OUTLOOK

ECONOMIC DATA AND COMMENTARY

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What's Ahead for U.S. and Global Markets and Economies in 2019?

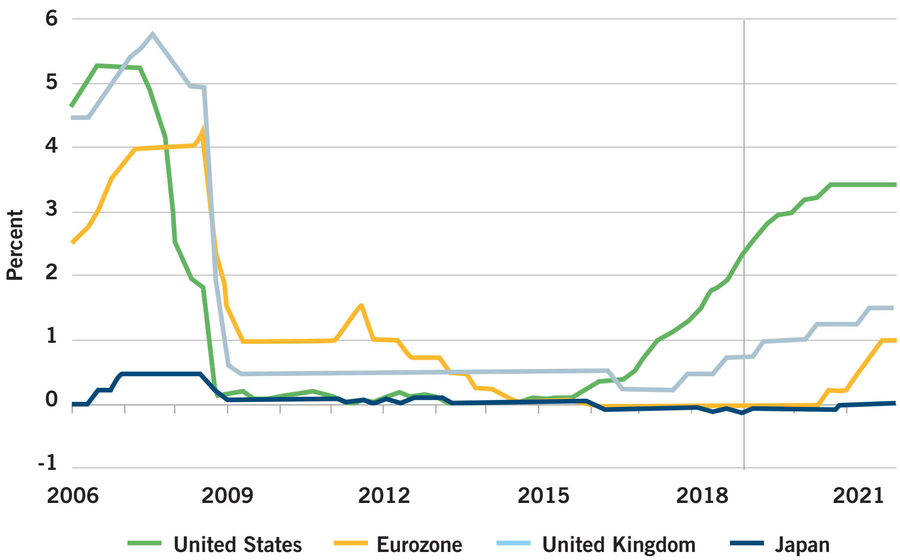
Businesses and investors don't have to look hard to find things to worry about for the year ahead. U.S. and global economic growth are slowing, trade tensions with China remain unresolved, and market volatility, which in a few short months erased gains for all of 2018, continued unabated through the start of 2019. Yet underneath the turmoil lie some good reasons for optimism, according to Nariman Behravesh, chief economist for the global data and information services firm IHS Markit.

A low unemployment rate and high consumer confidence levels support the view of a U.S. economy that still has room to grow, if at a slower pace than in 2018, Behravesh believes. The Federal Reserve, meanwhile, has promised "patience" regarding any additional plans for interest rate increases this year. And, in a sign of possible thawing trade tensions, President Trump earlier this month said he might let "slide" a March 2 deadline for raising tariffs on Chinese imports. In a wide-ranging discussion, OUTLOOK turned to Behravesh for his perspectives on what to expect from the Fed in 2019, what's ahead for business earnings, investment markets and trade – as well as his assessment of the risks that still could derail the economy.

OUTLOOK: What's your outlook for U.S. economic growth in 2019?

Nariman Behravesh: This should still be a pretty decent year, with GDP growth of around 2.4 to 2.5 percent. That's above the historical trend for the U.S. economy, which is about 2 percent per year. There are still some risks, depending on whether we see further stock market volatility. A drop in the stock market has two effects: It hurts household wealth, for obvious reasons, and that has a small impact on consumer spending; it also affects business capital spending as businesses become more cautious. The key reason we're above trend on growth is the stimulus we received at the beginning of 2018 through tax cuts and government spending increases. As that fiscal stimulus wears off, growth will be down substantially, and by 2020, it should be at about 2 percent.

THE FEDERAL RESERVE IS LEADING MAJOR CENTRAL BANKS IN RAISING POLICY INTEREST RATES



Source: IHS Markit

OUTLOOK: What are some reasons for the sharp market volatility we've seen since October? Is it likely to continue?

Behravesh: With the recent market recovery, the U.S. stock market has returned to more reasonable valuations.. Price-to-earnings ratios and equity premiums are no longer way out of whack with normal trends. The 30-year average for the P/E ratio, based on the past year's earnings, is around 19. We're at 17 now, so the market will probably come back some more, but my guess is there will be a fair amount of continued volatility. A year from now, I would expect slightly higher prices, but not a return to the peaks of a few months ago.

OUTLOOK: What could help markets maintain stability in the year ahead?

Behravesh: Ever since the volatility began in October 2018, investors have wanted to hear Fed Chair Jay Powell say, "We've hit the pause button." In late January, Powell did just that, saying "the case for raising rates has weakened somewhat," and the Fed signaled it would be patient. Based on our expectation that the stock market will not slump again, and that the economy will continue to grow at a reasonable pace this year, we do see the Fed continuing to raise rates – but maybe only once instead of the three times we were expecting earlier. Of course, that view could change – for example, if wage inflation really starts to take off. The Fed's two mandates are employment and inflation. If inflation rises in 2019, we could see two or three hikes, or even more. That's why the Fed has been so reluctant to formally announce a pause. From the Fed's perspective, it makes no sense to tie its own hands in that way.

The second stabilizing factor will be if the current "truce" on trade between the U.S. and China can be sustained. That would give the market some hope. In addition, the Chinese are now providing more stimulus to keep growth there from deteriorating much more. All of these things could provide reasons to be more upbeat.

> “In the end, income growth, job security, job growth, interest rates and gasoline prices are the kinds of things that drive consumer spending.”

OUTLOOK: Despite a recent dip, consumer confidence remains high. Do you expect that to continue to help the economy this year?

Behravesh: Yes, largely because the employment picture continues to be pretty bright, and wage growth has started to pick up a little bit. Interest rates are still relatively low by historical standards. Oil prices have gone down recently, gasoline prices are down, and all of that has helped consumer spending, which accounts for 70 percent of the U.S. economy. Those trends should help keep growth going.

OUTLOOK: Is the recent stock market volatility having an affect on consumer confidence?

Behravesh: While there is some connection between market volatility and consumer confidence, it’s not nearly as profound as one might think. Only about 20 percent of U.S. households own meaningful amounts of stock, so they’re not that sensitive to it. In the end, income growth, job security, job growth, interest rates and gasoline prices are the kinds of things that drive consumer spending.

OUTLOOK: How do things stand with China? Is there any kind of long-term resolution in sight?

Behravesh: There has been some progress. The Chinese are beginning to take this seriously, and there’s a growing international consensus that the Chinese are unfair traders. If they realize they can’t continue to do what they’ve been doing – essentially ignoring intellectual property issues, for example – and that they’re going to have to play by the rules, I think progress could be made.

But I think the Trump administration is approaching this completely the wrong way – we’re not only going head to head with China but also getting into big trade fights with our allies. We would be much more effective if we coordinated our efforts with our trading partners – with Europe, Canada, Japan. We’re not doing that.

OUTLOOK: What impact are trade tensions having on agriculture and other U.S. industries?

Behravesh: A number of industries are being hurt, both because of U.S. actions and because of retaliation by the Chinese, Europeans and others. In addition to agriculture – where U.S. soybean producers, in particular, have been unhappy – there are the sectors that use steel and aluminum. Our tariffs have helped steel and aluminum producers, but they’re hurting all of the users, whose costs have gone up. This has led to some high-profile companies moving overseas.

> The big worry now is Europe, where growth has decelerated rapidly and big countries, such as Italy and Germany, are either in or near recession"

OUTLOOK: Why is China's economy slowing?

Behravesh: Some of that slowing is by design. China has gotten into a situation in which it is highly leveraged, with a debt-to-GDP ratio that has more than doubled in the past 10 years. But de-leveraging slows down growth, and that makes them nervous, so they keep postponing the resolution.

China has also been hurt by the trade war, and I think they're very worried. They're providing some limited stimulus to their economy right now. Their line in the sand seems to be growth at 6 percent. Anything lower than that, they bring out the heavy artillery, which means a lot more government spending and a lot more debt.

OUTLOOK: What other areas of the world warrant concern or optimism this year?

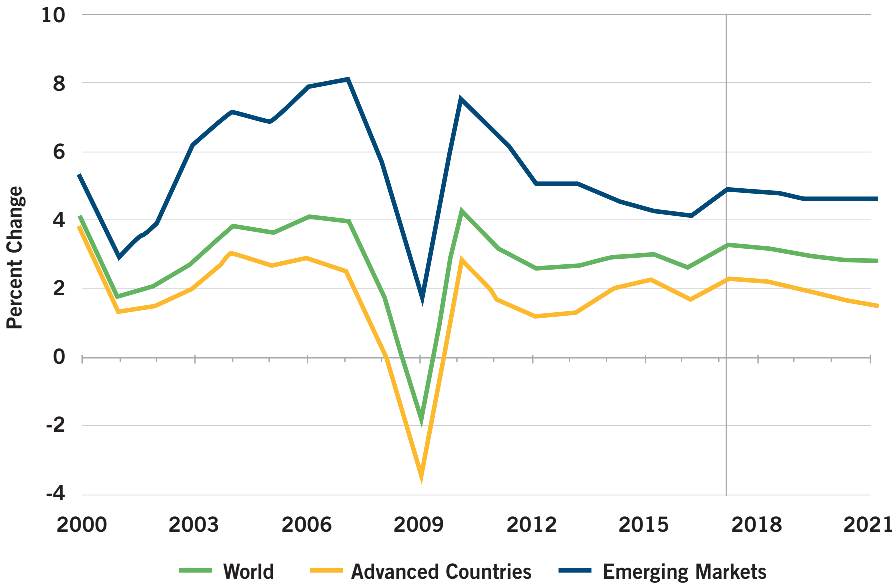
Behravesh: The big worry now is Europe, where growth has decelerated rapidly and big countries, such as Italy and Germany, are either in or near recession. Japan continues to struggle along at 1 percent, but I don't see a huge crisis there.

The emerging world is a mixed bag. With rising middle class populations, there are some potentially well-off countries. India is now growing faster than China, at 7 percent GDP growth. Indonesia is growing at 5 percent, Vietnam between 5 and 6 percent. And while Latin America is not as strong as Asia, the GDP of Bolivia, Peru and Chile all have decent growth, at 2 to 4 percent. In Africa, the GDP levels of Ethiopia, Kenya and Egypt are growing at 4 to 6 percent. So there are some nice bright spots out there, but these are small economies. They don't have a big influence on the global economy.

OUTLOOK: What impact will the uncertainty with the European Union and Brexit have on the U.S. and global economies?

Behravesh: A recession in Europe, additional political uncertainty in countries like Italy and France, and a hard Brexit could all drag down U.S. and global economies. The Eurozone accounts for about 16 percent of world GDP (versus 24 percent for the U.S.) and the U.K. accounts for 3 percent. So recessions in those economies will hurt global growth. The impact on the U.S. will be smaller, because we don't export that much to Europe.

WORLD REAL GDP GROWTH HAS PEAKED



Source: IHS Markit

OUTLOOK: If Brexit moves forward in March, what will the impact be on the markets through the rest of 2019?

Behravesh: A soft Brexit – in which the U.K. stays aligned with the E.U.'s single market and customs union – would have only limited impact on U.K. and Eurozone growth and markets. The impact of a hard Brexit – in which the U.K. leaves the E.U. entirely – could be much bigger and could spill over into the U.S. markets. It is not all bad news for the U.S., though. Companies leaving the U.K. and Europe could relocate to the U.S.

OUTLOOK: What's the outlook now for agriculture, particularly commodities?

Behravesh: The agricultural industry goes through booms and busts – it's not in a bust right now, but it's struggling, in part because of trade issues. And all commodities, including not just agricultural commodities, but oil as well, face slowing growth in demand. That, plus a lot of supply, means there could be a huge downside for commodity prices, at least for the next six months.

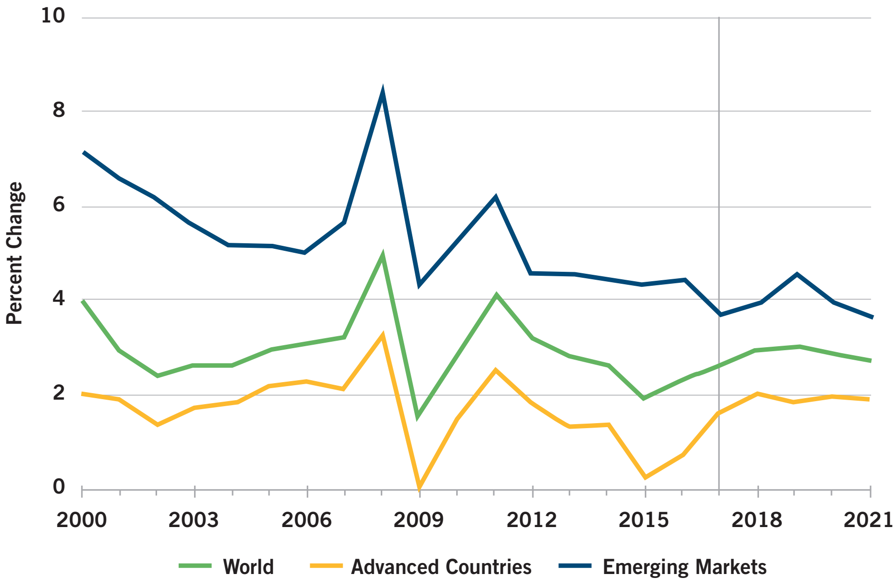
OUTLOOK: What's your general outlook for fixed income this year? Will it be as difficult for bondholders as 2018 was?

Behravesh: It depends partly on what's going on in the economy. If growth is softer than anticipated, I would expect yields of long-term bonds to stay flat or even to come down a little, which would mean higher prices. But if the economy stays relatively strong, and the Fed keeps raising rates, bond yields will go up and prices will go down. For now, long-term rates are holding steady. For 10-year Treasuries, the yield recently has been in the range of 2.6 to 2.8 percent. By the end of the year, it could be at around 3.1 percent.

OUTLOOK: In 2018, higher corporate profits led to a surge in business fixed investment and higher GDP growth. What do you expect for corporate profits this year?

Behravesh: I think corporate profits will grow in the low- to mid-single digits. Business fixed investment got a nice temporary boost thanks to the tax cut, with almost 7 percent growth, but we expect that to go down to around 4 percent this year.

CONSUMER PRICE INFLATION IS A LOW-LEVEL THREAT



Source: IHS Markit

OUTLOOK: What's ahead for the U.S. housing market?

Behravesh: Housing has already taken a bit of a hit, with reduced affordability. In part that's because mortgage rates have gone up, and it has gotten a little tougher and more expensive to get financing, even though rates are still very low by historical standards. But there are also problems with getting enough workers to keep construction going in hot markets. Any further increase in rates will just exacerbate that picture, and could weigh on the economy to some degree.

OUTLOOK: Where do you see inflation heading in 2019? And why?

Behravesh: In the U.S., Germany and a few other countries, the labor market is so tight that we are starting to see a significant uptrend in wage inflation. That's good and bad news. It's good news in the sense that workers are starting to see their compensation reflect the tightness of the labor market. But it's bad news because obviously it puts upward pressure on the overall inflation rate. However, we haven't seen wage inflation translate into price inflation. When you look at core inflation, there's very little of it in the U.S. or anywhere else.

Some of that has to do with downward pressures on inflation worldwide. There's a lot of excess capacity in manufacturing, especially in places like China, and there's ample supply in commodity markets. So while wage inflation has risen to between 3 and 3½ percent, core inflation in the U.S. is 2 percent, right in line with the Fed target. Still, the Fed doesn't want it to go much higher.

OUTLOOK: What's ahead for the dollar in 2019?

Behravesh: Our view is that because U.S. growth is higher than in other developed countries, and because the Fed is sort of ahead of the curve compared with other central banks, the dollar will stay strong, at a minimum, and it could rise a little more. I would say it's going to be a strong year for the dollar.

This Month's Expert

As chief economist for the global data and information services firm IHS Markit, Nariman Behravesh directs economic outlook and risk analysis for the United States, Europe, Japan, China and other emerging markets. Behravesh oversees some 400 analysts located around the world covering economic, financial and political developments in more than 200 countries. He and his team have received numerous national and international awards for the accuracy of their forecasting.

Behravesh's insights are sought frequently in *The Wall Street Journal, The New York Times, The Financial Times* and other publications, and he frequently appears on radio and television programs such as "BBC World Business Report," "NBC Nightly News," "CNN Headline News" and others. He has been a featured speaker at the World Economic Forum in Davos, Switzerland, and other global conferences, and authored the book, "Spin-Free Economics: A No-Nonsense, Nonpartisan Guide to Today's Global Economic Debates." Behravesh holds a bachelor's degree from MIT and masters and doctoral degrees from the University of Pennsylvania.

OUTLOOK: Amid slower growth compared to the last couple of years, some people have raised the "R" word. When do you expect the next recession?

Behravesh: For 2019, the probability is fairly low – maybe about 25 percent. But I'd say there's about a one in three chance for a downturn in 2020. The problem is that as growth weakens, we become more vulnerable to any kind of shock. Once you get down to 2 percent GDP or lower, it doesn't take much to move into negative territory. During the next three to five years, the chances of a recession are quite high.

But if we make it to July this year, this recovery will have lasted more than a decade from its start in March 2009, making it the longest recovery in recorded history, which in the U.S. goes back to the 1850s.

OUTLOOK: What kind of shock could shake the economy?

Behravesh: I think what everybody is worried about is a re-escalation of the trade war. If China doesn't give in and this thing ratchets up, it could begin to do serious damage, both in terms of a direct impact on economic growth and indirect effects on confidence, with further hits to the stock market.

OUTLOOK: If and when the U.S. eventually experiences another recession, what options will the Fed have, and what can we expect in terms of monetary policy?

Behravesh: For fiscal policy, there's not much room to maneuver these days. When we go into the next recession, those enormous budget deficits will balloon even more because tax receipts will drop and automatic spending provisions will rise. Additional stimulus is going to be very difficult.

Still, there could be additional tax cuts for the middle class, which benefited only a little from the last cut. But the other thing the country desperately needs – and a recession might be the time to do it – is more investment in education and infrastructure. That's going to be tough because the money's not there, and it would mean borrowing still more. But we could do it.

In terms of monetary policy, there's not much room to reduce interest rates. In past recessions, the average cut in the federal funds rate has been around 6 percentage points – and even after the hikes we've seen, the current Fed funds rate is still below 3 percent. But the Fed also has other tools. During the financial crisis, it used unorthodox means to boost the economy, including quantitative easing. If there's a recession, the Fed could resume buying securities, increasing the size of its portfolio rather than continuing to reduce it.

Interest Rates and Economic Indicators

The interest rate and economic data on this page were updated as of 1/31/19. They are intended to provide rate or cost indications only and are for notional amounts in excess of $5 million except for forward fixed rates.

KEY ECONOMIC INDICATORS

Gross Domestic Product (GDP) measures the change in total output of the U.S. economy. The Consumer Price Index (CPI) is a measure of consumer inflation. The federal funds rate is the rate charged by banks to one another on overnight funds. The target federal funds rate is set by the Federal Reserve as one of the tools of monetary policy. The interest rate on the 10-year U.S. Treasury Note is considered a reflection of the market's view of longer-term macroeconomic performance; the 2-year projection provides a view of more near-term economic performance.

ECONOMIC AND INTEREST RATE PROJECTIONS

Forecasts courtesy of Bloomberg and Blue Chip Economic Indicators

				U.S. Treasury Securities	
2019	**GDP**	**CPI**	**Funds**	**2-year**	**10-year**
Q1	2.20%	1.50%	2.40%	2.70%	2.82%
Q2	2.50%	2.30%	2.40%	2.85%	3.00%
Q3	2.20%	2.30%	2.41%	2.91%	3.07%
Q4	2.00%	2.30%	2.40%	2.94%	3.11%
2020	**GDP**	**CPI**	**Funds**	**2-year**	**10-year**
Q1	1.70%	2.40%	2.36%	2.96%	3.14%

PROJECTIONS OF FUTURE INTEREST RATES

The table below reflects current market expectations about interest rates at given points in the future. Implied forward rates are the most commonly used measure of the outlook for interest rates. The forward rates listed are derived from the current interest rate curve using a mathematical formula to project future interest rate levels.

IMPLIED FORWARD SWAP RATES

Years Forward	3-month LIBOR	1-year Swap	3-year Swap	5-year Swap	7-year Swap	10-year Swap
Today	2.71%	2.69%	2.54%	2.53%	2.57%	2.66%
0.25	2.66%	2.65%	2.52%	2.50%	2.55%	2.64%
0.50	2.67%	2.58%	2.51%	2.49%	2.54%	2.64%
0.75	2.66%	2.57%	2.49%	2.52%	2.58%	2.68%
1.00	2.56%	2.49%	2.44%	2.49%	2.55%	2.69%
1.50	2.50%	2.46%	2.46%	2.53%	2.61%	2.70%
2.00	2.39%	2.39%	2.46%	2.54%	2.61%	2.70%
2.50	2.39%	2.41%	2.49%	2.57%	2.66%	2.74%
3.00	2.38%	2.42%	2.53%	2.60%	2.71%	2.77%
4.00	2.48%	2.54%	2.61%	2.70%	2.79%	2.85%
5.00	2.57%	2.62%	2.73%	2.80%	2.83%	2.86%

HEDGING THE COST OF FUTURE LOANS

A forward fixed rate is a fixed loan rate on a specified balance that can be drawn on or before a predetermined future date. The table below lists the additional cost incurred today to fix a loan at a future date.

FORWARD FIXED RATES

Cost of Forward Funds

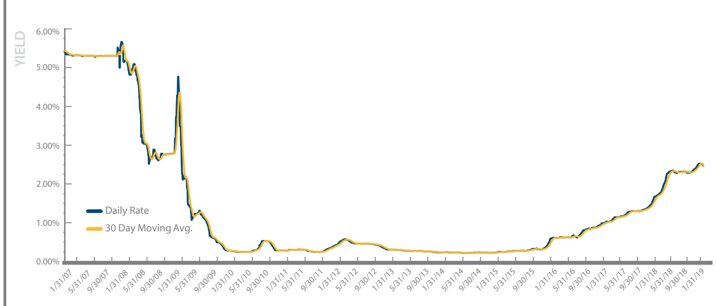
Forward Period (Days)	Average Life of Loan			
	2-yr	3-yr	5-yr	10-yr
30	5	5	5	5
90	5	5	5	5
180	5	5	6	7
365	5	5	15	13

Costs are stated in basis points per year.

SHORT-TERM INTEREST RATES

This graph depicts the recent history of the cost to fund floating rate loans. Three-month LIBOR is the most commonly used index for short-term financing.

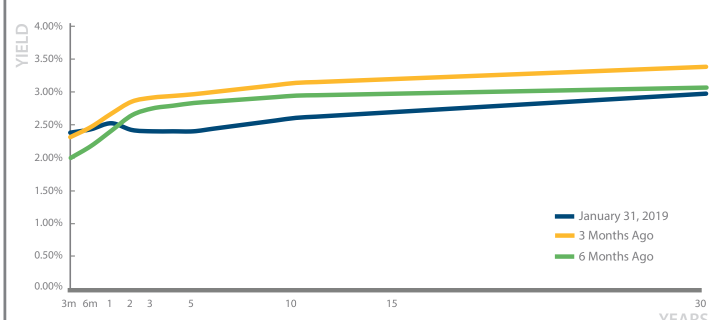
3-MONTH LIBOR



RELATION OF INTEREST RATE TO MATURITY

The yield curve depicts the relation between the cost of borrowing and the time to maturity of debt for a given borrower in a given currency. Typically, interest rates on long-term securities are higher than rates on short-term securities. Long-term securities generally require a risk premium for inflation uncertainty, for liquidity and for potential default risk.

TREASURY YIELD CURVE



COBANK UPDATE

2019 Year Ahead Report – Forces That Will Shape the U.S. Rural Economy

Confluence of Key Factors Suggest Downside Economic Risk

The U.S. economy is still performing well by most key measures. However, consumers, investors, companies and other market participants have become more wary about the near-term future with seemingly good reason. Global and U.S. economic prospects are weakening and the agricultural economy shows few signs of an imminent comeback, according to a comprehensive 2019 outlook report from CoBank's Knowledge Exchange Division.

"Trade uncertainty, rising debt levels and market volatility are threatening to derail the global economy and creating difficult operating environments for U.S. agriculture," said Dan Kowalski, vice president of CoBank's Knowledge Exchange Division. "Trade is the outsized risk. Unresolved disputes with Mexico, Canada, Europe and China are the greatest collective threat to the U.S. economy in 2019."

The CoBank outlook report examines 10 key factors that will shape agriculture and markets sectors that serve rural communities throughout the U.S.

Global Economy: Trade-Induced Slowdown to Hit U.S Shores

The global economy is slowing and the effects will spread to U.S. shores in 2019. World economic output hit an 8-year high in 2018, powered by both advanced economies and emerging markets. But challenges mounted in late 2018 and risks are decisively weighted to the downside for the coming year. Trade is the biggest risk, as the world's two largest economies test each other's willingness to accept economic pain. Trade policy between the U.S. and China will remain the leading risk to the global economy. The rising of debt levels is another undercurrent that threatens to derail the global economy. Total global debt levels (all public and private debt) are now more than three times greater than in 2001.

U.S. Economy: Slowing Growth, Accelerating Risk

The U.S. economic expansion is set to become the lengthiest in history this summer. But clouds forming on the horizon suggest more modest growth in 2019 and greater concerns for 2020. Therefore, we can expect a delicate balance of consumer strength to offset a slowing housing market and weaker business investment to keep the U.S. economy growing between 1.75 and 2.25 percent in 2019.

Monetary Policy: Thinning Margin for Error

The world's largest economies were widely expected to grow in concert in 2018. That growth did not materialize. As a result, the major central banks are now attempting to guide their economies through very different stages of the economic recovery. Japan is committed to stimulating its economy for the foreseeable future. The European Central Bank will not raise interest rates until at least the third quarter of 2019. China's economy is slumping and its central bank has indicated that it's ready to loosen monetary conditions as needed. Gross domestic product forecasts have been cut over the past month amidst a darkening outlook for the U.S. and Chinese economies. If this slowing materializes, it will become very difficult for the Federal Reserve to raise rates this year absent a spike in inflation.

U.S. Government: Split Congress, More Opposition

With a split Congress, finding consensus over the next two years to move large legislation will be difficult, but there are reasons for managed optimism. One of the final bills out of the 115th Congress reauthorized the Farm Bill. HR 2 passed the Senate and the House by very large bipartisan margins, showing that Congress can still work together when there is strong constituent support and engagement on an issue. The Administration's efforts on trade have many in agriculture nervous. The agriculture industry will be very focused on the need to get the United States-Mexico-Canada Agreement (USMCA) completed. Further, it is imperative that the U.S. negotiates a resolution to the trade dispute with China and reach successful conclusion to conversations with Japan, the EU and a post-Brexit U.K. There is of work needed to re-establish these major trade relationships before any further damage is done to U.S. agriculture.

U.S. Farm Economy: Higher Costs and Debt to Hamstring Producers

With agricultural commodity markets depressed by global supply abundance and ongoing trade disputes, farmers and ranchers face the arduous task of cutting production costs. However, continually rising costs in agriculture are expected to squeeze producers, causing further margin erosion and financial stress in 2019. Farmers should not bank on a fourth consecutive

year of above-trend crop yields to make up for low commodity prices and rising costs. To steady the agricultural economy, and boost revenues, the sector is dependent on substantive breakthroughs in trade policy. Strong land values remain the positive for farmers and ranchers, although land values could face downward pressure.

Ag Trade Policy: Seeking Resolution

Ongoing tariffs and trade negotiations continue to hang over the U.S. ag economy with no clear sign of resolution, clouding agriculture's trade outlook for 2019. Three significant trade-related issues must be solved this year to restore some normalcy to agricultural markets: Legislative approval of USMCA, removal of the steel and aluminum retaliatory tariffs and substantive improvement of trade relations with China. Progress in negotiations on all fronts is likely to be slow, which spells more pain for months to come. As a result of the trade war, the value of total U.S. agricultural exports in 2019 is expected to fall to $141.5 billion, down $1.9 billion from 2018, according to the Department of Agriculture's (USDA) latest projections.

Grain, Farm Supply and Biofuels: The Rise of Competition

2019 will be a year of new and intense competition for the grain, farm supply and biofuels sectors. These competitive changes will benefit a few while hurting many along the supply chain. The most impactful competitive pressure will come from outside the U.S. Global crop production has been increasing for decades, but abundant U.S. supplies and a protracted trade dispute with China has enhanced foreign opportunities. Brazil's projected record crop, Argentina's production rebound and continued agricultural expansion in Eastern Europe will further inundate a bloated market. Trade dynamics will also impact an ethanol industry that is already struggling. Large supplies have caused some producers to cut output amid negative margins. Competition will also increase in the farm supply sector, squeezing margins. Ag retailers will also face price hikes from a more concentrated supplier base.

Dairy and Animal Protein: Output Grows Again

In 2018, the U.S. animal protein sector began suffering from the same oversupply and weak margins that have plagued U.S. dairy producers since 2015. Despite the less favorable profitability environment, the protein and dairy sectors will continue to expand production in 2019, prolonging the margin squeeze.

About CoBank

CoBank is a $139 billion cooperative bank serving vital industries across rural America. The bank provides loans, leases, export financing and other financial services to agribusinesses and rural power, water and communications providers in all 50 states. The bank also provides wholesale loans and other financial services to affiliated Farm Credit associations serving more than 70,000 farmers, ranchers and other rural borrowers in 23 states around the country.

CoBank is a member of the Farm Credit System, a nationwide network of banks and retail lending associations chartered to support the borrowing needs of U.S. agriculture, rural infrastructure and rural communities. Headquartered outside Denver, Colorado, CoBank serves customers from regional banking centers across the U.S. and also maintains an international representative office in Singapore.

For more information about CoBank, visit www.cobank.com.

Of the three major animal protein species, beef appears to be weathering the animal protein oversupply situation best, with favorable fed cattle prices and historically high packer margins resulting from tight processing capacity. Conversely, the pork and poultry sectors reflect the impact of plant expansions which will deliver double-digit increases in processing capacity for both species by 2020.

Rural Electricity: Data Analytics Become a Necessity
2018 will go down as a turning point for the role data analytics will play in transforming the rural electric co-op industry. Optimization of the grid offers many benefits in cost savings and member relations. However, if co-ops do not harness the power of data to unlock value, third-party providers will step in to provide this service. Co-ops cannot afford to delay adopting strategies for a more distributed future that includes automated controls, tailored rate structures, enhanced customer engagement and sophisticated data analytics.

Rural Communications: Electric Co-ops Gain Appetite for Broadband
Over the last few years, electric distribution cooperatives have been building fiber networks, causing some angst in the rural LEC community as they fear this will lead to increased competition. For 2019, rural America should expect to see a continuation of these network builds, but the risk of co-ops overbuilding in rural LEC markets is low. Their primary focus is to build networks in underserved markets for the benefit of their own operations, and their customers.

Silver Lining
The global and U.S. economic prospects are weakening, and the agricultural economy shows few signs of an imminent comeback. There are silver linings, however, and many of them hinge directly on the prospect of favorable trade developments, particularly with China.

“There is a 50 percent probability that some form of a deal with be struck with China by the second quarter of 2019,” said Kowalski. “Also, there’s a 50 percent probability that most or all the tariffs will be lifted on U.S exports in the first half of the year. Should that scenario develop, our outlook will improve considerably.”

The report, “The Year Ahead: Forces That Will Shape the U.S. Rural Economy in 2019” is available at **cobank.com.**