

U.S. Equity Market Outlook: *A Market Under Siege – Don't Fight the Trend, Fear Not the First Hike, Its All About Oil*

Gina Martin Adams, CFA, CMT
Institutional Equity Strategist
Wells Fargo Securities, LLC
(212) 214-8043
gina.martinadams@wellsfargo.com

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All estimates/forecasts are as of October 5, 2015 unless otherwise stated.

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Our Take: U.S. Equities Under Siege: Don't Fight the Trend, Fear Not the First Hike, It's All About Oil

Market Trend Still a Support, With a Few Kinks in the Armor

The trend is your friend. Despite the recent correction, the intermediate bull market remains intact. However, the market is under siege from uncertainty – China, oil and the Fed need to offer clarity before stocks can move higher.

It is Too Early to Call A Top

This is unlikely to be the end of the bull trend. Bull markets usually end with exuberance, tight policy, and an inverted yield curve, none of which are in place today. Commodity and currency disruptions are usually temporary.

Fundamentals are Fine, Contrary to Rhetoric

Earnings have been surprisingly resilient (considering commodity trends), and the economy continues to plod along. After the summer swoon, valuation is now near our modeled estimate.

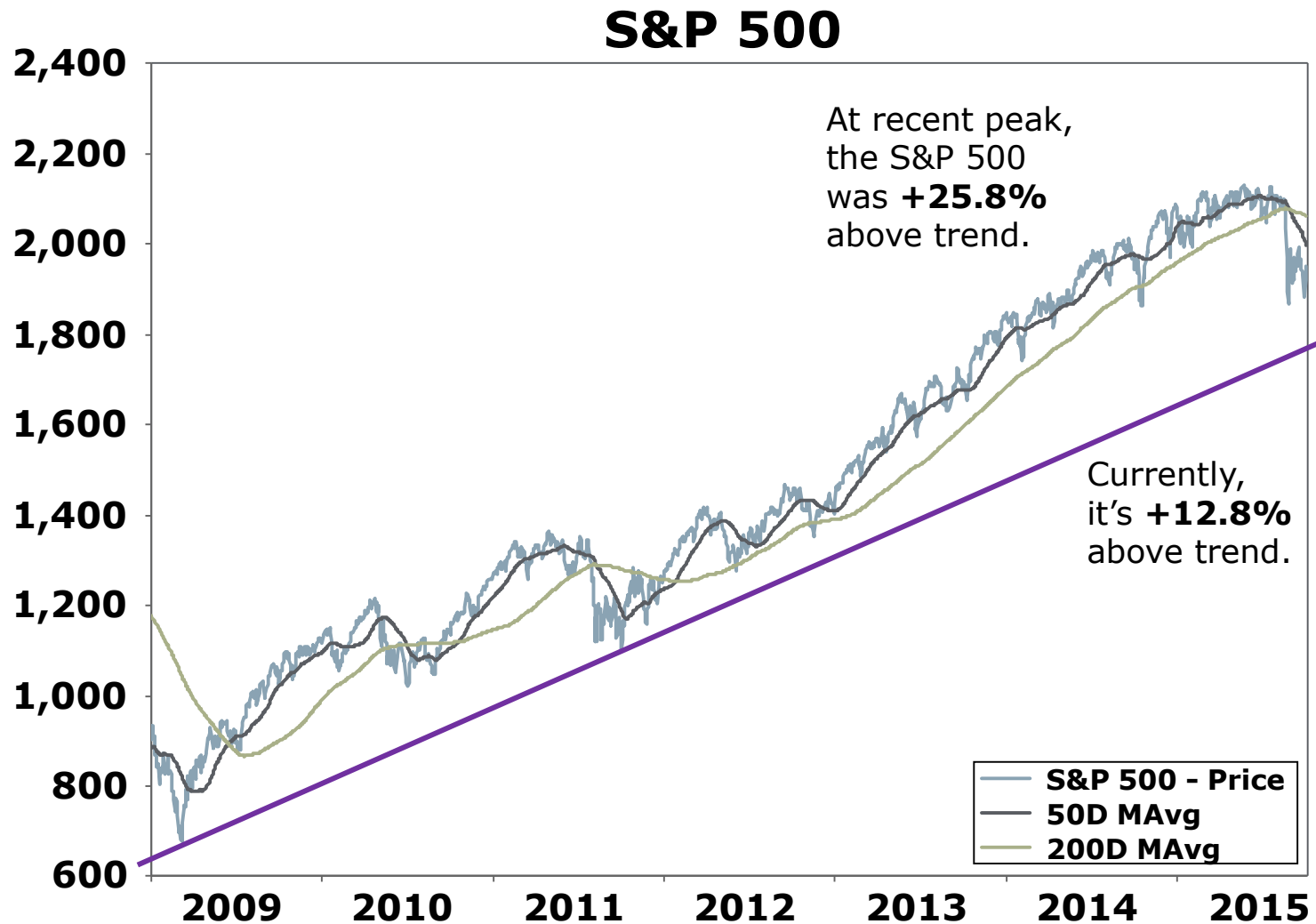
The Recent Slump May be All About Oil Anyway

Excluding commodities, stocks prices appear more stable, earnings continue to grow and the economy is on a steady growth path. When oil prices finally bottom, prepare for potential upside.

What's An Investor to Do?

In our view, investors should Bring it Back Home, Go For Growth, Pick up a Few Good Dividend Yielders, and Avoid Commodity–Sensitive Sectors for Now

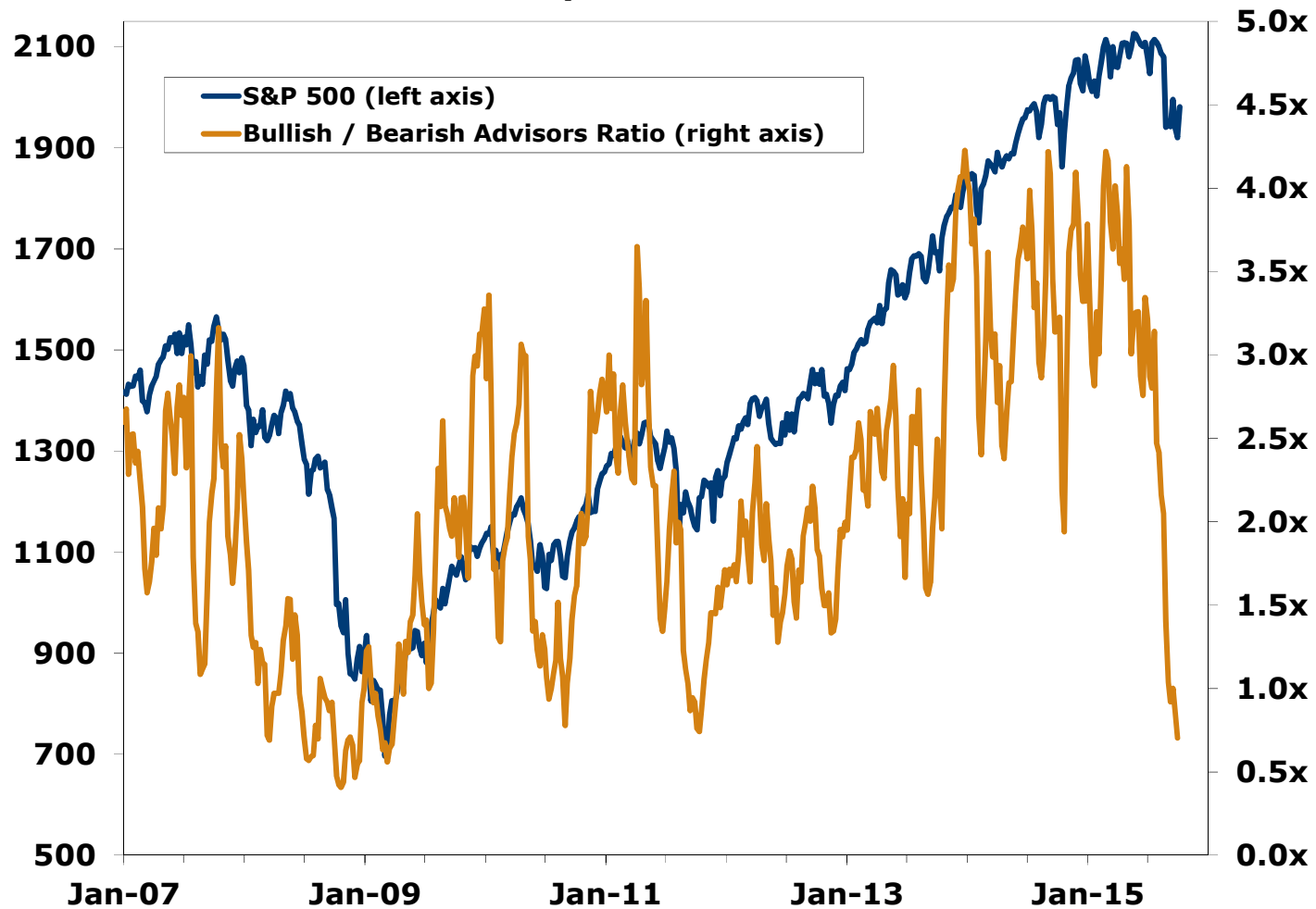
S&P 500 & Trendline



Source: FactSet, Wells Fargo Securities, LLC

Sentiment: Bull-Bear

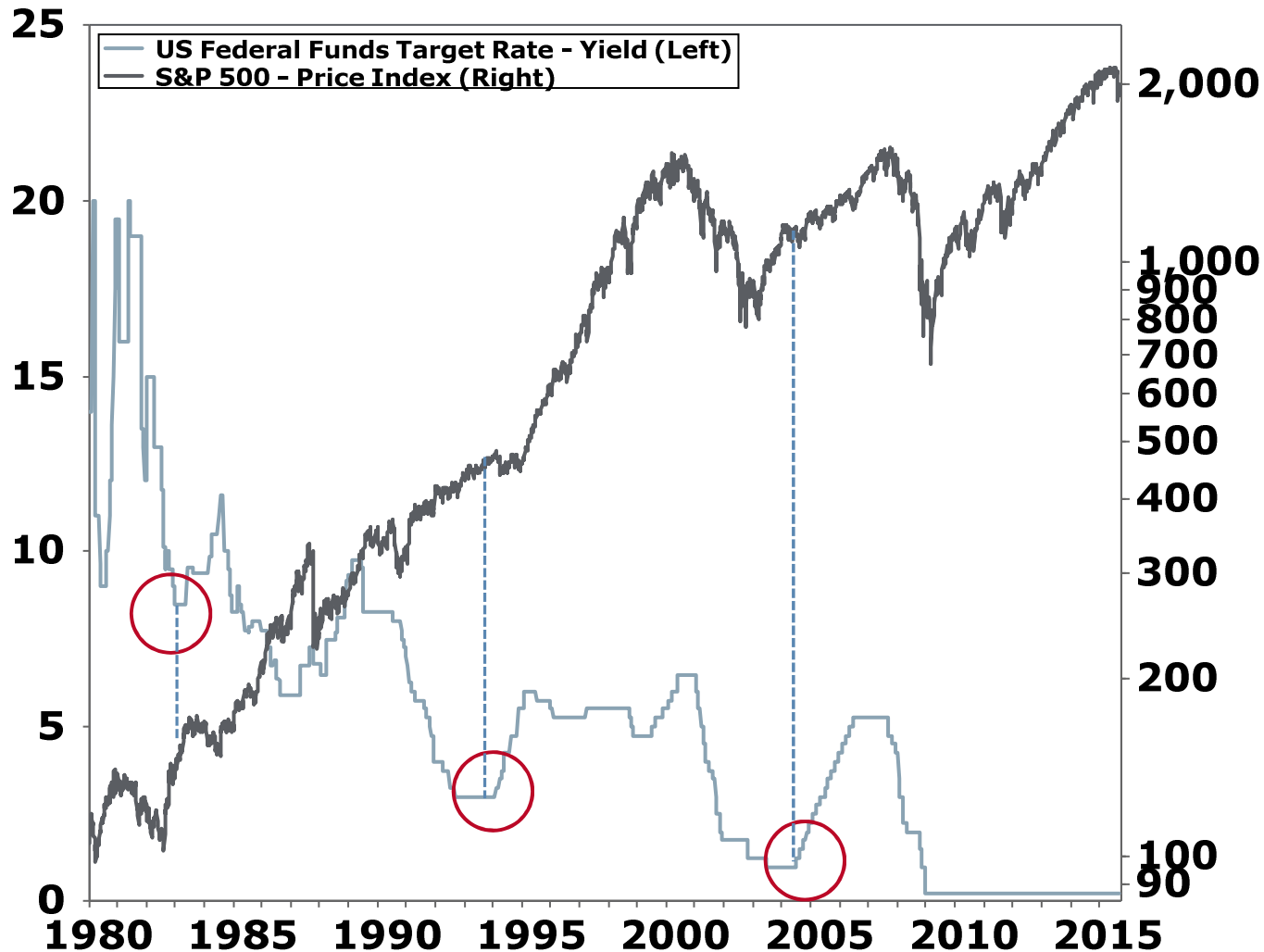
Advisor Bull / Bear Ratio & S&P 500



Source: courtesy of www.investorsintelligence.com, Wells Fargo Securities, LLC

First Fed Funds Hike Doesn't Usually End Bull Markets

Fed Funds Target Rate vs. S&P 500

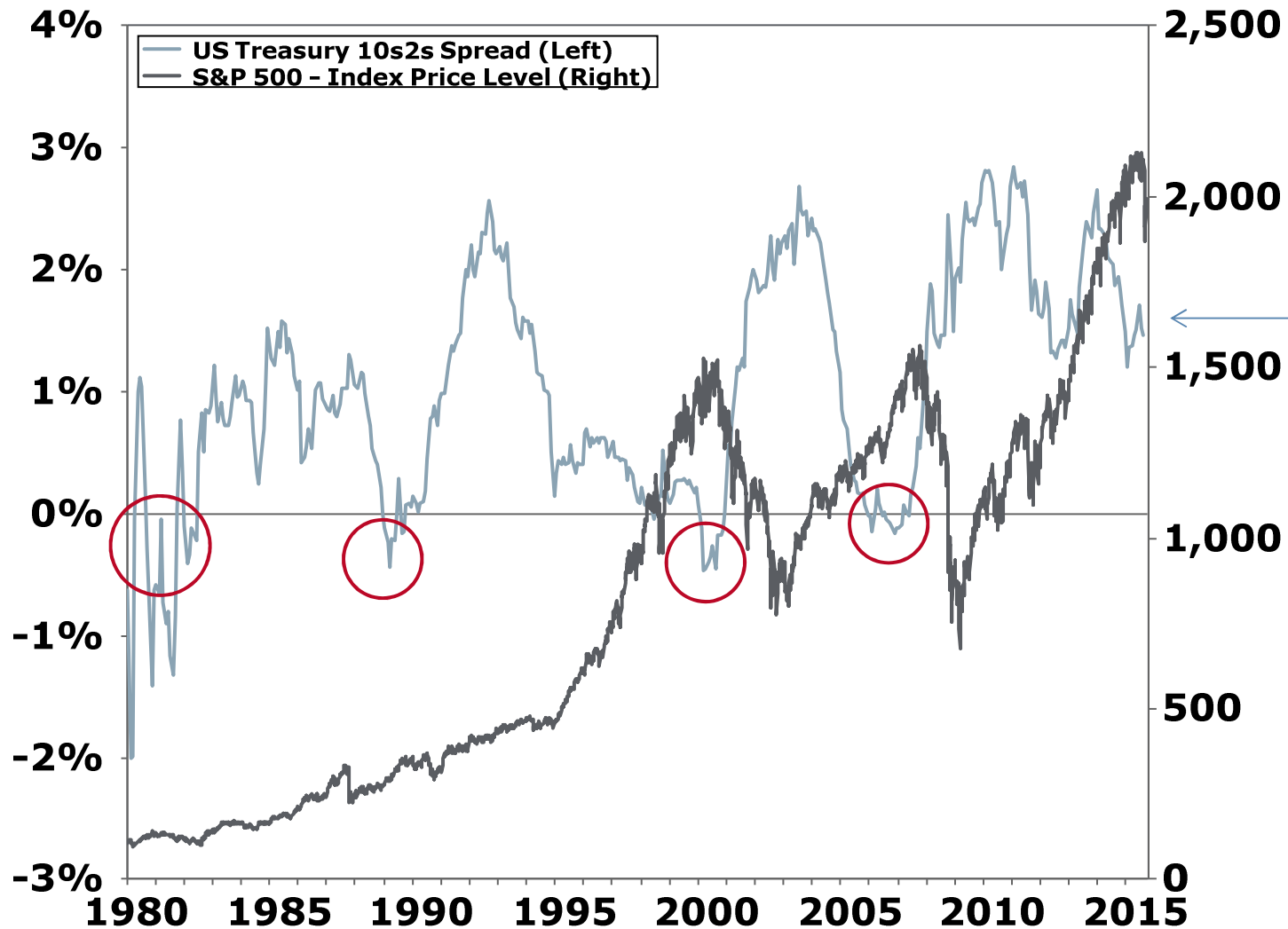


Source: FactSet, Wells Fargo Securities, LLC

○ = start of rate hikes

Yield Curve is Still Upward Sloping

Treasury Spreads vs. S&P 500

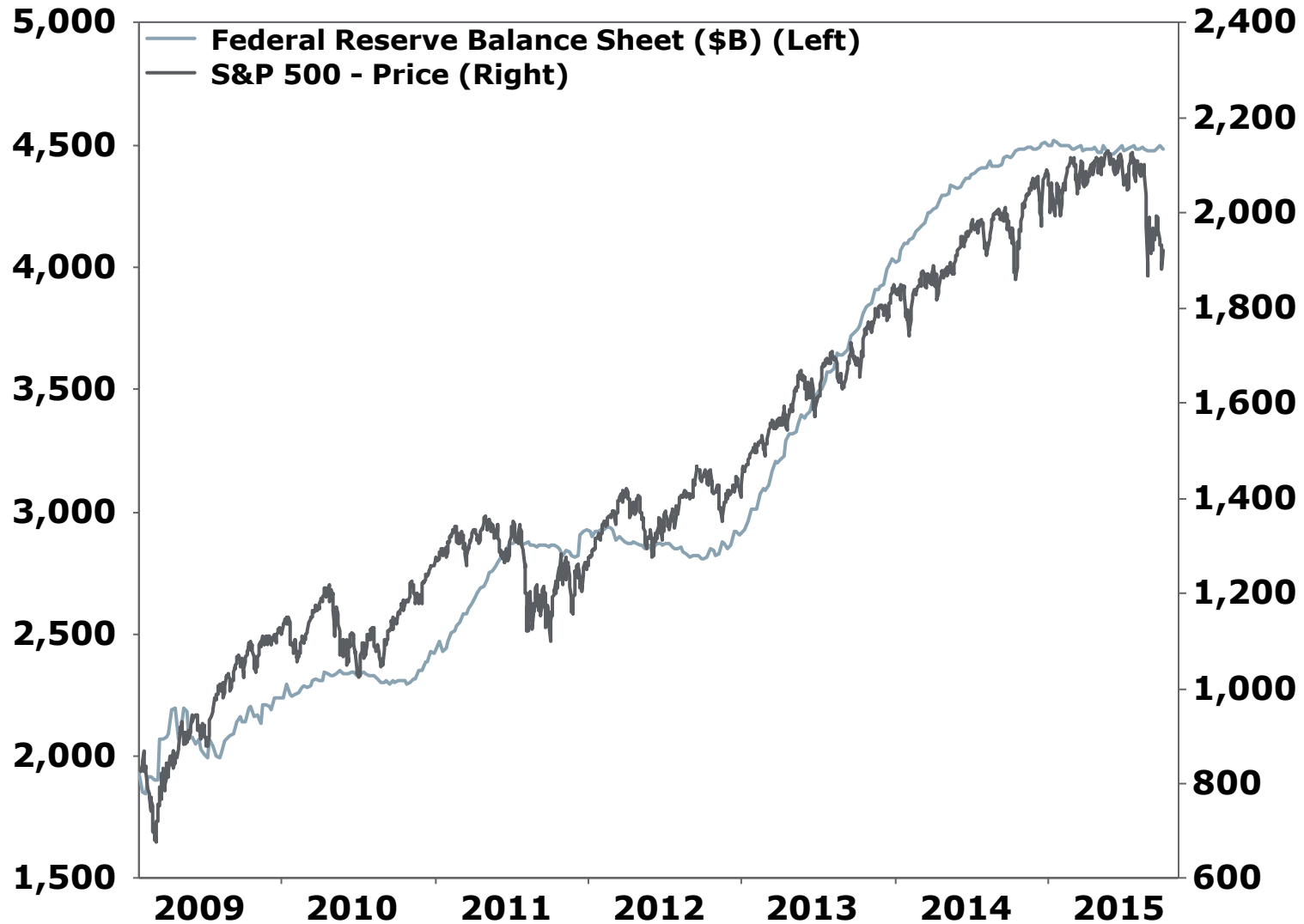


Source: FactSet, Wells Fargo Securities, LLC

○ = yield curve turns negative

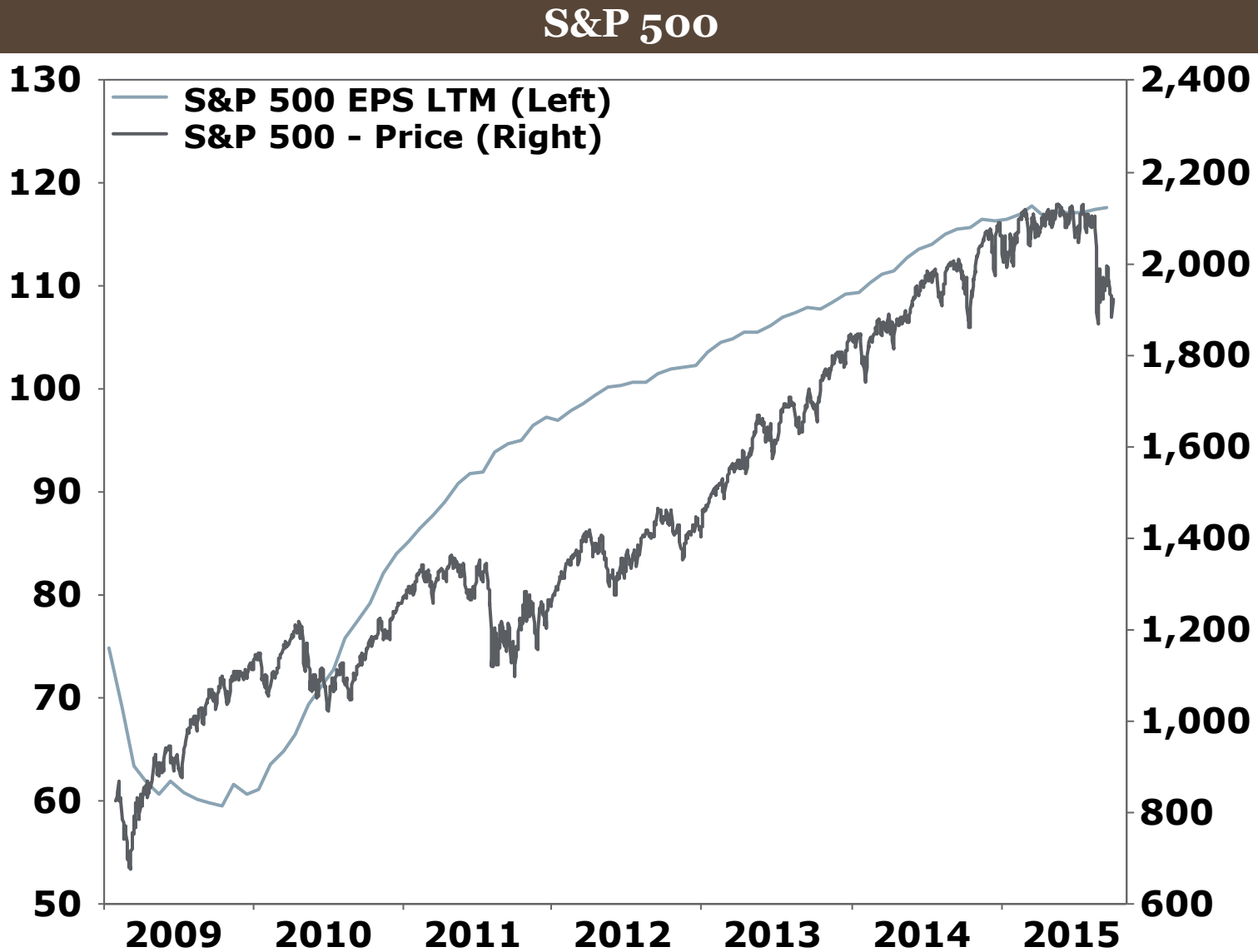
Fed Support Stopped Increasing in 2015

S&P 500



Source: FactSet, Wells Fargo Securities, LLC

It's Not Just the Fed... Earnings Also Stopped Growing in 2015



Source: FactSet, Wells Fargo Securities, LLC

Our View: Follow the Earnings Trend, Multiple is Likely Constrained By Fed

Earnings

S&P 500 EPS should grow about 3% to \$120 in 2015, following 6% growth in 2014 and 5% growth in 2013. The bottom-up consensus is expecting \$119 in 2015E. We believe bottom-up consensus estimates now appear highly achievable for 2015.

Use of Cash

Use of cash will likely continue to impact EPS growth. We expect share count reduction of just over 2% in 2015, similar to 2014 as share buybacks are starting to share the limelight with a growing M&A environment.

Biggest Risks

In addition to currency, the biggest risk to our EPS model may be oil prices in 2015, as oil and EPS are historically highly positively correlated. Ex-energy sector, we expect 5% EPS growth. The yield curve also may present challenges. We assume a relatively flat yield curve in 2015.

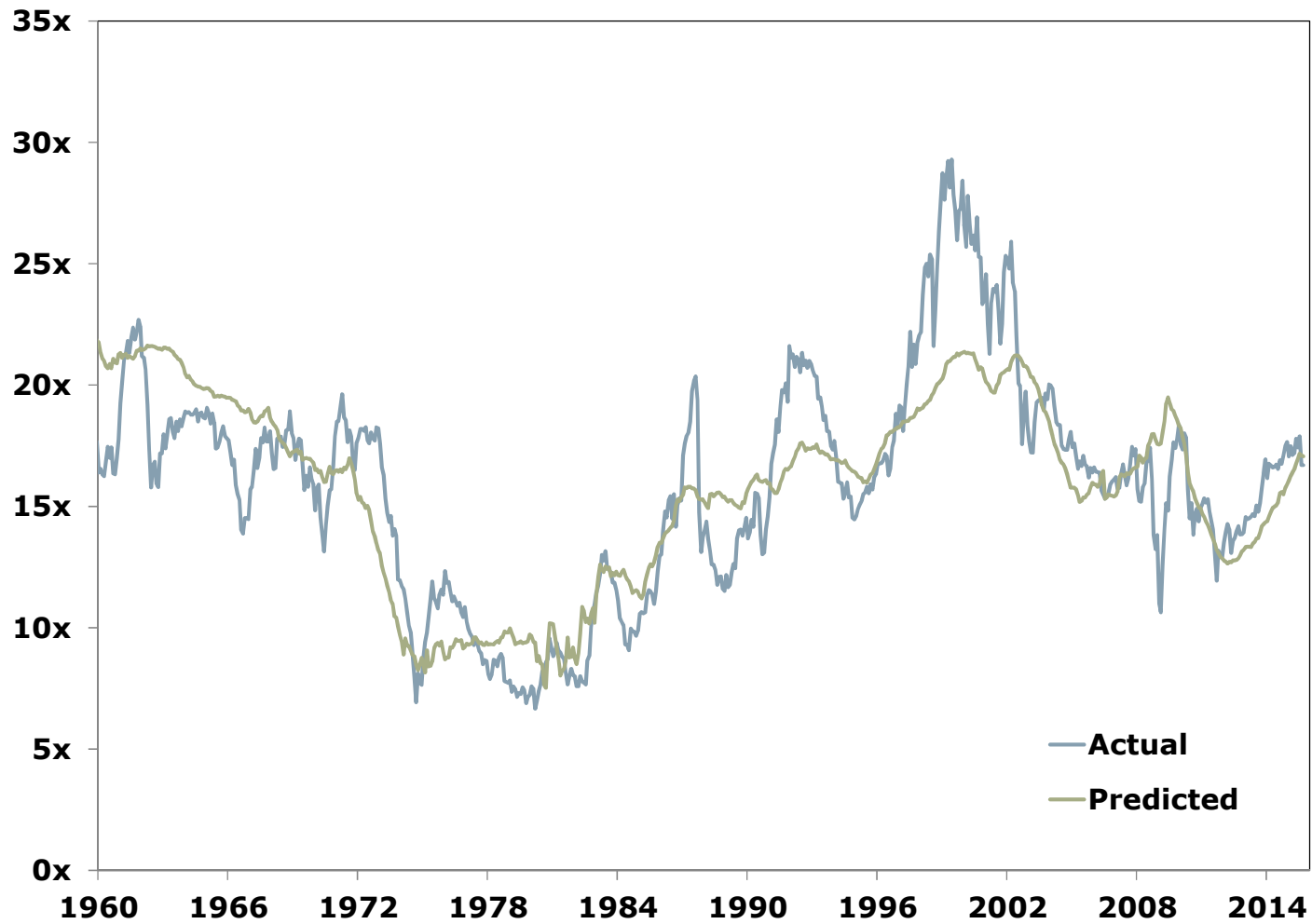
Valuation

Earnings form the basis for our optimism, as valuations are unlikely to rise in the year ahead. At 17.1x, the current PE on the S&P 500 is a touch above historical average, not surprising in our view considering ample liquidity and low cost of capital.

Biggest Risks

First Fed funds rate hikes have historically been difficult for the equity market to absorb. We estimate each 25 bps move in the Fed funds rate should reduce the S&P 500 PE by 0.2X.

S&P 500 PE Actual vs. Model Predicated

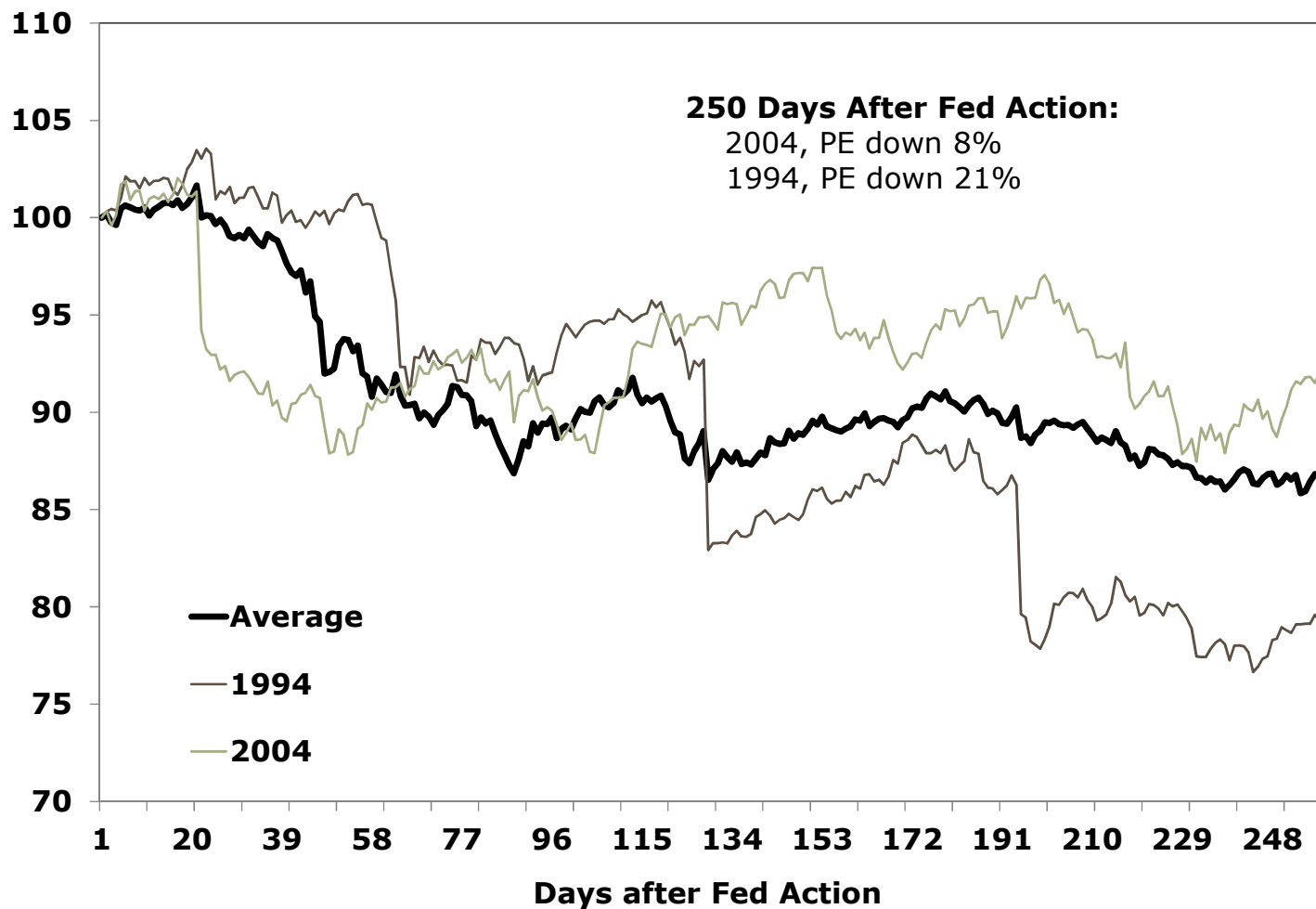


Source: FactSet, Wells Fargo Securities, LLC Estimates

Fed Shift Is Historically Difficult for Valuation

S&P 500 Price-to-Earnings Ratio

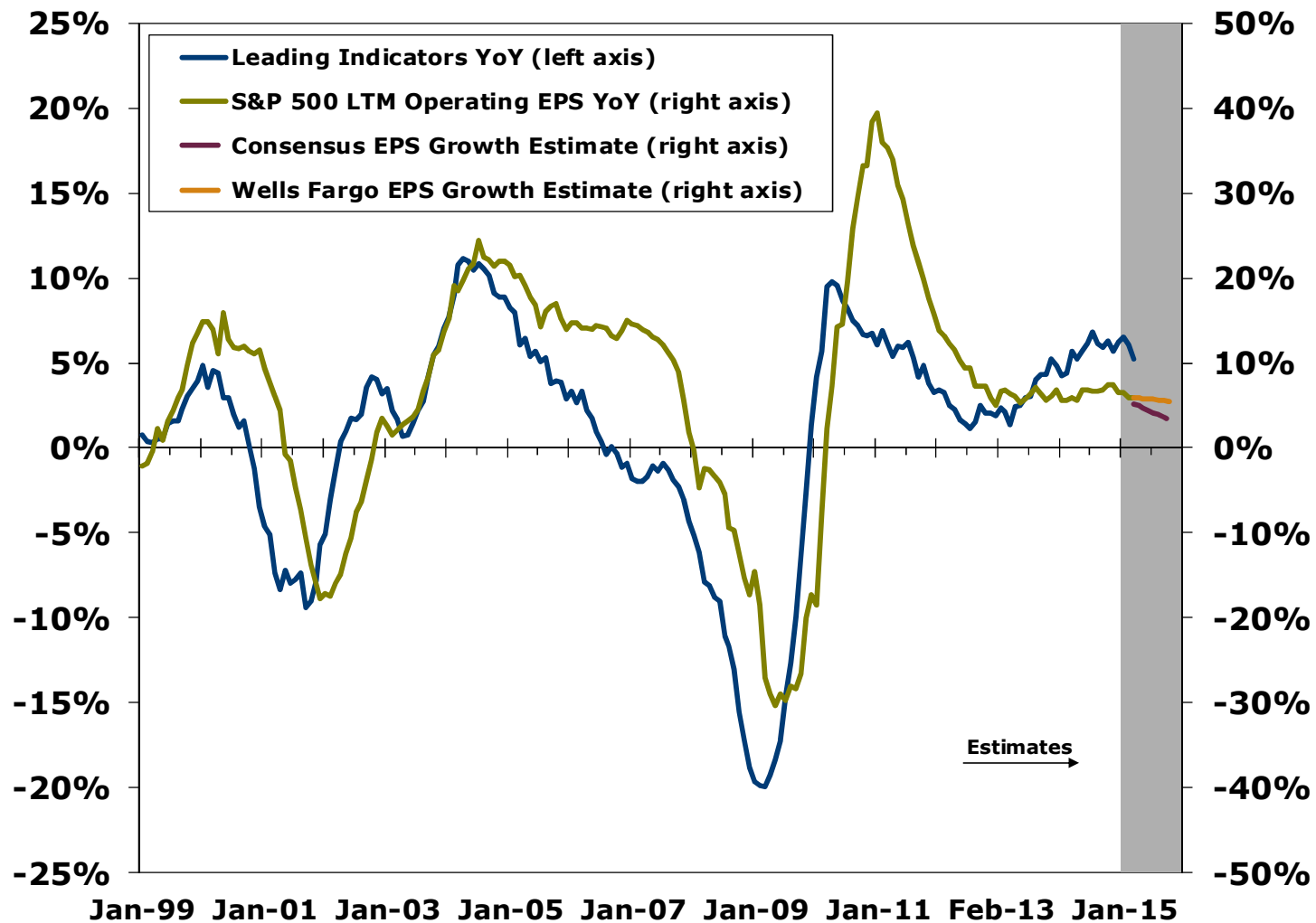
1994, 2004 Periods, Indexed 100 1 Month Before Interest Rate Increases



Source: FactSet, Wells Fargo Securities, LLC

Our View on Earnings: Leading Indicators of EPS Suggest Growth is Likely

Leading Indicators & S&P Operating EPS



Source: IBES, First Call, FactSet, Wells Fargo Securities, LLC Estimates

Sector Aggregate Confirms Top-Down Model

S&P 500 EPS Estimate Growth

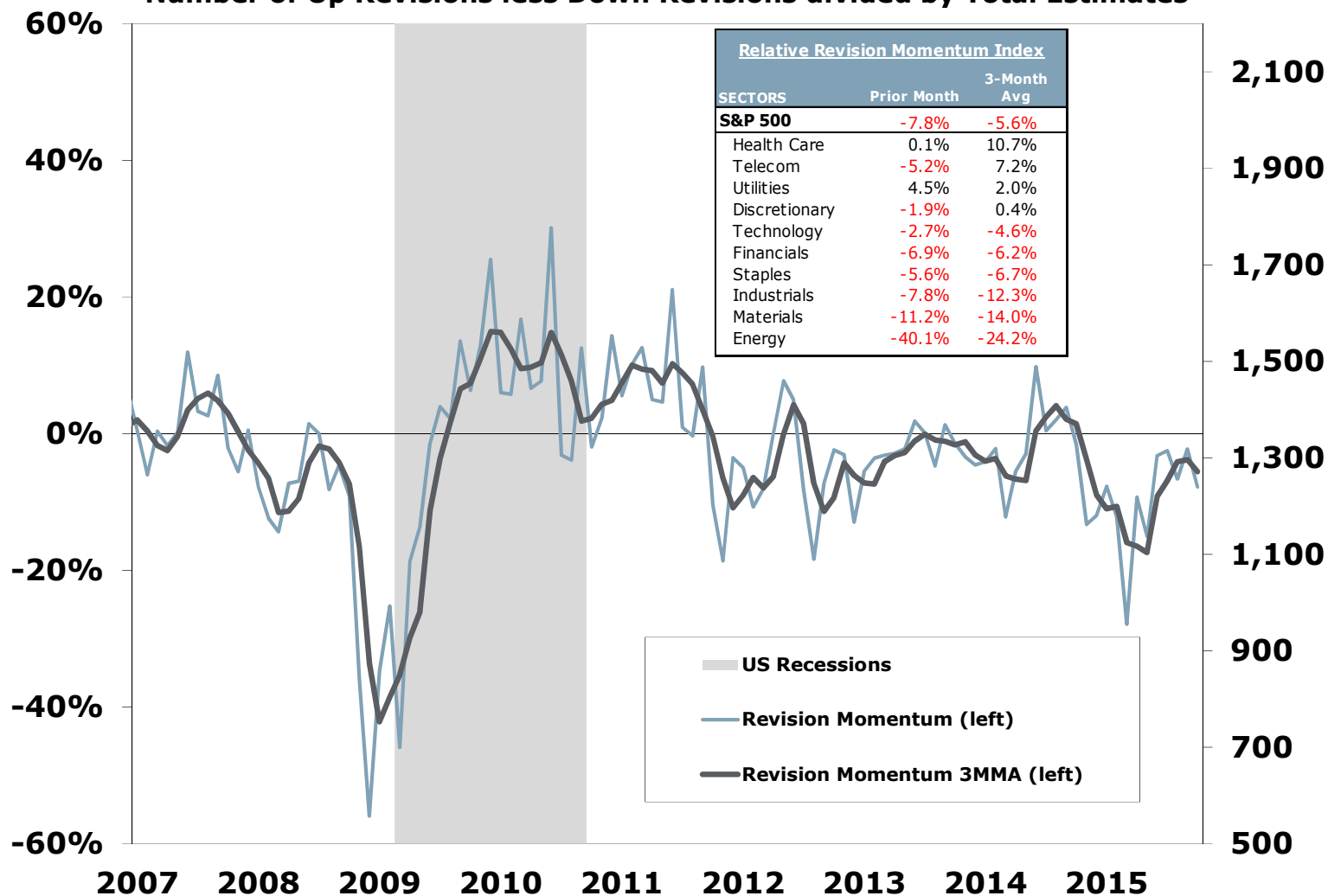
Sector	<u>Bottom-Up Consensus</u>			<u>Wells Fargo Ests.</u>	
	CY 2014	CY 2015E	CY 2016E	CY 2015E	CY 2016E
Energy	-2%	-55%	21%	-50%	10%
Materials	10%	0%	16%	-2%	4%
Industrials	12%	0%	9%	-1%	6%
Discretionary	6%	9%	13%	12%	11%
Staples	4%	1%	8%	8%	7%
Health Care	19%	10%	11%	12%	8%
Financials	1%	17%	9%	8%	6%
Technology	8%	4%	10%	5%	9%
Telecom	5%	8%	4%	4%	4%
Utilities	6%	1%	4%	2%	2%
S&P 500	6.5%	1.0%	10.8%	3%	9%
S&P 500 \$EPS	\$117	\$118	\$131	\$120	\$131

Source: First Call, FactSet, Wells Fargo Securities, LLC estimates

Signs of Life Emerging? Extensive Downward Revision Momentum Has Eased

S&P 500 Earnings Revision Momentum

Number of Up Revisions less Down Revisions divided by Total Estimates



Source: IBES, FactSet, Wells Fargo Securities, LLC

Key Risks to Earnings – Oil, Dollar, Emerging Market Slowdown

Oil

Oil prices dropped 57% from last summer's peak to date, resulting in 42% decline in energy sector earnings, which accounted for 75% of the EPS decline on the index. Luckily, history shows that once oil prices bottom, EPS and stock prices should stage a recovery.

U.S. Dollar

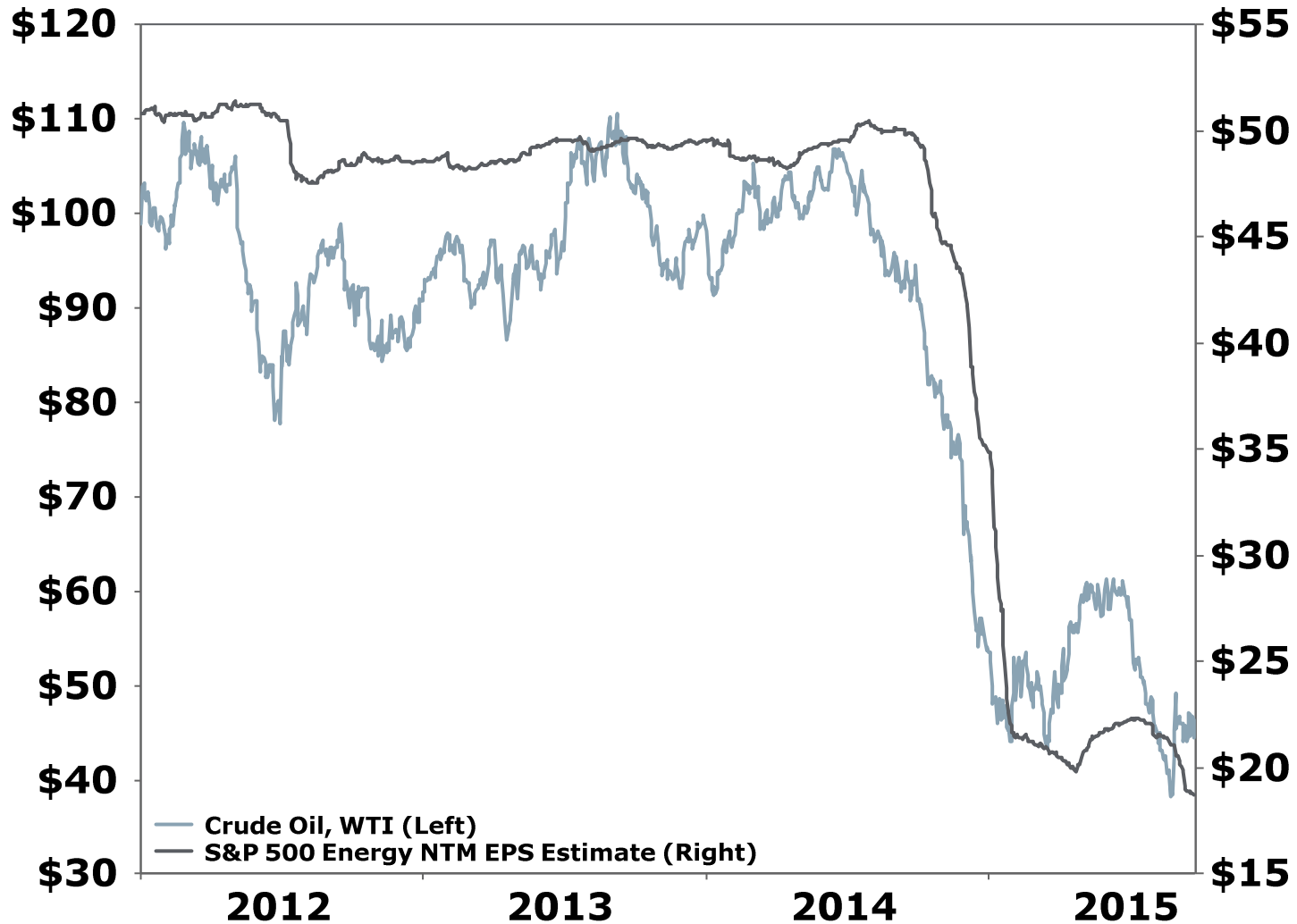
Meanwhile, the dollar rose 22% from last summer to its peak in May, resulting in pressure on non-domestic sector earnings estimates. We believe a continuous appreciation of the dollar is in the late stages of being factored into EPS estimates.

Emerging Markets

Emerging market growth has slowed for 5 years running, currencies are moving viciously, and equity prices are still correcting. Most recently China's market correction has led to fears of a meltdown in Chinese growth. Emerging market policymakers, especially in China, will likely have to find the right prescription to ease investor fears and manage a turnaround.

Oil

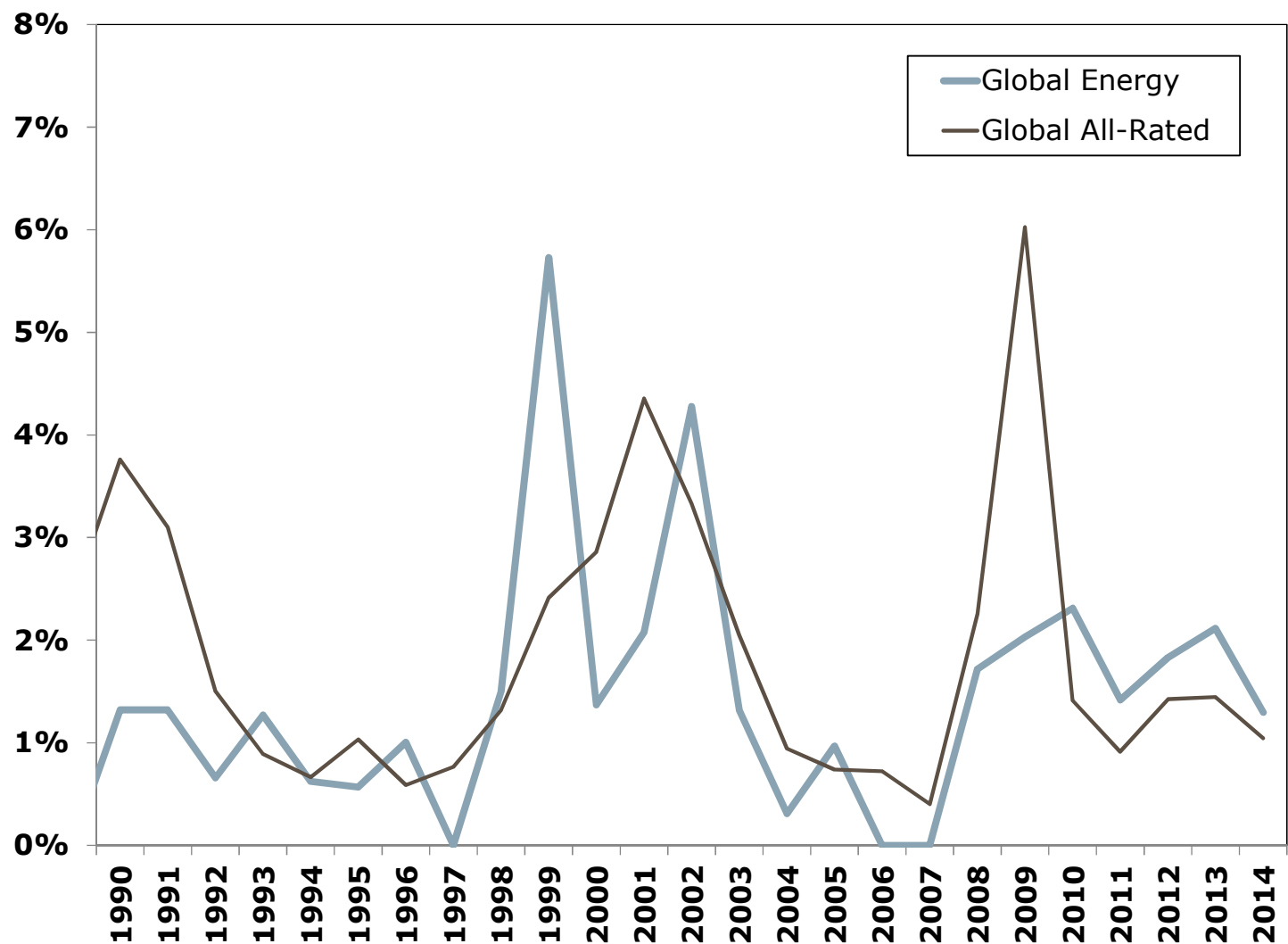
Crude Oil vs. Energy EPS Estimates



Source: FactSet, Wells Fargo Securities, LLC

Defaults in Energy Could be a Leading Sign of Weakness, But it's a Big Lead

Corporate Default Rate

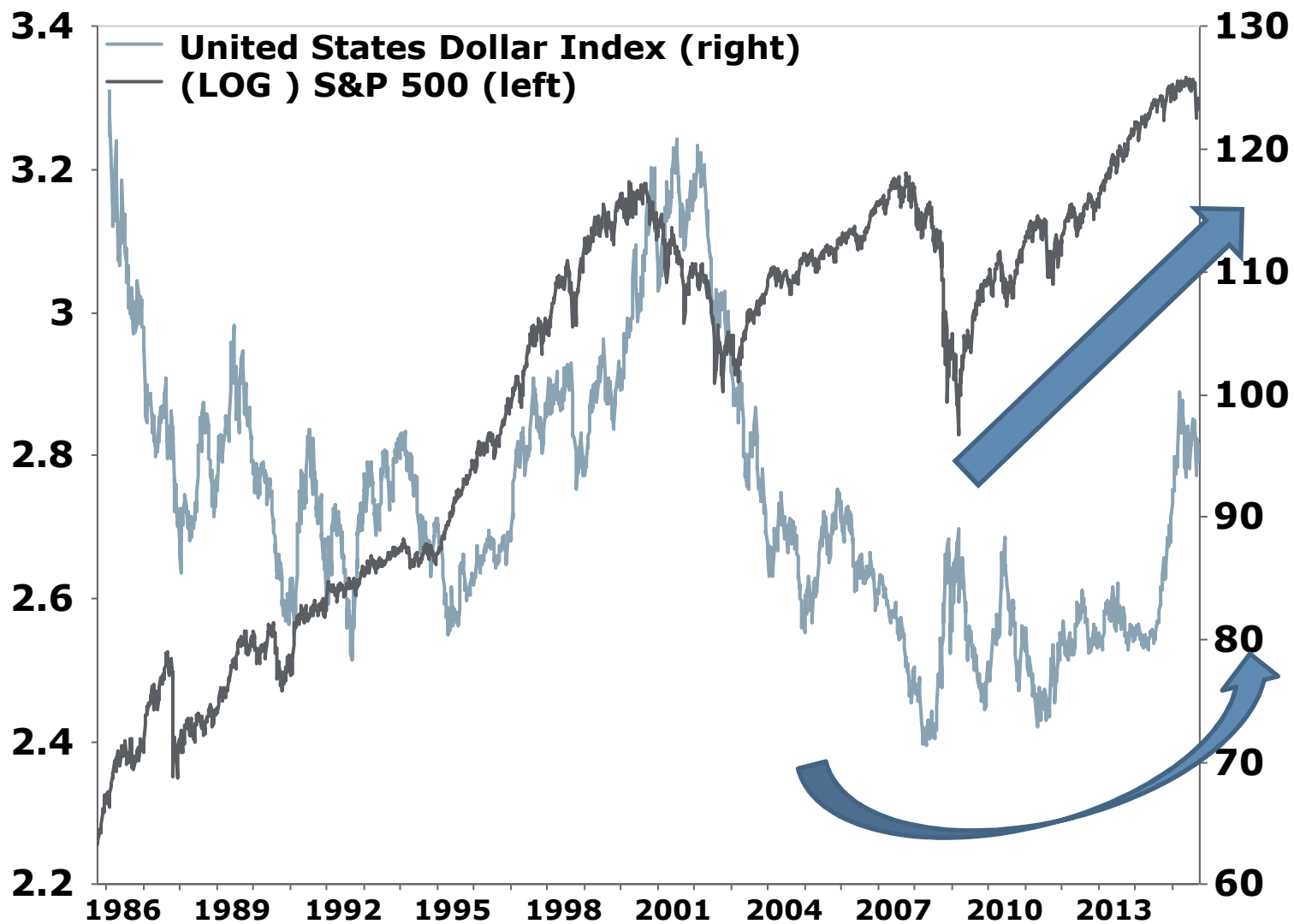


Source: Bloomberg, Wells Fargo Securities, LLC

Dollar

Relationship between the Dollar and Stocks Ebbs and Flows

DXY & S&P 500



Source: FactSet, Wells Fargo Securities, LLC

Dollar Impact Is Largely Expected

Scenario Analysis for 2015 S&P Sales Growth

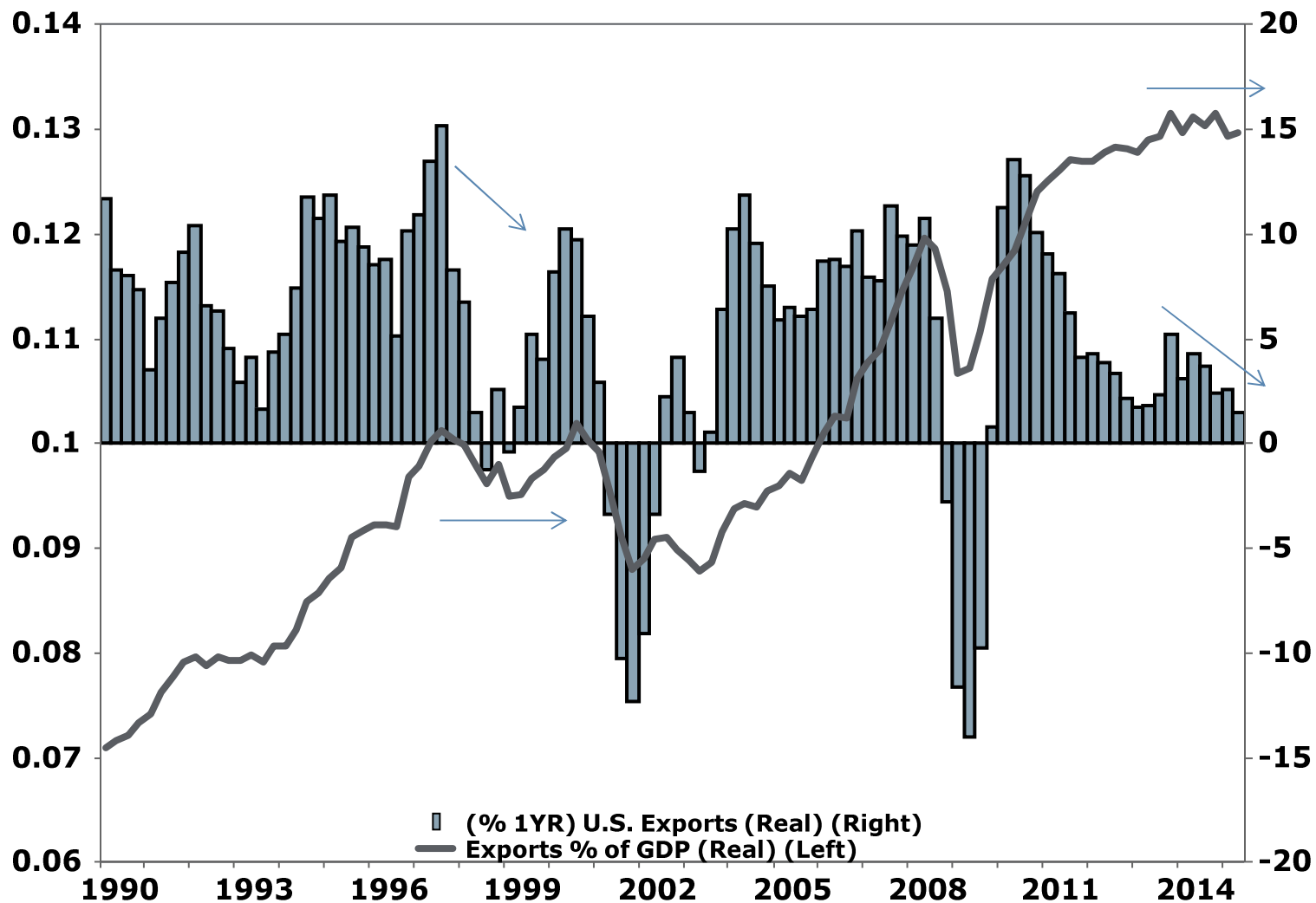
<u>For CY2015</u>	<u>OECD Growth ex-US up 2% YoY</u>	<u>OECD Growth ex- US up 1% YoY</u>	<u>OECD Growth ex- US Unchanged YoY</u>	<u>OECD Growth ex- US down 1% YoY</u>	<u>OECD Growth ex- US down 2% YoY</u>
Dollar up 10% YoY	3.2%	0.4%	(2.3%)	(5.1%)	(7.8%)
Dollar Unchanged YoY	5.8%	3.1%	0.4%	(2.4%)	(5.1%)
Dollar down 10% YoY	8.5%	5.8%	3.1%	0.3%	(2.4%)

Source: Bloomberg, OECD, Wells Fargo Securities, LLC

Global Growth / Emerging Markets

Recent Dollar Gains Have Coincided with a Slowdown in Export Growth

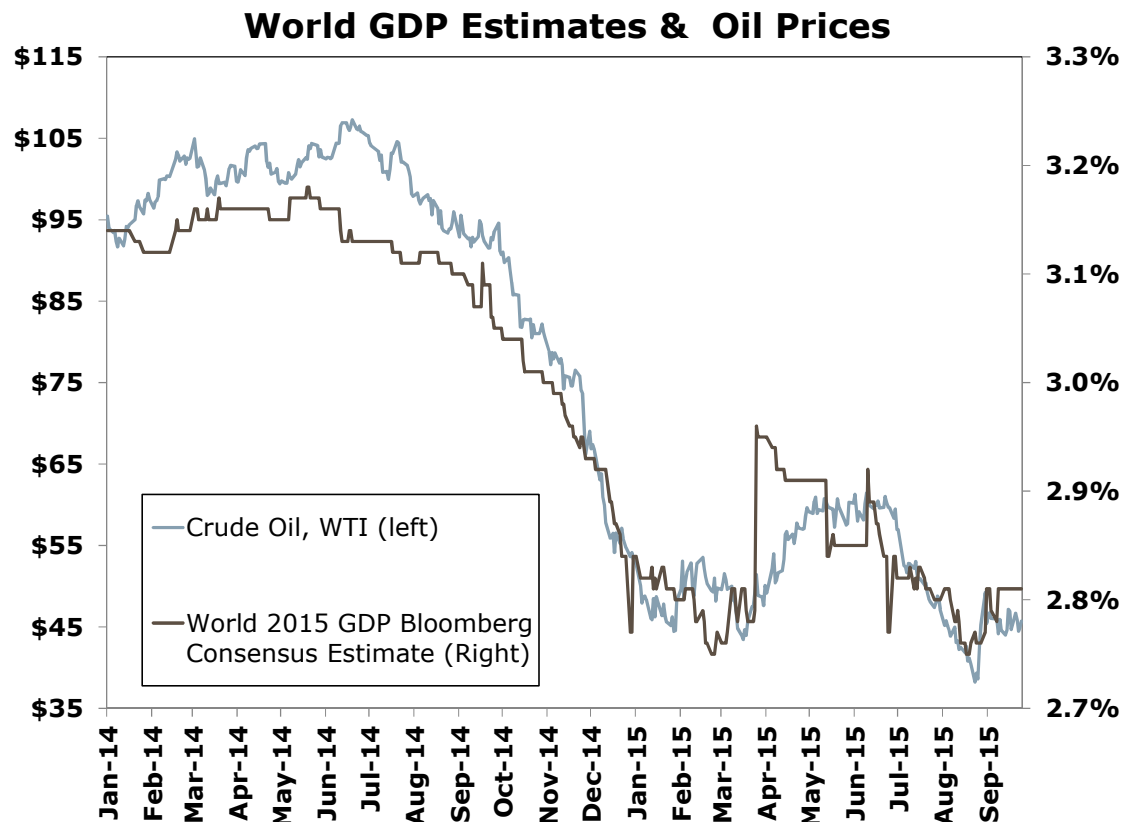
Export Share of GDP



Source: FactSet, Wells Fargo Securities, LLC

Emerging Market Growth and Oil Prices Go Hand in Hand

Global Growth & Oil Price Forecasts



Source: Bloomberg, Wells Fargo Securities, LLC

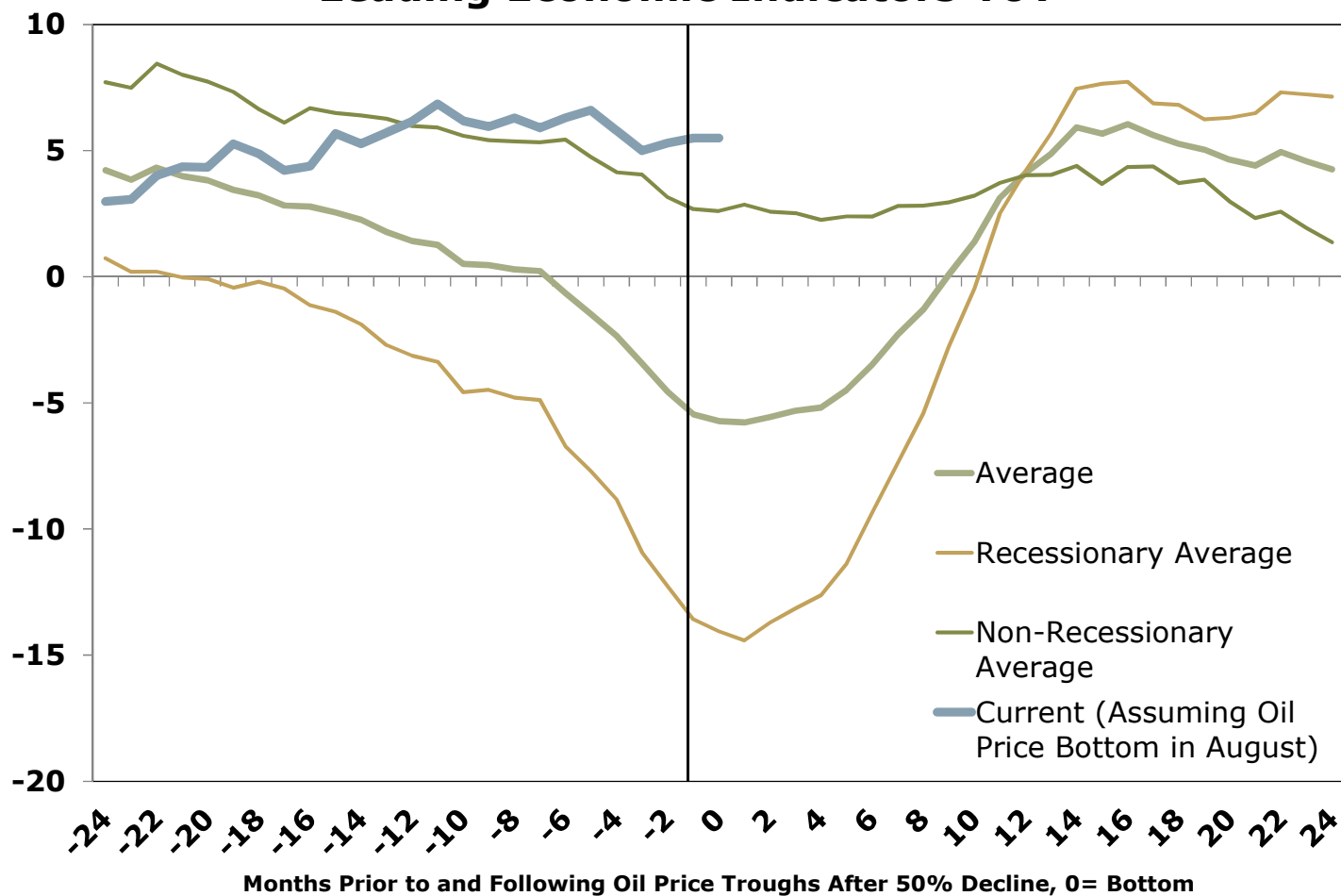
Consensus Economic Forecasts (from Bloomberg)						
	2012	2013	2014	2015E	2016E	2017E
World GDP (YoY %)	3.4%	3.4%	3.4%	3.0%	3.5%	3.4%
Oil Prices, WTI (Average)	\$94.17	\$97.99	\$92.88	\$49.56	\$49.27	\$52.78

Source: Bloomberg, Wells Fargo Securities, LLC

What's Working?

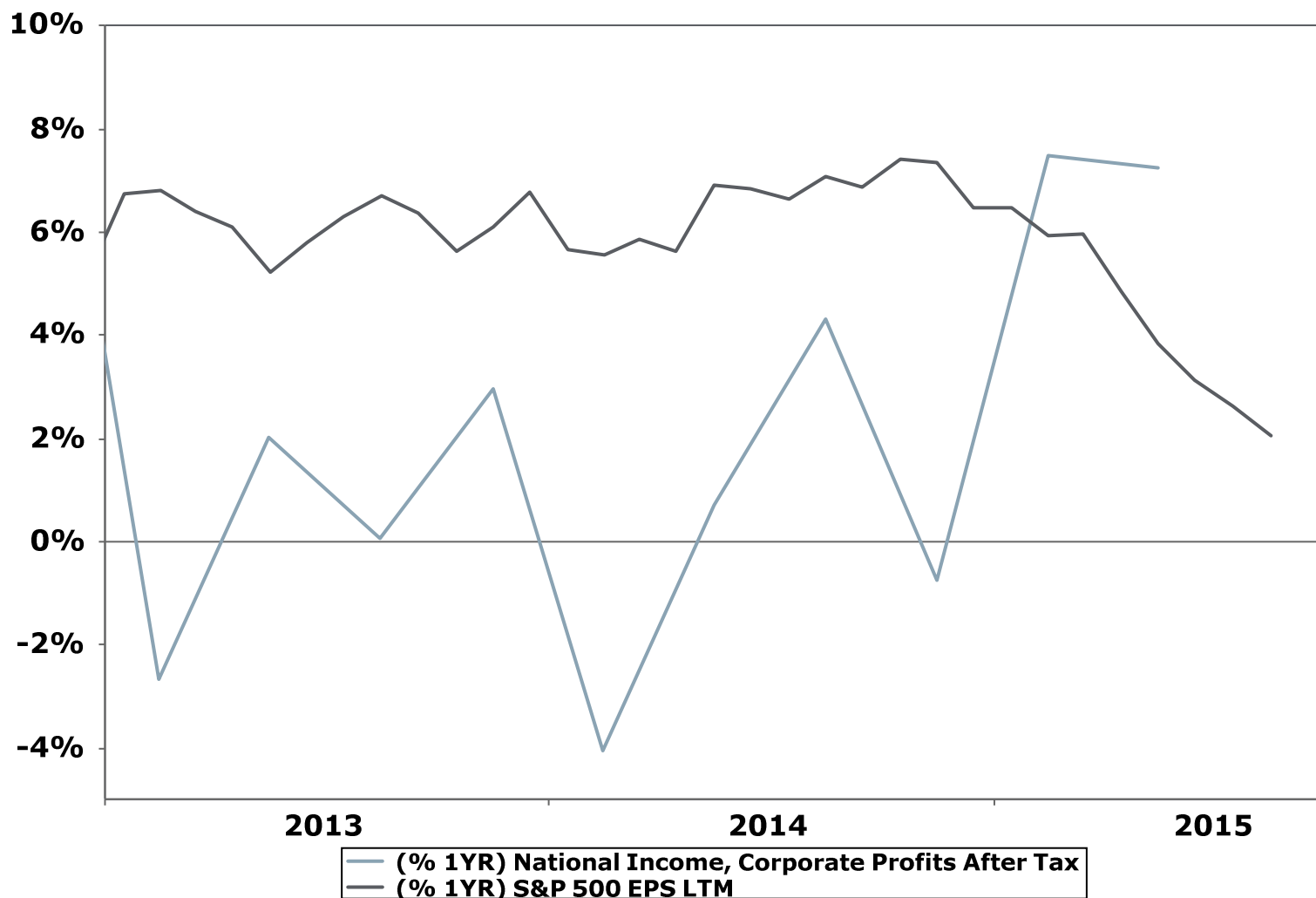
Leading Economic Indicators Index After 50% Declines in Oil

Periods of >50% Declines in Oil Prices Leading Economic Indicators YoY



Source: FactSet, Wells Fargo Securities, LLC

U.S. Corporate Profits Growth & S&P 500 EPS Growth

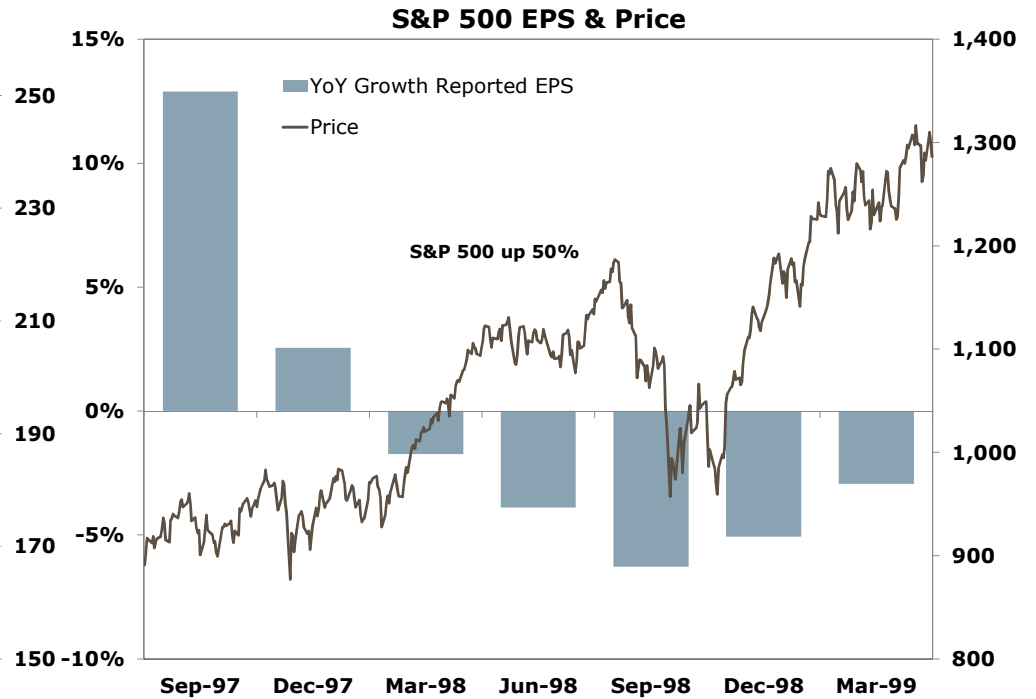
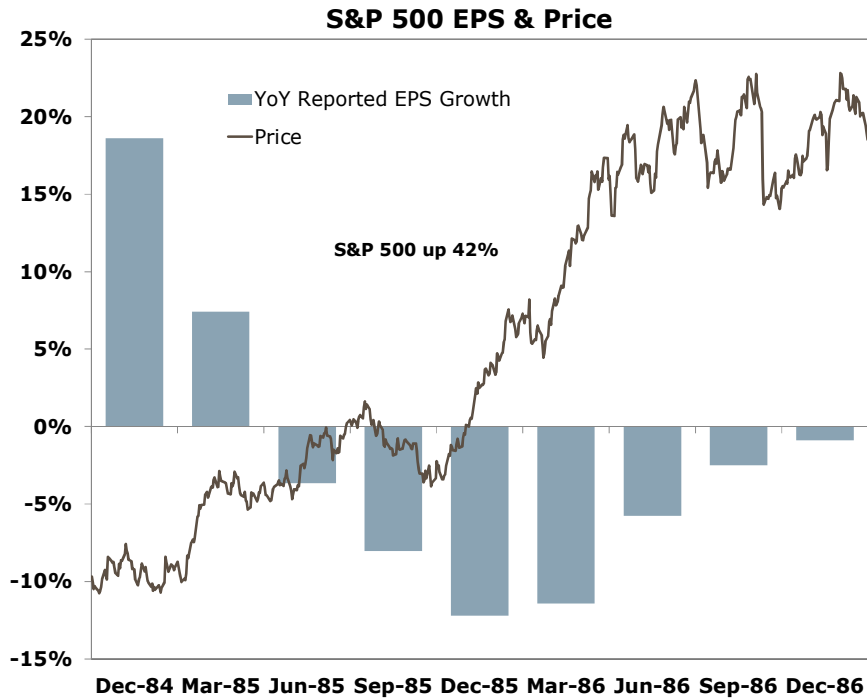


Source: FactSet, Wells Fargo Securities, LLC

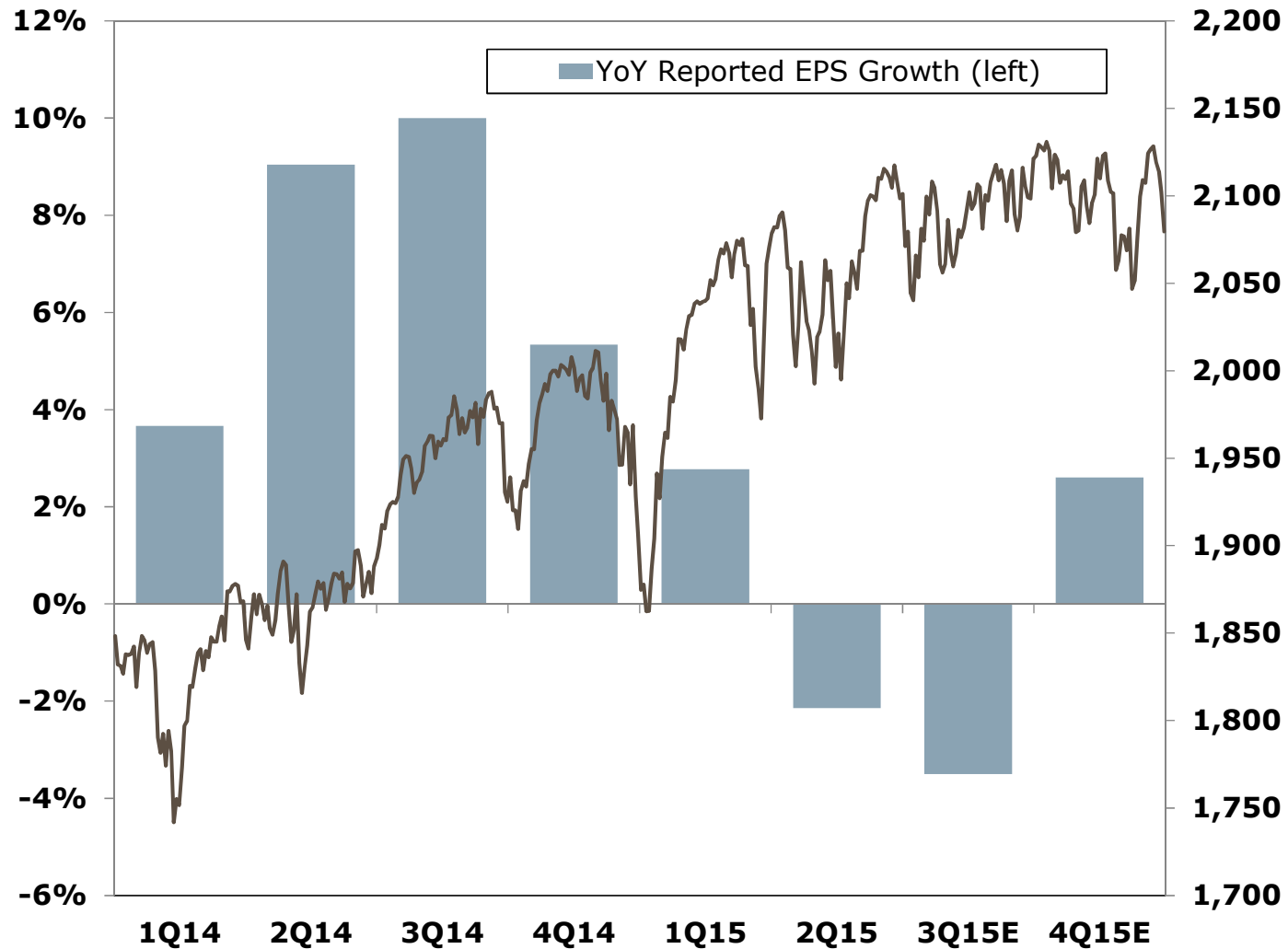
Commodity & Currency EPS Impact Historically

S&P 500 EPS & Price: 1980's

S&P 500 EPS & Price: 1990's



S&P 500 EPS & Price



Source: First Call, FactSet, Wells Fargo Securities, LLC Estimates

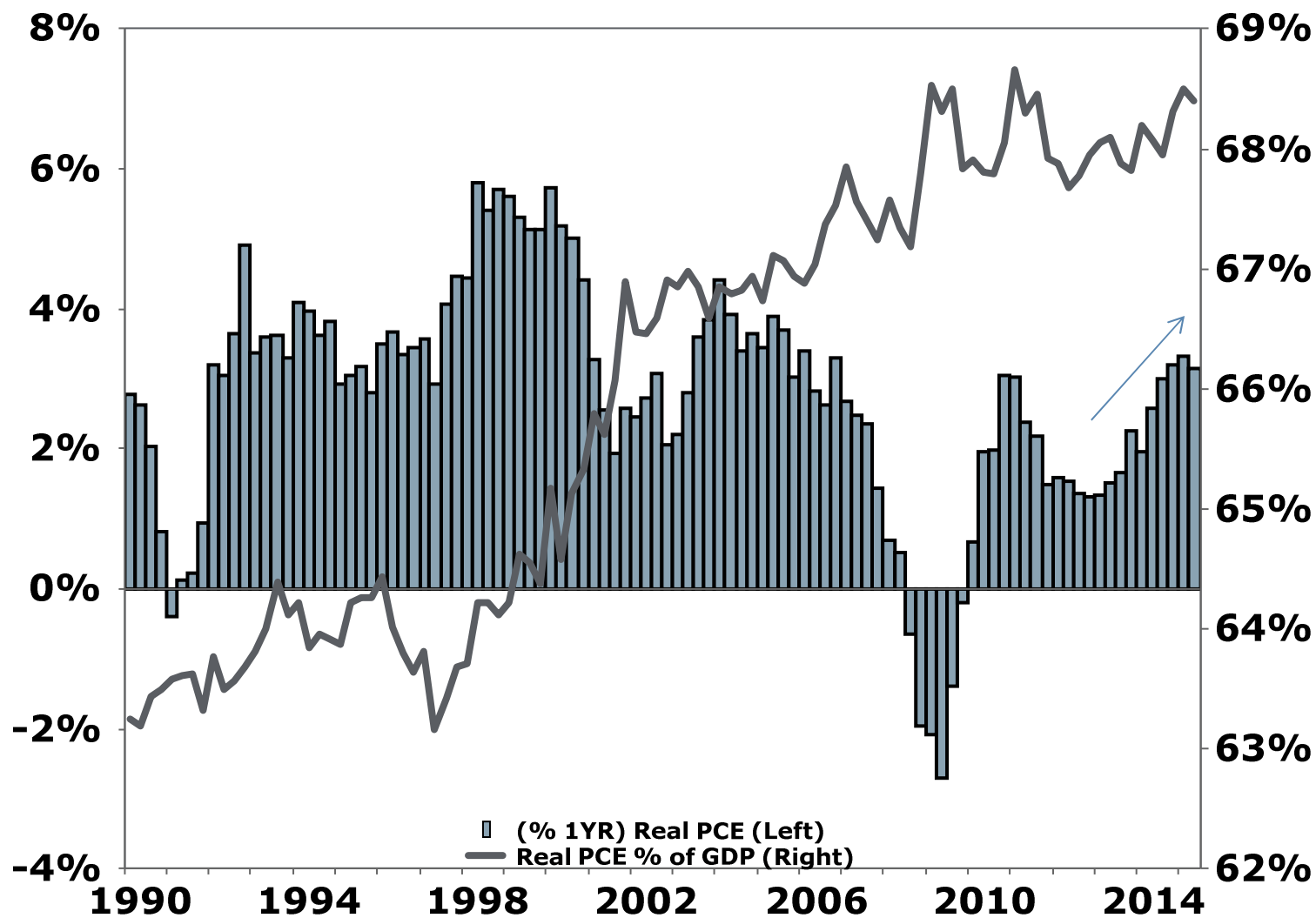
What's Working?

Revenue Growth for S&P 500

S&P 500 Quaterly Revenue YoY Growth				
	3Q14	4Q14	1Q15	2Q15
Energy	-1.1%	-15.9%	-36.0%	-33.7%
Materials	3.9%	0.1%	-6.6%	-8.0%
Industrials	7.8%	4.5%	-0.3%	-2.3%
Discretionary	5.9%	5.5%	2.8%	4.0%
Staples	4.2%	2.6%	3.6%	0.0%
Health Care	13.5%	12.3%	8.9%	6.8%
Financials	5.6%	5.1%	4.7%	4.8%
Info. Tech	4.0%	5.0%	10.0%	4.1%
Telecom	-13.1%	3.5%	0.8%	-6.8%
Utilities	4.0%	5.4%	-4.0%	-3.4%
S&P 500	3.9%	1.6%	-1.9%	-3.4%

Source: FactSet, Wells Fargo Securities, LLC

Personal Consumption Growth



Source: FactSet, Wells Fargo Securities, LLC

What's An Investor to Do? Equity Market Themes for H2

Bring it Home in H2

Japan and Europe have the most potential upside to earnings growth and economic growth forecasts, in our view, while U.S. outlook is also likely to improve in H2. However, the Chinese equity market breakdown, deteriorating commodity prices, and troubling emerging currency trends suggest limited risk tolerance. Developed market equities are likely to outpace developing market equities considering this backdrop.

Revenue Growth

Price momentum drove returns at the stock level in H1, but as a scarcity of revenues has developed on the index, revenue growth is becoming increasingly important. An analysis of the 1998 and 2011 crisis periods shows momentum and growth are most likely to lead off of the bottom for stocks.

Go For Growth: U.S. Consumer (Lower and Middle Income)

Consumers favor services over goods, and health care, technology and restaurants over other categories. The low and middle income consumer has generally been dormant this cycle, held at bay by high health care and energy costs, and limited income growth. Lower energy costs and rising wages support a brighter outlook for spending from this group, in our view.

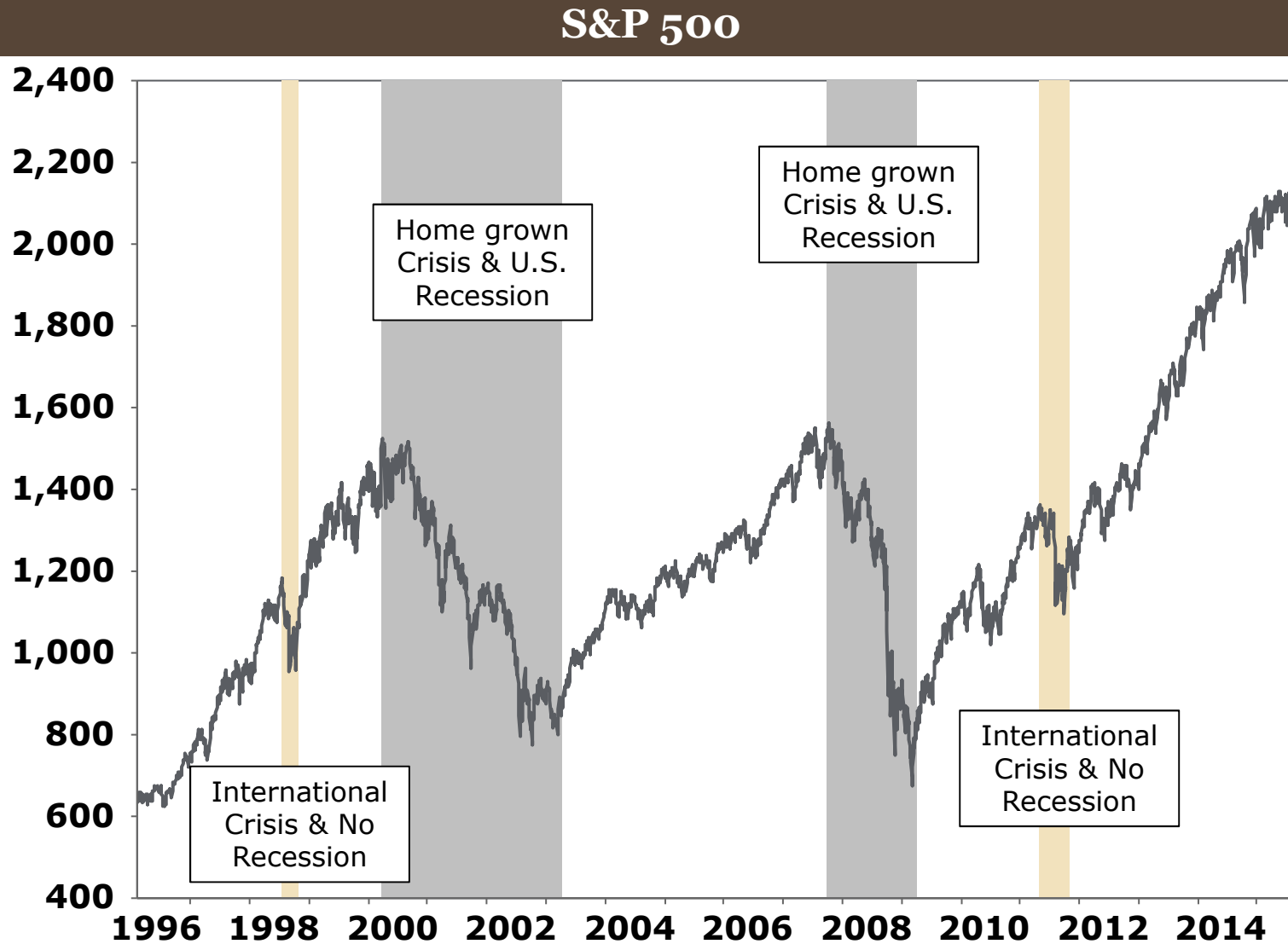
Go For Growth: U.S. Construction

Both residential and non-residential construction data is improving so far in 2015. Purchase applications have accelerated rapidly so far this year, helping to stabilize home prices. Meanwhile, non-residential construction has recovered from its spring lows (1.6% YoY growth) and is currently tracking 8.1% YoY growth.

Manage Exposure to the Commodity Complex

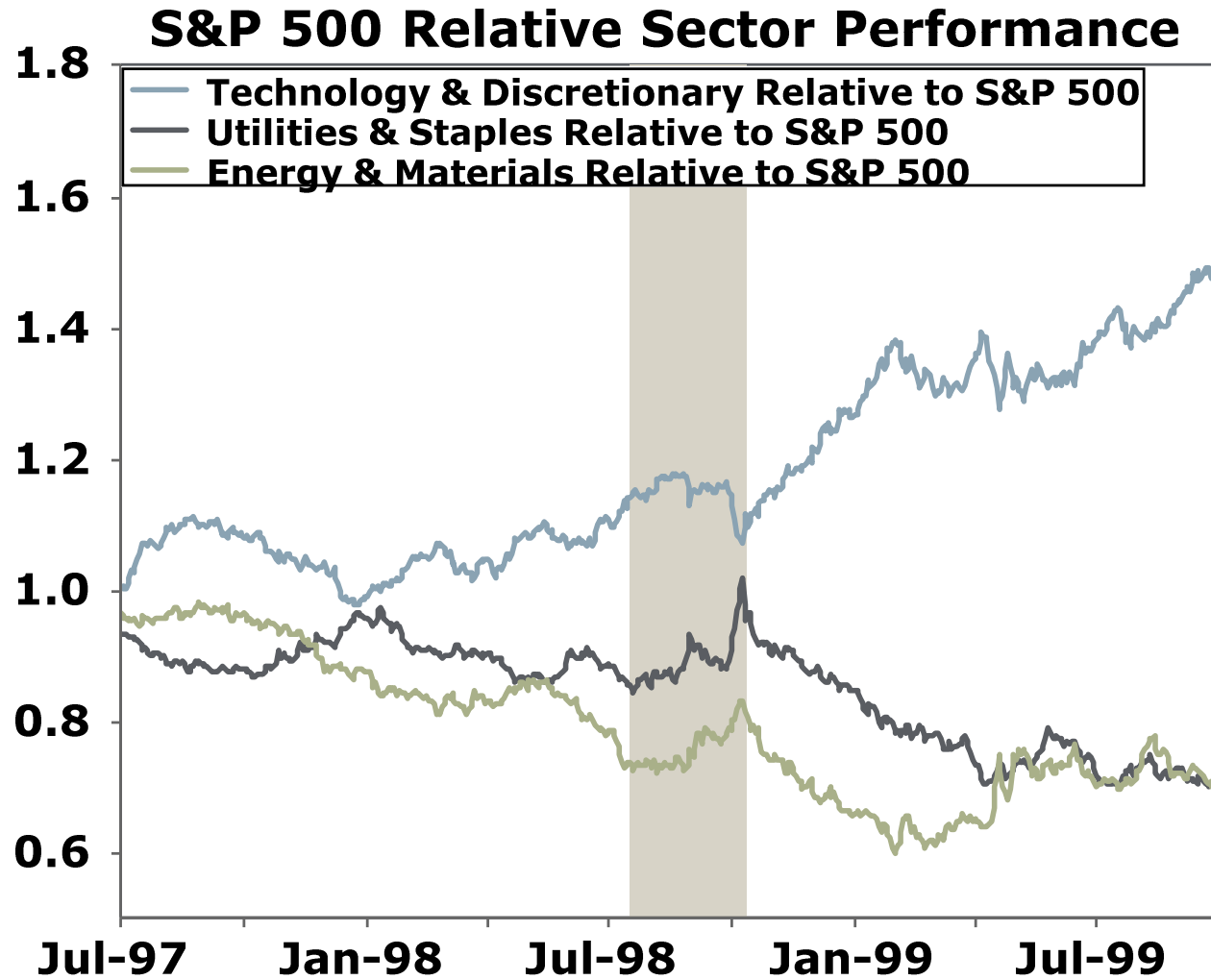
The commodity complex is breaking down rapidly, suggesting commodity users should continue to enjoy a margin boost in the quarters ahead. However, commodity producers and industries linked to commodity production may continue to struggle.

If This is A Crisis, It Looks Like 1998 or 2011 to Us... Not a Recessionary Crisis



Source: FactSet, Wells Fargo Securities, LLC

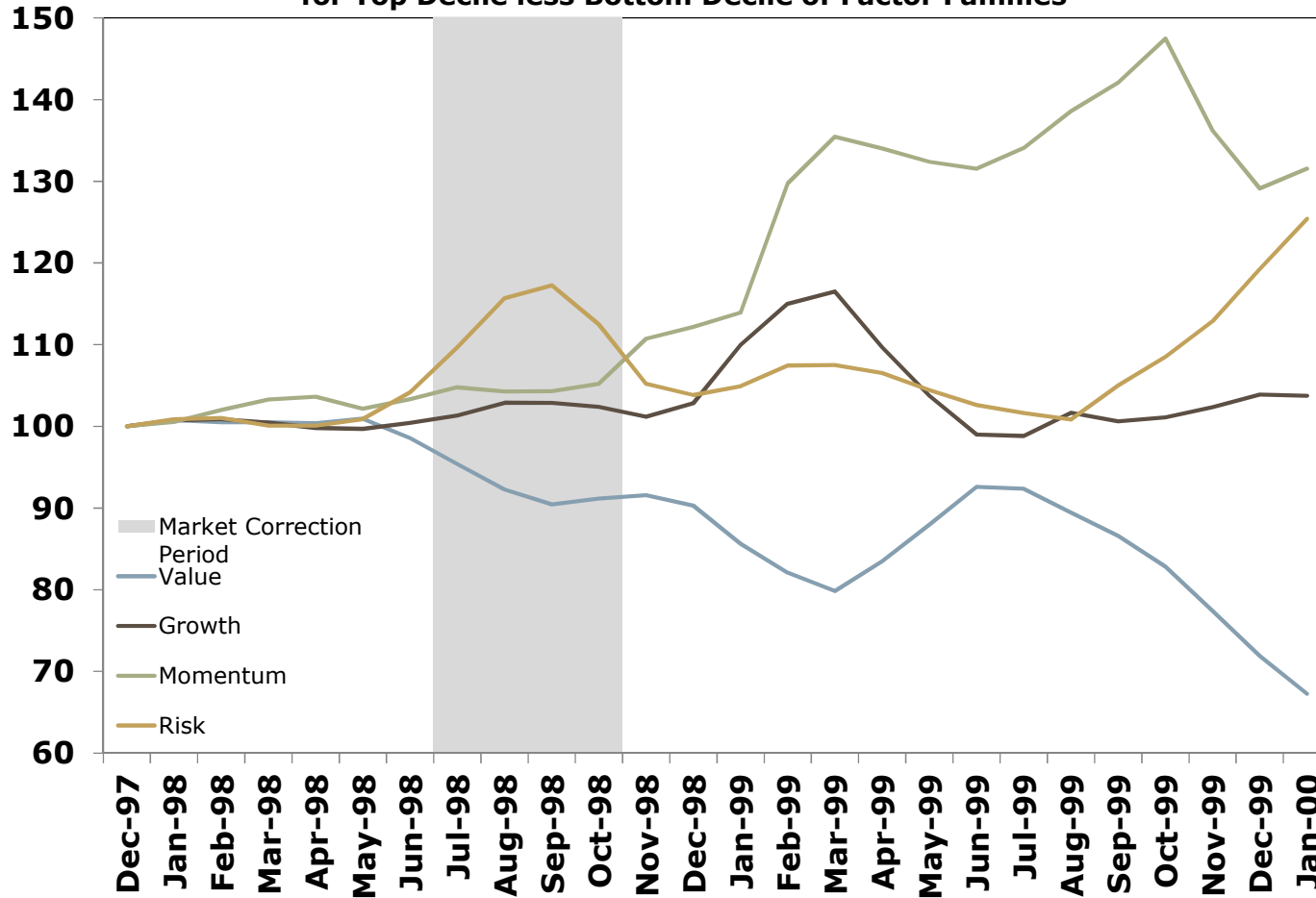
S&P 500



Source: FactSet, Wells Fargo Securities, LLC

S&P 500

Factor Family Performance
 Indexed Total Returns for Top-Bottom Spread
 for Top Decile less Bottom Decile of Factor Families



Source: Bloomberg, Wells Fargo Securities, LLC

Our Sector & Industry Strategy

Overweight:

Consumer
Discretionary
Technology
Health care

Discretionary, technology, and health care currently offer the best combination of technical and fundamental trends in the index, with strong relative price momentum, as well as strong earnings prospects and reasonable valuations, in our view. Price momentum favors discretionary and technology most, while earnings growth prospects favor all three groups.

Market Weight:

Consumer Staples
Utilities
Energy
Industrials

With 10-year Treasury yields still in a longer term bull trend and the low-end consumer picking up momentum, utilities and consumer staples should offer defensive shelter and yield through the choppy periods of 2015. Energy and industrials have fallen hardest on deteriorating commodity prices already, and earnings revisions look unlikely to get much worse.

Underweight:

Financials
Telecom
Materials

Financials earnings expectations appear far too high, and investors appear to have priced in a rate hike as beneficial to the group. Telecom did not get as oversold as utilities or staples early in the year, so is not likely to benefit from defensive rotation as much. Materials are most exposed to China in the index, and by June, were pricing in a better commodity outlook.

Sector Strategy – Staying with Growth

Wells Fargo S&P 500 Sector/Industry Strategy

		Industry Rating (Relative to Sector)			
		SECTOR	Overweight	Market Weight	Underweight
Sector Rating (Relative to Index)	OVERWEIGHT	Health Care	Biotechnology Health Care Technology Equipment & Supplies	Pharmaceuticals Providers & Services	Life Science Tools & Services
		Technology	Internet Software & Services Computers & Peripherals Communications Equipment	Semiconductors & Equipment Software Electronic Equipment	IT Services
		Discretionary	Media	Consumer Services Durables & Apparel Retailing	Autos & Components
	MARKET WEIGHT	Staples	Beverages Tobacco	Food & Staples Retailing Food Products	Household Products Personal Products
		Utilities	Electric Utilities	Multi-Utilities	Gas Utilities IPP & Energy Traders
		Industrials	Aerospace & Defense Commercial Services & Supplies Building Products	Industrial Conglomerates Transportation Electrical Equipment	Construction & Engineering Machinery
		Energy		Oil, Gas & Fuels Energy Equipment & Services	
	UNDERWEIGHT	Financials	Banks Capital Markets	Consumer Finance Real Estate Insurance	Thrifts & Mortgages
		Materials	Chemicals Paper & Forest Products	Containers & Packaging Construction Materials	Metals & Mining
		Telecom		Telecom	

Source: Wells Fargo Securities, LLC Estimates

Sector Fundamentals

Sector	Trailing 4W EPS Revision Momentum	Our 2015 EPS growth Forecast	Current PE	Relative PE discount/premium to 10yr average	Latest Economic Data
S&P 500	-13.6%	4%	16.8x	8.8%	LEI 4.4% YoY, 3MM 4.8% YoY vs. 5.4% YoY 3M Ago
Tech	-5.6%	5%	16.8x	-2.2%	Tech New Orders 2.2% YoY, 3MM 0.6% YoY vs. 1.0% YoY 3M Ago
Health Care	-0.6%	12%	17.2x	13.9%	Pharma Retail 4.2% YoY, 3MM 3.7% YoY vs. 5.2% YoY 3M Ago
Discretionary	-6.0%	12%	20.3x	10.1%	CPI 0.2% YoY, 3MM 0.2% YoY vs. -0.1% YoY 3M Ago
Energy	-43.5%	-50%	22.5x	76.4%	WTI -50.6% YoY, 3MM -51.9% YoY vs. -44.1% YoY 3M Ago
Staples	-17.4%	8%	19.9x	14.5%	CPI 0.2% YoY, 3MM 0.2% YoY vs. -0.1% YoY 3M Ago
Financials	-11.7%	8%	13.6x	-12.0%	10s2s Spread 1.47%, 3MM 1.55% vs. 1.55% 3M Ago
Utilities	-0.5%	2%	16.0x	10.3%	10Y Yield 2.16%, 3MM 2.23% vs. 2.15% 3M Ago
Industrials	-11.8%	-1%	15.7x	-3.2%	Ind Prod 0.9%, 3MM 1.0% YoY vs. 1.9% YoY 3M Ago
Materials	-23.0%	-2%	15.9x	-2.5%	CRB Spot -14.5% YoY, 3MM -15.5% YoY vs. -15.4% YoY 3M Ago
Telecom	-11.6%	4%	12.9x	-11.7%	10Y Yield 2.16%, 3MM 2.23% vs. 2.15% 3M Ago

Source: FactSet, Bloomberg, Wells Fargo Securities, LLC estimates

Revision Momentum Mixed Beneath the Top Line

S&P 500 Revision Momentum Index

<u>Relative Revision Momentum Index</u>		
SECTORS	Most Recent Month (Sep)	3-Month Avg
S&P 500	-7.8%	-5.6%
Health Care	0.1%	10.7%
Telecom	-5.2%	7.2%
Utilities	4.5%	2.0%
Discretionary	-1.9%	0.4%
Technology	-2.7%	-4.6%
Financials	-6.9%	-6.2%
Staples	-5.6%	-6.7%
Industrials	-7.8%	-12.3%
Materials	-11.2%	-14.0%
Energy	-40.1%	-24.2%

Revision Momentum Index tracks the number of Up Revisions less Down Revisions divided by Total Estimates

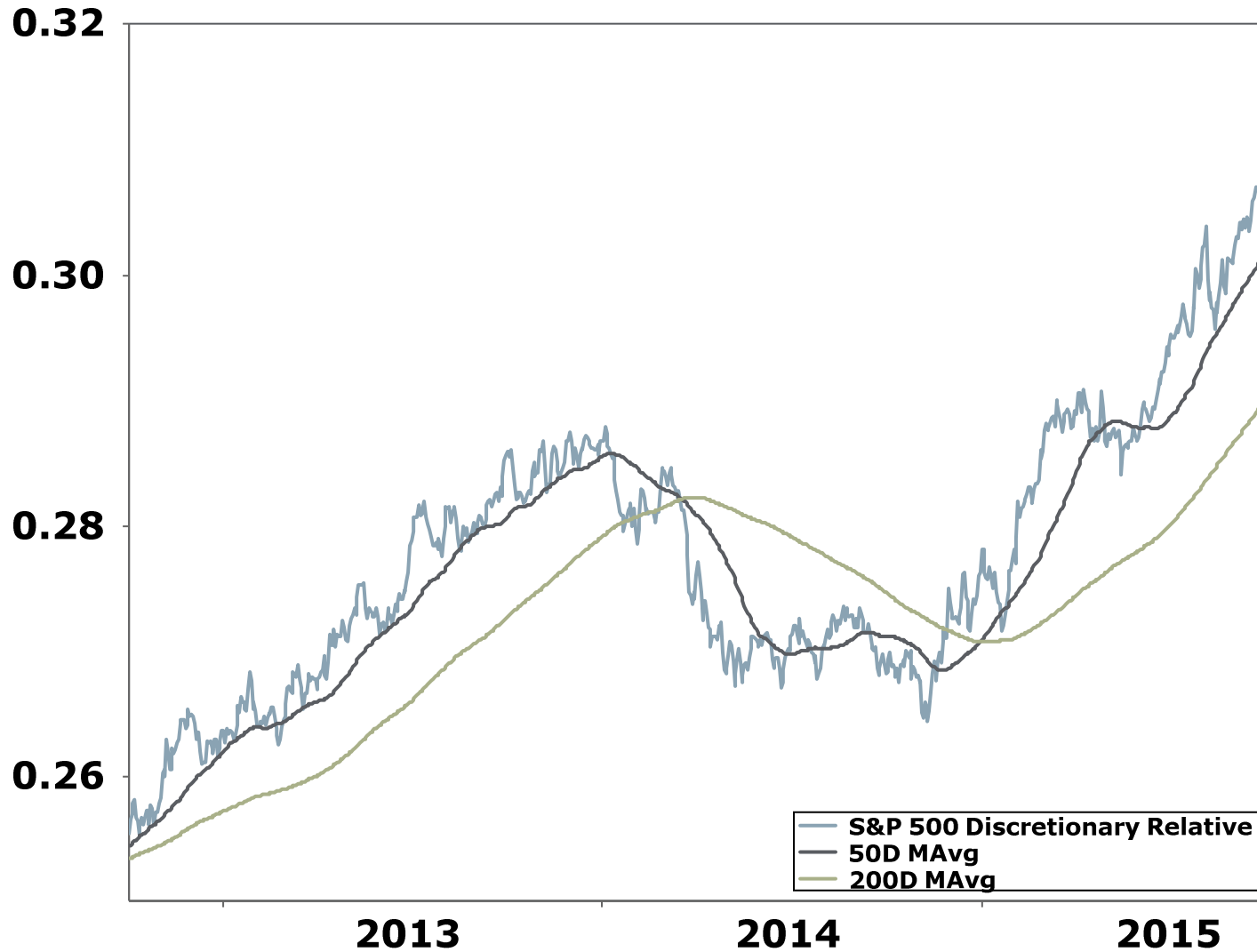
Source: FactSet, Wells Fargo Securities, LLC

S&P 500 Sector Valuations

S&P 500 Sector Valuations	Discount/Premium to Long-Term Average	
Sector	Rel. PE	Rel. PFE
Energy	68.0%	84.8%
Health Care	5.8%	0.6%
Staples	5.5%	5.3%
Discretionary	2.2%	0.6%
Utilities	2.2%	0.2%
Materials	-8.9%	-11.8%
Technology	-9.8%	-8.8%
Industrials	-10.6%	-9.6%
Financials	-19.3%	-10.6%
Telecom	-19.8%	-21.5%

Source: FactSet, Wells Fargo Securities, LLC

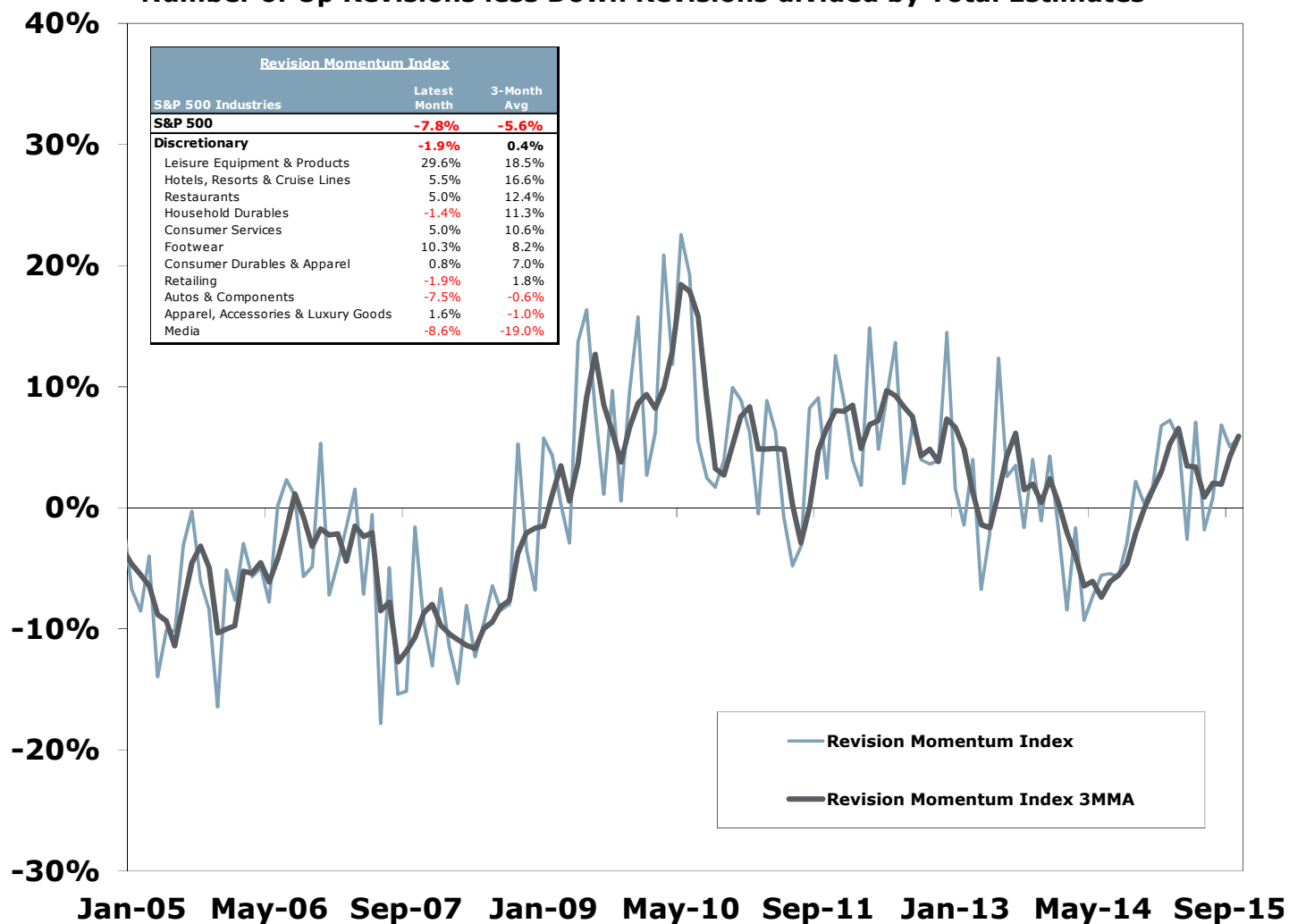
S&P 500 Discretionary Relative Price



Source: FactSet, Wells Fargo Securities, LLC

Con. Disc. Relative Earnings Revision Momentum

Number of Up Revisions less Down Revisions divided by Total Estimates



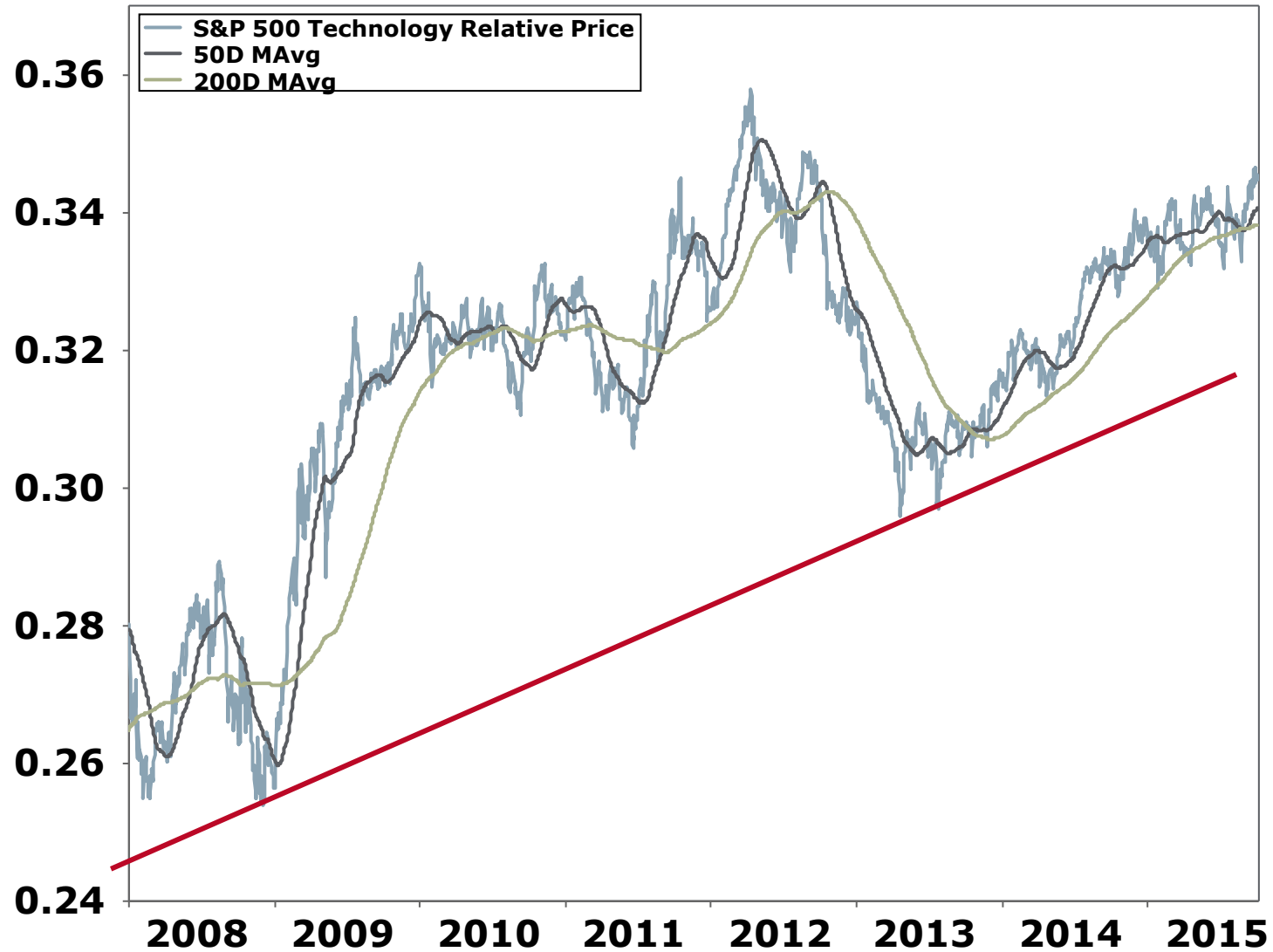
Source: IBES, FactSet, Wells Fargo Securities, LLC

Discretionary Industry View

Consumer Discretionary Industries	Consensus NTM EPS Growth	3-Month Earnings Revision Momentum	Price-to-Forward Earnings	Div Yield
<u>Overweight</u>				
Consumer Services	14.7%	10.6%	21.7x	2.1%
Household Durables	15.5%	11.3%	14.8x	1.5%
<u>Marketweight</u>				
Leisure Equipment & Products	10.9%	7.4%	18.3x	4.7%
Retailing	16.0%	1.8%	23.6x	1.0%
Media	11.9%	-19.0%	15.8x	1.5%
<u>Underweight</u>				
Autos & Components	17.9%	-0.6%	8.6x	3.0%
Apparel, Accessories & Luxury	6.9%	-1.0%	18.5x	1.2%

Source: FactSet, Wells Fargo Securities, LLC

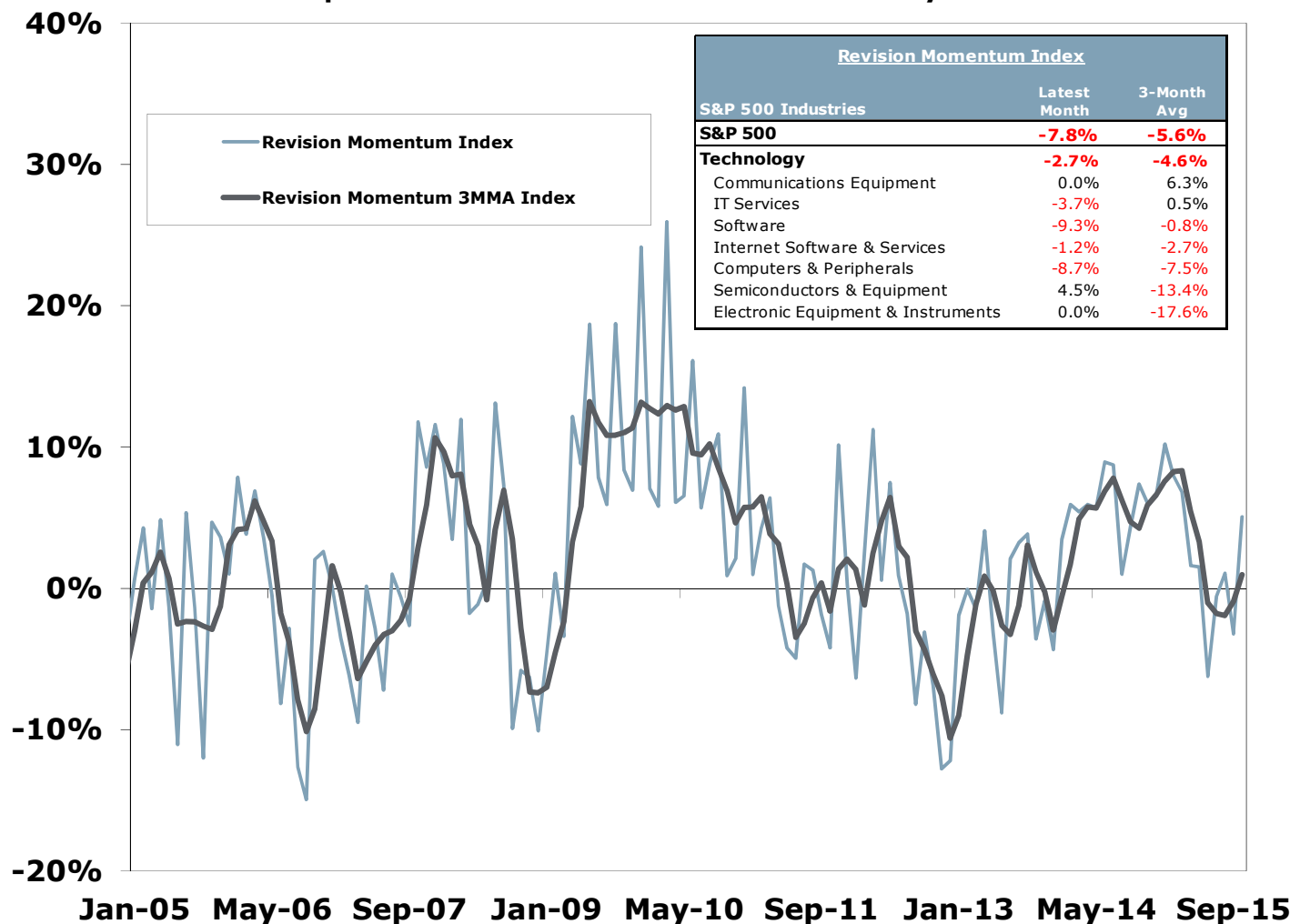
S&P 500 Technology Relative Price



Source: FactSet, Wells Fargo Securities, LLC

Technology Relative Earnings Revision Momentum

Number of Up Revisions less Down Revisions divided by Total Estimates



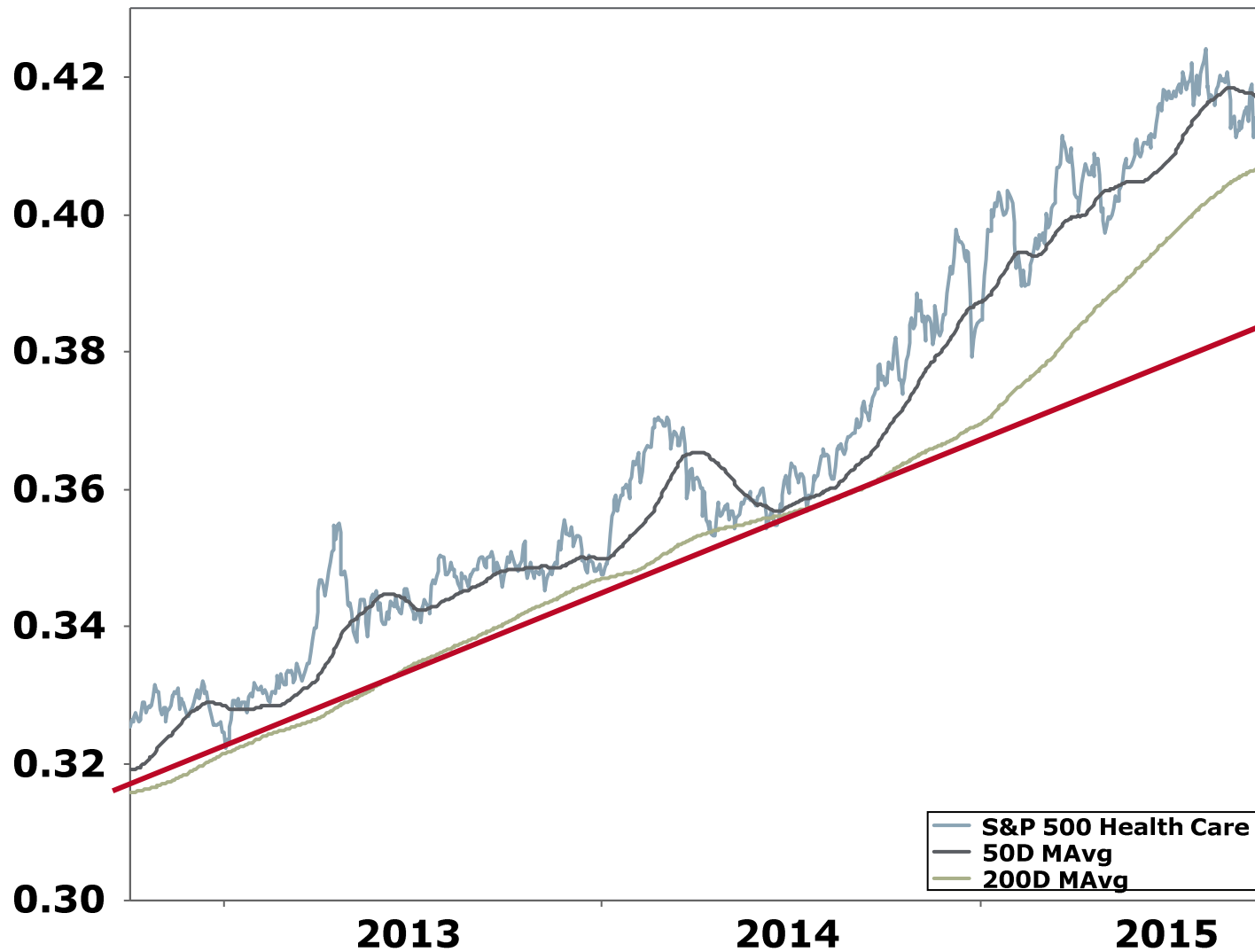
Source: IBES, FactSet, Wells Fargo Securities, LLC

Information Technology Industry View

Technology Industries	Consensus NTM EPS Growth	3-Month Earnings Revision Momentum	Price-to-Forward Earnings	Div Yield
<u>Overweight</u>				
Computers & Peripherals	5.9%	-7.5%	11.6x	1.9%
Internet Software & Services	17.0%	-2.7%	24.6x	0.0%
Communications Equipment	4.9%	6.3%	11.8x	2.8%
<u>Marketweight</u>				
Semiconductors & Equipment	5.1%	-13.4%	14.3x	2.2%
Software	9.1%	-0.8%	17.5x	1.8%
Electronic Equipment	8.5%	-17.6%	14.8x	1.9%
<u>Underweight</u>				
IT Services	8.4%	0.5%	16.4x	1.5%

Source: FactSet, Wells Fargo Securities, LLC

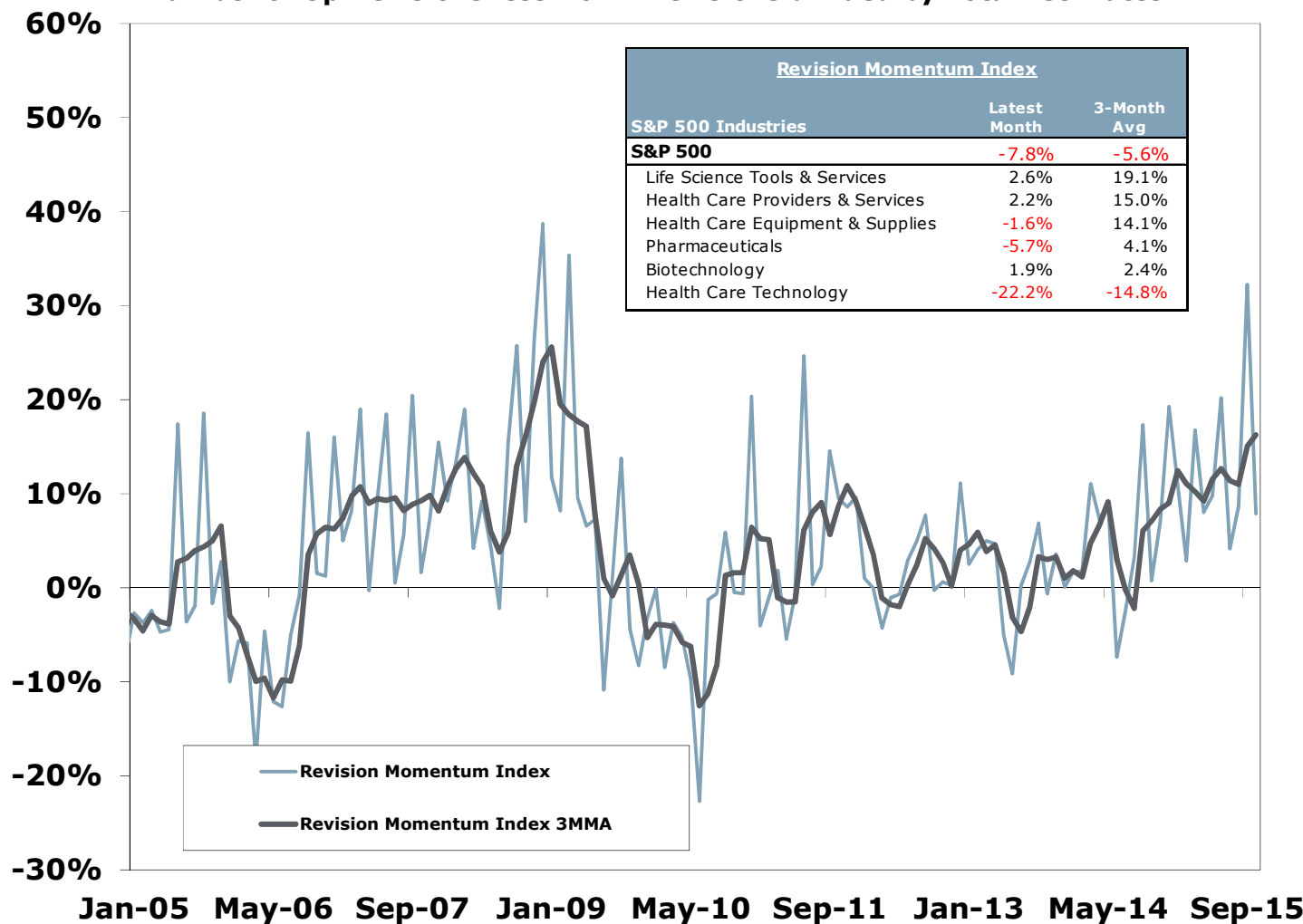
S&P 500 Health Care Relative Price



Source: FactSet, Wells Fargo Securities, LLC

Health Care Relative Earnings Revision Momentum

Number of Up Revisions less Down Revisions divided by Total Estimates



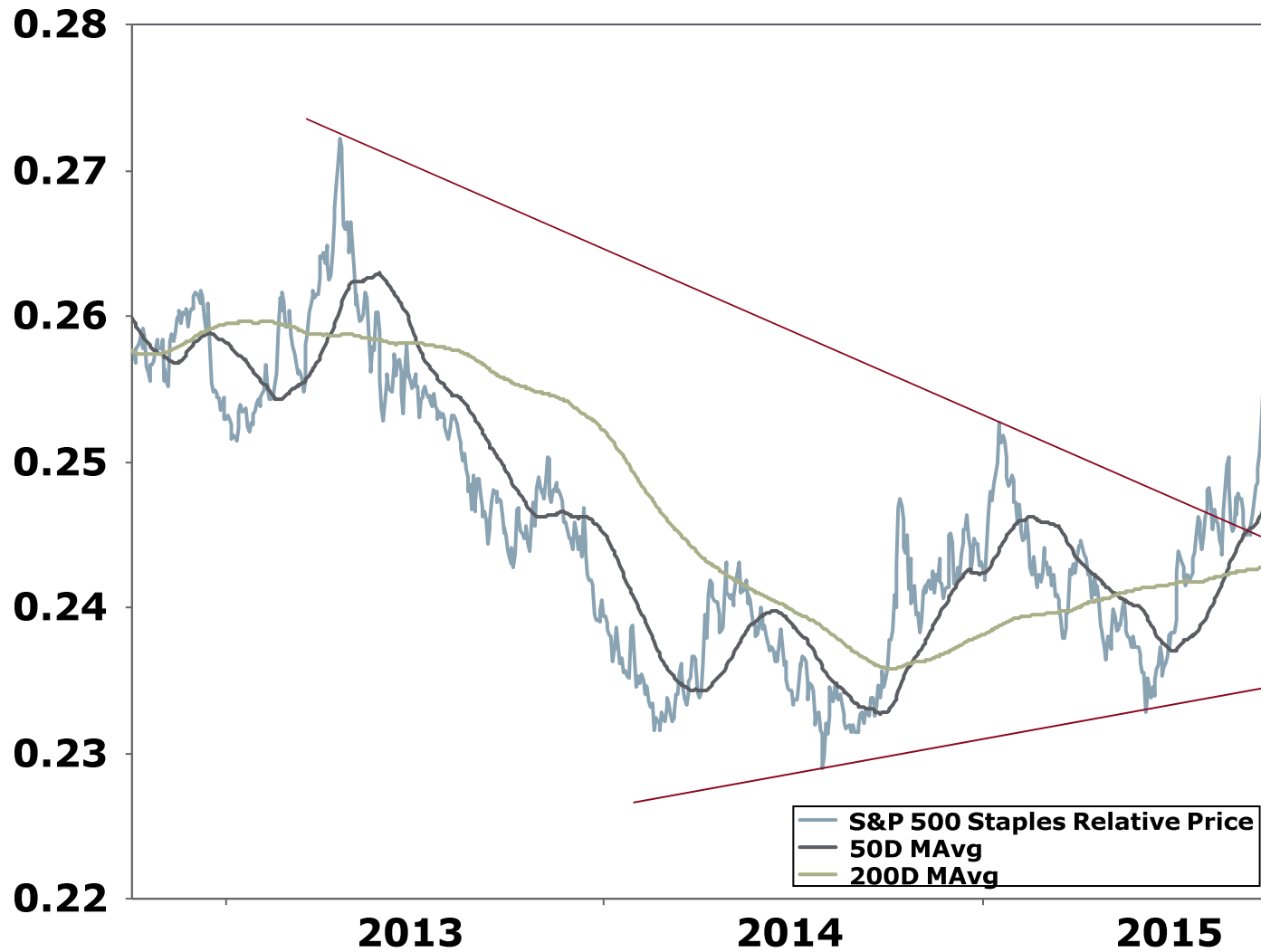
Source: IBES, FactSet, Wells Fargo Securities, LLC

Health Care Industry View

Health Care Industries	Consensus NTM EPS Growth	3-Month Earnings Revision Momentum	Price-to-Forward Earnings	Div Yield
<u>Overweight</u>				
Equipment & Supplies	6.2%	14.1%	17.7x	1.5%
Biotechnology	15.1%	2.4%	15.4x	1.1%
Health Care Technology	21.0%	-22.2%	26.2x	0.0%
<u>Marketweight</u>				
Pharmaceuticals	8.6%	4.1%	15.9x	2.4%
Providers & Services	12.4%	15.0%	16.0x	0.8%
<u>Underweight</u>				
Life Science Tools & Services	9.7%	19.1%	16.7x	0.5%

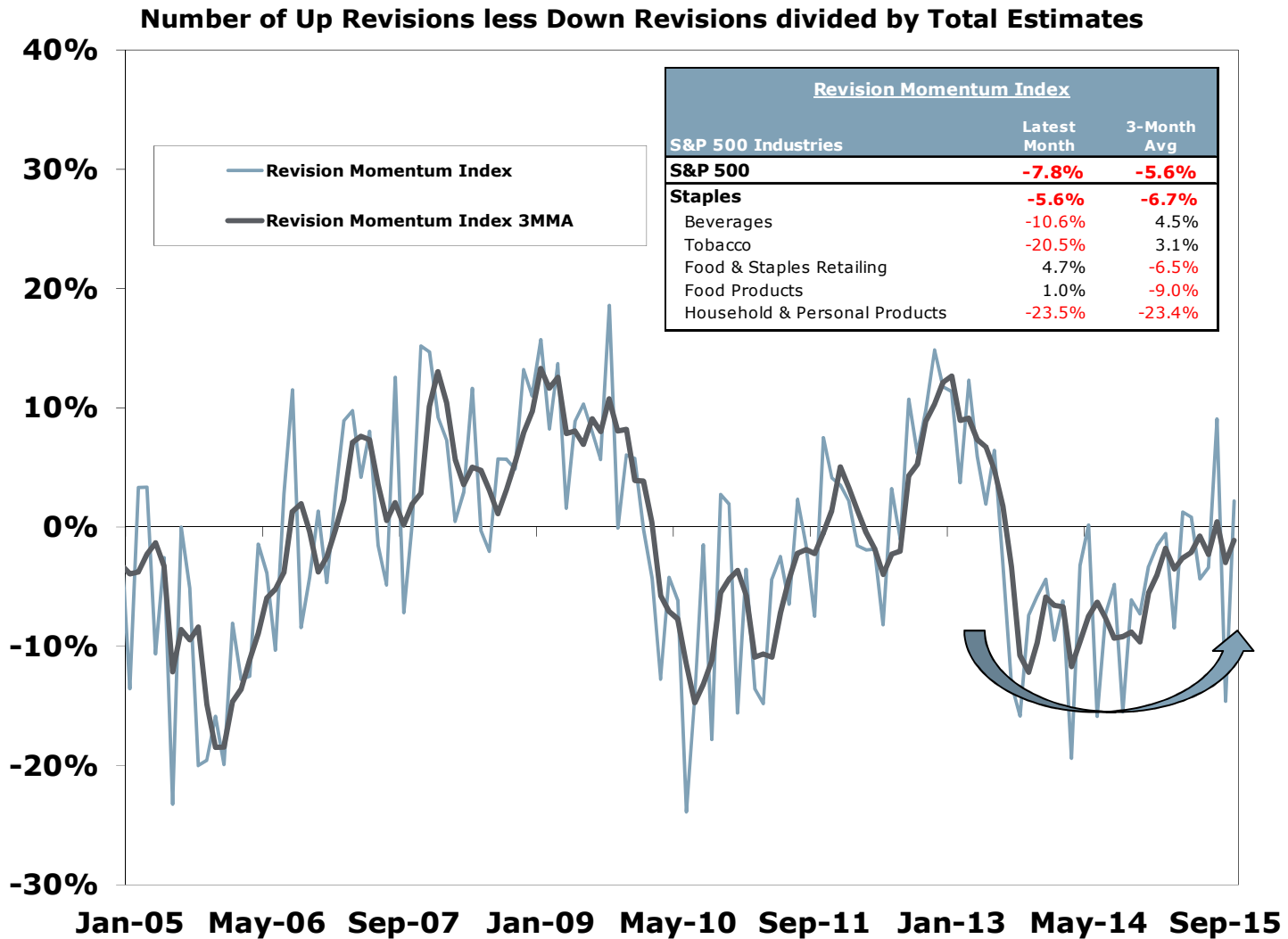
Source: FactSet, Wells Fargo Securities, LLC

S&P 500 Staples Relative Price



Source: FactSet, Wells Fargo Securities, LLC

Con. Staples Relative Earnings Revision Momentum



Source: IBES, FactSet, Wells Fargo Securities, LLC

Staples Industry View

Consumer Staples Industries	Consensus 2015E EPS Growth	3-Month Earnings Revision Momentum	Price-to-Forward Earnings	Div Yield
<u>Overweight</u>				
Beverages	5.5%	4.5%	20.0x	2.53%
Tobacco	5.5%	3.1%	18.3x	4.20%
<u>Marketweight</u>				
Food Products	10.8%	-9.0%	19.1x	2.32%
Food & Staples Retailing	9.1%	-6.5%	17.7x	2.18%
<u>Underweight</u>				
Household & Personal Products	1.9%	-23.4%	18.7x	3.06%

Source: FactSet, Wells Fargo Securities, LLC

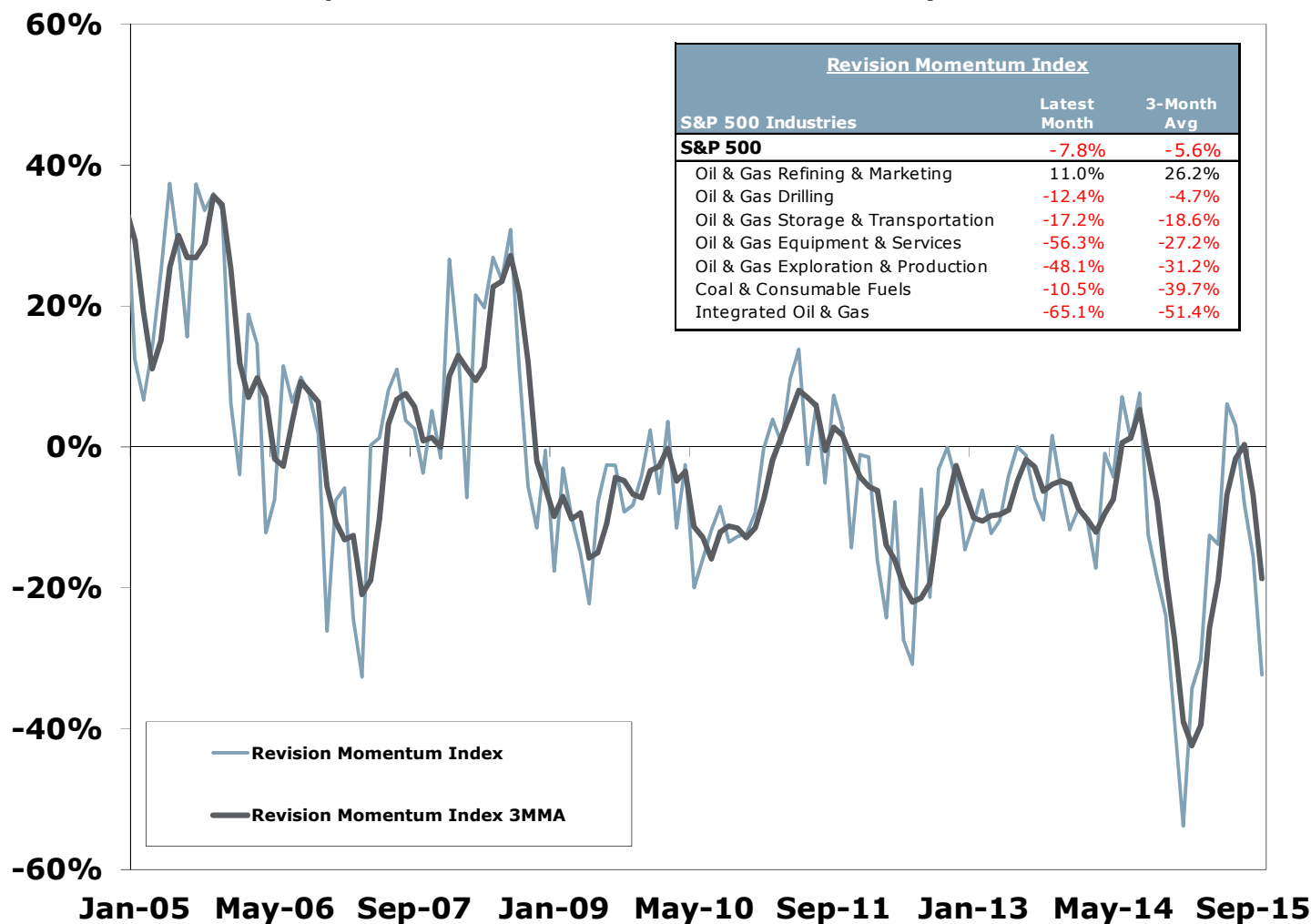
S&P 500 Energy Relative Price



Source: FactSet, Wells Fargo Securities, LLC

Energy Relative Earnings Revision Momentum

Number of Up Revisions less Down Revisions divided by Total Estimates



Source: IBES, FactSet, Wells Fargo Securities, LLC

Energy Industry View

Energy Industries	Consensus 2015E EPS Growth	3-Month Earnings Revision Momentum	Price-to-Forward Earnings	Div Yield
<u>Overweight</u>				
<u>Marketweight</u>				
Oil, Gas & Fuels	-16.7%	-26.6%	24.6x	3.6%
Energy Equipment & Services	-30.0%	-18.6%	22.8x	2.6%
<u>Underweight</u>				

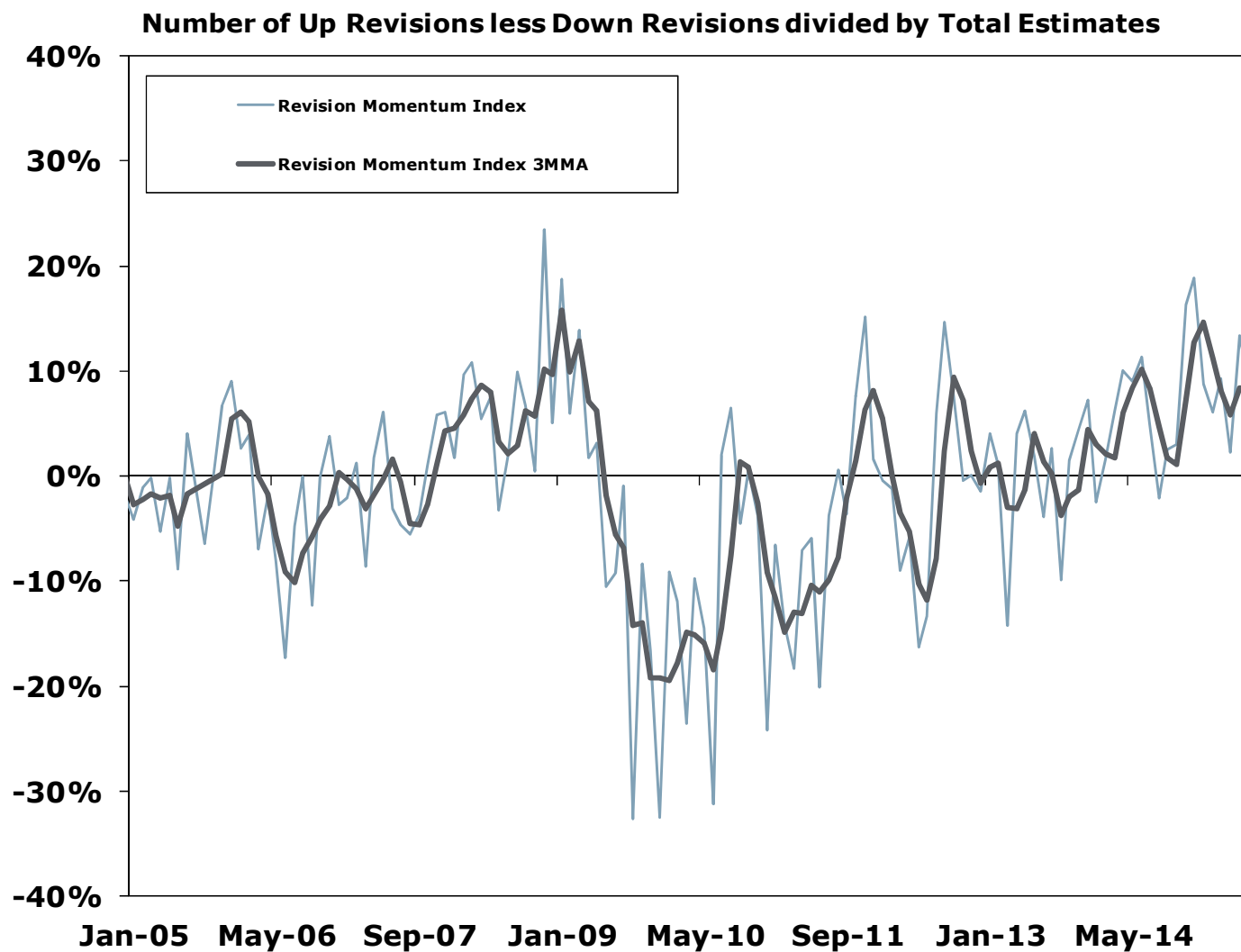
Source: FactSet, Wells Fargo Securities, LLC

S&P 500 Utilities Relative Price



Source: FactSet, Wells Fargo Securities, LLC

Utilities Relative Earnings Revision Momentum



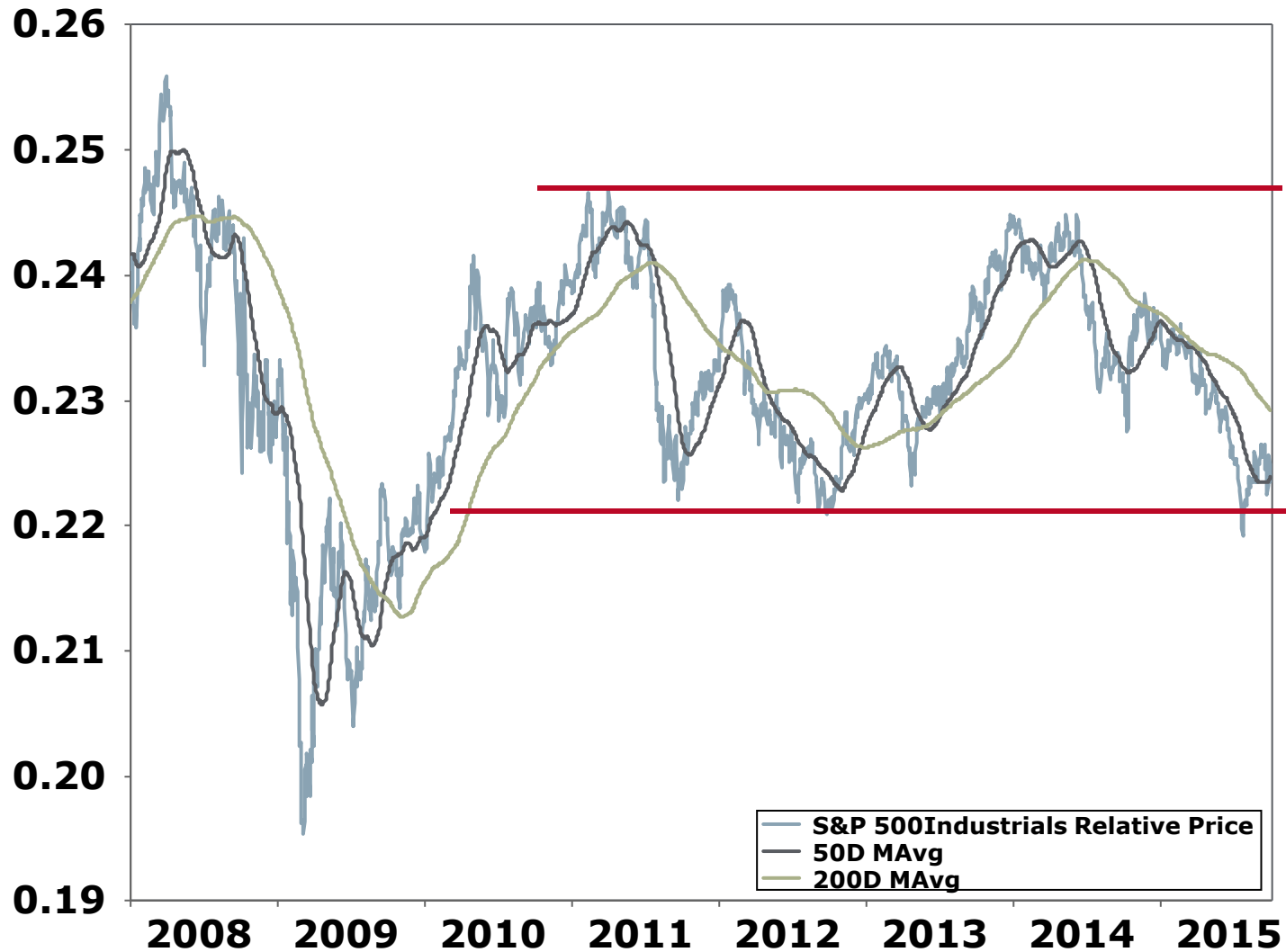
Source: IBES, FactSet, Wells Fargo Securities, LLC

Utilities Industry View

Utilities Industries	Consensus 2015E EPS Growth	3-Month Earnings Revision Momentum	Price-to-Forward Earnings	Div Yield
<u>Overweight</u>				
Electric Utilities	2.9%	3.5%	14.4x	3.9%
<u>Marketweight</u>				
Multi-Utilities	4.4%	0.2%	16.0x	3.6%
<u>Underweight</u>				
Gas Utilities	-11.0%	0.0%	20.0x	3.5%
IPP & Energy Traders	-0.8%	8.6%	12.7x	3.4%

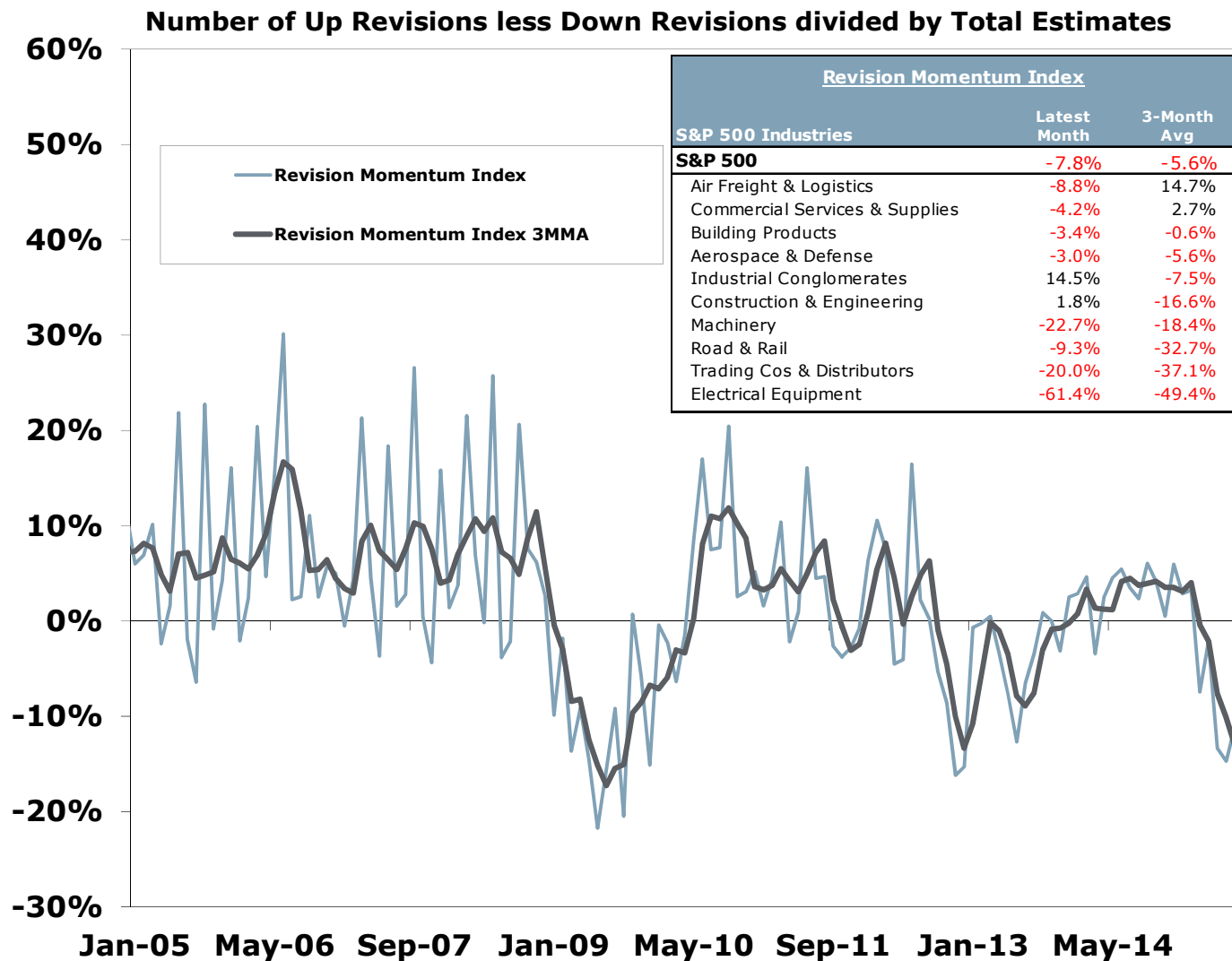
Source: FactSet, Wells Fargo Securities, LLC

S&P 500 Industrials Relative Price



Source: FactSet, Wells Fargo Securities, LLC

Industrials Relative Earnings Revision Momentum



Source: IBES, FactSet, Wells Fargo Securities, LLC

Industrials Industry View

Industrials Industries	Consensus 2015E EPS Growth	3-Month Earnings Revision Momentum	Price-to- Forward Earnings	Div Yield
<u>Overweight</u>				
Aerospace & Defense	7.8%	-5.6%	15.4x	2.2%
Electrical Equipment	5.6%	-43.5%	14.0x	3.2%
Commercial Services & Supplies	8.5%	2.7%	17.9x	2.1%
Building Products	21.1%	-0.6%	19.7x	1.1%
<u>Marketweight</u>				
Industrial Conglomerates	8.4%	-7.5%	17.7x	2.8%
Transportation	8.6%	-8.1%	11.8x	1.7%
<u>Underweight</u>				
Construction & Engineering	5.3%	-24.1%	11.8x	0.7%
Machinery	-0.1%	-18.4%	14.9x	2.8%

Source: FactSet, Wells Fargo Securities, LLC

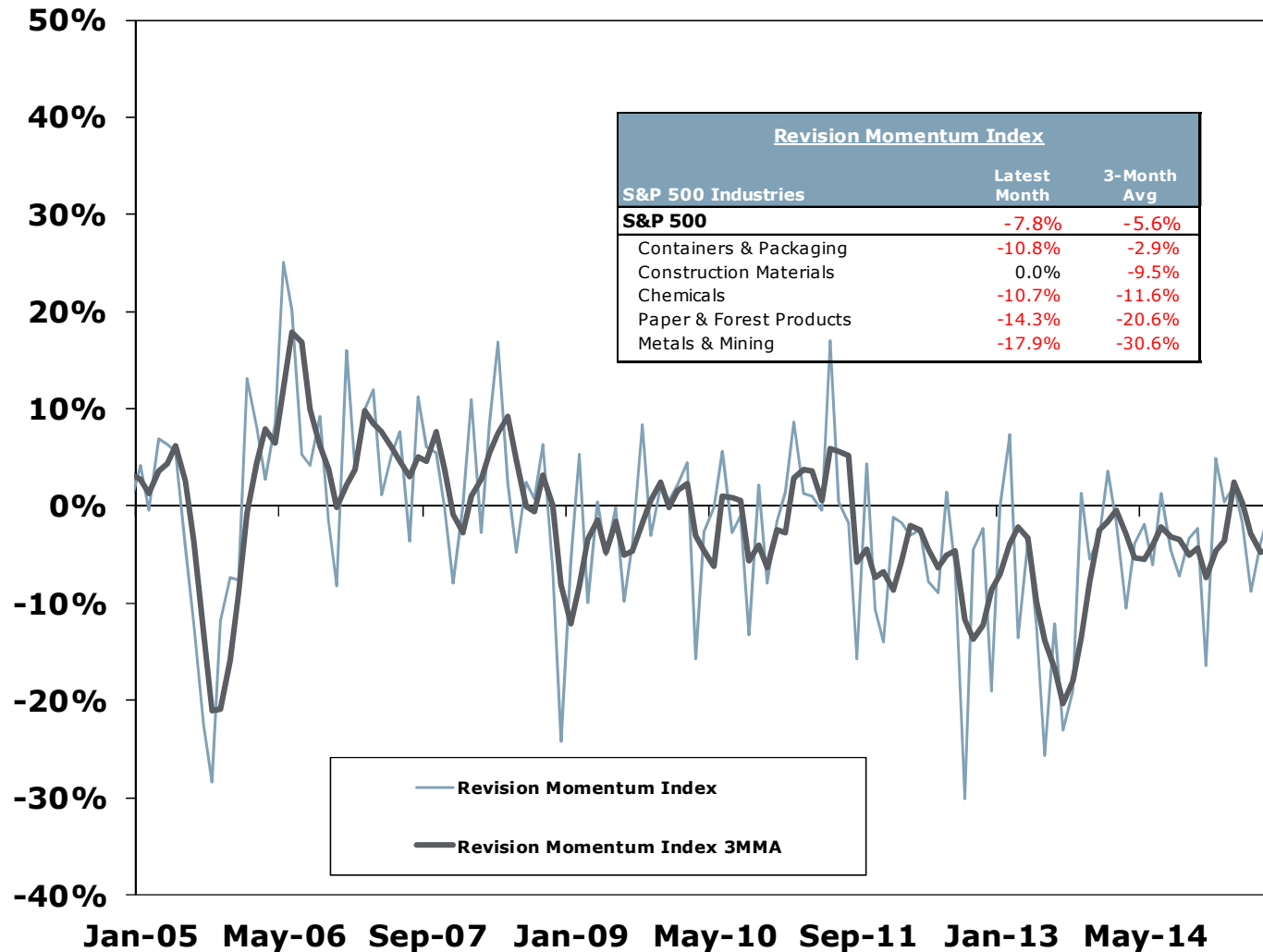
S&P 500 Materials Relative Price



Source: FactSet, Wells Fargo Securities, LLC

Materials Relative Earnings Revision Momentum

Number of Up Revisions less Down Revisions divided by Total Estimates



Source: IBES, FactSet, Wells Fargo Securities, LLC

Materials Industry View

S&P 500 Materials Industries	Consensus 2015E EPS Growth	3-Month Earnings Revision Momentum	Price-to-Forward Earnings	Div Yield
<u>Overweight</u>				
Chemicals	8.6%	-11.6%	14.2x	2.4%
Paper & Forest Products	11.6%	-28.6%	10.3x	3.8%
<u>Marketweight</u>				
Containers & Packaging	6.6%	-2.9%	15.9x	1.5%
Construction Materials	60.7%	-14.3%	29.0x	0.7%
<u>Underweight</u>				
Metals & Mining	32.4%	-30.6%	11.8x	2.8%

Source: FactSet, Wells Fargo Securities, LLC

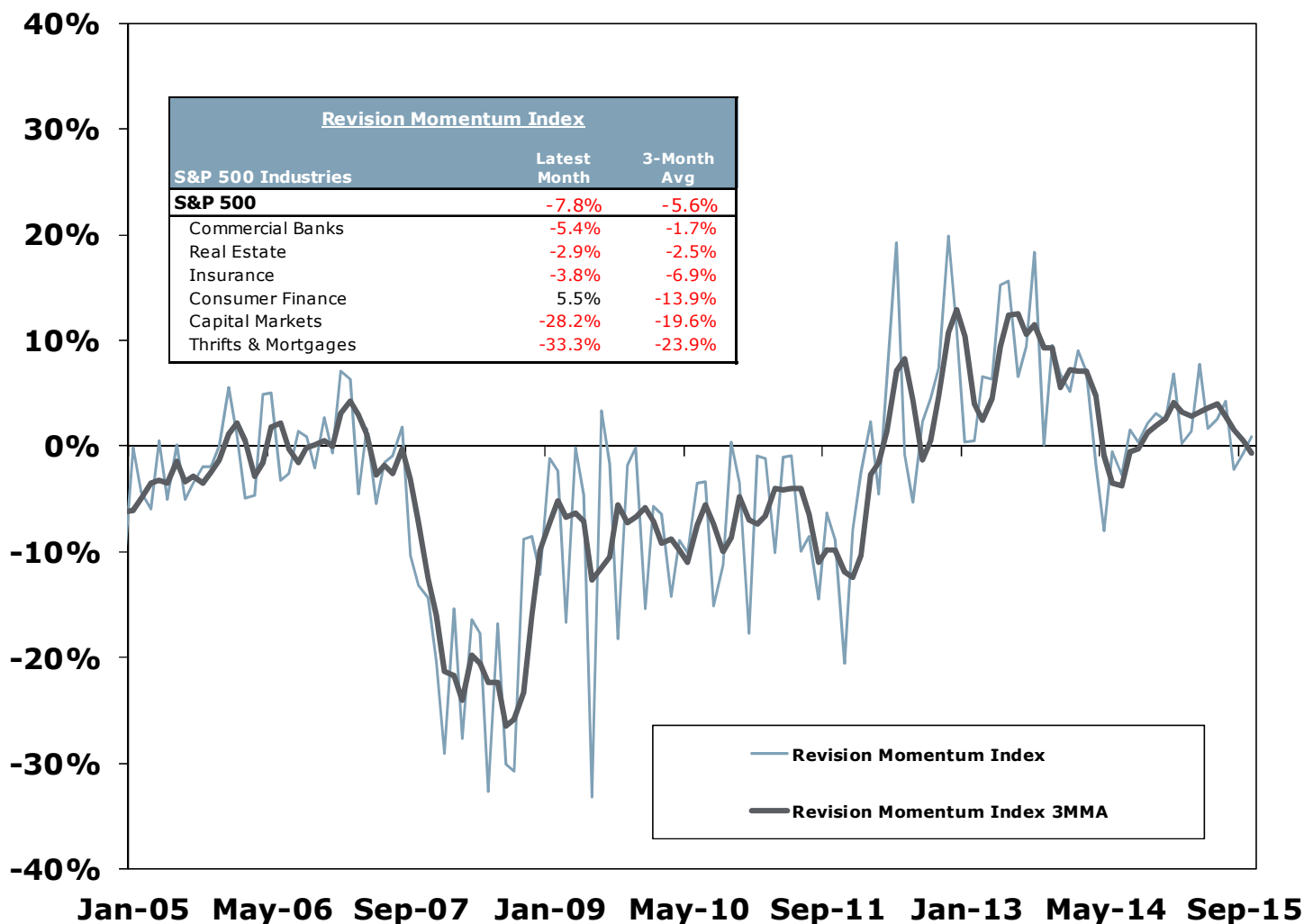
S&P 500 Financials Relative Price



Source: FactSet, Wells Fargo Securities, LLC

Financials Relative Earnings Revision Momentum

Number of Up Revisions less Down Revisions divided by Total Estimates



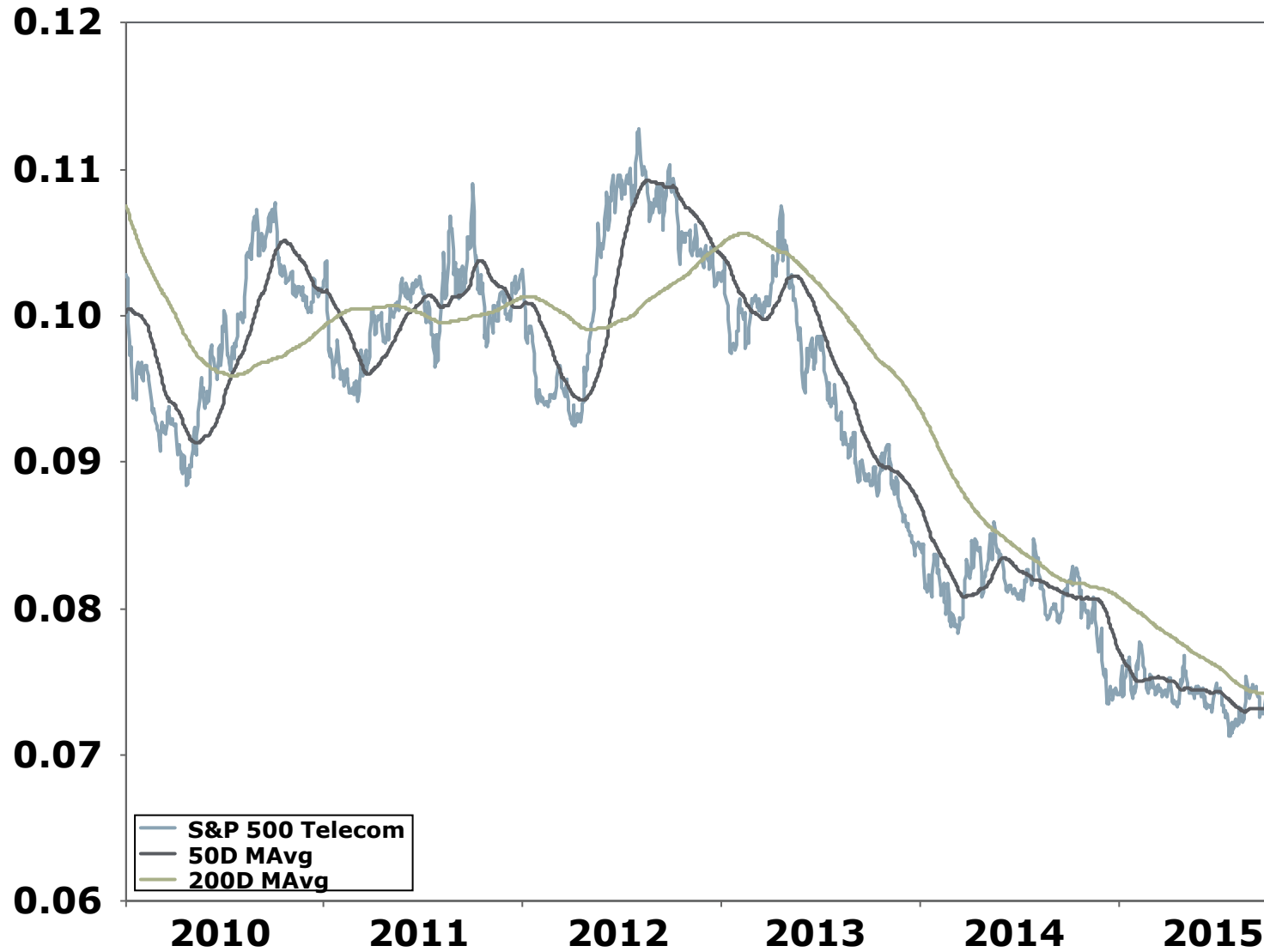
Source: IBES, FactSet, Wells Fargo Securities, LLC

Financials Industry Review

Financials Industries	Consensus NTM EPS Growth	3-Month Earnings Revision Momentum	Price-to-Forward Earnings	Div Yield
<u>Overweight</u>				
Banks	14.4%	-1.7%	10.9x	2.1%
Capital Markets	12.8%	-19.6%	12.3x	1.9%
<u>Marketweight</u>				
Real Estate	-1.4%	-2.5%	34.6x	3.3%
Insurance	5.8%	-6.9%	10.6x	2.1%
Consumer Finance	5.0%	-13.9%	11.2x	1.8%
<u>Underweight</u>				
Thriffs & Mortgages	-19.5%	-33.3%	95.2x	1.3%

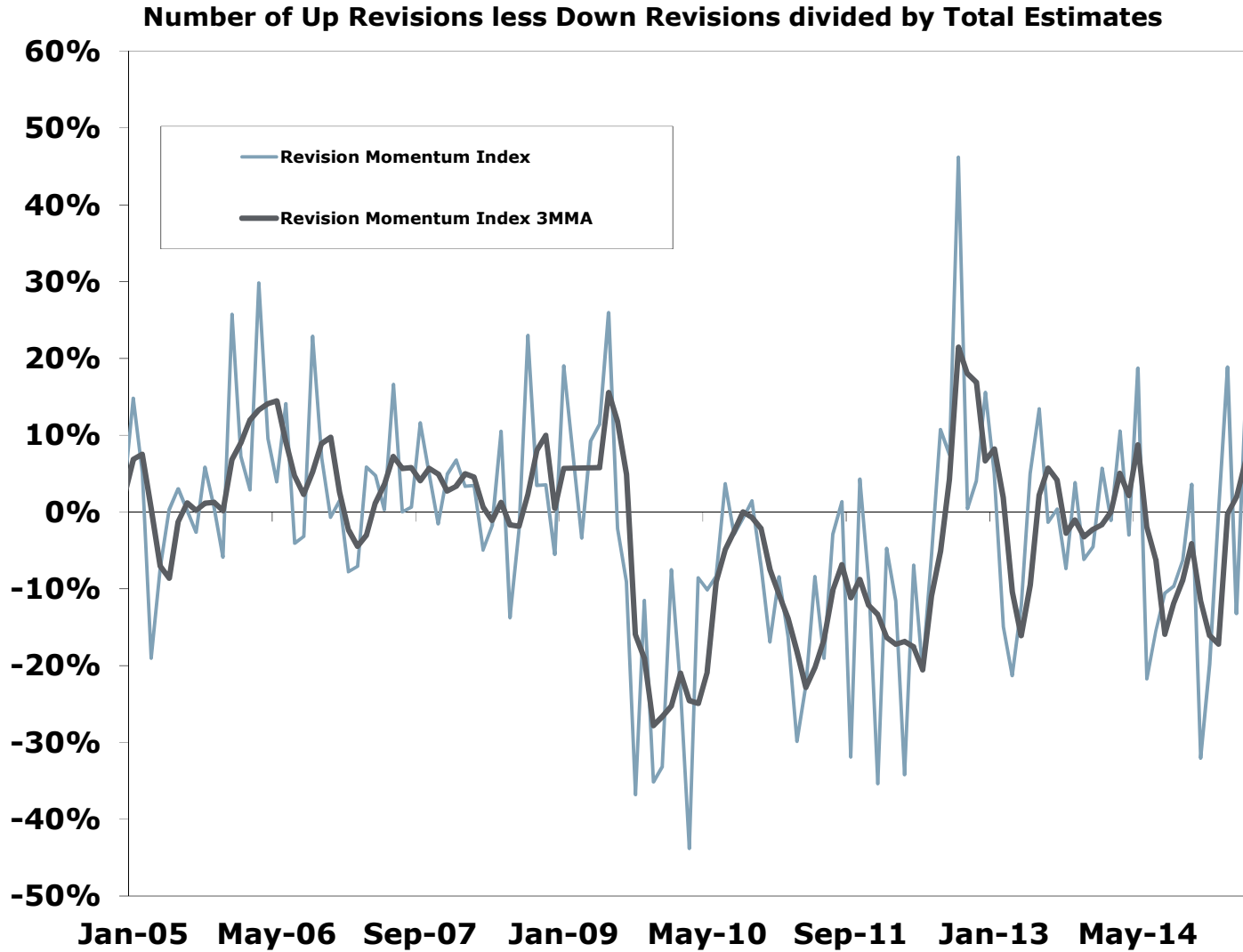
Source: FactSet, Wells Fargo Securities, LLC

S&P 500 Telecom Relative Price



Source: FactSet, Wells Fargo Securities, LLC

Telecom Relative Earnings Revision Momentum



Source: IBES, FactSet, Wells Fargo Securities, LLC

Telecom Industry View

Telecom Industries	Consensus 2015E EPS Growth	3-Month Earnings Revision Momentum	Price-to-Forward Earnings	Div Yield
<u>Overweight</u>				
<u>Marketweight</u>				
Telecom	5.7%	7.2%	12.1x	5.3%
<u>Underweight</u>				

Source: FactSet, Wells Fargo Securities, LLC

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