



July 11, 2023

Dear Valued Investor,

Now that we're beyond the midpoint of the investing year, it's a great time to look at where we've been—to help position your portfolio for the latter half of the year. Our Midyear Outlook: The Path Toward Stability does this with in-depth analyses, insights and perspectives from the LPL Research team. Today we're bringing you a few of its key highlights.

Our investing outlook started with a theme of returning to normalcy and finding balance. And while that theme will carry us through year-end, the year has come with some challenges. We saw it in the banking sector with three large bank failures in the spring, followed by up-to-the-deadline debate about the debt ceiling. Yet, despite the market gyrations these events caused, the overall financial system seems stable. Some bright spots include:

- Inflation is under 5% at home, significantly lower than its 8.3% level this time last year
- The fed funds rate is approaching its apex as the Federal Reserve (Fed) grapples with the unknown impacts yet to emerge from its aggressive tightening cycle
- Global inflation has ticked down from its 8.7% high in 2022, and is following a slow descent to a projected 6.5% for 2023

These bright spots help shape our view on the next six months, which may come with some potential opportunities in international equities, core bonds, and industrials. Balancing things out, there are unknowns still out there—like recession and interest-rate volatility. The Fed has already indicated they may raise rates further if inflation continues to remain stubbornly high. On the other hand, rates could see a fairly sizable drop in the event of recession. What's key here is how rate volatility resolves itself, as that will be a big driver for markets.

And while we don't know the answer to that yet, we know that the insights found in the report will help position investors, along with guidance from their financial professional, to achieve their goals. And of course, our seasoned team of experts will be by your side, providing guidance and actionable insights as the second half unfolds.

Please reach out to me if you have any questions.

Sincerely,

Rick Fisher, CFP®

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All data is provided as of July 5, 2023.

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All index data from FactSet.

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