Demographic and Economic Trends: Growth, Debt and Promises

Presented by Douglas C. Robinson

RCM Robinson Capital Management LLC
SEC Registered Investment Advisory Firm

Composition of Federal Spending

Source: Office of Management and Budget and the Department of the Treasury.
Note: Numbers may not add to 100 percent due to rounding.
What Spending Problem?

- Percent of GDP
- Historic and Projected Spending
- Historic and Projected Revenue

Data Source: budget.house.gov

U.S. Statutory Debt Limit
1940-Present

Source: Bloomberg, GDP US Nominal Dollars
U.S. Statutory Debt Limit and GDP
1946-Present

Source: Bloomberg, GDP US Nominal Dollars

Japan Debt
1980-Present

Source: Bloomberg
China Debt and GDP
1992-Present

Source: Bloomberg, China GDP Current Price

Foreign Countries Represent Almost 70% of World GDP and Growing
GDP constant U.S.$ percentage of world GDP

The Spending Wave
Births Lagged for Peak in Family Spending

Source: H.S. Dent Foundation

Motorcycles vs. Age

Source: U.S. Bureau of Labor Statistics Consumer Expenditure Annual Surveys; New Motorcycles (UCC 450220)
RV's vs. Age

Expenditure vs. Age


New Cars vs. Age

Expenditures vs. Age


Annual Surveys, H. S. Dent
**Spending on Drugs**

Expenditures on drugs over the years, showing a steady increase with age.

*Source: Consumer Expenditure Survey*

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**College Enrollment**

18-Year Lag on Immigration-Adjusted Births

Births adjusted for immigration over the years, showing a peak around 2005.

*Source: H.S. Dent Foundation*
US Labor Force Participation Rate

Total


US Labor Force Participation Rate

Age 20 to 24

US Labor Force Participation Rate
Age 65 & Over


US Labor Force Weekly Hours

Unemployment Rate Adjusted for Workforce Decline, 2004-2013

- BLS Unemployment Rate
- Adjusted Unemployment

Data Source: St. Louis Federal Reserve, HS Dent, 2013

Household Debt Service

**Existing Home Sales 2000-2013**

- **Source:** National Assoc. of Realtors, Bloomberg, 2013

**Housing Starts 2000-2013**

- **Source:** Bureau of Labor Statistics, Bloomberg, 2013

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Shadow Inventory, Housing
2000-2012

Data Source: Bloomberg, 2013

U.S. Home Ownership Rates vs. Loan to Value Ratio, 1965-2012

Source: Bloomberg, 2013
**US Net Housing Demand**
Peak Buyers (42) minus Divers (78)

- Real Home Prices
- 42-78 year old

Data Source: Dallas Federal Reserve, United Nations Population Division, H.S. Dent, 2013

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**The Velocity of Money**
GDP divided by M2 Money Supply

Source: Bloomberg, St. Louis Fed, US BEA, HS Dent

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Bank Deposits vs. Loans
2008-2012

Data Source: St. Louis Federal Reserve, 2013

Global and Euro PMI
2007-2013

Data Source: Bloomberg, 2013
Composition of PIIGS
Net Foreign Liabilities
(Portugal, Italy, Ireland, Greece and Spain)

Sources: International Monetary Fund, national central banks, European Financial Stability Facility, Eurostat. Note: Other inflows are computed as a difference between total and official flows (including TARGET balances) and are thought to mostly include private capital flows. Total flows are stocks from net international investment position, SF Federal Reserve Bank.

U.S. vs. Spain, House Price Index, 1995-2012

Spain, Under 25 Unemployment Rate

Spain, Bad Loan Ratio

Data Source: Bloomberg, 2012

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160 billion euros of non-performing loans
Bank Deposits in Spain are Rolling Over

Data Source: Bloomberg, 2013

5 Year Treasury Channel 1980-Present

Source: Bloomberg

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**5 Year Treasury**

End of the 60-80bps range?

Source: Bloomberg, 2013

**S&P 500**

1994-Present

Triple Top?

Source: Bloomberg, 2013
The Next Boom
48-Year Lag on Immigration-Adjusted Births

Source: H.S. Dent

S&P Index ‘Wide Channel’
1916-2045

Source: Bloomberg, 2013, Projection assumes continuation of 4.52 slope rate. Regression rate is 4.91
Douglas C. Robinson – Independent Registered Investment Advisor

Doug Robinson is the principle of RCM Robinson Capital Management, an SEC registered investment advisory and management firm specializing in institutional fixed income securities and OPEB trust asset allocation strategies. Doug is a frequent guest speaker and long-time member of the California Municipal Treasurers Association. With over thirty years in the investment industry, he is the editor of robinsoncapital.com, an educational web site providing investors with information on institutional fixed income, GASB 45 mitigation strategies and portfolio management. Doug is also a Branch Manager and Registered Principal with Foothill Securities.

Doug received his Bachelors of Science degree in Economics from University of Missouri-Columbia and is co-author of “Boom or Bust - Understanding and Profiting from a Changing Consumer Economy”.

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