LPL Financial

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LPL Financial Research Publishes Investment Outlook 2016

Outlook Expects Routine Year-End Outcomes in Many Areas of the Economy and Financial Markets in 2016

BOSTON, Dec. 01, 2015 (GLOBE NEWSWIRE) -- Leading retail investment advisory firm and independent broker/dealer LPL Financial LLC, a wholly owned subsidiary of LPL Financial Holdings Inc. (NASDAQ:LPLA), today announced the release of its investment publication, *Outlook 2016: Embrace the Routine.* This biannual publication by LPL Financial's Research department ("LPL Research") contains economic, market and investment insights for 2016.

While LPL Research expects to see routine year-end outcomes in many areas of the economy and financial markets in 2016, the theme, "Embrace the Routine," signals that reaching those outcomes will require investors to stay nimble and continually develop their routines around normalizing market conditions. Certain conditions have been unusual for so long—loose monetary policy, lengthy economic recovery, below-average market risk—that 2016 may hold some unexpected turns that could catch some investors unprepared, and it will take a solid investment plan to navigate it.

Significant investment considerations from LPL Research for 2016 include:

- **Federal Reserve (Fed).** LPL Research anticipates the Fed to begin a tightening cycle for the first time in over 10 years in December 2015 or early 2016. Although this may signal that the Fed believes the U.S. economy is ready to stand on its own two feet, likely providing a positive backdrop for stocks, it may also increase volatility.
- **Oil prices.** LPL Research believes that oil prices may begin to stabilize in 2016 with a bias to the upside as supply and demand continue to move into balance. Greater stability would help support U.S. economic growth by encouraging capital spending and by impacting a wide range of asset classes beyond direct energy-related investments, including emerging market stocks and high-yield bonds.
- **U.S. earnings.** As the headwinds that have restrained earnings begin to subside, including falling oil prices, a strong U.S. dollar, manufacturing weakness and slowing growth in China, earnings growth is expected to accelerate. Resumption of earnings growth is key to stock market performance in 2016 and LPL Research expects it to be the foundation of another year of potentially positive returns.

Against this backdrop, LPL Research forecasts the following within the report:

- **U.S. economic growth of 2.5-3%.** The U.S. economy—as measured by real gross domestic product (GDP)—is expected to post growth of 2.5-3.0% in 2016, below its post-World War II average of 3.2%, but above the 2-2.5% average growth rate seen in the first six-and-a-half years of this expansion, based upon expectations for potentially modest improvement in input costs. However, the mix of that growth may look different than in 2015, with manufacturing, business capital spending and net exports taking larger roles. Labor markets are almost back to long-term expectations, and inflation may be poised to accelerate.
- **Mid-single-digit returns for the S&P 500.** In-line with this forecast, stocks should not collapse, as many think, or soar, as many hope, but may offer near-historical routine returns. LPL Research maintains the forecast for mid-single-digit returns for the S&P 500, which is consistent with the long-term average 7-9% annual gain for stocks, based on the S&P 500 Index since WWII and driven by mid- to high-single-digit gains in earnings and a largely stable price-to-earnings ratio (PE). Consistent with mid-to-late cycle economic performance, investors need to be vigilant about monitoring pockets of volatility and potential signs of an economic downturn.
- **Limited returns for bonds.** LPL Research continues to expect similar conditions to 2015, with bond prices facing the challenges of high valuations, steady economic growth and the prospect of interest rate hikes. Bonds will still play a vital role in investors' portfolios, to help with risk mitigation and diversification.

"For some investors, progress toward their financial goals has been hurt by breaking with well-considered investing routines in response to one of the most maligned bull markets in history," said LPL Chief Investment Officer Burt White. "As the economy progresses into the latter half of the business cycle, investors will need to adjust to a changing environment. Two important shifts will be adjusting to the start of a rate tightening cycle and planning for a long-term lower-return environment."

White concluded, "Perhaps the best part of a routine is the comfort that comes from knowing what to expect. *Outlook 2016* is intended to help investors focus on what matters most to markets, block out short-term distractions that will quickly fade, and establish a new routine that is flexible enough to manage the increased challenges to come in 2016, while making progress toward financial goals."

The full publication is available at LPL.com.

About LPL Research

LPL Financial's Research department ("LPL Research"), led by Managing Director and Chief Investment Officer Burt White, provides strategic, objective investment insights to advisors who leverage LPL Financial's Research platforms. The group's mission is to be a trusted partner to our advisors, who in turn provide investors with choices to help meet their financial goals. The team provides those advisors with market, investment management, portfolio construction, and due diligence advice. LPL Research's *Outlook* publications, produced semiannually, serve as the backdrop for all the team's investment recommendations and communications efforts for the year ahead.

About LPL Financial

LPL Financial, a wholly owned subsidiary of LPL Financial Holdings Inc. (NASDAQ:LPLA), is a leader in the retail financial advice market and currently serves $462 billion in advisory and brokerage assets. LPL is one of the fastest growing RIA custodians and is the nation's largest independent broker-dealer (based on total revenues, *Financial Planning* magazine June 1996-2015). The Company provides proprietary technology, comprehensive clearing and compliance services, practice management programs and training, and independent research to more than 14,000 independent financial advisors and over 700 banks and credit unions, enabling them to help their clients turn life's aspirations into financial realities. Advisors associated with LPL also service an estimated 40,000 retirement plans with an estimated $115 billion in retirement plan assets, as of September 30, 2015. LPL also supports approximately 4,300 financial advisors licensed and affiliated with insurance companies with customized clearing, advisory platforms, and technology solutions. LPL Financial and its affiliates have 3,413 employees with primary offices in Boston, Charlotte, and San Diego. For more information, please visit www.lpl.com.

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