LPL Financial

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LPL Financial Research Publishes Investment Outlook 2017

Outlook Expects Pace of U.S. Economic Growth to Pick Up in 2017

BOSTON, Dec. 22, 2016 (GLOBE NEWSWIRE) -- Leading retail investment advisory firm and independent broker/dealer LPL Financial LLC, a wholly owned subsidiary of LPL Financial Holdings Inc. (NASDAQ:LPLA), today announced that its research publication "Outlook 2017: Gauging Market Milestones" is now available for download. Published by LPL Research, "Outlook 2017" contains investment insights and market guidance for the year ahead.

In 2016, financial markets, the economy and geopolitics experienced an unusual number of milestones. The approach for 2017 will be to assess how these milestones—the stabilization of oil, the end of an earnings recession and a new president—have come together to influence the investment landscape. LPL Research believes the following three themes may potentially influence investment success in 2017:

- Smoother path to policy changes. A Republican president working with a Republican Congress should smooth the path for implementing policy changes.
- Earnings growth returns. Earnings growth may be supported by an accelerating U.S. economy, rebounding energy sector profits as oil prices stabilize and steady profit margins.
- Dual mandate dynamic. Federal Reserve (Fed) policy is driven by the dual mandate of keeping inflation low and the economy near maximum employment, which may look different in 2017 as the labor market approaches full employment and inflationary pressures increase.

Against this backdrop, LPL Research forecasts the following within the report:

- Accelerating U.S. economic growth. LPL Research reports that it expects the U.S. economy—as measured by real gross domestic product (GDP)—may grow modestly to near 2.5 percent in 2017, after spending most of the seven-plus years of the expansion averaging just over 2.1 percent. The potential lift in growth is based upon expectations that rising business investment and fiscal stimulus may complement steady consumer spending. The timing of the passage of President-elect Donald Trump's proposals on taxes and infrastructure as well as the speed of implementation will be important factors in the growth impact in 2017.
- Mid-single-digit returns for the S&P 500. LPL Research maintains the forecast for mid-single-digit returns for the S&P 500 in 2017, consistent with historical mid-to-late economic cycle performance. Those gains are expected to be driven by mid- to high-single-digit earnings growth and stable valuations (a stable price-to-earnings ratio (PE) of 18 — 19). We also expect the continuation of the bull market to reach its eighth year.
- Limited bond environment. LPL Research expects the 10-year Treasury yield to end 2017 in its current range of 2.25-2.75 percent, with a potential 3 percent. Scenario analysis based on this potential interest rate range and the duration of the index indicates low- to mid-single-digit returns for the Barclays Aggregate Bond Index. The recent rate hike shows the Fed may start gradually normalizing interest rates in earnest. Rising interest rates, along with a pickup in the pace of economic growth and inflation will limit return potential.

"In 2016, we saw imbalances and corrections, sentiment shifts, political projections prove inaccurate, and meaningful runs in some asset classes reverse," said LPL Financial Chief Economic Strategist John Canally. "Heading into the new year, interest rates have moved dramatically, cyclically oriented value stocks have surged, and oil prices found a new foothold as several major oil producing countries agreed to production cuts. Being prepared for 2017 is about assessing how financial markets, corporations, policymakers and the broad economy will adapt to a possible mid- to late-cycle growth rebound, a new presidential cycle and a steadier path toward interest rate normalization."

Kirby Horan-Adams, senior vice president of LPL Research reaffirms the need for timely advice, "We believe a market outlook that covers a calendar year is an important tactical tool for positioning portfolios, but any tactical plan needs to be on a foundation of a sound, long-term strategy. The strategic trends we are monitoring in 2017 could meaningfully shift return expectations for the next 10 to 20 years, positively or negatively, and may be a helpful gauge for portfolio allocation."

About LPL Financial

LPL Financial, a wholly-owned subsidiary of LPL Financial Holdings Inc. (NASDAQ:LPLA), is a leader in the retail financial advice market and served approximately $501 billion in advisory and brokerage assets as of November 30, 2016. LPL is one of the fastest growing RIA custodians and is the nation's largest independent broker-dealer (based on total revenues, Financial Planning magazine June 1996-2016). The Company provides proprietary technology, comprehensive clearing and compliance services, practice management programs and training, and independent research to more than

14,000 independent financial advisors and over 700 banks and credit unions, enabling them to help their clients turn life's aspirations into financial realities. Advisors associated with LPL also serviced an estimated 45,000 retirement plans with an estimated $129 billion in retirement plan assets, as of September 30, 2016. LPL also supports approximately 4,200 financial advisors licensed and affiliated with insurance companies with customized clearing, advisory platforms, and technology solutions. LPL Financial and its affiliates have more than 3,200 employees with primary offices in Boston, Charlotte, and San Diego. For more information, please visit www.lpl.com.

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There is no assurance that the techniques and strategies discussed are suitable for all investors or will yield positive outcomes. The purchase of certain securities may be required to affect some of the strategies.
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, specialty sector investing, such as healthcare, financials, or energy, will be subject to greater volatility than investing more broadly across many sectors and companies.
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.
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.

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.
The P/E 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 P/E ratio means that investors are paying more for each unit of net income, so the stock is more expensive compared to one with lower P/E ratio.
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.
The Barclays U.S. Aggregate Bond Index is a broad-based flagship benchmark that measures the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS, and CMBS (agency and non-agency).

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