

Back to the Future Part II

*On Behalf of
FEMSA/FAMA*

*By: Anirban Basu
Sage Policy Group, Inc.*

October 2nd, 2014



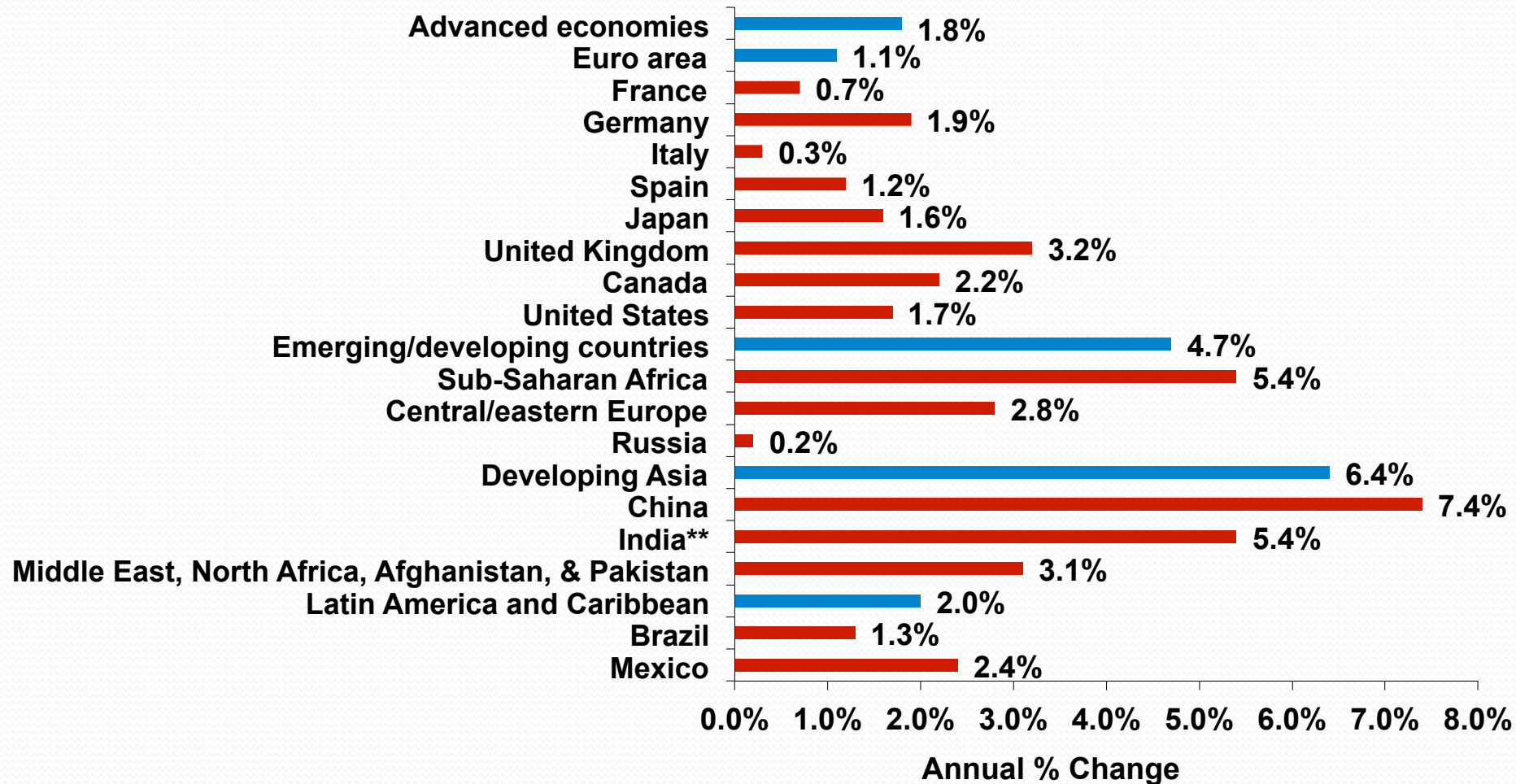
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Raging Bull (1980)



Estimated Growth in Output by Select Global Areas

2014 Projected*



Source: International Monetary Fund, July 2014 WEO Update

*The IMF's global and regional growth figures for 2014 are based on new purchasing power parity (PPP) weights derived from the recently released 2011 International Comparison Program survey (see box) and are not comparable to the 2013 figures reported in the April 2014 WEO

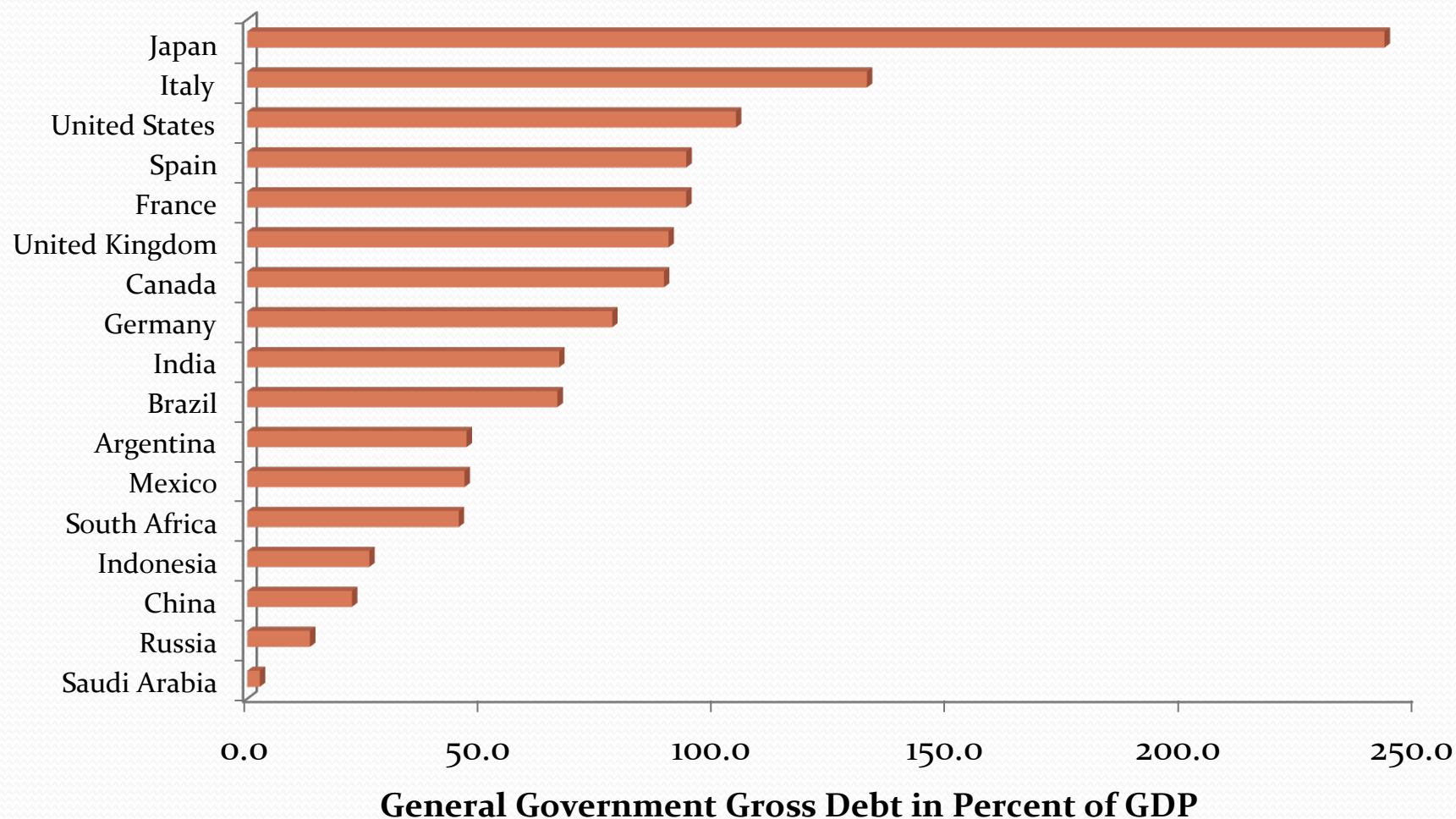
**For India, data and forecasts are presented on a fiscal year basis and output growth is based on GDP at market prices. Corresponding growth forecasts for GDP at factor cost are 5.4 percent for 2014.



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Debt by Selected Country

2013 Estimates*



Source: International Monetary Fund, April 2014 WEO

*IMF Staff Estimates

Top 12 Stock Exchanges

2013 Growth*

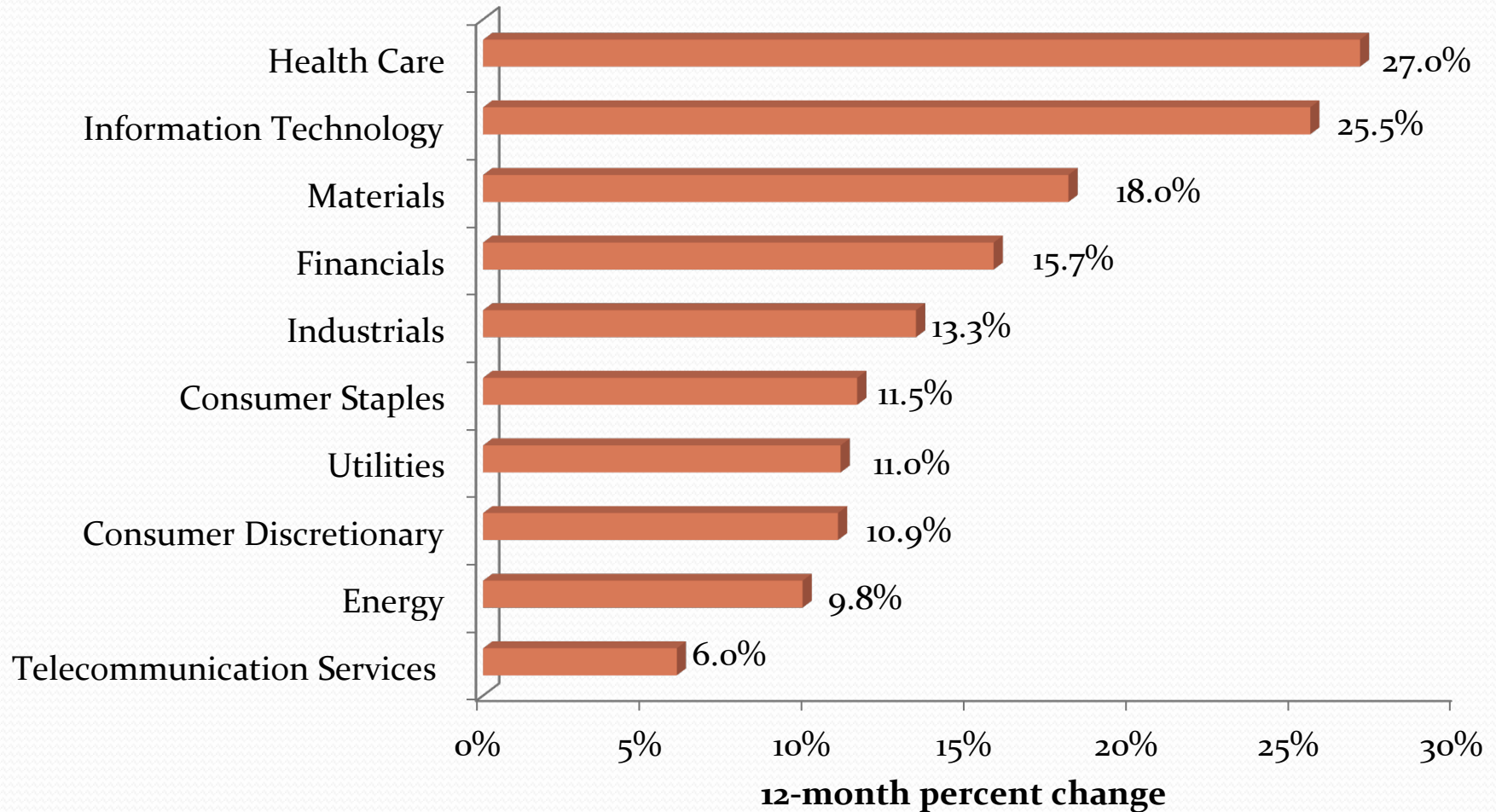
Rank	Exchange	Index	% Change
4	Tokyo SE	Nikkei 225	56.7%
2	Nasdaq	NASDAQ Composite	38.3%
1	NYSE Group	DJI A	26.5%
6	Frankfurt SE	DAX	25.5%
8	Bolsa De Madrid	Madrid General	21.4%
12	Swiss Exchange	Swiss Market	20.2%
5	Euronext	CAC 40	18.0%
10	Borsaitaliana	FTSE MIB	16.6%
3	London SE	FTSE 100	12.0%
9	TSX Group	S&P TSX Composite	9.6%
11	Hong Kong Exchanges	Hang Seng Index	2.9%
7	Shanghai SE	Shanghai Composite	-6.8%

Source: Yahoo! Finance

*Change from the 2012 close to the 2013 close.

S&P Select Sector Performance

12-Month Percent Change as of September 26, 2014



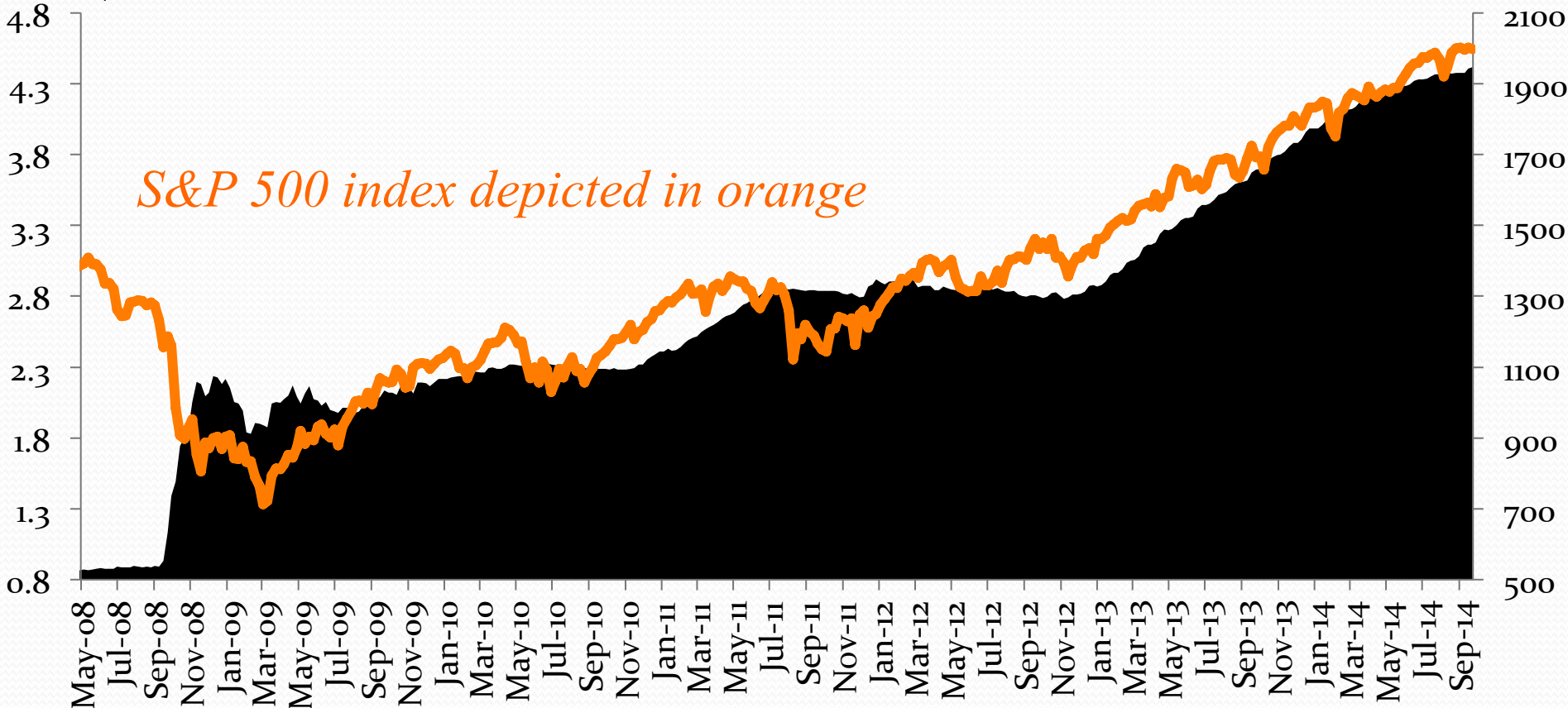
Source: Standard & Poor's

Federal Reserve Balance Sheet v. S&P 500 Index

May 2008 – September 2014*

FRB Credit Reserve
\$Trillions

S&P 500



Source: Federal Reserve Bank; Yahoo Finance

*Through 9/24/2014



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Second Quarter Earnings for Select Corporations

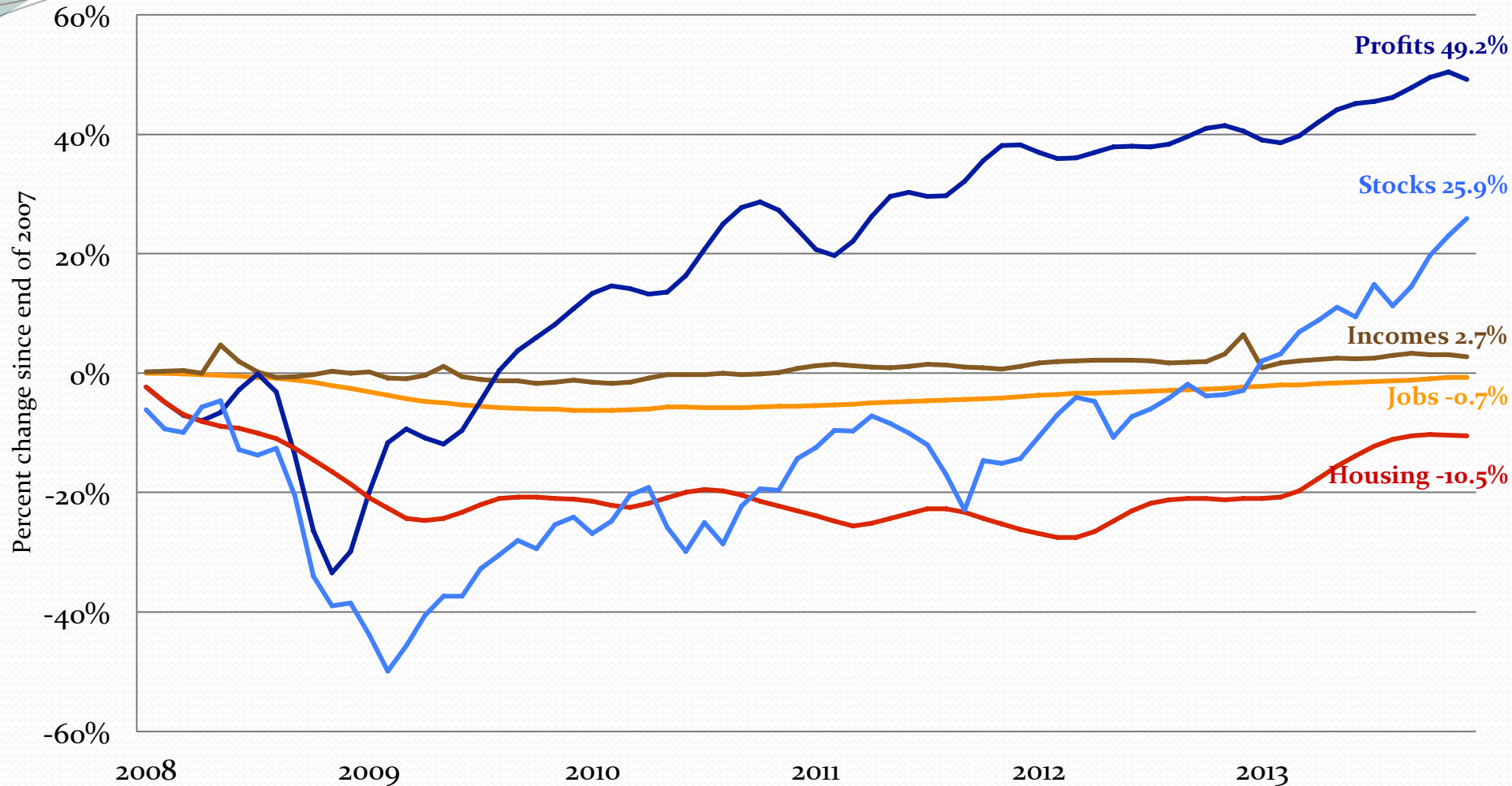
Earnings per Share

Symbol	Q2 2013	Q2 2014 Estimated	Q2 2014 Reported	Surprise	Symbol	Q2 2013	Q2 2014 Estimated	Q2 2014 Reported	Surprise
CMG	\$2.82	\$3.09	\$3.50	\$0.41	BTU	\$0.33	-\$0.29	-\$0.28	\$0.01
COF	\$1.87	\$1.82	\$2.04	\$0.22	DD	\$1.28	\$1.17	\$1.17	\$0.00
UTX	\$1.70	\$1.71	\$1.84	\$0.13	GE	\$0.36	\$0.39	\$0.39	\$0.00
FCX	\$0.22	\$0.51	\$0.58	\$0.07	MMM	\$1.71	\$1.91	\$1.91	\$0.00
COH	\$0.89	\$0.53	\$0.59	\$0.06	AMD	-\$0.09	\$0.03	\$0.02	-\$0.01
TXN	\$0.58	\$0.59	\$0.62	\$0.03	YHOO	\$0.35	\$0.38	\$0.37	-\$0.01
DOW	\$0.64	\$0.72	\$0.74	\$0.02	STI	\$0.68	\$0.76	\$0.72	-\$0.04
HON	\$1.28	\$1.36	\$1.38	\$0.02	UPS	\$1.13	\$1.25	\$1.21	-\$0.04
VFC	\$0.32	\$0.35	\$0.36	\$0.01	MCD	\$1.38	\$1.44	\$1.40	-\$0.04
XRX	\$0.27	\$0.26	\$0.27	\$0.01	MSFT	\$0.66	\$0.60	\$0.55	-\$0.05
VZ	\$0.73	\$0.90	\$0.91	\$0.01	CAT	\$1.45	\$1.53	\$1.69	-\$0.16

Source: Yahoo! Finance

Top Gun (1986)

Profits out of the Danger Zone



Source: BEA, BLS, S&P Case-Shiller, Yahoo! Finance

The Golden Child (1986)

Highest Earning Hedge Fund Managers, 2013

Manager	Hedge Fund Firm	2013 Earnings	Net Return
George Soros	Soros Fund Management	\$4 billion	22%
David Tepper	Appaloosa Management	\$3.5 billion	42%
Steve Cohen	SAC Capital Advisors	\$2.3 billion	19%
John Paulson	Paulson Enhanced	\$1.9 billion	26%
Carl Icahn	Icahn Enterprises	\$1.7 billion	31%
James Simons	Renaissance Technologies	\$1.1 billion	18%
Ray Dalio	Bridgewater Associates	\$900 million	5.25%
Ken Griffin	Citadel	\$900 million	19.25%
Larry Robbins	Glenview Capital	\$750 million	43%
Leon Cooperman	Omega	\$730 million	25%

Source: Forbes

2013
S&P 500: +29.6%



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Airplane! (1980)

David Tepper's Move against the Market

“Our big play versus the market is airlines. That’s a big play. We’re the biggest holder of all these different airlines. No hedge fund owned as many airlines as we did and not too many people did. Delta, UAL, LCC, US Air, AMR. We owned big percentages in all those stocks. And you know what, they did pretty good... pretty freaking good.”

-David Tepper



Source: Forbes, Bloomberg

2013

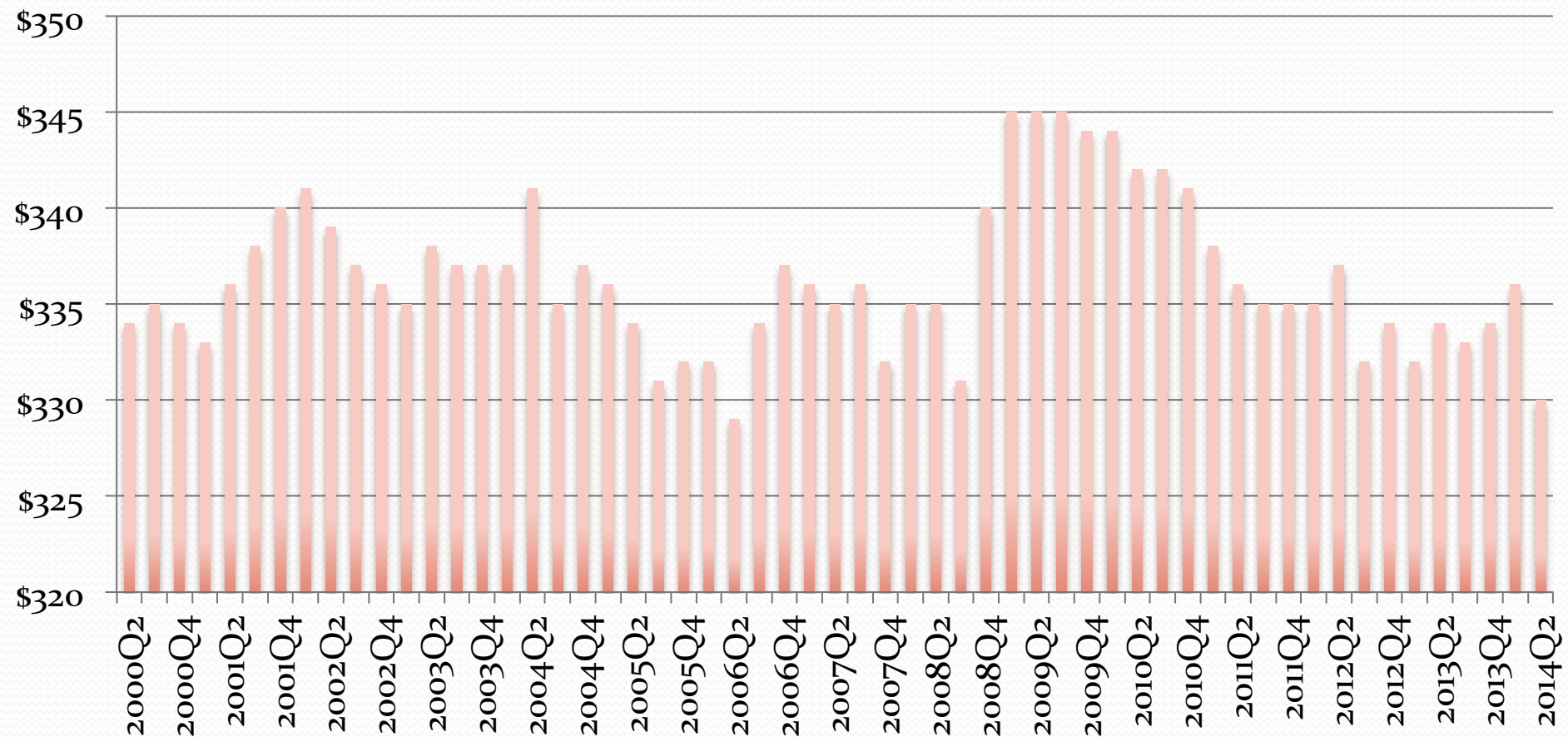
Appaloosa Management: +\$3.5 billion (42%)



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Median Weekly Earnings, Full-Time U.S. Workers*

2000Q2 through 2014Q2



Source: U.S. Bureau of Labor Statistics

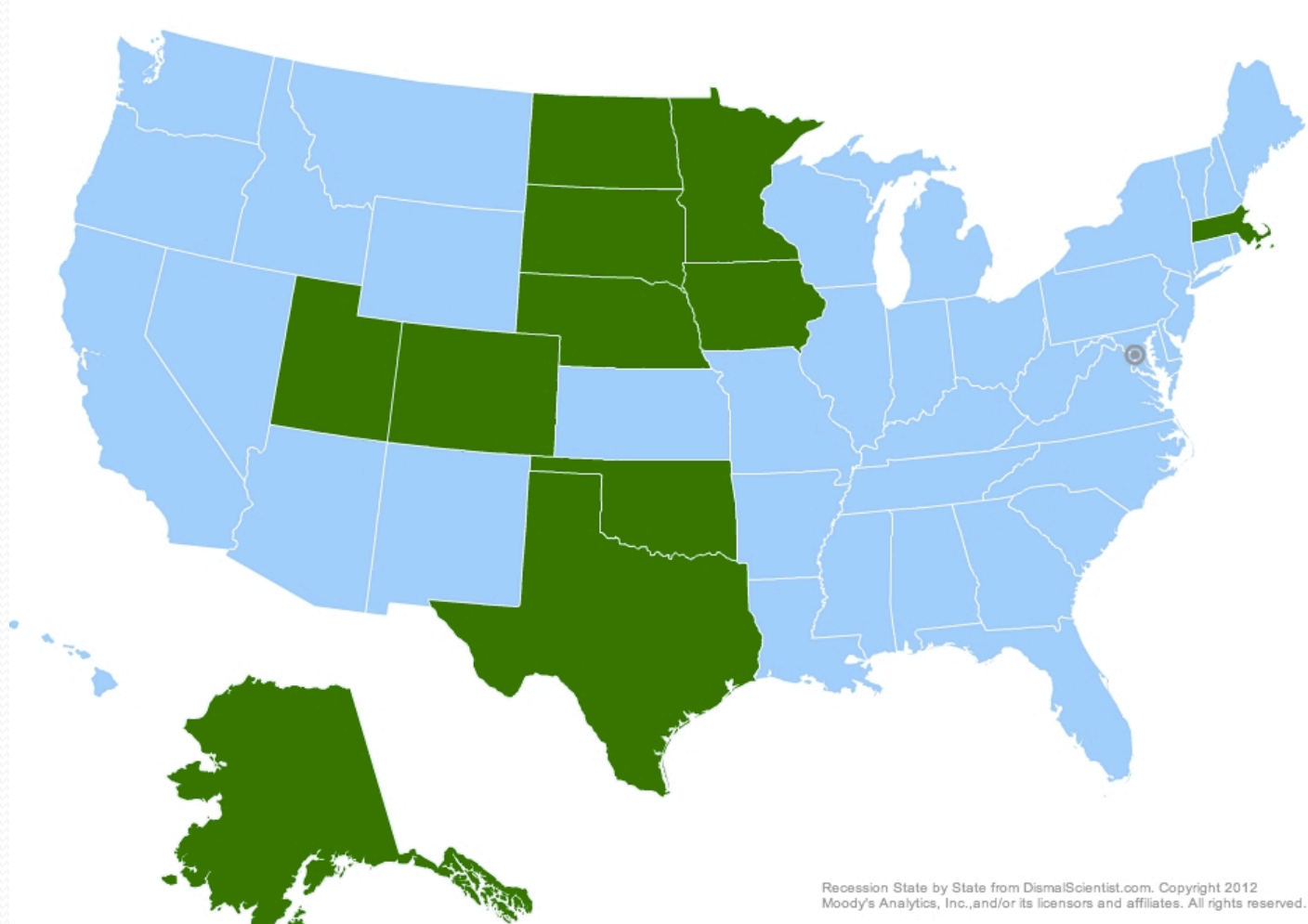
*SA, Constant 1982-1984 dollars (adjusted to CPI-U)
Wage and salary workers ages 16+



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Recession Watch

as of July 2014

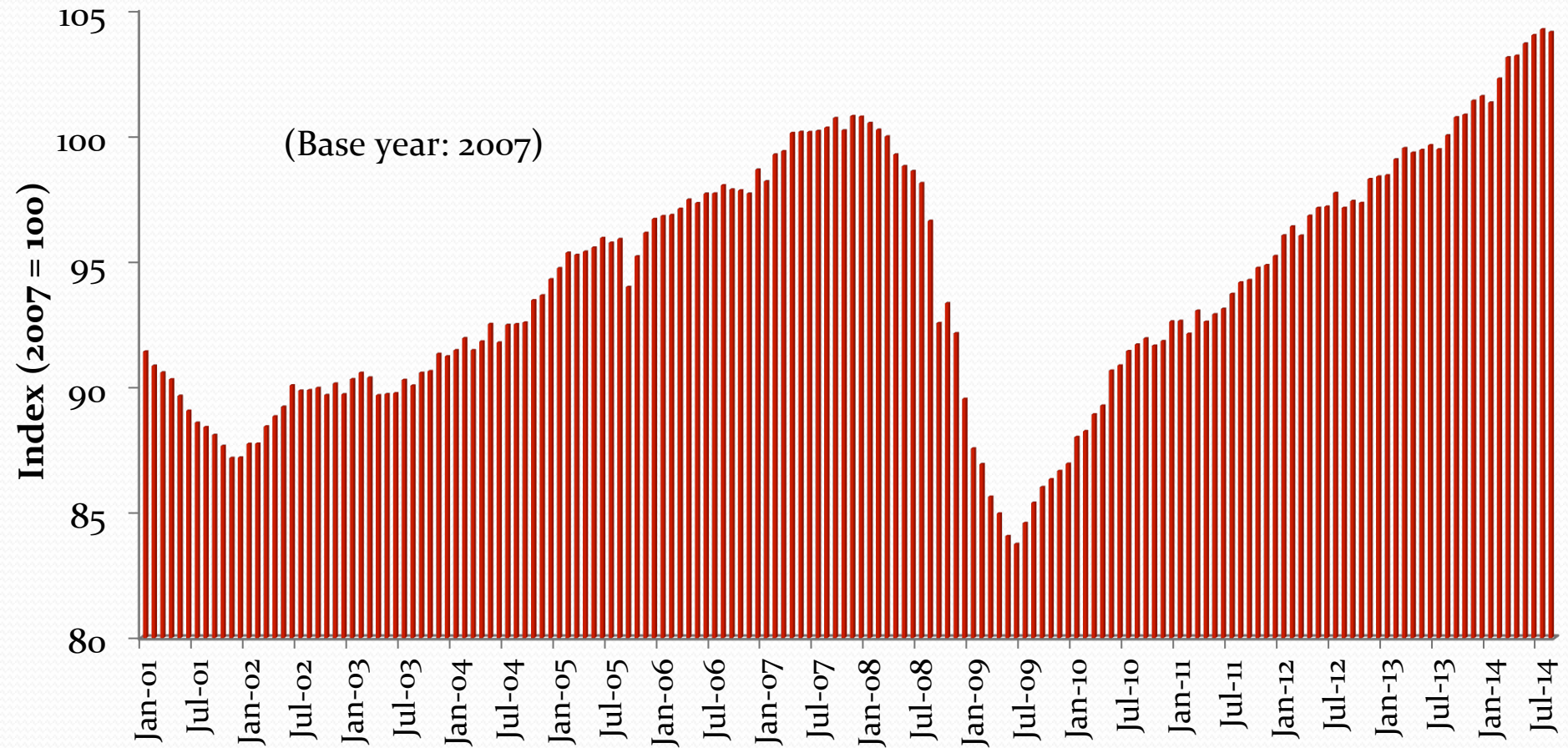


Source: Moody's Economy



Industrial Production

January 2001 through August 2014



Source: Federal Reserve

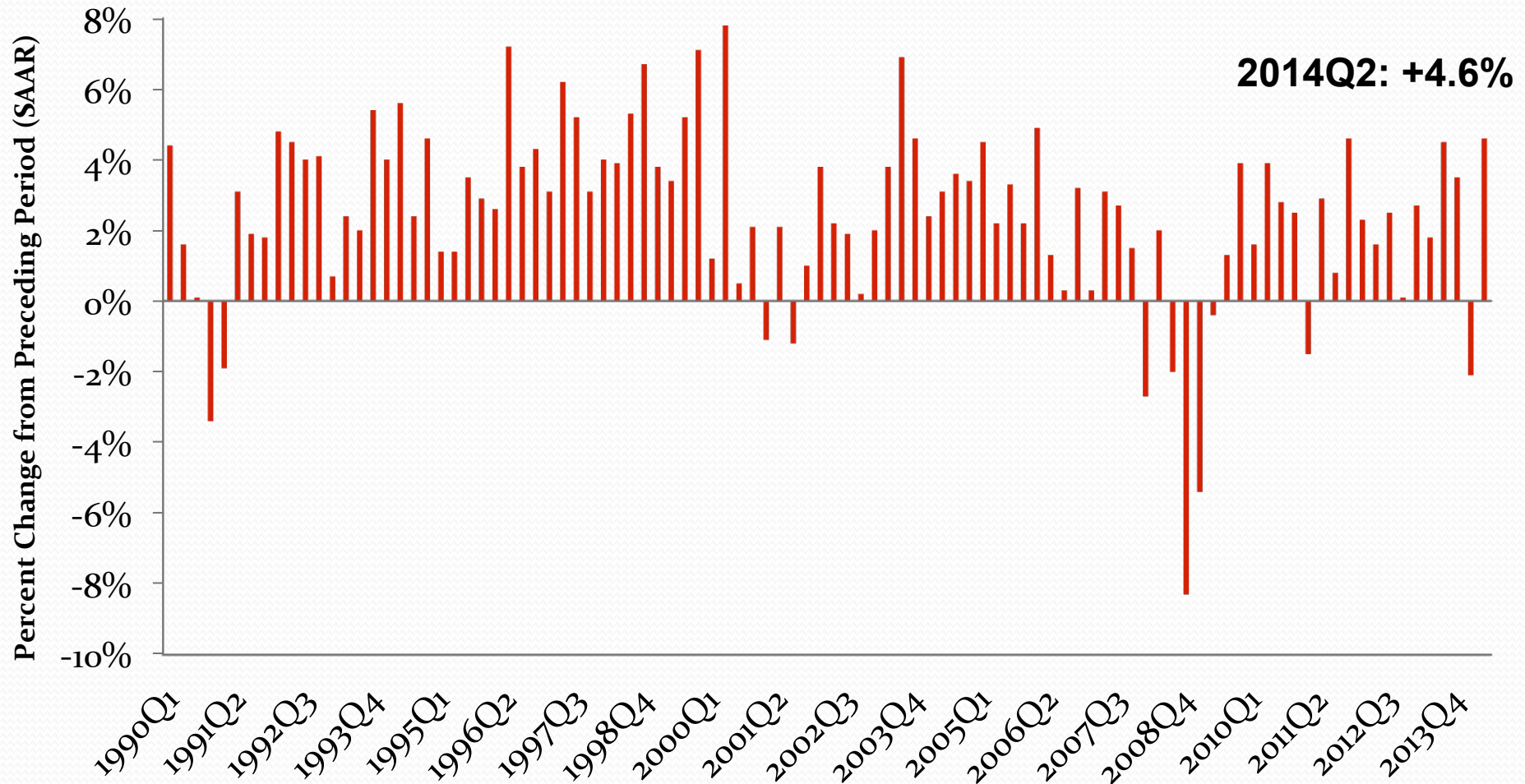
The industrial production index measures the real output of the manufacturing, mining, and electric and gas utilities industries.



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Gross Domestic Product

1990Q1 through 2014Q2



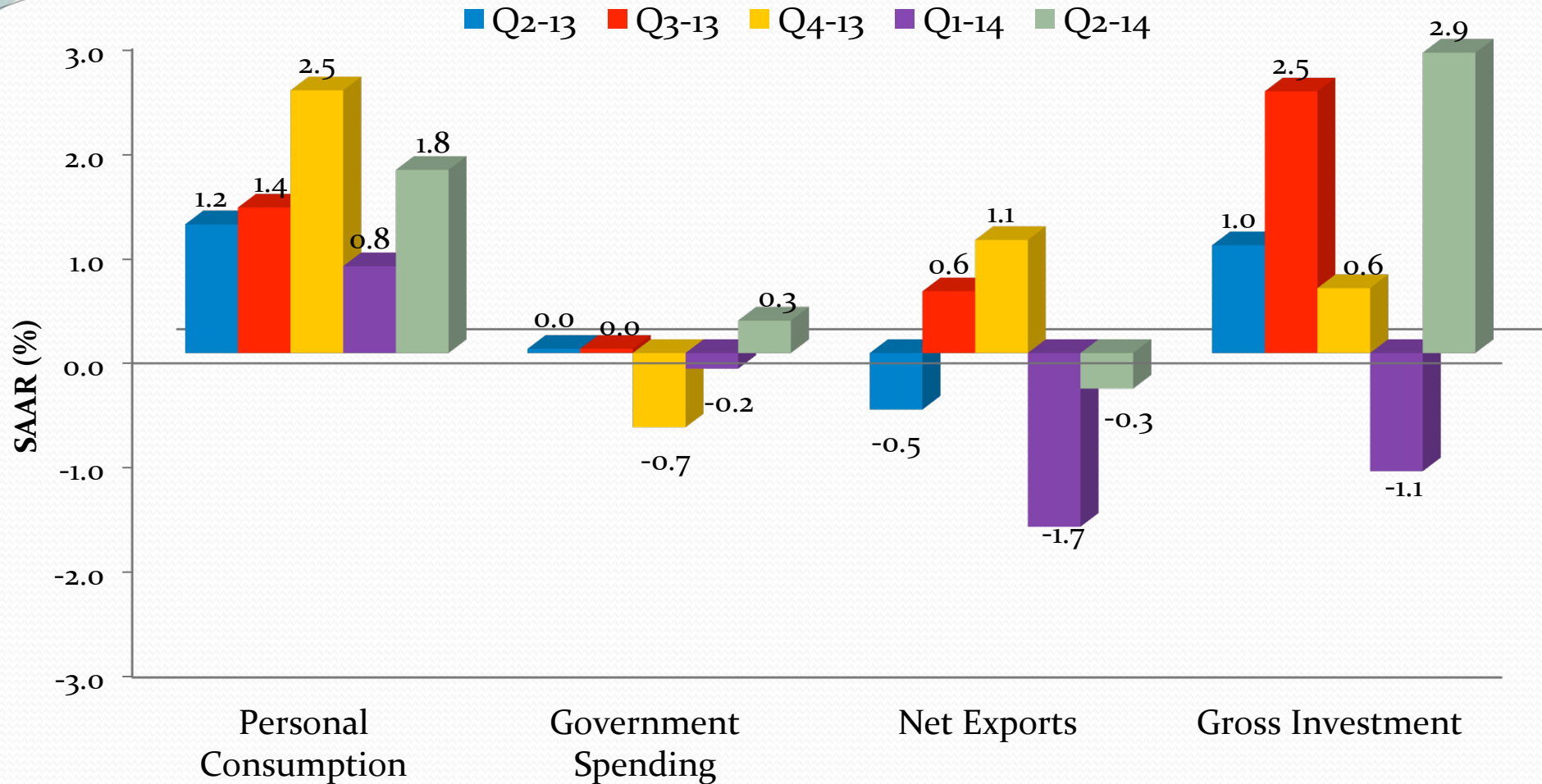
Source: Bureau of Economic Analysis



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Contributions to GDP Growth by Component

2013Q2 – 2014Q2



Source: Bureau of Economic Analysis



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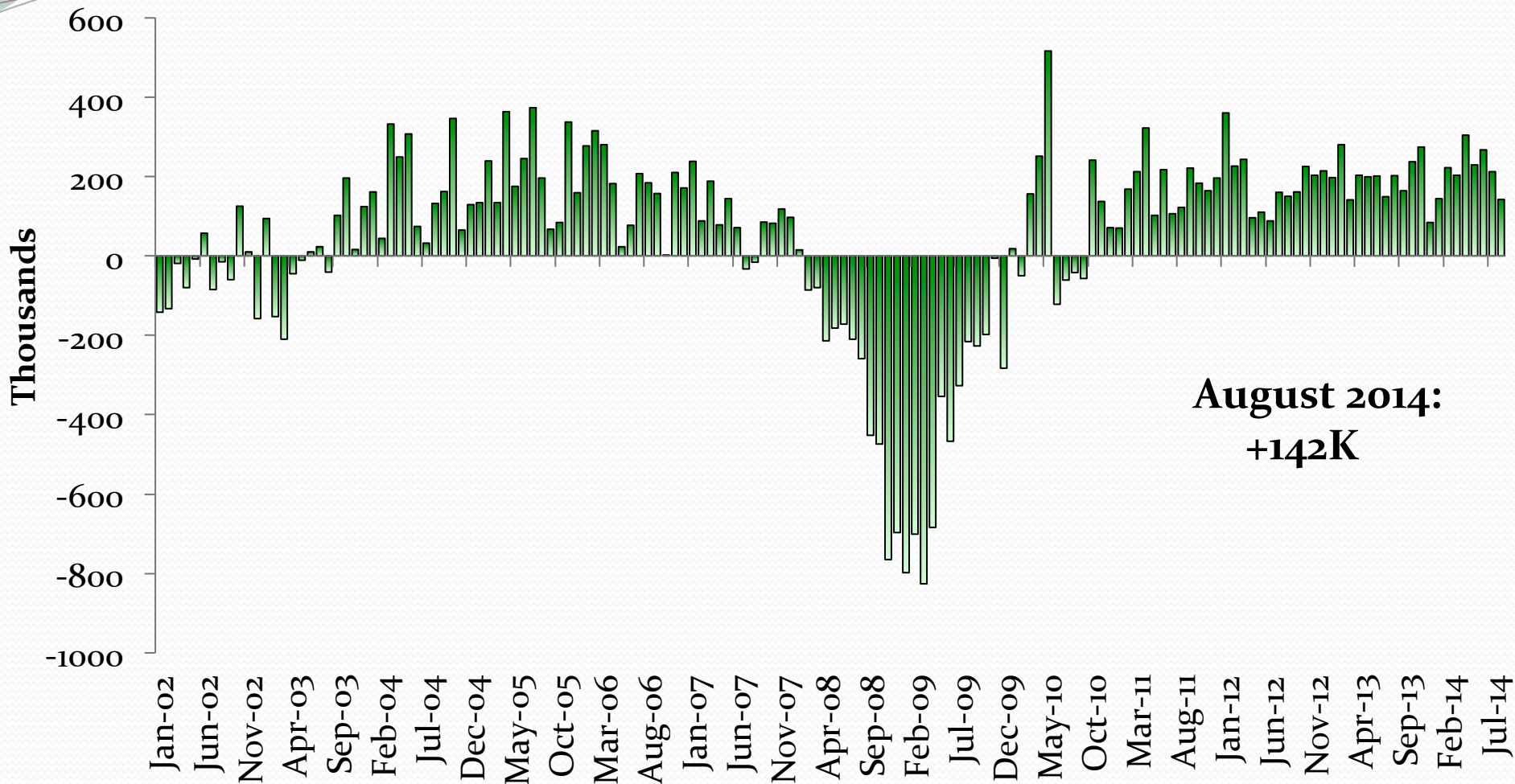
Ordinary People (1980)



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Net Change in U.S. Jobs, BLS

January 2002 through August 2014



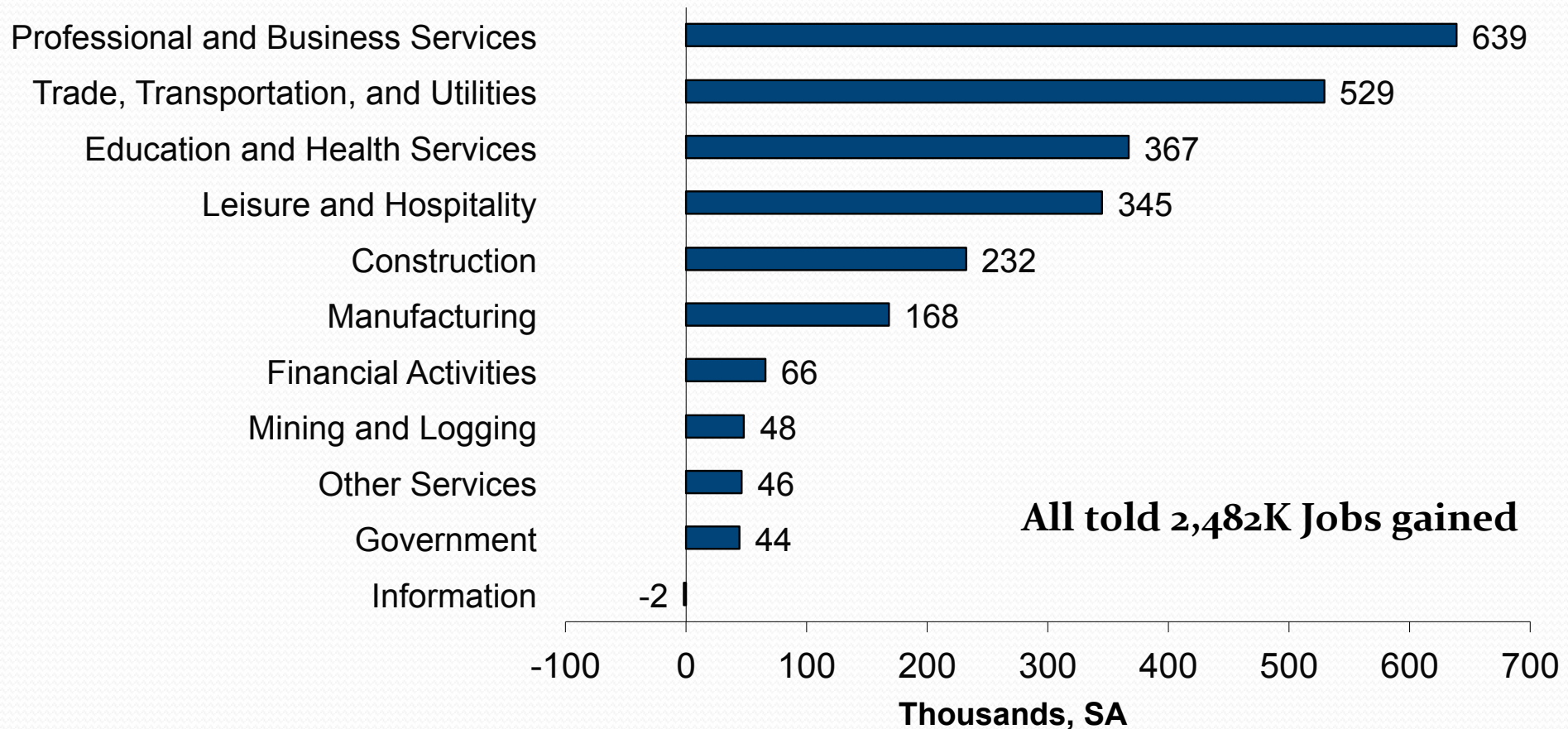
Source: U.S. Bureau of Labor Statistics



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National Nonfarm Employment by Industry Sector

August 2013 v. August 2014



Source: U.S. Bureau of Labor Statistics

Employment Growth, U.S. States (SA)

August 2013 v. August 2014 Percent Change

RANK	STATE	%	RANK	STATE	%	RANK	STATE	%
1	NORTH DAKOTA	4.4	18	MISSOURI	1.8	35	KANSAS	0.8
2	NEVADA	3.5	18	SOUTH CAROLINA	1.8	35	PENNSYLVANIA	0.8
2	TEXAS	3.5	20	MASSACHUSETTS	1.6	37	ILLINOIS	0.7
2	UTAH	3.5	20	MINNESOTA	1.6	37	MICHIGAN	0.7
5	FLORIDA	2.8	20	WISCONSIN	1.6	37	MISSISSIPPI	0.7
6	DELAWARE	2.7	23	ARKANSAS	1.5	37	NEW MEXICO	0.7
6	OREGON	2.7	23	LOUISIANA	1.5	37	SOUTH DAKOTA	0.7
8	NORTH CAROLINA	2.4	25	KENTUCKY	1.3	42	NEBRASKA	0.6
9	COLORADO	2.3	25	MAINE	1.3	43	IDAHO	0.5
10	GEORGIA	2.2	27	IOWA	1.2	43	VIRGINIA	0.5
11	CALIFORNIA	2.1	27	NEW YORK	1.2	45	MARYLAND	0.4
11	TENNESSEE	2.1	27	RHODE ISLAND	1.2	45	NEW HAMPSHIRE	0.4
11	WASHINGTON	2.1	27	WYOMING	1.2	45	VERMONT	0.4
14	ARIZONA	2.0	31	ALABAMA	1.1	48	CONNECTICUT	0.3
14	INDIANA	2.0	31	HAWAII	1.1	48	OHIO	0.3
14	OKLAHOMA	2.0	31	WEST VIRGINIA	1.1	50	NEW JERSEY	0.1
17	MONTANA	1.9	34	DISTRICT OF COLUMBIA	1.0	51	ALASKA	-0.8

Source: U.S. Bureau of Labor Statistics

U.S. Year-over-year Percent Change: 1.8%

Unemployment Rates, U.S. States (SA)

August 2014

RANK	STATE	%	RANK	STATE	%	RANK	STATE	%
1	NORTH DAKOTA	2.8	17	VIRGINIA	5.6	33	WEST VIRGINIA	6.6
2	NEBRASKA	3.6	17	WASHINGTON	5.6	36	ILLINOIS	6.7
2	SOUTH DAKOTA	3.6	17	WISCONSIN	5.6	36	NEW MEXICO	6.7
2	UTAH	3.6	21	OHIO	5.7	38	ALASKA	6.8
5	VERMONT	4.1	22	INDIANA	5.8	38	NORTH CAROLINA	6.8
6	HAWAII	4.3	22	LOUISIANA	5.8	40	ALABAMA	6.9
6	MINNESOTA	4.3	22	MASSACHUSETTS	5.8	41	ARIZONA	7.1
8	NEW HAMPSHIRE	4.4	22	PENNSYLVANIA	5.8	41	KENTUCKY	7.1
9	IOWA	4.5	26	ARKANSAS	6.3	43	OREGON	7.2
10	WYOMING	4.6	26	FLORIDA	6.3	44	CALIFORNIA	7.4
11	IDAHO	4.7	26	MISSOURI	6.3	44	MICHIGAN	7.4
11	MONTANA	4.7	29	MARYLAND	6.4	44	TENNESSEE	7.4
11	OKLAHOMA	4.7	29	NEW YORK	6.4	47	DISTRICT OF COLUMBIA	7.6
14	KANSAS	4.9	29	SOUTH CAROLINA	6.4	47	NEVADA	7.6
15	COLORADO	5.1	32	DELAWARE	6.5	49	RHODE ISLAND	7.7
16	TEXAS	5.3	33	CONNECTICUT	6.6	50	MISSISSIPPI	7.9
17	MAINE	5.6	33	NEW JERSEY	6.6	51	GEORGIA	8.1

Source: U.S. Bureau of Labor Statistics

U.S. Unemployment Rate: 6.1%

Unemployment Rates, 20 Largest Metros (NSA)

August 2014

Rank	MSA	UR	Rank	MSA	UR
1	Minneapolis-St. Paul-Bloomington, MN-WI Metropolitan Statistical Area	3.8	9	Phoenix-Mesa-Glendale, AZ Metropolitan Statistical Area	6.3
2	Seattle-Tacoma-Bellevue, WA Metropolitan Statistical Area	5.3	12	Miami-Fort Lauderdale-Pompano Beach, FL Metropolitan Statistical Area	6.6
3	Houston-Sugar Land-Baytown, TX Metropolitan Statistical Area	5.4	12	St. Louis, MO-IL Metropolitan Statistical Area	6.6
3	San Francisco-Oakland-Fremont, CA Metropolitan Statistical Area	5.4	14	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD Metropolitan Statistical Area	6.7
5	Boston-Cambridge-Quincy, MA-NH Metropolitan NECTA	5.5	15	Tampa-St. Petersburg-Clearwater, FL Metropolitan Statistical Area	6.8
5	Dallas-Fort Worth-Arlington, TX Metropolitan Statistical Area	5.5	16	Baltimore-Towson, MD Metropolitan Statistical Area	7.0
7	Washington-Arlington-Alexandria, DC-VA-MD-WV Metropolitan Statistical Area	5.6	17	Los Angeles-Long Beach-Santa Ana, CA Metropolitan Statistical Area	7.7
8	San Diego-Carlsbad-San Marcos, CA Metropolitan Statistical Area	6.2	18	Detroit-Warren-Livonia, MI Metropolitan Statistical Area	7.9
9	Chicago-Joliet-Naperville, IL-IN-WI Metropolitan Statistical Area	6.3	19	Atlanta-Sandy Springs-Marietta, GA Metropolitan Statistical Area	8.0
9	New York-Northern New Jersey-Long Island, NY-NJ-PA Metropolitan Statistical Area	6.3	20	Riverside-San Bernardino-Ontario, CA Metropolitan Statistical Area	8.7

Source: U.S. Bureau of Labor Statistics

Firefighters: Occupational Outlook

- Employment for firefighters is projected to grow 7% from 2012-2022, slower than the average for all occupations (11%) (WRONG, WRONG, WRONG);
- As population ages, demand for firefighters will increase
 - 2/3 of situations that firefighters respond to are medical
- Volunteer positions will be converted to paid positions in areas where population growth creates a need for a full-time workforce

Source: U.S. Bureau of Labor Statistics

Volunteers Tough to Find

- Volunteers have dropped from 300,000 to 50,000 over past 30 years
 - Training costs have increased
 - Businesses increasingly reluctant to allow employees to volunteer
 - Single-Income families no longer commonplace

Source: U.S. Bureau of Labor Statistics

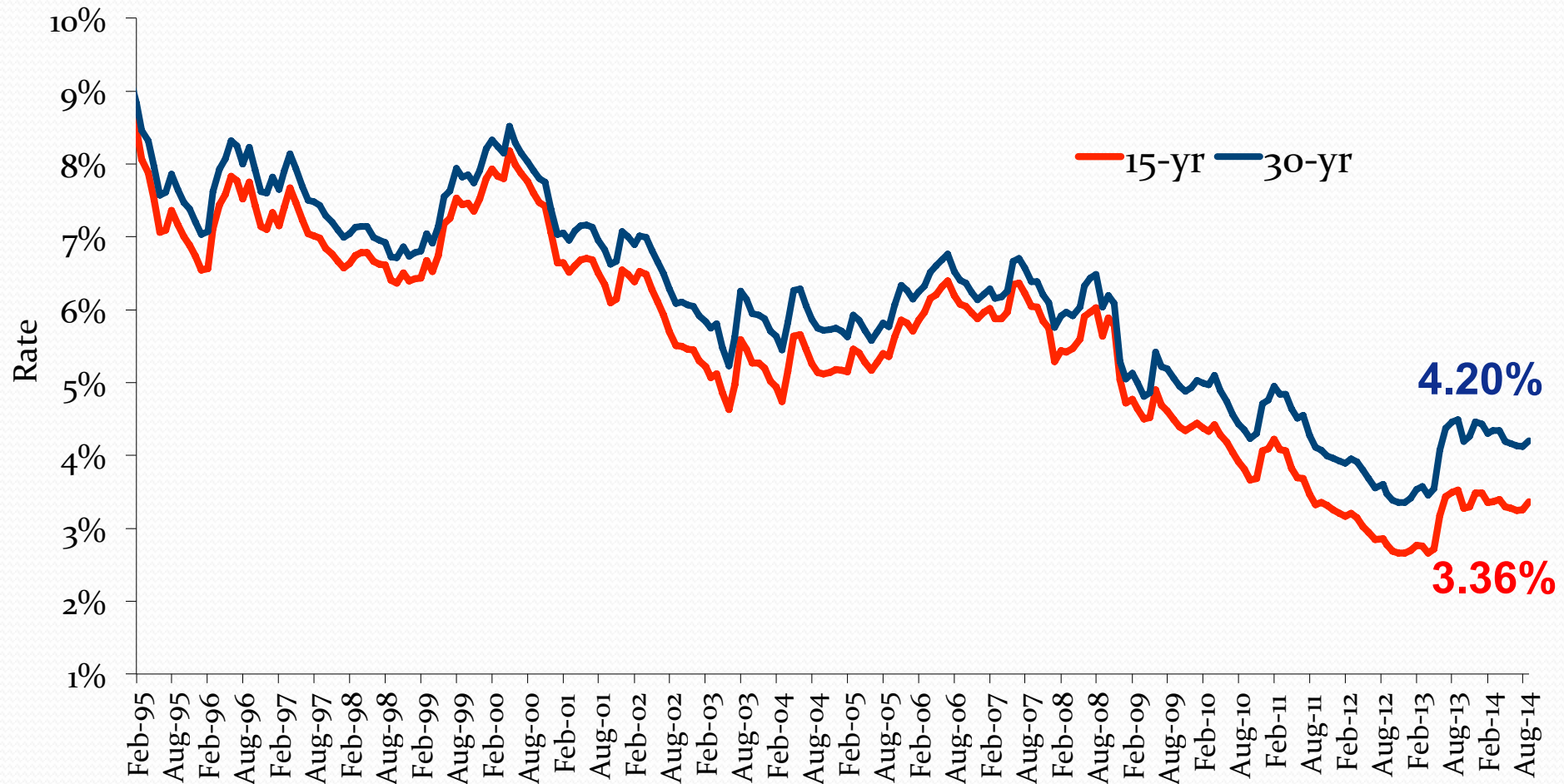
Field of Dreams (1989)



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15-Year & 30-Year Fixed Mortgage Rates

February 1995 through September 2014*



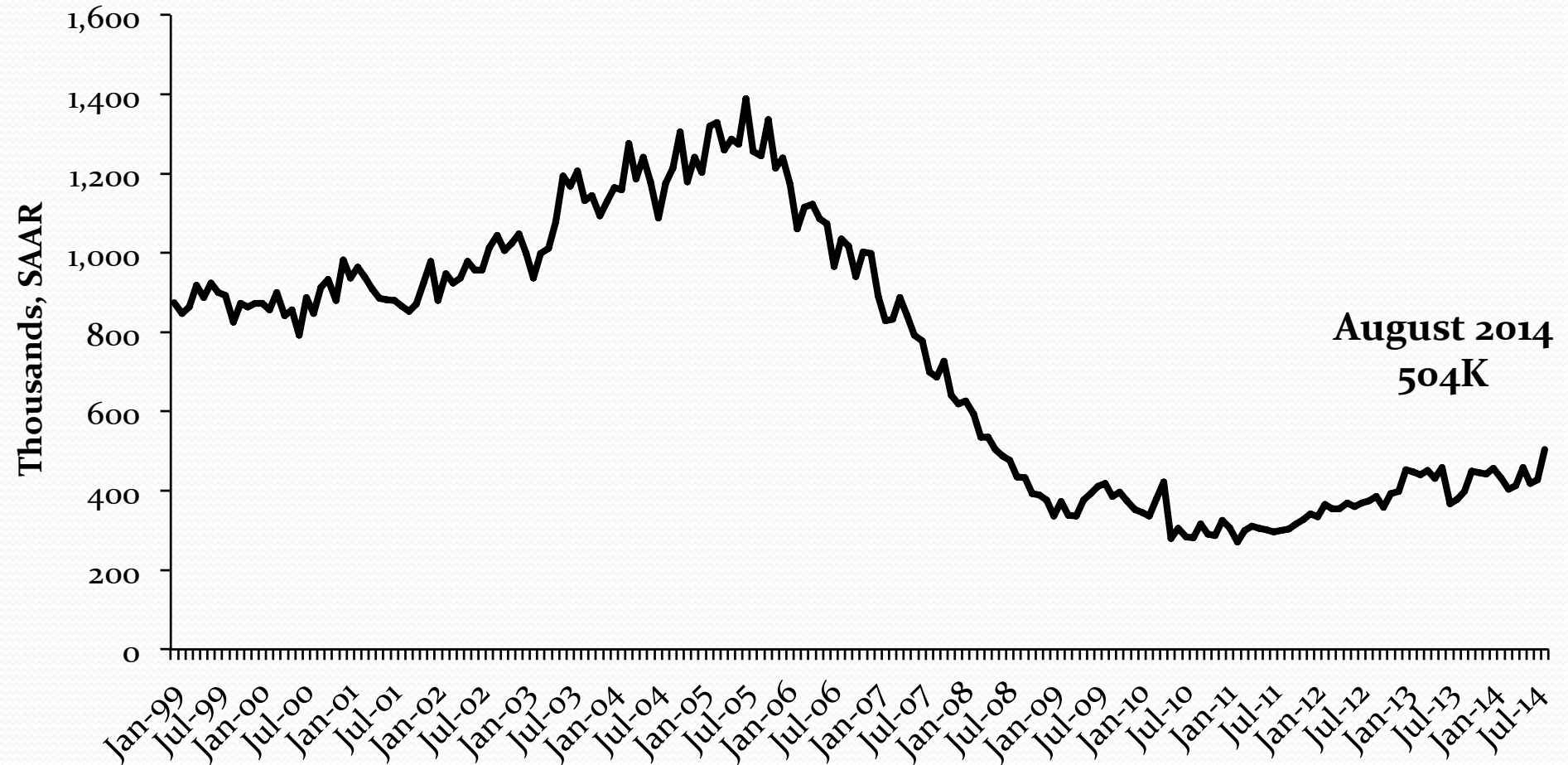
Source: Freddie Mac

*Week ending 9/25/2014



U.S. New Home Sales

January 1999 through August 2014



August 2014
504K

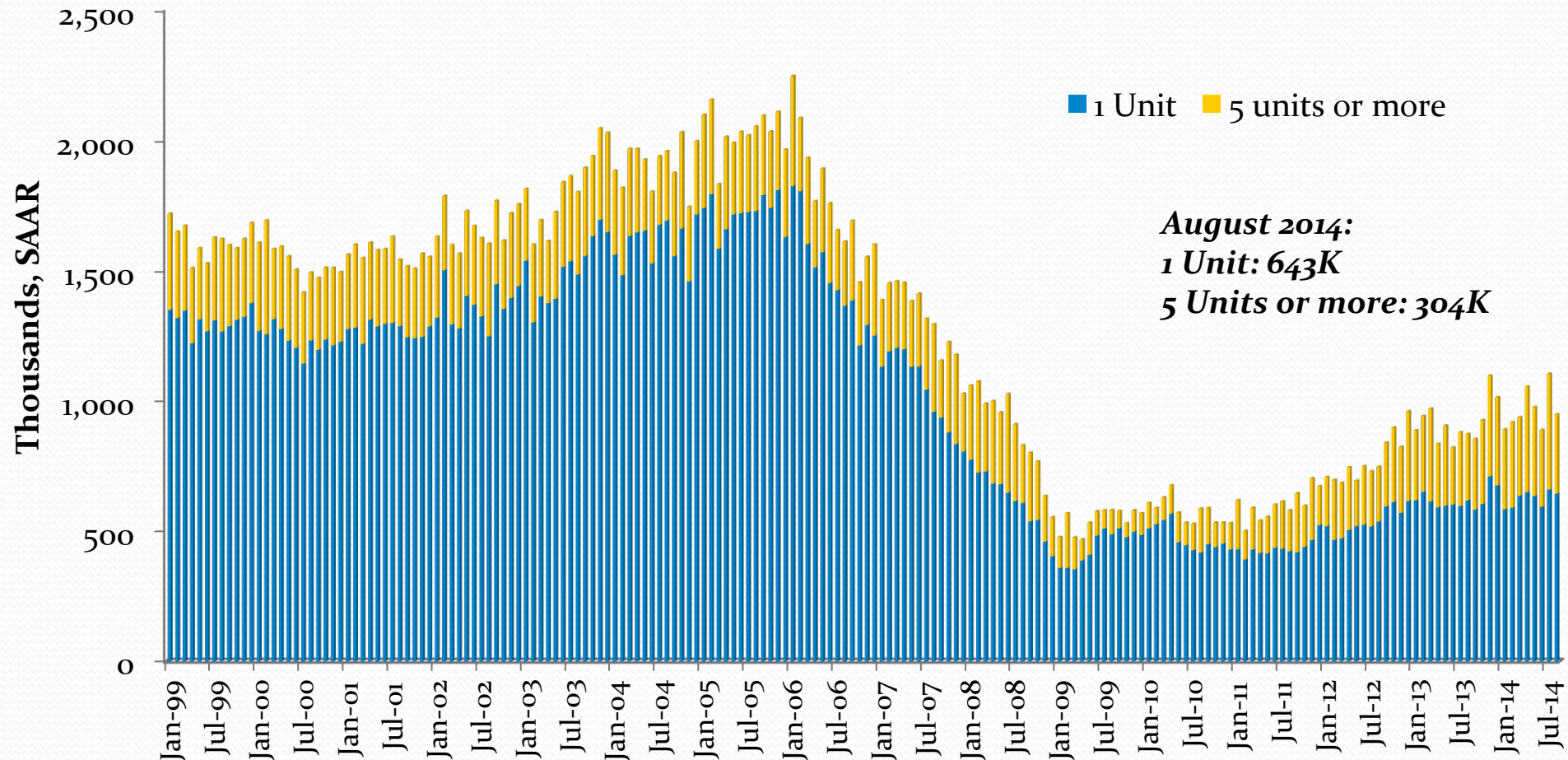
Source: U.S. Census Bureau



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U.S. Housing Starts

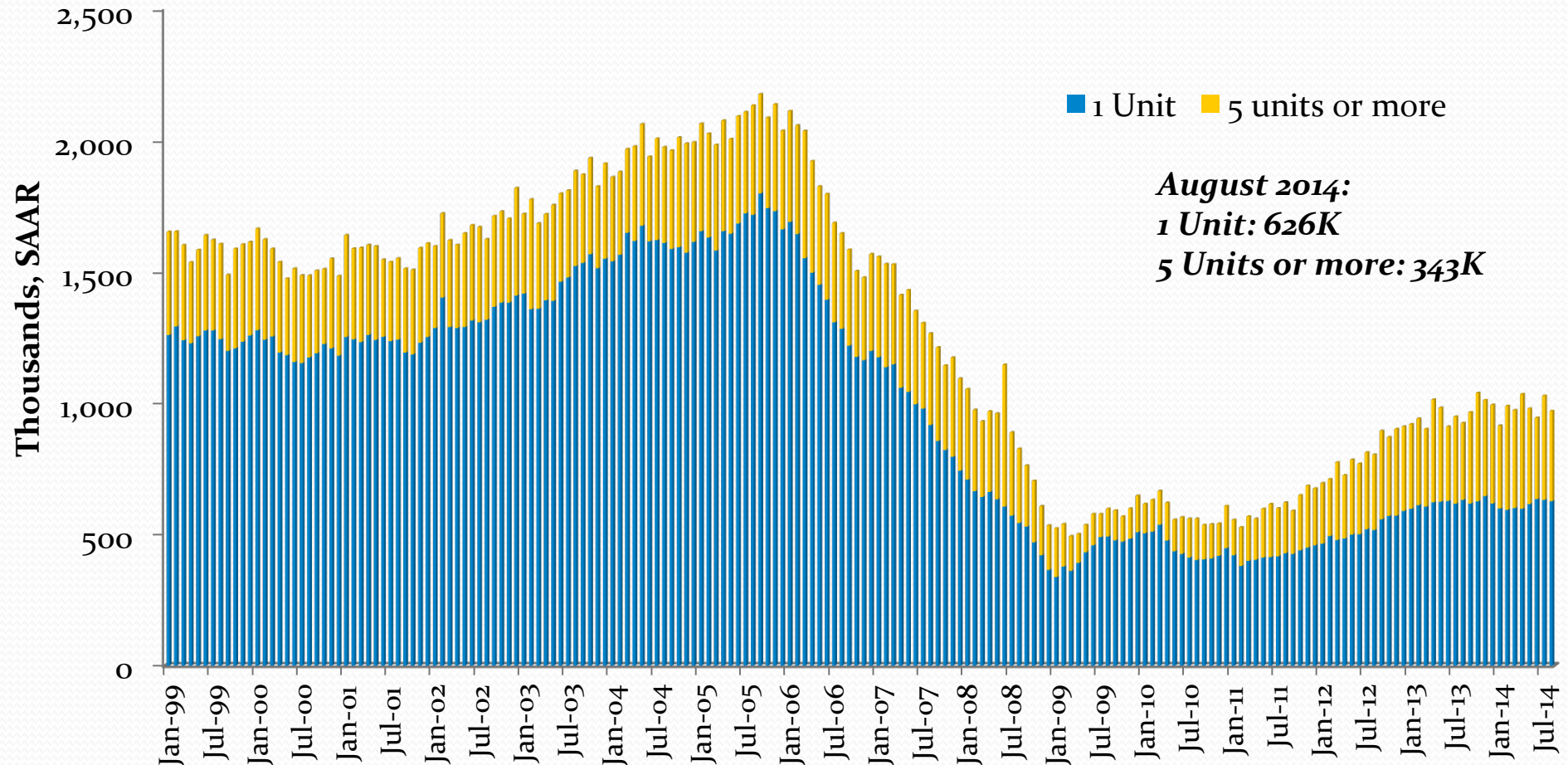
January 1999 through August 2014



Source: U.S. Census Bureau

U.S. Housing Building Permits

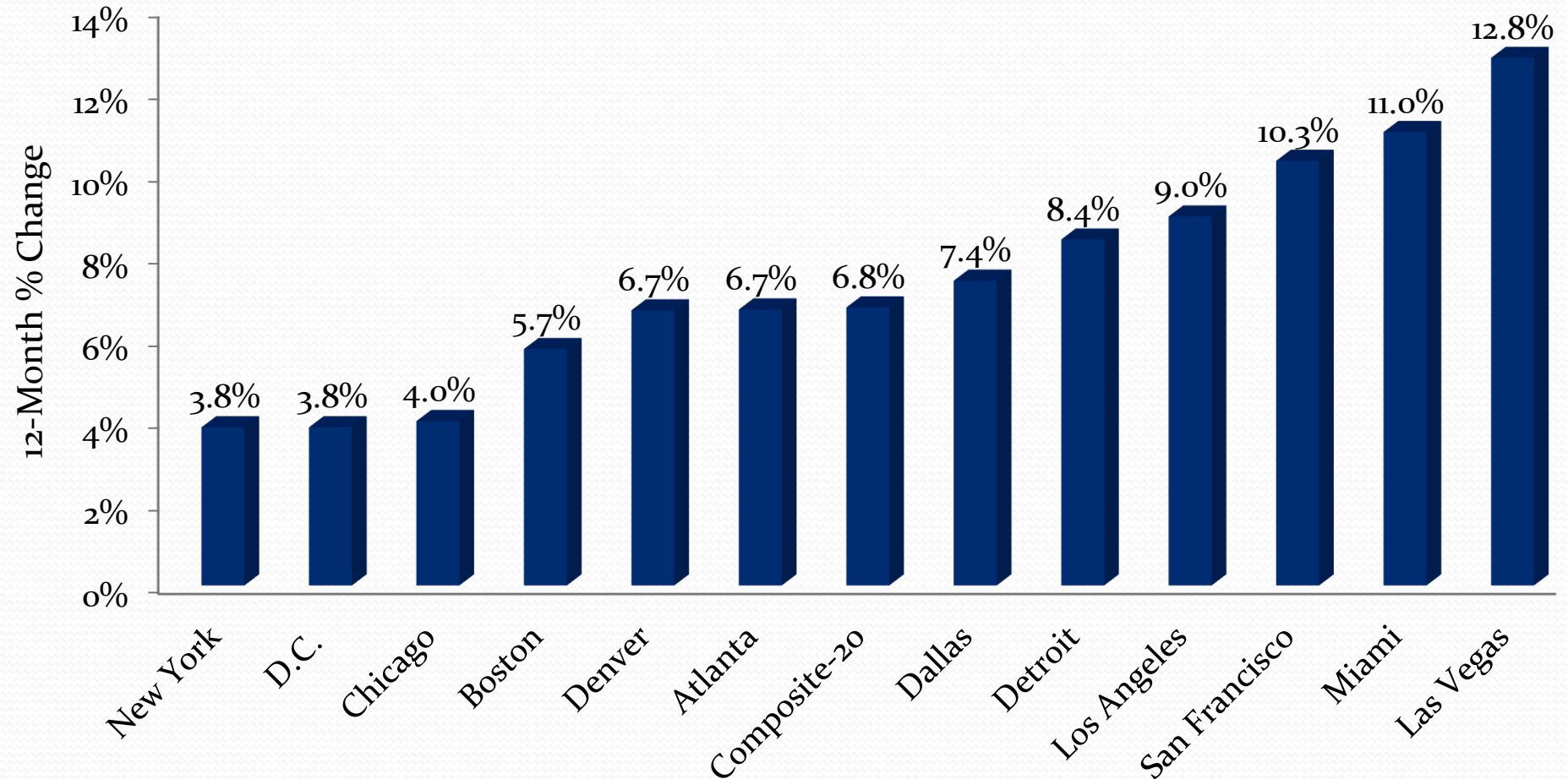
January 1999 through August 2014



Source: U.S. Census Bureau

S&P/Case-Shiller Home Price Indices for Select Metros

July 2014, 12-Month Percentage Change



Source: Standard & Poor's



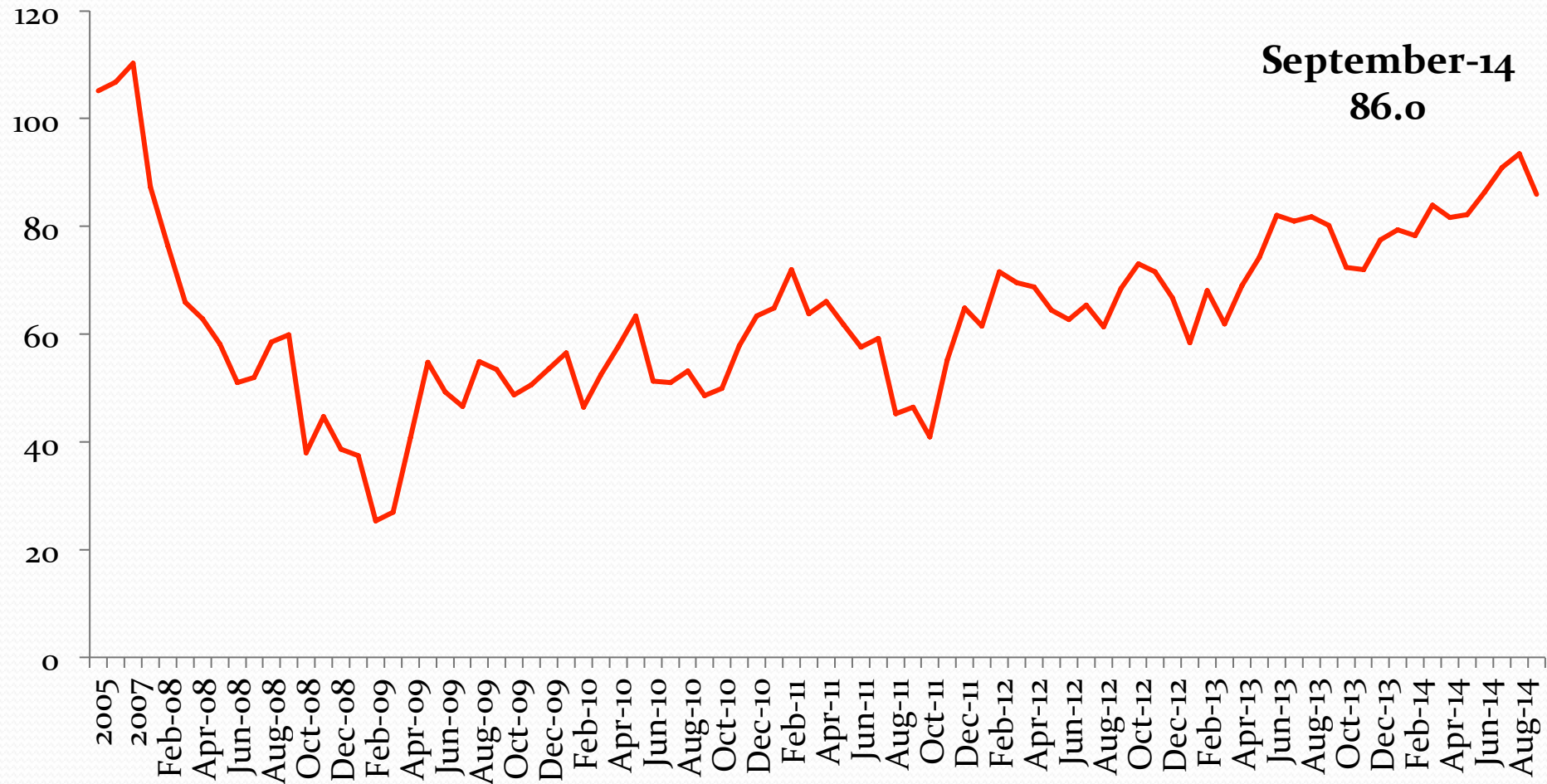
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The Shining (1980)



Conference Board Consumer Confidence Index

2005 – September 2014



September-14
86.0

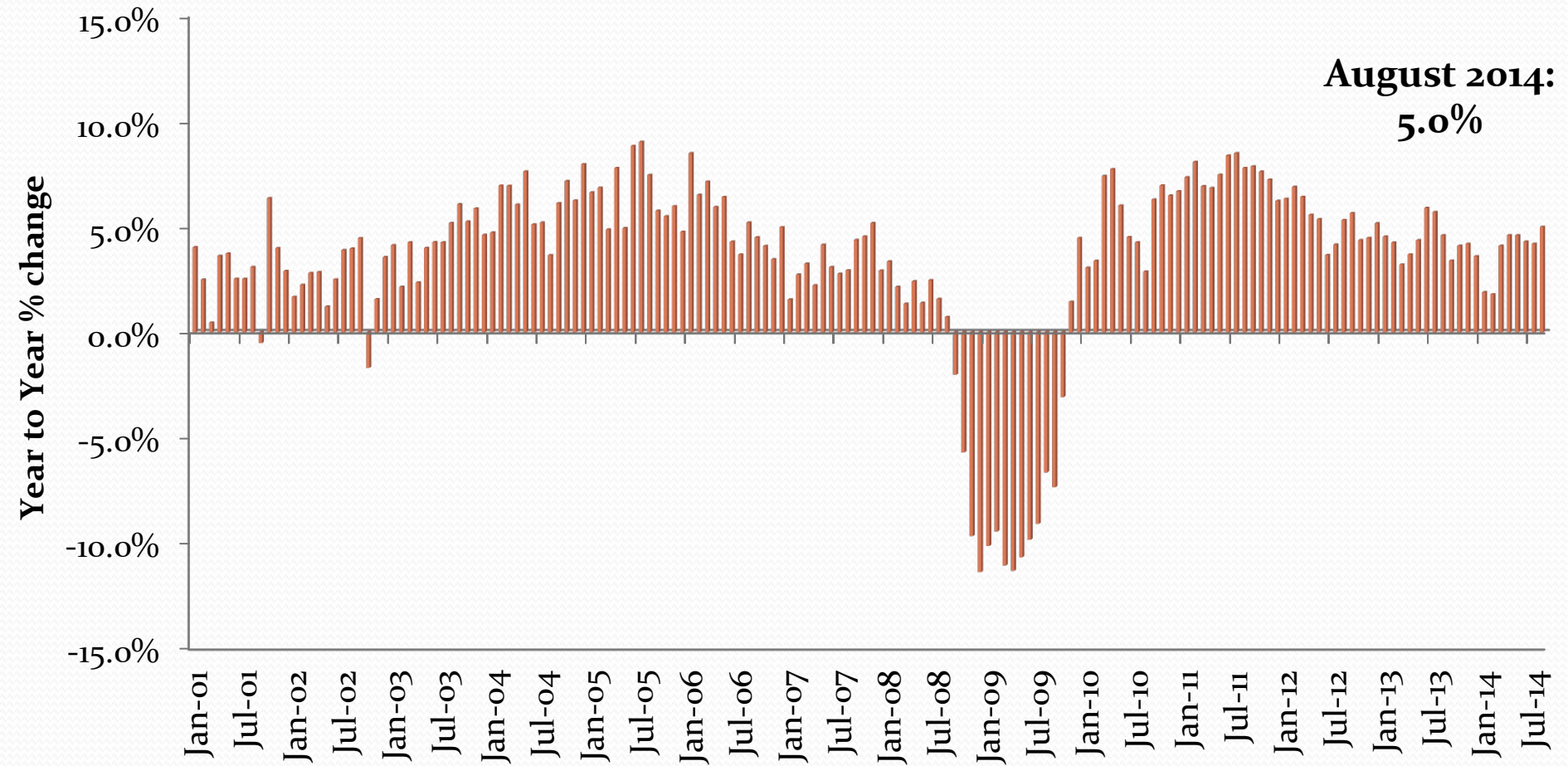
Source: Conference Board



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U.S. Retail and Food Service Sales

January 2001 through August 2014



August 2014:
5.0%

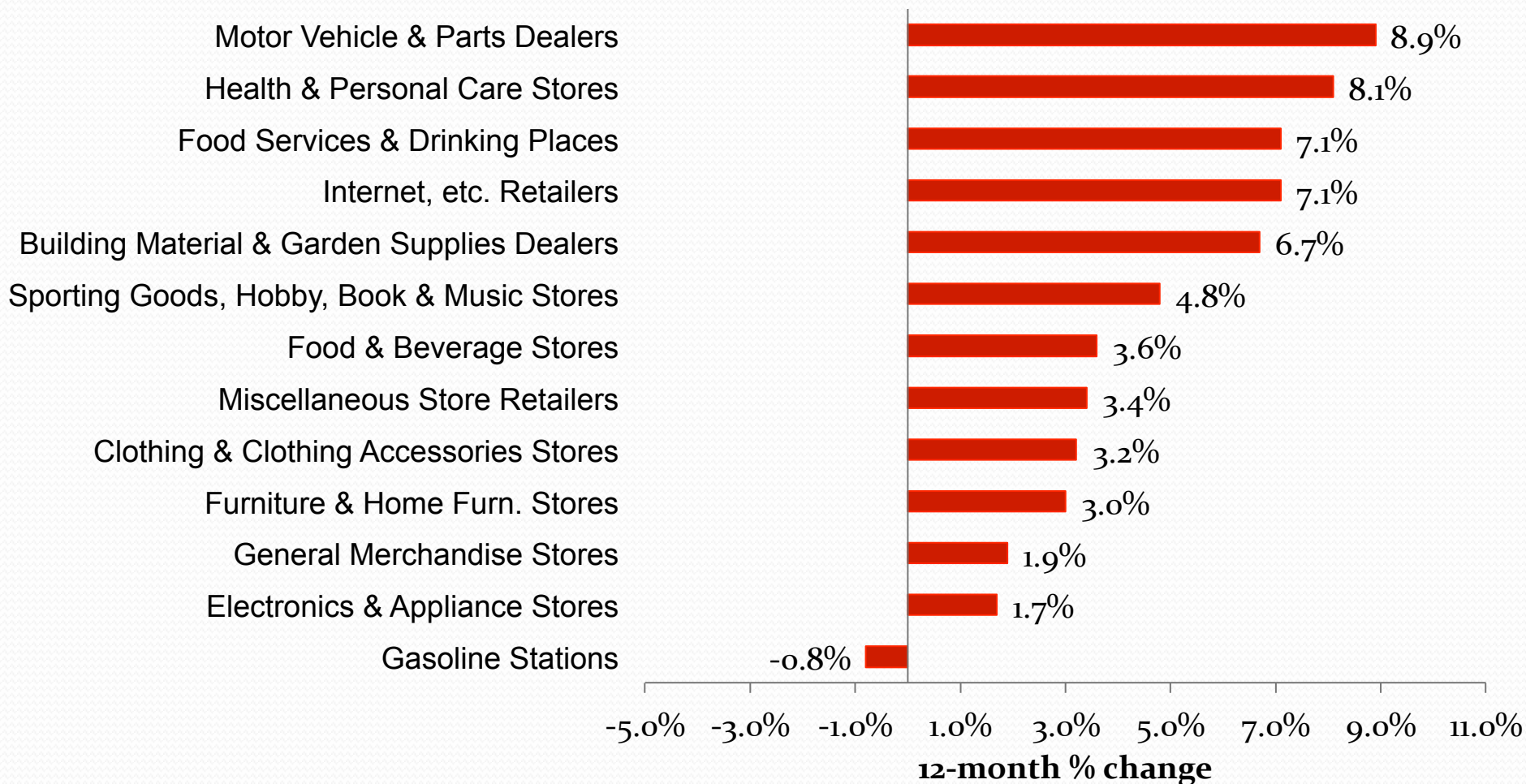
Source: U.S. Census Bureau



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Sales Growth by Type of Business

August 2013 v. August 2014*



Source: U.S. Census Bureau

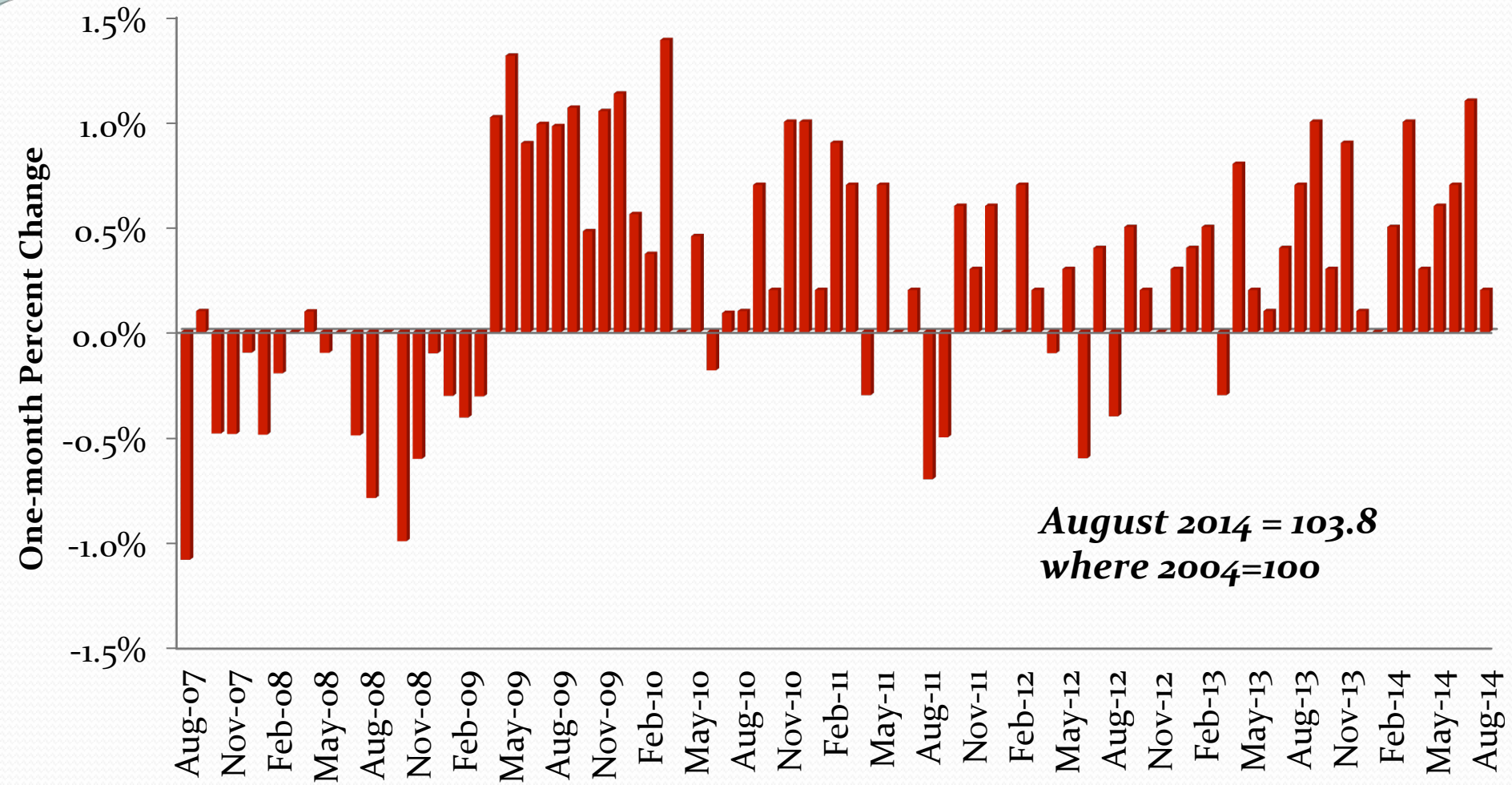
*August 2014 advanced estimate



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Conference Board Leading Economic Indicators Index

August 2007 through August 2014



Source: Conference Board



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Coming to America (1988)

- Economy gained momentum over the course of last year;
- Tailwinds included booming stock market, lower gasoline prices, stabilizing global economy, and consumer expenditures on interest rate sensitive durable goods like housing and autos;
- The current year is associated with greater certainty regarding federal budgeting and monetary policy – that helps;
- The world is not perfect - black swan threats remain: (1) Iran (2) Israel/Iran (3) Europe (4) contagion (5) cyber (6) EMP;
- Healthcare reform could slow full-time hiring over the course of the year; and
- Regions with rapid population growth and/or significant import/export activity, industrial output and energy production will lead the way.

Thank You

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- Please look for updates of information at www.sagepolicy.com.
- Also, if you need us in a hurry, we are at 410.522.7243 (410.522.SAGE)
- Please contact us when you require economic research & policy analysis.