Weekly Market Commentary

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Made in America

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Highlights

- Last week provided evidence that export growth may be becoming a focus of investors.
- The United States is the world's largest manufacturer and ranks among the top three nations in terms of exports.
- Exports matter to investors because S&P 500 companies derive about 40% of their revenue from foreign sources and global markets.

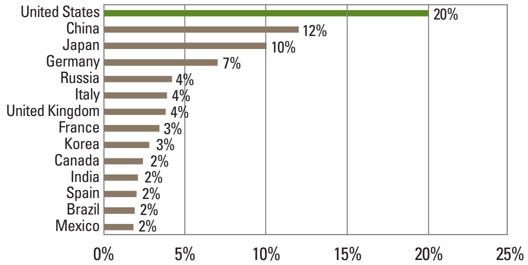
Last Thursday, the U.S. trade data was reported for the month of January reflecting a brief pause in an improving trend of export growth. On the same day, the stock market, measured by the S&P 500, moved up to a new 17-month high. The market reaction was fitting since export growth is a key driver of the economy and profits for S&P 500 companies. In fact, exports accounted for 2.3 percentage points of the 5.9 percent fourth quarter Gross Domestic Product (GDP) growth rate, this marked the biggest contribution to U.S. GDP in 13 years. Exports of American-made goods now matter more than ever to investors.

Also, last week, President Obama took action to support his goal of doubling U.S. exports within five years by signing an executive order to ''marshal the full resources of the United States government behind American businesses that sell their goods and services abroad" under his National Export Initiative. The export strategy will strive to improve access to financing for domestic exporters and help them promote their products overseas particularly in rapidly growing emerging nations such as China, Brazil, and India.

Some pessimists argue that America can't be a leading exporter since we don't make anything here anymore. However, they are wrong on both counts. It may come as a surprise to some, but the United States is the world's biggest manufacturer. In fact, the United States is the largest manufacturer by a long shot, making up 20% of the world's total manufacturing output. The United States manufactures almost twice as much as China, double what Japan makes, and almost three times what is produced in Germany. [Chart1]

It may come as a surprise to some, but the United States is the world's biggest manufacturer, making up 20% of the world's total manufacturing output.

1 United States is Top Manufacturer
Percent of Global Manufacturing Output in 2009



Source: United Nations, LPL Financial as of 03/12/10

If that seems a little hard to believe then think of it this way: exports are measured based on the total value of what is produced, not merely the quantity. High-value items made in the United States and exported to customers in other countries include machine tools, medical equipment, computer software, pharmaceuticals, commercial airplanes, defense products, and satellites among many other products. It is the value of these exports that matters more than the quantity. After all, one U.S. built airliner is worth a lot of Chinese made toys. The United States is a leader, ranking among the top three nations in terms of exports, alongside China and Germany. [Chart 2]

American-made goods have become more attractive for overseas buyers following a decline in the dollar last year. It has fallen about 11% against the currencies of the biggest U.S. trading partners from a five-year high reached on March 9, 2009. The dollar decline gives U.S. companies a competitive advantage in global markets.

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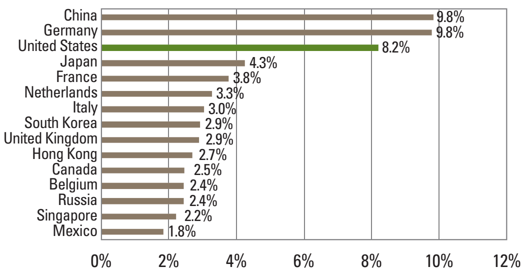
2 United States is Among Top Exporters
Percent of 2009 Global Exports by Country



Source: Central Intelligence Agency, LPL Financial as of 03/12/10

Even better, the United States sells more to emerging than developed countries. According to the Department of Commerce, Emerging Markets now make up a little over 50% of U.S. gross exports. These end markets are growing much more rapidly than domestic or foreign developed markets. Developed markets like the Eurozone and Japan are struggling with stalled recoveries, as fourth quarter annualized Gross Domestic Product (GDP) in the Eurozone was a mere 0.1% and in Japan was only 0.9%. Much stronger rates of economic growth can be found among emerging market nations such as China, Brazil, and India.

Exports matter to investors because S&P 500 companies derive about 40% of their revenue from foreign sources and global markets. Sectors with a high proportion of export-driven sales include Information Technology, Industrials, Energy, and Materials. We continue to favor these sectors of the stock market.

IMPORTANT DISCLOSURES

The opinions voiced in this material are for general information only and are not intended to provide specific aThe 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 reference is historical and is no guarantee of future results. All indices are unmanaged and cannot be invested into directly.

Investing in international and emerging markets may entail additional risks such as currency fluctuation and political instability.

Stock investing involves risk including loss of principal.

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.

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

Because of their narrow focus, sector investing will be subject to greater volatility than investing more broadly across many sectors and companies.

Industrials Sector: Companies whose businesses: Manufacture and distribute capital goods, including aerospace and defense, construction, engineering, and building products, electrical equipment, and industrial machinery. Provide commercial services and supplies, including printing, employment, environmental and office services. Provide transportation services, including airlines, couriers, marine, road and rail, and transportation infrastructure.

Telecommunications Services: Companies that provide communications services primarily through a fixed line, cellular, wireless, high bandwidth and/or fiber-optic cable network.

Materials Sector: Companies that engage in a wide range of commodity-related manufacturing. Included in this sector are companies that manufacture chemicals, construction materials, glass, paper, forest products and related packaging products, metals, minerals and mining companies, including producers of steel.

Information Technology: Companies that primarily develop software in various fields such as the Internet, applications, systems and/or database management and companies that provide information technology consulting and services. Technology hardware & equipment include manufacturers and distributors of communications equipment, computers and peripherals, electronic equipment and related instruments, and semiconductor equipment and products.

Health Care: Companies in two main industry groups: Health Care equipment and supplies or companies that provide health care-related services, including distributors of health care products, providers of basic health care services, and owners and operators of health care facilities and organizations. Companies primarily involved in the research, development, production, and marketing of pharmaceuticals and biotechnology products.

Energy Sector: Companies whose businesses are dominated by either of the following activities: The construction or provision of oilrigs, drilling equipment and other energy-related service and equipment, including seismic data collection. The exploration, production, marketing, refining and/or transportation of oil and gas products, coal and consumable fuels.

Consumer Discretionary Sector: Companies that tend to be the most sensitive to economic cycles. Its manufacturing segment includes automotive, household durable goods, textiles and apparel, and leisure equipment. The service segment includes hotels, restaurants and other leisure facilities, media production and services, consumer retailing and services and education services.

Consumer Staples: Companies whose businesses are less sensitive to economic cycles. It includes manufacturers and distributors of food, beverages, and tobacco, and producers of non-durable household goods and personal products. It also includes food and drug retailing companies.