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Dear Valued Investor:

Another year is drawing to a close, but so far neither market volatility nor market-moving headlines have shown any signs of winding down. As we reflect on a challenging 2018 and look for bright spots in 2019, we feel confident in continued steady growth in the U.S. economy. The list of the market's concerns is long, but we still think fundamentals for stocks remain favorable. Here we provide a brief check-in on the latest developments across these areas of concern and share our thoughts on the increase in market volatility.

At the end of November, Federal Reserve (Fed) Chair Jerome Powell restored investors' confidence in the Fed's commitment to flexibility, addressing worries that the Fed might act too aggressively. He stated that current interest rates are "just below neutral," suggesting a more gradual pace of rate hikes than in his October statement that rates were "a long way from neutral." The stock market rallied in response. Although the market dipped again on global growth concerns, this reassurance from the Fed is a good indication that the central bank will remain pragmatic when it comes to evaluating risks for the economy and stock market. Markets should be able to handle a hike in December and one or two in 2019, consistent with current expectations.

The impact of tariffs and ongoing trade uncertainty on global growth prospects continues to contribute to market volatility, including the recent sell-offs. Progress was made at the G20 summit over the December 1–2 weekend, and markets welcomed the 90-day trade truce while negotiations proceed, although stocks gave back the gains immediately following the announcement when conflicting reports came out around what was agreed to at the summit. Despite this, the fact that the two sides are talking and making some progress is encouraging.

We recognize the difficulty that market volatility can have on investor confidence. As hard as it may be to believe, this year has been very typical in terms of the volatility that we have experienced historically. Though we anticipated higher volatility this year, these periods can be challenging. When we're prepared for it, and have a plan, we're in a better position to make good decisions despite increased uncertainty. We continue to emphasize the importance of maintaining a long-term plan and avoiding the urge to react strongly to short-term market swings. We encourage investors to focus on the many fundamentals supporting growth in the economy and corporate profits, rather than allowing speculative headlines to alter one's long-term investment plans.

To prepare for the year ahead, please stay tuned for the *LPL Research Outlook 2019* publication, due out in mid-December. We aim to provide valuable insights and guidance to arm investors for what we may see in the future, including the big themes to watch, our investment recommendations, and our expectations for economic and market performance.

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

Sincerely,

John Lynch

John Lynch
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