



Weekly Market Commentary



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Highlights

Like the number one TV drama, this unkillable stock market rally seems to get no respect. While it has been impossible to kill so far this year despite all the shots fired at it, this is no mindless and shambling rally. Stocks have deliberately moved past these events that did not stop the still beating heart of economic growth in the United States.

Walking Dead Stock Market

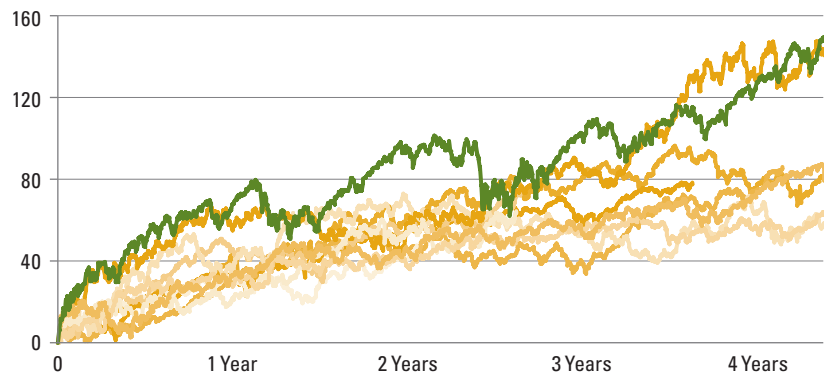
Last week revealed the nominations for the 2013 Primetime Emmy Awards. Overall, 10 different dramas scored nominations for the shows or lead actors. But missing from the list was the show that is the number one drama in the coveted 18-to-49-year-old demographic: *The Walking Dead*. There was no respect for the unstoppable zombie drama from the television academy.

Likewise, this unkillable stock market rally seems to get no respect. U.S. stocks have been snubbed by investors this year.

- In four of the past five months, investors have been net sellers of U.S. stock funds. This has been the case in four of the past five weeks, as well, according to the Investment Company Institute.
- The American Association of Individual Investors Sentiment Survey measures the percentage of individual investors who are bullish, bearish, and neutral on the stock market. The percent that are bullish on the stock market this year has averaged 38, below the 10-year average of 41—a period that included the long and deep bear market that accompanied the 2008–09 Great Recession.
- Insiders, or top executives of companies, have been net sellers of shares. While the pace of insider selling often slows during the “blackout” periods

1 Strongest Bull Market Ever

S&P 500 Index Performance During All Bull Markets Since WWII
— Bull Market Starting 03/09/09 — All Others Since 1949



Source: Bloomberg, LPL Financial Research 06/14/13

Past performance is no guarantee of future results.

The S&P 500 Index is unmanaged and you are unable to invest into it directly. The returns do not reflect any fees, expenses or sales charges. Index performance is not indicative of any particular investment.

The Investment Company Institute (ICI) is the national association of U.S. investment companies, including mutual funds, closed-end funds, exchange-traded funds (ETFs), and unit investment trusts (UITs). Members of ICI manage total assets of \$11.18 trillion and serve nearly 90 million shareholders.



around the earnings season, recent data show that the number of shares of S&P 500 companies insiders have sold relative to those that they have bought has soared.

The S&P 500 has continued the strongest bull market since WWII [Figure 1] despite all the shots fired at the market this year:

- Fiscal cliff tax increases;
- Sequester spending cuts;
- High oil prices;
- Italian election debacle;
- Cyprus bank bailout;
- Weakening Chinese economic growth;
- Federal Reserve communicating the intention to end quantitative easing (QE);
- Downward revisions to earnings growth estimates;
- Rising interest rates;
- A rise in geopolitical risk from North Korea, Egypt, and Syria; and
- Bouts of defensive sector market leadership and weak trading volume.

While it has been impossible to kill so far this year despite all the shots fired at it, this is no mindless and shambling rally. Stocks have deliberately moved past these events that did not stop the still beating heart of economic growth in the United States.

A volatile second half in the stock market is likely, but so too are potential gains as the U.S. economy continues to post growth of about 2%, resulting in opportunities to buy on the dips.

As we discuss in our *Mid-Year Outlook 2013*, there will be more shots fired in the second half of the year including: the winding down of the Federal Reserve's bond-buying program, the looming battle in Washington over the need to craft a deal to avert the debt ceiling later this year, the German elections, and the path of growth in Europe. A volatile second half in the stock market is likely, but so too are potential gains as the U.S. economy continues to post growth of about 2%, resulting in opportunities to buy on the dips.

While the headlines hold as much drama as the Emmy nominees, tuning in each week to the regular series of data points on the economy including initial filings for unemployment benefits, retail sales, and bank lending may be the best way to stay on top of the market's direction. ■



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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.

Stock investing involves risk including loss of principal.

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.

S&P Indices 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.

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