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December 17, 2018



May Peace and Happiness be our Blessings for the New Year



Retirement – Wealth Plan Analysis: Are you on track to achieve your goals? Let us help you with our Wealth Plan Analysis. This analysis will help you understand your current financial situation, identify your life goals, and help you weigh the variety of decisions to determine what is best for you and your family. With the RBC Wealth Plan, we can create a personal analysis based on your vision and expectations for now and for retirement. Please call for a copy of what a Wealth Plan Analysis can do for you. There are no costs. It is part of the service we consider valuable to all our clients.

Year-End Tax Planning: Please click on the other e-mail attachment or go to the website to review a number of tax planning options to consider for the end of this year. Let's give some thought to capital gains or losses, gifting of funds, contributions to your 401K or IRA, when to take Social Security, future retirement planning, and other areas that require your annual attention. We are always here to help and plan with you.

My Website: www.davidjklein.com: “Global Insight: 2019 Outlook” is on the front page of the website. This is RBC Wealth Management’s outlook for the New Year.

Key Statistics Year-to-date a/o 12/14/2018

Dow: (-2.50%)
S&P 500: (-2.76%)
Nasdaq: +0.11%

Treasury Bond Yields: Year- to-date a/o 12/14/2018

1-year Treasury: 2.68%
2-year Treasury: 2.73%
5-year Treasury: 2.73% - Same yield as the 2-year
10-year Treasury: 2.89% - Only .16 above the 2-year
30-year Treasury: 3.14%

Markets: (Barron’s, IBD, WSJ, RBC, MFS, Reuters, Advisor Perspectives)

- For the week: Dow fell (-1.18%), S&P 500 fell (-1.26%), Nasdaq fell (-0.84%)
- As you see above, we are down over 2.5% for the year, yet the most recent pullback since the close on October 3 has been a little over 10% (Dow) and 11% (S&P 500)
- Volatility has increased with many intraday swings of 1-2%

Market Pullbacks since 2009

Six weeks ago, we pointed out that there were 21 pullbacks of 5% or more since 2009 (the beginning of the bull market) with an average decline of 8.5%. The red circles in the following chart represent the pullbacks of 5% or more. Despite the pullbacks, the market continued its upward pace.

Now, we have had a pullback of over 10% since the Dow peaked on October 3 with increased volatility. The S&P 500 over this same time period has declined a little over 11%.

Earlier this year, from January 6 to February 8 both the Dow and the S&P 500 also had pullbacks of slightly over 10%.

The above information is intended only for reference purposes and to put pullbacks into a more historical perspective. Past performance is still no guarantee of future results.

PULLBACKS ARE A NORMAL PART OF BULL MARKETS



Past performance is no guarantee of future results. Source: Bloomberg and Thompson Reuters.
Chart courtesy of Calamos Investments

Forecasts for 2019 in Barron's: Barron's published its outlook for 2019 with the forecasts of 10 noted, well-known Wall Street investment strategists this past weekend.

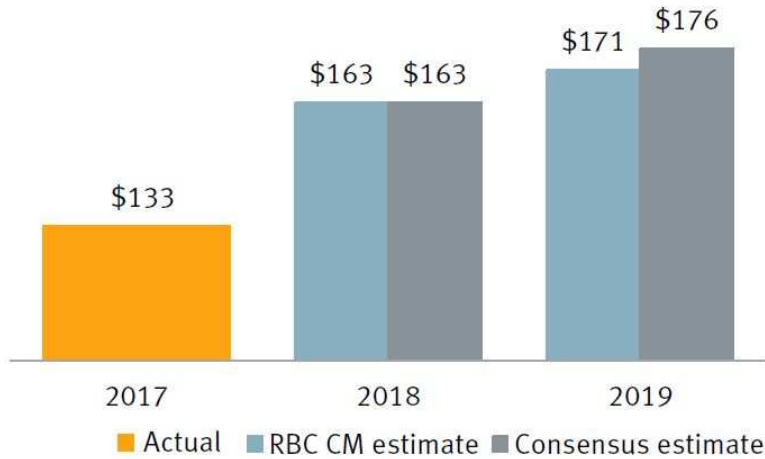
- “More sun, fewer clouds: US stocks could rally more than 10% in 2019 as the economy grows, earnings rise, and interest rates stay low.” (Barron's)
- “The bull market will be right back, say Wall Street's strategists, whose mean 2019 forecast for the S&P 500 is 2975. The group sees decent gains for the economy and favors tech shares which have had a volatile and disappointing year.” (Barron's)
- Of the 10 investment strategists, 4 gave the highest projection for the S&P 500 of 3100 (a gain of 19% from Friday's close), while only 1 strategist gave the lowest projection of 2750, a gain of 5.7%

The forecasters are intelligent people, but as John Kenneth Galbraith, economist and author said: “The function of economic forecasting is to make astrology look respectable.”

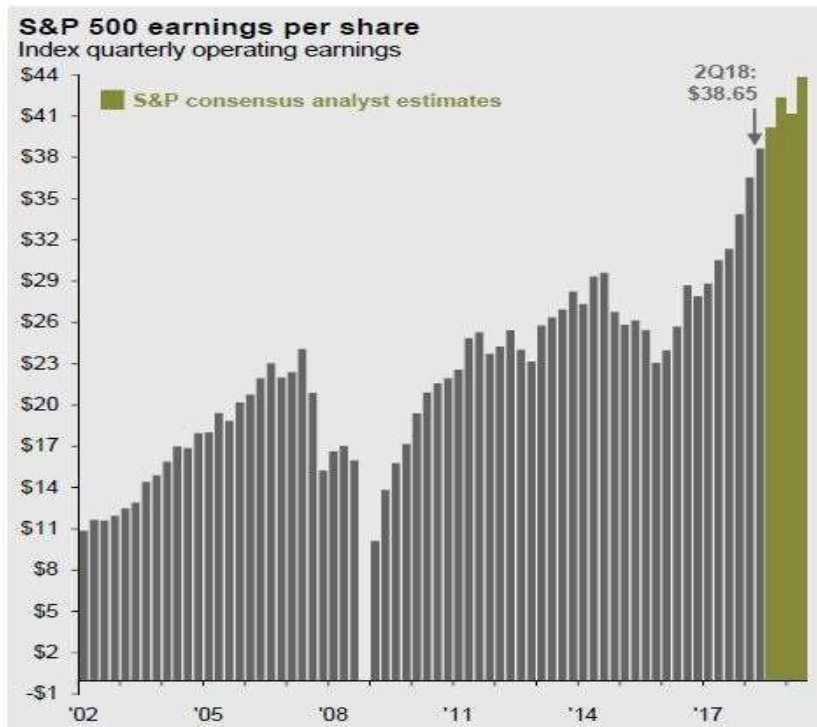
On a brighter note, Ben Graham, the father of Value Investing stated: “Systematic investing will pay off ultimately, provided that it is adhered to conscientiously and courageously under all market conditions.”

Growth & Earnings Forecasts: Forecasts are still some of the principles upon which decisions are made. While earnings and growth are projected to soften, the outlook is still very positive based on consensus views.

S&P 500 calendar year EPS estimates show continued, but slowing, growth

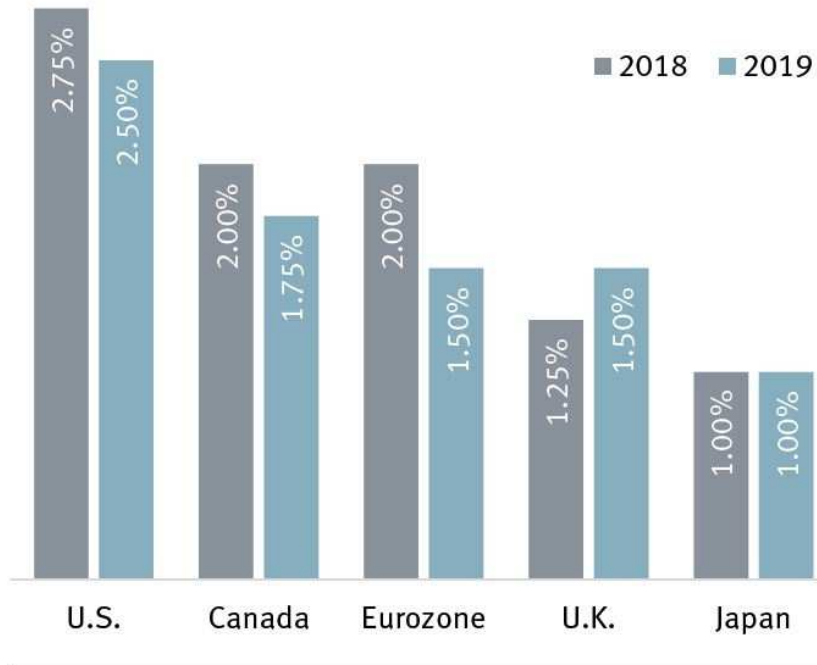


Source - RBC Wealth Management, RBC Capital Markets (RBC CM), Thomson Reuters I/B/E/S; data as of 11/29/18



Source: Compustat, FactSet, Standard & Poor's, J.P. Morgan Asset Management;

RBC's annual GDP growth forecasts for developed markets



Source - RBC Global Asset Management

Question of the Week: When was the OPEC cartel founded, and which country recently announced that it would be cancelling its membership in the cartel?

Question and Answer From Last Week: What is a yield curve inversion and what does it suggest?

Answer: A yield curve inversion occurs when the yield on the long-term bond falls below the yield on the short-term bond. It has sometimes suggested the early coming of a recession.

Did You Know:

- During the last 65 years, from 1952-2017, the *average life expectancy* of a newborn American baby has *increased by 10 years* – from 68.6 years to 78.6 years. Thus, life expectancy in the US has increased by *1 year every 6 1/2 years*. (BTN Research, Center for Disease Control)
- Before the recent G-20 summit, China was imposing a 40% tariff on American-made cars going into China while the US was imposing a 27.5% tariff on Chinese-made cars coming into the United States. (BTN Research, Bloomberg Business)

Sports Trivia: Tiger Woods has hit *20 hole-in-ones* in his golfing career, including his first ace at the *age of 8*. (BTN Research, Golfworld)

Referrals: Many sincere thanks for your referrals of family, friends, and associates. I am deeply appreciative.



The Weekly Update will enjoy the holidays and resume publication after the New Year

Sincerely,

David J. Klein

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The Dow Jones Industrial Average covers 30 blue chip U.S. companies selected by the editors of the Wall Street Journal. The Dow represents about 25% of the NYSE market capitalization and less than 2% of NYSE issues.

The Nasdaq Composite is a market-value weighted index that measures all NASDAQ domestic and foreign common stocks. The Standard and Poor's 500 is an unmanaged, capitalization weighted benchmark that tracks broad-based changes in the U.S. stock market.

This index of 500 common stocks is comprised of 400 industrial, 20 transportation, 40 utility, and 40 financial companies representing major U.S. industry sectors. The index is calculated on a total return basis with dividends reinvested and is not available for direct investment.

This material is based on data obtained from sources considered to be reliable. However, it is not guaranteed to accuracy and does not purport to be complete. The illustrations are for informational use only.

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