





Fort Washington
Investment Advisors, Inc.

Key Economic Policy Issues in the Trump Era

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Trump's Election Unleashes "Animal Spirits"



2016 – 17 Investment Results

	<u>Jan 1 – Nov 8</u>	<u>Nov 8 – Sept 30</u>
S&P 500	6.6%	19.9%
Russell 2000	6.5%	26.3%
EAFE (\$)	-0.6%	23.1%
MSCI EM (\$)	16.3%	22.9%
US Treasury	3.8%	-0.4%
IG Credit	7.8%	3.0%
High Yield	15.2%	8.9%

Key Issues in the Trump Era



- ◆ How to cope with an aging population
- ◆ What to do with entitlement programs
- ◆ How to pay for them and still have room for tax cuts
- ◆ How to deal with globalization and growing income inequality
- ◆ How to position your retirement and investment portfolios

What's Ailing the Economy – 4 Views



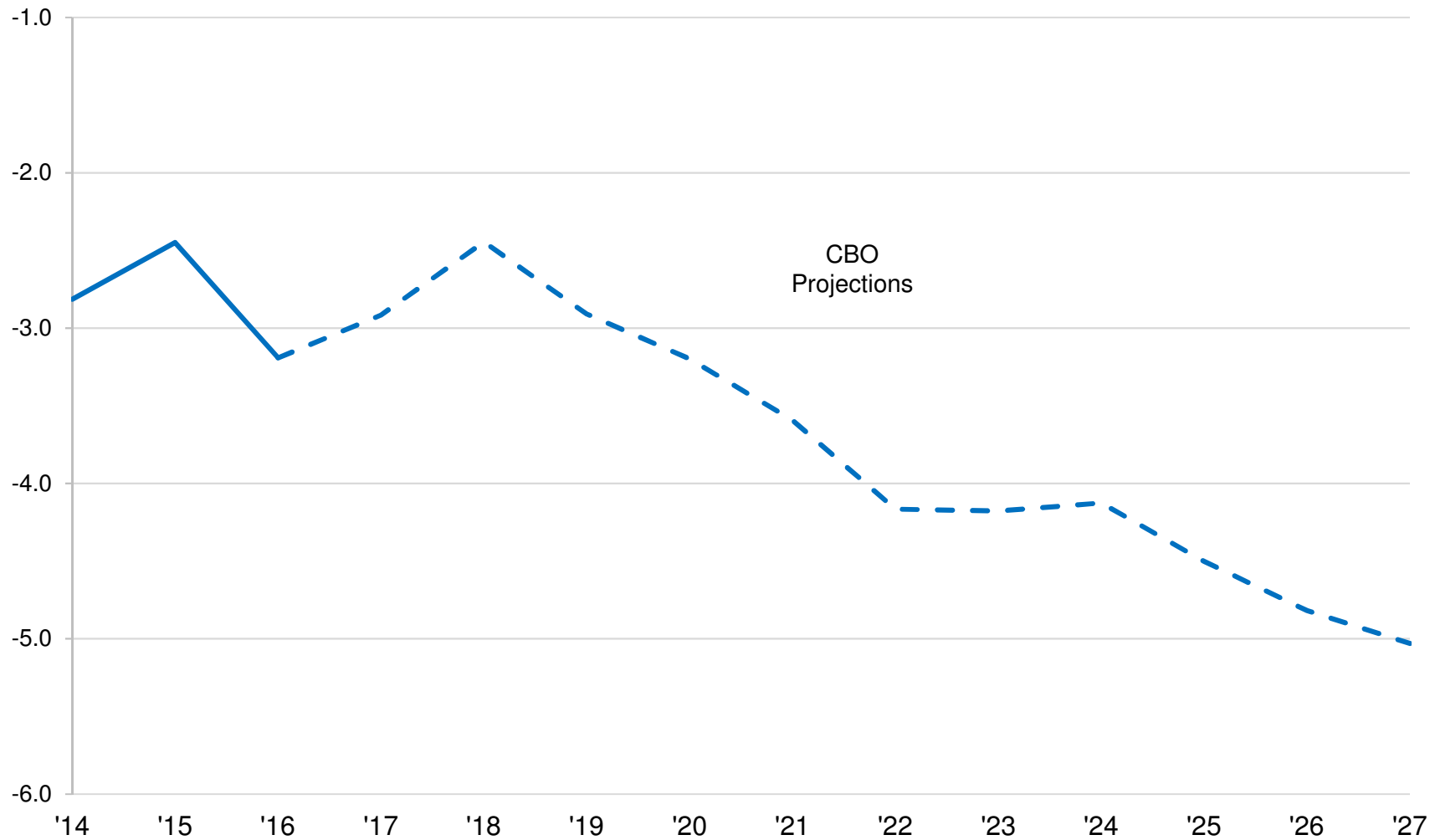
- ♦ Debt hangover from the GFC
- ♦ “Secular Stagnation”
- ♦ Supply side constraints
- ♦ Too much government interference

Bottom line: It's a Global Phenomenon!



- ◆ The Republican approach is via tax policy changes and deregulation
- ◆ The President and Congressional leaders, however, are divided between tax cuts and tax reform
- ◆ The case for corporate tax cuts is more compelling than for personal tax cuts
- ◆ The issue for investors to decide is whether we can afford tax cuts

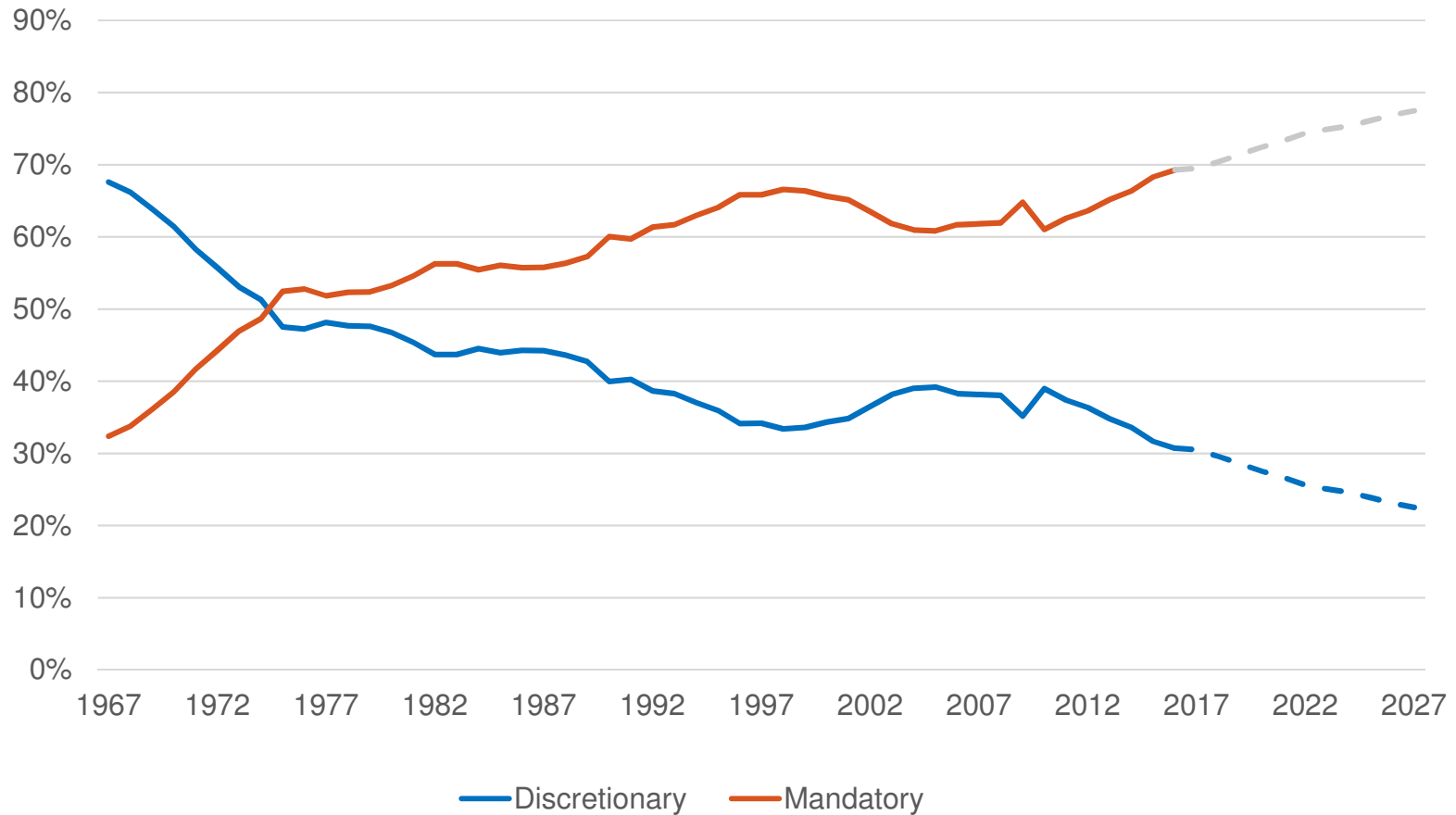
The Deficit Will Deteriorate Even Absent Any Policy Changes



Mandatory Spending vs. Discretionary Spending



Federal Outlays by Major Category
As a % of Total Outlays



Note: Figures for 2017-2027 are forecasts
Source: Congressional Budget Office



- ◆ SS can extend the retirement age to receive full benefits
- ◆ US medical costs have been rising much faster than inflation
- ◆ US medical expenses are also the highest in the world
- ◆ The key players in the medical arena do not agree on a solution

Health Care System Cost Indicators (2013)

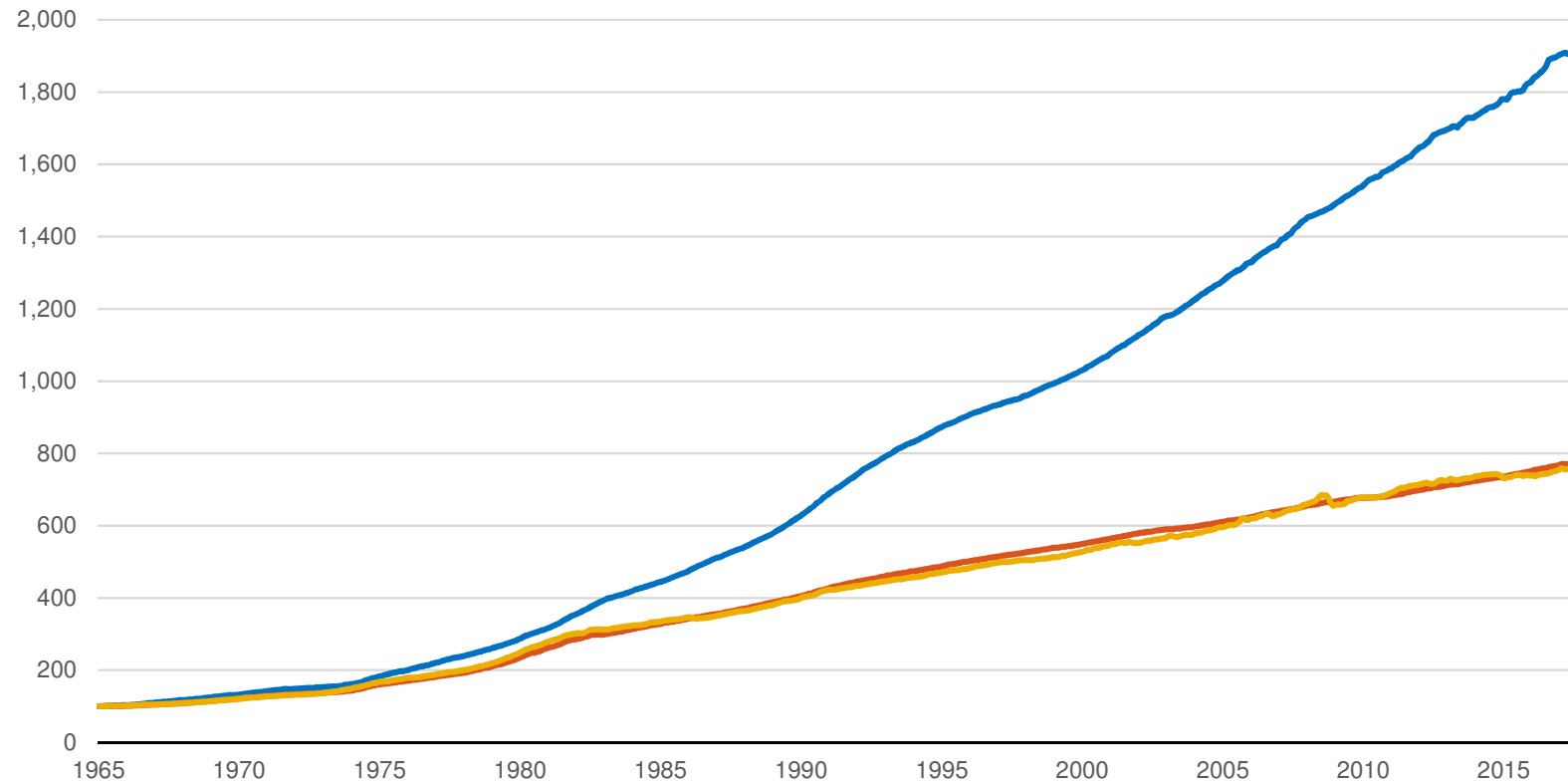


	U.S.	16 Countries	
		Median	Range
Healthcare Spend			
Percentage of GDP	17.1%	10%	5.4% - 11.7%
Per capita (\$)¹	9,086	4,500	636 – 6,325
Out-of-pocket¹ per capita	1,074	625	216 -1,360
Hospital Spend			
Per discharge (\$)	20,991	-	2,033 – 14,408
Medical Technology			
MRI Exams (per 1k pop.)	106.9	-	27.6 – 90.9

Source: 2015 International Profiles of Healthcare System

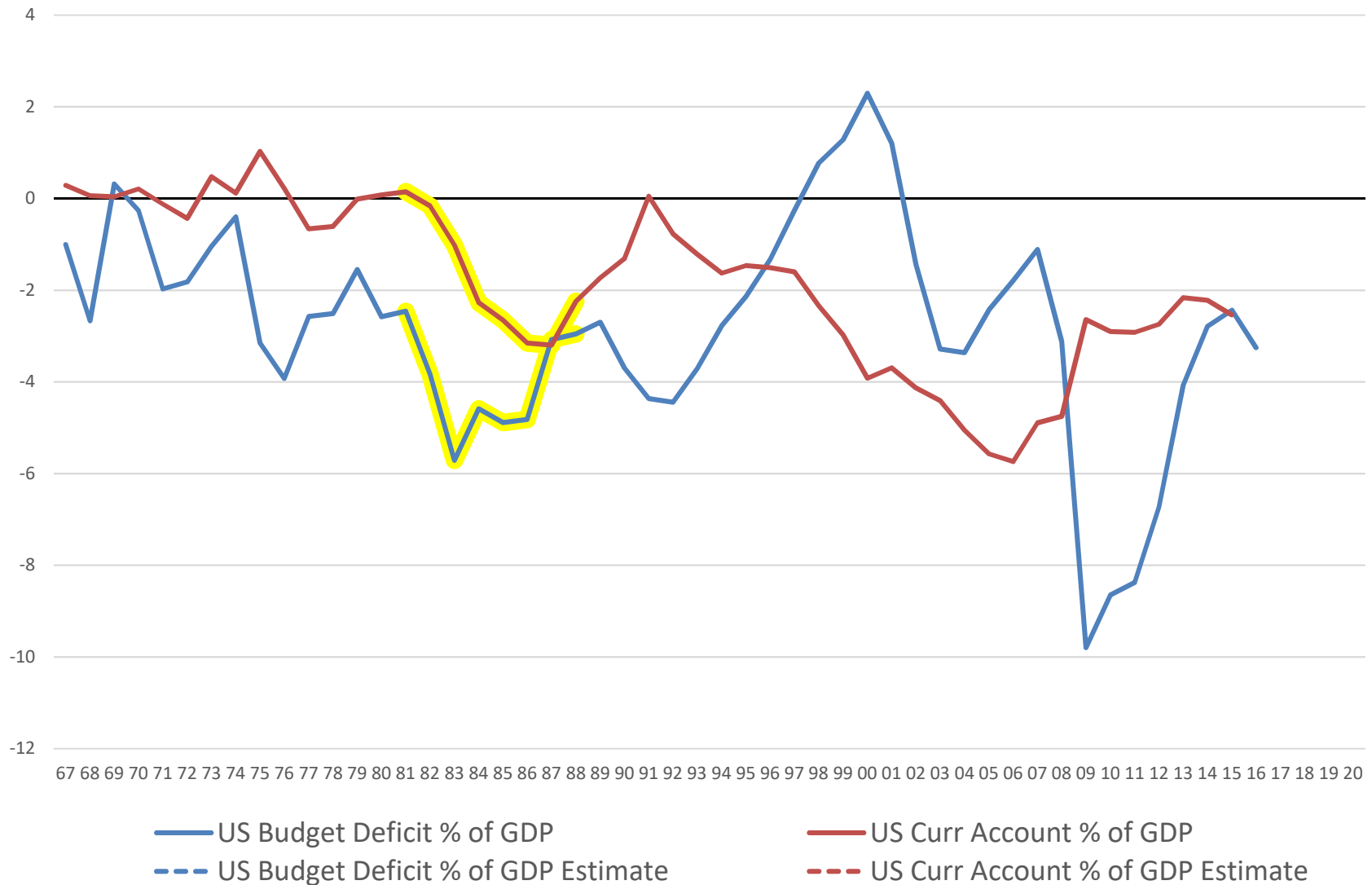
¹Adjusted for differences in cost of living

Medical Inflation

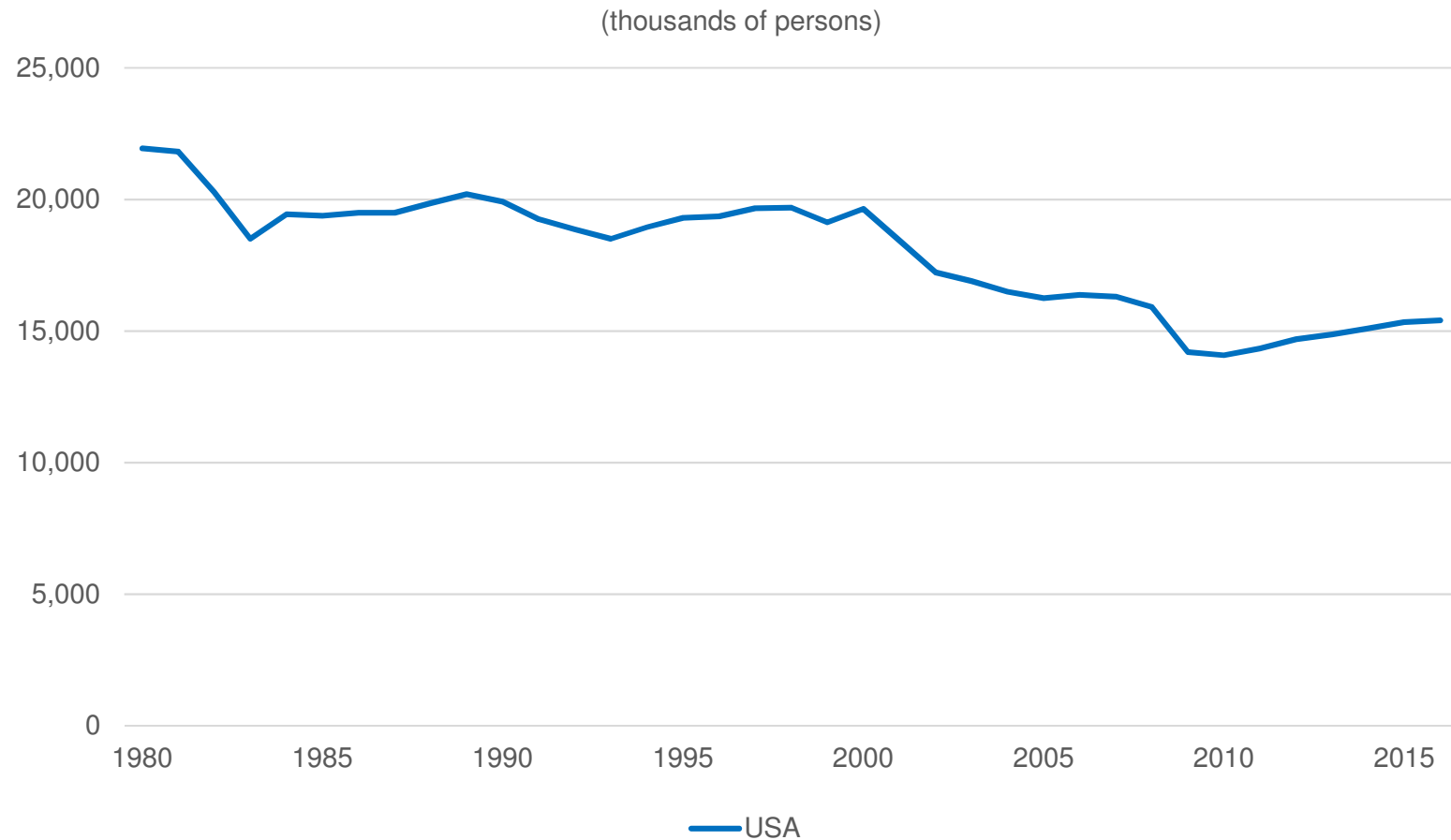


- Consumer Price Index for All Urban Consumers: Medical Care, Index Jan 1965=100, Monthly, Seasonally Adjusted
- Consumer Price Index for All Urban Consumers: All Items Less Food and Energy, Index Jan 1965=100, Monthly, Seasonally Adjusted
- Consumer Price Index for Urban Wage Earners and Clerical Workers: All Items, Index Jan 1965=100, Monthly, Seasonally Adjusted

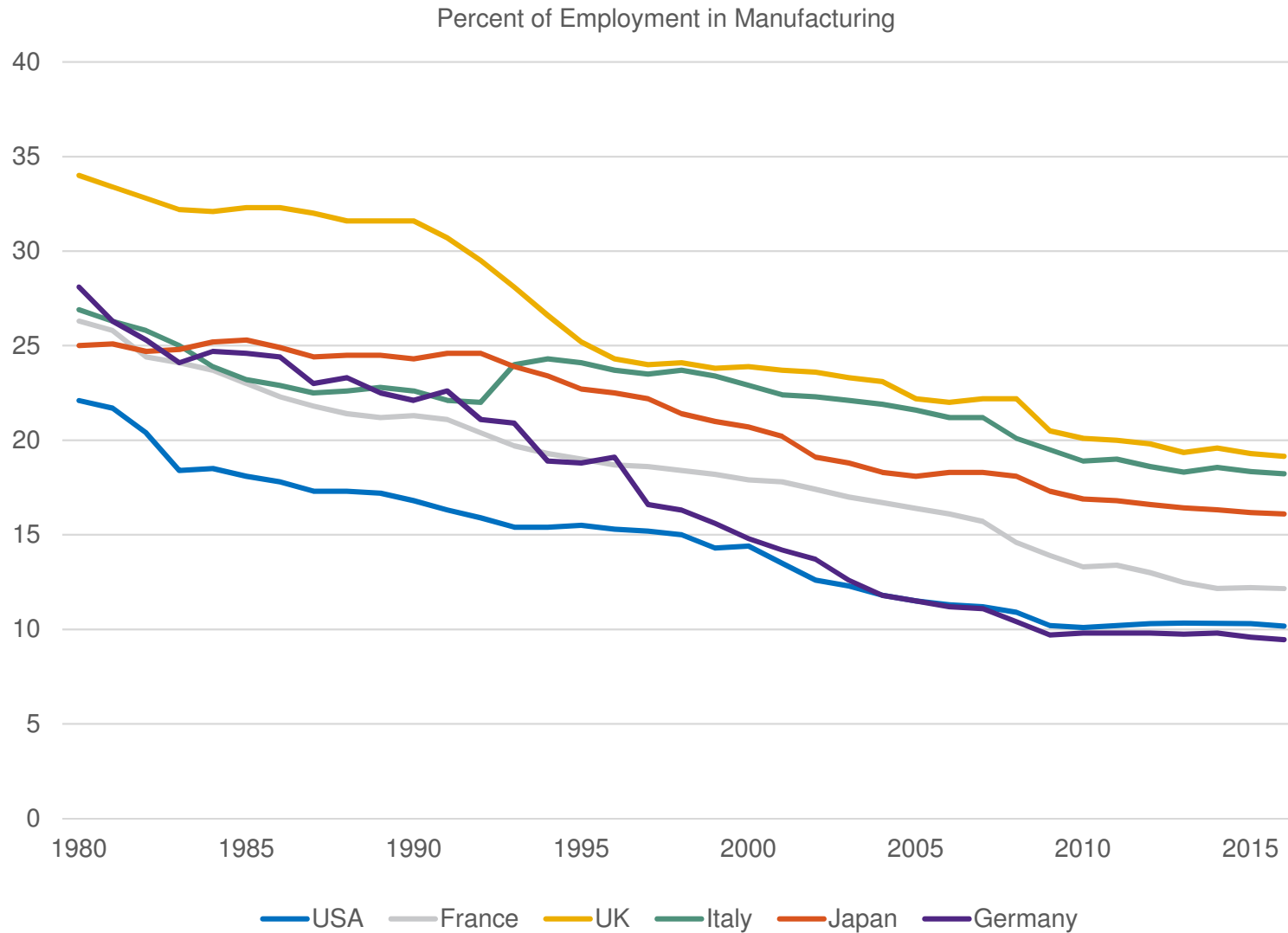
Twin Deficits: *The Reagan Years Redux?*



U.S. Manufacturing Jobs



Share of Manufacturing in Total Output for Key Industrial Countries (%)

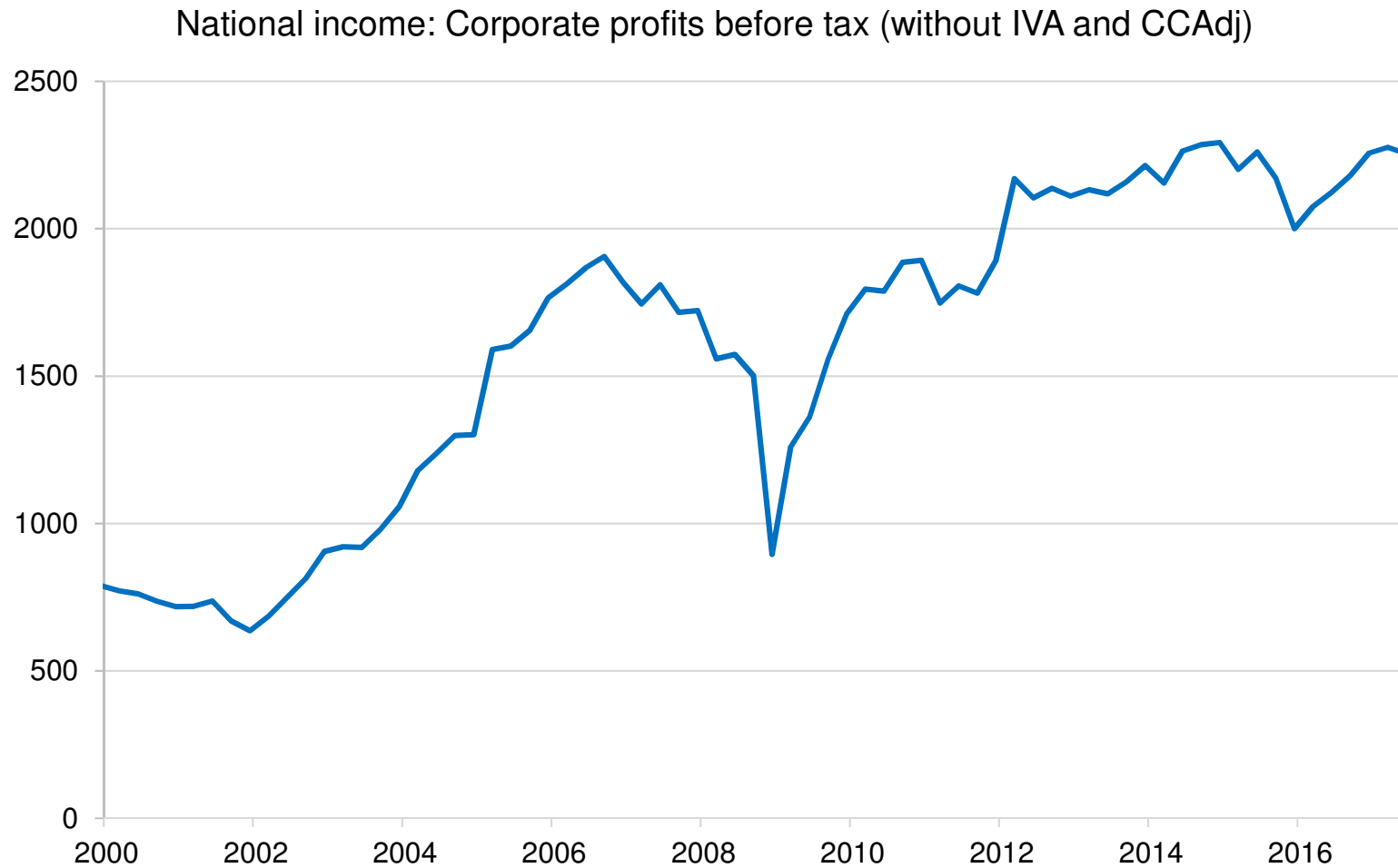


Impact of Globalization: Pros and Cons



- ♦ **The Good:** Corporate profits have surged
- ♦ **The Bad:** Workers have been hurt by foreign competition
- ♦ **The Ugly:** Income inequality has increased
- ♦ One consequence is the rise of populism

Corporate Profits: *Record Highs and Rising*



What To Do?



- ◆ The winning strategy has been to take risk
- ◆ But a market correction is overdue
- ◆ Do not foresee a bubble or bear market
- ◆ But you need to have realistic return expectations

Want more? Read Global Shocks!



Nick Sargen is the Senior Vice President and Chief Economist, Western & Southern Financial Group based in Cincinnati, Ohio. He is also a Senior Investment Advisor at Fort Washington Investment Advisors, Inc., a wholly owned subsidiary. In his former role, Mr. Sargen served as Chief Investment Officer and was responsible for overseeing the investment activity for all assets under management for Fort Washington and its divisions and subsidiaries.

