

February 17, 2017

Dear Valued Investor:

It's still early in the year, but a lot has been happening both in markets and the economy. The stock market has gotten off to a strong start in 2017, the S&P 500 followed up 2016's 12% return with a 1.9% gain in January. The Dow's first close ever above the 20,000 level drew a lot of attention to the granddaddy of the three major indexes, but the real winner so far in early 2017 has been baby of the three, the Nasdaq, which, as of February 15, made new all-time highs on seven consecutive days for the first time since December 1999, and finished 4.9% higher in January.

Looking at some of the key drivers of recent index performance, I remain optimistic but am closely monitoring a variety of data and important events that could impact your portfolio. Starting with fourth quarter earnings season, which is quickly winding down, I am encouraged that S&P 500 earnings estimates are now tracking to an 8.4% year-over-year increase, about 2.3% above initial estimates on January 1. Technology and financials earnings have contributed to the strong performance in the fourth quarter; energy earnings have had a recent bounce as well.

I am also encouraged by recent U.S. economic data that are pointing to improving growth. In fact, two-thirds of economic reports received in January 2017, which mostly reflect economic activity from December 2016 and early January 2017, met or exceeded consensus expectations. Looking deeper, sentiment reports on the services and manufacturing sectors, new orders for durable goods, vehicle sales, and employment were all notably better than expected.

One noteworthy data point that failed to meet expectations was the initial estimate of 2016 fourth quarter gross domestic product growth (GDP), which was released in late January. It showed the economy grew 1.9% over the quarter, slower than the solid 3.5% growth rate in the third quarter. However, GDP is backward looking and economic activity has picked up more recently.

Turning to the Federal Reserve (Fed), its first policy meeting of 2017 took place on January 31- February 1, 2017. As expected, the Fed made no change to its interest rate policy but struck a positive tone in its assessment of the economy. The Fed continues to indicate that any future rate hikes would be data dependent and gradual. LPL Research continues to expect the Fed to raise rates two to three times in 2017.

With all of the momentum in equity markets and the improving economic data, I am still mindful of policy risks that remain. A policy mistake by a government or central bank, uncertainty associated with the new presidential administration, Brexit, China's debt problems, and above-average stock valuations may present challenges to the relatively smooth ride we've seen so far in 2017 and periods of volatility over the course of the year are expected. That said, I continue to encourage you to stick to your plan and stay invested.

As always if you have any questions, please contact me.

Rick Fisher, CFP®

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual security. To determine which investment(s) may be appropriate for you, consult your financial advisor prior to investing. All performance referenced is historical and is no guarantee of future results. Indexes are unmanaged and cannot be invested into directly.

Economic forecasts set forth may not develop as predicted.

Investing in stock includes numerous specific risks including: the fluctuation of dividend, loss of principal and potential illiquidity of the investment in a falling market.

Investing in specialty market and sectors carries additional risks such as economic, political, or regulatory developments that may affect many or all issuers in that sector.

The NASDAQ Composite Index measures all NASDAQ domestic and non-U.S.-based common stocks listed on the NASDAQ stock market. The index is market-value weighted. This means that each company's security affects the index in proportion to its market value. The market value, the last sale price multiplied by total shares outstanding, is calculated throughout the trading day, and is related to the total value of the Index. It is not possible to invest directly in an index.

The Dow Jones Industrial Average Index is comprised of U.S.-listed stocks of companies that produce other (non-transportation and non-utility) goods and services. The Dow Jones Industrial Averages are maintained by editors of The Wall Street Journal. While the stock selection process is somewhat subjective, a stock typically is added only if the company has an excellent reputation, demonstrates sustained growth, is of interest to a large number of investors and accurately represents the market sectors covered by the average. The Dow Jones averages are unique in that they are price weighted; therefore their component weightings are affected only by changes in the stocks' prices.

The S&P 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.

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