Thomas Jefferson Institute for Public Policy
Fourth Annual Economic Conference

HOW THE ECONOMY, FEDERAL & STATE POLICIES ARE IMPACTING INVESTMENTS

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Agenda

- The Stock Market
  - Bull Market
    - How we got here
  - Where markets stand now
    - Concerns
- The Bond Market
  - Federal Reserve
  - Quantitative Easing/Tightening
THE STOCK MARKET
How could you hate this bull market?

Source: Compustat, FactSet, Federal Reserve, Standard & Poor’s, J.P. Morgan Asset Management. Data is as of 09/30/2018.
$1,000,000 invested at market bottom would be $4,843,177 today.

The Longest Bull Market in History
What’s propelled the market recently?

- Corporate Tax Reform
- Repatriation of cash
- Buybacks
- Earnings
- Tech
- Record Low Unemployment
Corporate Tax Reform

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Corporate Tax Reform

Repatriation of cash

Buybacks

Earnings

Tech

Record Low Unemployment

$300B brought back in Q1 2018 alone

Source: Federal Reserve. Data is as of 03/31/2018.
Corporate Tax Reform
Repatriation of cash
Buybacks
Earnings
Tech
Record Low Unemployment

Source: Bloomberg, Compustat, FactSet, Standard & Poor’s, J.P. Morgan Asset Management. Data is as of 09/30/2018.
- Corporate Tax Reform
- Repatriation of cash
- Buybacks
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Source: Reuters. Data is as of 10/12/2018.
Corporate Tax Reform
Repatriation of cash
Buybacks
Earnings
Tech
Record Low Unemployment

Source: Reuters. Data is as of 10/12/2018.
- Corporate Tax Reform
- Repatriation of cash
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Source: FactSet. Data is as of 2/2018.
Unemployment Lowest Since 1968

Source: Bloomberg, Compustat, FactSet, Standard & Poor’s, J.P. Morgan Asset Management. Data is as of 09/30/2018.
Halloween may not be the only scary thing happening this October...

Source: FactSet. Data is as of 10/25/2018.
Today’s Investor Concerns

“Are we headed for a recession?”

“Will I lose all my money?”

“Will the trade war with China collapse the global economy?”
Declines Become Recoveries

Source: Hightower Advisors.
Past Performance is not Indicative of Future Results...or is it?

S&P 500 Price Return
12 Mo. Period Following Mid-Term Election
1950-2014 Avg. = 15.3%

Source: Federated Investors.
Q: Investors often look to bonds for safety. Should they no longer think that?

A: People believe there are people on Mars.
Federal Reserve
Easing/Tightening
The Business Cycle

1. Expansion
2. Peak
3. Recession
4. Trough
Yield Curve, *THEN* and *NOW*
The duration of the Bloomberg Barclays US Aggregate Bond Index is 5.9.

+1% upward move in interest rates would cause the index to lose **-5.9%**.
Bonds Down Over -2% YTD

Source: FactSet. Data is as of 10/25/2018.
QUESTIONS