GLOBAL PORTFOLIO STRATEGY

LPL RESEARCH

JULY 2024

Stocks Finish First Half on a High Note

LPL Research Monthly Market Outlook

Color Key

- Strong Underweight
- Underweight
- Neutral
- Overweight
- Strong Overweight

Key Changes from June Report:

- LPL Research is raising its S&P 500 earnings per share (EPS) forecasts for 2024 and 2025 to $240 and $260 from $235 and $250.

The LPL Strategic & Tactical Asset Allocation Committee (STAAC) determines the firm's investment outlook and asset allocation that helps define LPL Research's investment models and overall strategic and tactical investment thinking and guidance. The committee is chaired by the chief investment officer and includes investment specialists from multiple investment disciplines and areas of focus. The STAAC meets weekly to foster a close monitoring of all global economic and capital markets conditions to ensure that all the latest information is being digested and incorporated into its investment thought.

STAAC Asset Class Tactical Views as of 7/01/2024 (GWI)

Asset Class					
Equity			●		
U.S.				●	
International Developed (EAFE)			●		
Emerging Markets		●			
Large Growth				●	
Large Value			●		
Small/Mid Growth			●		
Small/Mid Value			●		
Fixed Income				●	
Treasuries			●		
MBS				●	
IG Corporates	●				
TIPS			●		
International Developed			●		
Preferred					●
High-Yield			●		
Bank Loans			●		
Emerging Markets			●		
Cash		●			
Alternatives			●		

STAAC Sector Tactical Views as of 7/01/2024 (GWI)

Sector					
Healthcare		●			
Energy				●	
Utilities			●		
Consumer Staples			●		
Information Technology			●		
Communications Services				●	
Industrials				●	
Financials			●		
Materials			●		
Real Estate		●			
Consumer Discretionary		●			

Source: STAAC as of July 1, 2024. All sector and asset allocation recommendations must be considered in the context of an individual investor's goals, time horizon, liquidity needs and risk tolerance. Not all recommendations will be in the best interest of all investors. The STAAC views expressed are based on a Tactical Asset Allocation (TAA) for a portfolio that has a Growth With Income (GWI) investment objective.

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INVESTMENT TAKEAWAYS

Stocks rose again in June as technology strength and artificial intelligence (AI) enthusiasm continued to power the major averages higher. The S&P 500's 3.6% gain marked the seventh positive month in the past eight and brought the first half return to a very strong 15.3% — with more than 30 new record highs along the way. The debate around when the Federal Reserve (Fed) would cut interest rates continued, with markets leaning toward September as June ended amid continued easing inflation pressures and some evidence of slower consumer spending. As July began, markets were focused on the Middle East conflict, the November election, the upcoming earnings season, and Treasury yields.

Within fixed income markets, falling Treasury yields helped most bond sectors end the first half on a high note, despite still showing modest losses for the year for the Bloomberg Aggregate Bond Index. High quality sectors, such as Agency mortgage-backed securities and U.S. Treasuries, outperformed. Market pricing for expected Fed rate cuts continues to be volatile, but we think current pricing is currently more in line with actual Fed intentions. As such, we think we're likely past peak interest rates in the U.S.

The LPL Research STAAC sees the risk/reward trade-off as slightly more attractive for fixed income than equities as higher bond yields increase the bond markets relative attractiveness. While the economic and profit growth backdrop generally remains favorable for equities, fixed income may have a bit more upside over the next six months based on elevated stock valuations and expected market volatility.

- Economic growth in the U.S. should outperform other developed markets. Despite a slow start and some headwinds to consumer spending, we expect solid business capital spending to support domestic growth overall, albeit at below consensus levels.
- The STAAC maintains its recommended neutral equities allocation amid a favorable economic and profit backdrop. Interest rates may need to fall for valuations to hold, so potential second half gains are more likely to be driven by earnings growth.
- The Committee remains comfortable with a balanced approach to market cap. High-quality small cap stocks are attractively valued, but the earnings power among large cap companies, overall, has been very impressive.
- The Committee maintains a slight preference towards large cap growth. AI-fueled earnings growth, potentially lower interest rates as the economy slows, and our technical analysis work favor the growth style.
- The STAAC's regional preference remains U.S. over developed international and emerging markets (EM) due largely to superior earnings and economic growth in the U.S.
- The STAAC continues to hold a strong overweight tilt in preferred securities as valuations remain attractive. However, the risk/reward for core bond sectors (U.S. Treasury, agency mortgage-backed securities (MBS), investment-grade corporates) is more attractive than plus sectors. In our view, adding duration isn't attractive at current levels and the STAAC remains neutral relative to our benchmarks.

2024 MARKET FORECASTS

Expect Yields to Pullback and Stocks to Be Choppy Through Year-End

	Previous	Current
10-Year U.S. Treasury Yield	3.75% to 4.25%	3.75% to 4.25%*
S&P 500 Index Earnings per Share	$235	$240
S&P 500 Index Fair Value	4,850 – 4,950	4,850 – 4,950**

Source: LPL Research, FactSet, Bloomberg
All indexes are unmanaged and cannot be invested into directly.

*Our year-end 2024 forecast for the U.S. 10-year Treasury yield is 3.75% to 4.25%. The Fed's higher for longer narrative and the poor supply/demand technicals for Treasury securities will likely keep interest rates at these elevated levels until the economic data weakens and/or inflation falls back in line with the Fed's longer term 2% target.

**Our year-end 2024 fair-value target range for the S&P 500 of 4,850-4,950 is based on a price-to-earnings ratio (PE) of 19.5 and our S&P 500 earnings per share (EPS) forecast of $250 in 2025.

Any forward-looking statements including economic forecasts may not develop as predicted and are subject to change.

All data, views, and forecasts herein are as of 07/01/24.

2024 ECONOMIC FORECASTS

U.S. Economy Expected to Slow This Year

	2024 (Y/Y, real GDP)
United States	1.9%
Eurozone	0.9%
Advanced Economics	1.6%
Emerging Markets	4.2%
Global	3.1%

Source: LPL Research, Bloomberg

The economic forecasts may not develop as predicted.

TACTICAL ASSET ALLOCATION AS OF 07/01/2024

	Investment Objective														
	Aggressive Growth			Growth			Growth with Income			Income with Moderate Growth			Income with Capital Preservation		
	TAA	Benchmark	Difference	TAA	Benchmark	Difference	TAA	Benchmark	Difference	TAA	Benchmark	Difference	TAA	Benchmark	Difference
STOCKS	95.0%	95.0%	0.0%	80.0%	80.0%	0.0%	60.0%	60.0%	0.0%	40.0%	40.0%	0.0%	20.0%	20.0%	0.0%
U.S. EQUITY	80.0%	76.0%	4.0%	67.0%	64.0%	3.0%	50.0%	48.0%	2.0%	33.5%	32.0%	1.5%	16.0%	16.0%	0.0%
Large Growth	27.0%	24.0%	3.0%	22.5%	20.5%	2.0%	16.5%	15.0%	1.5%	11.5%	10.0%	1.5%	5.0%	5.0%	0.0%
Large Value	25.0%	24.0%	1.0%	21.0%	20.0%	1.0%	15.5%	15.0%	0.5%	10.0%	10.0%	0.0%	5.0%	5.0%	0.0%
Small/Mid Growth	14.0%	14.0%	0.0%	11.5%	11.5%	0.0%	9.0%	9.0%	0.0%	6.0%	6.0%	0.0%	3.0%	3.0%	0.0%
Small/Mid Value	14.0%	14.0%	0.0%	12.0%	12.0%	0.0%	9.0%	9.0%	0.0%	6.0%	6.0%	0.0%	3.0%	3.0%	0.0%
INTERNATIONAL EQUITY	15.0%	19.0%	-4.0%	13.0%	16.0%	-3.0%	10.0%	12.0%	-2.0%	6.5%	8.0%	-1.5%	4.0%	4.0%	0.0%
Developed (EAFE)	12.0%	12.0%	0.0%	10.0%	10.0%	0.0%	8.0%	8.0%	0.0%	5.0%	5.0%	0.0%	4.0%	4.0%	0.0%
Emerging Markets	3.0%	7.0%	-4.0%	3.0%	6.0%	-3.0%	2.0%	4.0%	-2.0%	1.5%	3.0%	-1.5%	0.0%	0.0%	0.0%
BONDS	3.0%	0.0%	3.0%	18.0%	15.0%	3.0%	38.0%	35.0%	3.0%	58.0%	53.0%	5.0%	78.0%	70.0%	8.0%
U.S. CORE	3.0%	0.0%	3.0%	17.0%	15.0%	2.0%	36.0%	35.0%	1.0%	55.0%	53.0%	2.0%	74.0%	70.0%	4.0%
Treasuries	1.5%	0.0%	1.5%	8.0%	7.0%	1.0%	17.5%	16.0%	1.5%	27.0%	24.5%	2.5%	36.0%	32.0%	4.0%
MBS	1.0%	0.0%	1.0%	5.5%	4.5%	1.0%	11.5%	10.0%	1.5%	17.5%	15.0%	2.5%	23.5%	20.5%	3.0%
IG Corporates	0.5%	0.0%	0.5%	3.5%	3.5%	0.0%	7.0%	9.0%	-2.0%	10.5%	13.5%	-3.0%	14.5%	17.5%	-3.0%
NON-CORE	0.0%	0.0%	0.0%	1.0%	0.0%	1.0%	2.0%	0.0%	2.0%	3.0%	0.0%	3.0%	4.0%	0.0%	4.0%
Preferred	0.0%	0.0%	0.0%	1.0%	0.0%	1.0%	2.0%	0.0%	2.0%	3.0%	0.0%	3.0%	4.0%	0.0%	4.0%
CASH	2.0%	5.0%	-3.0%	2.0%	5.0%	-3.0%	2.0%	5.0%	-3.0%	2.0%	7.0%	-5.0%	2.0%	10.0%	-8.0%

For investors who have their own benchmarks, we would recommend emphasizing underweights or overweights relative to the individual benchmark at the most similar overall risk level.

Equity benchmark style weights are equally distributed across growth, core, and value. Cap weights are based on the underlying holdings of the domestic benchmark indexes.

Bond benchmark sector allocations are based on a look-through analysis of the major sector components of the Bloomberg US Aggregate Bond Index.

Treasuries include other government related debt. MBS includes other securitized debt.

Abbreviations: TAA - tactical asset allocation; MBS - mortgage-backed securities; IG corporates - investment-grade corporates; TIPS - Treasury inflation-protected securities.

EQUITY ASSET CLASSES

Favor U.S. and the Growth Style for a Second Half Likely to Be More Volatile

The STAAC maintains its recommended neutral equities allocation amid a favorable economic and profit backdrop, though more volatility is likely amid heightened geopolitical tensions and U.S. election uncertainty. Potential second half gains are more likely to be driven by earnings growth than valuation expansion, but the Committee favors waiting for a dip over chasing the rally.

The Committee remains comfortable with a balanced approach to market cap. High-quality small cap stocks are attractively valued, but the earnings power among large cap companies has been very impressive overall.

The Committee maintains a slight preference towards large cap growth. AI-fueled earnings growth, potentially lower interest rates as the economy slows, and our technical analysis work favor the growth style.

The Committee favors U.S. equities over developed international and EM, despite a favorable outlook for Japan, due largely to superior earnings and economic growth in the U.S. Key risks include further upward pressure on inflation and interest rates, a broader conflict in the Middle East or Europe, or escalation in U.S.-China tensions.

Color Key

Strong Underweight · Underweight · Neutral · Overweight · Strong Overweight

	Sector	Overall View	Relative Trend	Rationale
Market Capitalization and Style	**Large Growth**	Overweight	Positive	Large caps are more expensive than small caps, but the earnings power and quality is superior and low interest rates and slower economic growth support the growth style.
	Large Value	Neutral	Negative	Beneficiary of potential soft landing but as economic growth slows, cyclical value may weaken as defensive value performance potentially improves. Attractive valuations are helpful, so allocations near benchmark levels are preferred.
	Small/Mid Growth	Neutral	Negative	Likely beneficiary of rate cuts when they come. Low valuations, healthy credit markets, and an improving capital markets environment are among the positives. Rising rates and slowing growth are key risks. Biotech carries a 12% index weight.
	Small/Mid Value	Neutral	Negative	As with large value, small/midcap value stocks tend to benefit from better economic growth and valuations are attractive, though a potential second half slowdown may limit performance upside. Banks carry an 8% index weight.
Region	**United States**	Overweight	Positive	The U.S. economy is expected to handily outgrow and outearn Europe in 2024. Although the European Central Bank (ECB) cut rates, future cuts may align with the Fed's and political uncertainty in Europe has risen. Our technical analysis work and AI innovation still suggests favoring the U.S. despite elevated valuations.
	Developed International	Neutral	Negative	The European economies have stabilized, valuations are attractive, rate cuts have begun, and the STAAC likes Japan — despite yen volatility — due to better corporate governance and still supportive monetary policy. Our technical analysis work, political uncertainty, risk of a weaker euro, and slower growth keep us neutral.
	Emerging Markets	Underweight	No Trend	The STAAC remains cautious on EM equities on earnings weakness, elevated geopolitical risk in Asia and the Middle East, and lack of relative strength. Political uncertainty is high for Mexico in the U.S. and locally. The long-term outlook for India remains positive in the Committee's view. A Fed cate cut would help.

Relative trend is an assessment of the intermediate term price trend and performance between various asset classes and sectors. For regions and styles, the relative trends are compared to each other.

EQUITY SECTORS

Top Picks for the Second Half Include Communication Services, Energy, and Industrials

The STAAC continues to recommend a slight cyclical tilt over defensive sectors broadly for the second half. Industrials are a top idea for the second half as beneficiaries of defense and infrastructure spending, reshoring activity, and the AI buildout. Strong earnings growth, attractive valuations, and digital media opportunities for election ad spending and AI are supportive of communication services. Expect energy to benefit from record oil production, heightened geopolitical risk, improved capital allocation decisions among producers, and attractive valuations. Increasingly price-conscious consumers with dwindling excess savings underpin the consumer discretionary underweight. Slowing COVID-19-related sales, drug pricing pressure, and negative performance trends drive our healthcare underweight. Office vacancies and commercial refinancing risks suggest caution is prudent in real estate.

Color Key

🔴 Strong Underweight 🟠 Underweight 🟡 Neutral 🟢 Overweight 🟢 Strong Overweight

	Sector	Overall View	Relative Trend	S&P Wgt.	Rationale
Cyclical	**Materials**	· · 🟡 · ·	Negative	2.1	Lagged in June (-3.0%) as industrial metal prices fell, and economic data suggested China's economy lost some momentum. A firm U.S. dollar added a headwind. Technicals aren't compelling. Valuations are reasonable, not likely a catalyst.
	Consumer Discretionary	· 🟠 · · ·	No Trend	10.1	Strong June (+4.9%) driven by Amazon (AMZN), Tesla (TSLA), and travel stocks. Still cautious on the sector for the second half as pressure on consumers builds. Unemployment is rising as savings dwindle. Fair valuations. Mixed technicals.
	Financials	· · 🟡 · ·	No Trend	12.4	Lagged in June (-0.9%). The inverted yield curve, rising credit card delinquencies, and office vacancies are challenges, but valuations are reasonable, regional bank rate risks are down, the regulatory environment may not be as tough as feared, and the technical analysis picture is solid.
	Real Estate	· 🟠 · · ·	Negative	2.1	Produced a respectable 2.0% return in June. Dip in rates appeared to be the primary driver, while apartments were a leading sub-industry for the month. Commercial real estate refinancing risk remains a headwind. Bonds are competitive as an income choice. Reasonable valuations. Sub-par technicals.
Sensitive	**Communication Services**	· · · 🟢 ·	Positive	9.3	Outperformed in June with a 4.7% return on continued AI-fueled, mega-cap tech rally. Shares of Meta (META), Alphabet (GOOG/L) and Netflix (NFLX) each rose more than 5% for the month. Political ad spending lift coming. AI beneficiary. Reasonable valuations against strong earnings backdrop. Positive technicals.
	Energy	· · · 🟢 ·	No Trend	3.6	Underperformer in June with 1.4% decline despite higher oil prices. Shareholder friendly capital allocation decisions, booming U.S. production, attractive valuations, and heightened geopolitical tensions are positives for the second half.
	Industrials	· · · 🟢 ·	Negative	8.0	Underperformer in June with a 1% decline. Beneficiary of infrastructure and defense spending, near-shoring, and the AI data center buildout. Reasonable valuations. Technicals suggests the sector may be nearing a turn.
	Technology	· · 🟡 · ·	Positive	33.1	Top performer again in June with a 9.3% return, powered some AI beneficiaries besides NVIDIA (NVDA), including Adobe (ADBE), Broadcom (AVGO), and Oracle (ORCL). Elevated valuations keep us at neutral, but earnings strength and positive technicals suggest neutral is a prudent place to be.
Defensive	**Consumer Staples**	· · 🟡 · ·	Negative	5.7	Underperformed in June with a modest 0.5% decline. Big loss in Walgreens (WBA) offset solid gains for Costco (COST) and Walmart (WMT). Valuations and technicals are supportive but consumer spending is softening, and defensive sectors remain out of favor.
	Healthcare	· 🟠 · · ·	Negative	11.4	Gained a respectable 1.8% in June. Earnings expected to bounce back in Q2, but slowing COVID-19-related sales, patent expirations, disappointing Medicare reimbursement rates, the U.S. election overhang, and weak technicals keep us negative despite biotech improvement and obesity drug boost. Fair valuations.
	Utilities	· · 🟡 · ·	Positive	2.2	Big underperformer in June (-5.8%) after strong May on AI enthusiasm for power demand. Benefits of lower interest rates may have been expected and pulled forward. Demand for defensive equities has been mixed. Technicals still positive.

FIXED INCOME

Bonds End the First Half on a High Note

Fixed income markets, as proxied by the Bloomberg Aggregate Bond Index, ended the first half with a solid +0.95% for the month. Year to date, however, the index is still showing modest losses. Softening economic data and the return of the disinflation narrative pushed Treasury yields lower (prices higher). While Fed rate cut expectations continue to be volatile, unless inflationary pressures reignite, we think we're likely past peak interest rate levels for this cycle. However, while our 2024 yearend target for the 10-year is 3.75% to 4.25% we acknowledge that we could stay above those levels until later this year.

Aside from preferred securities, valuations for riskier fixed income sectors remain rich relative to core sectors, in our view. And while price appreciation may be limited until inflationary pressures abate, income levels remain attractive.

Color Key

● Strong Underweight ● Underweight ● Neutral ● Overweight ● Strong Overweight

		Low	Med	High	Rationale
Current Stance	**Credit Quality Preference**			✔	Recommend an up-in-quality approach in allocating to fixed income sectors. While all-in yields for lower quality remain above longer-term averages, we think the risk/reward favors owning core bond sectors over the riskier sectors.
		Short	**Inter.**	**Long**	**Rationale**
Current Stance	**Duration Preference**		✔		The compensation for adding duration to portfolios isn't sufficient given the still elevated (but falling) inflationary pressures. We remain neutral relative to our benchmark.
		Neg.	**Neut.**	**Pos.**	**Rationale**
Current Stance	**Municipal Bond View**		✔		While we're likely past peak fundamentals, as the economy slows and tax revenues fall, still robust cash balances collected throughout the pandemic recovery period should support muni credit over the medium term.

		Overall View					Trend	Rationale
		Strong Underweight	Underweight	Neutral	Overweight	Strong Overweight		
Core Sectors	**U.S. Treasuries**	·	·	●	·	·	Positive	Treasury yields were lower in June with the 10-year lower by nearly 0.10% for the month. We think current Fed rate cut expectations are more in line with actual Fed intentions, so Treasury yields are likely range bound at these higher levels. However, technically, 10-year yields have registered a series of lower highs and violated key support at the 200-day moving average. Momentum indicators point to more downside risk ahead for yields.
Core Sectors	**MBS**	·	·	·	●	·	No Trend	We remain constructive on agency MBS. Yields and spreads remain near multi-year highs, so we think MBS remain an attractive investment opportunity particularly relative to lower rated corporates. As interest rate volatility continues to fall, MBS should outperform most other high quality bond sectors.
Core Sectors	**Investment-Grade Corporates**	●	·	·	·	·	No Trend	We recommend a strong underweight to benchmarks, but we think there is an opportunity to invest in shorter to intermediate maturity corporate securities without taking on elevated levels of interest rate or credit risk. Fundamentals remain solid.
Core Sectors	**TIPS**	·	·	●	·	·	Positive	All-in yields for Treasury Inflation-Protected Securities (TIPS) are attractive and could provide a good hedge against unexpected inflation surprises.
Plus Sectors	**Preferred Securities**	·	·	·	·	●	Positive	Preferred securities have outperformed most other bond sectors over the past 12 months, but valuations remain relatively attractive. Higher credit quality among the riskier fixed income options. Recent Fed stress tests continue to show large, money-center bank fundamentals are generally sound, but environment favors active management. The technical backdrop is slowly improving, with most preferred indexes/funds trending higher within rising price channels.
Plus Sectors	**High-Yield Corporates**	·	·	●	·	·	Positive	Yields for high-yield bonds are above historical averages but spreads remain near all-time lows. The environment broadly remains supportive for credit risk. Economic growth is slowing but not collapsing, which is typically good for credit. But credit is not cheap.
Plus Sectors	**Bank Loans**	·	·	●	·	·	No Trend	Given the variable rate debt, higher interest rates may make repayment more challenging for some issuers. Fewer investor protections and illiquidity of individual loans remain concerns. Downgrades and defaults have increased and could increase still if the economy slows/contracts. We would favor high-yield bonds over loans for those investors interested in leveraged credit.
Plus Sectors	**Foreign Bonds**	·	·	●	·	·	Positive	Valuations have improved, but potential currency volatility still remains a challenge.
Plus Sectors	**EM Debt**	·	·	●	·	·	No Trend	Central banks have largely ended rate hikes as inflationary pressures are starting to abate. A strong dollar could provide a headwind to prices. Valuations are relatively attractive, but idiosyncratic risks remain. Liquidity can be an added risk during periods of stress.

COMMODITIES AND CURRENCIES

Commodities Snap a Three-Month Win Streak

The broader commodities complex posted its first monthly decline since February. The Bloomberg Commodity Index (BCOM) dropped 1.9% in June, forming a potential head and shoulders top. However, a close below the 200-day moving average (dma)/June lows would be required to violate the neckline and complete the bearish pattern. Reduced rate cut expectations underpinned a mid-month rebound in Treasury yields and weighed on most commodities. Furthermore, the U.S. Dollar Index climbed 1.1% before stalling just below resistance off the April highs. Mostly underwhelming global economic data, including softer Purchasing Managers' Index (PMI) in the U.S. and China — which also reported weak export activity — exacerbated concerns over commodity market demand.

Energy markets were a bright spot last month as West Texas Intermediate (WTI) rallied nearly 6%. Oil remains supported by an embedded risk premium due to geopolitical volatility in the Middle East and OPEC+'s flexibility with production cuts. The prospect of an economic recovery in China — the world's largest importer of oil — serves as another catalyst for demand, especially with their upcoming Third Plenum later this month. Technically, WTI has reversed a declining price channel and recaptured its 200-dma, paving the way for a potential retest of the April highs. Curve spreads point to a tight oil market as spot prices remain above forward contracts — implying near-term demand remains robust. Natural gas advanced 0.5%, stabilizing from its 30% gain in May. Rising cooling demand, forecasts calling for a potentially hot summer, and the prospect of increased utility demand due to the proliferation of data center electricity consumption continue to support the market.

Metals struggled against the backdrop of rising yields and a stronger dollar. Industrial metals lagged as prices receded from overbought levels. Copper sank 5.7%, pairing some of its double-digit gains this year. However, a relief rally off oversold levels has subsequently developed near support from the 2023 highs. Precious metals were led lower by silver, which pulled back over 4% after reaching overbought levels. The "poor man's gold" is still up over 20% this year and outshining the yellow metal (gold is up around 15%). Part of the delta can be explained by silver's superior industrial use application, especially as it relates to electrical conductivity (the highest among all metals) — making it a key component in solar panels and increasingly attractive as an AI play.

Color Key

● Negative ● Neutral ● Positive

Sector	Overall View			Trend	Rationale
Energy			●	No Trend	Crude oil railed nearly 6.0% and reversed a downtrend/recaptured the 200-dma. Momentum indicators and curve spreads are confirming the bullish price action. Watch for a retest of the April highs. Natural gas has climbed out from a bottom as the prospect of increased utility demand and a hot summer offset elevated storage levels. Support sets up at the 200-dma/late May lows. **We maintain our positive view on the energy commodity sector.**
Precious Metals			●	Positive	Gold has formed a potential head and shoulders top. The key word here is "potential" as a close below the neckline at $2,277 would be required to validate the bearish formation. Silver pulled back from overbought levels but found support near its prior highs. We view the recent weakness as a buying opportunity. **We maintain our positive view on the precious metals group.**
Industrial Metals			●	Positive	Industrial metals lagged last month as prices pulled back from overbought levels. Copper stumbled 5.7% before finding support off the 2023 highs. We suspect a relief rally is likely from here, especially as stockpiles in China begin to dissipate and their Third Plenum approaches later this month. **We maintain our positive view on the industrial metals group.**
Agriculture (Ag) & Livestock		●		No Trend	Grains were notably weak last month. Wheat plummeted 18% as improving weather conditions in Russia triggered upward revisions to supply estimates. Prices are now oversold and hovering above support from the March lows. Corn also struggled last month as building oversupply concerns dragged prices down 11% (corn stocks are at four-year highs, up 22% compared to last year at this time). Speculators have been paying attention as managed money short positions in corn are near record levels. Livestock was led higher by a 5% rally in live cattle. Flooding throughout parts of the Midwest weighed on the supply chain outlook, helping support prices. **Mixed technicals support our neutral view on the group.**
U.S. Dollar		●		No Trend	The dollar climbed 1.1% last month before stalling just below resistance off the April highs. French election drama weighed on the euro, the largest weight within the U.S. Dollar Index. We expect currency market volatility to rise as global monetary policy paths begin to diverge.

Any futures referenced are being presented as a proxy, not as a recommendation. The fast price swings in 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.

ALTERNATIVE INVESTMENTS

Alts Lag Strong Gains in Equity and Bond Markets

Mixed Alternative Investment Performance. Alternative investment strategies underperformed equity and bond markets (+3.6 and +0.9%, respectively) for the second month in a row. However, year-to-date, the industry continues to perform well and acts as a source of diversification and capital preservation.

Fundamental Strategies Lead Gains. Once again, Long/Short Equity strategies led sub-category returns (HFRX Equity Hedge +1.2%) given their higher level of market exposure. For the year, the index has gained 5.1%, capturing over 30% of the S&P 500's total return, which is slightly above their net market exposure, indicating the industry continues to provide alpha. While equity markets continue to suffer from high levels of concentration, the shorting environment has marginally improved outside of the few names leading the market higher, as over 200 firms in the S&P 500 have declined over the first half of the year.

Remain Constructive on Global Macro, Managed Futures, and Multi-Strategy. Our preferred methods of implementation declined during the month, as the HFRX Macro/CTA Index fell 0.7%, however, we maintain a constructive view on their value in a diversified portfolio and long-term benefits. Short positioning across German, U.K. and U.S. bond futures and long exposure to agriculture and metal markets were the main detractor in June.

Looking ahead, we expect the dispersions to continue expanding and volatility to pick up. At a macro level, major central banks have become more vocal about how each region will take independent action from one another and have taken their initial steps towards their goals. They will continue to decide their own path, which will bring greater macro dispersion among them. This is not a story just for key developed market countries. Emerging market economy has also disintegrated themselves from one another, bringing the macro dispersion as global phenomenon. At a micro level, continued drop in correlations among index components show that rates and momentum are taking a backseat, while idiosyncratic fundamentals are taking over the driver's seat. Asset volatility has remained at a reasonable level during the first half of the year, but with an uncertain path of inflation and economic health, weakening momentum in equity markets, calendars busy with elections across the world, and all other geopolitical risks that are yet to be resolved, we anticipate volatility to drift higher.

Color Key

Negative · Neutral · Positive

	Sector	Overall View (Negative)	Overall View (Neutral)	Overall View (Positive)	Rationale
Fundamental	**Long/Short Equity**		●		The current equity market environment lends greater stock picking environment for low net equity long/short managers. With rich valuations, dwindling momentum, these managers should be able to build solid short books that can increase their total alpha generation.
Fundamental	**Event Driven**		●		Merger Arbitrage strategies remain attractive fixed income diversifiers; however, regulatory and political risk will continue to overshadow the industry as we move closer to the November elections. Increase in oil and gas deals is a positive development as the overall level of transactions remains soft.
Tactical	**Global Macro**			●	Favor multi-strategy global macro strategies with truly diversified asset class and regional exposure as the market moves on from directional structural themes to more balanced tactical themes across both developed and emerging markets. We continue to believe the strategy serves as a solid portfolio diversifier that deserves a steady allocation.
Tactical	**Managed Futures**			●	While trend followers still led the sub-strategy returns for the quarter after a difficult June, we expect shorter-term focused multi-strategy managed futures to show their resilience in the macro landscape we are anticipating.
Multi-Strategy	**Multi-PM Single Funds**			●	Multi-Strategy funds continue to benefit from the ability to dynamically invest across the alternative investment strategy landscape, while providing a diversifying risk/return profile. These funds should be able to tactically take advantage of any short-term market disruptions.
	Specialty Strategies		●		Among private market strategies, private credit and infrastructure strategies, which we were constructive on, continued to perform well and are expected to show their resilience as we navigate through the fog.

Please see https://www.hfr.com/indices for further information on the indices

Definition: The HFRI 400 (US) Hedge Fund Indices are global, equal-weighted indices comprised of the largest hedge funds that report to the HFR Hedge Fund Research

IMPORTANT DISCLOSURES

This material has been prepared for informational purposes only, and is not intended as specific advice or recommendations for any individual. There is no assurance that the views or strategies discussed are suitable for all investors and they do not take into account the particular needs, investment objectives, tax and financial condition of any specific person. To determine which investment(s) may be appropriate for you, please consult your financial professional prior to investing. Any economic forecasts set forth may not develop as predicted and are subject to change.

Stock investing involves risk including loss of principal. 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 and 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. Bonds are subject to market and interest rate risk if sold prior to maturity.

ASSET CLASS DISCLOSURES

Because of its narrow focus, specialty sector investing, such as healthcare, financials, or energy, will be subject to greater volatility than investing more broadly across many sectors and companies. Relative trend is an assessment of the intermediate term price trend and performance between various asset classes and sectors. For sectors each sector's relative trend is versus the S&P 500.

Yield spread is the difference between yields on differing debt instruments, calculated by deducting the yield of one instrument from another. The higher the yield spread, the greater the difference between the yields offered by each instrument. The spread can be measured between debt instruments of differing maturities, credit ratings, and risk. Bank loans are loans issued by below investment-grade companies for short-term funding purposes with higher yield than short-term debt and involve risk. For the purposes of this publication, intermediate-term bonds have maturities between three and 10 years, and short-term bonds are those with maturities of less than three years.

Bond values will decline as interest rates rise and bonds are subject to availability and change in price. Corporate bonds are considered higher risk than government bonds. Municipal bonds are subject to availability and change in price. Interest income may be subject to the alternative minimum tax. Municipal bonds are federally tax-free but other state and local taxes may apply. If sold prior to maturity, capital gains tax could apply. U.S. Treasuries may be considered "safe haven" investments but do carry some degree of risk including interest rate, credit, and market risk. Bond yields are subject to change. Certain call or special redemption features may exist which could impact yield. Mortgage-backed securities are subject to credit, default, prepayment, extension, market and interest rate risk.

Municipal bonds are subject to availability and change in price. They are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise. Interest income may be subject to the alternative minimum tax. Municipal bonds are federally tax-free but other state and local taxes may apply. If sold prior to maturity, capital gains tax could apply.

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.

Floating rate bank loans are loans issues by below investment grade companies for short term funding purposes with higher yield than short term debt and involve risk.

Credit Quality is one of the principal criteria for judging the investment quality of a bond or bond mutual fund. Credit ratings are published rankings based on detailed financial analyses by a credit bureau specifically as it relates to the bond issue'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. Duration is a measure of the sensitivity of the price (the value of principal) of a fixed-income investment to a change in interest rates. It is expressed as a number of years.

Preferred stock dividends are paid at the discretion of the issuing company. Preferred stocks are subject to interest rate and credit risk. As interest rates rise, the price of the preferred falls (and vice versa). They may be subject to a call feature with changing interest rates or credit ratings.

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. Alternative investments are include non-traditional asset classes. This may include hedge funds, private equity/debt/credit, etc. This may also include Business Development Companies (BCDs) and Opportunity Zone investments. These are not registered securities and there may be significant restrictions on purchase and suitability requirements. Please contact your advisor for any further information.

Event driven strategies, such as merger arbitrage, consist of buying shares of the target company in a proposed merger and fully or partially hedging the exposure to the acquirer by shorting the stock of the acquiring company or other means. This strategy involves significant risk as events may not occur as planned and disruptions to a planned merger may result in significant loss to a hedged position. 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.

Commodity-linked investments may be more volatile and less liquid than the underlying instruments or measures, and their value may be affected by the performance of the overall commodities baskets as well as weather, geopolitical events, and regulatory developments. The fast price swings in commodities and currencies will result in significant volatility in an investor's holdings. Any futures referenced are being presented as a proxy, not as a recommendation. Commodities include increased risks, such as political, economic, and currency instability, and may not be suitable for all investors. Precious metal investing involves greater fluctuation and potential for losses.

Investing in foreign and emerging markets 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. All information is believed to be from reliable sources; however, LPL Financial makes no representation as to its completeness or accuracy. Precious metal investing involves greater fluctuation and potential for losses.

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.

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.

All index data from FactSet.

The Strategic and Tactical Asset Allocation Committee (STAAC) is a division of LPL Research.