Topic : Challenges for Global Investors in 2019

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Note: It is for a banking website so should relate to banking, investment and finance.

Challenges for Global Investors in 2019

Slow recovery from the last great financial turbulence of 2007-2008 likely left investors hoping for a longer period of stability on the global market. However, grumblings over trade in parallel with geopolitical sabre-rattling look set to pressure the global market at a far greater level than in previous years both in 2019 and beyond. There is a reason why the IMF has lowered global growth estimates from from 3.9% to 3.4%. Predictions going forward from 2019 and eventually into 2020 call for a defensive approach, and a warning to investors not to take their eye off the ball.

The US has done well, but for how much longer? The fiscal surge following the launch of the government's new tax policy upended many market forecasts. The resultant uptick in earnings and growth, along with the appreciation of the dollar against other major currencies was a welcome boost amidst ongoing political turmoil. But this surge is not expected to last, and the first question investors in 2019 need to be asking is "Will the Fed be able to slow the fall?" The Fed's interest rate increase policy could have a drastic effect on market behavior and it is likely the dollar will take a downturn. The US government's recent unpredictability and revolving-door staff likely make the outcome of this issue even more uncertain.

Recession doom-sayers issue warnings for 2020. Following on that question is worries over the direction that corporate growth and earnings will take this year. Corporate debt-to-cash ratios are being singled out as reasons to worry. The growing spread between corporate and US government bond rates has led calls for corporations to mend their ways and slow these damaging policies. Whether that can happen in 2019 remains to be seen, recent economic indicators are not optimistic.

US equities still worth a look. If the economic shock can be cushioned by appropriate monetary policies by the Fed, there will still be value to be found in equities in 2019. The S&P has done well so far in 2019, be wary of overvaluation though.

Investors looking to the east may wonder. US-China trade relations may be on the rocks, but a strengthening yuan (+7%), and a focused approach on stimulus from the Central Bank seem to be doing something for the economy. With bank lending standards relaxed, and government borrowing expanded to as high as 3% of GDP, some stability has been predicted in 2019. The question is whether the ongoing trade war with the US will upset the status quo. With no end in sight for this spat, corporate assets could start being squeezed, and inflation reawakened. Alongside potential China problems, expect pressure on emerging markets in Asia, as well as Japan.

Emerging markets offer opportunity, as long as you keep your head. The emerging markets have generally continued to improve, yet 2017 highs have never been regained. Luckily global growth, while slowing, has remained stable. Growth, bar a dip in May, has continued in 2019 so far, but be careful, these opportunities remain vulnerable to shifts on a global level.

Global investors need to keep a sharp eye out for any change in the weather. Most analysts do not see recession right around the corner, but they are urging investors to stay flexible and be ready to change direction. It is unclear whether the anticipated downward trend will signal simply a short post-peak dip, or something more serious.

Instead of a generalised investment strategy, most analysts urge investors to pay attention to specific opportunities and not be misled by a trend toward misvaluation and a disregard for economic fundamentals. Some analysts see growth in other asset types such as infrastructure investments, which tend to be less reactive to economic weakness.

With geopolitical events having increasingly greater effects on profit, watch out for changes in policy that will have short and long term effects. A basic prediction for 2019? There is no guarantee of stability across any sector, yet opportunities remain for the investor who can “pick and choose”.