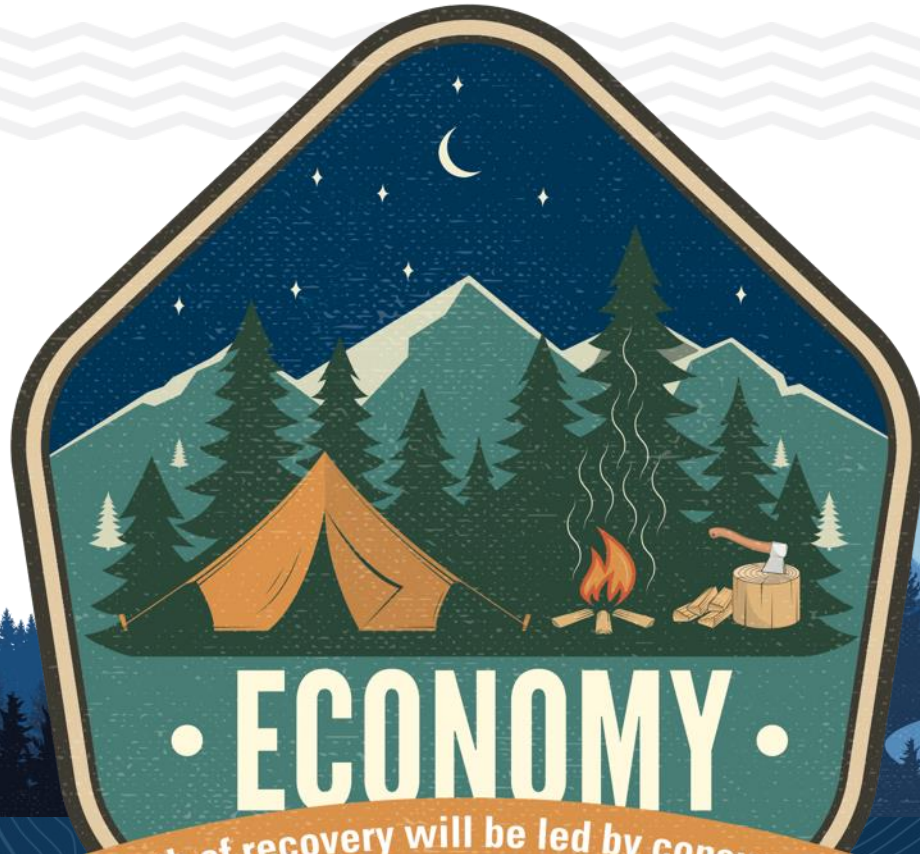


LPL Research Midyear Outlook 2020

THE TRAIL TO RECOVERY

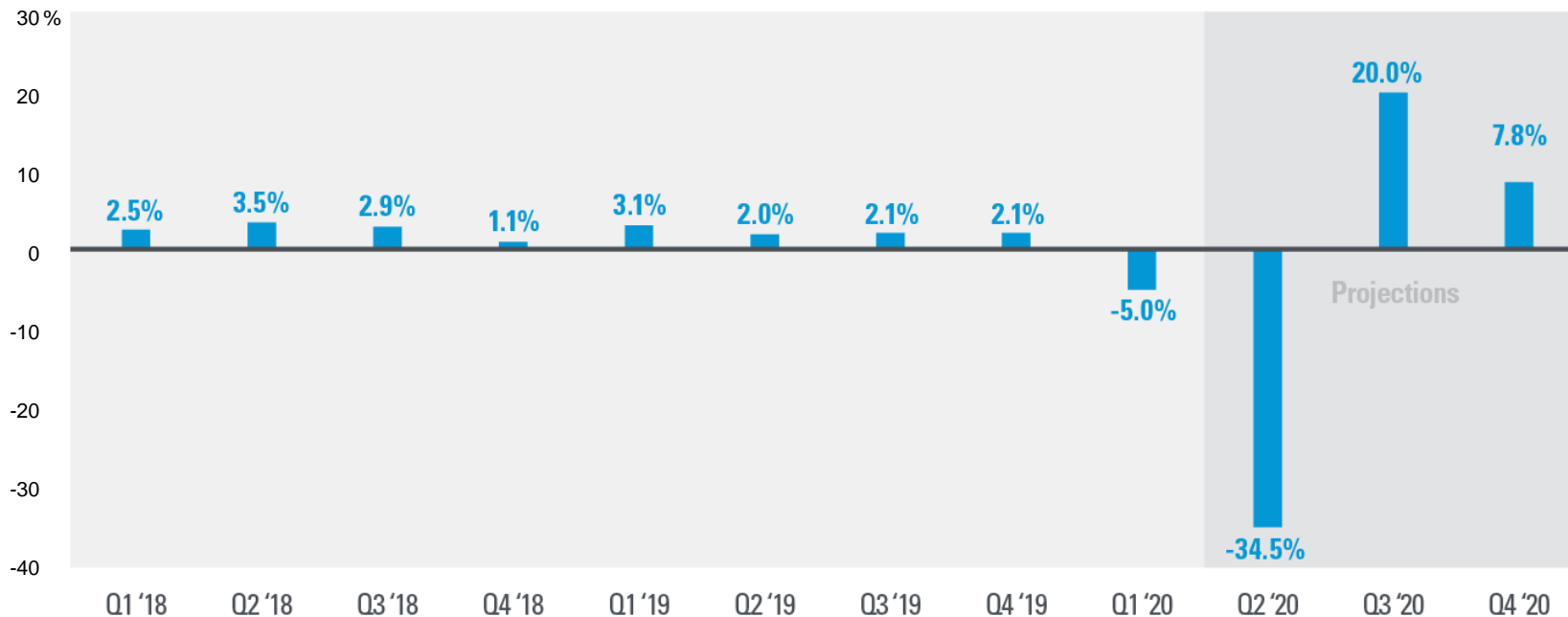




Path of recovery will be led by consumers
and depend on containing COVID-19

Second Quarter Economic Contraction May Be Followed by Second-Half Snapback

● Change in Real Gross Domestic Product (Quarter over Quarter, Annualized)



Source: LPL Research, Bloomberg 06/30/20

Gross Domestic Product (GDP) projections are median Bloomberg consensus forecasts.

Economic forecasts may not develop as predicted.

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2020 Economic Forecasts—COVID-19 Has Had a Significant Impact on Global Growth

Real GDP Growth Forecasts (YoY)	2019	2020 Bull Case	2020 Base Case	2020 Bear Case
United States	2.0%	-2% to -3%	-3% to -5%	-5% to -8%
Developed ex-US	1.3%	-4% to -5%	-5% to -7%	-7% to -10%
Emerging Markets	4.3%	2% to 3%	flat to 2%	flat to -3%
Global	3.5%	-1% to flat	-1% to -3%	-3% to -6%

Source: LPL Research, Bloomberg 06/30/20

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

GAINS AHEAD,
WITH SOME BUMPS ALONG THE WAY



• STOCK MARKET •

EST. 1792

Bear Market Recoveries Can Take Years

Date of S&P 500 Index Peak	Bear Market Duration (Months)	Magnitude of Decline	Months to Recover
Aug '56	14	-22%	11
Dec '68	17	-36%	21
Jan '73	21	-48%	69
Nov '80	21	-27%	3
Jul '90	3	-20%	4
Mar '00	31	-49%	56
Oct '07	17	-56%	49
Feb '20	1	-34%	?

Source: LPL Research, FactSet, CFRA 06/30/20

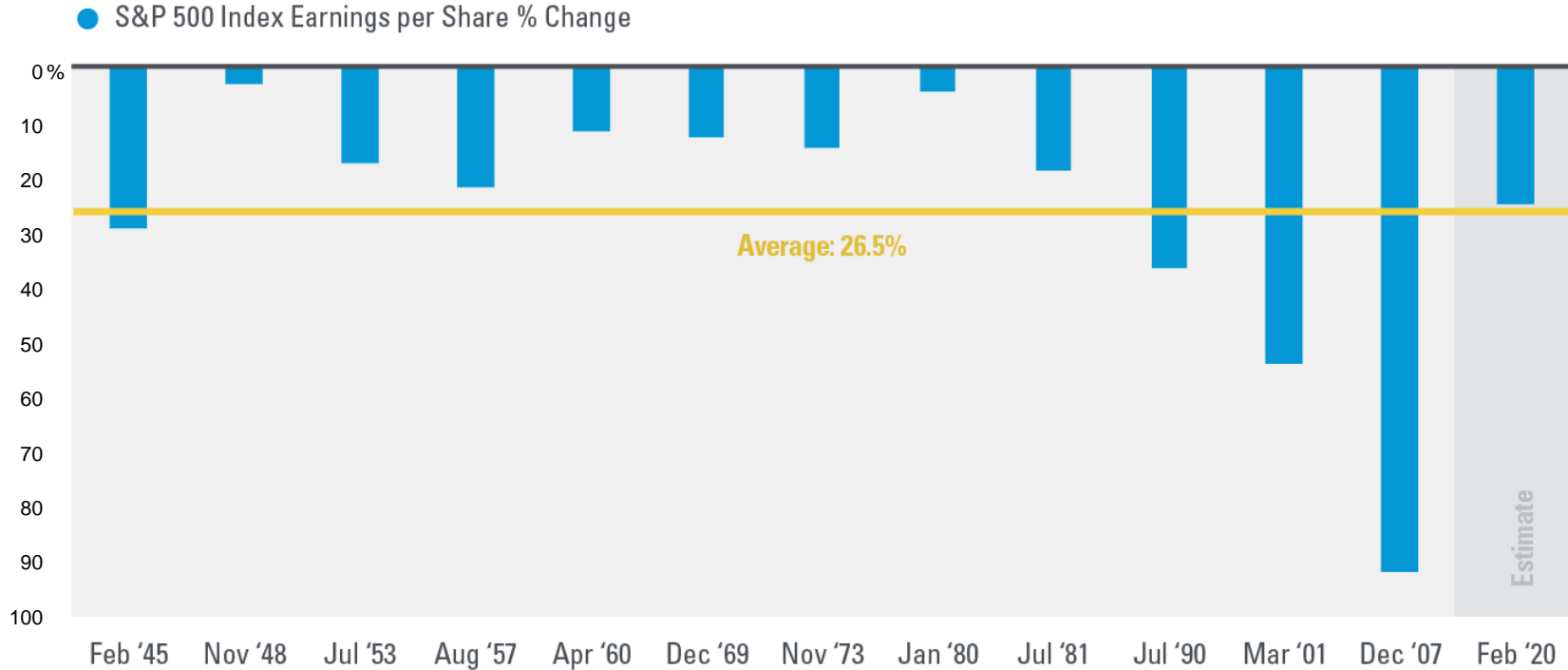
A bear market is when a stock index or security closes 20% or more below a 52-week high.

All indexes are unmanaged and cannot be invested into directly.

Past performance is no guarantee of future results.

The modern design of the S&P 500 Index was first launched in 1957. Performance before then incorporates the performance of its predecessor index, the S&P 90.

Earnings per Share Declines During Recessions



Source: LPL Research, NBER, Strategas 06/30/20

LPL Research assumes that the current recession continued at least through April, although that isn't official as of June 30, 2020.

Estimates may not develop as predicted.



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2020 US Market Forecasts—Base Case Forecast Allows for Modest Second-Half Gains for Stocks

2020 US Market Forecasts	2020 Bull Case	2020 Base Case	2020 Bear Case
S&P 500 Index Fair Value	3,450+	3,250–3,300	2,650
S&P 500 Earnings per Share	\$130+	\$120–125	\$110–115
10-Year US Treasury Yield	1.5–2%	1–1.5%	0–0.5%

Source: LPL Research, Bloomberg 06/30/20

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

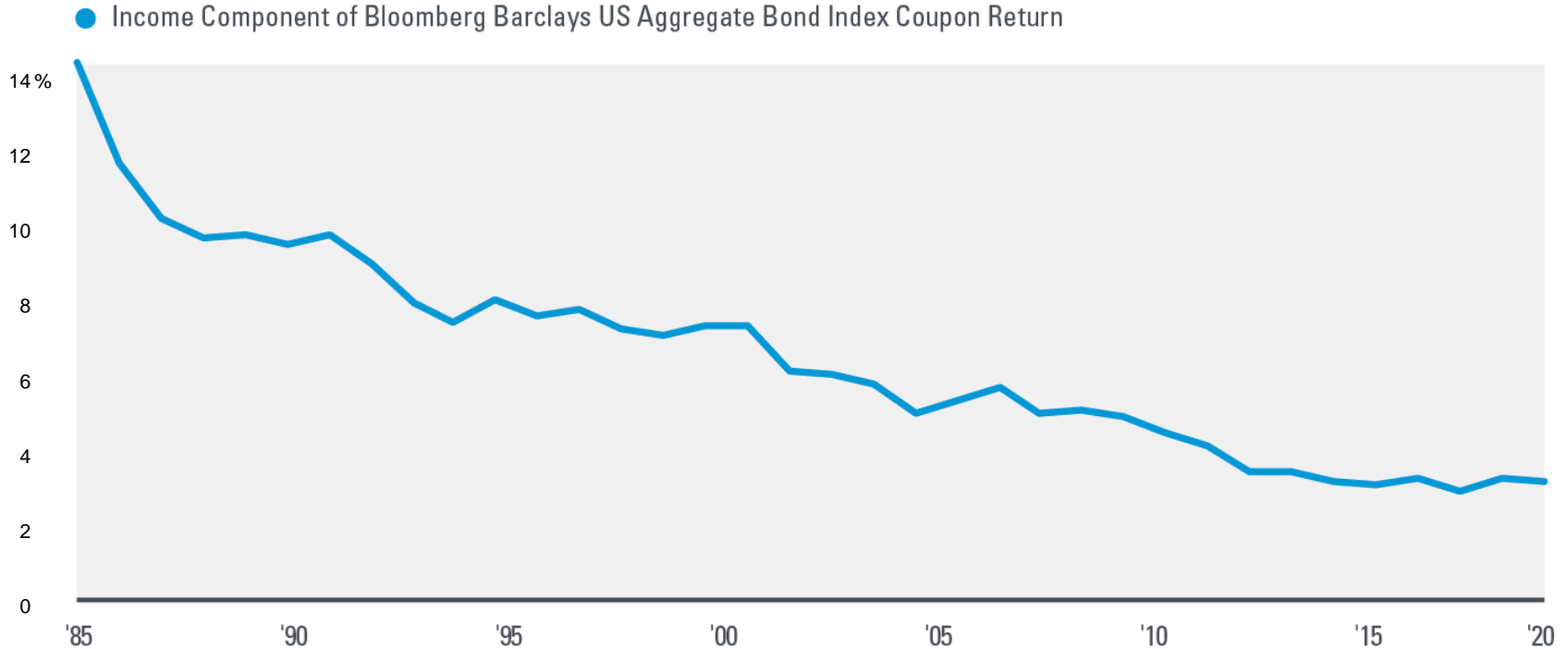


BOND MARKET

Modestly rising but depressed yields may leave investors with little return from bonds



Bond Income Has Been Declining for Decades



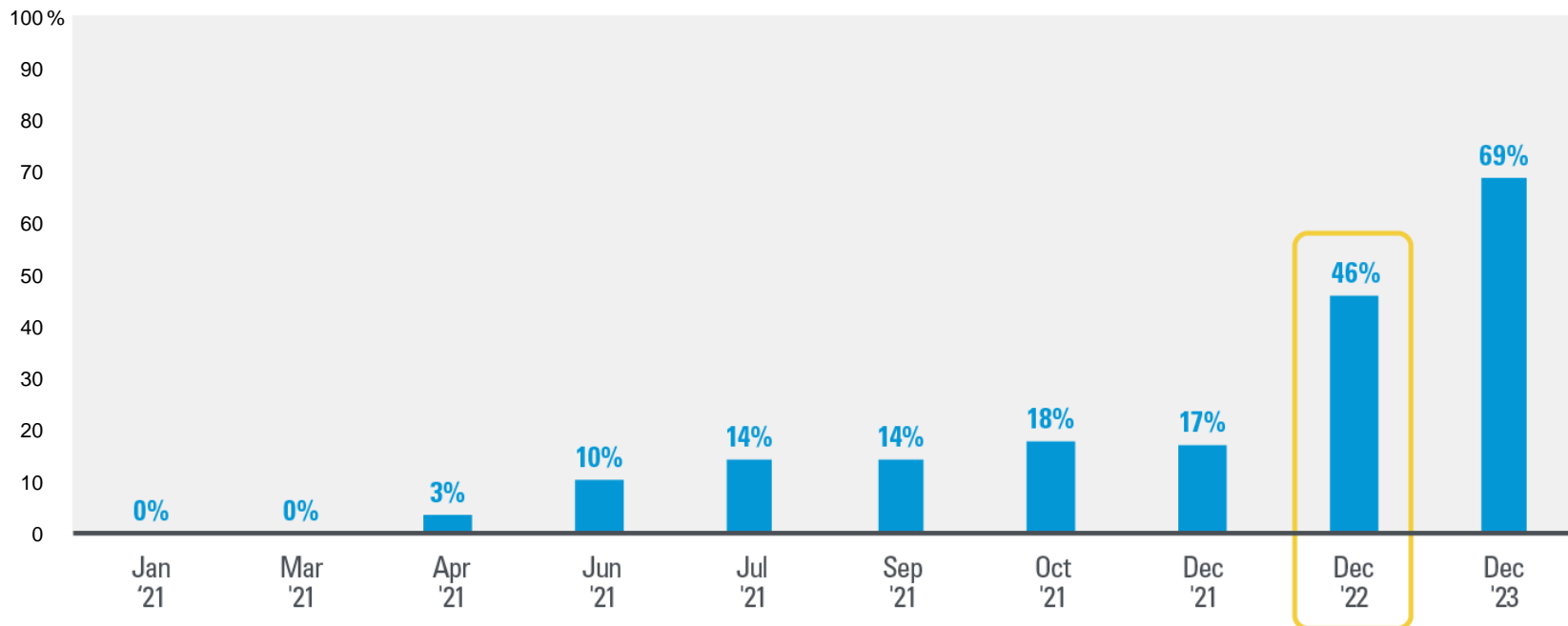
Source: LPL Research, FactSet 06/30/20

Note: 2020 data point is an LPL Research estimate.

Estimates may not develop as predicted.

Less than 50% of Economists Surveyed by Bloomberg Forecast a Rate Hike by the End of 2022

● % of Bloomberg-Surveyed Economists Who Believe We'll Have at Least One Rate Hike by the Given Date

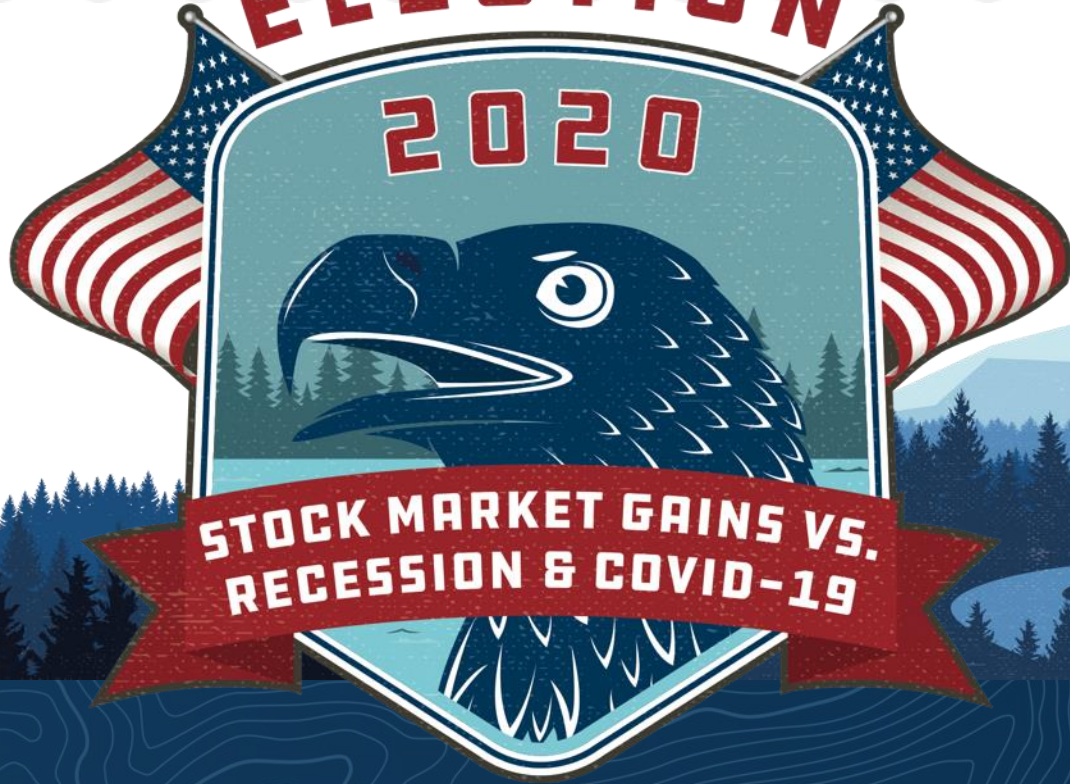


Source: LPL Research, Bloomberg 06/30/20
Economic forecasts may not develop as predicted.

ELECTION

2020

**STOCK MARKET GAINS VS.
RECESSION & COVID-19**

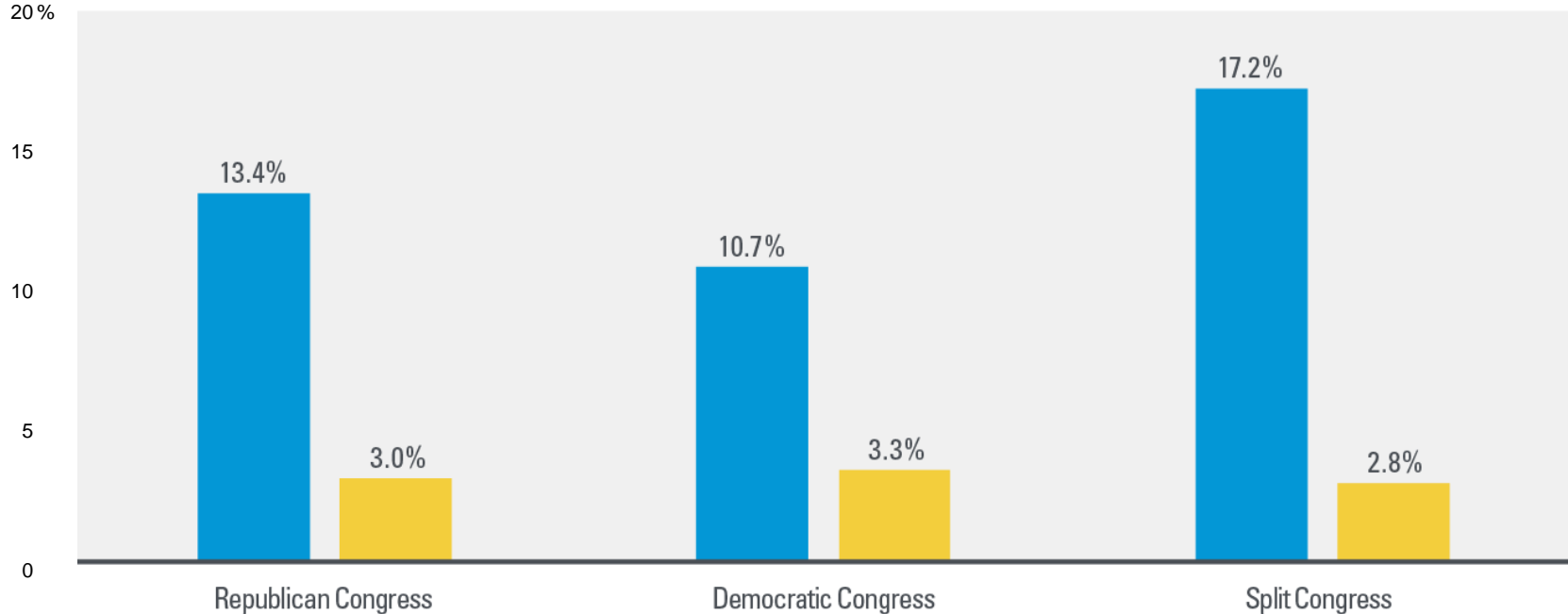


Historically, A Split Congress Has Been Positive for Stocks

Performance Based on Congress Makeup

● Average S&P 500 Index Annual Return

● Average Gross Domestic Product Growth



Source: LPL Research, Bloomberg 06/30/20

Data are from 1950–2019.

All indexes are unmanaged and cannot be invested into directly. Past performance is no guarantee of future results. The modern design of the S&P 500 stock index was first launched in 1957. Performance back to 1950 incorporates the performance of predecessor index, the S&P 90.

 **LPL Financial**

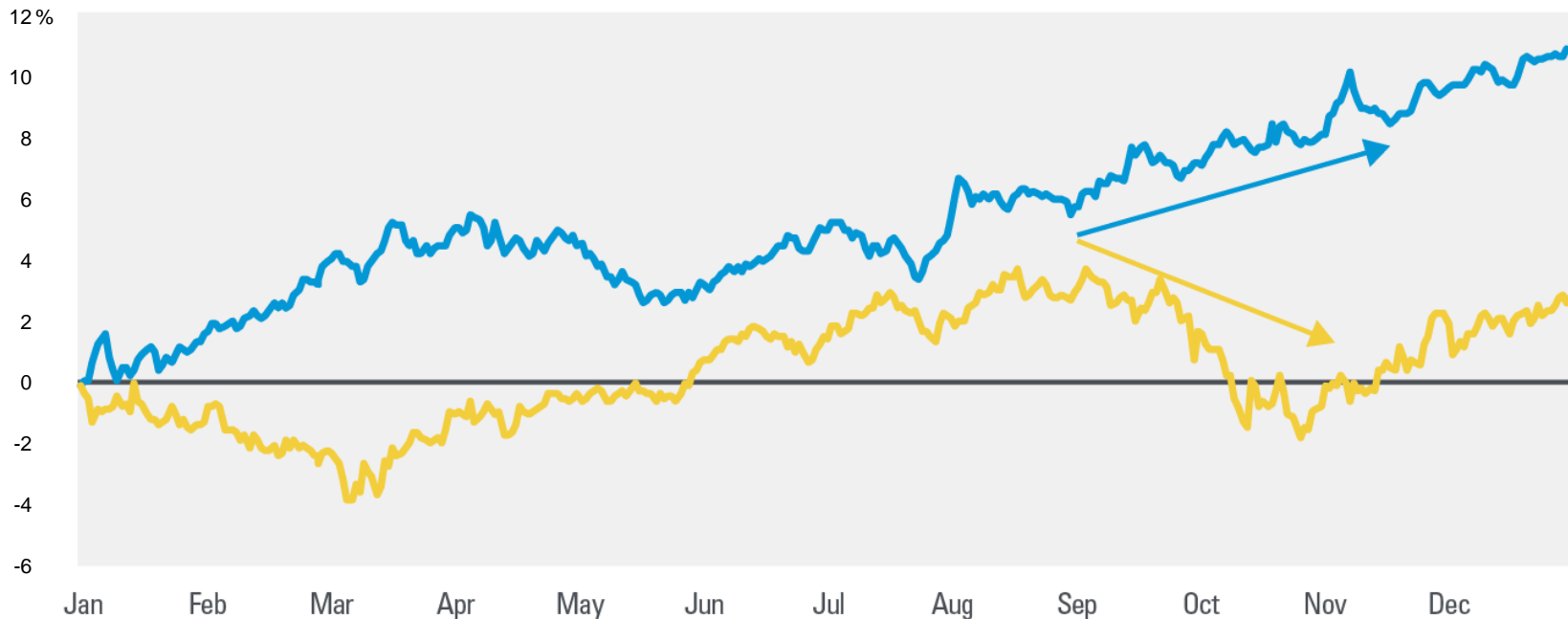
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Stock Performance Ahead of the Election Could Signal the Outcome

S&P 500 Index Performance During Election Years (1950–2019)

● Incumbent Party Wins

● Incumbent Party Loses



Source: LPL Research, FactSet 06/30/20

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Important Disclosures

The opinions, statements and forecasts presented herein are general information only and are not intended to provide specific investment advice or recommendations for any individual. It does not take into account the specific investment objectives, tax and financial condition, or particular needs of any specific person. There is no assurance that the strategies or techniques discussed are suitable for all investors or will be successful. To determine which investment(s) may be appropriate for you, please consult your financial professional prior to investing.

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Any company names noted herein are for educational purposes only and not an indication of trading intent or a solicitation of their products or services. LPL Financial doesn't provide research on individual equities.

All index data from FactSet.

All information is believed to be from reliable sources; however, LPL Financial makes no representation as to its completeness or accuracy.

General Risk disclosures:

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. 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. Investing in foreign and emerging markets debt or securities 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.

General Definitions:

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.

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.SP500

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 U.S. 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.

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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