

THE CITY AVENUE JOURNAL.

Dow: 1.09%, S&P 500: 2.54%, NASDAQ: 4.06%, Russell 2000: 2.30%

Note: Returns are calculated on month to date (MTD) time frame.

IN THIS MONTH'S ISSUE:

- Insight on Co-Op
- Social Security Drying Up

FEATURED SERIES:

- Bitcoin bouncing back?
- Raising Min. Wage worse than expected

Are We Using the Right Ratios?

By Luke Eisenhardt

Investors attempt to value companies in many ways. We discount cash-flows and dividends, we look at a company's assets and liabilities, or we look at various ratios. Many investors make decisions based off various metrics and ratios, but which ones are the best? Value investors spurred on by Benjamin Graham have made the price to earnings ratio and price to book value ratios famous. The cyclically adjusted price to earnings (CAPE) ratio was popularized by Robert Shiller at Yale University. They are definitely popular, but how well do they predict future returns for investors?



Continued in "Keeping up with Current Events"



DISCLAIMER: All articles are written strictly for educational purposes, not for investment decisions. All forward-looking statements are simply opinion and not investment advice made by the author.

WORD FROM THE BOARD

Dear Reader,

Thank you for choosing the City Avenue Journal! We, the Capital Markets Board of Directors, wanted to bring you a premier, student led business journal of Saint Joseph's University that would not only be informative, but also riveting and simply enjoyable to read.

We have packed The Journal with a ton of valuable articles, written by students for students (and professors too). When you read the articles, if you come across any questions, jot them down. We encourage you to send us Tweets @CityAve_journal.

If you any additional questions, or are interested in joining, send us an email at cityavejournal@gmail.com.

Now, we invite you to sit back, relax, and enjoy an assortment of fascinating student-produced publications.

Sincerely,

The SJU Capital Markets Club Board of Directors



@CityAve_Journal



ek641147@sju.edu

MARKET SUMMARY

Sector Performance

Sector	Ticker	Price as of 04/01/19	Price as of 04/28/19	\$ Change	% Change
Consumer Discretionary	XLY	115.1	120.67	\$5.57	4.84%
Communication Services	XLC	47.48	50.76	\$3.28	6.91%
Consumer Staples	XLP	55.92	56.98	\$1.06	1.90%
Energy	XLE	66.99	66.22	(\$0.77)	-1.15%
Financials	XLF	26.34	27.7	\$1.36	5.16%
Health Care	XLV	91.89	89.01	(\$2.88)	-3.13%
Industrials	XLI	76.58	77.52	\$0.94	1.23%
Materials	XLB	56.33	57.07	\$0.74	1.31%
Real Estate	XLRE	36.11	35.99	(\$0.12)	-0.33%
Technology	XLK	75.01	78.56	\$3.55	4.73%
Utilities	XLU	57.77	58.1	\$0.33	0.57%
Vanguard 500	VOO	262.53	269.5	\$6.97	2.65%

Equity Markets

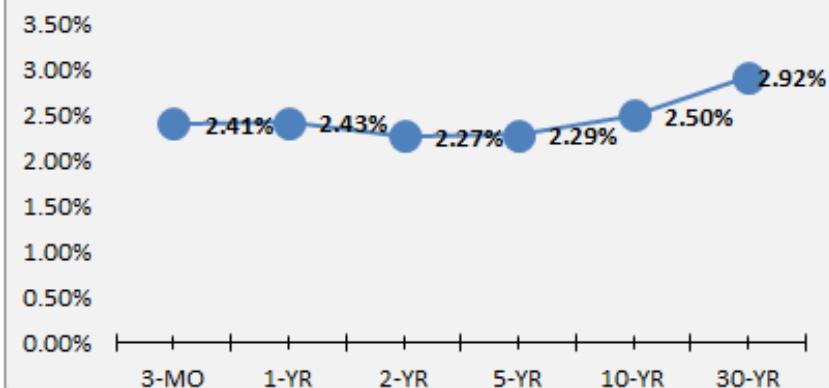
Benchmark	Symbol	Price as of 04/01/19	Price as of 04/28/19	Change	% Change
S&P 500	SPX	2867.2	2939.9	72.69	2.54%
Nasdaq	COMP	7828.9	8146.4	317.488	4.06%
DOW	DJIAK	26258.4	26543.3	284.91	1.09%
Russell 2000	R.2000	3867.2	3956.1	88.85	2.30%
FTSE 100	180555	7317.4	7428.2	110.81	1.51%
NIKKEI 225	180461	21509.0	22258.7	749.7	3.49%

Volatility Index	VIX	13.4	12.7	-0.67	-5.00%
------------------	-----	------	------	-------	--------

Exchange Rates per USD

Currency	Symbol	Rate as of 04/01/19	Rate as of 04/28/19	Change	% Change
Euro	USDEUR	0.891	0.896	0.0047	0.52%
Yen	USDJPY	111.200	111.555	0.3550	0.32%
Pound	USDGBP	0.761	0.773	0.0123	1.62%
Franc	USDCHF	0.998	1.019	0.0218	2.19%
Yuan	USDCNY	6.711	6.738	0.0274	0.41%

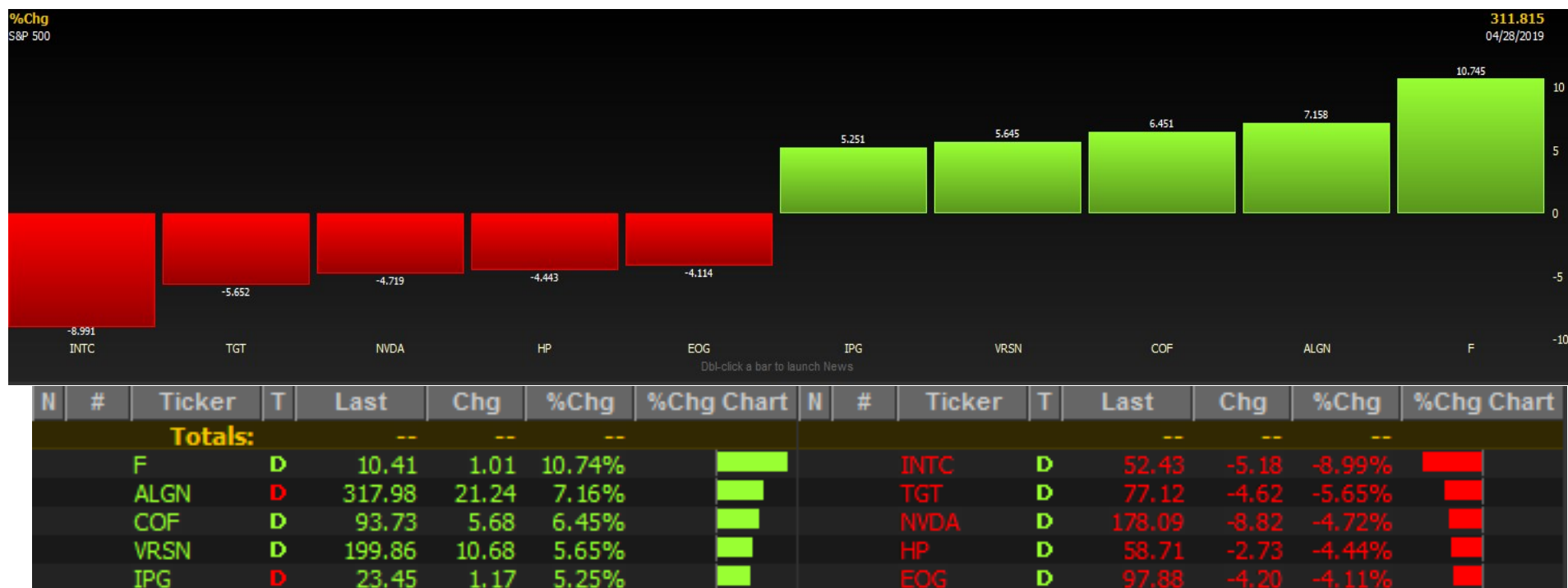
US Yields %



DISCLAIMER: All articles are written strictly for educational purposes, not for investment decisions. All forward-looking statements are simply opinion and not investment advice made by the author.

MARKET SUMMARY (CONTINUED)

S&P 500 Winners and Losers



DISCLAIMER: All articles are written strictly for educational purposes, not for investment decisions. All forward-looking statements are simply opinion and not investment advice made by the author.

KEEPING UP WITH CURRENT EVENTS

Are We Using the Right Ratios?

By: Luke Eisenhardt

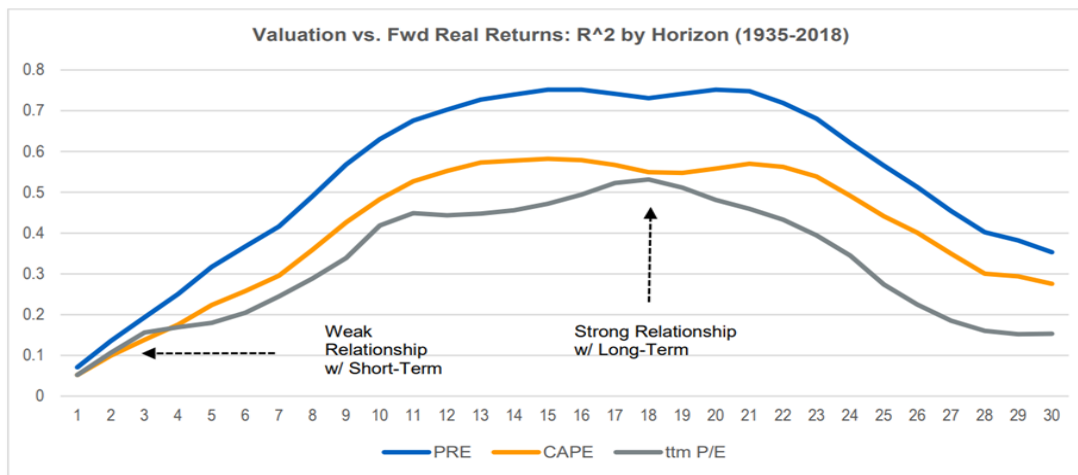
Continued from the front page

This question was the target of O'Shaughnessy Asset Management, a quantitative investment firm. They tackled this question in their 4th quarter letter to investors in 2018. They tested 3 different ratios using regression analysis. The goal was to determine how well these ratios correlate to real returns. They used the statistic correlation of determination (R^2) as the key performance indicator. This statistic shows how much of an effect an independent variable has on a dependent

variable. In this case the independent variables were the different ratios, and the dependent variable was real return.

The gentleman at O'Shaughnessy Asset Management found that when comparing price to earnings, cyclically adjusted price to earnings, and price to retained earnings, price to retained earnings was the most accurate ratio to help predict future returns. This price to retained earnings ratio takes the price of a company divided by the sum of its inflation adjusted retained earnings it has earned

over the lifetime of the business. It is very similar to the price to book value ratio but avoids turnover and measurement problems associated with valuing a company's assets.¹ The commonly used price to earnings ratio was the least accurate out of the three ratios. This research also shows that these measures are most helpful when attempting to predict returns on a 15 to 20-year time horizon. There was little to no correlation between the ratios and returns on shorter time horizons such as 1-3 years. This research should make us think about whether the ratios we use to value businesses are as helpful as we think they are, and if not, which ones could be more helpful. I hope to see, and maybe do, more research on this subject in the future.



DISCLAIMER: All articles are written strictly for educational purposes, not for investment decisions. All forward-looking statements are simply opinion and not investment advice made by the author.

KEEPING UP WITH CURRENT EVENTS

Is Bitcoin Back?

By: Dan Knerr

We've all heard about the explosive rise and subsequent crash of Bitcoin in 2017-2018. After all the excitement, Bitcoin looked as dead as ever after the crash. But now, it seems that a bottom may be in for Bitcoin following a day in early April where its price jumped over 20% in less than an hour, caused by a massive purchase in the market. Its price has been climbing ever since, and it begs the question, is Bitcoin back?

From a technical perspective, it does look like Bitcoin may indeed be on the rise again. This is because when the price reached its yearly low of \$3,200, the RSI, relative strength index, flashed oversold for the first time in many years. The last time this indicator flashed oversold, an explosive bullish rise occurred. Ever since RSI flashed oversold in December, Bitcoin's price has been steadily rising. In addition, on the day of the massive 25%+ spike in the price in early April, price settled above its 200-day moving average. His-

torically, Bitcoin has performed incredibly well exclusively when trading above this threshold, and horribly while below. The final, and maybe most convincing technical indicator that flashed bullishly is the "Golden Cross" that occurred a few days ago. This occurs when the 50-day moving average crosses above the 200-day moving average. This is a definitive indicator of changes in trend, and this crossover that occurred in Bitcoin's prices could bode well returns going forward.

In addition to the technicals, there are some high-profile names generating positive news. For one, Daniel Schulman, CEO of PayPal, has recently stated that he believes everyone should be invested in Bitcoin going forward due to the chance for massive growth. He claims that nobody should invest more than 1% of their portfolio to Bitcoin, as there is a chance for it to plummet in value. But that initial 1% holding in a portfolio has a real chance of exploding to 10% of that same portfolio, which ac-

tually makes the risk to reward ratio quite attractive. 1% portfolio downside risk to 10% portfolio upside potential is an attractive investment proposition for many people.

In addition, Serena Williams recently made a relatively large cryptocurrency investment, which shows that mainstream sentiment is getting better. If mainstream adoption increases, good things will follow for crypto investments. If major institutions continue to get on board, massive gains could be in the works as well.

Although many signs point to a crypto-revival, it is certainly not a foregone conclusion. When investing in cryptocurrencies, always remember to only invest as much as you are willing to lose, as these are highly risky investments. Also, ensure you buy dips in order to ensure you are getting a low price for the high risk you're taking. It will be interesting to see where cryptocurrencies go in the future.

KEEPING UP WITH CURRENT EVENTS

Uniting the Classroom and the Workplace

By: David Dewees

The Haub School of Business offers a valuable resource to its students which allows them to work in a professional setting in their major field. Open to all business majors, the Co-op Program replaces your summer break as an academic semester and your fall semester as a work term. The Co-op Program provides many benefits such as: builds your resume, advances your professional skills, gives real-world insight to your major, pays for your labor, and boosts your career.

To get started, search for their website at <https://sites.sju.edu/co-op/> or visit their table at the activities fair. From there, you will complete a registration packet and it is off to the races. Since employers will not hand you a job, you will have to earn it by getting involved and securing a high GPA. Choose activities that interest you and participate in them as much as possible. If you join a

club and do not participate, it is better you leave it off your resume.

While a 4.0 GPA is not necessary, it would certainly be advantageous.

For incoming freshman, it would be a good idea to see if it is the kind of work you would like to do for the rest of your life. Otherwise, you may graduate and hate your job. If you worry about missing your summer break, do not worry at all. You have plenty of time to relax because classes are from Monday to Thursday for only two months.

For upperclassmen, it is never too late to get involved. Co-op positions are designed for students who have little to no work experience. Therefore, you are more likely to find work related to your studies through this program than you would by yourself. Post-graduation, employers will prefer you to have some work experience; this program will fill that void.

Dr. Todd Krug, the director of the Co-op Program, will go above and beyond to help you succeed from providing guidance to your resume to setting up your interviews. By participating in the Co-op Program, you have a 63% chance of receiving a full-time job offer with your co-op employer. Given all these advantages, every Haub student should consider partaking in it.

KEEPING UP WITH CURRENT EVENTS

Will Social Security End in 2035?

By: Michael Walker

Recently, there have been reports in the media about the Social Security program running out of money by 2035. The Social Security program provides benefits to approximately sixty-three million people including retired workers, their dependents, survivors along with disabled workers, and their dependents.

While our government is currently consumed with the antics of Donald Trump and party infighting, our country's deficit is ballooning out of control due to the 2017 Republican tax cuts. Because of this, one of our government's largest entitlement programs, Social Security, is running out of money. Social Se-

curity costs are expected rise over the next twenty years as the Baby Boom generation retires. The fact that Americans are living longer due to advances in medicine and healthcare is also a contributing factor. Today, Americans 65 or older are expected to live longer by more than a third from 2019 to 2040. This will increase Social Security spending from nearly 5% of the economy to about 6% in 20 years.

Lawmakers have been procrastinating about coming up with a solution to this issue because it may involve unpopular policies, such as raising payroll taxes or reducing benefits. However, if the government

does not address this issue in a timely manner, the Social Security administration will only be able to pay out three-quarters of expected benefits through the end of 2093. The U.S. government must work together in a bipartisan way to protect social security benefits for current and future retirees.

OP-ED SERIES

Is the Federally Mandated Minimum Wage Counteractive?

By: Brett Revinski

Raising our country's minimum wage has been a heavily debated topic lately. Big businesses seem to have given up on lobbying against a rising minimum wage. All within recent weeks we have seen some of the largest corporations' pivot to feeding the argument for increasing the minimum wage. Beginning with McDonald's saying they will no longer lobby against the minimum wage, to Amazon announcing they will meet the \$15 per hour minimum, and now Bank of America saying they will be setting their minimum at \$20 ¹. Raising the minimum wage seems like a reasonable cause for a billion-dollar company to get behind. However, in most cases, the minimum wage does not hurt the employer; it hurts the employee. Of course, a higher minimum seems like an excellent idea, but how does it affect our economy as a whole and especially how

does it affect the exact people it is intended to help?

The concept of a federally mandated minimum wage in our current free market system has precisely the opposite of the intended effect on our economy. While we should not be opposed to an emphasis on social safety nets, the idea of a federally mandated arbitrary minimum wage is outrageous. The minimum wage argument is extremely counteractive and feeds into unemployment more than it attempts to fix it. For starters, a higher minimum wage means lower margins. Since labor costs get raised, the number of employees companies can hire is reduced. Therefore, diminishes employee opportunity. Additionally, many companies, mainly small businesses, could be forced out of business resulting in even more unemployment. One example of the numerous large

companies that would suffer is White Castle. Jamie Richardson, Vice President of this fast-food chain, said that the company would be forced to close almost half of its stores and let go thousands of workers if the minimum wage raised to \$15 ³. An article by the Federal Reserve Bank of Chicago stated that if the minimum wage increases, fast-food restaurants would pass almost 100% of their increased labor costs on to consumers and other industries are likely to do the same ². Consumers will feel the effects with raised prices in the market due to the decreased margins business's will now need to make up.

OP-ED SERIES (continued)

Is the Federally Mandated Minimum Wage Counteractive?

By: Brett Revinski

Getting a job will become increasingly more challenging with a raised minimum wage as well. If a worker cannot convince an employer to pay the minimum wage, then the worker cannot receive that job. It sets a minimum on the productivity a worker needs to provide a company for them to get hired, and if the minimal production cannot be reached, the worker will not be able to be hired at the minimum wage. People with the lowest skill levels cannot justify higher wages. Not to mention that companies will start outsourcing more positions to countries with lower costs resulting in fewer opportunities for American laborers. If not outsourced, companies will begin to automate any process of jobs that they can. For example, as of 2020, self-service ordering kiosks will be implemented at all United States McDonald's locations. Other chains, including fast-casual brands like Panera and casual-dining brands like Chili's, have already em-

braced this trend.

United States Federally Mandated Minimum Wage Increases dating back to 1979⁵ (displayed right)

Federal minimum wage	Effective date
\$2.90	January 1, 1979
\$3.10	January 1, 1980
\$3.35	January 1, 1981
\$3.80	April 1, 1990
\$4.25	April 1, 1991
\$4.75	October 1, 1996
\$5.15	September 1, 1997
\$5.85	July 24, 2007
\$6.55	July 24, 2008
\$7.25	July 24, 2009

OP-ED SERIES (continued)

Is the Federally Mandated Minimum Wage Counteractive?

By: Brett Revinski

The minimum wage even hurts individual motivation. If someone is more skilled or works harder than someone else, that person deserves more compensation. People make rational decisions. For example, if someone accepts an offer of \$5 an hour, that most likely means they were unable to get \$6 elsewhere. People will take the best job they can get. There is nothing wrong with entry-level employment and being taught the skills needed to move up the employment ladder. Raising the minimum wage increases the bar required to get a job and these opportunities to learn. Minimum wage cuts off the first level of the employment ladder, and it is that first lowest paying level that provides the skills and experience workers need to reach the next level and to continue climbing their way to a better life. It is better to be employed at a model of \$5 an hour than to be unemployed at the minimum wage of the model \$10 an hour.

More than 90% of countries in the world have some minimum wage legislation ⁴. There are a handful of countries without a minimum wage can shed much light upon the minimum wage argument here in America. These countries have abolished the federally mandated minimum wage in favor of having union-negotiated wages set by the industry:

Singapore, Sweden, Iceland, Finland, Italy, Norway, Denmark, Switzerland, and Austria. These countries are amongst the wealthiest and ranked highest for personal happiness in the world.

In discussing minimum wage, we are met with one of the main components in economics; there are rarely solutions; there are only trade-offs. So those arguing for a much higher minimum wage need to acknowledge the trade-offs we face when pushing for an entirely arbitrary minimum wage created by the

government. Is a minimum wage the best remedy to fix unemployment?

GET INVOLVED

Want to contribute?

Do you want to contribute to the City Avenue Journal or the Portfolio Analyst Team, the premier, student led business magazine of the Haub School of Business?

Please reach out to **ek641147@sju.edu**

Email us your name, class (freshman, sophomore, etc), major, and what you'd be interested in contributing.

We encourage submissions from all students including topics such as:

- Recent business news
- Prior internship/Co-op experience
- HSB events

Remember, not only will you get to show off your writing skills, but you will also get to put this on your resume! Trust us, employers will love it!

Interested in portfolio management, equity analysis, or investing?

We invite you participate as a stock/sector analyst for the Saint Joseph's University Hawk Portfolio. The portfolio consists of about 50 stocks spread across 9 sectors, and currently has a value of approximately \$250M. As an analyst, you will be conducting research on your assigned stock/sector. A consolidated report of all research and performance will be published on a monthly basis.

Note: Students who take FIN 401 make final investment decisions at the end of each semester.

DISCLAIMER: All articles are written strictly for educational purposes, not for investment decisions. All forward-looking statements are simply opinion and not investment advice made by the author.

CITATIONS

Are We Using the Right Ratios?

¹ https://www.osam.com/pdfs/research/61_Q4_2018_OSAM_Investor_Letter.pdf

Will Social Security End in 2035?

1. Borak, Donna, Luhby, Tami. (2019, April 22). Social Security won't be able to pay full benefits by 2035. Retrieved from <https://www.cnn.com/2019/04/22/politics/social-security-medicare-trustees-report/index.html>

Is the Federally Mandated Minimum Wage Counteractive?

1. DePillis, Lydia. "Why Big Business Is Giving up Its Fight against a Higher Minimum Wage." CNN, Cable News Network, 17 Apr. 2019
2. Daniel Aaronson and Eric French, "How Does a Federal Minimum Wage Hike Affect Aggregate Household Spending?" Chicago Fed Letter, Aug. 2013
3. Sean Williams "Bernie Sanders' Plan to Raise the Minimum Wage Has Plenty of Flaws," Business Insider, Aug. 23, 2015
4. Andjelkovic, Jovana. "Six Countries with No Minimum Wage." Nomad Capitalist, 13 Apr. 2019
5. "Characteristics of Minimum Wage Workers, 2017: BLS Reports." U.S. Bureau of Labor Statistics, U.S. Bureau of Labor Statistics, 1 Mar. 2018.