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Dear Valued Investor:

The first few days of September revealed much of what the economy did with its summer vacation. The economic data for the summer months through the end of August provided a report card that argues not for a return to recession, but instead for the return of slower — but stable — .growth that often comes one year after the start of a recovery. The U.S. economy created 235,000 private jobs this summer (June through August), bringing the total to 763,000 jobs created through August of this year. As the time came to go back to school, it was also time for more people to go back to work.

Students of market history know that September is a tough month for investors. In more than half of the years since 1950, the month of September has resulted in losses for the S&P 500 Index. This has taken place despite gains, on average, in the first few trading days of the month when the key economic data was released. In fact, when the first three trading days of September resulted in gains for the stock market, those gains were followed by losses over the rest of the month 60% of the time.*

The stock market remains close to where it began the year. We continue to believe a late-year rally for stocks will fulfill our long-held outlook for modest single-digit gains on the year for the S&P 500. However, over the next month or two, the risk that this soft spot lingers and weighs on the markets is significant—especially given the historically weak market performance in September and October. Looking closer to the end of the year, the months of November and December have historically provided some of the best returns of the year*, on average, and this year's seasonal bounce may be helped by clarity around the legislative environment with the outcome of the mid-term elections on November 2. This may lead to more of a political balance in Washington and slow the pace of legislative change due to the "gridlock" the market has historically favored. The market's reaction to mid-term elections, as the uncertainty begins to fade, has almost always been positive, with fourth quarter gains averaging 8% in mid-term election years since 1950.

With it shaping up to be a textbook September, investors should brace for the price volatility that has defined this year to continue. We believe losses will be recouped by a late-year rally. However, in the meantime, we give high marks to yield-producing investments which offer investors a return while waiting out the price volatility in the stock market. As always, we encourage you to contact your financial professional if you have any questions.

Best regards,

Best regards,
Jeffrey Kleintop, CFA
Chief Market Strategist
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This research material has been prepared by LPL Financial.

*Source: Bloomberg, LPL Financial

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.

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.

Stock investing may involve risk including loss of principal.

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