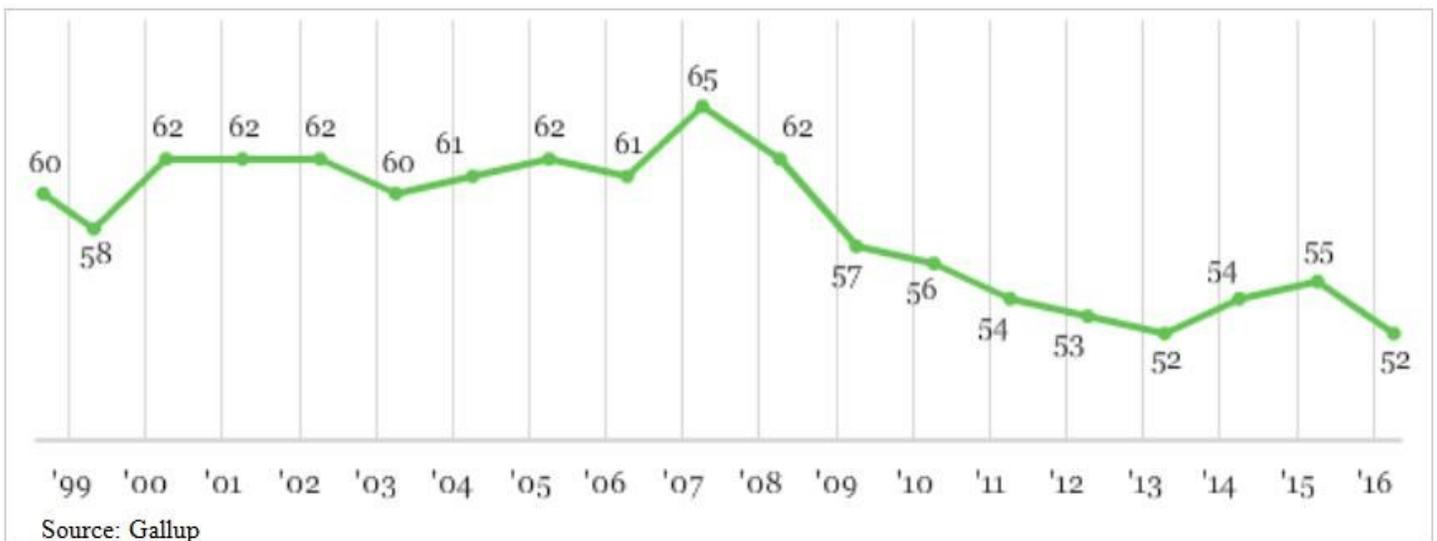


CHART OF THE MONTH

APRIL 2016

Percentage of U.S. Adults Invested in the Stock Market



The major market indexes in the U.S. are near their all-time highs, yet the percentage of Americans invested in stocks is at a record low. To wit, according to a new Gallup poll, only 52% of adults are invested in the stock market, matching the lowest ownership rate in the poll's 19-year history.

As shown in the graph above, stock ownership hit a record high of 65% within months of the market peak in 2007. Stocks were pummeled in 2008 and early 2009 during the financial crisis, which was largely due to the collapse of housing prices. Since the bottom, stocks have recovered all of their "losses" and are now 33% above their old highs and more than three times the lows established in March 2009 (excluding approximately 2%-3% per year in dividends in both cases).

Unfortunately, millions of Americans have been on the sidelines during one of the longest and most prolific bull markets ever. U.S. households, in fact, have reduced their holdings of stocks, mutual funds, and exchange-traded funds by roughly 20% or over \$2 trillion in total, the largest liquidation of equities in history.

Meanwhile, the Commerce Department reported today that the home ownership rate in the U.S. fell to 63.5% in the first quarter, nearing a 50-year low (see below). Like stocks, the ownership rate was at an all-time high of more than 69% at or near the peak of the housing bubble from 2004 to 2006.

Rising home prices, delays in marriage and childbearing, and ballooning student loan balances that collectively exceed \$1 trillion are all weighing on younger households and motivating them to rent instead of buy despite mortgage rates that are near all-time lows. Generally speaking, millennials seem to be comfortable with renting homes, leasing cars, and "paying as you go," if you will. However, the Commerce Department also reported that the median rent increased 8.9% year over year, a rate of change that may inspire renters to consider buying a home in the not too distant future.

If the past is any guide, the record low levels of ownership would suggest that stock prices and home values are probably far from peaking. While real estate has been a great asset to own over the long term, the stock market, as measured by the S&P 500, has appreciated more than four times the average home price increase in the 10 largest metropolitan cities since 1980, according to Forbes.

Home Ownership Rate in the U.S.

