HOW INVESTORS SHOULD NAVIGATE A DYNAMIC GLOBAL MARKET

While the U.S.economy has continued to grow over the past year, economies in Europe and in emerging markets have not done as well as some analysts expected.

Europe has failed to meet economist expectations, and recent shocks throughout emerging markets, such as the Brazilian truckers' strike, have hampered economic growth in those countries. Still, overall global growth remains positive. Portfolio managers at OppenheimerFunds expect global growth to continue, slowing slightly to around 3.6 percent to 3.7 percent for the year (rather than the 3.9 percent forecast by the IMF).

"Where we are, from a longer-term, cyclical standpoint, hasn't really changed," says Hemant Baijal, Co-Head of the Global Debt Team and Head of Multi-Sector Fixed Income at OppenheimerFunds. "We expect global growth to reassert the same kind of trends that we had at the end of last year."

Investors may see U.S. growth begin to slow back down from its current heady pace, while non-U.S. growth starts to pick up.

Emerging Markets Poised to Stabilize in 2019

Baijal says emerging markets, which experienced a number of unexpected shocks this year, appear poised to stabilize next year, thanks to policy actions by their central banks.

"For emerging markets generally to do well, global growth needs to be higher, and U.S. global financial conditions need to be easier," Baijal says. "We didn't have that this year, so the significant degradation in emerging market asset prices is not that surprising. But we do expect that to change toward the end of this year and early next year."

Finding Value in Europe

After performing very well in 2017, European growth slowed this year due to several factors, including a moderation in earnings estimates and a slight appreciation in the dollar, says George Evans, Chief Investment Officer, Equities, and Portfolio Manager at OppenheimerFunds, adding that he anticipates the dollar will resume its fall over the medium to long term.

"We anticipate some stabilization and maybe reacceleration of growth there that should be reflected in earnings. Long-term, Europe is cheap relative to its own history, and relative to the United States," says Evans.

Structural Change in Japan Creates Opportunities

"We perceive a structural change in Japan Inc., and this is likely to lead to an increasing opportunity set of the types of companies that equity investors want to hold long-term," Evans says.

Those structural changes have led to more companies bringing on outside investors and incorporating return targets into their business plans.

Chinese Consumers Have Worldwide Impact

The growth of the Chinese consumer market remains a trend that's impacting equities worldwide. China is the world's second-largest economy, and its growing middle class has an increasing amount of discretionary income to spend.

Continued tariff disputes between China and the U.S., however, may impact Chinese corporations as well as companies that have extensive supply chain relationships with them. If these disputes drag on, the impact on the global economy will grow in magnitude.

With positive developments in emerging markets, Europe and Asia, OppenheimerFunds is optimistic going into 2019. While the pace of growth may slow in the U.S., international markets appear poised to pick up the slack. Global investors looking to diversify their holdings will find plenty of opportunity to do so abroad.

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