



Managing a During a Recession

New Canaan Men's Club

November 6/2017, Lapham House

Presentation by: Paul A. Strassmann, Investment Club

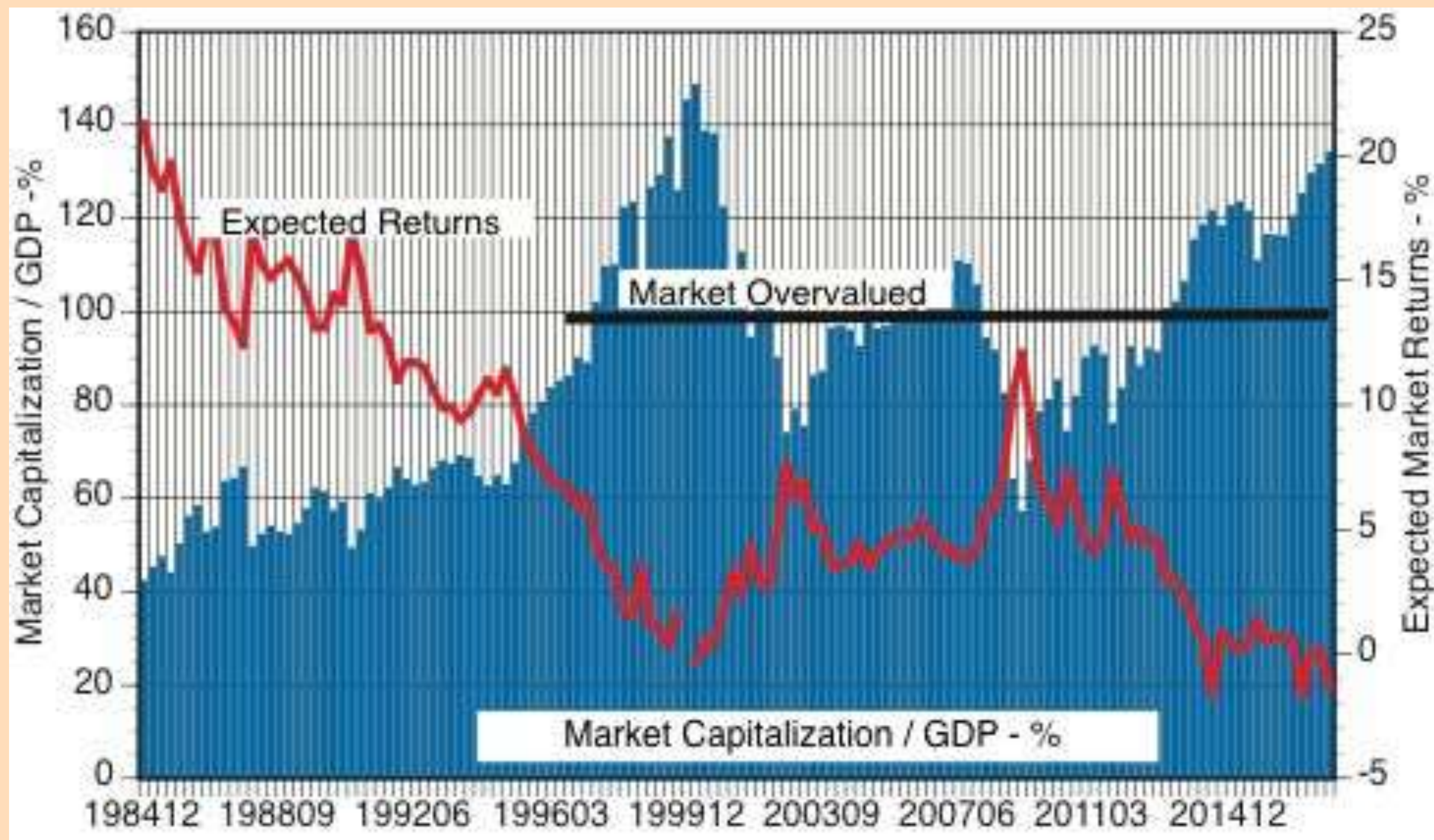
History of 12 Recessions

Business Cycle Top, Start of Recession	Recession, Top to Bottom Months	Market Recovery, Bottom to Top Months
Nov-1948	11	37
Jul-1953	10	45
Aug-1957	8	39
Apr-1960	10	24
Dec-1969	11	106
Nov-1973	16	36
Jan-1980	6	58
Jul-1981	16	12
Jul-1990	8	92
Mar-2001	8	120
Dec-2007	18	73
x/x/2017	>12 ??	>110 ??

What returns can we expect from the stock market?

- Total market is at \$ 26.4 trillions, which is 137% of GDP.
- Stock market is now over-valued.
- Stock market is expected to have a return of -1.4%.

What a Recession Can Do to S&P 500



What a Recession Can Do to S&P 500



Expected Recession

- Current market recovery over 110 months.
- Market recovery reached that much twice in 70 years.
- Recession may last more than 12 months.
- Plunge in next recession may be very large.

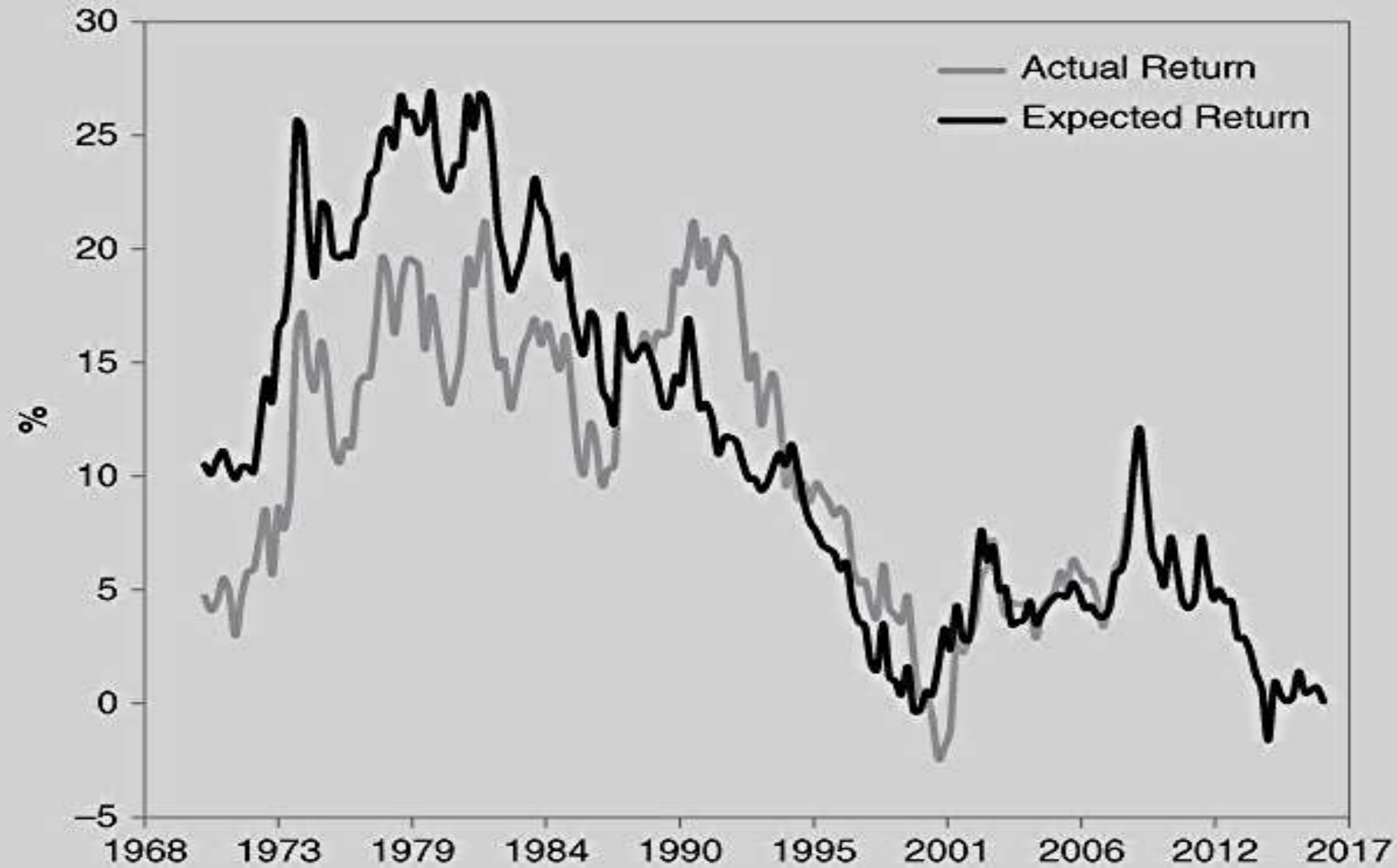
Corporate Profit Margins Are Recession Indicators



Why are Corporate Profit Margins Recession Indicators?

- Earnings/Investments are the drivers of the stock market.
- When corporate profit margins decline to about 5% a recession occurs.
- Afterwards the Federal Reserve restores recessions to a prior peak.

Profit Returns from Investments in US Have Declined



From C.Tiani, Invest Like a Guru, Wiley

Investors Should not Anticipate Past Returns

- Annual returns of Wilshire 5000 Full Cap prices have declined.
- The US stock market valuations are now in an overall down cycle.
- Future market valuations do not look promising.

Added Political Risks to Recession Prospects

- Rapid rise in US debt.
- Petro dollars now shifting to gold-based China currency.
- Cancellation of international treaties.