

From Boom to Gloom

Wabash, Indiana

March 20, 2023

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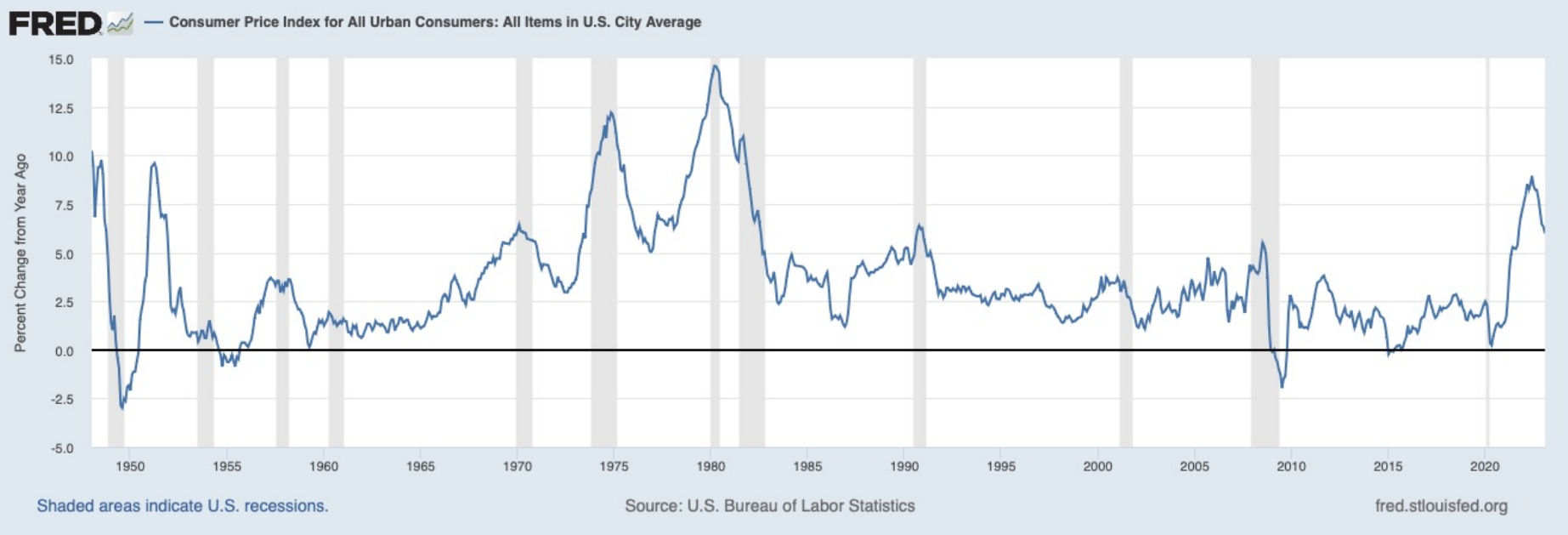


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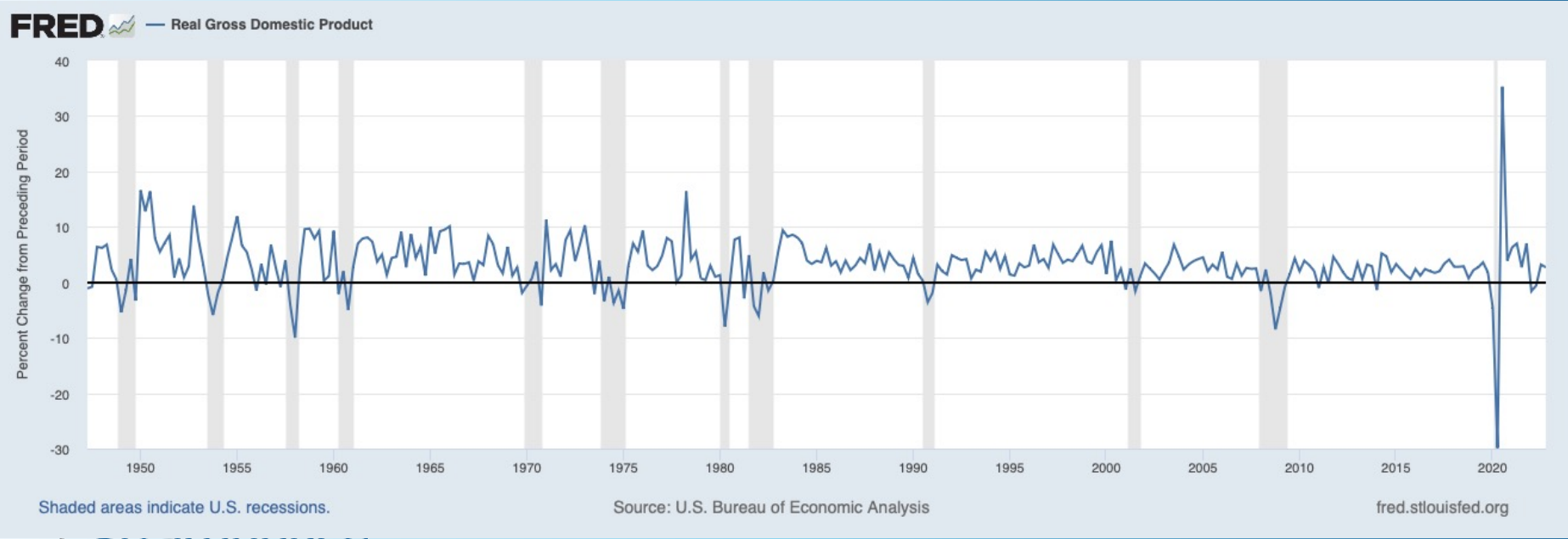
- Our approach is strategic allocation with periodic rebalancing with a disdain for forecasts.
- About 70% of our business is with individuals; about 30% with qualified retirement plans.
- We do asset management; financial and tax planning.

Current situation

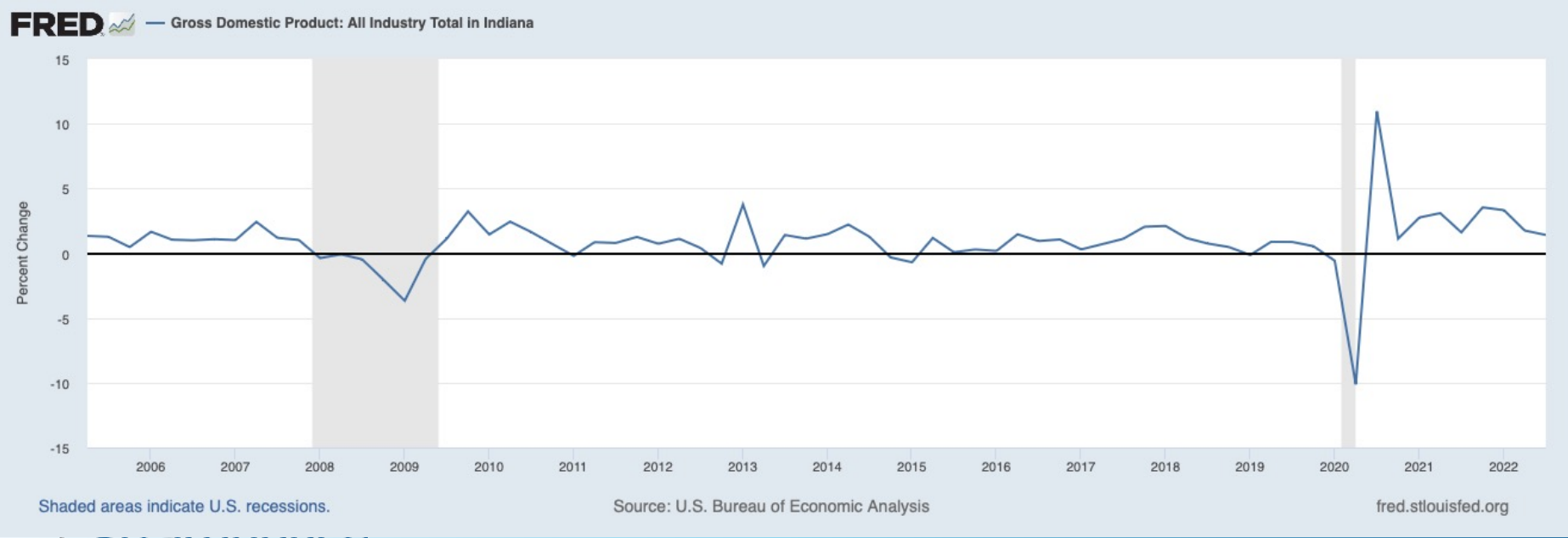
Inflation



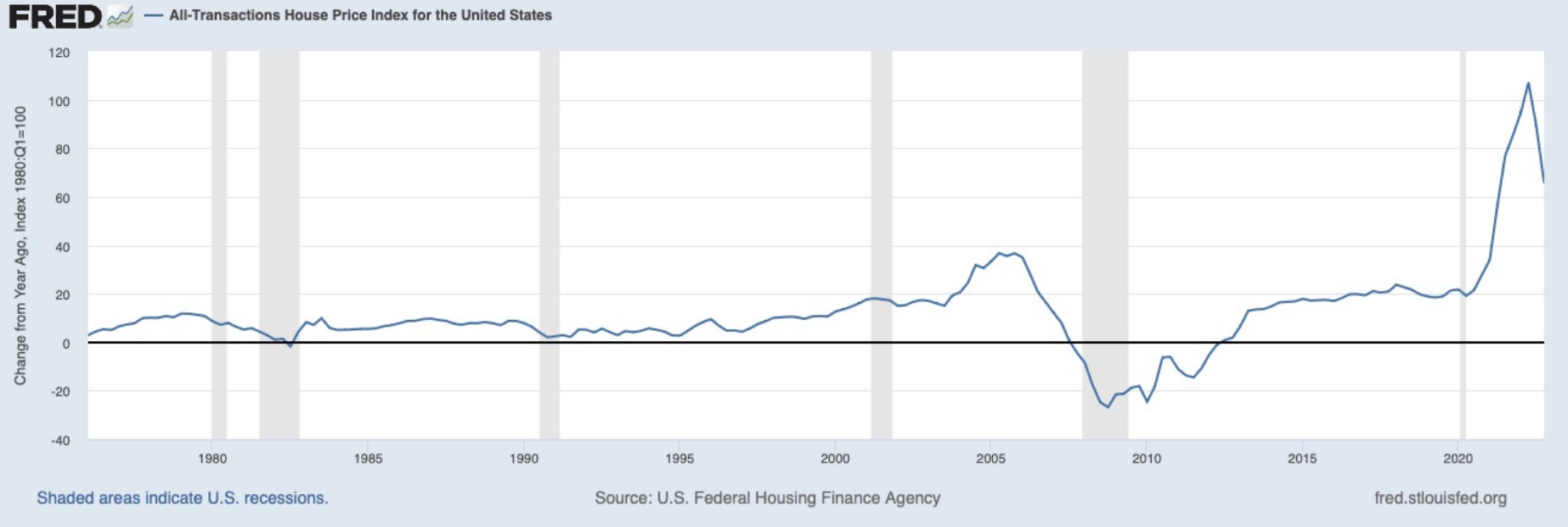
GDP



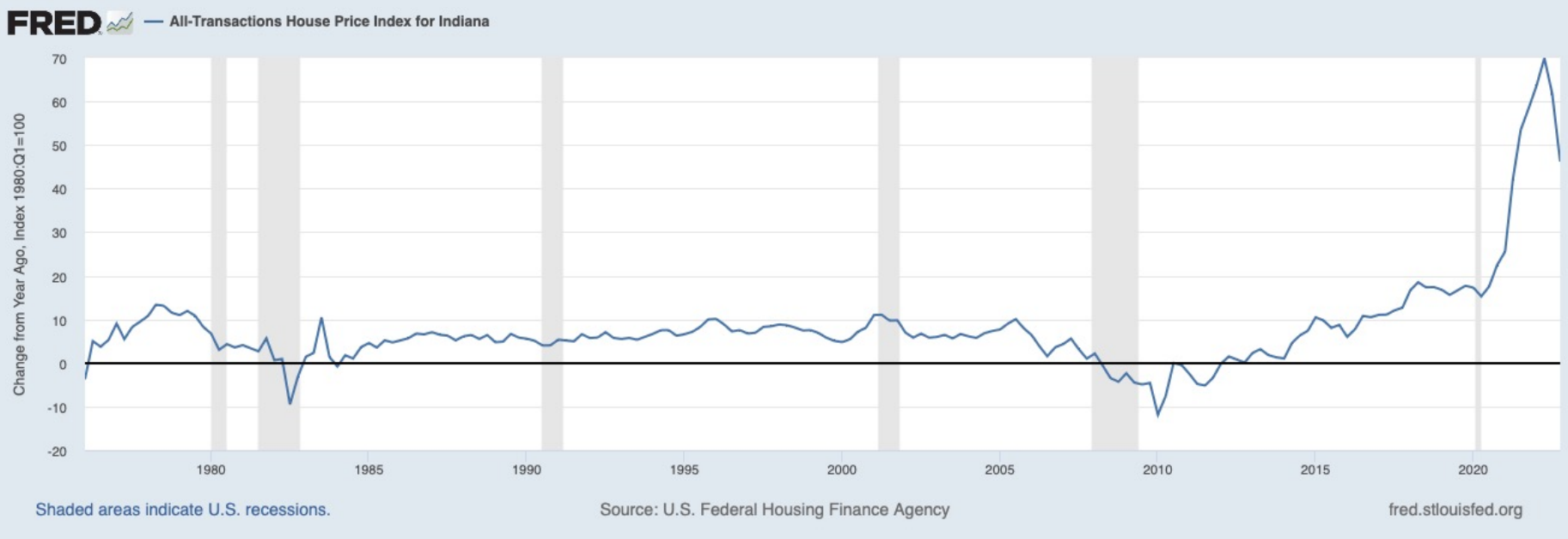
Indiana GDP



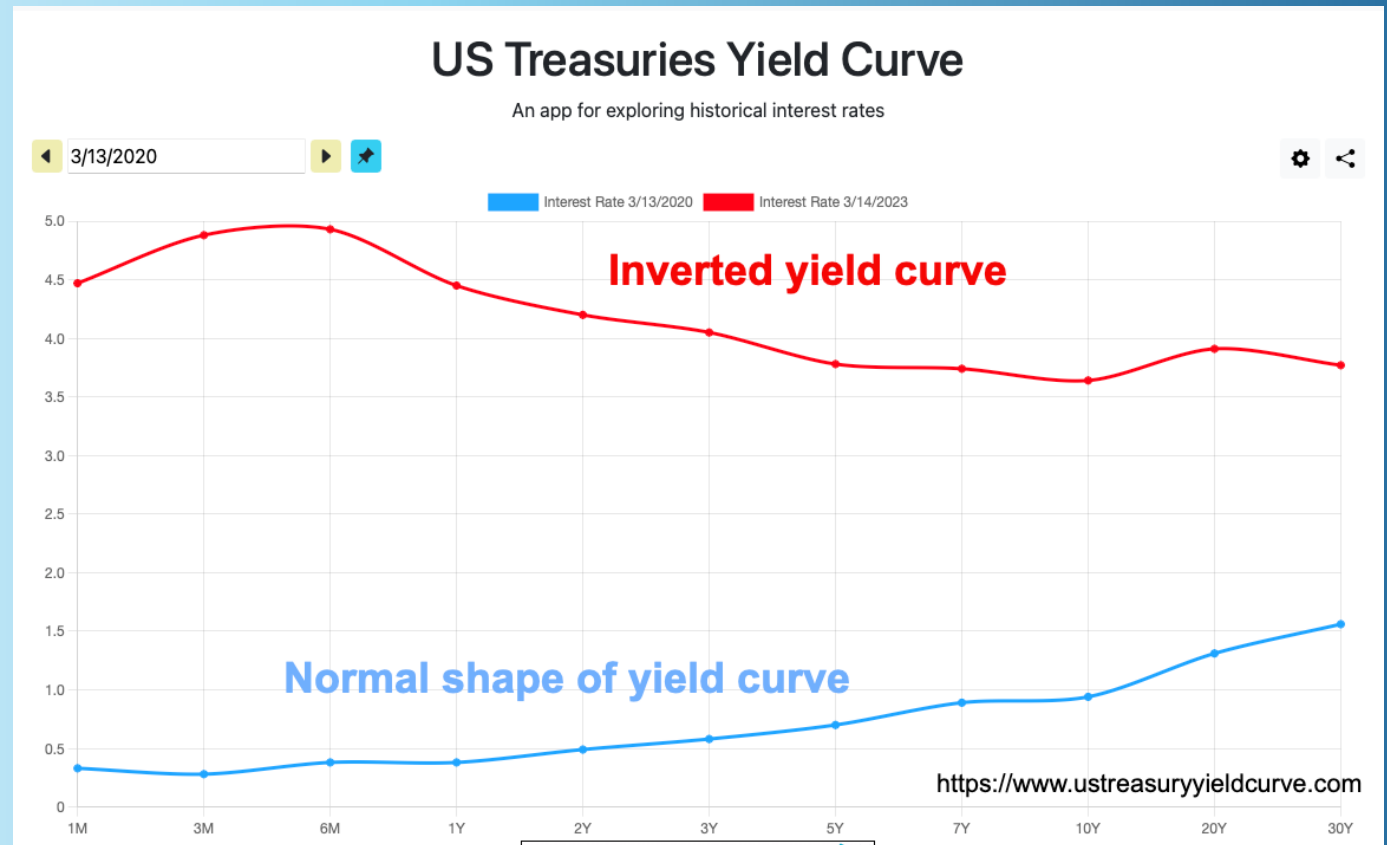
Housing



Indiana Housing



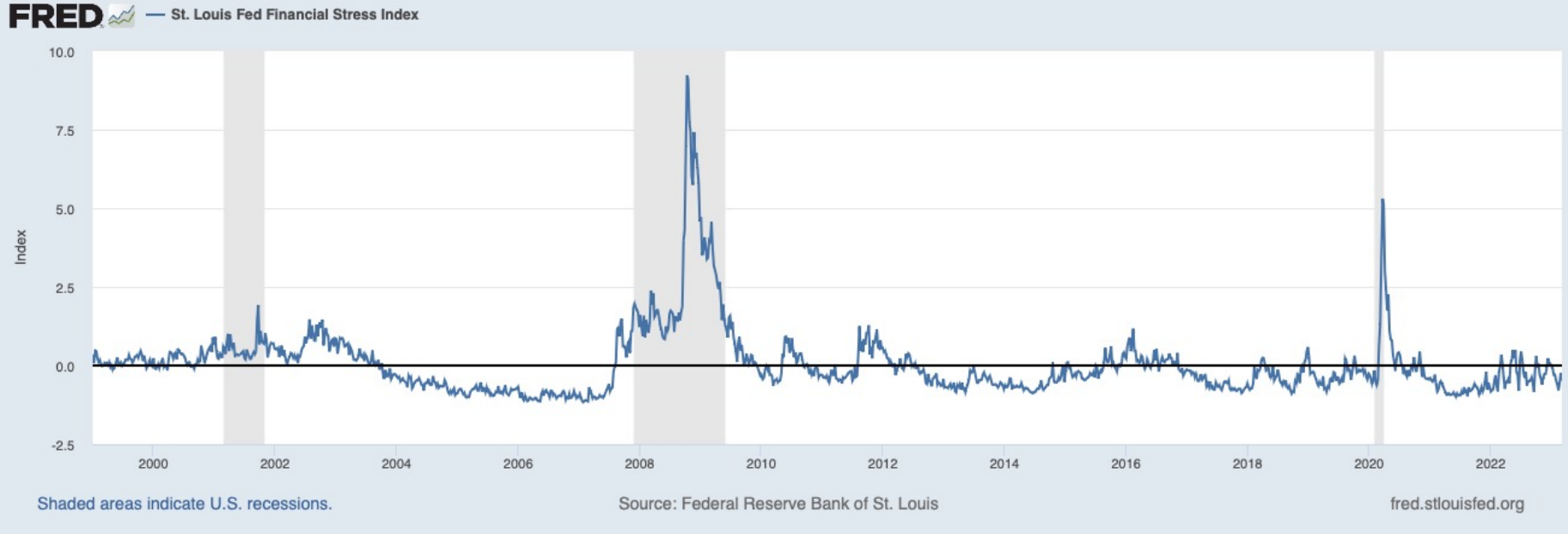
Yield Curve



Yield Curve



Financial Stress

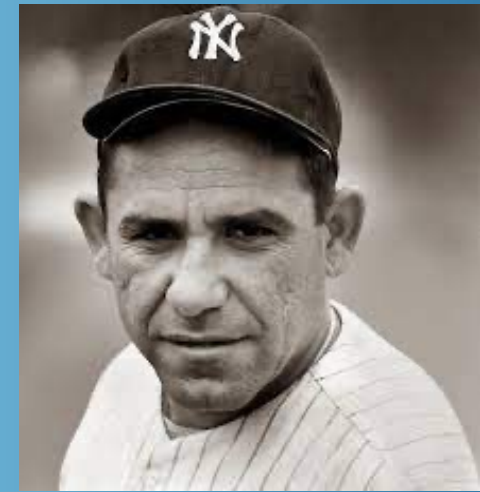


Beware the Forecasts



“The only function of economic forecasting is to make astrology look respectable.”

John Kenneth Galbraith



“Predictions are difficult,
especially about the future.”

Someone, maybe Yogi Berra

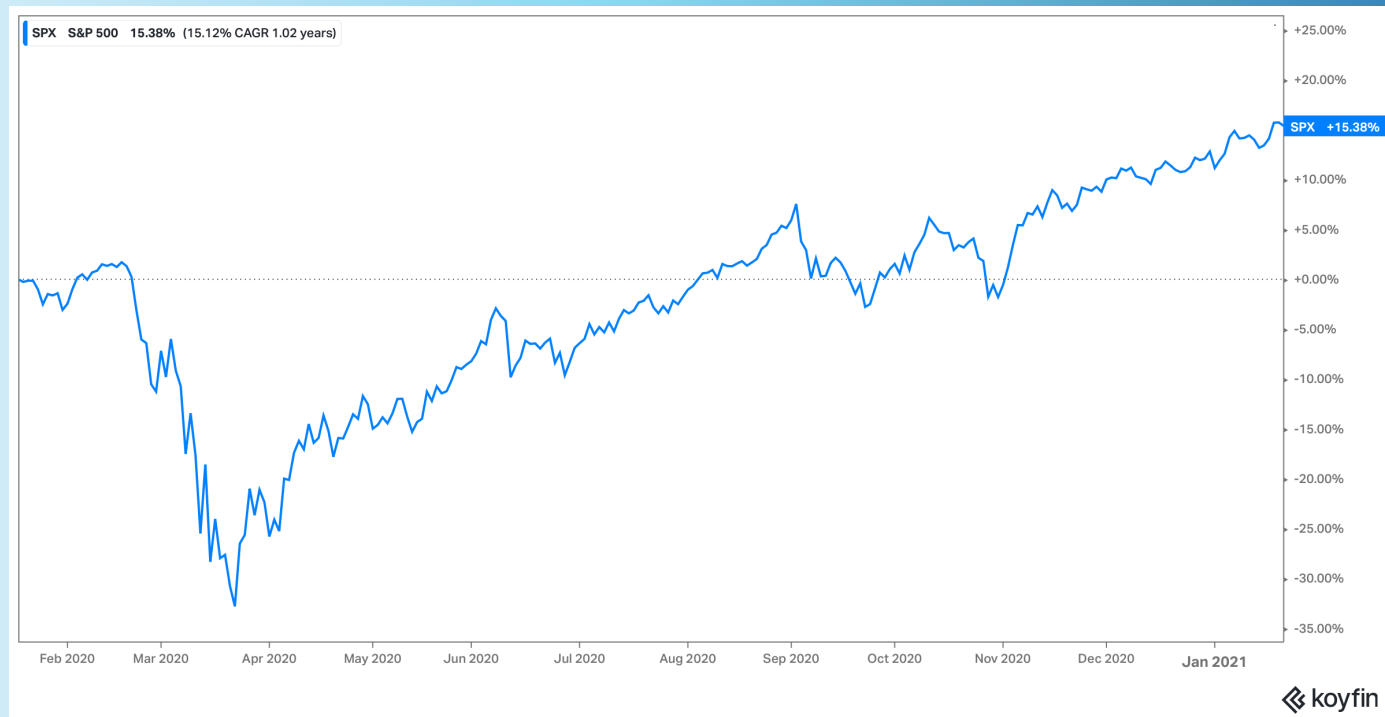
Especially difficult in finance

- Not only does the future have to be divined...
- Its impacts must be guessed

A thought experiment

- A worldwide event is going to occur that will kill millions of people
- The U.S. Presidential election will be contested
- The peaceful transition of power in the U.S. is threatened; the Capitol Building stormed

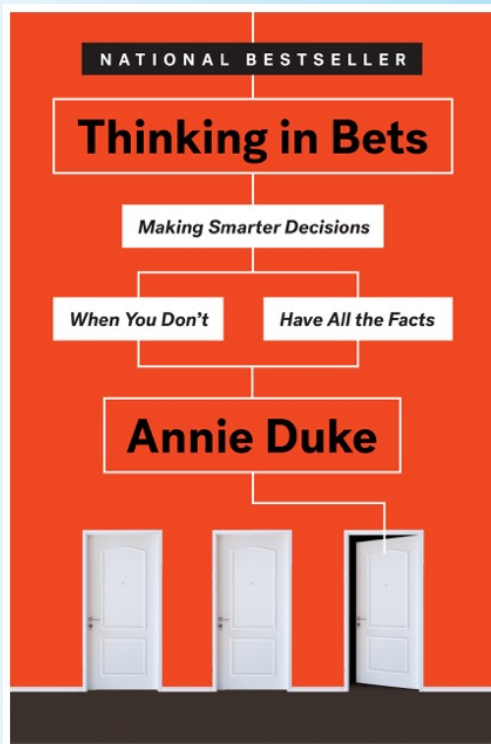
What actually happened



The Standard & Poor's 500 Index is a capitalization weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

Uncertainty

Thinking in Bets – Annie Duke



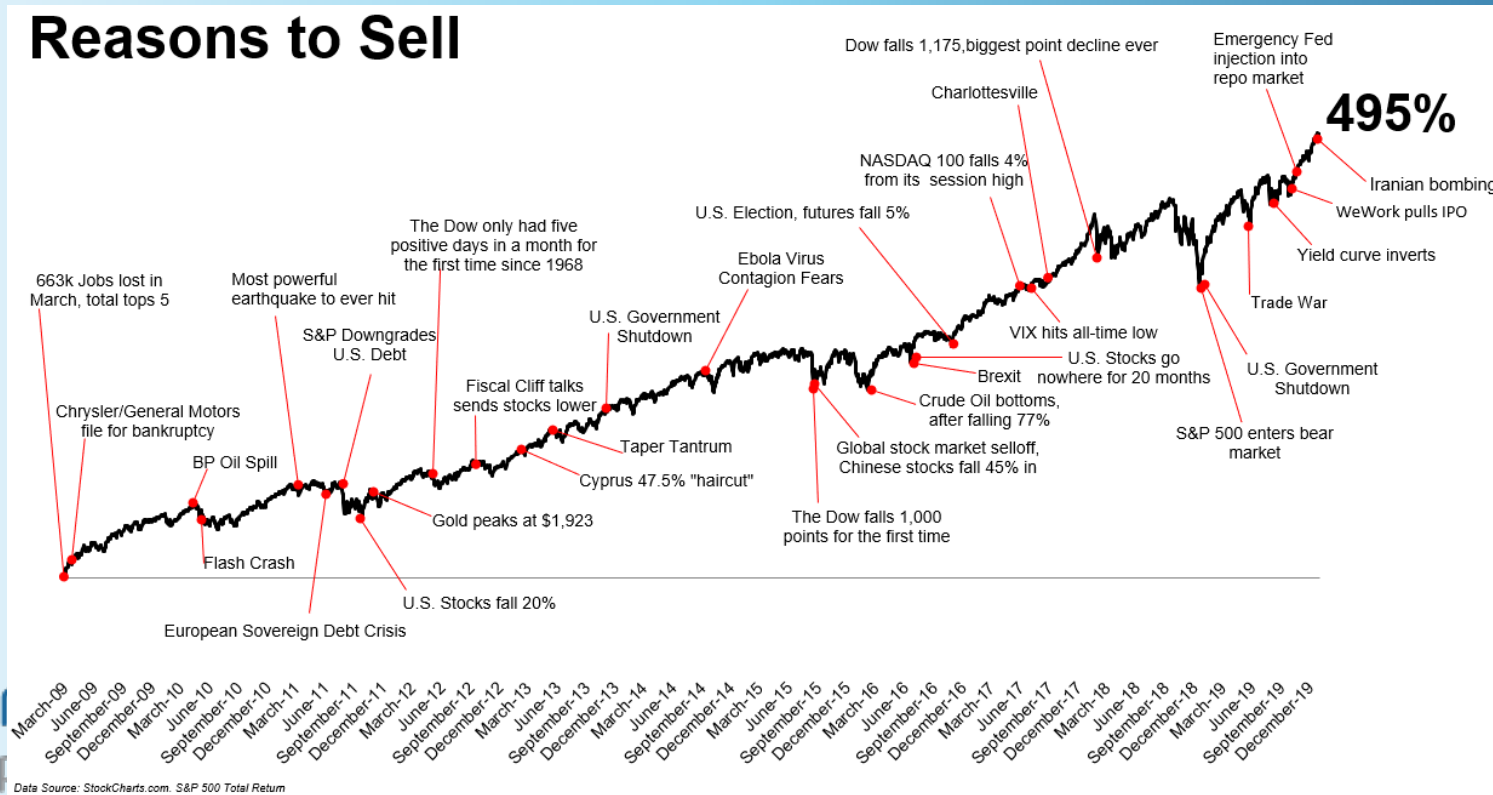
- If you had to wager a sum of money on the certainty of your forecast, how much would it be?
- How certain are you of your outlook?

Other thoughts

- Does your opponent/the other side possess no truth at all?
- Might there be something you don't know?
- What does the party buying/selling your stock from you know that you don't know?

Wall of worry

There are always reasons to be nervous



Stor
Cap

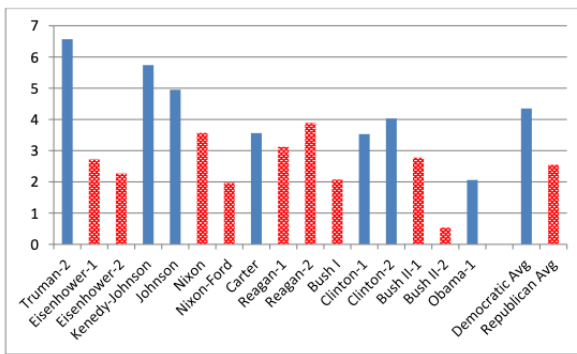
Presidential administrations

3.13.23 email from client

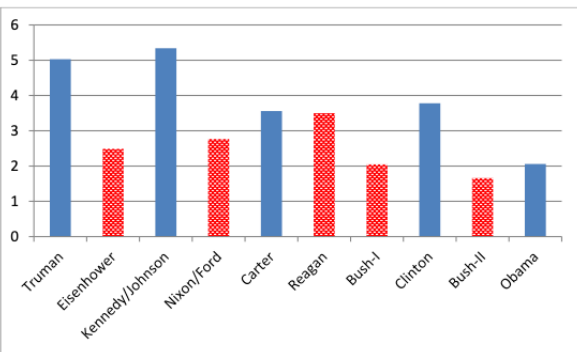
...anything but my retirement. Consider me as an emergency fund. I don't want to have to do nothing and need it and take a huge loss. I know you're not supposed to time the market but I almost want to get more in cash so there is no risk. Normally I am not worried about anything but **with this administration anything is possible.** I am starting to lose my normally aggressive risk tolerance. Feel free to tell me I am wrong and how nothing to worry about but I just don't know the odds. Hope all is

3.13.23 email from client

A. Average annualized GDP growth, by term



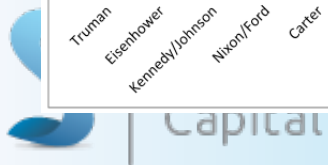
B. Average annualized GDP growth, by presidency



Presidents and the U.S. Economy: An Econometric Exploration
 Alan S. Blinder and Mark W. Watson
 NBER Working Paper No. 20324
 July 2014
 JEL No. E30,E60

ABSTRACT

The U.S. economy has grown faster—and scored higher on many other macroeconomic metrics—when the President of the United States is a Democrat rather than a Republican. For many measures, including real GDP growth (on which we concentrate), the performance gap is both large and statistically significant, despite the fact that postwar history includes only 16 complete presidential terms. This paper asks why. The answer is not found in technical time series matters (such as differential trends or mean reversion), nor in systematically more expansionary monetary or fiscal policy under Democrats. Rather, it appears that the Democratic edge stems mainly from more benign oil shocks, superior TFP performance, a more favorable international environment, and perhaps more optimistic consumer expectations about the near-term future. Many other potential explanations are examined but fail to explain the partisan growth gap.



More...

| PRESIDENT | DEMOCRATS | REPUBLICANS |
|--|------------------|--------------------|
| Roosevelt | 15.30% | |
| LBJ | 5.90% | |
| JFK | 4.50% | |
| Clinton | 4.40% | |
| Reagan | | 3.90% |
| Nixon | | 3.70% |
| Carter | 3.40% | |
| Eisenhower | | 3.30% |
| Trump | | 2.60% |
| GW Bush | | 2.40% |
| GHW Bush | | 2.30% |
| Obama | 1.70% | |
| Ford | | 1.50% |
| Truman | 1.20% | |
| Hoover | | -8.50% |
| Total | 36.50% | 11.20% |
| Annual Average | 5.20% | 1.40% |
| Ex-Hoover/Roosevelt | | |
| Total | 21.10% | 19.70% |
| Annual Average | 3.52% | 2.81% |
| Source: https://www.thebalancemoney.com/democrats-vs-republicans-which-is-better-for-the-economy-4771839#citation-56 | | |

Take hope

These are some things we know are true—or have been

- The U.S. economy is a strong and resilient one
- The economic pendulum repeatedly swings, and we'll often have recessions
- Stocks are potentially a suitable long-term investment
- Selling stocks in a panic is rarely a good idea
- Buying stocks when others are panicking has historically been a good long strategy

