

July 14, 2020

Dear Valued Investor,

We are at the midpoint of 2020, and it would be an understatement to say it's been a challenging year so far in the United States and around the world. We've faced health, social, and economic crises that continue to impact our communities and our economy.

That's why we're looking ahead for new ways to face these challenges together and to prepare now for better times. LPL Research's *Midyear Outlook 2020: The Trail to Recovery* charts a path forward.

At LPL Research, we know the stock market is forward-looking: It focuses on what's happening today and what it sees on the path ahead. Much of the real-time economic data we follow—such as transportation activity, home sales, and jobless claims—is showing tangible evidence that economic activity—while still depressed—has begun to make a comeback. The path of the economic recovery remains uncertain, but based on the deep impact and multi-staged recovery, we expect a 3–5% contraction in gross domestic product in 2020.

Already stocks are pricing in a steady economic recovery beyond 2020 that may be supported if we receive breakthrough treatments to end the COVID-19 pandemic. Our 2020 year-end S&P 500 Index target range is 3,250–3,300, based on a price-to-earnings ratio (PE) of just below 20 and a normalized earnings per share (EPS) number of \$165. However, the optimism we see in the S&P 500 Index now may limit the size of the gains over the rest of the year.

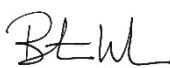
Turning to the bond market, we expect interest rates to head higher over the rest of 2020 but remain near historically low levels, with a year-end forecast of 1–1.5% on the 10-year US Treasury yield. If realized, this would be the lowest interest-rate level on record to end a year.

It's still going to be a challenging environment with significant uncertainty that may lead to more volatility for the next few months, especially with the highly anticipated presidential election in November. We continue to encourage investors to focus on the fundamental drivers of investment returns and their long-term financial goals.

LPL Research's *Midyear Outlook 2020* provides our updated views of the pillars for investing—the economy, bonds, and stocks. As the headlines change daily, we encourage you to continue to look to these pillars as trail markers on your investment journey, and to the *Midyear Outlook 2020* to help provide perspective on facing these challenges now and preparing to move forward together.

We encourage you to contact your financial professional with questions.

Sincerely,



Burt White  
Managing Director, Chief Investment Officer  
LPL Research

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All index data from FactSet.

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