

## Greenspan's 'Conundrum' Can Teach Us All a Lesson

Jeff Hussey, Head of U.S. Fixed Income, Russell Investment Group



What Federal Reserve Board chairman Alan Greenspan called a "conundrum" more than three months ago remains a poser. Why has the pressure the Fed is exerting on short-term rates not translated into increases in long-term rates? Over the past year, the Federal Reserve has raised short-term rates from 1 percent to 3 percent but yields on 10-year bonds have fallen.

The obvious answer is it is a matter of supply and demand. More investors are buying than selling treasury bonds. The unknown factor is why.

Theories:

- Pension funds feel obliged to buy longer term bonds to protect their capital for future needs. The recent default by the United Airlines pension fund might have woken up other corporations with large pension funds to the possibility they might face similar problems. Buying bonds would help to protect their assets.
- Investors in bonds might believe the economy has slowed, inflationary prospects are receding and the Federal Reserve will stop increasing rates soon, a move that would benefit bonds. They are buying bonds now, in advance.
- Hedge fund managers, bruised in recent months, could be moving into Treasury bonds as a safe haven to help them retain their track records.
- Foreign investors could be buying U.S. bonds in significant quantities.

We can all learn a lesson from the failure of bonds to perform as forecast: It seldom pays to invest on the basis of predictions. The answer is to be fully diversified so you will be ready for almost anything.

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*Russell Investment Group, a global leader in multi-manager investing, manages more than 180 investment funds, provides consulting services to foundations and endowments as well as the pension funds of many of the world's largest companies, and issues indexes that track stock movements. The company has \$133 billion in assets under management.*

## Tips on Financial Presentations to Executives

Stuart R. Levine, CEO, Stuart Levine & Associates LLC



Over the past 30 years, as CEO or board member I have often observed crucial financial presentations that lacked clarity and effectiveness and impacted on my confidence in the presenter. It is my intent to layout a few key presentation principles for before, during and after the presentation, that will help financial managers strengthen their presentation results.

**BEFORE:** Understand the information needs and expectations of the audience. Have a discussion with the Board Chairman, Chair of Finance Committee, CEO or CFO in advance to clarify exactly what financial data is required, the preferred format and frequency of information. As presenter, it is your job to understand the dashboard of your audience. If the presentation is to the board, they should receive the information three to five days in advance, so they have time to digest the information and ask intelligent questions. This will elevate the level of discussion as well as your importance.

**DURING:** Be direct in your message and have back up. Have concise data exhibits, which support your response to questions. It's all about accuracy. When you speak, be cognizant of time since your topic may be one of many discussed. You must be highly focused in your primary message. Executives and board members will want to hear about aberrations i.e. a spike up in LOS. Be prepared to answer directly how and why the data was created. Most importantly, if you don't know the answer, don't comment. Better to get back a few days later with the correct response. Critical and far reaching decisions may be made based on your data and answers.

**AFTER:** Be available if people want to talk off line. Many critical discussions occur between the presentations.

Ultimately, senior executives need to have confidence that you understand the issues and are collecting the correct data so that they can make the right decisions.

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