

---

# “The quick glance”



Who is T.I.N.A.?

---

## Hardee Investment Group

H.H. “Will” Hardee, AWM

Managing Director –  
Financial Advisor

Senior Portfolio Manager –  
Portfolio Focus

First City Tower  
1001 Fannin Street, Suite 1200  
Houston, TX 77002  
Phone: (713) 853-0879  
Toll Free: (800) 838-0757  
Fax: (713) 651-3366  
will.hardee@rbc.com

Recently, I was talking to a client who had a 6% muni bond that was maturing. I shared the current rate on 10-year AAA-rated munis, which was 1.70%. After recovering from sticker shock, they asked what else we available. U.S. Treasuries are at 1.6%, CDs-2%, corporate bonds- 3%, and high-yield “junk” bonds- 4.5%. All for 10-year maturation. They realized they had a problem.

Extremely low interest rates are creating real problems for individuals, pension funds, foundations, and insurance companies alike. The fixed income market is larger than the stock market. For decades, low-risk money has purchased bonds because they offer a degree of certainty. You earn the stated interest rate for a certain period of time. With negative interest rates in Japan and Europe, you actually pay their governments to hold your money. A typical 60% bond/ 40% stock allocation no longer works as pension funds are finding out. The California Pension Fund (CALPERS) reported yesterday their return for last year was 0.8%. Their stated needs are 7.5% to meet their pension obligations. A major shift is underway as rising interest rates appear to be far in the future.

It’s been said this is the most hated bull market in decades. Stocks are “overvalued” and the news is scary. Yet, the market works higher. “Brexit” is a prime example of this shift at work. The news was shocking and panic set in. The Dow Jones Average lost approximately 1100 points in two days, peak to trough. One week later, the losses were only a brief memory as the market recovered it all. The uncertainty is still there: What will happen to Europe and Britain? It may be two years before we know. Yet higher we go.

Money is being forced to find a home and that means increasing your risk by investing in stocks that have higher dividend rates than bonds. As an example, approximately \$85 billion in tax-free bonds mature during July and August 2016. This trend is not over. However, it is spreading out to more and more assets. Large pools of money are beginning to realize There Is No Alternative (T.I.N.A.) and will have to reallocate former bond money to equities. T.I.N.A. should be with us a while.

---

The views presented herein are solely those of H.H. “Will” Hardee, and do not necessarily represent the views of RBC Wealth Management. Current status of issues discussed in this letter is subject to change based upon market conditions and industry fundamentals. Clients should work with their Financial Advisor to develop investment strategies tailored to their own financial circumstances. Past performance is no guarantee of future results. The name Hardee Investment Group refers to a group of Financial Advisors working in the Houston, Texas office of RBC Wealth Management. The Hardee Investment Group is not a separate legal or corporate entity. All services offered and all memberships referenced in the presentation refer to the services offered or registrations held through RBC Wealth Management.