Before the Bell
Morning Market Brief

November 14, 2019

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MORNING MARKET COMMENTARY: Anthony M. Saglimbene, Global Market Strategist

- **Quick Take:** U.S. futures are pointing to a flattish-to-lower open; European markets are trading lower; Asia ended mixed overnight; West Texas Intermediate (WTI) oil trading at $57.55; 10-year U.S. Treasury yield up to 1.84%.

- **A Good Leading Indicator For Stock Prices:** Investing is often complicated, especially when one shortens the time horizon in which to achieve their investment objectives. But other times, identifying the near-term catalysts driving market direction can be as simple as finding the nose on your face. We are partly being facetious of course, but right now, ‘the trend is your friend.’ Yes, investors’ outlook on the fundamental and macro backdrop has improved over recent weeks, which has contributed to lifting stock prices to new highs.

![Graph showing the S&P 500's Advance/Decline Line over the last two years](image)

Over the last two years, the S&P 500's A/D line has provided a good leading indicator for price change.

**1-Year S&P 500 - Price vs. S&P 500 - Advance/Decline Line**

**Notations:**
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- Unless specifically stated otherwise, comments contained in this document should not be construed as an investment opinion or recommendation of any securities mentioned. Charts depicted are from FactSet unless otherwise noted.
• However, another contributing factor to market strength is the improving breadth across the overall market. The S&P 500’s Advance/Decline Line (or the number of stocks rising in price versus falling in price) has provided a solid leading indicator for where the broader Index’s price moves next. As the FactSet chart above demonstrates, the cumulative advance/decline line has consistently led S&P 500 prices higher following large market sell-offs over the last two years, with new highs in the A/D line also leading to new price highs in the overall index.

• This relationship has started to exert itself across the broader S&P 1500 Index, as well as down into the mid-cap space through the S&P 400 Index. Simply put, more stocks across the U.S. market are rising in price compared to falling today, which is contributing to the broader rise in the overall S&P 500 Index. While a stock indices’ price and A/D line are naturally closely aligned and interdependent on one another, their relationship is not always so synchronized.

• At the moment, strong breadth across the U.S. stock market, evidenced by an S&P 500 A/D line hitting new highs, could continue to bode well for the broader stock market backdrop through year-end. While certainly not a bulletproof indicator, it’s a technical aspect to the market worth noting and considering the near all-time highs across stock prices today. As a counter, if/when the S&P 500 A/D line starts to decline on a more consistent basis (meaning more stocks in the Index are falling in value versus rising in value), we may become more concerned about the longevity of this recent run higher in the broader market.

• Asia-Pacific: Asian equities finished mixed on Thursday. Industrial production in China rose +4.7% y/y in October, lower than the +5.4% expected, and weaker than the +5.8% growth recorded in September. Fixed asset investment grew at just +5.2% year-to-date through the first ten months of the year — it’s lowest reading since 1998, according to Bloomberg.

• Rounding out the data update, retail sales in China rose +7.2% y/y last month, also weaker than the prior month. In our view, the data provides further evidence that China’s economy is slowing, and a phase one deal with the U.S. may be needed to stem the decline in business confidence that has sapped activity across China this year. So far, Beijing has avoided providing a large stimulus boost to the economy and instead made smaller monetary and policy adjustments in an attempt to stabilize and boost economic growth.

• Per Reuters, China’s Commerce Ministry said its trade officials continue to hold “in-depth” conversations with the U.S. regarding a phase one deal. However, a government spokesman for the Ministry reiterated the cancelation of some existing U.S. tariffs is a key condition of reaching a deal.

• Global equity markets have taken a breather from their rapid rise over recent weeks, partly due to mixed headlines surrounding a phase one trade agreement. According to The Wall Street Journal, tariff relief has become the main hurdle blocking a signed U.S./China phase one deal at the moment.

• Hong Kong unrest continues, as the government announced all schools would be suspended through Sunday, including university classes. Employees that work in downtown Hong Kong were told to work from home. With protests and violence continuing across the heart of the city, Bloomberg discussed liquidity across Hong Kong’s market is the tightest since the late 1990s.

• Q3 GDP in Japan grew at just +0.2% q/q annualized, missing the consensus estimate of +0.8%. In Q2, GDP expanded at +1.8%. Private consumption and business inventories were the largest drag on growth in the third quarter. Forecasts for Q4 growth show a further decline from Q3 levels.

• Europe: Markets across the region are trading lower at mid-day. German Q3 preliminary GDP rose at just +0.1% q/q, as the largest European economy technically avoided a recession. In the second quarter, German GDP declined 0.1%. While future updates to the Q3 growth number could change this assessment, the sharp downturn in Germany’s manufacturing sector has been an undeniable headwind to growth. The Eurozone as a whole grew just +0.2% in the third quarter, also demonstrating the difficult trade and macro environment several European economies face today.

• U.S.: Equity futures are pointing to a flattish-to-lower open this morning. Public impeachment hearings for President Trump started on Wednesday, with both Democrats and Republicans attempting to shape the country’s interpretation of witness testimony. Nine more witnesses involved in Ukraine policy will testify over the next week.

• Federal Reserve Chair Jerome Powell heads to Capitol Hill for the second day of testimony before Congress. We expect his second day of testimony in front of the House Budget Committee to mirror yesterday’s briefing before the Senate’s Joint Economic Committee. On Wednesday, Mr. Powell largely reiterated FOMC policy form the October 30th meeting, outlining a generally positive outlook for the U.S. economy but flagging concerns such as slowing global growth and trade uncertainties. Importantly, the Fed Chair said monetary policy was not on a predetermined course and would follow a data-dependent approach. Based on Fed Fund futures, there is a 96% chance the Fed holds policy steady at its December meeting.
Before The Bell

WORLD CAPITAL MARKETS (all data as of approximately 8:00 AM ET)

<table>
<thead>
<tr>
<th>Region</th>
<th>Americas</th>
<th>Percentage</th>
<th>Europe (Extra-US)</th>
<th>Asia/Pacific (Last Night)</th>
</tr>
</thead>
<tbody>
<tr>
<td>S&amp;P 500</td>
<td>0.07%</td>
<td>25.60%</td>
<td>3,094.0</td>
<td>Nikkei 225 (Japan)</td>
</tr>
<tr>
<td>Dow Jones</td>
<td>0.33%</td>
<td>21.62%</td>
<td>27,783.6</td>
<td>HK Hang Seng (H, Kong)</td>
</tr>
<tr>
<td>NASDAQ</td>
<td>-0.05%</td>
<td>29.06%</td>
<td>8,482.1</td>
<td>Korea Kospi 200</td>
</tr>
<tr>
<td>Russell 2000</td>
<td>0.37%</td>
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<td>Singapore STI</td>
</tr>
<tr>
<td>Brazil Bovespa</td>
<td>-0.22%</td>
<td>20.41%</td>
<td>105,823.4</td>
<td>Shanghai Comp. (China)</td>
</tr>
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<td>S&amp;P/TSX Comp. (Canada)</td>
<td>0.29%</td>
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</tr>
<tr>
<td>Mexico IPC</td>
<td>0.00%</td>
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<td>S&amp;P/ASX 200 (Australia)</td>
</tr>
</tbody>
</table>

Note: International market returns shown on a local currency basis. Equity index data is total return, inclusive of dividends.

S&P 500 Sectors % chg. % YTD Value

<table>
<thead>
<tr>
<th>Sector</th>
<th>S&amp;P 500</th>
<th>Percentage</th>
<th>Equity Income Indices</th>
<th>MSCI EAFE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer Discretionary</td>
<td>-0.38%</td>
<td>22.55%</td>
<td>-0.59%</td>
<td>-6.16%</td>
</tr>
<tr>
<td>Consumer Staples</td>
<td>0.86%</td>
<td>23.55%</td>
<td>0.91%</td>
<td>25.55%</td>
</tr>
<tr>
<td>Energy</td>
<td>-0.51%</td>
<td>6.93%</td>
<td>-0.10%</td>
<td>19.48%</td>
</tr>
<tr>
<td>Financials</td>
<td>0.57%</td>
<td>26.43%</td>
<td>0.25%</td>
<td>9.63%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>1.07%</td>
<td>25.21%</td>
<td>0.14%</td>
<td>24.34%</td>
</tr>
<tr>
<td>Health Care</td>
<td>0.11%</td>
<td>11.89%</td>
<td>1.10%</td>
<td>2,980.5</td>
</tr>
<tr>
<td>Industrials</td>
<td>-0.40%</td>
<td>28.63%</td>
<td>-0.35%</td>
<td>28.63%</td>
</tr>
<tr>
<td>Materials</td>
<td>-0.48%</td>
<td>21.05%</td>
<td>-0.37%</td>
<td>21.05%</td>
</tr>
<tr>
<td>Technology</td>
<td>0.29%</td>
<td>41.42%</td>
<td>0.41%</td>
<td>41.42%</td>
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<tr>
<td>Communication Services</td>
<td>0.42%</td>
<td>28.36%</td>
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</tr>
<tr>
<td>Utilities</td>
<td>1.47%</td>
<td>20.98%</td>
<td>0.76%</td>
<td>20.98%</td>
</tr>
</tbody>
</table>

S&P/TSX Comp. (Canada) 0.29% 21.54% 16,958.0

Recommended Tactical Weights, is derived from the Ameriprise Global Asset Allocation Committee (GAAC). Views are expressed relative to the Index and are provided to represent investment conviction in each region. Tactical Allocations are designed to augment Index returns over a 6-12 month time horizon. Index weights as of 9/20/19. Numbers may not add due to rounding.

Ameriprise Global Asset Allocation Committee

Global Equity Region - Tactical View

<table>
<thead>
<tr>
<th>Region</th>
<th>MSCI All-Country World Index</th>
<th>Percentage</th>
<th>GAAC Tactical</th>
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</table>

Index weighting represents relative weightings based on the regional market capitalization balance of the MSCI All-Country World Index; may not add due to rounding. The GAAC Tactical Overlay, as well as Recommended Tactical Weights, is derived from the Ameriprise Global Asset Allocation Committee (GAAC) Views are expressed relative to the Index and are provided to represent investment conviction in each region. Tactical Allocations are designed to augment Index returns over a 6-12 month time horizon. Index weights as of 9/20/19. Numbers may not add due to rounding.

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BY THE NUMBERS: ECONOMIC ACTUALS AND FORECAST:

Current Projections:

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</thead>
<tbody>
<tr>
<td>Real GDP (YrY)</td>
<td>2.9%</td>
<td>1.6%</td>
<td>2.4%</td>
<td>2.9%</td>
<td>2.2%</td>
<td>2.1%</td>
</tr>
<tr>
<td>Unemployment Rate</td>
<td>5.0%</td>
<td>4.7%</td>
<td>4.1%</td>
<td>3.9%</td>
<td>3.6%</td>
<td>3.5%</td>
</tr>
<tr>
<td>CPI (YrY)</td>
<td>0.1%</td>
<td>1.3%</td>
<td>2.1%</td>
<td>2.4%</td>
<td>1.8%</td>
<td>2.1%</td>
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<tr>
<td>Core PCE (YrY)</td>
<td>1.3%</td>
<td>1.7%</td>
<td>1.6%</td>
<td>1.9%</td>
<td>1.7%</td>
<td>1.9%</td>
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</table>

Quarterly

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Real GDP (YrY)</td>
<td>3.1%</td>
<td>2.0%</td>
<td>1.9%</td>
<td>2.0%</td>
<td>1.9%</td>
</tr>
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<td>3.5%</td>
<td>3.5%</td>
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</tr>
<tr>
<td>CPI (YrY)</td>
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<td>1.7%</td>
<td>1.9%</td>
<td>2.1%</td>
</tr>
<tr>
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<td>1.6%</td>
<td>1.6%</td>
<td>1.7%</td>
<td>1.7%</td>
<td>1.9%</td>
</tr>
</tbody>
</table>

Sources: Historical data via FactSet. Estimates (Est.) via American Enterprise Investment Services, Inc.

Economic News Out Today:


<table>
<thead>
<tr>
<th>Time</th>
<th>Period</th>
<th>Release</th>
<th>Consensus Est.</th>
<th>Actual</th>
<th>Prior</th>
<th>Revised to</th>
</tr>
</thead>
<tbody>
<tr>
<td>8:30 AM</td>
<td>Nov. 9</td>
<td>Initial Jobless Claims</td>
<td>215k</td>
<td>225k</td>
<td>211k</td>
<td></td>
</tr>
<tr>
<td>8:30 AM</td>
<td>Nov. 2</td>
<td>Continuing Claims</td>
<td>1683k</td>
<td>1683k</td>
<td>1689k</td>
<td>1693k</td>
</tr>
<tr>
<td>8:30 AM</td>
<td>SEP</td>
<td>Producer Price Index (PPI) (MoM)</td>
<td>+0.3%</td>
<td>+0.4%</td>
<td>-0.3%</td>
<td></td>
</tr>
<tr>
<td>8:30 AM</td>
<td>SEP</td>
<td>PPI – Ex. Food &amp; Energy (MoM)</td>
<td>+0.2%</td>
<td>+0.3%</td>
<td>-0.3%</td>
<td></td>
</tr>
<tr>
<td>8:30 AM</td>
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<td>Producer Price Index (PPI) (YoY)</td>
<td>+0.9%</td>
<td>+1.1%</td>
<td>+1.4%</td>
<td></td>
</tr>
<tr>
<td>8:30 AM</td>
<td>SEP</td>
<td>PPI – Ex. Food &amp; Energy (YoY)</td>
<td>+1.5%</td>
<td>+1.6%</td>
<td>+2.0%</td>
<td></td>
</tr>
</tbody>
</table>

Economic Perspective: Russell T. Price, CFA – Chief Economist

- Despite the very near-term pickup in inflation as depicted by today’s report on Producer prices and yesterday’s report on the Consumer side, inflation overall remains well in-check in our view.
- Producer prices were stronger than expected in the month of October from both a total and core (excluding food and energy) perspective. We note, however, that the numbers follow a month in which both measures declined by 0.3% and the year-over-year pace in nearly every category remains well contained.
- Surprisingly, despite what might be some intuitive expectations of an upward influence from tariffs, the influence of imported goods and services on overall pricing has been depressive. Prices were up +0.3% when just food and energy costs were excluding in the month, but core prices were up just 0.1% mo/mo when trade is also brought into that mix.

Fixed Income News & Views: Brian M. Erickson, CFA, Fixed Income Research & Strategy

Ten-year Treasury Yield Back to Previous Range; Powell’s Comments Echo Past Context

- After three trading sessions above the prior three-month trading range, 10-year Treasury yields fell back into the 1.45% to 1.90% range we have seen since mid-August. Ten-year Treasury yields moved progressively lower this year. At the end of June, the yield stood at 2.01% and 2.68% at the end of 2018.
- Powell echoed message and tone from his October press conference in his comments in front of the joint finance committees of Congress Wednesday, indicating that the Fed is comfortable with the current context for policy rates adding that “noteworthy risks to this outlook remain.” Further out, when the next economic downturn arrives, the Fed is exploring new policy strategies, tools and communication strategies. Even with the levers available to the Fed, fiscal policy remains critical response mechanism for the economy. Looking ahead, we believe that collectively the Fed and Congress have sufficient tools and resources to moderate the severity of a contraction. However, we believe the remaining levers may come with further complications (consider the Fed’s balance sheet and the recent difficulty in maintaining repo liquidity) and may require more political will than in the past. For example, adding fiscal stimulus may require a plan for addressing long-term deficit spending. While logically achievable, it may not be without trade-offs and political drama in our view.
Treasury Steepens in November as Data Firms and Trade Prospects Improve

A Closer Look at Treasury Supply

- Net Treasury issuance, the level of net new Treasury issuance after considering rolling debt maturities, picked up in 2018 as corporate tax cuts resulted in lower tax receipts and fiscal spending bills increases out flows. Though the net supply of Treasuries has not accelerated in 2019, issuance remains elevated relative to levels seen prior to 2018. In 2019, the U.S. Treasury estimates $1,188 billion of net new funding will be required. That’s nearly double the $650 billion average between 2015 and 2017.

- In addition, the squeeze in short term funding markets that led to a spike in overnight repo rates can be seen in the chart below right. Issuance swelled to $440 billion in Q3 after a meager $40 billion in Q2 when Treasury navigated the debt ceiling limit. The level of issuance in the Q3 was nearly two-thirds the annual issuance level seen between 2015-2017, but in a single quarter. The Treasury’s Quarterly Refunding announcements forecast supply out a couple quarters making the jump in issuance visible to Treasury market investors as well as the Fed. The Fed reduced its balance sheet into the third quarter narrowing liquidity available to absorb the wave of Treasury issuance.

- With continued visibility into net Treasury issuance and the Fed’s program to expand T-bill holdings on its balance sheet, we anticipate the Fed likely holds the necessary tools and knowledge to manage repo and short-term borrowing markets effectively going forward.

Source: U.S. Treasury
Ameriprise Investment Research Group

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Risk Factors
Dividend and interest payments are not guaranteed. The amount of dividend payment, if any, can vary over time and issuers may reduce or eliminate dividends paid on securities in the event of a recession or adverse event affecting a specific industry or issuer. Should a company be unable to pay interest on a timely basis a default may occur and interruption or reduction of interest and principal occur.

Investments in a narrowly focused sector may exhibit higher volatility than investments with broader objectives and is subject to market risk and economic risk.

Income Risk: We note that dividends are declared solely at the discretion of the companies’ boards of directors. Dividend cuts or eliminations will likely negatively impact underlying company valuations. Published dividend yields are calculated before fees and taxes. Dividends paid by foreign companies to ADR holders may be subject to a withholding tax which could adversely affect the realized dividend yield. In certain circumstances, investors in ADR shares have the option to receive dividends in the form of cash payments, rights shares or ADR shares. Each form of dividend payment will have different tax consequences and therefore generate a different yield. In some instances, ADR holders are eligible to reclaim a portion of the withholding tax.

International Investing involves increased risk and volatility due to political and economic instability, currency fluctuations, and differences in financial reporting and accounting standards and oversight. Risks are particularly significant in emerging markets.

Market Risk: Equity markets in general could sustain significant volatility due to several factors. As we have seen recently, both economic and geopolitical issues could have a material impact on this model portfolio and the equity market as a whole.

Quantitative Strategy Risk: Stock selection and portfolio maintenance strategies based on quantitative analytics carry a unique set of risks. Quantitative strategies rely on comprehensive, accurate and thorough historical data. The Ameriprise Investment Research Group utilizes current and historical data provided by third-party data vendors. Material errors in database construction and maintenance could have an adverse effect on quantitative research and the resulting stock selection strategies.

Product Risk Disclosures
Exchange Traded Funds (ETF) trade like stocks, are subject to investment risk and will fluctuate in market value.

For additional information on individual ETFs, see available third-party research which provides additional investment highlights. SEC filings may be viewed at sec.gov.
All fixed income securities are subject to a series of risks which may include, but are not limited to: interest rate risk, call risk, refunding risk, default risk, inflation risk, liquidity risk and event risk. Please review these risks with your financial advisor to better understand how these risks may affect your investment choices. In general, bond prices rise when interest rates fall and vice versa. This effect is usually more pronounced for longer-term securities. This means you may lose money if you sell a bond prior to maturity as a result of interest rate or other market movement.

Any information relating to the income or capital gains tax treatment of financial instruments or strategies discussed herein is not intended to provide specific tax advice or to be used by anyone to provide tax advice. Investors are urged to seek tax advice based on their particular circumstances from an independent tax professional.

A real estate investment trust or REIT is a company that owns and operates income-producing real estate. In addition, some REITs participate in the financing of real estate. To qualify as a REIT, a company must: I) invest at least 75% of its total assets in real estate assets, II) generate at least 75% of its gross income from real property or interest, and III) pay at least 90% of its taxable income to shareholders in the form of distributions. A company that qualifies as a REIT is permitted to deduct the distributions paid to shareholders from its corporate taxes. Consequently, many REITs target to payout at least 100% of taxable income, resulting in virtually no corporate taxes.

An investment in a REIT is subject to many of the same risks as a direct investment in real estate including, but not limited to: Illiquidity and valuation complexities, redemption restrictions, distribution and diversification limits, tax consequences, fees, defaults by borrowers or tenants, market saturation, balloon payments, refinancing, bankruptcy, decreases in market rates for rents and other economic, political, or regulatory occurrences affecting the real estate industry.

Ratings are provided by Moody’s Investors Services and Standard & Poor’s.

Non-Investment grade securities, commonly known as “high-yield” or “junk” bonds, are historically subject to greater risk of default, including the loss of principal and interest, than higher-rated bonds, which may result in greater price volatility than experienced with a higher-rated issue.

Securities offered through AFSI may not be suitable for all investors. Consult with your financial advisor for more information regarding the suitability of a particular investment.

For further information on fixed income securities please refer to FINRA’s Smart Bond Investing at FINRA.org, MSRB’s Electronic Municipal Market Access at emma.msrb.org, or Investing in Bonds at investinginbonds.com.

DEFINITIONS OF TERMS

Agency - Agency bonds are issued by Government Sponsored Enterprises (GSE), but are NOT direct obligations of the U.S. government. Common GSE’s are the Federal Home Loan Mortgage Corp. (Freddie Mac) Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Bank (FHLB).

Beta: A measure of the risk arising from exposure to general market movements as opposed to company-specific factors. Betas in this report, unless otherwise noted, use the S&P 500 as the market benchmark and result from calculations over historic periods. A beta below 1.0, for example, can suggest the equity has tended to move with lower volatility than the broader market or, due to company-specific factors, has had higher volatility but generally low correlations with the overall market.

Corporate Bonds – Are debt instruments issued by a private corporation. Non-Investment grade securities, commonly known as “high-yield” or “junk” bonds, are historically subject to greater risk of default, including the loss of principal and interest, than higher-rated bonds, which may result in greater price volatility than experienced with a higher-rated issue.

Mortgage Backed Securities – Bonds are subject to prepayment risk. Yield and average lives shown consider prepayment assumptions that may not be met. Changes in payments may significantly affect yield and average life. Please contact your financial advisor for information on CMOs and how they react to different market conditions.

Municipal Bonds – Interest income may be subject to state and/or local income taxes and/or the alternative minimum tax (AMT). Municipal securities subject to AMT assume a “nontaxable” status for yield calculations. Certain municipal bond income may be subject to federal income tax and are identified as “taxable”. Gains on sales/redemptions of municipal bonds may be taxed as capital gains. If the bonds are insured, the insurance pertains to the timely payment of principal (at maturity) and interest by the insurer of the underlying securities and not to the price of the bond, which will fluctuate prior to maturity. The guarantees are backed by the claims-paying ability of the listed insurance company.

Treasury Securities – There is no guarantee as to the market value of these securities if they are sold prior to maturity or redemption.

Price/Book: A financial ratio used to compare a company’s market share price, as of a certain date, to its book value per share. Book value relates to the accounting value of assets and liabilities in a company’s balance sheet. It is generally not a direct reflection of future earnings prospects or hard to value intangibles, such as brand, that could help generate those earnings.

Price/Earnings: An equity valuation multiple calculated by dividing the market share price, as of a certain date, by earnings per share. Trailing P/E uses the share price divided by the past four-quarters’ earnings per share. Forward P/E uses the share price as of a certain date divided by the consensus estimate of the future four-quarters’ EPS.

Price/Sales: An equity valuation multiple calculated by dividing the market share price, as of a certain date, by the company’s sales per share over the most recent year.
INDEX DEFINITIONS
An index is a statistical composite that is not managed. It is not possible to invest directly in an index.

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