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Happy New Year!

What a difference a year makes! One year ago, the stock market was plunging and came perilously close to ending what became the longest bull market ever recorded. In December of 2018, dropping stocks were suggesting an increased risk that a recession or market crisis might be on the horizon.

Fast forward to December 2019 and investors have experienced sizable gains across major asset classes and geographic regions that more than make up for the pain of 2018. In fact, 2019 was the best year for large cap U.S. equities since 2013 and the best year for bonds since 2002. Over the past year, stock market fundamentals improved significantly and we've received clarity on the biggest market uncertainties: U.S.-China trade relations, the Federal Reserve pivoting from rate hikes to rate cuts, and the United Kingdom's exit from the European Union (Brexit). And while the strong market performance of 2019 may limit the magnitude of potential market advances in 2020, we still expect a robust market in the year ahead. At the same time, uncertainty surrounding President Donald J. Trump's impeachment and the potential for a highly charged U.S. election could lead to increased volatility for investors.

Index	2019	Index Description
S&P 500 TR	31.49%	Tracks 500 leading large cap companies in the U.S.
Russell 2000 TR	25.52%	Tracks 2000 of the smallest companies in the U.S.
MSCI EAFE NR	22.01%	Tracks 21 developed international equity markets including France, Germany, Spain, the U.K. & Japan
MSCI EM NR	18.42%	Tracks 25 emerging market countries including China, India, Brazil, Mexico, Russia, Turkey & Greece
Barclays Aggregate Bond TR	8.72%	Tracks investment grade bonds trading in the U.S.

In 2019, large cap U.S. equities, as measured by the S&P 500, surged over 31%. Small cap U.S. equities finished the year up 25% as measured by the Russell 2000. International equities finished higher. Developed international equities ended the year up 22% and emerging market equities up 18%, as measured by the MSCI EAFE Index and MSCI EM Index respectively. The U.S. bond market posted a return of over 8% for the year as measured by the Barclays U.S. Aggregate Bond Index.

Year	S&P 500 Index Total Return	S&P 500 Index Total Return Following Year	A Recession the Following Year?
1950	30.8%	23.7%	No
1954	52.6%	32.6%	No
1955	32.6%	7.4%	No
1958	43.7%	12.1%	No
1975	37.0%	23.8%	No
1980	31.7%	-4.7%	Yes
1985	31.2%	18.5%	No
1989	31.5%	-3.1%	Yes
1991	30.2%	7.5%	No
1995	37.2%	22.7%	No
1997	33.1%	28.3%	No
2013	32.2%	13.5%	No
2019	31.5%	?	No
	Average	15.2%	
	Median	16.0%	
	Higher	10	
	Count	12	

A Big 2019 For Stocks Could Be A Good Thing in 2020

Looking out to 2020, it might seem unlikely that the strong momentum in stocks could continue. However, as the chart to the left shows, the S&P 500 typically has posted above-average performances in the year after a big annual gain, and we've tended to avoid a recession. A big year for stocks historically has been a good sign for the economy too.

"Are the big gains in 2019 forecasting blue skies ahead for the economy and a bull market in 2020?" asked LPL Senior Market Strategist Ryan Detrick. "History would say yes, as a 30% gain for the S&P 500 has led to gains of another 15% on average the next year, and only 2 out of 12 times did that following year fall into a recession." We're hoping 2020 does the same.

Source: LPL Research, FactSet, NBER, 01/02/20. All indexes are unmanaged and cannot be invested into directly. Past performance is no guarantee of future results. The modern design of the S&P 500 Index was first launched in 1957. Performance before then incorporates the performance of its predecessor index, the S&P 90.

The S&P 500's Decade Challenge

It has been an unprecedented decade for financial markets. At the end of 2009, the S&P 500 was nine months into what would be the longest bull market on record. Since then, the benchmark has almost tripled, riding a wave of economic growth, improved earnings, muted inflation, and central bank accommodation.

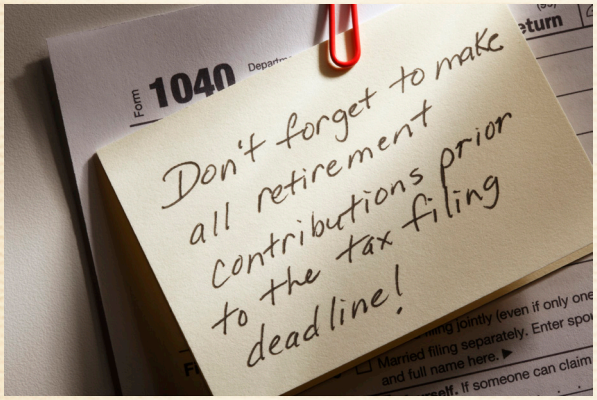
Decade	Annual Return	Annual Return (Including Dividends)	Number of Record Highs	Number of Corrections
1950s	13.0%	19.3%	141	0
1960s	4.4%	7.8%	224	5
1970s	1.6%	5.9%	35	7
1980s	12.6%	17.5%	190	9
1990s	15.3%	18.2%	310	5
2000s	-2.7%	-0.9%	13	11
2010s	11.2%	13.5%	242	6

Equities' recovery has been slow and steady though, unlike the 31% gain investors have enjoyed in 2019. The S&P 500 has grown at an 11.2% annualized rate over the past 10 years. Stocks have climbed at a faster rate in three other decades since 1950 including the 1950s, 1980s, and 1990s.

Investors have endured their fair share of pullbacks too. The S&P 500 has posted six corrections (or a 10% decline from a 52-week high) in the past 10 years, including two 19% slides—one in October 2011, the other in December 2018. The volatility was uncomfortable, but stocks ultimately bounced back to new highs each time.

"Patient investors have flourished in this decade," said LPL Financial Chief Investment Strategist John Lynch. "The biggest lesson for investors in recent years has been the importance of sticking to your investing plan in times of volatility and calm."

Source: LPL Research, Bloomberg, Ned Davis Research, 12/30/19. A correction is when a stock index closes 10% or more below a 52-week high. All indexes are unmanaged and cannot be invested into directly. Past performance is no guarantee of future results. The modern design of the S&P 500 Index was first launched in 1957. Performance before then incorporates the performance of its predecessor index, the S&P 90.



IRA Contribution Reminder!

The deadline for Traditional and Roth IRA contributions for the 2019 tax year is April 15, 2020.

Age	2019 Contribution Limits
49 and under	100% of compensation, up to $6,000
50 and older	Additional $1,000

*Please consult your tax accountant for suitability and tax-related questions.

Wishing you a Happy & Healthy 2020!

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The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investment(s) may be appropriate for you, consult your financial advisor prior to investing. All performance reference is historical and is no guarantee of future results. All indices are unmanaged and cannot be invested into directly. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. Past performance is no guarantee of future results.

The economic forecasts set forth in the presentation may not develop as predicted and there can be no guarantee that strategies promoted will be successful.

Stock investing involves risk including loss of principal.

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

Portions of this newsletter have been prepared by LPL Financial Research.

The Standard & Poor's 500 Index 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.

The Russell 2000 Index is an unmanaged index generally representative of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 10% of the total market capitalization of the Russell 3000 Index.

The prices of small and mid-cap stocks are generally more volatile than large cap stocks.

The Morgan Stanley Capital International ('MSCI') Europe, Australia, Far East Index ('EAFE') is an unmanaged index of over 900 companies, and is a generally accepted benchmark for major overseas markets. Index weightings represent the relative capitalizations of the major overseas markets included in the index on a U.S. dollar adjusted basis. The index is calculated separately: without dividends, with gross dividends reinvested and estimated tax withheld, and with gross dividends reinvested, in both U.S. dollars and local currency.

The Morgan Stanley Capital International ('MSCI') Emerging Markets Index adjusts the market capitalization of index constituents for free float and targets for index inclusion 85% of free float-adjusted market capitalization in each industry group, in global emerging markets countries. As of June 2007, the MSCI Emerging Markets Index consisted of the following 25 emerging market country indexes: Argentina, Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Israel, Jordan, Korea, Malaysia, Mexico, Morocco, Pakistan, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

The Barclays Capital U.S. Aggregate Index is comprised of the U.S. investment-grade, fixed-rate bond market.

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.