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Global Earnings Power Higher

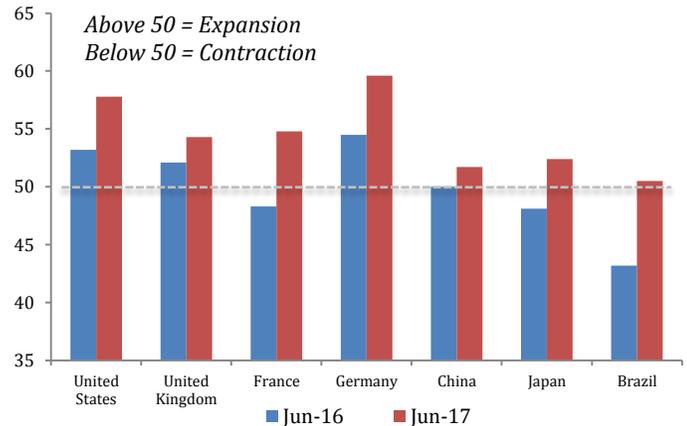
Global stock markets gained in value during the first half of 2017, and have performed especially well over the past twelve months. Just one year ago, markets were in the throes of “Brexit”. Today, things are looking up for the global economy.

In retrospect, Brexit marked an inflection point. At the time, the U.S. was among the few bright spots on the global stage. Now, many economies are performing well (see top chart). Foreign corporate earnings have followed suit, with international developed earnings up 22% over last year and emerging markets earnings up 29%. Share prices have moved up accordingly. This suggests that improved foreign market performance is rooted in fundamentals and has room to run.

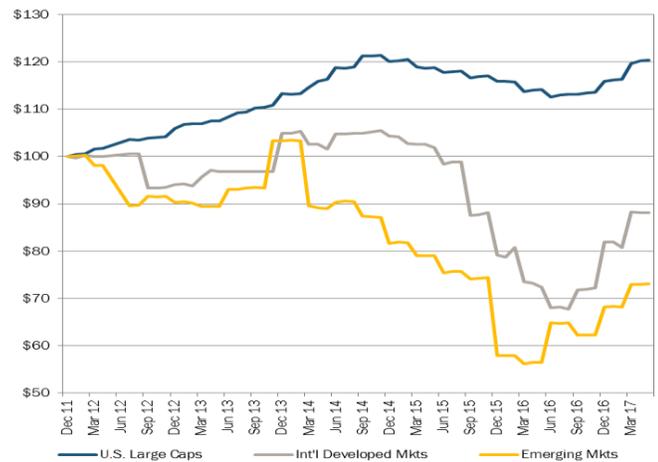
Among the few asset classes to perform poorly in 2017 is oil, down 23%. Stocks struggled in early 2016 when oil dropped as investors feared a wave of energy company bankruptcies and turmoil among oil-exporting emerging markets. After a period of adjustment, however, lower oil prices are now aiding the global economy.

Despite this positive backdrop, valuations for U.S. equities remain above long-term averages, suggesting below-average returns in the coming years and above-average risk. Accordingly, we recommended that investors remain prudently diversified as a way to manage risk in portfolios.

Global Manufacturing Activity



Global Earnings Growth



Source: Hefren-Tillotson, Bloomberg; Data as 06/30/17 PAST
PERFORMANCE DOES NOT PREDICT FUTURE RESULTS

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