





# **Investment Ideas for 2018**

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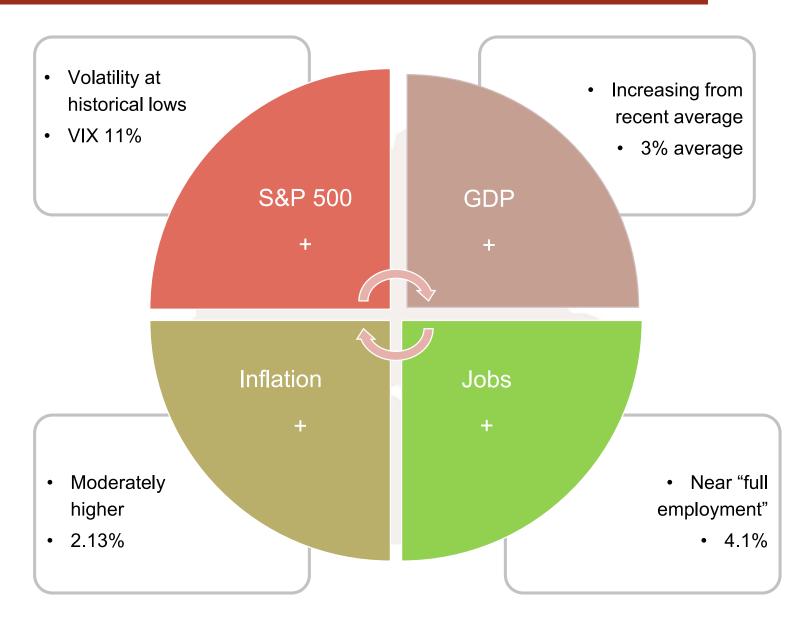
# **Economic Update**





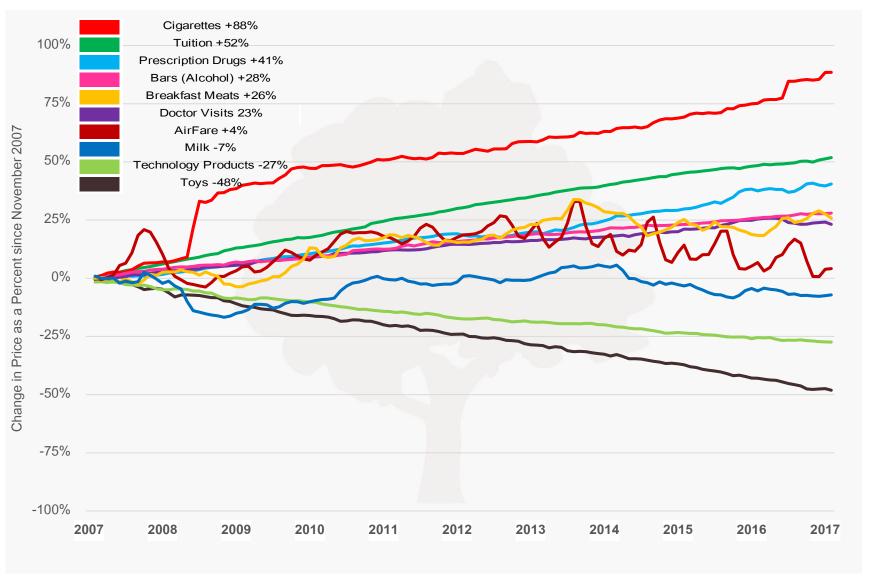
# **US Economy – at Year End 2017**





## What about Inflation?

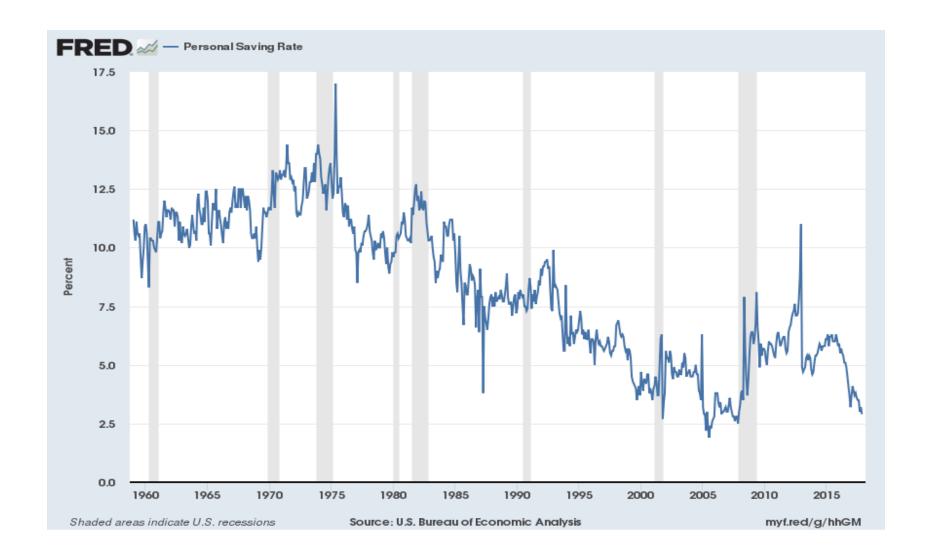




Source: Bloomberg: Data as of 11/30/17: Seasonally Adjusted

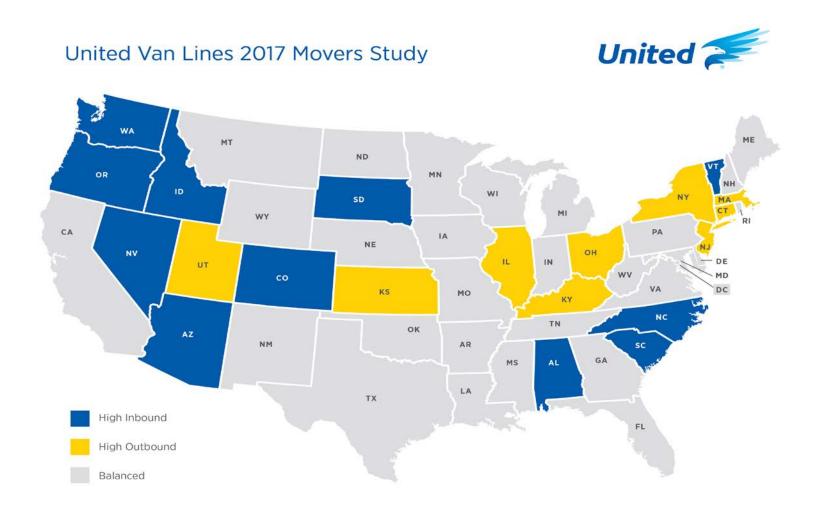
# What else is going on? How's that savings rate.....





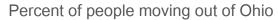
# Trends in Population

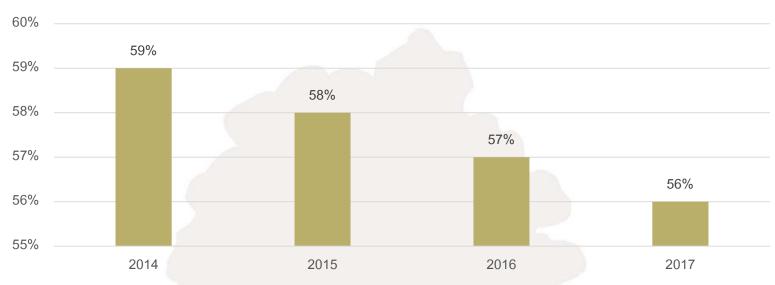




# How'd Ohio fare?



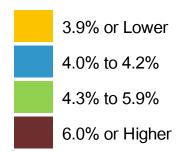


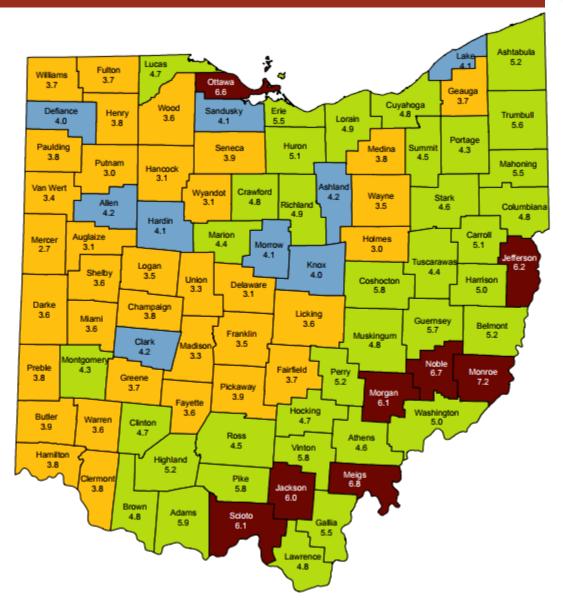


Outbound	Inbound
Job: 65%	Job: 61%
Retirement: 19%	Family: 27%
Family: 14%	Retirement: 9%

## Ohio's Unemployment



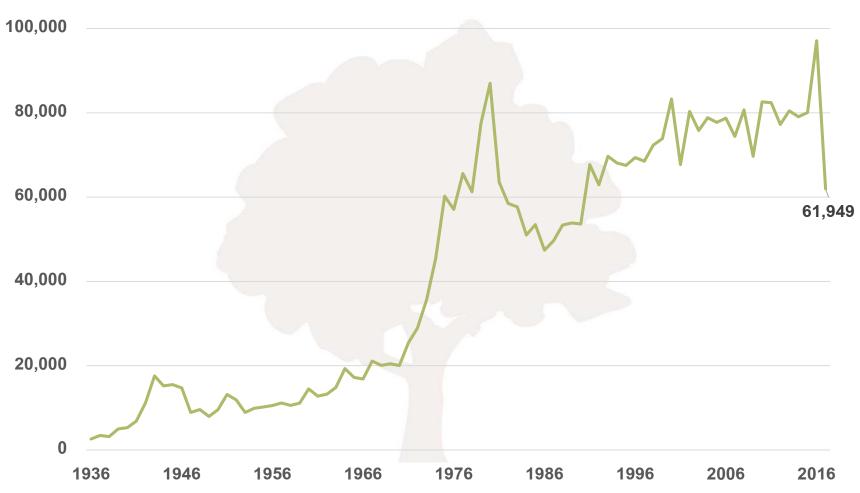




# Less Regulation = Greater Opportunity?



## **Federal Register: Number of Pages**





Tax Reform Fed Actions Consequences Low More Tariffs unemployment Geopolitical Inflation risks

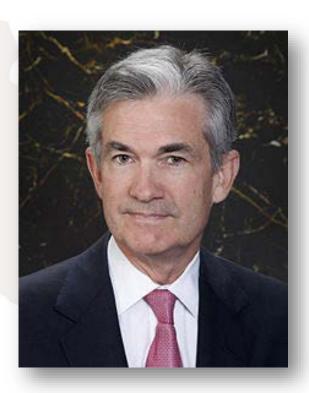




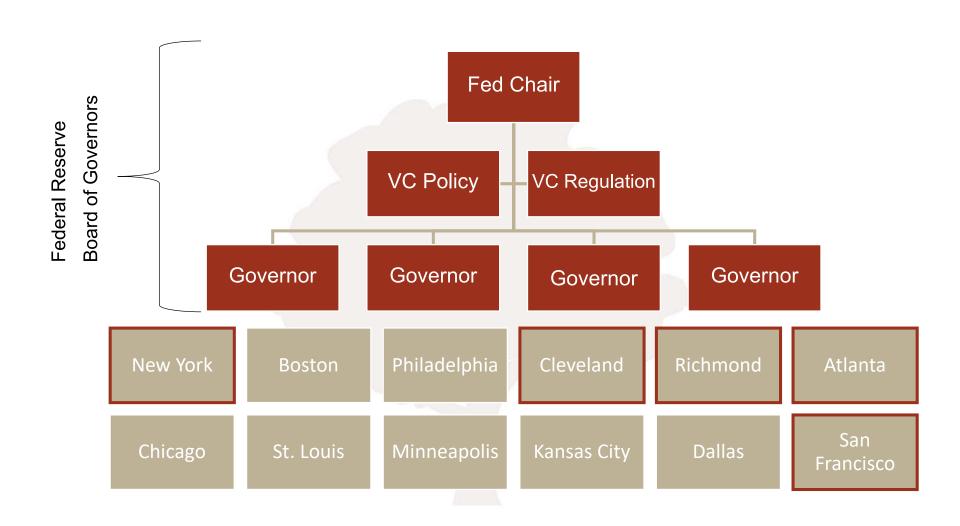


# Jerome Powell

- Age 64
- Princeton University and Georgetown
  University graduate
- Private sector experience:
  - The Carlyle Group
  - Severn Capital Partners
  - Global Environment Fund
- Joined Fed Board in May 2012
- Nominated as new Fed Chair in November
  2017
- Advocates for less financial regulation (small banks)

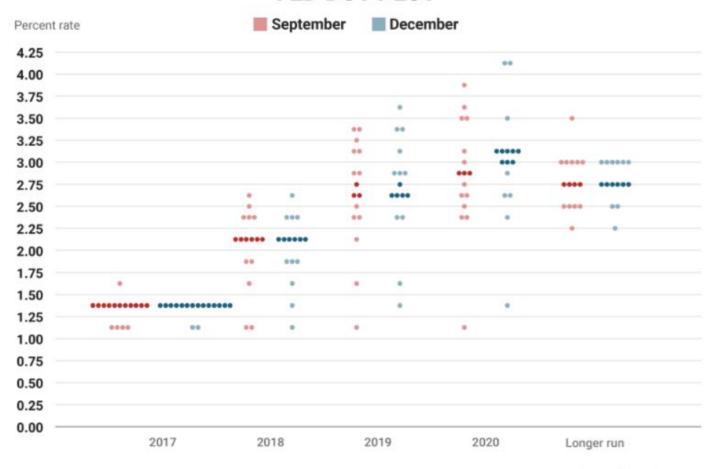








## **FED DOT PLOT**



SOURCE: Federal Open Market Committee

**BUSINESS INSIDER** 

Source: Business Insider. December 2017

## The Fed Dot Plot



	Fed Predictions	Fed Rate Hikes
2015	4	1
2016	4	1
2017	3	3
2018	3	?

- The Fed can only use the information they have at that time to make predictions
  - They are not psychics
- Usually wrong more than they are right
- What is in store for 2018?

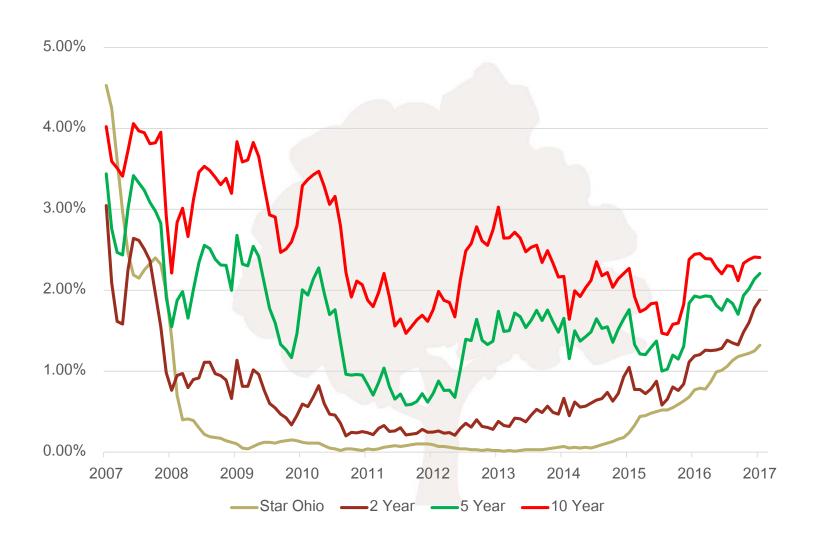
Source: Federal Reserve





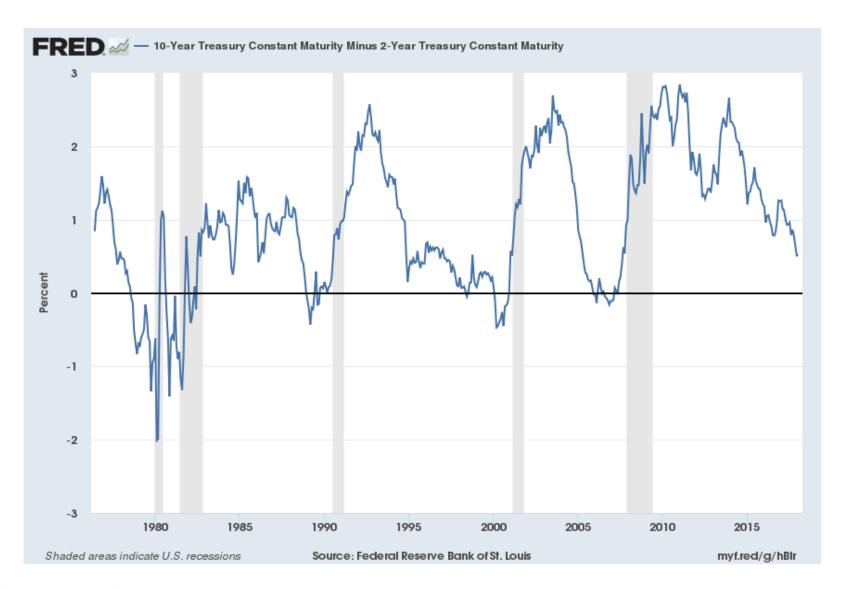
## Where have we come from? Rates





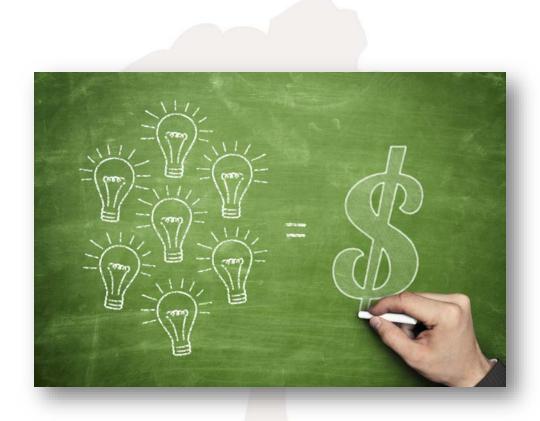
Sources: Star Ohio: US Treasury – Data through December 2017





Source: Data through 1/18/2017





## **Liquidity Investment Options**



#### **STAR Ohio**

- Finally above zero
- Approximately 1.45% basis points
- Will track Fed Funds Rate

#### STAR Ohio PLUS/MMAX/ ICS

- Rates not changing as fast
- Regular STAR could be better option

## **Local Bank Sweep Accounts**

- Likely will be slow in increasing rate
- May be locked into rate
- Need to determine if minimum amount required for compensating balance

## **Bank Products**



#### **Traditional Bank CD**

- Secured by collateral
- Held at local bank
- Receive collateral statements

#### **CDAR**

- Purchased at local bank
- Secured by multiple CD's all under FDIC \$250,000 limit
- Receive one statement with all underlying CD's

#### **Brokered CD**

- Purchased through broker, work with more than one
- Considered a marketable security
- Price fluctuations
- Need to monitor, no more than \$250,000 per FDIC number, including any holdings at STAR Plus, CDAR's, or similar products. NO PREMIUM

## Marketable Securities



## **Government Agencies**

- Ask questions
- Receive multiple quotes, different brokers offer different prices
- Understand cash flows

#### **Callable Bonds**

- Slightly higher yields
- Understand call structure
- Reasonable/acceptable percentage of portfolio

## **Step-up bonds**

- Hard to analyze
- Many offerings, few make sense
- Buy and hold

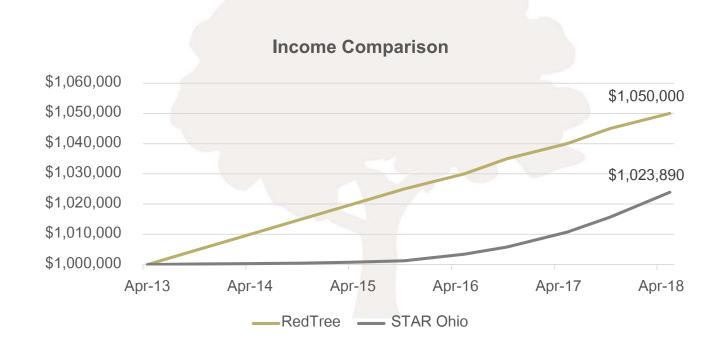
## Liquidity

- No two bonds trade alike
- Understand market risk— price fluctuations

## Why do I own this security?



- STAR Ohio is currently yielding over 1.4%, why am I holding a security only yielding 1%?
  - Looking at historical STAR Ohio rates, a security yielding 1% was much more attractive until recently.
  - Let's look at an example of \$1 million invested in April 2013 in both STAR Ohio, and a security purchased yielding 1%, and matures 5 years later in April 2018.



## Commercial Paper



- Need additional training approved by TOS
- Up to 40% of interim funds
- Maturity restriction of 270 days
- No more than 5% per issuer
- Highest rating category from two rating agencies (Moody's, S&P, Fitch)
- Company assets in excess of \$500 million
- District's holding must be less than 10% of issuer's outstanding commercial paper program
- Make sure IPS is updated

# **Commercial Paper Highlights**



# Difference in yields with same ratings

- Perception
- Long term ratings outlook
- Availability

# Liquidity

- Not same across all CP names
- Can be sold prior to maturity







## **Economy**

- Job recovery
- Will this be the year of inflation
- Will the tax reform really help the economy



#### The Fed

- Keep tabs on latest Fed Speak
- Will the new Fed make changes
- How will Fed forecasts play out



## **Investment Strategy**

- Understand what you are buying
- Keep a shorter average maturity for time being
- Determine where value is today



# hey! I GOT A QUESTION





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The Standard & Poor's 500 Index (S&P 500) is an index of 500 stocks chosen for market size, liquidity and industry grouping, among other factors. The S&P 500 is designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe.

CBOE Volatility Index, ("VIX"), is a measure of the stock market's expectation of volatility implied by S&P 500 index options, calculated and published by the Chicago Board Options Exchange