Investing for Successful Retirement
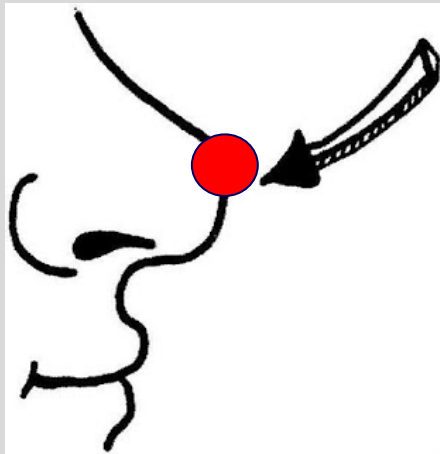
UD Osher – OLLI

Spring 2025

- **Rajeev A. Vaidya**
- **Ron Materniak**

Disclaimer in plain language

Disclaimer – in plain language:

Opinions are like noses, everyone has one !

You are going to see mine in this course !!

We are simply sharing our perspective.

This is not investment advice or recommendation.

Ron, and I are not a financial advisors.
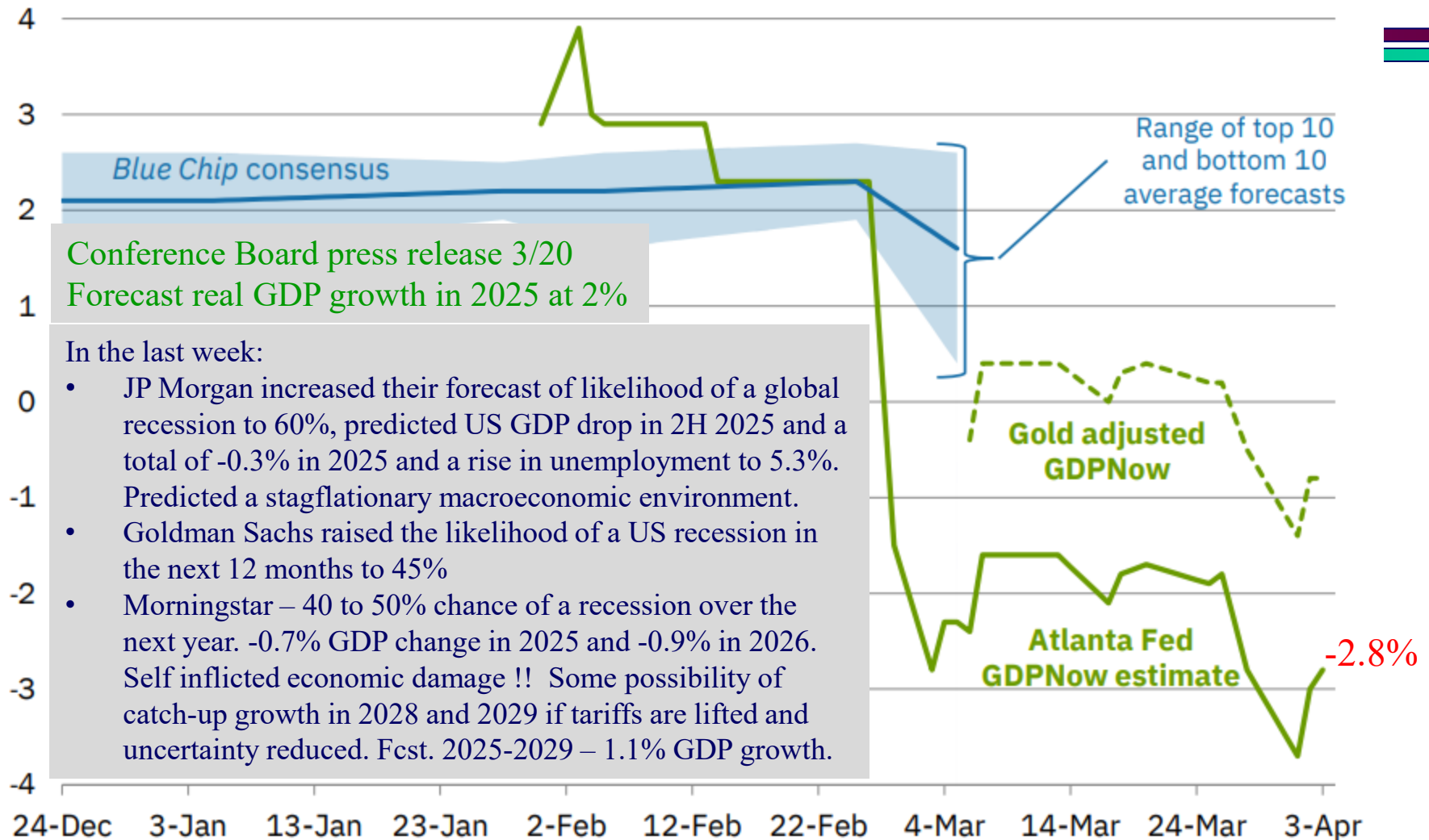
This course is for educational purposes only.

Form your own opinion, make your own investment decisions.

Tenth Class – Apr. 9nd

- Market Update
- 5 Steps of disciplined buying

Evolution of Atlanta Fed GDPNow real GDP estimate for 2025: Q1
Quarterly percent change (SAAR)

Conference Board press release 3/20
Forecast real GDP growth in 2025 at 2%

In the last week:
- JP Morgan increased their forecast of likelihood of a global recession to 60%, predicted US GDP drop in 2H 2025 and a total of -0.3% in 2025 and a rise in unemployment to 5.3%. Predicted a stagflationary macroeconomic environment.
- Goldman Sachs raised the likelihood of a US recession in the next 12 months to 45%
- Morningstar – 40 to 50% chance of a recession over the next year. -0.7% GDP change in 2025 and -0.9% in 2026. Self inflicted economic damage !! Some possibility of catch-up growth in 2028 and 2029 if tariffs are lifted and uncertainty reduced. Fcst. 2025-2029 – 1.1% GDP growth.

Blue Chip consensus

Range of top 10 and bottom 10 average forecasts

Gold adjusted GDPNow

Atlanta Fed GDPNow estimate

-2.8%

Recessions and Market Bottoms

Looking at the last 10 recessions
- Market bottoms have never happened before the recession started
- In 7 out of the 10 they have happened in the second half of the recessionary period or after the recession ended

Recession Period	Start Date	End Date	S&P 500 Bottom Date	
COVID-19 Recession	Feb 2020	Apr 2020	Mar 23, 2020	
Great Recession	Dec 2007	Jun 2009	Mar 9, 2009	
Early 2000s Recession	Mar 2001	Nov 2001	Oct 9, 2002	
Early 1990s Recession	Jul 1990	Mar 1991	Oct 11, 1990	⭐
Early 1980s Recession	Jul 1981	Nov 1982	Aug 12, 1982	
Early 1980 Recession	Jan 1980	Jul 1980	Mar 27, 1980	
Mid-1970s Recession	Nov 1973	Mar 1975	Oct 3, 1974	
Early 1970s Recession	Dec 1969	Nov 1970	May 26, 1970	⭐
Early 1960s Recession	Apr 1960	Feb 1961	Oct 25, 1960	
Late 1950s Recession	Aug 1957	Apr 1958	Oct 22, 1957	⭐

Source – Microsoft Copilot – Wikipedia, St. Louis FRB, nber.org

Market Crash Timeline: Growth of $1 and the US Stock Market's Real Peak Values

— Cumulative Real Wealth   — Peak Cumulative Value
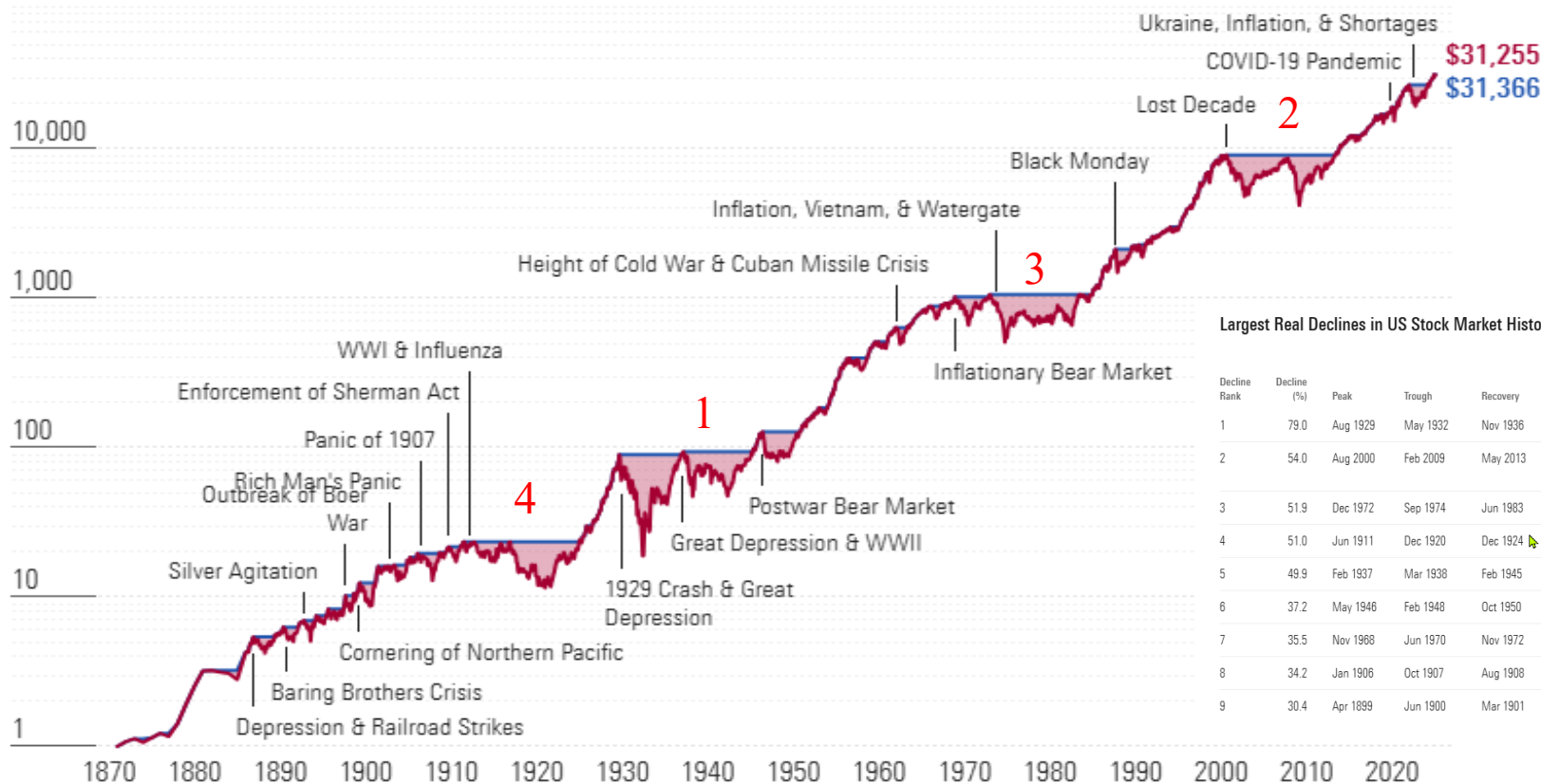
Largest Real Declines in US Stock Market History

Decline Rank	Decline (%)	Peak	Trough	Recovery	Pain Rank	Pain Index (%)
1	79.0	Aug 1929	May 1932	Nov 1936	1	100.0
2	54.0	Aug 2000	Feb 2009	May 2013	3	85.5
3	51.9	Dec 1972	Sep 1974	Jun 1983	4	80.4
4	51.0	Jun 1911	Dec 1920	Dec 1924	2	89.3
5	49.9	Feb 1937	Mar 1938	Feb 1945	5	59.6
6	37.2	May 1946	Feb 1948	Oct 1950	6	29.1
7	35.5	Nov 1968	Jun 1970	Nov 1972	7	14.2
8	34.2	Jan 1906	Oct 1907	Aug 1908	9	8.2
9	30.4	Apr 1899	Jun 1900	Mar 1901	10	8.2

Logarithmic scale

Source: Kaplan et al. (2009); Ibbotson (2023); Morningstar Direct; Goetzmann, Ibbotson, and Peng (2000); Pierce (1982); www.econ.yale.edu/^shiller/data.htm, Ibbotson Associated SBBI US Large-Cap Stock Inflation Adjusted Total Return Extended Index, S&P 500 (2025), Bureau of Labor Statistics, Non-Seasonally Adjusted Consumer Price Index (2025). Data as of Jan. 31, 2025.
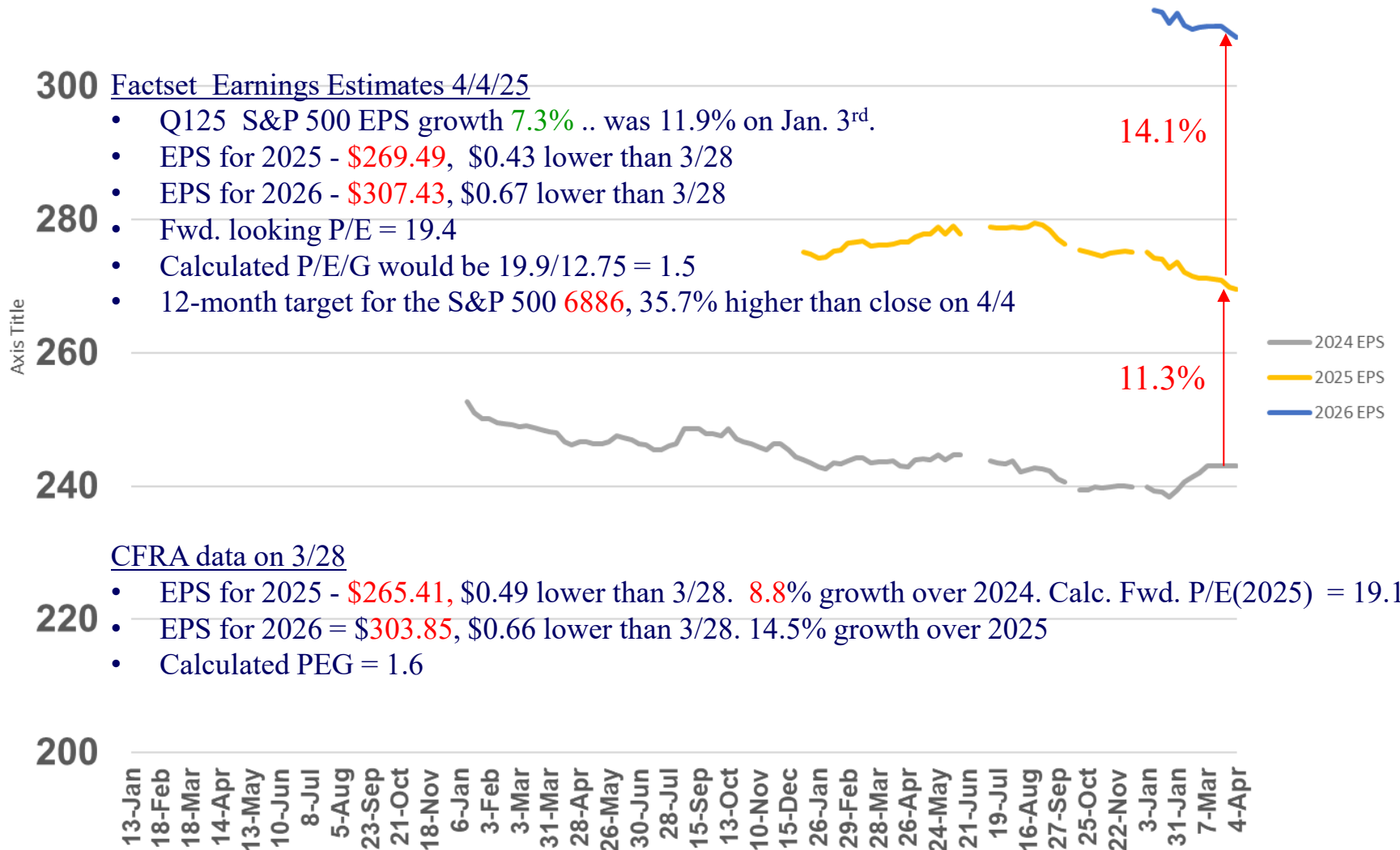
Factset(R) - S&P 500 Calendar year earnings forecast

Factset Earnings Estimates 4/4/25

- Q125 S&P 500 EPS growth 7.3% .. was 11.9% on Jan. 3rd.
- EPS for 2025 - $269.49, $0.43 lower than 3/28
- EPS for 2026 - $307.43, $0.67 lower than 3/28
- Fwd. looking P/E = 19.4
- Calculated P/E/G would be 19.9/12.75 = 1.5
- 12-month target for the S&P 500 6886, 35.7% higher than close on 4/4

14.1%

11.3%

Legend:
- 2024 EPS
- 2025 EPS
- 2026 EPS

Axis Title

CFRA data on 3/28

- EPS for 2025 - $265.41, $0.49 lower than 3/28. 8.8% growth over 2024. Calc. Fwd. P/E(2025) = 19.1
- EPS for 2026 = $303.85, $0.66 lower than 3/28. 14.5% growth over 2025
- Calculated PEG = 1.6

x-axis labels: 13-Jan, 18-Feb, 18-Mar, 14-Apr, 13-May, 10-Jun, 8-Jul, 5-Aug, 23-Sep, 21-Oct, 18-Nov, 6-Jan, 3-Feb, 3-Mar, 31-Mar, 28-Apr, 26-May, 30-Jun, 28-Jul, 15-Sep, 13-Oct, 10-Nov, 15-Dec, 26-Jan, 29-Feb, 28-Mar, 26-Apr, 24-May, 21-Jun, 19-Jul, 16-Aug, 27-Sep, 25-Oct, 22-Nov, 3-Jan, 31-Jan, 7-Mar, 4-Apr

y-axis: 200, 220, 240, 260, 280, 300, 320

$SPX S&P 500 Large Cap Index INDX

@ StockCharts.com

8-Apr-2025

Open 5193.57 High 5267.47 Low 4910.42 Close 4982.77 Volume 5.0B Chg -79.48 (-1.57%) ▼

RSI(14) 21.36

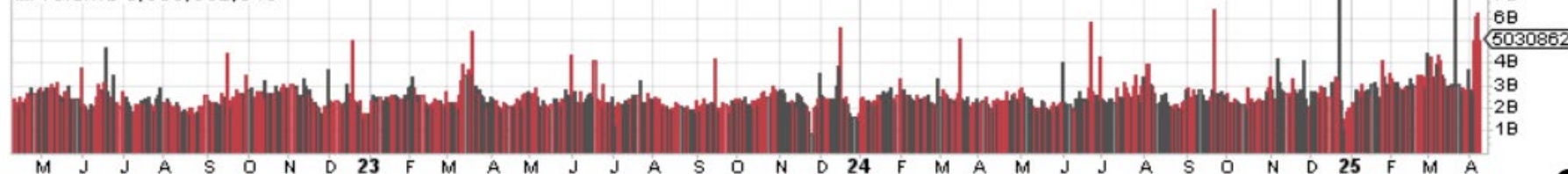MACD(12,26,9) -172.820, -108.316, -64.504

$SPX (Daily) 4982.77
MA(50) 5802.74
MA(200) 5755.72
BB(20,2.0) 5091.57 - 5550.87 - 6010.18

6129.58 to 5500 in 17 trading days
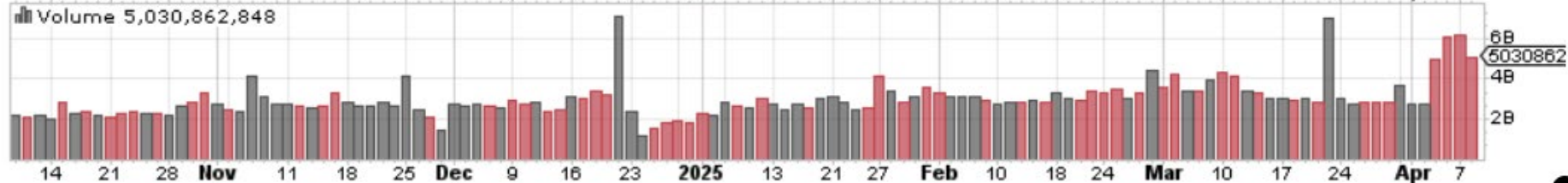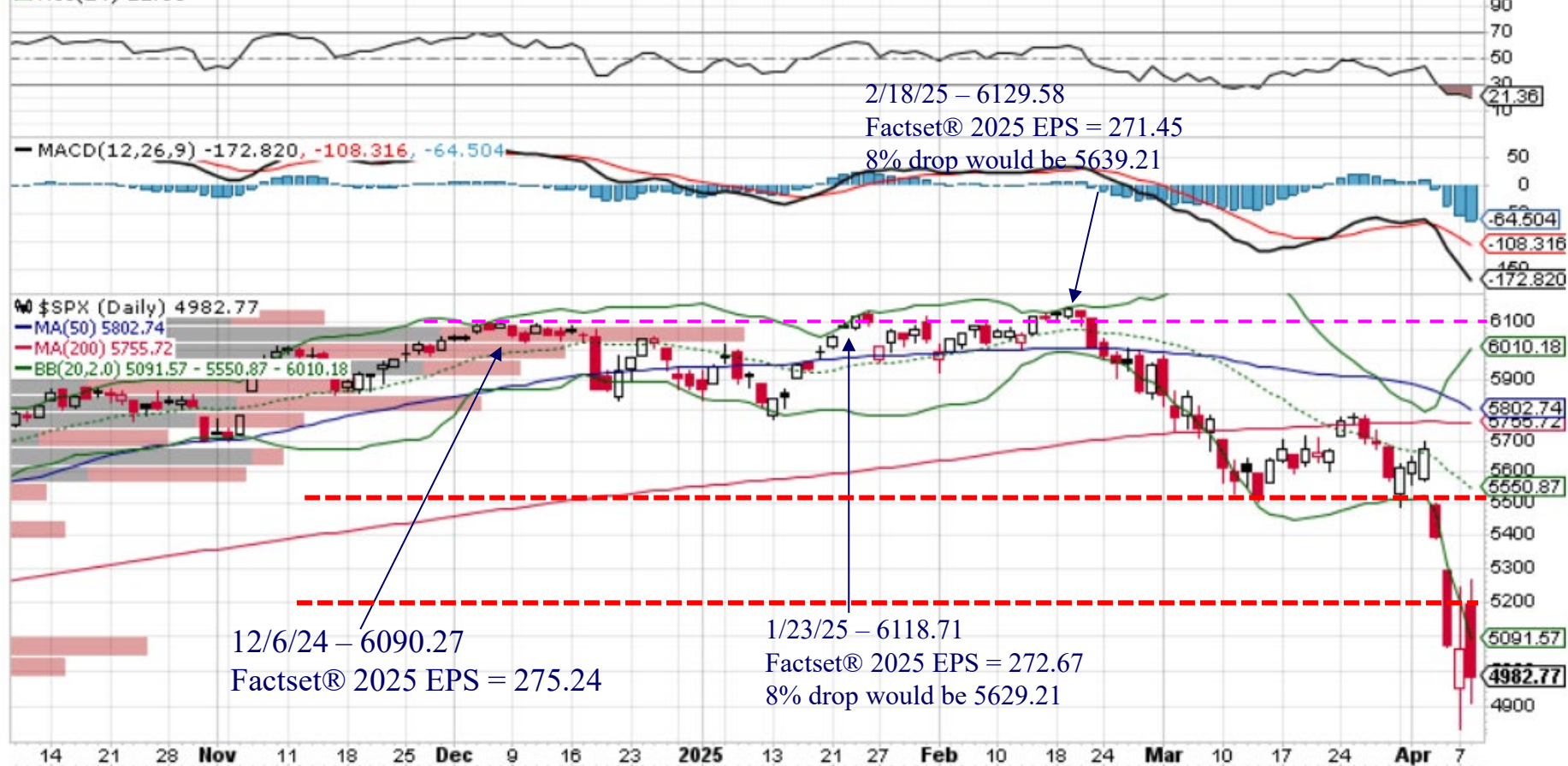
5200 is next support

Volume 5,030,862,848

$SPX S&P 500 Large Cap Index INDX

@StockCharts.com

8-Apr-2025   **Open** 5193.57   **High** 5267.47   **Low** 4910.42   **Close** 4982.77   **Volume** 5.0B   **Chg** -79.48 (-1.57%) ▼

RSI(14) 21.36

MACD(12,26,9) -172.820, -108.316, -64.504

2/18/25 – 6129.58
Factset® 2025 EPS = 271.45
8% drop would be 5639.21

$SPX (Daily) 4982.77
MA(50) 5802.74
MA(200) 5755.72
BB(20,2.0) 5091.57 - 5550.87 - 6010.18

12/6/24 – 6090.27
Factset® 2025 EPS = 275.24

1/23/25 – 6118.71
Factset® 2025 EPS = 272.67
8% drop would be 5629.21

Volume 5,030,862,848

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$NYAD NYSE - Advance-Decline Issues INDX
8-Apr-2025

Open 34080.00 High 34080.00 Low 34080.00 Close 34080.00 Chg -1386.00 (-3.91%) ▼

@StockCharts.com

— $NYAD Cumulative 34080.00
— MA(50) 42340.16

— $SPX 4982.77

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$SPX S&P 500 Large Cap Index INDX

8-Apr-2025

Open 5193.57 High 5267.47 Low 4910.42 Close 4982.77 Volume 5.0B Chg -79.48 (-1.57%) ▼

@StockCharts.com

— $SPX (Daily) 4982.77
Volume 5,030,862,848

4776.18 on 1/3/22

4588.96 on 7/31/23

0.0%: 6127.84

38.2%: 5151.60

50.0%: 4850.04

61.8%: 4548.47

38.2%: 4639.42

50.0%: 4179.65

61.8%: 3719.88

100.0%: 3572.23

4117.37 on 10/27/2023

3577.03 on 10/12/2022

8 April 2025

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Market Breadth – another way

ETF	YTD loss to 4/8
QQQ	- 18.6%
SPY	- 15.3%
RSP	- 12.7%
IWM	- 20.9%
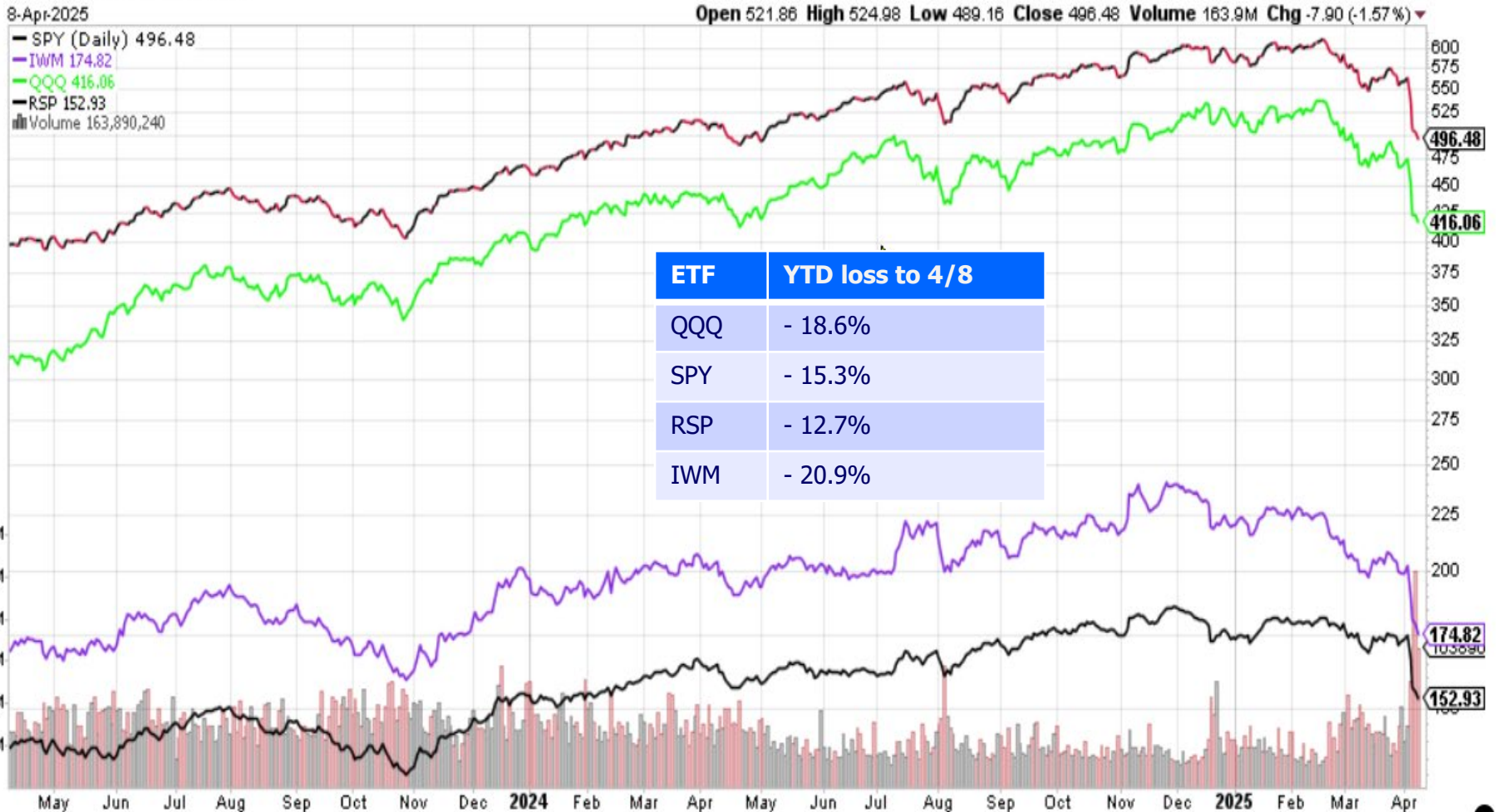
Weekly market direction ....

Prof. Guy Werner

Guy.werner@verizon.net

COLUMNS CD&E ARE FROM IBD AND ARE PROVIDED BY DAVE (IN THE NORTH) SMITH

https://drive.google.com/drive/folders/0B6Qc_gjpshXMclkzQ245d2R1eTQ?resourcekey=0-5pWglNqaJPJ12L2qYurMWg

TLT – 20+ yr U.S. Treasury ETF

U.S. Dollar

A rising dollar
Negative for Big tech
Positive for reducing inflation from commodities
Makes US market attractive to foreign investors

Tenth Class – Apr. 9nd

- Market Update
- 5 Steps of disciplined buying

Investment Styles

- Value Investing
  - Buy mispriced stocks that are selling at a bargain vs. potential future value
  - Buy low, sell high
  - Must have a catalyst to correct mispricing
  - A dog remains a dog for its entire life
- Growth Investing
  - Buy high growth companies
  - Buy high, sell higher
- Growth at Reasonable Price
  - Buy high growth companies at a reasonable price
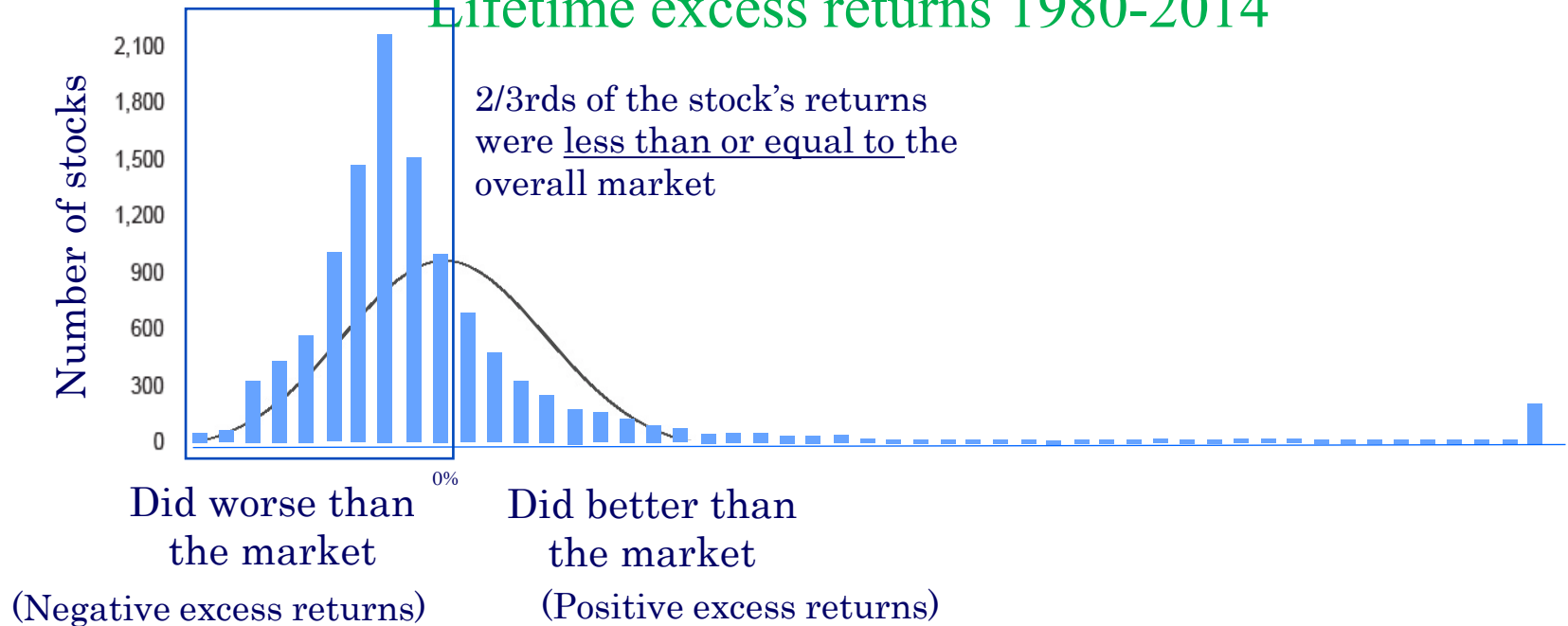 - PEG ratio is key metric
- Momentum Investing
  - Today's winners will beat today's losers tomorrow.
  - Don't stare the pig in the face, don't be first in, don't be last out.

The Difficulty In Picking A Winning Stock

Excess Return = Did the stock do better or worse than the overall market

Lifetime excess returns 1980-2014

2/3rds of the stock's returns were <u>less than or equal to</u> the overall market

Number of stocks (y-axis): 0, 300, 600, 900, 1,200, 1,500, 1,800, 2,100

0%

Did worse than the market
(Negative excess returns)

Did better than the market
(Positive excess returns)

Source: FactSet, J.P. Morgan Asset Management.

Prof. Rich Jakotowicz – Spring 2019

The Difficulty In Picking A Winning Stock
Updated short term data

https://www.slickcharts.com/sp500/performance   S&P 500 Component Returns YTD **4/6/2025**

SPY YTD return = 13.8%
208 (41%) stocks did worse than SPY

RSP YTD return = 10.3%
253 (50%) stocks did worse than RSP
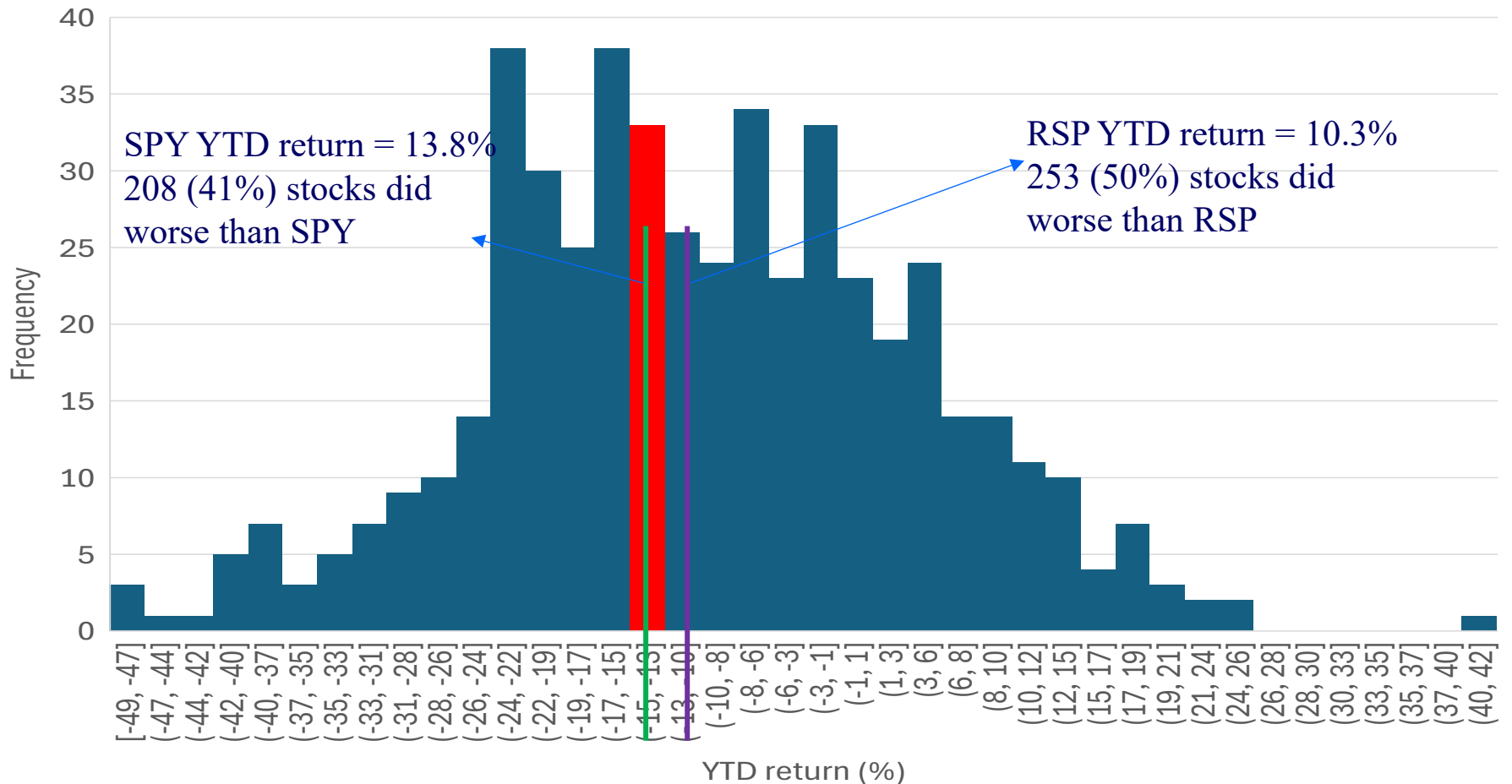
Disciplined buying

Investment thesis:

This is a good investment because …….

Valuation Entry Point:

This is a good price / entry point to buy because …….

Position Size:

I can buy XXX shares for my portfolio

If I am right, I will make gains by selling the stock @ …….

Exit Rules:

If I am wrong, I will limit losses by exiting the position @….

First Investment Decision: <u>Quality</u>
Is this a good company to own?

Indicators of Quality

- Demonstrated sales growth in a growth market
- Demonstrated earnings & cash flow growth
- Good Profit Margins
- High return on Invested Capital and Equity
- Good Management Team

- Typically, we are looking for leaders in an industry group
- It is very important to understand a company relative to its peers in an industry
- Comparison of financial measures across industry groups can lead to misleading conclusions

A bad stock is not worth owning at any price!!

Investment thesis

☐ The industry leader XYZ is a good investment because:

   ☐ Reason 1

   ☐ Reason 2

   ☐ Reason 3

☐ Risks to this investment are

   ☐ Risk 1

   ☐ Risk 2

Come back to re-examine this thesis frequently

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70% of the analysis   30%

Three key Questions & Two ways to answer

1. Is the stock undervalued?
2. If so, what could the price rise to?
3. Where could I exit and minimize losses, if my analysis is wrong?

☐ Fundamental Analysis
☐ Technical Analysis

Second Investment Decision: <u>Value</u>
Is this a good price / entry point to buy at?

Fundamental analysis – Value vs. Price

The buying decision		
	Price above value	**Price below value**
High Quality Company	**Wait to Buy**	**Buy**
Not	**Short ?**	**Walk**

Price - market tells you this everyday.
Value - your analysis based on data
- today's value
- future value

Technical analysis

Current position
- vs. trend
- vs. support and resistance

Current momentum / strength

Price / Volume patterns

Projected / Predictable outcomes

Fundamental Analysis
Value: Is this a good price to buy at?
What is the future potential?

Measures of value

- ☐ p/e ratio
- ☐ dividend yields
- ☐ p/book value
- ☐ p/cash flow ratio
- ☐ p/sales ratio

Benchmarks of value

- ☐ vs. history
- ☐ vs. industry peers
- ☐ vs. market

$$\text{Future High Price projection} = \text{Future EPS} \times \text{Average Hi P/E ratio}$$

- ☐ Projected EPS
  - ☐ sales growth
  - ☐ EPS growth

- ☐ P/E ratio history
  - ☐ Expected high P/E

Sources of information
- • Value Line sheet
- • CFRA report

What is the right range for these valuation ratios
For the company in question?

How does the current value for these ratios compare
to this range? to peers in the industry? to the market?

How is the company growing?
- • Sales
- • EPS
- • Cash flow
- • Etc.

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Fundamental Analysis
Value: Today vs. the future

Easy Way – price projected by analyst reports

Sources of information
- Value Line sheet – future price projection
- CFRA report – 12 month price target
- Analyst reports – Street.com, Brokerage sites
- MorningStar – fair value

Fundamental analysis – Value vs. Time

The buying decision

Current Value vs. price	Future Value vs. today	
	Low	Hi
Hi	No	Maybe
Low	Why bother?	Yes

Disciplined buying

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Support Levels

□ Term from technical analysis:

Definition: A price range where the market has repeatedly reversed a downward trend.

□ Support levels can be read from the stock chart

□ Support levels
   □ Offer downside protection
   □ Offer a place where prices will slow down in a decline
   □ If penetrated by a downtrend can signify further downside.

□ Support levels are a good marker for
   □ Rethinking a buy decision
   □ Stop orders
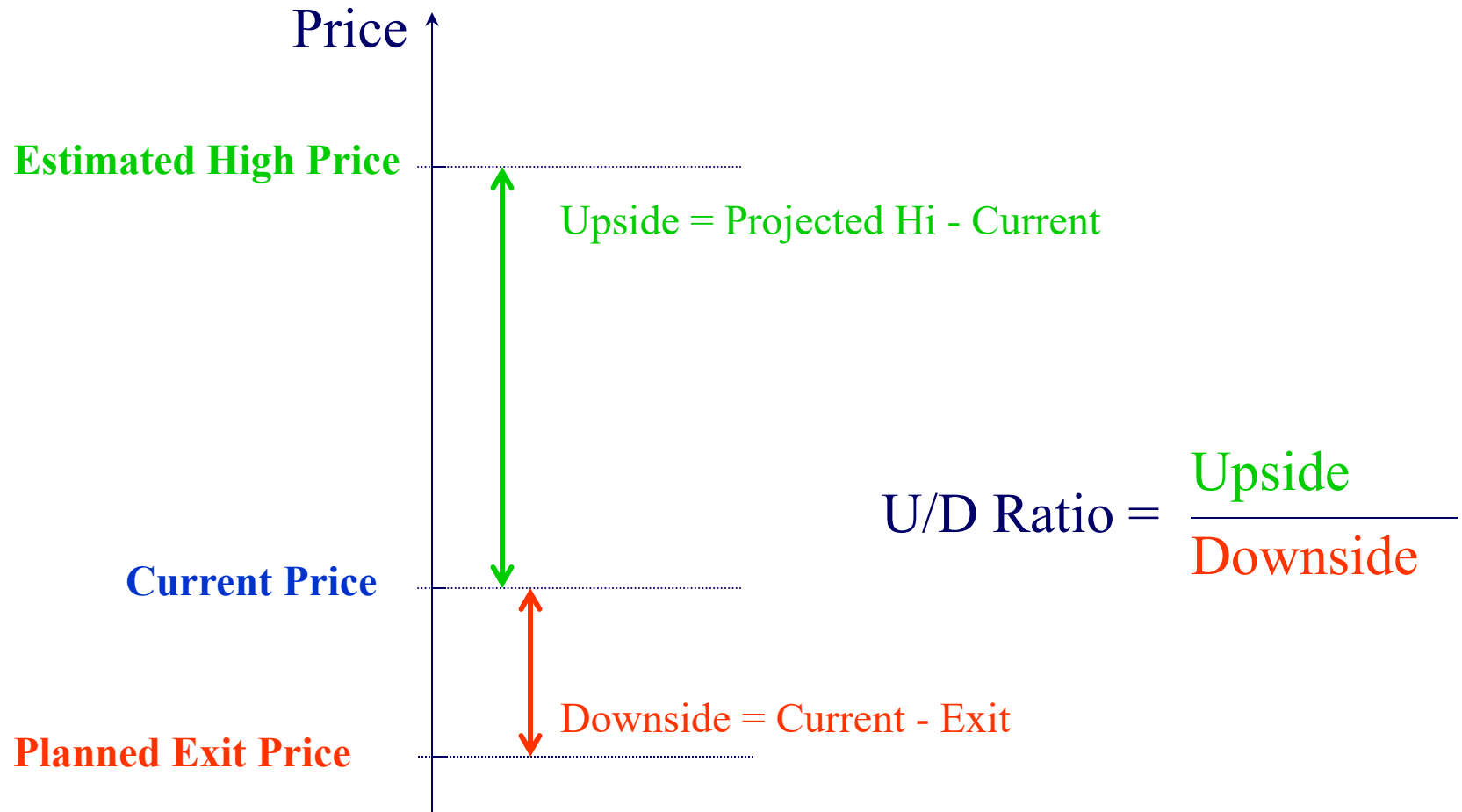
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Position Exits

What will I do to limit losses if my bullish view is wrong?

- Position exits
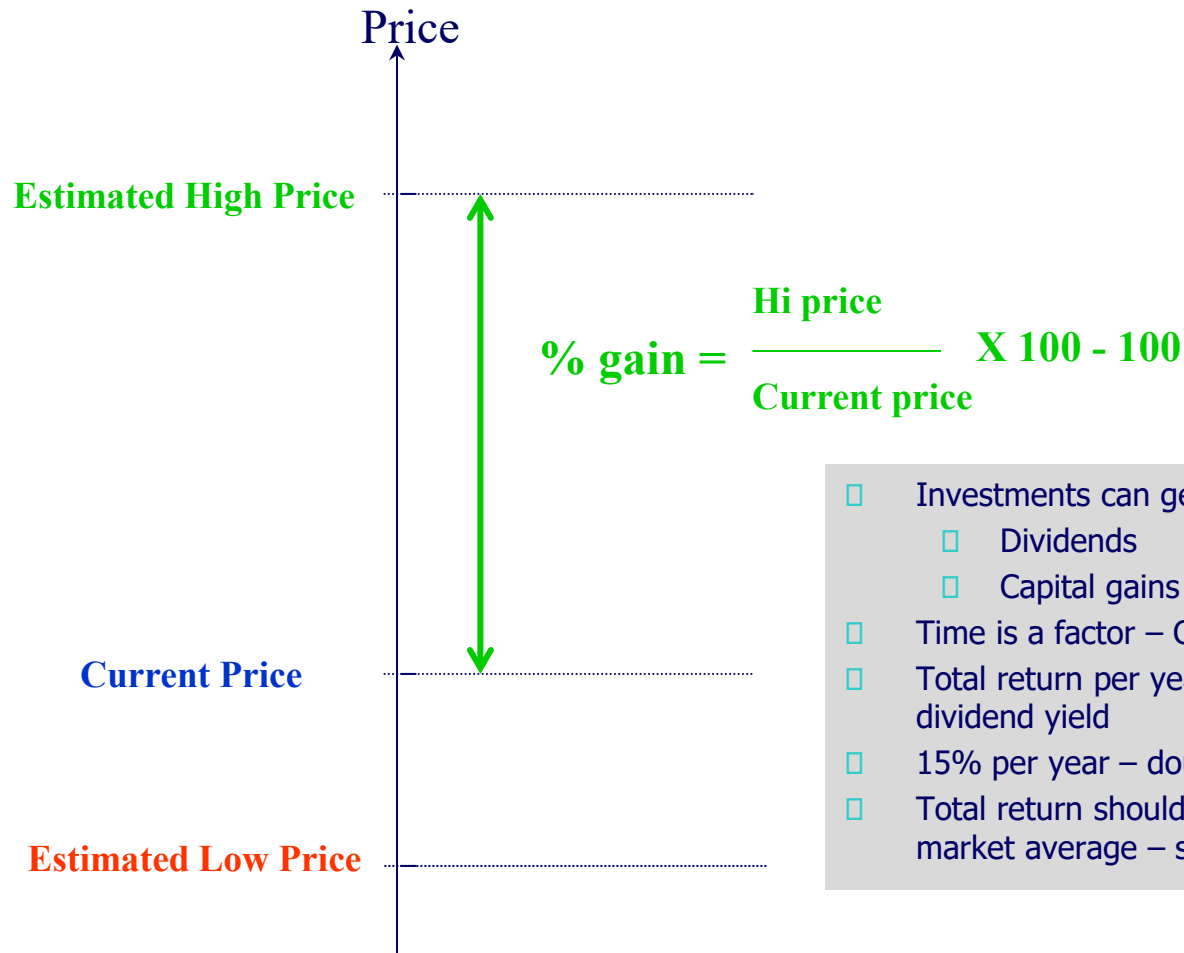   - Just Below a support level or a moving average
    - A fixed % or amount of loss

- Maximum projected loss per share
    - Buy price – planned exit price.

Buy with Good Upside Downside Ratio

Price

Estimated High Price

Upside = Projected Hi - Current

$$\text{U/D Ratio} = \frac{\text{Upside}}{\text{Downside}}$$

Current Price

Downside = Current - Exit

Planned Exit Price

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Buy with good projected returns

Price

Estimated High Price

$$\% \text{ gain} = \frac{\text{Hi price}}{\text{Current price}} \times 100 - 100$$

Current Price

Estimated Low Price

- Investments can generate returns in two ways:
    - Dividends
    - Capital gains - Stock price appreciation
- Time is a factor – Capital gains per year (CAGR)
- Total return per year = CAP Gains CAGR + dividend yield
- 15% per year – doubles money in 5 years
- Total return should be more than projected market average – source Value Line

8 April 2025

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Disciplined buying

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Position sizing rule:

- Set these parameters for your portfolio.
  - Max position size for any one investment in the portfolio
  - Max loss tolerated in any single investment
    - As a % of the total portfolio
    - As a % of the single investment

- Calculate maximum number of units of any investment based on:
  1. Limiting max. position size in portfolio = Formula 1
  2. Limiting max loss per investment in portfolio = Formula 2

- Pick the lesser of the two numbers as your max position size.

Position sizing example:

Example:

- Sue's total portfolio is $200,000.
- She wants to limit investment in any single instrument to 2% of her portfolio
- She wants to limit loss in any investment to 1% of her portfolio.
- Sue is considering buying stock of Wizz Co.
- The stock price is $10.
- She will exit the position if price drops to $8.

Formula 1 Max. investment	Sue can invest a max. of 2% of $200,000 in Wizz Co. = $4000 Sue can buy a maximum of **400** shares of Wizz co. … $4000 ÷ $10
Formula 2 Max. loss	Sue will lose a maximum of 1% of $200,000 in any investment = $2000 Sue can lose a maximum of $10 - $8 per share on her Wizz investment = $2 Sue can buy a maximum of **1000** shares of Wizz Co. = $2000/$2
Smallest of the two	Sue's position size for Wizz is a maximum of 400 shares

Disciplined buying

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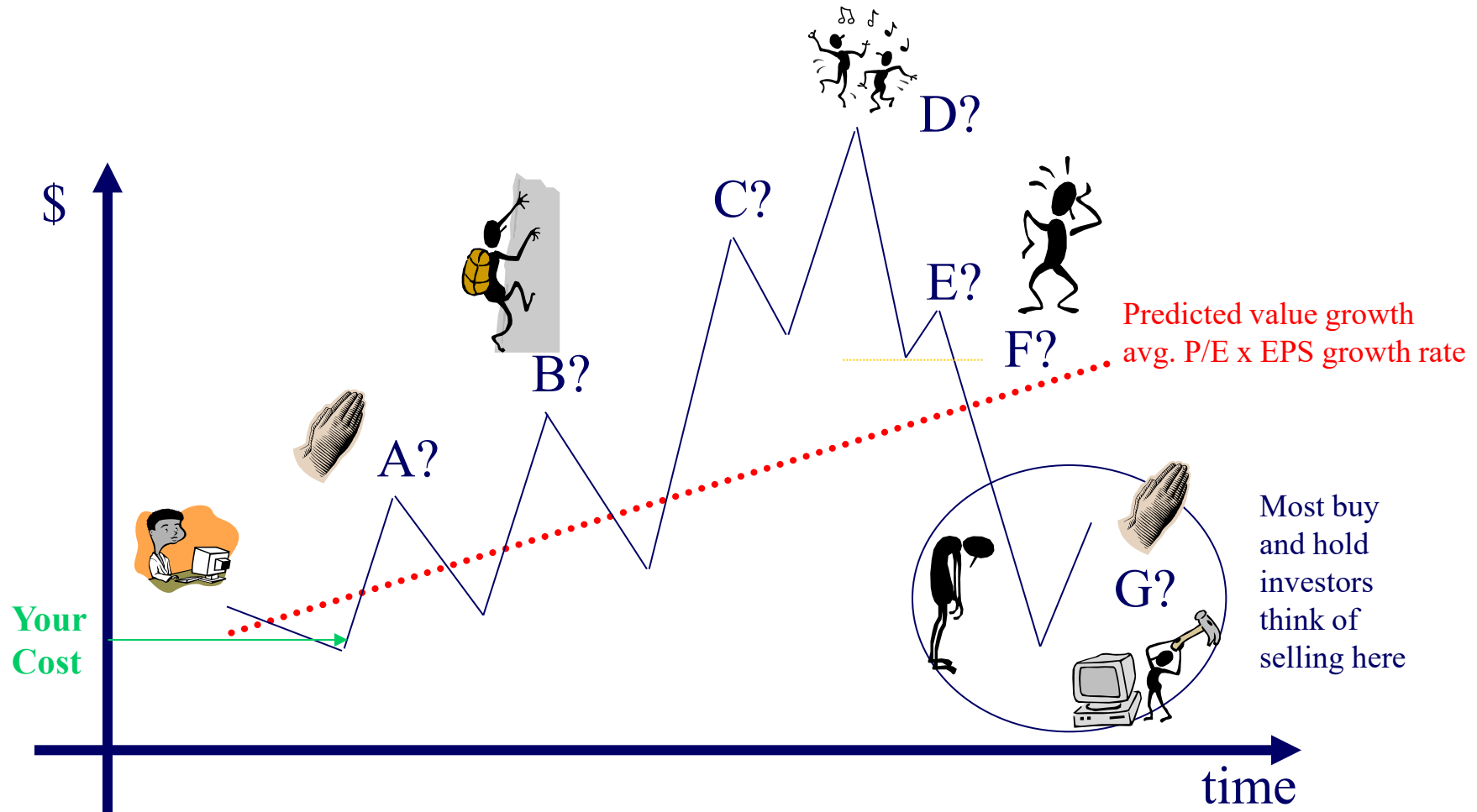
Position Size:

I can buy XXX shares for my portfolio

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When will you sell?

$

D?

C?

E?

F?

Predicted value growth
avg. P/E x EPS growth rate

B?

A?

Most buy
and hold
investors
think of
selling here

G?

Your
Cost

time

Thanks !!

- Happy Investing !!

- **My EMail**
  - diyinvst@udel.edu
- **Class website**
  - http://udel.edu/~diyinvst

The big picture

What, Me Worry?

Mad Magazine

S&P Composite Index
Log scale, annual

Equities

13 years of going nowhere

Tech boom
(1997-2000)

COVID-19
(2020)

Reagan era
(1981-1989)

Global financial
crisis (2008)

Stagflation
(1973-1975)

End of
Cold War
(1991)

Black
Monday
(1987)

Last long boom
prior to the
current one.

Vietnam War
(1969-1972)
Oil shocks
(1973 & 1979)

Post-War
boom

Roaring 20s

New Deal
(1933-1940)

Korean War
(1950-1953)

Progressive era
(1890-1920)

World War I
(1914-1918)

World War II
(1939-1945)

Great
Depression
(1929-1939)

Recessions

Source: FactSet, NBER, Robert Shiller, J.P. Morgan Asset Management.
Data shown in log scale to best illustrate long-term index patterns. Past performance is not indicative of future returns. Chart is for illustrative
purposes only.
Guide to the Markets – U.S. Data are as of August 31, 2021.

J.P.Morgan
Asset Management

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