

LPL RESEARCH MIDYEAR OUTLOOK 2019

FUNDAMENTAL: How to Focus on What Really Matters in the Markets

LPL RESEARCH PRESENTS

MIDYEAR OUTLOOK 2019



NEW EDITION
—WITH—
REVISED
FORECASTS!

FUNDAMENTAL

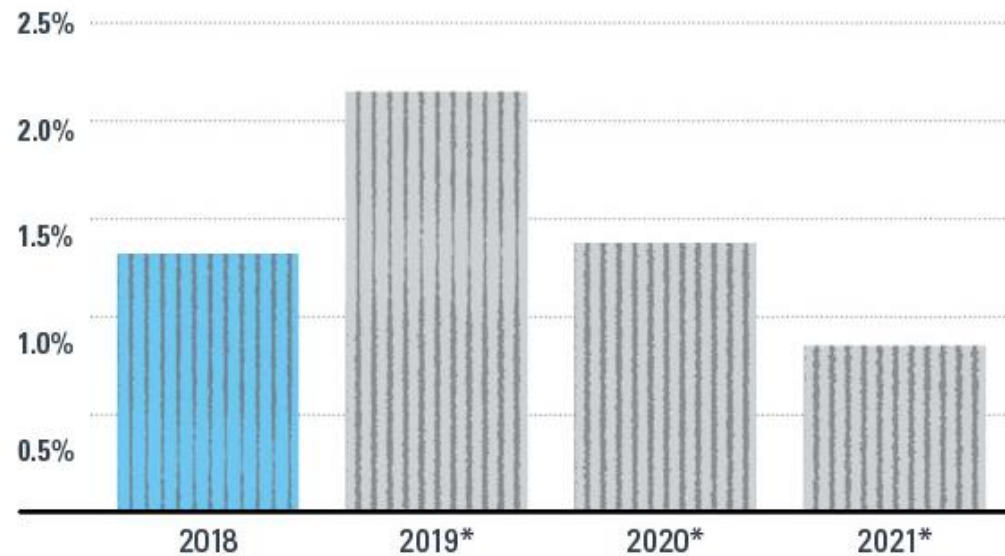
HOW TO FOCUS ON WHAT REALLY MATTERS IN THE MARKETS

 LPL Financial

POLICY: 2019 FISCAL STIMULUS

Contribution of Fiscal Stimulus to Output

FISCAL STIMULUS AS A % OF GROSS DOMESTIC PRODUCT (GDP)

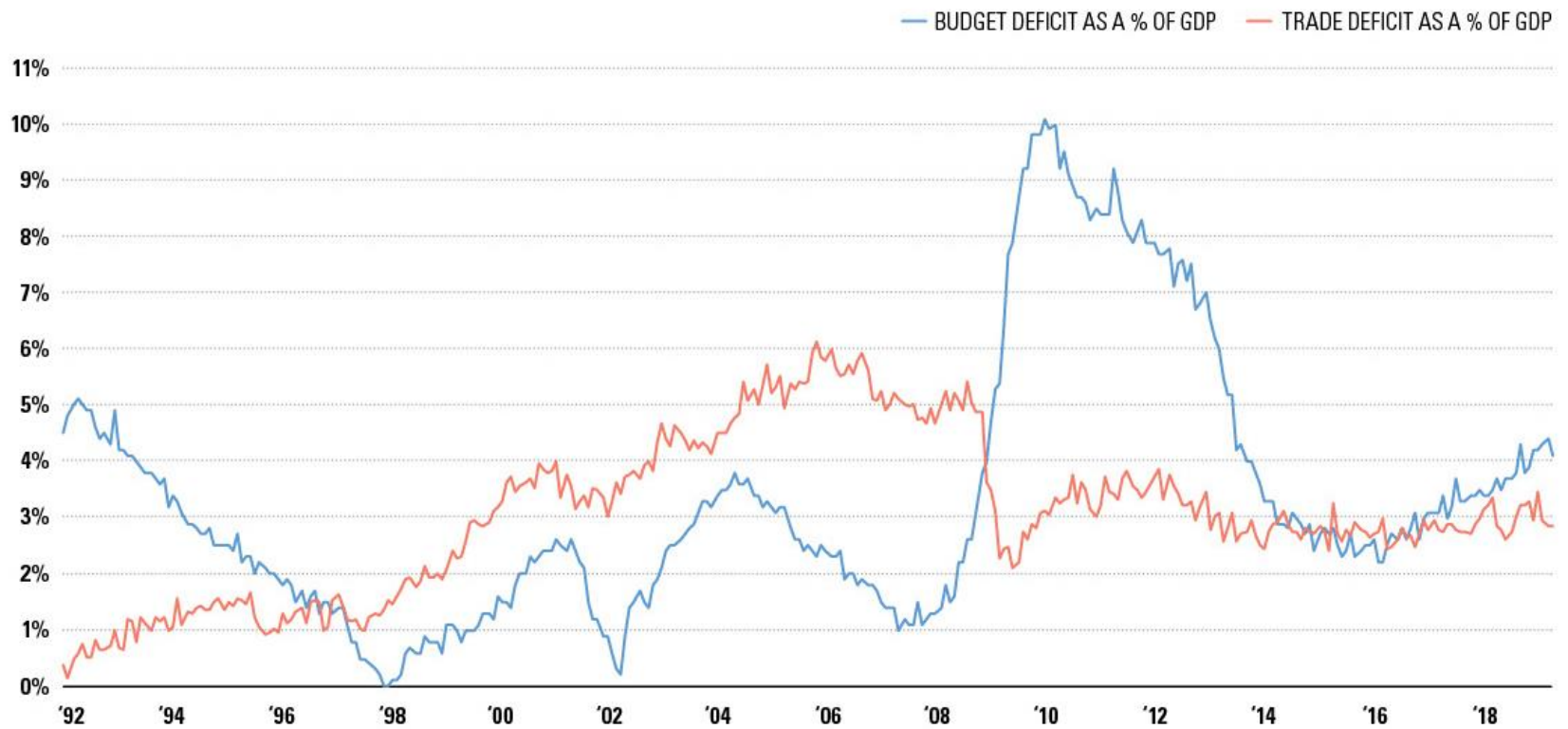


*Projection

Source: LPL Research, Strategas Research Partners 05/31/19

POLICY: TWIN DEFICITS

Twin Deficits: Budget & Trade



Source: LPL Research, U.S. Treasury, U.S. Bureau of Economic Analysis, U.S. Census Bureau 05/31/19

ECONOMY: U.S. AND GLOBAL FORECASTS

Economic Forecasts

| REAL GDP (YoY%) | 2018 | 2019 (EST.) |
|------------------------|-------------|--------------------|
| U.S. | 2.9% | 2.25-2.5% |
| Developed ex-U.S. | 1.8% | 2.1% |
| Emerging Markets | 4.5% | 4.4% |
| Global | 3.6% | 3.5% |

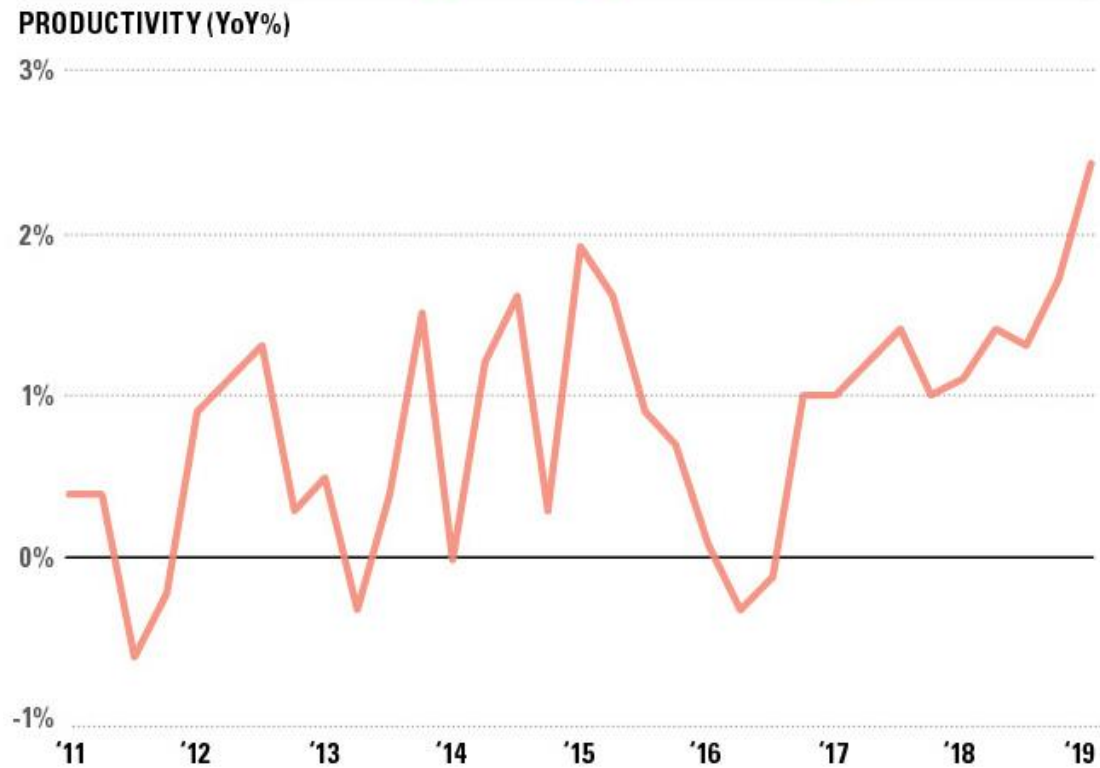
U.S. ECONOMIC DATA

| | | |
|------------------|------|---------|
| Inflation (YoY%) | 2.2% | 2-2.25% |
| Unemployment | 3.9% | 3.6% |

Source: LPL Research, Bloomberg, International Monetary Fund (IMF) 05/31/19. 2019 U.S. GDP estimates, global GDP estimate, inflation, and unemployment are LPL forecasts. Developed ex-U.S. and emerging markets GDP forecasts are IMF projections. Inflation is measured by the Consumer Price Index excluding food and energy.

ECONOMY: PRODUCTIVITY

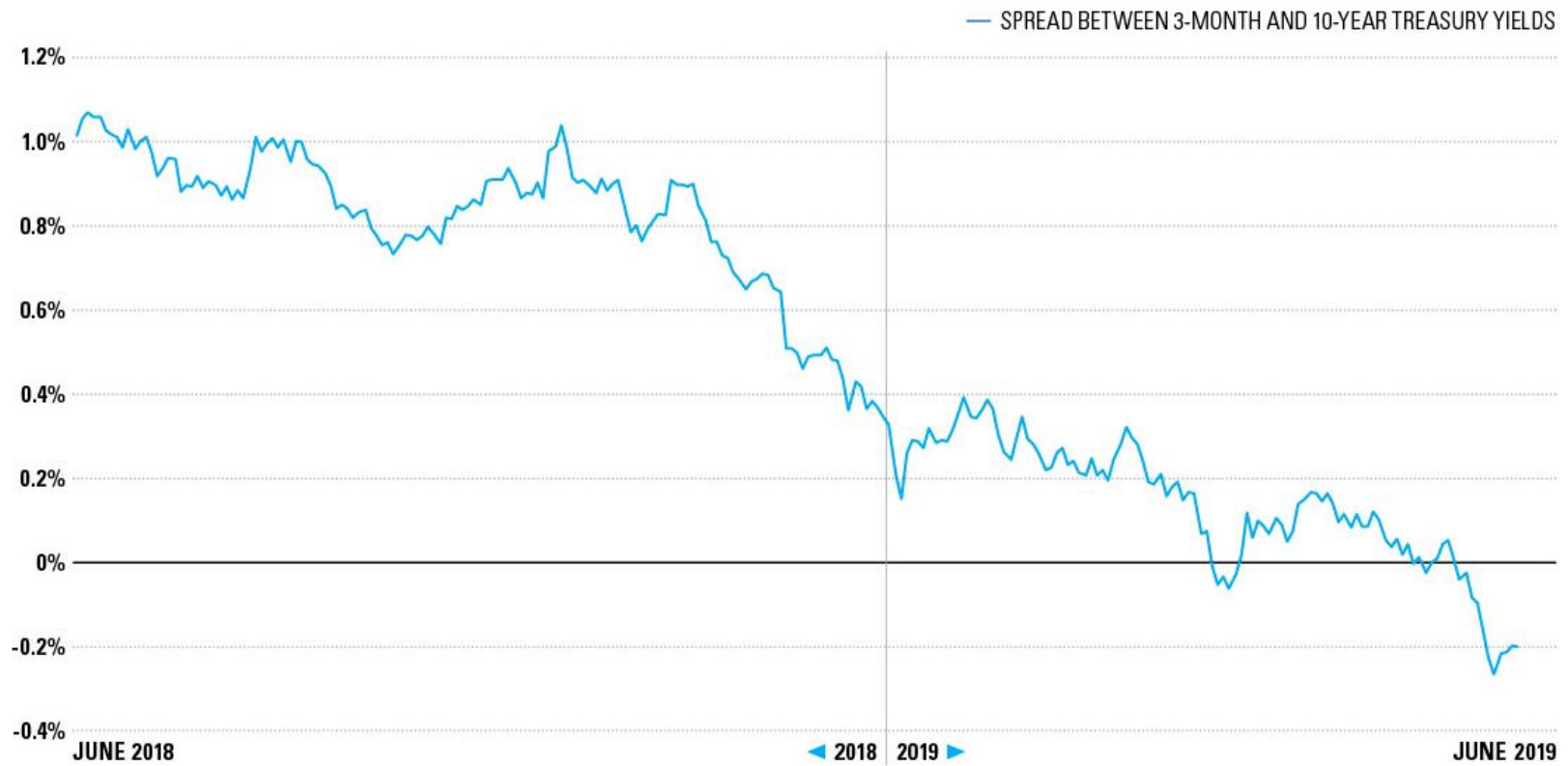
Productivity Improving



Source: LPL Research, U.S. Bureau of Labor Statistics 05/31/19

FIXED INCOME: YIELD CURVE

Yield Curve Inversion



Source: LPL Research, Bloomberg 06/07/19

FIXED INCOME OVERVIEW

Our Views on Fixed Income

| | OVERWEIGHT | MARKET WEIGHT | UNDERWEIGHT |
|---|------------|---------------|-------------|
| Investment-Grade Corporate Bonds | X | | |
| Mortgage-Backed Securities | X | | |
| EM Debt | | X | |
| High-Yield Bonds | | X | |
| Treasury Inflation-Protected Securities | | X | |
| Bank Loans | | | X |
| Developed International Bonds | | | X |
| Long-Term High-Quality Bonds | | | X |

Source: LPL Research 05/31/19

EQUITIES: TRADE FEARS

Trade Uncertainty Increases Market Volatility



Source: LPL Research, Bloomberg 06/12/19

EQUITIES OVERVIEW

Our Views on Equities

| | OVERWEIGHT | MARKET WEIGHT | UNDERWEIGHT |
|-------------------------|------------|---------------|-------------|
| GEOGRAPHY | | | |
| United States | | X | |
| Developed International | | | X |
| Emerging Markets | X | | |
| MARKET CAP | | | |
| U.S. Large Cap | | X | |
| U.S. Small Cap | | X | |
| STYLE | | | |
| Growth | | | X |
| Value | X | | |

Source: LPL Research 05/31/19

IMPORTANT INFORMATION

Please see the full *Midyear Outlook 2019* publication for additional description and disclosure.

The opinions voiced in this material are for general information only and are not intended to provide or be construed as providing specific investment advice or recommendations for any individual security. To determine which investments may be appropriate for you, consult your financial advisor prior to investing.

Our recommendations are subject to change at any time based on market and other conditions. Economic forecasts set forth may not develop as predicted, and there can be no guarantee that strategies promoted will be successful. All performance referenced is historical and is no guarantee of future results.

Investing involves risks including possible loss of principal. No investment strategy or risk management technique can guarantee return or eliminate risk in all market environments.

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IMPORTANT DISCLOSURES

Investing in **stock** includes numerous specific risks including the fluctuation of dividend, loss of principal, and potential illiquidity of the investment in a falling market. The prices of **small cap** stocks are generally more volatile than **large cap** stocks. Value investments can perform differently from the market as a whole. They can remain undervalued by the market for long periods of time. **Active management** involves risk as it attempts to outperform a benchmark index by predicting market activity, and assumes considerable risk should managers incorrectly anticipate changing conditions.

Bonds are subject to market and interest rate risk if sold prior to maturity. Bond and bond mutual fund values and yields will decline as interest rates rise, and bonds are subject to availability and change in price. Bond yields are subject to change. Certain call or special redemption features may exist, which could impact yield. Municipal bonds are subject to availability and change in price. Interest income may be subject to the alternative minimum tax (AMT). **Municipal bonds** are federally tax-free, but other state and local taxes may apply. If sold prior to maturity they are subject to market and interest rate risk and capital gains tax could apply. **U.S. Treasuries** may be considered “safe haven” investments but do carry some degree of risk including interest rate, credit, and market risk. They are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. **Mortgage-backed securities (MBS)** are subject to credit, default, prepayment, extension, market, and interest rate risk.

Investing in **foreign and emerging markets** involves special additional risks. These risks include, but are not limited to, currency risk, geopolitical risk, and risk associated with varying accounting standards. Investing in emerging markets may accentuate these risks. Because of their narrow focus, sector investing will be subject to greater volatility than investing more broadly across many sectors and companies.

There is no guarantee that a **diversified portfolio** will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk. **Rebalancing** a portfolio may cause investors to incur tax liabilities and/or transaction costs and does not assure a profit or protect against a loss.

IMPORTANT INFORMATION

DEFINITIONS

Earnings per share (EPS) is the portion of a company's profit allocated to each outstanding share of common stock. EPS serves as an indicator of a company's profitability. EPS is generally considered to be the single most important variable in determining a share's price. It is also a major component used to calculate the price-to-earnings valuation ratio.

The price-to-earnings (P/E) ratio is a measure of the price paid for a share relative to the annual net income or profit earned by the firm per share. It is a financial ratio used for valuation: a higher P/E ratio means that investors are paying more for each unit of net income, so the stock is more expensive compared to one with lower P/E ratio. Price to forward Earnings is a measure of the P/E ratio using forecasted earnings for the P/E calculation.

Gross domestic product (GDP) is the monetary value of all the finished goods and services produced within a country's borders in a specific time period, though GDP is usually calculated on an annual basis. It includes all of private and public consumption, government outlays, investments, and exports less imports that occur within a defined territory.

INDEX DEFINITIONS

All indexes are unmanaged and cannot be invested into directly. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment.

The S&P 500 Index is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. The modern design of the S&P 500 stock index was first launched in 1957. All performance back to 1928 incorporates the performance of predecessor index, the S&P 90.