In our judgment, this very long economic expansion in the major economies has further to run. But evidence mounts that we are in the later stages of the cycle.

A moderate slowing in economic momentum, rising trade tensions, and a more complex political backdrop in many countries have made the investment skies cloudier. While we are clearly in the late cycle, reliable leading indicators do not yet point to the risk of an imminent downturn, and 2019 global economic growth should still surpass that of the post-financial crisis average. We think this suggests earnings and share values have room to advance.

But 2019 equity returns could be modest and delivered unevenly. We believe it is appropriate to trim overall equity exposure to a Market Weight or benchmark level in global portfolios from a slight Overweight level. We outline some of the factors to consider when positioning equity portfolios late in the cycle.

The late cycle is also the time to address the de-risking of fixed income portfolios. Reducing exposure to credit risk is a good place to start because compensation for taking those risks is currently minimal and credit quality has weakened.

In this publication, we examine three topics we expect will have an important bearing on the progress of the global economy beyond the current cycle.

Infrastructure investment offers the greatest near-term opportunity, in our opinion. The global demand for new, refurbished, and replacement infrastructure assets is immense—particularly in the world’s two largest economies (the U.S. and China)—and the private sector appears destined to play a greater role than ever before.

Perhaps the most important of the three topics is the dislocation in the China/U.S. relationship. Beneath the visible bilateral tensions lies a deeper shift from 30 years of U.S. hegemonic supremacy to a multipolar world, which could dampen growth prospects.

On a more promising note, we think artificial intelligence offers a number of transform- ative opportunities for society, governments, and businesses, and has the potential to substantially increase global wealth and prosperity in the coming decades. Factoring its impact into investment decisions will become a “must have” rather than a “nice to have.”

### Reliable indicators are signaling that developed economies have the stamina to keep growing through 2019. Recession risks remain low despite uneven trends across borders as well as trade and tariff uncertainties. For equities, this should support earnings growth, though at a slower pace. Central bank decisions should be the linchpin for fixed income market performance.

### The later stages of this very extended economic cycle have further to run—at least another year, perhaps longer, in our view. What should an equity investor do? “Make hay while the sun shines?” Or prepare to hunker down? Right answer—some of both.

### Prepare for choppier waters while the seas remain calm by charting a course to de-risk portfolios. Reducing credit risk in fixed income portfolios is a good place to start.

### Infrastructure investing is often brushed off as being yesterday’s story. With the world’s infrastructure in line for a 21st century upgrade, and the private sector filling more and more financing gaps, we look at how this theme can enhance the infrastructure of investment portfolios.

### The trade dispute between the U.S. and China is part of a larger struggle over national security, underpinned by ideological differences. This complex, divisive situation could reshape the relationship between the world’s two largest economies, with implications for financial markets.

### We shed light on artificial intelligence, separating the hype from reality about what AI can and cannot do today. We dig into the explosion of AI technology and the real opportunities for investment strategy as these transformative innovations are here to stay.