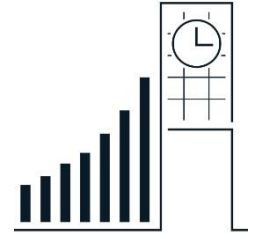


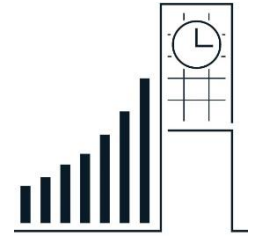
BINGHAMTON UNIVERSITY
FINANCE SOCIETY
MACROECONOMIC OVERVIEW

AGENDA



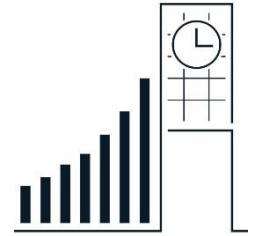
- ▶ General environment
- ▶ Economic indicators
- ▶ Current macroeconomic landscape
- ▶ Sectors of the S&P 500
- ▶ Porter's Five Forces analysis

ECONOMIC INDICATORS



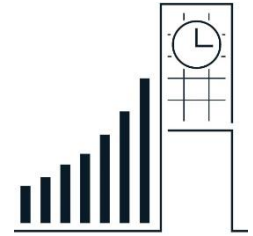
- ▶ Leading economic indicator – a measurable economic factor that changes before the economy starts to follow a particular pattern or trend
 - Used to predict changes in the economy; not always accurate
- ▶ Lagging economic indicator – a measurable economic factor that changes only after the economy has begun to follow a particular pattern or trend
 - Used to confirm the strength of a given trend

LEADING INDICATORS



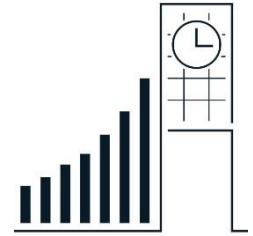
- ▶ Level of equity markets: driven by earnings expectations
- ▶ Manufacturing activity: demand for consumer goods
- ▶ Inventory levels: expectations of consumer demand
- ▶ Retail sales: influence on GDP and business expansion
- ▶ Building permits: future real estate supply levels
- ▶ Housing market: homeowner wealth and affordability
- ▶ Level of new business startups: innovation and growth

LAGGING INDICATORS



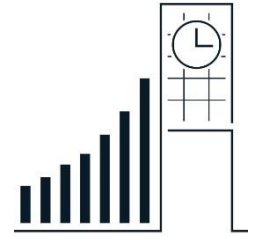
- ▶ Changes in GDP: drives expenditures on inventory, payroll, and other investments based on aggregate output
- ▶ Income & wages: earnings, productivity, inflation
- ▶ Unemployment: consumer spending, utilization
- ▶ CPI: inflation, purchasing power, standard of living
- ▶ Currency strength: exports, imports, foreign investment
- ▶ Interest rates: monetary policy, cost of credit
- ▶ Corporate profits: sales growth, job growth, financial assets
- ▶ Balance of trade: domestic debt, value of currency

CURRENT LANDSCAPE



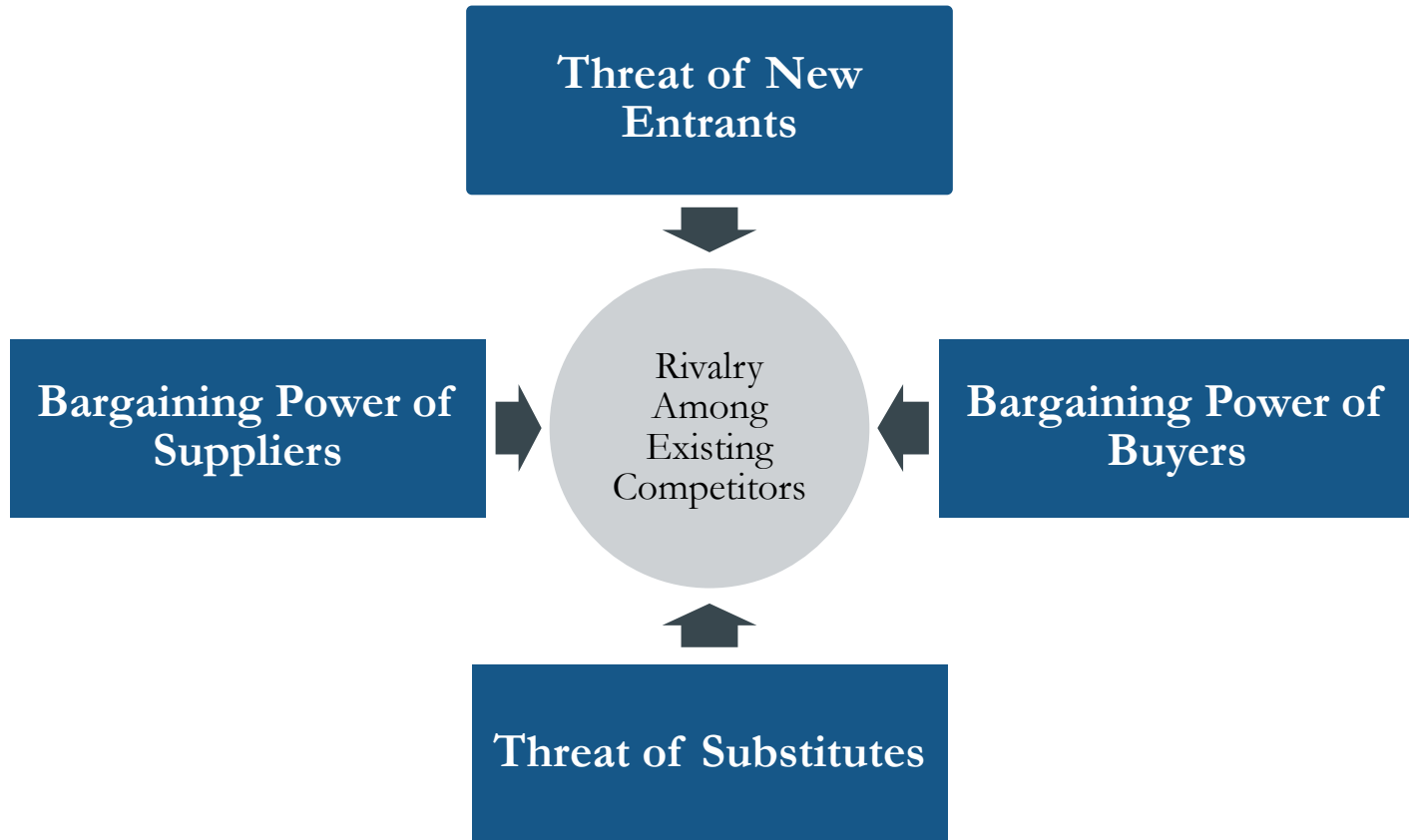
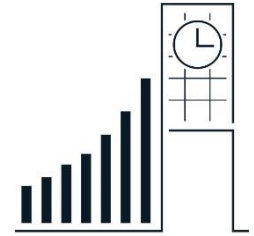
- ▶ Signs of a stable market
 - Consumer sentiment / spending
 - Corporate earnings growth
 - Low unemployment rates
 - Valuation of equities near all-time highs
- ▶ Risks to the market
 - Political impasse
 - Rising interest rates and yields
 - Inflation
 - Slow economic growth/recession
 - Tariffs and trade hindrance

SECTORS OF THE S&P 500



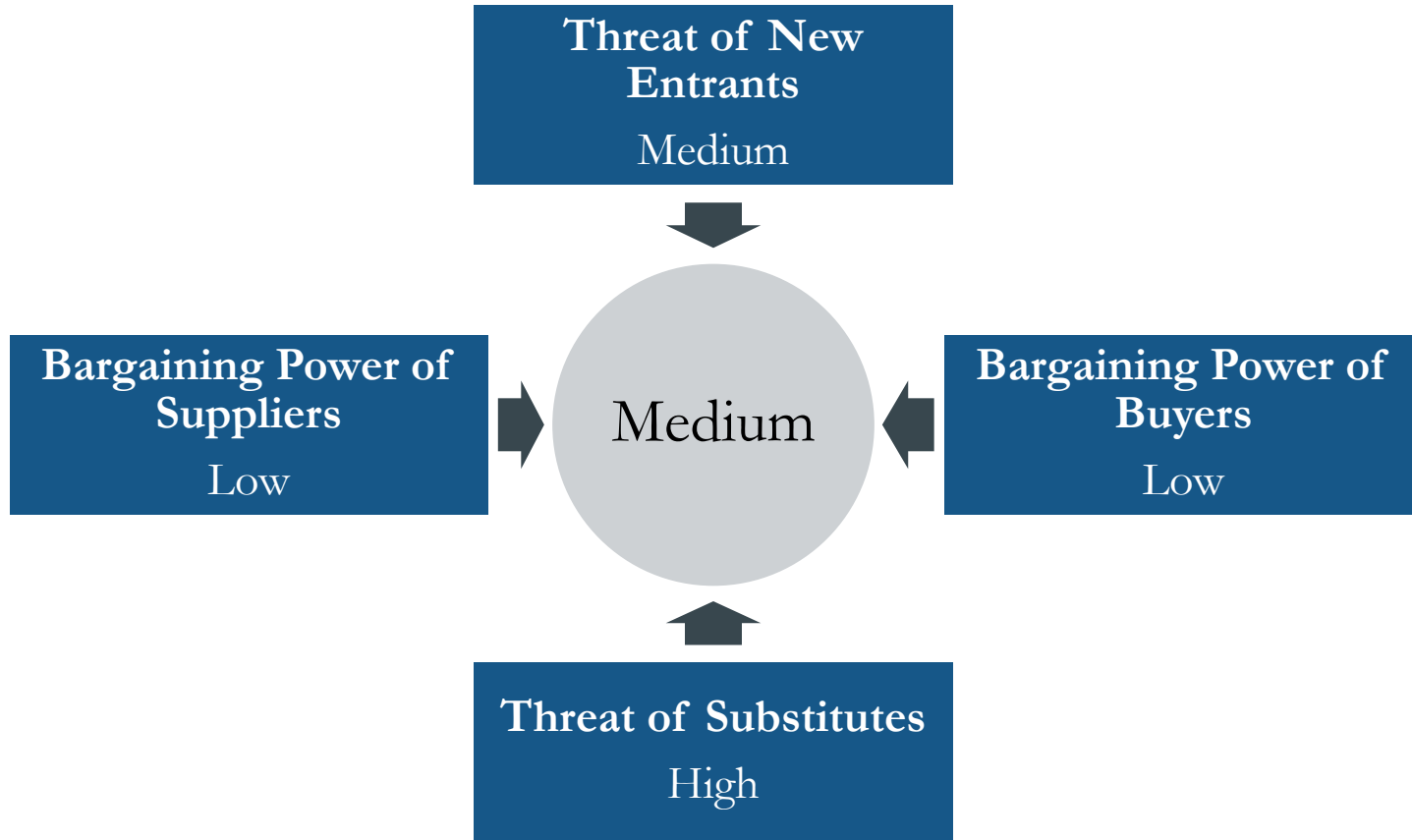
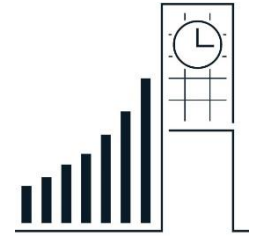
- ▶ **Communication services:** video streaming, Internet of Things, media, entertainment, communication infrastructure
- ▶ **Consumer discretionary:** durables, apparel, hotels, restaurants, leisure, and retailing
- ▶ **Consumer staples:** food and drug retailing, beverages, food products, tobacco, household products, and personal products
- ▶ **Energy:** oil rigs, drilling equipment, E&P, refining, marketing, oil, gas, coal
- ▶ **Financials:** banking, mortgage financing, consumer finance, brokerage, asset management, insurance, corporate lending, financial investment firms, mortgage REITs
- ▶ **Healthcare:** healthcare equipment, services, operators of healthcare facilities and organizations, research and development, pharmaceuticals, life sciences
- ▶ **Industrials:** manufacture / distribution of capital goods, aerospace and defense, construction, engineering and building products, electrical equipment, transportation
- ▶ **Information technology:** software, internet, applications, databases, data processing, communications equipment, computers and peripherals, semiconductors
- ▶ **Materials:** commodity-related manufacturing, chemicals, glass, paper, metals, mining, steel
- ▶ **Real estate:** REITs (not mortgage REITs), real estate management and development, gaming and lodging
- ▶ **Utilities:** electric, gas, water; independent producers / distributors

PORTER'S FIVE FORCES



What drives the profit potential and economic viability of this industry?

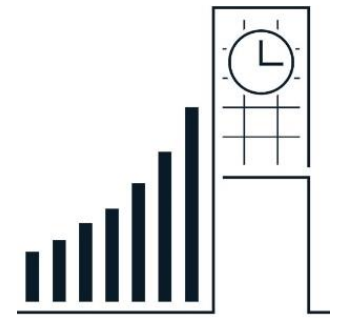
BEVERAGE INDUSTRY PORTER'S FIVE FORCES ANALYSIS



TIPS FOR ANALYZING A SECTOR



- ▶ Determine which macroeconomic factors have the greatest influence on your sector's performance
- ▶ Consider how sensitive your sector is to macroeconomic developments and the business cycle
- ▶ Does the current economic climate provide headwinds or tailwinds to your sector; which trends are most powerful?
- ▶ Is your sector undervalued; fairly valued; overvalued?
- ▶ What economic developments in the next year will affect your sector the greatest; how will your sector be affected?

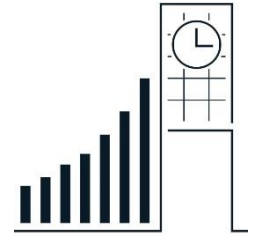


BINGHAMTON UNIVERSITY

FINANCE SOCIETY

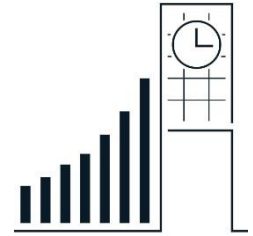
QUALITATIVE ANALYSIS OF A BUSINESS &
HOW TO PICK A STOCK

AGENDA



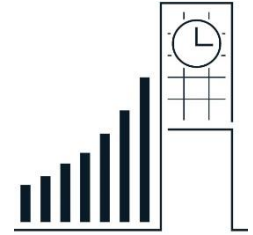
- ▶ Why is Qualitative Analysis Important?
- ▶ What Makes a Company Successful?
- ▶ Business Environments
- ▶ SWOT Analysis
- ▶ Fundamental Analysis
- ▶ How To Screen for a Stock

WHY IS QUALITATIVE ANALYSIS IMPORTANT?

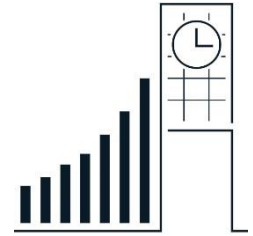


- ▶ Understanding the **business model** – how the company earns dollars and translates those dollars into profits – is extremely important to business strategy
- ▶ A company is more than just its financial statements
- ▶ What matters but cannot be measured on a financial statement?
 - Stakeholder satisfaction
 - Management leadership
- ▶ “Soft” metrics are often underestimated and are more important now than ever

WHAT MAKES A COMPANY SUCCESSFUL?



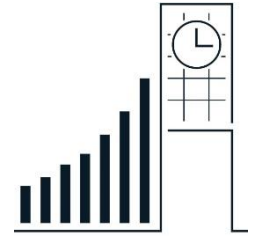
- ▶ Companies built for long run success need **sustainable competitive advantages**
 - Strong research and innovation
 - Brand popularity
 - Exclusive distribution rights
 - Strategic assets
 - Barriers to entry
- ▶ “In business, I look for economic castles protected by unbreachable moats.” – Warren Buffett



INDUSTRY ENVIRONMENT

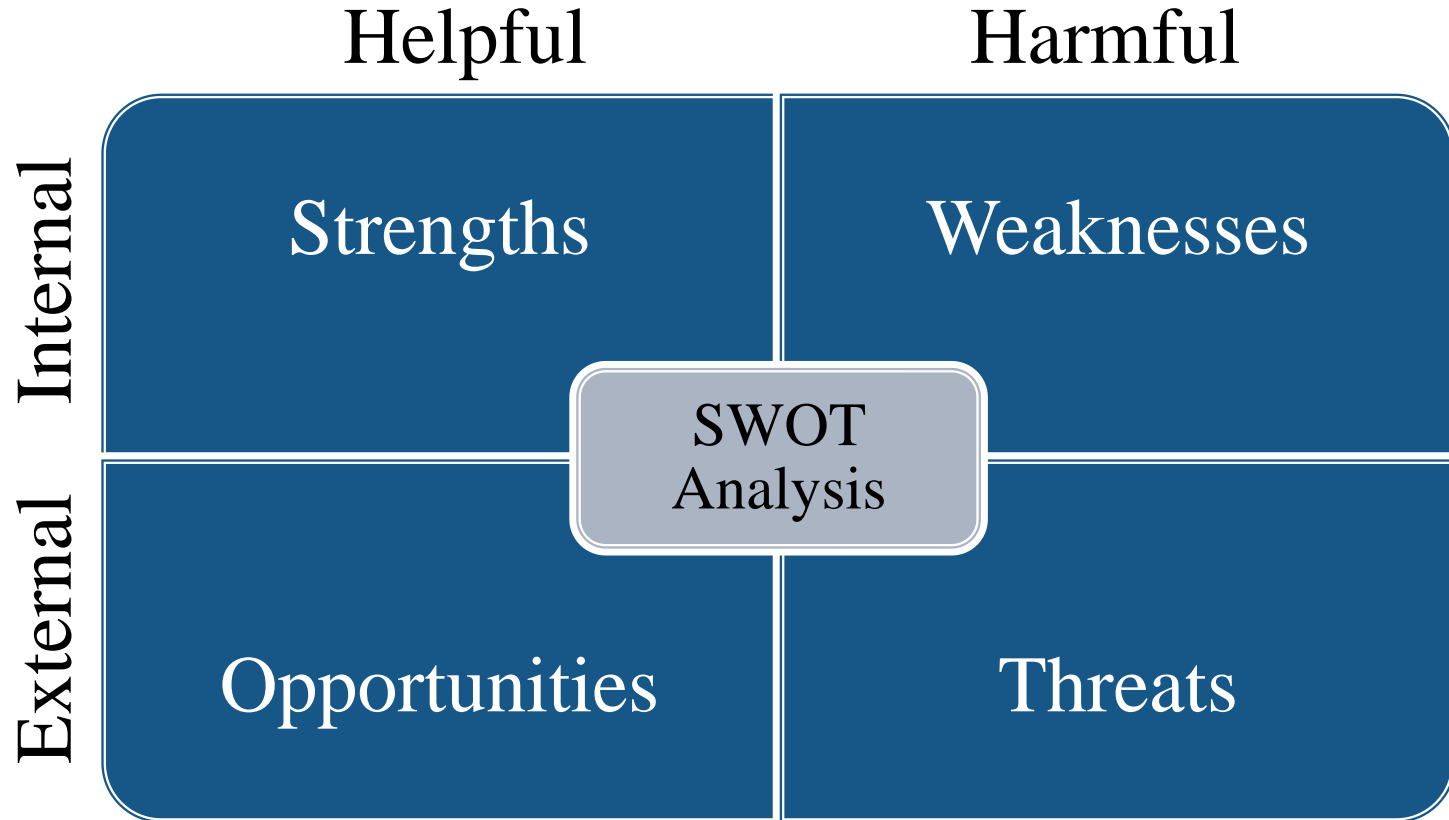
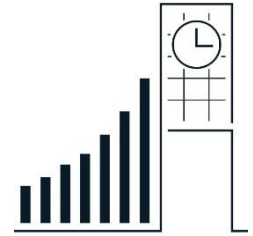
- ▶ Industry fragmentation
- ▶ Where is the firm in the industry?
 - Is the firm a first/second/third mover?
 - Does the firm have a significant market share?
 - Why does the firm have a significant market share?
- ▶ Competitiveness of suppliers
 - Suppliers that provide a differentiated product will have power
 - Labor unions will drastically impede suppliers ability to cut costs
- ▶ The capacity of the industry
 - Find trends that will impact demand for an industry's products

COMPETITIVE ENVIRONMENT

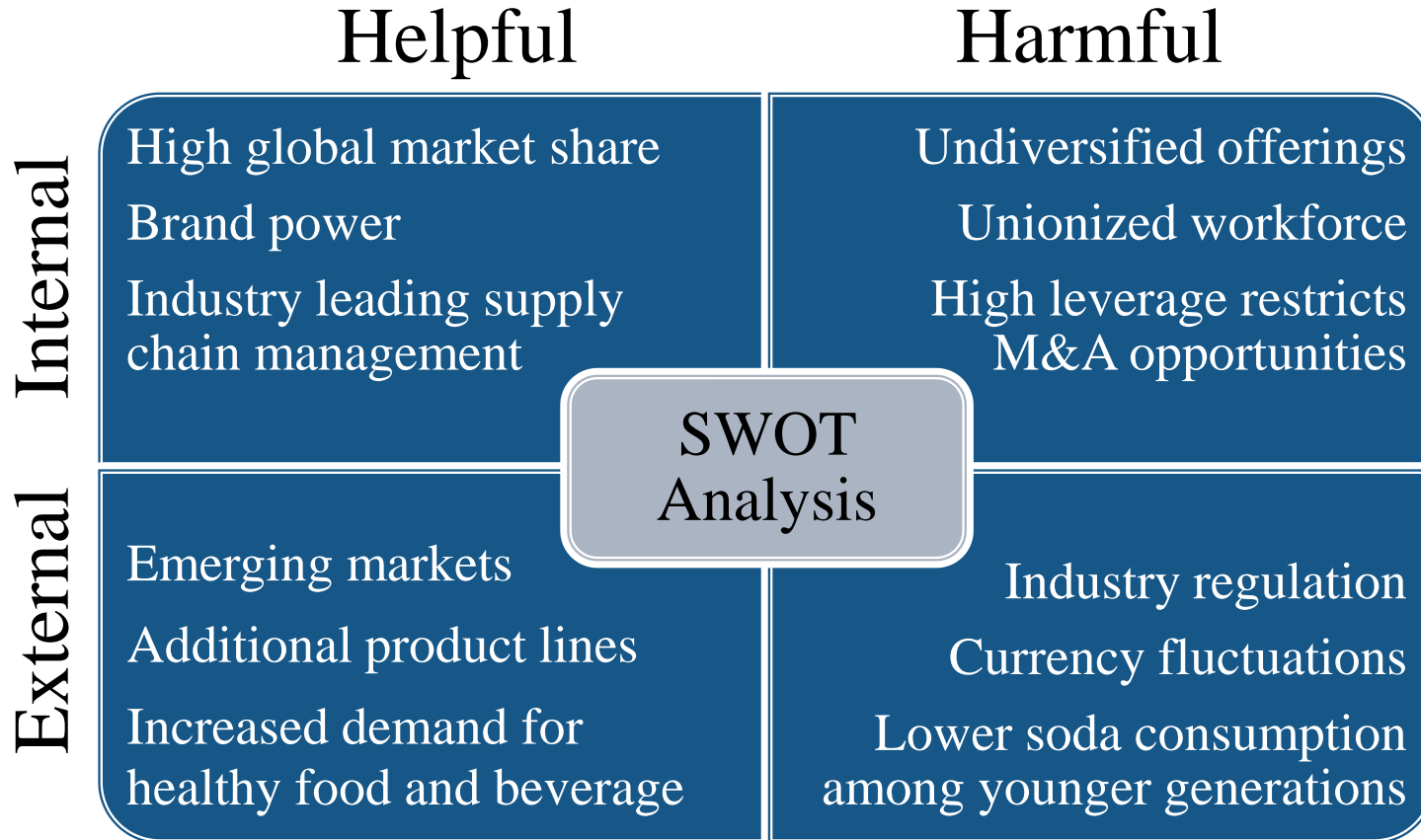
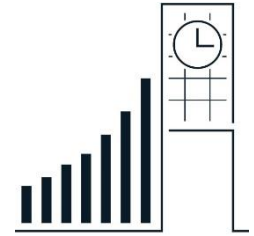


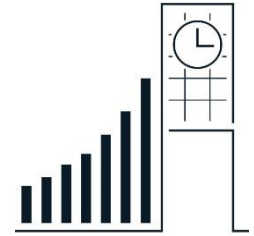
- ▶ Product differentiation and production costs will impact a product's value to customers
- ▶ Trends in consumer demand will impact competitiveness
 - Price elasticity of demand for the product will impact this
- ▶ Are there substitute products?
- ▶ Does the firm have any competitive advantages?
- ▶ How does the company rate on:
 - Customer service
 - Quality of products and services
- ▶ Patent protection for the product

SWOT ANALYSIS



COCA COLA SWOT

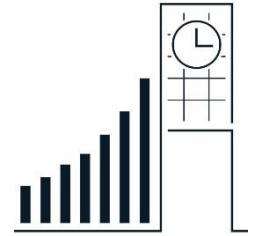




FUNDAMENTAL ANALYSIS

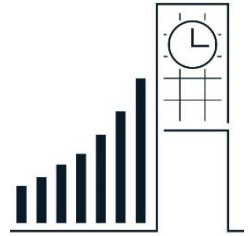
- ▶ The purpose of this competition is to teach you **fundamental stock analysis**
 - Fundamental analysis – method of evaluating a security using business-specific and macroeconomic-based evidence
- ▶ It explores questions like these:
 - Is the company competitive within its industry?
 - Is that industry growing or shrinking, compared to other sectors?
 - Is the company operating efficiently compared to its peers?
- ▶ Fundamental analysis requires you answer qualitative questions first, and then use **technical finance** as the hard evidence to support your thesis

HOW TO SCREEN FOR AN INDUSTRY



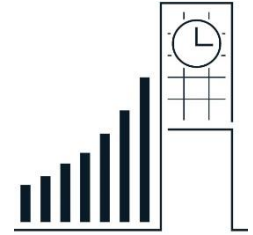
- ▶ Ask yourself questions to help you **identify an industry** you'd like exposure to
- ▶ Examples:
 - The Fed says they plan to raise interest rates this year. Which industries will benefit? Which industries will be hurt?
 - OPEC says they plan to cut oil production, how will this affect American oil producers?
 - Home prices, and home construction, are both rising rapidly. Which industries will benefit if this growth is maintained? Is this growth sustainable?

HOW TO SCREEN FOR A STOCK



- ▶ Based on your opinions of an industry, you can look to identify potential **outliers** (most upside/downside) depending on whether you are pitching a long or short
- ▶ Example questions to ask:
 - Is this management team of a company experienced and ready for a radically changing environment?
 - Is this company the first choice brand for consumers in the industry? How about if prices rise/fall?
 - If a certain catalyst occurred, which company would outperform its peers the most/least?

QUESTIONS?



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