



Investment Club Meeting

Friday, October 26th



Agenda

- MarketWatch
 - Henry Lewand
 - Market Outlook
 - Emmett O'Toole
 - Harrison
 - Earnings Season
 - Henry Lewand
 - Luke Cummings
 - Brett Berger
 - Trim
 - Jeff Sikorsky
 - Tyler Furlong
 - Halloween Effect
 - Mac Erb
-

ANNOUNCEMENTS

- BofAML Trading Floor Visit
 - Tentatively 11/9/18

M&T Bank invites you to the

Lafayette Investment Club Q&A Luncheon



Featuring
M&T Bank's
President and COO

Rich Gold

Please join us
November 2nd, 2018 at

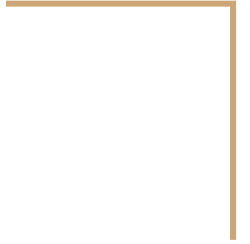
Simon Center of Economics

Simon L3

Lunch and discussion will be from 12:15pm-1pm alongside an
informal Q&A session

Hosted by Sarah Savattieri (Lafayette '11)

MarketWatch





Relaunching League for Month of November

Cash Prizes

Easy Sign up

Email Link Coming Soon





Market Outlook

Harrison Kusnierz and Emmett
O'Toole



But first...



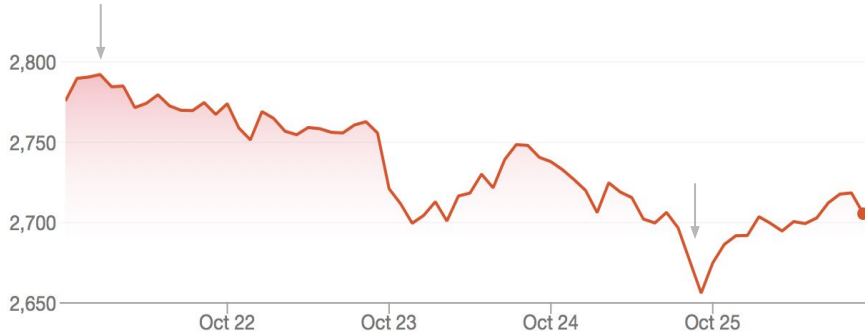
Brief Market Update



2,705.57 +49.47 (1.86%) ↑

Oct 25, 4:20 PM EDT · Disclaimer

1 day 5 days 1 month 6 months YTD 1 year 5 years Max



Open	2,674.88	Low	2,667.84
High	2,722.70		

S&P 500 (as of close yesterday)

24,984.55 +401.13 (1.63%) ↑

Oct 25, 5:40 PM EDT · Disclaimer

1 day 5 days 1 month 6 months YTD 1 year 5 years Max



Open	24,736.54	Low	24,645.56
High	25,104.29		

DJIA (as of close yesterday)

- On Wednesday, markets entered negative territory for the year
- Recovered slightly by market close on Thursday, as shown above.
- Why such volatility? Investors on edge?



Market Outlook



Key Points

The FED and interest rates

Are equities overvalued?

Corporate Earnings

FED

	Last		Q4/18	Q1/19	Q2/19	Q3/19
United States	2.25	Sep/18	2.5	2.5	2.75	3

This will reduce business investment which will slow growth

If bond yields become more attractive to investors, money will move out of equities

A BAML survey -> 10 Yr Treasury yields reach 3.7%: investors will buy bonds

Too Expensive?

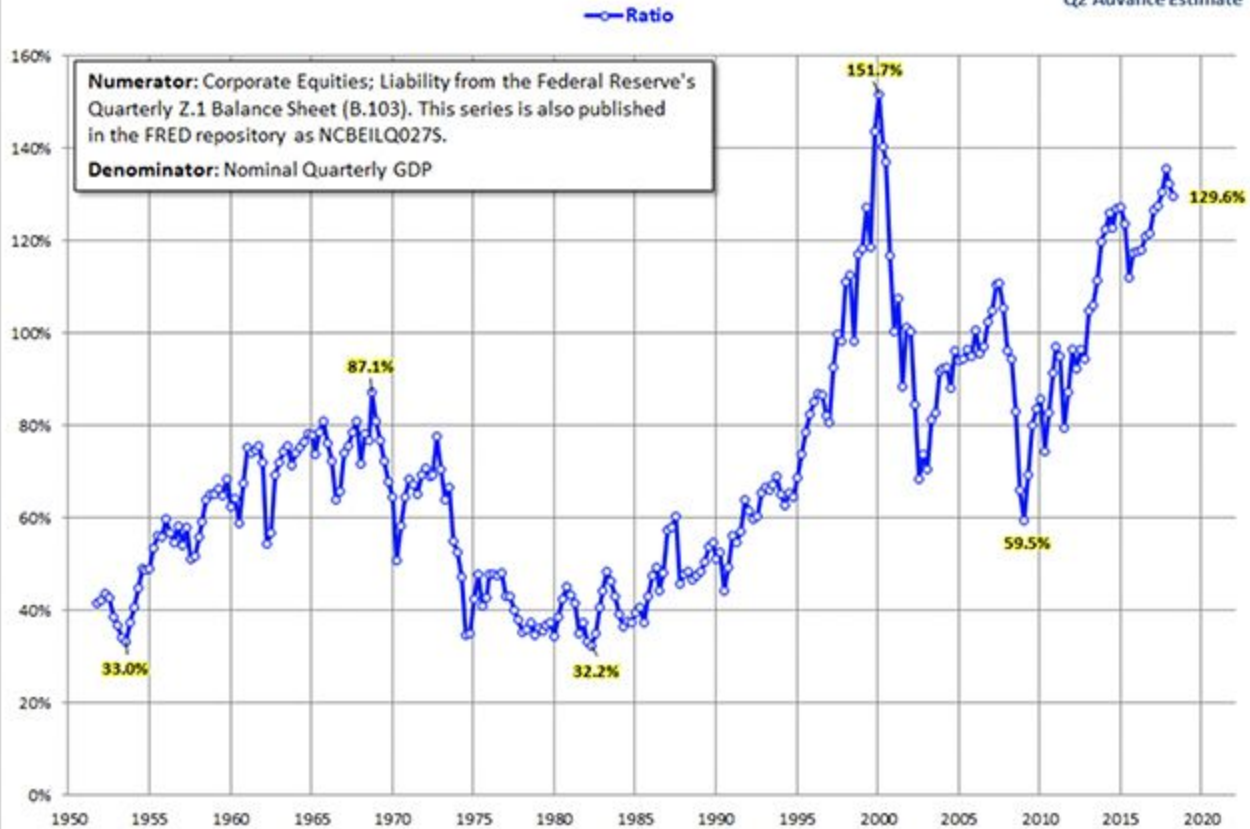
Many investors believe that equities are generally trading at high valuations

However, Professor Jeremy Siegel -> valuations are justified by earnings

Siegel current PE of S&P ~ 18 -> historically corresponds to 5.5% returns

5.5% returns -> 3.1% to 3.7% 10 yr Yields-> equity risk premium-> 1.8-2.4%

The Buffett Indicator: Corporate Equities to GDP



Corporate Earnings

Corporate Profits by Country									
	Historical Data			Consensus Forecasts					
* % change over previous year	2013	2014	2015	2016	2017	2018	2019	2020	2021
United States	1.7	5.9	-3.0	-2.1	2.2	2.5	2.4	1.7	3.5

Strong earnings justify valuations

However, if earnings slow and interest rates continue to rise there may cause for concern

JUST A NORMAL DAY AT THE NATION'S MOST IMPORTANT FINANCIAL INSTITUTION...



Earnings Season

Biggest Winners

Tesla (TSLA)

(+12%)

Logmein (LOGM)

(+10%)

Mattel (MAT)

(+10%)

Microsoft

(+5.7%)






Market*Watch*
EarningsWatch

<https://www.marketwatch.com/news/markets/earningswatch.asp>

Biggest Losers (Aug 28 - Oct 16)



- NEWELL BRANDS INC
 - Down 20.1%
 - MANULIFE FINANCIAL CORP
 - Down 18.5%
 - GRUBHUB INC
 - Down 14.0%
 - GENERAL MOTORS CO COMMON SHARES
 - Down 13.3%
 - ANHEUSER-BUSCH INBEV
 - Down 13.3%
- 



Portfolio Trimming

“Know what you own, and why you own it”

- Peter Lynch



Why trim/sell off?

- ❖ Need cash to make more purchases
- ❖ Past week has shown large volatility in stock market
 - S&P and Dow growth became negative YTD indicating large sell offs
 - Want to capitalize on gains while ahead... are we near the end of the bull run?
 - Trade war & rising interest rates contributing to investor volatility

Grubhub (\$GRUB)

- Online and mobile food ordering service
- Based in Chicago
- Grubhub Seamless, went public in 2014
- Listed on the NYSE
- Market Cap of 8.72 Billion

Why Sell?

- ❖ Threats to restaurant delivery industry:
 - Emerging competition threats from UberEats, Amazon, Insta carts, Postmates, DoorDash
 - UberEats is a huge threat to the industry
 - Delivering for Starbucks and McDonalds
 - A company that can pull revenue from more operations than Grubhub
 - Minimal barriers to entry = more competition
 - One bad incident can result in restaurants cutting ties

NEWSWIRE

Post Malone spent \$40,000 on Postmates this year—including \$8,000 on Popeye's biscuits

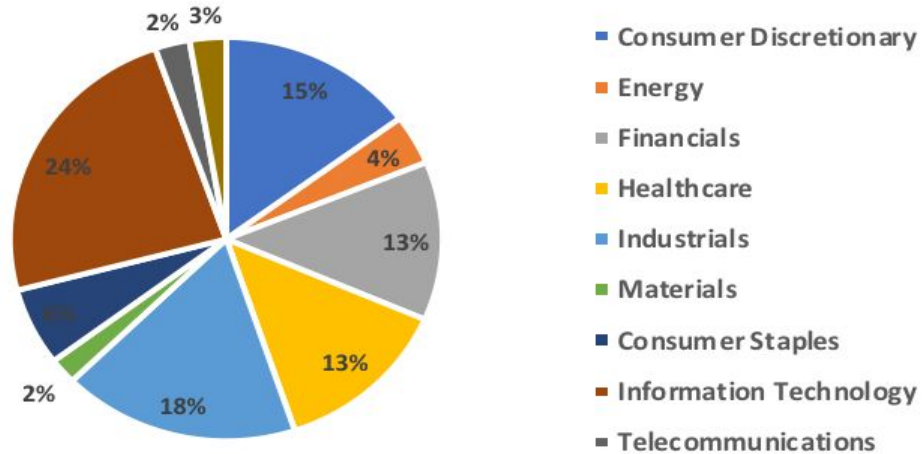
Continued...

- ❖ Beat earnings yesterday but still fell 12% indicating a lack of investor confidence
- ❖ Forecast: increased competition ---> slow down their sales growth ---> investors will lower their expectations ---> lower price on the market ---> loss of some unrealized gains

Our position

- We own 250 shares, currently priced at about \$96
- The historical data we have shows that we bought it pretty close to its IPO, as it is present on our portfolio from August of 2015.
- Using \$30 as a conservative average purchase price (\$26 in oldest available portfolio)
- We have made \$16,500
- **220%**

IC Equity Sector Weights



“Communications Services”

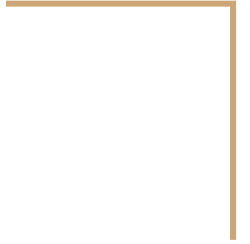
- Renaming of Telecommunications
- Mixes some telecom with consumer discretionary and tech

Courtesy- Mac Erb

Buy Low Sell High

- Unless we are sure that Grubhub will be able to consistently grow in a market being flooded with companies such as Uber and Amazon, we should take the money we have made
- Uncertainty = a good time to sell
- Selling is not a bad thing, we have done well on Grubhub and we believe it is time to take our money.

Halloween Effect



What's the Deal with Halloween?

Halloween Effect

- Investment strategy that suggests that stocks perform better from October 31st through May 1st
 - Timing strategy
- *Sell in May and go away*
- Winter Months vs. Summer Months

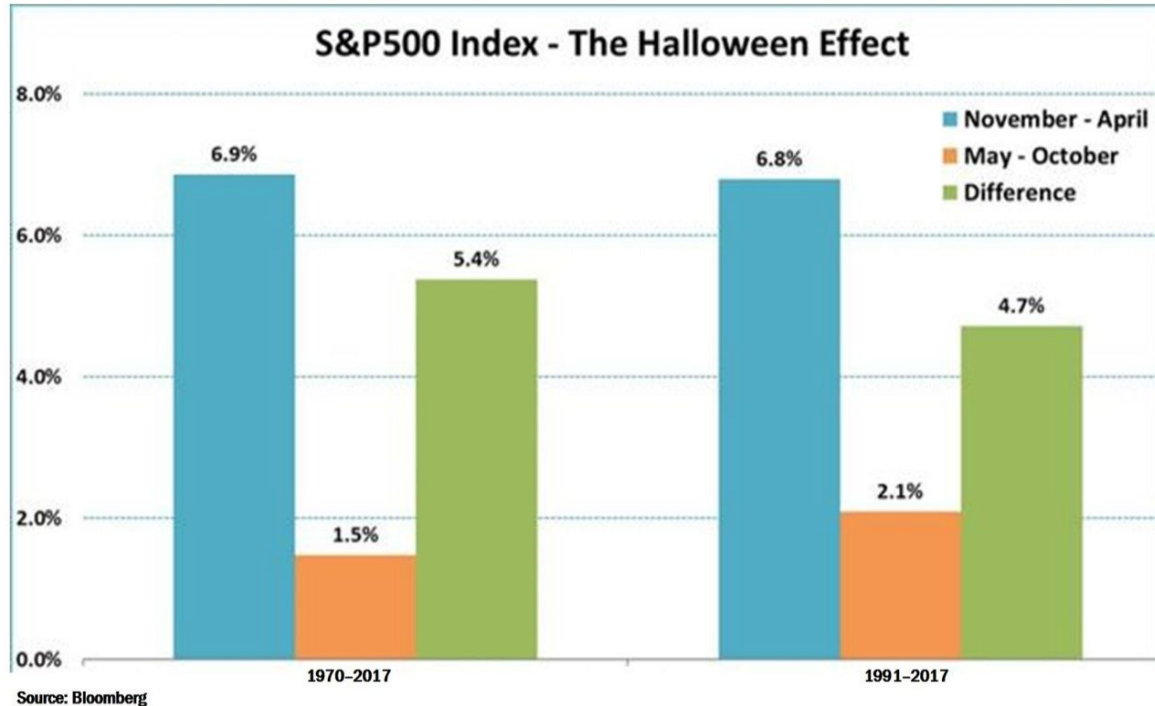
Where did this theory come from?

- Stock market anomaly dating back to the 1930's
- Privileged class in the UK would leave for the summer and forget about their investment portfolios
- Similar today where investment professionals abandon financial centers for relaxation

What causes the difference in seasonal returns?

- Professional investors vacation's can affect market liquidity
 - Fall may see increased trading volumes helping returns
- Investor risk aversion

Does the theory hold up?



It is all fun and games until you try it

- Remember: this is a **THEORY**
- Yes, there has been success market performance to back it up but...
- I'm not responsible if you miss out on a Summer boom.