THINGS CAN ONLY GET BETTER? TRENDS TO WATCH IN THE COMING 12 MONTHS

While 2018 will go down in history as one of the worst years for investors — as almost every asset class declined, there was always a point at which things were better — many may now be nervous about the prospects for 2019. However, the pessimism may have been overstated, and there are plenty of opportunities for those who know where to look. So what will be the big investment trends in the year ahead?

Volatility is back

The stock market rally of the past 10 years is coming to an end, according to Edward Jones strategist and head of equities analysis, Charlie Mullins, who says volatility will continue to be on the rise. However, share prices are now starting to look attractive and could tempt investors back into the market at some point.

Germany will muddle through, again

Chris Beauchamp, chief market analyst at eToro, says volatility is unlikely to go away, and that investors should be prepared for more volatility in the coming year. However, share prices are now starting to look attractive and could tempt investors back into the market at some point.

Higher US interest rates will hurt

It's often said that bull markets don't die of old age but are killed by the Federal Reserve, and that's truer than ever now. The US Federal Reserve has raised interest rates four times in 2018, with more expected in 2019, while the European Central Bank is cutting its programme of bond purchases. This is leading to volatility across both the equity and bond markets, says Mullins.

Emerging markets will outperform

The past 20 years have been tough on emerging markets, with China slowing sharply, and Argentina, Venezuela, South Africa and Turkey succumbing to crisis. Vijay Valecha, chief market analyst at Centaur Financial Brokers in Singapore, says China has been hit hard by US trade war. If the US-China trade war escalates, the world's second-largest economy could suffer. He says the US trade war is likely to hit emerging markets more than developed markets.

Artificial intelligence is here to stay

As investors cool on US tech giants, Valecha says attention is switching to artificial intelligence. "This is a new frontier that will replace a lot of repetitive mundane tasks and this will be powered by AI," he says. "It's already in our homes and workplaces, and this is only the beginning."}

Oil will make a comeback

This was a wild year for the oil price, with Western Arctic oil prices falling to $45 in early October. However, oil prices have since recovered, and investors are expecting a surge in crude prices next year. "We expect OPEC to reduce output by up to 1.5 million barrels per day and the cumulative impact of these measures will be a recovery in oil prices by the end of 2019," says Valecha.

The UK is on a knife edge

Nobody knows anything in the UK right now, as the country descends into political chaos over Brexit. However, this could offer an opportunity for investors, says Mark Boucher, co-founder of the UK-focused Smith & Williamson Enterprise Fund. "Domestically-focused UK stocks could jump 30 per cent on any outcome aside from no deal," he says. "If they do, there's a chance the UK could be back to where it was."

Mr Boucher also expects a significant increase in Fintech in the next few years, which is lagging relative to e-commerce and ride-hailing solutions. "This is an exciting trend but investing in Fintech is still risky for most private investors."