

***CENTURION COUNSEL***  
***MARKET COMMENTARY***  
***Q2 2019***

After a strong first half of the year, we believe that the equity markets make take a breather for a period of time. We expect U.S. economic growth to moderate while other developed markets lag the U.S. but are stabilizing. Central banks remain accommodative and a Fed rate cut is on the table due to soft economic data and the impact of trade conflicts. Noisy public posturing around trade conflicts may for periods of time dominate the news. We believe domestically focused companies may be less exposed to the effects of a downturn in global trade.

The Presidential race is starting to heat up as evidenced by the circular firing squad that was the Democrat debates. It seems that most of the candidates are trying to top each other in giving things away. The current giver in chief is Bernie Sanders, who in giving it the old college try has proposed to eliminate tuition at public colleges, while paying off every student loan in the country. This little bit of largess will only cost \$1.6 trillion. To pay for all of this Mr. Sanders has proposed a tax on all Wall Street transactions, as Bernie proposed tax of 0.5% on stocks, 0.1% on bonds, and 0.005% on derivatives. The proposal wouldn't be able to offset the alleged \$2.2T cost over ten years and would subsequently make capital markets less liquid and force traders overseas.

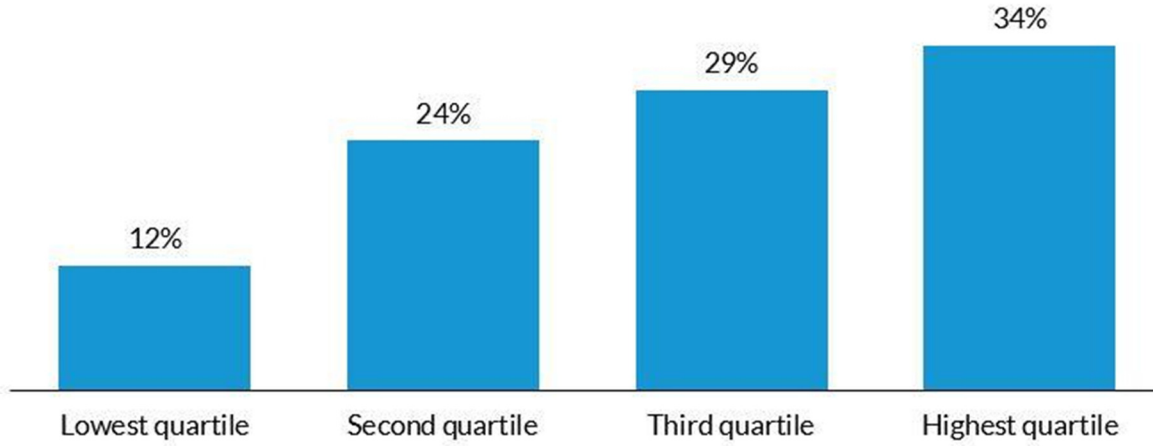
In 2005 the Securities and Exchange Commission promulgated Reg. NMS which did away with the old trading system using 1/8's while requiring the use of a decimalized system. The new system reduced costs for investors, increased liquidity and greatly increased access for all investors.

Student debt, in the aggregate, has tripled since 2007 and has since surmounted car loans and credit card debt to become the number two liability for US households, after mortgage debt. Roughly 45 million Americans now carry some student debt, with the average balance being somewhere around \$38,000 and the median somewhere between \$10,000 and \$25,000. Last year, 69% of current college students had some amount of student borrowing.

Shrinking it or cutting this number dramatically would be wonderful, but someone has to pay for it. A 50 basis point tax (.5%) on every buy and sell in the stock market could theoretically do that within a few years, but the consequences could be catastrophic. The Sanders plan would likely end up hurting the economy in the long run much more than it might help in the short term. The vast majority of stock market participants aren't "fat cats" or Wall Street speculators. They are savers and would-be retirees who would bear the costs of this plan, whether directly through their own trades or indirectly through their 529 plans, 401(k) accounts and IRAs.

It also begs the question of what do those that paid for college thru savings and hard work get?

## Education Debt Held by Households Age 25 and Older in Each Income Quartile, 2016



**Source:** Survey of Consumer Finances.

**Notes:** Lowest quartile: \$27,000 and below; second quartile: \$27,001-\$52,000; third quartile: \$52,001-\$97,000; highest quartile: \$97,001 and above. Percentages do not sum to 100 because of rounding.

URBAN INSTITUTE