Themes and Predictions for 2019

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Early last year, we published a blog post outlining some themes and predictions we expected to play out over the 2018 calendar year. Looking back, we certainly seem to have missed the mark on the majority of those. However, we actually believe that we were simply a little bit early on many of the calls we made, and we are prepared to double-down and reiterate some of these for 2019.

Prediction: Eventual easing of investor tensions (likely due to a US/China trade deal) leads to international markets bouncing-back stronger and outperforming the US in 2019.

One of our predictions last year was for international markets to outperform the US over the course of calendar 2018. This proved not to be the case, and can be attributed in large-part to underperformance coming out of China and other emerging markets, as global economic slowdown fears, coupled with so-called “trade wars” took a bite out of investors’ appetites for risk in these markets.

Prediction: FANG outperforms the S&P 500 once again, and Facebook is one of the top-performing stocks over the course of the year.

Another one of our 2018 predictions which turned out to be right was that the FANG stocks (Facebook, Amazon, Netflix, & Google) would once again outperform the S&P 500. Despite all of the headlines, and the volatility seen during the final quarter of the year, starting 2018 with an equal-weighted portfolio of these four stocks would have returned approximately 7.3% over the year, vs. a -5.2% total return from the S&P 500. We are once again unafraid to reiterate this position for this year, particularly when considering the recent pullbacks many of these stocks have seen. Deserving of a special mention here is Facebook, which fell close to 28% over the course of 2018, and is a name we expect could be one of the top performing stocks during 2019, as the numbers eventually break-through the noise and speak for themselves.

Prediction: There is a big-time acquisition in the tech space at some point this year (we will know it when we see it).

We also went on record last year as saying that 2018 would be a year where we could see some major M&A moves in the technology space. This again did not come to fruition, but we do not see it as being any less likely now than it was at this time last year. If anything, we think that recent market action has made many big names in the technology space (and by-products of the "tech" trends of today in areas like healthcare and consumer stocks), more attractive as potential acquisitions now moreso than they have been in years. While we don't want to speculate on which names will be acquired, we do feel confident that there are deals out there which could make a lot of sense for tech giants looking to continue innovating in new spaces. Some examples could include a company like Amazon once again diversifying their portfolio of industries which they are seeking to disrupt, or a name like Tesla attracting the interest of a company looking to take advantage of the massive innovation in the auto industry.

Prediction: This marks the year where Sustainable Investing begins to take center stage on many investors' agendas.

Our final prediction for the year involves something which is becoming more and more of an important topic to investors, and which was the topic of one of our previous blog posts: Sustainable Investing. This is a massive trend, which in our view is poised to become one of the next major investing revolutions. We expect 2019 to be the year where Sustainable Investing starts to transition from being just a fast-growing trend, to one of the largest and most important focuses of the investing public. For more about our take on this please read our previous post: The New Meaning of Sustainable Investing

Before signing-off, here are a few more quick-hit predictions for the year:

Prediction: The Montreal Canadiens and Toronto Maple Leafs meet in the playoffs for the first time since 1978-79.

Prediction: The Tesla Model 3 tops the monthly chart as the most sold passenger vehicle in the US multiple times.

Prediction: Uber comes to market with an IPO that is initially rocky, providing investors a golden opportunity to buy.

Prediction: Avengers: Endgame surpasses Avatar as the top grossing film of all time.

Until next time, thanks for reading. Wishing you all the best for 2019.

Sincerely,
Di Iorio Family Wealth