



**LOFY GROUP™**  
*Wealth Management Inc.*

November 6, 2014

Dear Valued Investor,

The months of polls, punditry, and posturing are finally over. After months of uncertainty and waiting, the midterm elections are done, and there is a resolution.

As expected, the Republican Party regained control of the U.S. Senate and added to its majority in the U.S. House of Representatives. Although a few Senate races have yet to be decided, the Republicans control at least 52 seats—and could control as many as 54. The important numbers in the Senate are 51, 60, and 67. The Republicans are over 51, which gives them a simple majority, but they are still short of the filibuster-proof 60, and far short of the 67 needed to override a veto, making sweeping legislative change unlikely.

Republicans made major gains, and the House has not been so dominated by one party since 1946. This is an interesting development, but does it mean that significant changes are on the horizon? Does change in the Congress mean change for you? Not really. The business environment might be slightly friendlier after the midterms, but I do not expect significant changes.

The next key date in Washington, D.C. comes in mid-December 2014, when the continuing resolution to fund the government expires. The subsequent key date will be mid-March 2015, when the U.S. Treasury will hit the debt ceiling once again. At the margin, the Republicans' control of Congress raises the risk they will demand concessions for passing a funding resolution for next year, or for raising the debt limit. However, given the backlash following last year's government shutdown, as well as initial comments from likely Senate Majority Leader Mitch McConnell (R-KY), it is likely that Congress will avoid such a standoff.

Although major changes from the new Congress are not expected, LPL Financial Research is watching possible movement on several key legislative issues. Republican control of the Senate and House could have positive implications for energy and financial services companies by easing the regulatory landscape. For the energy sector, Republicans may be able to speed up permits for oil and gas exploration and gain approval for the construction of the Keystone XL pipeline, providing a potential boost to energy and industrial sector growth. Regulatory pressures on banks, including capital requirements, may be eased. Tax reform is possible, although more likely to happen at the corporate level than an individual level. And although Republicans will not be able to repeal the Affordable Care Act, changes to the law are likely, including the probable elimination of the medical device tax.

Clearly, elections have implications for policy and the direction of the country. Ultimately, however, LPL Financial Research believes stock market performance will depend more heavily on economic growth, corporate earnings, and valuations in the months ahead. In the end, these factors will weigh more heavily on the direction of stock prices than modest legislative changes. LPL Financial Research continues to believe these factors may support further stock market gains.

Stay tuned for LPL Financial Research's upcoming *Outlook 2015* publication, for a closer look at policy considerations and the forecast on the economy, stock market, and bond market for investors next year.

As always, if you have questions, I encourage you to contact me.

Sincerely,

Thomas

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