

LPL RESEARCH
PRESENTS

MIDYEAR OUTLOOK 2021

PICKING UP SPEED





INTRODUCTION



PICKING UP SPEED



ECONOMY

**SPEEDING
AHEAD**



2021 Economic Forecasts

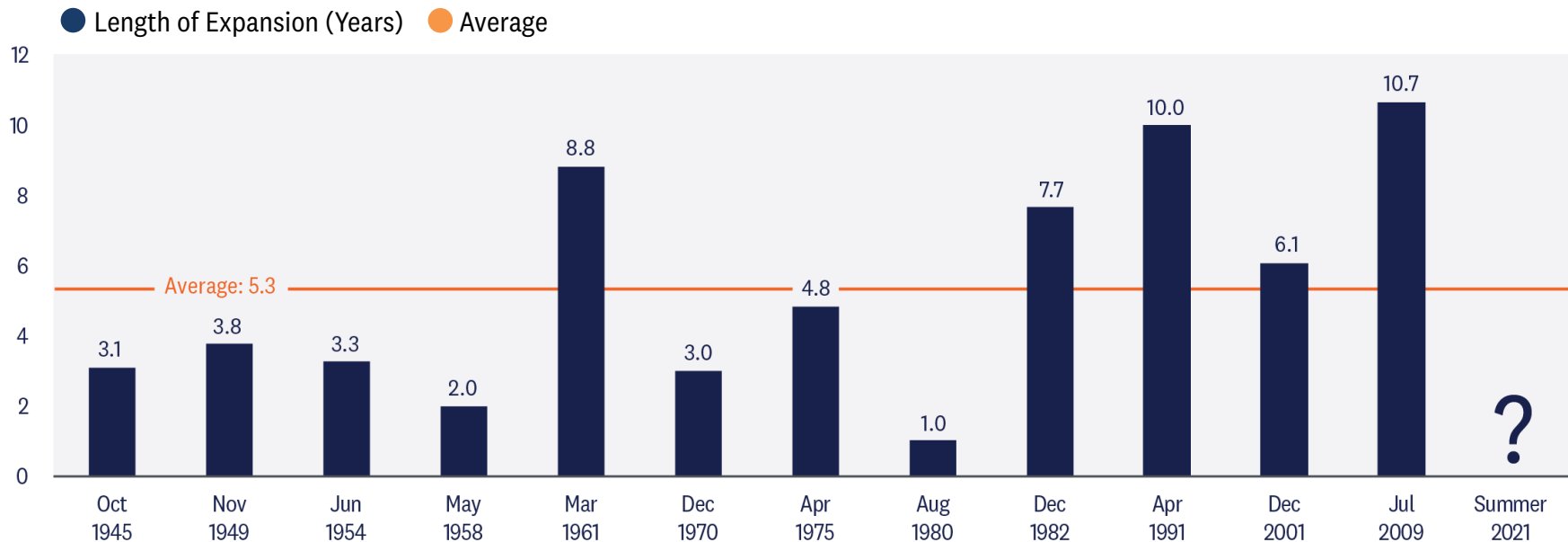
Big Jump In U.S. Growth Since Start Of 2021

Real GDP Growth Forecasts (YoY)	2020	2021 (as of 12/31/20)	2021 (Current)
United States	-3.5%	3.9%	6.25% to 6.75%
Developed ex-U.S.	-3.9%	3.6%	3.75% to 4.25%
Emerging Markets	-0.6%	5.1%	5.5% to 6%
Global	-3.3%	5.2%	5.5% to 6%

Source: LPL Research, Dallas Federal Reserve, International Monetary Fund (IMF), Bloomberg 06/28/21
Economic forecasts may not develop as predicted and are subject to change.

New Economic Expansion Could Last Years

This New Expansion Could Have Years Left



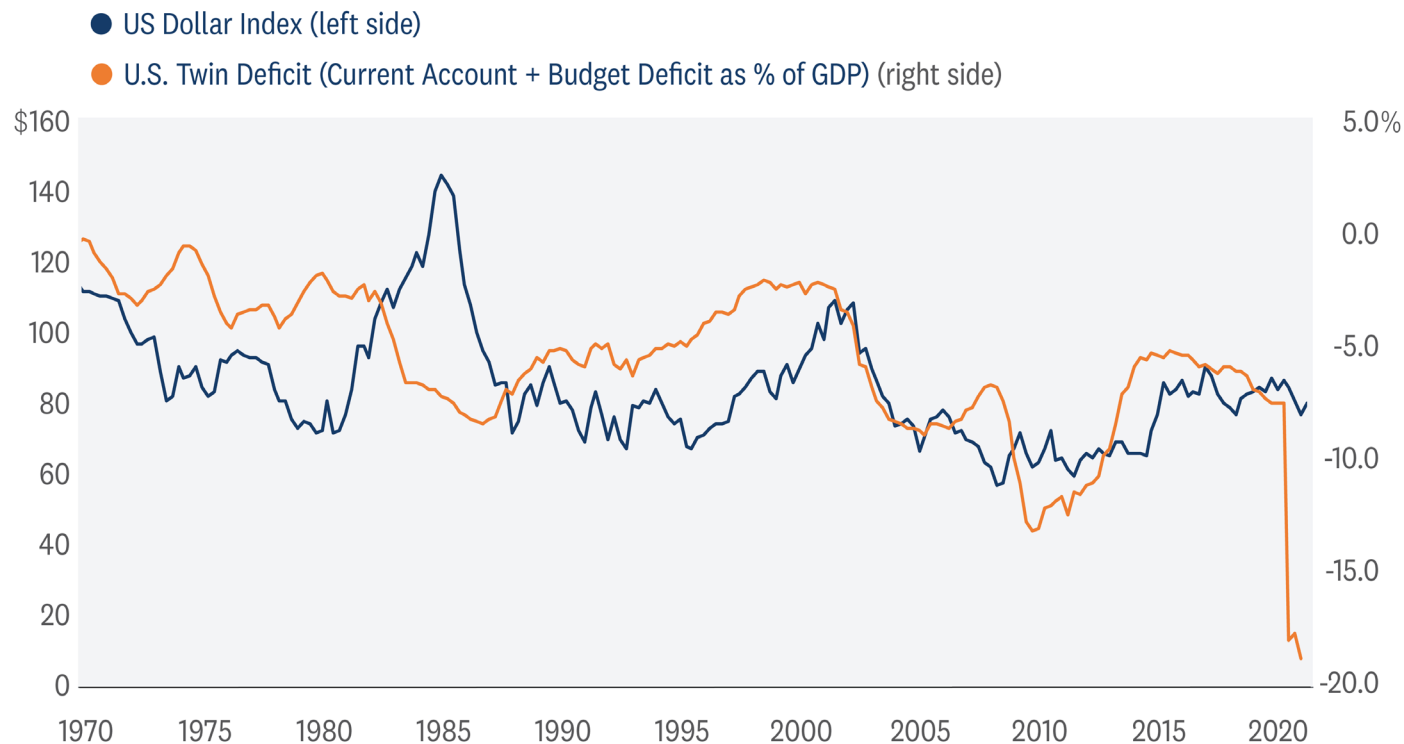
Source: LPL Research, National Bureau of Economic Research 06/28/21

Economic forecasts set forth may not develop as predicted and are subject to change.

While NBER has not officially dated the end of the recession, and typically does not until approximately a year after the economy has troughed, on average, we are provisionally dating summer 2020 as the economic trough based on record retail sales and expanding manufacturing and services data.

Twin Deficits Create Structural Pressure on the U.S. Dollar

Huge Deficits Could Pressure The U.S. Dollar Lower For Many More Years



Source: Source: LPL Research, Bloomberg 06/28/21
Current Account + Budget Deficit as of 03/31/21
All indexes are unmanaged and cannot be invested into directly.
Past performance is no guarantee of future results.

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POLICY



TAKING A **BACK SEAT**

What Happens After Higher Corporate Taxes?

S&P 500 Index Performance After Increases in the Corporate Tax Rate

Date of Corporate Tax Increase	Old Rate	New Rate	Legislation	S&P 500 Index Returns			
				Three Months Before	Next Three Months	Next Six Months	Next 12 Months
6/25/40	19.0%	22.1%	Revenue Act of 1940	-19.4%	10.7%	5.9%	1.3%
10/8/40	22.1%	24.0%	Second Revenue Act of 1940	5.7%	3.0%	-8.1%	-6.6%
9/20/41	24.0%	31.0%	Revenue Act of 1941	3.3%	-18.4%	-21.7%	-14.9%
10/21/42	31.0%	40.0%	Revenue Act of 1942	8.2%	8.9%	21.4%	26.0%
9/23/50	38.0%	42.0%	Revenue Act of 1950	7.2%	4.5%	10.6%	19.8%
10/31/51	42.0%	51.0%	Revenue Act of 1951	1.9%	5.1%	3.2%	7.5%
6/28/68	48.0%	52.8%	Revenue & Expenditure Control Act of 1968	10.4%	2.7%	5.2%	-1.5%
8/10/93	34.0%	35.0%	Omnibus Budget Reconciliation Act of 1993	1.1%	2.4%	5.0%	1.9%
Average				2.3%	2.4%	2.7%	4.2%
Median				4.5%	3.8%	5.1%	1.6%
% Positive				87.5%	87.5%	75.0%	62.5%

Source: LPL Research, Strategas, FactSet 06/28/21
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Higher Capital Gains Haven't Hurt Stocks Lately

S&P 500 Index Performance After Increases in Capital Gains Taxes

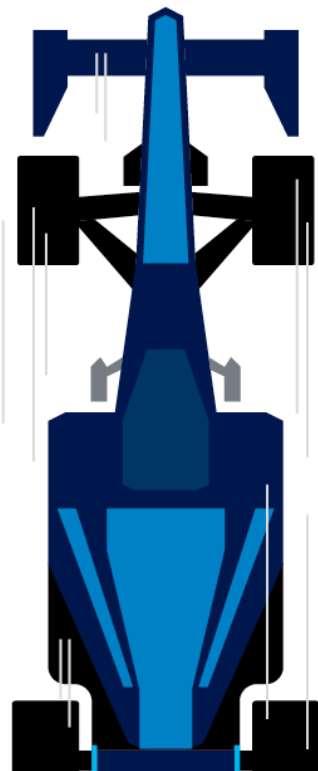
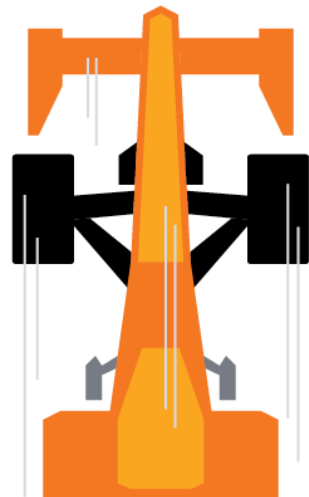
Date of Capital Gains Increase	Old Rate	New Rate	Three Months Before	S&P 500 Index Future Returns		
				Next Three Months	Next Six Months	Next 12 Months
12/30/69	27.5%	36.5%	-1.6%	-1.7%	-20.4%	-0.6%
10/4/76	36.5%	39.9%	0.5%	1.6%	-5.6%	-7.7%
10/22/86	20.0%	28.0%	-0.7%	15.9%	21.4%	9.4%
1/1/13	15.0%	23.8%	1.5%	6.7%	10.5%	25.3%
Average			-0.1%	5.6%	1.5%	6.6%
Median			-0.1%	4.1%	2.4%	4.4%
% Positive			50.0%	75.0%	50.0%	50.0%

Source: LPL Research, Ned Davis Research, FactSet 06/28/21

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 STOCKS

GAINING GROUND





2021 U.S. Market Forecasts

Higher Earnings Support Further Gains for Stocks

2021 U.S. Market Forecasts	
10-Year U.S. Treasury Yield	1.75% to 2.00%
S&P 500 Index Earnings per Share	\$195
S&P 500 Fair Value	4,400-4,450*

Source: LPL Research, 06/28/21

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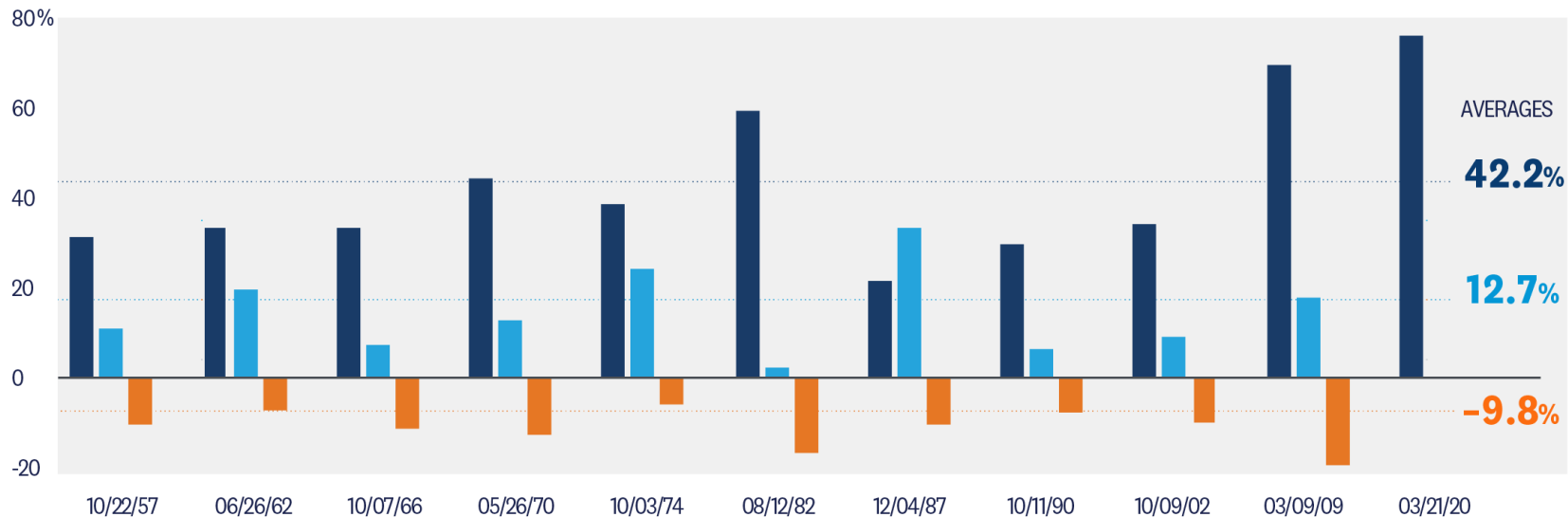
The economic forecasts may not develop as predicted.

*Our year-end 2021 fair-value target range for the S&P 500 Index of 4,400–4,450 is based on a price-to-earnings ratio (PE) of 21.5 and our revised S&P 500 Index earnings per share (EPS) forecast of \$205 in 2022.

*Our target for the 10-year Treasury Yield is based on higher inflation expectations, the strong economic recovery, less involvement in the bond market from the Fed, and a record amount of Treasury issuance this year.

Second Year of Bull Markets Typically Sees Moderating Gains and Shallow Corrections

● S&P 500 Index Performance in Year 1 off Low
 ● S&P 500 Performance in Year 2 off Low
 ● Second Year Max Drawdown



Source: LPL Research, Strategas 06/28/21

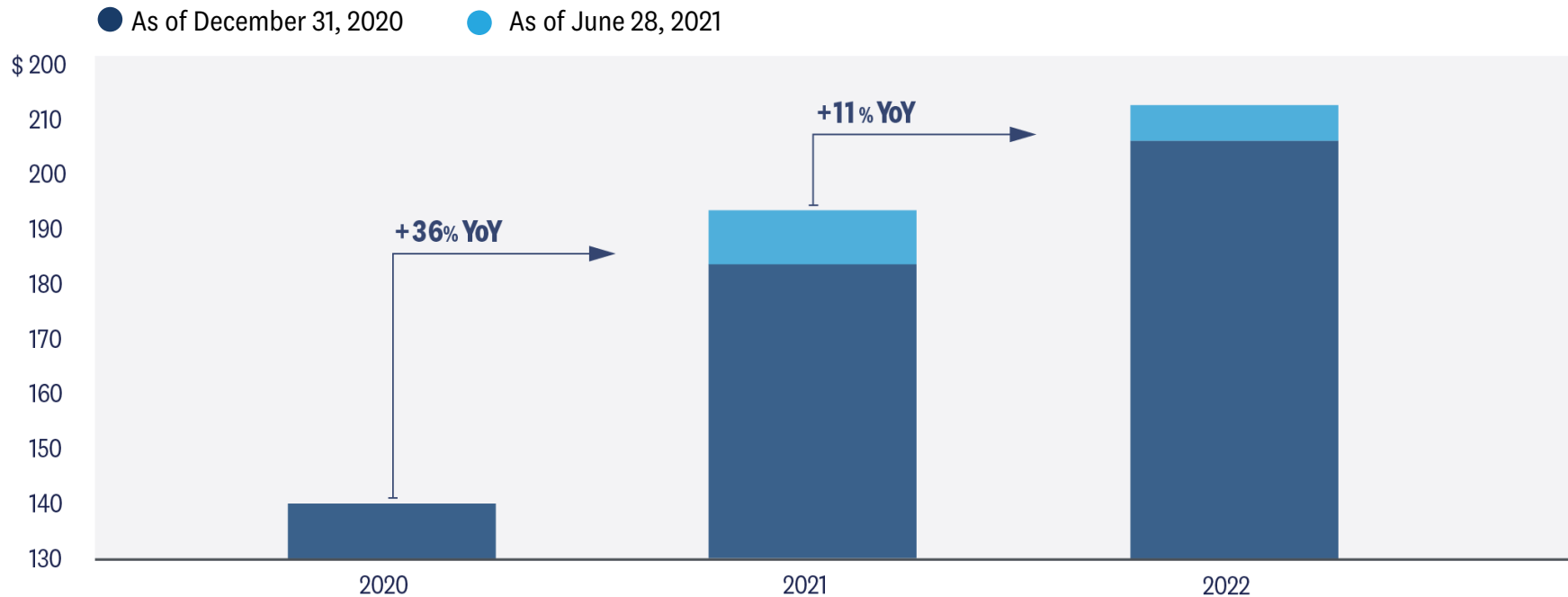
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Rising Earnings Expectations Set Up a Strong Ramp Up in 2021

Consensus S&P 500 Index Per Share (EPS) Estimate for 2021:



Source: LPL Research, FactSet 06/28/21
The economic forecasts may not develop as predicted.



BONDS

SAFETY FEATURES



High Copper to Gold Prices Imply 10-Year Treasury Yields Should Be Higher

● 10-year U.S. Treasury Yield (Left) ● Copper/Gold Ratio (Right)



Source: LPL Research, Bloomberg, 06/28/21

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Potential For Subpar Returns for Core Fixed Income Through Year-End

Bloomberg Barclays U.S. Aggregate Total Return Index Return Illustration

		Interest Rate Changes					
		- 20%	- 10%	0.00%	+ 10%	+ 20%	+ 30%
Spread Changes	- 20%	2.97%	2.28%	1.52%	0.75%	-0.09%	-1.02%
	- 10%	2.80%	2.12%	1.35%	0.58%	-0.26%	-1.18%
	0%	2.62%	1.93%	0.98%	0.40%	-0.44%	-1.37%
	+ 10%	2.43%	1.74%	0.98%	0.21%	-0.63%	-1.56%
	+ 20%	2.23%	1.54%	0.77%	0.01%	-0.83%	-1.76%
	+ 30%						

Source: LPL Research, Bloomberg, 6/28/21

All indexes are unmanaged and cannot be invested into directly.

Past performance is no guarantee of future results. This is a hypothetical illustration and is not representative of any investment. The hypothetical rates of return used do not reflect the deduction of fees and charges inherent to investing.



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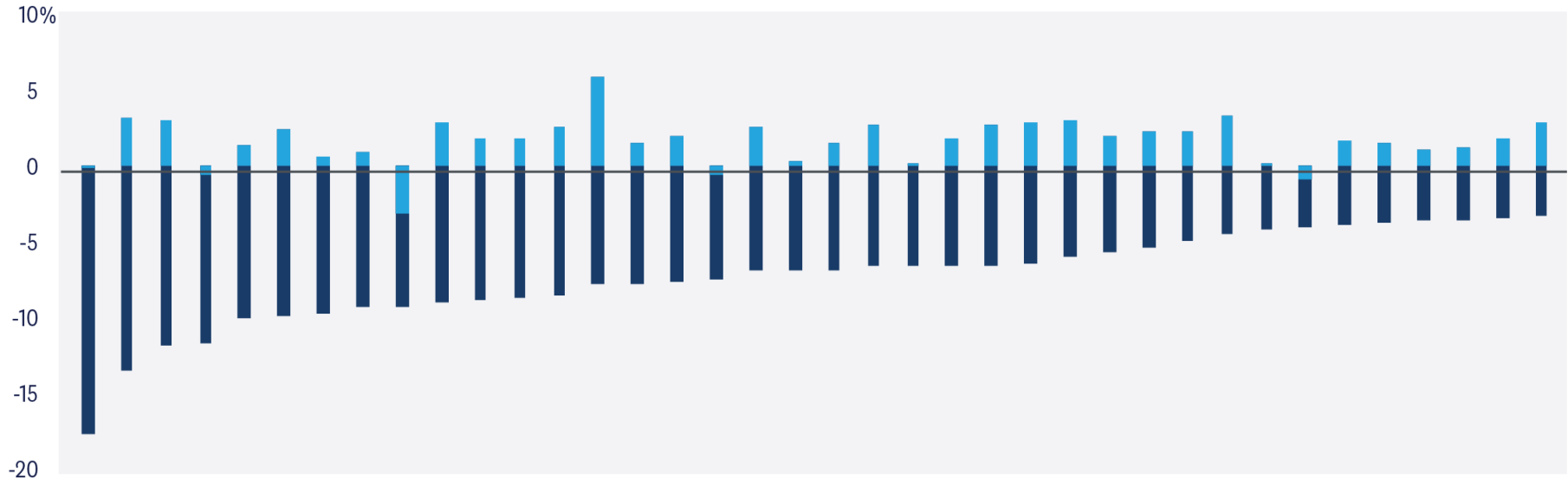


Treasury Securities Have Been Mostly Positive When Equities Were Negative

S&P 500 Index When Monthly Returns Were Down By 3% Or More (Dec 2000 - April 2021)

● S&P 500 Index ● Bloomberg Barclays Treasury Index

Left Axis: Monthly Returns (%)



Source: LPL Research, Bloomberg, 06/28/21
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THE FINISH LINE

OPEN
ROADS
AHEAD





Important Disclosures

The PE ratio (price-to-earnings 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 PE ratio means that investors are paying more for each unit of net income, so the stock is more expensive compared to one with lower PE ratio.

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. Earnings per share 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 Standard & Poor's 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 Bloomberg Barclays US Aggregate Bond Index is an index of the U.S. investment-grade fixed-rate bond market, including both government and corporate bonds.

Equity Risk:

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. Because of their narrow focus, sector investing will be subject to greater volatility than investing more broadly across many sectors and companies. Value investments can perform differently from the market as a whole. They can remain undervalued by the market for long periods of time. The prices of small and mid-cap stocks are generally more volatile than large cap stocks.

Equity Definitions:

Cyclical stocks typically relate to equity securities of companies whose price is affected by ups and downs in the overall economy and that sell discretionary items that consumers may buy more of during an economic expansion but cut back on during a recession. Counter-cyclical stocks tend to move in the opposite direction from the overall economy and with consumer staples which people continue to demand even during a downturn.

A growth stock is a share in a company that is anticipated to grow at a rate significantly above the average for the market due to capital appreciation.

A value stock is anticipated to grow above the average for the market due to trading at a lower price relative to its fundamentals, such as dividends, earnings, or sales.

A Value stock is anticipated to grow above the average for the market due to trading at a lower price relative to its fundamentals, such as dividends, earnings, or sales.

Large-cap stocks are issued by corporations with a market capitalization of \$10 billion or more, and small-cap stocks are issued by corporations with a market capitalization between \$250 million and \$2 billion.



Important Disclosures

Fixed Income Risks:

Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values 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. Government bonds and Treasury bills are guaranteed by the US 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. Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate, and credit risk, as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features. Mortgage-backed securities are subject to credit, default, prepayment, extension, market and interest rate risk.

Fixed Income definitions:

Credit Quality is one of the principal criteria for judging the investment quality of a bond or bond mutual fund. As the term implies, credit quality informs investors of a bond or bond portfolio's credit worthiness, or risk of default. Credit ratings are published rankings based on detailed financial analyses by a credit bureau specifically as it relates the bond issue's ability to meet debt obligations. The highest rating is AAA, and the lowest is D. Securities with credit ratings of BBB and above are considered investment grade. The credit spread is the yield the corporate bonds less the yield on comparable maturity Treasury debt. This is a market-based estimate of the amount of fear in the bond market. Base-rated bonds are the lowest quality bonds that are considered investment-grade, rather than high-yield. They best reflect the stresses across the quality spectrum.

The Bloomberg Barclays Aggregate US Bond Index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment-grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities.

International debt securities involve special additional risks. These risks include, but are not limited to, currency risk, geopolitical and regulatory risk, and risk associated with varying settlement standards. These risks are often heightened for investments in emerging markets.

High yield/junk bonds (grade BB or below) are not investment grade securities, and are subject to higher interest rate, credit, and liquidity risks than those graded BBB and above. They generally should be part of a diversified portfolio for sophisticated investors.

Municipal bonds are subject to availability and change in price. They are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise. Interest income may be subject to the alternative minimum tax. Municipal bonds are federally tax-free but other state and local taxes may apply. If sold prior to maturity, capital gains tax could apply.



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