



INVESTMENT CLUB

November 11th, 2016

Agenda

- 1) Market Update
- 2) Interview Question
- 3) Immediate Effects of Election Results
- 4) Asset Types
- 5) Announcements

Market Update

Billy Maltz and Colin Evanko

Dow Jones

Dow Jones Closed at 18,807.88
Increased by 1.1% over past 4 days
Dow 5 day Index:



S&P 500

S&P 500 closed at 2167.67
Increased by .96% over past 4 days
S&P 5 day Index



GoPro Decline

- Announce launch of Karma drones in mid-september
- Recall 2,500 units due to “performance issues”
- Shares decline ~7% in extended trading
- 3Q earnings reported loss and 40% decline in YOY revenue
 - Stock fell as much as 21% after earnings

Qualcomm Merger

- Rose to \$70 a share upon announcement, now at \$66 a share
- Deal worth \$38Bn, QCOMM will acquire for cash only
- Biggest chip deal of the year that will result in ~30Bn annual revenues and serviceable addressable market growth of 40%
- Adds diversity into automotive, IoT and Communications and Networking segments
- No brainer with rise of smart cars, but expected to close at the end of 2017 calendar year

Easier Access in China

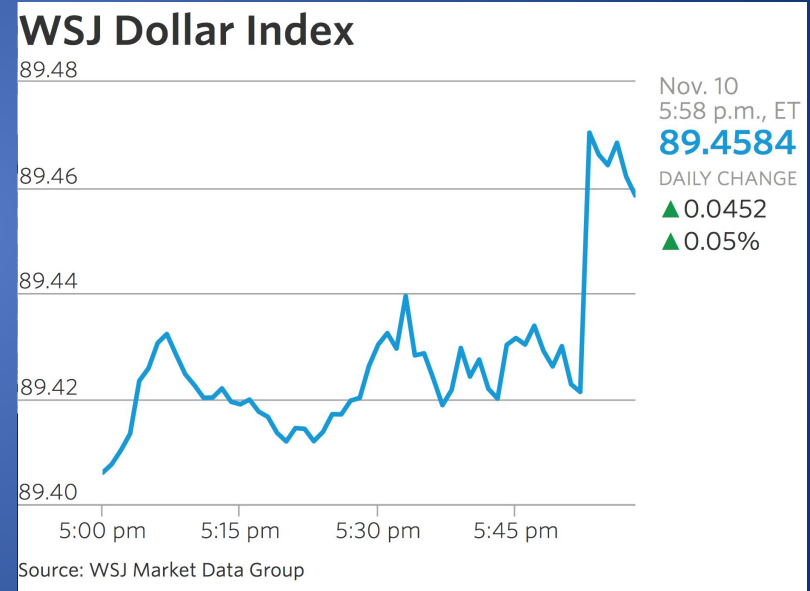
- Beijing to allow Wall Street IBK on its mainland?
 - \$7.48 trillion market
- Foreign firms currently have less than 5% market share
- Changing regulation and increased rivals has made it difficult to infiltrate for Western banks
- Right now Joint Ventures of some of the big banks have majority of business for Western banks
 - Many banks are rethinking relationships w/ looser restrictions

Oil

- Oil was predicted to reach 70 dollars a barrel by then end of this year
- The average price per barrel predicted next year is 56 dollars
- No sign that prices will bounce back
- Recently oil has been trading consistently under the 50 dollar mark
- OPEC agrees production needs to be cut, but a meeting regarding this issue is not looking very promising

Currencies

- Peso dropped to all time low losing 12% after election
- Chinese Yuan takes a hit due to possible strained relation with US after election
- Dollar rises→ Wall Street Journal Index
- Dollar up 1.1% on the Yen
- Euro was down .2% to 1.0891 on the dollar



Interview Question

Adam Rosen

Immediate Effects of Election Results

Kat Stevens, Heman Matharu, Dave Perron

COME ON GARY IT'S A RACE!!! A
RACE!!!!!!



Before Trump was Elected

- Eric Zitzewitz, a professor of economics at Dartmouth College, predicted that a Trump victory would result in a ten percent drop in the global markets
- Simon Johnson, a professor at MIT Sloan and former chief economist of the IMF, also predicted financial armageddon if Trump won: “if Trump wins, we should expect a big markdown in expected future earnings for a wide range of stocks – and a likely crash in the broader market”
- Mr. Gundlach, who runs asset manager DoubleLine Capital LP, has for months predicted the New York businessman would win the White House, “We knew Trump would win and that it would hurt bonds,” Mr. Gundlach said. “I told you so.”

After Trump was Elected

While the election results were underway, the SP500 futures did drop 5%, but shortly recovered the next day.

On Wednesday, the US stock market did not plunge 10% as people expected. Instead the markets were up around 1%.

Winners: Banks, copper, coal, miners, construction , oil refiners, Russian markets, weapons manufacturers

Losers: Government bonds, emerging markets, mexican peso, chinese yuan, renewables, US firearm makers

Huge Win for Private Prisons

Corrections Corporation of America (CXW) 19.81 -0.50 (-2.46%) As of November 10 4:02 PM EST. Market closed.



Amazon

- Amazon CEO Jeff Bezos joked that he would gladly send his fellow billionaire to the moon on one of his rockets
- after Trump won -----> Bezos tweeted “Congratulations to @realDonaldTrump. I for one give him my most open mind and wish him great success in his service to the country”
- why we should have looked into the election and its outcomes in depth before purchasing Amazon when we did:** Trump has been highly critical of the e-commerce giant. “Amazon is getting away with murder tax-wise,” he said on Fox News in May. He accused Bezos of using the *Washington Post*, which Bezos owns, to keep Amazon’s taxes low. What’s more, speaking of Bezos, Trump said, “He’s got a huge antitrust problem because he’s controlling so much, Amazon is controlling so much of what they are doing.”
- Trump has threatened to add tariffs to goods imported to the U.S. and renegotiate trade deals—both of which could directly impact Amazon’s business model.

Effect of Trump's Policies on Sectors

Mining and Manufacturing

Trump mentioned rebuilding highways, bridges and other U.S. infrastructures during his election win speech.

→ On Wednesday... United States Steel +17 percent , Copper prices + 3 percent, Freeport-McMoRan +8 percent, Newmont Mining + 2 percent

Bad news for manufacturers who trade with Mexico, especially automotive makers

Our portfolio: Caterpillar

Trump supports Caterpillar (using it to build wall), could imposing hefty tariffs on Japan and China to curb machinery imports

Financial Industry

The prospect lighter regulation combined with higher interest rates means big gains for the banking industry

→ SunTrustBanks (STI +2.9%), Comerica (CMA+3.5%), Wells Fargo (WFC +2.7%), State Bank Financial (STBZ +3.7%), First Republic Bank (FRC +3.3%), Barclays (BCS +2.8%), Credit Suisse (CS+1.6%).

Our portfolio:

JPMorgan (JPM +3.2%) and Bank of America (BAC +3.2%)

And Goldman Sachs...

Goldman Sachs Stock Price Day Before Election to Today

The Goldman Sachs Group, Inc. (GS) 200.87 8.24 (4.28%) As of 4:01 PM EST. Market closed.



Healthcare

Repeal of Obamacare, less pressure on drug-prices, tax policy benefits big companies

Deutsche Bank analysts said health-care stocks are "likely to rally most near-term," with an upside of at least 20 percent within the sector

- **Pfizer** and Mylan rose 7 percent and 4.8 percent Wednesday
- Allergan and **Amgen** shares followed, gaining more than 8 percent and 5 percent
- Big market cap biotech stocks, including **Gilead Sciences**
- **UnitedHealth Group**: competitive insurance market

Tech

Tech stocks took a plunge the day after the election results, mainly due to uncertainty over regulatory concerns under a Trump presidency

Apple - Concerns with having its devices manufactured in China, Trump is against the company's encryption policy

Facebook - Mark Zuckerberg strongly believes in hiring foreign talent to bring a diverse work environment

Amazon - The company's entire business model will change with Trump's promised tariffs on imports

Specifically, the companies that were most negatively affected were based in the Silicon Valley, California - a strongly liberal state

Anti-Merger

Trump has said multiple times that he is against many of the merger deals that are currently in the works

Such deals as Time Warner and AT&T deal are seen as “poison” by the President elect, as he seems to be consistent with a lot of antitrust ideal

This could prove to be a major hindrance to future consolidation of companies we have seen in industries such as energy, tech and telecommunications

CLINTON



TRUMP



JOHNSON



STEIN



SANDERS



VERMIN SUPREME



Asset Types

Tom Foerster

Equities

- Represent an ownership stake in a company
- Generally broken into common and preferred stock of a corporation
- Common stock has voting power in firm decisions
- Preferred stock has a higher claim on the assets of the firm and receives a fixed dividend
- Differentiated by firm size, location and type
- Can include call and put provisions as well as conversions

Fixed income

- Obligates the borrower to make future payments to the bondholder
- Issuers include:
 - sovereign governments
 - non-sovereign governments
 - quasi-government entities
 - corporations
- Further differentiated by:
 - Maturity
 - coupon rate
 - currency denomination
 - Credit rating
 - collateral
- Coupon rates vary from fixed, floating, credit-linked, inflation-linked and zero-coupon

Commodities

- Physical assets broken into three main categories
 - Softs: Agricultural products ranging from corn and sugar, to beef and hogs
 - Metals: Broken into precious and industrial metals
 - Energy: Crude oil, natural gas, heating oil and gasoline
- Trade in spot and futures markets
- Futures contracts are differentiated by time, location and quantity

Real Estate

- Ownership of commercial or residential property
- Either direct ownership or through Real Estate Investment Trusts (REITs)
- Values change at a slower rate compared to the volatility of equities making them a popular long term investment

Alternatives

- Typically only available to sufficiently knowledgeable or institutional investors
- Popular Types:
 - Hedge Funds: Pooled investment funds pursuing strategies not suitable for most investors
 - Fund of Funds: Hedge fund that evaluates and takes stake in multiple alternative funds
 - Private Equity: Operating in private capital markets, generally taking advantage of company ownership
 - Venture Capital: Investing in early stage companies in an attempt to grow them
 - Commodities and credit derivatives



Announcements

Bram Bluestein '67

- Founder of Bluestein and Associates (Funds startups)
- Wife: one of 25 female CEOs profiled in Fortune Magazine



**Friday, November 18th,
2016 at 3PM ---> Simon
L3**

Investment Club Charity Game

- 10 teams participating
- Monday, November 14th at 8PM, Marlo Room
- Come and WATCH!!!

