
Greg Prost, Chief Investment Officer, Robinson Capital
313-821-7705; Gprost@robinsonfunds.com

Greg Prost is the Chief Investment Officer of the Traditional Fixed Income Group at Robinson Capital. Greg has over 30 years of experience investing in the bond market and oversees the core fixed income operation, including directing fixed income strategy and managing institutional portfolios.

Mr. Prost holds an MBA from Western Michigan University, as well as a BA in Economics from Kalamazoo College. Mr. Prost also is a CFA Charter holder and member of the CFA Society of Detroit.

Greg is a frequent speaker to Michigan Municipal organizations and is a member of the MMTA, MGFOA and the MACT. Greg is also the Investment Trainer for the national Treasurer’s association (APT US&C) Certified Public Funds Investment Manager (CPFIM) certification program.
Economic Cycle

- Growth
- Mature
- Slowing
- Recession
- Growth

Fed Raises Rates

You Are Here!

Fed Cuts Rates

GDP Trend
Economic Cycles

Source: Bloomberg, Robinson
Below Average GDP Growth

Source: BEA, Bloomberg, Robinson
Economic Cycles

Housing Market Index

Source: Bloomberg, Robinson
Economic Cycles

Recession Probability Index

Source: Bloomberg, Robinson
Economic Cycles

Combined Index - Leading, Housing and Recession Models

Source: Bloomberg, Robinson
GDP Cycle

Source: Bloomberg, Federal Reserve, Robinson
Net Worth Cycle

Source: BEA, Bloomberg, Robinson
Companies Buying Back Stock

What’s the source of the rally in the stock market since 2009? Buybacks

Cumulative net purchases of US corporate equities

$ billion

Note: Other domestic institutions includes Property-Casualty Insurance Companies, Life Insurance Companies, Private Pension Funds, Federal government retirement funds and state/local government employment defined benefit retirement funds

Source: FRB, Haver Analytics, DB Global Research
Mean Value of Wealth Holdings

Exhibit 9: Gains Go to the Top Income Bracket, not the Masses

Source: GMO
Net Worth vs. GDP

Source: BEA, Bloomberg, Federal Reserve, Robinson
Net Worth vs. GDP

Source: BEA, Bloomberg, Federal Reserve, Robinson
Interest Rates Have Helped

Source: Bloomberg, Federal Reserve, Robinson
Interest Rates Have Helped

Average 30-Year Mortgage Rate

Source: Bankrate.com, Bloomberg, Robinson
Interest Rates Have Helped

Bad Buying Conditions for Homes Due to interest Rates

Source: University of Michigan, Bloomberg, Robinson
Dual Mandate – Inflation & Employment

Personal Consumption Expenditures
Core Inflation Data

Fed 2% Target

Source: BEA, Bloomberg, BLS, Robinson
Dual Mandate – Inflation & Employment

Average Hourly Earnings - Private NFP
Production & NonSupervisory, yoy

Source: Bloomberg, BLS, Robinson
Dual Mandate – Inflation & Employment
Robinson Fed Funds Model

Fed Funds Estimate Using Modified Taylor Rule

Source: Bloomberg, Robinson
Economic numbers looking REALLY good. Can you imagine if I had long term ZERO interest rates to play with like the past administration, rather than the rapidly raised normalized rates we have today. That would have been SO EASY! Still, markets up BIG since 2016 Election!

8:01 AM - 8 Jan 2019
Federal Reserve Patterns
0% Rates Only for Short Maturities

Source: Bloomberg, Robinson
Yield Curve

Yield Curve Inversions Lead Recessions
10-Year less 3-Month Yield
Yield Curve

% of Short-term Yield Curve Inverted

100%

80%

60%

40%

20%

0%

Yield Curve Historical Changes

U.S. Treasury Bond Yield Curve: Early 90s Crisis

Oct 28, 1993

Time to maturity

Percent
Yield Curve

Fed Funds Rate vs. 2-Year Treasury

Source: Bloomberg, Federal Reserve, Robinson
Interest Rates

Fed Funds Rate vs. 2-Year Treasury

Source: Bloomberg, Federal Reserve, Robinson
Interest Rates

2-Year Government Bond History

Source: Bloomberg, Robinson
Figure 8: Market value of negative yield bonds as a % of total outstanding in Bloomberg Barclays Global Agg Index

Last obs is for cob September 05th

Source: Bloomberg, J.P. Morgan.
Negative Interest Rates?

Making investment decisions in a world with negative interest rates:

- With my awesome proposal, we only lose 0.4%!!
- Jump on it before it hits 0.6%!!
- Winning by not losing as bad
- Genius!
Opposites

"I'll tell you the meaning of life, if you tell me why bond prices drop when interest rates go up."
The Reason Interest Rates Can’t Rise Much
The Reason Interest Rates Can’t Rise Much

Source: BEA, Bloomberg, IMF, Robinson
The Reason Interest Rates Can’t Rise Much

Source: BEA, Bloomberg, Federal Reserve, Robinson
The Reason Interest Rates Can’t Rise Much

Source: Bloomberg, U.S. Treasury, Robinson
Protecting Your Portfolio

Risk #1 = Maturity Risk
A. Risk of Interest Rates Rising
B. Risk of Interest Rates Falling

Risk #2 = Credit Risk
The Risk of Not Getting Paid
The Risk Involved if Rates Rise

![Diagram showing the relationship between bond price and bond yield. As bond yield increases, bond price decreases. The diagram also indicates that higher bond yields can result in positive yields, while lower bond yields can result in negative yields.]
The Risk Involved if Rates Fall

Cash (3mo T-Bill) vs. 2yr Treasury

Source: Barclays Capital, Bloomberg, Robinson
Ladder the Portfolio
Callable Bonds
Should be Keeping Credit Risk to a Minimum
Risk Always Shows Up When Least Expected
You Should be Monitoring Credit Risk
The Future

Robinson Capital Corporate Disruption Index

- Singularity – Computers Superhuman
- Unlimited Free Energy
- Cured Majority of Cancers/Diseases
- 3D Printer in Most Homes
- Blockchain Tech Mainstreamed
- Fully Autonomous Vehicles
- Quantum Computer Useful
- Solar/Wind Competitive
- Artificial Intelligence Learning
- 1st Cancer Cures

We Are Here

Source: Robinson
Disclosure

Robinson Capital Management, LLC. is a registered investment advisor with the Securities and Exchange Commission (SEC) under the Investment Advisors Act of 1940. Registration with the SEC does not imply a certain level of skill or training. The opinions expressed in this presentation are those of Robinson Capital Management, LLC. The material presented has been derived from sources considered to be reliable, but the accuracy and completeness cannot be guaranteed.

Past performance does not guarantee future results. Opinions and forecasts are all subject to change at any time based on market conditions, and should not be construed as a recommendation of any specific security or sector. Investing in securities involves inherent risks, including the risk that you can lose the value of your investment. Any forecast, projection, or prediction of the market, the economy, economic trends, and fixed income markets are based upon current opinion as of the date of issue, and are also subject to change. Opinions and data presented are not necessarily indicative of future events or expected performance. Robinson Capital Management, LLC. cannot and does not claim to be able to accurately predict the future investment performance of any individual security or of any asset class. There is no assurance that the investment process will consistently lead to successful results. The investment return and principal value of the investment will fluctuate, thus an investor’s shares, or units, when redeemed, may be worth more or less than their original cost.

Robert A. Dye, Ph.D, Senior Vice President and Chief Economist, Comerica Bank

Robert is Senior Vice President and Chief Economist at Comerica Bank. He leads the Comerica Economics Department, which provides research and analysis vital to Comerica and its customers, as well as business leaders and policy makers throughout the country.

He provides commentary and research on the U.S. economy and the economies of California, Texas, Arizona Florida and Michigan – Comerica’s primary markets. His regular publications include the monthly U.S. Economic Update, the Comerica Economic Weekly, daily economic alerts and monthly state-level Economic Activity Indexes.

Robert joined Comerica in July 2011. Dye is a former director of the National Association of Business Economics and is Chairman of the Economic Advisory Committee of the American Bankers Association. He is past president of the Economic Club of Pittsburgh. A graduate of Marietta College, Dye earned a BS degree in Petroleum Engineering. He holds a master’s degree in Natural Resources from Ball State University and a doctorate in Energy Management and Policy from University of Pennsylvania. Dye is frequently quoted in national, regional and local media. You can follow him on Twitter @Comerica_Econ.
The Key Takeaways

1) Recession risk is rising globally
2) This includes the U.S.
3) The U.S. household sector is a buffer, but it is not impervious
4) Global monetary policy easing cycle with limited effectiveness
5) Cooler growth ahead for U.S. and Michigan
Economic Uncertainty has Increased Worldwide
Global Growth Has Stepped Down

Source: World Bank
Foreign Direct Investment Into U.S. and Recent Recessions

Source: World Bank
U.S. Current Conditions are Mixed, Broad Indicators Cycling Down

ISM Manufacturing and Non-Manufacturing Indexes

Source: Institute of Supply Management
The Positives and Negatives of 2019Q2 GDP

U.S. Real GDP Growth 2.0 Percent in Q2

Contribution to GDP

Non-Res. Fixed Investment
Res. Fixed Investment
Inventories
Net Exports
Government
Consumer Spending

Source: Bureau of Economic Analysis
Consumer Spending Boost in 4 of Last 6 Quarters

Source: Bureau of Economic Analysis
Most Likely Near-Term Outlook Ongoing Near-2-Percent Growth

U.S. Real GDP Growth, Annualized Percent Change

Source: Bureau of Economic Analysis, Comerica Economics
Job Growth to Ease

+136k in September, U. Rate 3.5 Percent

Payroll Employment, avg monthly diff, ths (L)  
Unemployment Rate, percent (R)  
Forecast

Sources: Bureau of Labor Statistics, Comerica Bank
What the Fed is Watching

1) Global economic cooling
2) Strong U.S. consumer spending
3) U.S. labor market dynamics are changing
4) Tepid inflation/inflation expectations
5) Other risks
6) Global monetary policy easing
October Interest Rate Forecast

Source: Federal Reserve, Comerica Economics
### Forecast Risks, the 360 View ...

<table>
<thead>
<tr>
<th>Downside Risks</th>
<th>Upside Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>• ROW growth, China, Japan, Europe</td>
<td>• Trade wars resolve</td>
</tr>
<tr>
<td>• Trade Wars</td>
<td>• Lower interest rates</td>
</tr>
<tr>
<td>• Stock market correction</td>
<td>• Business investment</td>
</tr>
<tr>
<td>• Inventory correction</td>
<td>• Consumer/business confidence</td>
</tr>
<tr>
<td>• Political meltdown</td>
<td>• Wealth effects</td>
</tr>
<tr>
<td>• Auto sector disruption GM/UAW strike</td>
<td>• Deregulation, including financial</td>
</tr>
<tr>
<td>• Layoffs accelerate</td>
<td>• Job growth stays strong</td>
</tr>
<tr>
<td>• Consumers and businesses lose confidence</td>
<td>• Fiscal stimulus, taxes and infrastructure</td>
</tr>
<tr>
<td>• Corporate sector, profits and debt</td>
<td></td>
</tr>
<tr>
<td>• Housing stalls</td>
<td></td>
</tr>
<tr>
<td>• Oil prices</td>
<td></td>
</tr>
</tbody>
</table>
Comerica State Indexes for July 2019

5 State Index Historical Values

Source: Comerica Bank
The opinions in this presentation are for general information only, are subject to change, and are not intended to provide specific investment, legal, tax or other advice or recommendations. The information contained herein reflects the thoughts and opinions of the noted authors only, and such information does not necessarily reflect the thoughts and opinions of Comerica or its management team. We are not offering or soliciting any transaction based on this information. We suggest that you consult your attorney, accountant or tax or financial advisor with regard to your situation. Although information has been obtained from sources we believe to be reliable, neither the authors nor Comerica guarantee its accuracy, and such information may be incomplete or condensed. Neither the authors nor Comerica shall be liable for any typographical errors or incorrect data obtained from reliable sources or factual information.