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WEALTH ADVISORS

COMMON CENT\$

— ABOUT YOUR MONEY



Randy Beeman

Director of Wealth Advisory
Services



**Zubair Khan,
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Director of Wealth Advisory
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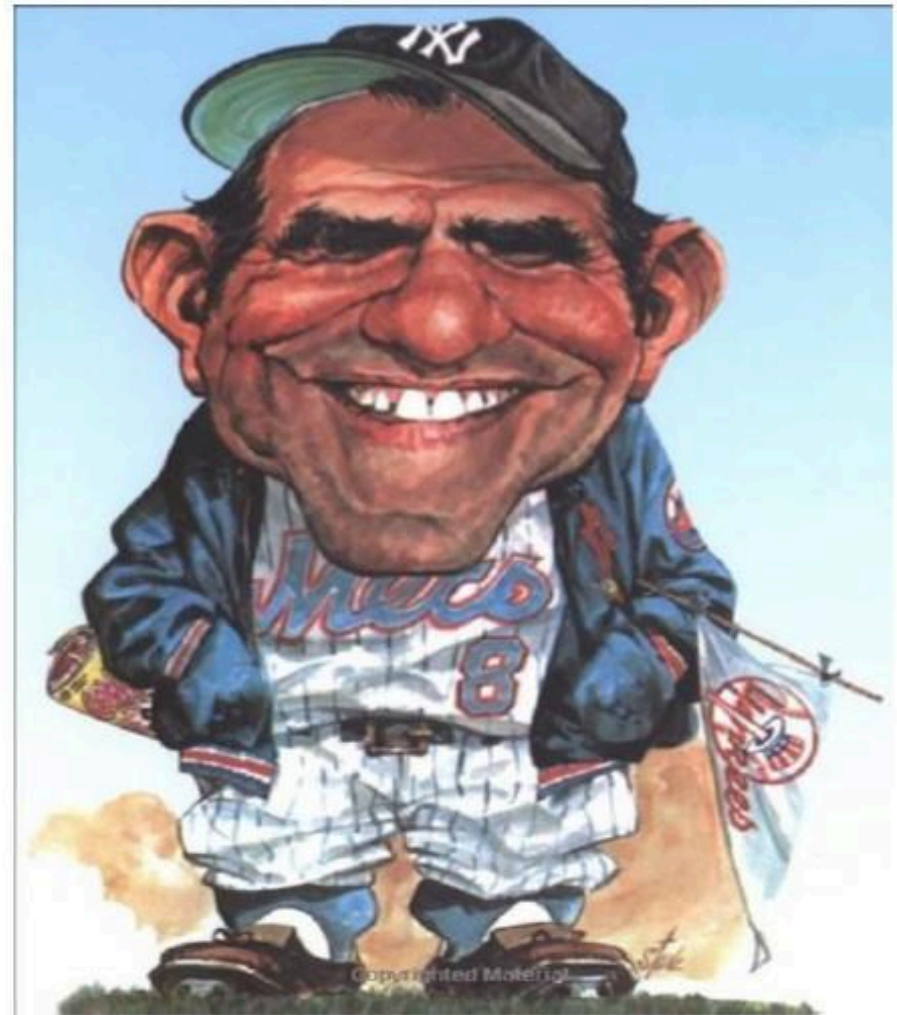


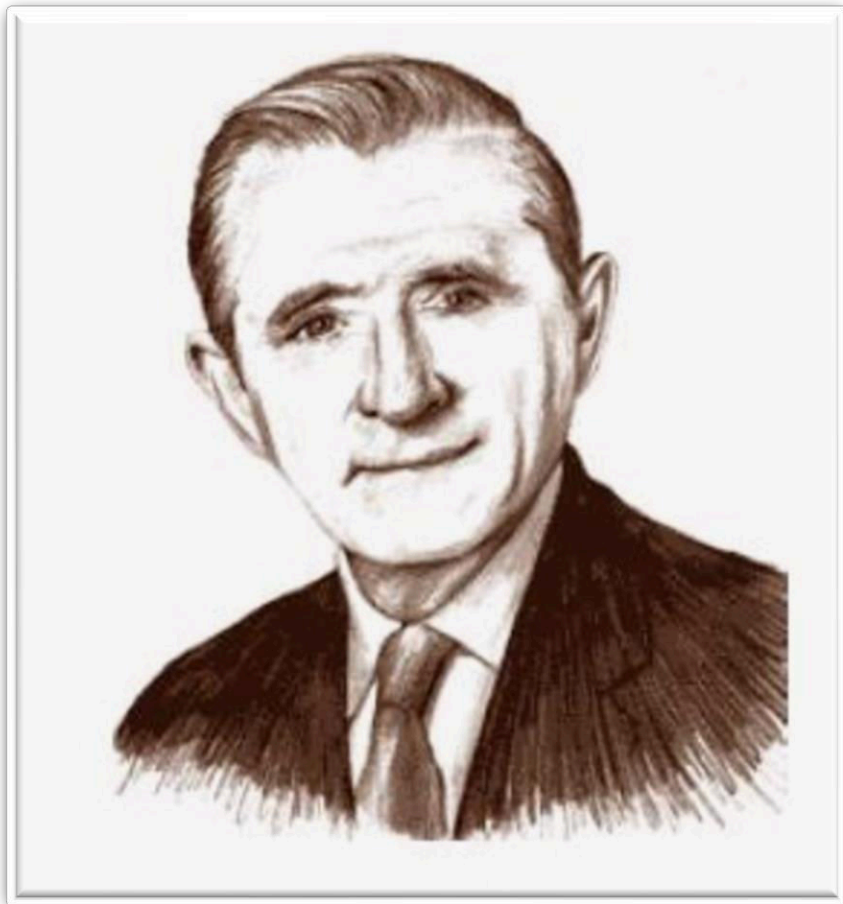
**Joseph
McCarthy,
CFP®, ChFC®**

Senior Wealth Advisor

"It's tough making predictions, especially about the future."

— Lawrence Peter "Yogi" Berra





Bob Farrell

10 Market Rules to Remember

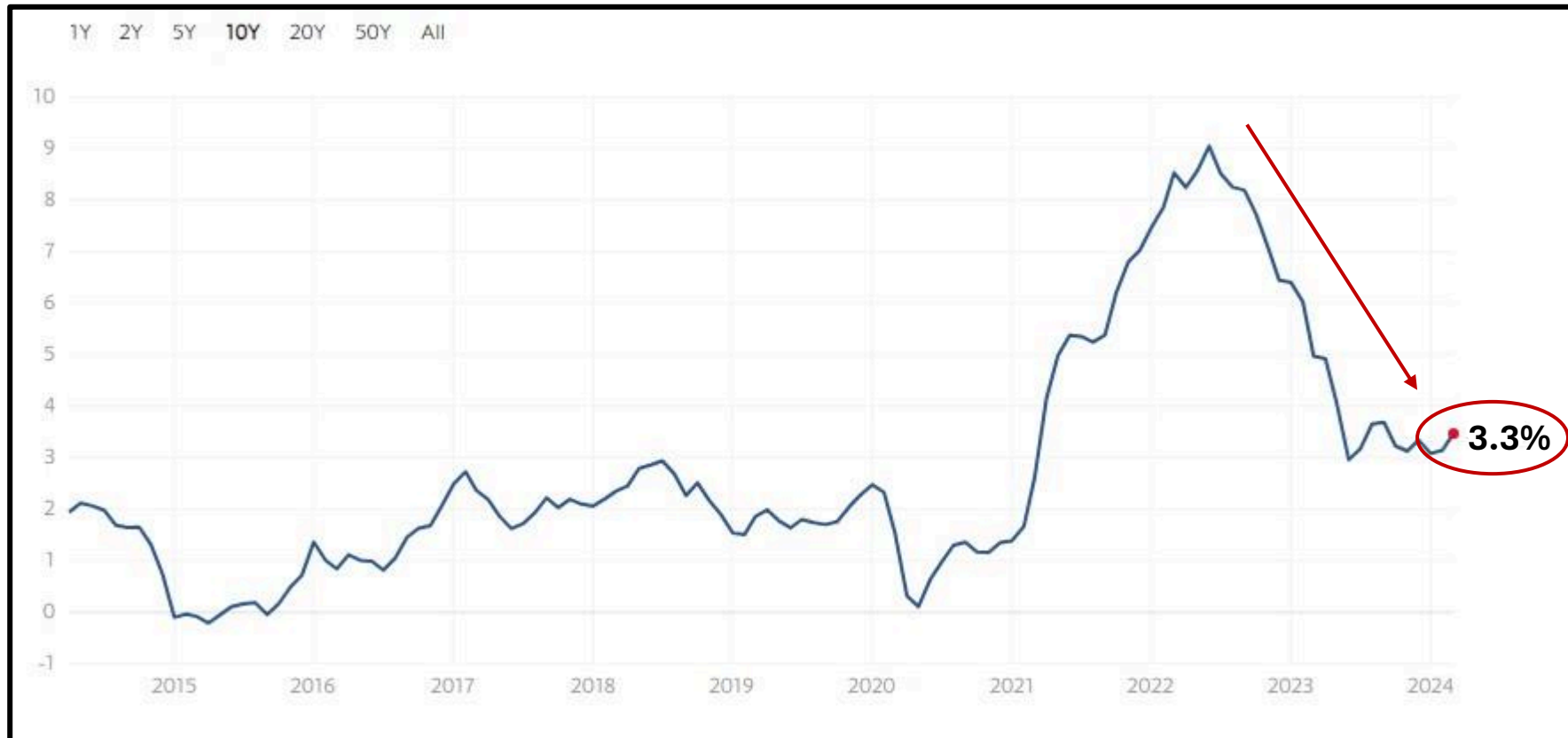
Bob Farrell was Chief Market Analyst at Merrill Lynch from 1967 to 1992. Following his time as CMA he wrote regular investment reports for Merrill and in September 1998, as the dot-com bubble was peaking he published a list of “10 Market Rules to Remember” as part of one of his reports. They received little attention when published, but in subsequent years are seen as timeless and widely quoted.

Rule #9 – “When all the experts and forecasts agree – something else is going to happen”

Causes of Significant Market Decline

- Accelerating and problematic inflation
- Hostile Fed
- Oncoming Recession
- Investor exuberance
 - Remember – Bull markets are born in pessimism, grow in skepticism, mature on optimism, and die on euphoria
 - Sir John Templeton
 - We have optimism and some signs of euphoria
- Speculative valuation
- Significant Geo-Political Event – not forecastable but plenty to worry about

U.S. Annual Inflation Rates 2014 - 2024



Source: Multpl.com

MCDONALD'S PRICE INCREASES

Menu Item*	End-of-2019 Price	Mid-2024 Price	Percent Increase
Medium French Fries	\$1.79	\$4.19	134.1%
McChicken Sandwich	\$1.29	\$3.89	201.6%
Big Mac	\$3.99	\$7.49	87.7%
10 McNuggets	\$4.49	\$7.58	68.8%
Cheeseburger	\$1.00	\$3.15	215%

* Average price increase across these five items: 141.4%

Source: ZeroHedge

FRED — 5-Year, 5-Year Forward Inflation Expectation Rate



2.36%

Shaded areas indicate U.S. recessions.

Source: Federal Reserve Bank of St. Louis

fred.stlouisfed.org





Shaded areas indicate U.S. recessions.

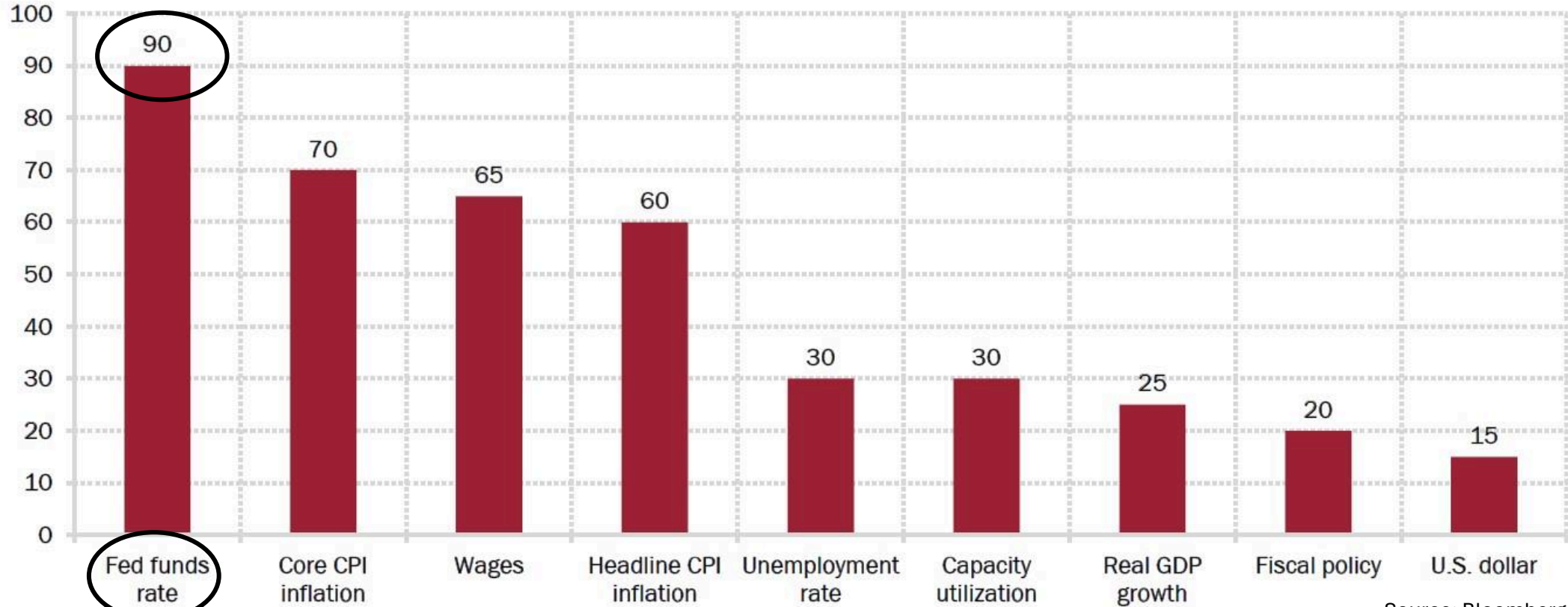
Source: Board of Governors of the Federal Reserve System (US)

fred.stlouisfed.org



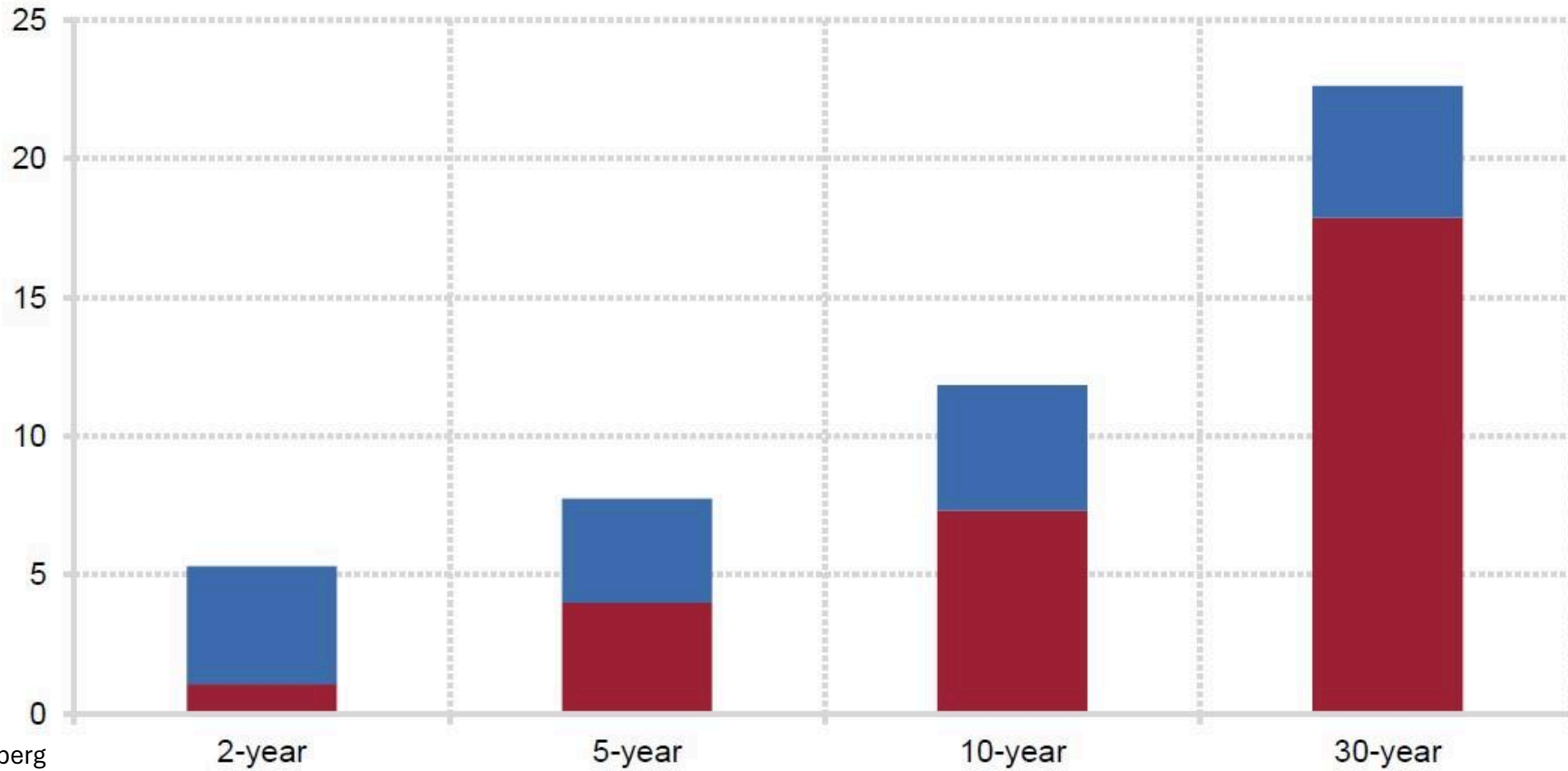
NOTHING MORE IMPORTANT FOR BONDS THAN THE FED!

10-year Treasury Note Yield Historical Correlations
(percent)



Source: Bloomberg

Total return if Treasury yields drop 100 basis points
(red bar; price appreciation; percentage points)
(blue bar; coupon; percentage points)

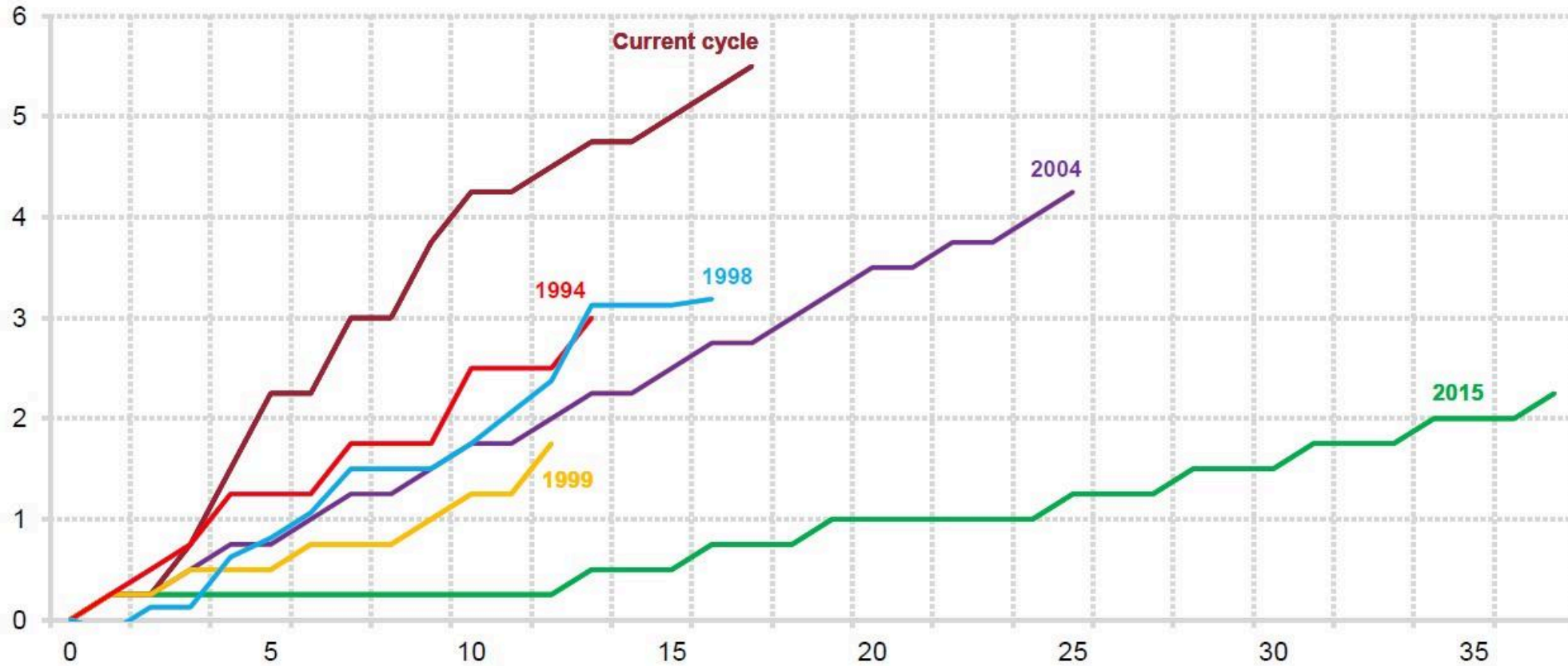


Source: Bloomberg

MOST AGGRESSIVE FED TIGHTENING CYCLE OVER THE PAST 40 YEARS

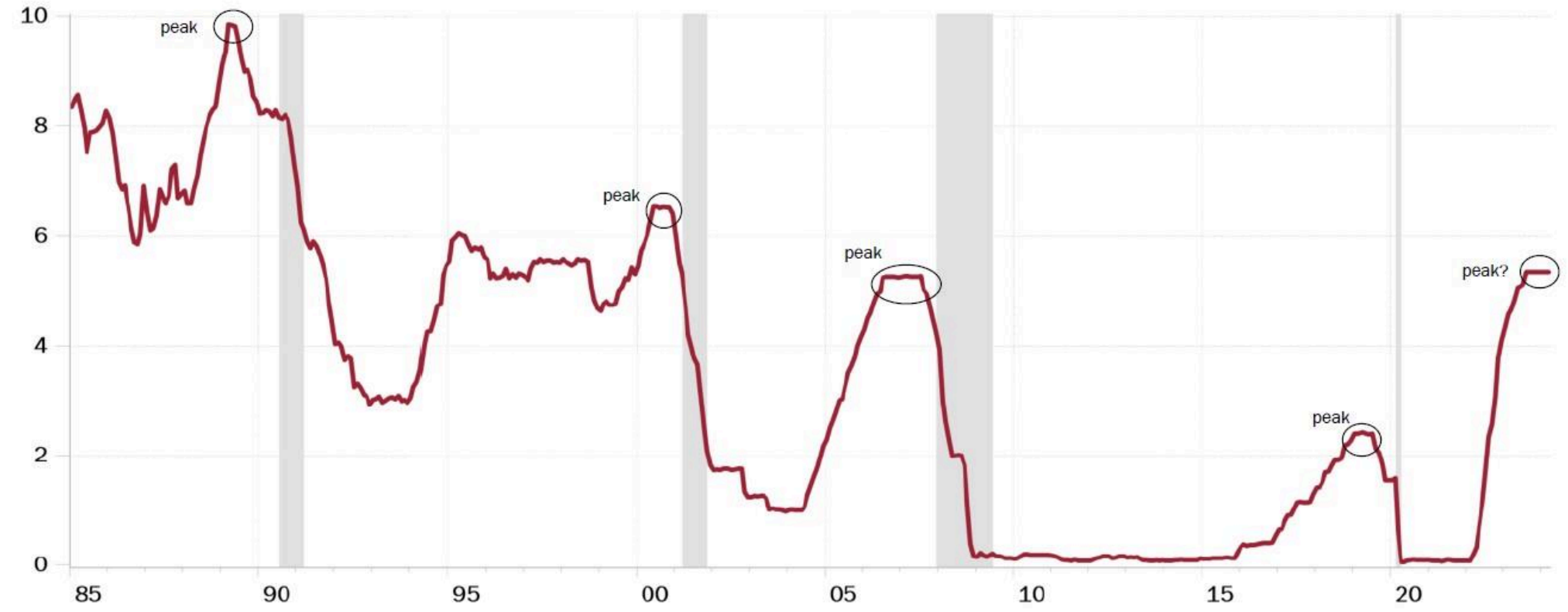
Source: Statista

United States: Cumulative Change in Federal Funds Rate Since First Hike
(percentage points)



EVERY RECESSION FOLLOWED A PEAK IN THE FED FUNDS RATE

Federal Funds Rate
(percent)



Shading indicates recession

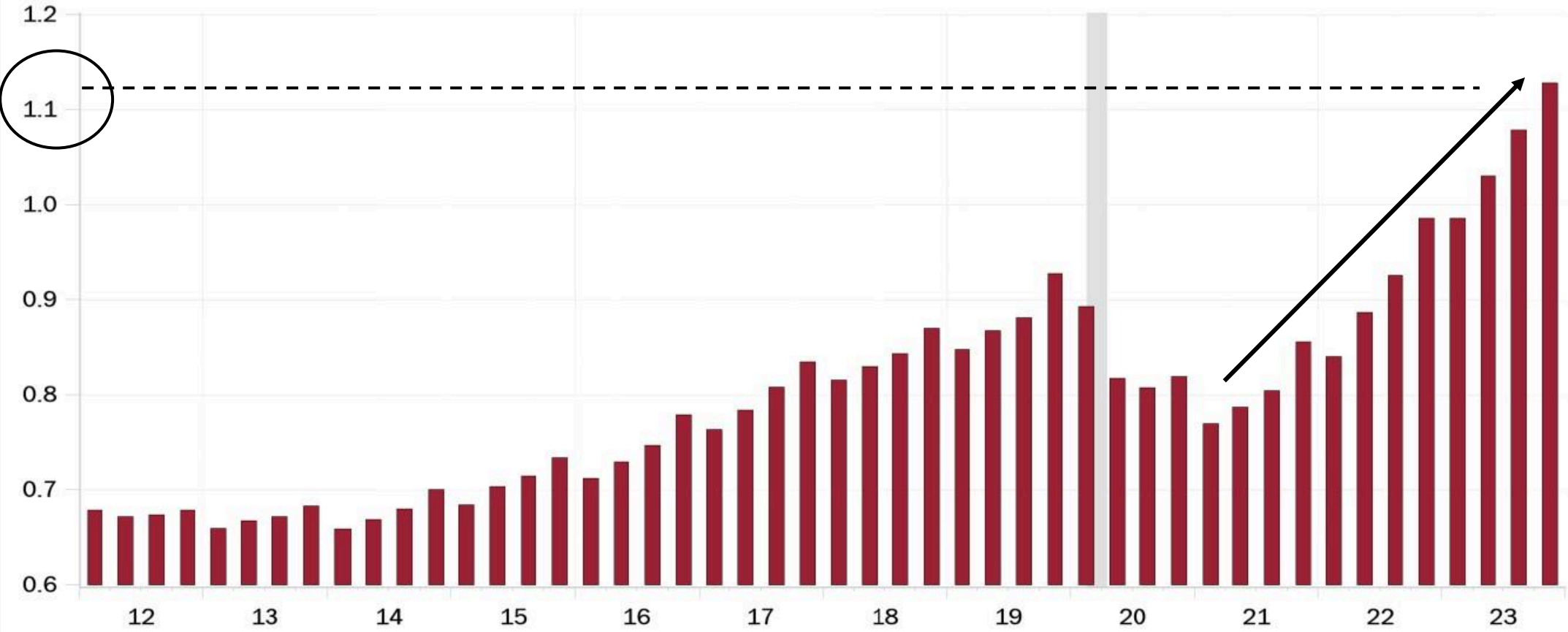
Source: Investopedia

IT TAKES TWO YEARS FOR THE RECESSION TO APPEAR AFTER THE FIRST FED RATE HIKE!

Start of Hiking Cycle	Start of Recession	From The Start of the Fed Hiking Cycle to Start of Recession (Months)
November 1967	December 1969	25
April 1972	November 1973	19
May 1977	January 1980	32
August 1980	July 1981	11
March 1988	July 1990	30
July 1999	March 2001	20
June 2004	December 2007	42
March 2022	?	27?
Average		26

Source: Investopedia

Credit Card Debt (\$ trillions)



Shading indicates recession

Source: LendingTree

New Delinquent Credit Card Balances (percent of current balance)



Shading indicates recession

Source: LendingTree

S&P 500 P/E and Forward Returns (a)

S&P 500 Forward P/E	Subsequent Annualized Total Returns		
	1 Year	3 Year	5 Year
Above 22X	-6.4%	-2.8%	0.3%
20 to 22	-1.0	3.5	1.9
18 to 20	0.0	6.5	4.0
16 to 18	8.2	5.6	5.8
14 to 16	12.0	10.7	9.7
12 to 14	13.6	15.9	15.0
10 to 12	15.5	14.7	13.6
Below 10X	16.3	15.0	15.8

(Current Forward P/E = 21.73)

(a) S&P 500 P/E on forward 12-month operating earnings and subsequent dividend reinvested returns. Monthly data from December 1961 to July 2019.

Source: Guru Focus



Footnotes:

Slide 6 - <https://www.multpl.com/inflation>

Slide 7 - <https://www.zerohedge.com/political/mcflation-revenue-soars-after-mcdonalds-hikes-prices>

Slide 8 - <https://fred.stlouisfed.org>

Slide 9 - <https://fred.stlouisfed.org>

Slide 10 - <https://www.advisorperspectives.com/articles/2024/04/24/david-rosenberg-extend-duration-and-buy-bonds>

Slide 11 - <https://www.advisorperspectives.com/articles/2024/04/24/david-rosenberg-extend-duration-and-buy-bonds>

Slide 12 - <https://www.statista.com/chart/28437/interest-rate-hikes-in-past-tightening-cycles/#:~:text=Between%20March%202022%20and%20July,the%20fastest%20in%20four%20decades.>

Slide 13 - <https://www.investopedia.com/articles/economics/08/past-recessions.asp>

Slide 14 - <https://www.investopedia.com/articles/economics/08/past-recessions.asp>

Slide 15 - <https://www.lendingtree.com/credit-cards/study/credit-card-debt-statistics/>

Slide 16 - <https://www.lendingtree.com/credit-cards/study/credit-card-debt-statistics/>

Slide 17 - https://www.gurufocus.com/economic_indicators/6061/sp-500-pe-ratio-with-forward-estimate



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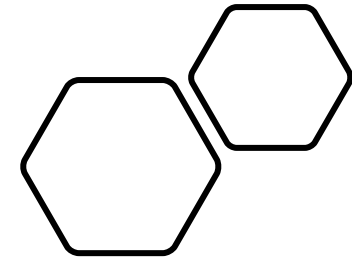
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