



**Third Party Research**

**March 15, 2017**

## **MARKET COMMENT**

**eResearch Corporation** is pleased to provide an article by **Financial Sense**.

The article is entitled, "Prepare for H2 Slowdown; Mild 2019 Recession".

The article is presented on the next page, and it also can be accessed at the following link:  
[Today's Financial Sense Article](#)

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## Prepare for H2 Slowdown; Mild 2019 Recession

March 6, 2018

Since the release of [\*Prosperity in an Age of Decline\*](#) in 2014, Dr. Alan Beaulieu, president of [\*ITR Economics\*](#), has said on our podcast many times that a U.S. recession was unlikely until around the 2019 timeframe and that economic growth, including inflation, would accelerate before the business cycle ended.

FS Insider spoke with Alan again to discuss ITR's outlook for the year into next. Here is a brief review of what he had to say from our 20-minute conversation.

(BW: To view the entire podcast, you have to be a paid Financial Sense subscriber, which you can do here: [click here](#) )

### Prepare for Mild Slowdown in 2019

Beaulieu has consistently called for growth since the end of the last recession, citing ITR's proprietary leading indicator and other metrics as evidence, and now he is emphasizing that we should expect to see the U.S. economy see a slowdown beginning in the second half of this year, and a mild recession developing in 2019.

See [ECRI Forecasting Global Economic Slowdown for 2018](#)

"The danger here is the people who are enjoying the first half of 2018 will have a natural, very-human tendency to straight-line forecast and say the second half will be like the first half," Beaulieu said. "And that is when we run into problems."

Industrial production is slated to be softer in 2019, and both the U.S. and other countries will put out a slight negative number.

Consequently, he recommends that companies prepare now for the slower rate of growth and what will amount to a very minor downturn in industrial production.

"GDP is only going to go flat in 2019, but industrial production will see that mild recession we have talked about," he said. "The danger, again, is an unwillingness to see around the corner, and thus put your company out of position. We like to think of it in terms of swimming against the tide or upstream. You can do it, but it takes more work."

## How Will Fed Rate Increases Hit the Economy?

We are seeing inflationary pressures build up now, at least some of which is due to wage inflation.

The Federal Reserve Board and central banks around the world have put a lot of money into the economy, but that capital needs a trigger to lift off.

“Wage inflation could be what lights it off,” he said. “With lots of money, there is spending. With wage inflation, there is an urge or desire to spend. ... That helps drive consumption.”

Thus, the increase in demand pushes prices up. Commodity prices, thanks to China, saw a rising trend in the recent past. Beaulieu believes they are going to moderate some in the second half of the year, but we should see that upward pressure as we go into a busier time later in 2019.

Also, a weaker dollar helps oil prices, which is inflationary. Though he does not make forecasts or try to time the market, Beaulieu did say that, given their outlook, market weakness in February represented a buying opportunity in their view.

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