CRI Quarterly Review

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CBIS Catholic Responsible Investing

A Conversation with Chief Investment Officer John W. Geissinger, CFA, and Managing Director Connie M. Christian, CFA

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John W. Geissinger, CFA

Chief Investment Officer

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Connie M. Christian, CFA

Managing Director

The stock market's been volatile so far this year with no real progress. Do you think it will continue to be jittery like this in the near term?

Mr. Geissinger: I believe so. The year started off a little too far too fast given this sticky inflation and upcoming Federal Reserve interest rate increases.

High-profile companies continue to announce layoffs while workers are finding it easy to get jobs. What's your read?

Ms. Christian: It's true we keep seeing high-profile layoffs, but a lot of them have been in the technology and financial sectors. The overall unemployment numbers are low.

Mr. Geissinger: The transition we're going through will be healthy for the economy and financial markets longer term. But transitions are messy in the short run.

Meanwhile, monetary officials have indicated more hikes will be needed to curb inflation. That's good for bond prices but what do these higher rates mean for stocks?

Mr. Geissinger: The interest rate increases to date have begun to normalize the relationship between stocks and bonds. I would argue this is bringing bonds back to normal.

Ms. Christian: Businesses going forward won't be able to count on what has been a very low cost of capital. Companies will have to rely on solid business models and good execution to generate profits. That's a great case for active management.

"Companies will have to rely on solid business models and good execution to generate profits."
- Connie Christian

Isn't this normalization positive for long-term investors?

Mr. Geissinger: Absolutely. Given their magnitude and speed, this string of rate increases has been a bitter pill to swallow. But they were a very good thing for investors. This normalization will help reduce unintended consequences and capital being misallocated due to these distorted interest rates.

Ms. Christian: And I'll remind investors of the importance of diversification. When the tide shifts, there's going to be pain for concentrated portfolios.

Over time, the markets swing from overvalued to undervalued. Where are stock valuations at this point?

Mr. Geissinger: The pendulum is probably somewhere in the middle. But we have a lot of smaller pendulums that are out of sync. This shakeout is going identify the winners and losers.

Ms. Christian: Which provides an excellent opportunity for active managers focusing on the quality of companies to differentiate themselves.

Equities have materially outperformed bonds since 2008. Do you think it's time for investors to increase their allocations to fixed income?

Mr. Geissinger: I think investors are already thinking about how fixed income can be utilized in their portfolios, particularly after the double-digit negative returns we witnessed last year.

Your fixed-income managers performed well in last year's difficult environment. How does that position them for what you think will be a better investing environment?

Ms. Christian: Last year was a good example of how combining managers with different sources of alpha can work. We believe our integrated manager approach is well-situated for the near term. Over the long term we expect our integrated manager approach to outperform.

Could there be any fallout from the Silicon Valley Bank collapse that might affect the broader market?

Mr. Geissinger: We don't expect broad contagion from this. Silicon Valley Bank (SVB) was unique in several regards, but in the end, this was a simple run on the bank.

The bigger story, I think, is the new Bank Term Funding Program the Feds put in place. Going forward, the Fed will be able to continue to fight inflation without concern for the kind of mark-to-market hits that sunk SVB.

Any final thoughts?

Mr. Geissinger: The expected long-term return for our investors' portfolios is much higher than it was a year or two ago. That's good news we need to celebrate.

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Contact Us

We want to hear from you!

If you have any questions, please reach out to your CBIS representative:

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