

July 12, 2022

Dear Valued Investor,

Markets rarely give us clear skies, and there are always threats to watch for on the horizon. But the right preparation, context, and support can help us navigate what lies ahead. So far, this year hasn't seen a full-blown crisis like 2008-2009 or 2020, but the ride has been very bumpy. We may not be flying into a storm, but there's been plenty of turbulence. How businesses, households, and central banks steer through the rough air will set the tone for markets over the second half of 2022.

The sources of turbulence are clear. A global economy that was already vulnerable to inflation from supply chain disruptions, tight labor markets, excess stimulus, and loose monetary policy came under more pressure when Russian aggression in Ukraine added sharply rising commodity prices and Europe on the brink of recession to the mix. The effects have included renewed pressure on interest rates, which hurt bond investors and contributed to tightening financial conditions, and a much more aggressive stance by the Federal Reserve (Fed) and other global central banks. Add in the typical market challenges of a midterm election year and the third year of a bull market, and it's no surprise it's been a bumpy ride.

Understandably, rising prices, slowing economic growth, and a challenging first half for both stocks and bonds have many investors on edge, and fatigue from more than two years of COVID-19 measures doesn't make it any easier. But the markets are always forward looking, so it's important to remain focused on what lies ahead. There will most certainly be challenges, but there are also some tailwinds from a strong job market, still resilient businesses, and the likelihood that inflation will soon start to slow. Markets historically can even get a little lift from lower uncertainty around elections as midterms approach.

Turbulence cannot be completely avoided, but it also need not deter us from making progress toward our financial goals. LPL Research's *Midyear Outlook 2022: Navigating Turbulence* is designed to help you assess conditions over the second half of the year, alert you to the challenges that may still lie ahead, and help you find the smoothest path for making continued progress toward your destination. When times are turbulent, the surest path toward progress remains sound financial advice from dedicated professionals who have logged many hours in similar conditions.

Please contact your financial advisor with questions.

Sincerely,



Marc Zabicki, CFA
Financial Director of Research
LPL Research

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All index data from FactSet.

The Standard & Poor's 500 Index (S&P500) 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.

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