2019 MMTA Fall Conference

People. Purpose. Passion. The Flights of Success

Wed., Oct. 16, 2019 – 9:30 am: Investment Strategy: Are you Prepared?

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.

Investment Strategy: Are You Prepared?

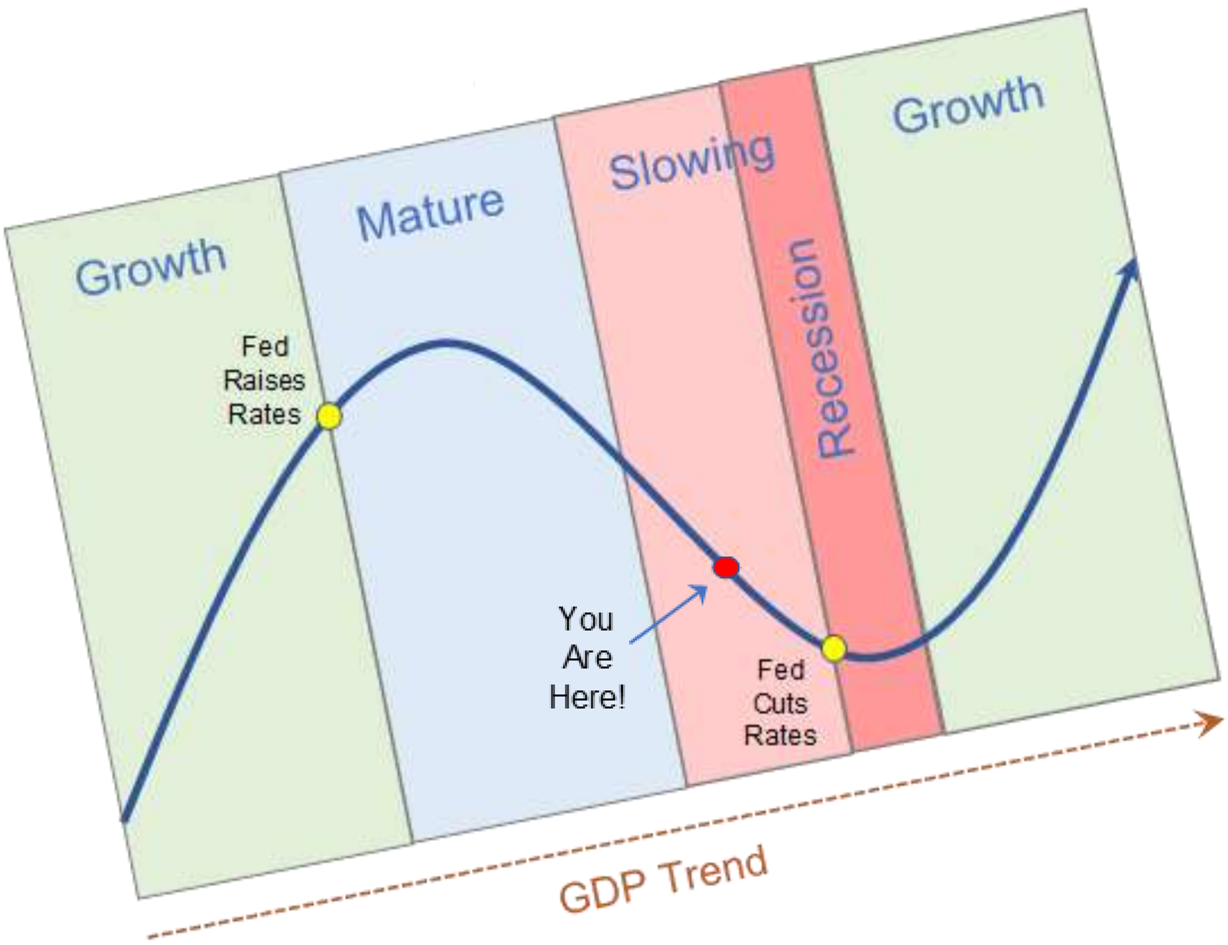
Presented by

Greg Prost
Chief Investment Officer

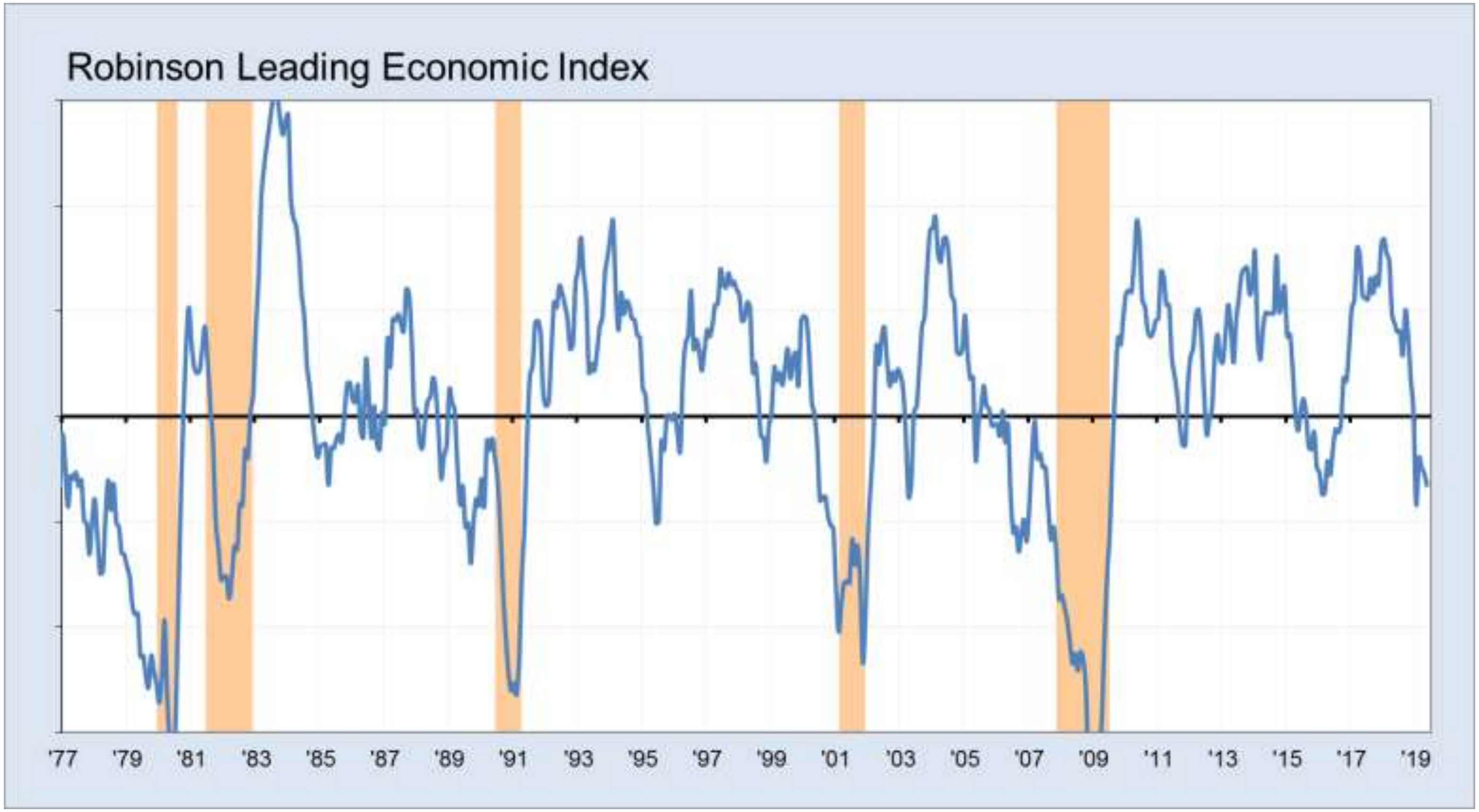
ROBINSON | CAPITAL

October 16, 2019

Economic Cycle

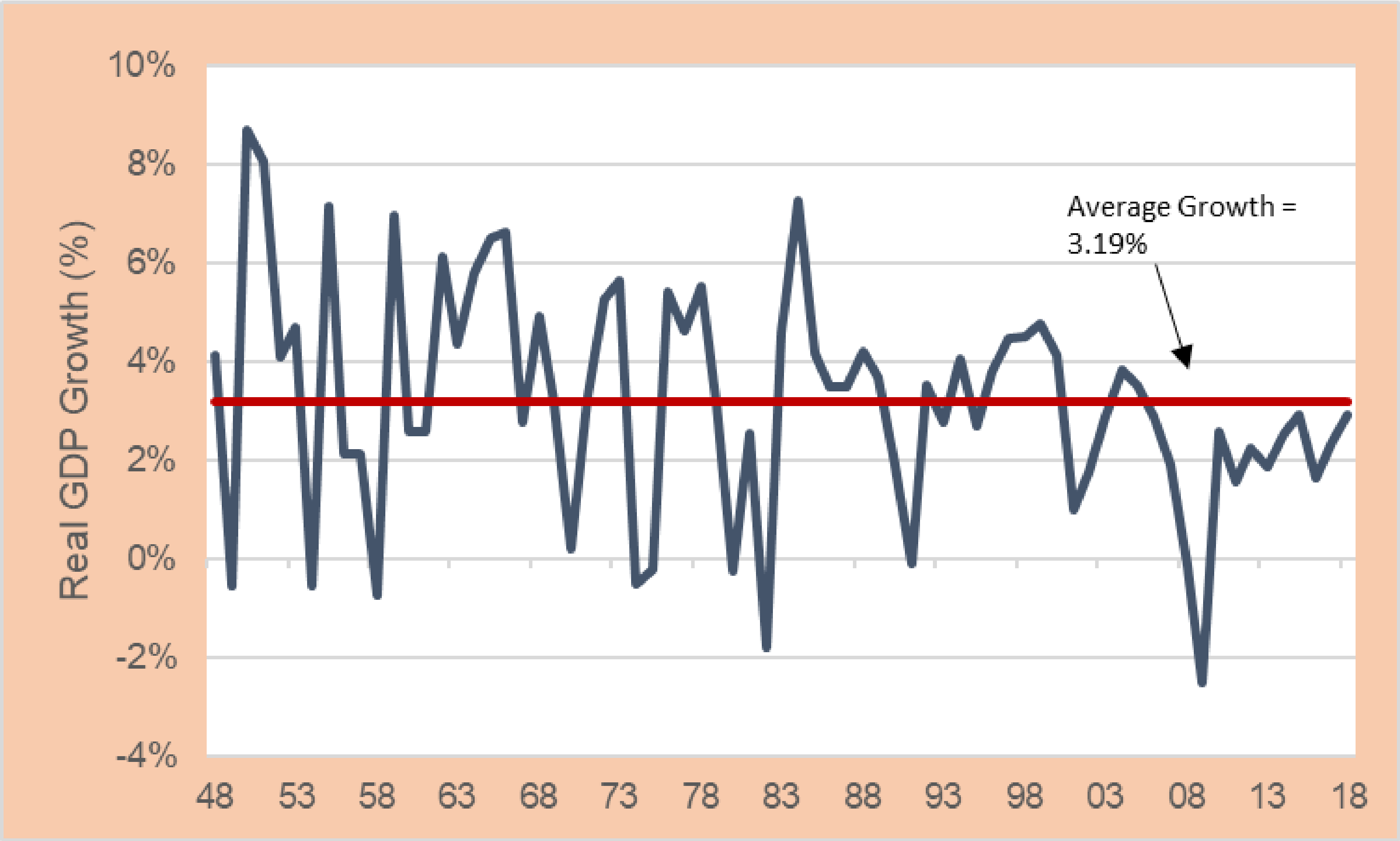


Economic Cycles



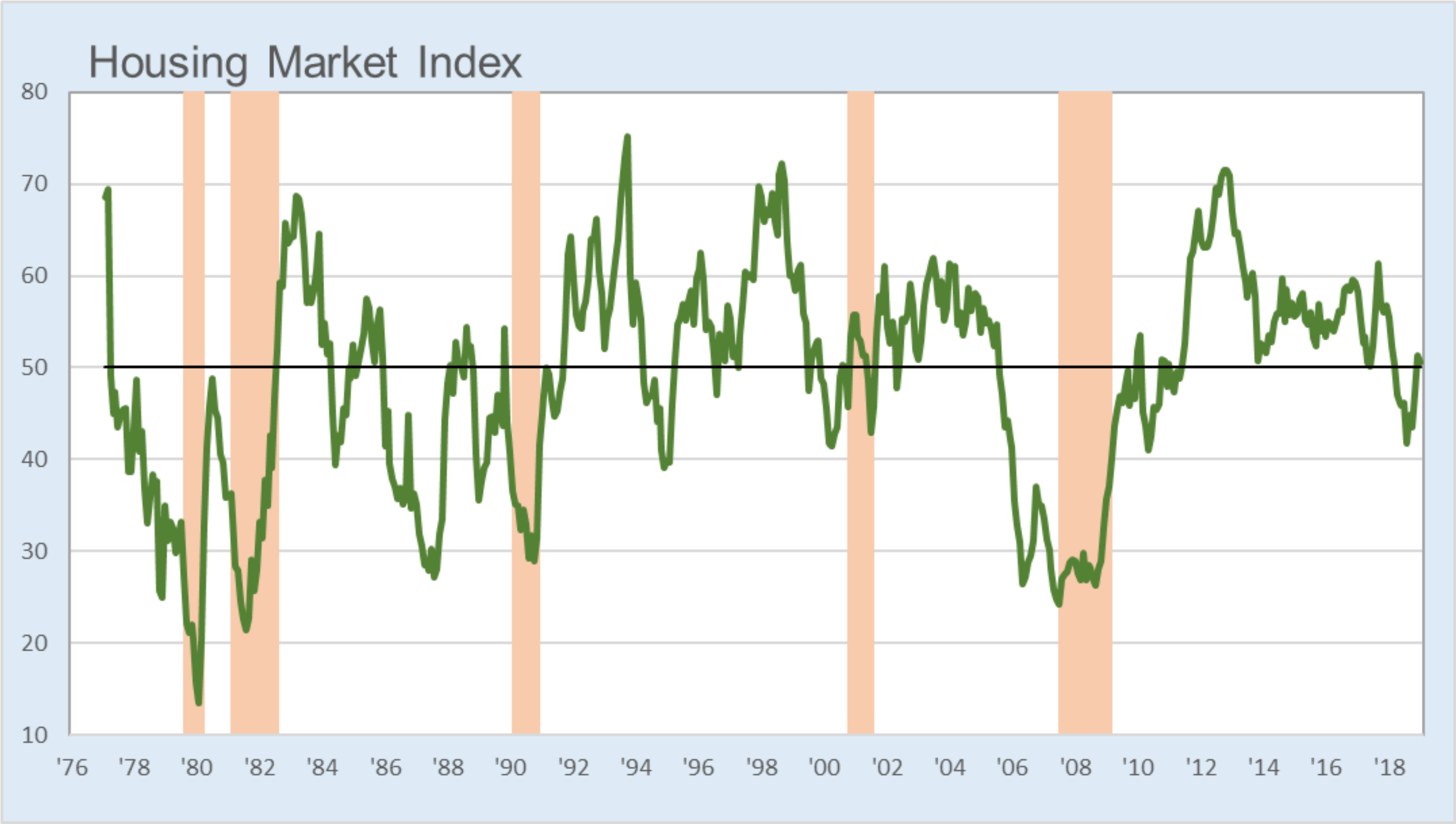
Source: Bloomberg, Robinson

Below Average GDP Growth



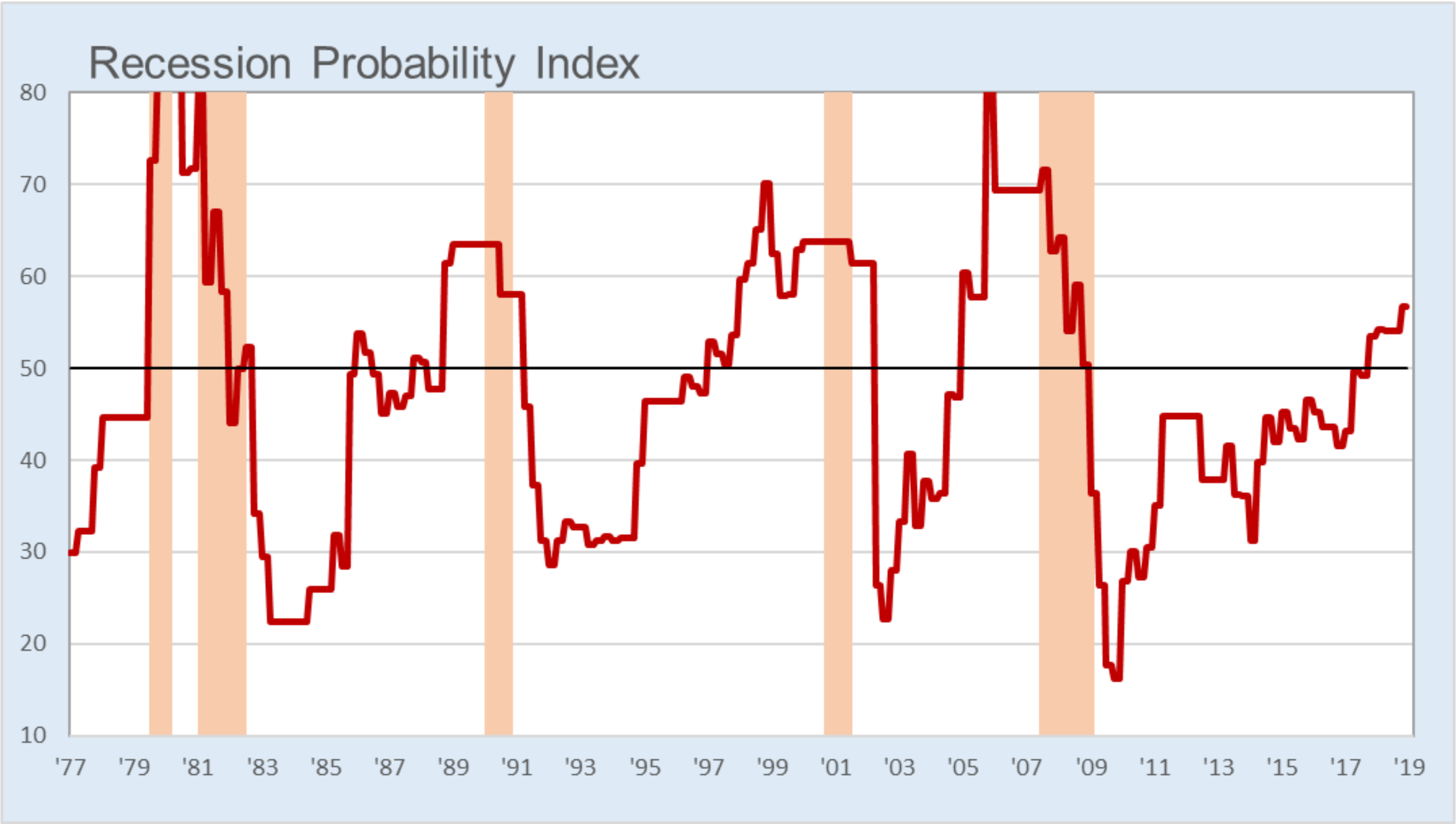
Source: BEA, Bloomberg, Robinson

Economic Cycles



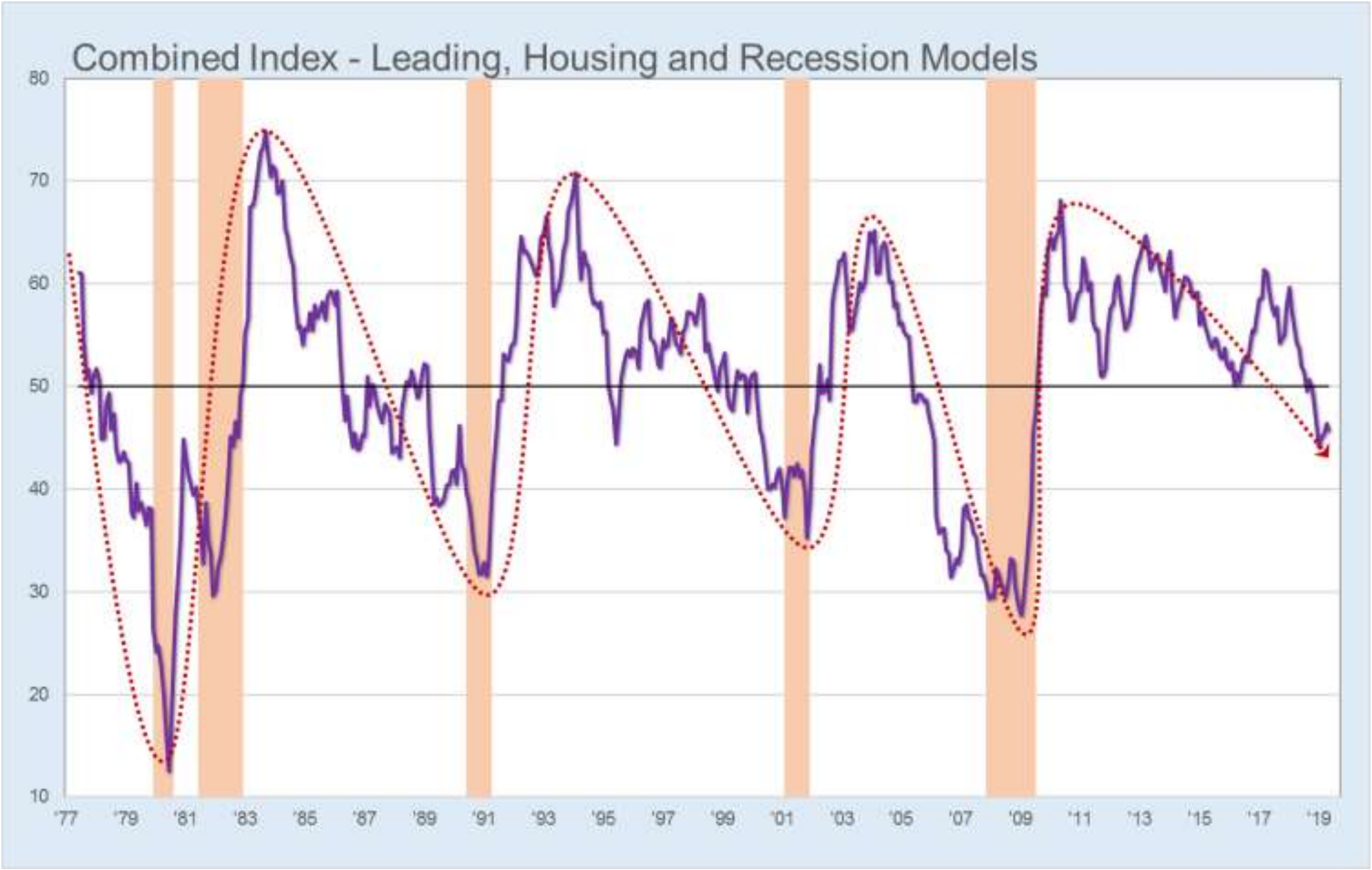
Source: Bloomberg, Robinson

Economic Cycles



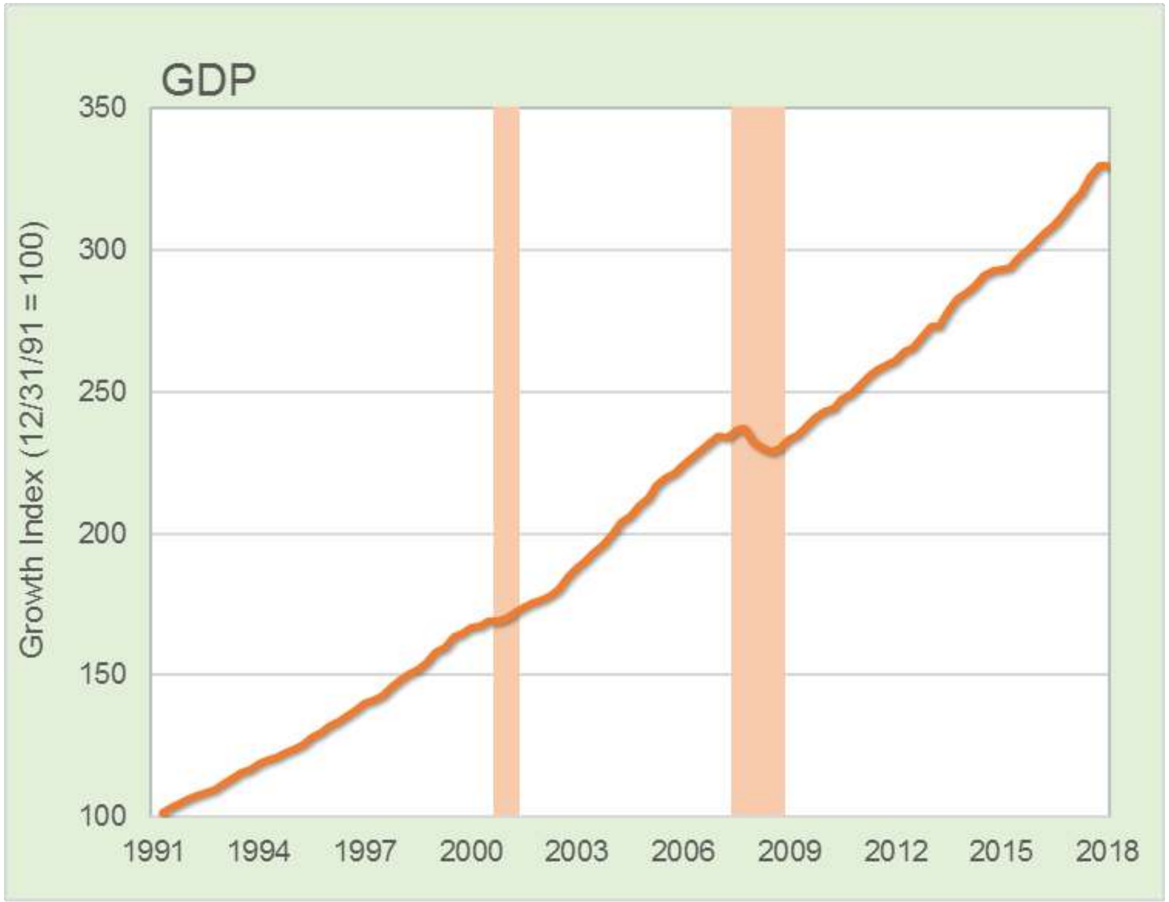
Source: Bloomberg, Robinson

Economic Cycles



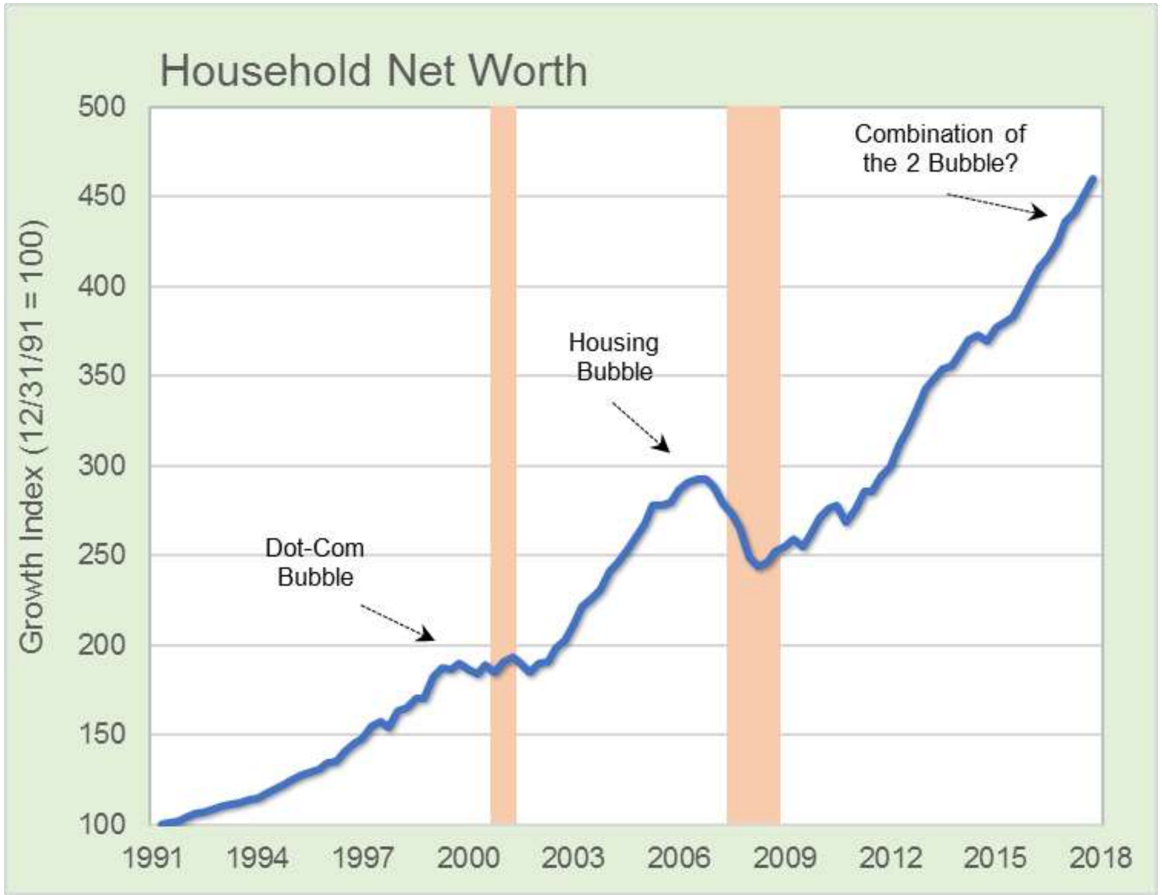
Source: Bloomberg, Robinson

GDP Cycle



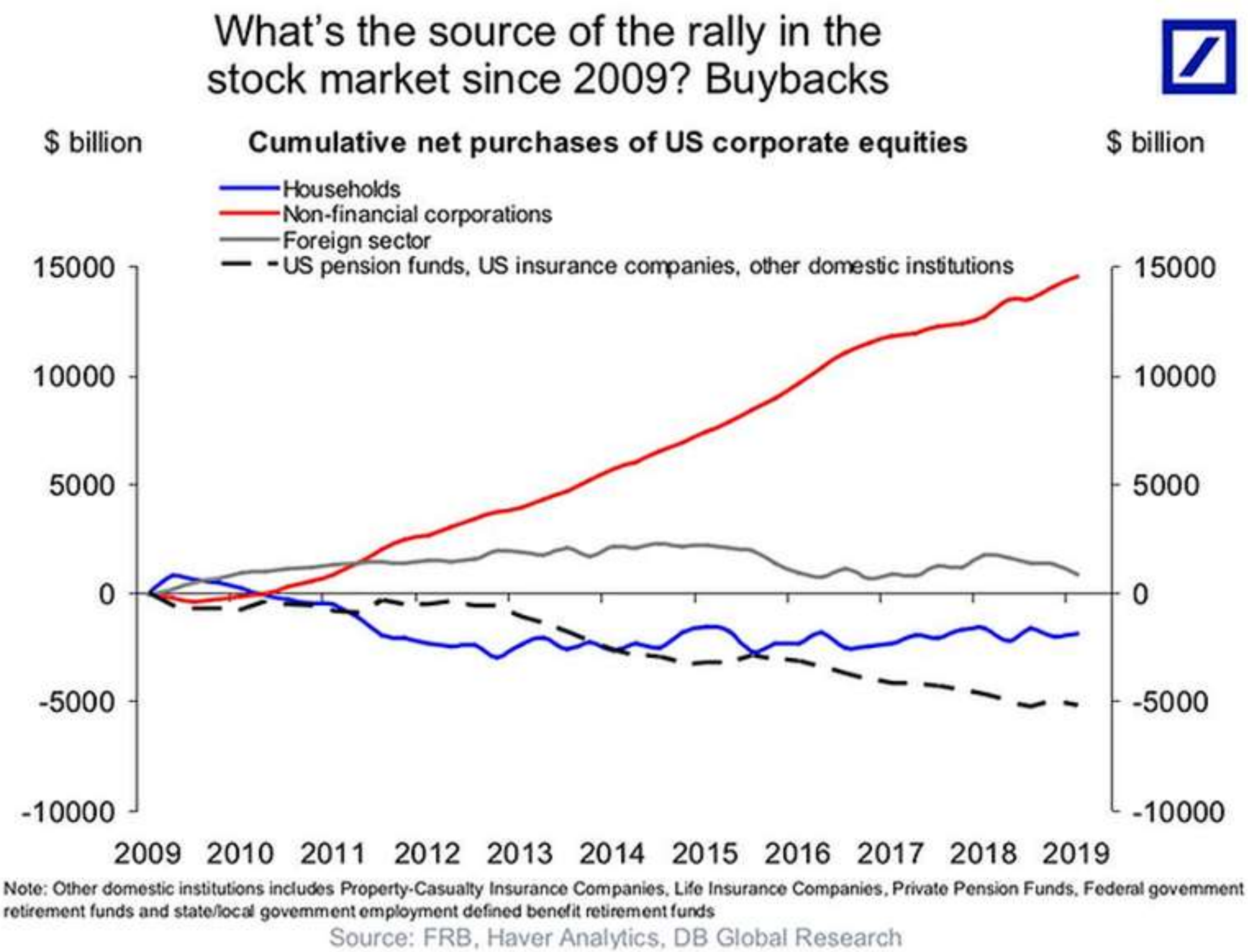
Source: Bloomberg, Federal Reserve, Robinson

Net Worth Cycle

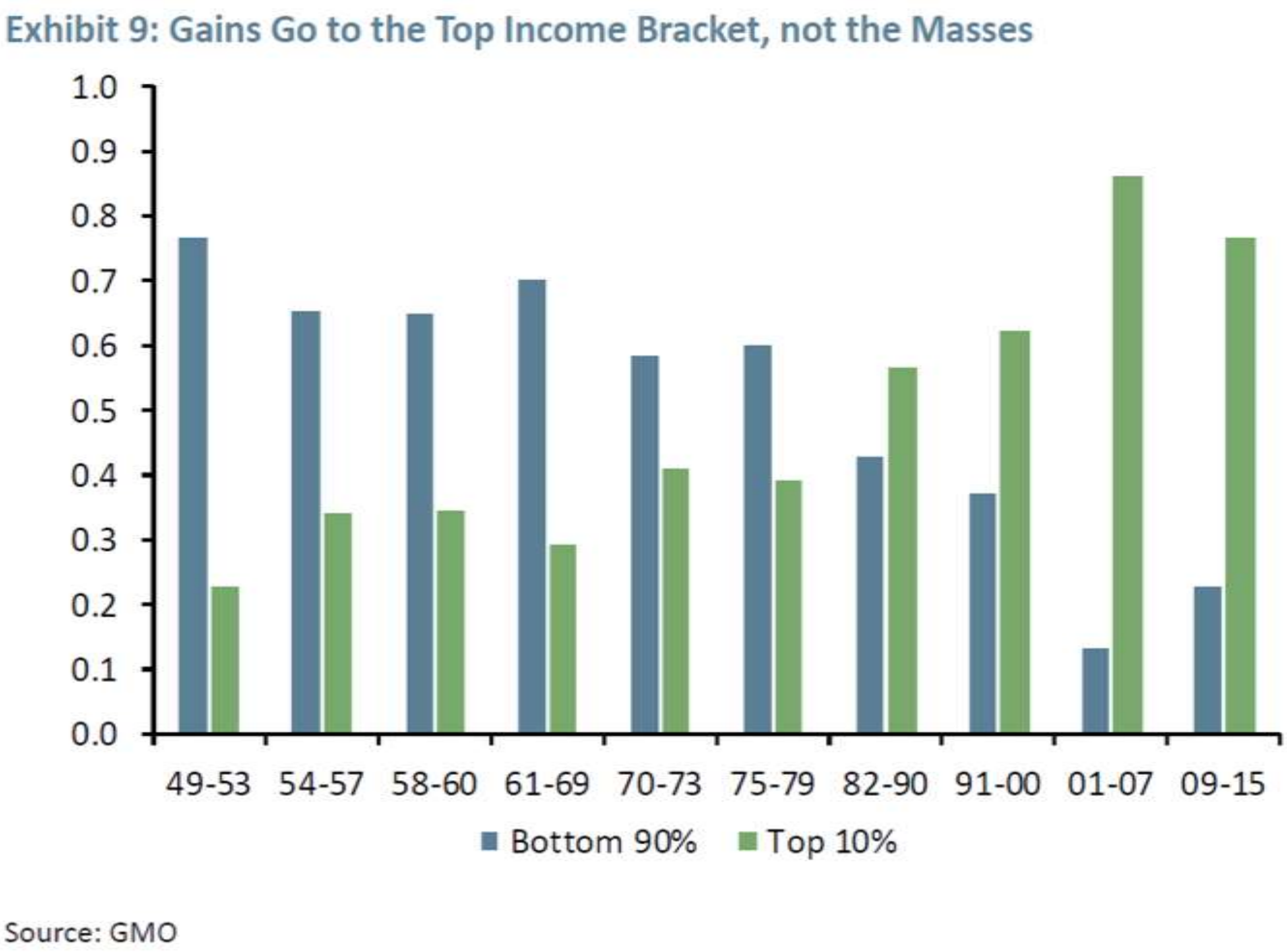


Source: BEA, Bloomberg, Robinson

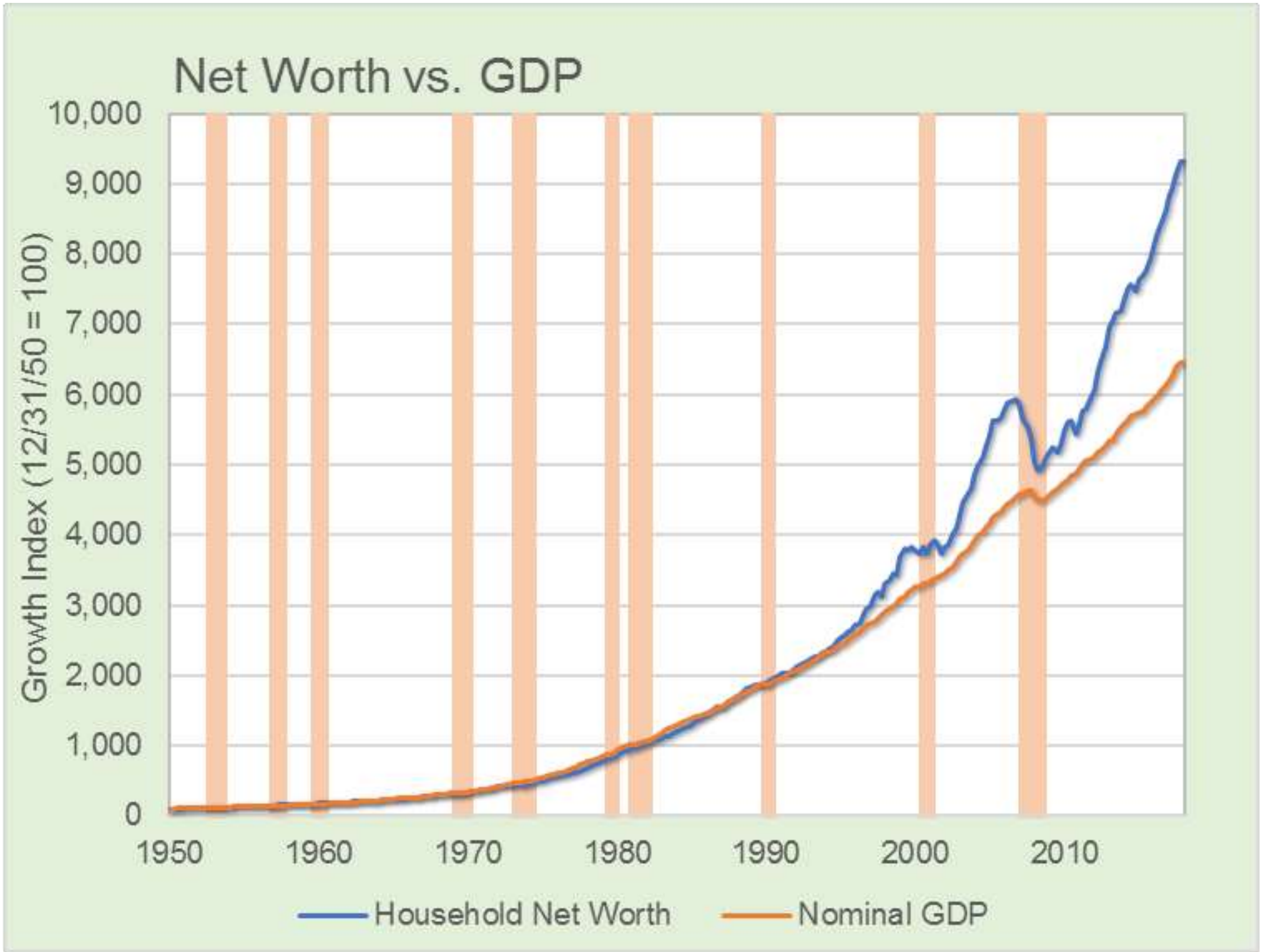
Companies Buying Back Stock



Mean Value of Wealth Holdings

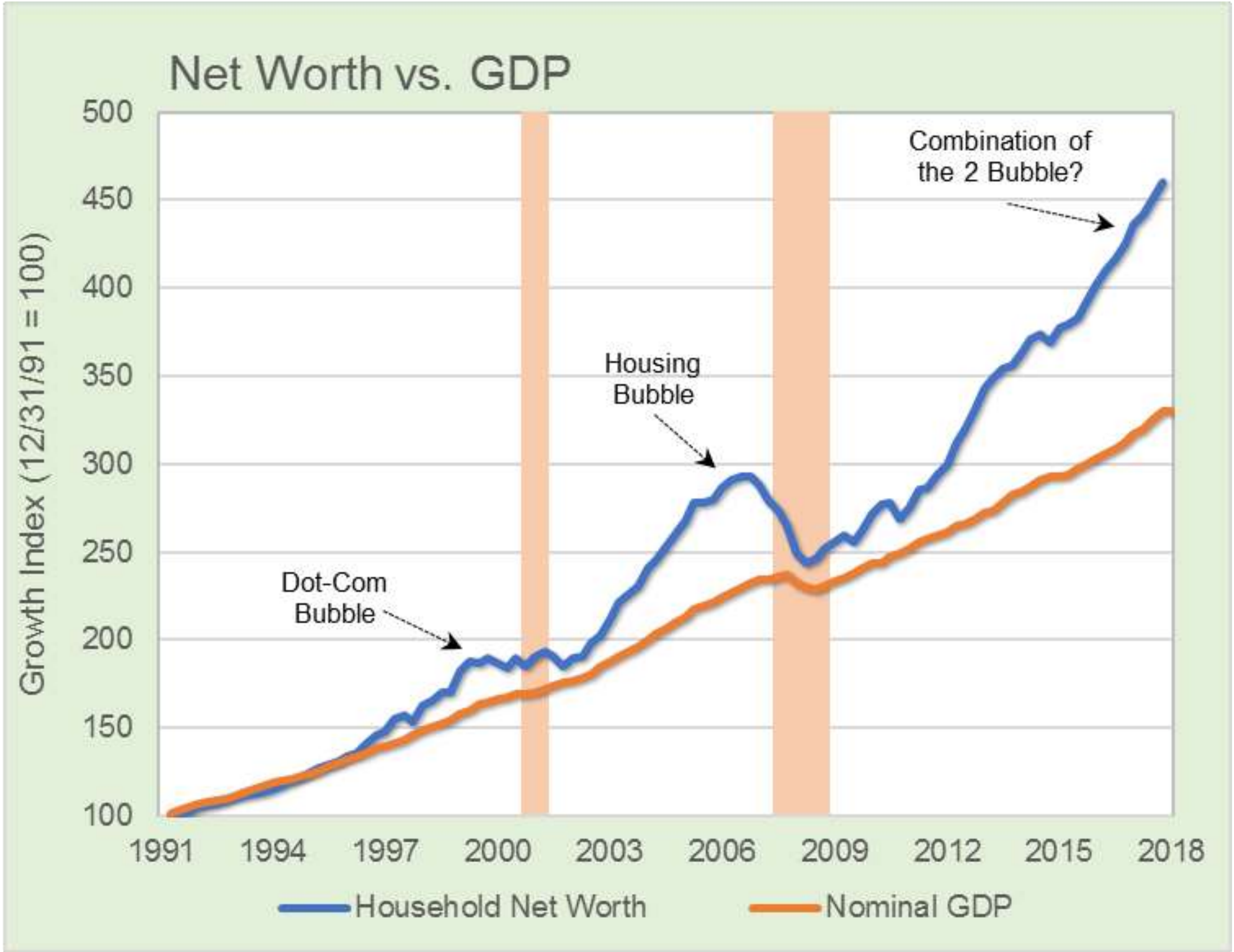


Net Worth vs. GDP



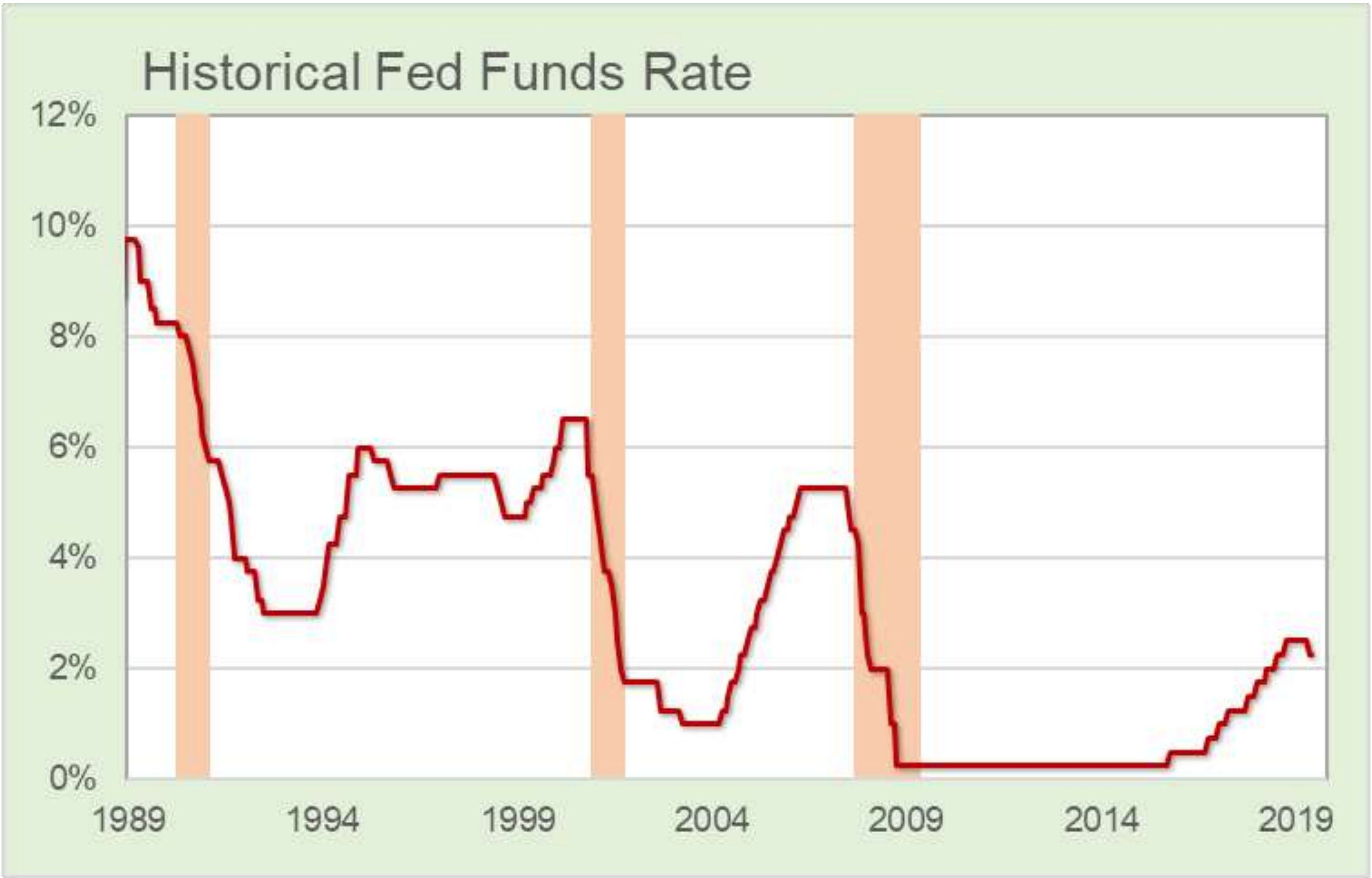
Source: BEA, Bloomberg, Federal Reserve, Robinson

Net Worth vs. GDP



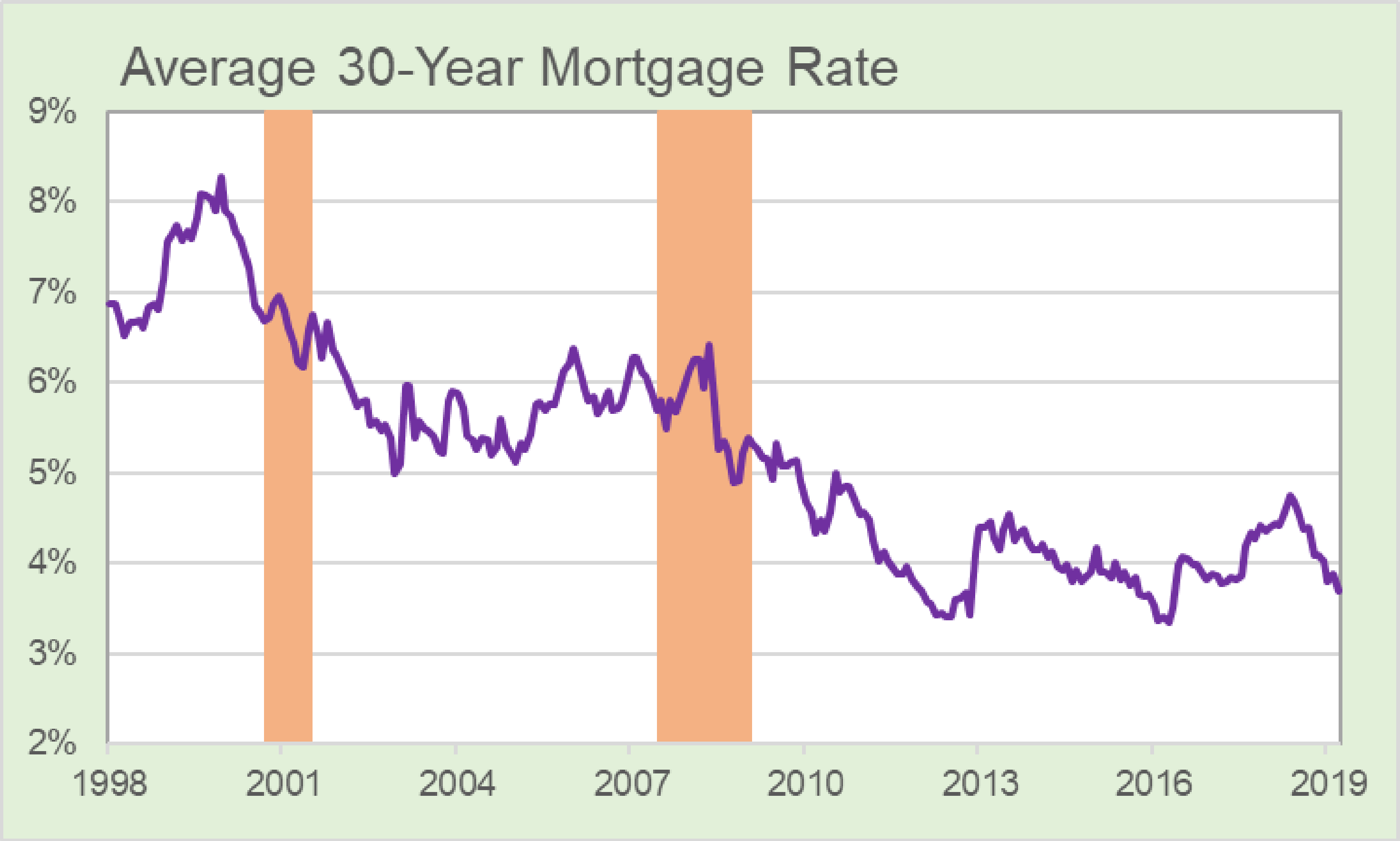
Source: BEA, Bloomberg, Federal Reserve, Robinson

Interest Rates Have Helped



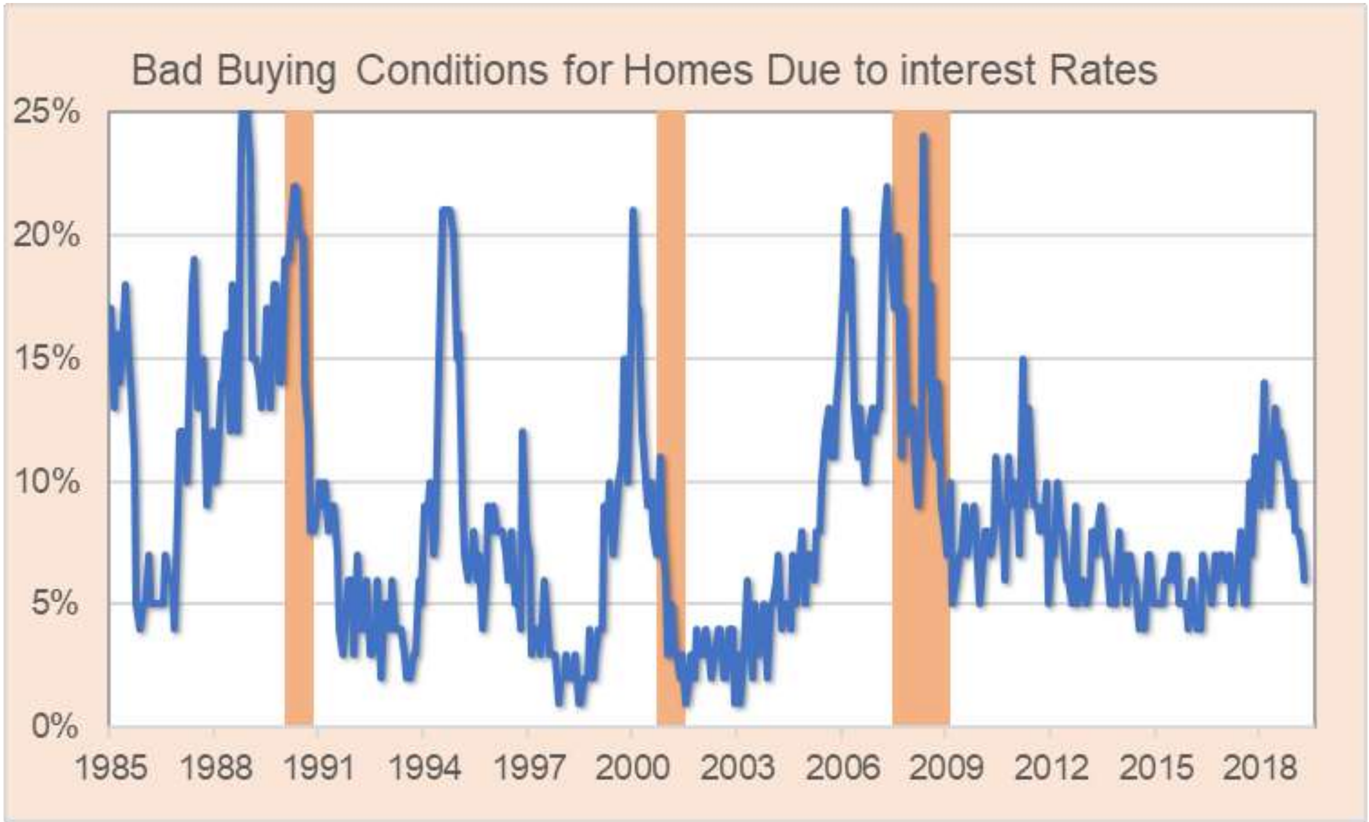
Source: Bloomberg, Federal Reserve, Robinson

Interest Rates Have Helped



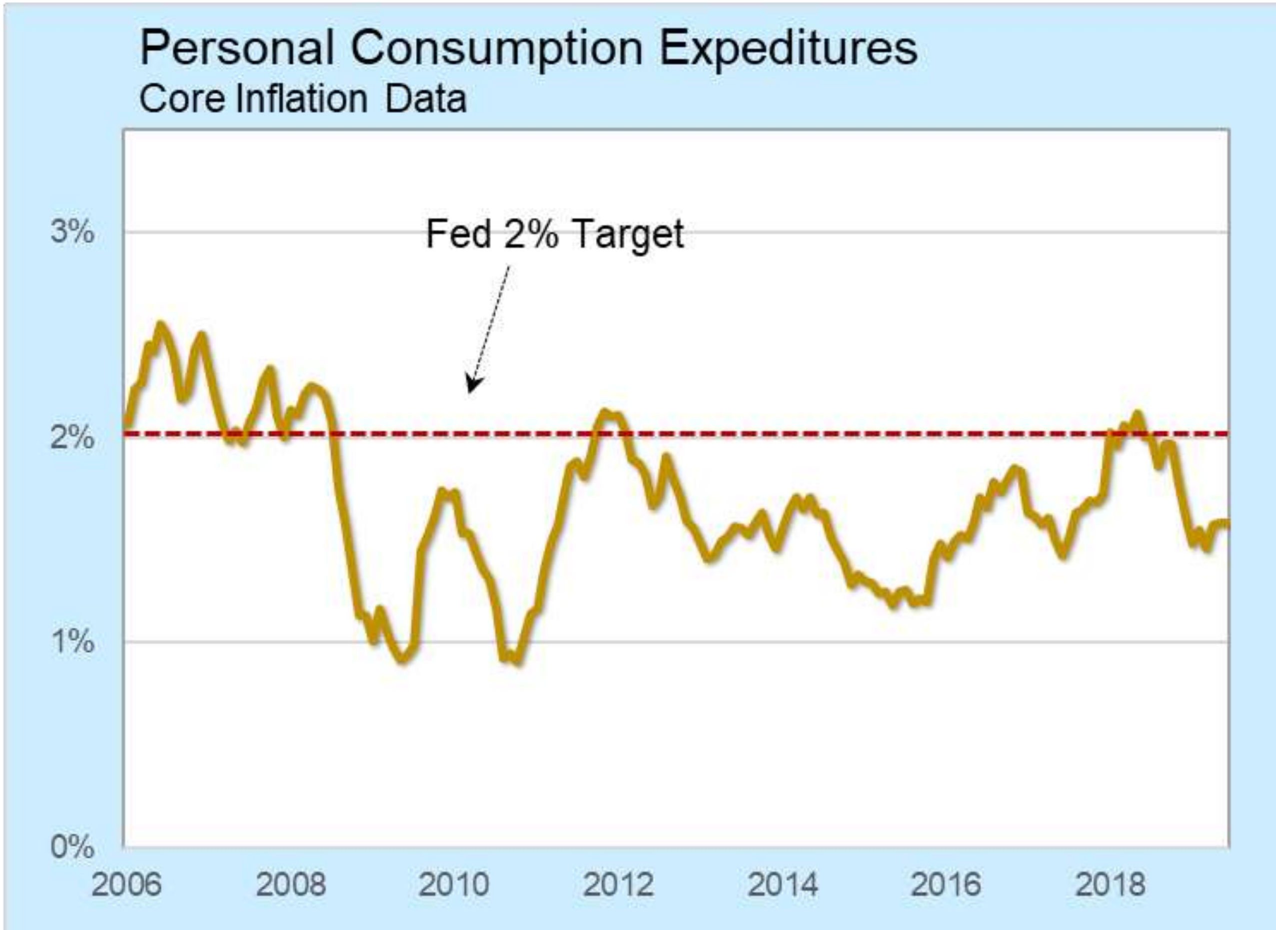
Source: Bankrate.com, Bloomberg, Robinson

Interest Rates Have Helped



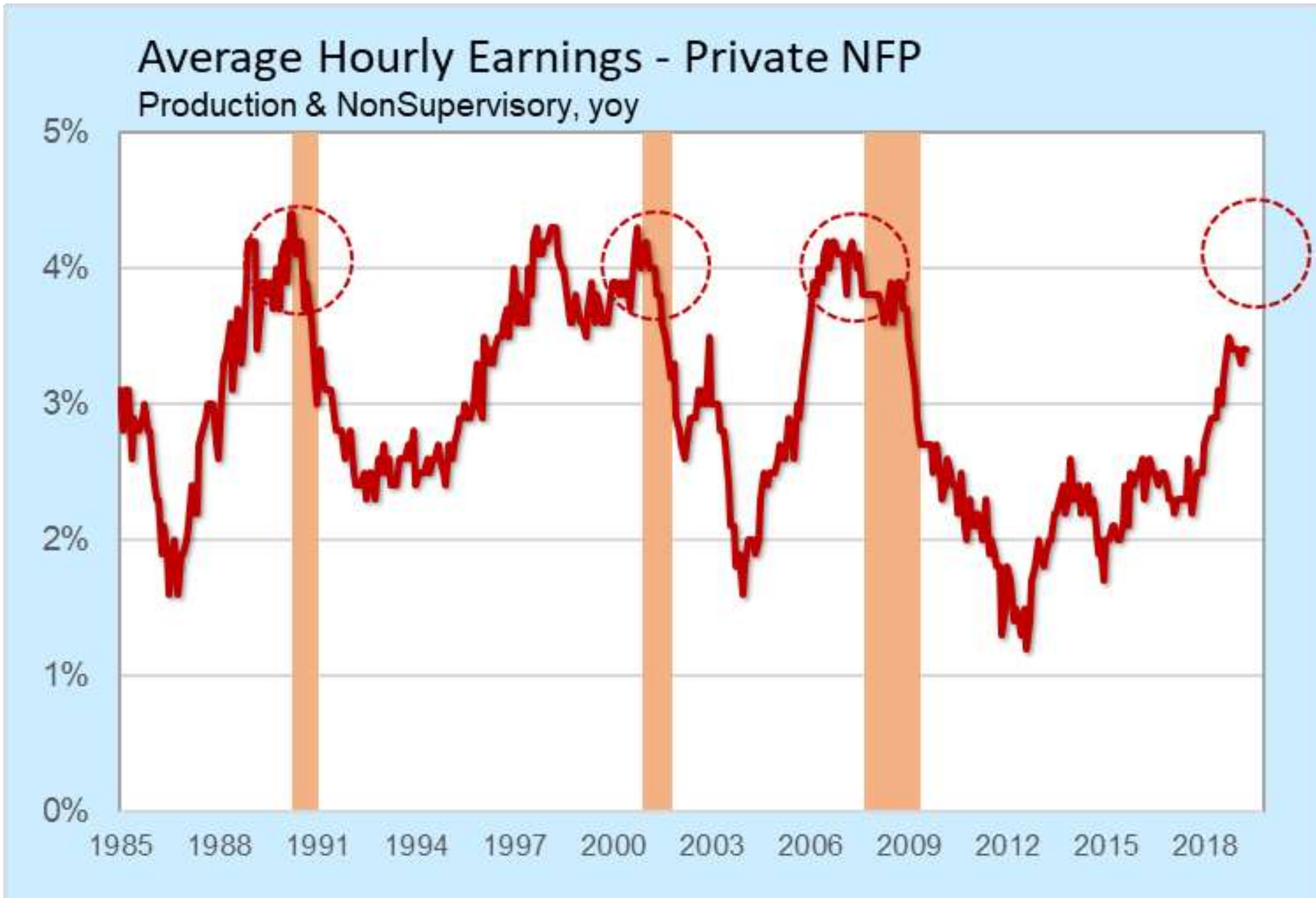
Source: University of Michigan, Bloomberg, Robinson

Dual Mandate – Inflation & Employment



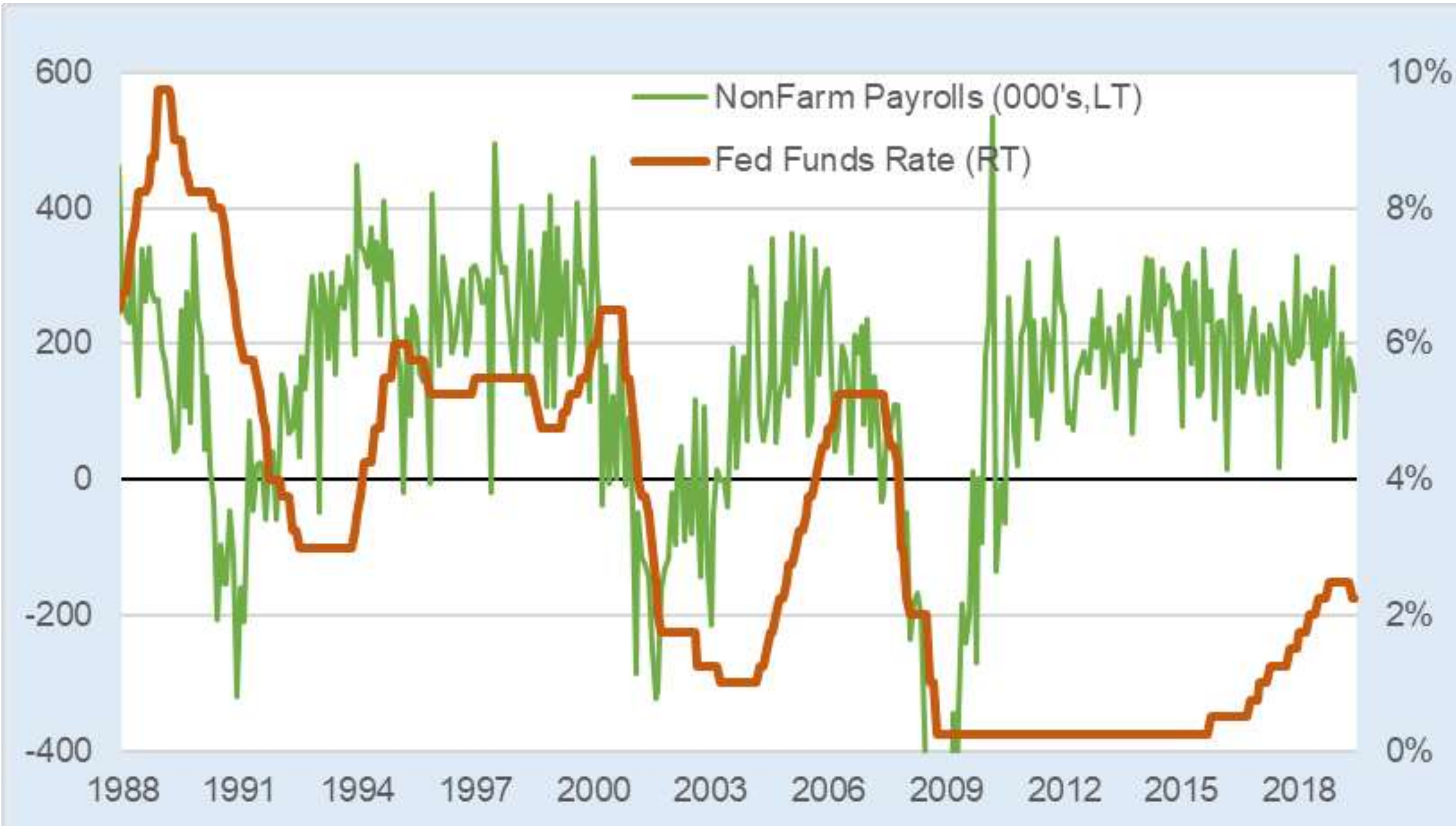
Source: BEA, Bloomberg, BLS, Robinson

Dual Mandate – Inflation & Employment

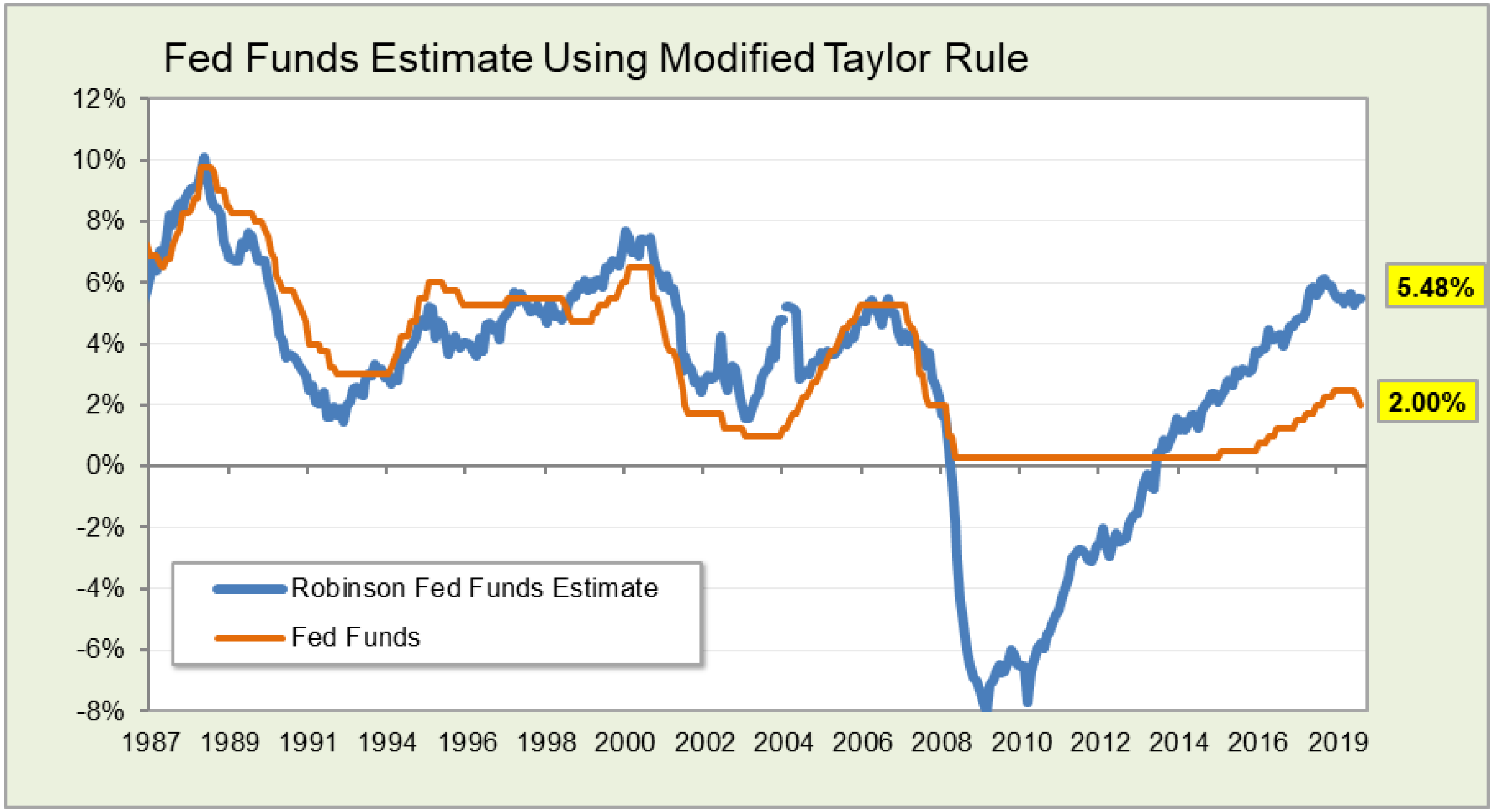


Source: Bloomberg, BLS, Robinson

Dual Mandate – Inflation & Employment



Robinson Fed Funds Model



Source: Bloomberg, Robinson

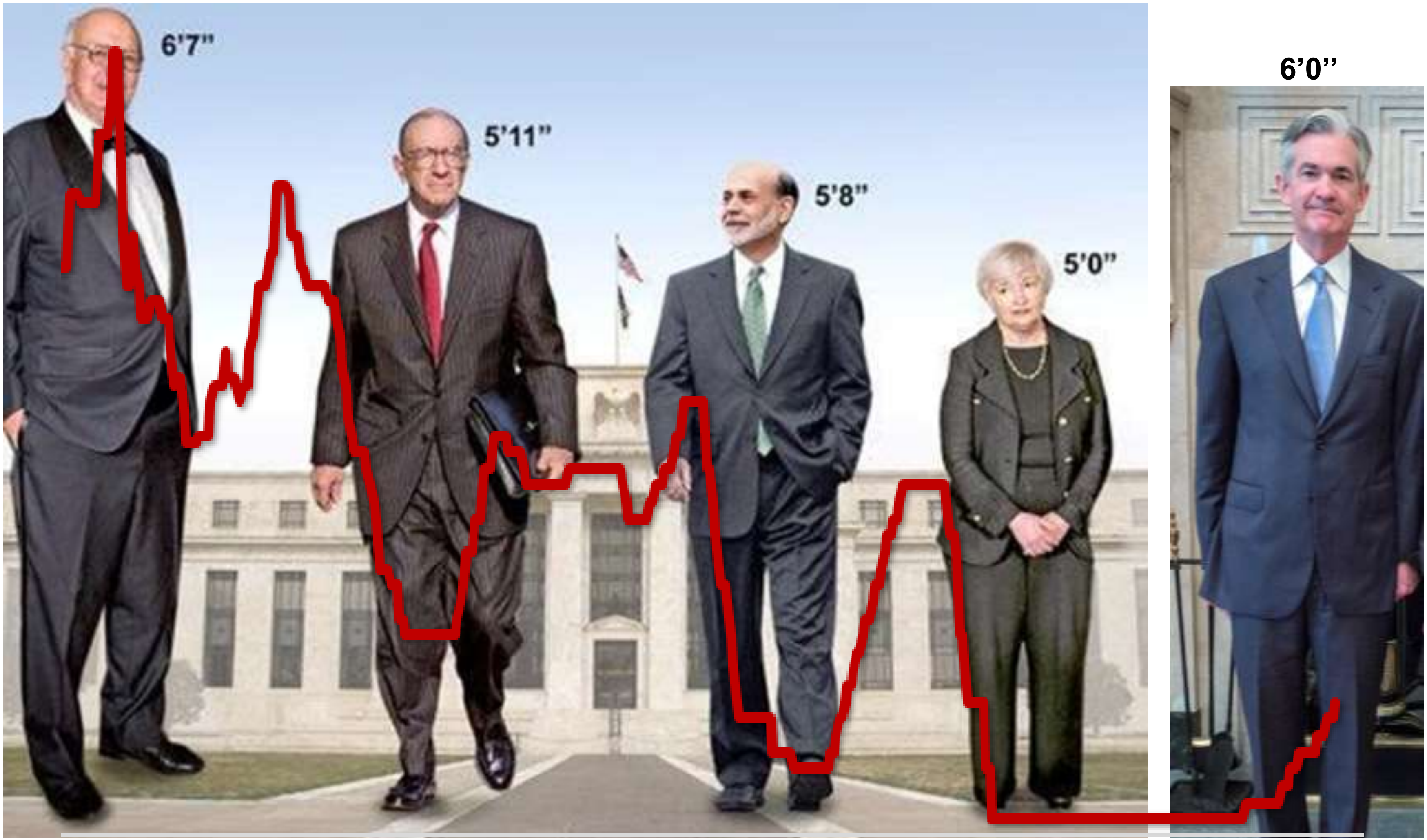
Donald J. Trump
@realDonaldTrump

Following

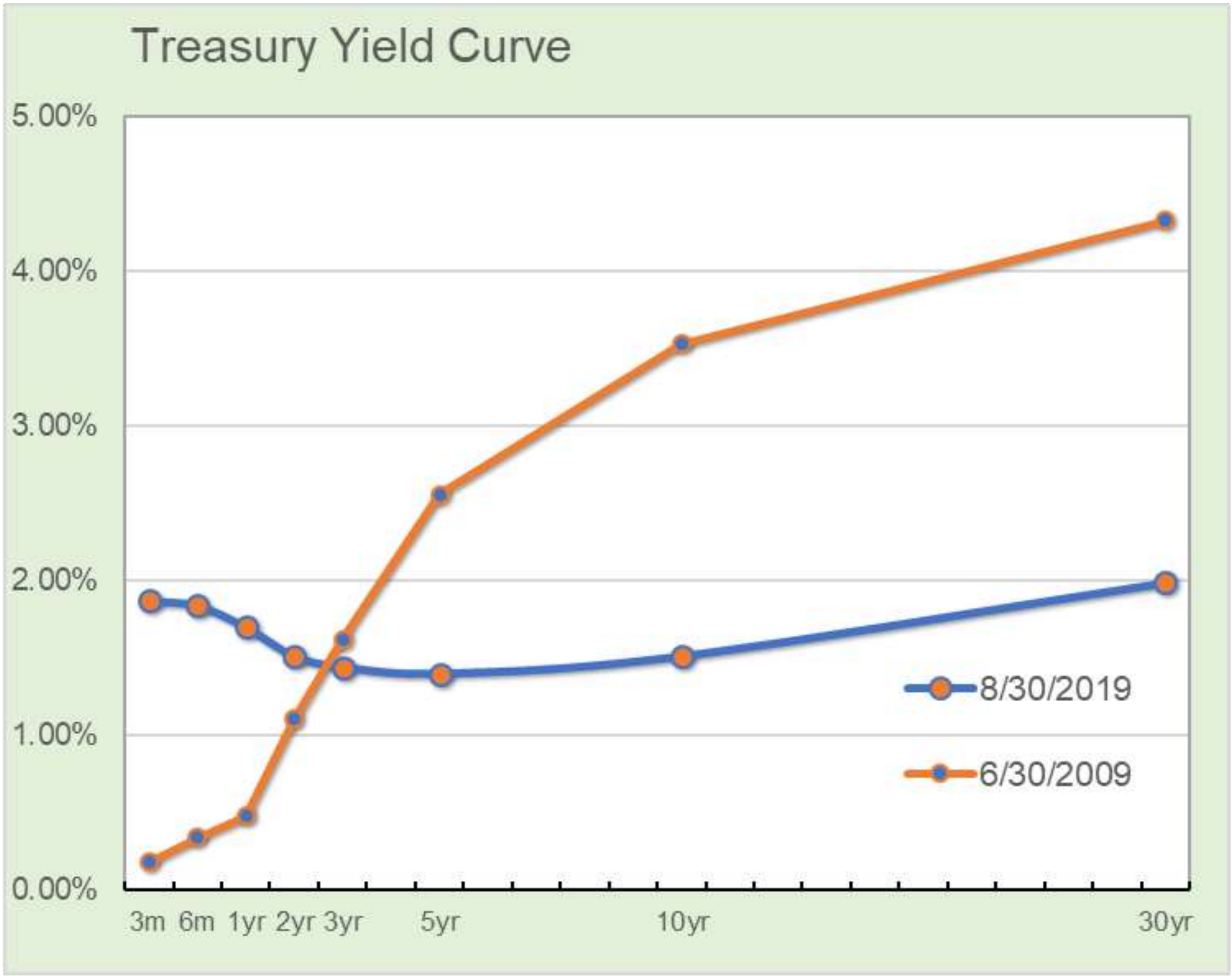
Economic numbers looking REALLY good. Can you imagine if I had long term ZERO interest rates to play with like the past administration, rather than the rapidly raised normalized rates we have today. That would have been SO EASY! Still, markets up BIG since 2016 Election!

8:01 AM - 8 Jan 2019

Federal Reserve Patterns



0% Rates Only for Short Maturities

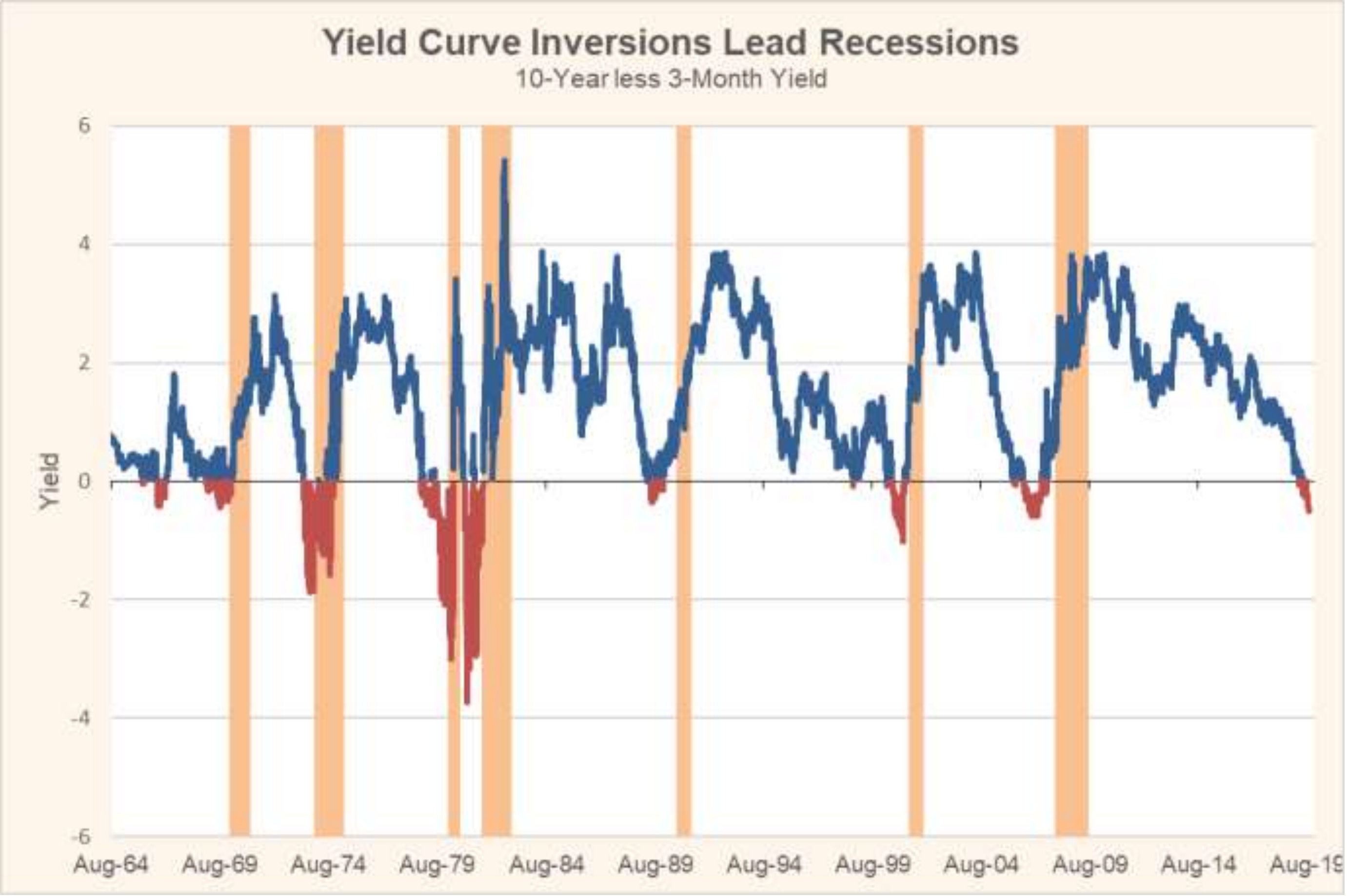


Source: Bloomberg, Robinson

Yield Curve

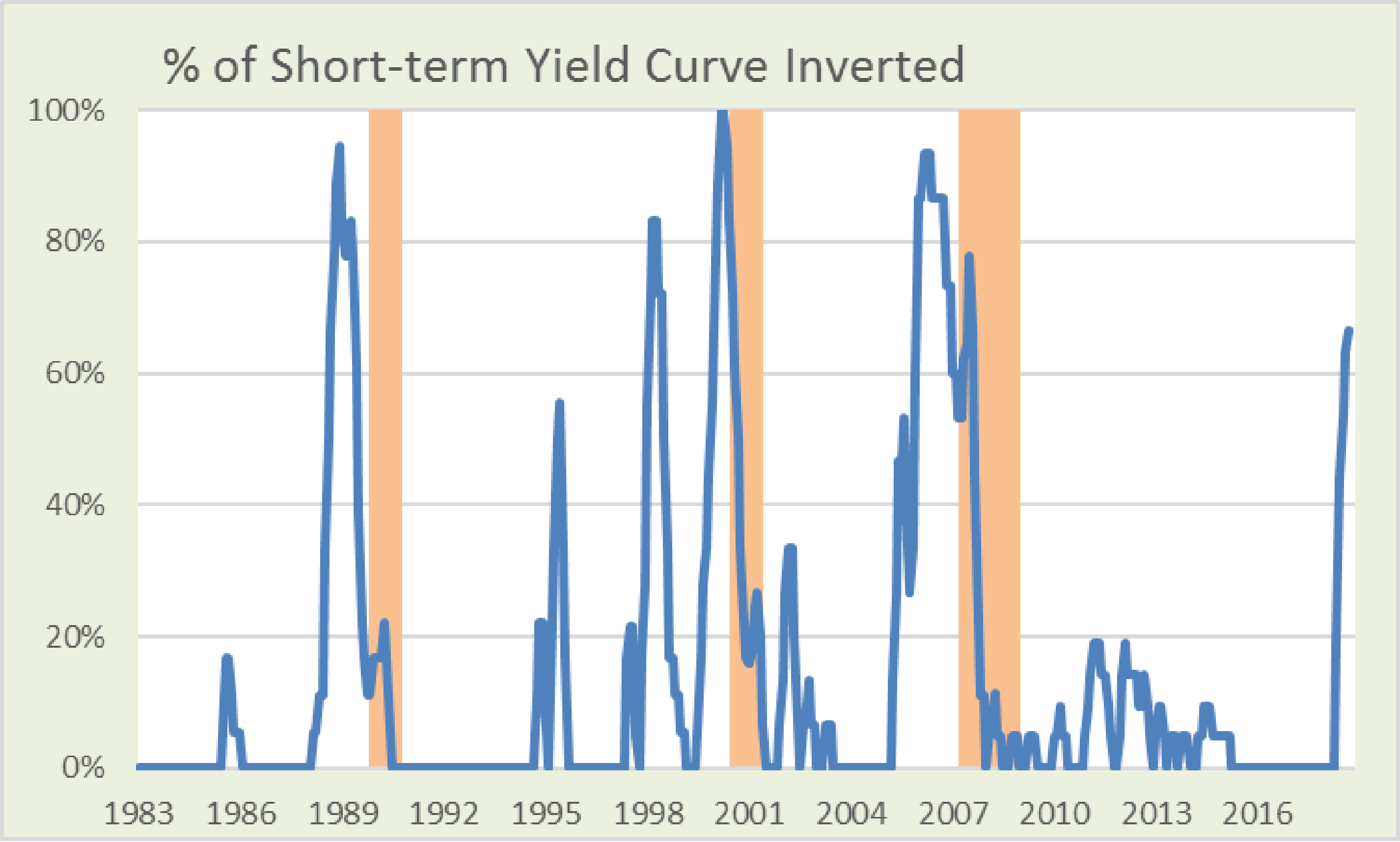

THE STOCK MARKET: A GLOSSARY
NORMAL YIELD CURVE
INVERTED YIELD CURVE
KUDELKA.
16·8·19

Yield Curve



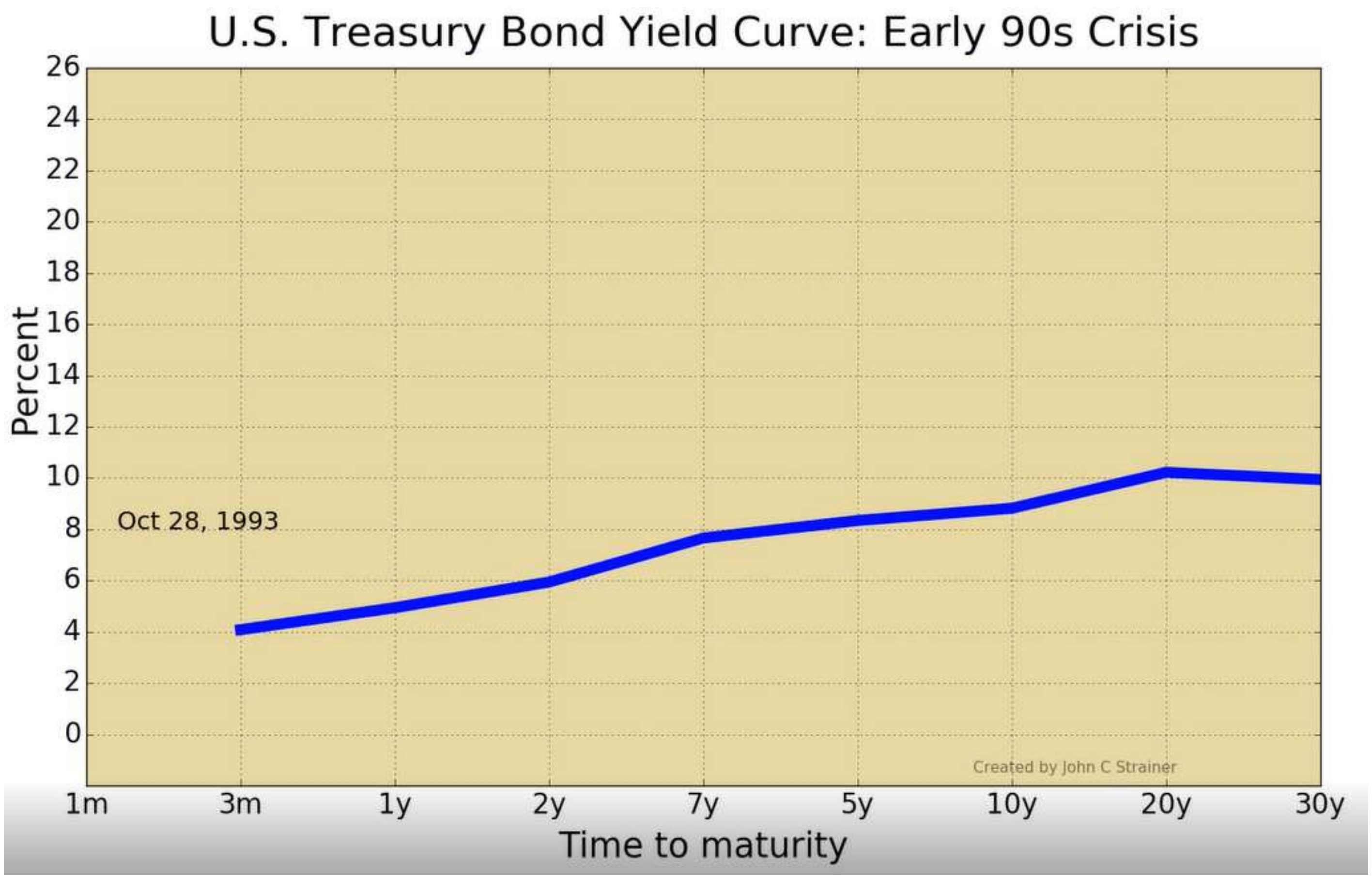
Yield Curve Inversions Lead Recessions
10-Year less 3-Month Yield
Yield
6
4
2
0
-2
-4
-6
Aug-64
Aug-69
Aug-74
Aug-79
Aug-84
Aug-89
Aug-94
Aug-99
Aug-04
Aug-09
Aug-14
Aug-19

Yield Curve

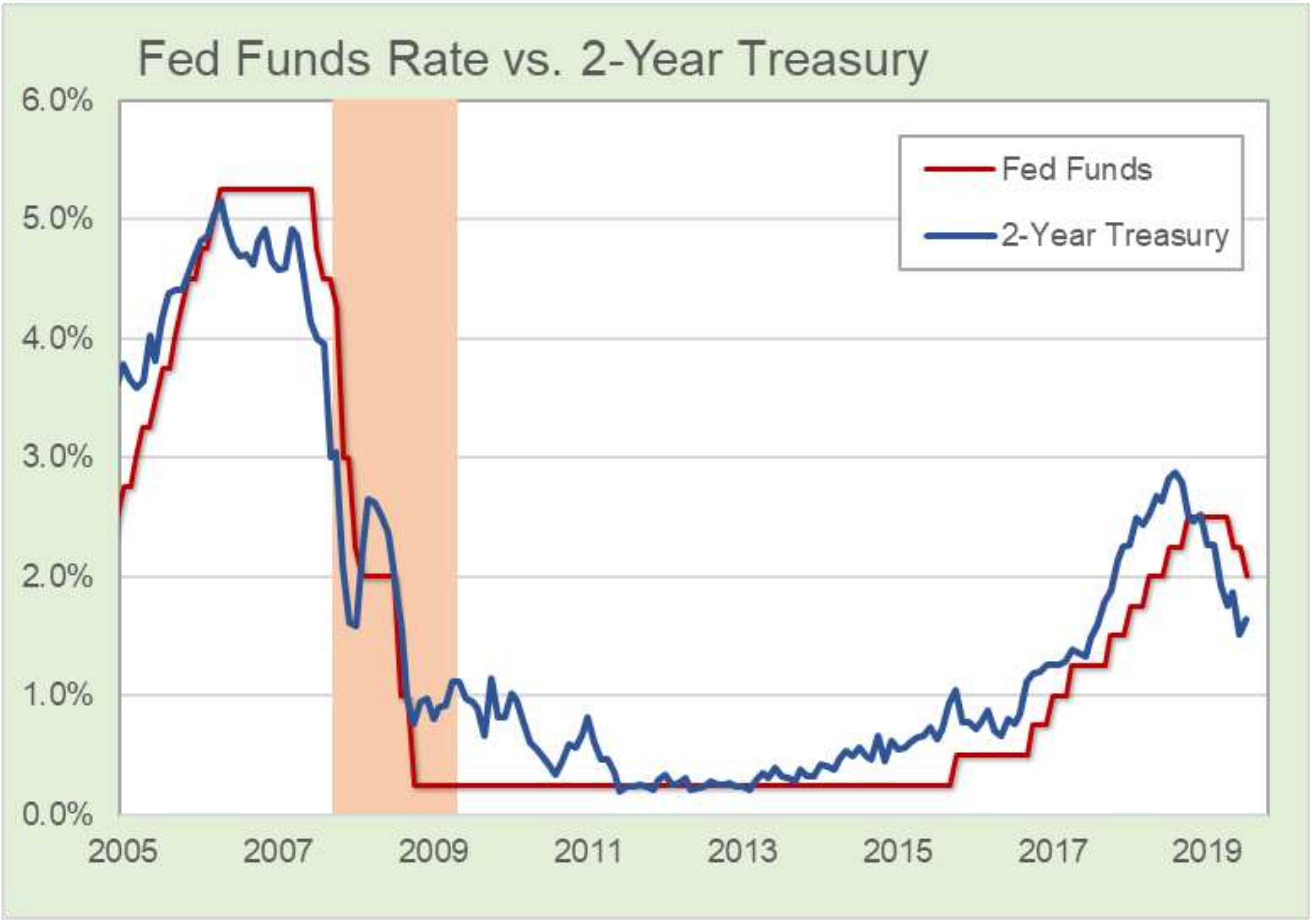


% of Short-term Yield Curve Inverted
100%
80%
60%
40%
20%
0%
1983
1986
1989
1992
1995
1998
2001
2004
2007
2010
2013
2016

Yield Curve Historical Changes

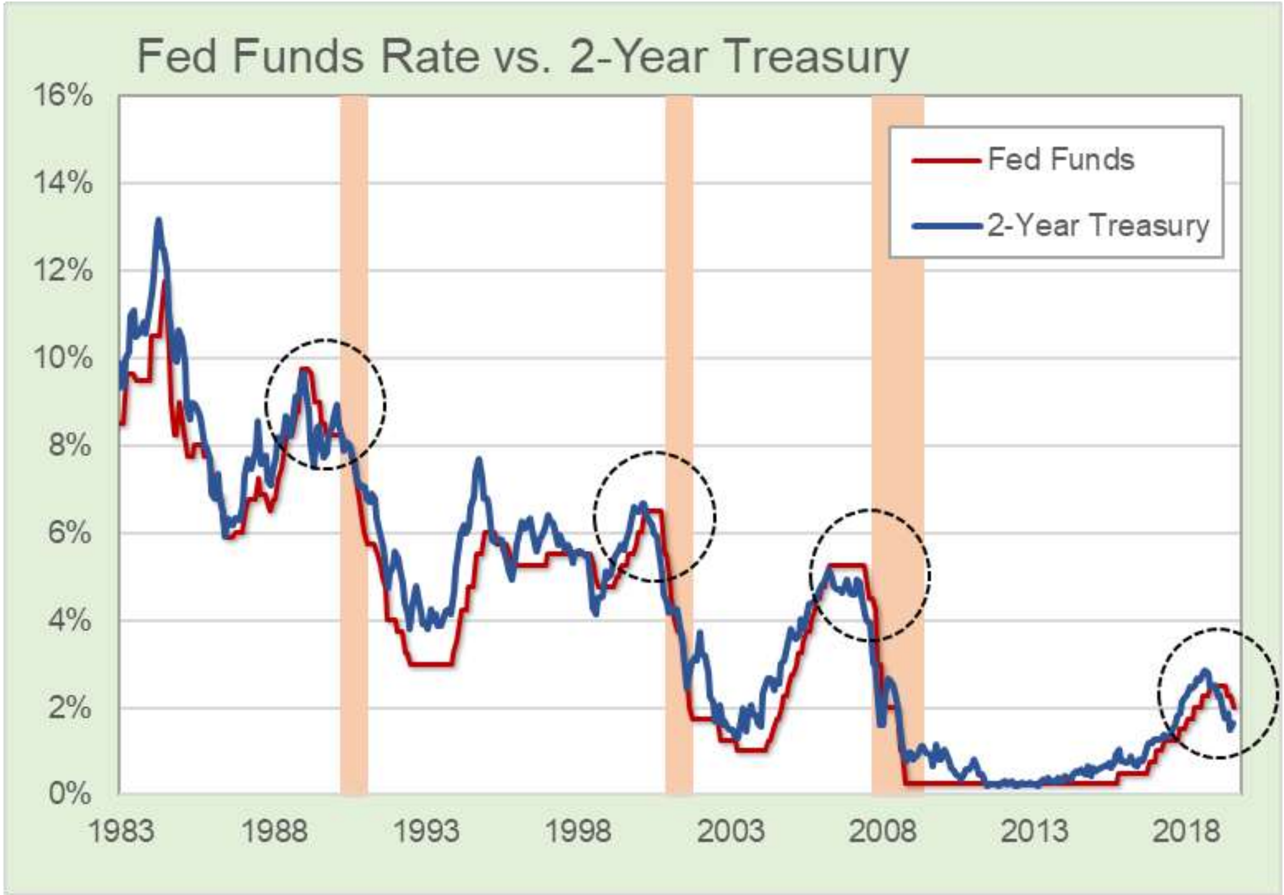


Yield Curve



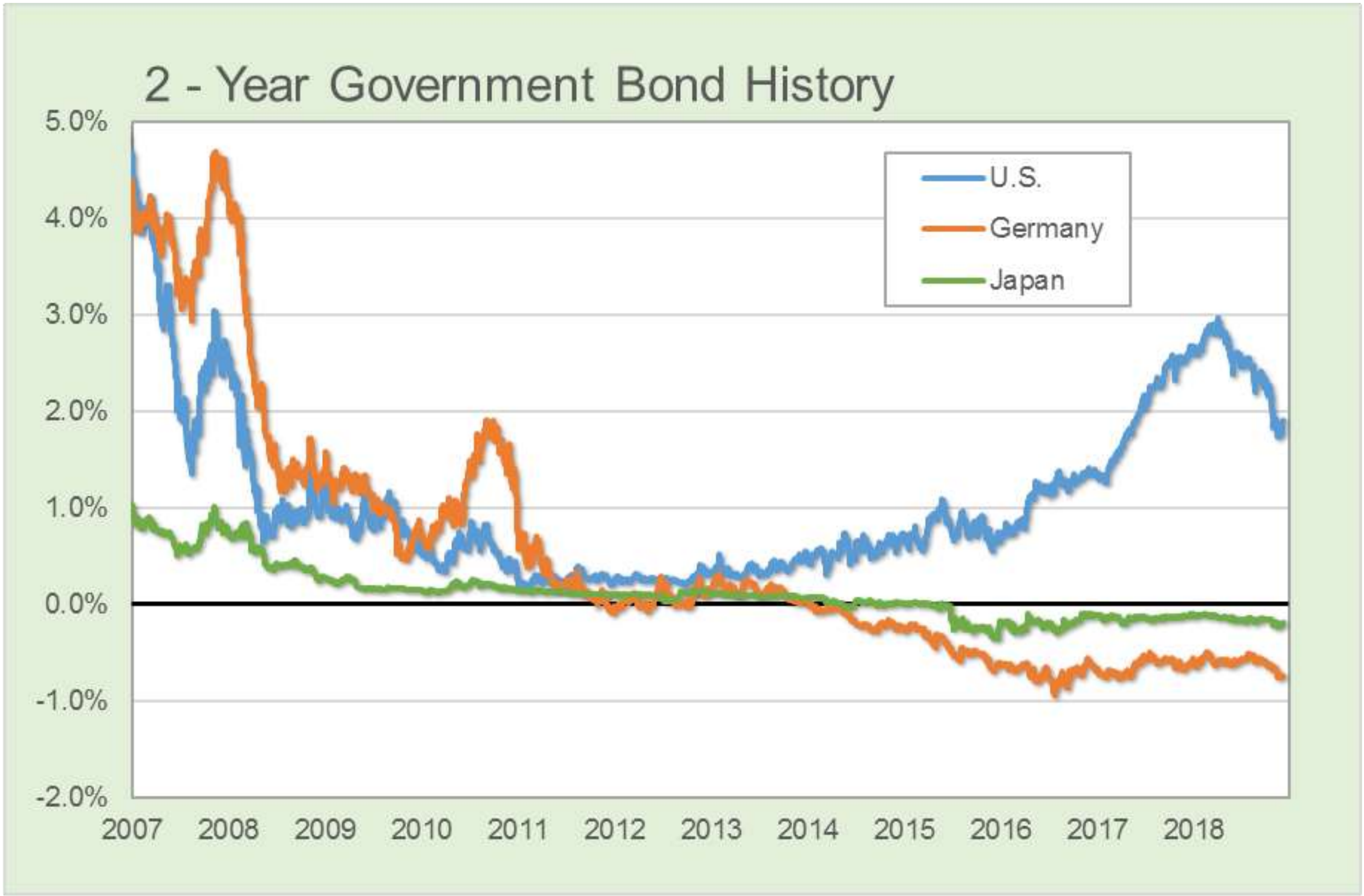
Source: Bloomberg, Federal Reserve, Robinson

Interest Rates



Source: Bloomberg, Federal Reserve, Robinson

Interest Rates

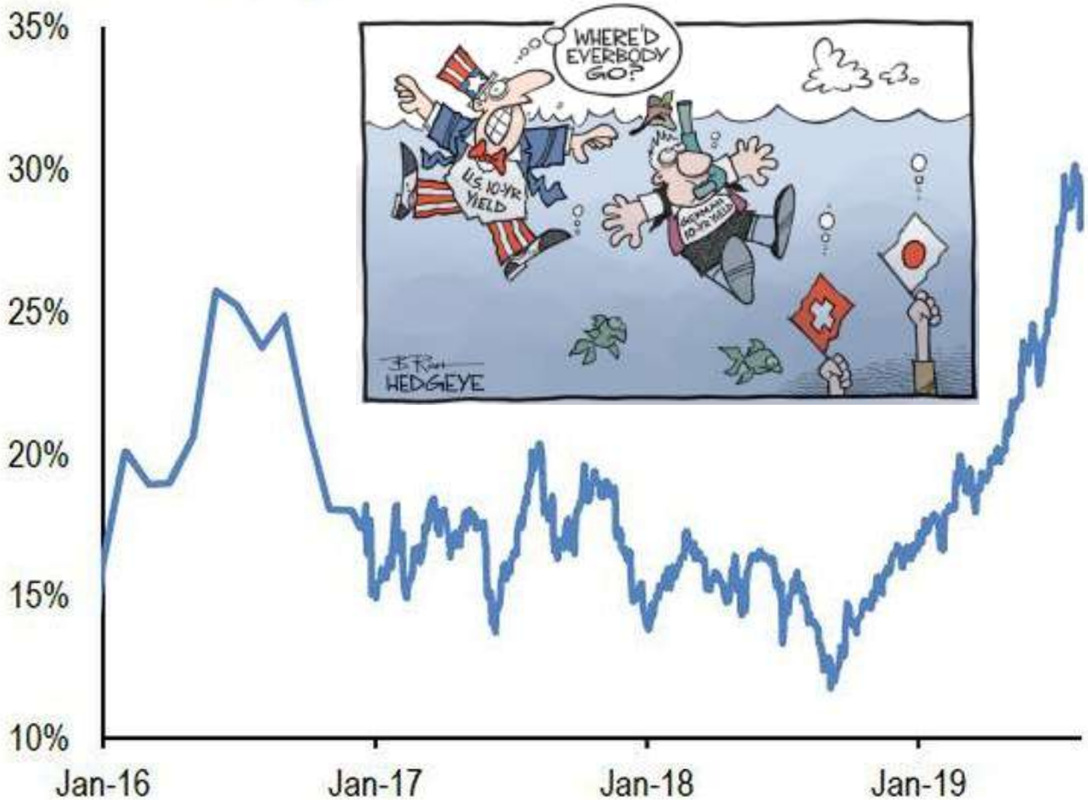


Source: Bloomberg, Robinson

Interest Rates

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

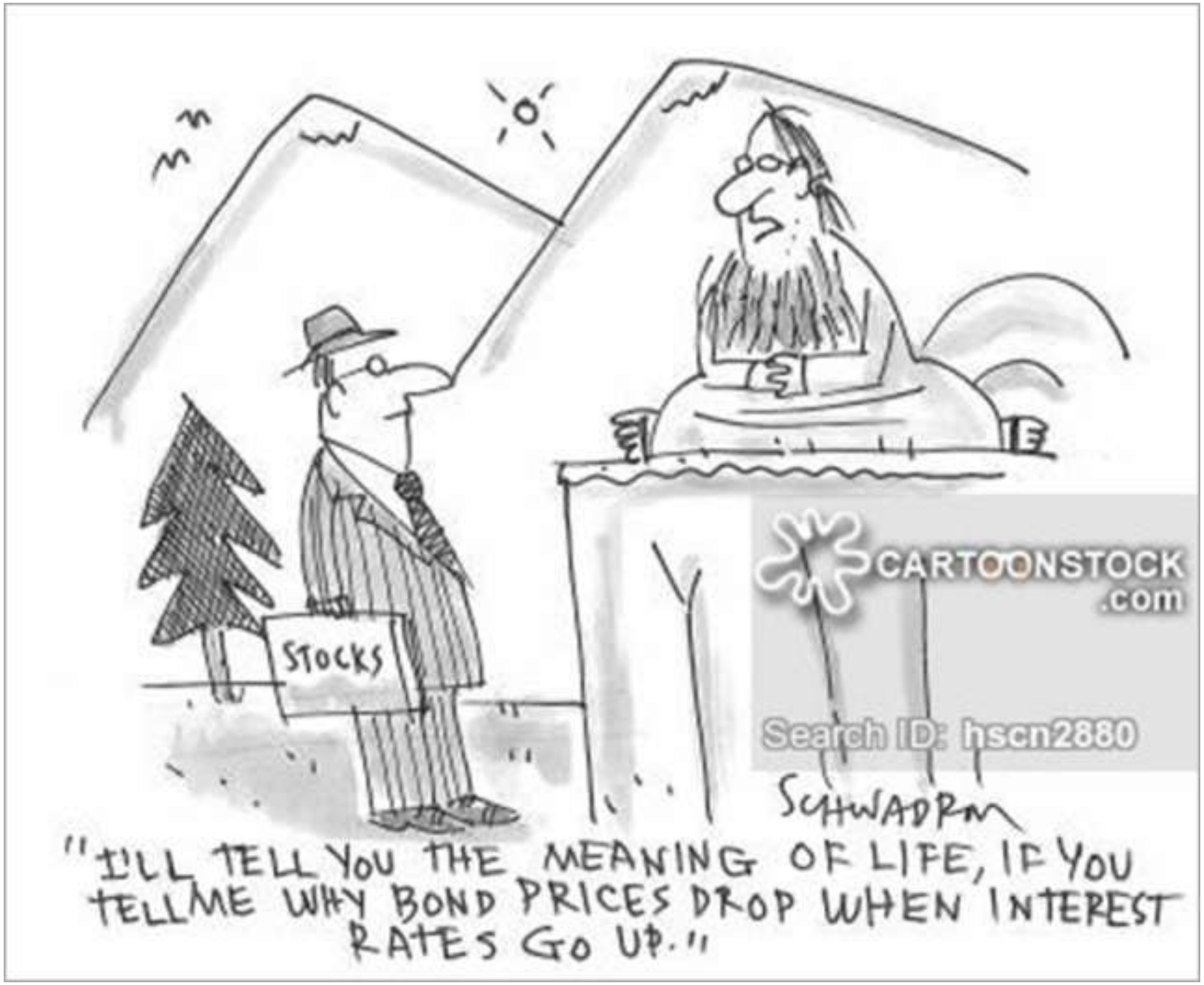
Last obs is for cob September 05th



Source: Bloomberg, J.P. Morgan.

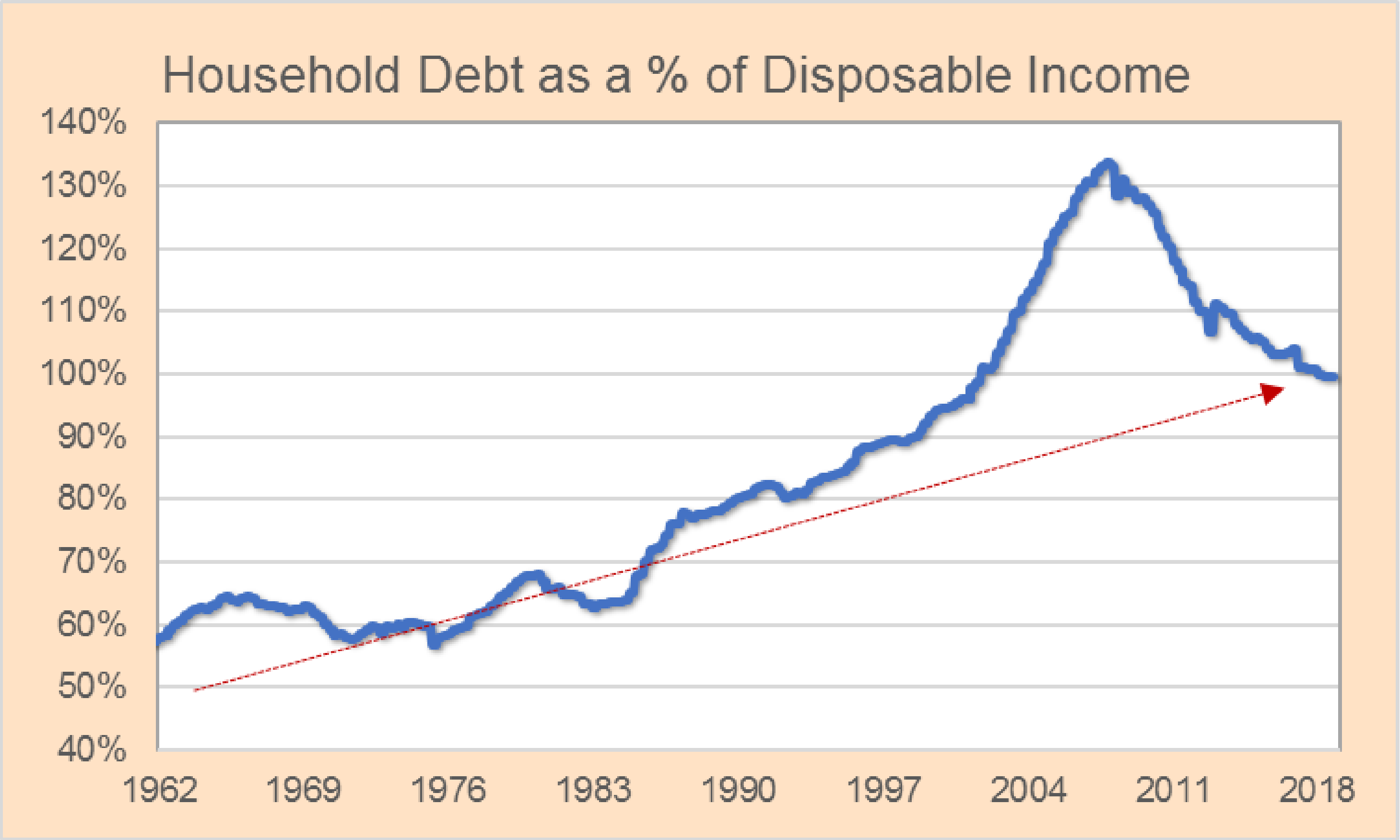
Negative Interest Rates?

Opposites


STOCKS
CARTOONSTOCK .com
Search ID: hscn2880
SCHWADRON
"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

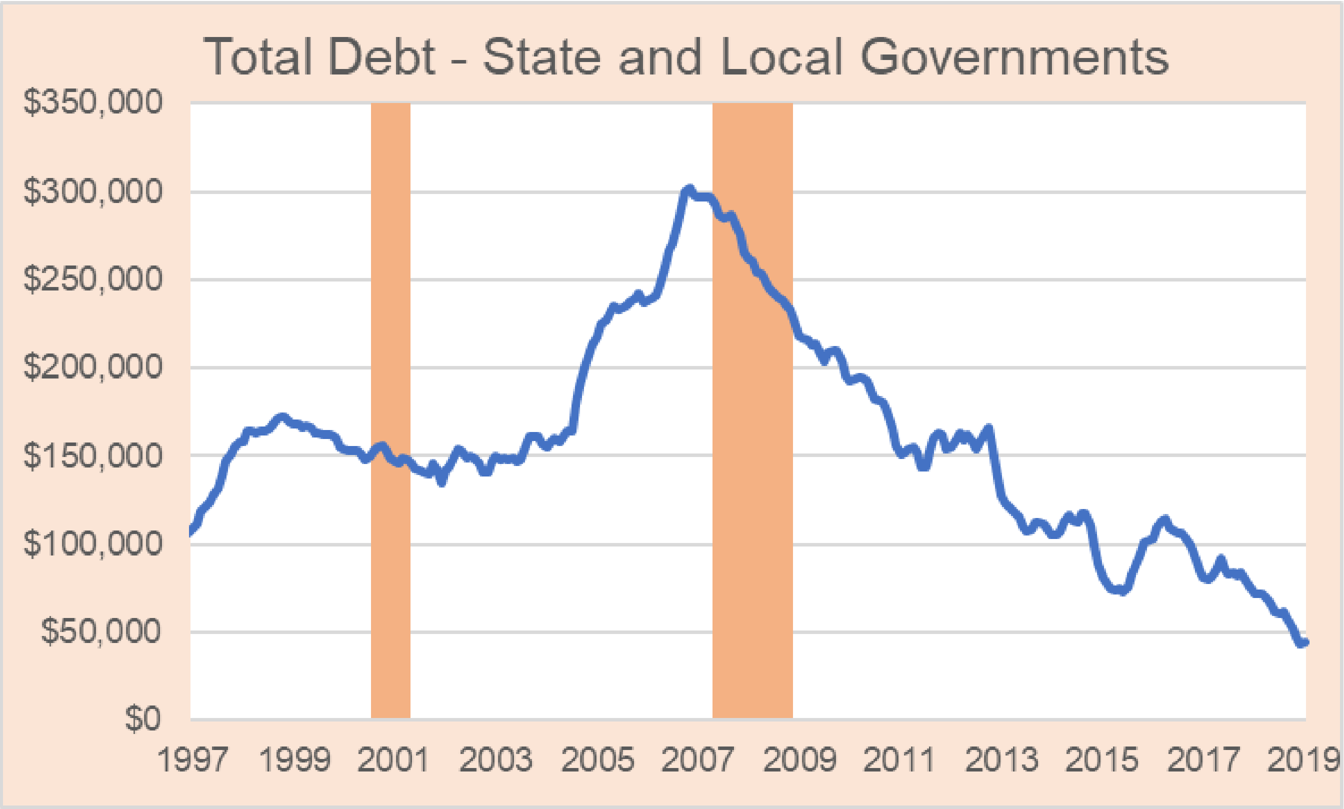


Source: BEA, Bloomberg, IMF, Robinson

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

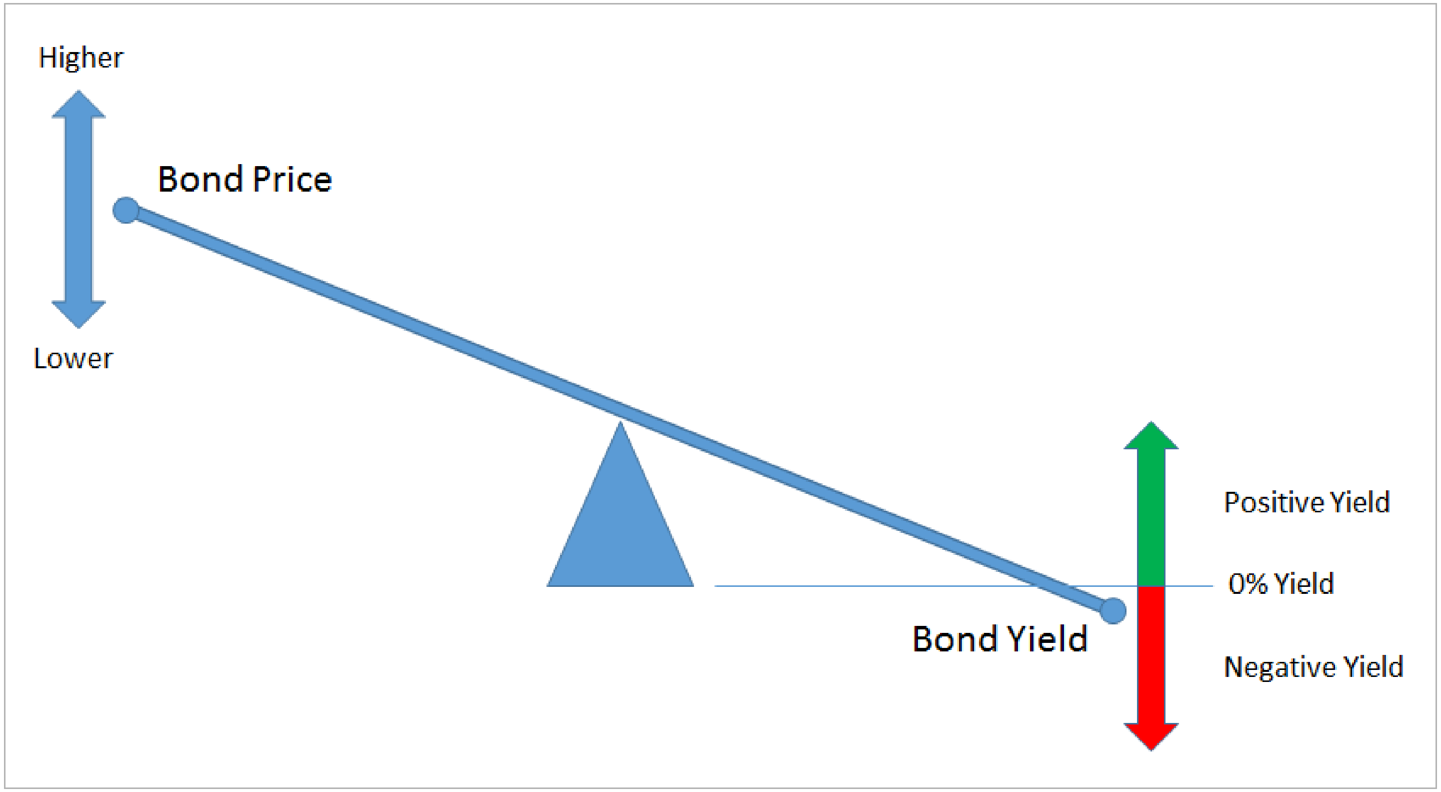
A. Risk of Interest Rates Rising

B. Risk of Interest Rates Falling

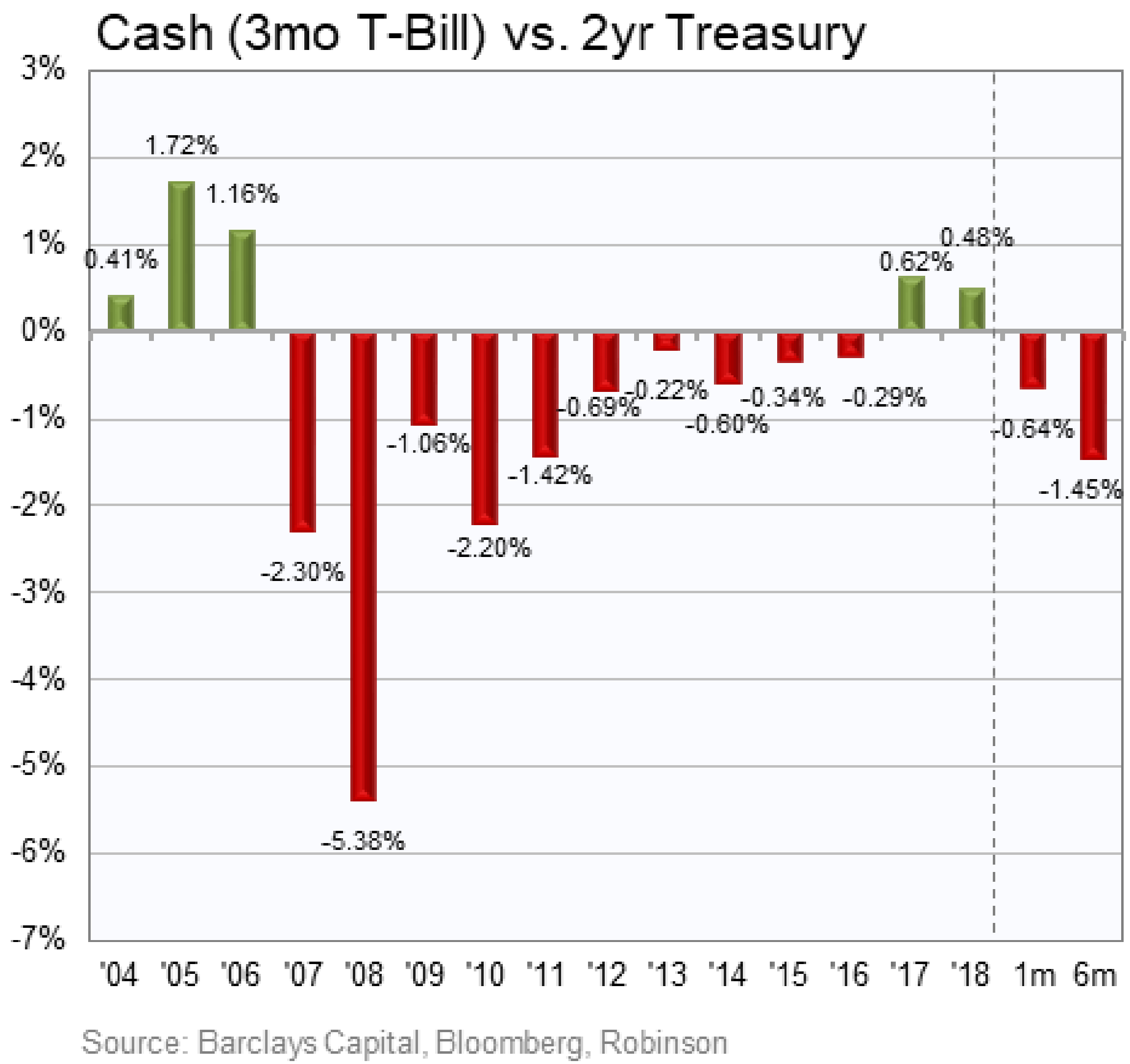
Risk #2 = Credit Risk

The Risk of Not Getting Paid

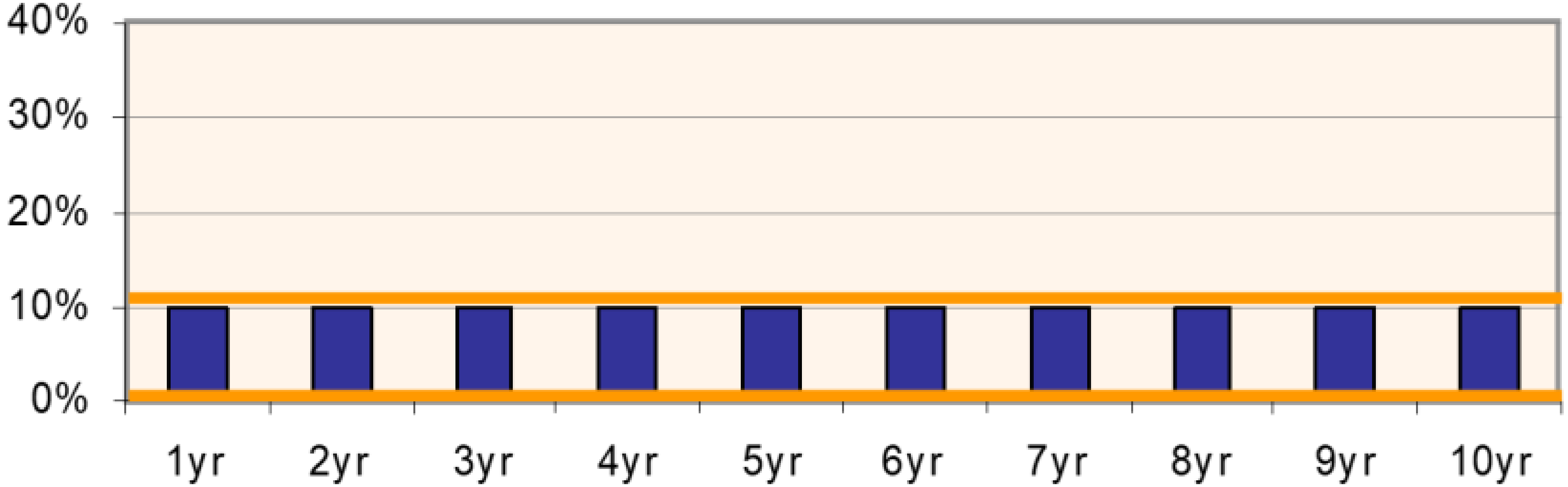
The Risk Involved if Rates Rise



The Risk Involved if Rates Fall



Laddering the Portfolio



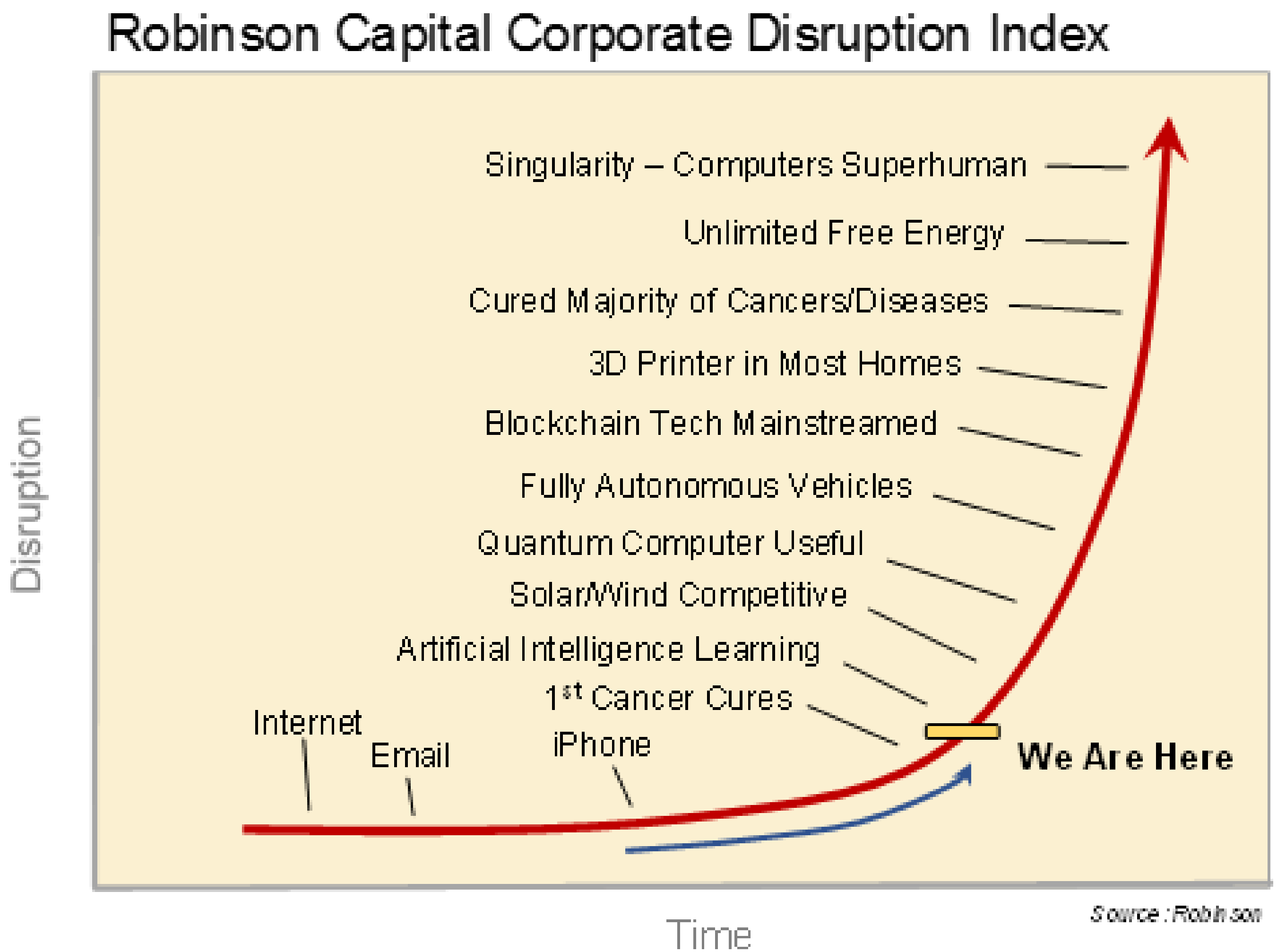
Callable Bonds

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
Internet
Email
iPhone
We Are Here
Disruption
Time
Source : Robinson

Disclosure

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2019 MMTA Fall Conference

People. Purpose. Passion. The Flights of Success

Wed., Oct. 16, 2019 – 10:45 am: Economic Update

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 Comerica Economic Outlook

Increasing Risks and the End of Monetary Policy

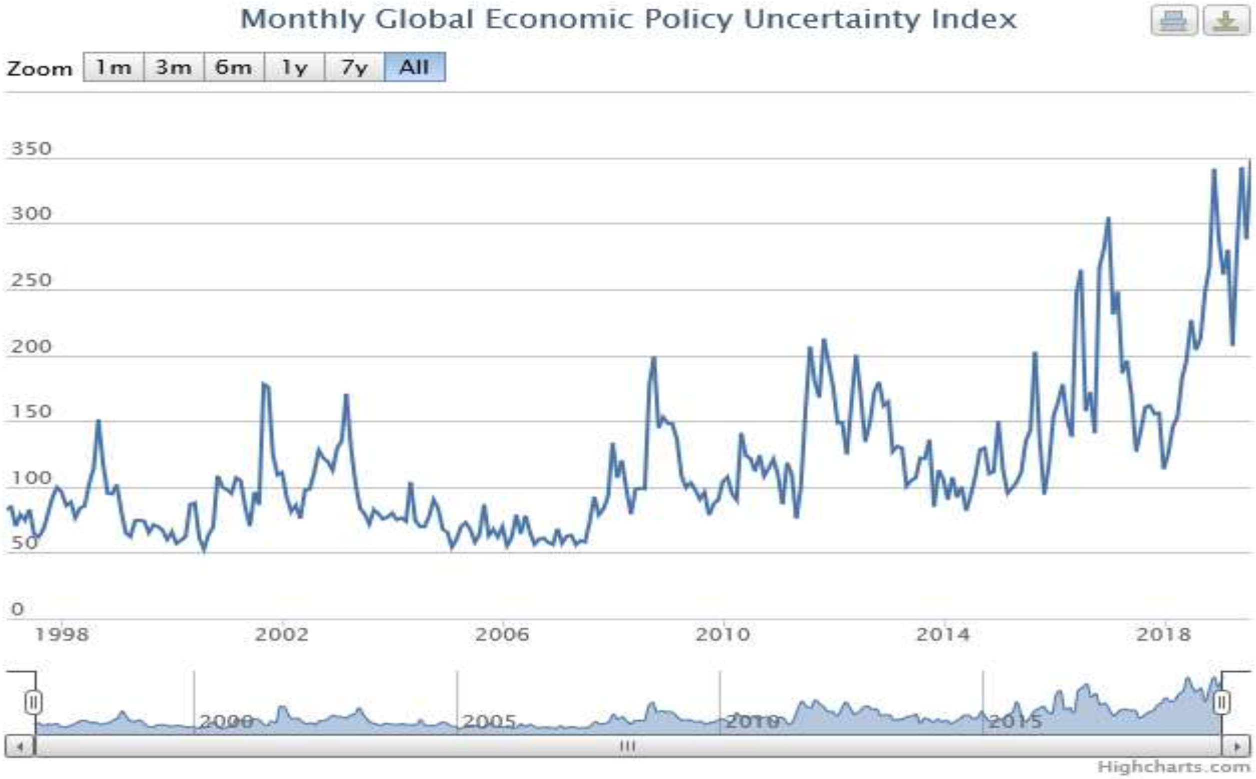
Robert A. Dye Ph.D.
October, 2019

RAISE YOUR EXPECTATIONS.

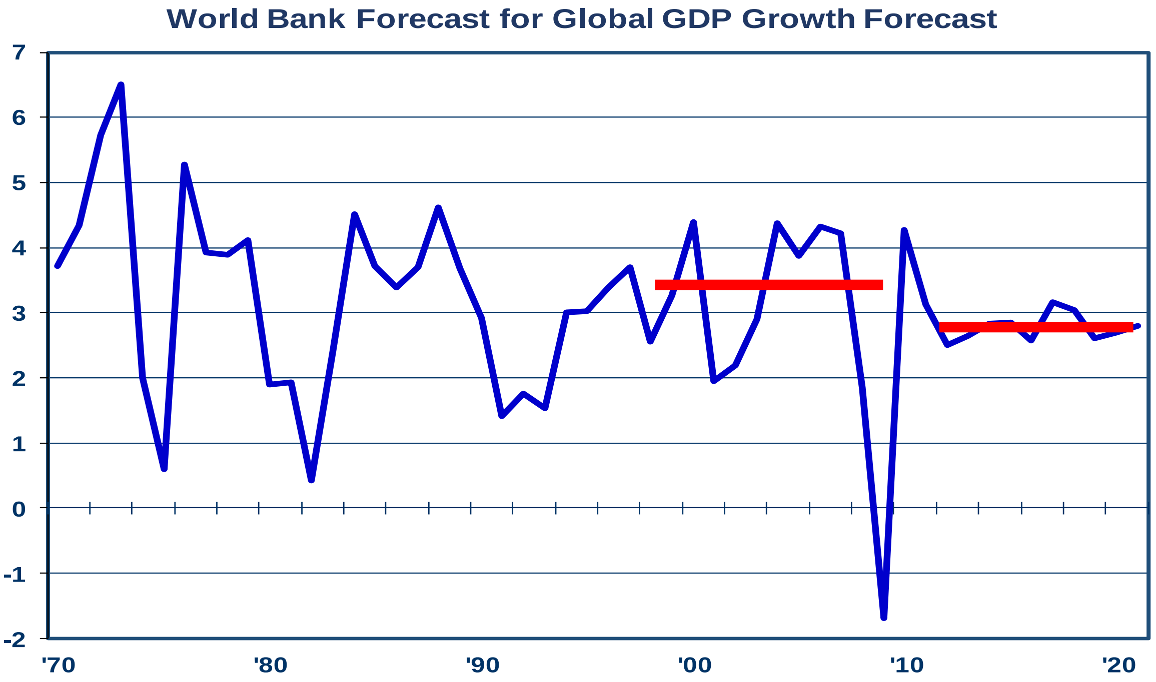
The Key Takeaways

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



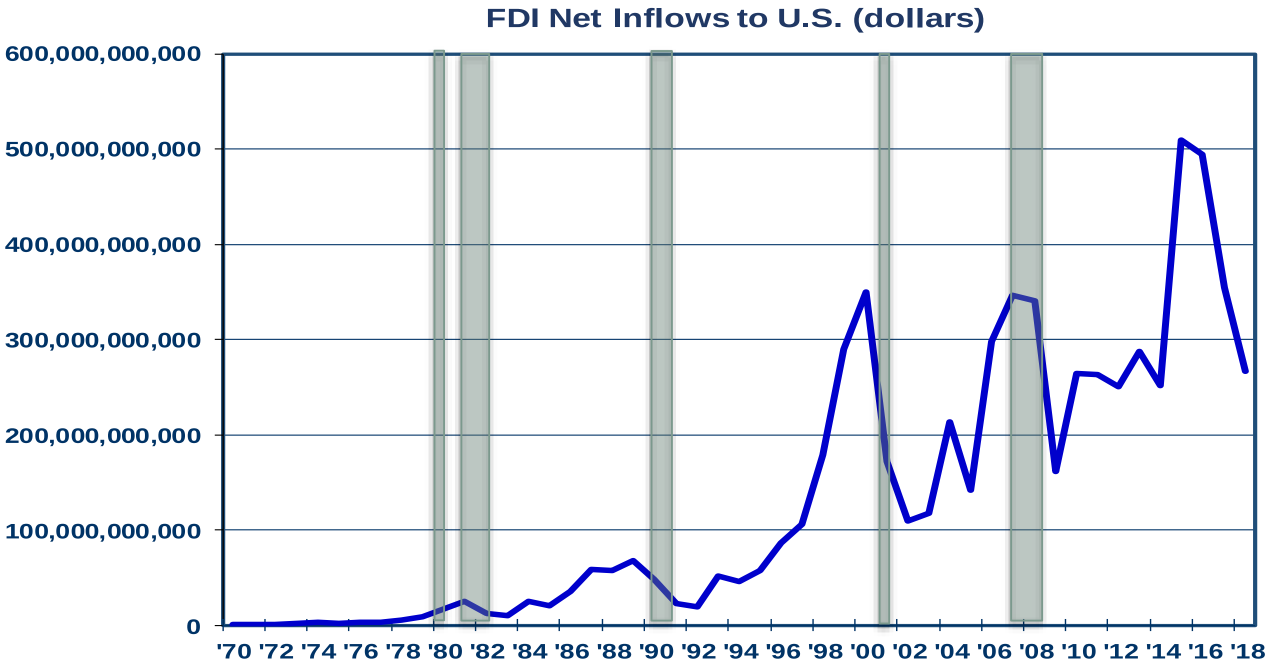
Global Growth Has Stepped Down



Source: World Bank

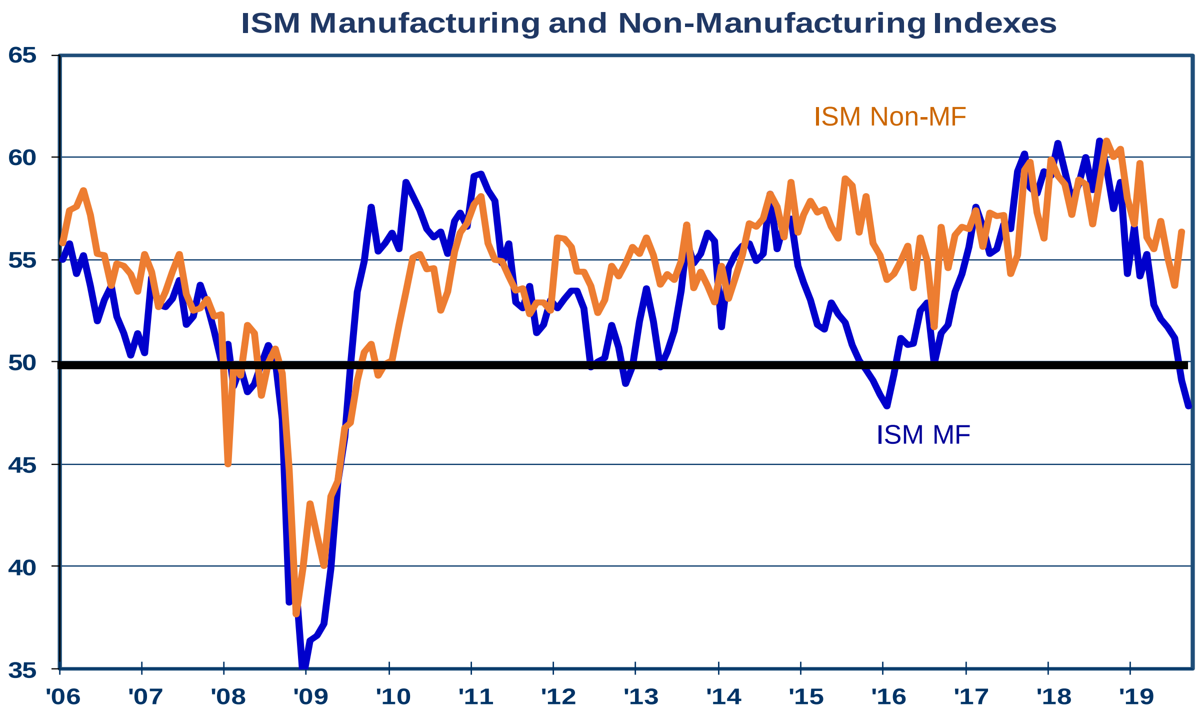
Comerica Bank

Foreign Direct Investment Into U.S. and Recent Recessions



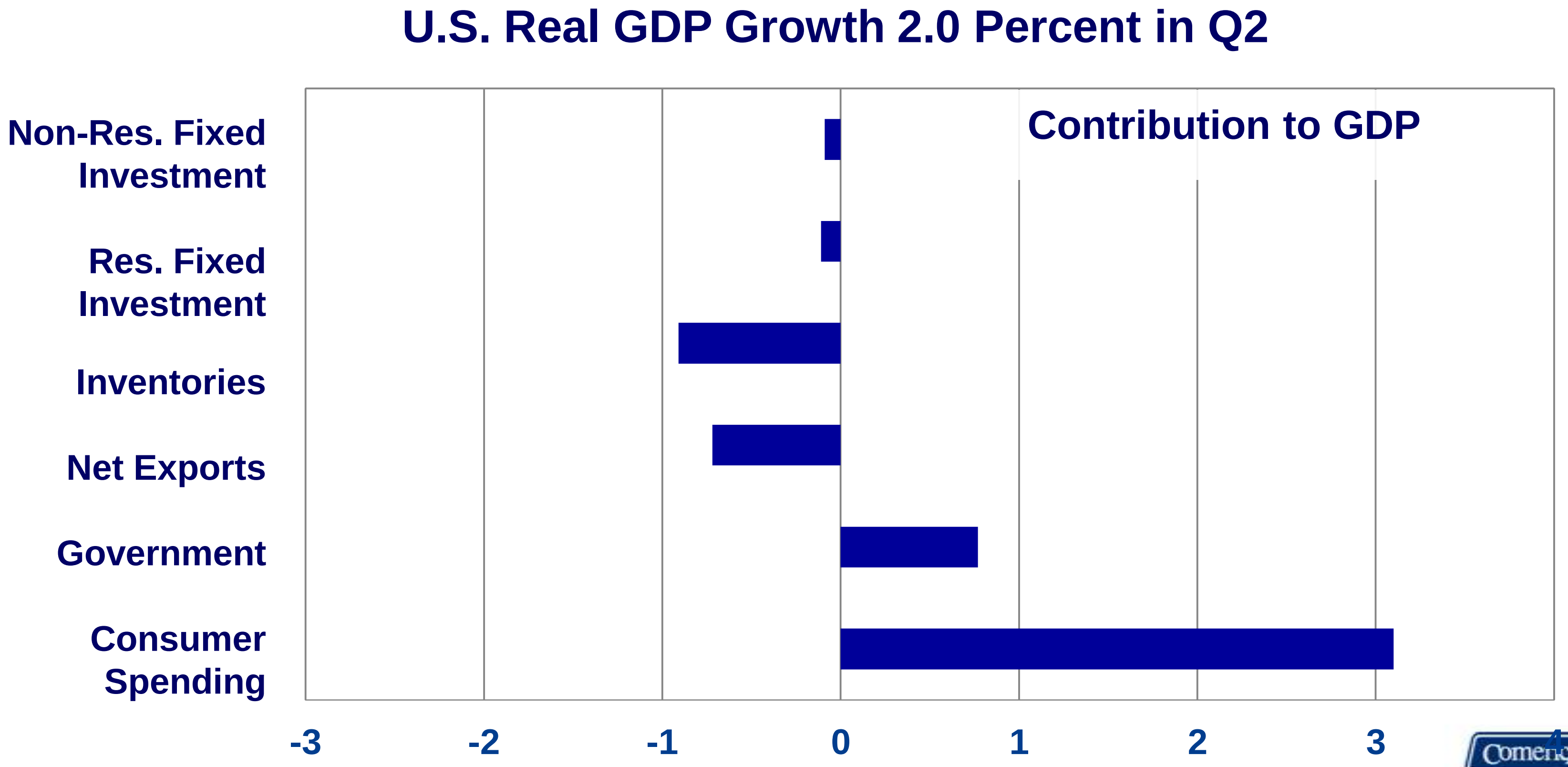
Source: World Bank

U.S. Current Conditions are Mixed, Broad Indicators Cycling Down



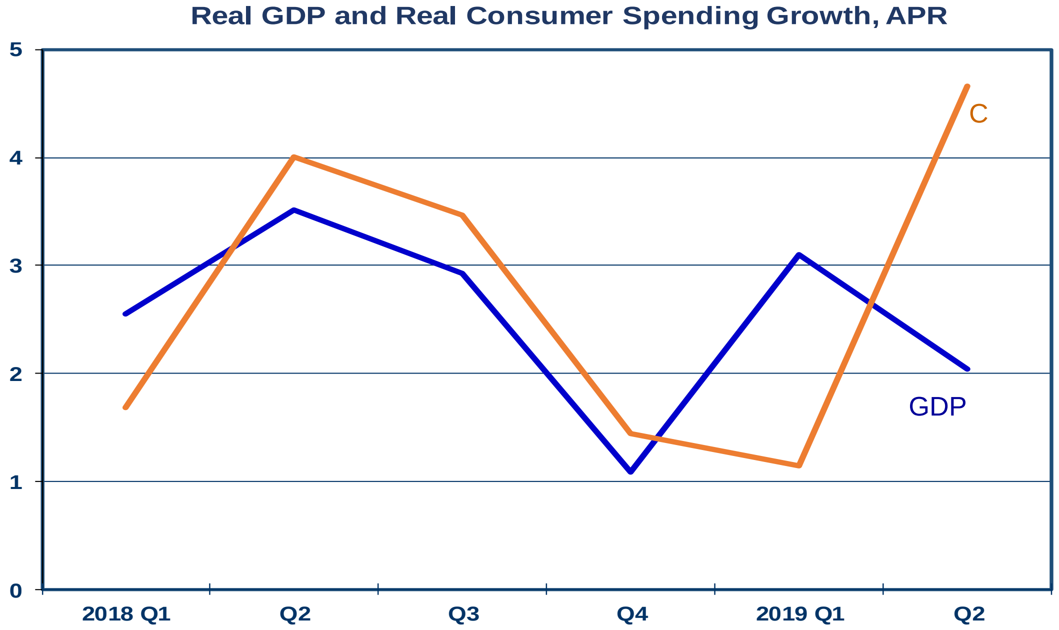
Source: Institute of Supply Management

The Positives and Negatives of 2019Q2 GDP



Source: Bureau of Economic Analysis

Consumer Spending Boost in 4 of Last 6 Quarters



Source: Bureau of Economic Analysis

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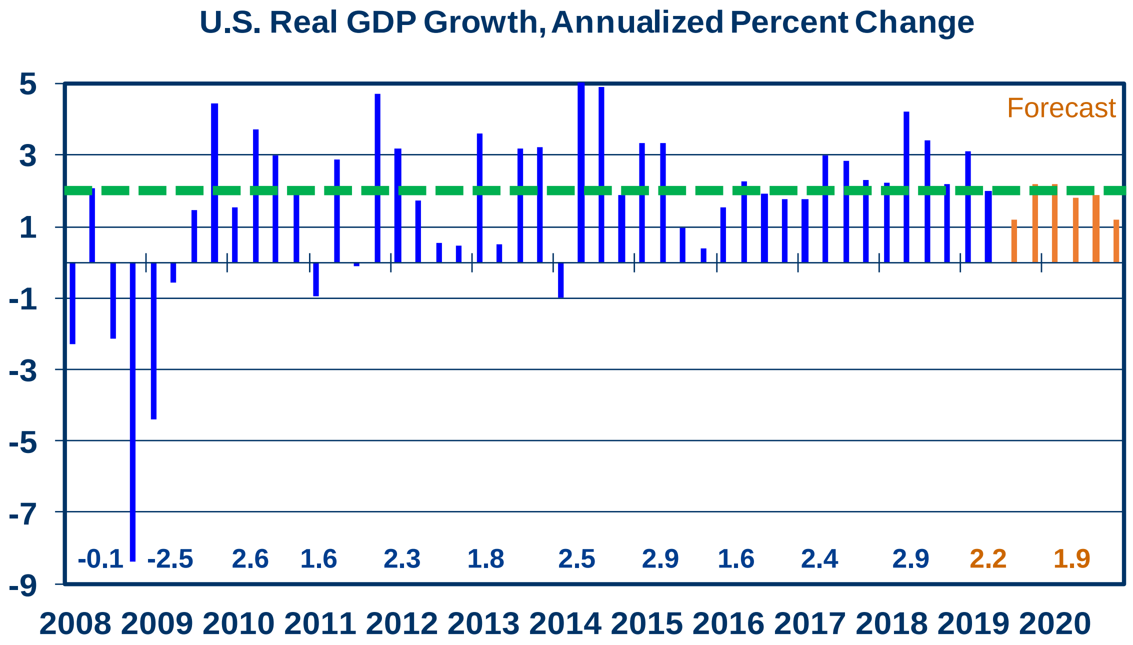
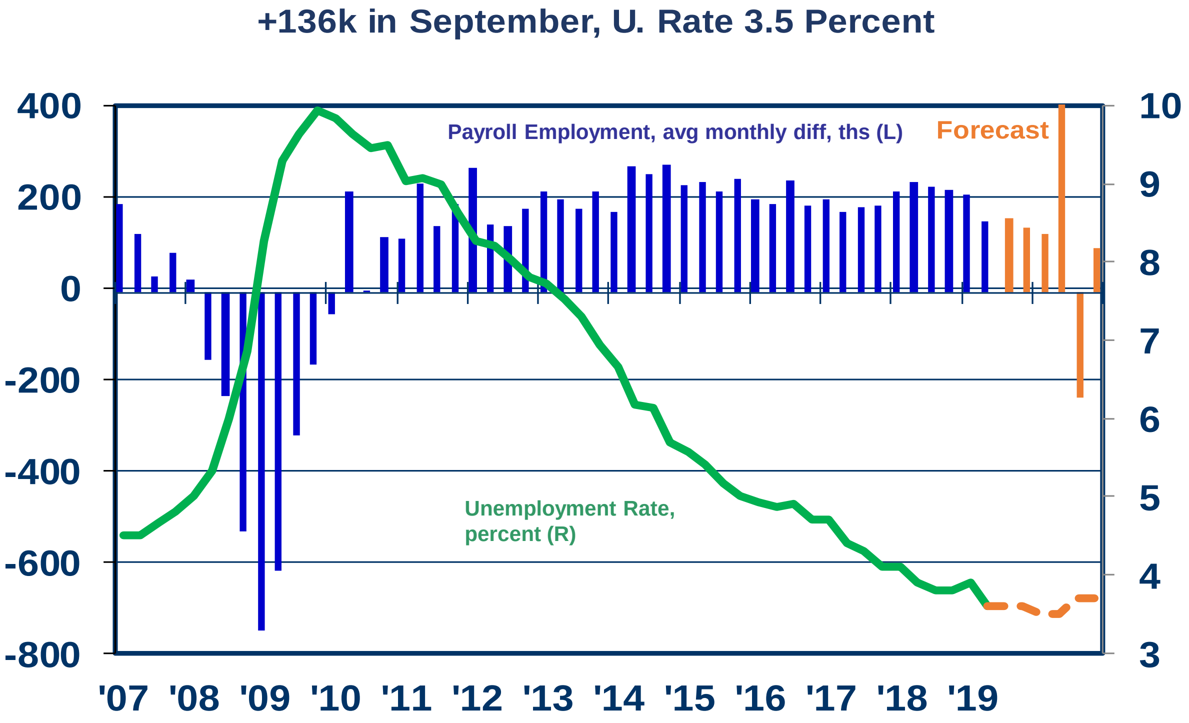
Most Likely Near-Term Outlook Ongoing Near-2-Percent Growth



Source: Bureau of Economic Analysis, Comerica Economics

Comerica Bank

Job Growth to Ease

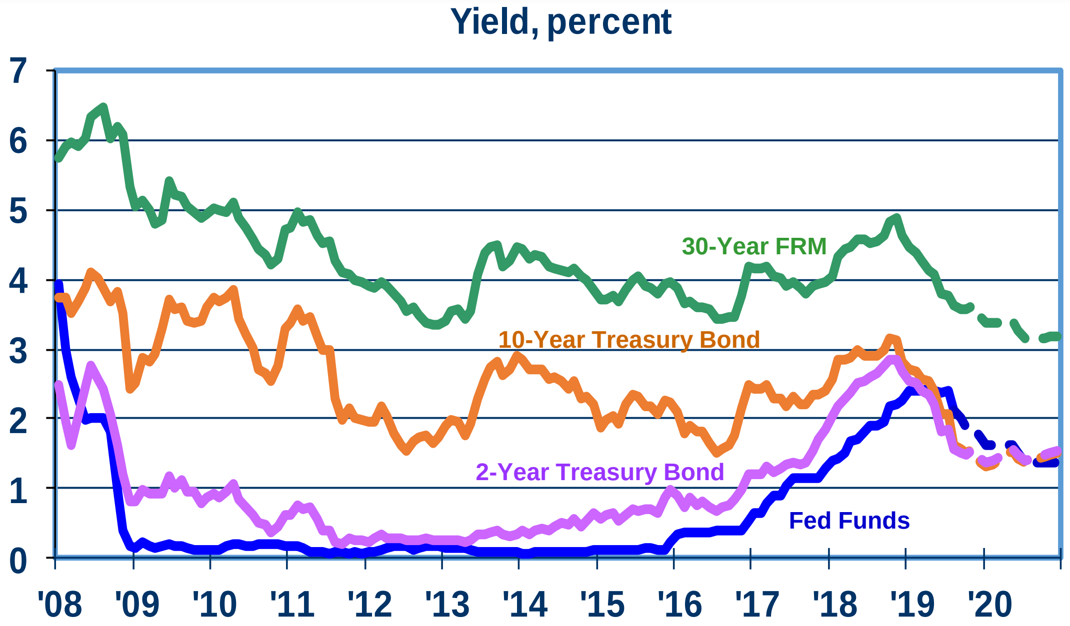


Sources: Bureau of Labor Statistics, Comerica Bank

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 …

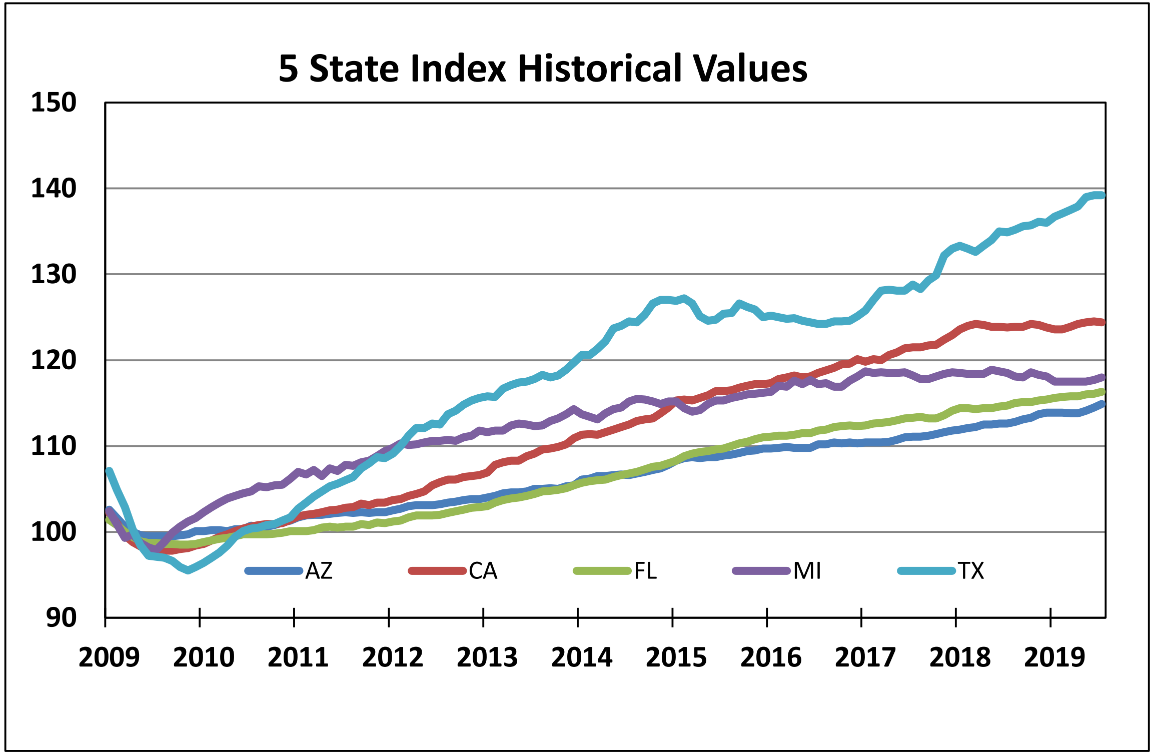
Downside Risks

- ROW growth, China, Japan, Europe
- Trade Wars
- Stock market correction
- Inventory correction
- Political meltdown
- Auto sector disruption GM/UAW strike
- Layoffs accelerate
- Consumers and businesses lose confidence
- Corporate sector, profits and debt
- Housing stalls
- Oil prices

Upside Risks

- Trade wars resolve
- Lower interest rates
- Business investment
- Consumer/business confidence
- Wealth effects
- Deregulation, including financial
- Job growth stays strong
- Fiscal stimulus, taxes and infrastructure

Comerica State Indexes for July 2019



Source: Comerica Bank

Comerica Bank

Robert A. Dye, Chief Economist

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