

July 12, 2016

Dear Valued Investor:

We are pleased to announce the release of the *LPL Research Midyear Outlook 2016: A Vote of Confidence*, with the guidance and investment insights to support you throughout the rest of this year. As we embark on the second half of 2016, the headlines and much of our attention will be focused on the 2016 presidential election, which can distract us with the barrage of promises and heightened political drama. Against that backdrop, however, we continue to encourage investors to remain focused on their long-term investment plans.

LPL Research proposes a vote of confidence in the economy, the market, and most importantly, in our ability as investors to remain focused on our long-term goals. This is not always easy; but a vote of confidence means having the belief that someone or something has the ability to succeed. It is more than being positive or negative, a bull or a bear. It is about trusting our assessments of the opportunities—and risks—that may lie ahead, formulating a solid investment plan, and sticking with it through the ups and downs we may face in the coming months and beyond.

Our emotions were tested at the start of 2016, and again in late June. The S&P 500 had its worst start to a year ever; then, after coming back to within 3% of a new all-time high, met new opposition from the unlikely candidate of Brexit, as the United Kingdom voted to leave the European Union. Yet, two weeks after the vote on June 23 and the consequent volatility in the markets, the S&P 500 was back in positive territory—up over 4% for the year. This resilience has kept this bull market going, and we expect the S&P 500 to potentially post gains by the end of the year.

Looking ahead to the rest of 2016, we maintain confidence in our existing forecasts, with some minor adjustments. We also anticipate periods of volatility throughout the rest of this year, but we do not expect to enter a bear market or economic recession. Here are some of the key influential factors we'll be watching for:

- **Federal Reserve (Fed) rate hikes.** We have reduced our forecast for Fed rate hikes in 2016 from two to one, with additional rate increases next year.
- **International growth uncertainty.** We are looking for clarity around future global growth, due to Brexit, the impact of the U.S. dollar, China's debt problem, and earnings growth in Europe and Japan.

- **Corporate America investments.** A pickup in economic growth and an energy sector turnaround may boost companies' investments in their future growth, an element that has been lacking recently.
- **Second half turnarounds: oil, dollar, earnings.** These three turnaround stories are key for the rest of 2016. Should the drags from oil prices and the U.S. dollar continue to ease, we expect an earnings rebound may occur in the second half of the year.

As we cast our ballots, our vote is that the current economic recovery and bull market may continue through 2016 and beyond. With the *LPL Research Midyear Outlook 2016: A Vote of Confidence*, you and your advisor will be armed with the investment insights and market guidance for what may lie ahead for the rest of this year.

As always, if you have any questions, I encourage you to contact your financial advisor.

Sincerely,



Burt White
Chief Investment Officer
Managing Director, Research

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual security. To determine which investment(s) may be appropriate for you, consult your financial advisor prior to investing. All performance referenced is historical and is no guarantee of future results. Indexes are unmanaged and cannot be invested into directly.

Economic forecasts set forth may not develop as predicted.

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.

Bonds are subject to market and interest rate risk if sold prior to maturity. Bond and bond mutual fund values and yields will decline as interest rates rise and bonds are subject to availability and change in price.

The S&P 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.

This research material has been prepared by LPL Financial LLC.

To the extent you are receiving investment advice from a separately registered independent investment advisor, please note that LPL Financial LLC is not an affiliate of and makes no representation with respect to such entity.

Not FDIC or NCUA/NCUSIF Insured | No Bank or Credit Union Guarantee | May Lose Value | Not Guaranteed by Any Government Agency | Not a Bank/Credit Union Deposit