

Quantitative Investment Decisions

August 29, 2019

The Safety Net For Your Portfolio

Is Duration of the Inversion Critical?

As noted in our article “No Inversion Yet, according to St Louis Fed 10 to 2 Year Constant Maturity” 83% of the time the stock market incurred a negative return 3 to 36 months after the inversion. Is duration of the inversion a factor in the stock market impact? Below we note the twelve periods that the Constant Maturity inverted. Six times the duration of the inversion was less than 40 days. The events center around three periods 1989-90, 1998, and 2006-07. Two of the periods, 1989-90 and 1998, or 66% of the time the impact to the market was muted with a max drawdown based on month-end data of -8%. The 2006-07 period resulted in a recession and impact was -42%.

Unless the Trade Tariffs causes the world economy slowdown to move into recessionary levels we are going to stick to our initial guidance. The S&P 500 rallies to 3185 by November, then has a modest pullback of 8% to current S&P 500 levels before finishing 2020 with a 12% gain.

Exhibit1. Inversion of 10-2 Year Treasury vs Duration



Source: St Louis Federal Reserve, Morningstar

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Disclosures

Firm Definition

Quantitative Investment Decisions, LLC (“QID” or the “Advisor”) is registered investment advisor in the state of Florida organized as a Limited Liability Company (“LLC”) under the laws of the State of Delaware, whose principle place of business is in Naples, FL. The entire investment team and critical operations staff became affiliated with QID on January 2, 2015.

QID reviews a total firm AUM report broken out by account on a quarterly basis to ensure that only actual assets managed, or sub-advised, by QID are included. All accounts deemed to be advisory only, hypothetical, or model in nature are excluded from total firm AUM. Total firm assets are all discretionary (whether fee-paying or not) for which QID has investment management responsibility, including assets managed by sub-advisors that QID has authority to select.

Obtaining a Compliant Presentation and the Firm’s List of Composite Descriptions

A compliant presentation, including the performance data for the composite, may be obtained by contacting QID at 239.631.8912 or by emailing info@qidllc.com.