

## POTENTIAL GAINS AHEAD, BUT RIDE MAY BE BUMPY

LPL RESEARCH'S MONTHLY MARKET OUTLOOK

### Key changes from June's report:

- Upgrade Energy from Neutral to Positive.
- This month we have added our detailed Tactical Asset Allocation weightings compared with benchmarks across five risk objectives." (see page 3).

We see the potential for further gains for stocks over the rest of the year, as discussed in *Midyear Outlook 2021* powered by a very strong economic growth outlook and tremendous earnings momentum as the economy fully reopens. We believe economic conditions remain favorable for cyclical value stocks as growth accelerates, potentially pushing inflation and interest rates higher.

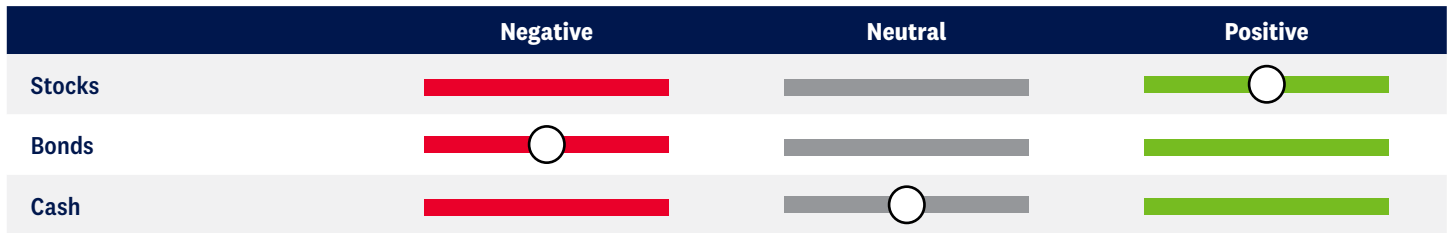
Our S&P 500 earnings per share forecast for 2021 is \$195, and our 2021 year-end S&P 500 fair value target range is 4,400—4,450. After a more than 90% gain since the March 2020 lows, the S&P 500 may be due for a pause, consistent with the second year of post-WWII bull markets that came with increased volatility. Key risks include potential COVID-19 variants and spread outside the United States, high inflation, rising interest rates, likely 2022 tax increases, and geopolitics.

### INVESTMENT TAKEAWAYS

- Our equities allocation remains overweight. We continue to favor stocks over bonds based on our expectation for a very strong economic and earnings recovery in 2021, supported by the full reopening of the U.S. economy and massive fiscal and monetary stimulus.
- As the economic recovery progresses in 2021, we would expect cyclical value stocks to lead. Our favored sectors—mostly on the value side of the ledger—include energy, financials, industrials, and materials.
- Our energy sector upgrade reflects improving demand, strong technical momentum for oil prices, and the potential for energy stocks to play catch-up to the commodity price.
- Our positive view of small caps is supported by the early-stage bull market and economic expansion and strong earnings. Valuations appear reasonable.
- Our regional views are aligned, although if value-style investing re-establishes market leadership and Europe and Japan can soon emerge from the pandemic, international developed equities may outperform emerging markets (EM).
- We continue to underweight our allocation to fixed income. Although we've seen a big move higher in rates this year, Fed policy and manageable inflation may limit the risk of further large moves in the near term. Higher rates may still put some pressure on bond returns while economic improvement may help support equities going out a full year.
- We favor a blend of high-quality intermediate bonds that is underweight U.S. Treasuries with an emphasis on short-to-intermediate maturities and sector weightings tilted toward mortgage-backed securities (MBS).

## BROAD ASSET CLASS VIEWS

### LPL Research's Views on Stocks, Bonds, and Cash



## OUR ASSET CLASS & SECTOR CHOICES

Equity Asset Classes	Equity Sectors	Fixed Income	Alternative Asset Classes
<ul style="list-style-type: none"> <li>U.S. Value</li> <li>U.S. Small Caps</li> </ul>	<ul style="list-style-type: none"> <li>Financials</li> <li>Industrials</li> <li>Materials</li> <li>Energy</li> </ul>	<ul style="list-style-type: none"> <li>Mortgage-Backed Securities</li> </ul>	<ul style="list-style-type: none"> <li>Event Driven</li> </ul>

## 2021 MARKET FORECASTS

### Higher Earnings Support Further Gains for Stocks

	Previous	Current (no change)
10-Year U.S. Treasury Yield	1.75-2.00%	1.75-2.00%
S&P 500 Index Earnings per Share	\$187.50-\$190	\$195
S&P 500 Index Fair Value	4,400-4,450	4,400-4,450*

Source: LPL Research, FactSet, Bloomberg

All indexes are unmanaged and cannot be invested into directly. The economic forecasts may not develop as predicted.

\*As noted in our [Midyear Outlook 2021](#) 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.

## 2021 ECONOMIC FORECASTS

### U.S. Economy Poised to Outgrow the Rest of the World

	Previous	Current (no change)
United States	6.25 to 6.75%	6.25 to 6.75%
Developed ex-U.S.	3.75% to 4.25%	3.75% to 4.25%
Emerging Markets	5.5% to 6%	5.5% to 6%
Global	5.5% to 6%	5.5% to 6%

Source: LPL Research, Bloomberg

The economic forecasts may not develop as predicted.

All data, views, and forecasts herein are as of 06/30/21.

LPL RESEARCH STRATEGIC AND TACTICAL ASSET ALLOCATION COMMITTEE

LPL Research Tactical Asset Allocation as of 7/1/2021

INVESTING STYLE

	Agressive Growth			Growth			Growth with Income			Income with Moderate Growth			Income with Capital Preservation		
	TAA	Benchmark	Difference	TAA	Benchmark	Difference	TAA	Benchmark	Difference	TAA	Benchmark	Difference	TAA	Benchmark	Difference
<b>STOCKS</b>	98.0%	95.0%	3.0%	83.0%	80.0%	3.0%	63.0%	60.0%	3.0%	43.0%	40.0%	3.0%	23.0%	20.0%	3.0%
<b>U.S. EQUITY</b>	78.4%	76.0%	2.4%	66.4%	64.0%	2.4%	50.4%	48.0%	2.4%	34.4%	32.0%	2.4%	18.4%	16.0%	2.4%
Large Value	14.3%	11.4%	2.9%	12.4%	9.6%	2.9%	9.7%	7.2%	2.5%	6.8%	4.8%	2.0%	3.9%	2.4%	1.5%
Large Blend	17.7%	17.1%	0.5%	15.0%	14.4%	0.5%	11.4%	10.8%	0.5%	7.8%	7.2%	0.5%	4.1%	3.6%	0.5%
Large Growth	18.5%	20.4%	-1.9%	15.3%	17.2%	-1.9%	11.4%	12.9%	-1.5%	7.6%	8.6%	-1.0%	3.8%	4.3%	-0.5%
Small/Mid Value	10.4%	8.7%	1.7%	9.0%	7.3%	1.7%	7.0%	5.5%	1.5%	4.8%	3.7%	1.2%	2.7%	1.8%	0.9%
Small/Mid Blend	12.3%	11.9%	0.4%	10.4%	10.0%	0.4%	7.9%	7.5%	0.4%	5.4%	5.0%	0.4%	2.9%	2.5%	0.4%
Small/Mid Growth	5.3%	6.5%	-1.2%	4.3%	5.5%	-1.2%	3.1%	4.1%	-1.0%	2.1%	2.8%	-0.7%	1.0%	1.4%	-0.4%
<b>INTERNATIONAL EQUITY</b>	19.6%	19.0%	0.6%	16.6%	16.0%	0.6%	12.6%	12.0%	0.6%	8.6%	8.0%	0.6%	4.6%	4.0%	0.6%
Developed (EAFE)	12.4%	12.0%	0.4%	10.4%	10.0%	0.4%	8.4%	8.0%	0.4%	5.4%	5.0%	0.4%	4.6%	4.0%	0.6%
Emerging Markets	7.2%	7.0%	0.2%	6.2%	6.0%	0.2%	4.2%	4.0%	0.2%	3.2%	3.0%	0.2%	0.0%	0.0%	0.0%
<b>BONDS</b>	0.0%	0.0%	0.0%	15.0%	15.0%	0.0%	35.0%	35.0%	0.0%	55.0%	53.0%	2.0%	75.0%	70.0%	5.0%
<b>U.S. CORE</b>	0.0%	0.0%	0.0%	14.4%	15.0%	-0.6%	33.6%	35.0%	-1.4%	52.8%	53.0%	-0.2%	72.0%	70.0%	2.0%
Treasuries	0.0%	0.0%	0.0%	5.5%	6.6%	-1.0%	12.9%	15.3%	-2.4%	20.3%	23.2%	-2.8%	27.7%	30.6%	-2.9%
MBS	0.0%	0.0%	0.0%	5.3%	4.5%	0.9%	12.5%	10.4%	2.0%	19.6%	15.8%	3.8%	26.7%	20.9%	5.8%
IG Corporates	0.0%	0.0%	0.0%	3.5%	4.0%	-0.5%	8.2%	9.3%	-1.1%	12.9%	14.0%	-1.2%	17.6%	18.5%	-1.0%
<b>NON-CORE</b>	0.0%	0.0%	0.0%	0.6%	0.0%	0.6%	1.4%	0.0%	1.4%	2.2%	0.0%	2.2%	3.0%	0.0%	3.0%
TIPS	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
International	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Preferred	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
High-Yield Corporates	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Bank Loans	0.0%	0.0%	0.0%	0.6%	0.0%	0.6%	1.4%	0.0%	1.4%	2.2%	0.0%	2.2%	3.0%	0.0%	3.0%
Emerging Markets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>CASH</b>	2.0%	5.0%	-3.0%	2.0%	5.0%	-3.0%	2.0%	5.0%	-3.0%	2.0%	7.0%	-5.0%	2.0%	10.0%	-8.0%

For investors who have their own benchmarks, we would recommend emphasizing underweights or overweights relative to the individual benchmark at the most similar overall risk level.

Equity benchmark style box allocations are based on lookthrough analysis of the domestic equity indexes used in our benchmark. While the indexes stay constant, style box allocations may drift over time.

Bond benchmark sector allocations are based on a look-through analysis of the major sector components of the Bloomberg Barclays U.S. Aggregate Bond Index.

Treasuries include other government related debt. MBS includes other securitized debt.

Abbreviations: TAA - tactical asset allocation; MBS - mortgage-backed securities; IG corporates - investment-grade corporates; TIPS - Treasury inflation-protected securities.

Style box allocations only include domestic allocations.

## EQUITY ASSET CLASSES

### Favor Small Caps Over Large, Value Over Growth

We continue to favor stocks over bonds based on our expectation for a very strong economic and earnings recovery in 2021, supported by the full reopening of the U.S. economy and massive fiscal and monetary stimulus. As the economic recovery progresses and interest rates potentially rise, we would expect cyclical value stocks to outperform. Our regional views are aligned, although if value-style investing re-establishes market leadership and Europe and Japan can soon emerge from the pandemic, international developed equities may outperform emerging markets (EM). Geopolitical and regulatory threats and a shrinking economic growth advantage have left us with less conviction on EM.

	Sector	Overall View	Relative Trend	Rationale
Market Capitalization	Large Caps			The relatively greater financial strength enjoyed by most large cap companies helped during the pandemic. But smaller market cap companies tend to perform better during the early stages of economic expansions and bull markets.
	Mid Caps			Mid caps enjoy some of the early cycle characteristics of small caps, and therefore, should perform well if a more durable recovery develops. We believe mid cap stock valuations are more attractive than those of small caps in general.
	Small Caps			Our small-cap view is positive, supported by the early-stage bull market and economic expansion, and a strong earnings rebound. Valuations appear reasonable based on strong earnings growth prospects through 2022.
Style	Growth			We believe growth stocks will continue to garner support from strong earnings trends. However, demand for growth stocks may wane going forward if interest rates rise—as we expect—and the economy fully reopens.
	Value			We expect cyclical value stocks to outperform growth-style stocks as economic growth accelerates. Value stocks remain attractively valued relative to their growth counterparts. Our positive views of the energy, financials, and materials sectors tilt toward value, favoring cyclical value over defensive value.
Region	United States			We see the potential for gains for U.S. stocks in the second half of 2021, but the gap between U.S. and developed international stocks has narrowed to the point where our regional views are now aligned. As we move past the pandemic, developed international stocks may have a realistic chance of outperforming U.S. stocks if value stocks lead.
	Developed International			If value-style investing re-establishes market leadership and Europe and Japan can soon emerge from the pandemic, international developed equities may outperform emerging markets (EM). Valuations relative to U.S. stocks are attractive, and a weaker U.S. dollar may help non-U.S. stock performance.
	Emerging Markets			We have tempered our enthusiasm for emerging markets (EM) stocks despite attractive valuations. Our June downgrade reflected deteriorating relative strength, ongoing geopolitical and regulatory challenges, and the diminishing economic growth advantage relative to the developed world.

Trend is measured by relative performance of the index for the past 12 months, minus the most recent month, compared to the other indexes in a particular sector or asset class grouping.

EQUITY SECTORS

Strengthening Cyclical Value Preference With Energy Upgrade

We increasingly favor economically sensitive “cyclical” sectors for the rest of 2021 based on the early cycle stage of the economic expansion and bull market and continued progress toward a fully reopened economy. Specifically, we are overweighting cyclical value sectors (financials, industrials, energy, and materials) that we believe are best positioned for accelerating economic growth and rising interest rates, along with benchmark-like exposure to the pandemic “winners” on the growth side (communication services, consumer discretionary, and technology). Our energy sector upgrade reflects improving demand and as the economy fully opens and strong technical momentum for oil prices.

	Sector	Overall View	Relative Trend	S&P Wgt	Rationale
Cyclical	Materials			2.6	Strong economic growth outlooks in the United States and China, prospects for infrastructure spending, and our expectation for U.S. dollar weakness are all supportive. We would consider adding exposure following June underperformance.
	Energy			2.9	Our energy sector upgrade reflects improving demand as the economy fully opens, strong technical momentum for oil prices, and the potential for energy stocks to play catch-up to the commodity price. Supply overhang may curb gains.
	Industrials			8.2	One of the biggest beneficiaries of the global economic reopening. Prospects for infrastructure spending offer upside. After early-year weakness, earnings are starting to pick up, offsetting elevated valuations.
	Communication Services			11.2	As the market potentially shifts away from the stay-at-home winners, this growth-oriented, digital media-heavy sector may struggle. The regulatory environment may toughen, though valuations are reasonable and technical analysis trends are not yet concerning. Modest negative bias.
	Consumer Discretionary			12.3	Historically a strong early-cycle performer. E-commerce and housing strength support our neutral view despite rich valuations. Eventual recovery in hospitality, travel, and leisure will help. Consumers are flush with cash and another quarter of very strong earnings growth is expected in Q2.
	Technology			27.1	June downgrade reflected our belief that the market’s shift toward reopening beneficiaries was not over. We see headwinds for “stay-at-home” and “work-from-home” winners of the pandemic. Solid, current fundamentals and fair valuations may mitigate downside risk. June boost from falling interest rates unlikely to continue.
	Financials			11.4	Positive view based on prospects for accelerating economic growth, rising interest rates, a steeper yield curve, likely dividend and share repurchase increases, and reasonable valuations. Tepid loan demand a concern.
Defensive	Utilities			2.5	Valuations are reasonable and more green energy spending may help boost growth, but the market’s preference for cyclical stocks is a headwind and the sector carries interest rate risk. Favor real estate among defensives.
	Healthcare			13.0	The sector is more of a mid-to-late-cycle play, but recent performance suggests markets are becoming more interested in the space. Policy risk may have been overly discounted by the market. Long term, healthcare-spending growth and demographics are attractive. Low valuations should enhance long-term returns.
	Consumer Staples			5.8	Historically a poor, relative performer early in economic cycles as a defensive sector. Rising interest rates don’t help, given the sector’s attractive yields. Some staple companies could potentially get squeezed by rising wholesale prices. Chance to outperform may have to wait for an eventual market correction.
	Real Estate			2.6	Strong technical analysis trends and the reopening support a neutral view, though sector fundamentals are still mixed and sector carries interest rate risk.

Because of its narrow focus, specialty sector investing, such as healthcare, financials, or energy, will be subject to greater volatility than investing more broadly across many sectors and companies.

FIXED INCOME

Limit Rate Sensitivity With Intermediate Focus

We suggest a blend of high-quality short-to-intermediate bonds in tactical portfolios. We think the 10-year Treasury yield can end the year between 1.75%—2.00% as economic activity, while uneven, continues to improve as the economy re-opens. Compensation for longer-maturity, rate-sensitive bonds remains unattractive, in our view, supporting our positive view of MBS. We still see incremental value in corporate bonds over Treasuries, but credit spreads have little room for further tightening.

We favor **municipal bonds** as a high-quality option for taxable accounts, although valuations relative to Treasuries remain elevated. Additionally, for appropriate investors, **high yield municipal bonds** offer an attractive yield. Federal stimulus and prospects of higher personal tax rates provide support to muni markets.

		Low	Medium	High	Rationale
Positioning	Credit Quality				Credit spreads remain elevated, but the economic outlook may be supportive.
	Duration				Concerns over rising interest rates with the prospects of economic acceleration increase interest-rate risk.
		Neg.	Neutral	Pos.	Rationale
Sectors	U.S. Treasuries				Yields have traded sideways recently but we expect them to eventually increase from current levels. Yield spreads to international sovereigns remain attractive. Inflation breakeven rates leave TIPS fairly valued.
	MBS				MBS may provide some resilience if rates rise. Fed talk of “tapering” may cause spreads to widen. While still expensive, valuations have improved so the sector may start to attract additional buyers soon.
	Investment-Grade Corporates				Risks tempered as economy improves and vaccine deployment progresses. Leverage metrics have increased, but cash levels are high. Interest-rate sensitivity has increased. Tight credit spreads limit attractiveness.
	Preferred Stocks				Higher credit quality among the riskier fixed income options. Bank fundamentals sound overall. Can be rate sensitive but may be able to tolerate gradual increases.
	High-Yield Corporates				Valuations have grown rich versus history but fundamentals remain sound. More attractive for income-oriented investors. We believe equities have more upside and high-quality options may be better diversifiers.
	Bank Loans				Economic environment supportive and better sector mix than high yield. Economic acceleration may support demand. Fewer investor protections and illiquidity of individual loans remain concerns.
	Foreign Bonds				Rich valuations, interest-rate risk, and potential currency volatility are among the negatives.
	EM Debt				Dovish central banks improve the valuation picture and stronger global growth, commodity prices, could be supportive. Valuations are relatively attractive but idiosyncratic risks remain. Liquidity can be an added risk during periods of stress.

**Yield spread** is the difference between yields on differing debt instruments, calculated by deducting the yield of one instrument from another. The higher the yield spread, the greater the difference between the yields offered by each instrument. The spread can be measured between debt instruments of differing maturities, credit ratings, and risk. **Bank loans** are loans issued by below investment-grade companies for short-term funding purposes with higher yield than short-term debt and involve risk. For the purposes of this publication, **intermediate-term bonds** have maturities between 3 and 10 years, and short-term bonds are those with maturities of less than 3 years.

**All bonds** are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and are subject to availability and change in price. **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. Investing in **foreign and emerging market debt (EMD)** securities involves special additional risks. These risks include, but are not limited to, currency risk, geopolitical and regulatory risk, and risk associated with varying settlement standards. **High-yield/junk bonds** are not investment-grade securities, involve substantial risks, and generally should be part of the diversified portfolio of sophisticated investors. **Municipal bonds** are subject to availability, price, and 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. Federally tax-free but other state and local taxes may apply. **Mortgage-backed securities (MBS)** are subject to credit, default, prepayment risk that acts much like call risk when you get your principal back sooner than the stated maturity, extension risk, the opposite of prepayment risk, market and interest rate risk.

## COMMODITIES

### Positive Outlooks for Industrial Metals and Crude Oil

Our view of **industrial metals** is positive, reflecting the strong economic growth outlooks in both the U.S. and China. Prospects for an increase in infrastructure spending and a weaker US dollar provide additional support for the outlook. Copper remains in an intermediate-term uptrend.

Our **precious metals** view is neutral. The improving economic outlook has presented a headwind for defensive assets while the U.S. dollar weakness we had expected has not materialized. However, recent stability in interest rates are supportive and technical analysis conditions are stable. Positive bias.

Our **crude oil** outlook remains positive due to: 1) the improved global demand as more of the global economy reopens and travel activity increases, 2) positive signals from our technical analysis work after crude oil broke recently above its 2019 highs, and 3) the potential for recent strength in the U.S. dollar to reverse lower. Our primary concern is on the supply side, as higher prices could lead to increased U.S. shale production, while more OPEC+ (including Russia) production is on the way.

## ALTERNATIVE INVESTMENTS

### M&A Volume Continues to Surge

With the exception of managed futures, alternative investments performed well during May. Event Driven funds, our preferred alternative investment implementation, gained .65% as measured by the HFRX Event Driven Index. Our three main tailwinds for the industry, including high corporate cash balances, low borrowing rates, and the private equity industry's dry powder, remain in place and should support the industry going forward. Year-over-year deal flow continues to experience an incredible recovery, providing active managers with a strong pipeline of deals to choose from while reducing industry concentration in specific transactions. Deal spreads are currently in line with their long-term average of approximately 6%, while there have been limited deal failures—indicative of more fundamentally sound transactions between firms with known synergies. By sector, the largest volumes have been in cyclical sectors such as technology, financials, and industrials. From an implementation perspective, event-driven strategies maintain a low-equity beta profile and risk levels similar to that of the credit market. The managed futures industry was negatively impacted by the rally in bonds, as most strategies entered the month with short exposure. Additionally, long commodity exposure detracted from performance, as the rally in the metals complex reversed course during the month. Gains from long commodity exposure entered the month having provided not only a terrific source of positive returns, but also diversification from traditional markets.



**IMPORTANT DISCLOSURES**

This material has been prepared for informational purposes only, and is not intended as specific advice or recommendations for any individual. There is no assurance that the views or strategies discussed are suitable for all investors and they do not take into account the particular needs, investment objectives, tax and financial condition of any specific person. To determine which investment(s) may be appropriate for you, please consult your financial professional prior to investing. Any economic forecasts set forth may not develop as predicted and are subject to change.

Stock investing involves risk including loss of principal. 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 and 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. 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. Corporate bonds are considered higher risk than government bonds. Municipal bonds are subject to availability and change in price. 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. U.S. Treasuries may be considered “safe haven” investments but do carry some degree of risk including interest rate, credit, and market risk. Bond yields are subject to change. Certain call or special redemption features may exist which could impact yield. Mortgage-backed securities are subject to credit, default, prepayment, extension, market and interest rate risk.

Credit Quality is one of the principal criteria for judging the investment quality of a bond or bond mutual fund. 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. Duration is a measure of the sensitivity of the price (the value of principal) of a fixed-income investment to a change in interest rates. It is expressed as a number of years.

Alternative investments may not be suitable for all investors and should be considered as an investment for the risk capital portion of the investor’s portfolio. The strategies employed in the management of alternative investments may accelerate the velocity of potential losses.

Commodity-linked investments may be more volatile and less liquid than the underlying instruments or measures, and their value may be affected by the performance of the overall commodities baskets as well as weather, geopolitical events, and regulatory developments. The fast price swings in commodities and currencies will result in significant volatility in an investor’s holdings.

Investing in foreign and emerging markets 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. All information is believed to be from reliable sources; however, LPL Financial makes no representation as to its completeness or accuracy.

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.

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.

All index data from FactSet.

For a list of descriptions of the indexes referenced in this publication, please visit our website at [lplresearch.com/definitions](http://lplresearch.com/definitions).

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