MARKET INSIGHTS:
NEW DEVELOPMENTS,
WHAT TO CONSIDER, AND
TOP QUESTIONS ANSWERED
Our Speakers

Host

Jim Armstrong
Marketing Director, Fidelity Investments
Jim Armstrong is a Marketing Director in Fidelity’s Personal Investing division. In this position, he creates educational content for workplace participants to help with retirement planning and other financial wellness topics. Formerly, Jim distinguished himself as an Emmy-winning journalist, spending 17 years as a television reporter for network affiliates around the country.

Special guest panelists

Jurrien Timmer
Director of Global Macro, Fidelity Investments
Jurrien Timmer is the director of Global Macro at Fidelity Investments. In this role, he is part of Fidelity’s Global Asset Allocation group, where he specializes in asset allocation and global macro strategy. Additionally, he is responsible for analyzing market trends and synthesizing investment perspectives across Asset Management to generate market strategy insights for the media, as well as for Fidelity’s clients.

Leanna Devinney, CFP®
Vice President, Branch Leader, Fidelity Investments
Leanna Devinney is responsible for leading one of Fidelity’s Investor Centers. In this role, she offers our clients financial and investment guidance, including one-on-one retirement planning, wealth management, income strategies, and college planning services, as well as integrated employer benefit solutions.
A “Good” Earnings Season

Earnings Estimate Progression
Weekly data. Source: Bloomberg

For illustrative purposes only. Past performance is no guarantee of future results.
Despite Market Pullbacks, Stocks Have Risen over the Long Term

Source: Fidelity Investments. Past performance is no guarantee of future results. See footnote 1 for details.
The Election Cycle

The Presidential Cycle
Monthly data since 1789 (mix of S&P 500®, DJIA & Cowles Commission)
Source: FMRCo.
Presidential Elections and the Stock Market

Two-year total return (annualized), measured from end of previous October
60/40 vs. S&P 500®

S&P 500® vs 60/40
Daily data. Source: FMRCo, Bloomberg
60/40: S&P 500 & Barclays US Agg

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Should You Retire the Mortgage?

<table>
<thead>
<tr>
<th>If your investment mix is... (stocks, bonds, cash)</th>
<th>Consider paying down debt if your interest rate is more than...</th>
</tr>
</thead>
<tbody>
<tr>
<td>20/50/30</td>
<td>3.85%</td>
</tr>
<tr>
<td>30/50/20</td>
<td>4.25%</td>
</tr>
<tr>
<td>45/40/15</td>
<td>4.75%</td>
</tr>
<tr>
<td>50/40/10</td>
<td>5%</td>
</tr>
<tr>
<td>60/35/5</td>
<td>5.35%</td>
</tr>
<tr>
<td>70/25/5</td>
<td>5.65%</td>
</tr>
<tr>
<td>85/15/0</td>
<td>6%</td>
</tr>
<tr>
<td>100/0/0</td>
<td>6.35%</td>
</tr>
</tbody>
</table>

Source: Fidelity Investments. The analysis to determine the mortgage rate break points displayed in this chart makes several assumptions. It models a retirement time horizon of 27 years comparing 2 scenarios 1) no changes are made 2) the entirety of the mortgage is paid off using assets from a 401(k) and there are no early withdrawal penalties for the retirement account. The analysis does not account for income taxes paid on the withdrawal. Taxes and fees could impact the benefits of either strategy. Using a Monte Carlo framework with proprietary capital market assumptions (which are subject to change) for mid-2019, 1000 simulations are run on these scenarios. At the end of each simulation 3 main statistics are reported: 1) incidence of asset exhaustion; 2) portfolio volatility; 3) ending wealth. If at a given interest rate and asset allocation the scenario which pays down the mortgage improves upon the base scenario in all 3 measures it is deemed a reasonable indication to pay down the mortgage given that interest rate and asset allocation. In the base case the mortgage is assumed to be refinanced if rates decline before maturity. Mortgage rates are proxied by the 20-year treasury rate plus a spread. This analysis does not incorporate any taxes or investment fees. For taxpayers who itemize expenses these numbers may not be appropriate, and the required interest rate to consider paying down debt might be higher. Some housing fees, including taxes and insurance, will not change regardless of a mortgage. See footnote 2 for more information about how these numbers were calculated.
The Need for More Fiscal Relief

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1. The S&P 500® Index is a market capitalization–weighted index of 500 common stocks chosen for market size, liquidity, and industry group representation. S&P and S&P 500 are registered service marks of Standard & Poor’s Financial Services LLC. The CBOE Dow Jones Volatility Index is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices. You cannot invest directly in an index.

2. The values in the chart are based on a Monte Carlo simulation–based approach to estimate potential growth of account balances and the corresponding cash flow from the account. The analysis is based on historical market data to estimate a range of potential outcomes for various hypothetical retirement income portfolios under different market conditions. Monte Carlo simulations are mathematical methods used to estimate the likelihood of a particular outcome based on market performance historical analysis. While over very long periods of time, markets have averages, it is often the case that the market performs both above and below these averages. The Monte Carlo simulations are designed to reflect this historical market volatility.

This analysis used a retirement time horizon of 27 years comparing two scenarios: 1) no changes are made and 2) the entirety of the mortgage is paid off using assets from a savings account. The analysis does not account for income taxes paid on the withdrawal or investment expenses if the money remains invested. Taxes and fees could impact the benefits of either strategy. Using the Monte Carlo framework with proprietary near-term capital market assumptions, 1000 simulations are run on these scenarios. At the end of each simulation 3 main statistics are reported: 1) incidence of asset exhaustion, i.e., running out of money prior to the end of the planning period; 2) portfolio volatility; 3) ending wealth. If, at a given interest rate and asset allocation, the scenario which pays down the mortgage improves upon the base scenario in all 3 measures, it is deemed a reasonable indication to pay down the mortgage given that interest rate and asset allocation. In the base case, the mortgage is refinanced if rates drop. Mortgage rates are proxied by the 20-year treasury rate plus a spread. Again, this analysis does not incorporate any taxes or investment fees. For taxpayers who itemize expenses these numbers may not be appropriate, and the required interest rate to consider paying down debt might be higher. Some housing fees, including taxes and insurance, will not change regardless of a mortgage.

Stock markets are volatile and can fluctuate significantly in response to company, industry, political, regulatory, market, or economic developments. Investing in stock involves risks, including the loss of principal.

Foreign markets can be more volatile than U.S. markets due to increased risks of adverse issuer, political, market, or economic developments, all of which are magnified in emerging markets. These risks are particularly significant for investments that focus on a single country or region.

Indexes are unmanaged. It is not possible to invest directly in an index.

In general, the bond market is volatile, and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities). Fixed income securities also carry inflation risk, liquidity risk, call risk and credit and default risks for both issuers and counterparties. Lower-quality fixed income securities involve greater risk of default or price changes due to potential changes in the credit quality of the issuer. Foreign investments involve greater risks than U.S. investments, and can decline significantly in response to adverse issuer, political, regulatory, market, and economic risks. Any fixed-income security sold or redeemed prior to maturity may be subject to loss.

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The Barclays US Intermediate Government Bond Index is a market value–weighted index of US government fixed-rate debt issues with maturities between one and 10 years.

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