



2019 Economic Outlook: Expert Predictions in an Uncertain Time

If there's one word to describe the current state of our nation, unpredictable might be it. Between extreme political divisiveness, Presidential tweetstorms, and a record-long government shut down, it seems that uncertainty about the future is just about the only thing everyone can agree upon.

When it comes to the economy, things aren't much more stable. The past year has been one of excitement and extremes, marked by trade disputes with China, ongoing battles between President Trump and the Chair of the Federal Reserve, and the worst Christmas Eve stock market loss in history directly followed by the Dow's biggest point gain ever on Christmas Day.

So when experts gathered on January 16th at the annual Economic Outlook Event hosted by the Executives' Club of Chicago (ECC), their task was a tough one—predict the seemingly unpredictable future to a record crowd eagerly anticipating their economic forecasts for 2019. Once again, our RRG team was honored to support this year's event, and below we've captured highlights from each expert's presentation that we hope will inspire you as you finalize your strategies for navigating the year ahead.

Diane Swonk; Chief Economist, Grant Thornton LLP

Equating our 2019 economy to "several days of sun before our next storm," Diane Swonk kicked off the panel by predicting that a recession will hit in the first quarter of 2020 if Washington can't come together to start establishing more predictable policy. Swonk went on to identify tax cuts, tariffs, higher wages, and a labor shortage as factors that she believes will contribute to an economic slowdown this year. She also noted that China's ongoing trade issues will most certainly have a global impact. "What happens in China does NOT stay in China," she proclaimed—going so far as to predict a real recession would hit China in 2019. Lastly, Swonk highlighted that as a nation, we need to be doing more to invest in our greatest asset—human capital. She stressed that this includes making

immigration reform a priority, retaining instead of retiring the work force, and investing in technology that bridges the skill gap rather than replaces talent.

Dr. Bob Froehlich; Owner, Kane County Cougars Baseball Club and Former Vice Chair, Deutsche Bank

Despite missing his 2018 economic prediction by a staggering 6000 points, Dr. Bob's optimism for the future remained strong as he attributed this past year's economy to what he terms "irrational apathy". Although a rush of foreign investors entered the US market in 2018, he explained that the overwhelming majority lacked an understanding of our political environment. Not surprisingly then, the combination of our divisive political leadership and the explosion of media coverage hyping it quickly shook these investors into abandoning the market, snowballing negative growth. Remaining positive, Dr. Bob maintained that investors merely got distracted by short-term noise, but will soon refocus on their reasons for investing in the first place. He also noted that US unemployment levels are coming close to a peacetime low, and that 2019 is the third year of the presidential election cycle—historically the strongest for markets. Dr. Bob closed by reminding attendees that to achieve a predictable lifestyle, you must invest even when the market is volatile. For greatest success, he instructed, "become a long-term investor in a short-term world."

Jack Ablin; Chief Investment Officer, Cresset Wealth Advisors

Last to address the audience, Jack Ablin began his presentation by asserting that the current 2-2.5% growth path of the US economy is an accurate reflection of its capacity. He noted that the long shallow growth we've experienced over the past decade is a positive, sustainable trend, contrasting that with the "double shot of espresso" we recently attempted to give our economy via artificially low interest rates and corporate tax reform. In the end, he explained, "we were trying to beat a 2-2.5% donkey into a 4% race horse". As a result, Albin predicts that our economic growth will ultimately settle back to its sustainable 2-2.5% range. Although he doesn't forecast a recession in 2019, Albin does believe the year will likely feel painful for many relative to where we've been. He also predicts that we will see a shift back to value investing in 2019, and that our content-driven culture will drive some major media acquisitions—perhaps Apple buying Sony, Netflix buying MGM, or Amazon buying Paramount.

So what does this all mean?

The ECC's annual Economic Outlook Event is known to deliver thoughtful economic projections, and this year's event certainly delivered with each speaker offering up specific 2019 market predictions and investment recommendations. Diane Swonk predicted that the year will end with the Dow at 24,500, and named cannabis, big box discount retailers, and amusement parks as her top investment picks for the year ahead. Dr. Bob predicted the 2019 Dow at 28,258, and said he'd split his money between US investments and Matthews China Investor Fund (MCHFX). Lastly, Jack Ablin predicted the

Dow at 26,642, and guided investors toward Global Robotics (ROBO), Global Cybersecurity (HACK), and Qualified Opportunity Zones. And although we won't know until next year which expert's forecast is most accurate, we hope the insights shared serve to fuel some healthy dialogue as you plan for the year ahead. From our team to yours—here's to a strong and successful 2019!

Is your organization facing challenges in determining where to focus its energy or its investments in 2019 and beyond? At RRG, our certified coaching professionals help leaders to clarify objectives, set goals, and pursue opportunities to best prepare their businesses for long-term success. To learn more, give us a call today at 708.738.5040, or visit our website at RRGExec.com