



# Investment Insight

Friday, 19 January 2018

**Surprise, surprise:** Back in 1986, several years into a bull-cycle and just one year before the Black Monday stock market crash, Byron Wien, then Chief US Investment Strategist at Morgan Stanley, issued his forecast of the “Ten Surprises” for the year ahead. He defines a “surprise” as an event that the average investor would only assign a one out of three chance of taking place but which he believes is “probable,” having a better than 50% likelihood of happening.

While Wien’s track record is mixed, the annual Ten Surprises list always prompts some reflection as to factors that investors might have given insufficient thought to. So what’s in store for 2018? In **The Inside Track** we take a look.

**Fear vs. greed:** Investors look to all kinds of barometers when trying to gauge markets. At elevated levels, the well-known Fear-Greed barometer reaches extremes. So what is it reading currently? In **Pic of the Week** we take a look!

### Quoted...

“It’s just a job. Grass grows, birds fly, waves pound the sand. I beat people up.” - **Muhammad Ali**

### The Inside Track

Byron Wien is currently Vice Chairman in the Private Wealth Solutions group at Blackstone. 2018 is the 33<sup>rd</sup> year in which he has published his “Ten Surprises” list – events that he thinks have a reasonable likelihood of happening and would surprise the market. The follow are summaries of each “surprise”.

1. China cuts off all fuel and food shipments to North Korea, which agrees to suspend its nuclear development program but not give up its current weapons arsenal.
2. Populism, tribalism and anarchy spread around the world. Jeremy Corbyn becomes UK Prime Minister. Brexit brings Europe closer together with more cooperation and faster growth.
3. The dollar finally comes to life. Real growth exceeds 3% in the United States and the euro drops to 1.10 and the yen to 120 against the dollar.
4. The U.S. economy has a better year than 2017, but speculation reaches an extreme and ultimately the S&P 500 has a 10% correction. It finishes the year above 3,000.
5. The price of WTI Crude moves above \$80. The price rises because of continued world growth and unexpected demand from developing markets.
6. Inflation becomes an issue of concern. Continued world GDP growth puts pressure on commodity prices. Tight labor markets in the industrialized countries create wage increases.
7. With higher inflation, interest rates rise. The FED hikes rates four times and the 10-year U.S. Treasury yield moves toward 4%. High yield spreads widen, causing concern in the equity market.
8. Both NAFTA and the Iran agreement endure in spite of Trump railing against them. Too many American jobs would be lost if NAFTA ended. Trump presses for more bilateral trade deals in Asia.
9. The Republicans lose control of the Senate and the House of Representatives. Voters feel disappointed that many of Trump’s promises were not implemented and there is a growing negative reaction to his endless Tweets.
10. Xi Jinping, having broadened his authority at the 19th Party Congress in October, focuses on China’s credit problems and decides to limit business borrowing. Real GDP growth drops to 5.5%.

### Pic of the Week



### Week ahead: Key events

22/01 Japan Monetary Policy Meeting decision  
 23/01 ZEW Indicator of Economic Sentiment & US Employment  
 23/01 US Retail Sales & Eurozone Consumer Confidence  
 24/01 Eurozone PMI & UK Employment  
 24/01 US PMI & Existing Home Sales  
 25/01 ECB Interest Rate Announcement  
 25/01 US Initial Jobless Claims & Leading Indicators  
 26/01 UK & US GDP Estimates

### Market View

	Last 7 days (€)	Last 12 mths (€)	YTD (€)	5Y Ann. (€)
Global equities	-0.6%	+11.4%	+1.9%	+13.0%
US equities	-0.4%	+11.3%	+1.9%	+16.5%
European equities	-0.0%	+12.4%	+2.1%	+9.3%
EM equities	+0.5%	+21.7%	+3.9%	+6.1%
Irish equities	-0.7%	+7.3%	+0.2%	+15.1%
Commodities	-1.7%	-4.9%	-0.9%	-7.5%
Hedge funds	+0.7%	+4.7%	+2.0%	-0.0%

Currencies	Current	YTD Δ
EUR:USD	1.2235	+2.0%
EUR:GBP	0.8826	-0.7%
EUR:CNY	7.8553	+0.6%
GBP:USD	1.3862	+2.6%
Bitcoin	9,517	-34.3%

Commodities	Current	YTD Δ
Gold	1,328.40	+2.0%
Copper	7,045.00	-1.6%
Oil	69.41	+4.1%
Wheat	422.50	-1.0%

Central Bank rates	Current
Eurozone	0.00%
USA	1.25%
UK	0.25%

Economic indicators	Bond yields	Inflation	GDP YoY
Ireland	+1.0%	+0.4%	+7.2%
Germany	+0.5%	+1.7%	+2.8%
USA	+2.6%	+2.1%	+2.5%
China	+2.0%	+1.8%	+6.8%

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