

# Global Equity Strategy

## U.S. Sector Outlooks

Equity Research / North America

**Waiting Game**  
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On a closing basis, the S&P 500 declined 13.7% from its April 23 high of 1217 through its June 7 low of 1050. Since then trading has remained choppy and range bound. In addition to lingering fears regarding the spread of European sovereign credit risk and a tightening induced Asian slowdown, we think the correction is being prolonged by a recent weakening in U.S. economic data. Specifically, we think anemic May domestic private sector job creation and deteriorating housing trends have investors increasingly worried the aforementioned macro economic headwinds will preclude the strong EPS rebound currently reflected in consensus EPS projections over the next 12 months. While Q2 S&P 500 EPS should be up sharply, largely as a result of depressed results a year ago, the concern lies more in whether the economy has sufficient momentum to deliver the robust, double digit second half and 2011 EPS growth reflected in current consensus EPS forecasts. As such, all eyes will be trained on Q3 company guidance and the June private non farm payroll report (Bloomberg consensus is +111,000), due out Friday July 2.

In order for U.S. stocks to rally materially and approach their April highs, we think EPS visibility needs to improve substantially. While reasonable S&P 500 valuations of 13.2X 2010 estimated EPS are currently supporting the market, a sustained rebound will require both better tier 1 economic data and confident forward outlooks from corporate America, in our view.

In light of ongoing macro economic uncertainty, our current recommended sector positioning reflects a bar-belled stance where both our overweight and underweight selections are balanced between cyclical and defensive sectors. Our overweight sector recommendations, Information Technology and Health Care, reflect an emphasis on what we view as dependable growth at a reasonable price. Conversely, we recommend underweighting sectors with limited EPS leverage and/or visibility, such as Utilities and Materials.

S&P 500 GICS Sector Performances and Recommended Sector Weightings 6/25/10

S&P 500 Sector	% Change			P/E on	'10e P/E to	Actual	Recommended	
	June	YTD	2009	Projected	Proj. 5-Yr.	Sector %	S&P Sector	Over/Under
				'10e EPS	EPS Grth.	Weightings	Emphasis	Weight
Consumer Discretionary	(4.8)	3.2	38.8	14.7	1.0	10.2	Marketweight	0%
Consumer Staples	(1.7)	(3.2)	11.2	13.8	1.5	11.2	Marketweight	0%
Energy	(1.0)	(8.7)	11.3	11.5	0.9	10.8	Marketweight	0%
Financials	(0.2)	1.7	14.8	26.1	3.1	16.6	Marketweight	0%
Health Care	0.8	(7.3)	17.1	11.3	1.3	11.9	Overweight	2%
Industrials	(2.2)	3.2	17.3	15.0	1.2	10.5	Marketweight	0%
Information Technology	(1.2)	(6.2)	59.9	13.9	1.1	18.9	Overweight	2%
Materials	(1.3)	(8.3)	45.2	14.9	1.3	3.5	Underweight	-2%
Telecommunication Services	1.5	(9.3)	2.6	13.1	2.3	2.9	Marketweight	0%
Utilities	1.1	(7.3)	6.8	11.5	2.6	3.7	Underweight	-2%
S&P Composite 1500	(1.3)	(2.7)	24.3	13.6	1.2			
S&P 500	(1.2)	(3.4)	23.5	13.2	1.2			
S&P MidCap 400	(2.3)	2.6	30.6	17.1	1.3			
S&P SmallCap 600	(2.6)	3.5	23.8	19.7	1.4			

Sector recommendations are market-cap weighted, influenced by economic, fundamental, and technical considerations.

Source: Standard & Poor's Equity Research

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All required disclosures and analyst certification appear on the last two pages of this report.

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### **S&P 500 CONSUMER DISCRETIONARY Sector Recommendation: MARKETWEIGHT**

S&P recommends marketweighting the S&P 500 Consumer Discretionary sector. Year to date through June 25, the sector index, which represented 10.2% of the S&P 500 Index, was up 3.2% compared with a 3.4% decline for the S&P 500. In 2009, this sector index rose 38.8% versus a 23.5% advance for the 500. There are 33 sub-industry indices in this sector, with Movies & Entertainment being the largest, at 15.1% of the sector's market value.

S&P analysts' fundamental outlook on the Consumer Discretionary sector is neutral. S&P Economics forecasts U.S. real GDP will rebound to 3.3% growth in 2010 after a 2.4% decline in 2009. In addition, S&P Economics forecasts consumer spending will increase 2.6% in 2010 after a decline of 0.6% in 2009. Sector earnings are expected to rise 51% in 2010 compared to a 44% increase estimated for the 500. In light of its faster growth rate, the sector's P/E of 14.7X on estimated 2010 EPS is greater than the S&P 500's projected P/E of 13.2X. Its P/E to projected five-year EPS growth rate of 1.0X is below the broader market's average of 1.2X. The sector's marketweighted STARS average of 3.3 (out of 5.0) is below the average of 3.9 for the S&P 500.

The S&P GICS Consumer Discretionary Index continues to try to trace out a base between within the 240 and 260 region. Prices were recently between the 17-week exponential average and support from the 43-week exponential average down at 240. During the early June bounce, prices failed to take out trendline resistance up in the 256 area. This trendline, which is a former support line, is drawn off the lows of July 2009 and February 2010. If the 240 level is taken out, the next chart support from the February lows is in the 225 area. Relative strength versus the S&P 500 has pulled back since the April peak, but remains in an uptrend. We remain neutral on the Consumer Discretionary sector from a technical perspective.

In summary, although this highly cyclical sector should benefit from a gradual economic recovery, we believe lingering uncertainty regarding the slope of the recovery trajectory will preclude further outperformance.

### **S&P 500 CONSUMER STAPLES Sector Recommendation: MARKETWEIGHT**

S&P recommends marketweighting the S&P 500 Consumer Staples sector. Year to date through June 25, this sector, which represented 11.2% of the S&P 500 Index, was down 3.2% compared with a 3.4% decline for the S&P 500. In 2009, the sector index rose 11.2% versus a 23.5% increase for the 500. There are 12 sub-industry indices in this sector, with Household Products being the largest, at 22.6% of the sector's market value.

S&P equity analysts' fundamental outlook for the sector is neutral. We see global sales volume gains driven largely by higher marketing expenditures, and by increased sales in developing markets. However, with U.S. unemployment expected to stay relatively high in 2010, we think less expensive private label goods will remain attractive to many consumers, limiting the sales growth of branded goods companies. Also, we expect the recent strength of the U.S. dollar will limit near-term benefits from translating overseas profits into U.S. dollars. From a valuation standpoint, despite its more predictable sales and EPS, the Consumer Staples sector's valuation of 13.8X 2010 estimated EPS represents only a slight premium to the broader market's 13.2X. Its P/E-to-projected-five-year EPS growth rate (PEG) ratio of 1.5X is also above the broader market's 1.2X. In addition, the sector's marketweighted STARS average of 4.0 (out of 5.0) is slightly above the average of 3.9 for the S&P 500. Lastly, the sector recently offered a generous dividend yield of 3.3% versus the S&P 500's 2.1%.

The S&P Consumer Staples Index is attempting to put in a bullish reversal pattern and has been confined to the 265 to 277 range over the last month. The lower part of this range represents important chart support from the lows traced out in February. Prices are sitting below the falling 17-week exponential average and just above the 43-week average, which is trending sideways. On a relative

basis, the sector is close to breaking out to the upside versus the S&P 500. Weekly momentum remains in a downtrend and is now in neutral territory after tracing out a couple of bearish divergences. We are neutral on Staples from a technical perspective.

In summary, our recommended marketweighting of the S&P 500 Consumer Staples sector reflects our view that this lower beta, defensive sector has the potential to post more competitive performance given the recent increase in macro-economic uncertainty.

#### **S&P 500 ENERGY Sector Recommendation: MARKETWEIGHT**

S&P recommends marketweighting the S&P 500 Energy sector. Year to date through June 25, the S&P Energy Index, which represented 10.8% of the S&P 500 Index, was down 8.7%, compared to a 3.4% decline for the S&P 500. In 2009, this sector index advanced 11.3% versus a 23.5% increase for the 500. There are seven sub-industry indices in this sector, with Integrated Oil & Gas by far the largest at 58.4% of the sector's market value.

S&P equity analysts have a positive fundamental outlook on the Integrated Oil & Gas sub-industry, which dominates the sector's market cap, and are largely neutral on the other sector groups. We believe the past year's surge in oil prices will moderate and forecast crude oil averaging \$77.87 in 2010. The sector's recent valuation of 11.5X estimated 2010 EPS is below the 500's P/E of 13.2X, as the unpredictability of oil prices leads investors to generally assign this sector a much lower valuation than the broader market. The sector's P/E-to-projected-five-year EPS growth rate (PEG) ratio of 0.9X is below the broader market's 1.2X. This sector's marketweighted S&P STARS average of 4.3 (out of 5.0) is above the S&P 500's average of 3.9.

The S&P GICS Energy Index has rallied after undercutting its February lows in the 400 region, but was turned back after reaching both the declining 17-week and 43-week exponential averages in the 420 area. The shorter average has crossed below the longer average, reversing the buy signal from October 2009 to a sell signal, by our analysis. Momentum is oversold on a daily basis, but has not cycled into oversold territory on a weekly basis. Relative strength versus the 500 remains in an intermediate-term downtrend, and has recently broken to the lowest level since August 2007. We are neutral with a bearish bias on Energy from a technical perspective.

In all, we recommend marketweighting the Energy sector as we think market outperformance is unlikely as crude oil likely remains range bound.

#### **S&P 500 FINANCIALS Sector Recommendation: MARKETWEIGHT**

S&P recommends marketweighting the S&P 500 Financials sector. Year to date through June 25, the S&P Financials Index, which represented 16.6% of the S&P 500 Index, increased 1.7%, versus a 3.4% decline for the S&P 500 Index. In 2009, this sector index rose 14.8%, versus a 23.5% advance for the 500. There are 20 sub-industry indices in the sector, with Other Diversified Financial Services being the largest at 24.8% of the sector's market value.

Fundamentally, S&P equity analysts have a neutral view on the sector. Overall, we project consumer-based businesses in the U.S. will stabilize somewhat in 2010 after declines in 2009, as tighter lending standards reduced new loans. We think that rising charge-offs on credit card loans and commercial mortgages due to higher unemployment will keep pressure on earnings. However, given the large banks' diversified earnings streams, we think they are in a good position to withstand these negatives. One of our concerns is high unemployment, which could lengthen the time needed for a recovery. We believe financial reform may hurt banking profitability in the long run, but we think the markets will be relieved that worst-case scenarios were averted, and that many of the regulations will take years to phase in. The sector trades at a P/E multiple of 26.1X estimated 2010 earnings, well above the projected 13.2X P/E of the S&P 500. Its P/E-to-projected-five-year EPS growth rate (PEG) ratio of

3.1X is also well above the broader market's 1.2X. This sector's marketweighted S&P STARS average of 3.8 (out of 5.0) is slightly below the S&P 500 average of 3.9.

The S&P Financials Index tested its February lows in the 180 region and bounced right back to its 17-week and 43-week exponential averages in the 200 area, which acted as a ceiling for prices. The shorter average is falling toward the flat longer average and is not far from crossing below, which would render a long-term sell signal, in our view. Relative strength versus the S&P 500 remains trapped in a sideways consolidation that goes all the way back to the early part of 2009. After cycling into overbought territory in April, weekly momentum has dropped into neutral territory. We remain neutral on Financials from a technical perspective.

As a result of our neutral fundamental and technical outlooks, we recommend marketweighting the Financials sector.

#### **S&P 500 HEALTH CARE Sector Recommendation: OVERWEIGHT**

S&P recommends overweighting the S&P 500 Health Care sector. Year to date through June 25, the S&P Health Care Index, which represented 11.9% of the S&P 500 Index, was down 7.3%, compared to a 3.4% decline for the S&P 500. In 2009, this sector index rose 17.1%, versus a 23.5% advance for the 500. There are 10 sub-industry indices in this sector, with Pharmaceuticals being the largest, at 50.3% of the sector's market value.

S&P Equity analysts have a positive fundamental outlook on the sector based on favorable views of key sub-industries such as Pharmaceuticals, Biotechnology and Managed Care, which, combined, represent about 70% of the sector's market cap. We think the passage of a comprehensive health care reform package has removed significant uncertainty regarding the sector's outlook. Also, we forecast continued robust M&A and partnerships activity within the Pharmaceuticals and Biotech groups, as these methods are the fastest options to shore up pipeline gaps as we near the "patent cliff" of 2011 to 2013. The sector's 2010 estimated P/E of 11.3X is the lowest of the sectors and represents a discount to the broader market's P/E of 13.3X. S&P forecasts the Health Care sector will post dependable, but below-average, 12% EPS growth in 2010, versus 44% for the S&P 500. Its P/E-to-projected-five-year EPS growth rate (PEG) ratio of 1.3X is slightly above the market's PEG ratio of 1.2X. This sector's marketweighted S&P STARS average of 4.0 (out of 5.0) is also slightly above the 3.9 average for the S&P 500.

The S&P GICS Health Care Index has traced out a lower high and lower low so the intermediate-term trend is bearish, in our view. Prices bounced off of chart support from the October 2009 low in the 325 area, but the rally failed right at the converging 17-week and 43-week exponential averages at 347. The shorter average is very close to breaking below the longer average, which would result in a longer-term sell signal and reverse the buy signal from August 2009, by our analysis. Relative strength versus the S&P 500 remains in an intermediate-term downtrend. We are neutral with a bearish bias on the sector from a technical perspective.

In summary, we recommend overweighting this sector as we believe low valuations and dependable growth will combine to drive outperformance.

#### **S&P 500 INDUSTRIALS Sector Recommendation: MARKETWEIGHT**

S&P recommends marketweighting the S&P 500 Industrials sector. Year to date through June 25, the S&P Industrials Index, which represented 10.5% of the S&P 500 Index, was up 3.2%, compared to a 3.4% decline for the S&P 500. In 2009, this sector index advanced 17.3%, versus a 23.5% increase for the 500. There are 18 sub-industry indices in this sector, with Aerospace & Defense being the largest at 27.8% of the sector's market value.

S&P analysts have a positive fundamental outlook on the Industrials sector due to the expected benefits from a gradually improving global economic picture, including inventory restocking and yet-to-be-felt worldwide infrastructure spending. The sector's EPS are expected to rise 17% in 2010, less than the 44% increase forecast for the S&P 500. From a valuation, standpoint the sector trades at 15.0X 2010 estimated EPS, above the market's 13.2X. Its P/E to projected five-year EPS growth rate of 1.2X is in line with the broader market's 1.2X. The sector's marketweighted S&P STARS average of 3.9 (out of 5.0) is in line with the average of 3.9 for the S&P 500.

The S&P Industrials Index bounced after getting close to its February lows in the 238 region, but has run into the declining 17-week exponential average near 260, which has created a ceiling for prices. Chart support, from the recent lows, sits in the 238 to 247 region while the 43-week exponential, which is also potential support, lies at 250. Relative strength versus the S&P 500 has weakened since mid-May, but remains in an uptrend. Weekly momentum has dropped from very overbought territory to neutral territory. We are neutral on Industrials from a technical perspective.

We recommend marketweighting this sector as above-average valuations and macro-economic uncertainty offset a positive bottom-up fundamental outlook.

#### **S&P 500 INFORMATION TECHNOLOGY Sector Recommendation: OVERWEIGHT**

S&P Equity Research recommends overweighting the S&P Information Technology sector. Year to date through June 25, the S&P Information Technology Index, which represented 18.9% of the S&P 500 Index, was down 6.2%, compared to a 3.4% decline for the 500. In 2009, this sector index rose 59.9%, versus a 23.5% advance for the 500. There are 15 sub-industry indices in this sector, with Computer Hardware being the largest at 20.5% of the sector's market value.

S&P equity analysts have a positive fundamental outlook on the Technology sector. We expect a continued return to revenue growth across many sector sub-industries. We think the sector is poised to benefit from a healthier global economy, a PC replacement cycle, and considerable emerging market exposure. We see the potential for margin improvement, following notable cost management in 2009. In our view, strong and flexible balance sheets will be increasingly employed to generate value through internal investment, stock buybacks, dividends and M&A. S&P projects the sector index to post a 43% increase in 2010 operating EPS. The sector trades at a P/E on estimated 2010 EPS of 13.9X, versus 13.2X for the S&P 500. Its P/E to projected five-year EPS growth rate of 1.1X is slightly below the broader market's PEG of 1.2X. This sector's marketweighted S&P STARS average of 4.3 (out of 5.0) is above the average of 3.9 for the S&P 500.

The S&P GICS Information Technology Index tested its February lows in the 335 area multiple times and bounced. However, prices ran into resistance from the declining 17-week exponential average up in the 364 region. The sector is caught between the 17-week and 43-week exponential averages, with the longer average of 350 being potential support. Relative strength versus the S&P 500 continues to drift sideways to slightly higher, therefore remaining in a longer-term uptrend. Weekly momentum continues in a downtrend and the weekly MACD is close to crossing into bearish territory for the first time since 2008. We remain neutral on Technology from a technical perspective.

We believe that this sector's positive fundamentals represent growth at a reasonable price and warrant our overweight stance.

#### **S&P 500 MATERIALS Sector Recommendation: UNDERWEIGHT**

S&P recommends underweighting the S&P 500 Materials sector. Year to date through June 25, this sector, which represented 3.5% of the S&P 500 Index, was down 8.3%, compared to a 3.4% decline for the 500. In 2009, the sector index advanced 45.2%, versus a 23.5% increase for the 500. There are

13 sub-industry indices in this sector, with Diversified Chemicals being the largest at 24.0% of the sector's market value.

S&P equity analysts have a neutral fundamental outlook for the sector. In a number of sub-industries, including Specialty Chemicals, Diversified Chemicals, and Paper Products, we think significant cost reductions will yield margin improvements in 2010. In addition, we expect chemical manufacturers to benefit from rising demand and industry production, off recession lows in 2009. We forecast the sector's EPS to jump 74% in 2010, versus an estimated 44% rise for the S&P 500. The sector trades at a premium to its long-term median valuation, appropriately reflecting the aforementioned positives, in our view. Its P/E on estimated 2010 EPS of 14.9X is above the 13.2X for the overall market. The sector's P/E to projected five-year EPS growth rate of 1.3X is higher than the market's PEG of 1.2X. This sector's S&P STARS average of 3.3 (out of 5.0) is well below the broader market's average of 3.9.

The S&P Materials Index slightly undercut the lows from February, turning the intermediate-term trend bearish, in our view. Prices have bearishly broken below both the 17-week exponential and the 43-week exponential averages, and both of those averages are now declining. The shorter average remains above the longer average but the distance is very narrow. Relative strength versus the S&P 500 has broken down, a bearish sign, in our opinion, and has been falling since the early part of January. We are bearish on Materials from a technical perspective.

We recommend underweighting the Materials sector as we believe outperformance in this high beta sector is unlikely in light of a firmer U.S. dollar and a negative technical outlook.

#### **S&P 500 TELECOM SERVICES Sector Recommendation: MARKETWEIGHT**

S&P recommends marketweighting the S&P 500 Telecommunication Services sector. Year to date through June 25, this sector index, which represented 2.9% of the S&P 500 Index, was down 9.3%, compared to a 3.4% decline for the S&P 500. In 2009, this sector index rose 2.6%, versus a 23.5% advance for the 500. There are two sub-industry indices in this sector, with Integrated Telecommunication Services being the largest, at 88.6% of the sector's market value.

S&P analysts have a neutral fundamental outlook for the sector. We see revenues for most major telcos growing modestly in 2010, and we expect continued expense reductions. We look for benefits from completed or soon-to-be completed M&A deals involving mid-size rural wire-line carriers. Also, we believe operating and capital spending savings along with broadband growth in 2010 will help support above-average dividends. However, we expect wireline voice operations at all carriers to remain under pressure amid competition. S&P equity analysts forecast 10% operating EPS growth for the Telecom sector in 2010, versus 44% for the S&P 500. The sector trades at a P/E on estimated 2010 earnings of 13.1X, slightly below the 13.2X of the S&P 500, and its P/E-to-projected-five-year EPS growth rate (PEG) ratio of 2.3X is well above the broader market's PEG ratio of 1.2X. Lastly, this sector's marketweighted STARS average of 4.3 (out of 5.0) is above the S&P 500 average of 3.9.

The S&P GICS Telecom Index has bounced nicely after testing the lows from February, with prices jumping back above both the 17-week and 43-week exponential averages. Prices have been bouncing between 100 and 120 since the early part of 2009, and Telecom is the only sector that has yet to complete a long-term reversal pattern. Relative strength versus the 500 has broken the downtrend that has been in place since March 2009, a bullish sign, in our view. While the price action of the sector is not particularly bullish, in our opinion, we think the sector will hold up better than the cyclical sectors. We are neutral on Telecom from a technical perspective.

In conclusion, we recommend marketweighting the Telecom sector in light of our neutral fundamental and technical outlooks.

**S&P 500 UTILITIES Sector Recommendation: UNDERWEIGHT**

S&P recommends underweighting the S&P 500 Utilities sector. Year to date through June 25, the S&P Utilities Index, which represented 3.7% of the S&P 500 Index, fell 7.3%, versus a 3.4% decline for the S&P 500. In 2009, this sector index was up 6.8%, versus a 23.5% advance for the 500. There are four sub-industry indices in this sector, with Electric Utilities being the largest, at 51.6% of the sector's market value.

S&P has a neutral fundamental outlook for the S&P 500 Utilities sector. With only modest improvement expected in the housing and power markets, we look for utility stocks to realize only a modest advance in 2010, with performance also restricted by the expiration of the tax cut on dividends at the end of this year. However, we still expect dividends to be increased in 2010 or kept at current levels by utilities with high payout ratios, and believe electric utility revenues and gas utility gross margins will increase from 2009's depressed levels. The sector trades at a P/E on estimated 2010 earnings of 11.5X, below the 13.2X we see for the S&P 500. Its P/E-to-projected five-year EPS growth rate (PEG) ratio of 2.6X is well above the market's PEG ratio of 1.2X. This sector's S&P STARS average of 3.5 (out of 5.0) is below the 3.9 average for the S&P 500.

The S&P GICS Utilities Index has rallied after falling slightly below its February lows, and has oscillated back and forth with both the 17-week and 43-week exponential averages. Prices have remained in a trading range since last summer between 140 and 160. The sector may be working on a bearish, head-and-shoulders top, and to complete this formation, prices would have to break below the recent lows at 142. On a relative strength basis, Utilities have bounced recently, and are starting to break out from a performance standpoint. We remain neutral with a bearish bias on the sector from a technical perspective.

In summary, we believe an uncertain housing market outlook and deteriorating technical picture warrant an underweight stance.

## Glossary

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**S&P Quality Rankings** (also known as **S&P Earnings & Dividend Rankings**)- Growth and stability of earnings and dividends are deemed key elements in establishing S&P's earnings and dividend rankings for common stocks, which are designed to encapsulate the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+	Highest	B-	Lower
A	High	C	Lowest
A-	Above Average	D	In Reorganization
B+	Average	NR	Not Ranked
B	Below Average		

**S&P Issuer Credit Rating** - A Standard & Poor's Issuer Credit Rating is a current opinion of an obligor's overall financial capacity (its creditworthiness) to pay its financial obligations. This opinion focuses on the obligor's capacity and willingness to meet its financial commitments as they come due. It does not apply to any specific financial obligation, as it does not take into account the nature of and provisions of the obligation, its standing in bankruptcy or liquidation, statutory preferences, or the legality and enforceability of the obligation. In addition, it does not take into account the creditworthiness of the guarantors, insurers, or other forms of credit enhancement on the obligation. The Issuer Credit Rating is not a recommendation to purchase, sell, or hold a financial obligation issued by an obligor, as it does not comment on market price or suitability for a particular investor. Issuer Credit Ratings are based on current information furnished by obligors or obtained by Standard & Poor's from other sources it considers reliable. Standard & Poor's does not perform an audit in connection with any Issuer Credit Rating and may, on occasion, rely on unaudited financial information. Issuer Credit Ratings may be changed, suspended, or withdrawn as a result of changes in, or unavailability of, such information, or based on other circumstances.

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### **Abbreviations Used in S&P Equity Research Reports**

CAGR- Compound Annual Growth Rate  
CAPEX- Capital Expenditures  
CY- Calendar Year  
DCF- Discounted Cash Flow  
EBIT- Earnings Before Interest and Taxes  
EBITDA- Earnings Before Interest, Taxes, Depreciation and Amortization  
EPS- Earnings Per Share  
EV- Enterprise Value  
FCF- Free Cash Flow  
FFO- Funds From Operations  
FY- Fiscal Year  
P/E- Price/Earnings  
PEG Ratio- P/E-to-Growth Ratio  
PV- Present Value  
R&D- Research & Development  
ROE- Return on Equity  
ROI- Return on Investment  
ROIC- Return on Invested Capital  
ROA- Return on Assets  
SG&A- Selling, General & Administrative Expenses  
WACC- Weighted Average Cost of Capital

Dividends on American Depository Receipts (ADRs) and American Depository Shares (ADSs) are net of taxes (paid in the country of origin).

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As of March 31, 2010, research analysts at Standard & Poor's Equity Research Services North America recommended 35.9% of issuers with buy recommendations, 52.8% with hold recommendations and 11.3% with sell recommendations.

#### In Europe

As of March 31, 2010, research analysts at Standard & Poor's Equity Research Services Europe recommended 37.9% of issuers with buy recommendations, 39.3% with hold recommendations and 22.8% with sell recommendations.

#### In Asia

As of March 31, 2010 research analysts at Standard & Poor's Equity Research Services Asia recommended 42.9% of issuers with buy recommendations, 49.1% with hold recommendations and 8.0% with sell recommendations.

#### Globally

As of March 31, 2010, research analysts at Standard & Poor's Equity Research Services globally recommended 36.9% of issuers with buy recommendations, 50.1% with hold recommendations and 13.0% with sell recommendations.

**5-STARS (Strong Buy):** Total return is expected to outperform the total return of a relevant benchmark, by a wide margin over the coming 12 months, with shares rising in price on an absolute basis. **4-STARS (Buy):** Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis. **3-STARS (Hold):** Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis. **2-STARS (Sell):** Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price is not anticipated to show a gain. **1-STARS (Strong Sell):** Total return is expected to underperform the total return of a relevant benchmark by a wide margin over the coming 12 months, with shares falling in price on an absolute basis.

Relevant benchmarks: In North America, the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are generally the S&P Europe 350 Index and the S&P Asia 50 Index.

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