



# Portfolio Stress Testing

## The Details

### What is Portfolio Stress Testing?

Stress Testing is about assessing the potential impact of economic scenarios (e.g. oil crash, inflation, etc.) on your portfolio and other investments.



### Example: John fears an oil crash

#### Oil Crash: Commodities Perfect Storm

	Current	Projected	Scenario Impact
Oil	\$39.59	\$19.48	-51%
S&P 500	2,035.94	1540.05	-24%
10Y UST Yield	1.91%	1.32%	-0.59 pts
Unemployment	4.90%	5.10%	0.2 pts

### Potential Loss

Portfolio: John Simple		
Totals:*	624,352.08	(-131,735.04) <b>-17.42%</b>
\$419,900 XOM	EXXON MOBIL CP	-15.6% -65,502.86
\$111,211 AGG	iShares Barclays Aggregate Bond ETF	1.78% 1,979.43
\$31,350 PCRX	PIMCO Commodity Real Ret Strat A	-28.64% -8,978.31
\$73,530 GOOG	GOOGLE INC	-25.09% -18,445.38
\$120,096 EEM	iShares MSCI Emerging Markets Index	-27.67% -33,227.05

### How it Works

- 1 The software measures how oil prices impact Exxon, how home sales impact Lowe's, and millions of similar relationships between the economy and investments.
- 2 We create what-if scenarios to model recessions and other economic events. For example: What if oil hits \$20/barrel; what if the 2008 Recession happens again?
- 3 In a stress test, we use the relationship between an investment and an economic indicator to project possible performance. For instance: if Exxon usually falls 3% when oil falls 10%, then Exxon would lose 15% if oil fell 50%.