSURES

All performance referenced is historical and is no guarantee of future results.

There is no assurance that the techniques and strategies discussed are suitable for all investors or will yield positive outcomes. The purchase of certain securities may be required to affect some of the strategies.

### Stock and Pooled Investment Risks

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

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.

### Bond and Debt Equity Risks

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

Government bonds and Treasury bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.

### Alternative Risks

Currency risk is a form of risk that arises from the change in price of one currency against another. Whenever investors or companies have assets or business operations across national borders, they face currency risk if their positions are not hedged.

Long/short equity strategies are subject to normal alternative investment risks, including potentially higher fees; while there is additional management risk, as the manager is attempting to accurately anticipate the likely movement of both their long and short holdings. There is also the risk of "beta-mismatch," in which long positions could lose more than short positions during falling markets.

Event driven strategies, such as merger arbitrage, consist of buying shares of the target company in a proposed merger and fully or partially hedging the exposure to the acquirer by shorting the stock of the acquiring company or other means. This strategy involves significant risk as events may not occur as planned and disruptions to a planned merger may result in significant loss to a hedged position.

Managed futures strategies use systematic quantitative programs to find and invest in positive and negative trends in the futures markets for financials and commodities. Futures and forward trading is speculative, includes a high degree of risk that the anticipated market outcome may not occur, and may not be suitable for all investors.

## DEFINITIONS

The simple moving average is an arithmetic moving average that is calculated by adding the closing price of the security for a number of time periods and then dividing this total by the number of time periods. Short-term averages respond quickly to changes in the price of the underlying, while long-term averages are slow to react.

The Beige Book is a commonly used name for the Federal Reserve's (Fed) report called the Summary of Commentary on Current Economic Conditions by Federal Reserve District. It is published just before the Federal Open Market Committee (FOMC) meeting on interest rates and is used to inform the members on changes in the economy since the last meeting.

Quantitative easing (QE) refers to the Federal Reserve's (Fed) current and/or past programs whereby the Fed purchases a set amount of Treasury and/or mortgage-backed securities each month from banks. This inserts more money in the economy (known as easing), which is intended to encourage economic growth.

Technical Analysis is a methodology for evaluating securities based on statistics generated by market activity, such as past prices, volume and momentum, and is not intended to be used as the sole mechanism for trading decisions. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns and trends. Technical analysis carries inherent risk, chief amongst which is that past performance is not indicative of future results. Technical Analysis should be used in conjunction with Fundamental Analysis within the decision making process and shall include but not be limited to the following considerations: investment thesis, suitability, expected time horizon, and operational factors, such as trading costs are examples.

## INDEX DEFINITIONS

All indexes are unmanaged and cannot be invested into directly.

The **Russell 2000 Index** measures the performance of the small cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index.

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.

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