



FINANCIAL PROFILES

Economy and Stock Market Insights

A Conversation with Rod June and Dr. Sung Won Sohn

On January 31, 2019, NACD Pacific Southwest held a lunch meeting at The California Club in downtown Los Angeles. In two presentations, Rod June, the Chief Investment Officer of LACERS, Dr. Sung Won Sohn, the former Chief Economic Officer at Wells Fargo, and Dayle M. Smith, Ph.D., Dean of the College of Business Administration at Loyola-Marymount University, discussed current economic conditions and strategies to navigate the turbulent stock market. The program provided insights on the current state of the economy and tips for creating a solid investment plan.

Following are key takeaways:

- 1) The United States economy is currently healthy with a low unemployment rate and high consumer confidence. However, in 2019, we face a potential economic slowdown. Healthy economies may be curtailed by several different factors. It is important to monitor fiscal and monetary policy closely for potential changes that could shock the system and cause a recession.
- 2) Specifically, the economy can prove vulnerable to the lengthy duration of a cycle, excessive debt, an inverted yield curve, overreach in Federal Reserve policy, and trade imbalances. A combination of these factors can disrupt the economy. For example, high debt and Fed policy tightening, coupled with a decline in trade activity with China, could make the United States susceptible to an economic downturn.
- 3) It is important to develop an investment plan before the market becomes volatile. Decide if you want to work with a financial advisor that utilizes a top-down investment strategy or a bottom-up, fundamental approach to picking stocks. Define your goals, build a portfolio, and know the risks that are associated with the plan you have in place to maximize returns.

Key Questions for Directors to Ask:

How could an economic slowdown affect the company? Is the company taking on too much debt? Is it prepared to deal with the risks associated with high debt? Are we closely monitoring economic indicators to see if there are any major movements that could lead to a recession? What is the company's strategy for managing through a prolonged market downturn?