



Four signs to look for as the expansion phase matures

These signs appeared before the previous two recessions – but haven’t been seen yet in 2018.

The expansion phase we’re in now is one of the longest on record. If you’re wondering how close we are to a recession, it can be helpful to look to the past. Four economic signs appeared before the late expansion stage peaked in the late 1990s and mid 2000s. As of March 2018, these signs haven’t been seen.

	1 Irrational optimism from investors	2 Earnings growth slows	3 Shift in market leadership	4 Change in corporate management behavior
Late 1990s	✓	✓	✓	✓
Mid 2000s	✓	✓	✓	✓
Current late-expansion environment	✗ Annual investments in domestic equity funds have been flat since 2014, while investments in bond funds have continued to soar.	✗ Corporate earnings in 2017 were expected to grow by 8%, and the outlook for 2018 is upbeat.	✗ Market leadership remains broadly distributed and there hasn’t been a shift to defensive sectors, like health care and utilities.	✗ Merger and acquisition activities have increased, but initial public offerings remain limited.

With signs indicating that the late-expansion stage should continue, there are investment opportunities that may capture returns during this stage of the business cycle.



Work with your advisor to learn more and discuss what might work for your long-term financial plans.



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