* The U.S. economy should slow but not stall in 2019 due to

fading fiscal stimulus, higher interest rates and a lack of workers. Even as unemployment falls further, inflation should be relatively contained.

* Central banks in the U.S. and abroad will tighten monetary policy in 2019 – this should continue to push yields higher. In the later stages of this cycle, investors may want to adopt a more conservative stance in their fixed income portfolios.
* Higher rates should limit multiple expansion, leaving earnings as the main driver of U.S. equity returns. With earnings growth set to slow, and volatility expected to rise, investors may want to focus on sectors that have historically derived a greater share of their total return from dividends.
* After a sharp fall in valuations in 2018, steady economic growth and less dollar strength may provide international equities some room to rebound in 2019. However, the climb will be bumpy and investors should ask themselves, in the short run, whether they have the right exposure within different regions and, in the long run, whether their exposure to international equities overall

is adequate.

* There are significant risks to the outlook for 2019. The Federal Reserve may tighten too much; profit margins may come under pressure sooner than anticipated; trade tensions may escalate or diminish; and geopolitical strife may force oil prices higher.
* Timeless investing principles are especially relevant for investors in what appears to be the later stages of a market cycle. Investors may wish to tilt towards quality in portfolios along with an emphasis on diversification and rebalancing given higher levels

of uncertainty.