

# U.S. Equity Strategy

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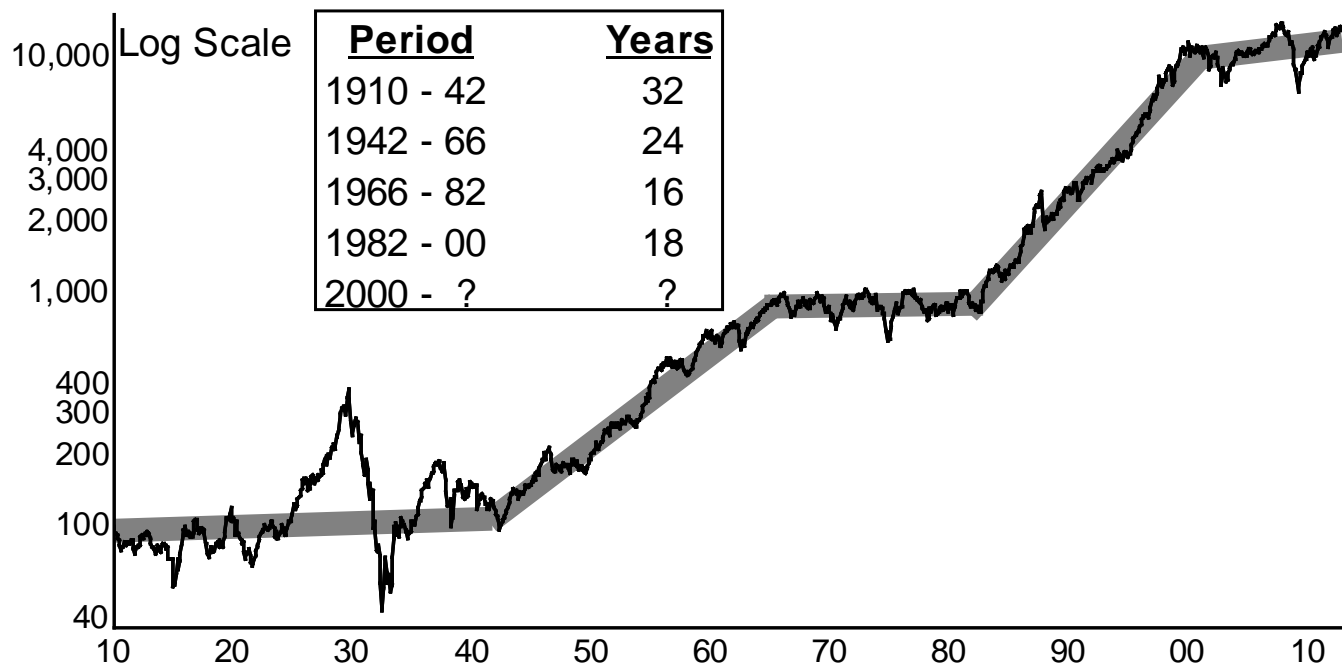
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# Market Behavior

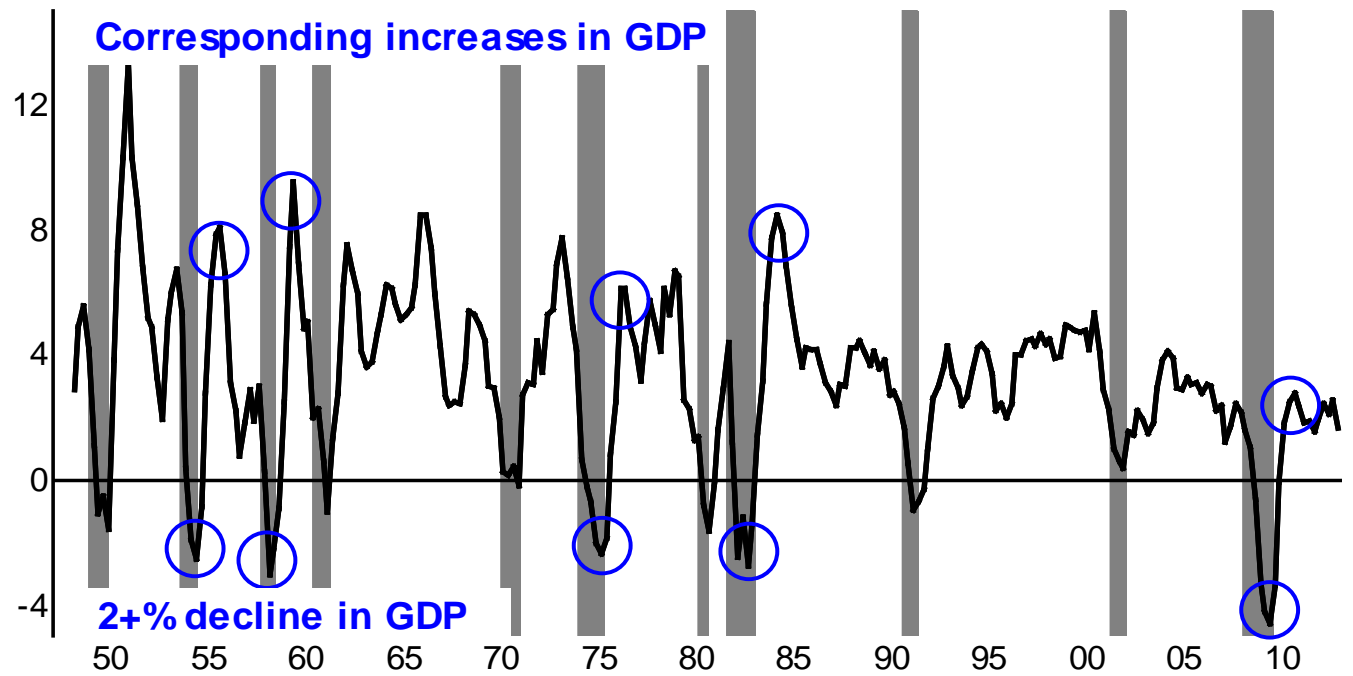
## Dow Jones Industrials – Super Cycle



Source: Dow Jones, FactSet and UBS

# Current Recovery

## GDP Following Recessions



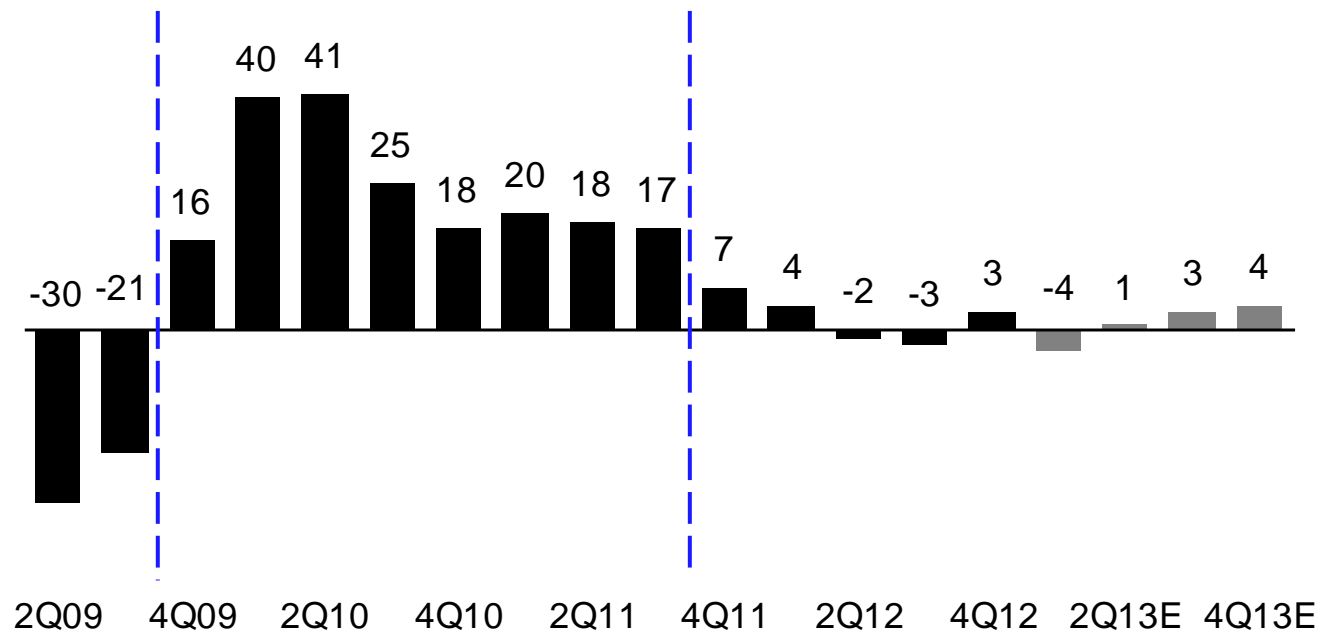
Source: BEA, FactSet and UBS

# Current Recovery

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## S&P 500 Earnings Growth YoY (ex-Financials)

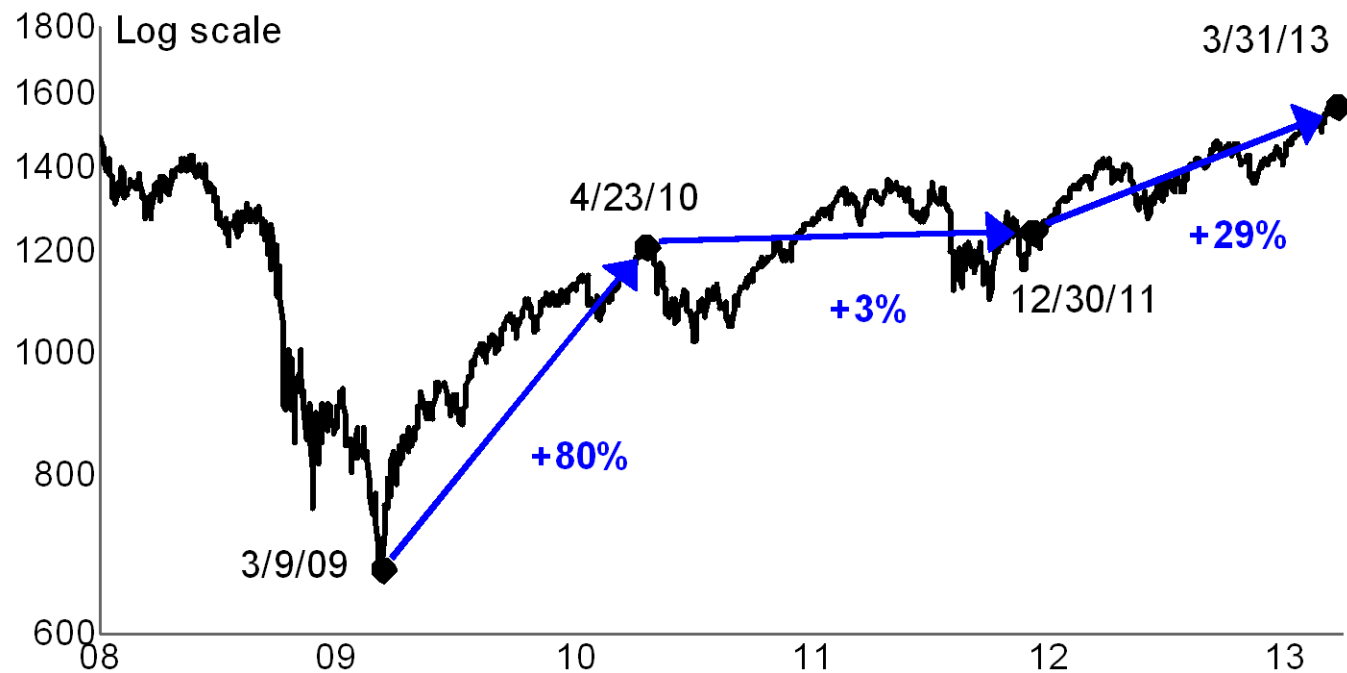
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Source: S&P, Compustat, Thomson Financial, FactSet and UBS

# Current Recovery

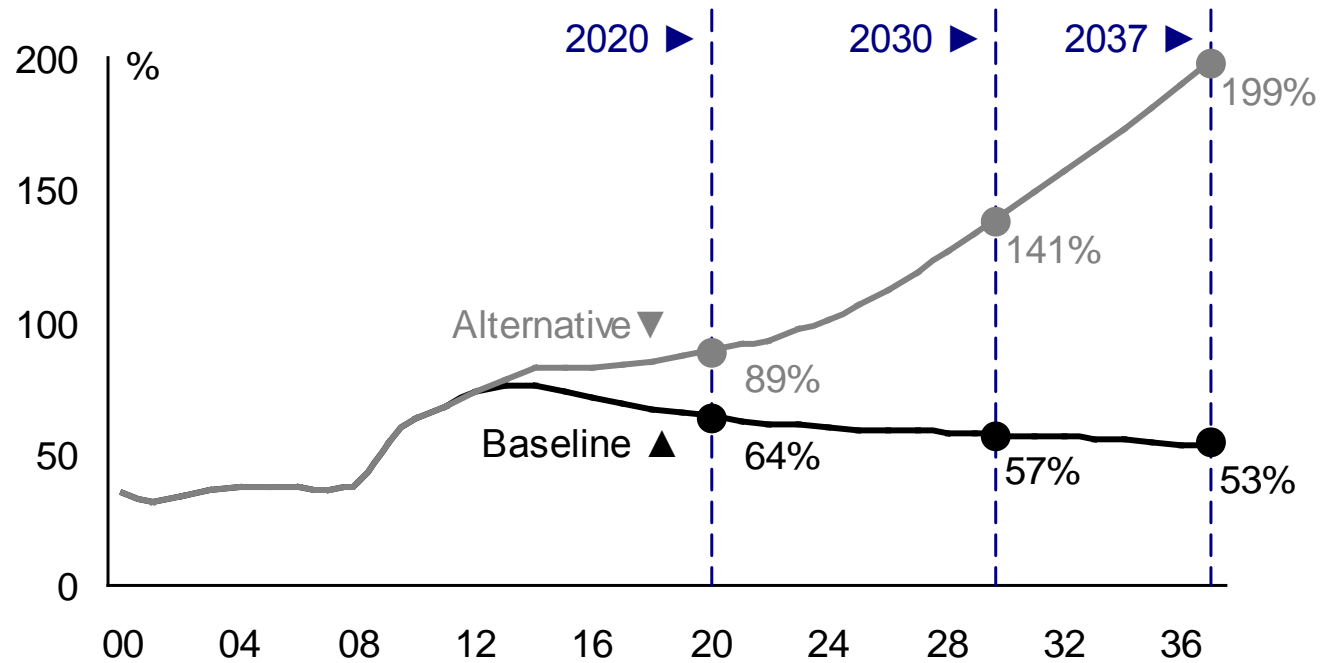
## S&P 500



Source: S&P, FactSet and UBS

# Corporate Behavior

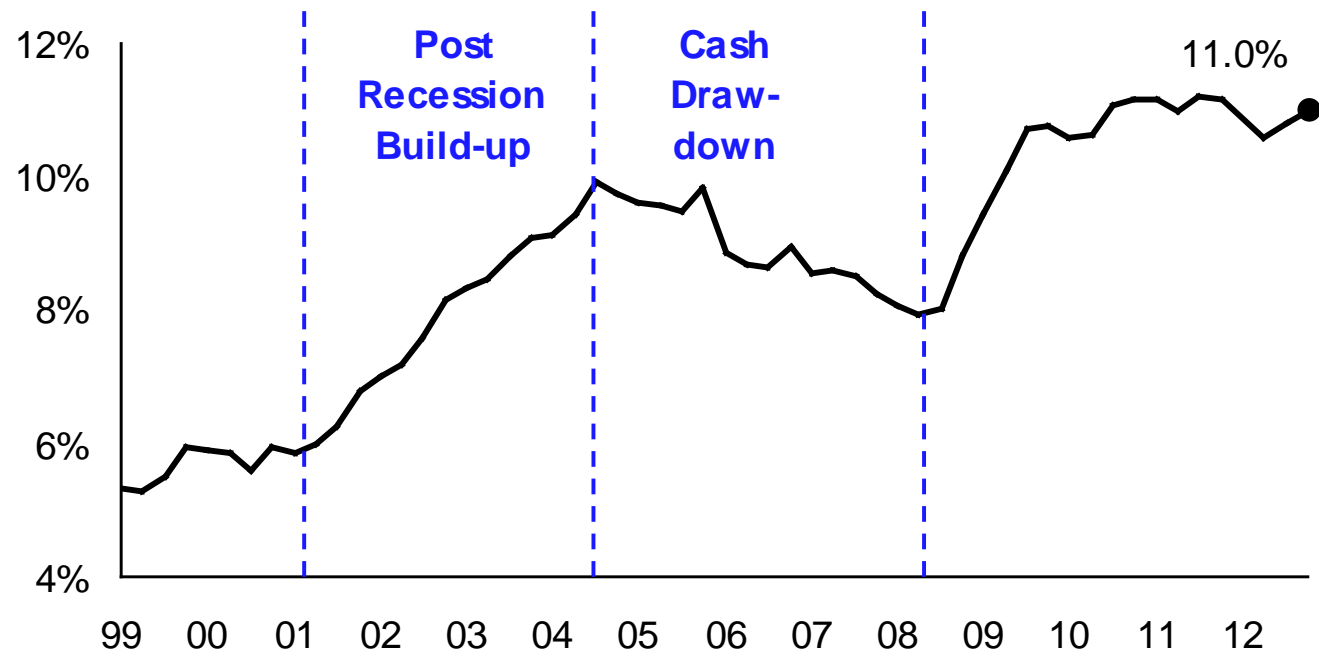
## Federal Debt Held by Public (% of GDP)



Source: CBO, Choices for Deficit Reduction (Nov 2012) and UBS

# Corporate Behavior

## Cash as a % of Total Assets

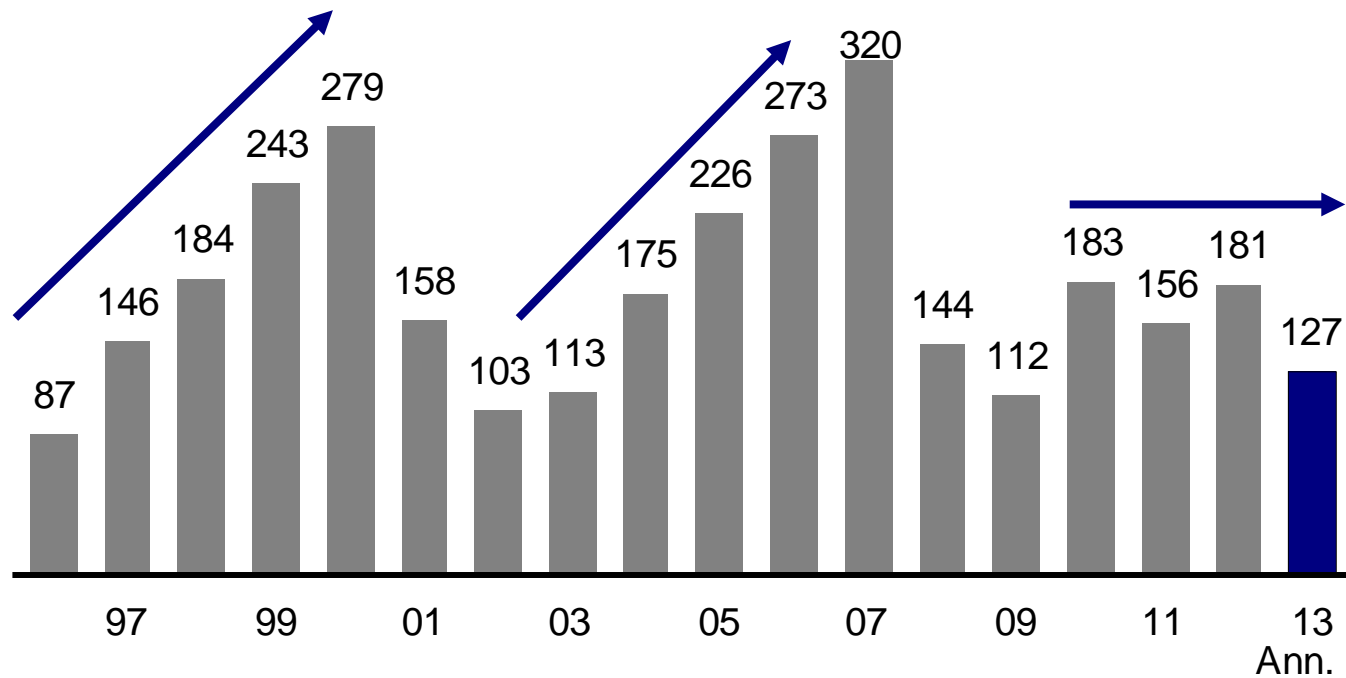


Source: S&P, Compustat, FactSet and UBS

Note: Universe excludes Financials

# Corporate Behavior

## M&A – Number of Deals Above \$1 Billion



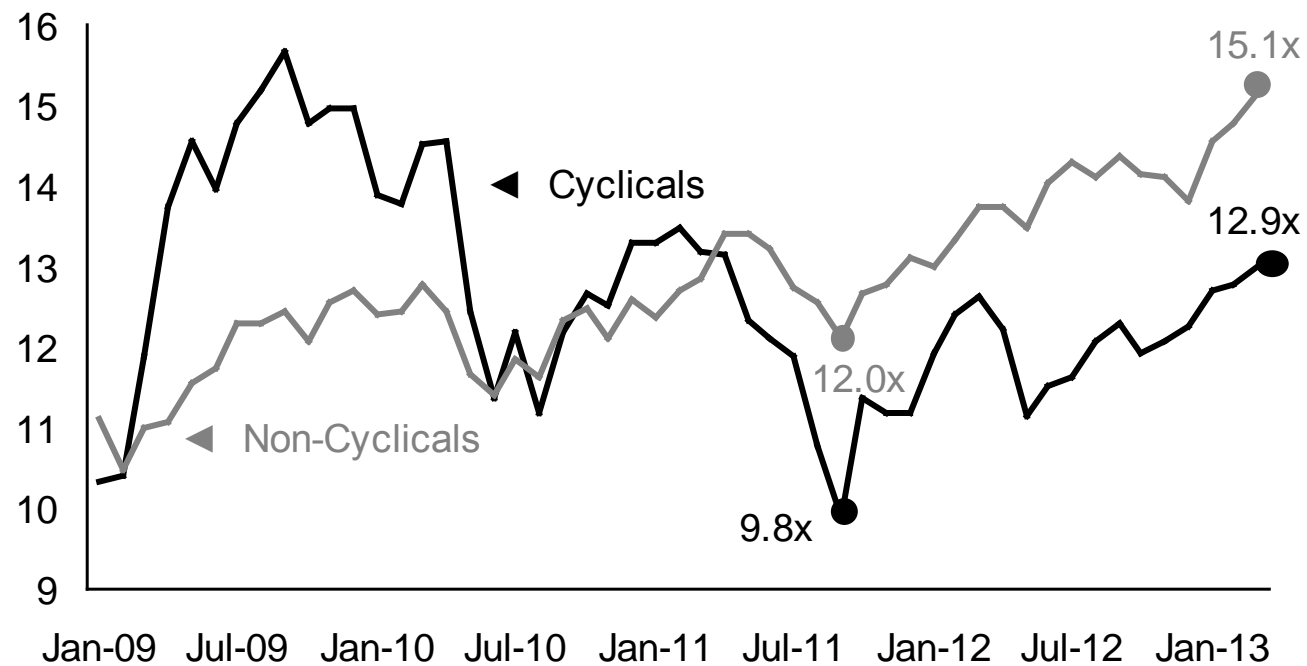
Source: MergerStat, FactSet and UBS

Note: 2013 is estimated based on a run rate of 29 deals as of 3/21/13



# Investor Behavior

## Forward P/E – Cyclicals vs. Non-Cyclicals



Source: S&P, Compustat, Thomson Financial, FactSet and UBS

# Valuation Longer Term

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## S&P 500 E/P vs. 10 Yr Treasuries (1981-1999)

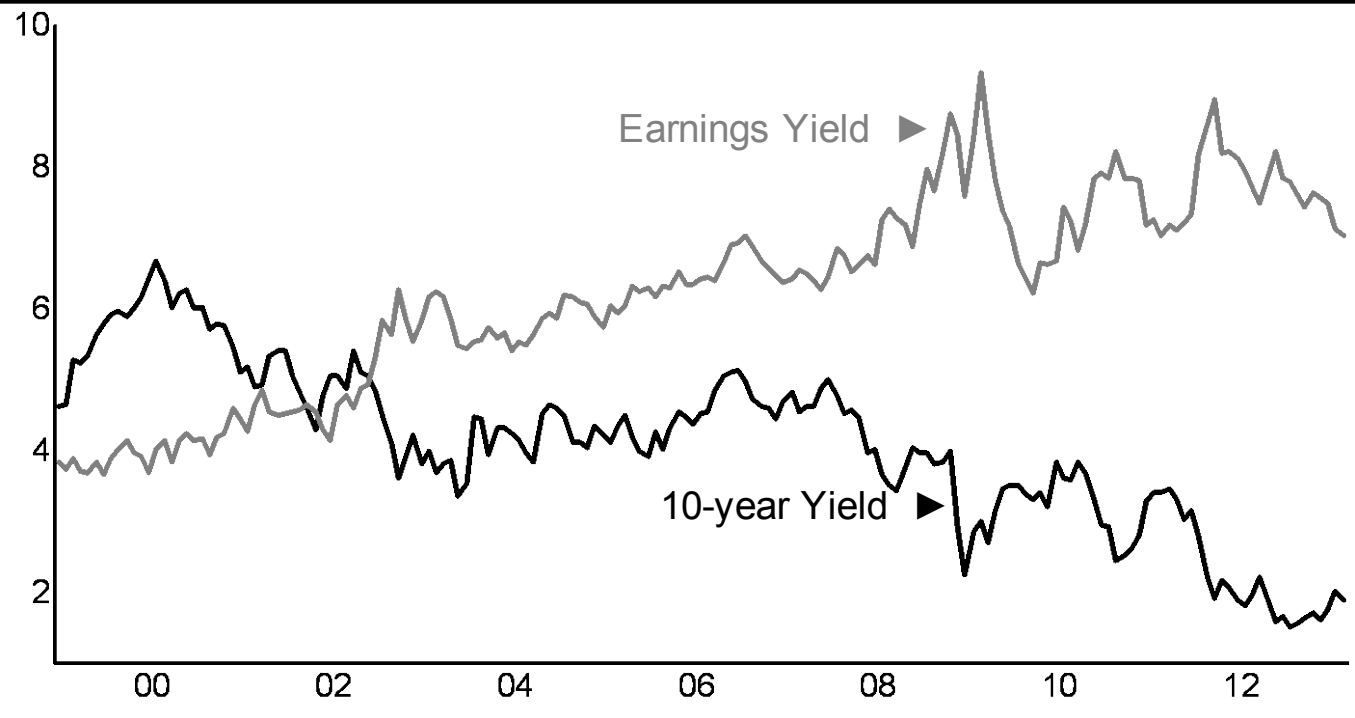
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Source: Federal Reserve, S&P, Thomson Financial, FactSet and UBS

# Valuation Longer Term

## S&P 500 E/P vs. 10 Yr Treasuries (1999-Present)



Source: Federal Reserve, S&P, Thomson Financial, FactSet and UBS

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UBS 12-Month Rating	Rating Category	Coverage <sup>1</sup>	IB Services <sup>2</sup>
Buy	Buy	50%	31%
Neutral	Hold/Neutral	41%	31%
Sell	Sell	9%	20%
UBS Short-Term Rating	Rating Category	Coverage <sup>3</sup>	IB Services <sup>4</sup>
Buy	Buy	less than 1%	33%
Sell	Sell	less than 1%	0%

1:Percentage of companies under coverage globally within the 12-month rating category.

2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

3:Percentage of companies under coverage globally within the Short-Term rating category.

4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

Source: UBS. Rating allocations are as of 30 September 2012.

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UBS 12-Month Rating	Definition
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Neutral	FSR is between -6% and 6% of the MRA.
Sell	FSR is > 6% below the MRA.
UBS Short-Term Rating	Definition
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Sell	Sell: Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.

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