



July 7, 2026

Dear Valued Investor,

LPL Research is pleased to present *Midyear Outlook 2026: Policy, Buildouts, & Bottlenecks*. Their semi-annual update offers a comprehensive analysis of the economic and market environment, highlighting potential implications for you. I'm pleased to bring you a few key highlights today.

In the *2026 Outlook: The Policy Engine*, considerable time was spent discussing how policy is increasingly a driver of capital markets. The disruptions from the Iran conflict certainly served as another example of how policy, geopolitical or otherwise, should be top of mind for investors.

So, what now? The simple answer is that the team expects more of the same. Policy again will be front and center as attention turns to U.S. midterm elections and the uncertainty surrounding Kevin Warsh as the new chair of the Federal Reserve. Mr. Warsh's ability to influence his colleagues and questions around congressional balance of power will help shape the second half of 2026.

LPL Research continues to focus on AI and corporate earnings. As a matter of fact, strength in earnings is a key reason they've raised their 2026 stock market return expectations. While some frothiness around AI expectations and market concentration are concerning, the earnings wave adds conviction to their forecast.

Internationally, they are less sanguine, as European economies have again fallen behind, and emerging markets may continue to be hit-and-miss in aggregate. Simply stated, while the bias for U.S. equity exposure remains, the variance between the U.S. and the rest of the world may be less pronounced.

All these items should be major variables of focus for the balance of the year. But the key question is: How should investors position themselves to optimize investment opportunities? The answer is grounded in the belief that equity markets should be constructive in the second half, but keep in mind that midterm election years have historically made for a bumpy investment ride.

To that end, they believe bonds should remain a steadfast allocation, while market conditions persistently point to use cases for alternative exposure, in their view. Being well-balanced is key, but it is perhaps most important when policy shifts can cause the market to turn on a dime.

These are just some of the insights you'll find in *Midyear Outlook 2026: Policy, Buildouts, & Bottlenecks*. To get more, including considerations we can discuss, visit go.lpl.com/midyearoutlook.

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All data is provided as of July 7, 2026.

All index data from FactSet.

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