## Last year, our Market Outlook theme was “it’s getting late,” which accurately forecast what happened in 2018: an expansion of the late-stage business cycle and an increasingly bumpy ride for stock markets. We’ve already seen declining growth rates in 2018, and heading into 2019 there are signs that an economic peak and potential recession may be coming. Rising interest rates, declining liquidity, and sluggish global growth—with trade conflicts as an additional headwind—may weigh on economic growth and market performance in 2019.

Investors should be prepared for increasing market volatility, and possibly even a bear market, in the coming year.

Each section in this 2019 Schwab Market Outlook—U.S. Stocks & Economy, Global Stocks & Economy, and Fixed Income—will discuss ways to prepare for potentially changing conditions. Having a financial plan and an appropriately diversified portfolio are two key first steps for weathering any market environment. Note that this is just a one-year outlook, and investors should keep their investing time horizon in mind before reacting to any forecasts.

Key points:

* We expect U.S. economic growth to slow in 2019, with the risk of a recession rising.
* Earnings growth likely will slow, as year-over-year comparisons with strong 2018 earnings become more challenging.
* Trade tensions remain a risk, but inflation and interest rates are the key indicators to watch.
* The Federal Reserve likely will continue to raise short-term interest rates, but at a slower pace than in the past, and may pause or end rate hikes by mid-2019.
* Ten-year Treasury yields likely already have peaked at the 3.25% level.