

*Macroeconomics*

# Investment Rate

Thomas H. Kee Jr.  
Stock Traders Daily

CHALLENGE

CHALLENGE





# Outline

- Our Goal Today
- About Me & Company
- How the IR came to be
- Accuracy & Projections
- Liquidity Risks that exist
- Add in Stimulus
- Quantified Conclusion.
- Game Plan



# WHAT'S GOING TO HAPPEN TO THE ECONOMY?



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**Stock Traders Daily**



The IR

Economic Conditions

Stock Market Levels

Mutual Funds

Retirement Plans

Real Estate

Business Activity

2019

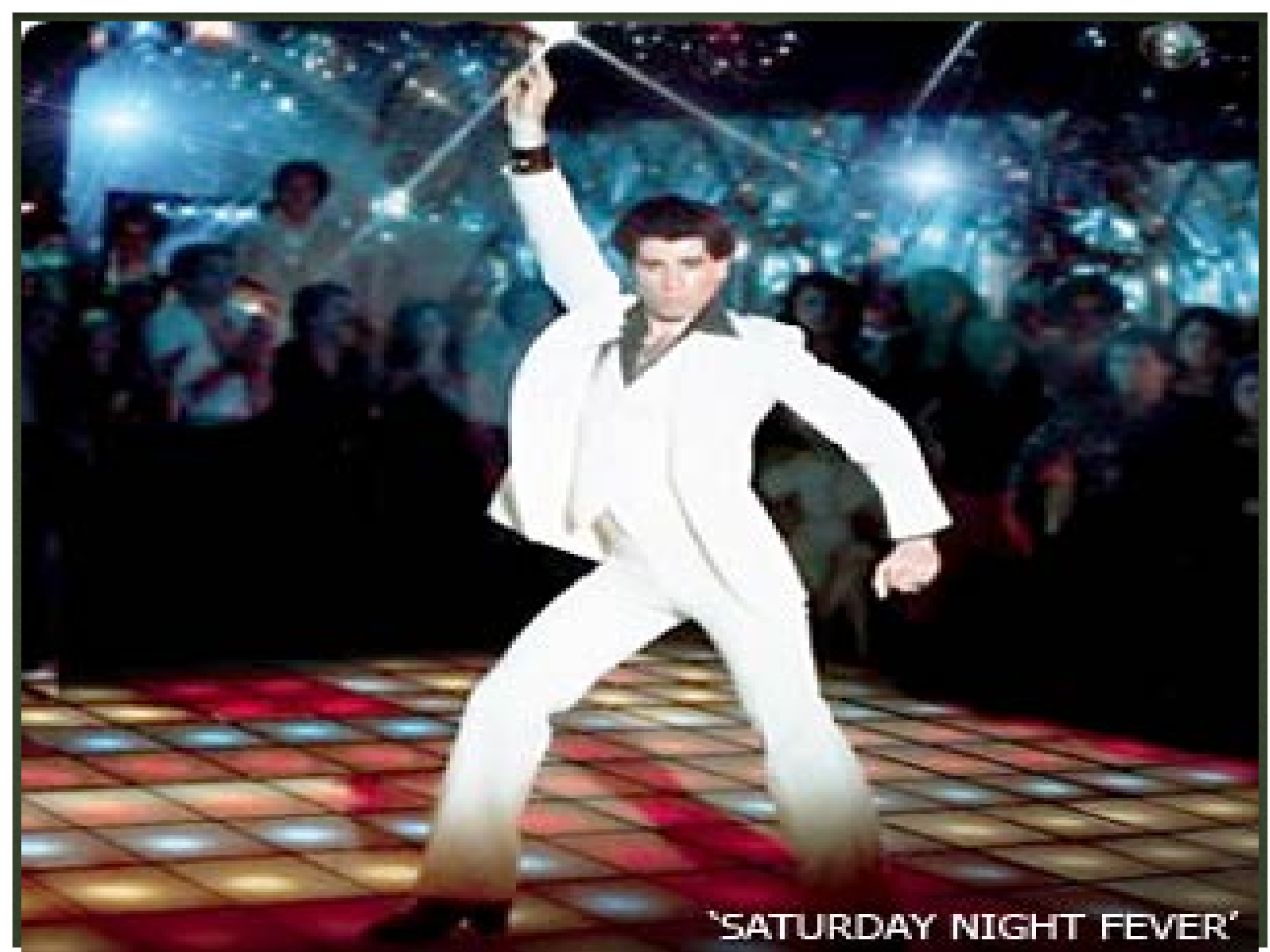
# My Background

*Thomas H. Kee Jr.*

President and CEO  
Stock Traders Daily  
President and CEO  
Equity Logic

Thomas H. Kee Jr.  
President and CEO  
Stock Traders Daily





'SATURDAY NIGHT FEVER'



# Contract with America?

SAINT

MARY'S

COLLEGE

*of* CALIFORNIA



The Brokers I worked for, and the non-traditional approach I took.

1993-1995

1995-1997

1997 - 1999

Traditional Investing



My Approach - Examples



In 1998



# Mutual Funds

Colonial Mutual Funds told me the Market would go up forever because...



The Brokers I worked for, and the non-traditional approach I took.

1993-1995

1995-1997

1997 - 1999

Traditional Investing



My Approach - Examples



Established January, 2000



# Stock Traders Daily

HOW TO TRADE THE MARKET





# The Internet Bubble had Burst



In 2002

**I set out to calm their nerves.**

I always remembered what Colonial Said

Thomas H. Kee Jr.  
President and CEO  
Stock Traders Daily



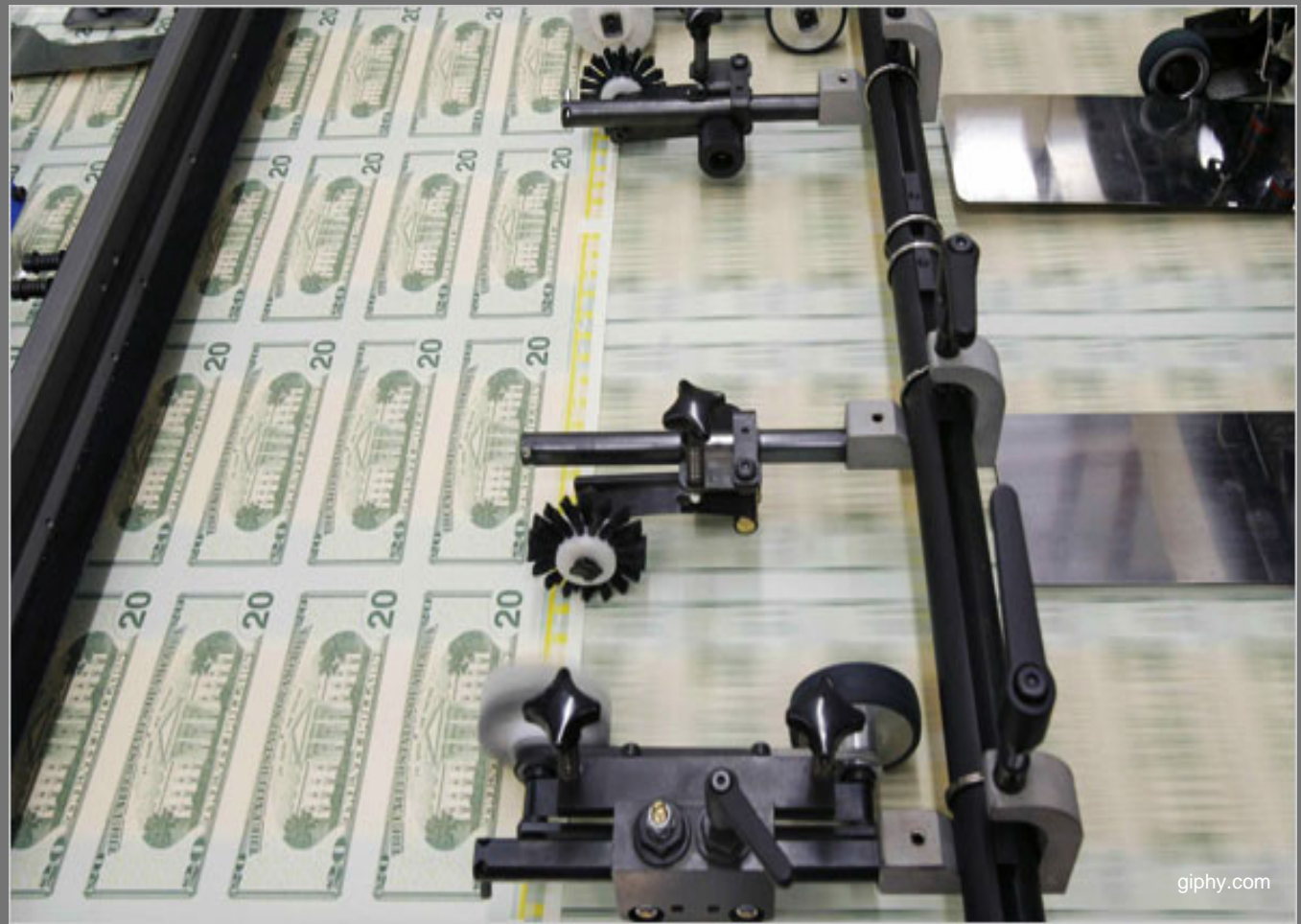
In 2002



**Goal:** I wanted to know how much money was going to be invested into the Market every year going forward so I could prove the next leg of direction for my clients.



In 2002



## Refined Goal -1 :

How much NEW MONEY would be available to invest?





In 2002



thebalance.com

## Refined - 2: Systematic and Aggressive investments



In 2002



urbandictionary.com

### Refined - 3:

All asset classes, not just the stock market.



In 2002



New Money



Systematic and Aggressive

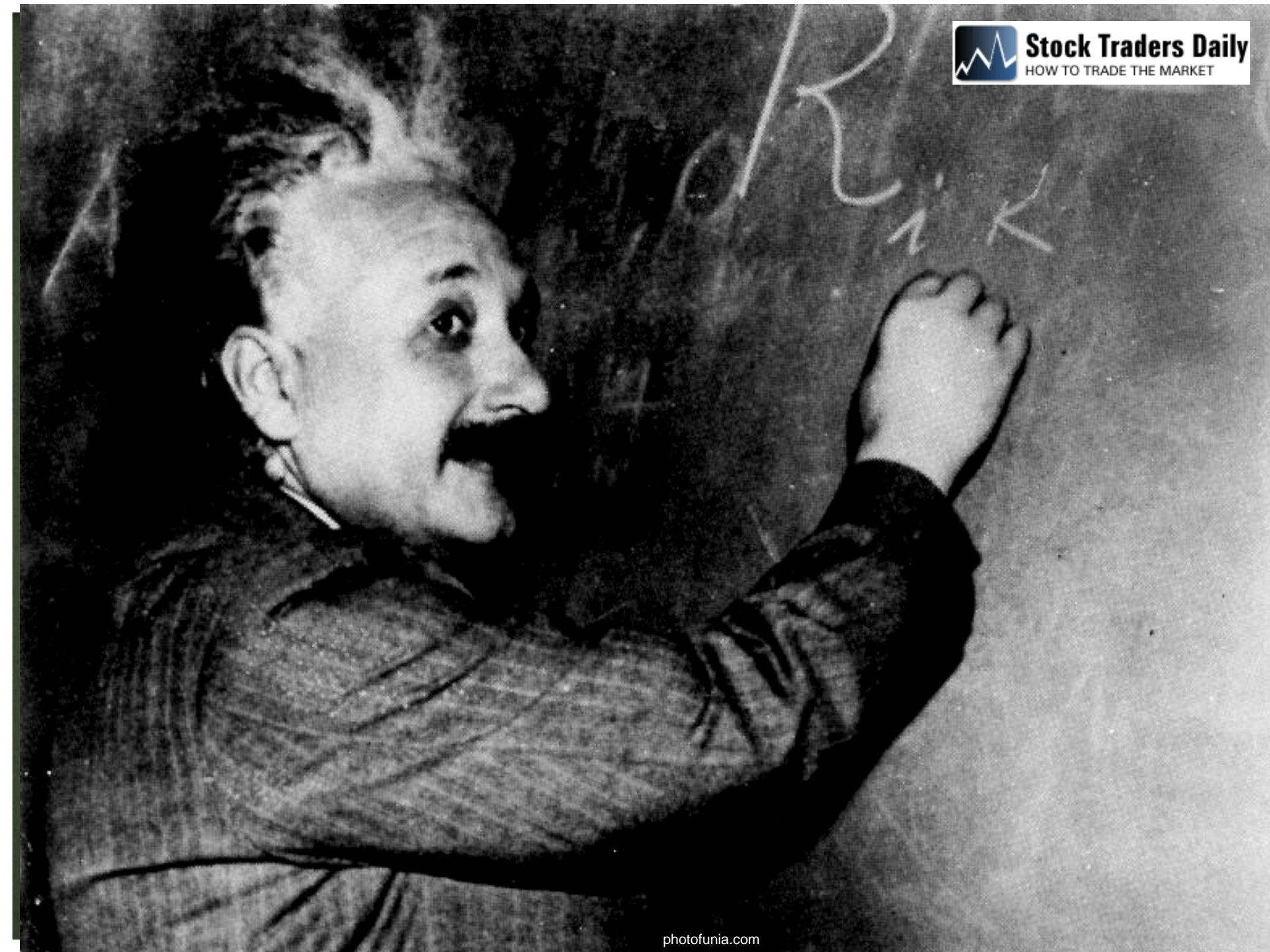


All Asset Classes



How much new money was slated to be invested into the Economy every year, over extended periods of time, and in a systematic and aggressive fashion, so that I could pre-define longer term economic and stock market cycles for my clients, and keep them ahead of the curve.









2002

# The Economy is all about **PEOPLE.**

When do normal people have new money to invest into the Economy systematically and aggressively, and when are they capable of doing it for extended periods of time?

At what “KEE AGE”?



In 2002



Step 1. Can we determine population stats?

Alcohol distributors can determine how many people are turning 21 every year to plan their college marketing efforts. We can do the same thing to find the KEE AGE.



In 2002



[www.census.gov](http://www.census.gov)

That is what the Census does.





In 2002



workforcelearning.com

At what age do we all come together and make investments into the economy.



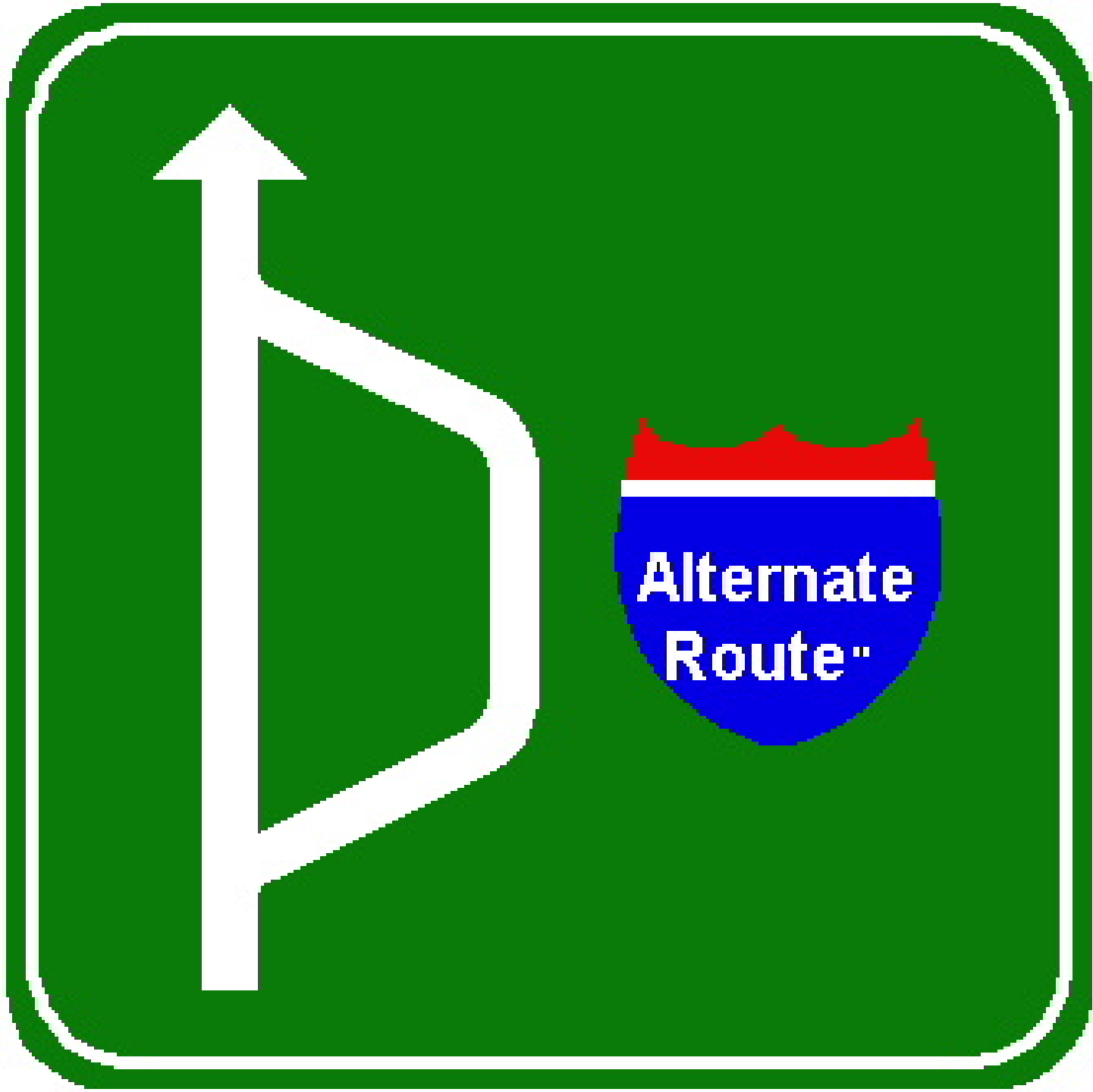
2002

# Requirements:

1. Must have money to invest
2. Must have a reason to invest it.

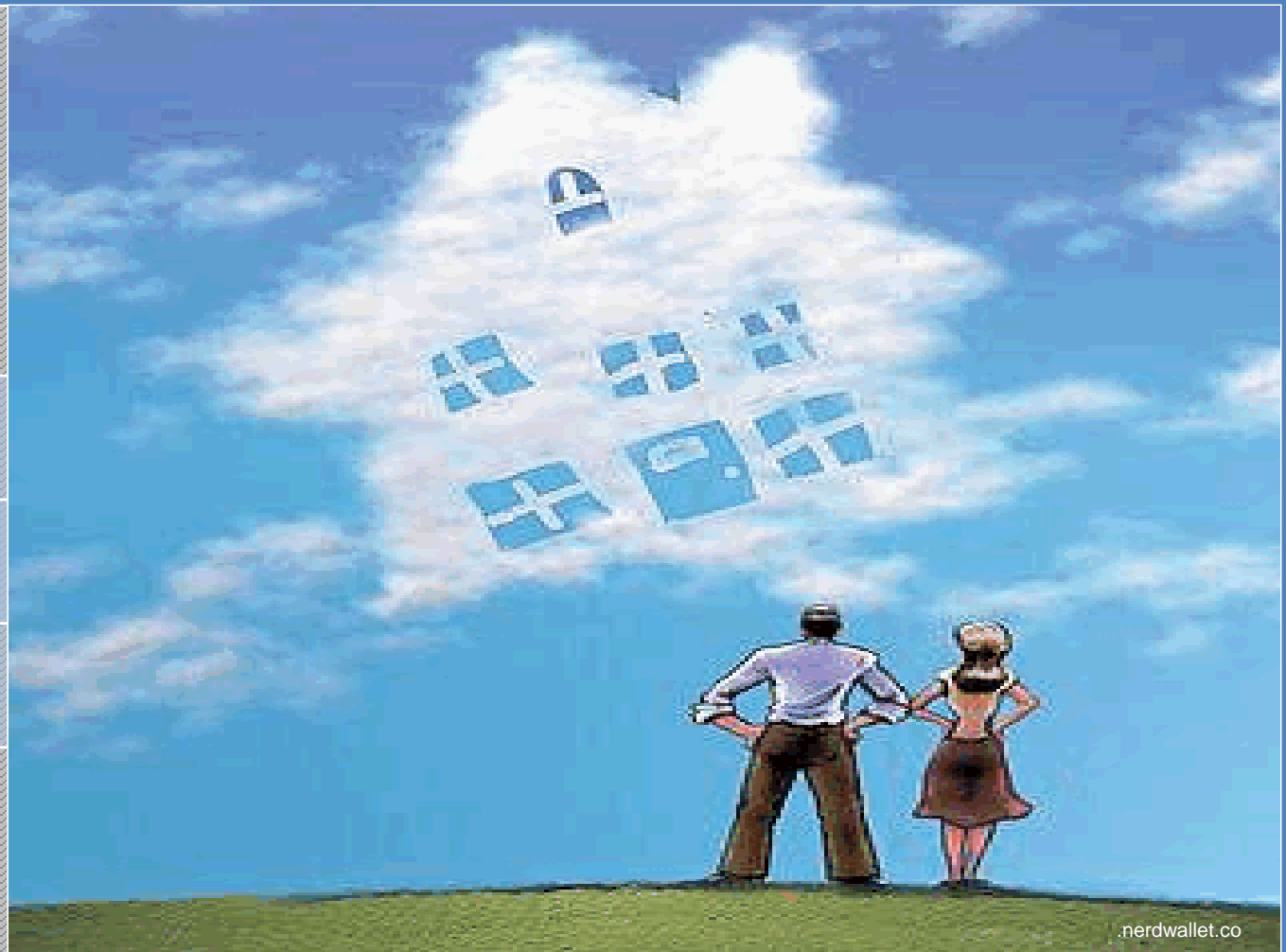
What is the “KEE AGE”?





Alternate  
Route

In 2002



.nerdwallet.co

What are the three major lifetime expenses for normal people?







In 2002



Medicare.gov

When do people start planning aggressively for retirement?



In 2002



thebalance.com

Realtybiznews.com

At 50, mortgage payments are less of a burden.



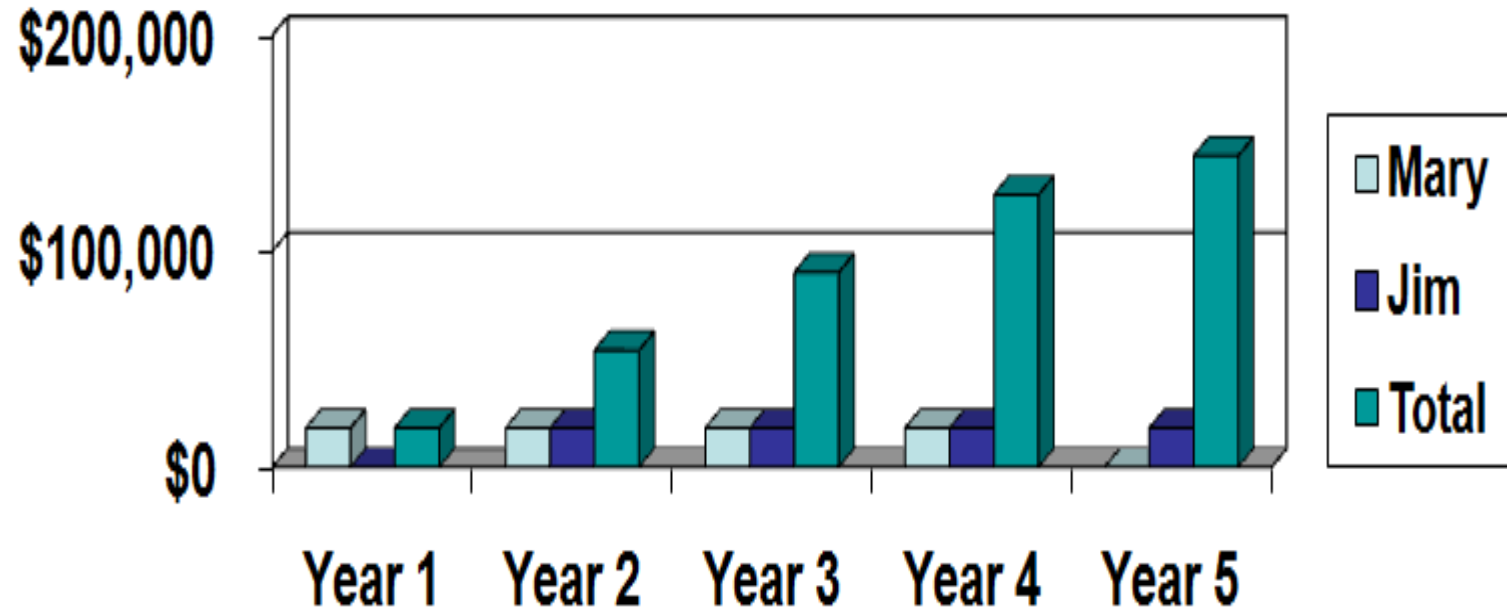


College education is very expensive.

How do Parents afford to pay?



# Example from 2002.



for illustrative purposes only, chart not based on real data

Costs are higher now.



**Paying For College  
They Find a way to do it!**





# Graduation Day!

The average age of a parent is 47

BLS + NCES + Census



In 2002



[urbandictionary.com](http://urbandictionary.com)

When college is paid for, parents have a sudden windfall of cash; they can do anything they want.







What to do with the \$\$\$?



*the* POWER *of*  
**COINCIDENCE**  
THE MYSTERIOUS ROLE OF SYNCHRONICITY  
IN SHAPING OUR LIVES

Frank Joseph: Books

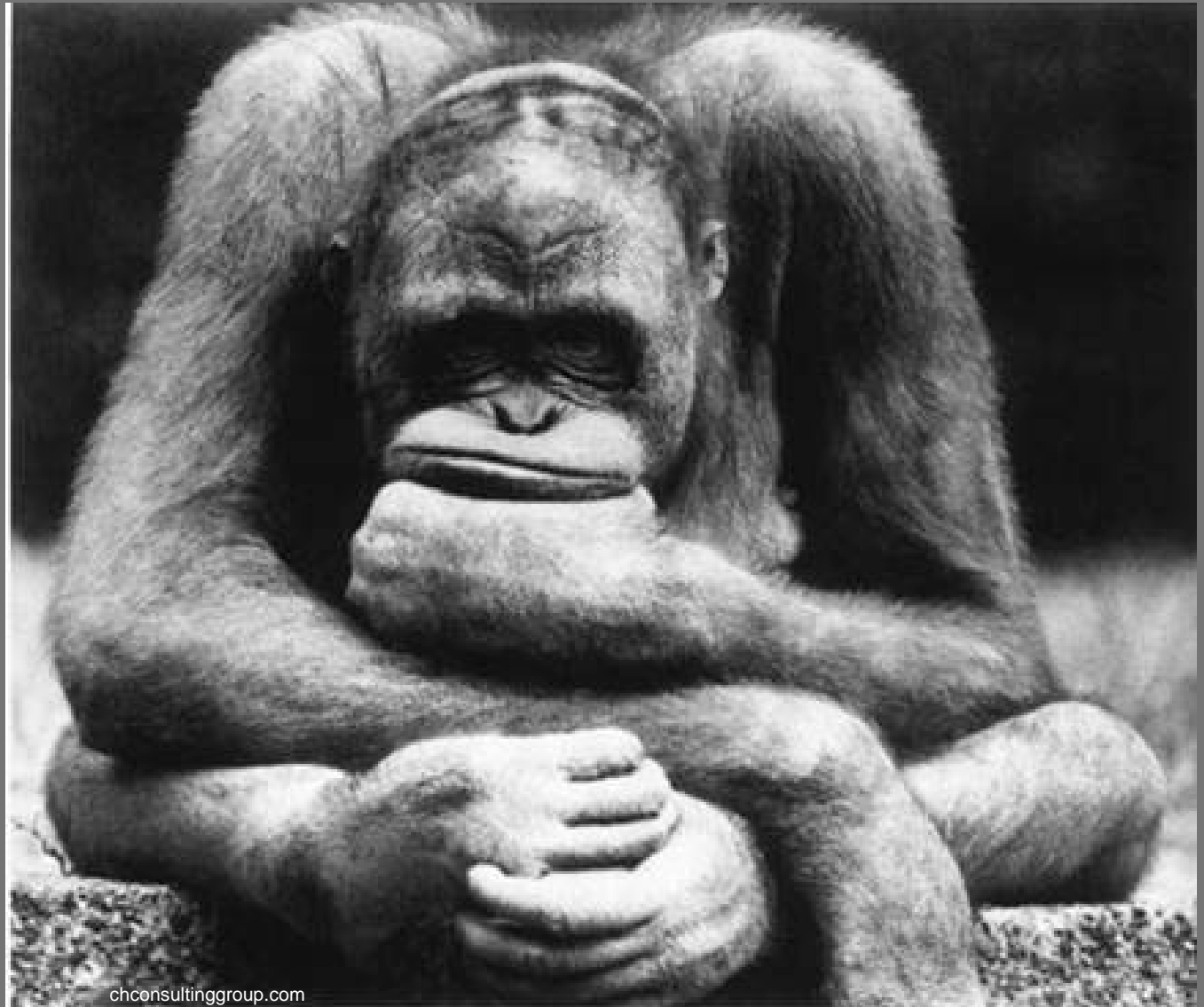
People have Money +  
Reason to Invest at the  
same time.

2002

# The KEE AGE



In 2002



chconsultinggroup.com

What was I really looking for?



In 2002



[www.census.gov](http://www.census.gov)

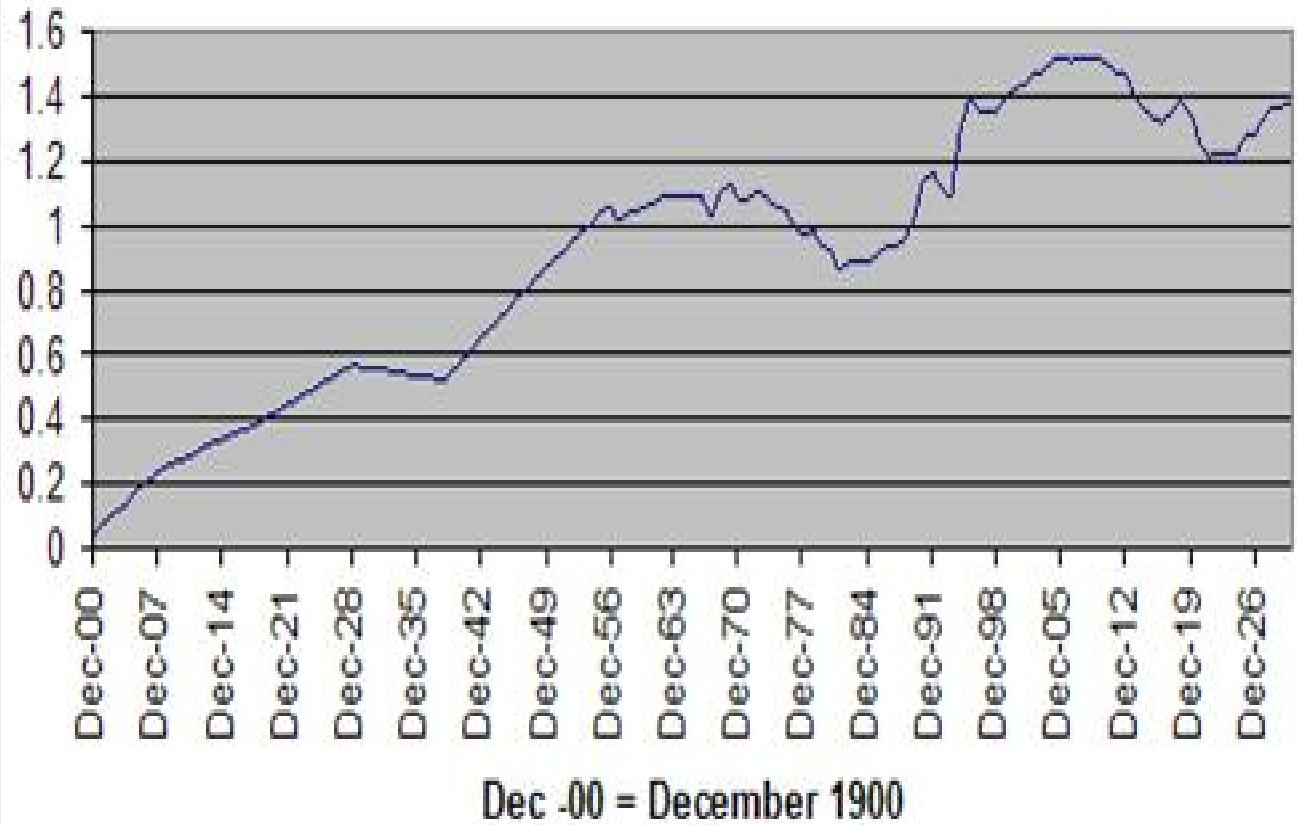
That is what the Census does.





In 2002

## The Investment Rate

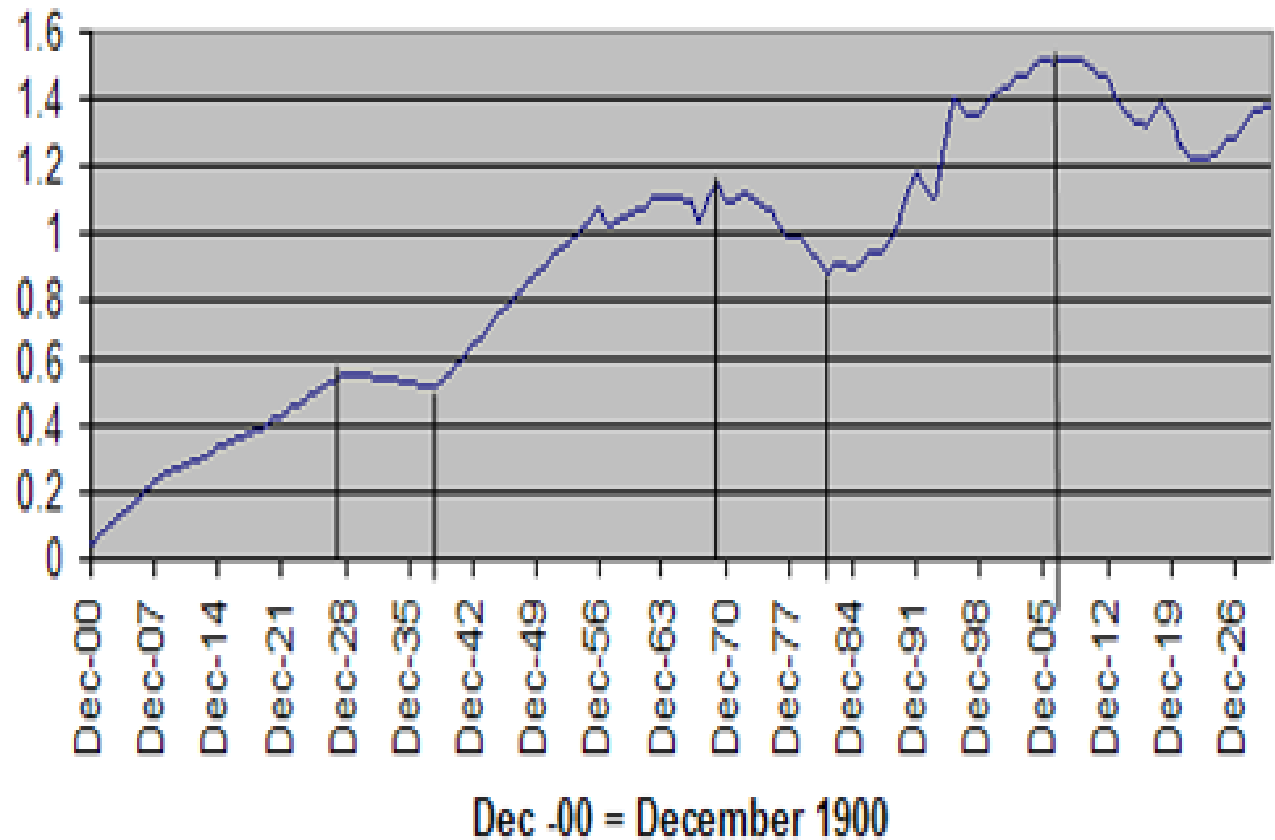


Source: Stock Traders Daily



In 2002

## The Investment Rate



Source: Stock Traders Daily

The IR – Up and down Periods.

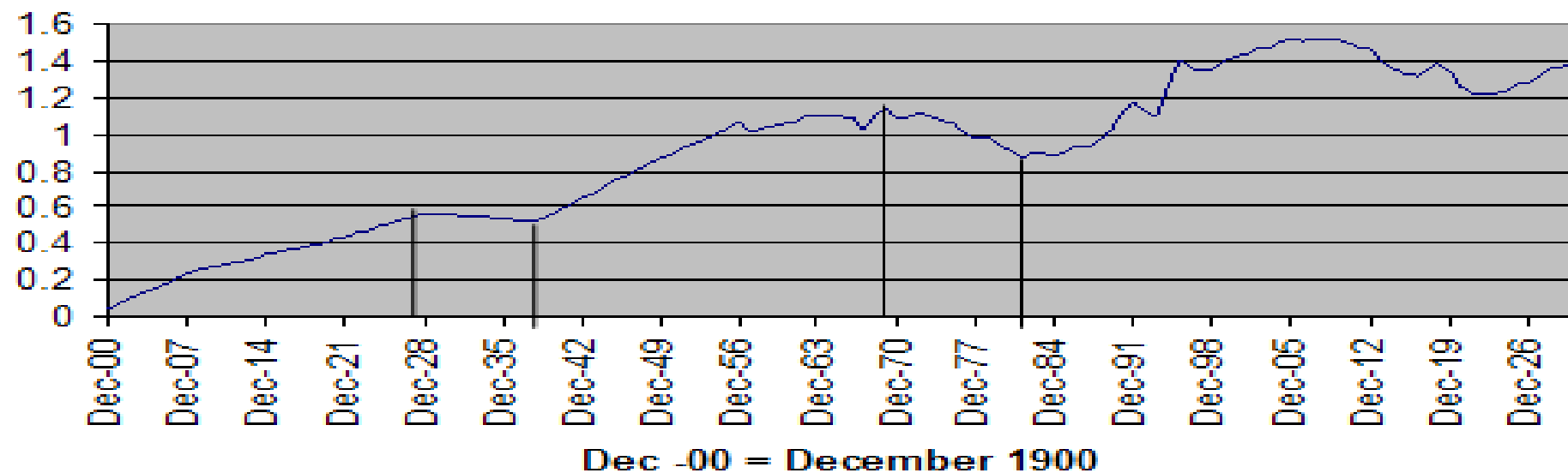


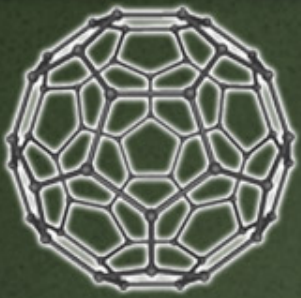


# Hindsight to Foresight this was in 2002

- First up period 1900 - 1928
- First Down period 1928 – 1938
- Second up period 1938 – 1969
- Second Down Period 1969 – 1981
- Third up period 1981 - ?

## **The Investment Rate**





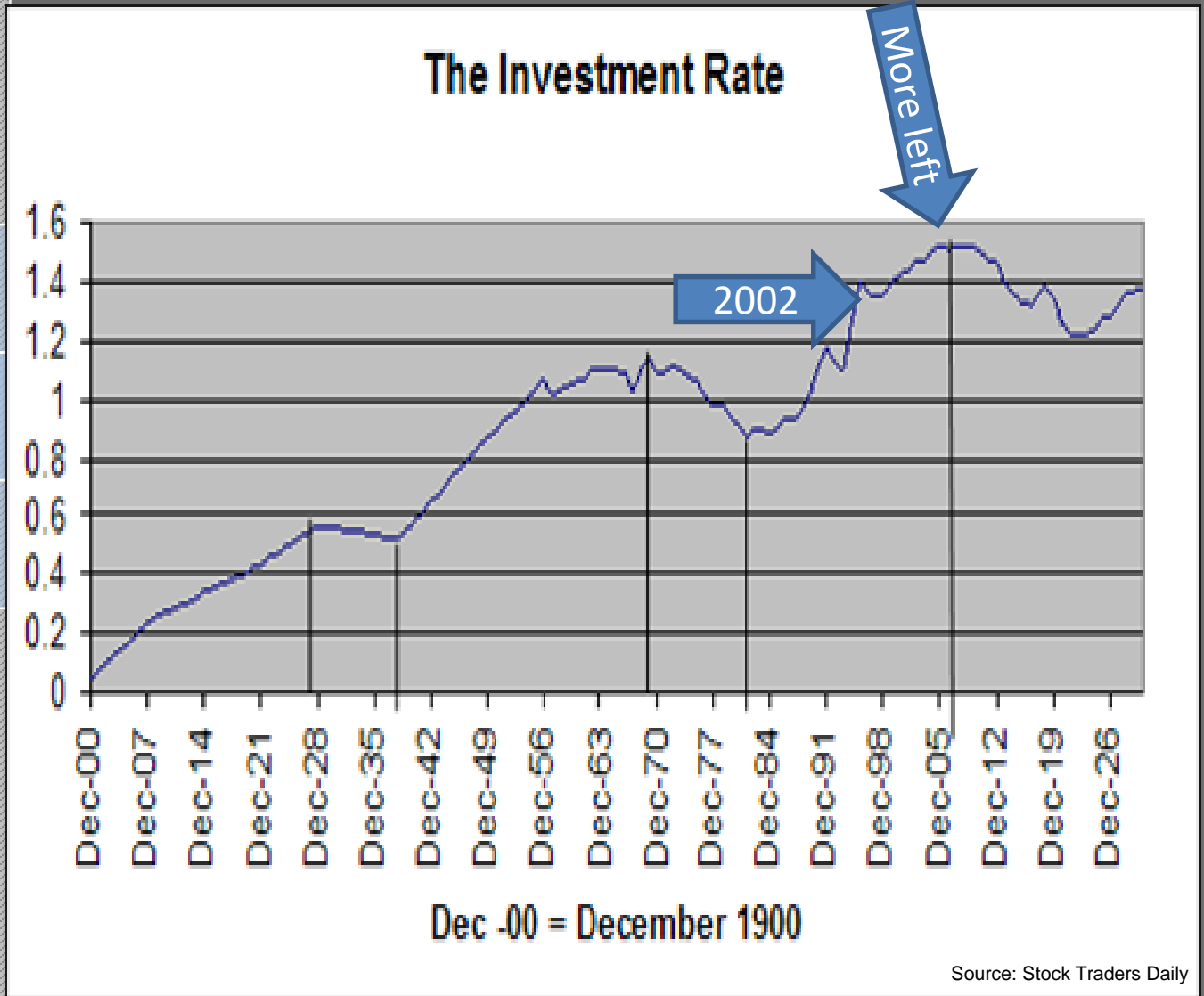
# The mkt was at a low in 2002



Wells Fargo

In 2002

But the IR was still moving up



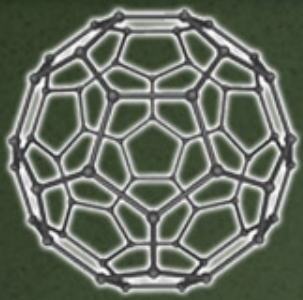




# 2002 = Bullish

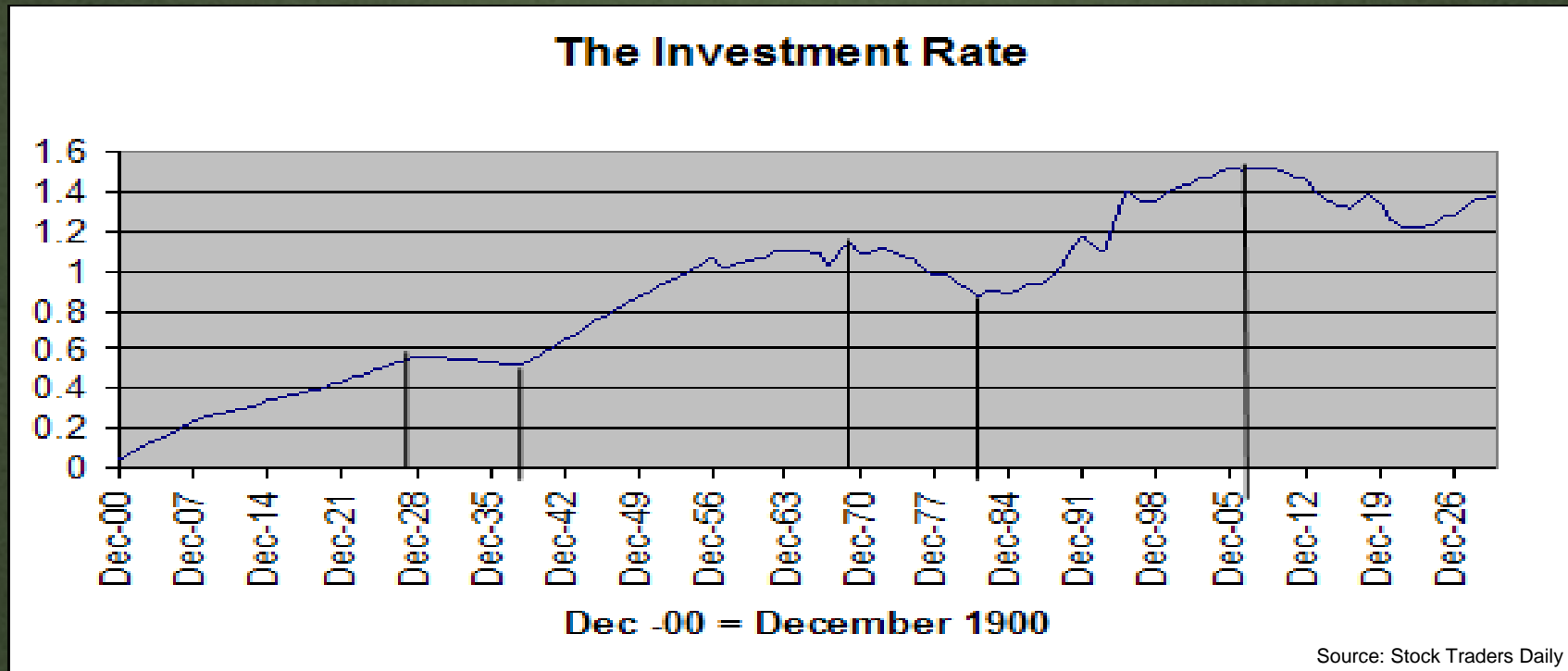


[chargingbull.com](http://chargingbull.com)



# The peak would be 2007

- The IR showed us that the peak would come in 2007.

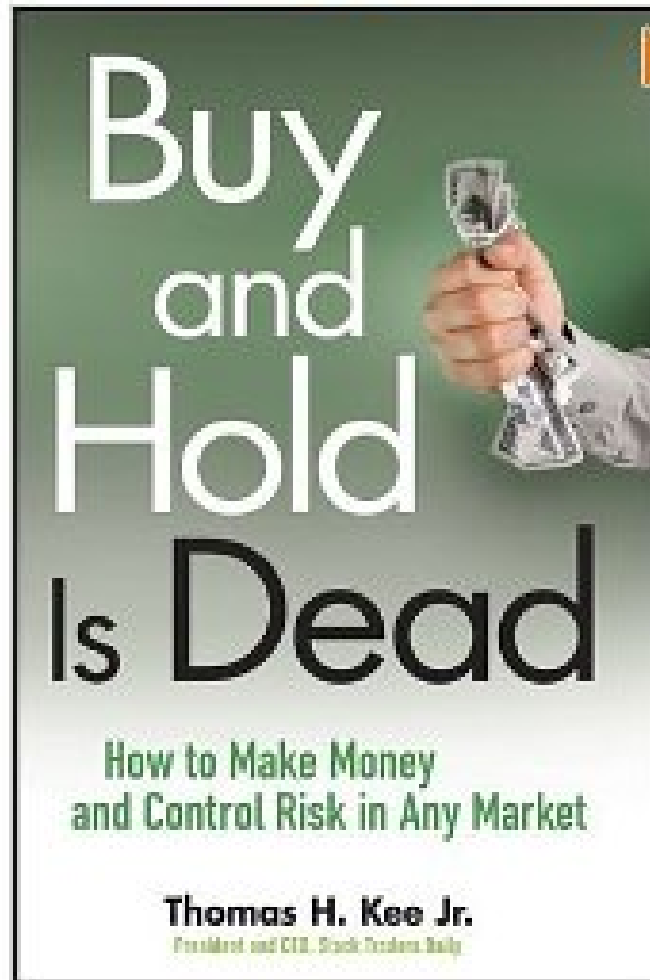


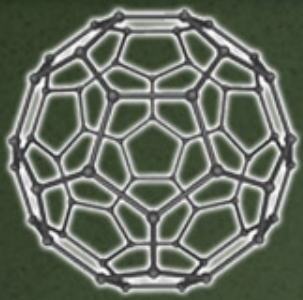




# Stock Traders Daily

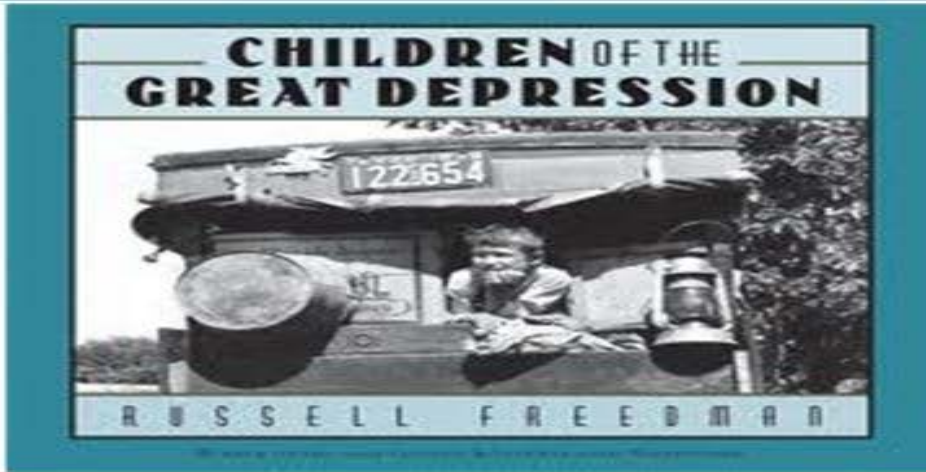
Click to **LOOK INSIDE!**





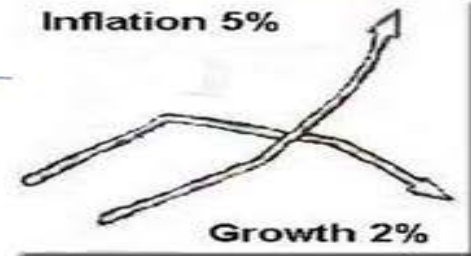
# It Started & was Exactly Right





## STAGFLATION

Inflation 5%



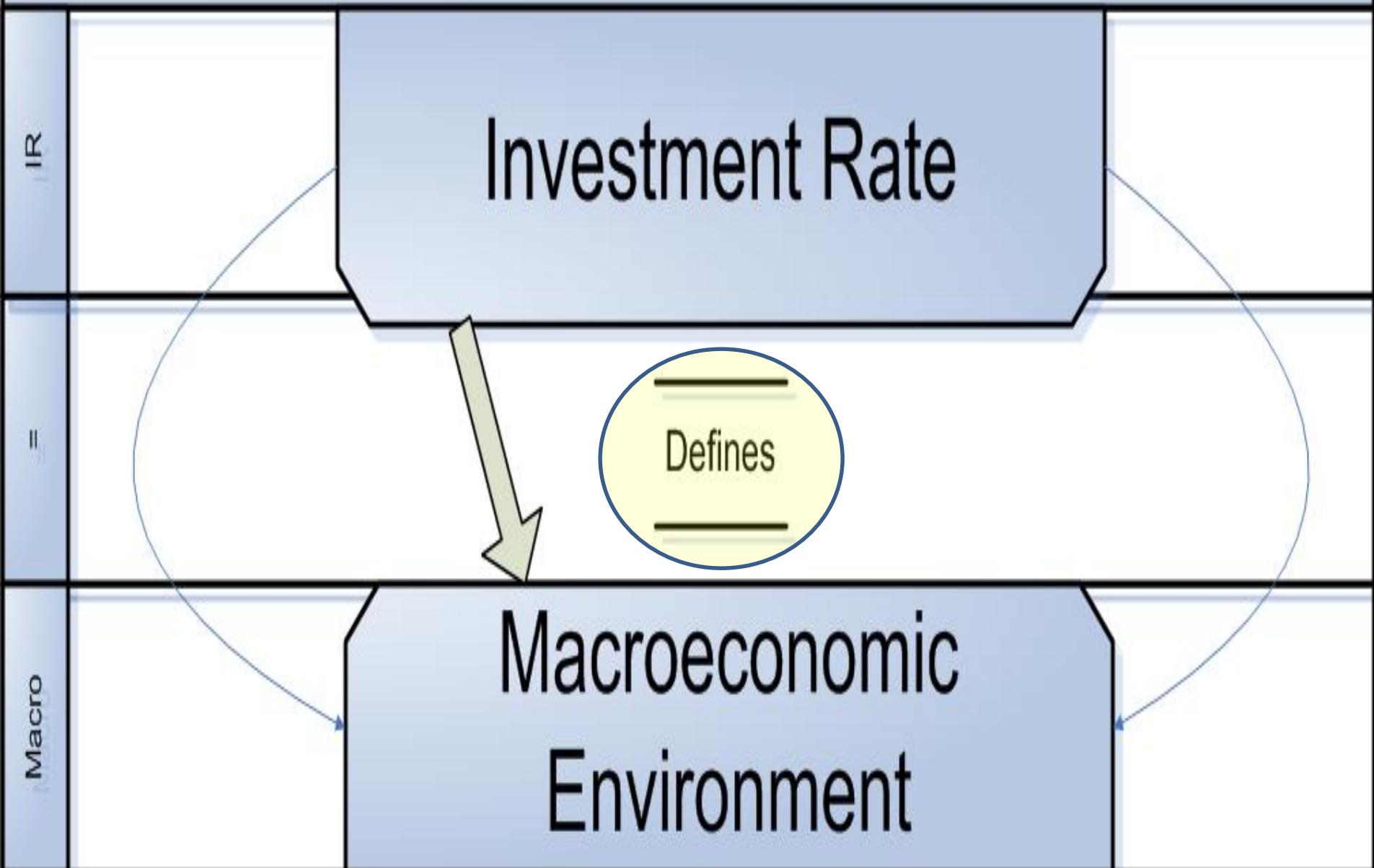
Growth 2%

**Now!**





The Investment Rate defines the Macroeconomic Environment



# Investment Rate

Amount of new money available for investments

The Demand for new investments

The Stock Market

The Economy

Stocks

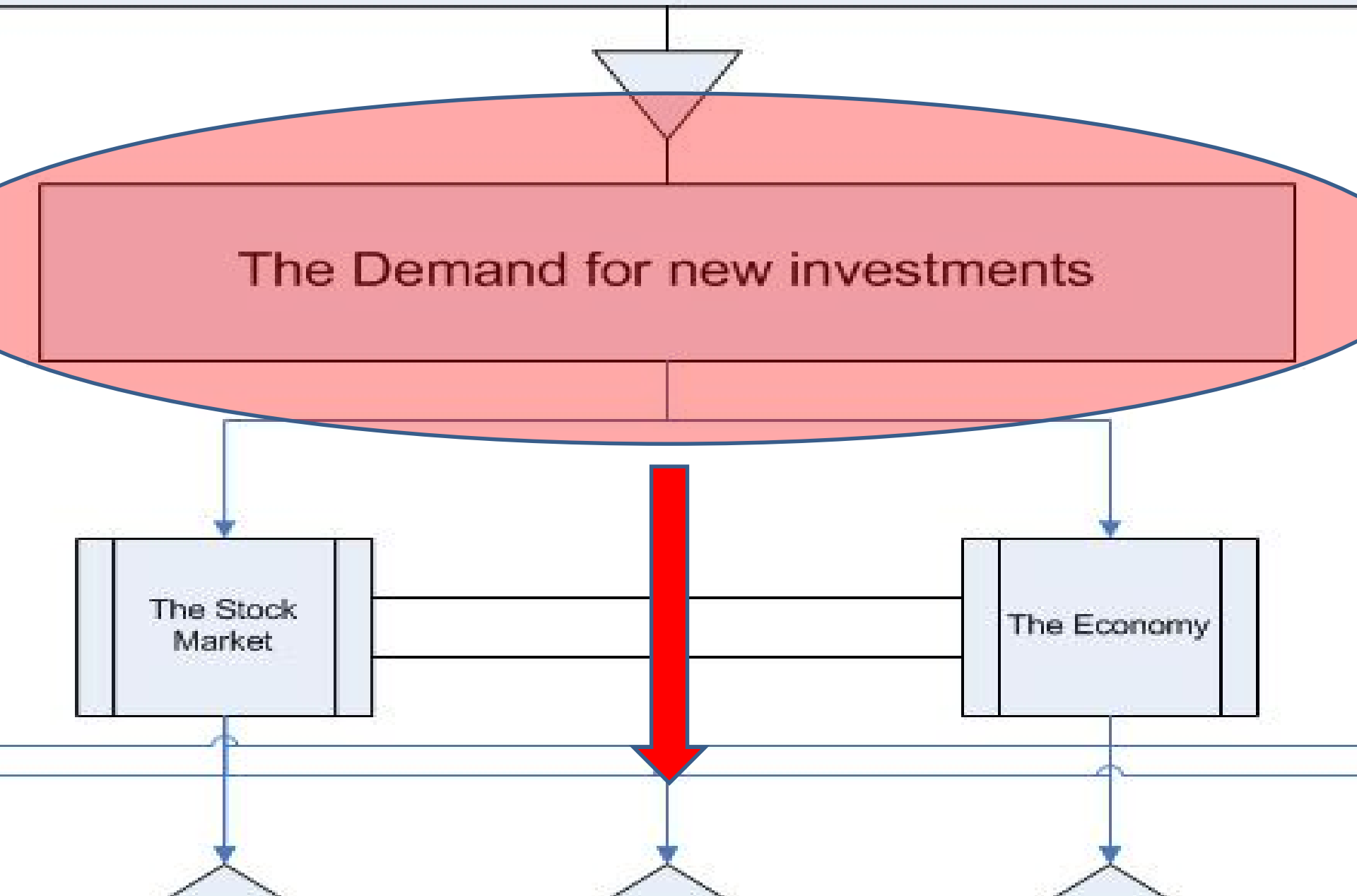
Mutual funds

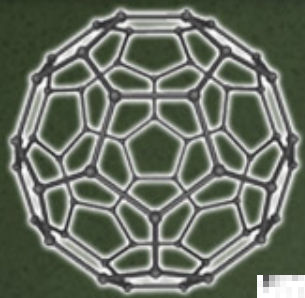
Managed accounts

Real Estate Prices

Business activity

# Amount of new money available for investments





# Price vs. Supply and Demand



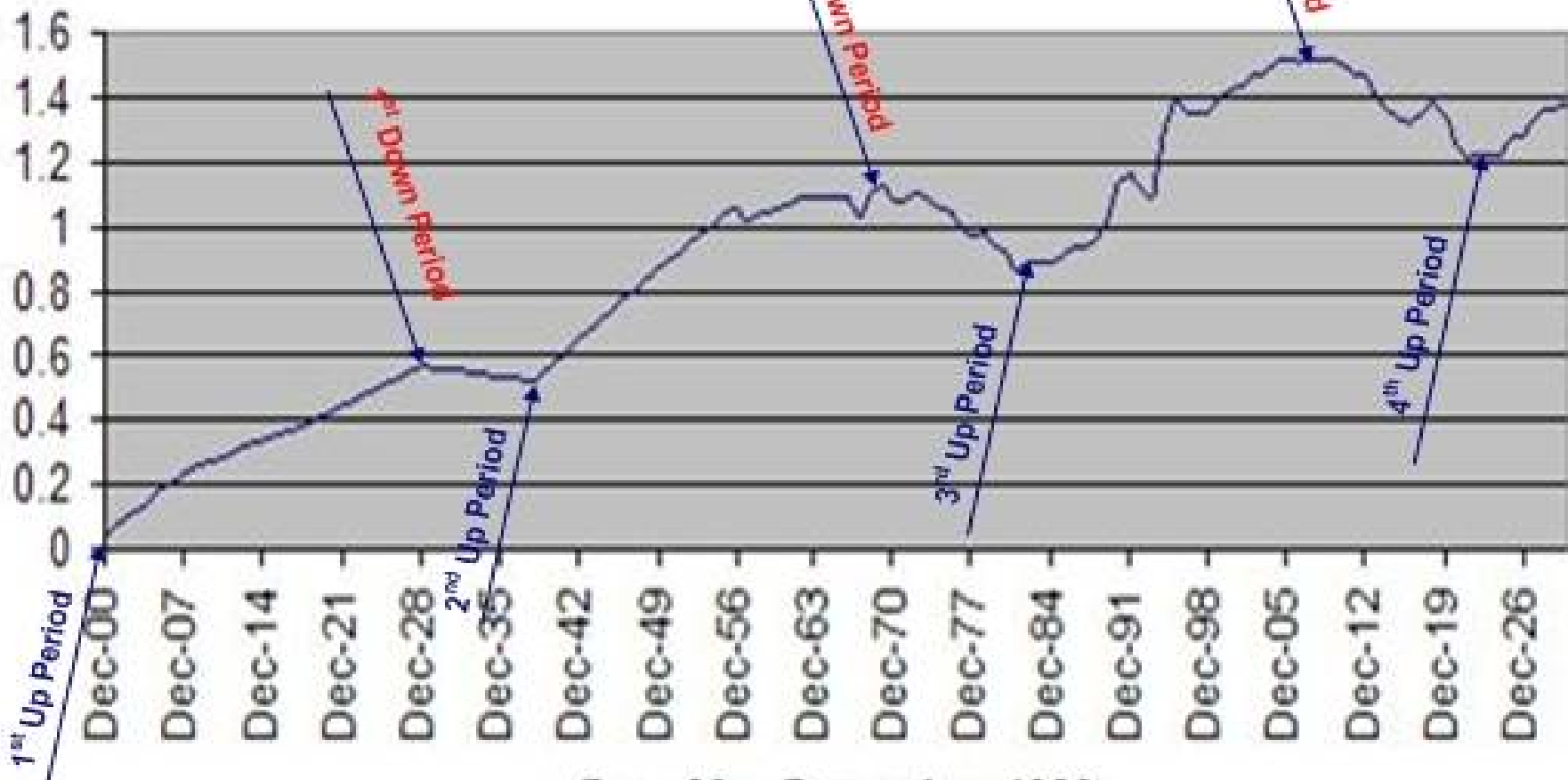


# Fragile Nature of Economy





# The Investment Rate



**Dec -00 = December 1900**

Source: Stock Traders Daily

The Investment Rate is a long term study of consumer based investment patterns. The Investment Patterns of consumers are the determinate factors in Economic Cycles over extended durations. Simply, nothing else matters but supply and demand over long term cycles. The Investment Rate identifies past, current, and future demand for investments. This allows us to compare the cycles in the Investment Rate to Economic and Stock Market Cycles for accuracy and forecasting. The Investment Rate is a Trade Mark of Stock Traders Daily. It is not authorized for reproduction without the express written consent of Stock Traders Daily.

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# A New Demand for Assets

(Equation)

The Investment Rate

**REAL + FAKE**

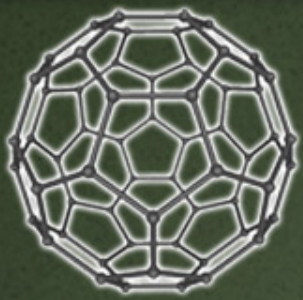
Stimulus



# Stimulus worked Except when it didn't exist.



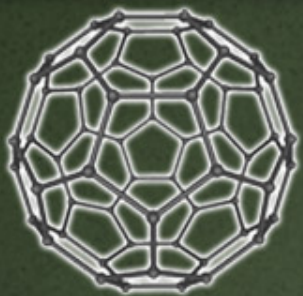
2015 & 2018 = NO Stimulus



# 2014 – 2016

## First Weakness since FOMC Stimulus



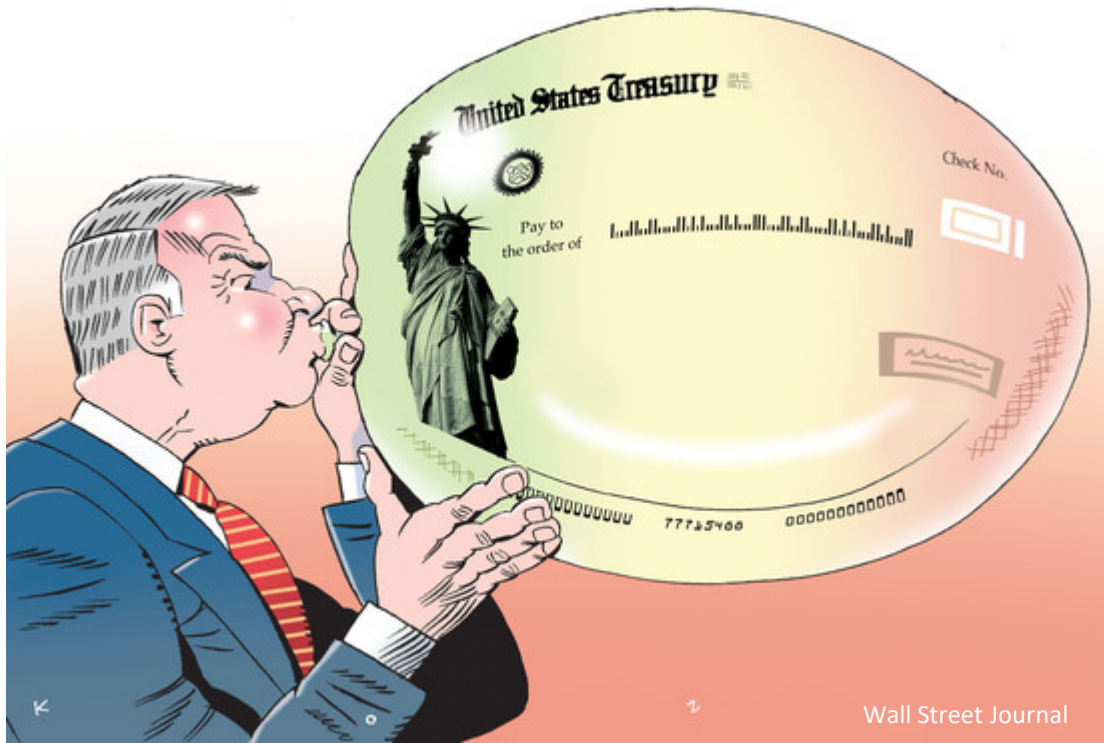


# ECB & FOMC

Liquidity	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019
FOMC	0	0	0	-10	-30	-60	-100	-150	-150
ECB	60	60	60	60	30	30	30	15	0
Stimulus	60	60	60	50	0	-30	-70	-135	-150



# 3 Major Bubbles



Wall Street Journal

None of them have popped...



financialsamurai.com



niftymillionaire.com



# PE S&P 500

- PE is a reflection of risk appetites.
- That's usually highest when liquidity is highest.
- PE is 23x earnings
- Normal PE is 14.75
- 36% downside risk to parity (to 14.75)

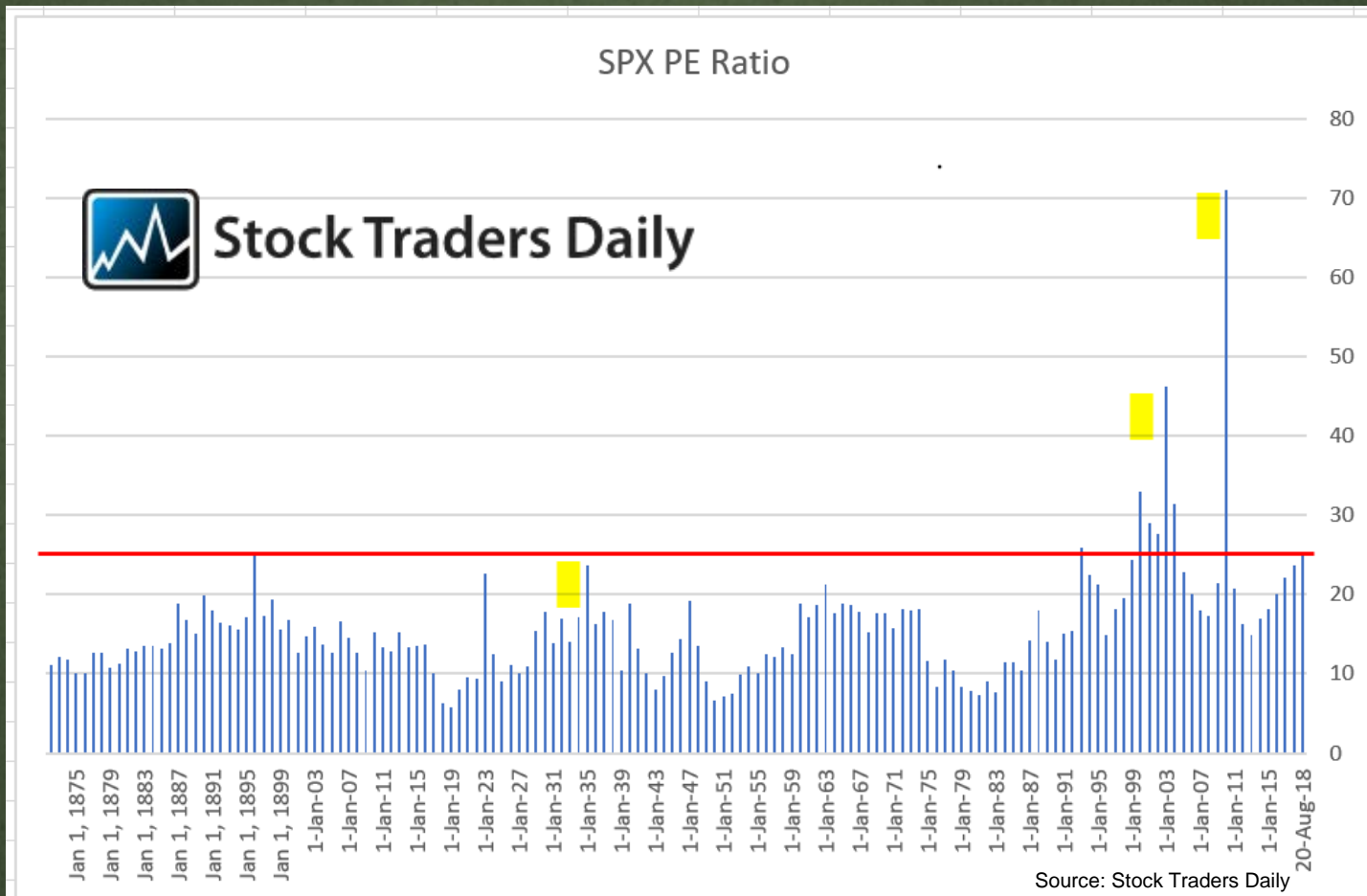
FOMC balance sheet as reported by the Federal Reserve as of 7/4/19.





# Most Expensive Bull Market EVER???

The only times PE has been higher than today has been the Credit Crisis and Internet Debauché, and those were Market Crashes.  
Stimulus created the Most Expensive Bull Market ever...





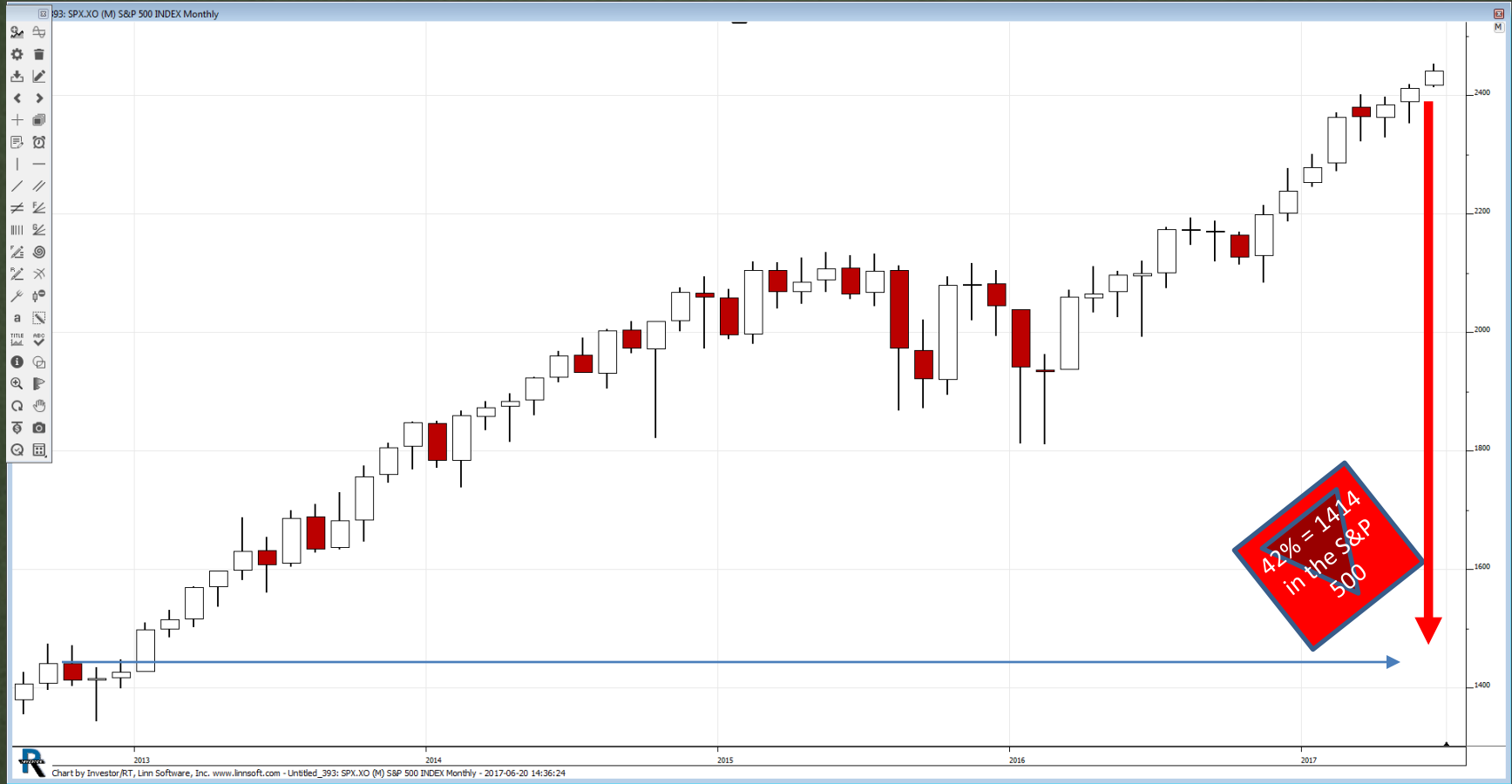


# Most Expensive Market in History





# All Stimulus Wiped Out If the Market Returns to a Normal PE Ratio







# Demand for Assets

(Equation)

*What  
Would It  
Take?*

=

# The Investment Rate

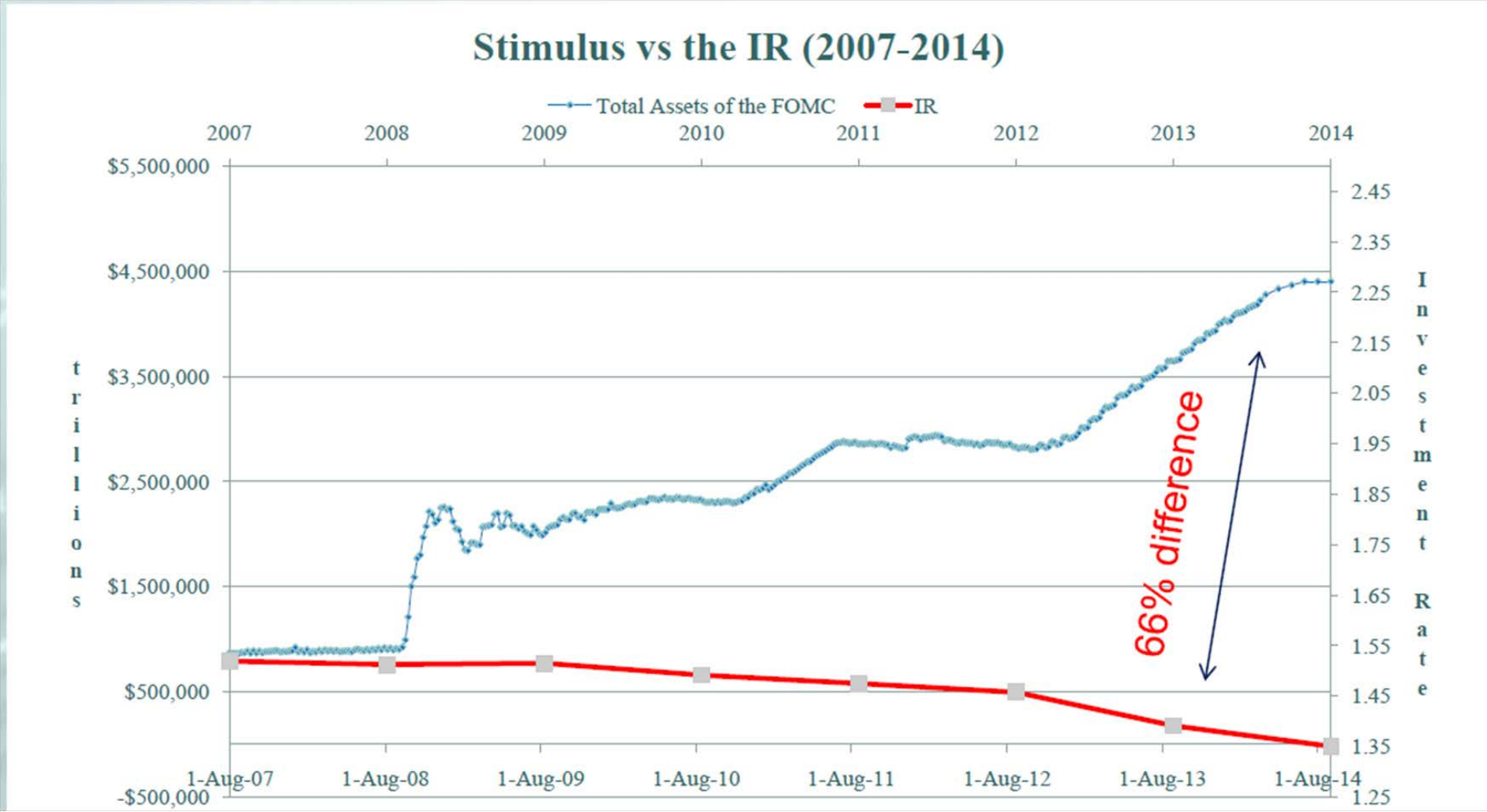
(Natural)

+

~~STIMULUS~~

(Fabricated)

# Demand was 66% Higher





# Careful



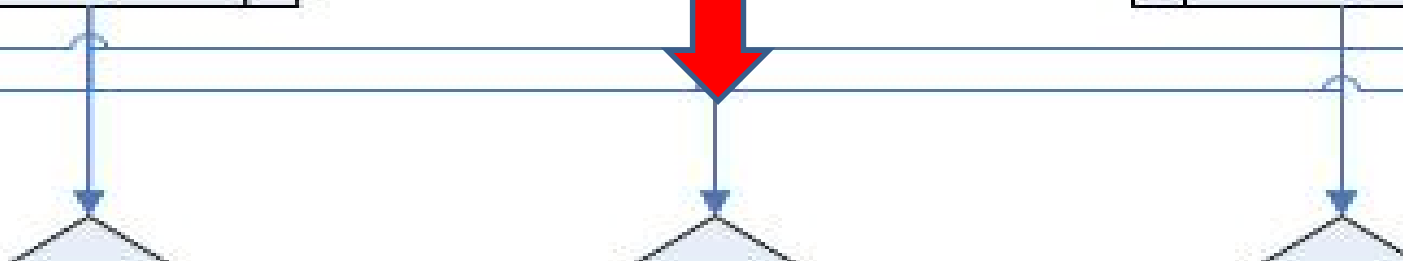
Wells Fargo

Amount of new money available for investments

**Natural**

**Unstoppable**

The Demand for new investments



# Now What?!!







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