

2018 Economic and Market Outlook

Summary

In 2018, aside from an unforeseen significant geopolitical event, we anticipate moderate economic growth in the U.S. due to higher corporate earnings and capital investments, consumer spending growth, and improving U.S. export opportunities. We believe that the tax reform bill passed in 2017 will increase U.S. corporate profitability in the short-term, specifically for small to mid-size firms.

We also anticipate mild economic growth in the European region in 2018 due to stronger industrial production, labor gains, and GDP growth in areas such as Finland, Romania, and the Netherlands. We believe the Brexit negotiations and geopolitical concerns will be the main risks to economic and stock and bond market growth in the region during 2018.

2018 U.S. Economic Outlook

- U.S. GDP range of 2.7 - 3.2% for 2018.
- Corporate earnings growth range of 8% -12% due to lower U.S. corporate taxation and higher revenue opportunities overseas.
- Moderate U.S. wage growth (3% to 4%) due to a tightening labor supply as the U.S. labor market approaches full employment.
- Moderate improvement in the U.S. labor markets (Unemployment Rate range between 3.9% - 4.4%) and Labor Participation Rate range (62.0% – 63.0%).
- Weaker U.S. housing growth due to rising home prices and tax disincentives for home buyers in certain states.
- Moderate to low U.S. inflation (2018 CPI range of 2.0% - 2.4%) including higher food and energy prices.

2018 U.S. Market Outlook

- U.S. equity market growth range of 3%-7%.
- U.S. fixed income market performance range from 0% to 2% (5 to 12-year maturities).

2018 International Market Outlook

- Advanced economies equity market growth range of 4% to 8%.
- Emerging Market equity growth range of 7% to 10% as economies in areas such as Brazil and India may experience stronger GDP growth in 2018.
- Foreign bond market performance range of 0% to 2% due to stable currency values and improving economic performance.