

FUNDAMENTALS

VS. FEARS

TRANSAMERICA 2018 MID-YEAR MARKET OUTLOOK HIGHLIGHTS



These are interesting times. A strong U.S. economy featuring exceptional corporate earnings growth for stocks and solid credit trends for bonds is wrestling with various investor fears that have held back returns.

We like the overall market environment heading into the second half of the year and believe there's more working for investors than against them. The fundamentals are strong, yet fears persist.

Here's our breakdown of the current environment and where investor concerns are most focused.

MID-YEAR 2018: THE FUNDAMENTALS

- The U.S. economy is showing signs of a breakout year as GDP growth could be its highest in more than a decade.
- U.S. stocks are positioned for potential double-digit returns in the year ahead as earnings should be strong and valuations reflect that.
- Short and long term interest rates will likely continue to move higher based on a stronger economic environment. equities are positioned well.
- International markets remain well positioned for the long term based on favorable global growth.
- Credit trends remain solid though bond investors should favor lower duration portfolios with a keen credit focus.





MID-YEAR 2018: THE FEARS

- Escalating international trade tensions and potential trade wars could damage economic growth.
- Rising inflation and higher interest rates could create a negative environment for investors.
- A narrowing yield curve could be signaling slowing growth and more difficult times ahead.
- Stock valuations are excessive when compared to previous market cycles, and this could create more risk for equity investors.
- Volatility has returned, and market corrections like the one experienced earlier in the year will be more common.

See how these two market combatants balance out regarding opportunities and risks for investors in the year ahead and beyond.

2018 MID-YEAR MARKET OUTLOOK FUNDAMENTALS VS. FEARS

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