

Markets, He Wrote

On Behalf of
ACG Maryland Deal Forum 2017

By: Anirban Basu
Sage Policy Group, Inc.

May 23rd, 2017



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Macro P.I.

(Just How Hairy is the
Global Situation?)

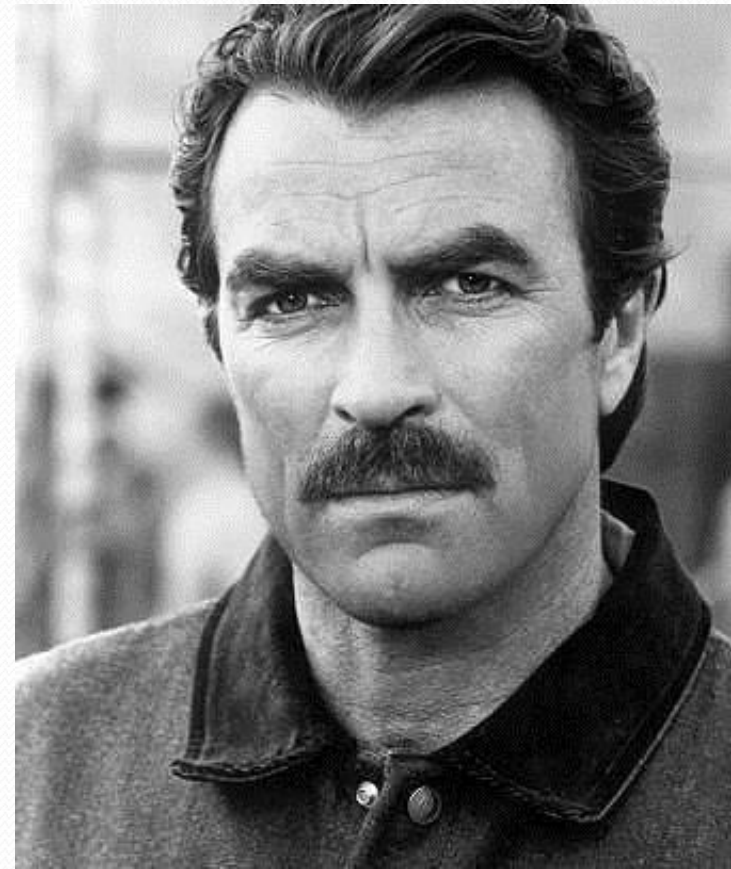


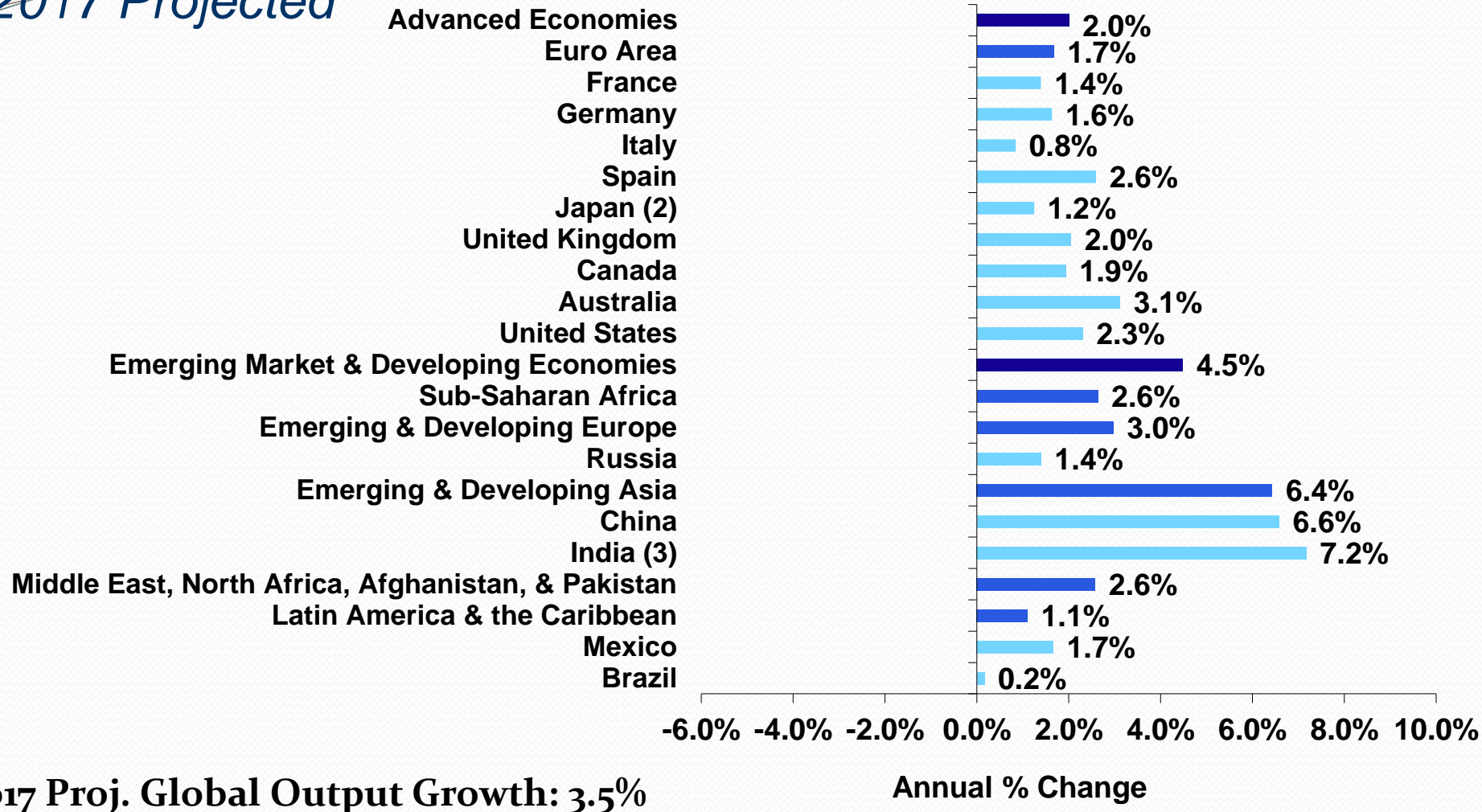
Photo: Flixter.com



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Estimated Growth in Output by Select Global Areas

2017 Projected



Source: International Monetary Fund: World Economic Outlook Database, April 2017.

Notes: 1. Real effective exchange rates are assumed to remain constant at the levels prevailing during February 1–March 1, 2017. Economies are listed on the basis of economic size. The aggregated quarterly data are seasonally adjusted. 2. Japan's historical national accounts figures reflect a comprehensive revision by the national authorities, released in December 2016. The main revisions are the switch from the System of National Accounts 1993 to the System of National Accounts 2008 and the updating of the benchmark year from 2005 to 2011. 3. For India, data and forecasts are presented on a fiscal year basis and GDP from 2011 onward is based on GDP at market prices with FY2011/12 as a base year.



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International Population Dynamics, 16 Largest Nations

Nation	Population (Millions)			% Change
	2015	2050	Net Change	
Nigeria	182.2	398.5	216.3	118.7%
Ethiopia	99.4	188.5	89.1	89.6%
Egypt	91.5	151.1	59.6	65.1%
Pakistan	188.9	309.6	120.7	63.9%
Philippines	100.7	148.3	47.6	47.2%
India	1,311.1	1,705.3	394.3	30.1%
Mexico	127.0	163.8	36.7	28.9%
Bangladesh	161.0	202.2	41.2	25.6%
Indonesia	257.6	322.2	64.7	25.1%
United States	321.8	388.9	67.1	20.9%
Vietnam	93.4	112.8	19.3	20.7%
Brazil	207.8	238.3	30.4	14.6%
China	1,376.0	1,348.1	-28.0	-2.0%
Germany	80.7	74.5	-6.2	-7.7%
Russian Federation	143.5	128.6	-14.9	-10.4%
Japan	126.6	107.4	-19.2	-15.1%
World	7.3 billion	9.7 billion	2.4 billion	32.3%

Source: United Nations, Department of Economic and Social Affairs, Population Division (2015). World Population Prospects: The 2015 Revision.

*For statistical purposes, the data for China do not include Hong Kong and Macao, Special Administrative Regions (SAR) of China, and Taiwan Province of China.

Niamey Vice

(Fertility Rates by Country, 2014)

Top 15		
Rank*	Country	Fertility Rate
1	Niger	7.60
2	Somalia	6.46
3	Mali	6.23
4	Chad	6.16
5	Angola	6.08
6	Congo, Dem. Rep.	6.01
7	Burundi	5.95
8	Uganda	5.78
9	Gambia, The	5.72
10	Nigeria	5.65
11	Burkina Faso	5.52
12	Mozambique	5.36
13	Zambia	5.35
14	Tanzania	5.15
15	Malawi	5.13

Bottom 15		
Rank*	Country	Fertility Rate
186	Germany	1.39
186	Italy	1.39
188	Malta	1.38
189	Hungary	1.35
190	Slovak Republic	1.34
191	Greece	1.30
192	Poland	1.29
193	Spain	1.27
194	Bosnia and Herzegovina	1.26
194	Moldova	1.26
196	Singapore	1.25
197	Macao SAR, China	1.24
198	Hong Kong SAR, China	1.23
200	Portugal	1.21
200	Korea, Rep.	1.21

Source: World Bank, World Development Indicators

*Rank among 200 countries for which data are available for the most recent year (2014)

**Total fertility rate represents the number of children that would be born to a woman if she were to live to the end of her childbearing years and bear children in accordance with age-specific fertility rates of the specified year.

Global Debt to Exacerbate Slow Growth?

- According to the IMF, global debt reached an **all-time high** in 2015;
- At **\$152 trillion**, global gross debt of the nonfinancial sector now represents **225% of global GDP**;
- About **2/3** of this debt is in the **private sector**;
- Current low nominal-growth environment is making adjustment difficult, setting the stage for a “**vicious feedback loop**” in which lower growth hampers deleveraging and the debt overhang exacerbates the slowdown.²

Sources: 1. International Monetary Fund. October 2016. “World Economic Outlook: Subdued Demand: Symptoms and Remedies.” 2. International Monetary Fund (IMF). October 2016. “Fiscal Monitor: Debt—Use It Wisely.”

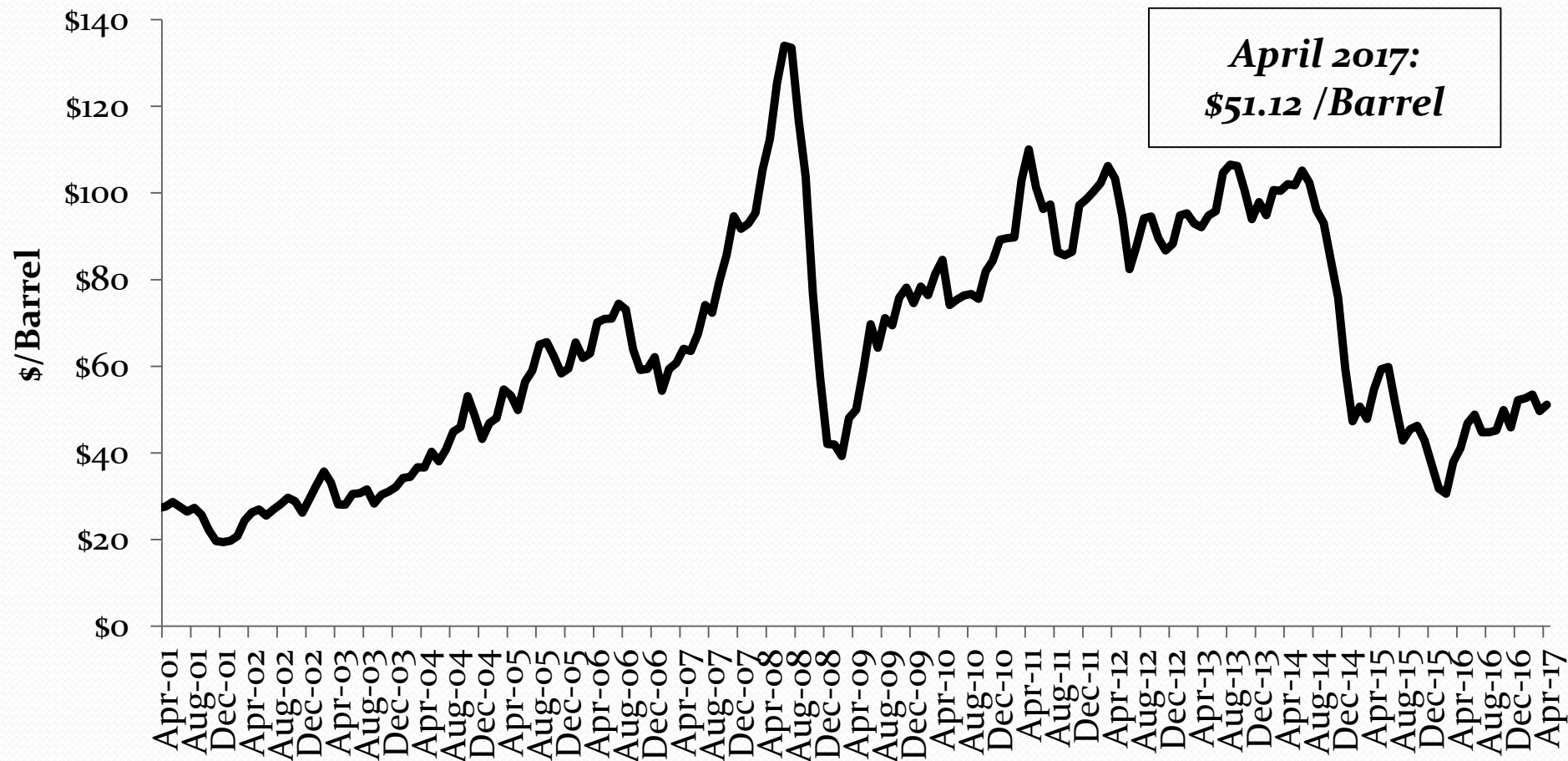
Note: The nonfinancial sector comprises the general government, nonfinancial firms, and households. Gross debt represents the unconsolidated liabilities of the three.



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NYMEX Crude Oil Future Prices in U.S. Dollars

April 2001 through April 2017



Source: U.S. Energy Information Administration

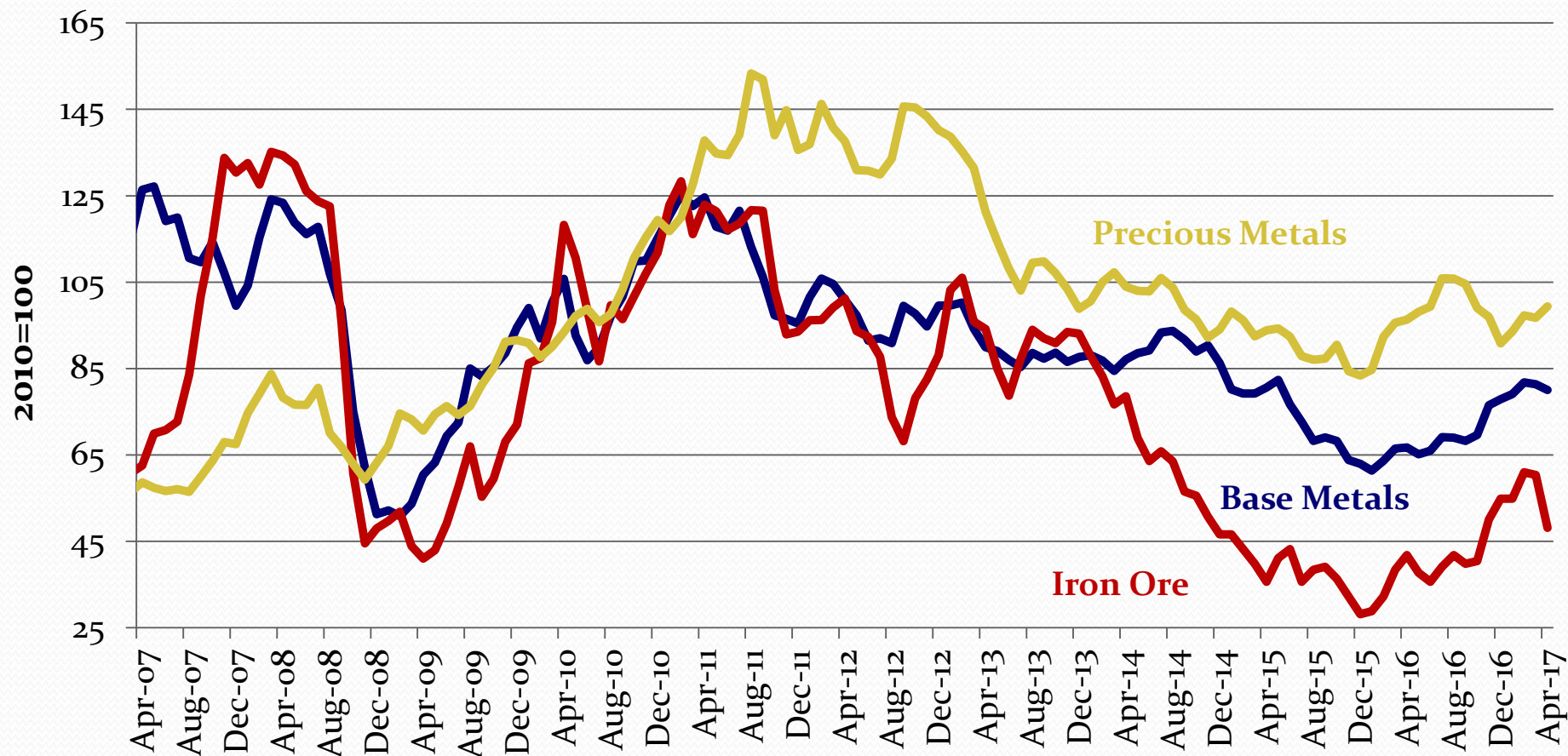
*Month of April = average of daily prices from 4/3-4/28



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Metal Price Indices

April 2007 through April 2017



Source: The World Bank

US\$ Nominal

Base metals include aluminum, copper, lead, nickel, tin and zinc.

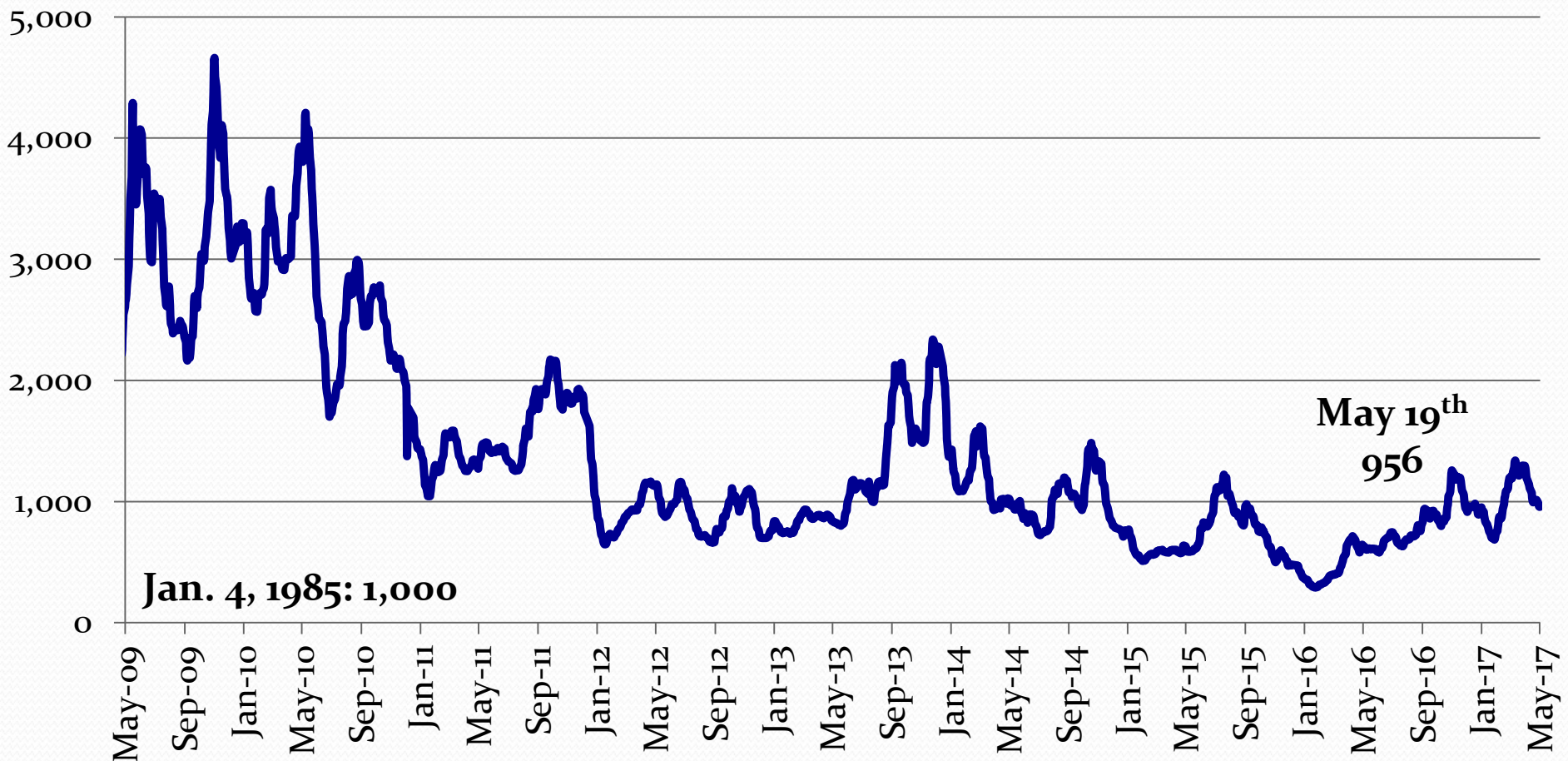
Precious metals include gold, platinum, and silver.



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Baltic Dry Index

May 2009 through May 2017



Source: Quandl.com

The Baltic Dry Index (BDI) is a measure of the price of shipping major raw materials such as metals, grains, and fossil fuels by sea. The BDI is a composite of 3 sub-indices, each covering a different carrier size: Capesize, Panamax, and Supramax.



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USA CSI



(Commercial Situation Investigation)

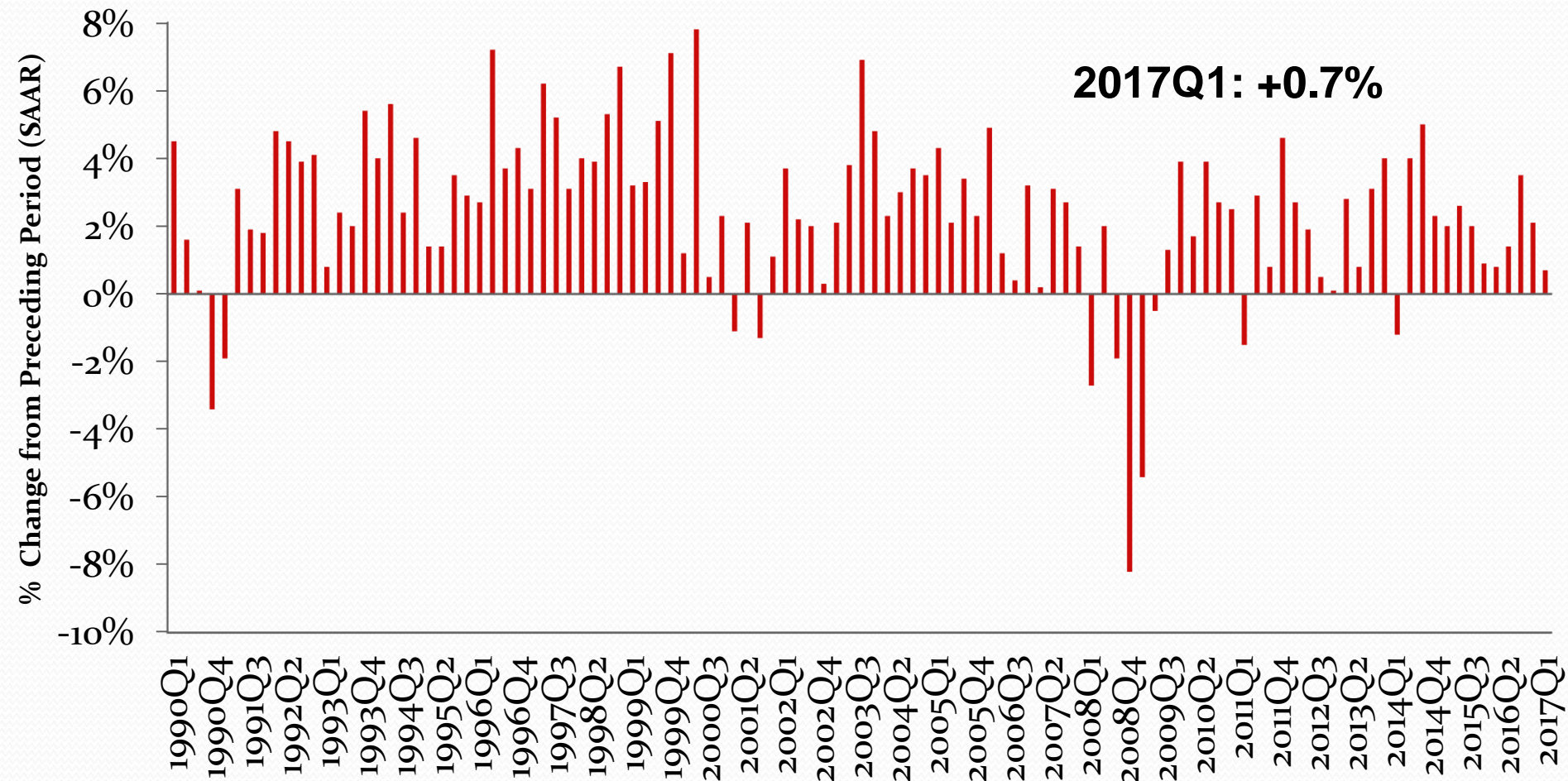
Photo: AMCNetworks.com



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Gross Domestic Product

1990Q1 through 2017Q1*



2017Q1: +0.7%

Source: Bureau of Economic Analysis

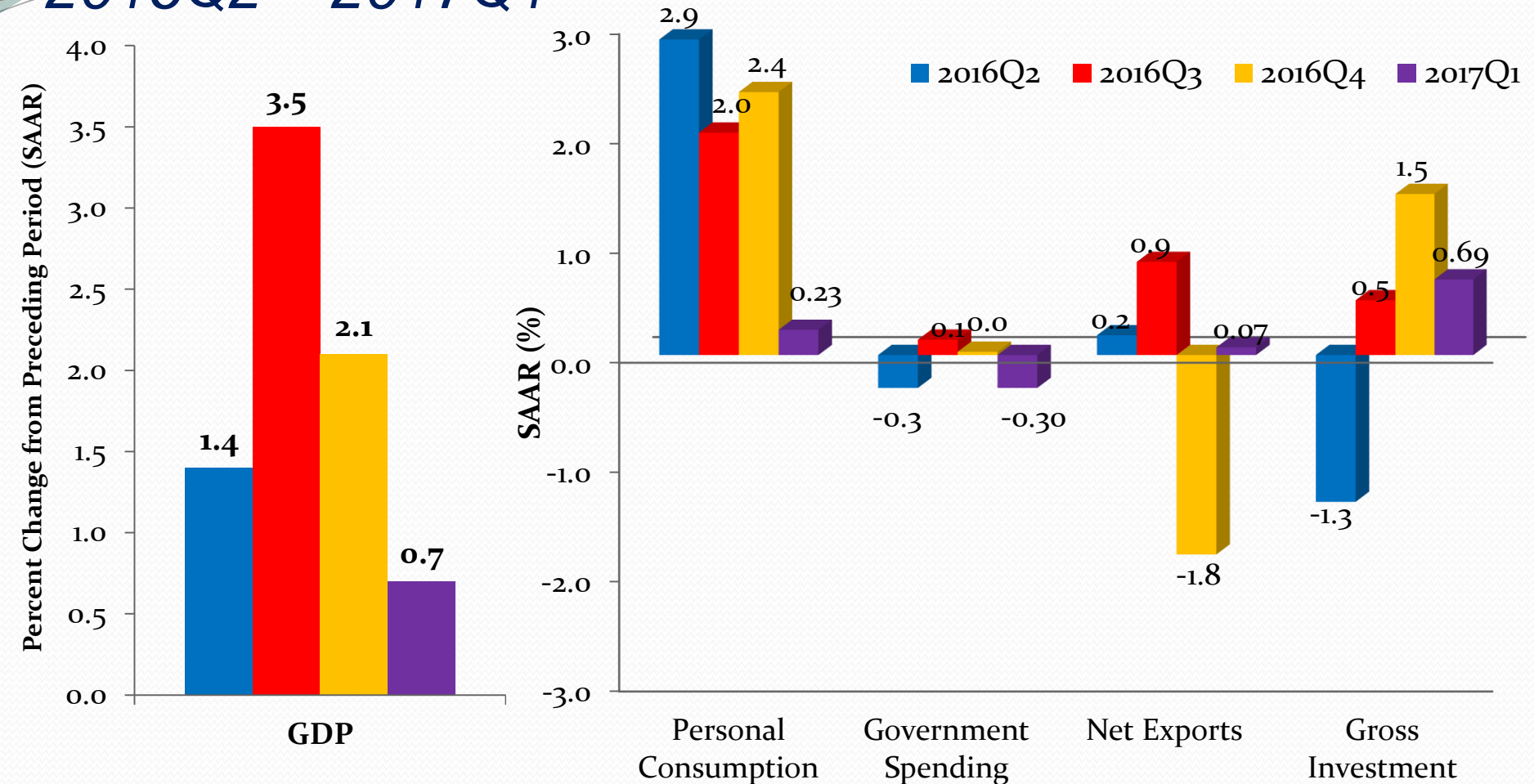
*1st (Advance) Estimate



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Contributions to GDP Growth by Component

2016Q2 – 2017Q1*



Source: Bureau of Economic Analysis

*1st (Advance) Estimate

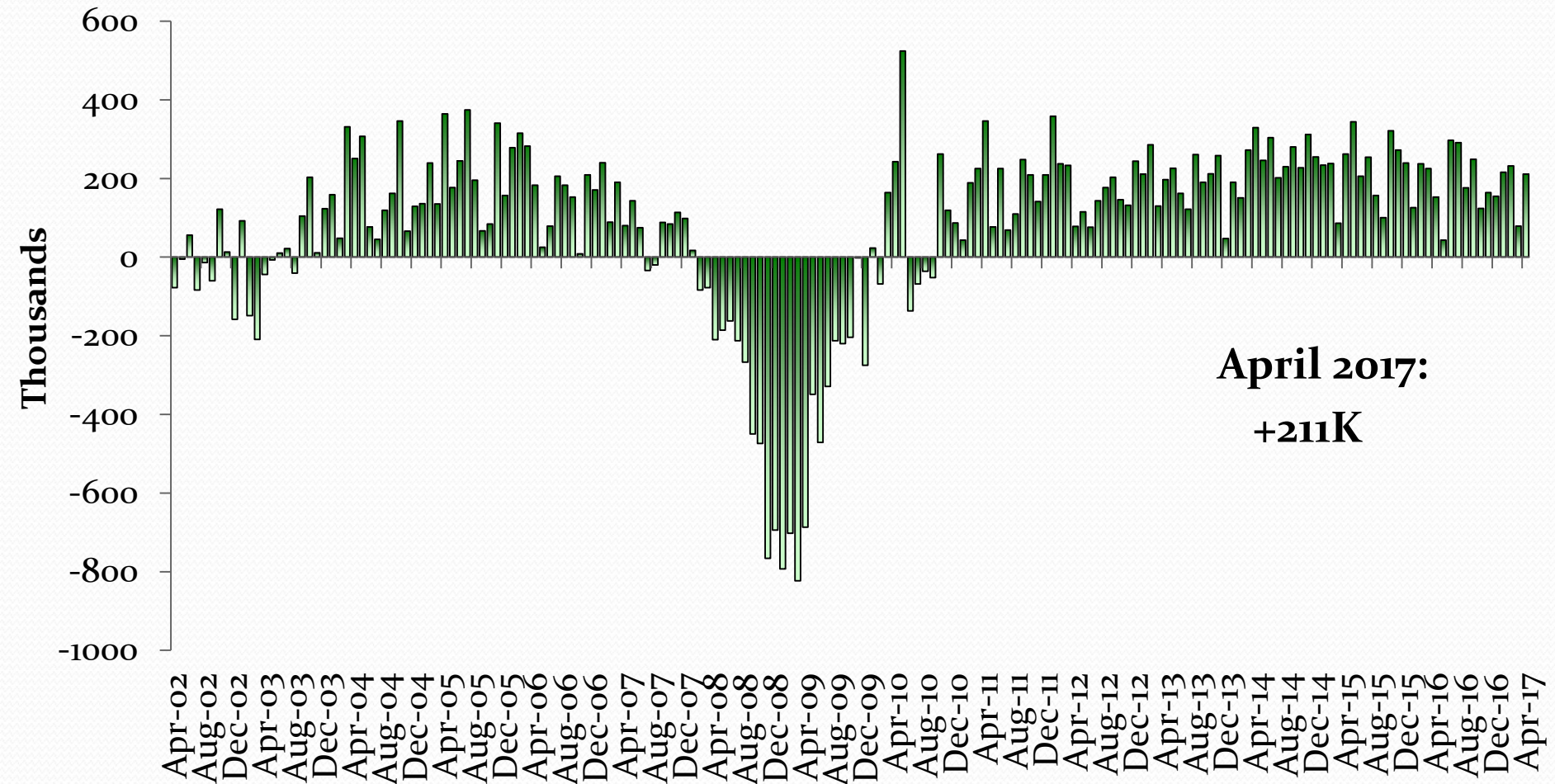
2017Q1: +0.7%



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Net Change in U.S. Jobs, BLS

April 2002 through April 2017



Source: U.S. Bureau of Labor Statistics

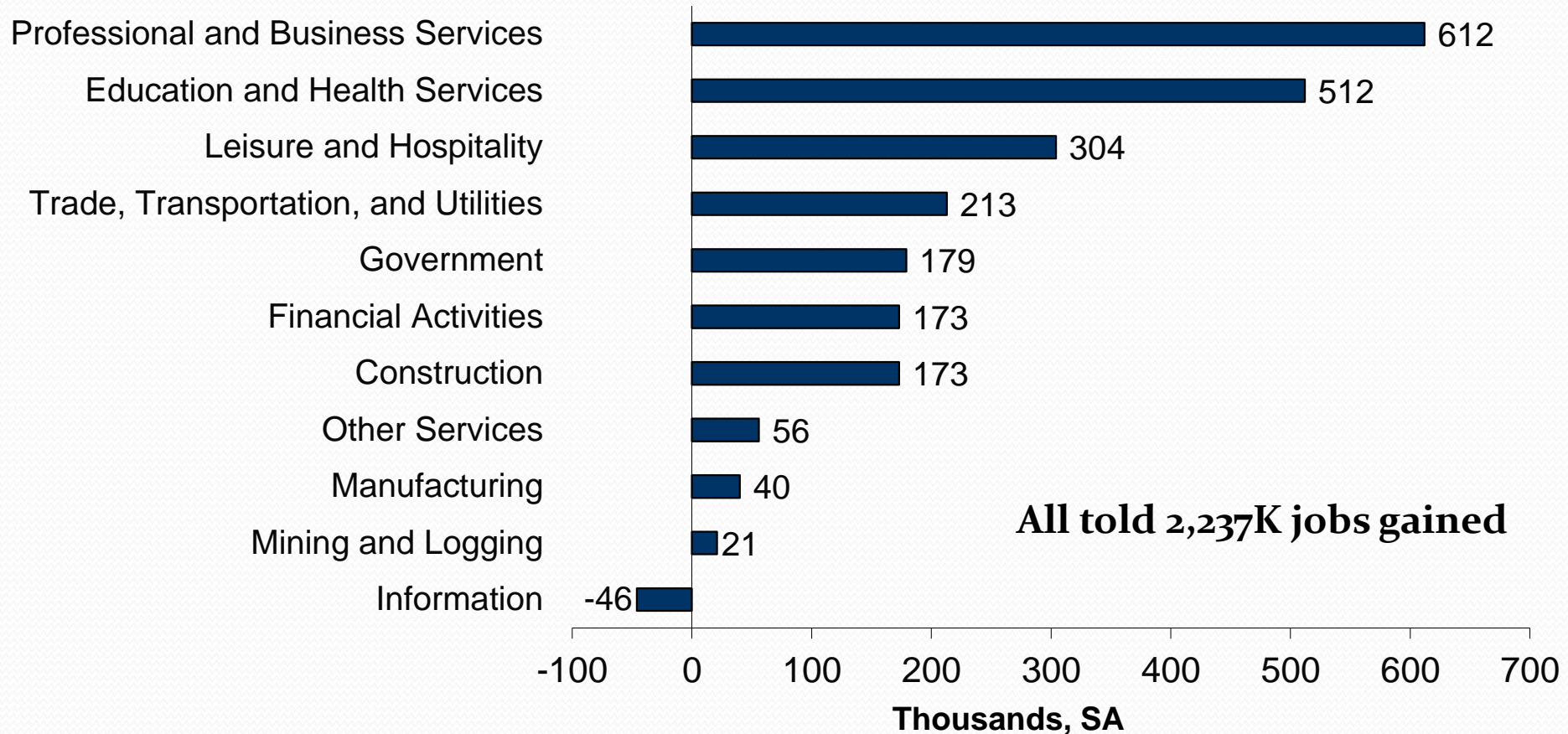


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National Nonfarm Employment

by Industry Sector

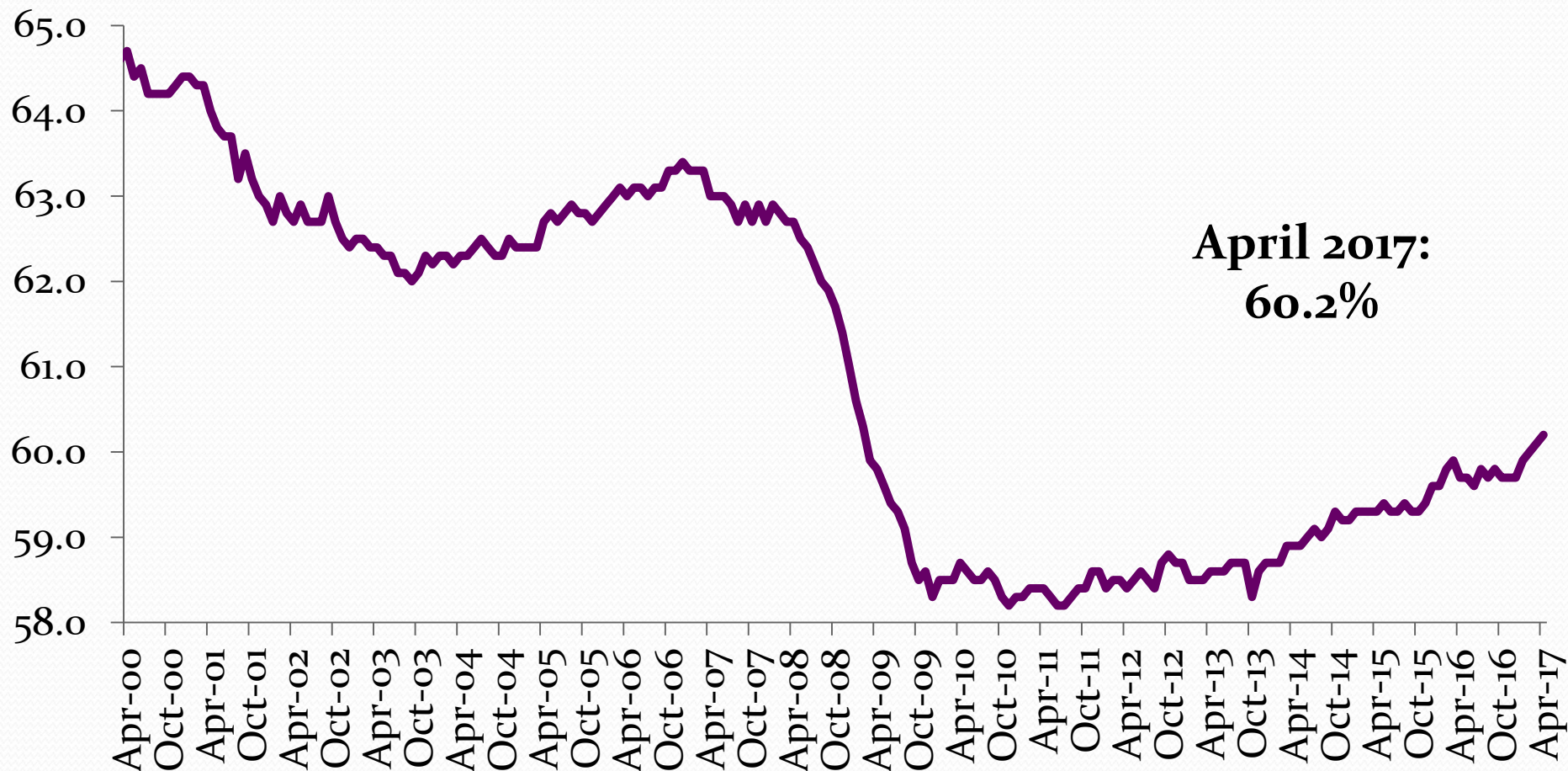
April 2016 v. April 2017



Source: U.S. Bureau of Labor Statistics

U.S. Employment to Population Ratio

April 2000 – April 2017



Source: U.S. Bureau of Labor Statistics

Note: Civilian employment-population ratio, population 16 years and over, seasonally adjusted (SA).



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Employment Growth, U.S. States (SA)

April 2016 v. April 2017 Percent Change

RANK	STATE	%	RANK	STATE	%	RANK	STATE	%
1	NEVADA	3.6	14	MONTANA	1.7	35	PENNSYLVANIA	0.8
2	UTAH	3.3	19	KENTUCKY	1.6	35	VERMONT	0.8
3	FLORIDA	2.6	20	ARKANSAS	1.5	37	OHIO	0.7
3	GEORGIA	2.6	21	CALIFORNIA	1.4	38	DELAWARE	0.6
3	IDAHO	2.6	21	HAWAII	1.4	38	MAINE	0.6
6	WASHINGTON	2.5	21	SOUTH CAROLINA	1.4	40	DISTRICT OF COLUMBIA	0.5
7	OREGON	2.3	24	ALABAMA	1.3	40	IOWA	0.5
8	TEXAS	2.2	24	MISSOURI	1.3	42	ILLINOIS	0.4
9	ARIZONA	2.0	24	NEW JERSEY	1.3	42	NORTH DAKOTA	0.4
10	TENNESSEE	1.9	24	WISCONSIN	1.3	44	CONNECTICUT	0.3
11	COLORADO	1.8	28	NEW MEXICO	1.2	45	MISSISSIPPI	0.1
11	NEW HAMPSHIRE	1.8	28	NORTH CAROLINA	1.2	46	LOUISIANA	-0.1
11	SOUTH DAKOTA	1.8	30	NEBRASKA	1.1	47	KANSAS	-0.2
14	MARYLAND	1.7	30	VIRGINIA	1.1	47	OKLAHOMA	-0.2
14	MASSACHUSETTS	1.7	32	INDIANA	1.0	49	WEST VIRGINIA	-0.4
14	MICHIGAN	1.7	32	NEW YORK	1.0	50	WYOMING	-1.4
14	MINNESOTA	1.7	32	RHODE ISLAND	1.0	51	ALASKA	-2.1

Source: U.S. Bureau of Labor Statistics

U.S. Year-over-year Percent Change: +1.6%

Employment Growth, 24 Largest Metros (NSA)

April 2016 v. April 2017 Percent Change

Rank	MSA	%	Rank	MSA	%
1	Orlando-Kissimmee-Sanford, FL MSA	3.6	13	Boston-Cambridge-Nashua, MA-NH Metro NECTA	1.6
2	Atlanta-Sandy Springs-Roswell, GA MSA	3.3	13	Portland-Vancouver-Hillsboro, OR-WA MSA	1.6
3	Riverside-San Bernardino-Ontario, CA MSA	3.1	15	Minneapolis-St. Paul-Bloomington, MN-WI MSA	1.5
4	Dallas-Fort Worth-Arlington, TX MSA	3.0	15	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD MSA	1.5
5	Seattle-Tacoma-Bellevue, WA MSA	2.7	17	Houston-The Woodlands-Sugar Land, TX MSA	1.4
6	Tampa-St. Petersburg-Clearwater, FL MSA	2.6	18	San Diego-Carlsbad, CA MSA	1.3
7	Phoenix-Mesa-Scottsdale, AZ MSA	2.5	19	Washington-Arlington-Alexandria, DC-VA-MD-WV MSA	1.2
8	Charlotte-Concord-Gastonia, NC-SC MSA	2.4	20	Los Angeles-Long Beach-Anaheim, CA MSA	0.9
9	Miami-Fort Lauderdale-West Palm Beach, FL MSA	2.3	20	New York-Newark-Jersey City, NY-NJ-PA MSA	0.9
10	Denver-Aurora-Lakewood, CO MSA	2.1	22	Baltimore-Columbia-Towson, MD MSA	0.8
11	San Francisco-Oakland-Hayward, CA MSA	2.0	23	St. Louis, MO-IL MSA	0.4
12	Detroit-Warren-Dearborn, MI MSA	1.9	24	Chicago-Naperville-Elgin, IL-IN-WI MSA	0.3

Source: U.S. Bureau of Labor Statistics, Current Employment Statistics (CES) Survey

Unemployment Rates, 24 Largest Metros (NSA)

March 2017

Rank	MSA	UR	Rank	MSA	UR
1	Denver-Aurora-Lakewood, CO MSA	2.4	13	Los Angeles-Long Beach-Anaheim, CA MSA	4.2
2	Boston-Cambridge-Nashua, MA-NH Metro NECTA	3.4	13	San Diego-Carlsbad, CA MSA	4.2
3	San Francisco-Oakland-Hayward, CA MSA	3.5	15	Dallas-Fort Worth-Arlington, TX MSA	4.3
4	Washington-Arlington-Alexandria, DC-VA-MD-WV MSA	3.7	16	Charlotte-Concord-Gastonia, NC-SC MSA	4.4
4	Seattle-Tacoma-Bellevue, WA MSA	3.7	17	Baltimore-Columbia-Towson, MD MSA	4.5
6	Minneapolis-St. Paul-Bloomington, MN-WI MSA	3.8	17	Chicago-Naperville-Elgin, IL-IN-WI MSA	4.5
7	Orlando-Kissimmee-Sanford, FL MSA	3.9	19	Atlanta-Sandy Springs-Roswell, GA MSA	4.6
7	Portland-Vancouver-Hillsboro, OR-WA MSA	3.9	19	Miami-Fort Lauderdale-West Palm Beach, FL MSA	4.6
9	St. Louis, MO-IL MSA (1)	4.0	19	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD MSA	4.6
10	New York-Newark-Jersey City, NY-NJ-PA MSA	4.1	22	Detroit-Warren-Dearborn, MI MSA	5.1
10	Phoenix-Mesa-Scottsdale, AZ MSA	4.1	23	Riverside-San Bernardino-Ontario, CA MSA	5.3
10	Tampa-St. Petersburg-Clearwater, FL MSA	4.1	24	Houston-The Woodlands-Sugar Land, TX MSA	5.7

Source: U.S. Bureau of Labor Statistics

1. Area boundaries do not reflect official OMB definitions.

U.S. Unemployment Rate
March: 4.5% April: 4.4%



21 Jump Street

(And Other Addresses of Interest)

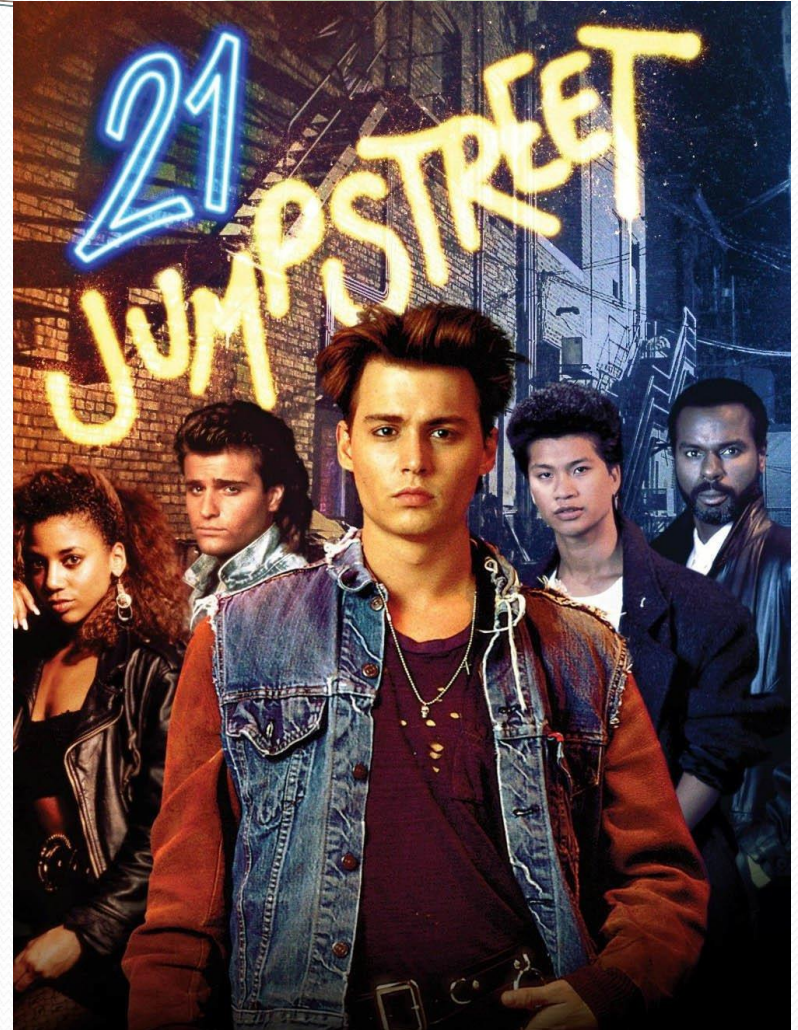
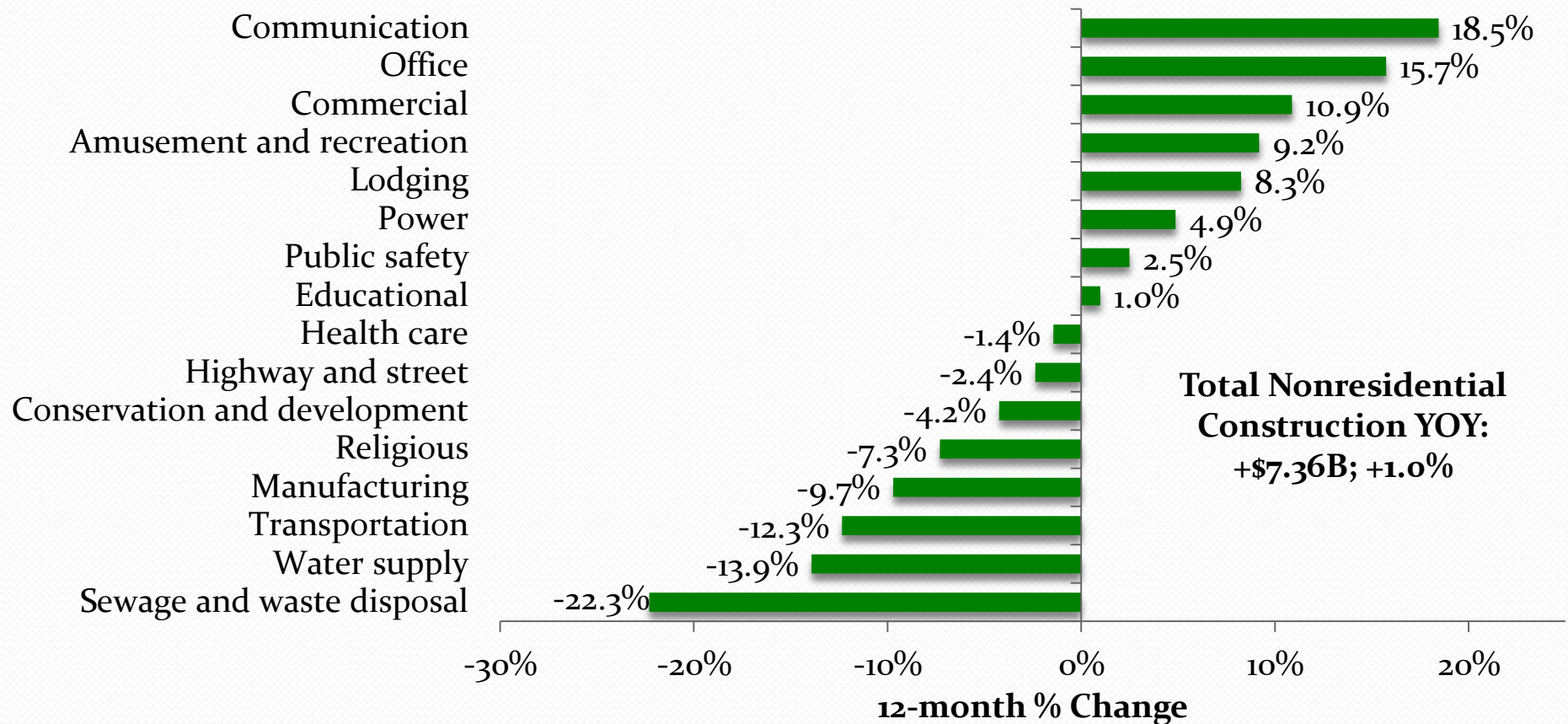


Photo: TheMoveDatabase.org



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National Nonresidential Construction Spending by Subsector, March 2016 v. March 2017

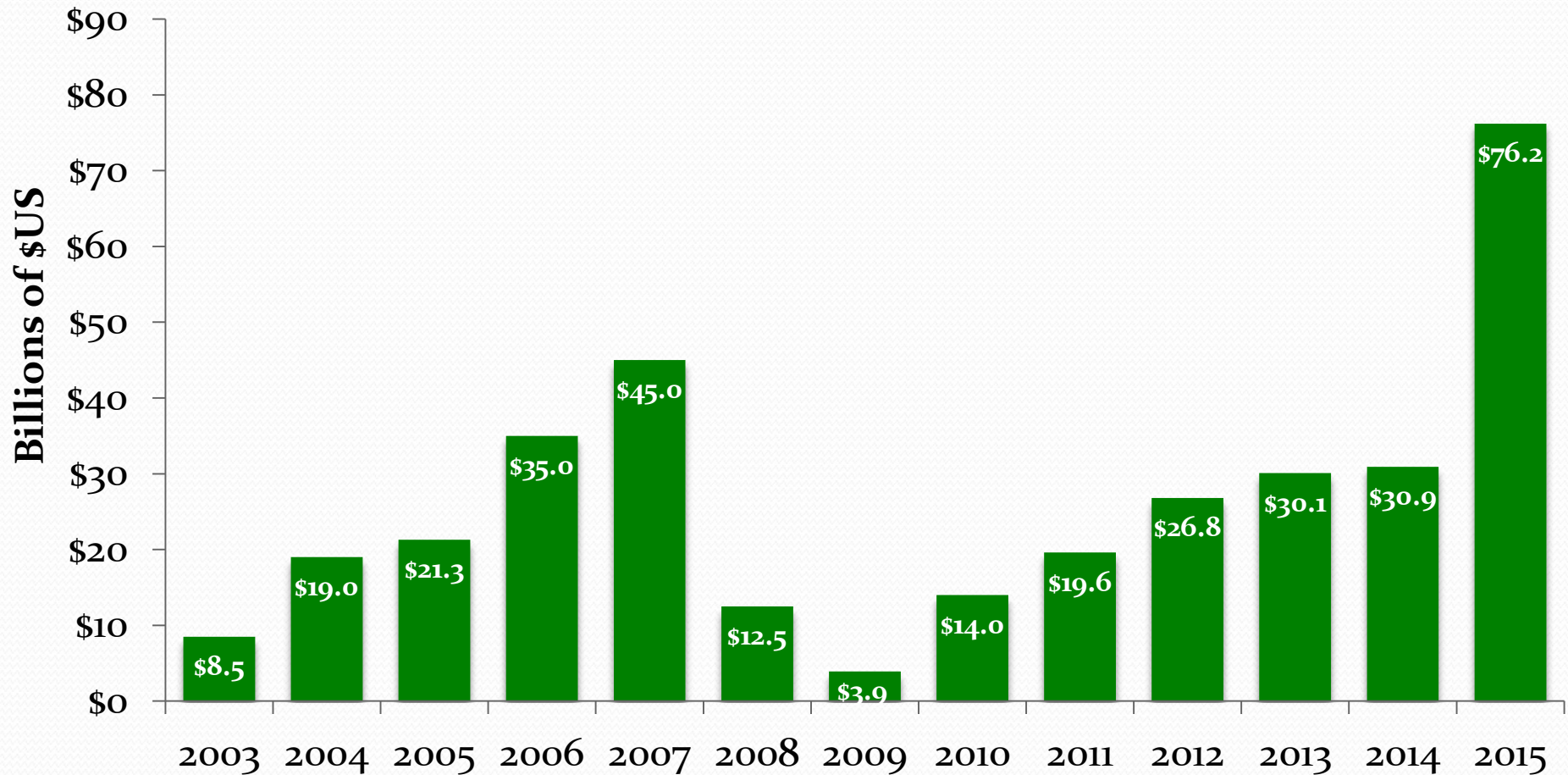


Source: U.S. Census Bureau



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Commercial/Multifamily Offshore Investment Sales Volumes Reach New Heights in 2015



Source: Jones Lang LaSalle; Real Capital Analytics

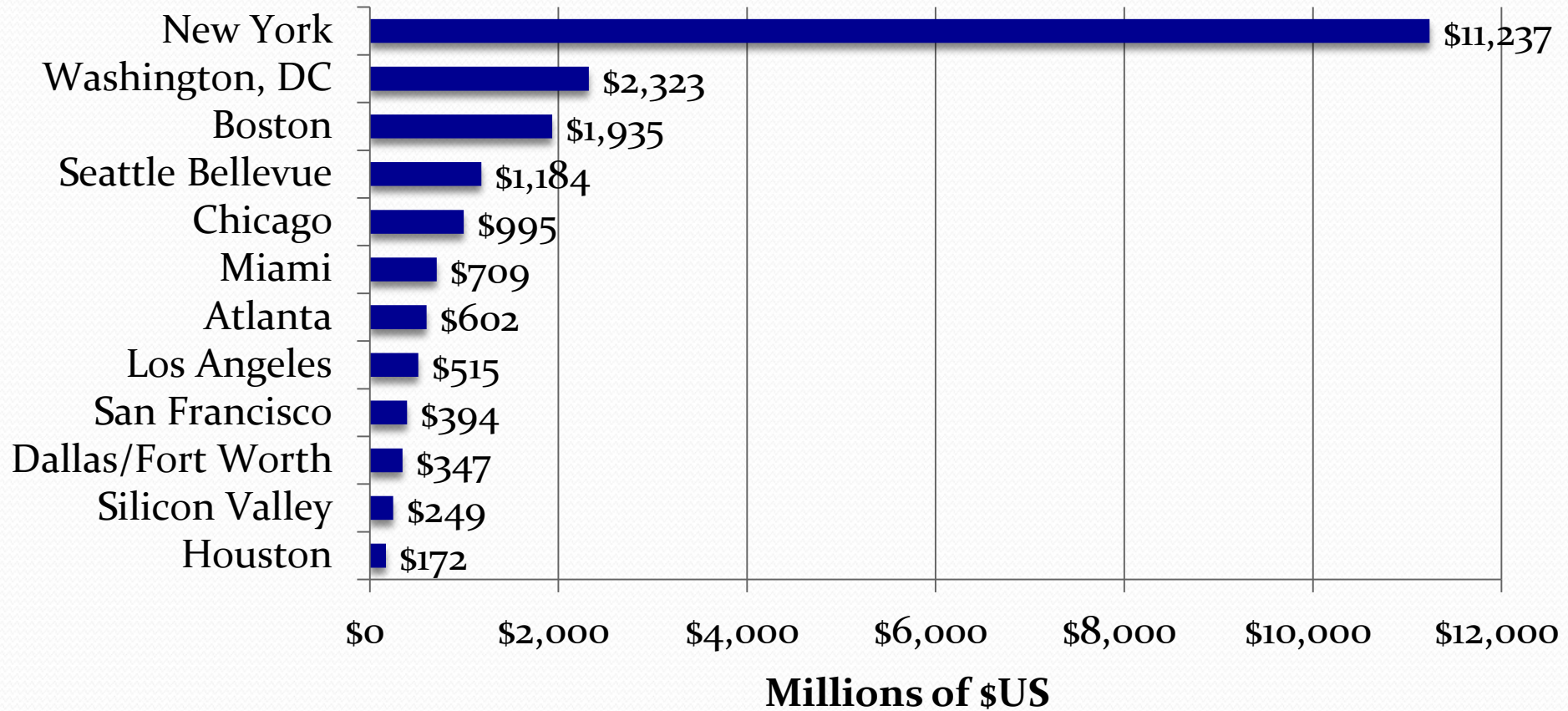
Note: Among transactions larger than \$5.0 million

*Foreign Investment Increases 146.6
Percent in 2015 to \$76.2b*



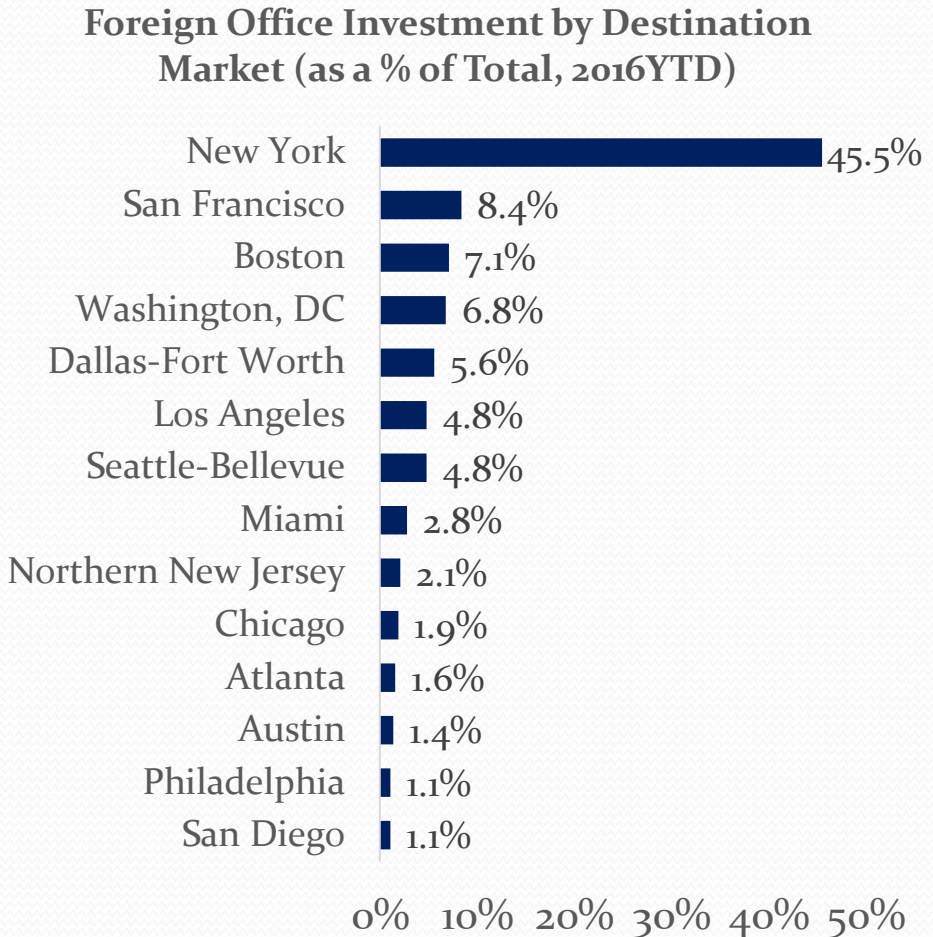
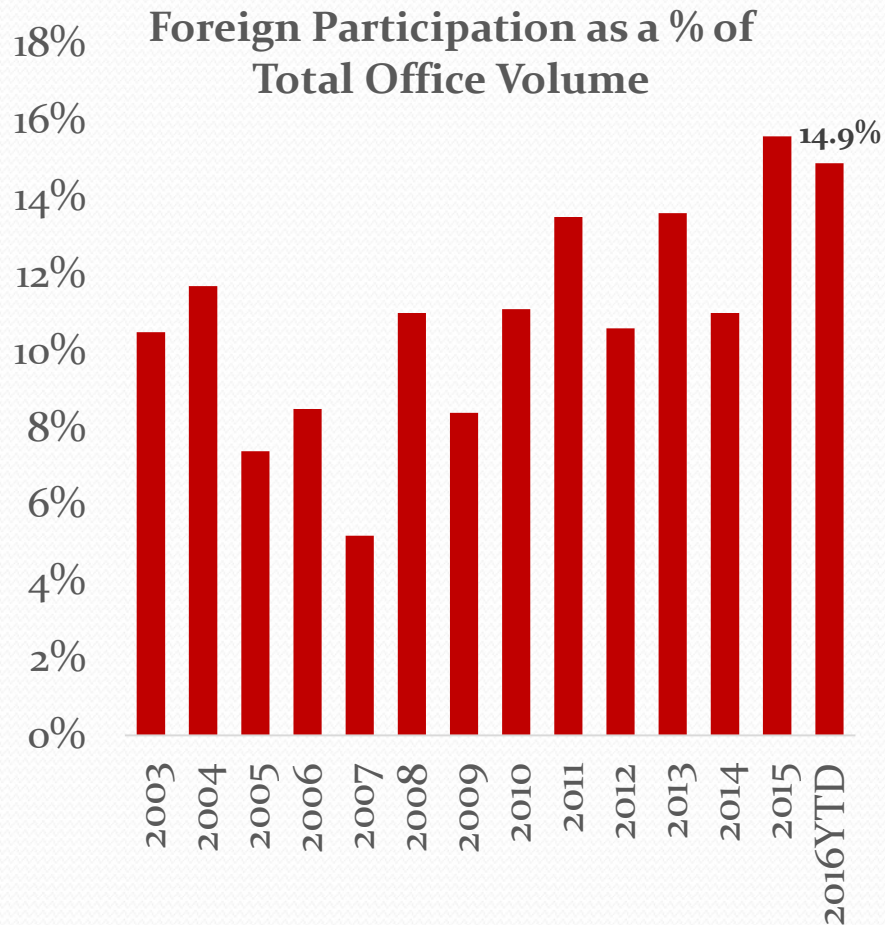
Top Markets for Foreign Office Investment, 2015

Annual Foreign Office Investment Volume



Source: Jones Lang LaSalle; Real Capital Analytics

Foreign Office Investment Activity, as of 2016Q3



Source: Jones Lang LaSalle; Real Capital Analytics

Note: Among transactions larger than \$5.0 million; includes all office markets which received > 1.0% of offshore capital.

Primary markets continue to capture the lion's share of inbound capital, receiving 78.2% of this capital YTD.

U.S. Mergers and Acquisitions, 2016

- Average Value of M&A Announced in 2016: \$106 million
 - Smaller than 2015 average: \$115.4 million
 - Larger than the 2000-2014 average: \$77.1 million
- 5 Biggest Deals in 2016
 1. AT&T and Time Warner: \$85.4 billion
 2. Bayer and Monsanto: \$66 billion
 3. British American Tobacco and Reynolds American: \$58 billion
 4. Sunoco Logistics and Energy Transfer Partners: \$52 billion
 5. Qualcomm and NXP Semiconductors: \$47 billion

Source: Fortune.com

Mergers and Acquisitions, 2017

- In the first quarter of 2017:
 - Total # of deals: -17.9%
 - Overall deal value: +8.9% (to \$678.5B)
 - Average deal value: \$403.4 million
- Clampdown on outgoing capital by the Chinese government decreased the number of Chinese buyers
 - Value of Chinese deals down 86 percent compared to last year
- “The erosion in barriers to entry and the slowdown in emerging markets is forcing struggling multinationals into finding new avenue of growth ... M&A is actually the quickest route – sometimes easier than innovation and less risky than extreme cost cutting.” – Cedric Besnard, Consumer Equity Analyst at Citi
- “High liquidity, access to cheap financing, healthy balance sheets and a need to demonstrate growth to shareholders via M&A all provide a positive outlook for 2017. Technology will drive M&A activity, with disruptive industries such as artificial intelligence, fintech and the internet of thing continuing to attract investor attention.” – Katharine Dennys, EMEA Research Editor, Mergermarket

Source: CNBC.com

Down to “The Wire”

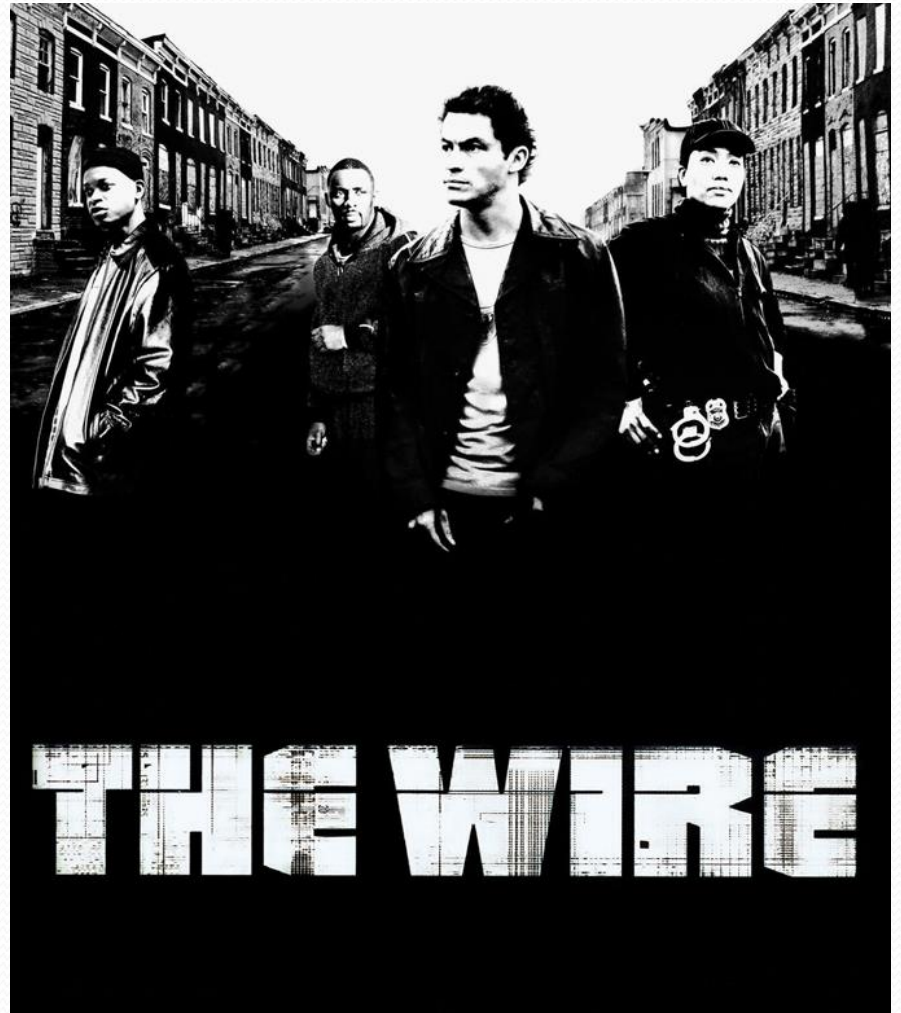


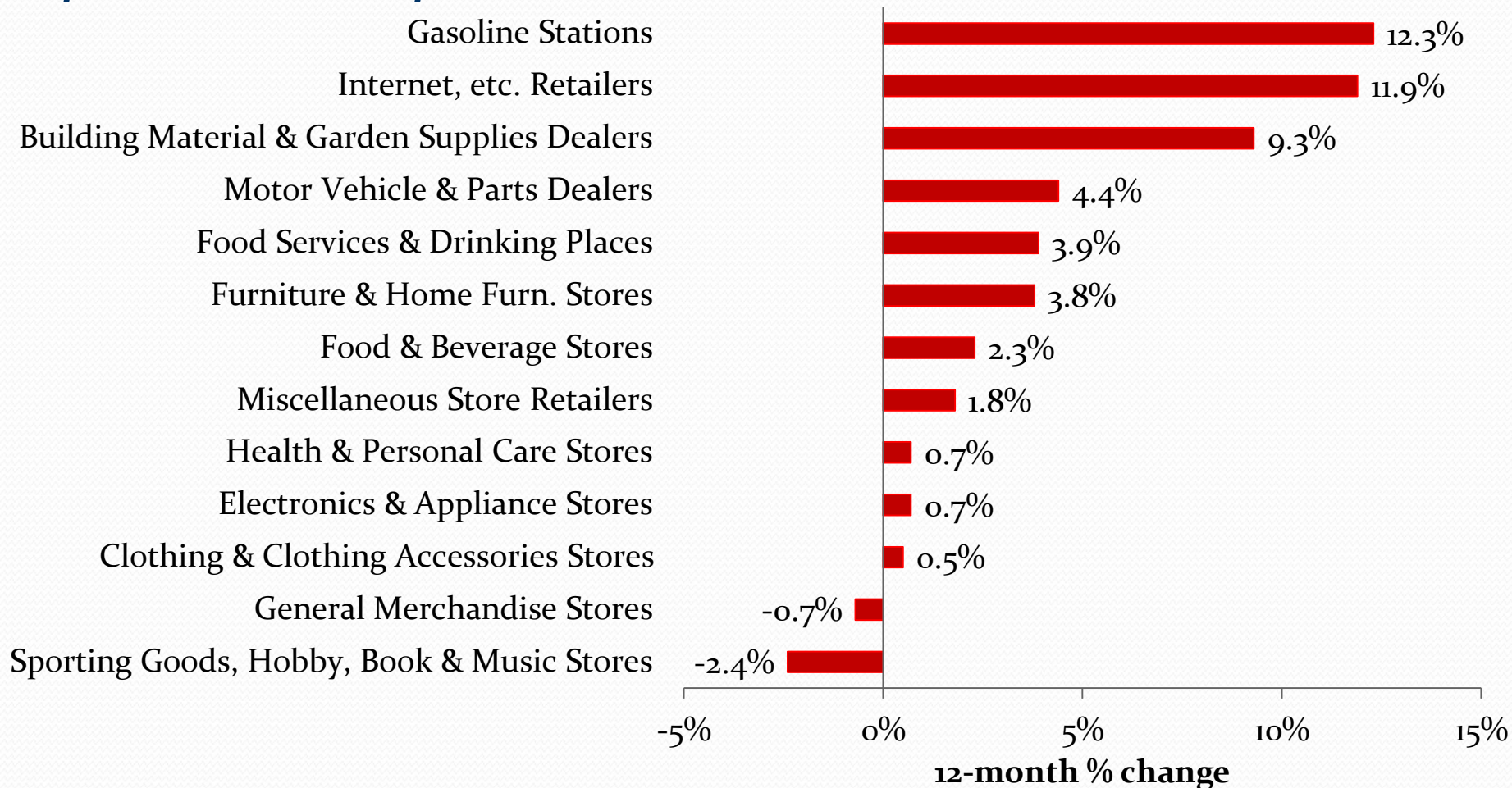
Photo: RecapGuide.com



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Sales Growth by Type of Business

*April 2016 v. April 2017**



Source: U.S. Census Bureau

*April 2017 advanced estimate

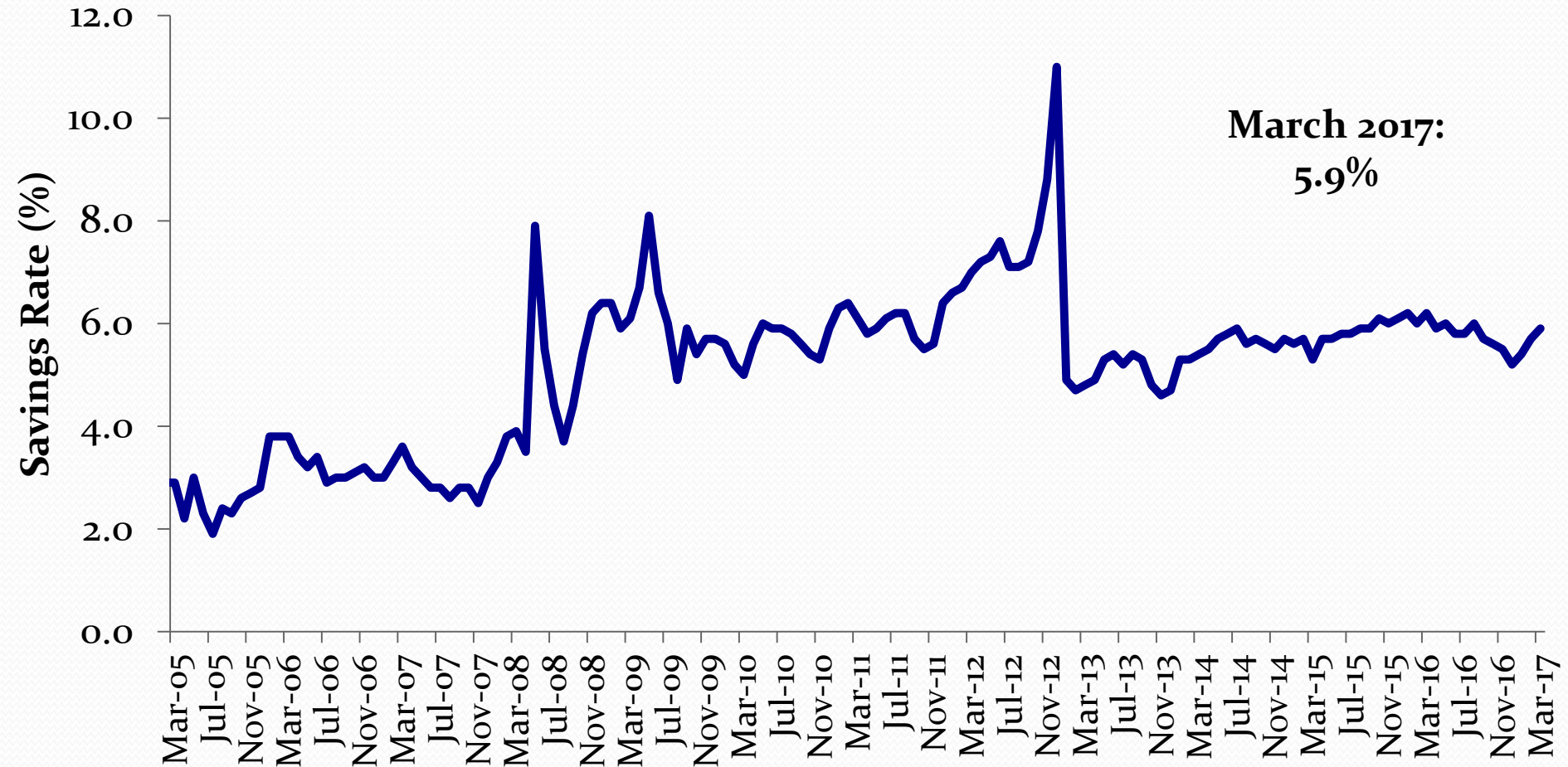
Total Retail Sales: +4.5% YOY



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U.S. Saving Rate, March 2005 – March 2017

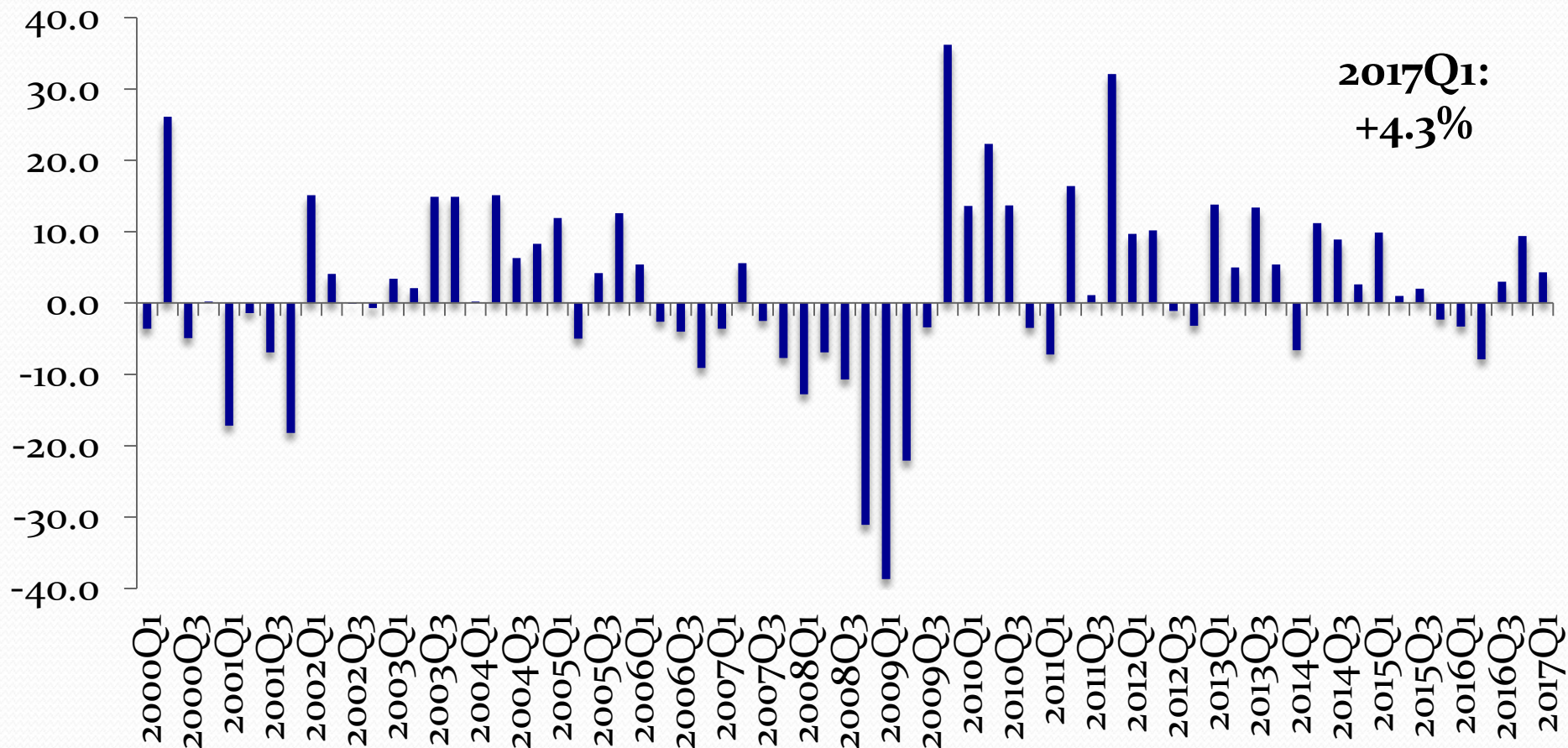
(Savings as Percentage of Personal Disposable Income)



Source: Bureau of Economic Analysis

U.S. Gross Private Domestic Investment (SAAR)

*% Change from Previous Quarter, 2000Q1 – 2017Q1**



2017Q1:
+4.3%

Source: Bureau of Economic Analysis

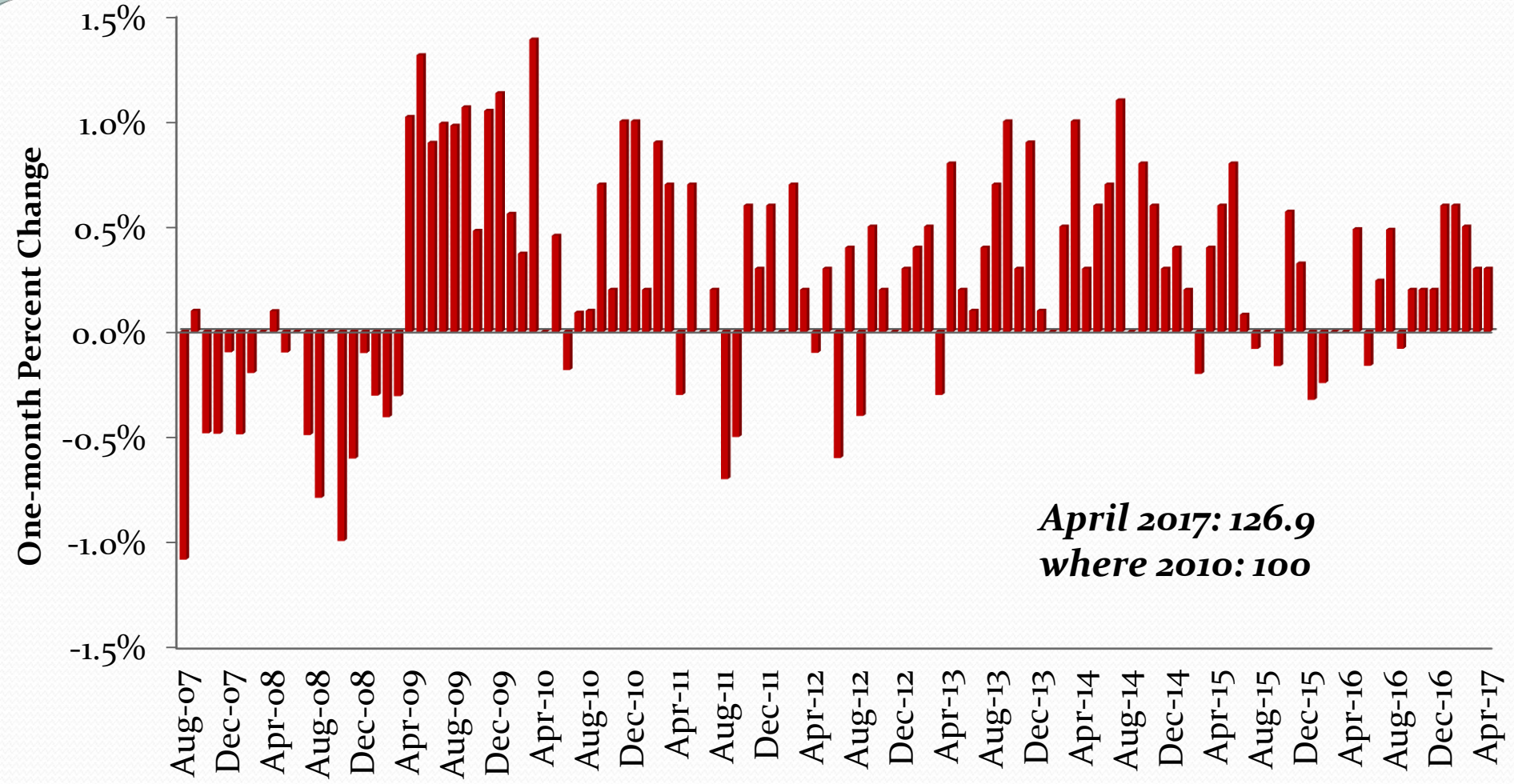
*1st (Advance) Estimate



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Conference Board Leading Economic Indicators Index

August 2007 through April 2017



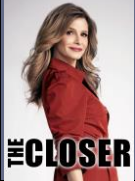
Source: Conference Board

The Closer

- Global economy remains weak, and correspondingly . . . ;
- Global money has continued to pour into America in search of yield and safety, including into commercial real estate – that was particularly true in 2015, a bit less true in 2016 – M&A activity also stimulated;
- Inflationary pressures are on the rise – so, too, are interest rates – that could begin to squeeze asset prices in 2017, particularly if expected tax cuts are not passed into law;
- There are indications of mini-bubbles forming in commercial real estate, particularly in office, lodging and multifamily segments;
- There are also longer-term structural considerations, including the national debt and pending insolvencies of Medicare and Social Security – the longer-term outlook may be deteriorating even as the short-run improves;
- Momentum should see us through 2017, but tighter monetary policy combined with a heavy dose of political intrigue could render 2018 far different. By this time in 2019, the economy could be in a far different place and likely will be.

Photo: Google

*Kyra Sedgwick as Brenda Leigh Johnson



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.