

May 3, 2018

Dear Valued Investor:

May's arrival has brought warmer weather to many parts of the U.S. (finally), but it also brings talk of one of the most widely cited stock market clichés in history. "Sell in May and go away" is a longstanding investment adage because historically, the six-month period from May through October has been the weakest stretch of the year. However, before you spring into action, it's important to step back and look at the big picture of what's really driving our current market environment. In our view, the fundamentals of impressive earnings, modest valuations, and a strong economic backdrop are the better indicators to watch.

Looking at these underlying factors of today's economic and market environment suggests opportunity for further growth, despite this historically weaker season. Here are a few highlights to note:

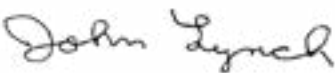
- **Impressive earnings season.** With most companies having reported first quarter results, earnings for the quarter are tracking to a double-digit increase (more than 20%) compared to the first quarter of last year. Guidance for future earnings has also been positive.
- **Solid economic growth.** The initial estimate for gross domestic product for the first quarter was a slowdown from the prior three quarters, but it still exceeded expectations. We believe the slowdown was due to temporary factors, and leading indicators suggest continued growth for the U.S. economy.
- **Reasonable stock valuations.** Although stock valuations are slightly above average right now, when considering the positive earnings outlook, low inflation, and low interest rates, we believe that stocks are not as expensive as some would suggest.

Combined, these factors continue to paint a favorable picture overall for the potential of further market gains. At the same time, it's prudent not to dismiss the possibility for some seasonal weakness or other risk factors (such as geopolitical developments) that could impact the markets. The possibility for a modest pullback during this upcoming period remains; for suitable investors, this could present an opportunity to rebalance portfolios and potentially add to equity positions. All in all, for many investors, the main takeaway is to stay focused on the long term, as reacting to seasonal weakness by selling assets could prove detrimental to the long-term performance of portfolios.

We always keep an eye on historical trends and seasonal patterns, as they can provide valuable context to the market environment—but they shouldn't dictate our investment strategy. So don't let the "sell in May" adage bring you down. Enjoy the warmer weather and extra hours of sunlight, and stick to your long-term investment plan.

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

Sincerely,



John Lynch
EVP, Chief Investment Strategist
LPL Research

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