



Top 10 Predictions For 2016

Time again to take out my crystal ball and have a little fun guessing what will happen next year. Here we go – these predictions are in no particular order (and please remember that these are predictions of what I think will happen, not necessarily what I want to happen!):

10 – Hillary Clinton will be elected to be the next President of the United States, beating Republican nominee Marco Rubio. She will be able to withstand the continued scrutiny over her e-mails, and despite the fact that many people will not be excited voting for her, the Republicans will have alienated too much of the electorate with their emphasis on social issues and overturning Obamacare. (Trump will not run as a third party candidate. At some point, he will get frustrated and quit, and justify it by saying he can make more money in the private sector!)

9 – The Republicans will retain a majority in the House of Representatives, but the Democrats will retake the Senate, though fall far short of the 60 seats needed to enjoy a super majority. The result will be more gridlock, but that is a 2017 issue.

8 – President Obama will continue to go around the Congress with a number of Executive Orders, but the Supreme Court will uphold the illegality of his Order on immigration. He will also not be able to successfully close Guantanamo Bay before his term in office is over.

7 – ISIS will continue to wreak havoc in the Middle East and the world, despite increased bombing by the U.S. and its allies, and the U.S. will get drawn further into the battle. ISIS may lose land, but their global influence will increase, as will terrorist activities outside of the Middle East, including here in the U.S. There will be no leadership change in Syria.

6 – Russia's global influence will continue to grow, as Putin aggressively props up the Assad regime and works to counteract the U.S. and its allies in the fight against ISIS. Tensions with NATO and Turkey in particular will increase, but Putin will stop short of provoking any military confrontations.

5 – The U.S. economy will continue to grow at a modest rate – in the 2% to 3% range, and inflation will remain tame. This modest growth will allow the Fed to tighten 3 times, but these will be small 0.25% increases and the Fed's overall stance will remain dovish.



4 – The continued strength of the U.S. dollar (as European and Asian Central banks remain accommodative in their monetary policies), and the continued weakness in the price of oil, aided by new supply from Iran coming on the market, will continue to hurt profits of U.S. companies and will put a cap on the stock market. The market will be down 2% – 3% for the year.

For the financial services industry:

3 – ETFs will continue to come under increased scrutiny, following a tough 2015. Because we will be in a flat market, active management and stock picking will outperform, and I would not be surprised to see another ETF-induced selling panic, followed by a lot of negative press over the growing influence of ETFs.

2 – Consolidation in the asset management industry, which was slow throughout most of 2015 before picking up at the end of the year, will continue and actually accelerate. There may also be a few large deals among the B/Ds as overall industry consolidation increases in the face of a second straight tough year in the stock market.

1 – And of course, some sports predictions: The Rio Olympics will be plagued by problems, in part a result of the political and economic turmoil plaguing the Brazilians. It will go down as the most poorly run and executed olympics in history. The Patriots will make it two in a row, overcoming all of their injuries and beating the Cardinals in the Super Bowl. Golden State will easily repeat as the champions of the NBA, and Alabama will beat Oklahoma for the college football national championship.