UPS AND DOWNS

HAMILTON FINANCE CLUB, 2/25/2021

THE GREAT RECESSION (2007-2009)

- The Great Recession, also known as the Sub-Prime Mortgage Crisis, or the 2008 Financial Crisis, was the largest economic downturn since the Great Depression of the 1930s.
- There was no sole cause of the Great Recession, but rather many issues building on one another.

It could be said that the overarching reason for the great recession was greed on behalf of bankers and mortgage lenders

CAUSES OF THE GREAT RECESSION

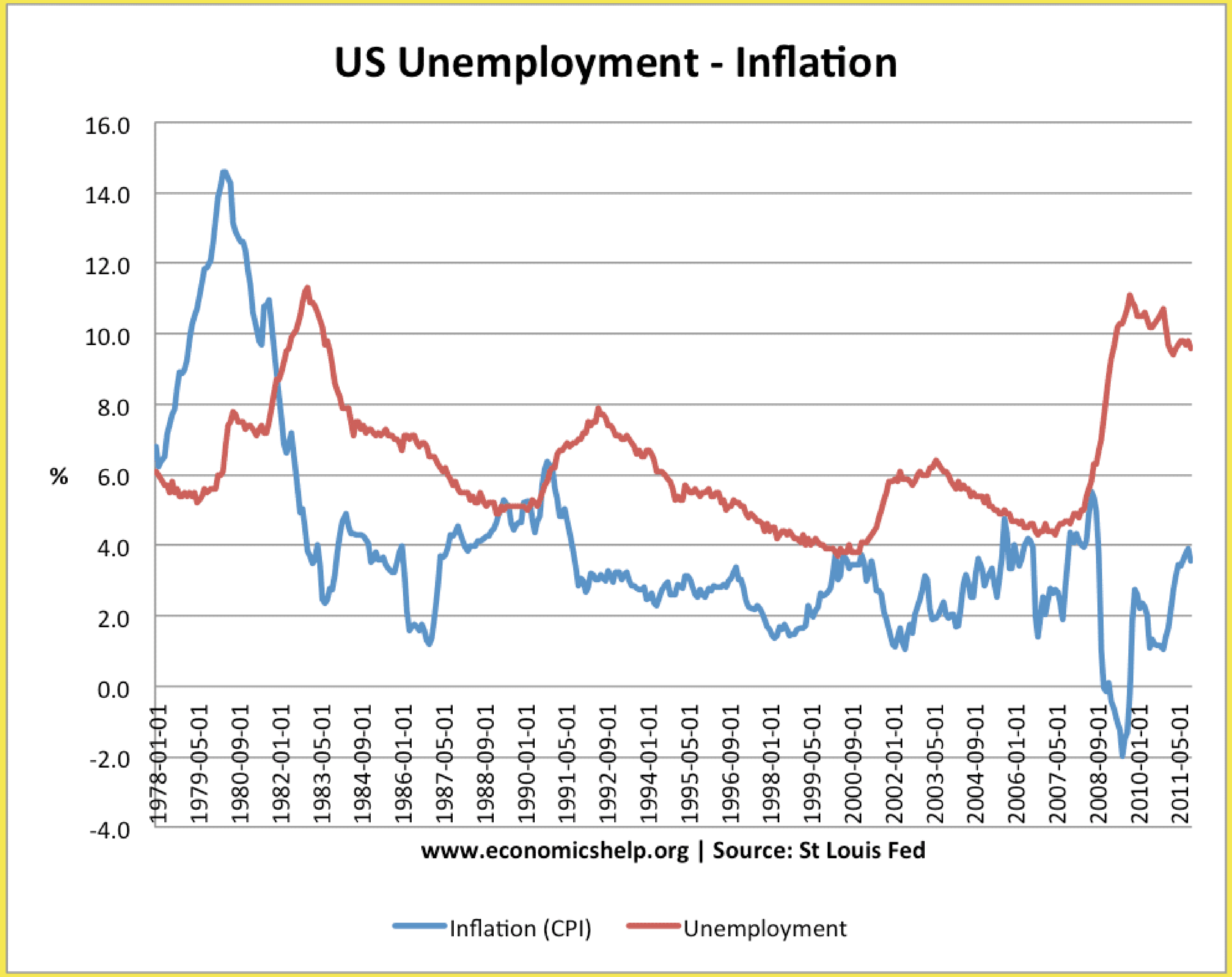
- Change from an Industrial (Production) Economy to a Service Economy
  - American manufacturing jobs began moving to foreign countries, putting many Americans out of work.
- Collapse in Home Prices
  - Residential Real Estate Values had become inflated
  - Increased unemployment led to a drop in demand for homes.
  - Less demand means lower prices in real estate.
- Bank Failures and Mortgage-Backed Securities
  - Deregulation of Investment Banking led to riskier investments
  - One of the most popular investment products was Mortgage-Backed Securities
    - These were bundles of *Sub-Prime* mortgages bought by investors to be resold on the secondary mortgage market.
    - Increased interest in this led to *Predatory Lending*
  - When people defaulted on mortgages in large numbers, banks began to fail.

The Bottom Line:

The State of The Economy Relies on Consumer Confidence

ECONOMIC RECOVERY

- After a recession, there is typically a recovery period
- Signs that a recession is becoming a recovery:
  - Unemployment is decreasing while inflation is increasing (inversely related)
  - Consumer confidence is rising
  - Housing, stock market, GDP returning to or surpassing previous levels
- Federal Reserve goals:
  - sub-4% unemployment rate
  - around 2% inflation rate
- Can you predict what this graph will look like after 2011?

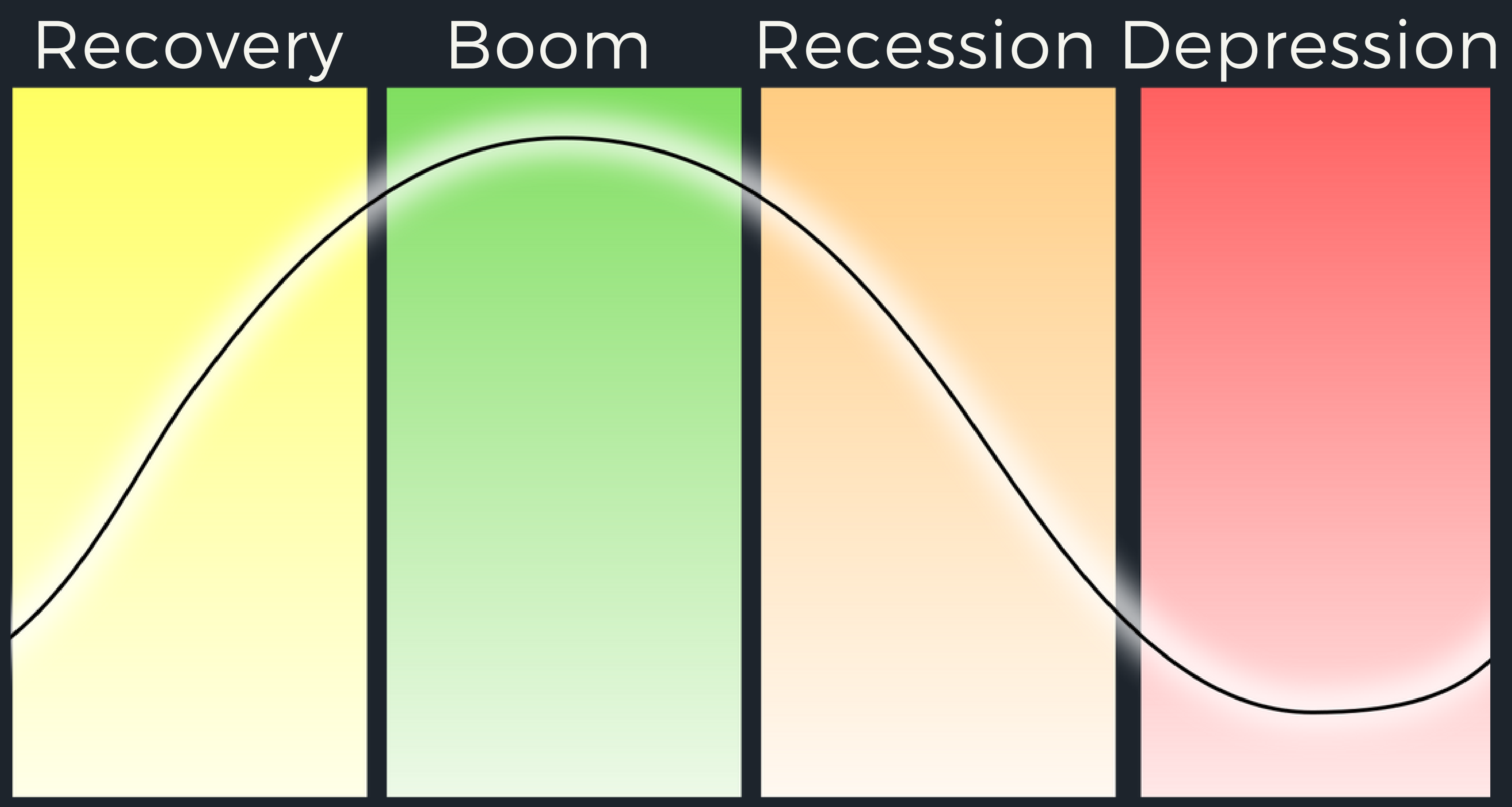


BOOM!

- When an economy is booming, it functions somewhat similarly to when it's recovering
- Characteristics of booms and recoveries:
  - Low unemployment (4% or under)
  - Increases in consumer spending and investment
- Characteristics specific to booms:
  - Lowered interest rates but higher prices
  - Extremely fast growth rate (unsustainable)
- Booms typically overinflate and cause a "bust," which allows for the business cycle

SO, WHEN SHOULD I INVEST?

- There's never truly a best or worst time to invest, HOWEVER:
- During a bull market / recovery / boom, shorter trades can take advantage of positive market activity and volatility
- During a bear market / recession / depression, significant price drops in real estate or well-known stocks make for great long-term investment options
- Use both of these ideas to take advantage of any part of the business cycle



THANK YOU ALL FOR COMING!

FEEL FREE TO ASK ANY QUESTIONS

PLEASE STAY IF YOU'RE INTERESTED IN A CABINET POSITION FOR NEXT YEAR