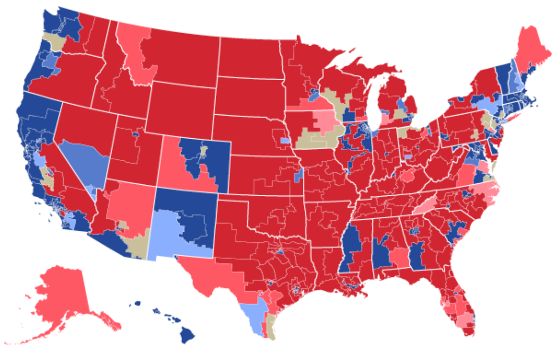
LPL Financial

# Midyear Outlook 2026

**Policy, Buildouts, & Bottlenecks**

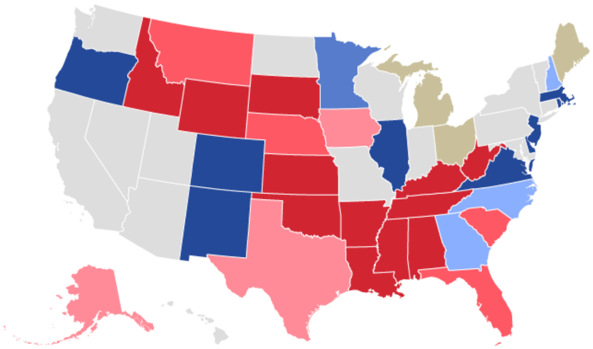
# Midterm Elections — What's on the Line?



## HOUSE

435 seats are up for re-election. Democrats need a net gain of six seats to reach the majority threshold.

**Projection:** Democrats likely flip, but by small margins.



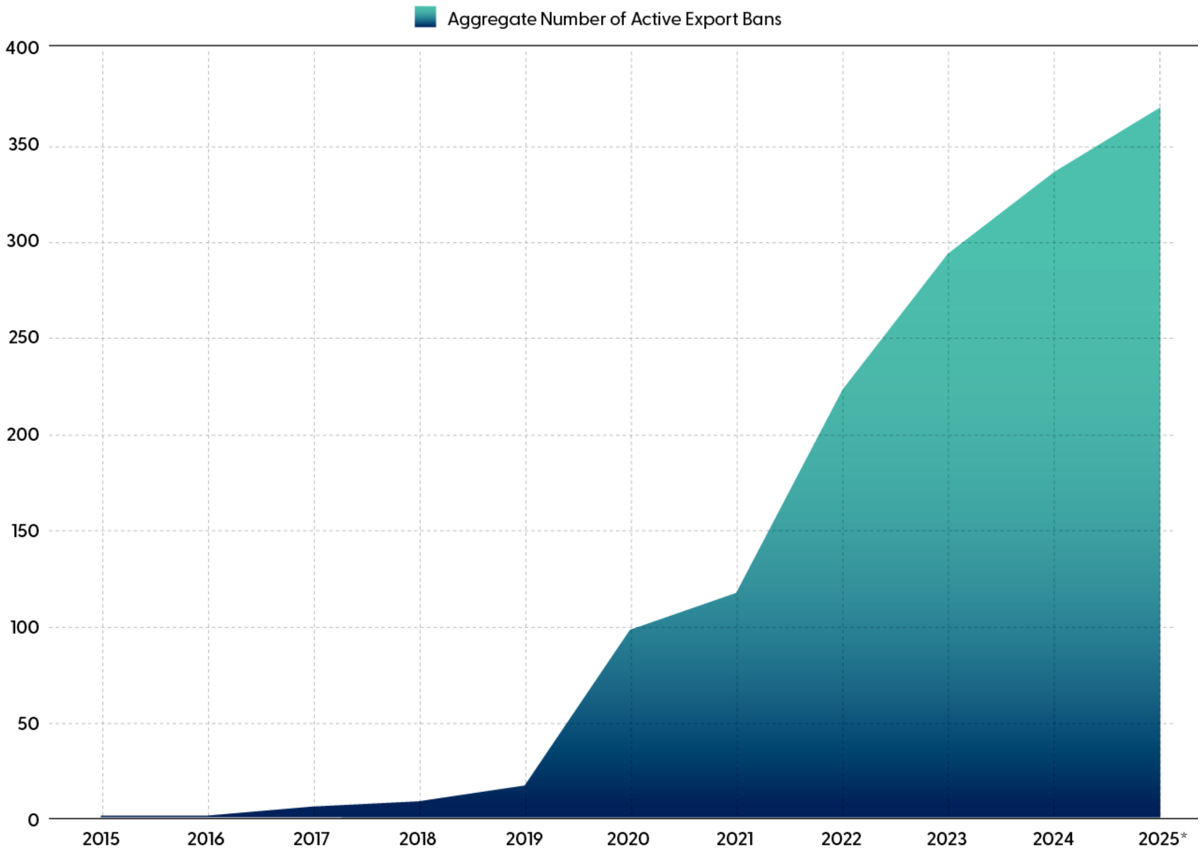
## SENATE

35 seats are up for re-election, including two special elections. Democrats need to flip four seats to claim a majority.

**Projection:** Republicans retain control.

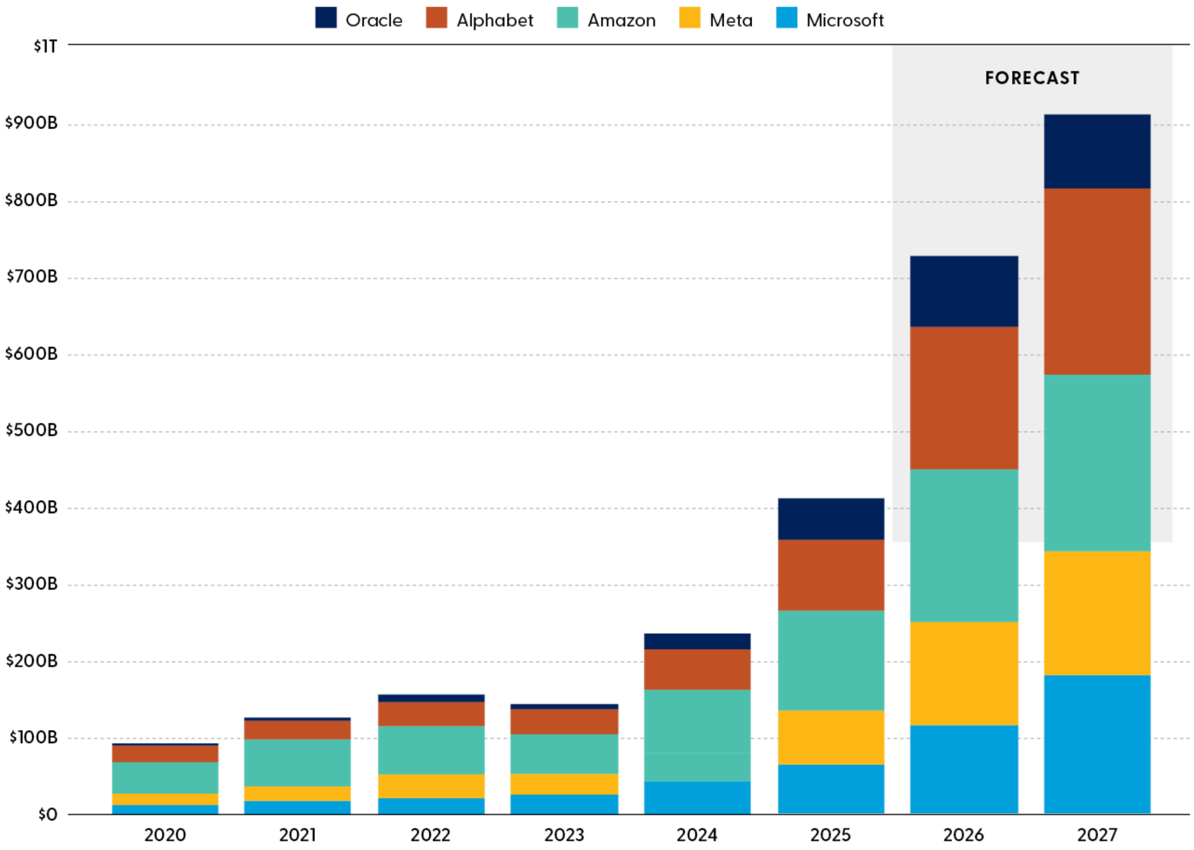
Source: LPL Research, 270towin.com
07/01/26

# Surge in Export Bans Globally Post-2020



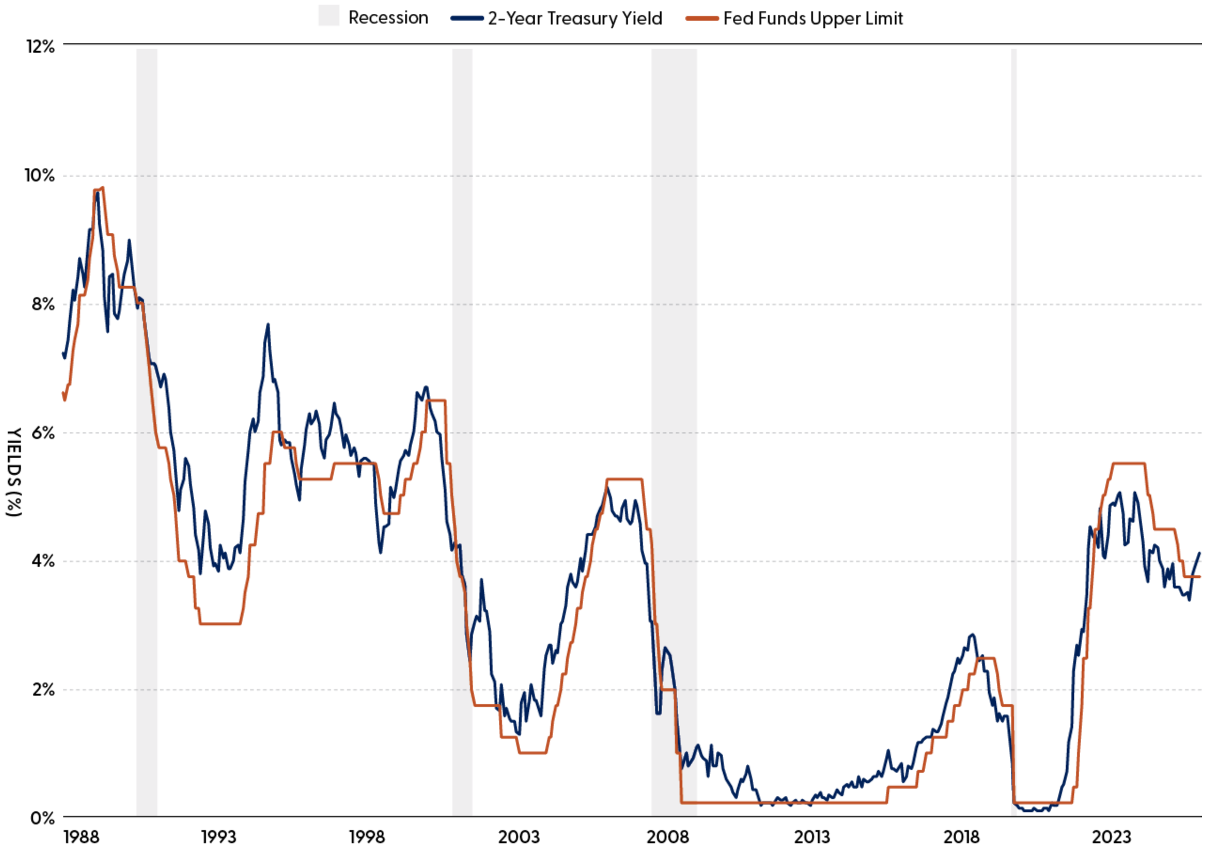

*2025 data is estimated.
Source: LPL Research, St. Louis Fed, GTA-NIPO 06/09/26
The economic forecasts set forth in this material may not develop as predicted and there can be no guarantee that strategies promoted will be successful.

# Hyperscaler Capital Expenditures Continue to Rise




Source: LPL Research, Bloomberg 06/30/26
Oracle's fiscal year ends May 31. All other companies report on a calendar year basis. Estimates may not materialize as predicted and are subject to change.

# Treasury Yields Rise When Growth Prospects Improve

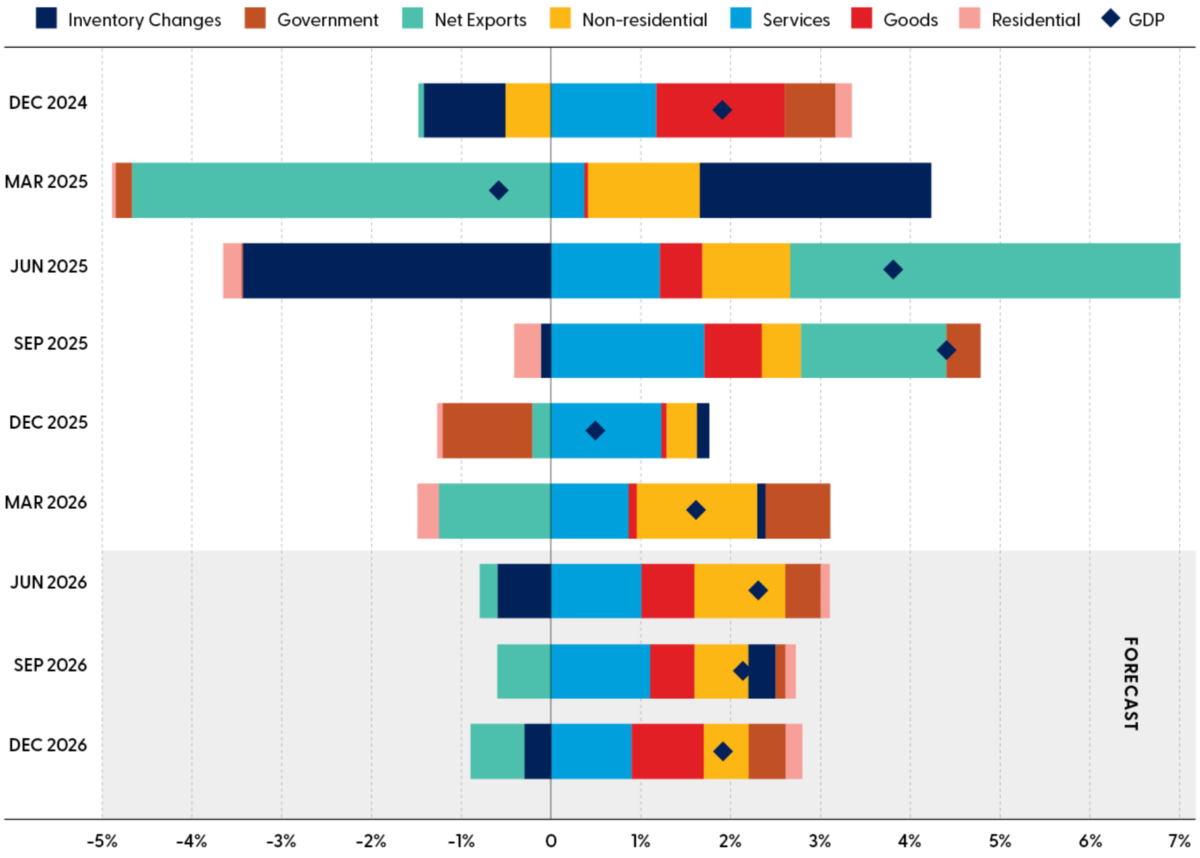



Source: LPL Research, Federal Reserve Board 07/01/2026
Past performance is no guarantee of future results.

# Economy

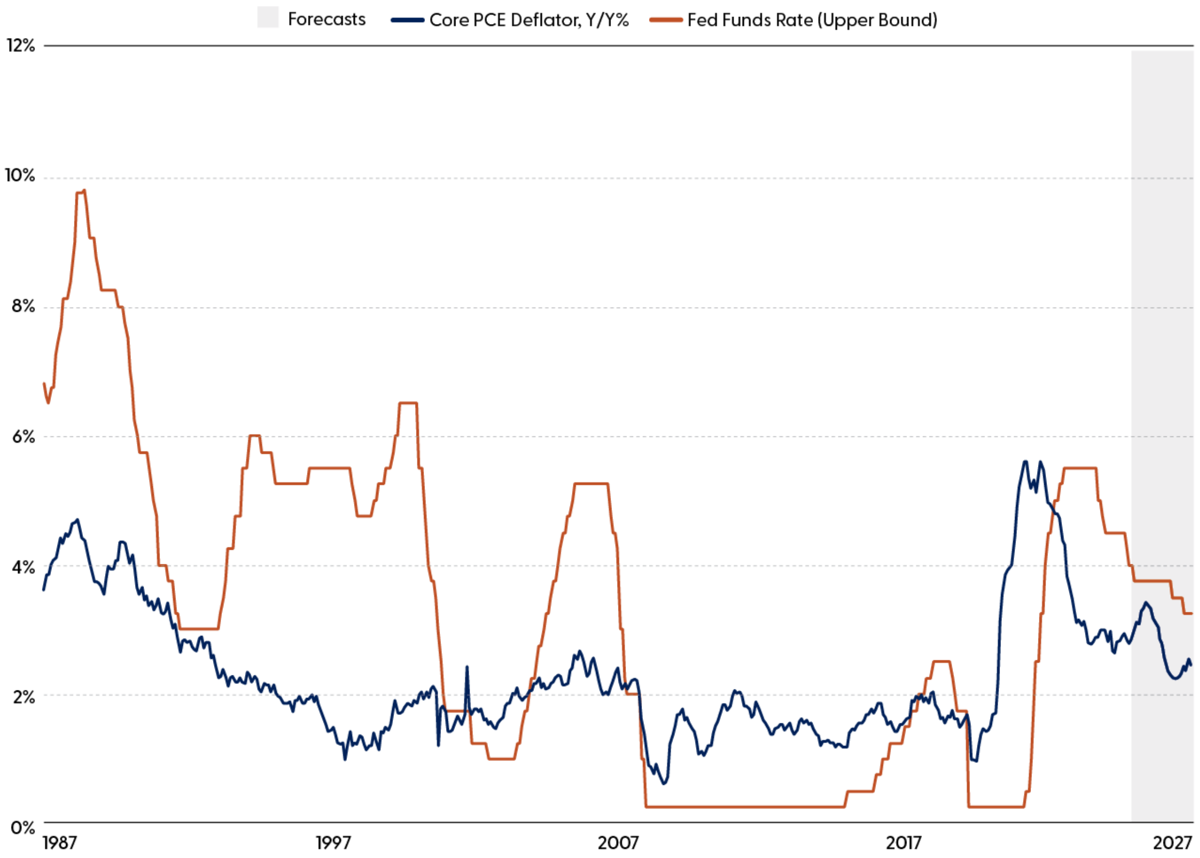
Disruption and Division: AI, Inflation, and the Labor Gap

# Economic Growth May Benefit from Capital Spending



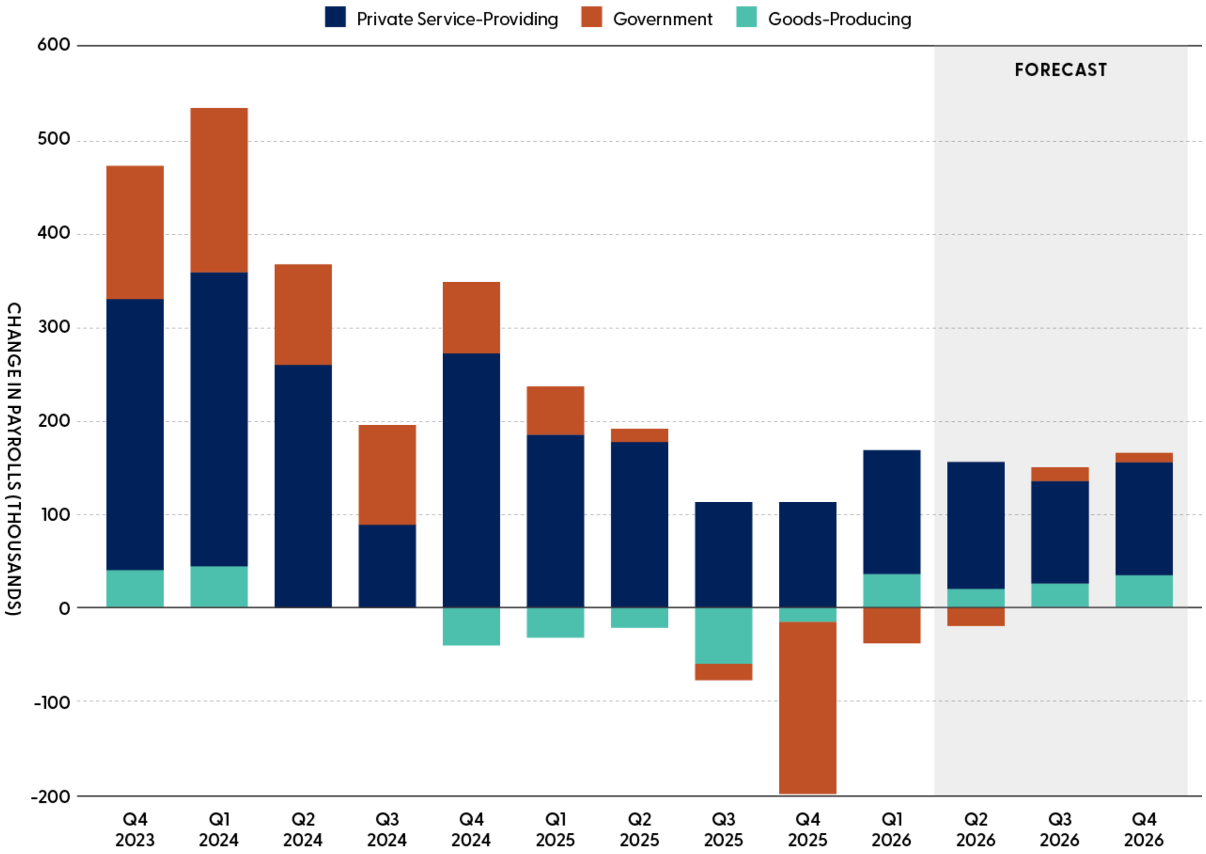

Source: LPL Research, Bureau of Economic Analysis 07/01/2026
Past performance is no guarantee of future results. Economic forecasts may not develop as predicted.

# Geopolitical Shocks May Keep Inflation Elevated for Longer




Source: LPL Research, U.S. Bureau of Labor Statistics 07/01/2026
Past performance is no guarantee of future results. Economic forecasts may not develop as predicted.

# Job Growth May Likely Cluster in Service Economy

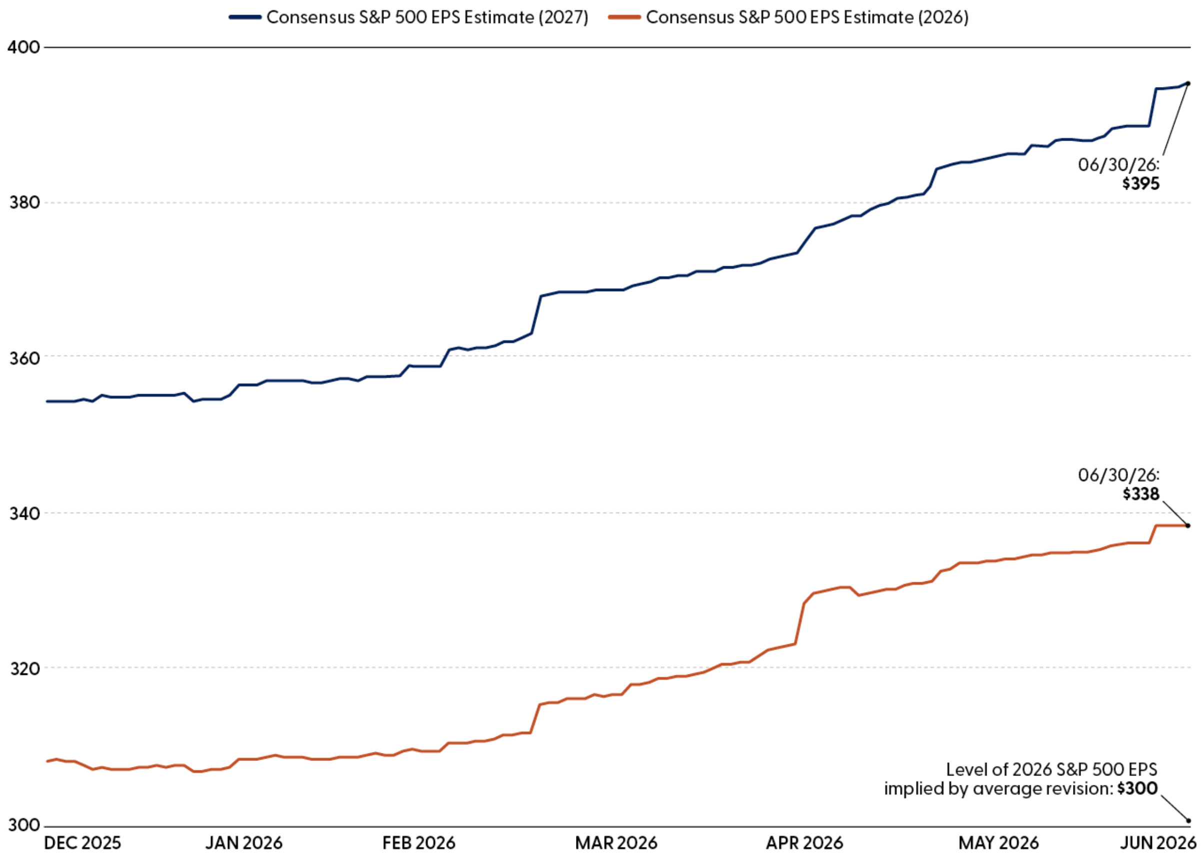



Source: LPL Research, U.S. Bureau of Labor Statistics 07/01/2026
Past performance is no guarantee of future results. Economic forecasts may not develop as predicted.

# Stocks

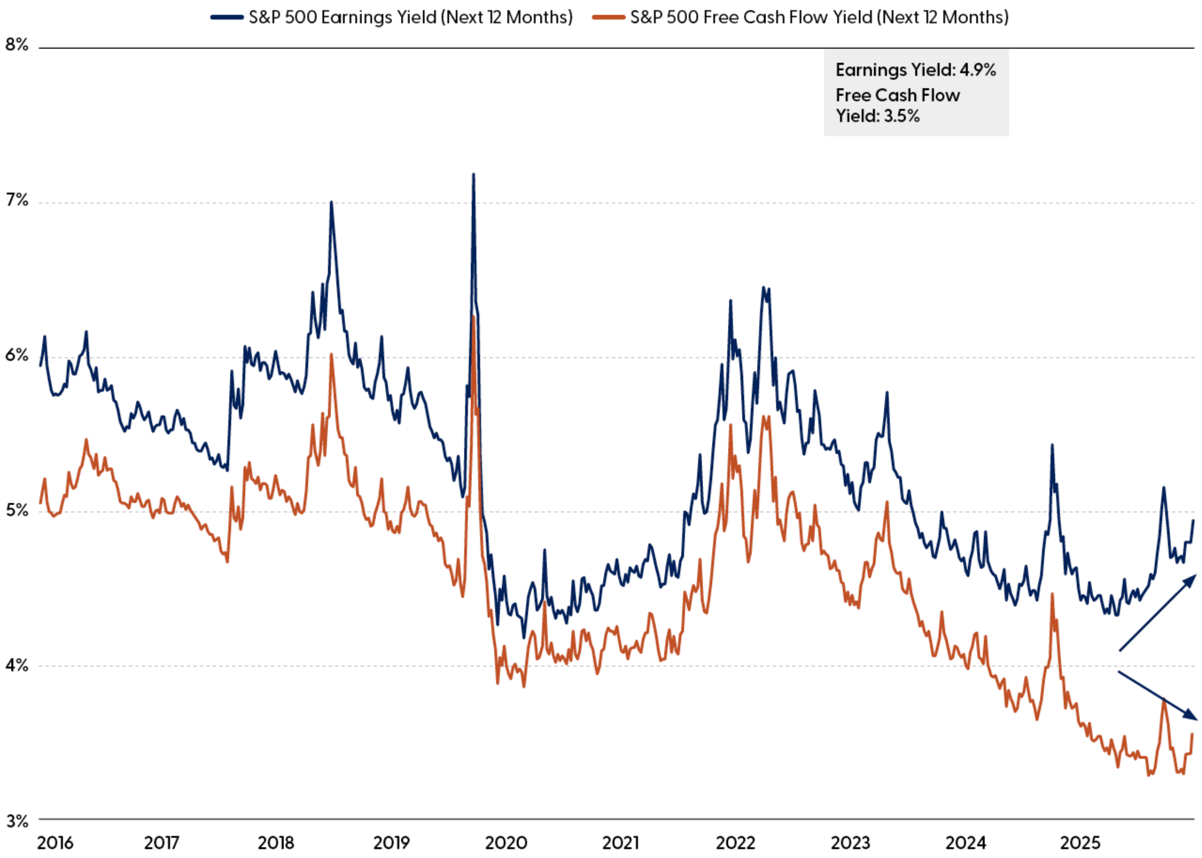
Keys to Second Half Include Better Macro Backdrop and AI

# Rare and Steady Increase in Earnings Estimates



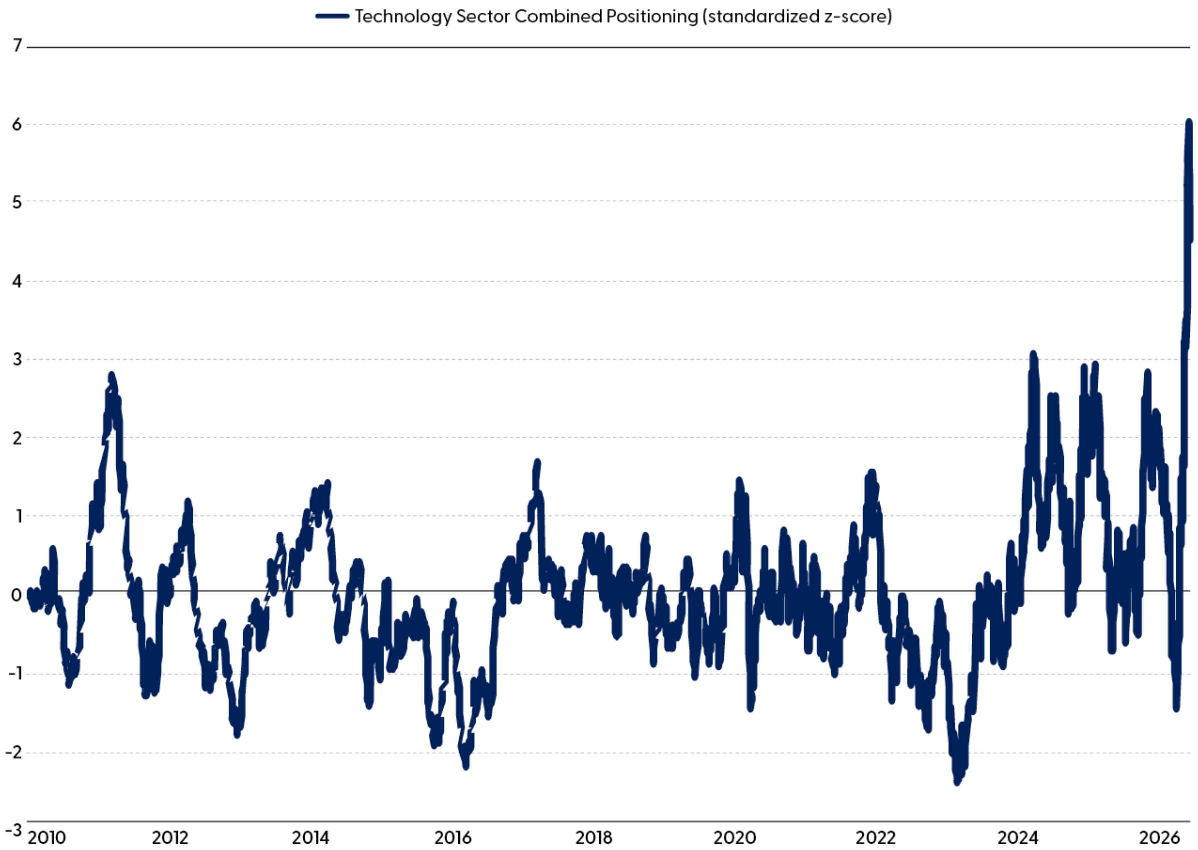

Source: LPL Research, FactSet 07/01/2026
Indexes are unmanaged and cannot be invested in directly. Past performance is no guarantee of future results. Estimates may not materialize as predicted.

# Stock Valuations on Earnings Are More Reasonable Than Free Cash Flow




Source: LPL Research, FactSet 07/01/2026. Indexes are unmanaged and cannot be invested in directly. Past performance is no guarantee of future results. Estimates may not materialize as predicted and are subject to change. Free cash flow is calculated by taking operating cash flow and subtracting capital expenditures. Earnings yield represents earnings dividend by price. Free cash flow yield represents free cash flow divided by price.

# Tech Sector Positioning Has Gotten Crowded




Source: LPL Research, Vanda 07/01/2026
Indexes are unmanaged and cannot be invested in directly. Past performance is no guarantee of future results. Based on the volume weighted average investors' positioning in U.S. equity sectors. This metric combines institutional and retail investors' net bullish positions in U.S. single stocks and ETFs (3-month rolling sum of OTM call — put US$ traded premium) and the 3-month rolling sum of inflows into U.S. sector-focused ETFs. All the metrics are standardized and averaged. The mean and standard deviation used for the Z-score are calculated using the full history range for all metrics, except for call to put indicators and retail net buying average and standard deviation are adjusted for pre- and post-COVID-19 as retail participation increased. Weights are based on estimated investors' volumes as % of the total, we apply a cap to the maximum weight for each investor to avoid high levels of concentration.

# Updated S&P 500 Earnings and Fair Value Targets

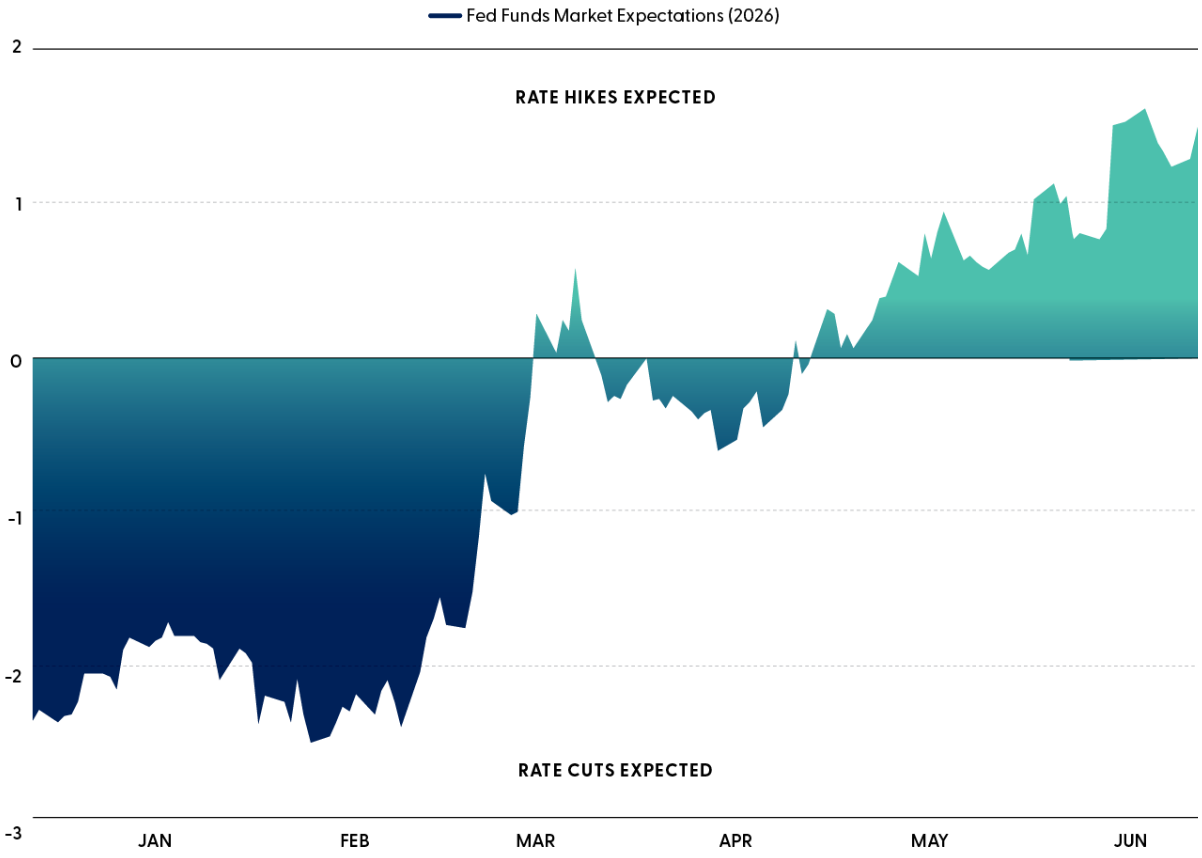
| | |
|---|---|
| Year-end Fair Value S&P 500 Target Range | 7,650 – 7,750 |
| 2026 S&P 500 EPS Forecast | $320 |
| 2027 S&P 500 EPS Forecast | $350 |

Source: LPL Research 07/01/2026
Indexes are unmanaged and cannot be invested in directly. Estimates may not materialize as predicted and are subject to change.

# Bonds

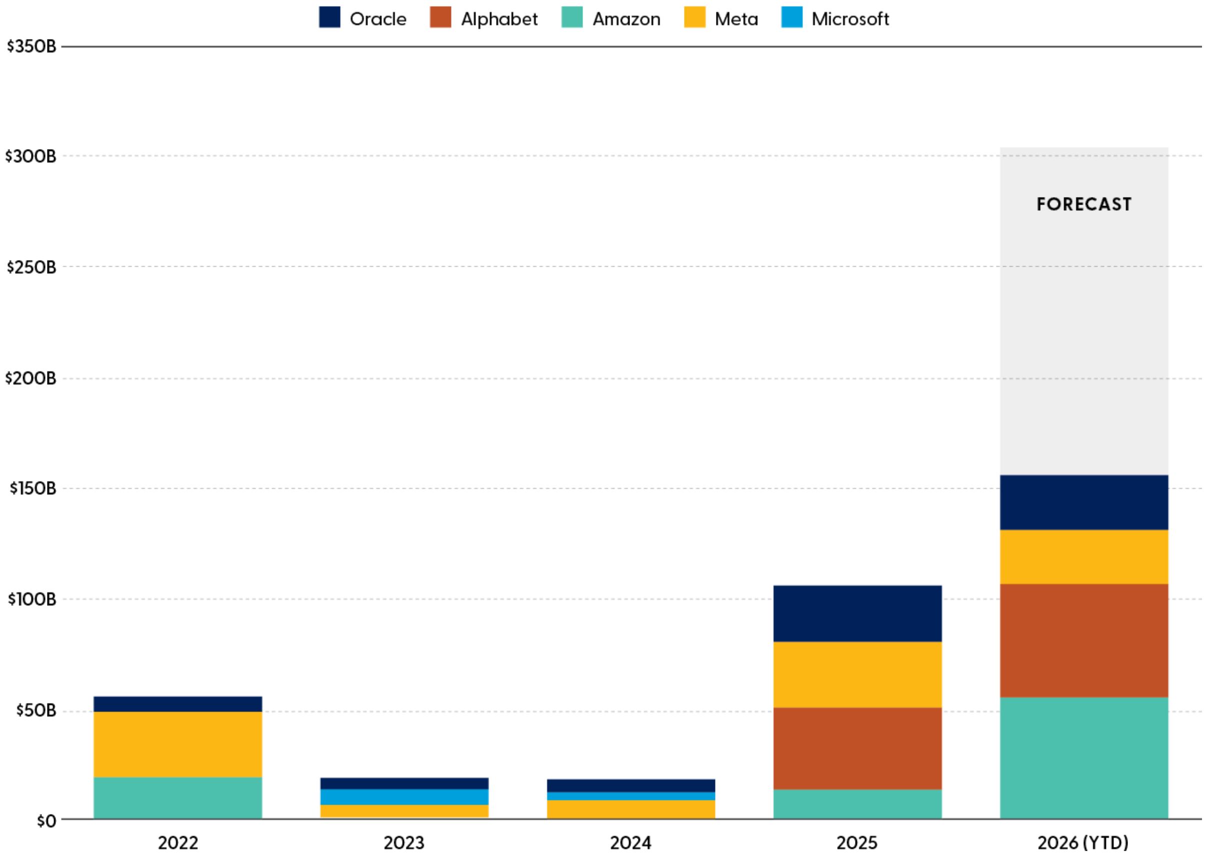
Higher for Longer: Keep Calm and Carry On

# From Multiple Cuts to a Potential Hike: The Market's Fed Repricing




Source: LPL Research, Bloomberg 06/30/2026
Past performance is no guarantee of future results.

# Hyperscaler Debt Issuance Has Gone Vertical




Source: LPL Research, Bloomberg 06/30/2026
Past performance is no guarantee of future results.

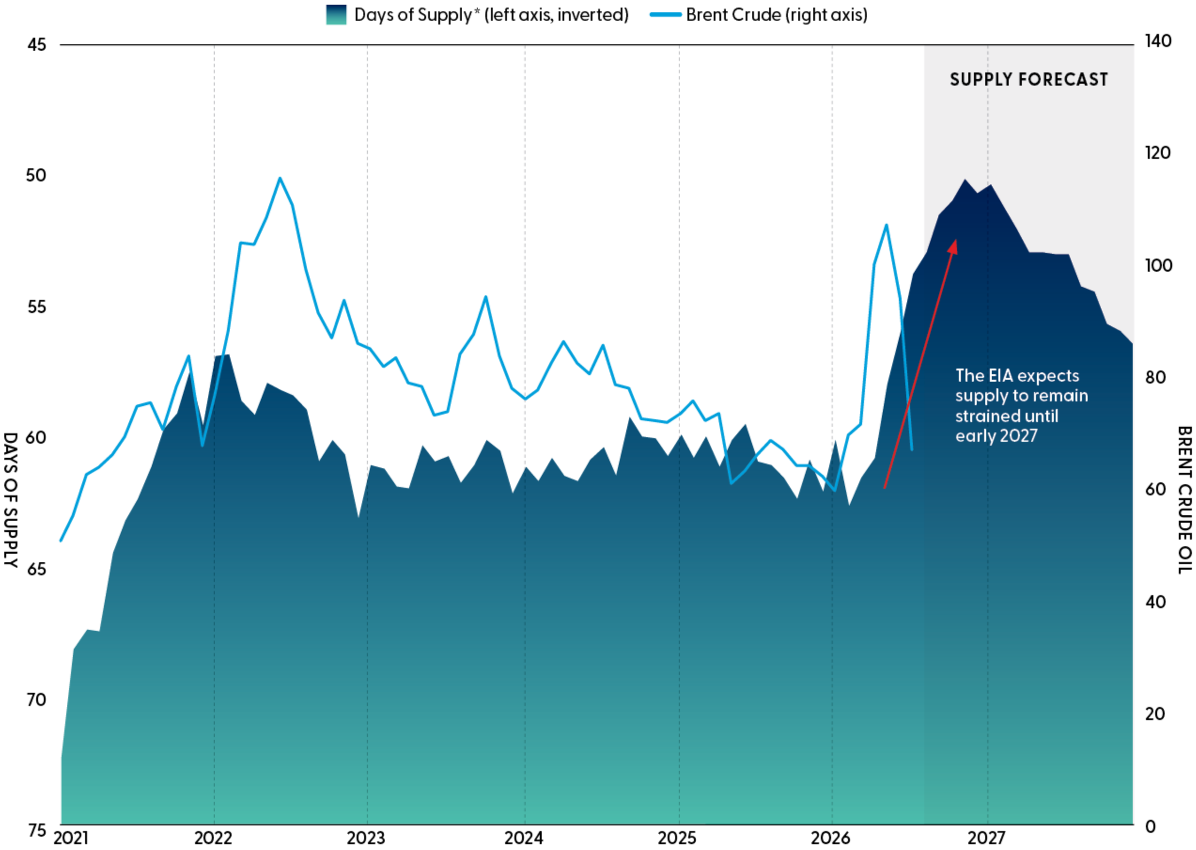
# Alternative Investments

Looking Beyond Market Beta

# Commodities & Currencies

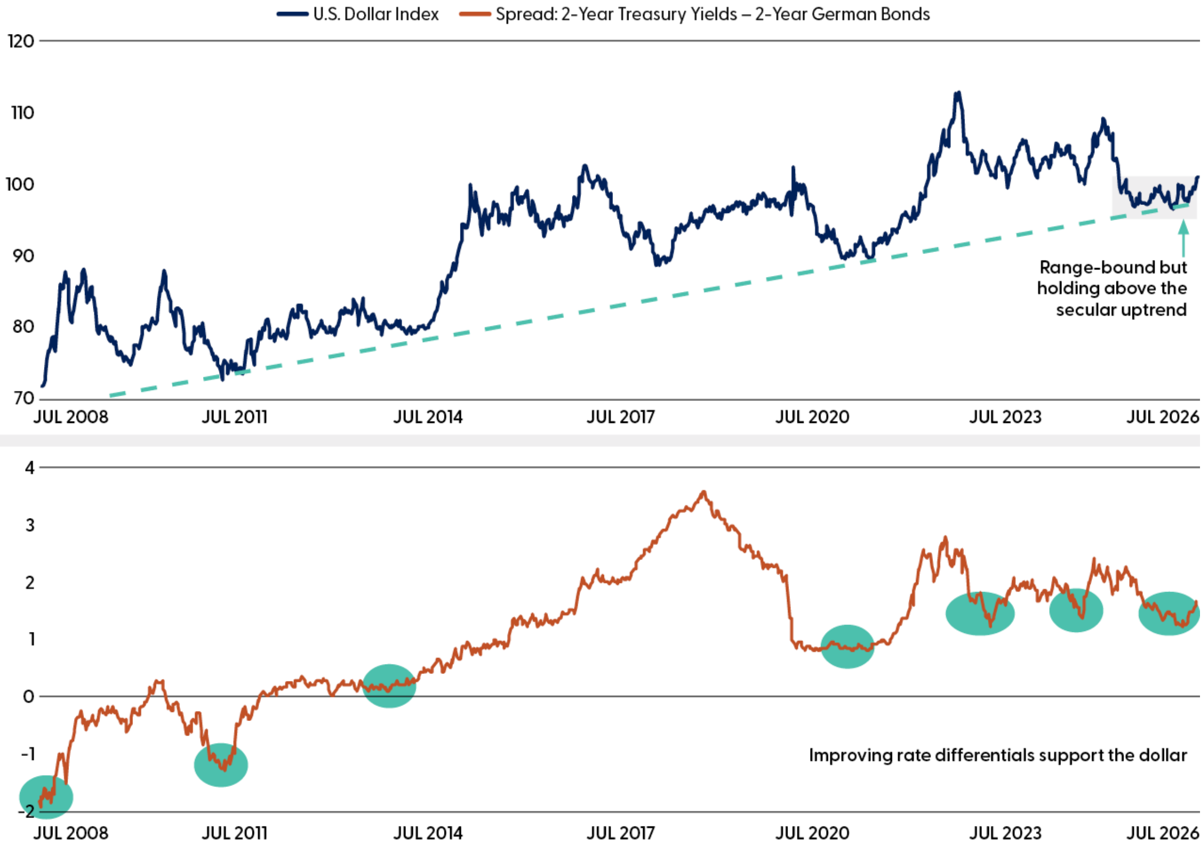
Real Assets, Real Constraints

# Supply Forecasts Remain Supportive of Oil




Source: LPL Research, Bloomberg, U.S. Energy Information Administration 07/01/26
Any commodities, options or futures referenced are being presented as a proxy, not as a recommendation. Past performance is no guarantee of future results. Estimates may not materialize as predicted and are subject to change.
*OECD commercial stocks of crude oil and other liquids.

# Secular Uptrend Holds as Interest Rate Differentials Improve




Source: LPL Research, Bloomberg 07/04/26
Indexes are unmanaged and cannot be invested in directly. Past performance is no guarantee of future results.

# 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 account for 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 in 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.

**General Risk Disclosures**

Investing involves risk including the potential loss of principal.

Alternative investments may not be suitable for all investors and should be considered as an investment for the risk capital portion of the investor's portfolio. The strategies employed in the management of alternative investments may accelerate the velocity of potential losses.

Managed futures are speculative, use significant leverage, may carry substantial charges, and should only be considered suitable for the risk capital portion of an investor's portfolio.

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.

# Disclosures

**General Risk Disclosures (continued)**

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 U.S. 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.

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.

The fast price swings of commodities will result in significant volatility in an investor's holdings. Commodities include increased risks, such as political, economic, and currency instability, and may not be suitable for all investors. Precious metal investing is subject to substantial fluctuation and potential for loss.

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 does not provide research on individual equities.

# Disclosures

**General Risk Disclosures (continued)**

All index data from FactSet. International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.

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

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.

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

**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.

**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.

**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 U.S. Aggregate Bond Index** is an index of the U.S. investment-grade fixed-rate bond market, including both government and corporate bonds. The HFRI® Indices are broadly constructed indices designed to capture the breadth of hedge fund performance trends across all strategies and regions.

**The PHLX Semiconductor Sector Index (SOX)** is a modified market capitalization-weighted index composed of companies primarily involved in the design, distribution, manufacture, and sale of semiconductors.

# Disclosures

**General Definitions (continued)**

The HFRI Institutional Macro Index is a global, equal-weighted index of hedge funds with minimum assets under management of USD $500 million which report to the HFR Database and are open to new investments.

A company's market capitalization is the market value of its outstanding shares. Market capitalization is calculated by multiplying the number of a company's shares outstanding by its stock price per share. Classifications such as large cap, mid cap, and small cap are only approximations and may change over time.

**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.

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.

**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 to the bond issuer'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 of 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 Commodity Index (BCOM) is made up of 24 exchange-traded futures on physical commodities, representing 22 commodities which are weighted to account for economic significance and market liquidity.

This research material has been prepared by LPL Financial LLC.

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