

Market Observations September 2016



THEN & NOW

Stocks, fashions, sports, weather - trends are found and followed in many parts of the economy and society. Among the most followed trends are those found in demographics. Demographic trends drive many other trends including those observed in investing. With data and hindsight, trends from then to now can be identified clearly. Linkages from demographic trends to investment themes and from investment themes to profit realization are less exact, but some perspective can be useful.

Perspective

Trends in and around the boomer generation (the age cohort born between 1946 and 1964) are among the most followed. Boomers have rolled through the U.S. civilian labor force as shown in **Chart I**. Inflections are visible when boomers have shifted among age groups. The traditional retirement cohort (age 65 years and over) as a percent of the total labor force declined by 56% from the 1950s to the 1980s. This trend has reversed with the retirement cohort now standing at a record 5.9% after only five years of the boomer rollover. The convergence of the boomer rollover, longer lives generally, income needs and lifestyle preferences likely will drive the traditional retirement cohort higher as a percentage of the total labor force in coming years.

Another well-followed trend is women in the labor force as shown in **Chart II**. A strong trend took their percentage from 28% to 46% over forty-five years. Other trends resulted such as the growth of out-of-home childcare services and facilities. The percentage of women in the labor force has remained between 46% and 47% for the past twenty years. While needs and preferences likely will trigger other trends ahead, the relative impact of change from this cohort now may be lessened unless its work force percentage trends higher again.

The U.S. Bureau of Labor Statistics conducts an interesting annual survey to determine how Americans use their time. The most recent results are shown in **Table I**. Analysis indicates little movement in these broad categories over the thirteen years of available data, although there has been a little less time in work and a little more time in sleep. Within categories, the following have occurred: less time eating and purchasing goods and services; more time in leisure and sports.

Investment Implications

Trend information carries implications for asset allocations, sector weightings and individual security selections. The larger the implication and the narrower its impact, the more the opportunity can be realized through experts with specific focus and discipline. These experts can be pulled together efficiently and effectively through a properly diversified portfolio.

Chart I

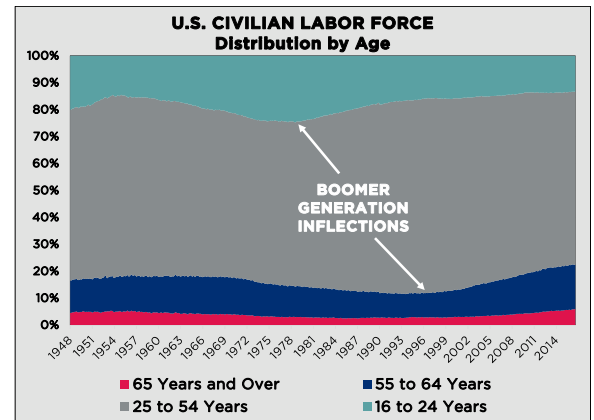


Chart II

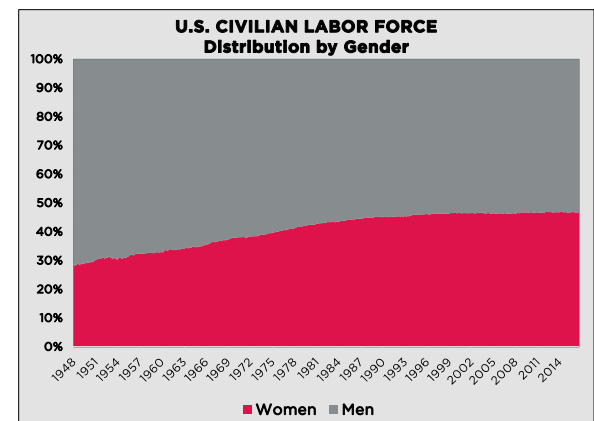


Table I

