

It seemed like a good idea at the time.

When my mother graciously shared her vacation property with us in Mexico last week, my 19 year-old twin daughters expressed an interest in surfing lessons. The voice on the other end of the phone asked: "How many will be taking the lessons, and I hesitated, replying: "Three adults."

There were two other ladies, for a total of five -- all women except for me. During our brief Spanglish dryland training, I recalled my brief relationship with a red plastic skateboard from 43 years ago. I never really mastered the cheap little board, but did have some basic sense of how to stand on it, balance, and move around a bit. I felt comfortable on the much larger surfboard, sensing that I would quietly show these four lovely ladies some skills once we got on the water.

The first hint that I was in trouble was when the four females moved so gracefully out in to the water on their boards, pulling 30, 40, then eventually some 75 yards ahead of me, gently gliding over the incoming waves like little ducklings while I flailed about on my surfboard like a sandbag with banker's arms.

Our kind trainer, Enrique Iglesias, was gracious about my late arrival to the surf zone, but definitely more interested in the girls than me. Weird. Apparently my daughter's eyes are "blue, like the sea." (My eyes are blue too Buddy!)

My wise wife sat on the shoreline under a shade umbrella taking video footage, (on which you can hear her muffled giggles) as I made several efforts at getting in front of a wave while climbing on top of my board. I might as well have been an overweight seal on a fence board. It turned out best to just leave my centre of gravity (my belly) on the board, but in due course, after losing an argument with a wave and a rock, I joined my wife on the shore.

Oh how it hurts! And not just my pride.

The next day on the airplane, after an hour or so, I got up, (of all things) to get a fork. I had ordered an extra helping of beans, rice and fajitas the night before, with the airplane in mind, but needed to beg a plastic utensil to start stabbing at my (11:00 am) lunch -- which really speaks to the whole problem when you think about it. As I stood up, all the muscles in my body seized up and screamed: "You are not thirteen and that was not a skateboard!" My lower back was/is the focal point of my foolishness.

I've been Tim Conway shuffling ever since. Thank goodness for a few special Mexican painkillers.

### **Financial Waves**

Markets sometimes feels like the waves, the big and small moves changing randomly. But forecasters actually do predict conditions for avid surfers, as they do for interested investors. Despite rumblings of trade wars, the spring 2018 RBC forecast is broadly favourable, beginning thus:

#### **Global macroeconomic environment remains positive**

Benefiting from positive momentum in 2017, the economic backdrop is quite good by post-crisis standards. Many of the macroeconomic indicators we monitor are at or near cycle highs. Financial conditions are still reasonably supportive, fiscal stimulus should provide a tailwind, and the headwinds of secular stagnation may be fading as evidenced by reviving risk appetite and improving productivity growth. We upgraded several of our developed-world growth forecasts for 2018 and they are mostly above consensus. Our emerging-market growth forecasts are slightly below the consensus but still suggest robust growth ahead. Taken together, our global growth forecast for 2018 is 4.0%, which would be the fastest growth rate since the global financial crisis.

#### **Risks are constantly evolving, but potential upside exists too**

Key risks to our outlook are the aging business cycle, rising interest rates and protectionism. Several factors suggest the business cycle is in its later stages: a closed output gap, extremely low unemployment rates, a U.S. Federal Reserve (Fed) that has been tightening for some time, narrow credit spreads and optimistic sentiment. Financial conditions remain supportive but have tightened somewhat

as a result of higher interest rates. Were this upward trend to continue, it could drag on growth and highlight debt vulnerabilities. Tariffs imposed by the U.S. and the renegotiation of NAFTA represent headwinds to global trade, and other risks we are monitoring relate to European populism, geopolitical risks and Chinese debt. Although the economy faces a number of challenges, we should not ignore clear upside potential from structural reforms in Japan and U.S. fiscal stimulus. On balance, we expect the positives to outweigh the negatives, enabling further growth in the global economy.

**U.S. fiscal stimulus provides tailwind to already solid economy**

Although it is unusual to deliver fiscal stimulus at a time when economies are strong enough to justify central-bank tightening, tax cuts and increased government spending in the U.S. will help push along an already strong economy. The tax-cut package amounts to US\$1.5 trillion of stimulus over the next decade and will likely boost U.S. GDP by 0.4% in 2018 and 0.3% in 2019. The additional government spending in the budget should add a further 0.2% to growth in 2018 and 0.1% in 2019.

Mark Ryan is an Investment Advisor with RBC Dominion Securities Inc. (Member–Canadian Investor Protection Fund), and these are Mark’s views, and not those of RBC Dominion Securities. This article is for information purposes only. Please consult with a professional advisor before taking any action based on information in this article. Mark can be reached at [mark.ryan@rbc.com](mailto:mark.ryan@rbc.com).