S&P 500 Starts the Second Half at an All-Time High

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 closely monitor all global economic and capital markets conditions to ensure that all the latest information is being digested and incorporated into its investment thought.

Color Key:

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

Key changes from STAAC:

- **Raised year-end 2025 fair value target range for the S&P 500 to 6,000-6,100**
- **Raised the U.S. 10-year yield year-end target range to 4.00-4.50%**
- **Upgraded view to positive on alternatives specialty strategies and long/short equity**

STAAC Asset Class Tactical Views as of 07/01/2025 (GWI)

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

STAAC Sector Tactical Views as of 07/01/2025 (GWI)

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

Source: STAAC as of July 1, 2025. 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

U.S. stocks ended June at record highs, capping solid quarterly and first half gains with the S&P 500 posting back-to-back monthly rallies, while the Nasdaq Composite secured its third straight monthly advance. Headline volatility continued to drive markets, with the biggest stories including trade negotiations, President Trump's signature reconciliation bill, and geopolitical tensions. The White House requested trading partners provide their "best and final" trade deals, although no new deals were inked in June. Also, on Capitol Hill, the *One Big Beautiful Bill Act* (OBBBA) made its way through Congress as airstrikes between Israel and Iran fueled geopolitical tensions, ending with the U.S. stepping in to bomb Iranian nuclear sights and brokering a ceasefire. The corporate earnings outlook remained healthy, with an above average number of S&P 500 companies offering positive earnings per share (EPS) guidance.

Treasury yields ended lower across the curve last month with the two-year yield falling back below 3.75% and the 10-year yield dropping below 4.25%. Core bonds, measured by the Bloomberg U.S. Aggregate Bond Index, rose 1.5%, reversing May's decline. Treasury yields faced downward pressure from increasing Federal Reserve (Fed) rate cut bets, with markets pricing in roughly 0.65% of policy easing by year end compared to 0.5% expected at the end of May. Simultaneously, bond markets analyzed the reconciliation bill for potential impacts on debt and deficit spending. Domestic corporate credit ended June in positive territory.

Looking forward, investors may be well served by bracing for occasional bouts of volatility until trade uncertainties are resolved. LPL Research advises against increasing portfolio risk beyond benchmark targets at this time, as the market seems to be factoring in a lot of positive news. The fixed income market remains volatile, with longer-term yields hovering just below levels that created discomfort in risk appetite for stocks back in May.

While the U.S. economy is holding up well, LPL Research believes the S&P 500 is fairly valued and that any further gains would necessitate an earnings surprise and carefully balanced lower Treasury yields (too low could signal rising recession risks). As trade deals come through, the trajectory of the average effective tariff rate, as well as OBBBA deficit spending will be crucial.

The STAAC's recommended tactical asset allocation includes:

- A neutral stance toward U.S. equities as elevated valuations amid limited corporate visibility and a cooling economy (that likely skirts recession) offset the opportunity for a meaningful upside, in our view, even with lowered tariffs.
- The Committee favors growth over value for exposure to the AI theme and compelling earnings growth, at a premium, as the economy slows.
- The Committee favors large caps over small caps for their balance sheet quality and better position to manage tariffs.
- The Committee recommends well diversified regional exposures, with benchmark-level allocations to the U.S., developed international, and emerging markets. Non-U.S. equities offer upside from a potentially weaker U.S. dollar.
- Within fixed income, the STAAC holds a neutral weight in core bonds, with a slight preference for mortgage-backed securities (MBS) over investment-grade corporates. The Committee believes the risk-reward for core bond sectors (U.S. Treasury, agency MBS, investment-grade corporates) is more attractive than plus sectors.

2025 MARKET FORECASTS

Second Half Still Clouded With Trade Uncertainty

		Current
10-Year U.S. Treasury Yield		4.00% to 4.50%*
S&P 500 Index Earnings per Share		$255 to $260
S&P 500 Index Fair Value		6,000 – 6,100

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

*Our year-end 2025 forecast for the U.S. 10-year Treasury yield is now 4.00% to 4.50% up from 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 2025 fair-value target range for the S&P 500 of 6,000–6,100 is based on a price-to-earnings ratio (PE) of 22 and our updated S&P 500 earnings per share (EPS) forecast of $275 in 2026.

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 07/01/25.

2025 ECONOMIC FORECASTS

U.S. Economy Expected to Slow This Year

	2025 (Y/Y, real GDP)
United States	1.3%
Eurozone	0.9%
Advanced Economics	1.5%
Emerging Markets	4.2%
Global	3.0%

Source: LPL Research, Bloomberg.
The economic forecasts may not develop as predicted.

Tactical Asset Allocation as of 07/01/2025

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	76.0%	76.0%	0.0%	64.0%	64.0%	0.0%	48.0%	48.0%	0.0%	32.0%	32.0%	0.0%	16.0%	16.0%	0.0%
Large/Mid Growth	32.0%	28.5%	3.5%	27.0%	24.0%	3.0%	20.5%	18.0%	2.5%	14.0%	12.0%	2.0%	7.0%	6.0%	1.0%
Large/Mid Value	29.5%	28.5%	1.0%	25.0%	24.0%	1.0%	18.5%	18.0%	0.5%	12.0%	12.0%	0.0%	6.0%	6.0%	0.0%
Small Growth	9.5%	9.5%	0.0%	8.0%	8.0%	0.0%	6.0%	6.0%	0.0%	4.0%	4.0%	0.0%	2.0%	2.0%	0.0%
Small Value	5.0%	9.5%	-4.5%	4.0%	8.0%	-4.0%	3.0%	6.0%	-3.0%	2.0%	4.0%	-2.0%	1.0%	2.0%	-1.0%
International Equity	19.0%	19.0%	0.0%	16.0%	16.0%	0.0%	12.0%	12.0%	0.0%	8.0%	8.0%	0.0%	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	7.0%	7.0%	0.0%	6.0%	6.0%	0.0%	4.0%	4.0%	0.0%	3.0%	3.0%	0.0%	0.0%	0.0%	0.0%
Bonds	0.0%	0.0%	0.0%	15.0%	15.0%	0.0%	35.0%	35.0%	0.0%	55.0%	53.0%	2.0%	75.0%	70.0%	5.0%
U.S. Core	0.0%	0.0%	0.0%	15.0%	15.0%	0.0%	35.0%	35.0%	0.0%	55.0%	53.0%	2.0%	75.0%	70.0%	5.0%
Treasuries	0.0%	0.0%	0.0%	7.0%	7.0%	0.0%	16.0%	16.0%	0.0%	26.5%	24.5%	2.0%	36.5%	32.5%	4.0%
MBS	0.0%	0.0%	0.0%	4.5%	4.0%	0.5%	11.0%	10.0%	1.0%	16.0%	15.0%	1.0%	21.5%	20.0%	1.5%
IG Corporates	0.0%	0.0%	0.0%	3.5%	4.0%	-0.5%	8.0%	9.0%	-1.0%	12.5%	13.5%	-1.0%	17.0%	17.5%	-0.5%
Alternatives	3.0%	0.0%	3.0%	3.0%	0.0%	3.0%	3.0%	0.0%	3.0%	3.0%	0.0%	3.0%	3.0%	0.0%	3.0%
Tactical: Global Macro	3.0%	0.0%	3.0%	2.0%	0.0%	2.0%	1.5%	0.0%	1.5%	1.0%	0.0%	1.0%	0.0%	0.0%	0.0%
Multi-Strategy	0.0%	0.0%	0.0%	1.0%	0.0%	1.0%	1.5%	0.0%	1.5%	2.0%	0.0%	2.0%	3.0%	0.0%	3.0%
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 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.

To better align with other STAAC publications, mid caps have been combined with large caps in the TAA. Accounts with distinct mid cap allocations may disaggregate mid caps from the “Large & Mid” exposure shown in the table roughly in-line with relative market cap values: 75% Large Cap 25% Mid Cap.

Equity Asset Classes

Path to Second Half Gains May Come With Volatility as Trade Policy Uncertainty Lingers

As discussed in LPL's Midyear Outlook 2025, LPL Research expects the stock market's performance in the second half to center mostly around trade negotiations, artificial intelligence (AI), and interest rates. Stock valuations reflect a lot of good news amid so much policy uncertainty. So, we expect only modest gains by year-end with likely bouts of volatility amid a challenging macroenvironment and view market pullbacks as opportunities to selectively add equities. The Strategic and Tactical Asset Allocation Committee (STAAC) continues to favor large caps slightly over small caps and growth slightly over value. Finally, from a geographic perspective, the STAAC recommends benchmark level exposures to U.S., developed international, and emerging markets, with U.S. upside potential from AI investment and deployment, and non-U.S. upside potential from a weaker dollar, should it materialize.

Color Key:
Strong Overweight · Overweight · Neutral · Underweight · Strong Underweight

	Sector	Overall View	Relative Trend	Rationale
Market Capitalization and Style	**Large/Mid Growth**	Overweight	Positive	LPL's STAAC continues to favor a modest tilt toward the growth style and large caps as the second half begins. A slowing economy and superior, technology-driven earnings power support growth, while large caps are better positioned to manage tariffs.
	Large/Mid Value	Neutral	No Trend	Defensive value stocks may be poised for another stint of outperformance if stocks pull back after the recent rebound, though any relative strength may be short-lived. Cyclical value faces more tariff risk, but valuations are relatively attractive and the "One Big Beautiful Bill Act" is supportive of capital investment.
	Small Growth	Neutral	Positive	Valuations are attractive, some policy uncertainty has cleared, and earnings estimates have been resilient. But additional relative upside following the latest rally may be limited if the economy slows and markets pull back as expected. Fed rate cuts could be a catalyst and technicals look better than small value.
	Small Value	Underweight	No Trend	Attractive valuations, financial deregulation, and a likely pickup in capital investment are supportive. While some policy uncertainty has cleared, STAAC favors balance sheet strength in a slowing economy with lasting tariffs. Earnings estimates have been cut quite a bit and may fall further. Muddled technicals.
Region	**United States**	Neutral	No Trend	The STAAC maintains its neutral regional stance as the second half begins. Though some trade policy uncertainty has cleared, full valuations, elevated stagflation risk, and the earnings hit from tariffs in a slowing economy may limit opportunities for valuation expansion. AI investment is key to potential U.S. outperformance.
	Developed International	Neutral	Positive	The STAAC remains neutral on developed international as valuations, while still reasonable, have risen, the U.S. dollar decline could reverse, and U.S. tech strength is tough to keep up with. Economic and earnings growth outside the U.S. becoming more competitive. Ramped up deficit/defense spending in Europe is supportive.
	Emerging Markets	Neutral	No Trend	Fundamental and technical improvement in EM and the STAAC's preference to stay close to benchmarks until policy uncertainty clears drove the May 2025 upgrade to neutral. EM valuations remain attractive and trade tensions with China have eased. After a big drop already, don't count on more help from dollar weakness.

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

Favor Communication Services and Financials as the Second Half Begins, Watch Industrials Closely

The STAAC continues to recommend a slight tilt toward more economically sensitive or cyclical sectors for the second half of 2025. Financials are attractively valued, face manageable tariff risk, and may garner support from deregulation and a steepening yield curve. Continued robust investment in AI, more trade policy clarity, and a strong earnings outlook could help the attractively valued communication services sector continue to outperform. Waning earnings momentum and slowing global growth support the Committee's cautious stance on materials. The Committee's preference for economic sensitivity over rate sensitivity explains the utilities underweight. Industrials could outperform if tariff rates come down and are likely beneficiaries of the One Big Beautiful Bill Act (OBBBA).

Color Key:

Strong Overweight | Overweight | Neutral | Underweight | Strong Underweight

	Sector	Overall View	Relative Trend	S&P Wgt.	Rationale
Cyclical	**Basic Materials**	Underweight	Negative	1.9	Underperformed in June (+2.3%) despite ongoing relative calm in U.S.-China relations and tariff support. Still, slowing global growth and lingering trade uncertainty offset potential benefits of tariffs on metal prices, limiting potential upside.
Cyclical	**Consumer Cyclical**	Neutral	No Trend	10.3	June outperformer (+2.3%) as losses in Tesla (TSLA) offset gains in Nike (NKE) and — thanks to a late-month dip in oil prices — cruise lines. High tariff risk in retail, autos, and homebuilders and slowing consumer spending keep us at neutral.
Cyclical	**Financial Services**	Overweight	Positive	13.9	Modest laggard in June (+3.2%) on weakness in insurance, which offset gains from strength in capital markets-oriented businesses. Active trading helps capital markets businesses, credit markets are healthy, and the yield curve may steepen, although bank lending activity is muted. Reasonable valuations and manageable tariff risk.
Cyclical	**Real Estate**	Neutral	Negative	2.0	Underperformer in June (+0.2%) despite stable interest rates. Data center REIT Equinix (EQIX) lagged on disappointing guidance. Broadly, defensive characteristics were out of favor as the market rallied. Reasonable valuations.
Sensitive	**Communication Services**	Overweight	Positive	9.6	Outperformed in June (+7.3%) on strength in streaming and digital media companies, notably Meta (META) and Netflix (NFLX). Disney (DIS) another big winner on the month. AI investment remains a key driver. Earnings growth still strong but poised to slow. Reasonable valuations. Technical picture remains solid. Policy still a wildcard.
Sensitive	**Energy**	Neutral	Negative	3.1	Solid June gains (+4.9%) on higher oil prices but slightly lagged the S&P 500. Slowing global growth, Mideast calm, and plenty of global oil supply limit sector attractiveness, but low valuations and firming nat gas demand outlook are notable.
Sensitive	**Industrials**	Neutral	No Trend	8.6	Slight laggard in June (+3.6%) despite progress toward passing the OBBBA with its capital investment incentives. Trade uncertainty overhang lingers, and some green energy-related infrastructure spending was pulled back in the bill, but AI data center buildouts and near-shoring are supportive. Valuations are fair. Positive bias.
Sensitive	**Technology**	Neutral	Positive	33.3	Top performing sector for third straight month in June (+9.8%) on strength in Oracle (ORCL) and semiconductors amid bullish AI outlook. Momentum is strong, but high valuations, overbought conditions, and lingering tariff risk temper our enthusiasm.
Defensive	**Consumer Defensive**	Neutral	No Trend	5.5	Only sector decliner in June (-1.9%) on weakness in food companies, slow earnings growth. Consumer spending is fine, and valuations are reasonable, but tariffs and RFK Jr.'s focus on healthy foods as Health Secretary create a challenging backdrop.
Defensive	**Healthcare**	Neutral	Negative	9.3	June laggard (+2.1%) and year-to-date decliner (-1.1%) mostly on policy-related headwinds, including Medicaid cuts in the OBBBA. Earnings growth is inflated by easy comparisons in 2024. Cheap sector but may still be a value trap. Show me story.
Defensive	**Utilities**	Underweight	Positive	2.4	June laggard (+0.3%) as big gains in AI power demand plays were not enough to offset rate risk and the market's preference for riskier sectors. Like staples, a likely outperformer in the next stock market selloff, especially if interest rates drop.

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.

Fixed Income

A Solid First Half

U.S. fixed income investors have (quietly?) enjoyed a solid start to the year with the Bloomberg Aggregate Bond Index (Agg) up over 4% through June 30. The 4% return for the Agg is the best start to the year since 2020, when the index was up nearly 6% through June 30. Moreover, the 4% return is the fifth best first half start for the index over the last 20 years. Within the Agg, all sectors were positive, with mortgage-backed securities (MBS) outperforming investment-grade corporates and Treasury securities. Notably, Treasury yields are lower than they were to start the year despite the narrative that Treasury securities were losing their haven status. Valuations for riskier fixed income sectors remain rich relative to core sectors, in our view. Credit spreads have largely reversed the widening that took place in April and are back down to unattractive levels. Valuations for MBS remain attractive through.

Color Key:

Strong Overweight · Overweight · Neutral · Underweight · Strong Underweight

Current Stance

	Low	Med	High	Rationale
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**
Duration Preference		✓		Yields remain under pressure from conflicting narratives: slowing growth (lower yields) but stickier inflation (higher yields), tariff pressures, and an ongoing Treasury Department debt ceiling debate will likely keep rates directionless (but volatile) until/unless the economic data softens enough to allow the Fed to continue its rate cutting campaign. We remain neutral duration.
	Neg.	**Neut.**	**Pos.**	**Rationale**
Municipal Bond View		✓		Performance was positive on the month, but munis have lagged broader taxable markets this year, primarily due to supply/demand imbalances. YTD, the municipal market has recorded $285 billion of new issuance, representing a 19% increase year over year. However, year-to-date inflows to funds and ETFs has been a paltry $10 billion so far. Curve steepness still suggests intermediate term allocations are worth a look. Valuations remain attractive.

		Overall View	Overall Trend	Rationale
Core Sectors	**U.S. Treasuries**	Neutral	No Trend	The 10-year Treasury yield is lower by 0.38% so far this year, (through June 30) which is the largest drop in yields among developed nations, with most countries experiencing rising 10-year yields. To get Treasury yields much lower though, economic data will need to show further deterioration. Technically, 10-year yields continue to consolidate below resistance near the 4.50–4.60% range and above support from the May lows.
Core Sectors	**Mortgage-Backed Securities**	Overweight	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. Elevated interest rate volatility is a headwind to MBS but recent demand from banks, traditionally the largest buyer of MBS, remains supportive.
Core Sectors	**Investment-Grade Corporates**	Underweight	No Trend	We recommend an 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, but valuations are stretched.
Core Sectors	**TIPS**	Neutral	No Trend	Treasury Inflation-Protected Securities (TIPS) underperformed nominals in June, as real yields decreased less than traditional Treasury securities during the month. All-in yields for TIPS remain attractive, particularly shorter maturity TIPS, and could provide a good hedge against unexpected inflation surprises.
Plus Sectors	**Preferred Securities**	Neutral	Negative	Valuations/spreads are back to historical averages, so no longer as attractive for tactical models, but all-in yields remain attractive for income-oriented investors. Recent Fed stress tests continue to show large, money-center bank fundamentals are generally sound, but the environment favors active management.
Plus Sectors	**High-Yield Corporates**	Neutral	Positive	Spreads have largely reversed the widening that took place in April and are back near secular tights. Yields for high-yield bonds are only around historical averages, and we think spreads are at risk for further widening due to tariff/trade war uncertainty. The asset class is better suited for income-oriented investors.
Plus Sectors	**Bank Loans**	Neutral	No Trend	Downgrades and defaults have increased and could increase still if the economy slows/contracts. Given the current economic uncertainty, high-risk credit sectors could underperform safer "core" sectors.
Plus Sectors	**Foreign Bonds**	Neutral	No Trend	Yields have moved higher recently but are still generally lower than U.S. markets. Currency volatility is a risk. The asset class is more attractive for U.S. dollar hedged investors.
Plus Sectors	**EM Debt**	Neutral	No Trend	Valuations are relatively attractive, but idiosyncratic risks remain, and ongoing trade wars could negatively impact smaller emerging countries.

Commodities and Currencies

Strong Finish to the First Half

The Bloomberg Roll Select Commodity Total Return Index, an index developed to address the issue of negative roll yields, rallied 2.6% in June. A weaker dollar underpinned broad-based buying pressure across the commodities complex. Platinum surged nearly 30% and topped the leaderboard, while coffee led losses after tumbling 16.3%. Technically, the dollar is oversold near a secular uptrend, with both sentiment and positioning at contrarian levels. At minimum, a relief rally at this inflection point should not be ruled out.

For the first half, commodities modestly outperformed stocks; however, history shows continued outperformance in the second half is rare. Since 1992, there have only been five periods when the Bloomberg Roll Select Commodity Total Return Index outperformed the S&P 500 Total Return Index in both the first and second half.

The outlook for commodity markets in the second half of 2025 is likely to hinge on trade policy developments, which will help shape global growth and commodity performance. Long-term growth drivers, including the green energy transition and data center demand, remain intact, but China's economic recovery is a critical uncertainty, with a trade deal needed to boost rebound prospects and help counter deflationary fears. We expect precious metals to continue outperforming, while cyclically sensitive metals are gaining momentum. In energy, oil faces challenges from rising OPEC+ supply and weakening global demand.

Color Key: Positive Neutral Negative

Sector	Overall View	Overall Trend	Rationale
Energy	Neutral	Neutral	West Texas Intermediate (WTI) briefly challenged a multi-year downtrend last month but failed as oil's geopolitical risk premium dissipated in the wake of a ceasefire agreement between Iran and Israel. The narrative in oil quickly shifted back to supply as OPEC+ announced another larger-than-expected output hike for August. The good news is that support around $55 held, with buyers stepping in again around $65. Technically, a close above $78.40 would reverse its current downtrend. Natural gas ticked higher in June but has lost momentum as the spot price recently slid below its 200-day moving average (dma). Above-average stockpiles coupled with mild weather in the Midwest underpinned the recent pullback. **We maintain our neutral view on the energy commodity sector.**
Precious Metals	Positive	Positive	Momentum in gold has cooled off after an impressive first half rally. Profit-taking pressure, de-escalation in the Middle East, and a slowdown in physical-gold ETF demand have weighed on the yellow metal. Support for gold sets up near $3,250, $3,120, and at $2,956. Use pullbacks as buying opportunities. Recent breakouts in silver and platinum round out a strong technical setup for the group. **We maintain our positive view on precious metals.**
Industrial Metals	Neutral	Neutral	Industrial metals advanced as recession fears abated. However, tariff uncertainty, along with weak export and manufacturing activity in China, have weighed on sentiment. Copper rallied to new highs after President Trump announced 50% tariffs on the industrial metal. Aluminum continues to trend higher since April, while steel prices have faded as front-running tariff momentum seemingly wore off. **We maintain our neutral view on the industrial metals group.**
Agriculture (Ag) & Livestock	Neutral	Neutral	Livestock markets advanced last month, with live cattle and lean hogs climbing 4.8% and 8.7%, respectively. Technically, both are trending higher and extended above their rising 200-dmas. Ag was mostly lower. Corn led losses among grains after falling 5%, violating key support near the 425–430 range. Coffee led softs lower for a second straight month as bean prices tumbled over 16.3%. **We maintain our neutral view on the ag & livestock space.**
U.S. Dollar	Neutral	Negative	The dollar followed interest rates lower last month and violated support off the April lows. The greenback is oversold near a secular uptrend, with both sentiment and positioning at contrarian levels. At minimum, a relief rally at this inflection point should not be ruled out.

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

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.

Precious metal investing involves greater fluctuation and potential for losses.

Alternative Investments

Resilient Performance

In the first half of 2025, several key market forces we identified at the start of the year — rising uncertainties tied to the new U.S. administration's policy shifts, increased market volatility, and the testing of elevated U.S. equity valuations — began to take shape. As such, broadening portfolio diversification beyond the traditional 60/40 framework was crucial for effectively navigating the shifting market environment. Looking ahead, we expect there will be continued bouts of broad market volatility and varied performance within and across asset classes. While the current administration appears willing to work with international partners, uncertainty surrounding tariff policy is likely to persist. Prospects for deregulation and lower taxes remain, but quantifying their ability to offset tariff-related impacts will be challenging, given the true economic effects are not yet clear. Meanwhile, escalating geopolitical tensions and mixed economic data are expected to complicate the Fed's decision-making process, limiting the likelihood of a clear path forward. Considering these factors, we maintain a positive outlook on alternative strategies in general, as we believe they can help enhance portfolio stability in periods of uncertainty.

The first half of the year was quite conducive for equity market-neutral strategies, and we expect this environment to continue. Although tariff concerns briefly pushed the U.S. equity market near bear territory, it quickly rebounded to near-record highs following a temporary pause in tariff enforcement. However, tariff negotiations remain unresolved, with potential legal challenges adding further uncertainty. While deregulation and favorable tax policies could offer some support, elevated U.S. equity valuations — requiring higher earnings multiples amid slowing growth and shifting policies — reinforce our view that market-neutral strategies can continue to perform well and add value to portfolios. Focus on Sub-Strategy and Manager Differentiation for alternative strategies that help diversify portfolios, like global macro and managed futures. We came into 2025 holding a constructive view on subsets of each strategy, namely nimble discretionary macro with broad geographic exposure in global macro, and trend followers with broader mandates and reduced equity market concentration within managed futures.

In private markets, infrastructure, secondary private equity investments, and private credit remain our preferred strategies. In the first half of the year, infrastructure once again proved its resilience, with global public and private valuations holding steady despite broader stock market pressures. Continued investment — driven by both government initiatives and private sponsors — should further support the space. Secondary private equity investments have seen strong momentum in deal volumes and a pickup in the number of participants. With more limited partners, including pensions and endowments, looking to monetize some of their holdings and rebalance their portfolios, as well as general partners looking to create continuation funds, the space has become more liquid and efficient, making it a more viable standalone strategy.

Color Key: Positive Neutral Negative

	Sector	Overall View	Rationale
Fundamental	Long/Short Equity	Positive ←	Rising volatility and stock market dispersion may create good trading opportunities for market-neutral stock pickers. For more long-biased managers, international equities could provide attractive opportunities.
Fundamental	Event Driven	Neutral	Merger and acquisition (M&A) and initial public offering (IPO) activity remains sluggish, and opportunities in distressed debt will likely be limited as well.
Tactical	Global Macro	Positive	Agile discretionary macro managers should continue to capitalize on economic and policy shifts, along with intermittent spikes in market volatility.
Tactical	Managed Futures	Positive	We continue to favor holding a diversified mix of sub-strategies, including but not limited to, short-term momentum, volatility breakout, pattern recognition, and trend following. Diversification within trend following in terms of markets and time frame is encouraged as well.
Multi-Strategy	Multi-PM Single Funds	Positive	Multi-strategy funds should continue to benefit from the ability to dynamically invest across alternative investment strategies.
	Specialty Strategies	Positive ←	Volatility arbitrage and cross-asset tail risk strategies with minimal carrying cost may be good additional diversifiers in portfolios.

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.

The HFRX Absolute Return Index is designed to be representative of the overall composition of the hedge fund universe. It is comprised of all eligible hedge fund strategies; including but not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage, and relative value arbitrage.

The HFRX Equity Hedge Index measures the performance of the hedge fund market. Equity hedge strategies maintain positions both long and short in primarily equity and equity derivative securities.

The HFRI® Indices are broadly constructed indices designed to capture the breadth of hedge fund performance trends across all strategies and regions.

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

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.

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Important Disclosures

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.

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