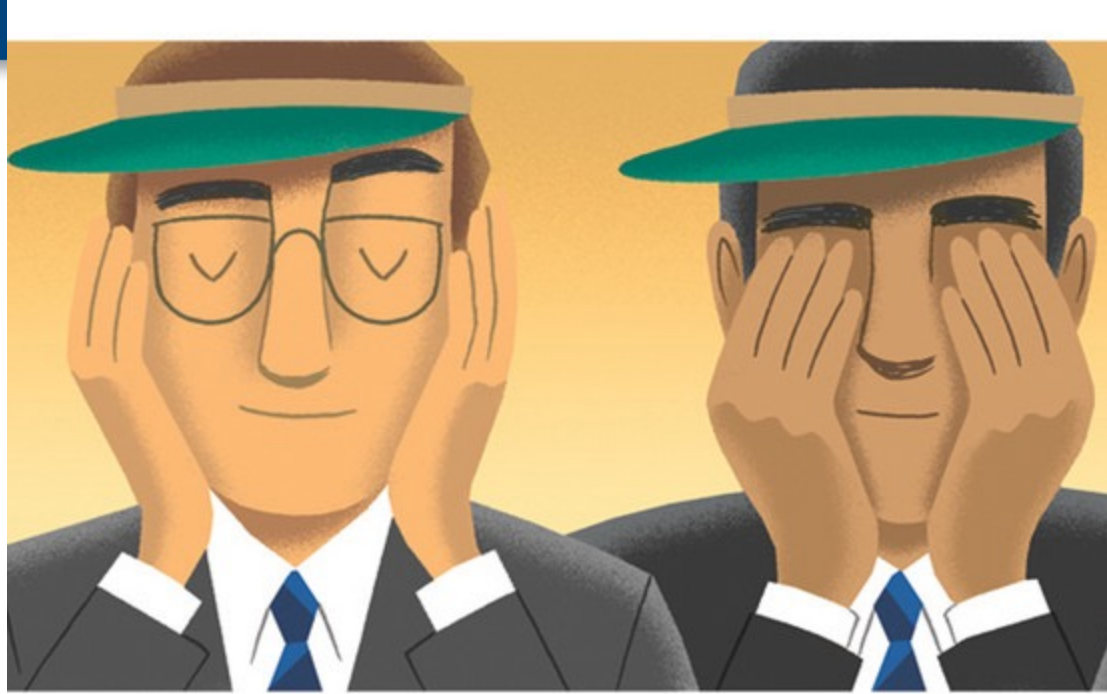


# MARKET SIGNALS



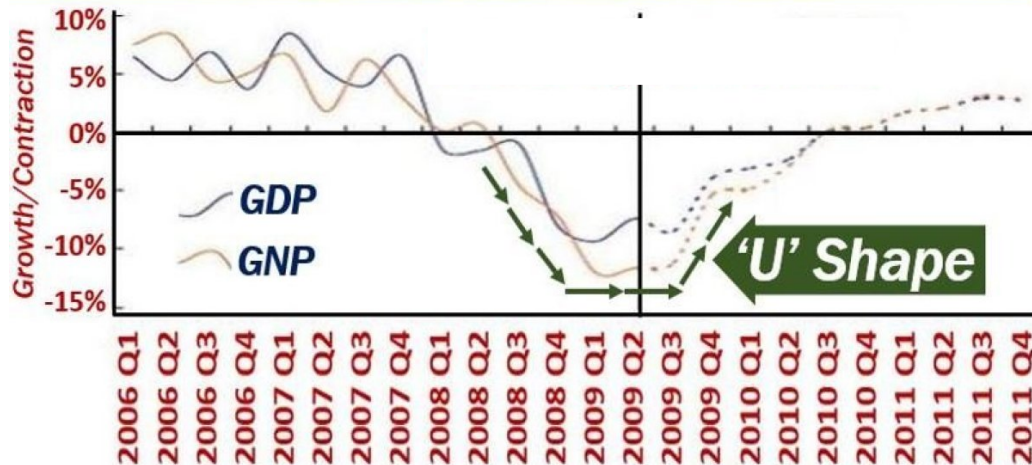
Peter RICCHIUTI

# DISCLAIMER

THE MATERIAL COVERED IN THIS PRESENTATION IS THE OPINION OF THE PRESENTER AND SHOULD NOT BE CONSTRUED AS A RECOMMENDATION TO BUY OR SELL ANY OF THE SECURITIES MENTIONED. INVESTORS SHOULD SEEK THE COUNSEL OF THEIR FINANCIAL ADVISOR BEFORE MAKING ANY KIND OF INVESTMENT. THE PRESENTER MAY OR MAY NOT HOLD LONG OR SHORT POSITIONS IN ANY OF THE SECURITIES MENTIONED.

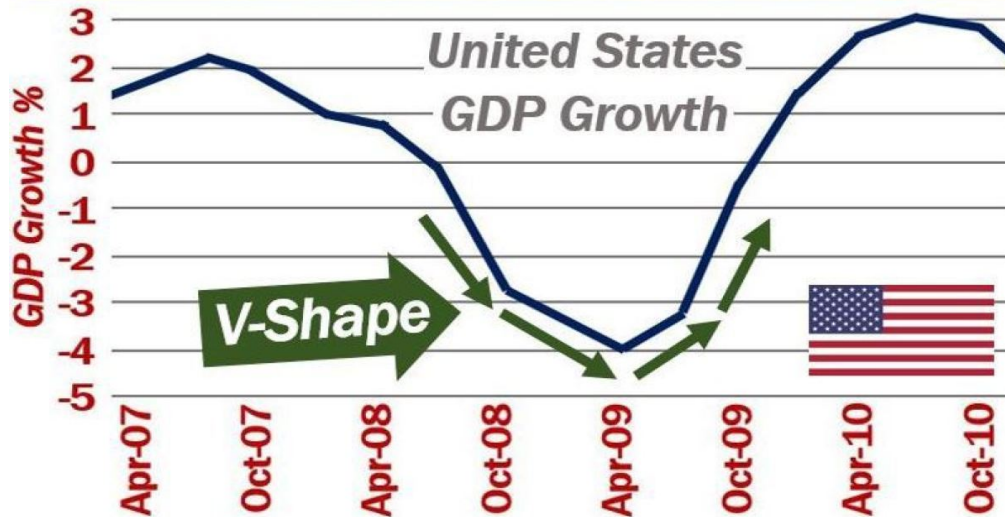
# U-Shaped Recovery

***A type of economic recession and recovery that looks like a letter 'U' on a chart.***

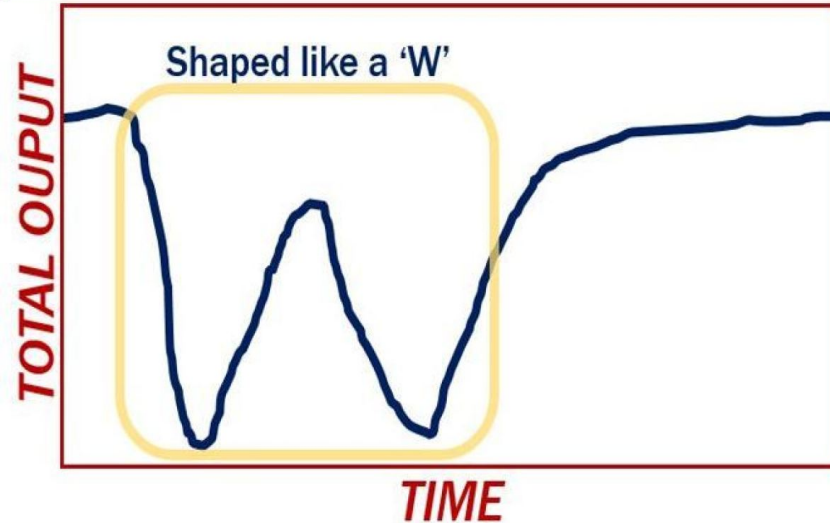


# V-Shaped Recovery

*A sharp economic decline with a clearly defined trough, followed by a strong recovery.*



# W-Shaped Recovery



*Also Called W-Shaped Recession*

# PERMANENT CHANGES

- Simpler supply chains
- More efficiency (smaller headcounts and more remote working)
- Succession plans
- Greater online buying

# MAIN STREET WOES

- Thousand of bankruptcies
- Winter spike in COVID cases
- Stimulus package?
- Massive unemployment

# MY HOMETOWN



- Tourism
- Live music
- Festivals
- Restaurants

- Conventions
- Sports
- Oil & Gas



# WHY STOCKS ARE UP

- Investors are forward-looking
- More than 50% of companies posted higher profits for 3Q-2020 than in 3Q/2019.
- Big companies are taking market share from mom and pops
- The promise of low interest rates, forever (nowhere else to go)

# THE STOCK MARKET

- The Stock Market Is NOT The Economy.
- The Stock Market IS A Measure Of Future Corporate Profits.

The Times-Picayune

# MONEY

MUTUAL FUNDS • FUND

SECTION

F

Sunday  
August 1, 1999

## BEAT MIKE

### CELEBRITY STOCK PICKERS



1.	Peter Fischl	18.30%
2.	Mary Judice	8.87%
3.	Mike Ditka	4.38%

### LEADERS IN THE LOUISIANA STOCK-PICKING CONTEST.

RANK	PLAYER	% GAIN
1.	Troy Sampey	25.40%
2.	Darryl Boykins	24.88%
3.	Jason Nunnally	23.09%
4.	Theodore Heine	22.81%
5.	Harold Rienstra	22.50%
6.	Stephen Eustis	22.38%
7.	Melvin Harrison	22.13%
8.	Robert Knight	22.02%
9.	Jefferey Wilson	21.91%
10.	Melissa Holmes	21.77%
11.	Charisse Zanca	21.75%
12.	Evans Blanchard	21.66%
13.	Garry Gregory	21.64%
14.	Daoling Zhang	21.52%
15.	Joachim Fernandez	21.47%
16.	George Guzzardo	21.42%
17.	Ronald Landry	20.80%
18.	Frank Giurintano	20.69%
19.	Jeff Stern	20.69%
20.	Mark Hightower	20.55%



Note: Check your results on the web site [www.nola.com](http://www.nola.com). The Louisiana Stock-Picking Contest is co-sponsored by The Times-Picayune and Tulane University's A.B. Freeman School of Business. The contest period is June 1 to Aug. 31.

Celebrity Stock Picks -  
Beat Mike

# OIL THOUGHTS

- Saudi Arabia wants to grow its market share while crushing the American energy industry.
- Oil price pressures;
  - SHORT-TERM: abundant shale production
  - LONG-TERM: alternative fuels, fuel efficiency and ride-sharing
- Electric Cars. 70% of oil is for transportation.  
Phasing out the internal combustion engine???



# ECONOMIC IMPACT

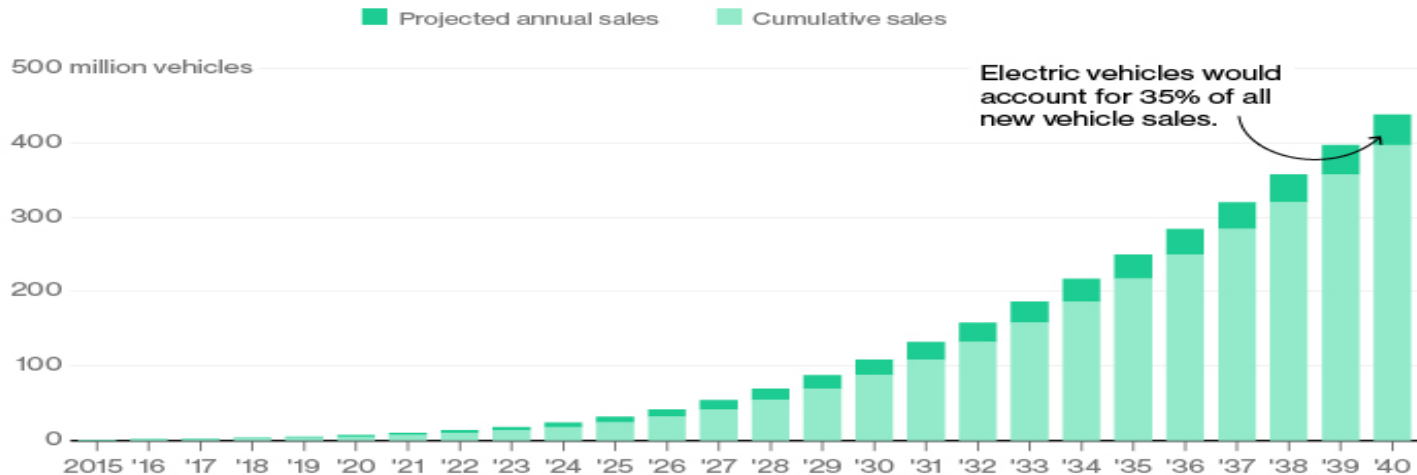
- Lower prices at the pump have been saving consumers billions of dollars.
- This is good news for retailers, U.S. manufacturers and other businesses such as the airlines.
- U.S. Foes “de-fanged”.



# ELECTRIC AVENUE

## The Rise of Electric Cars

By 2022 electric vehicles will cost the same as their internal-combustion counterparts. That's the point of liftoff for sales.



Sources: Data compiled by Bloomberg New Energy Finance, Marklines

**Bloomberg** 

# DISTINCTIONS

- Electricity is generated by; natural gas, coal, solar, wind, ...
- BUT, planes, trains, (and boats), and automobiles are nearly entirely fueled by oil.

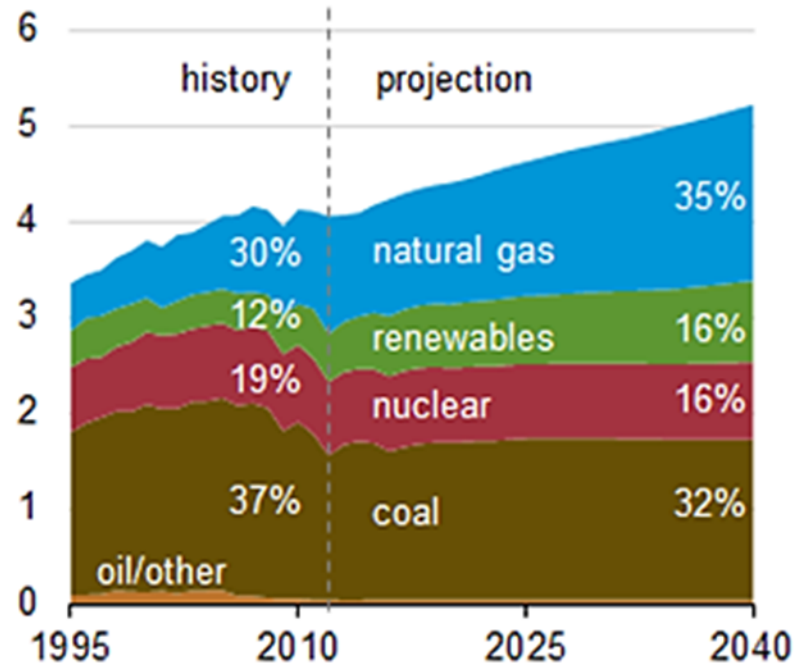


# FUTURE FUEL

## U.S. electricity generation by fuel (1995-2040)

AEO2014 Reference case

trillion kilowatthours





# KENTUCKY COAL MUSEUM



Source: The Louisville Courier, April 2017

# LNG

LNG is clearly the biggest and most exciting aspect of energy both today and tomorrow.



# MANUFACTURING MYTH

“ We don’t manufacture much in this country.”

The U.S. has been manufacturing at its highest level ever, but with far fewer workers

87% of job losses in manufacturing are due to efficiencies automation/robotics.\*

\*Ball State University

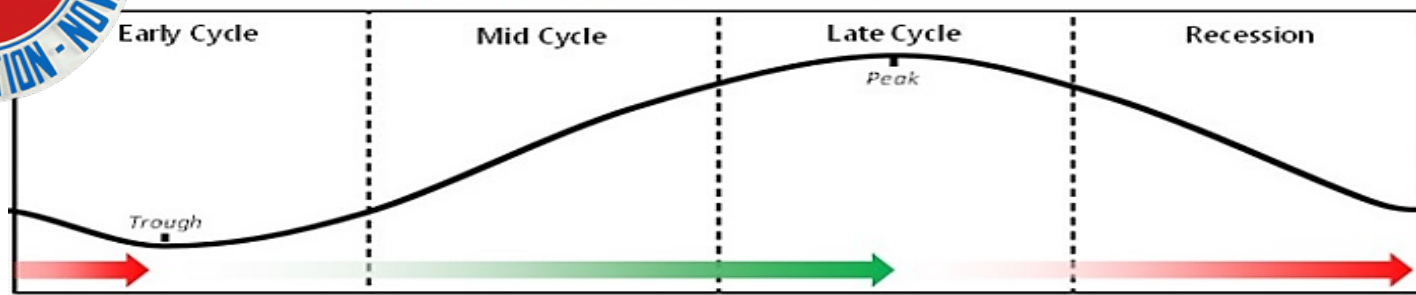
# INVESTING FOCUS

- Infrastructure
- Renewable Energy
- Education
- Healthcare

# UNEMPLOYMENT RATES VS. STOCKS

- Less Than 4.5% + 8.35%
- 4.5%-5.5% + 8.69%
- 5.5%-6.8% + 14.61%
- Higher Than 6.8% + 18.73%

# BUSINESS CYCLES



- Fiscal and Monetary Stimulus
- Economic Growth Starts To Increase

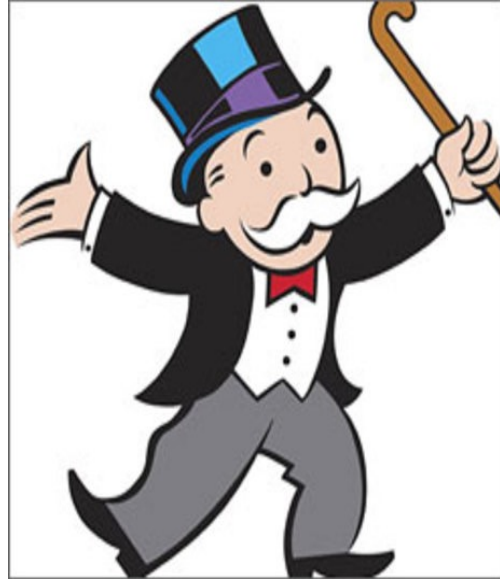
- Margins Start to Peak and Management Begins to Increase Share Repurchases To Boost Profits

- Fiscal and Monetary Restrictions
- Employers Have Trouble Finding Available Workers and Wages Increase

- Economic Contraction, Falling Manufacturer and Retail Activity
- Earnings and Credit Lending Drop Quickly

# MYTH BUSTER

“Avoid investing in stocks when the economy is slumping and unemployment is high.”



# THE FED MODEL

\$170.00

Earnings for the S&P 500

----- =

Price of the S&P 500

3925.00

According to this measure, with the 10-year Treasury yielding about 1.5% stocks (earnings yield of about 4.25%) look more attractive than bonds



# PROFITS COUNT, A LOT!

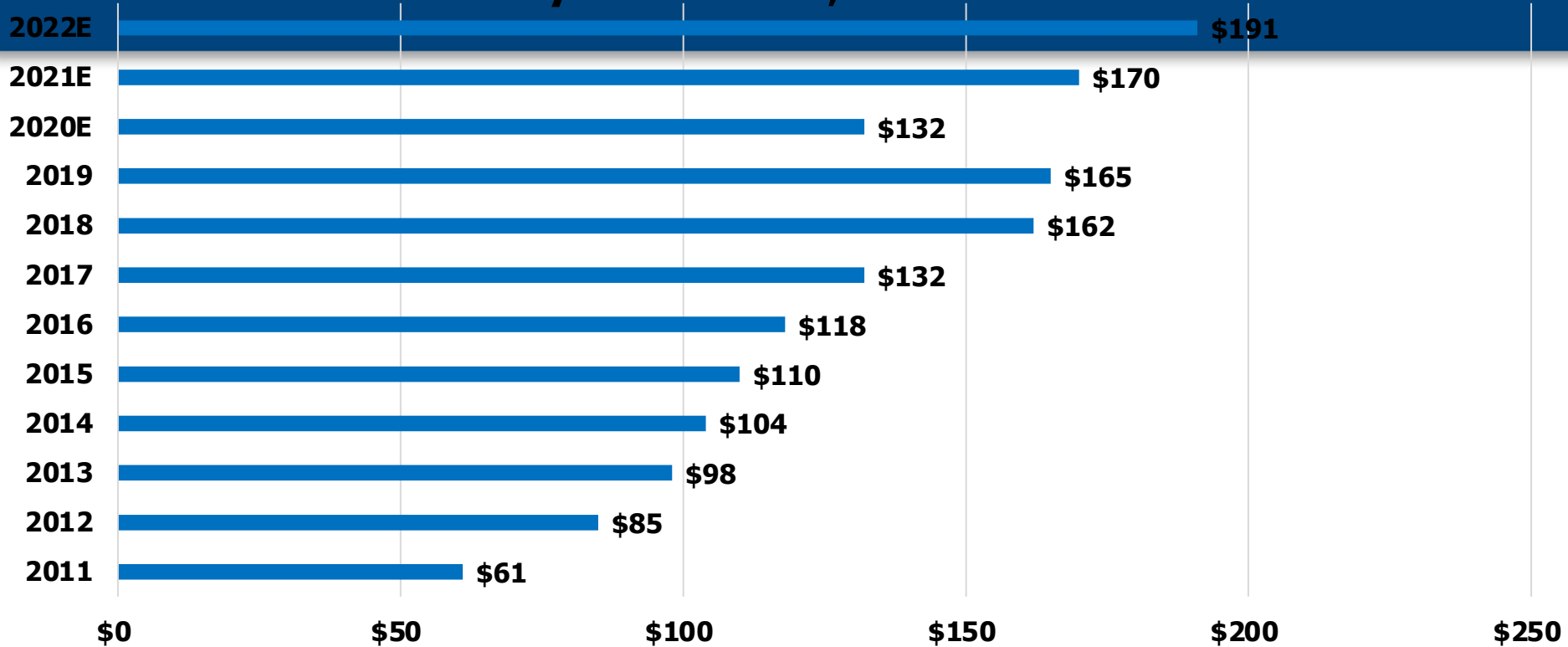
Over The Long Run, Stock  
Prices Move In Line With  
Corporate Profits

*Source: Standard & Poor's*



# RECORD EARNINGS\*

**\*As measured by the S&P500, Calculations are rounded**



# LEADERSHIP

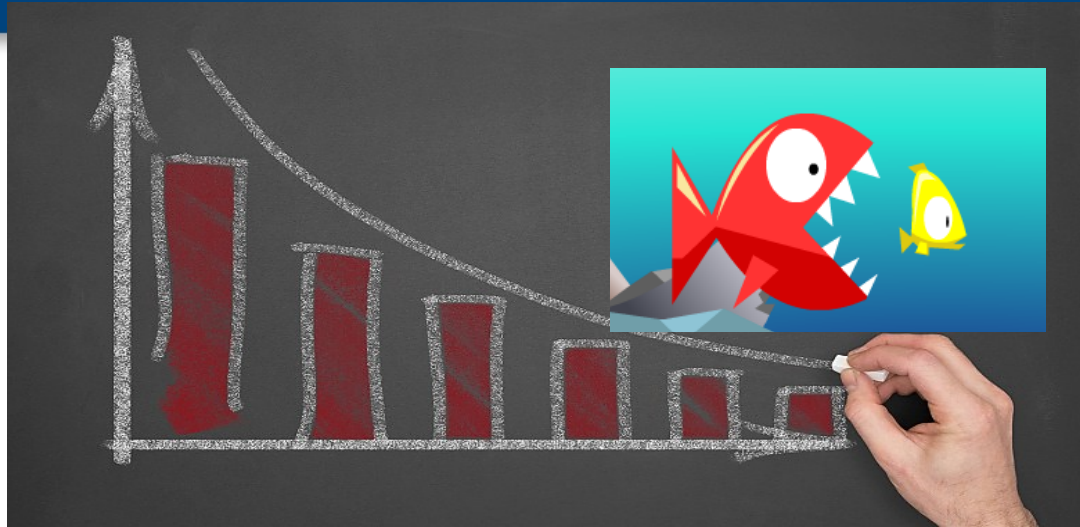
NOT SO GOOD ...

The United States has 5% of the world's populations and 25%+ of the world's COVID-19 cases and 20% deaths.

# ANNUALIZED RETURNS (S&P 500)

- Bill Clinton +15.2%
- Barack Obama +13.8%
- Donald Trump +13.7%
- George H.W. Bush +10.9%
- Ronald Reagan +10.2%
- Jimmy Carter + 6.3%
- George W. Bush - 6.2%

# SHRINKING MARKET



In 1995 There Were About 8,000 Public Companies  
TODAY THERE ARE ABOUT 3600

# THE FED'S TRICK BAG

Keep the economy growing while  
holding inflation at or under 2%

# SHARE BUYBACKS

Public companies have fallen in love with share buybacks. Trillions of dollars have done in this direction over the past decade.

$$\frac{\text{Profits}}{\text{Shares Outstanding}} = \text{Earnings Per Share (EPS)}$$



# PAYING THE DEBT

- Higher Taxes
  - Cut Benefits/Entitlements
  - Higher Inflation
  - Weaker Dollar
- 
- We Can't Grow Ourselves Our Debt With GDP Growth of 2 to 2 1/2%



# UNDER-INVESTED

- The Average U.S. Investor has about 90% of Their Portfolio in Domestic stocks.
- U. S. Stocks Represent Less Than Half of the World Market.



# BORDERLINE CRAZY

“Tariffs Are Prosperity Killers.”

-Larry Kudlow, President Trump's Economic Advisor

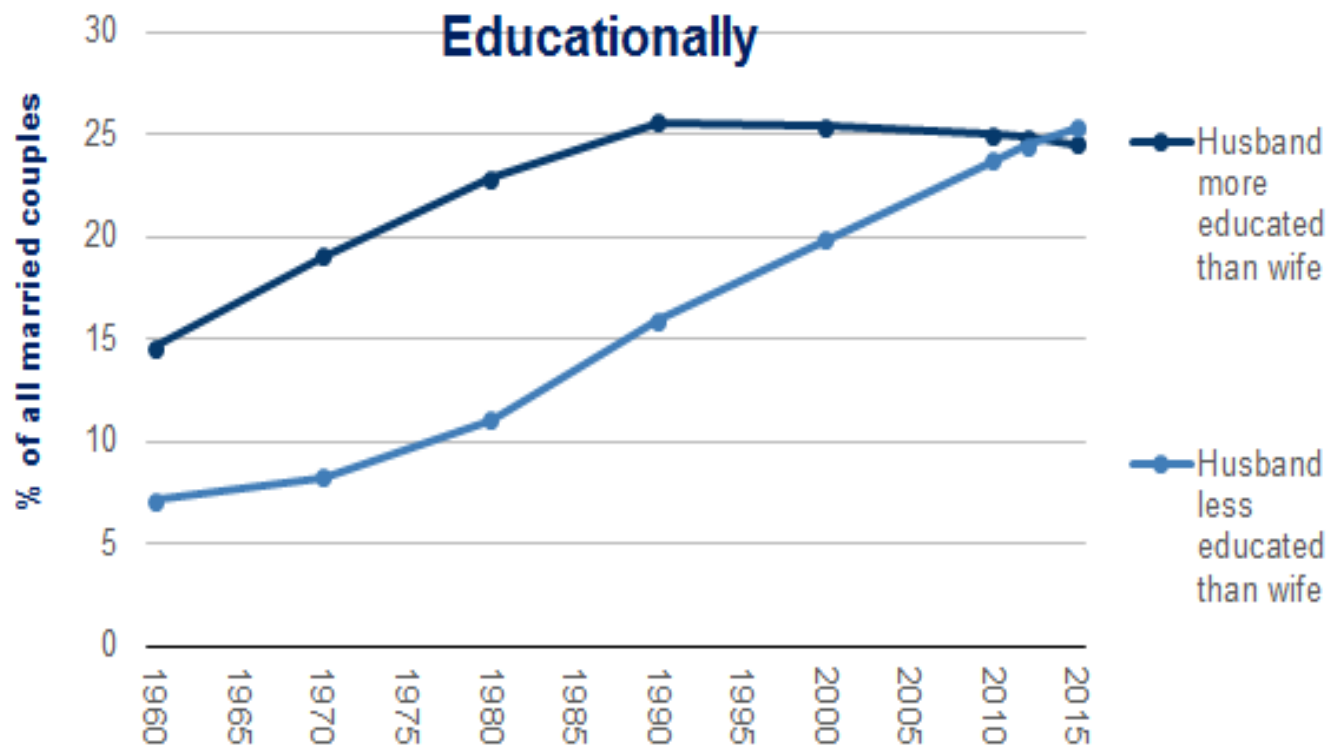
“The Tariffs are Insane”-

-Alan Greenspan, Former Fed Chief

“The Whole Concept Of The Balance Of Trade Is Absurd”

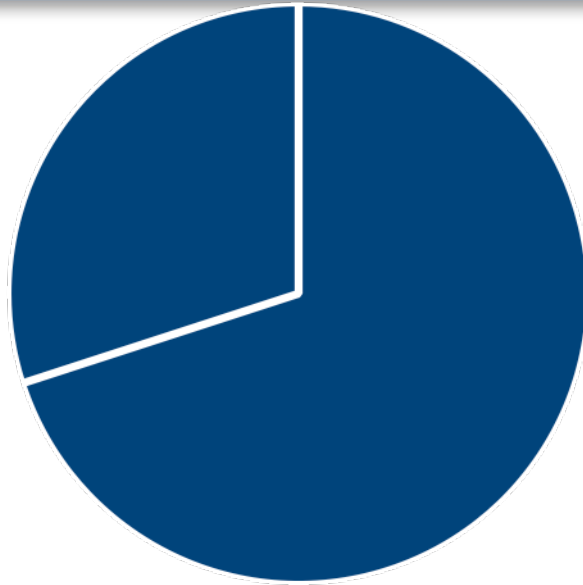
-Adam Smith, The **Father** Of Economics

## Record Share of Men "Marry Up" Educationally



Source: Wendy Wang. "A Record Share of Men Are 'Marrying Up' Educationally."  
Institute for Family Studies, Nov. 7, 2017.

# OUR ECONOMY



70%  
Consumer  
Driven



Middle class consumers are the job creators.

# GENERAL KNOWLEDGE

**GAS GAUGES:** A little gas pump icon and arrow tell you which side the gas cap is on.



# DEMOGRAPHICS

- Over the next 30 years, the population of working age people will slowly and steadily increase in the U.S. (without immigration, it shrinks.)
- It will be declining in many industrialized parts of the world, including Europe, China and Japan.

# IMMIGRATION STAT

Over 40% of the Fortune 500 were started by immigrants or their children.

At Intel's Science Talent Search less than 20% of the applicants had parents born in the U.S.

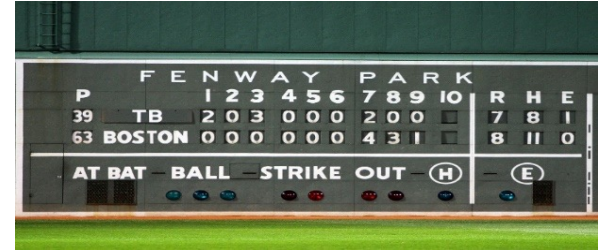
25% of the nation's physicians are foreign born.

FORTUNE  
**500**

# WHICH INNING?

This last expansion lasted 128 months, and this last bull market went on for just under 12 years. Both are the longest on record.

Since World War II the average  
Economic expansion was about 90 months

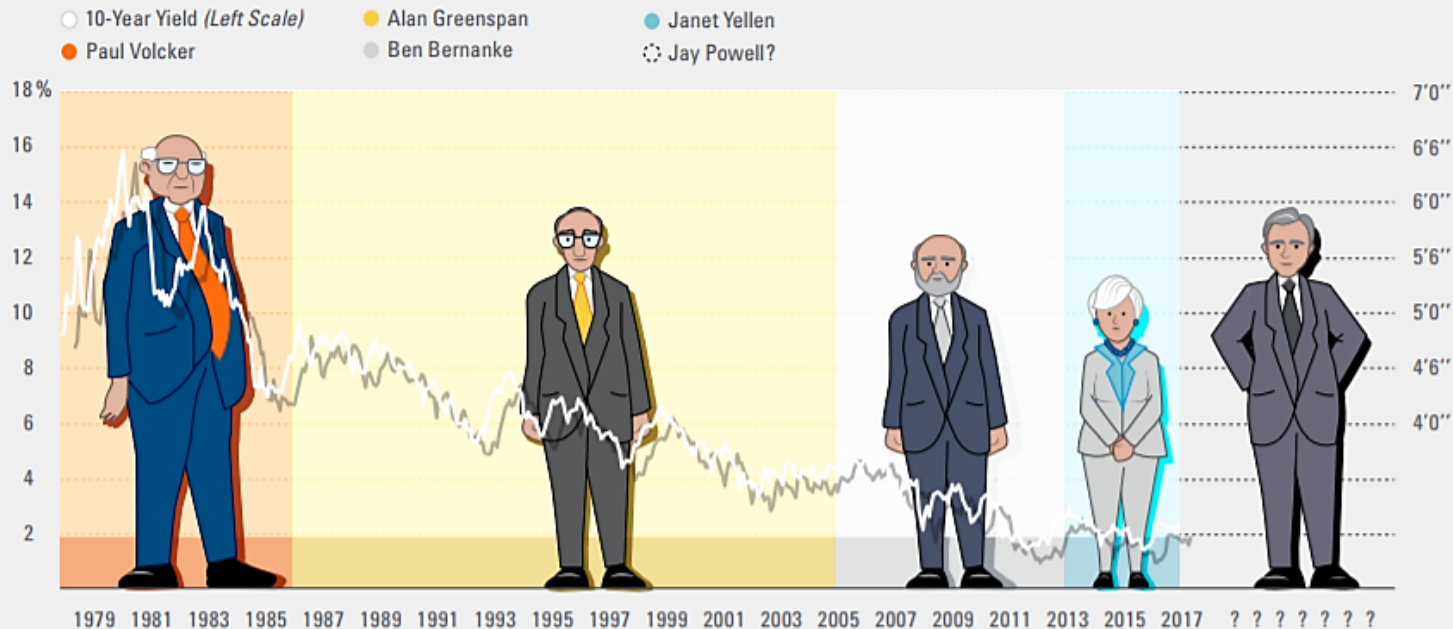




# TALLER RATES

2

**BOTH THE HEIGHT OF THE FED CHAIR AND RATES HAVE FALLEN OVER TIME, COULD A TALLER FED CHAIR MEAN RATES RISE?**

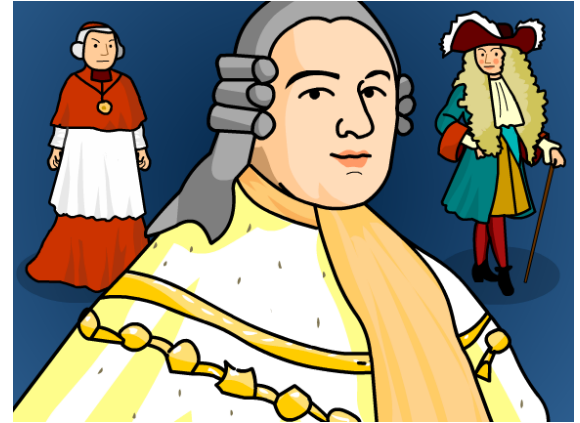


Source: LPL Research, Bloomberg 10/22/17

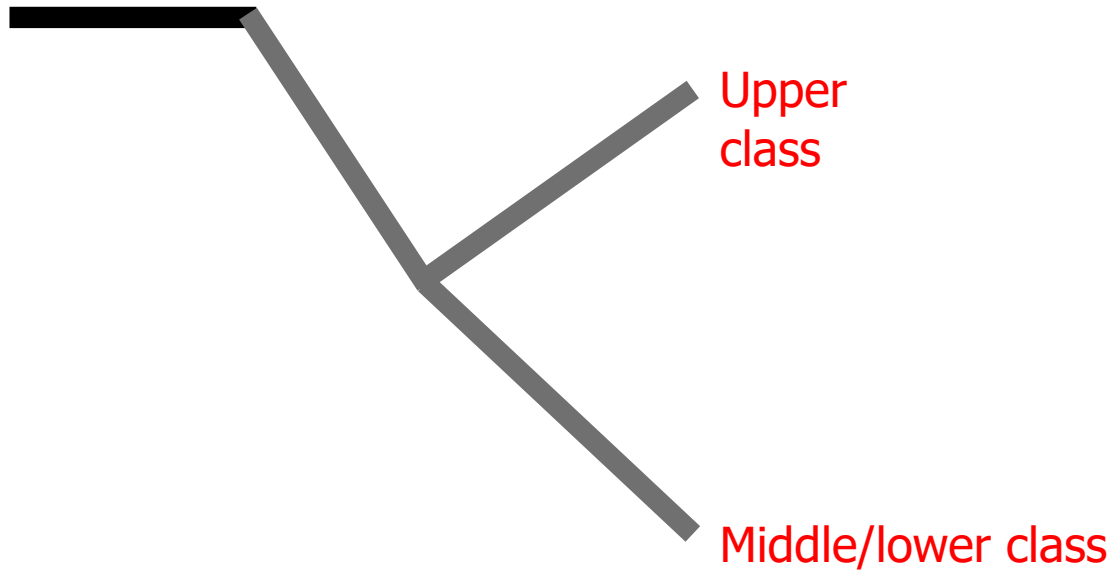
We don't actually believe that interest rates are determined by the height of the Fed chair, but it has been an interesting coincidence.

# SAVING CAPITALISM

- At the time of the French Revolution (1789) the top 3% of French “Elites” commanded 30% of the country’s wealth.
- Today, the top 3% in the U.S. own 40% of all wealth.



# K SHAPED RECOVERY ???



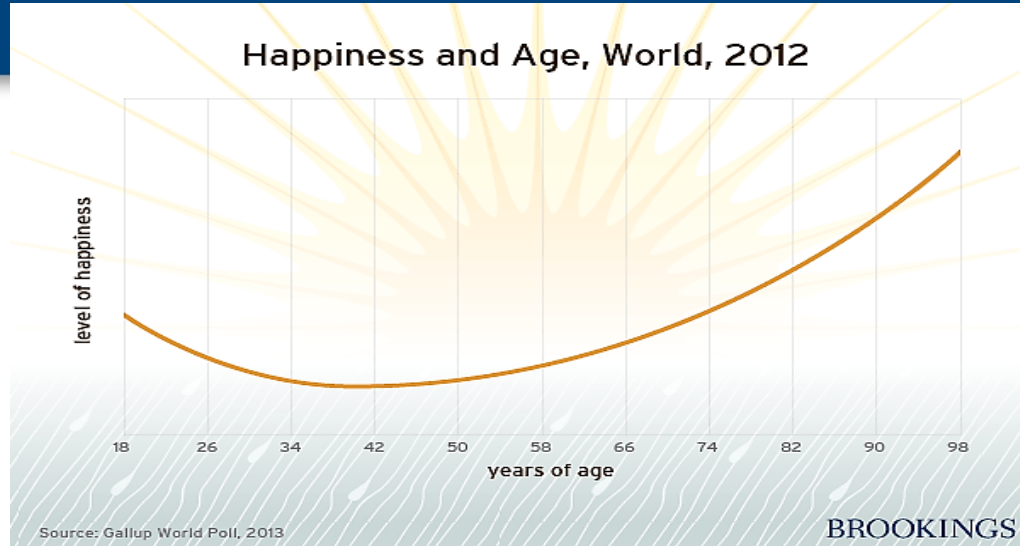
# PUBLIC PENSIONS

- There's about \$4 trillion in public pension funds
- The average public fund is between 70-75% funded
- The average public fund assumes a 7.25% annual investment return

# POLITICAL DECISIONS

- Issues with short-term payoffs get funded.
- Important issues such as early childhood education and firming up public pension systems won't reap benefits for years and years.
- Infrastructure. short-term benefits (more jobs) and long-term benefits (better, roads, bridges, connectivity, schools.)

# HAPPINESS AND AGE

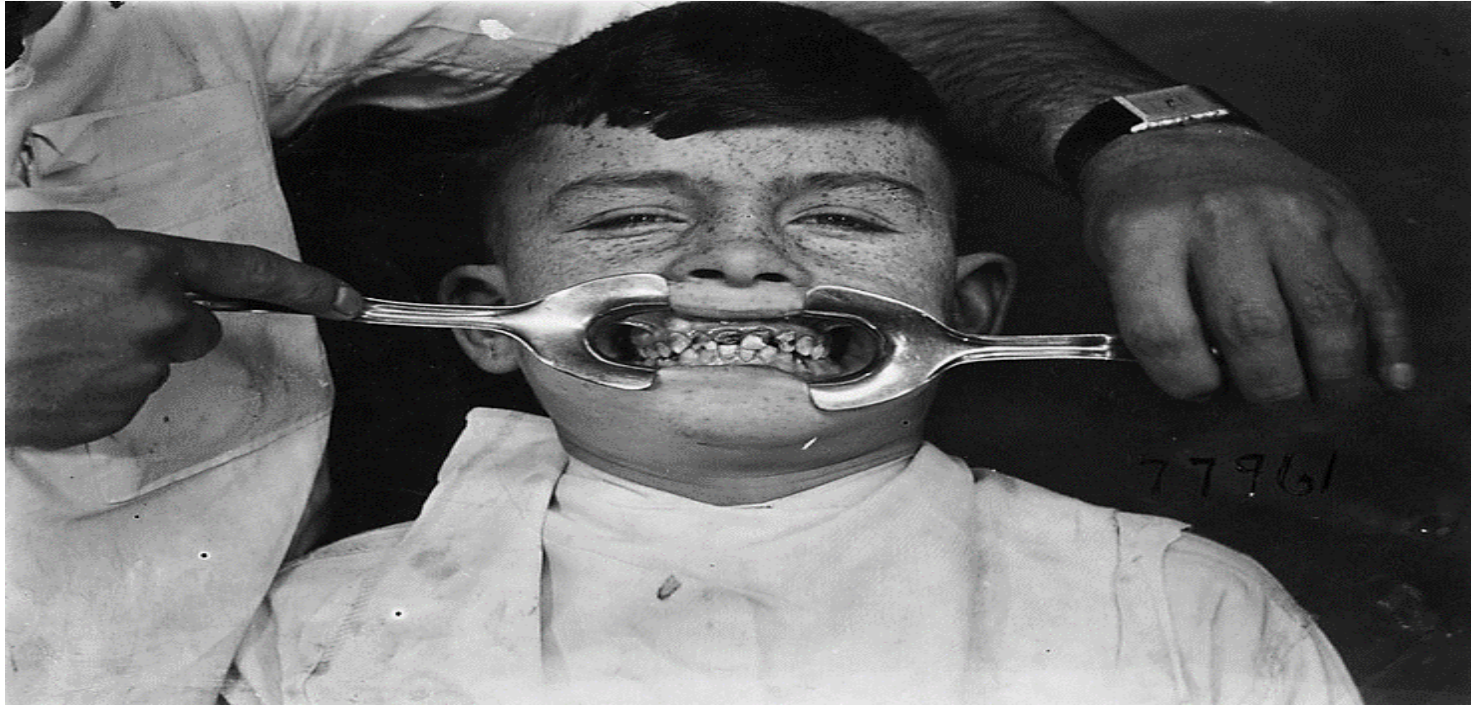


- Older people are happier and feel healthier when they are active and feel needed.
- A happy work-free retirement is a myth.

# NEW AND IMPROVED

- Things are getting better for most of us.
- The babies born in America today are the luckiest crop in history (Warren Buffett)
- The average American today enjoys access to better transportation, entertainment, communications and medical services than the robber barons did in the 1930's.

# THINK DENTISTRY

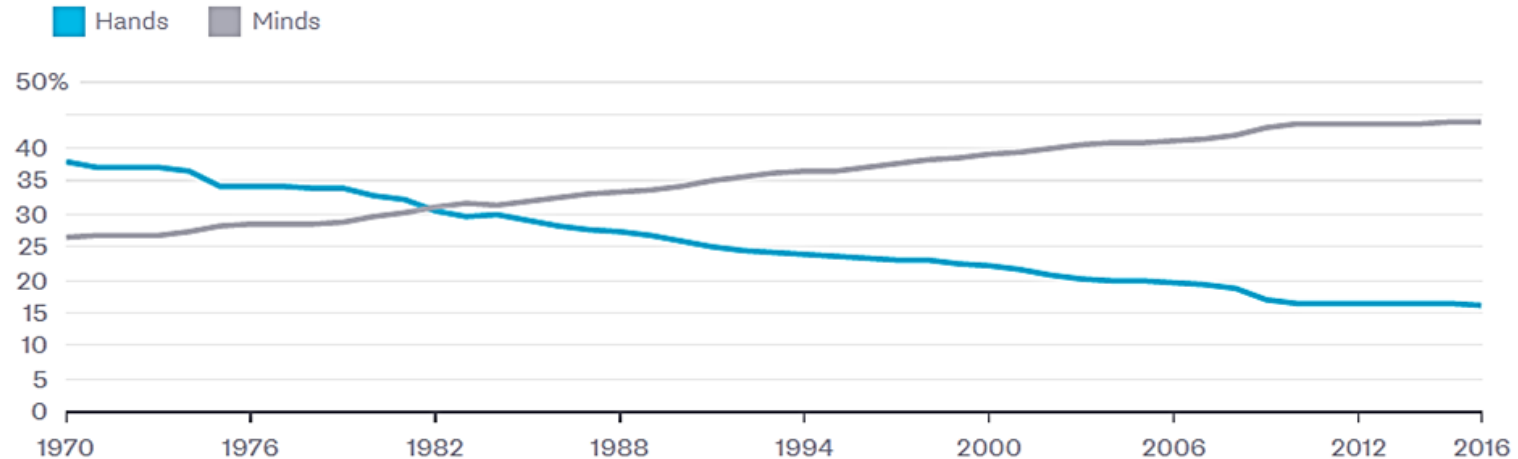




# THE SHIFT

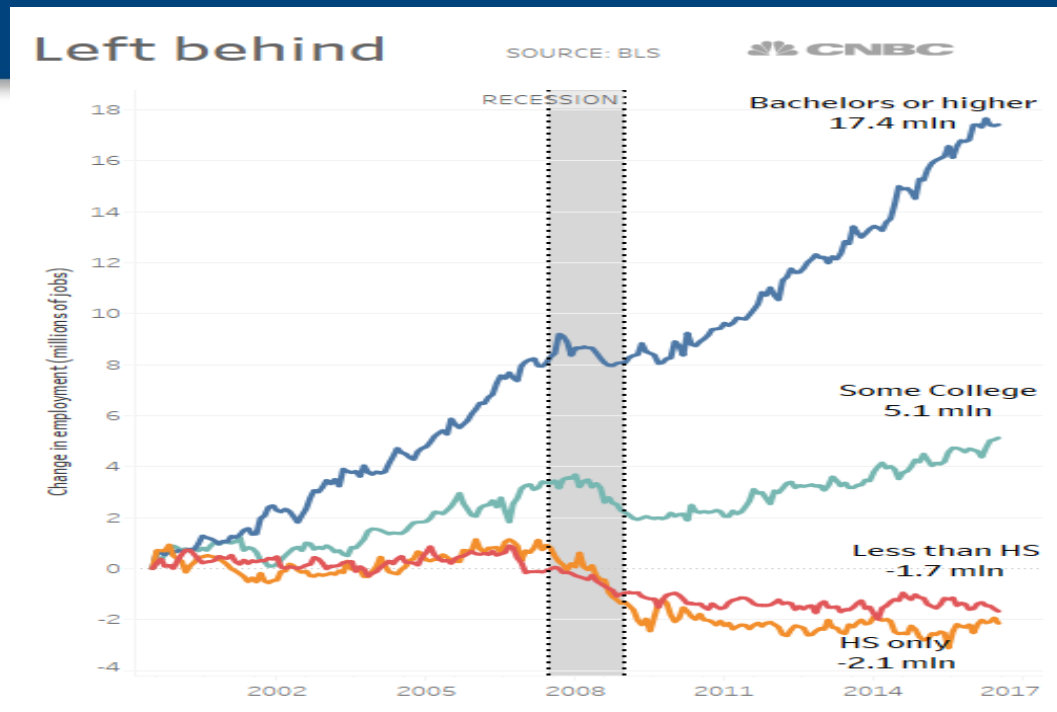
## From Hands to Minds

Percent of private nonfarm employment, by type of work



Source: Bureau of Labor Statistics. "Hands" sectors include mining and logging, manufacturing, and construction. "Minds" sectors include information, financial activities, professional and business activities, and education and health services. Excluded sectors: trade, transport and utilities; leisure and hospitality; other services.

# EDUCATION & WAGES



Source: CNBC

# GDP PROJECTIONS

	<u>2021</u>	<u>2022</u>
Bank Of America	6.0%	4.5%
Goldman Sachs	7.0%	2.4%

# WHY I LIKE SMALL CAPS



- ❑ Faster growth and higher historical long-term returns
- ❑ Management often owns a lot of shares
- ❑ More flexible as economic winds shift
- ❑ More likely to be bought out.
- ❑ Generally, more domestically focused
- ❑ Catalysts can “move the needle” for the company

# GREAT READING & SOURCES

## Popular Books

One Up On Wall Street, Peter Lynch (Simon & Schuster)

A Zebra in Lion Country, Ralph Wanger (Simon & Schuster)

The Money Masters, John Train (Harper & Row)

The Little Book That Beats The Market, Joel Greenblatt

## Analytical Books

The Intelligent Investor, Benjamin Graham (Harper & Row)

Security Analysis, Benjamin Graham (McGraw-Hill)

## Personal Favorite Sources

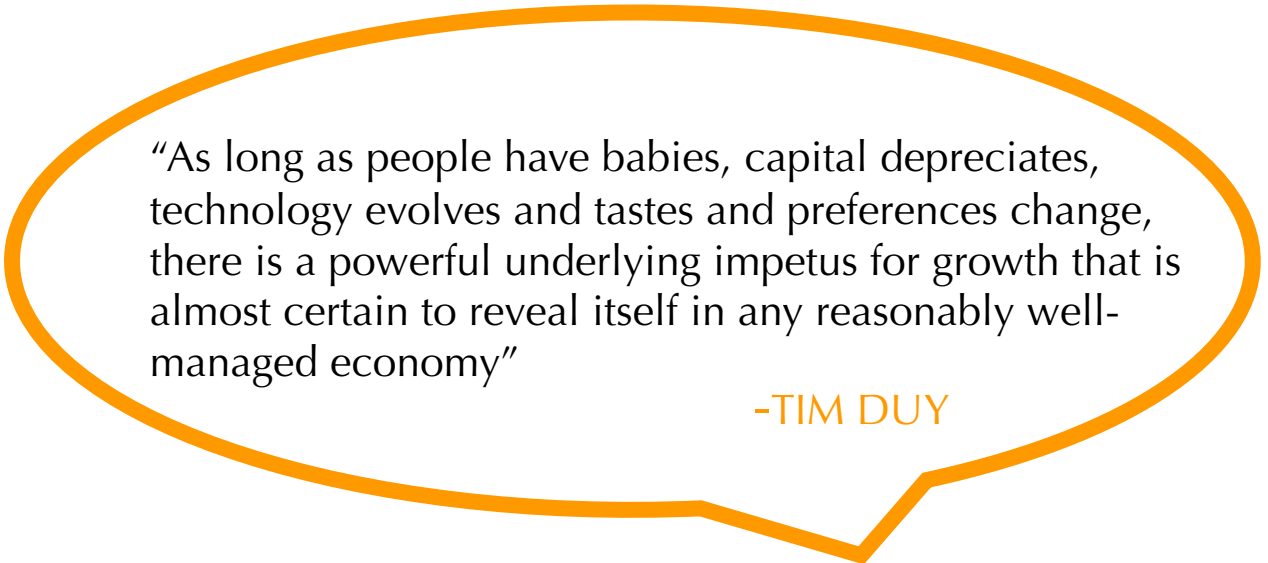
BARRONS, The Economist, The Christian Science Monitor.

Howard Marks' Memos ([www.oaktreecapital.com](http://www.oaktreecapital.com))

# DON'T SHORT THE U.S.

- Through every generation America has gotten successively bigger, more free, more diverse, more developed.
- Since 1776 anyone who has bet against the United States has lost.

# THINK ABOUT IT



“As long as people have babies, capital depreciates, technology evolves and tastes and preferences change, there is a powerful underlying impetus for growth that is almost certain to reveal itself in any reasonably well-managed economy”

-TIM DUY

Democracy And Capitalism Are The Only Systems That Work.

- **OUT TO LUNCH:**  
[itsneworleans.com](http://itsneworleans.com)

- **BURKENROAD REPORTS:**  
[burkenroad.org](http://burkenroad.org)

