LPL RESEARCH

Global Portfolio Strategy

August 2025

Resilient Rally: AI, Earnings, and Trade Deals Drive July Highs

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:

- No changes

STAAC Asset Class Tactical Views as of 08/01/2025 (GWI)

Asset Class					
Equity	·	·	●	·	·
U.S.	·	·	●	·	·
International Developed (EAFE)	·	·	●	·	·
Emerging Markets	·	·	●	·	·
Large/Mid Growth	·	●	·	·	·
Large/Mid Value	·	·	●	·	·
Small Growth	·	·	●	·	·
Small 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 08/01/2025 (GWI)

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

Source: STAAC as of August 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

Major averages ended a relatively quiet July in positive territory, after the S&P 500 did not post a 1% move in either direction for the first month since July 2023. Both the S&P 500 and Nasdaq posted fresh records throughout the month with markets overcoming headwinds such as dampened rate cut odds, sticky inflation data, and lingering jitters around tariff-related impacts. Nonetheless, Wall Street bulls focused on economic resiliency and easing trade tensions as Washington inked deals with the European Union and Japan, also offering deadline extensions to China and Mexico. Equities were further supported by a strong start to earnings season as blended earnings growth cruised past estimates alongside upbeat artificial intelligence (AI) takeaways. Among highlights, Alphabet (GOOG/L), Microsoft (MSFT), and Meta (META) topped earnings estimates and boosted AI spending plans.

Treasury yields ended July higher across the curve with the two-year yield re-approaching 4% and the 10-year yield climbing back above 4.35%. Core bonds, measured by the Bloomberg U.S. Aggregate Bond Index, declined 0.26%. Monthly returns were muted; however, longer-term yields received a mid-month jolt as Washington pressured Federal Reserve (Fed) Chair Powell to lower rates, stoking concerns of unwarranted rate cuts. Concerns were short-lived, although strong economic data and dampened rate cut bets kept upward pressure on yields before weak July payrolls data sent yields lower and rate cut bets higher to start August. Domestic corporate credit ended little changed in July.

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, although downside pressure on yields could emerge as the Fed prepares to resume its rate cutting cycle.

Given the latest rally and as the seasonally weak period of August and September arrives, a pullback would not be a surprise. As the economy slows and more tariffs are implemented, bouts of volatility are likely. But given the powerful AI trend, big tech's significant earnings power, potential forthcoming Fed rate cuts, and the fiscal stimulus boost when 2026 begins, we believe pullbacks are likely to be shallow and bought.

The STAAC's recommended tactical asset allocation includes:

- A neutral stance toward U.S. equities as elevated valuations amid pending pressure from a tariff rate in the mid-teens and a cooling economy (that likely skirts recession) offset the opportunity for a meaningful upside, in our view.
- 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 08/01/25.

2025 ECONOMIC FORECASTS

U.S. Economy Expected to Slow This Year

	2025 (Y/Y, real GDP)
United States	1.5%
Eurozone	0.9%
Advanced Economics	1.5%
Emerging Markets	3.8%
Global	2.5%

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

Tactical Asset Allocation as of 08/01/2025

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's asset allocation framework, 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. For a more detailed breakdown, please refer to the Supplemental Mid Cap Reference Guide on page 9.

Equity Asset Classes

Bouts of Volatility Likely During Weak Seasonal Period

As discussed in LPL's 2025 Midyear Outlook, 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 when most tariff effects have yet to be felt. We would 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 potential further U.S. dollar weakness.

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. A slowing economy and superior, technology-driven earnings power that has been fully on display during earnings season support growth, while large caps are better positioned to manage tariffs.
	Large/Mid Value	Neutral	Negative	Defensive value stocks may be poised for another stint of outperformance if stocks pull back after the recent rally, 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	No Trend	Valuations are attractive, some policy uncertainty has cleared, and earnings estimates have been inching higher. Additional relative upside following the latest rally may be limited in a slowing economy if market volatility increases. Fed rate cuts could be a catalyst and technicals look better than small value.
	Small Value	Underweight	Negative	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 as tariffs ramp. Earnings estimates have been trending lower. Muddled technicals.
Region	**United States**	Neutral	Positive	The STAAC maintains its neutral regional stance. Though some trade policy uncertainty has cleared, full valuations, increasing risk of stagflation, and the earnings hit from tariffs in a slowing economy may limit opportunities for further valuation expansion. AI investment is key to potential U.S. outperformance.
	Developed International	Neutral	No Trend	The STAAC remains neutral on developed international as valuations, while still reasonable, have risen, additional U.S. dollar weakness is far from assured, and U.S. tech strength is tough to keep up with. Economic and earnings growth outside the U.S. has become competitive. 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. Tariff clarity helps but the U.S. dollar is a wildcard going forward.

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

Leaning Into Cyclicals, Still Favor Communication Services and Financials

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, fiscal stimulus benefits, 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 and overly bullish investor positioning keeps the Committee underweight utilities.

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 July (-0.4%) as chemicals weakness offset gains in metals stocks. Relative calm in U.S.-China relations and U.S. fiscal stimulus in 2026 are helpful. Lingering trade uncertainty remains a risk.
	Consumer Cyclical	Neutral	No Trend	10.3	Slight outperformer in July (+2.6%) despite high tariff risk in autos, homebuilders, retail, and Tesla (TSLA) weakness (-3%). Prospects for slowing consumer spending and next 12 months price-to-earnings ratio (P/E) near 30 suggest caution is prudent.
	Financial Services	Overweight	No Trend	13.7	Laggard in July (flat) on weakness in insurance, which offset strength in capital markets businesses that benefited from trading activity. Healthy credit markets and a steeper yield curve help, but loan demand is softening. Reasonable valuations and manageable tariff risk.
	Real Estate	Neutral	Negative	2.0	Underperformed in July (-0.1%) as defensive sectors remained out of favor despite stable interest rates. Reasonable valuations. Weak technical analysis trends.
Sensitive	**Communication Services**	Overweight	Positive	9.9	Slight July outperformer (+2.4%) on earnings-driven strength in Alphabet (GOOG/L) and Meta (META), which offset weakness in Netflix (NFLX) and Charter Communications (CHTR). Earnings season reinforced strong AI-driven growth outlook. Reasonable valuations. Solid technical analysis picture.
	Energy	Neutral	Negative	2.9	Outperformed in July (+2.9%) on higher oil prices and strength in the majors, which offset lower natural gas prices. Slowing global growth, Mideast calm, and plentiful global oil supply limit the sector's attractiveness despite low valuations.
	Industrials	Neutral	Positive	8.6	Outperformer in July (+3.0%). Beneficiary of One Big Beautiful Bill Act (OBBBA) via capital expensing. AI data center buildouts, near-shoring are positive. Tariffs, green energy policy remain risks. Full valuations. Potential buy-the-dip candidate.
	Technology	Neutral	Positive	34.1	Top performing sector for fourth straight month in July (+5.2%) on continued AI enthusiasm. Strong momentum, but high valuations, overbought conditions, and lingering tariff risk suggest waiting for a pullback before considering an upgrade.
Defensive	**Consumer Defensive**	Neutral	No Trend	5.4	Declined in July (-2.4%) for the second straight month. Costco (COST) and Proctor & Gamble (PG) both lost about 5%. Tariffs, slowing consumer spending, and RFK Jr.'s policies create a challenging fundamental backdrop despite attractive valuations.
	Healthcare	Neutral	Negative	8.8	Lagged again in July (-3.3%), putting year-to-date drop at -6.4% on policy-related headwinds, including Medicaid cuts in the OBBBA. Earnings estimates are being revised lower, but low valuations keep us neutral for now. Stock selection is critical.
	Utilities	Underweight	Positive	2.5	Solid performer in July (+4.9%) on a 25% gain in AES Corp. (AES) and surging AI power demand. Like staples, a likely outperformer in the next stock market sell-off, especially if interest rates fall (not our base case). Positive bias on AI theme and positive technicals, while aggressive investor positioning in the sector is a concern.

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 Tug of War Between Economic Data and Debt Concerns

U.S. Treasury markets have been dealing with a tug of war between the economic data and debt/deficit concerns. Most of July saw the latter issue prevail but the weak jobs report on August 1 showed the former can still be the primary driver of Treasury yields. Yields across the curve were lower by 0.15% to 0.27% on August 1. As we noted in our [2025 Midyear Outlook: Pragmatic Optimism, Measured Expectations](), we expect that tug of war to continue to play out throughout the year as markets wrestle with the "right" number of rate cuts in 2025. We continue to think high-quality sectors within the fixed income universe (Treasuries, MBS and shorter-maturity corporates) offer attractive risk/return opportunities. Spreads for most bond sectors, particularly plus sectors, remain at or near secular tights.

Color Key:

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

		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**		✓		Yields remain under pressure from conflicting narratives: slowing growth (lower yields) but stickier inflation and large budget deficits (higher yields), which 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**
Current Stance	**Municipal Bond View**		✓		The muni market continues to underperform due to the ongoing supply/demand imbalance. Muni ETFs added $2.4 bn in net new assets in July, down 33% from June, while new issue volume totaled $63 bn in July, up 9% from June and 57% more than July 2024. 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)	Positive	The 10-year Treasury yield was volatile in July but ultimately fell after the jobs report on August 1, as markets priced in additional rate cut expectations. We think the 10-year will trade between 4.0–4.5% throughout the rest of the year. To get Treasury yields much lower though, economic data will need to show further deterioration. Technically, 10-year yields have broken down from a consolidation range and violated the 200-day moving average, leaving 4.19% and 4.12% as the next areas of support.
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) outperformed nominals in July, and real yields remain near the highest levels in 20 years. 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)	No Trend	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)	Positive	Valuations are relatively attractive, but idiosyncratic risks remain, and ongoing trade wars could negatively impact smaller emerging countries.

Commodities and Currencies

Commodities Slide as the Dollar Rallies

The Bloomberg Roll Select Commodity Total Return Index (BCOMRST), an index developed to address the issue of negative roll yields, slid 0.3% in July. Outside of energy, which benefited from a relief rally in oil, selling pressure was relatively widespread across the commodities complex. Major technical damage was limited at the benchmark level as the BCOMRST held above its uptrend and rising 200-day moving average (dma).

A 3.2% rally in the U.S. Dollar Index was the primary headwind for the broader commodities complex. Oversold conditions coupled with major support off a secular uptrend underpinned the relief rally in the greenback. Rotational pressures back into U.S. equity markets and a relatively more hawkish monetary policy stance from the Federal Reserve (Fed) provided additional catalysts for the rebound. Technically, the dollar has reversed a short-term downtrend off the January highs and recaptured the 50-dma. A potential double bottom has developed, with resistance setting up overhead near 100.25-100.75.

Energy was a bright spot last month as West Texas Intermediate (WTI) rose over 6%. Trade deal progress and better-than-expected economic activity in China, the world's largest importer of oil, supported prices. Geopolitics was also in play as the White House ramped up tariff threats on countries purchasing sanctioned Russian energy. On the supply side, OPEC+ announced another expected output hike in September, with some members suggesting production could be increased further if certain conditions are met (consensus is that the cartel holds production steady after their September meeting).

Color Key: Positive Neutral Negative

Sector	Overall View	Overall Trend	Rationale
Energy	Neutral	Neutral	Oil shrugged off another expected production hike from OPEC+ last month, providing some evidence that a lot of bad news has been priced into the market. However, WTI still remains in a downtrend and recently failed at the declining 200-dma. Support below $65 set up around the April/May lows near $55, a level we view as a potential floor to a developing range. Natural gas remains volatile, and prices are hanging near the neckline of a potential head and shoulder top formation. A break below $2.86 would complete the pattern and open the door to additional downside risk. **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, strength in the dollar, and a pronounced rotation into riskier assets have all weighed on the yellow metal. Support for gold sets up near $3,250, $3,120, and the 200-dma, while resistance comes into play around $3,450. Use pullbacks as buying opportunities. Silver and platinum also remain constructive and round out a strong technical setup for the group. **We maintain our positive view on precious metals.**
Industrial Metals	Neutral	Neutral	Most industrial metals declined last month. Copper dropped 13% and recorded its single-worst day on record (-22% on July 31) after the U.S. unexpectedly exempted refined copper imports from the 50% tariff on copper. The sharp drop created a lot of technical damage and left the April lows ($403) as the next major support level to watch. 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 as an advance in live cattle offset weakness in lean hogs. Momentum in live cattle remains bullish but overbought on a short-term basis. Lean hogs have pulled back to a confluence of support. Ag was lower across the board. Corn and soybeans have rolled over and are at risk of retesting/violated the 2024 lows. Cocoa and coffee led softs lower with declines of nearly 10% last month. **We maintain our neutral view on the ag & livestock space.**
U.S. Dollar	Neutral	Neutral	The dollar made notable technical progress last month but it's too early to determine if the advance was solely a relief rally off oversold levels or a sustainable recovery. A close back above 100.75 would recapture the lower end of the dollar's prior change.

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

Rebound in Managed Futures

Alternative investment strategies began the third quarter with mixed performance, once again led by the HFRX Equity Hedge Index (+.80%) and more equity-centric strategies. While the S&P 500 faced some challenges during the last week of the month, the index was still up 2.24% and is now up 8.6% for the year. Sector dispersion remains attractive, as five of the 11 sectors were lower, however, much of the difference in performance was once again based on value/growth tilts.

The HFRX Macro: Systematic Diversified CTA Index gained 0.7%, after a quarter of weak performance. Gains from long equity and long oil exposure drove performance, while currency exposure detracted, as the existing long exposure versus the U.S. dollar was a drag on performance. The HFRX Equity Market Neutral Index was the main laggard, with a decline of 0.5%. The second quarter and 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.

Overall, with economic and policy uncertainty likely to continue in the second half of the year, we remain positive on alternative investment strategies, as we believe they can help strengthen portfolio stability during periods of volatility. Our preferred approaches include equity market-neutral, nimble discretionary global macro, and a range of managed futures strategies.

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	Mergers and acquisitions (M&A) and initial public offering (IPO) activity remain 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

Supplemental Mid Cap Reference Guide

Rationale for Large and Mid Cap Aggregation

The STAAC's decision to aggregate mid cap equities with large caps is driven by a desire to construct asset allocation models using distinct and efficient building blocks that either a) materially enhance expected returns, or b) materially reduce expected risk relative to our benchmark. We believe that a four-box framework, segmented by size and style, provides the most impactful differentiation for our investment decision making. Additionally, this is most aligned with our investment universe, given most active large cap managers benchmark to the Russell 1000 (which has significant overlap with the Russell Midcap Index, 800 stocks representing over 25% of market cap).

We also believe that reducing the number of style boxes improves capital efficiency and lowers trading costs and turnover. By streamlining these classifications, we can avoid such inefficiencies.

Disaggregated U.S. Mid Cap and Large Cap Tactical Asset Allocation as of 08/01/2025

The 75% Large Cap / 25% Mid Cap decomposition provided below is intended as a general reference for advisors who prefer to maintain a distinct mid cap allocation. The exact percentage mix may fluctuate moderately throughout the year based on the relative market cap weights of each component within the Russell 1000. The STAAC's official position is to treat large and mid caps as a combined category within the TAA as shown on page 3.

Investment Objective

	Aggressive Growth			Growth			Growth with Income			Income with Moderate Growth			Income with Capital Preservation		
Asset Class	TAA	Benchmark	Difference	TAA	Benchmark	Difference	TAA	Benchmark	Difference	TAA	Benchmark	Difference	TAA	Benchmark	Difference
Large Growth	24.000%	21.375%	2.625%	20.250%	18.000%	2.250%	15.375%	13.500%	1.875%	10.500%	9.000%	1.500%	5.250%	4.500%	0.750%
Mid Growth	8.000%	7.125%	0.875%	6.750%	6.000%	0.750%	5.125%	4.500%	0.625%	3.500%	3.000%	0.500%	1.750%	1.500%	0.250%
Large Value	22.125%	21.375%	0.750%	18.750%	18.000%	0.750%	13.875%	13.500%	0.375%	9.000%	9.000%	0.000%	4.500%	4.500%	0.000%
Mid Value	7.375%	7.125%	0.250%	6.250%	6.000%	0.250%	4.625%	4.500%	0.125%	3.000%	3.000%	0.000%	1.500%	1.500%	0.000%

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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