

**The following are very simple, straight-forward questions designed to help assess an individual's knowledge of the Financial Markets.**

- **What are the components to GDP?**  
Personal Consumption, Business/Private investment, Net Imports/Exports, Government Spending.
- **What are the ISM indexes? .. How often / when are they released?**  
These are Indexes released by the Institute for Supply Management. They collectively give a detailed look at both the Manufacturing and Non-Manufacturing sectors, their current pace, and where things might be headed. They look at employment trends, production, new orders, supplier deliveries, their sector inventories, to name a few. Data is released monthly on a one month lag.
- **People frequently talk about a “Dual mandate” for the “Fed” .. What does that mean?**  
The Federal Reserve, what many commonly refer to as “The Fed,” has two distinct mandates: Full Employment & Price Stability. It's tasked with conducting Expansionary & Contractionary Monetary policy, through a process called Open Market operations, designed to either stimulate growth within the economy, or .. if overheated, slow it down (typically accomplished by lowering/raising interest rates).
- **What is the Difference between the Discount Rate & Federal Funds Rate?**  
Both have major influence on broader rates. The Federal discount rate is the rate the Fed charges member banks, whereas, the Fed Funds rate is the rate at which member banks charge one another for "overnight" loans, generally meant to meet reserve requirements.
- **How Many Tax Brackets are in Federal Tax Code & how is it presently designed?**  
There are currently 7 Federal Tax Brackets (10%, 12%, 22%, 24%, 32%, 35%, 37%)  
Individuals are taxed on a marginal, progressively higher basis.
- **What is EBITDA?**  
It's an indicator of a company's financial performance. EBITDA = Earnings Before Income, Taxes, Depreciation & Amortization.
- **Who are Christine Lagarde & Janet Yellen ?**  
Christine Lagarde is the current President of the European Central Bank.  
Janet Yellen was assumed the role of U.S. Treasury Secretary on January 26, 2021.
- **What are examples of key Economic reports distributed Weekly / Monthly / Quarterly?**  
**Weekly** – ICSC (Tuesdays @ 7:45 am, EIA (Wed. & Thurs. @ 10:30 am), BLS (Thursdays @ 8:30 am).  
**Monthly** – ISM (1ST & 3RD Bus Days, Auto Sales (1st week of the month), Cons., Sentiment (U. Mich - 2x), Industrial Production & CPI (mid-month)  
**Quarterly** – GDP, GDP revisions, CPI, CPI revisions ... 8x annually – FOMC minutes.
- **How many Asset Allocation methods are generally used in constructing a Portfolio?**  
Strategic, Tactical & Core-Satellite are the three primary methodologies.

Like the above-referenced, the following also look to assess an individual's overall knowledge of the Financial markets, but are more subjective & open-ended in nature, intended to create insightful & thought-provoking dialogue, and can be used when speaking to a "financial professional."

- **What are your thoughts on Modern Portfolio Theory?**

*MPT forms the basis of present-day portfolio construction theory. Advisors should have very real thoughts with respect to it.*

- **What Steps do YOU, the "Financial Professional," take to protect against a "Black-Swan" event?**

*A Black-Swan event is not something that can be seen taking place ahead of time & generally has a negative effect on markets. True professionals should understand not only what it is, but also be able to provide a real-life example, and share how one might guard against it.*

- **What are your thoughts/opinions on Sector Rotation, and which Sectors do you favor over the next 3 months? .. 9 months? .. And WHY?**

*Understanding this concept is a critical indication of one's knowledge of portfolio construction.*

- **In your opinion, are we in the early, mid, or late-cycle phase of the economic cycle .. And Why?**

*The aim here is multiple. Not only do we want to see the individual's ability to explain the cycle, but also, and maybe more importantly, his/her ability to compare and contrast the various stages while providing clear examples. A very subjective concept, so there is no right/wrong answer in terms of where we are within a cycle. What's important is a sound understanding & an ability to perhaps provide historical context.*

- **What are your thoughts regarding Strategic, Tactical, Dynamic and Core-Satellite Asset Allocation? Which do you favor, if at all, and why?**

*There are several schools of thought in terms of how one might construct a portfolio & then diversify amongst various asset classes. The above lists four. A true professional should be able to compare & contrast each one.*

- **What is your Buy/Sell signal for Portfolio positions?**

*Entry & Exit points should be clearly thought out prior to placing funds in any investment.*

#### **About the Author:**

The author, Joseph E. Camargo, is the founder & Portfolio Manager of Phoenix Investment Mgmt. Mr. Camargo has over 28 years experience in the Financial Services industry and is a graduate of the **College for Financial Planning**, holding the **AAMS® & \*AWMA®** designations (**\*one of only 1,250 professionals across the country to do so**). He has also held **FINRA Series 65** license, **Series 24**, **Series 7**, **Series 63**, **Series 6**. Mr. Camargo is also a **Chartered Market Technician** candidate.

Joe presently lives in the South Shore area with his wife and two youngest children.

\* Source: FINRA. Data as of May 2016

