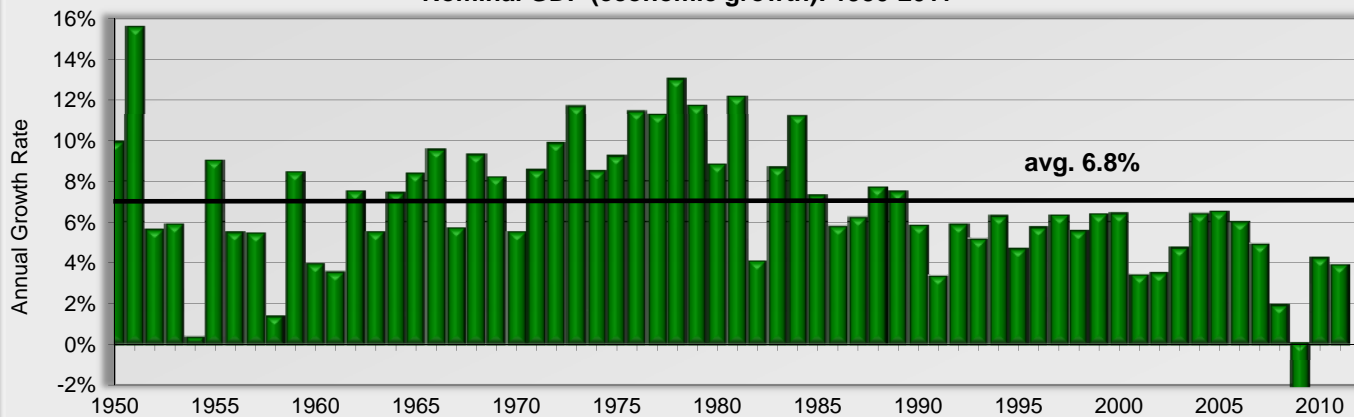
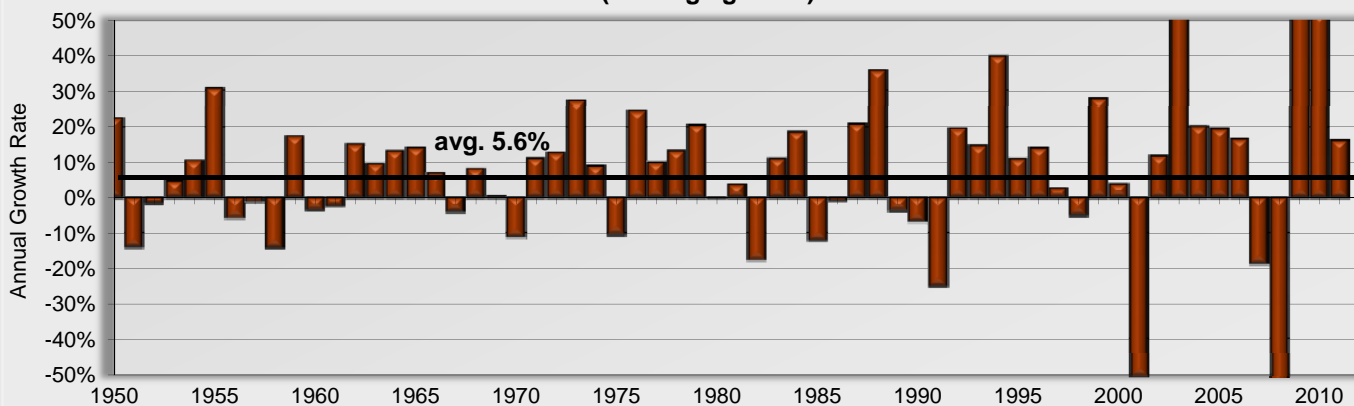


## THE BUSINESS CYCLE IS DIFFERENT THAN THE ECONOMIC CYCLE

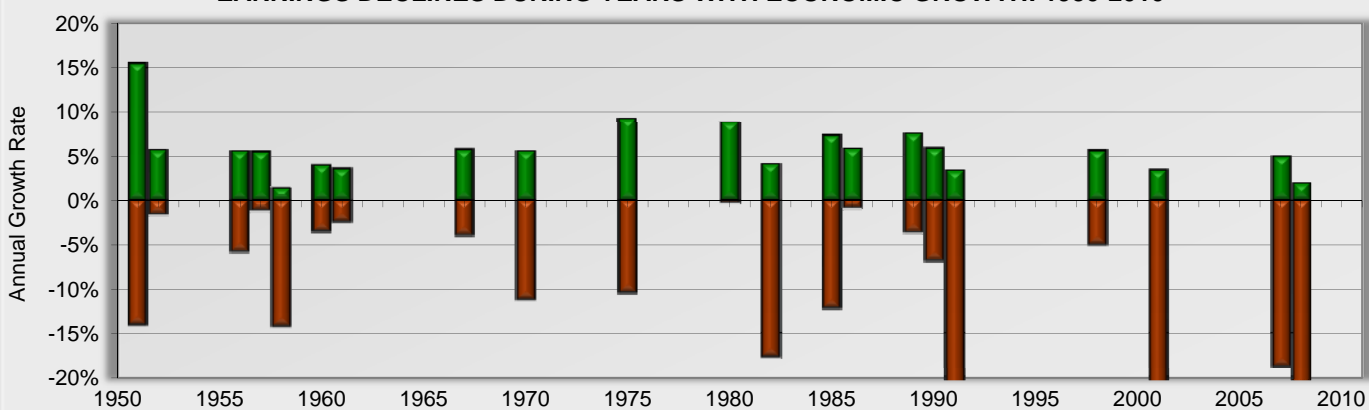
**Nominal GDP (economic growth): 1950-2011**



**S&P 500 EPS (earnings growth): 1950-2011**



**EARNINGS DECLINES DURING YEARS WITH ECONOMIC GROWTH: 1950-2010**



**LAST 19 YEARS WHEN EPS DECLINED, DESPITE GROWTH IN THE ECONOMY**

	1956	1957	1958	1960	1961	1967	1970	1975	1980	1982	1985	1986	1989	1990	1991	1998	2001	2007	2008
GDP-N	5.5%	5.4%	1.3%	3.9%	3.5%	5.7%	5.5%	9.2%	8.8%	4.0%	7.3%	5.8%	7.5%	5.8%	3.3%	5.5%	3.4%	4.9%	1.9%
EPS	-5.8%	-1.2%	-14.2%	-3.5%	-2.4%	-4.0%	-11.2%	-10.5%	-0.3%	-17.7%	-12.2%	-0.9%	-3.6%	-6.8%	-25.2%	-5.1%	-50.6%	-18.8%	-77.5%

- Of the 62 years since 1950, every year except 2009 experienced positive nominal growth in the economy (i.e., including inflation)
- Since 1950, eight years (13%) had declines in real economic growth (excluding inflation); essentially recession years
- 21 of the years (34%) experienced declines in earnings from the S&P 500 companies