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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, confidence in continued steady growth in the U.S. economy remains. The list of the market's concerns is long, but fundamentals for stocks appear favorable. Here is a brief check-in on the latest developments across these areas of concern and 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.

It's important to 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 markets have experienced historically. Though indicators pointed to 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. Maintaining a long-term plan and avoiding the urge to react strongly to short-term market swings are very important, as is focusing 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. This publication provides valuable insights and guidance to arm investors for what may occur in the future, including the big themes to watch, LPL Research's investment recommendations, and expectations for economic and market performance.

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

Sincerely,

Diane

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