

Investment Club

9/7/18



Lafayette Investment Club Stock League 2018

Henry Lewand

Will be on market watch

Each investor will get \$400,000

Minimum stock Price of 5\$

Prizes will be given out after the first round

Email sent out with sign up instructions



tonight

« VSE Home Sponsor: THE GLEN

The Dow 30 - Day Trader

Welcome Trading **Ranking** Portfolio

Symbols

 AA \$13.46	 AXP \$42.91	 BA \$63.82	 BAC \$12.16	 CAT
 CSCO	 CVX	 DD	 DIS	 GE

Portfolio Update

Summer 2018

-Jeff Sikorsky

Lafayette College
Investment Club
Est. 1946



How'd we do???

- Alright I guess, if you like making money.
- But actually pretty good
- All positions in our portfolio valued at \$738,080 as of end of August
- Additional cash \$28,767
- **Total portfolio value of \$766,848**
- **Up \$65,392 since April 2018 (+8.53%)**
- Recent purchase of Canada Goose up over 40% IcyHOT!

Compare that to...

-S&P 500 (+8.85%)

-Dow Jones Industrial Average (+5.71%)

-Nasdaq (+9.40%)

-Important questions we should examine this semester: How well diversified are we, and are we taking appropriate levels of risk for our returns

Moving forward

- We continue to roll in what is one of the strongest bull markets of all time
- How much longer do we think this will continue, what are the driving factors?
- There may be positions that we have made strong gains on that it is time to trim
- Downturn protection and hedging are things we should be considering
- Look to increase our use of analytics to better understand our portfolio and adjust as necessary

Portfolio Update by Sector

-Portfolio contains about 45 equities, as well as one Exchange Traded Fund

-Broken down for analysis into 6 sectors

- Industrials - ex. Defense, Aerospace, Machinery..
- Energy - ex. Oil, Gas, Power, Drilling
- Healthcare - ex. Medical Equipment, Drugs, Services
- Technology Media and Telecom (TMT) - Hardware, Software, Internet etc.
- Consumer Spending - Food, Clothes, Cars
- Financials - Banks, Insurance Companies, Real Estate



Tech Sector Update

Michael Frohwein



Tech sector up 11.6% (since April 13th)

Winners

- Amazon
 - Up 36%
- Apple
 - Up 28%
- Expedia
 - Up 16%

Losers

- EBay
 - Down 16%
- Intel
 - Down 10%
- AT&T
 - Down 8%



Industry trends and notes

- Tech has continued its strong march forward, with Apple and Amazon hitting a market cap of \$1 T
- Justice Department has started to crackdown on social media companies pertaining to their data handling and politically jaded content
- Chinese tech stocks, most notably BAT, have pulled back, falling 5.3% due to reverberations of a trade war and the Chinese govt. recent crackdown of tech usage



Energy Sector Update



Energy Holdings (Apr. 13 - Aug 28. Performance)

Winners

- Kinder Morgan
 - Up 16.07%
- American Water Works
 - Up 7.85%
- ExxonMobil
 - Up 3.25%
- Chevron
 - Up 0.13%

Losers

- Southern Copper Corporation
 - Down 17.07%



Commentary

- Copper touched a low of \$2.58 / pound, representing a 22.0% decline from multi-year highs reached three months ago
- Kinder Morgan gives the green light to move forward with the development of a new \$2 billion gas pipeline in the Permian Basin
- American Water Works' market based business is benefiting from strong tailwinds in the sector



UnitedHealth Group®

Healthcare Update

(Summer 2018)



MetLife

Connor Thatcher



Medtronic



Top Performers

Medtronic: **+21%**

Pfizer Inc: **+14.6%**

United Healthcare Group: **+19.6%**

Breaking Even

Metlife Inc: **~0.01%**



Consumer Spending Update

Emma Bodner

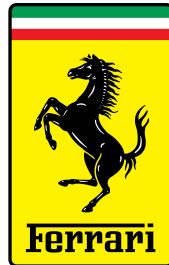


WINNERS!

Grubhub + 46.2%

Home Depot + 27.97%

Ferrari + 8.66%



Under Armour + 3.96%

Coca Cola + 0.06%



Losers :(

Dollar Tree -16.62%

Anheuser Busch -11.57%

eBay -5.29%

Newell Brands -4%

Toyota -4.45%



Grubhub?

Why Grubhub is soaring:

- Expanding into overlooked markets across the country in 17 states
- Announced plans to acquire LevelUp - a mobile ordering and payment company
- 40% increase in hirings this past year



Spike in Consumer Spending



Consumer spending rose 0.4% in July - Why?

- Americans have more money in their pockets due to robust job growth, rising pay, and tax cuts
- Household income (what Americans earned from salaries and investments) rose 0.3% in July
- The booming stock market and rising home values are raising Americans' wealth, which tends to encourage them to spend more and save less

J.P.Morgan



Financials Sector Update

Emmett O'Toole



Goldman
Sachs



Winners

Paypal **+15.18%**

JP Morgan **+3.45%**

BNY Mellon **+1.2%**

Losers);

Barclays **-23.75%**

Goldman Sachs **-8.36%**

Manulife Financial **-3.64%**

Metlife **-2.32%**



Industry Trends

- Consolidation has been a big trend in the industry. Most banks with assets under \$1 B have difficulty competing with large commercial banks.
- Increasing interest rates benefit financial institutions by increasing the spread they can make on loans and other forms of credit.
- Regulation rollback under Trump administration makes it easier for banks to do business.
- Fallout from Brexit and the backlash against trade could lift activity at banks like JPMorgan (JPM), Goldman Sachs (GS) and Morgan Stanley (MS), but lending at banks with more international exposure like Citigroup (C) could see headwinds.



Industrials

Hen3



Winners

Boeing: +6.2%

Union Pacific: +12.2%

Losers);

Toyota Motor: -2%

Caterpillar: -6.0%

General Motors: -4.5%

General Dynamics: -10.7%

Emerging Market Turmoil

- Rising US interest rates are pulling money from the developing world and making their debts more expensive
- MSCI emerging markets index dropped by a fifth since its January high after steep falls in the Turkish and Argentine currencies sparked a wider selloff
- Many of these countries borrow heavily in dollars. When the U.S. Federal Reserve lifts interest rates, it pushes the dollar higher.
- Upheaval often follows in the developing world



Turkey



-From January to August Turkey's currency dropped 44%

-Oil is roughly 6% more expensive year to date for international traders

-Price has risen more than 60% for Turkish buyers because of the plunge in their currency against the dollar

-Turkey imports the vast majority of its fuel needs

-If you borrow in USD and/or import many products you have to pay for in dollars, things can get messy quickly

Emerging Problem

The currencies of many developing economies have weakened this year.

Change against the U.S. dollar, year-to-date

■ Russian ruble ■ South African rand ■ Turkish lira ■ Chinese yuan



Source: Factset

South Africa



Recession Entered on September 4th

“a period of temporary economic decline during which trade and industrial activity are reduced, generally identified by a fall in GDP in two successive quarters”

Unemployment 37.2%

Moody’s rating credit negative

President Ramaphosa using nationalism to blame other parties



China feeling effects of Trade War

Chinese Growth Slowed to 6.7% in Q2

Shanghai Deposit Index down 12.6% YTD

Trade war seems to be working as U.S. Continues to Grow

Chinese authorities blame “weather” and hostile trade tensions

