Most years have a dominant theme that shapes financial markets. In 2017 it was the Goldilocks economy – not too hot, not too cold– and the return of politics as a market driver.

Trade conflicts and interest rate concerns dominated 2018. Going into 2019, we believe that a significant focus will be on the factors that can prolong the economic cycle.

The best of all worlds is a fairly stable USD.

The impact of US fiscal stimulus is likely to fade, but “easy money,” healthy capital expenditure as well as continued employment and wage growth should extend the cycle in advanced economies. Growth in China is set to slow further as policymakers opt for stability rather than strong stimulus.

A resolution of the trade conflicts would support business confidence, investment spending and growth.

Consumer spending should remain robust in most advanced economies.

A key risk is that the positive impact of US demand fades and there is nobody to take over the baton.

Our base case foresees a gradual rise of inflation in advanced economies and fairly stable inflation in emerging markets, albeit with significant dispersion. We expect monetary policy to continue to tighten globally, but at a moderate pace.

Proclaiming the demise of globalization may be premature.

Economic downturns or financial crises typically occur when an economy exhibits significant imbalances.

Compared to 2007, household imbalances are markedly lower in the USA but fiscal imbalances are greater. In the Eurozone, both the external and fiscal balances have improved. In emerging markets (EM), the picture is mixed.

Corporates have significantly lengthened the maturity of their borrowing so that the pass- through from rising interest rates to interest costs will be much slower than in past cycles.

Similar to the USA, the UK also continues to exhibit a twin deficit.

The trade dispute with the USA or other potential shocks pose a dilemma for China’s policymakers, as they may need to provide renewed stimulus to prevent a sharper growth slowdown. But a crisis seems unlikely.

In May 2017, we took a fresh approach to equity investing, launching our five Supertrends. These long-term investment themes seem to have struck a chord with investors, adding positive value since inception.

Sustainable and impact investments have seen remarkable growth. The urgent need to unlock the positive power of capital for change is best captured by the United Nations Sustainable Development Goals (SDGs). Making these objectives investable is a key trend in sustainable and impact investing.

Impact investing has experienced explosive growth as people seek investments which generate a financial return while creating a measurable positive social and environmental impact. This area is being aligned with the UN’s 17 SDGs, which include gender equality, clean water, zero hunger and quality primary, secondary and tertiary education. At Credit Suisse, we believe in

the multiplier effect of investing in education.

As the US transitions from economic recovery and expansion to overheating, the return profile for a number of asset markets is likely to change, with key implications for investment strategy. We continue to believe that equities should outperform.

The US economic cycle still matters most for global financial markets.

As long as the risk of US rate hikes and USD strength abates, EM equities should benefit.

As we look to 2019, our base scenario suggests that equities should remain at overweight.

The outlook for most sectors around the world depends on global or regional business cycles. Where leverage is high, interest rate movements will have a significant impact.

Moreover, rapid technological progress continues to boost innovators and disrupt many established companies.

Investing in foreign currencies does not usually generate excess returns compared with holding domestic cash. When currencies are clearly undervalued, however, it can be worth taking such positions. Conversely, holding low yielding safe-haven currencies pays off when risks spike significantly.

Every year we determine our top investment themes. This time we focus on: Interest rate normalization; Regional economic divergence; and New geopolitical regimes. We will continue to update these themes throughout the year to reflect changes in the Credit Suisse House View.