



## 2020 Economic Outlook: Expert Forecasts for a Fresh Decade

The beginning of each new year—and certainly each new decade as well—represents an ideal opportunity for company leaders to thoughtfully reflect on what strategies and tactics have been most effective to date, and what revisions could be implemented to optimize future success. But to chart an effective course forward, it’s important to assess not only the dynamics within your organization, but also the outside factors that will inevitably affect your business. And in a year already marked by near-record highs in the stock market, escalating climate issues, and a Presidential impeachment trial, executives seem especially eager to hear the experts’ predictions of what comes next.

With an impressive 40-year history, and a reputation as the largest and most highly-anticipated event hosted by The Executives’ Club of Chicago each year, the Annual Economic Outlook Luncheon on January 22 once again proved to be the perfect opportunity for leaders to come together to hear well-informed economic insights and forecasts. As one of this year’s Platinum Sponsors, RRG is excited to share the highlights from each panelist’s presentation to assist you in finalizing your strategies for the year ahead.

### **Diane Swonk; Chief Economist, Grant Thornton LLP**

The event’s first panelist, Diane Swonk, began her economic assessment by introducing the concept of “irrational exuberance”. Despite President Trump boasting on Twitter that the US economic boom is the best the universe has ever seen, Swonk remains cautiously optimistic about the future, warning that “the stock market is *not* the economy”, and asserting that our economy is fragile in its foundation. While she’s comfortable lowering the odds of a recession to 35% (down from her prediction of over 50% in 2019), Swonk contends there are a number of factors that still have her nervous; among them, she listed trade wars, low CEO confidence, and the vulnerability of consumers to negative news shock.

Next, Swonk spoke to the ongoing transformation happening within the labor force. Although she acknowledged that the current unemployment rate is low, Swonk also pointed out that both immigrant and foreign-born numbers are dropping, while Millennial women continue to be a key sector boosting work force data.

Lastly, Swonk expressed her disappointment in the fact that the majority of decisions being made today are done so in the interest of short-term benefit rather than long-term sustainability, declaring that we owe it to our children to do better. Specifically, Swonk expressed concern that the Federal Reserve appears to be more equipped to keep the current momentum going than to “fix the ship once it capsizes”. On a positive note, however, Swonk shared her hope that we are reaching a tipping point where 2020 may see wages accelerate on a more broad basis.

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

Next to provide his forecast was the always engaging Dr. Bob Froehlich. Dr. Bob was correct in his prediction of a strong Dow in 2019, and his optimism showed no signs of slowing in 2020. Dr. Bob kicked off his presentation by sharing his philosophy for successful investing: “Don’t try to find something no one else has found. Instead, see what everyone else sees, but think what no one else has thought.” Following his own advice, Dr. Bob then outlined four key trends that he feels aren’t being discussed, but will significantly impact the economy in the next decade:

Bye-Bye Boomers: The core values of our nation are about to change more drastically than ever before, with Boomers and the Silent Generation (ages 55-91) citing religion, having children, and patriotism as their three most important core values while at the same time, Millennials and Gen Z (ages 18-38) cite these same three core values as their *least* important.

The New American Dream: While aspiring to a life of comfort and luxury traditionally implied wealth and ownership, a sharp rise in rental and subscription-based services has led the American Dream to be redefined. Today, Americans are finding that a life of comfort and luxury in this modern era requires credit-worthiness and a lack of ownership.

The Digital Iron Curtain: The US and China are in a race for technological supremacy, and the winner will gain control of data collection, cyber security, and artificial intelligence.

No More ‘FOMO’ (Fear of Missing Out): The “always on” mentality created by technology and social media is leading to depression, anxiety, and a loss of productivity. Dr. Bob believes businesses will need to change their policies to reverse these alarming trends.

### **Jeffrey Gundlach; Chief Executive Officer & Chief Investment Officer, DoubleLine**

Rounding out the panel was Jeffrey Gundlach—a newcomer to the event, but certainly no stranger to the investment arena. Gundlach offered a drastically different outlook than Dr. Bob, wasting no time as he delved right into the philosophy behind how and why revolutions occur. Recommending the audience read “The Fourth Turning”, a book by William Strauss and Neil Howe, Gundlach boldly jumped right to the point, stating that he

believes we are currently in a fourth turning, an observation that felt ominous after he explained that the last two such instances occurred directly prior to the Civil War and WWII, respectively.

Gundlach went on to outline several alarming observations—the fact that the national debt has grown faster than the national GDP, the weakening US dollar, and the Phase One trade deal with China that he believes is “cosmetic” and “means nothing”. However, perhaps the most impactful factor affecting our economy today is what Gundlach calls the “debt-based economic scheme” that has left our economy running in “manipulation mode”. He explained that when Feds pump money into the economy, you’d think the dollar would go up and interest rates down, but that’s the exact opposite of the reality. He warned that this current scheme is not sustainable, but despite frustrations with the Federal Reserve, did mention being pleased that Jay Powell, Chair of the Federal Reserve, agrees that it would be catastrophic to go negative with interest rates in the next recession.

### ***So what does this all mean?***

As we kick off a new decade—and pause to reflect on the one behind us—we are reminded that America’s economic future can often be a tricky one to predict, even for the experts, each of whom offered their own unique spin on the year ahead.

Diane Swonk predicted that 2020 will end with the Dow at 30,500, and foresees a 35% chance of recession. If she had \$100,000 to invest this year, she would look toward the media companies who stand to benefit from political advertising, including Facebook. Dr. Bob predicted the 2020 Dow at 33,333, and maintains that there is a “negative 10% chance of recession”. If he had \$100,000 to invest in 2020, he would put half into the financial sector (XLF) and half into the utilities sector (XLU), noting that the 4<sup>th</sup> year of a presidential cycle typically spawns no new regulations. Lastly, Jeffrey Gundlach predicted the 2020 Dow at 28,200, and foresees a 30% chance of recession. If he had \$100,000 to invest this year, he would put 20% into US Stocks (DSEEX), 50% into Emerging Markets (EEM), and the remainder into gold.

Whether you choose to take an optimistic or a cautious approach to 2020, we hope the insights shared here provide you with a strong foundation for navigating the year ahead. From our team to yours—here’s to a successful 2020!

***Is your organization uncertain on where to focus its energy or its investments in 2020 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](http://RRGExec.com)***