

June 24, 2019

Dear Valued Investor:

We are pleased to announce the release of the LPL Research *Midyear Outlook 2019: FUNDAMENTAL: How to Focus on What Really Matters in the Markets*, with investment insights and market guidance through the end of 2019.

LPL Research believes that even as investors face prospects for periodic bouts of volatility, emphasizing fundamentals will remain critical for making effective investment decisions. The LPL Research *Midyear Outlook 2019* provides updated views of current fundamentals that should persist as shorter-term concerns fade and emphasizes four primary pillars for fundamental investing—policy, the economy, fixed income, and equities. As headlines change, look to these pillars and the LPL Research *Midyear Outlook 2019* to help provide perspective on what really matters.

Progress on trade remains a key theme to watch. We continue to believe economic (and political) self-interest will bring the United States and China back to the table, although risks have increased. Clarity on cross-border transactions should lead to increased business confidence, higher capital investment, and improved productivity, likely extending economic and profit cycles.

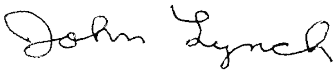
Against this backdrop, progress on trade remains central to growth projections, and with negotiations stalling in the second quarter, we have slightly reduced our 2019 gross domestic product (GDP) forecast to 2.25–2.5%, supported by consumer spending, business investment, and government spending.

Turning to the bond market, we expect higher yields from current levels. Considering the Federal Reserve (Fed), inflation, and our expectation for progress on trade, we now look for the 10-year Treasury yield to reach the 2.5–2.75% range in the next 6 to 12 months. Given signals from the yield curve as well as several weaker economic reports, we suspect the Fed will be more accommodative in coming quarters.

Based on expectations for economic growth and monetary policy, along with the fiscal tailwinds of government spending, reduced regulation, and lower taxes, we believe 2019 may still be a good year for equity investors. Accordingly, we see the potential for 5–6% earnings per share (EPS) growth in the S&P 500 Index during 2019, and we think the S&P 500 would be fairly valued around 3,000. We will revisit this forecast if clarity on trade and monetary policy result in an improved outlook for corporate profits.

Although the economic environment has become more challenging, the pillars of fundamental investing still appear sound to us. We will continue to monitor the impact of trade developments, and the LPL Research *Midyear Outlook* is here to provide insightful commentary to support investment decisions during 2019. If you have any questions, please reach out to your trusted financial advisor.

Sincerely,



John Lynch  
EVP, Chief Investment Strategist  
LPL Research

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#### 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 specific advice or recommendations for any individual. The economic forecasts set forth in this material may not develop as predicted.

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. All indexes are unmanaged and cannot be invested into directly.

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

#### 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.

Yield Curve is a line that plots the interest rates, at a set point in time, of bonds having equal credit quality, but differing maturity dates. The most frequently reported yield curve compares the three-month, two-year, five-year and 30-year U.S. Treasury debt. This yield curve is used as a benchmark for other debt in the market, such as mortgage rates or bank lending rates. The curve is also used to predict changes in economic output and growth.

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.

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