



July 8, 2021

Dear Valued Investor:

In the first half of 2021, the U.S. economy powered forward faster than nearly anyone had expected. Speed can be exhilarating, but it can also be dangerous. In our view, the overall economic picture remains sound and will likely support strong profit growth and additional stock market gains. But the pace of reopening also creates new hazards: supply chains are stressed, some labor shortages have emerged, inflation is heating up—at least temporarily—and asset prices look expensive compared to historical figures.

Markets are always forward looking, and in *LPL Research's Midyear Outlook 2021: Picking Up Speed (Due out on July 13)*, we help you keep your eyes on the road ahead. The next stretch may be a fast one and will have its share of opportunities, but also new risks to navigate. As always, sound financial advice can be as important as ever to help steer you through the environment and put in the miles toward meeting your long-term financial goals.

The U.S. economy has surprised nearly everyone to the upside as it speeds along—thanks to vaccinations, reopenings, and record stimulus. The growth rate of the U.S. economy may have peaked in the second quarter of 2021, but there is still plenty of momentum left to extend above-average growth into 2022. Despite the natural challenges of ramping back up, the recovery still seems capable of providing upside surprises, and in the end, we could have our best year of real GDP growth since the early 1980s.

Although higher taxes and more regulation are likely coming, an extraordinary amount of support from the Federal Reserve (Fed) and more than \$5 trillion in fiscal stimulus so far (with more coming) should continue to support the stock market and economy for the rest of 2021.

Speaking of the stock market, we expect the robust economic recovery to continue to drive strong earnings growth and support further gains for stocks. Don't forget though, after a more than 90% gain off the March 23, 2020, lows for the S&P 500 Index, some choppy action during the historically challenging year two of a bull market would be perfectly normal.

Turning to bonds, it has been a historically tough year, as yields surged earlier this year. Should the economy continue to improve, the door would be open for stocks to continue to do quite well, but we will always appreciate bonds' important role in a portfolio as a source of income and as a potential diversifier during equity declines.

Midyear Outlook 2021: Picking Up Speed was designed to help you navigate a year in which economic conditions may continue to improve. Understanding the road immediately ahead is essential for navigating its twists and turns, but it will be thoughtful planning and sound financial advice that will keep us on the journey.

The first half has been a good one for investors. While the road ahead may bring more gains in the second half, it might be a bumpy ride. Please contact me if you have any questions.

Sincerely,

Richard Hill
President/Lead Advisor
Compass Financial Group

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All data is provided as of June 1, 2021.

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All index data from FactSet.

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