



**2019: The Last Year for the Millennium to Be a Teenager**

The year may be drawing to a close, but it is not clear that Annus Horribilis for investors will end. The projection of the 2017 synchronized growth upturn into 2018 hit the shoals of the business cycle. The fiscal stimulus gave the US an adrenalin rush, lifting growth to an average annualized pace of 3.8% in Q2 and Q3, but many models, based on market prices, warn of increased risk of a recession. Other economies have already faltered. Germany, Japan, Italy, Sweden, and Switzerland contracted in Q3, and the flash France's December flash composite PMI fell below the 50 boom/bust level. China's economy appears to be slowing, but because of the dubious quality of some of the economic data, it is difficult to know the extent.

The still fresh scar tissue from the Great Financial Crisis means that the end of the business cycle would trigger high anxiety over the possibility of another credit crisis. The leveraged loan market, the growth of passive investment, and student loans have been touted as new equivalents of the subprime mortgages. US Treasury Secretary Mnuchin recently attributed the increase equity market volatility on the Volcker Rule and high-frequency trading. After the WWII, US policymakers were also fearful of a return to depression-like conditions and policies were pursued at home and abroad to avoid it. Growth and rising living standards were also understood as the best bulwark against the spread of Communism.

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