LPL Financial

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LPL Research Publishes Investment Midyear Outlook 2017

LPL Research Expects Pick Up in Pace of U.S. Economic Growth in 2017

CHARLOTTE, N.C., June 15, 2017 (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 its research publication, "Midyear Outlook 2017: A Shift In Market Control," is available for download. The "Midyear Outlook" contains investment insights and market guidance for the second half of 2017.

The LPL Research report states the following four themes will be key to the markets over the balance of 2017:

- **Monetary policy: Slow path to normalization.** Maintaining economic growth without extraordinary central bank support will be key.
- **Business fundamentals: Now taking control.** A focus on well-run businesses with the potential for earnings gains may favor active management.
- **Economic growth: Confidence not enough, yet.** Business and consumer confidence has improved, but greater policy clarity may be needed to spur growth.
- **Fiscal policy: Pro-growth potential, but when?** Fiscal policy support remains likely, but timetable may be pushed back to 2018.

The midyear report maintains confidence in the existing forecasts from "Outlook 2017," with some minor adjustments:

- **Economy: GDP growth near 2.5%.** LPL researchers continue to look for the U.S. economy to expand up to 2.5% in 2017, although potential delays in passing major fiscal policies introduce some risk to the downside. Data on consumption, employment, housing, manufacturing and services all point toward improvement in the months and quarters ahead following sluggish first quarter GDP growth.

- **Stocks: 6 to 9% total returns.** LPL Research reports a slightly raised 2017 S&P 500 Index total return forecast of 6 to 9%, commensurate with expected earnings gains and up from mid-single-digits previously, driven by: 1) a pickup in U.S. economic growth; 2) mid- to high-single-digit earnings gains; 3) a stable price-to-earnings ratio (PE) of 19 to 20; and 4) prospects for a fiscal policy boost to earnings in 2018. As investors increasingly trust the economy can stand on its own without the need for monetary policy support, business fundamentals should take over as the primary market engine and corporate profits will take on increasing importance.

- **International: Emerging over developed markets.** Though fundamentals in developed countries are firming, growth in Europe and Japan has only gradually improved from low levels. Steady global demand has boosted output for the largely export-driven emerging market economies and driven renewed earnings growth. LPL researchers remain cautious about developed international markets and are more constructive about emerging markets (EM).

- **Bonds: Limited return potential.** LPL Research reported the 10-year Treasury yield is expected to end 2017 in the 2.25 to 2.75% range, with a bias toward the upper end of that range; should Congress make meaningful progress toward enacting fiscal stimulus, the 10-year Treasury yield could rise as high as 3%. Scenario analysis based on this potential interest rate range and the duration of the index indicates low- to mid-single-digit returns for the Bloomberg Barclays Aggregate Bond Index. Divergent global central bank activities, moderate inflation pressures, and attractive valuations for U.S. Treasuries relative to global alternatives may support bonds at higher yields.

"The gauges say the growth engine for the U.S. economy and markets is changing," said LPL Managing Director and Chief Investment Officer Burt White. "Our Midyear Outlook 2017 helps investors understand the shift in the growth engine fueling markets and provides investment insights and market guidance through year-end.

"Monetary policy is powering down, business fundamentals are powering up, and fiscal policy and economic growth are on the verge of being taken off standby. The Fed has shown increasing trust that the economy has recovered and that market forces can keep it steady. Consequently, we look for fiscal policy to supplement corporate profits as the market's next drivers."

About LPL Financial

LPL Financial LLC, a wholly owned subsidiary of LPL Financial Holdings Inc. (NASDAQ:LPLA), is a leader in the retail financial advice market and provided service to approximately $535 billion in brokerage and advisory assets as of April 30, 2017. LPL is one of the fastest growing RIA custodians and the nation's largest independent broker-dealer (based on total revenues, Financial Planning magazine June 1996-2017), and the firm and its financial advisors were ranked No. 1 in net customer loyalty in a 2016 Cogent Reports™ study. The Company provides proprietary technology, comprehensive clearing services, practice management programs and training, and independent research to more than 14,000 financial advisors and over 700 financial institutions, enabling them to provide a range of financial services including wealth management, retirement planning, financial planning and other investment services to help their clients turn life's aspirations into financial realities. Financial advisors associated with LPL also serviced an estimated 46,000 retirement plans with an estimated $135 billion in retirement plan assets, as of March 31, 2017. Additionally, LPL supports approximately 3,900 financial advisors licensed and affiliated with insurance companies with customized clearing, advisory platforms, and technology solutions. LPL Financial and its affiliates have more than 3,300 employees with primary offices in Boston, Charlotte, and San Diego. For more information, 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.

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.

International and emerging markets investing involves special risks, such as currency fluctuation and political instability, and may not be suitable for all investors.

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 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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