



Weekly Market Commentary



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Happy Days

Jeffrey Kleintop, CFA

Chief Market Strategist
LPL Financial

Highlights

Recent news regarding a number of key market factors has been generally positive and our main concerns are beginning to lift

For the past 12 months, the S&P 500 Index has been tracking its pattern of 60 years ago.

If the pattern holds — and the big issues overhanging the market are resolved or deferred — we may be due for a nice stock market rally in the coming months.

Recent news regarding a number of key market factors has been generally positive and our main concerns are beginning to lift.

- The Federal Reserve's (Fed) QE2 program ended without any disturbance in bond yields.
- Corporate earnings and guidance on future earnings from corporate leaders is better than expected, thus far.
- The economic soft spot appears to be dissipating as Japan, the world's third largest economy, comes back online.
- While a deal is not yet in hand, we have seen increased clarity regarding the debt ceiling debate around a \$1.5 to 2.7 trillion package of spending cuts.
- A breakthrough on the Greek debt problems in Europe has taken place with a second rescue package.

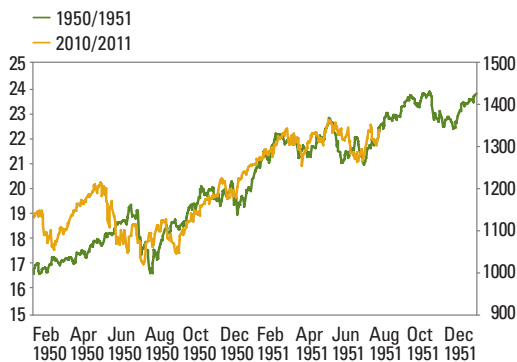
The changing environment may inspire investors to re-engage the markets and reduce defensive positions. The S&P 500 posted a gain of 2.2% last week, reversing the prior week's losses. A further rally may be in store for stocks as the headwinds fade and happy days return with growth and employment picking up in the second half of the year.

It seems the market may be looking to the 1950s for inspiration. A potential path for stocks in the second half of the year may be that they continue to follow the path of 1951.

For the past 12 months, the S&P 500 Index has been tracking its pattern of 60 years ago. While much of it may be owed to coincidence, there are a number of market influencing factors that echo 60 years ago that may make it more than just a coincidence. The similarities to 1951 include the following:

- Europe is mired in debt.
- Tax receipts amount to 16% of GDP.
- Federal debt as a percent of GDP is north of 80%, the last time it was this high was 1951 [Chart 2].
- It is the third year of the Presidential cycle.
- It is two years after the end of a recession.
- The growth rate of corporate earnings is slowing.
- There is fading resolve to continue fighting a foreign war.

1 Happy Days – S&P 500 Index Tracks Path of Early 1950s

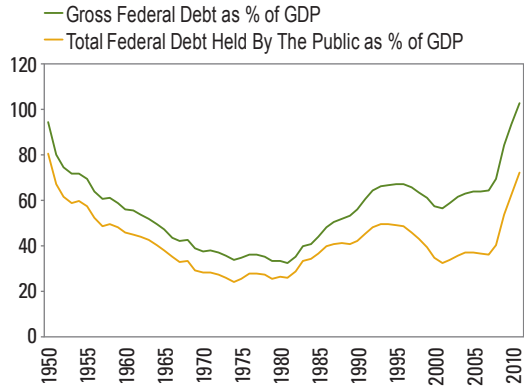


Source: LPL Financial, Bloomberg data 07/22/11

The S&P 500 is an unmanaged index, which cannot be invested into directly. Past performance is no guarantee of future results.



2 Federal Debt-to-GDP Percentage back to 1950s levels



Source: LPL Financial, U.S. Office of Management and Budget 07/22/11

- Commodity prices have rebounded powerfully from the lows of the recession.
- A gallon of gas costs a 1951 quarter.

Ok, that last one is a little bit of humor. But it is true. Hard to believe that a gallon of gas today costs the same quarter (i.e. 25 cents) it cost in 1951? It does. You just have to melt down the coin. In fact, a 1951 quarter will buy you twice as much gas today as it did in 1951 when a gallon cost 25 cents. Quarters in 1951 weighed 6.25 grams and were made of 90% silver and 10% copper. At today's metal prices a 1951 quarter, like all quarters minted from 1932–64, have a metal value worth about \$7.25, based on Friday, July 22, 2011 metal prices. That will get you about two gallons of gas at last week's national average price of \$3.68.

Of course, there are lots of differences between now and 60 years ago. As with the 1950s-based sitcom *Happy Days*, the past looks different when looking back selectively. However, if the pattern holds — and, importantly, the big issues overhanging the market are resolved or deferred — we may be due for a nice stock market rally in the coming months, happy days indeed.



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 reference is historical and is no guarantee of future results. All indices are unmanaged and cannot be invested into directly.

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.

International and emerging markets investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors.

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 a fund shares is not guaranteed and will fluctuate.

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

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.

Debt-to-GDP is a measure of a country's federal debt in relation to its gross domestic product (GDP). By comparing what a country owes and what it produces, the debt-to-GDP ratio indicates the country's ability to pay back its debt. The ratio is a coverage ratio on a national level.

Quantitative Easing is a government monetary policy occasionally used to increase the money supply by buying government securities or other securities from the market. Quantitative easing increases the money supply by flooding financial institutions with capital in an effort to promote increased lending and liquidity.

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.

Stock investing may involve risk including loss of principal.

The fast price swings in commodities and currencies will result in significant volatility in an investor's holdings.

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