LPL Financial

75 State Street, 22nd Floor
Boston, MA 02109

4707 Executive Drive
San Diego, CA 92121

1055 LPL Way
Fort Mill, SC 29715

March 7, 2019

Dear Valued Investor:

The S&P 500 Index has staged an impressive rally after nearly entering a bear market December 24, with U.S. stocks notching their best start to a year since 1991.

Stocks have climbed the "wall of worry" once again, but global uncertainty persists as the bull market nears its tenth anniversary. While the road to new market highs could get a little bumpy as investors deal with Brexit and China trade concerns, we encourage investors to focus on the fundamentals supporting economic growth and corporate profitability in 2019.

Although recession calls have grown louder over the past several months, we've seen mounting evidence that this economic cycle could persevere at least through the end of 2019. The U.S. labor market remains solid, U.S. manufacturing health remains in expansionary territory, and consumer sentiment is starting to recover. Leading economic indicators suggest there's more runway in this expansion.

A pause in monetary policy tightening may also support U.S. economic health. The Federal Reserve (Fed) has indicated that it will abstain from raising interest rates further until there is more clarity in the global environment. That message has calmed investors' fears that continued policy tightening could eventually smother future economic growth. Inflation remains at healthy levels; however, if there are signs of wages growing too rapidly, another interest rate hike may occur, possibly in the second half of this year, to help manage inflation. Even if this happens, we believe slightly higher rates won't derail the economic trajectory.

Corporate profit growth should also support U.S. stocks, as earnings for S&P 500 companies grew last year. While we expect the pace of corporate profit growth to moderate, we believe stock performance over the rest of this year can at least match the mid-single-digit earnings growth that we expect for the S&P 500 in 2019.

Seasonality and momentum are also on investors' sides. In 27 of the years since 1950, the S&P 500 has closed up in both January and February, and it has gained in the final 10 months of 25 out of those 27 years.

Though we have lowered some of our economic and interest rate forecasts in response to a patient Fed and slowing global growth, our overall view hasn't wavered. We believe the pieces are in place for a continued economic expansion, and we look for stocks to power through periodic bouts of uncertainty and occasional volatility.

As always, we encourage you to contact your financial advisor if you have any questions.

Sincerely,

John Lynch

John Lynch
EVP, Chief Investment Strategist
LPL Research

RES 87988 0319
For Public Use – Tracking #1-829339 (Exp. 03/20)