



Weekly Market Commentary



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Jeffrey Kleintop, CFA

Chief Market Strategist
LPL Financial

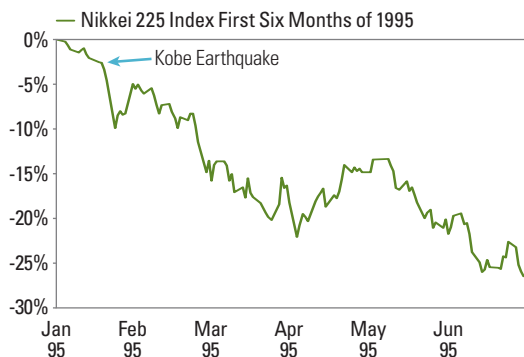
Highlights

The markets may react negatively this week as a financial aftershock to the 9.0 earthquake that struck Japan this past Friday. However, the overall impact on markets is likely to be limited.

Following the devastating earthquake in Kobe, Japan in January 1995 the Japanese stock market fell 25% in the following five months.

The earthquake adds to the list of macroeconomic concerns that include the violence in Libya and Europe's debt problems.

1 Japan's Stock Market Decline Following January 17, 1995 Earthquake



Source: LPL Financial, Bloomberg Data 03/11/11

The Nikkei 225 Index is an unmanaged index, which cannot be invested into directly. Past performance is no guarantee of future results.

Aftershock

The markets may react negatively this week as a financial aftershock to the 9.0 earthquake that struck Japan this past Friday. However, the overall impact on markets is likely to be limited.

While the economic and financial damage pales in comparison to the immeasurable human toll, this devastating event compounds the challenges facing Japan. Surpassed last year by China as the world's second-largest economy, Japan has suffered a prolonged period of economic malaise. In addition, Japan has the highest debt-to-GDP of any nation at well over 200%. The additional debt-financed spending on rebuilding will worsen Japan's indebtedness and already weakened credit rating. While economic activity later this year may come from rebuilding, in the next few months production has been disrupted across many industries due to damage or lack of power in an area of Japan that accounts for less than 10% of GDP.

Following the devastating earthquake in Kobe, Japan in January 1995 the Japanese stock market fell 25% in the following five months. But only about 5% of the decline came right after the earthquake; the rest was a gradual decline largely driven by fears that a sharply rising yen would curb economic and profit growth. Economic growth in Japan was robust after a drop in industrial output in the first few weeks after the earthquake. The yen fell slightly in the days following the earthquake, but within a month resumed its steady multi-year rise. In the end, Japan spent 3.4 trillion yen through supplemental budgets over the following years to provide for reconstruction. While smaller in magnitude than Friday's earthquake, the Kobe earthquake cost trillions of yen to rebuild and resulted in the loss of 6,000 lives, but ultimately, the 1995 earthquake was not a major driver of the economy, markets, or currency.

Markets could plunge if the worst fears come to be realized.

- Japan is struggling with the containment of nuclear reactor problems. The cooling systems have failed at several reactors and emergency teams are allowing controlled releases of radioactive steam. Reports of cesium outside of the plant could indicate that the reactor's containment structure has been breached. Radioactive dust could be blown to Tokyo if winds change direction and strengthen. Japanese disaster relief efforts were strained before a potential series of nuclear accidents.
- Experts forecast additional natural disasters. Earthquakes of this magnitude are often followed by another quake of one magnitude lower



than the original—one or two additional quakes of a 7 or 8 magnitude would greatly compound the damage and potential financial impact. There have already been over two hundred aftershocks. The risk for major subsequent quakes in the coming weeks and months is high.

- General panic is an emerging concern. There are fears of impending food, fuel, and medicine shortages. Given earthquakes, a tsunami, and the threat of multiple nuclear meltdowns, the social stability in Japan is strained.

However, the worst fears are rarely realized and so we believe the markets will take more of a wait-and-see attitude. Stocks in Japan may suffer as trading resumes, but the impact is likely to be limited elsewhere. Base metals and oil demand in the near-term may suffer slightly due to closed or damaged facilities in Japan. However, with manufacturing activity booming around the world, demand for commodities is likely to remain solid and any decline is likely to be short-lived. Among companies outside of Japan, insurers may be affected by the extensive damage caused by the worst earthquake in Japan's history. In addition, orders for new nuclear power plants may slow, but are not likely to have a discernible impact on the earnings of the global conglomerates that produce them.

We remain somewhat cautious in the near-term on the stock market, but do not anticipate a major decline to ensue and adhere to our high single-digit return target for U.S. stocks in 2011. However, we are watching the developments relating to the earthquake closely that may affect our forecast. The earthquake adds to the list of macroeconomic concerns that include the violence in Libya and Europe's debt problems.

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.

Stock investing may involve risk including loss of principal.

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

The Nikkei Index is short for Japan's Nikkei 225 Stock Average, the leading and most-respected index of Japanese stocks. It is a price-weighted index comprised of Japan's top 225 blue-chip companies on the Tokyo Stock Exchange. The Nikkei is equivalent to the Dow Jones Industrial Average Index in the U.S. In fact, it was called the Nikkei Dow Jones Stock Average from 1975 to 1985.

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