



4707 Executive Drive  
San Diego, CA 92121

1055 LPL Way  
Fort Mill, SC 29715

201 Washington Street, Suite 300  
Boston, MA 02108

June 3, 2026

Dear Valued Investor,

Equity markets have continued their advance in recent weeks, with the S&P 500 near a record high following a rare nine-week winning streak on strong AI-driven earnings and prospects for an Iran agreement. While the macro backdrop remains mostly constructive, valuations are elevated by most traditional metrics, and oil remains near \$100 with the Strait of Hormuz still closed. Is the stock market pricing in too much good news?

To answer this question, we suggest not putting much emphasis on valuation. Valuation metrics such as the price-to-earnings ratio (P/E) are helpful in assessing long-term return potential and downside risk, but they are historically poor market timing tools. The S&P 500's P/E near 21 can be justified by solid earnings growth and a resilient U.S. economy, although further expansion will require continued cooperation from key drivers such as inflation (oil prices) and interest rates. Unless these macro inputs improve, returns in the second half of the year are likely to be modest, potentially with some bumps along the way.

Against this backdrop, the role of AI remains central. Technology companies, particularly the mega cap hyperscalers, have continued to deliver compelling earnings growth, even as skepticism around the magnitude of investment and timing of eventual returns persists. Results have continued to point to accelerating investment and demand for computing resources. Some big moves in semiconductor and IT hardware companies over the past week suggest the market has not quite caught up to the magnitude of these investments – expected to exceed \$750 billion this year and up about 50% since 2026 began.

While valuations appear elevated at the index level and speculation in certain market segments may have gone too far, parts of the technology sector may actually be undervalued relative to their growth potential. Skepticism about the productivity gains AI will bring remains widespread, leaving room for potential upside surprises. At the same time, heavy AI-related capital expenditures have depressed free cash flow, which introduces risk if anticipated productivity gains fail to materialize.

Looking ahead, the market narrative will continue to hinge on the intersection of valuations and AI-driven earnings growth. Elevated multiples and sticky inflation suggest more limited upside from higher valuations, placing greater importance on earnings to come through. AI remains a powerful tailwind for both economic activity and corporate profits, supporting the case for staying invested. The promise of what AI can bring is exciting, but the optimism may be getting ahead of what the technology can deliver. As a result, maintaining discipline around diversification and risk management takes on greater importance.

As always, please reach out to your financial advisor with questions.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jeffrey Buchbinder'.

Jeffrey Buchbinder, CFA  
Chief Equity Strategist  
LPL Research

### Important Information

This material is for general information only and is not intended to provide specific advice or recommendations for any individual. There is no assurance that the views or strategies discussed are suitable for all investors or will yield positive outcomes. Investing involves risks including possible loss of principal. Any economic forecasts set forth may not develop as predicted and are subject to change.

References to markets, asset classes, and sectors are generally regarding the corresponding market index. Indexes are unmanaged statistical composites and cannot be invested into directly. Index performance is not indicative of the performance of any investment and do not reflect fees, expenses, or sales charges. All performance referenced is historical and is no guarantee of future results.

All data is provided as of June 1, 2026.

The P/E ratio (price-to-earnings ratio) is a measure of the price paid for a share relative to the annual net income or profit earned by the firm per share. It is a financial ratio used for valuation: a higher P/E ratio means that investors are paying more for each unit of net income, so the stock is more expensive compared to one with lower P/E ratio.

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.

All index data from FactSet.

The Standard & Poor's 500 Index (S&P 500) is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and bonds are subject to availability and change in price.

There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.

Past performance does not guarantee future results.

Asset allocation does not ensure a profit or protect against a loss.

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