



THE EXECUTIVES' CLUB OF CHICAGO

## 2019 Economic Outlook | Event Recap

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### EVENT DETAILS

Wednesday, January 16, 2019; Hyatt Regency Chicago

#### Speakers:

- Diane Swonk; Chief Economist, Grant Thornton LLP
- Dr. Bob Froehlich; Owner, Kane County Cougars Baseball Club and Former Vice Chair, Deutsche Bank
- Jack Ablin; Chief Investment Officer, Cresset Wealth Advisors

#### Moderator:

Terry Savage, Nationally Syndicated Columnist, Terry Savage Productions

### EVENT OVERVIEW

When key experts gathered on January 16<sup>th</sup> at the annual Economic Outlook Event hosted by the Executives' Club of Chicago (ECC), they were greeted by a record crowd eager to hear what predictions would be shared at a time of unprecedented political and economic uncertainty.

The event's first panelist, Diane Swonk, began her forecast by equating our 2019 economy to "several days of sun before our next storm", 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 because China has the world's second largest economy, their 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.

Swonk also 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. And while we can certainly hope our economy trends positively in 2019 and beyond, Swonk doesn't think it's a bad idea to prepare for the worst. "Seek out where the shelter is when the sun is shining", she advised.

Next up to the podium was Dr. Bob Froehlich. Despite missing his 2018 economic prediction by a staggering 6000 points, Dr. Bob's optimism for the future remained strong as he explained that this past year's economy was simply a result of "irrational apathy". As the world's largest producer of oil and natural gas, and a mecca of companies flush with cash, he wasn't at all surprised to see a rush of foreign investors enter the US market in 2018. However, according to Dr. Bob, the overwhelming majority of those investors lacked an understanding of our political environment, and between our

divisive political leadership and the explosion of media coverage hyping it, the investors were shaken into leaving the market in droves, snowballing negative growth.

Remaining positive, Dr. Bob avowed that this “irrational apathy” will go away, confident 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 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 also believes that tax cuts and USMCA will begin working their way into the markets this year, allowing the economy to grow an average of 15%. He advised the audience not to get distracted, stating 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”.

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, Ablin 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, Ablin does believe the year will likely feel painful for many relative to where we’ve been.

Echoing one of Swonk’s earlier points, Ablin also agreed that what happens in China will certainly impact world markets, but he also believes China would’ve experienced a slowdown on its own even before tariffs. As for 2019, Ablin predicted that we will see a shift back to value investing, and also believes that our content-driven culture will drive some major media acquisitions—perhaps Apple buying Sony, Netflix buying MGM, or Amazon buying Paramount.

## KEY 2019 PREDICTIONS

- Diane Swonk predicts the GDP at 2.25%, the 10-year treasury at 3, the Dow at 24,500, and crude oil at \$55. If she had \$100,000 to invest this year, she would look toward cannabis, big box discount retailers, and amusement parks.
- Dr. Bob Froehlich predicts the GDP at 3.85%, the 10-year treasury at 2.58, the Dow at 28,258, and crude oil at \$52. If he had \$100,000 to invest in 2019, he would put half into US investments, and half into Matthews China Investor Fund (MCHFX).
- Jack Ablin predicts the GDP between 2 and 2.5%, the 10-year treasury at 3.5, the Dow at 26,642, and crude oil at \$80. If he had \$100,000 to invest this year, he would put his money on Global Robotics (ROBO), Global Cybersecurity (HACK), and Qualified Opportunity Zones—one of his own professional endeavors.

## CLOSING THOUGHTS

The ECC’s annual Economic Outlook Event is known to deliver thoughtful and well-educated economic projections, and this year’s event certainly delivered despite the polarizing state of our nation. And while we won’t know until next year which expert’s forecast was most accurate, we hope the insights shared provide you with inspiration as you finalize your strategies for navigating the year ahead. From our team to yours—here’s to a strong and successful 2019!