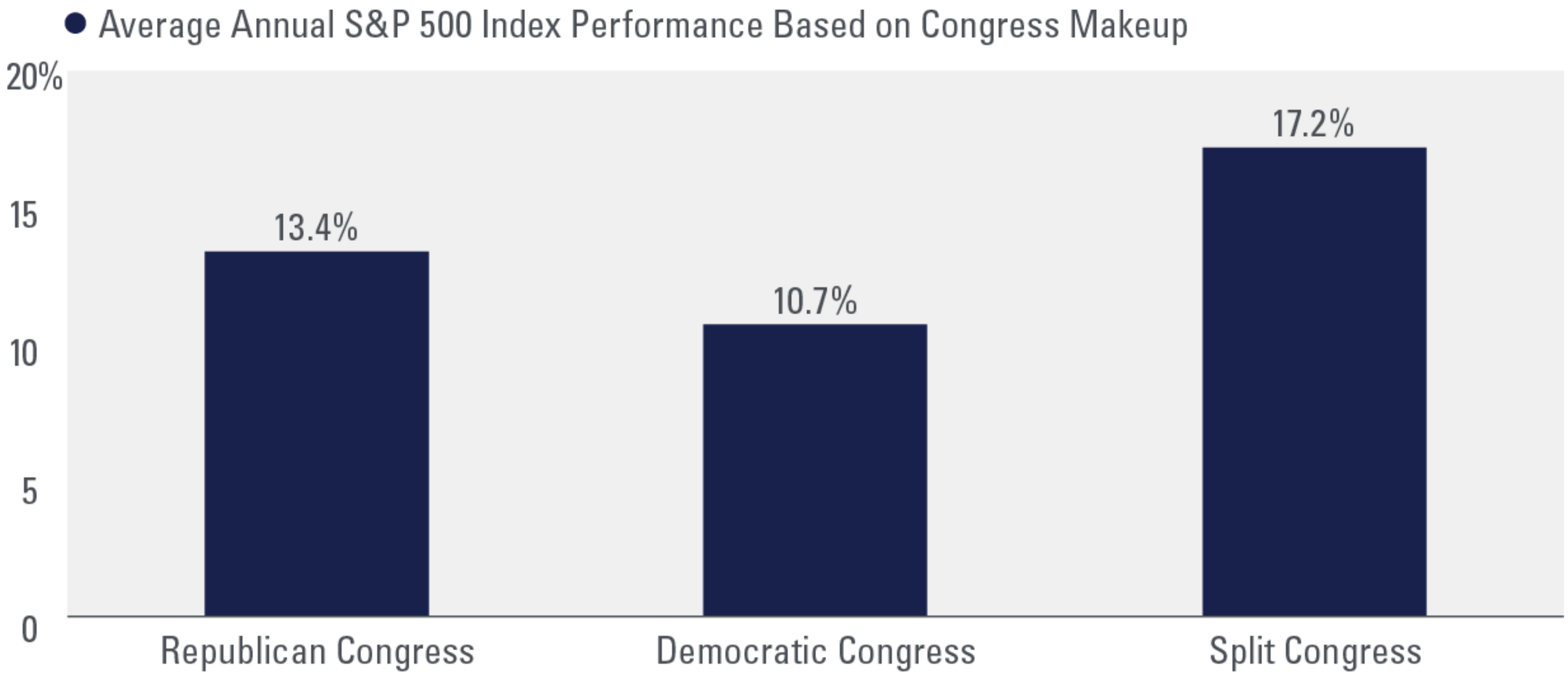
OUTLOOK 2021

POWERING FORWARD

POLICY

A NEW COURSE

Historically, A Split Congress Has Been Positive For Stocks

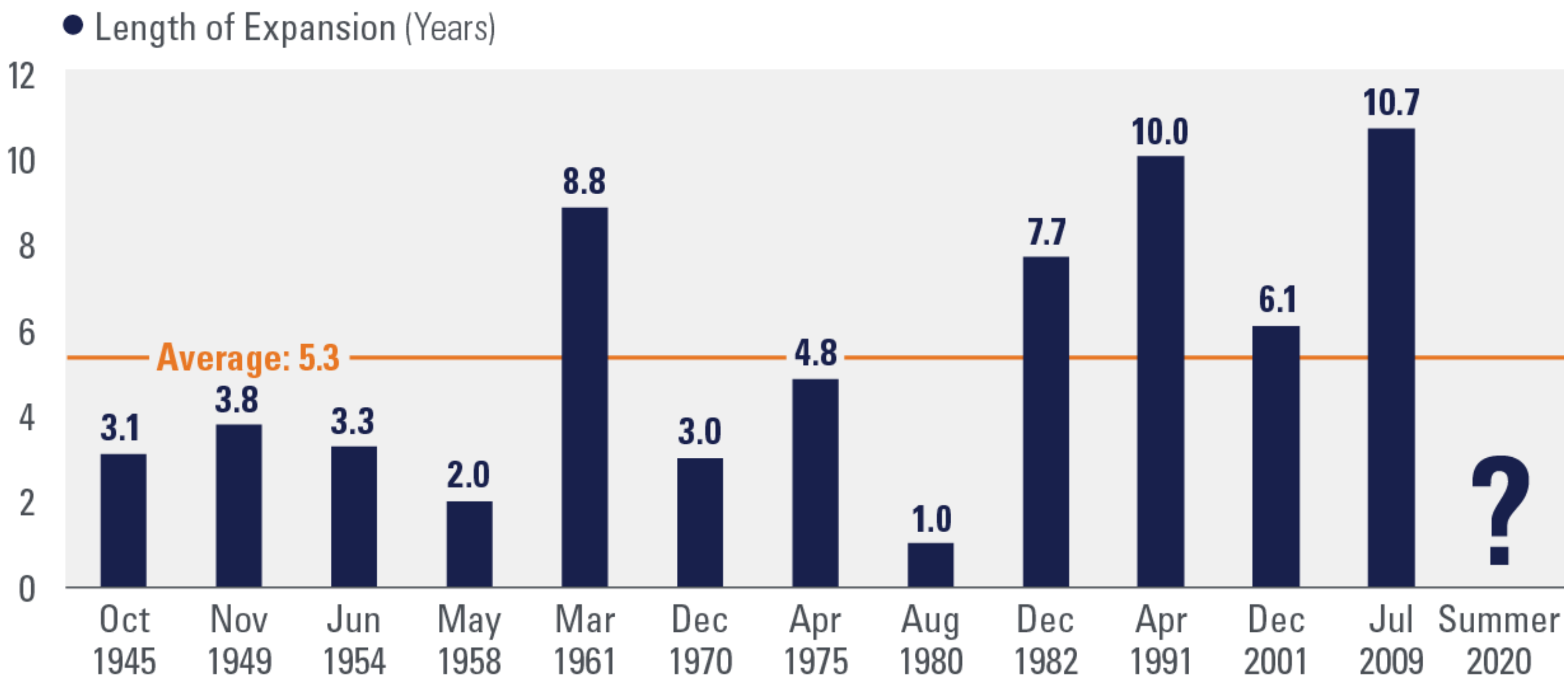


Source: LPL Research, Bloomberg 11/04/20
Data are from 1950–2019.
All indexes are unmanaged and cannot be invested into directly. Past performance is no guarantee of future results. The modern design of the S&P 500 stock index was first launched in 1957. Performance back to 1950 incorporates the performance of predecessor index, the S&P 90.

ECONOMY

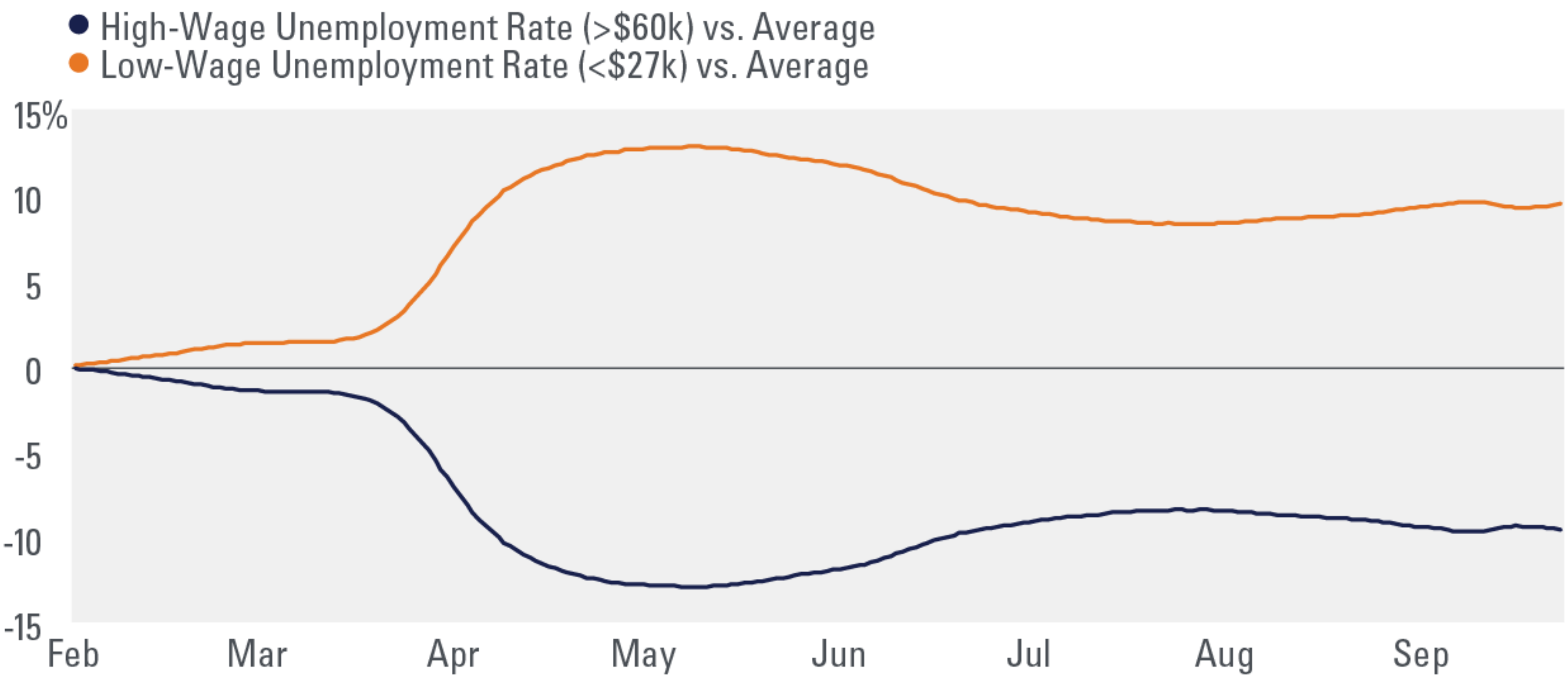
A NEW START

New Economic Expansion May Have Years to Run



Source: LPL Research, National Bureau of Economic Research 11/06/20
Economic forecasts set forth may not develop as predicted and are subject to change.
While NBER has not officially dated the end of the recession, and typically does not until approximately a year after the economy has troughed, on average, we are provisionally dating summer 2020 as the economic trough based on record retail sales and expanding manufacturing and services data.

K-Shaped Recovery: High-Wage Job Market Has Held Up Better During COVID-19 in 2020



Source: LPL Research, Opportunity Insights 11/01/20
Median unemployment measured as median between high- and low-wage unemployment rates

2021 Economic Forecasts—Rebound in Global Growth Expected as COVID-19 Threat Diminishes

Real GDP Growth Forecasts (YoY)	2019	2020	2021
United States	2.2%	-4.0%	4.0–4.5%
Developed ex-US	1.3%	-7.0%	3.75–4.25%
Emerging Markets	4.3%	-0.7%	5–5.5%
Global	2.8%	-3.9%	4.5–5%
US Economic Data			
Inflation (YoY%)	1.8%	1.2%	1.9%
Unemployment	3.7%	8.3%	6.7%

Source: LPL Research, Bloomberg 11/06/20
Economic forecasts set forth may not develop as predicted and are subject to change.
2020 GDP and 2020 and 2021 inflation and unemployment forecasts are based on Bloomberg-surveyed economists' consensus. 2021 GDP estimates are LPL forecasts.
Inflation is measured by the Consumer Price Index. Unemployment rate provided by US Department of Labor.

STOCKS

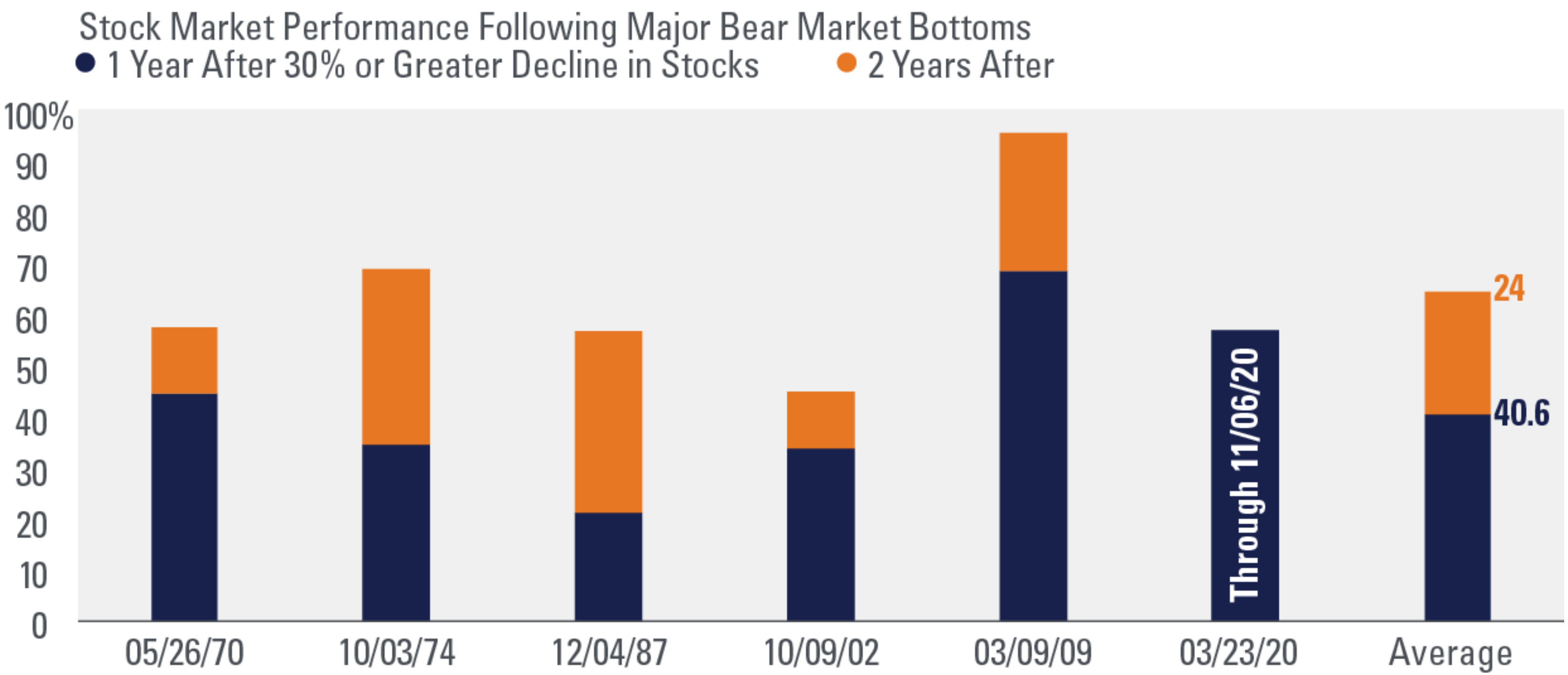
EARNINGS REBOUND MAY SPARK 2021 GAINS

2021 US Market Forecasts—Earnings Rebound May Fuel Solid Gains for Stocks in 2021

2021 US Market Forecasts	2020	2021
S&P 500 Index Fair Value	3,450–3,500	3,850–3,900
S&P 500 Earnings per Share	$133*	$165
10-Year US Treasury Yield	1.0–1.5%	1.25–1.75%

Source: LPL Research, Bloomberg, FactSet 11/06/20
* FactSet consensus estimate
Economic forecasts may not develop as predicted and are subject to change.

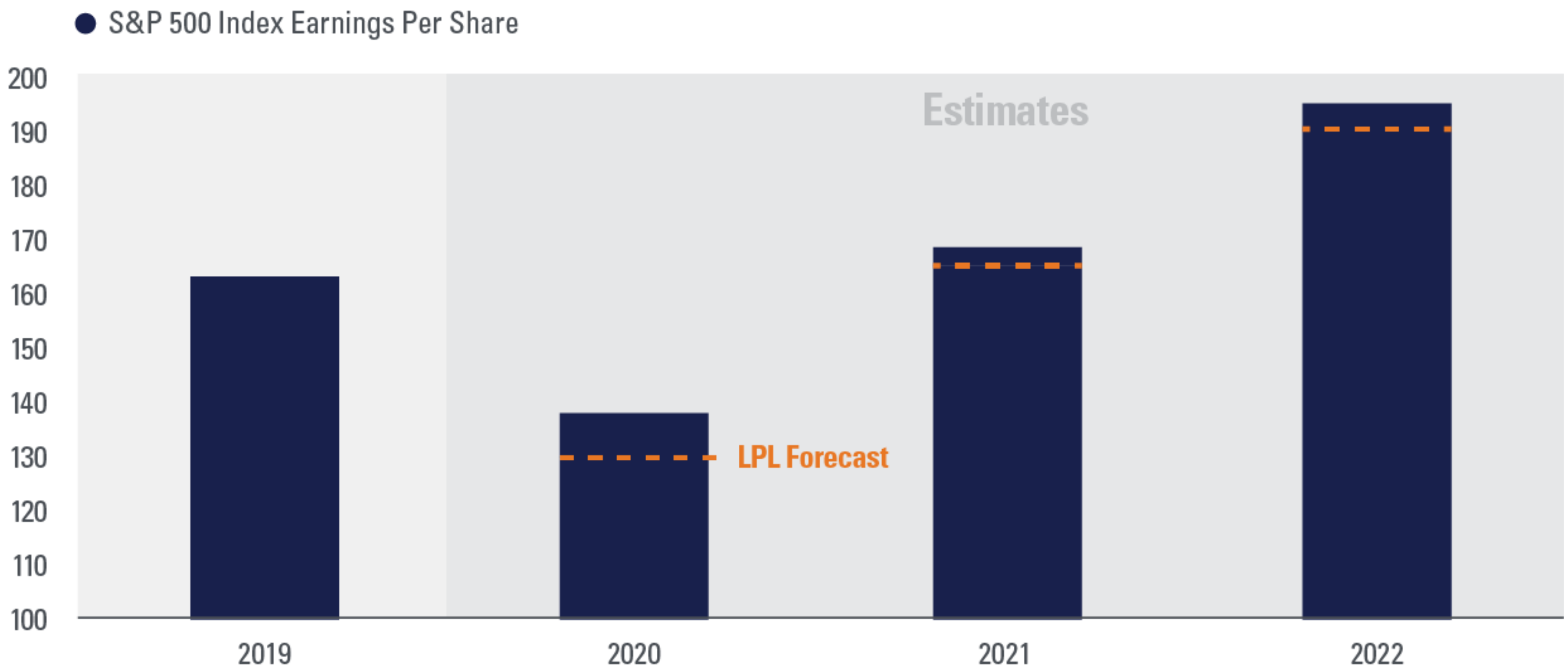
New Bull Markets Historically Have Built on Strong First-year Gains



Source: LPL Research, FactSet 11/06/20

Includes returns following declines of 30% or more in the S&P 500 Index since 1970. Year 2 returns include benefits of compounding from year 1 returns. All indexes are unmanaged and can't be invested in directly. Past performance is no guarantee of future results.

Earnings Poised for a Sharp Rebound in 2021 and 2022

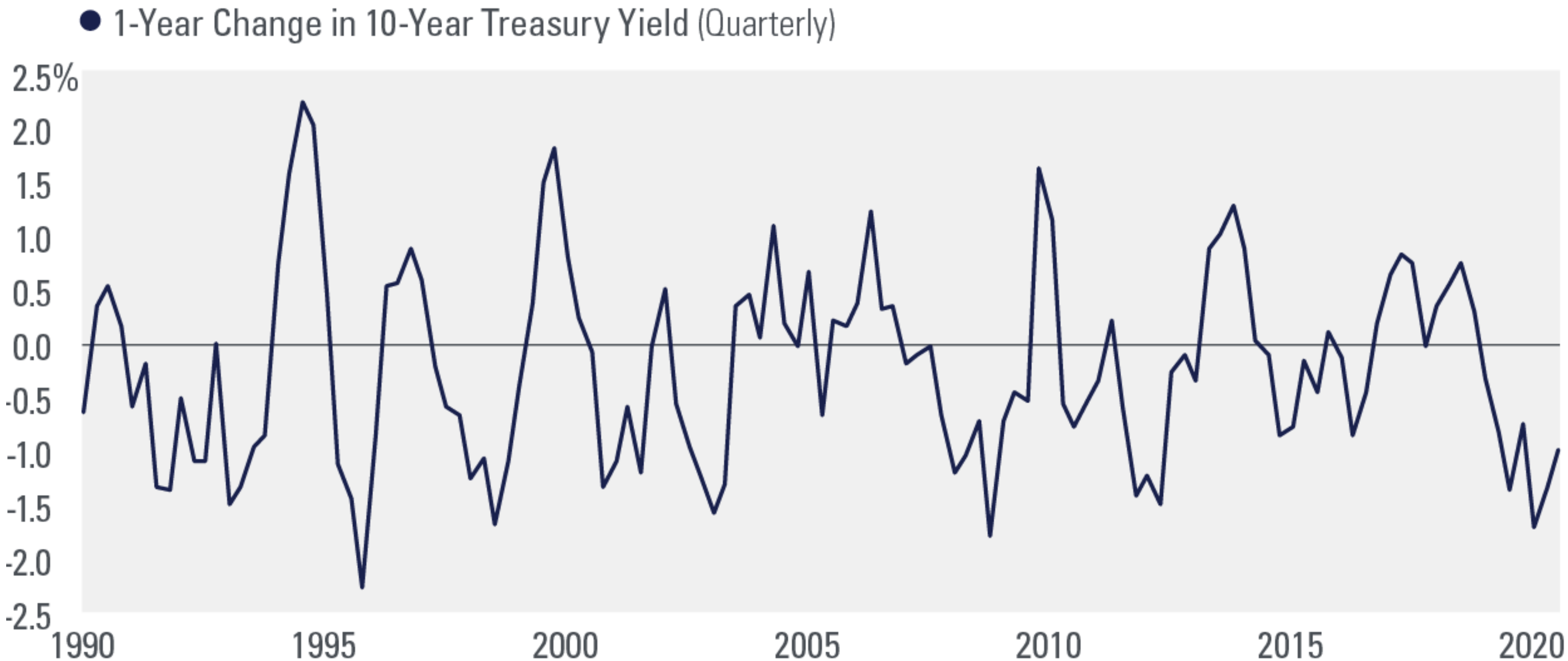


Source: LPL Research, FactSet 11/06/20
Economic forecasts may not develop as predicted and are subject to change.

BONDS

STAYING IN THEIR LANE

Large Declines in US Treasury Yields Have Turned Higher Over the Next Year



Source: LPL Research, Federal Reserve 11/01/20

High-Quality Bonds Have Held Up During Equity Market Declines

S&P 500 Index Market Declines (> 10%)		10-Year Constant Maturity Treasury Yield (%)			Return (%)		
Start Date	End Date	Start	Finish	Change	S&P 500 Index	Barclays Aggregate	Treasuries
4/23/10	7/2/10	3.84	3.00	-0.84	-15.6	3.0	4.4
4/29/11	10/3/11	3.32	1.80	-1.52	-18.6	5.4	8.6
5/21/15	2/11/16	2.19	1.63	-0.56	-12.8	2.2	4.1
1/26/18	2/8/18	2.66	2.85	0.19	-10.1	-1.0	-0.9
9/20/18	12/24/18	3.07	2.74	-0.33	-19.4	1.6	2.5
2/19/20	3/23/20	1.56	0.76	-0.80	-33.8	-0.9	5.4
			Average	-0.64	-18.4	1.7	4.0

Source: LPL Research, FactSet 11/01/20
All indexes are unmanaged and can't be invested in directly. Past performance is no guarantee of future results. Indexes (from left to right): S&P 500 Index, Bloomberg Barclays US Aggregate Bond Index, Bloomberg Barclays US Aggregate Government - Treasury Index.

THE JOURNEY CONTINUES

Important Disclosures

The opinions, statements and forecasts presented herein are general information only and are not intended to provide specific investment advice or recommendations for any individual. It does not take into account the specific investment objectives, tax and financial condition, or particular needs of any specific person. There is no assurance that the strategies or techniques discussed are suitable for all investors or will be successful. To determine which investment(s) may be appropriate for you, please consult your financial professional prior to investing.

Any forward-looking statements including the economic forecasts herein may not develop as predicted and are subject to change based on future market and other conditions. All performance referenced is historical and is no guarantee of future results.

References to markets, asset classes, and sectors are generally regarding the corresponding market index. Indexes are unmanaged statistical composites and cannot be invested into directly. Index performance is not indicative of the performance of any investment and does not reflect fees, expenses, or sales charges. All performance referenced is historical and is no guarantee of future results.

Any company names noted herein are for educational purposes only and not an indication of trading intent or a solicitation of their products or services. LPL Financial doesn't provide research on individual equities.

All index data from FactSet.

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

General Risk disclosures:

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. There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk. Investing in foreign and emerging markets debt or 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.

General 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.

Important Disclosures

The PE 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 PE ratio means that investors are paying more for each unit of net income, so the stock is more expensive compared to one with lower PE ratio.

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.SP500

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.

The Bloomberg Barclays US Aggregate Bond Index is an index of the U.S. investment-grade fixed-rate bond market, including both government and corporate bonds.

Equity Risk:

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, 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. They 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.

Equity Definitions:

Cyclical stocks typically relate to equity securities of companies whose price is affected by ups and downs in the overall economy and that sell discretionary items that consumers may buy more of during an economic expansion but cut back on during a recession. Counter-cyclical stocks tend to move in the opposite direction from the overall economy and with consumer staples which people continue to demand even during a downturn.

A growth stock is a share in a company that is anticipated to grow at a rate significantly above the average for the market due to capital appreciation.
A value stock is anticipated to grow above the average for the market due to trading at a lower price relative to its fundamentals, such as dividends, earnings, or sales.

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Large-cap stocks are issued by corporations with a market capitalization of $10 billion or more, and small-cap stocks are issued by corporations with a market capitalization between $250 million and $2 billion.

Important Disclosures

Fixed Income Risks:

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. Bond yields are subject to change. Certain call or special redemption features may exist which could impact yield. Government bonds and Treasury bills are guaranteed by the US government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. 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. Mortgage-backed securities are subject to credit, default, prepayment, extension, market and interest rate risk.

Fixed Income definitions:

Credit Quality is one of the principal criteria for judging the investment quality of a bond or bond mutual fund. As the term implies, credit quality informs investors of a bond or bond portfolio's credit worthiness, or risk of default. 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. The credit spread is the yield the corporate bonds less the yield on comparable maturity Treasury debt. This is a market-based estimate of the amount of fear in the bond market. Base-rated bonds are the lowest quality bonds that are considered investment-grade, rather than high-yield. They best reflect the stresses across the quality spectrum.

The Bloomberg Barclays Aggregate US Bond Index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment-grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities.

International debt securities involve special additional risks. These risks include, but are not limited to, currency risk, geopolitical and regulatory risk, and risk associated with varying settlement standards. These risks are often heightened for investments in emerging markets.

High yield/junk bonds (grade BB or below) are not investment grade securities, and are subject to higher interest rate, credit, and liquidity risks than those graded BBB and above. They generally should be part of a diversified portfolio for sophisticated investors.

Municipal bonds are subject to availability and change in price. They are subject to 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. Municipal bonds are federally tax-free but other state and local taxes may apply. If sold prior to maturity, capital gains tax could apply.

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