CLARIS ADVISORS

Financial, Wealth & Corporate Advisory

Year-End Outlook

After a momentous year of the Trump Presidency, French and German elections and Brexit disorientation this year is ending on a broadly positive economic note.
2017 is marked as the ninth year of rising stock markets as the global economic recovery has continued apace in all the major economies. Corporate earnings are strong and as an asset class, equities still look more favourable than bonds. Geo-political risk remains a factor for market volatility, but strong market returns have been largely driven by the global recovery and significant central bank intervention.

Global economy: Early 2017 economic growth was stronger than expected, particularly in China, Japan, Russia and emerging / Northern Europe. Wage growth in most advanced economies remains lower pre- 2008-09, even in countries with low unemployment. The growth of involuntary part- time employment in large advanced economies is having an impact on productivity and acts as a restraint on wage growth. Climate change continues to have uneven economic effects across the globe, spurring technological & renewable energy innovation in industrialised countries with the hotter and low-income countries more adversely affected.

Eurozone: Despite strong economic growth across Europe, the ECB is committed to keep rates on hold 'well past' the proposed September 2018 bond-buying finish line. It is likely to be 2019 or even 2020 before we see any interest rate rises as the eurozone recovery gathers momentum.
The eurozone still has lower than target inflation and high unemployment in several countries with OECD and ECB growth projections at approximately 2% for each of the next 2 years.

Ireland: The rise in new house completions plus continued Central Bank restrictions on 1st and 2nd time buyers that are being tightly enforced in the mortgage market should stabilise prices over the medium term. Potential headwinds for the Irish economy include rising ECB interest rates in 2019/20, the continued move towards US / Global corporation tax reform and an unfavourable east-west Brexit outcome that would affect Irish exporters and service providers. Our 12.5% corporation tax rate has been the bedrock of our FDI strategy to date, but continued US and European pressure may urge us to re-align our corporation tax and FDI strategy over the coming years.