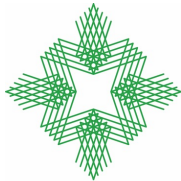


2023 AGC NYS Summer Meeting

August 2023

presented by:



Wealth
Enhancement
Group®

QCI Team

H. Edward Shill, CFA
Managing Director



Richard "Dood" Forrestel, Jr. CPA
Treasurer & Secretary



*“History doesn’t
repeat, but it
often rhymes.”*

- Mark Twain

AGENDA

- I. Banking Crisis/Timeline
- II. Construction Company Response
 - Higher Rates
 - Bank Runs
 - FDIC Limits
 - Managing Cash
- III. Market Outlook/Economic Update

“A ship wouldn’t leave shore if it knew all the waves it had to go over.”

Corrections / Bears			
2020	3/23	-35%	Covid
	Sept.	-10%	
2021	Feb.	-6%	Inflation / Rates
	Sept.	-6%	
2022	YTD – Oct.	-28%	Inflation / Rates Ukraine

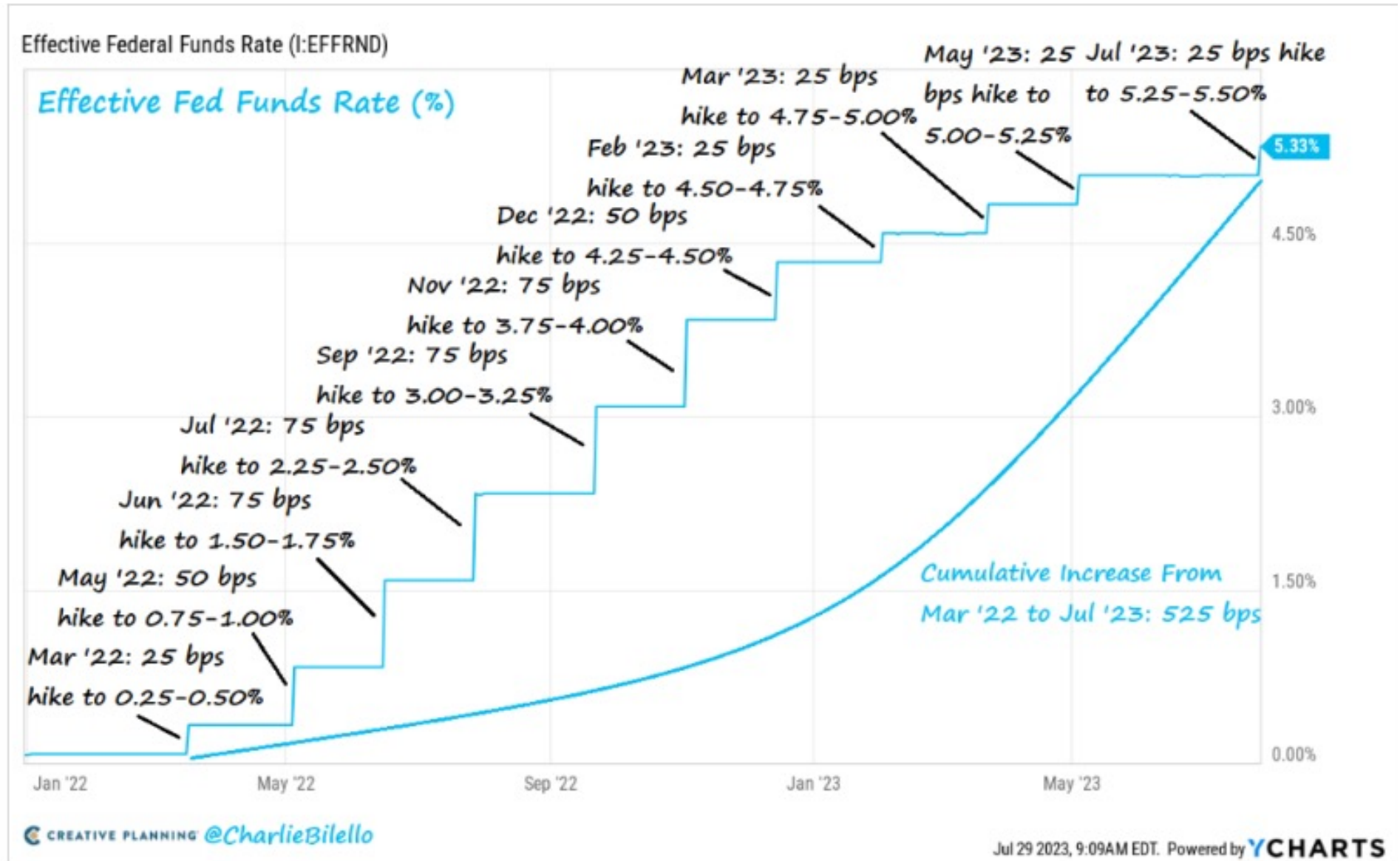
3 Month Treasury Rate (I:3MTRNK)



ZIRP (Zero Interest Rate Policy)

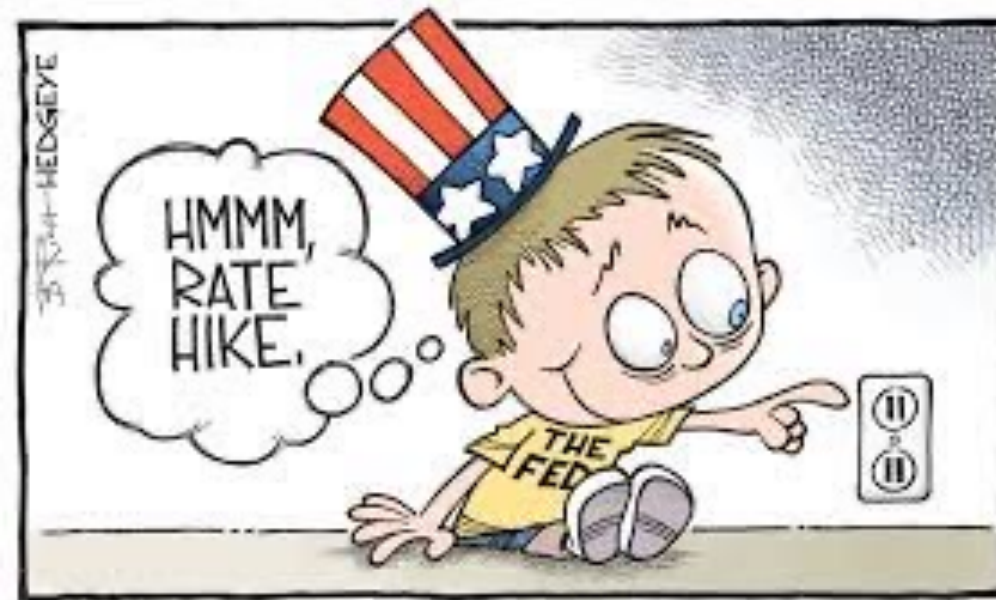
“When the Fed Hits the Brakes, Someone is Going Through the Windshield.”

As widely expected, the Fed hiked rates for the 11th time last week, moving up to 5.25-5.50%. This is now the highest Fed Funds Rate since January 2001.



Total Return - 2022

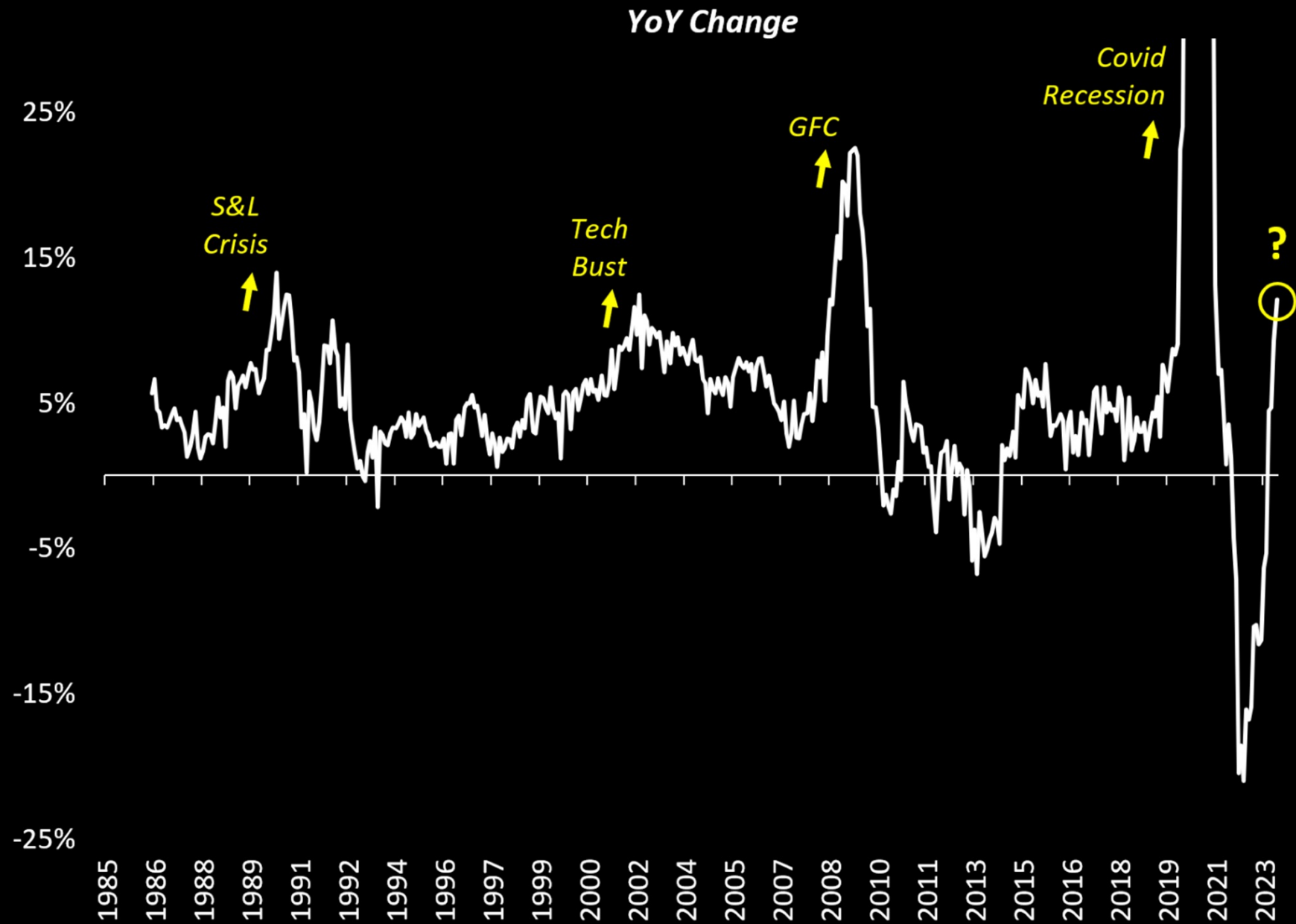
ETF	Description	YTD
SHY	1-3 Yr Treasuries	-3.85
IEF	7-10 Yr Treasuries	-15.10
TLT	20+ Yr Treasuries	-31.18



How did we get
into another
banking crisis?



US Fiscal Spending (Excl. Interest Payments) as % of GDP

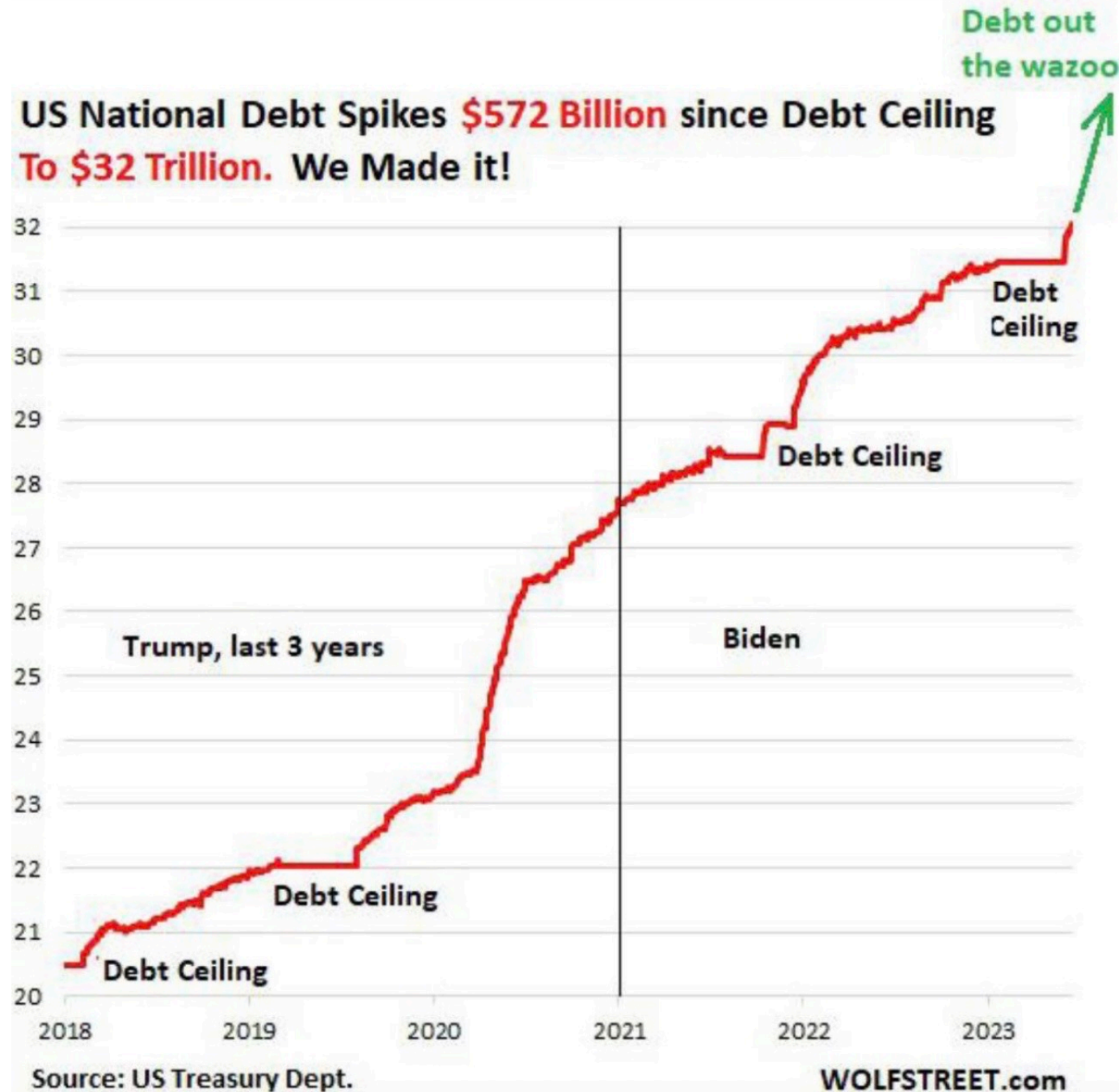


Source: Bloomberg, Tavi Costa

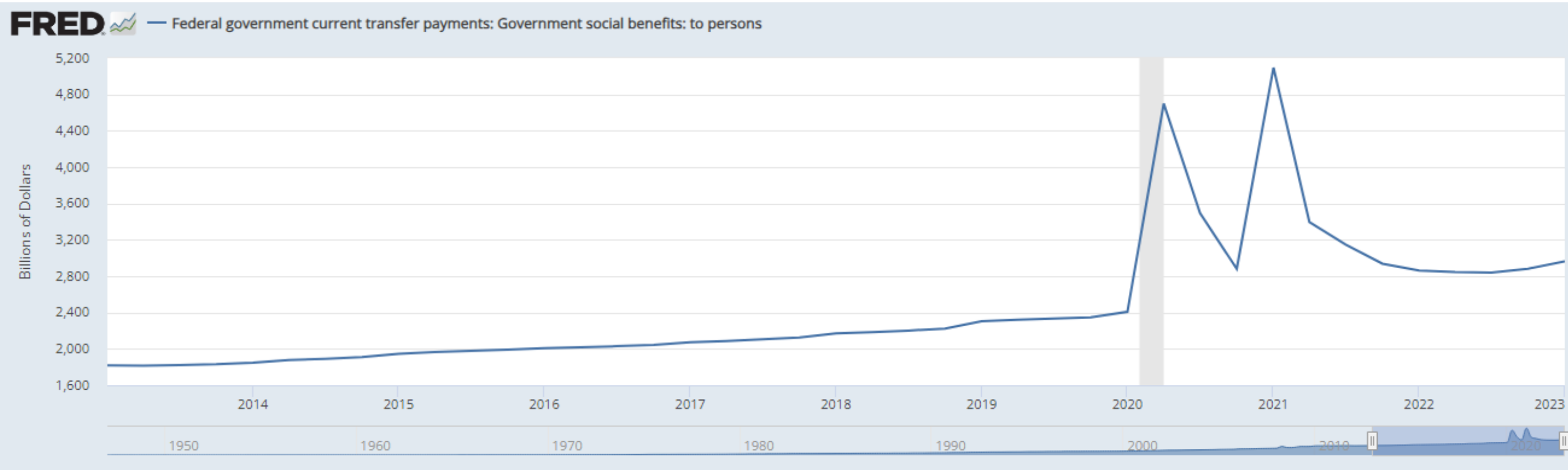
© 2023 Crescat Capital LLC

“If you run thru a dynamite factory with an open torch and don’t blow yourself up; that doesn’t mean it’s a good idea”.

- C. Munger



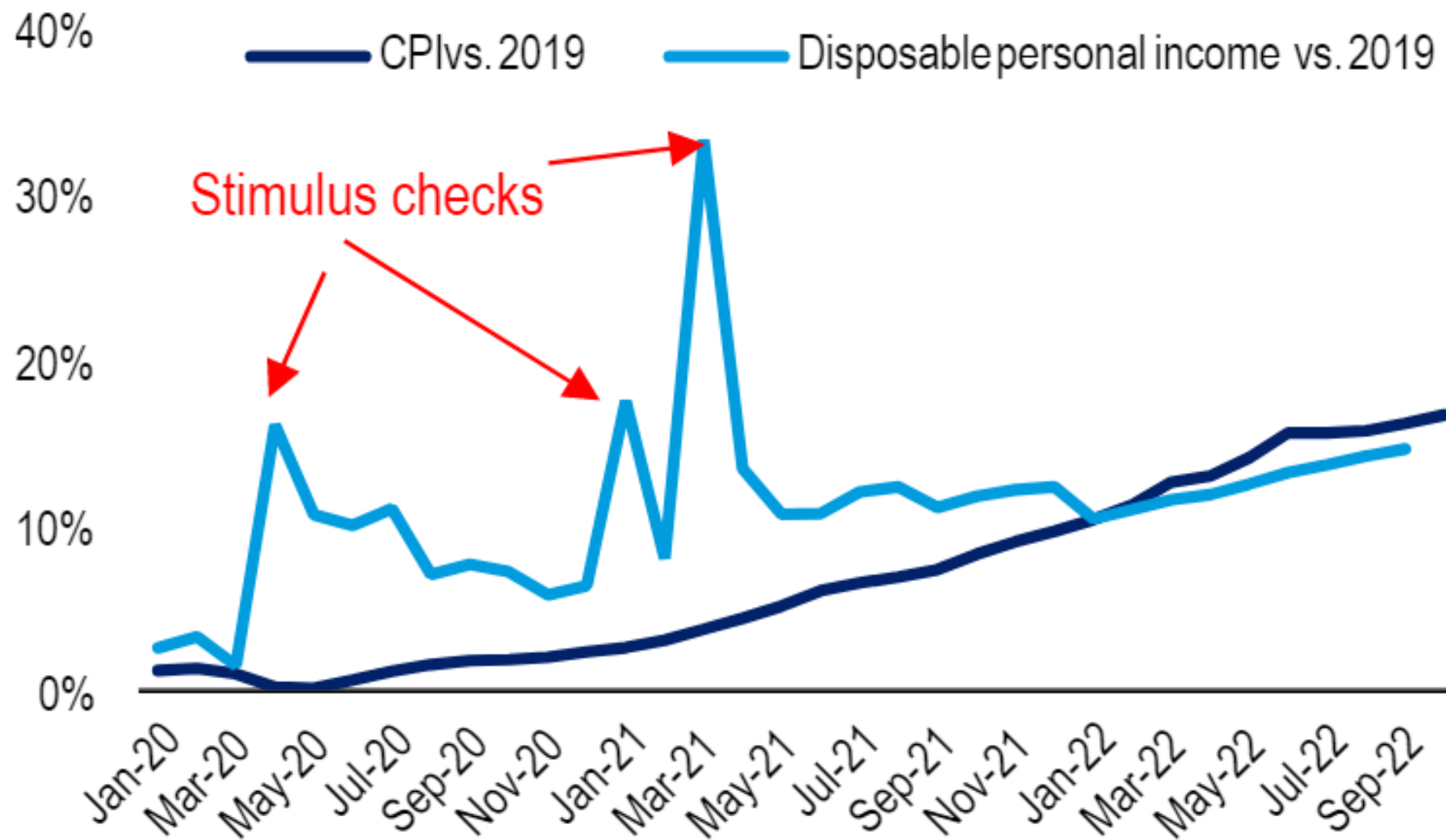
“There is always free cheese in the mousetrap.” — Tom Waits



A transfer payment (also called a government transfer or simply fiscal transfer) is a redistribution of income and wealth by means of the government making a payment, without goods or services being received in return:

- Unemployment Insurance**
- Social Security (retirement and disability)**
- Civil service pensions**
- Welfare**
- Food Stamps**
- Financial Aid (education)**
- Certain Business Subsidies**
- Covid stimulus checks and PPP Loans**

Disposable personal income and CPI vs. 2019 levels (1/2020-10/2022)



Source: Bloomberg, BofA US Equity & US Quant Strategy

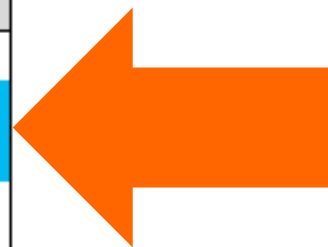
Circa 2023:
Not a replay of
2007/2008



Parent Company of Silicon Valley Bank Files for Bankruptcy



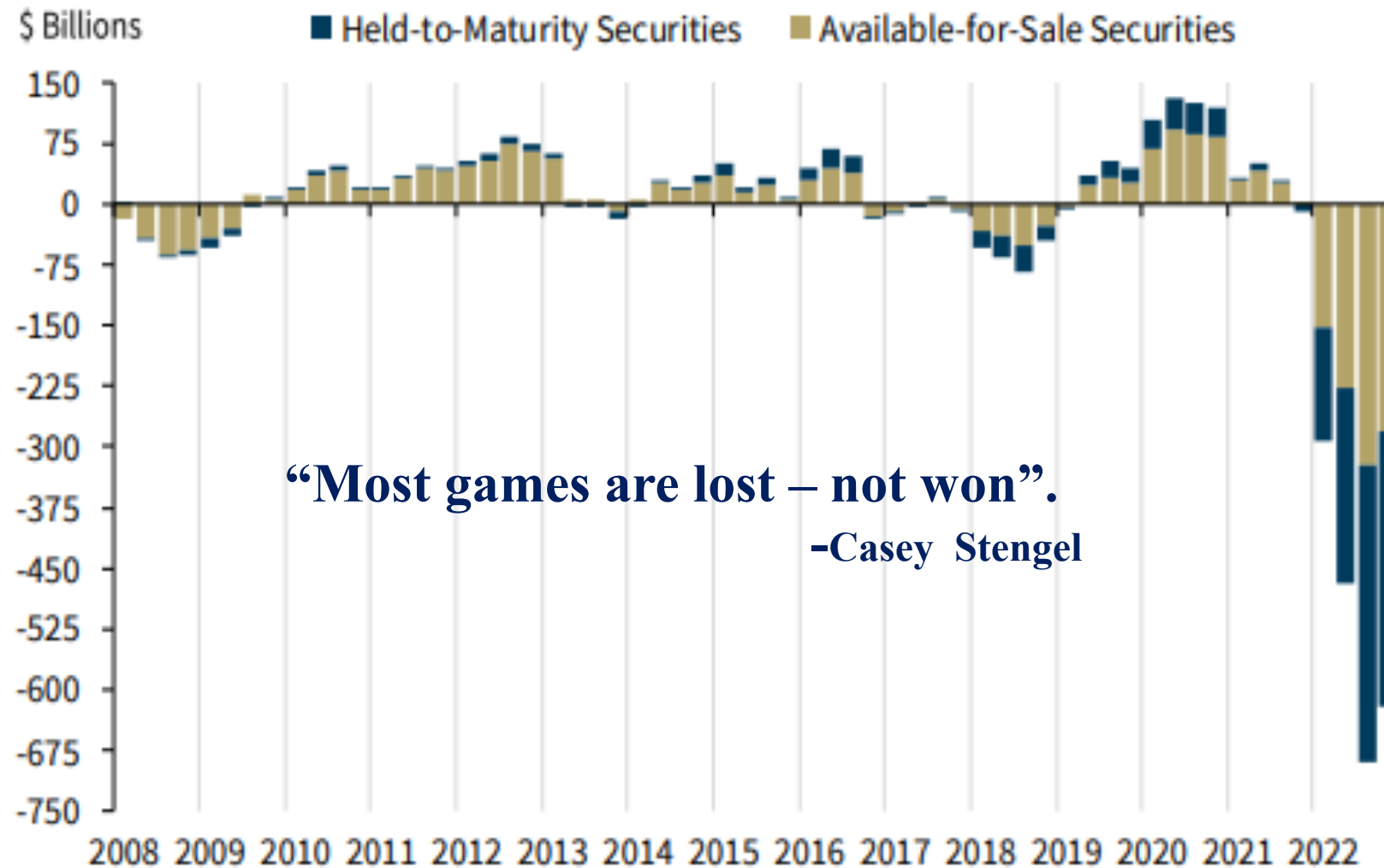
Largest U.S. Bank Failures				
Bank	City	State	Year	Assets at time of failure
Washington Mutual	Seattle	Washington	2008	\$307 billion
Silicon Valley Bank	Santa Clara	California	2023	\$209 billion
Signature Bank	New York	New York	2023	\$118 billion
Continental Illinois National Bank and Trust	Chicago	Illinois	1984	\$40.0 billion
First Republic Bank Corporation	Dallas	Texas	1988	\$32.5 billion
IndyMac	Pasadena	California	2008	\$32 billion
American Savings and Loan	Stockton	California	1988	\$30.2 billion
Colonial Bank	Montgomery	Alabama	2009	\$25 billion
Bank of New England	Boston	Massachusetts	1991	\$21.7 billion
MCorp	Dallas	Texas	1989	\$18.5 billion
FBOP Corp banking subsidiaries	Oak Park	Illinois	2009	\$18.4 billion
Gibraltar Savings and Loan	Simi Valley	California	1989	\$15.1 billion
First City National Bank	Houston	Texas	1988	\$13.0 billion
Guaranty Bank	Austin	Texas	2009	\$13.0 billion
Downey Savings and Loan	Newport Beach	California	2008	\$12.8 billion
BankUnited FSB	Coral Gables	Florida	2009	\$12.8 billion
HomeFed Bank	San Diego	California	1992	\$12.2 billion
AmTrust Bank	Cleveland	Ohio	2009	\$12.0 billion
WesternBank	Mayaguez	Puerto Rico	2010	\$11.9 billion
United Commercial Bank	San Francisco	California	2009	\$11.2 billion
Southeast Bank	Miami	Florida	1991	\$10.5 billion
 CREATIVE PLANNING®				
@CharlieBilello				



SVB “Tale of the Tape”

Banks had a \$620 billion hole due to bond losses

Unrealized Gains (Losses) on Investment Securities



“Most games are lost – not won”.

-Casey Stengel

Major U.S. Commercial Banks: Average Deposit Size per Account



Source: FFIEC Call reports, S&P Capital IQ Pro, CreditSights

In \$, as of 4Q22

For top tier commercial bank entity only, ex. WTFC (aggregate across 15 entities) and USB (incl. Union Bank)

“Who’s more foolish? The fool or the fool who follows him?”

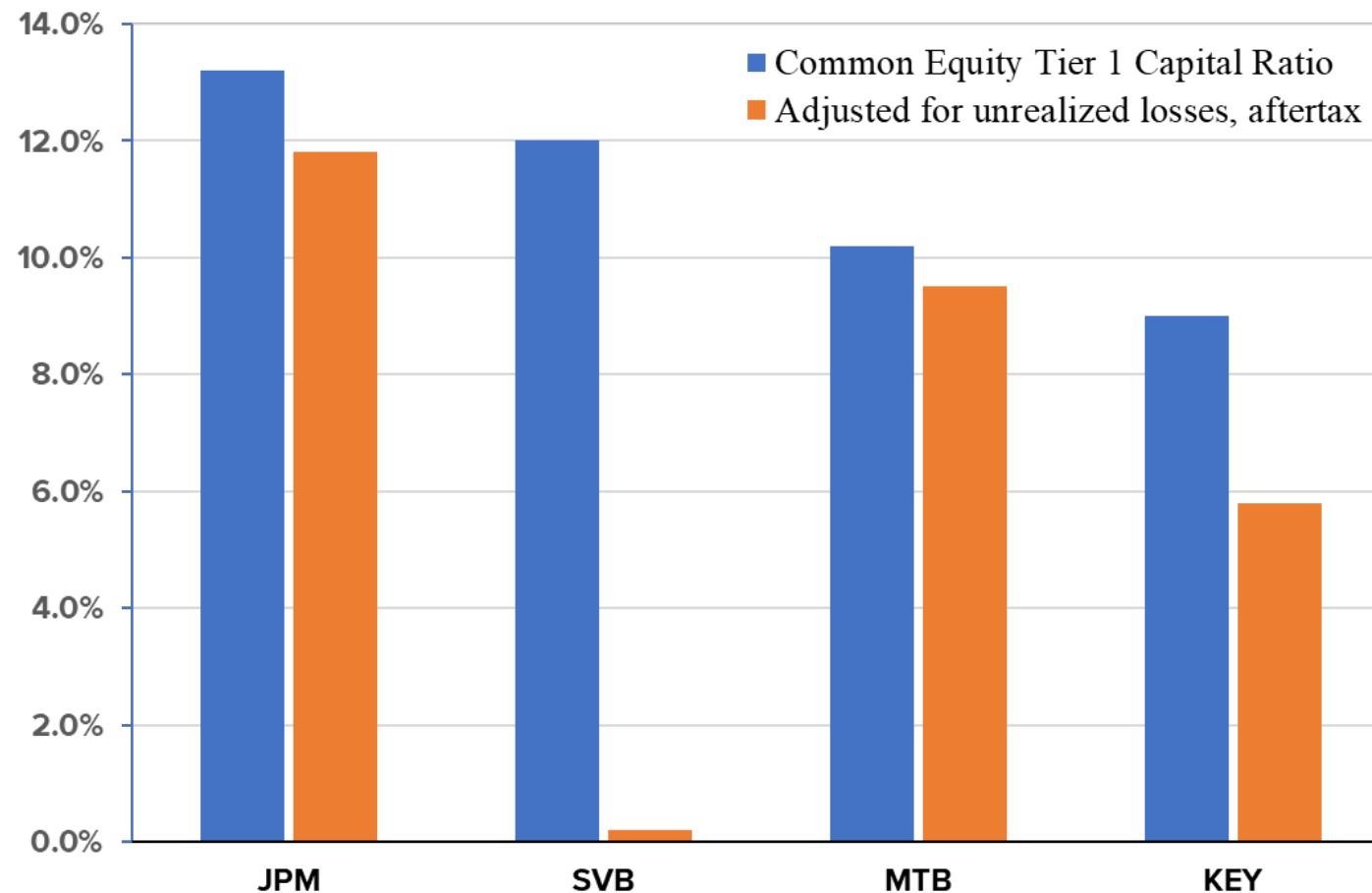
-Oni-Wan Kenobi

“Only when the tide goes out do you learn who has been swimming naked”

- Warren Buffett

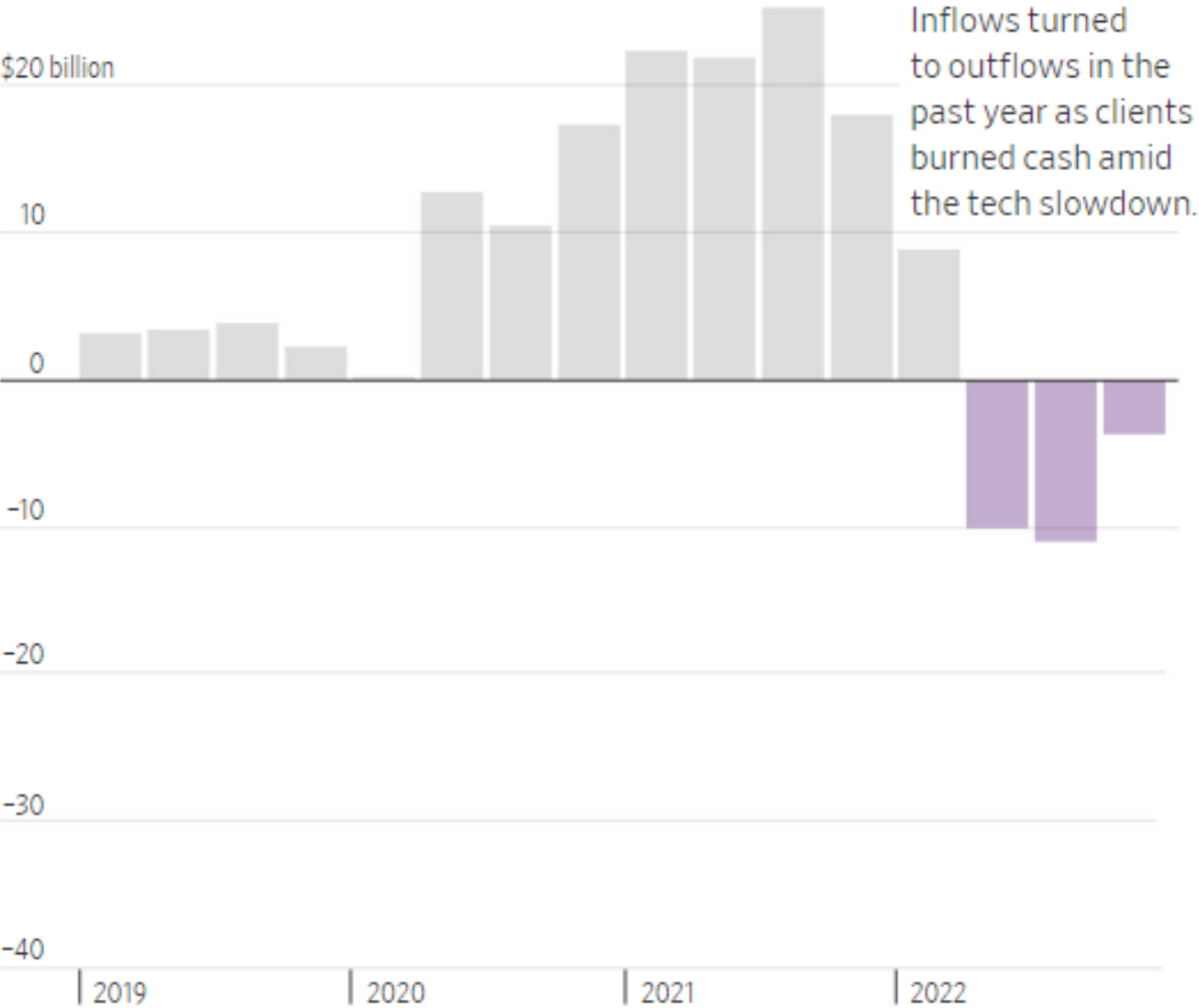
The bank took unnecessary risks in the bond portfolios such that if they “booked” all their unrealized losses, they would—and did—have no capital.

Impact of unrealized securities losses on capital ratios



Source: JPMAM. Q4 2022.

SVB Financial deposits, quarterly net change



Inflows turned to outflows in the past year as clients burned cash amid the tech slowdown.

“If you could kick the person in the pants responsible for most of your trouble, you wouldn’t sit for a month.”

-Theodore Roosevelt



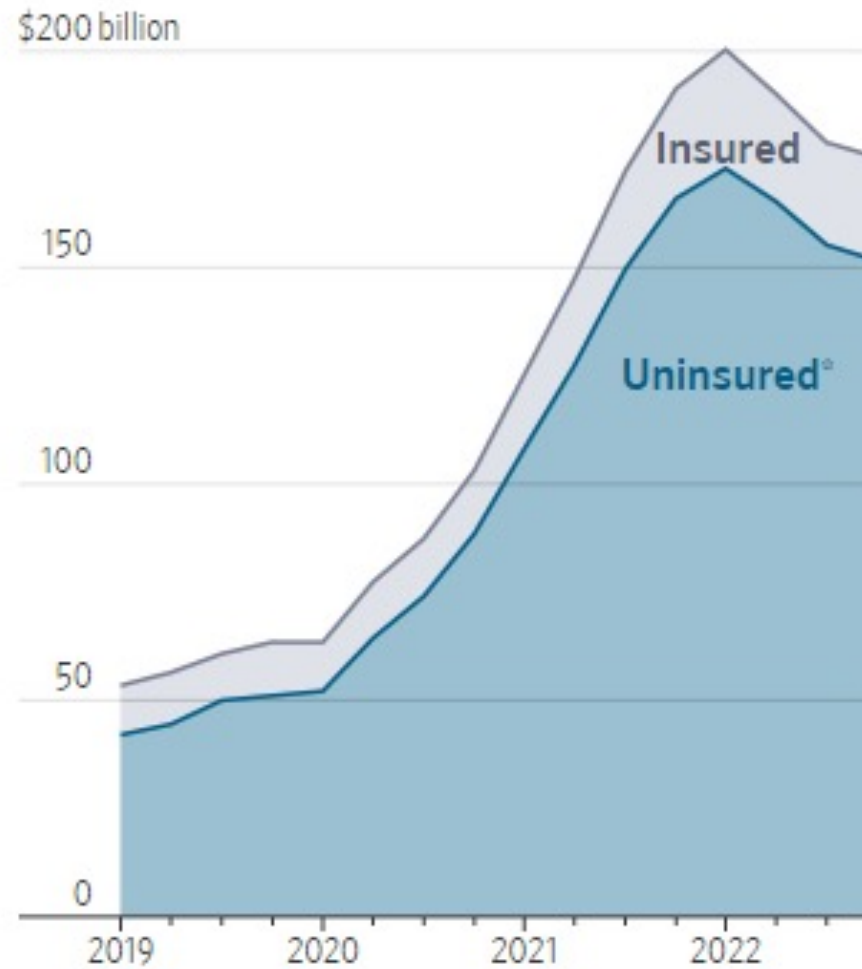
Sources: company filings (quarterly); California regulators (March 9)

Fast Money In = Fast Money Out

“Man is the only kind of varmint sets his own trap, baits it, and then steps in it..”

—John Steinbeck

Silicon Valley Bank's deposits

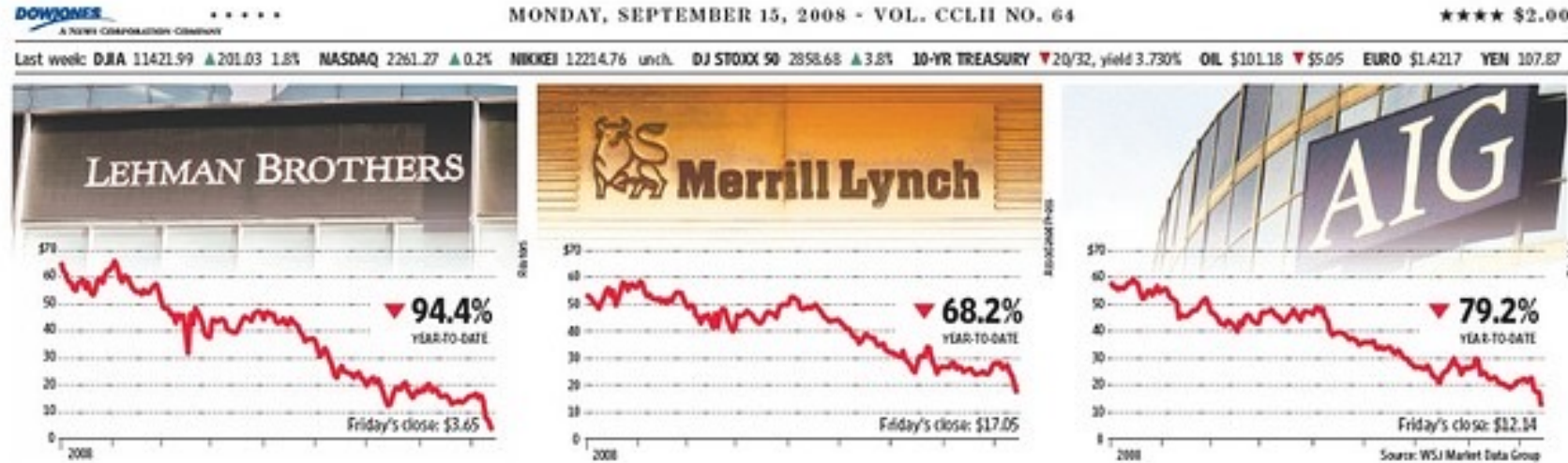


*Estimate

Source: Federal Financial Institutions Examination Council

We Strongly Believe That 2023 Is Not a Replay of 2008/2009

THE WALL STREET JOURNAL.



Crisis on Wall Street as Lehman Totters, Merrill Is Sold, AIG Seeks to Raise Cash

Fed Will Expand Its Lending Arsenal in a Bid to Calm Markets; Moves Cap a Momentous Weekend for American Finance

The American financial system was shaken to its core on Sunday. Lehman Brothers Holdings Inc. faced the prospect of liquidation, and Merrill Lynch & Co. agreed to be sold to Bank

*By Carrick Mollenkamp,
Susanne Craig, Serena Ng
and Aaron Lucchetti*

ers, walked away. On Sunday night, Bank of America struck an all-stock deal to buy Merrill Lynch for \$29 a share, or \$50 billion. Lehman was working on a possible bankruptcy filing that would allow most of its subsidiaries to continue operating as the firm is wound down.

Though it steered clear of a bailout, the Federal Reserve is

mercial and investment banks announced Sunday night that they would pool \$70 billion of their own money to create a borrowing facility. The 10 institutions, which include Citigroup Inc., Credit Suisse Group, Deutsche Bank AG, could tap the pool to help them ride out the crisis. The banks also said they are mutu-

ers that they needed capital.

"Monday will be a day of reckoning for the financial markets," said Carlos Mendez, senior managing director of ICP Capital, a boutique investment firm in New York. On Sunday, he said, "it was like a fire alarm went off and people ran in all directions."

AIG executives spent the

traders moved to disentangle themselves from trades with Lehman. When hopes of a potential sale dimmed, a quiet Sunday on Wall Street turned into a mad rush. Executives and traders hurried to their offices or worked their phones to unwind outstanding contracts with Lehman and to gauge their overall exposure.

**Ultimatum
By Paulson
Sparked**

Bankers Fear

*“I am more worried
about the return of
my money than the
return on my money.”*

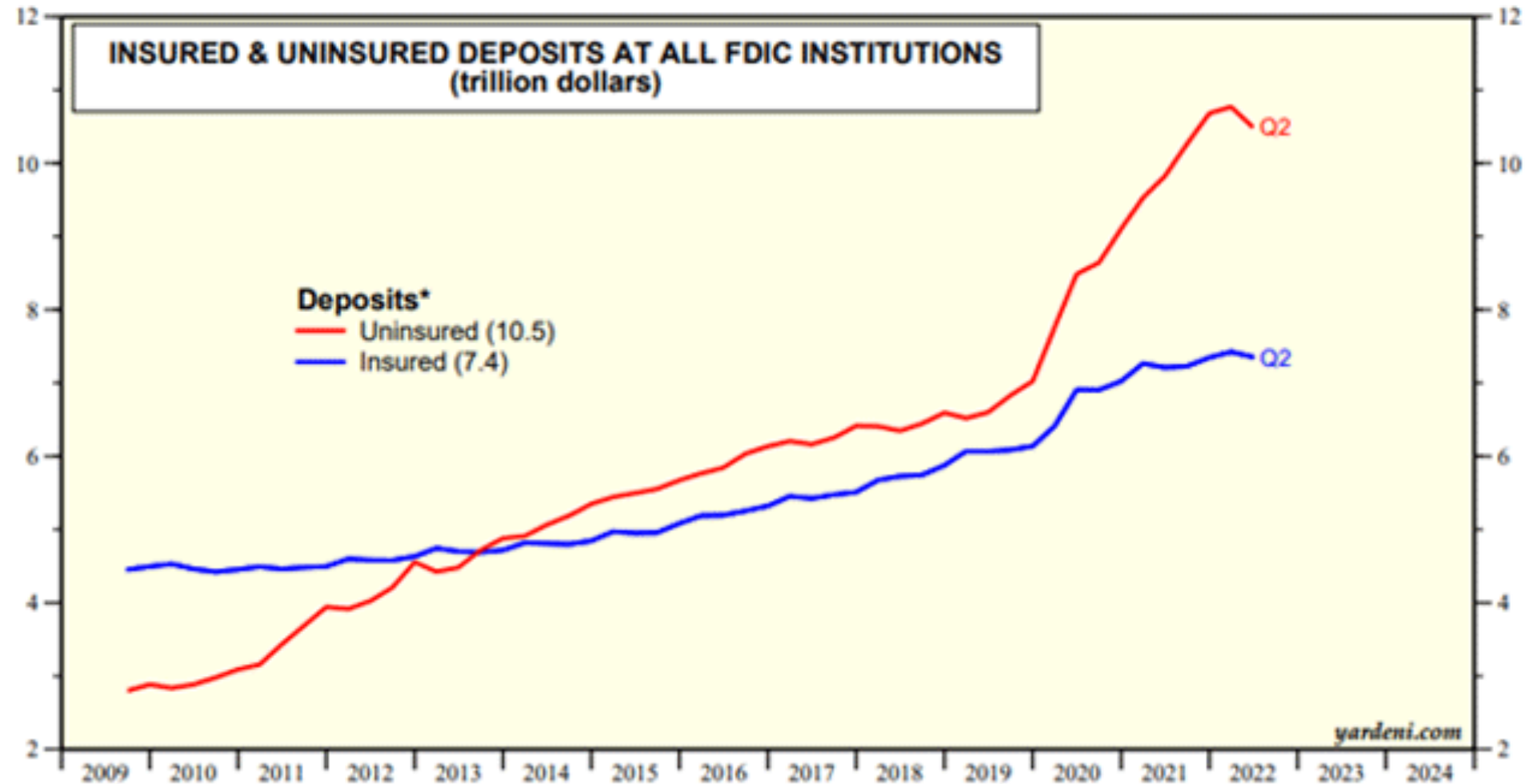
- Warren Buffett

II. Construction Company Cash Management



**“Janet Yellen will
back-stop
uninsured deposits
until she doesn’t.”**

– Yogi Berra



* Deposit accounts with more than \$250,000 are not insured, while those equal to \$250,000 or less are insured by the FDIC.
Source: Federal Deposit Insurance Corporation.

Source: *Yardeni QuickTakes*

Giannis Should Have Opened a “Custodial Account” Instead

The owner of the Milwaukee Bucks basketball team revealed that its star player, Giannis Antetokounmpo, at one time had been putting his money in 50 banks, with no single account holding more than \$250,000. Why? Because Antetokounmpo wanted every cent to be insured by the FDIC.

SAFETY OF ASSETS



Deposit Accounts

FDIC:

Insure to \$250,000
Per depositor
Per FDIC insured bank
Per ownership category

**Bank
goes
Bankrupt**

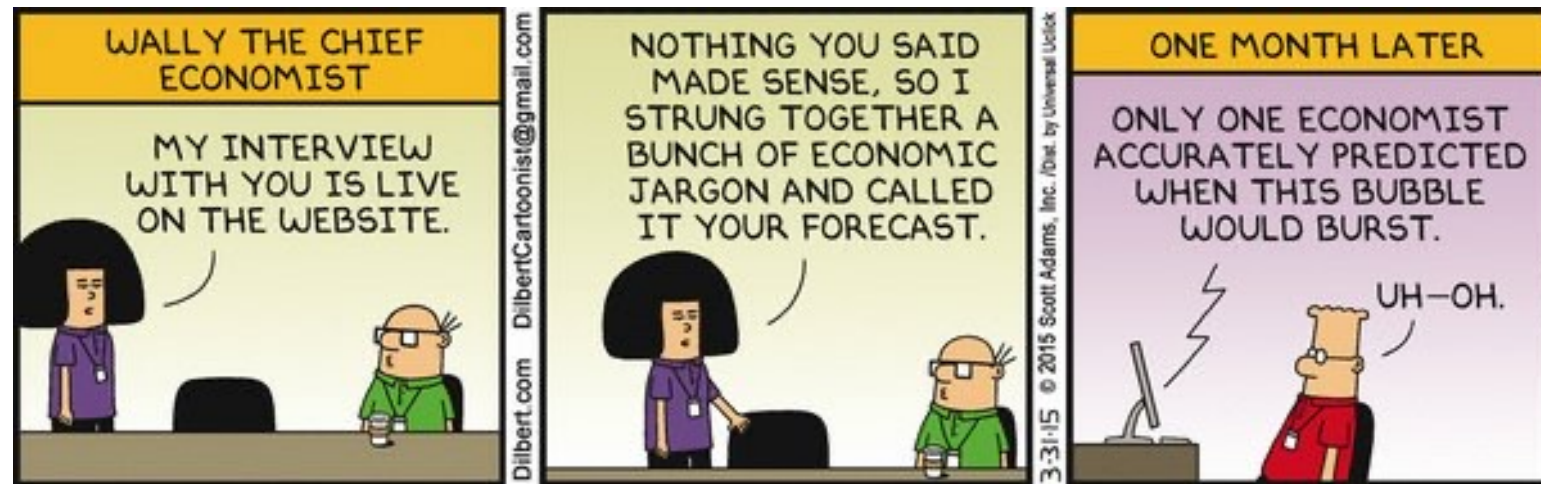
Custody Accounts

Assets are not part of the bank
Assets remain vested to the account owner

“Only two things are infinite: the universe and human stupidity; and I'm not sure about the former.”

- Albert Einstein

III. Market Outlook/ Economic Update



Jeff DiStefano **Harrison & Burrowes Bridge Constructors**

The SIR Award stands for Skill, Integrity, and Responsibility, and originated in the Nevada Chapter of AGC in 1966. The 15-inch gold statuette was sculpted from a famous Norman Rockwell painting entitled, “The Spirit of Construction.”

The Award was adopted by the National AGC in 1976 when it was presented to President Gerald Ford, the first national recipient. President Ronald Regan received the award in 1981, and Drew Lewis, former Secretary of Transportation, received it in 1983. Honorees are nominated by the chapters and chosen by the AGC of America.





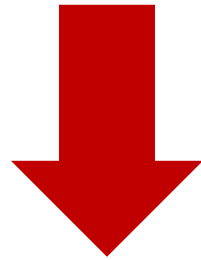
QCI Team Outlook and Game Plan

- The economy and markets have displayed resiliency in the post-Covid world and in the face of unprecedented Fed tightening.
- Stocks have rallied from the deeply oversold levels of 2022. We are no longer oversold.
- Depressed volatility this year may not last.
- Our indicators are now more mixed; (airbags on) - cash & floor stops vs. Oct 2022 w/no airbags on.

Invest with Risk Containment

Terry Sawchuk

Toronto Maple Leafs Goalie—
before hockey masks

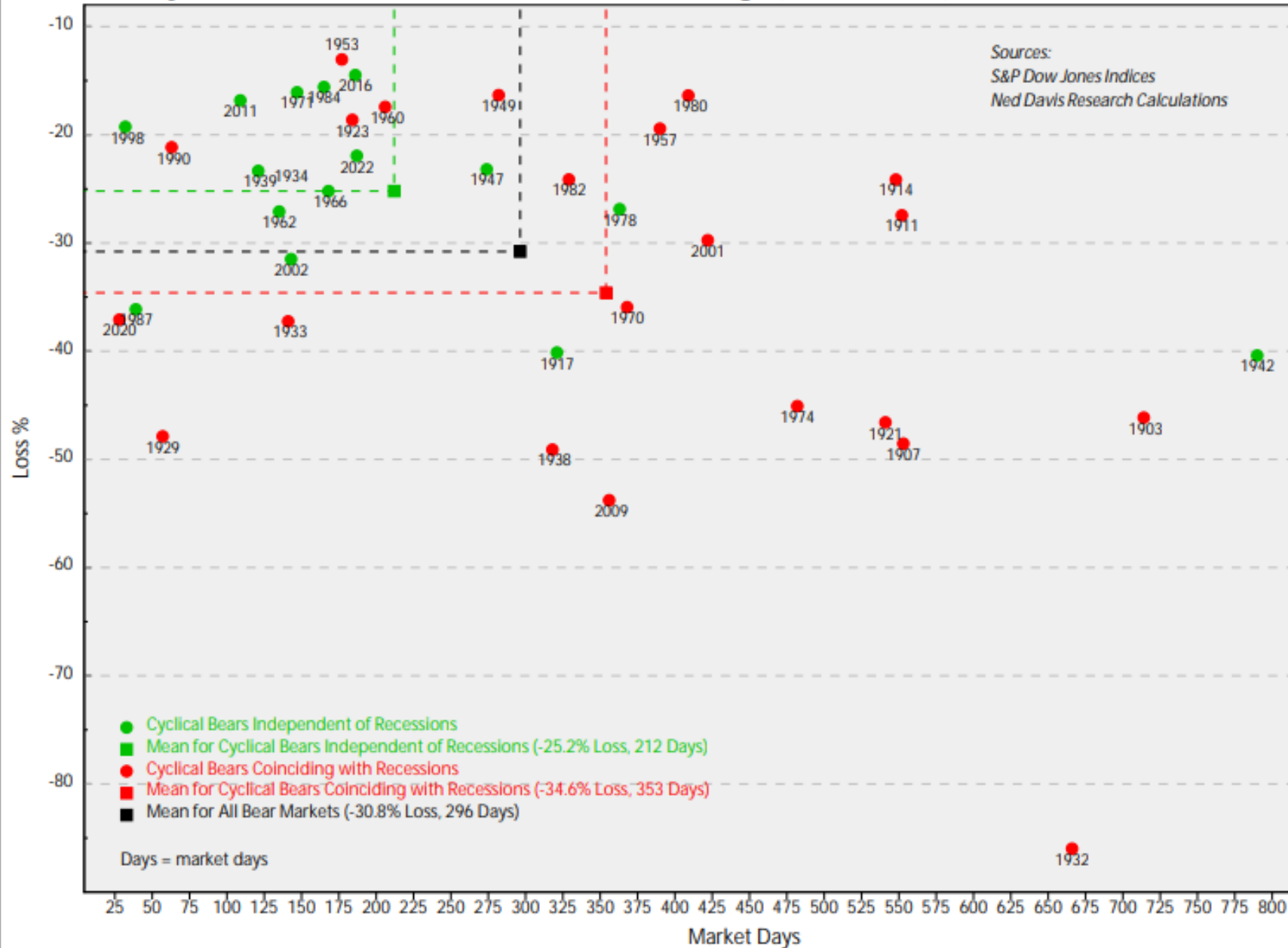


Airbag investment strategies

- ✓ Dance asset allocation
- ✓ Play overbought/oversold
- ✓ Use floor stops
- ✓ Broaden diversification



A History of Bear Markets II: Dow Jones Industrial Average (1900-Present)



5/20/2023



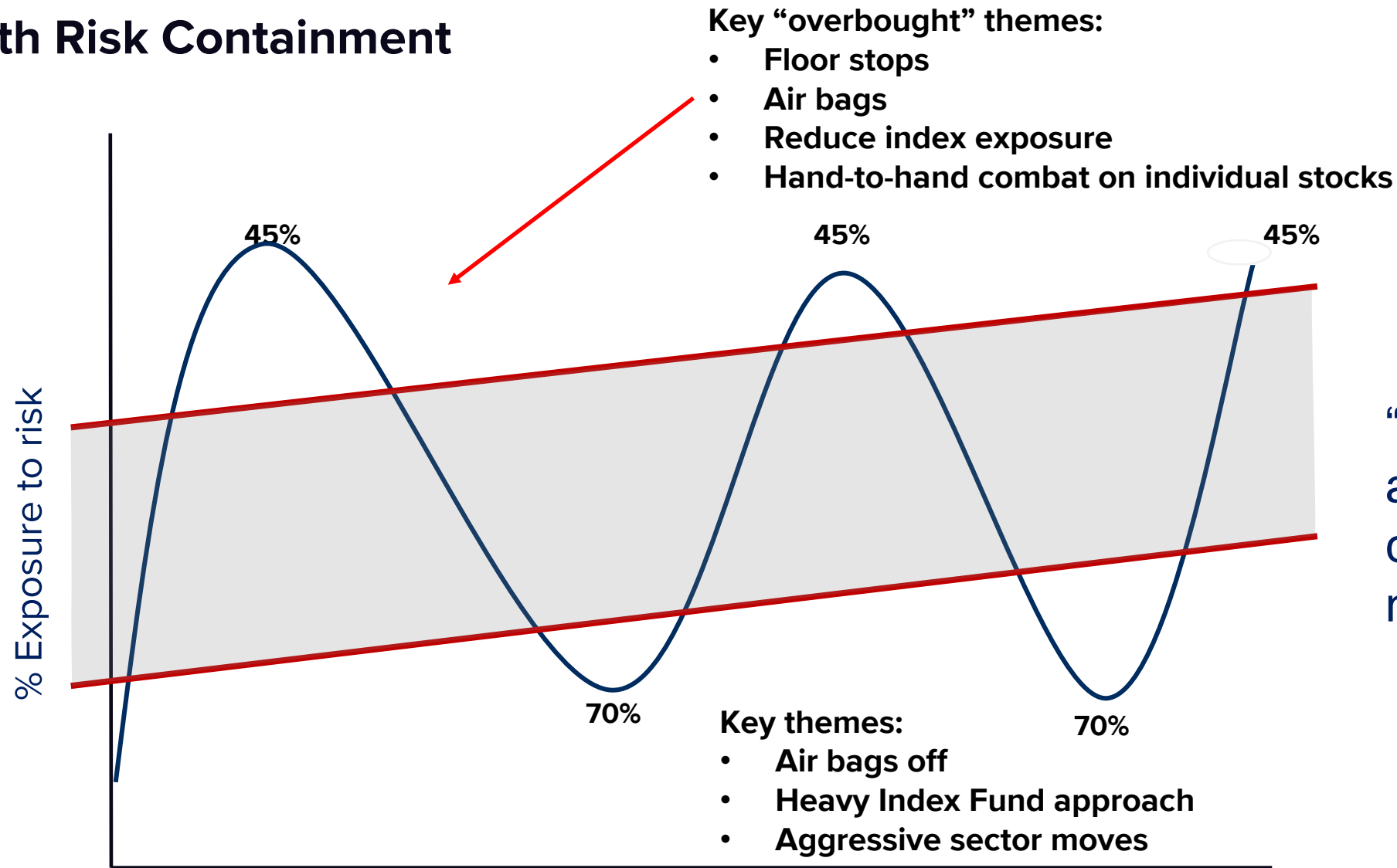
© Copyright 2023 NDR, Inc. Further distribution prohibited without prior permission.
All Rights Reserved. See NDR Disclaimer at www.ndr.com/copyright.html
For data vendor disclaimers refer to www.ndr.com/vendorinfo/

Air Bags



No Air Bags

Invest with Risk Containment



“Great returns
are born on
contrarianism,
not conformity”

Risk allocation: Balanced account

“A plan without action is not a plan – it’s a speech.” – T. Boone Pickens

Indicators



The S&P 500 is now only 6% below its January 2022, up 29% from the October lows.



But after a 17% rally, one of the best starts to a year in history, the odds have changed.

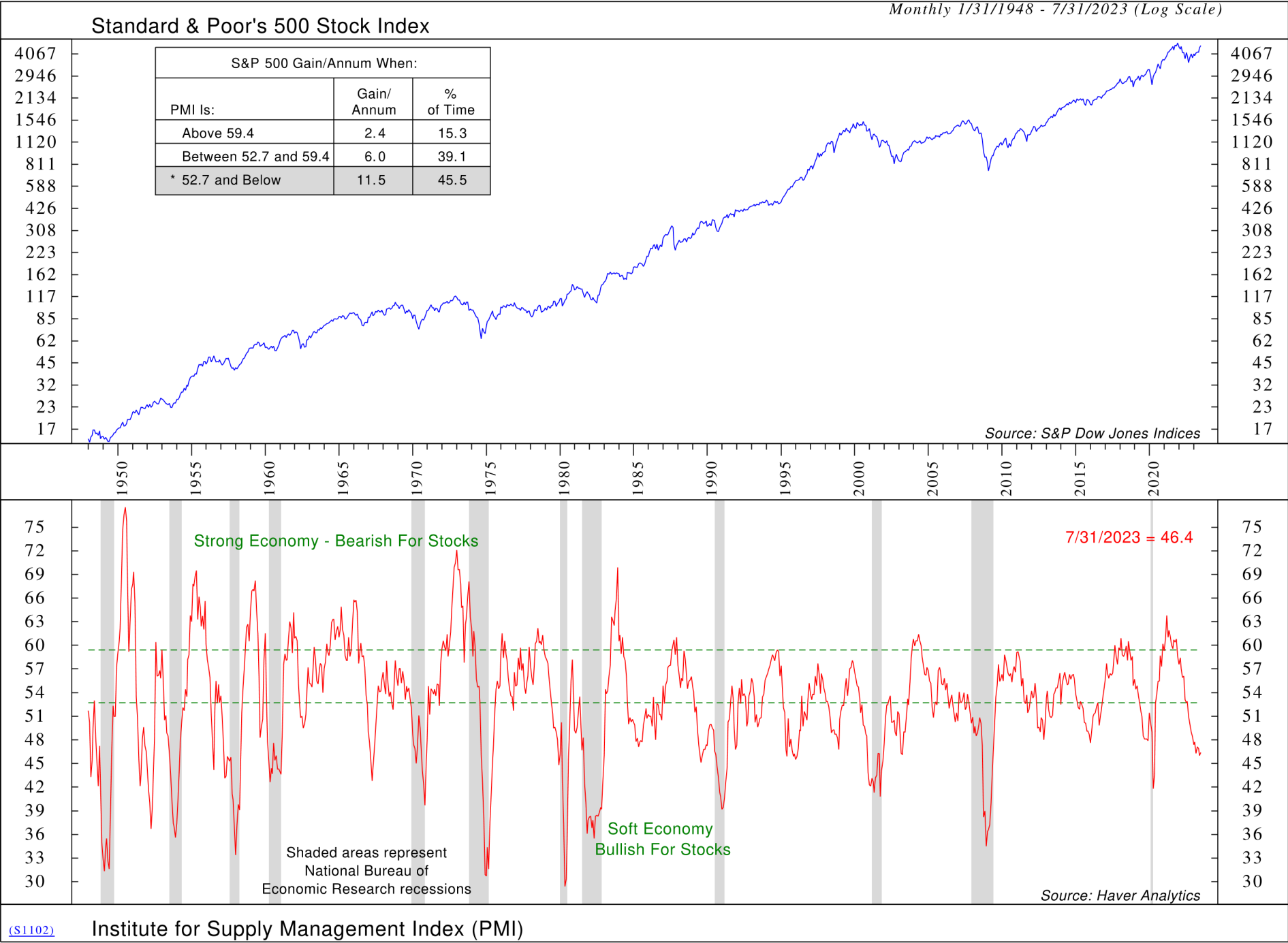
S&P 500: Best Performance through First 132 Trading Days (1928 - 2023)				
Rank	Year	Price Return: First 132 Trading Days	Price Return: Day 133 to Year-End	Price Return: Full Calendar Year
1	1933	39.5%	3.3%	44.1%
2	1975	38.3%	-5.3%	30.9%
3	1943	28.7%	-7.2%	19.4%
4	1987	27.3%	-19.6%	2.3%
5	1997	23.4%	6.2%	31.1%
6	1954	21.5%	18.6%	44.1%
7	1995	20.8%	11.0%	34.1%
8	1998	20.1%	5.5%	26.7%
9	2019	19.7%	7.7%	28.9%
10	1983	19.5%	-1.9%	17.2%
11	1955	18.8%	6.4%	26.4%
12	1989	18.4%	7.5%	27.3%
13	2023	17.5%		
14	2013	17.4%	10.3%	29.6%
15	1976	16.4%	1.8%	18.5%



CREATIVE PLANNING

@CharlieBilello

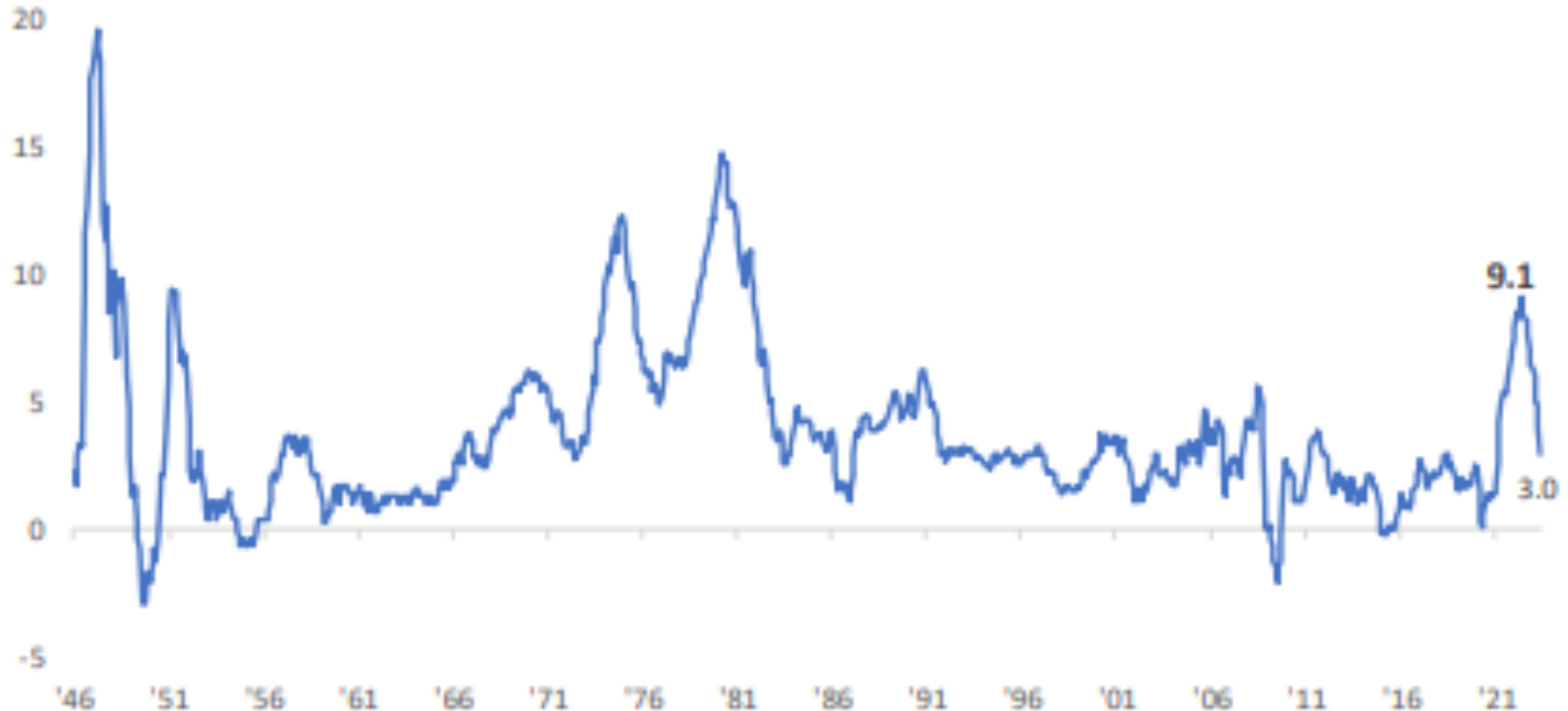
(As of 7/13/23)





Can the FED core inflation target of 2% be achieved?
(We liked it better when everyone thought inflation would remain high)

US Consumer Price Index (Y/Y % Change): Post WWII



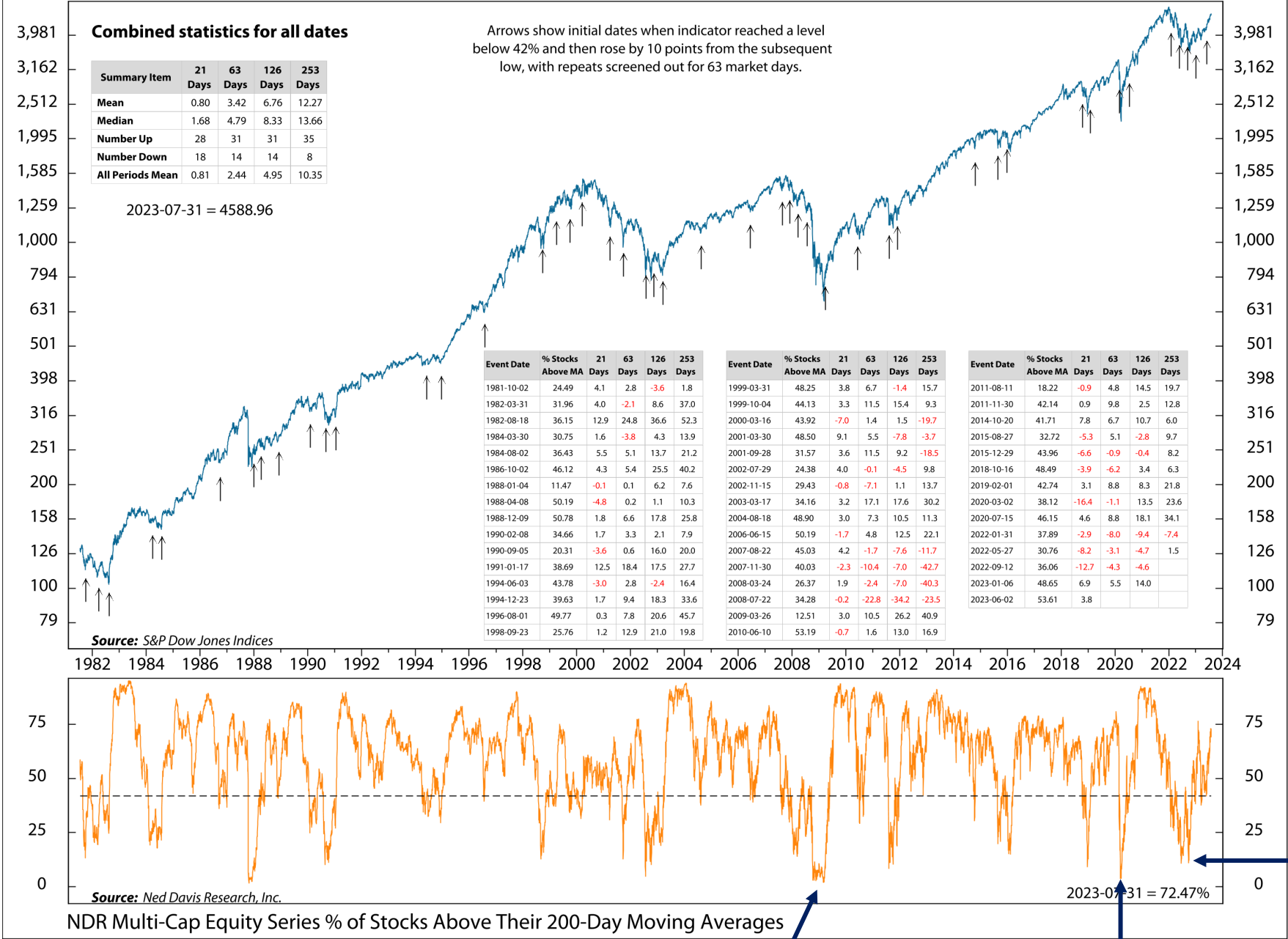
Getting the direction of inflation is key... track record of the market when there have been large drops in posted inflation is supportive of further strength.

Performance After Large Drops in Inflation

Date	CPI (Y/Y, % Chg)			S&P 500 Performance		
	Level	12-Month Peak	Decline	Three Months	Six Months	One Year
3/31/48	6.8	19.7	-12.9	11.0	2.7	-0.1
7/31/49	-2.9	9.9	-12.8	6.6	13.4	18.6
5/31/52	1.9	9.3	-7.4	4.9	7.5	2.8
12/31/75	6.9	12.3	-5.4	13.9	15.6	19.1
9/30/82	5.0	11.0	-6.0	16.5	27.4	37.9
7/31/09	-2.1	5.6	-7.7	4.9	8.7	11.6
6/30/23	3.0	9.1	-6.1			
			Average	9.7	12.6	15.0
			Median	8.8	11.1	15.1

Standard & Poor's 500 Stock Index

Daily Data 1981-07-15 to 2023-07-31 (Log Scale)



S244



NDR

Housing
Crash

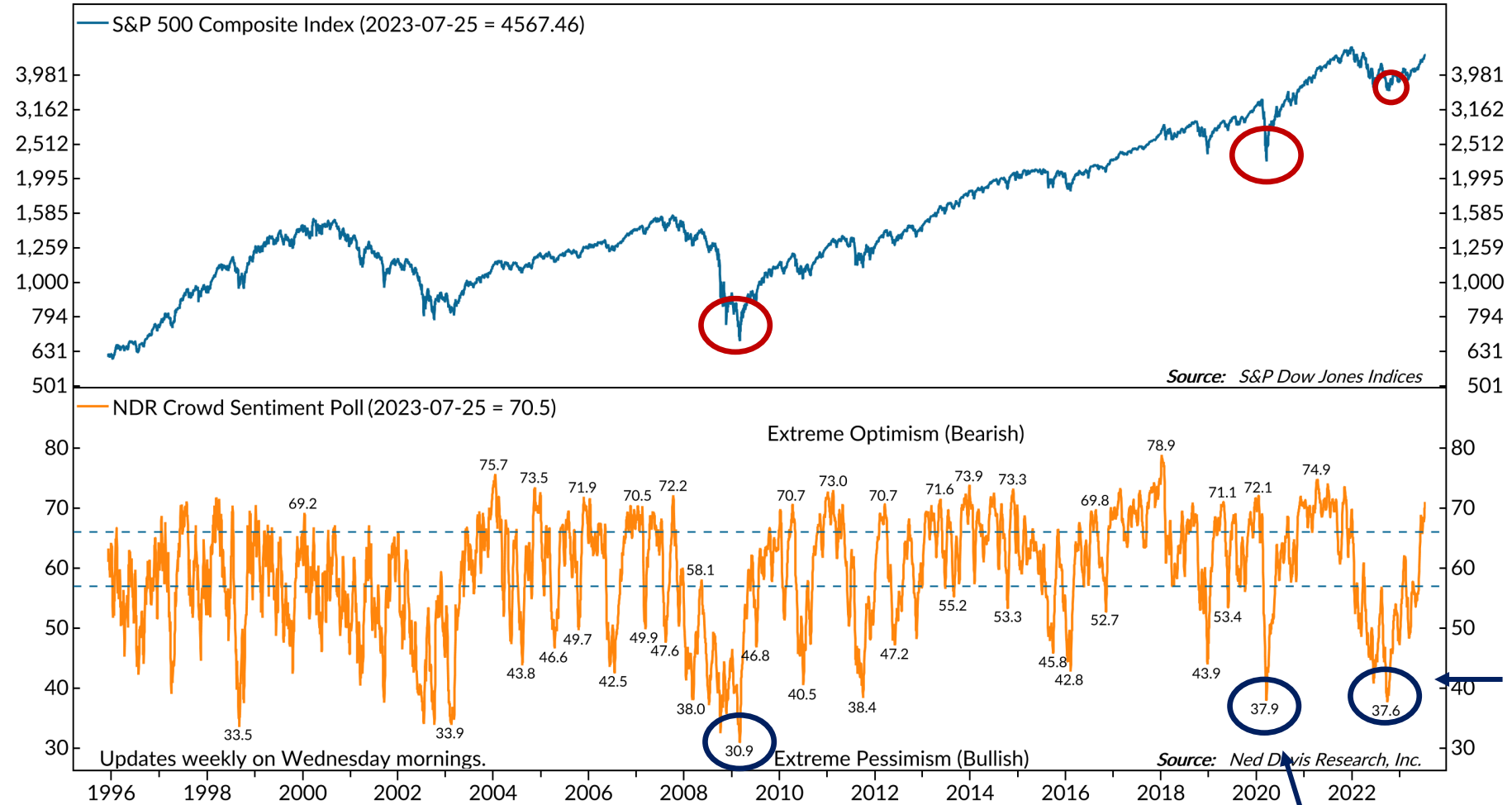
© Copyright 2023 NDR, Inc. Further distribution prohibited without prior permission.
All Rights Reserved. See NDR Disclaimer at www.ndr.com/copyright.html
For data vendor disclaimers refer to www.ndr.com/vendorinfo/

Covid Low

“That investors don’t learn from history is the most important of all the lessons from history.”
- Aldous Huxley

S&P 500 Index vs. NDR Crowd Sentiment Poll - Transitional Mode Basis

Daily Data 1995-12-01 to 2023-07-25

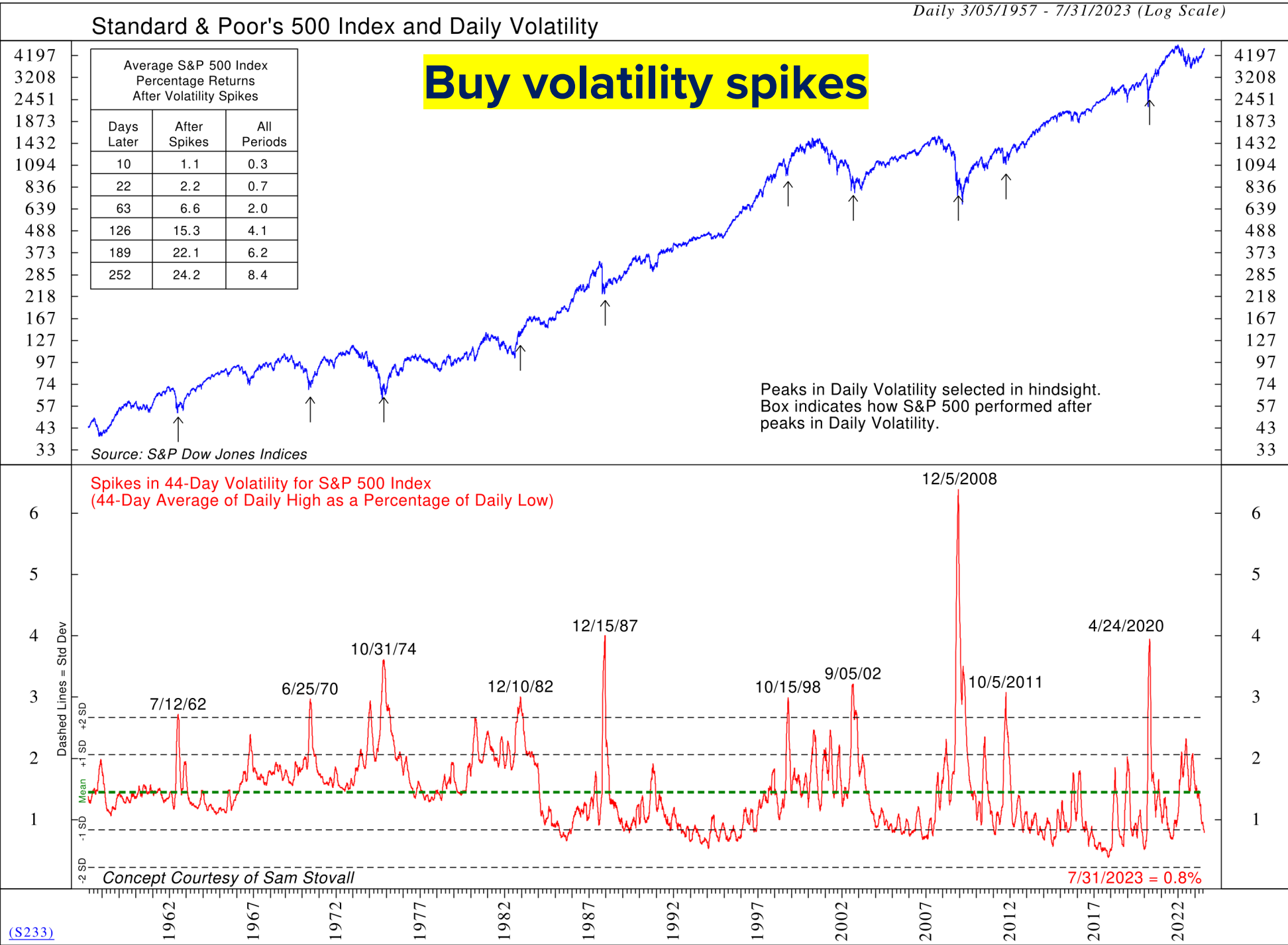


Great back test

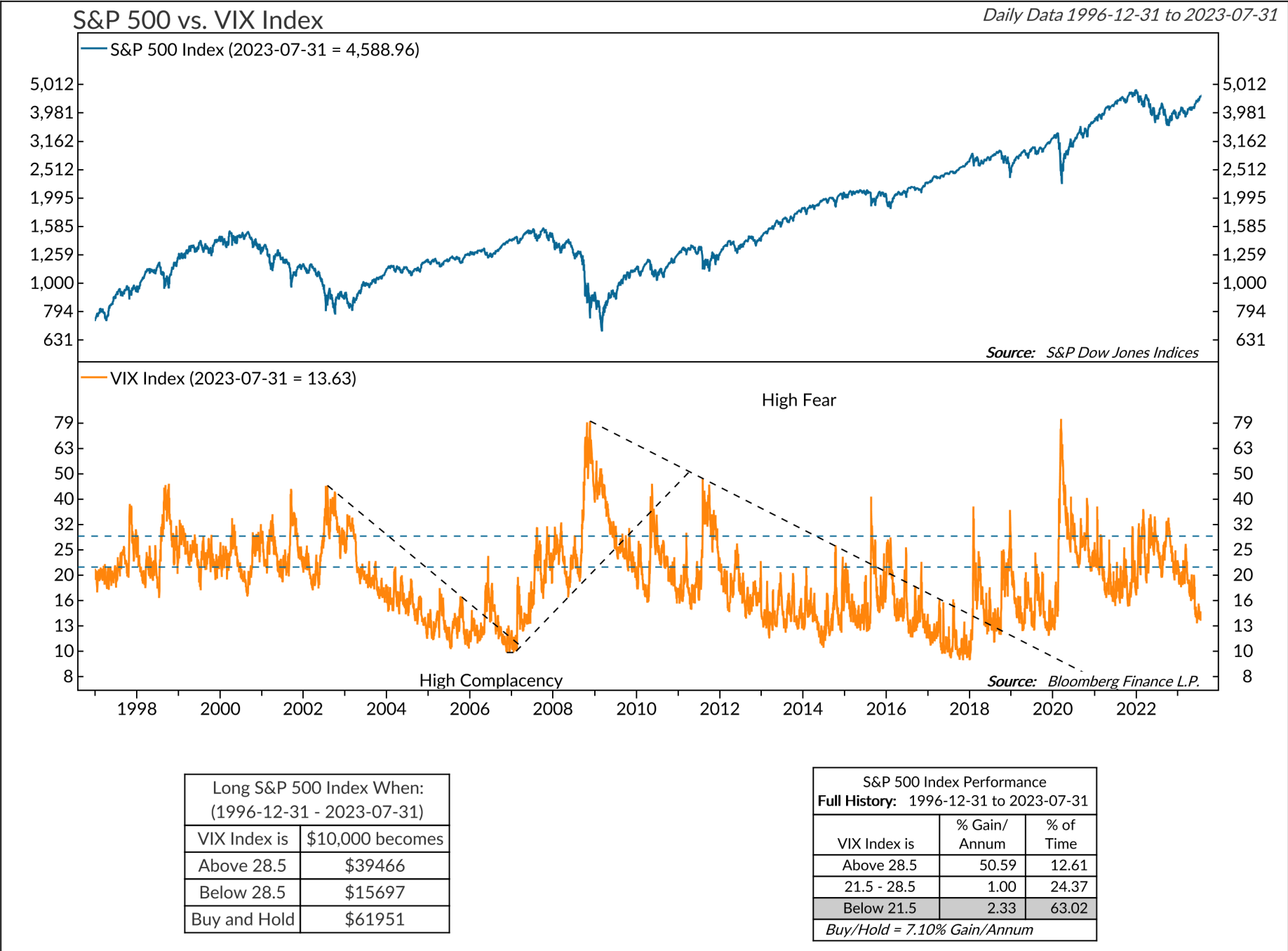
S&P 500 Index Performance		
Full History: 1995-12-01 to 2023-07-25		
NDR Crowd Sentiment Poll is	% Gain/Annum	% of Time
Above 66.0	-0.20	27.09
57.0 to 66.0 From Above	2.54	17.27
57.0 to 66.0 From Below	20.00	18.44
Below 57.0	10.29	36.80
Buy/Hold = 7.57% Gain/Annum		

Covid Low

Oct 2022 Low



Low volatility
is a sign of
complacency...



DAVIS72



© Copyright 2023 Ned Davis Research, Inc. Further distribution prohibited without prior permission. All Rights Reserved. See NDR Disclaimer at www.ndr.com/copyright.html. For data vendor disclaimers refer to www.ndr.com/vendorinfo/

Q & A

