

Investment Club
11/1/19

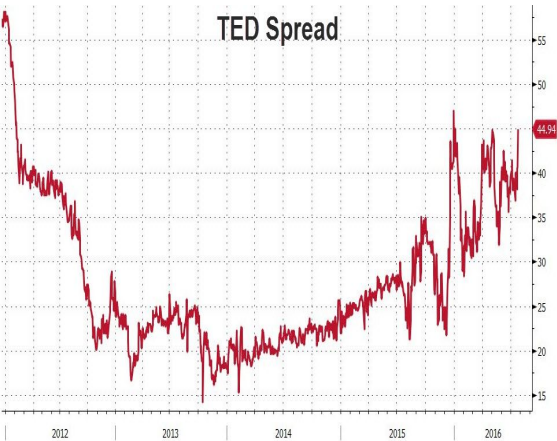
Happy November!

Agenda

- Rates Piece
- Future Outlook
- Timelines, Networking, Example Questions



Interest Rates!!!



What is the federal funds rate?

- Whenever you hear “Fed is changing interest rates”... most likely the target FFR
- Federal Funds: Fed forces commercial banks to maintain deposits, have a *reserve* account with them
- Each account must maintain a minimum balance dependent on bank size
- Some banks have excess reserves in their account, some don't hold the minimum
- Banks with excess funds lend to those with a shortage
 - These are overnight loans, and the interest on them is called the **FFR**

Overnight loan for interest



Bank A (has excess)

Bank B (has deficit)

Cont.

- Gauge confidence of economy through FFR
 - See how confident banks are with overnight credit
 - 2008 banks were not confident and didn't trust each other to repay overnight loans!!!
- Common misconception: The Fed doesn't set the actual FFR!!!
 - Set by market forces... aka the two banks that are part of the loan transaction
- Fed sets a target FFR after reviewing data: current & forward looking
 - Recession, expansion, stable?
- Use their tools to align commercial banks with target rate
 - Interest on reserves
 - Discount rate
 - Open market purchases ---> buy & sell

How does a rate change influence us?

- All short-term rates from treasuries to credit card interest mirror the FFR
- Long term tsy rate mirror by expected economy, gdp, inflation
- Depends on the current state of economy
- Fed cuts in times of poor economics ---> monetary stimulus
 - Influences consumers to borrow at lower rates to revamp economy
 - Companies are influenced to borrow at lower rates in order to grow
 - Increase inflation ... way below mandate of 2% for past decade
- Fed hikes when economy is doing well ---> monetary tightening
 - Want to cool economy down in order to control inflation from getting too high
- Relationship between FFR & inflation gone?

Why Did The Fed Cut Rates?

- Slowing Economy
 - Most industries reported declines in September, only a few had minimal growth
 - Global Tensions
 - Yield Curve Inversion-Investor Uncertainty, Slowdown in spending
- Inflation
 - Not meeting target
 - Wage growth?
- Unemployment?
 - Record lows
- Phillips Curve- is it dead?
 - Discretionary Monetary Policy vs. Rule Based
- What happens next?-Zero Lower Bound

News

**LVMH Bid for Tiffany and
co**

Details



LVMH Offer - \$120 Dollars a share

LVMH currently makes 9% of revenue from jewelry

Tiffany and Co. up over 57% this year

LVMH

Could start a bidding war

Future Outlook

Outlook

- S&P 500 hit all time highs on Friday that were last reached in July
 - Utilities, REITs, Consumer Staples led the charge
 - Weakening fundamentals have moved investors to defensive sectors
 - Passive investors driven by expanding global liquidity and monetary policy
 - S&P 500 10% Overvalued according to MS
- Sentiment has improved since August
- FFR (1.5% to 1.75%), Fed Indicates a pause in rate cuts
 - Removing the clause committed to "Act as appropriate to sustain the expansion"

Market Summary > S&P 500 Index

INDEXSP: .INX

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3,037.56 -9.21 (0.30%) ↓

Oct 31, 5:02 PM EDT · Disclaimer

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



Open 3,046.90 Low 3,023.19
High 3,046.90

Aug 1, 15

Market Summary > S&P 500 Index

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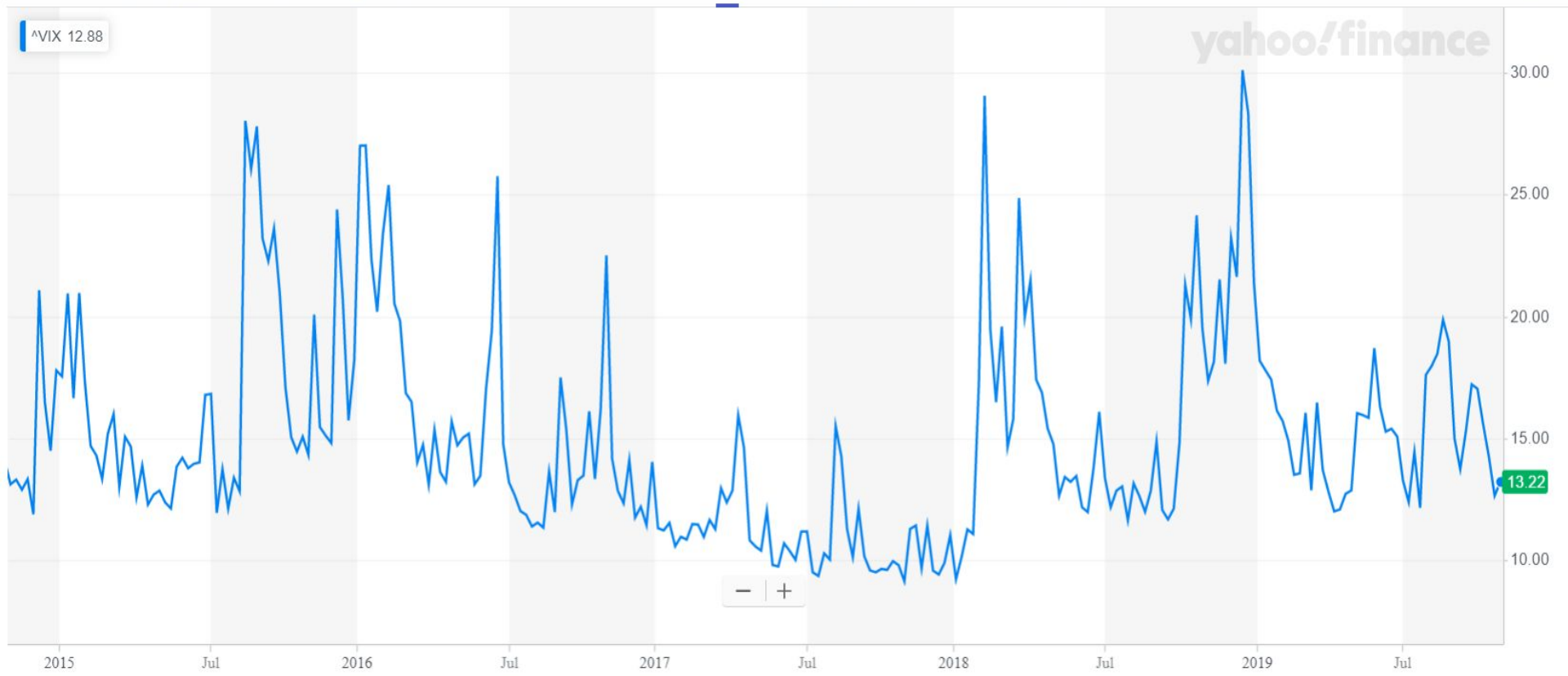


Open 3,046.90 Low 3,023.19
High 3,046.90

28.43

^VIX 12.88


yahoo!finance



- | +

What to look out for? ... Spooky Stuff

- Investor Sentiment Has Improved since August
- Optimistic outlook on trade deal for China and US
- Q3 Earnings Have Been Uninspired
- Q4 Earnings Guidance is not
- Little Has Changed over past 3 months, stay defensive

A large red square graphic is centered on a white background. Inside the red square, there is a white border that forms a smaller square. The text "Timelines, Networking, Questions" is written in white, bold, sans-serif font, centered within the white-bordered square.

**Timelines,
Networking,
Questions**

For what?

- What does “finance” encompass?
 - Hard to cover in a few minutes
- General shift: earlier and earlier
 - Summer 2020 recruiting nearly done
 - Varies by company

That's all great, but how does it happen?

NETWORKING.

- What does that even mean? When?
- School resources
 - Gateway Career Center
 - Responsive alumni
- What's the point?
- What if I have a 4.0, awesome extracurriculars, and applied as early as possible?
 - Nobody cares
- Questions? Please reach out
 - klearmas@lafayette.edu, 203-969-5437

Tell me about yourself.

- Hometown, high school if interesting/relevant
 - Why Lafayette, why major
 - What you do on campus, other experiences
 - Why finance/why you're interviewing
-
- No more than 3 minutes, ideally closer to 2
 - Broad idea of who you are, why you're there
 - Show some personality

Describe your most recent group effort.

- Keep it simple.
 - What did you do?
 - Who was involved?
 - Any problems? (that you're prepared to talk about)
-
- Want to hear about teamwork, organization, leadership, final product.
 - They will ask follow-up questions.

Describe the most creative work-related project you have completed.

- This question sucks.
- Work can be school, jobs, extracurriculars.
- Walk them through your thought process.
- Be explicit in what the project accomplished.

My example

“Tell me about a technical project you worked on”

- Basic details, conclusion of project.
- “Can you think of another solution?”
- I couldn't.
- Be able to explain your thought process, even push back.
- Applies to any question you are unsure about or you get wrong.