

Let's change our focus to something we all agree with have tremendous impact on the markets, the next recession. Recessions are typically not declared until months after they actually begin. What is the probability the US economy is in a recession by next June that would impact the 2020 election?

Sam, you are the king of statistics, what does your crystal ball say?

Sam Stovall: Our economics department puts a very low probability of the U.S falling into recession through the end of next year. Other than the sub-2% growth anticipated for Q3 2019, all other quarters through 2020 have 2.1%+ growth estimates. Of course, many are quick to remind us that rarely have economists successfully predicted the start of recession. So, watch out for a fairly reliable indicator — an earnings recession, which is defined by two successive quarters of S&P 500 EPS declines. Since WWII EPS recessions have correctly predicted economic recessions about 75% of the time.

Clint, do you see indicators suggesting a recession in the near future?

Clint Pekrul: Yes, this is the ultimate question! If I knew how to time the economic cycle, I'd be on the Forbes 400 list of the richest people in the world. History tells us that when the economy is doing well — gauged by inflation, unemployment, the overall stock market, etc., — it's tough to remove a standing president seeking another term. People like a good economy (obviously), and attribute its benefits to the guy in the Oval Office. As I mentioned in the previous question, a good economy is a political challenge for the Democrats (hence the impeachment rhetoric). I have no idea if a recession looms next year, but an economic pullback would definitely be an impediment for Trump's re-election.

John Mauldin: I think that there is a small probability of that. We can actually be in a recession in the third quarter that wouldn't even be announced until after the election or right on the day of it. So it would be unlikely to impact the election in any meaningful way.

John DeTore: The economy is strong, unemployment low, confidence high. There are small snippets of bad news that come out all the time and are ignored by the stock market. The question implies, I think, that GDP would decline both in the 1st and 2nd quarters of 2020. The combination of full employment, strong profitability and very low rates rarely ever happens. When you are at the summit of a mountain, every path leads downhill. It's not that things aren't good, they are. It's just that that it's hard to see them improving much from here — every macroeconomic variable is maxing out.