



4707 Executive Drive  
San Diego, CA 92121

1055 LPL Way  
Fort Mill, SC 29715

201 Washington Street, Suite 300  
Boston, MA 02108

July 7, 2026

Dear Valued Investor,

LPL Research is pleased to present *Midyear Outlook 2026: Policy, Buildouts, & Bottlenecks*. Our semi-annual update offers a comprehensive analysis of the economic and market environment and highlights potential implications for investors and their portfolios.

In our *2026 Outlook: The Policy Engine*, we spent considerable time talking about 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 we expect more of the same. Policy again will be front and center as we turn our attention 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.

This doesn't mean we have lost focus on AI and corporate earnings. As a matter of fact, strength in earnings is a key reason we have raised our 2026 stock market return expectations. While some frothiness around AI expectations and market concentration are concerning, the earnings wave adds conviction to our forecast.

Internationally, we 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 our 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 expectation that we believe 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, we believe bonds should remain a steadfast allocation, while market conditions persistently point to use cases for alternative exposure, in our 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 to discuss with your advisor, visit [go.lpl.com/midyearoutlook](https://go.lpl.com/midyearoutlook). The report, combined with guidance from your financial advisor, will help you navigate through market complexities and crosscurrents and continue to work toward your goals.

As always, please reach out to your financial advisor with questions.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Marc A. Zabicki'.

Marc Zabicki, CFA  
Chief Investment Officer  
LPL Research

### Important Information

This material is for general information only and is not intended to provide specific advice or recommendations for any individual. There is no assurance that the views or strategies discussed are suitable for all investors or will yield positive outcomes. Investing involves risks including possible loss of principal. Any economic forecasts set forth may not develop as predicted and are subject to change.

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All data is provided as of July 7, 2026.

All index data from FactSet.

The Standard & Poor's 500 Index (S&P 500) 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.

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.

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.

Past performance does not guarantee future results.

Asset allocation does not ensure a profit or protect against a loss.

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