

# The Ten Surprises of 2020

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# Table of Contents

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<b>I.</b>	<b>Ten Surprises and "Radical" Asset Allocation</b>	<b>2</b>
<b>II.</b>	<b>US Growth Outlook</b>	<b>9</b>
	<b>A. US Equities Outlook</b>	<b>16</b>
	<b>B. "Data-Dependent" Monetary Policy</b>	<b>22</b>
<b>III.</b>	<b>Global Growth Outlook</b>	<b>25</b>
	<b>A. Global Debt Markets</b>	<b>29</b>
<b>IV.</b>	<b>Risks to the Outlook</b>	<b>33</b>
<b>V.</b>	<b>Long-Term Trends to Consider</b>	<b>37</b>
<b>VI.</b>	<b>Byron's Life's Lessons</b>	<b>41</b>

# **I. Ten Surprises and "Radical" Asset Allocation**

## The Ten Surprises of 2019

**These surprises were announced Thursday, January 3, 2019. The definition of a surprise is an event that the average investment professional would assign a one out of three chance of taking place, but which we believe is probable, having a better than 50% chance of happening**

1. The weakening world economy encourages the Federal Reserve to stop raising the federal funds rate during the year. Inflation remains subdued and the 10-year Treasury yield stays below 3.5%. The yield curve remains positive.
2. Partly because of no further rate increases by the Federal Reserve and more attractive valuations as a result of the market decline at the end of 2018, the S&P 500 gains 15% for the year. Rallies and corrections occur but improved earnings enable equities to move higher in a reasonably benign interest rate environment.
3. Traditional drivers of GDP growth, capital spending and housing, make only modest gains in 2019. The expansion continues, however, because of consumer and government spending. A recession before 2021 seems unlikely.
4. The better tone in the financial markets discourages precious metal investors. Gold drops to \$1,000 as the equity markets in the United States and elsewhere improve.
5. The profit outlook for emerging markets brightens and investor interest intensifies because the price earnings ratio is attractive compared to developed markets and historical levels. Continuous expansion of the middle class in the emerging markets provides the consumer buying thrust for earnings growth. China leads and the Shanghai composite rises 25%. The Brazil equity market also comes to life under the country's new conservative leadership.

## The Ten Surprises of 2019 (Cont'd)

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6. March 29 comes and goes and there is no Brexit deal. Parliament fails to approve one and Theresa May, arguing that a change in leadership won't help the situation, remains in office. A second referendum is held and the U.K. votes to remain.
7. The dollar stabilizes at year-end 2018 levels and stays there throughout the year. Because of concern about the economy, the Federal Reserve stops shrinking its balance sheet, which is interpreted negatively by currency traders. The flow of foreign capital into United States assets slows because of a softer monetary policy and a lack of need for new capital for business expansion.
8. The Mueller investigation results in indictments against members of the Trump Organization closest to the president but the evidence doesn't support any direct action against Trump himself. Nevertheless, an exodus of Trump's most trusted advisors results in a crisis in confidence that the administration has the people and the process to accomplish important goals.
9. Congress, however, with a Democratic majority, gets more done than expected, particularly on trade policy. Progress is made in preserving important parts of the Affordable Care Act and immigration policy. A federal infrastructure program to be implemented in 2020 is announced.
10. Growth stocks continue to provide leadership in the U.S. equity market. Technology and biotech do well as a result of continued strong earnings. Value stocks other than energy-related businesses disappoint because of the slowing economy.

## The Ten Surprises of 2020

**These surprises were announced Monday, January 6, 2020. The definition of a surprise is an event that the average investment professional would assign a one out of three chance of taking place, but which we believe is probable, having a better than 50% chance of happening**

1. The economy disappoints the consensus forecast, but a recession is avoided. Federal Reserve Chair Powell lowers the Fed funds rate to 1%. Without a comprehensive trade deal in hand, President Trump exercises every executive authority he has to stimulate growth and ward off recession. He cuts payroll taxes to put more money in the hands of consumers.
2. Inequality and climate change become important election themes, but centrist ideas prevail. The House of Representatives sends articles of impeachment to the Senate, but Donald Trump is not convicted or removed from office. Enough information is revealed in the proceedings to cause some of his supporters, as well as many independents, to throw their support to liberal candidates in 2020 state races. The Democrats take the Senate in November.
3. There is no comprehensive Phase Two trade deal that limits China's ability to acquire intellectual property. National interests result in the balkanization of technology. The development of separate standards for 5G and other tech hardware proves to be bad news for the future of world economies. The move toward "decoupling" gains traction in negotiations with China. US economic co-dependence with China erodes. Both China and the US keep their hands off Hong Kong and let the protest settle down by itself.
4. The prospect of a self-driving car is pushed further into the future. A series of accidents with experimental vehicles causes a major manufacturer or technology company to issue a statement that it is no longer developing self-driving technology.
5. Emboldened by the pain of economic sanctions, Iran takes advantage of America's unwillingness to intervene and steps up acts of hostility against Israel and Saudi Arabia. The Strait of Hormuz is closed and the price of oil (West Texas Intermediate) soars to over \$70/barrel.

## The Ten Surprises of 2020 (Cont'd)

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6. Even though some observers believe valuations are stretched, a surge in investor enthusiasm pushes the Standard & Poor's 500 above 3500 at some point during the year. Earnings increase only 5%, and S&P 500 multiples remain elevated because monetary policy is easy and investors become more comfortable that intermediate interest rates will rise slowly. Volatility increases and there are several market corrections greater than 5% throughout the year.
7. Big tech companies face growing political scrutiny and social blowback. Once the market leaders, certain FAANG stocks underperform and the equal-weighted S&P 500 outperforms. A proposal to break up the largest social media platforms and increase regulation and government oversight gains popularity. This has greater success than prior government efforts against Apple, Microsoft and IBM, because it has widespread support from the American people. A millennial in New York City puts a phone down and makes eye contact with another human and finds it non-threatening and refreshing.
8. Having secured a workable Brexit deal, the United Kingdom turns out to be the winner in its divorce from the European Union. The equity market rises and the pound rallies. The UK benefits from a long transition period, and growth exceeds 2% as foreign direct investment resumes now that the outlook is clarified. The EU economy remains soft, and European markets other than the UK underperform the US and Asia.
9. The bond bubble starts to leak, but negative rates continue abroad. Even though the US economy is slowing, the 10-year Treasury yield approaches 2.5% and the yield curve steepens. Japan and China pull away from the Treasury auctions. Rather than economic fundamentals or inflation, supply and demand drive yields higher.
10. The problems with Boeing's 737 Max are fixed and deliveries begin. The plane becomes a mainstay around the world, enabling airlines to operate more efficiently and increase profits. The stocks become market leaders.

## The “Also Rans” of 2020

**Every year there are always a few Surprises that do not make the Ten, because we either do not think they are as relevant as those on the basic list or we are not comfortable with the idea that they are “probable.”**

11. Fears of an economic crisis in India are allayed. The emerging markets continue to have uneven performance but India recovers from decelerating growth. The Modi government continues business-friendly growth reforms, the economy grows at 6% and the market rises 20%.
12. Artificial intelligence begins to be viewed as a paper tiger. The AI jobs apocalypse fails to materialize, much as the Y2K bug failed to undermine the US economy 20 years earlier. Manufacturing jobs have already been automated and it proves harder to eliminate service jobs by using computer-based applications.
13. Economic problems in Russia intensify even though the price of oil rises. As a result, social unrest begins to spread. Putin’s cozy relationship with his circle of oligarchs becomes an issue and his influence as a world leader diminishes. He attempts to maintain his stature on the world stage through a closer association with China. In spite of serious differences, China and Russia appear prepared to face off against Europe and the United States.
14. Populism and inward-thinking continue to spread globally, particularly in emerging markets. Anarchy and disharmony spread throughout the world, creating turbulence in financial markets everywhere. Investors turn away from emerging market local currency debt, forcing spreads higher.
15. North Korea agrees to suspend its nuclear development program after another meeting with President Trump, but does not give up its existing stockpile. Kim Jong-un halts work on a long-range missile capable of reaching the United States. North Korea continues to be a threat, but not an imminent danger.

## “Radical” Asset Allocation

### No changes this quarter

Asset Class	Allocation	Note
Global Large Cap Multinationals	5%	Fair value in terms of yield and multiple
Other US Long Only	10%	Watching carefully
European Long Only	5%	Slowing growth
Emerging Market Equities	10%	Relative growth attractive, dollar stabilizes
Japanese Equities	5%	Better opportunities elsewhere
Hedge Funds (all strategies)	10%	Selected strategies attractive
Private Equity	10%	Competition intense for deals
Real Estate	10%	Still finding opportunities
Gold	0%	No change
Natural Resources and Agricultural Commodities	5%	World standard of living rising
Non-conventional High Yield Fixed Income (Mezzanine, Leveraged Loans, Emerging Market Debt)	15%	Still some value in selective categories, willing to take credit risk over duration risk
Cash	15%	Cash available for tactical opportunities
<b>Total</b>	<b>100%</b>	

Note: As detailed in the “Disclaimers” section, the above reflects the personal views of Joseph Zidle, Managing Director and Byron Wien, Vice Chairman in the Private Wealth Solutions Group, and does not necessarily reflect the view of Blackstone itself.

## **II. US Growth Outlook**

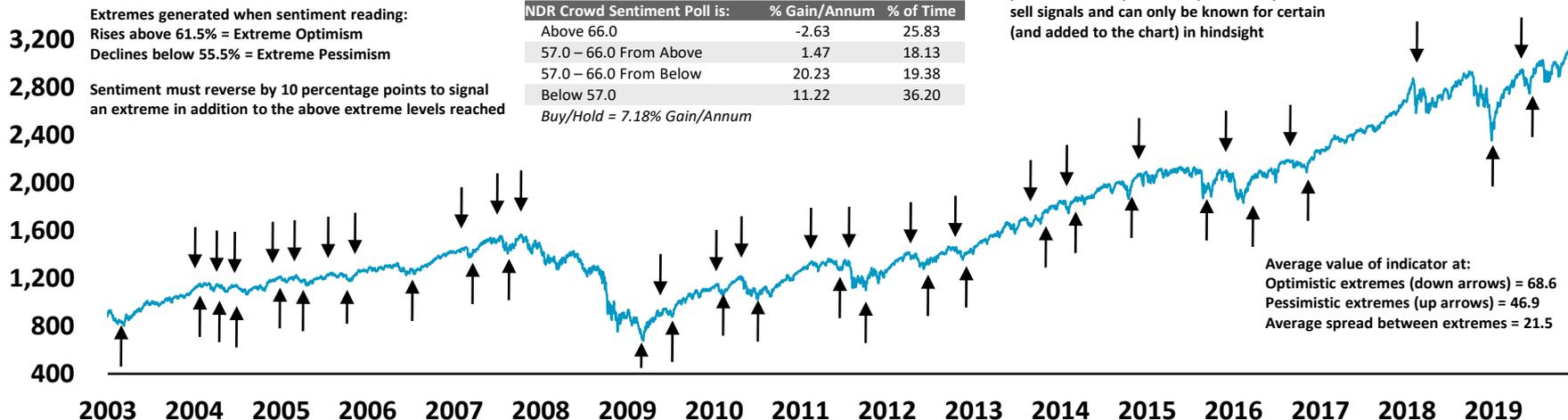
# NDR Crowd Sentiment Poll (7/31/2002 – 12/31/2019)

## S&P 500 Composite Index

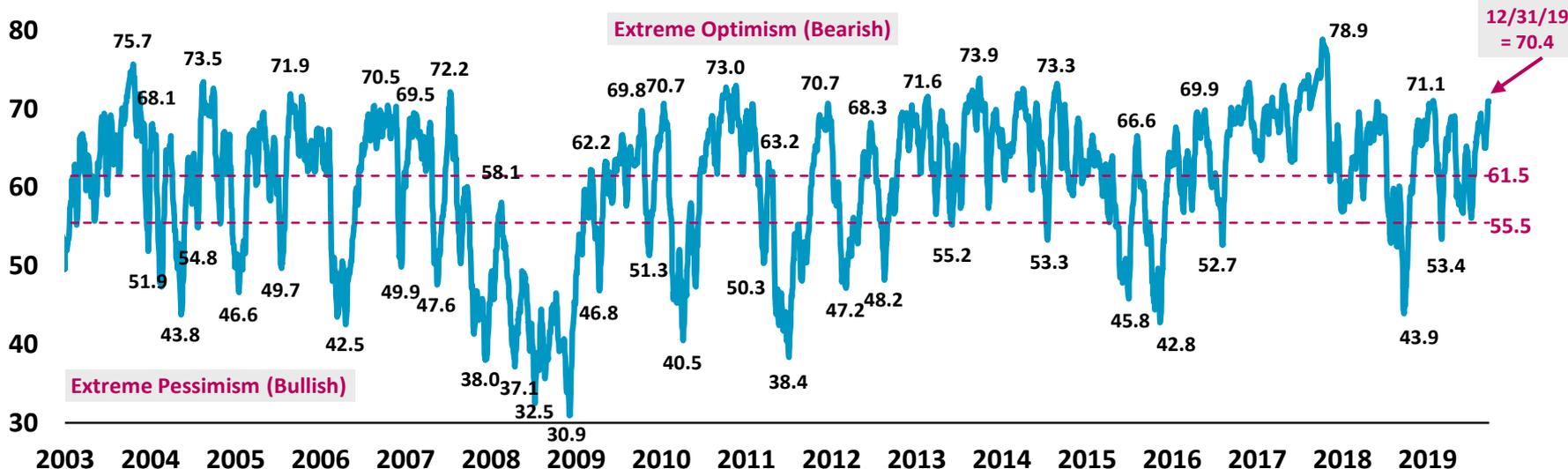
S&P 500 Index Performance Full History: 12/1/1995–12/31/2019		
NDR Crowd Sentiment Poll is:	% Gain/Annum	% of Time
Above 66.0	-2.63	25.83
57.0 – 66.0 From Above	1.47	18.13
57.0 – 66.0 From Below	20.23	19.38
Below 57.0	11.22	36.20

Buy/Hold = 7.18% Gain/Annum

Arrows represent extremes in optimism and pessimism. They do not represent buy and sell signals and can only be known for certain (and added to the chart) in hindsight



## NDR Crowd Sentiment Poll



Source: Ned Davis Research, as of 12/31/19.

## Recession Checklist Monitor

### Primary and secondary recession indicators are mixed

	Indicator	Note	Tech Bubble (1999)	Housing Bubble (2007)	Current
Primary Indicators (Signals)	<b>Average Hourly Earnings Growth</b>	▶ Currently 3.7% growth, below 4% level of concern <sup>(1)</sup>	✓	✓	✗
	<b>Leading Economic Indicators (LEIs)</b>	▶ LEIs growth remains positive, but only growing at +0.1% YoY <sup>(2)</sup>	✓	✓	✓
	<b>Yield Curve: 10Y/2Y Spread</b>	▶ 10Y/2Y spread inverted on closing basis on August 26th	✓	✓	✓
	Indicator	Note	Tech Bubble (1999)	Housing Bubble (2007)	Current
Secondary Indicators (Necessary Conditions)	<b>Investor Sentiment</b>	▶ Investors are skewed towards optimism, but not euphoria <sup>(3)</sup>	✓	✓	✓
	<b>Consumer Confidence</b>	▶ Consumers less confident in the near future than they are about their present situation <sup>(4)</sup>	✓	✓	✓
	<b>Unemployment</b>	▶ Unemployment rate recently made a 50-year low <sup>(5)</sup>	✓	✓	✗
	<b>Corporate Earnings</b>	▶ Earnings growth has been flat in 2019, at risk of contraction <sup>(6)</sup>	✓	✓	✗

Source: Blackstone Investment Strategy. All information as of 11/30/19, unless otherwise noted.

(1) Federal Reserve. Average hourly earnings for production and nonsupervisory employees.

(2) Conference Board US Leading Index.

(3) NDR Crowd Sentiment Poll, as of 12/31/19.

(4) Conference Board, as of 12/31/19.

(5) Sahm Rule Recession Indicator. Based on the three-month moving average of the national unemployment rate.

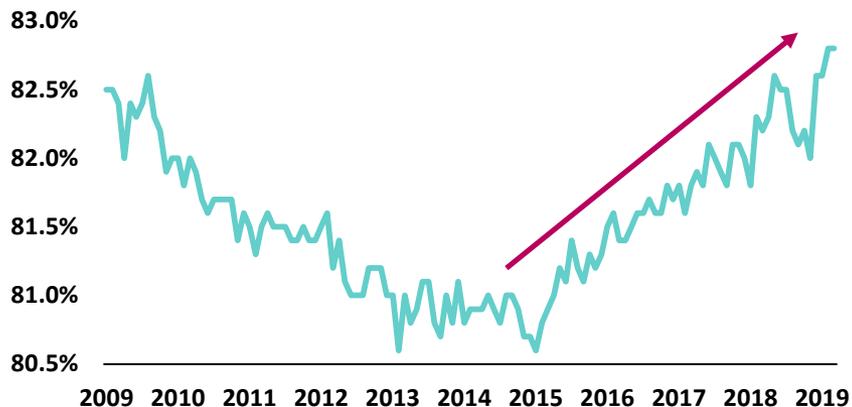
(6) I/B/E/S data from Refinitiv. Based on earnings estimates for the S&P 500.

# Labor Market: Pros and Cons

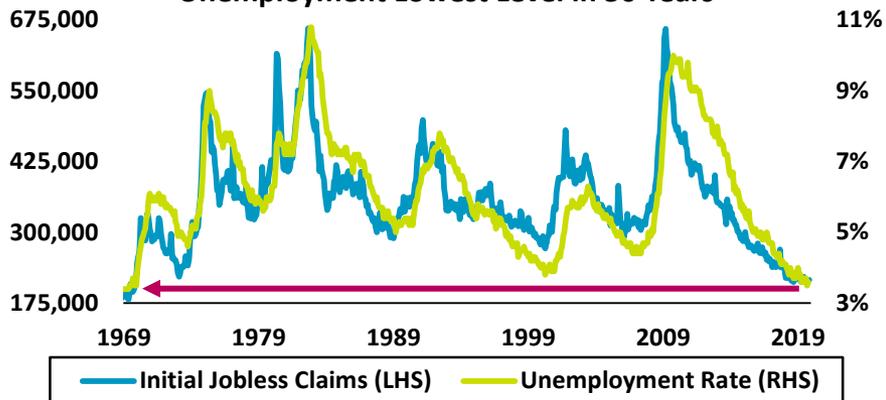
## US labor market is strong overall, but cracks are emerging

### THE PROS

Prime Age (25-54) Participation Rate Increasing

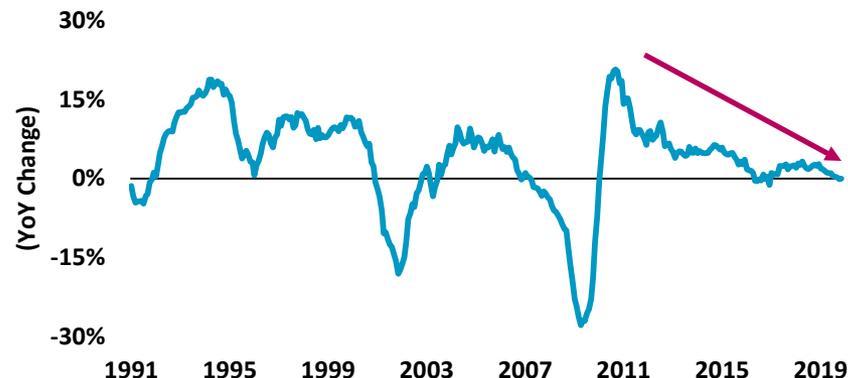


Unemployment Lowest Level in 50 Years



### THE CONS

Growth in Temporary Employee Levels Declining



Total Private Job Openings (YoY % Change)<sup>(1)</sup>

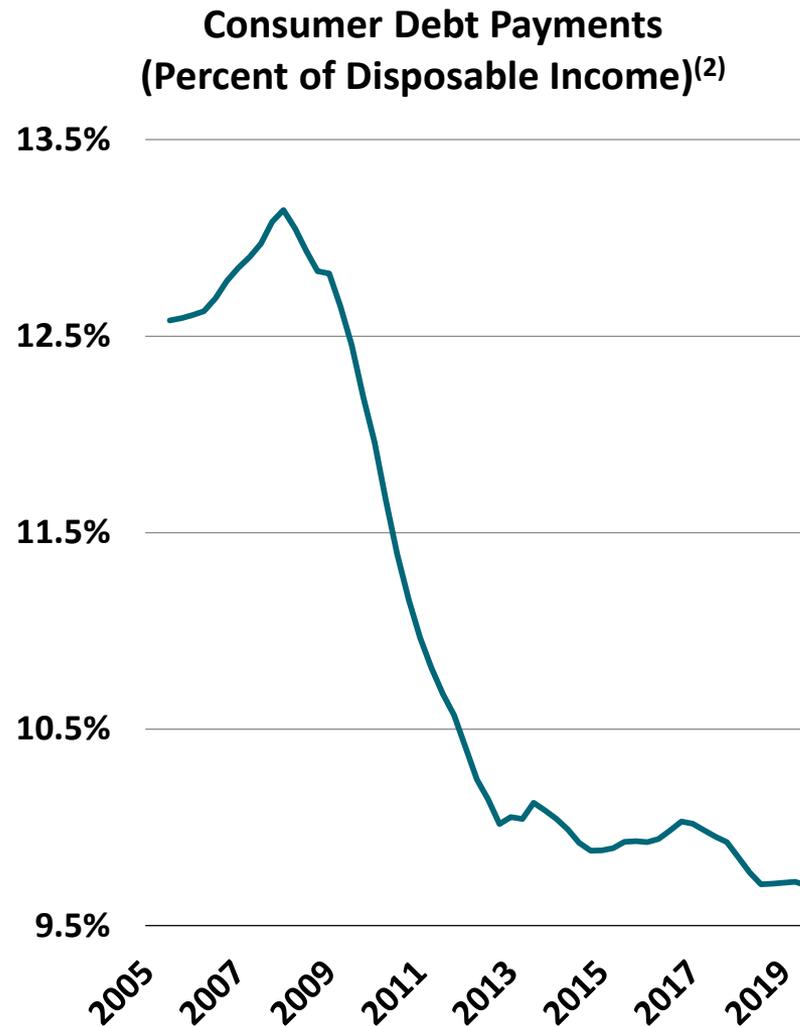
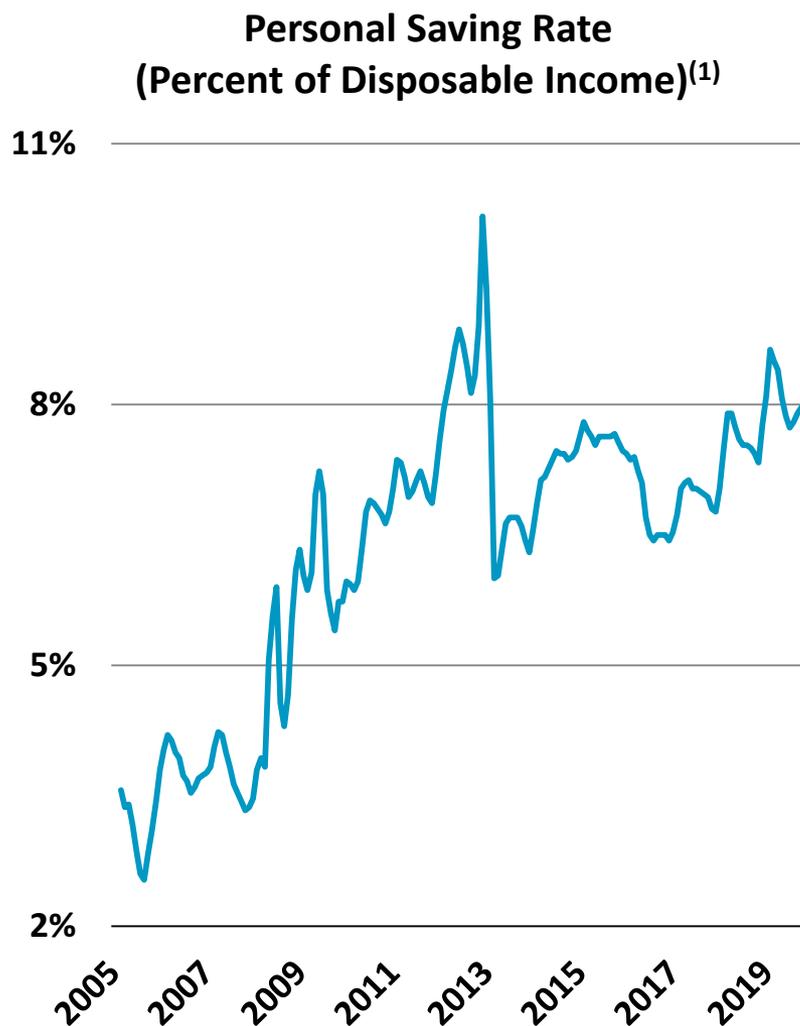


Source: Bureau of Labor Statistics and Blackstone Investment Strategy, as of 11/30/19, unless otherwise noted.

(1) As of 10/31/19.

## Household Balance Sheets Are Healthy

Consumers are saving more and spending less on debt payments



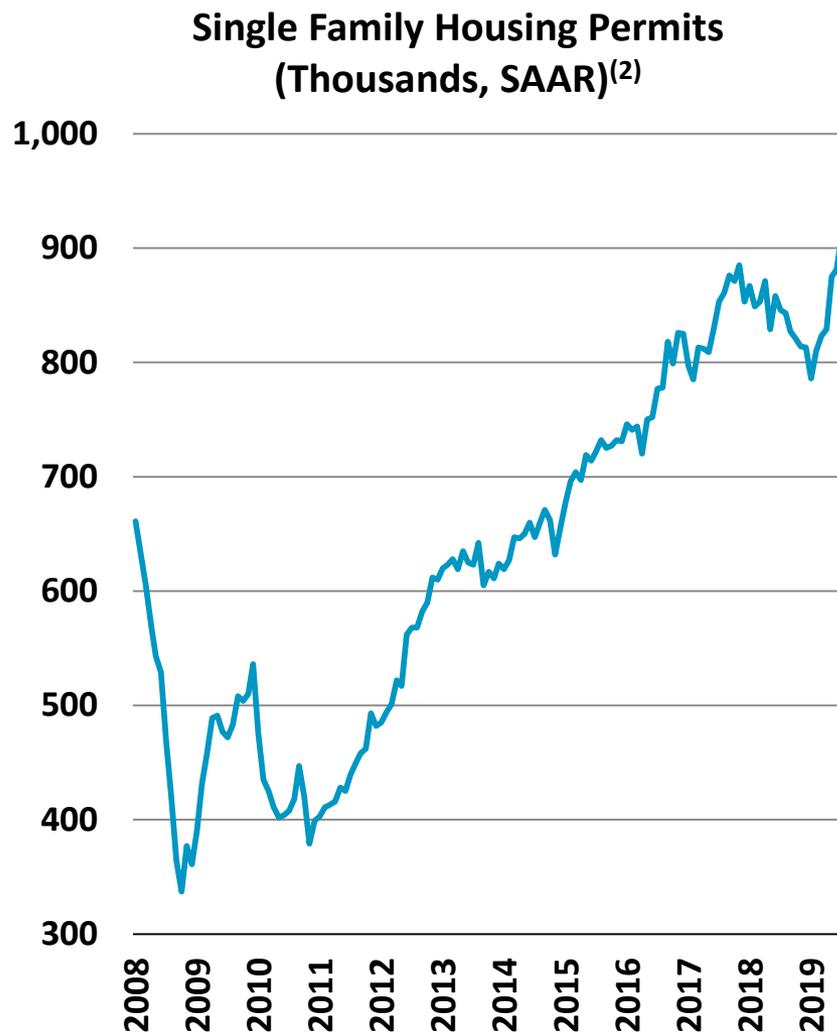
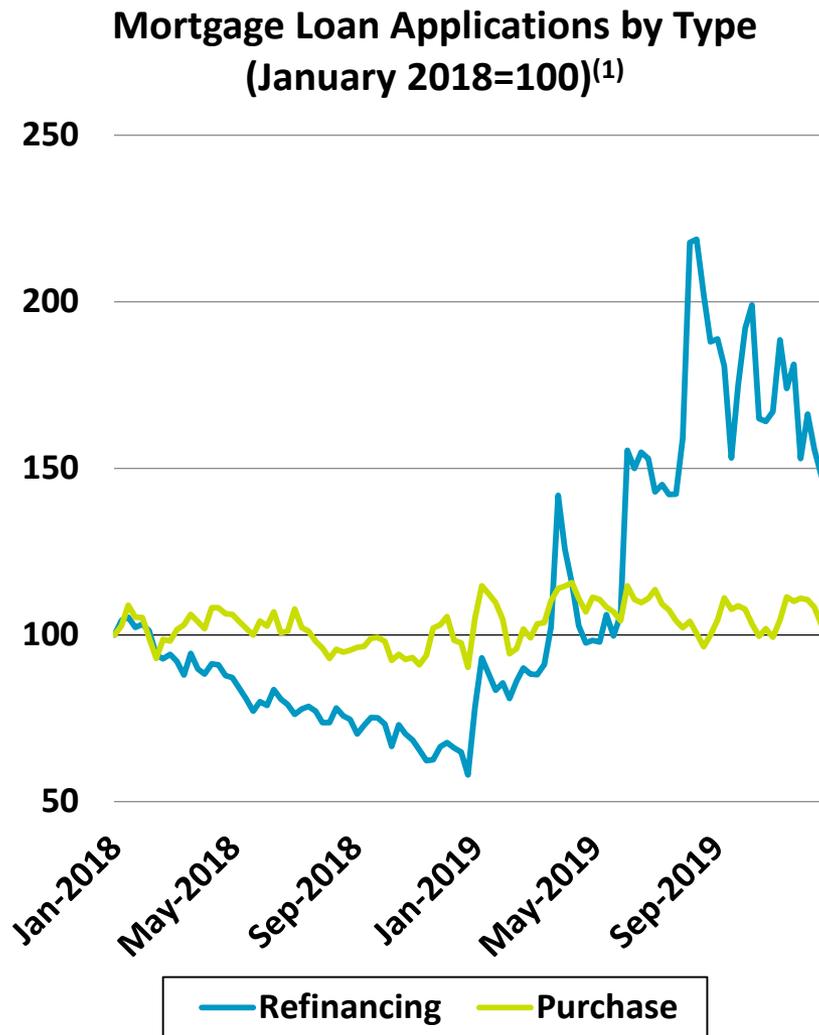
Source: Federal Reserve, Bureau of Economic Analysis and Blackstone Investment Strategy.

(1) Three month moving average, seasonally adjusted annual rate, as of 11/30/19.

(2) Three quarter moving average, seasonally adjusted, as of 9/30/19.

# Housing Is Finally Showing Signs of Life

## Mortgage loan applications rising; housing permits at highest level this cycle



Source: Mortgage Bankers Association, Census Bureau and Blackstone Investment Strategy. Credit for chart concept to Morgan Stanley Research.

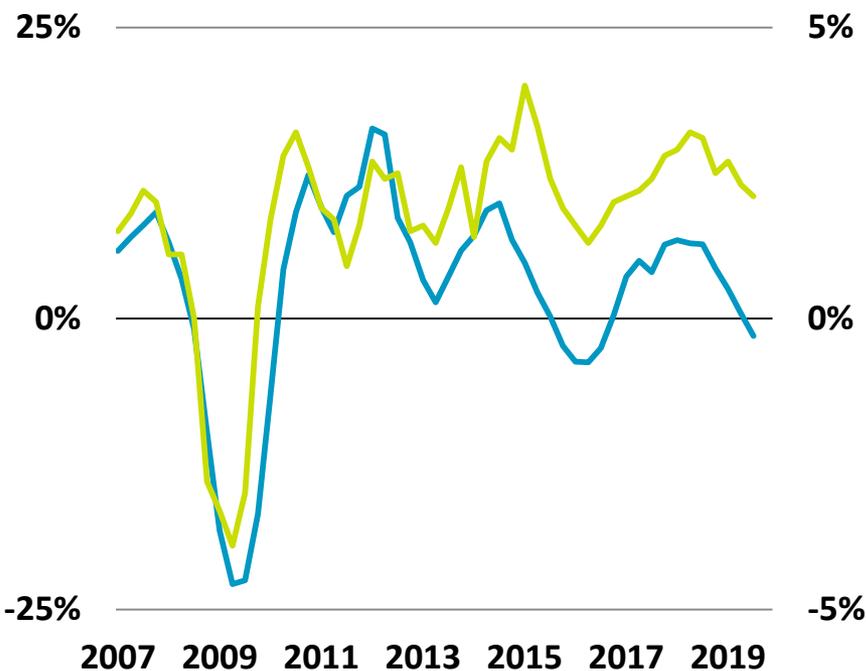
(1) As of 12/20/19.

(2) As of 11/30/19.

# Capital Expenditures Have Yet to Rebound

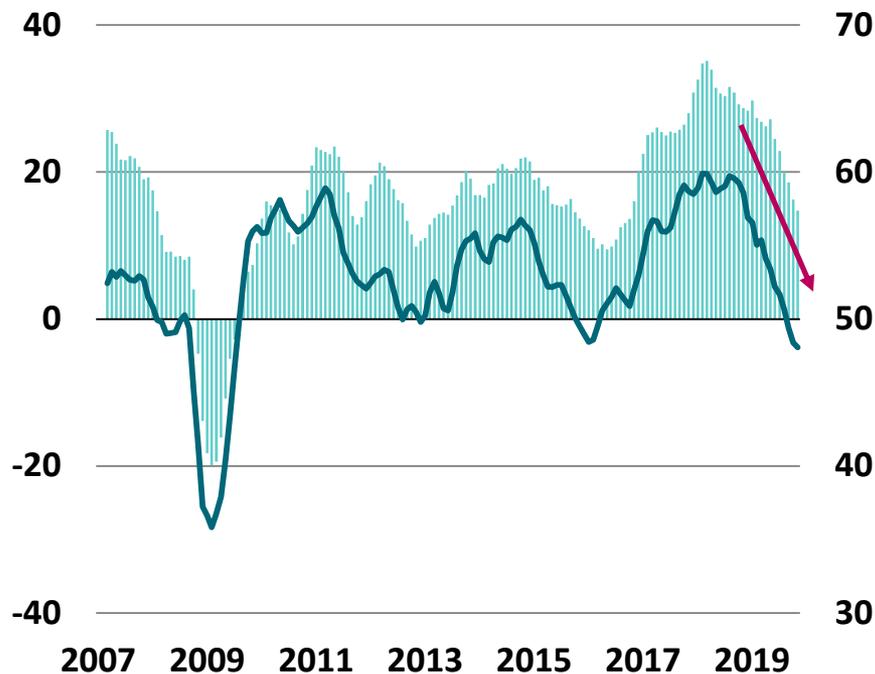
## Capital spending continues to decline, as do intentions for future capex

**Growth in Capex on Structures and Equipment vs. Real GDP Growth (YoY Change)<sup>(1)</sup>**



— Capex: Structures and Equipment (LHS)  
 — Real GDP (RHS)

**Capex Expectations vs. ISM Manufacturing PMIs (Index Levels, 3M Rolling Average)**



■ Capex Expectations, Next 6M (LHS)  
 — ISM Manufacturing PMI (RHS)

Source: Bureau of Economic Analysis, Federal Reserve System, Bloomberg and Blackstone Investment Strategy.

(1) Represents real private domestic fixed investment (nonresidential) in structures and equipment, as of 9/30/19.

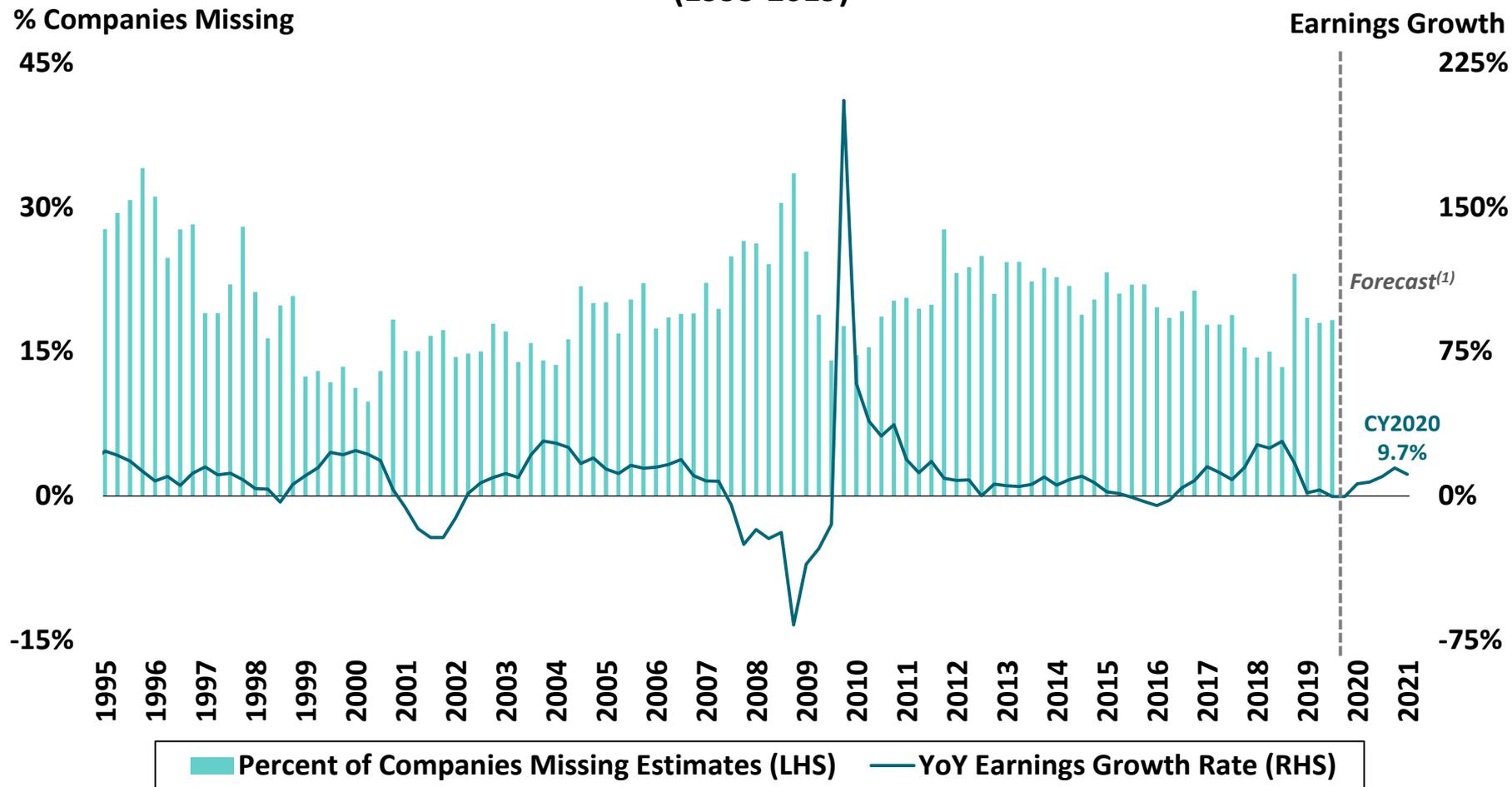
(2) Capex expectations is the average of five Federal Reserve Bank regional surveys of manufacturing sector capital expenditures expectations over the next six months, as of 11/30/19.

## **A. US Equities Outlook**

# S&P 500 Earnings Expectations

## Earnings should rebound in 2020, following a year of no meaningful growth

Quarterly Historical S&P 500 Data (1995-2019)



Source: I/B/E/S data from Refinitiv and Blackstone Investment Strategy, as of 12/31/19.

(1) All data for 4Q'19 and after are forecasts.

## Dividend Discount Model<sup>(1)</sup>

		<b>10-Year Treasury Yield</b>												
		<b>1.00%</b>	<b>1.25%</b>	<b>1.50%</b>	<b>1.75%</b>	<b>2.00%</b>	<b>2.25%</b>	<b>2.50%</b>	<b>2.75%</b>	<b>3.00%</b>	<b>3.25%</b>	<b>3.50%</b>	<b>3.75%</b>	<b>4.00%</b>
<b>One-Year EPS (\$)</b>	<b>160</b>	7,443	5,484	4,342	3,593	3,065	2,672	2,368	2,127	1,930	1,766	1,628	1,510	1,408
	<b>162</b>	7,536	5,553	4,396	3,638	3,103	2,705	2,398	2,153	1,954	1,788	1,648	1,529	1,426
	<b>164</b>	7,629	5,621	4,450	3,683	3,141	2,739	2,427	2,180	1,978	1,810	1,669	1,548	1,443
	<b>166</b>	7,722	5,690	4,504	3,728	3,180	2,772	2,457	2,206	2,002	1,832	1,689	1,567	1,461
	<b>168</b>	7,815	5,758	4,559	3,773	3,218	2,805	2,487	2,233	2,026	1,854	1,710	1,586	1,479
	<b>170</b>	7,908	5,827	4,613	3,818	3,256	2,839	2,516	2,259	2,050	1,876	1,730	1,605	1,496
	<b>172</b>	8,001	5,896	4,667	3,863	3,295	2,872	2,546	2,286	2,074	1,899	1,750	1,623	1,514
	<b>174</b>	8,094	5,964	4,722	3,907	3,333	2,906	2,575	2,313	2,098	1,921	1,771	1,642	1,531
	<b>176</b>	8,187	6,033	4,776	3,952	3,371	2,939	2,605	2,339	2,123	1,943	1,791	1,661	1,549
	<b>178</b>	8,280	6,101	4,830	3,997	3,409	2,972	2,635	2,366	2,147	1,965	1,811	1,680	1,567
	<b>180</b>	8,373	6,170	4,884	4,042	3,448	3,006	2,664	2,392	2,171	1,987	1,832	1,699	1,584
	<b>182</b>	8,466	6,238	4,939	4,087	3,486	3,039	2,694	2,419	2,195	2,009	1,852	1,718	1,602
	<b>184</b>	8,559	6,307	4,993	4,132	3,524	3,073	2,723	2,446	2,219	2,031	1,872	1,737	1,619
	<b>186</b>	8,652	6,375	5,047	4,177	3,563	3,106	2,753	2,472	2,243	2,053	1,893	1,756	1,637
	<b>188</b>	8,745	6,444	5,101	4,222	3,601	3,139	2,783	2,499	2,267	2,075	1,913	1,774	1,655
<b>190</b>	8,838	6,512	5,156	4,267	3,639	3,173	2,812	2,525	2,291	2,097	1,933	1,793	1,672	

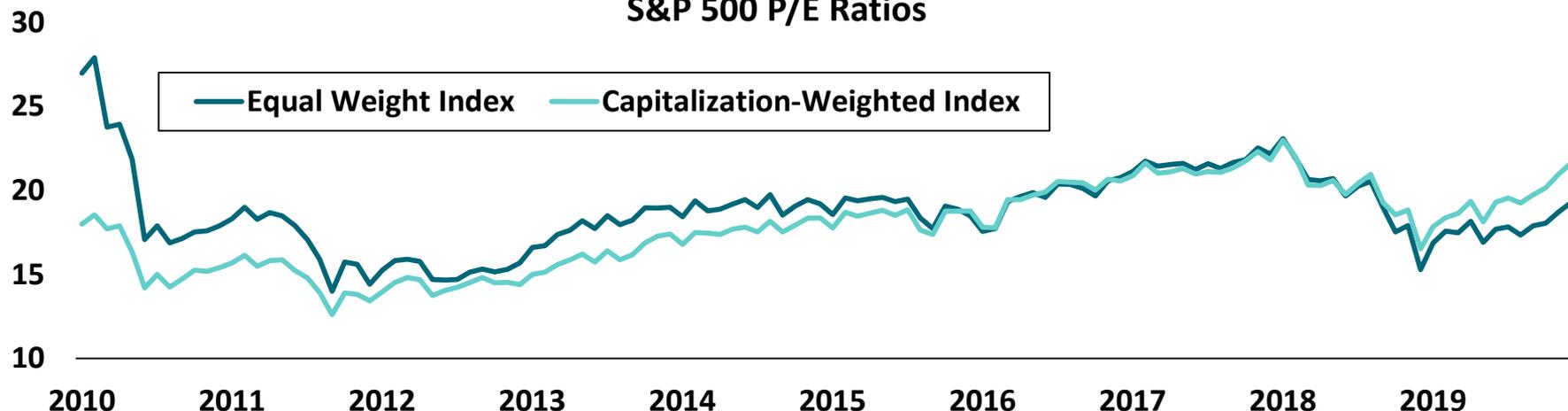
Source: Blackstone Investment Strategy, as of 12/31/19.

(1) Note: Assumes that S&P 500 Earnings Per Share start the period increasing/decreasing to level indicated in first column, before increasing/decreasing linearly over 2 years to a 4% nominal growth rate and remaining there in perpetuity. Further assumes dividend payout ratio remains at prior year's level of 34% and equity risk premium is a constant 3.7%.

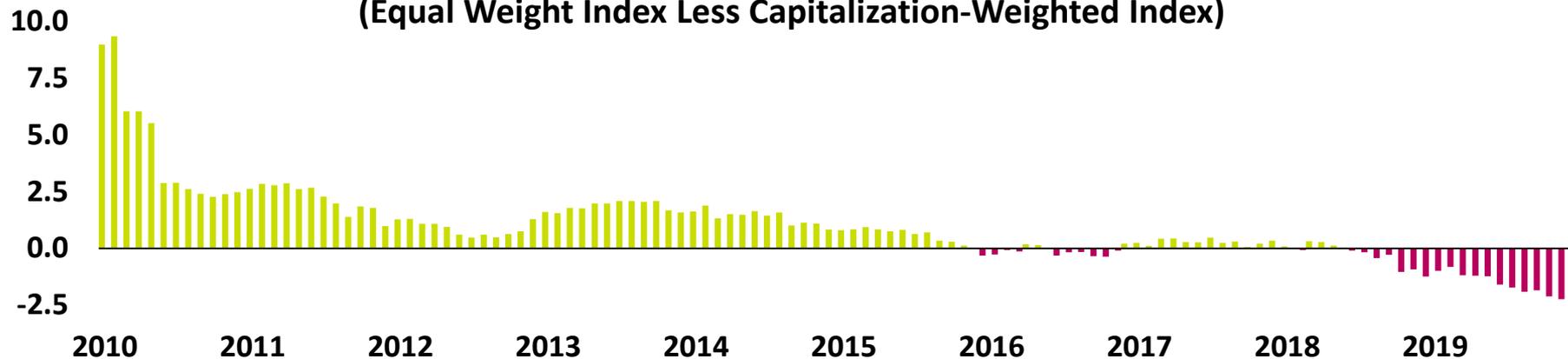
## Stronger Relative Outlook for Equal Weight S&P 500

Unweighted S&P 500 valuations are below cap-weighted index valuations

S&P 500 P/E Ratios



P/E Ratio Spread  
(Equal Weight Index Less Capitalization-Weighted Index)

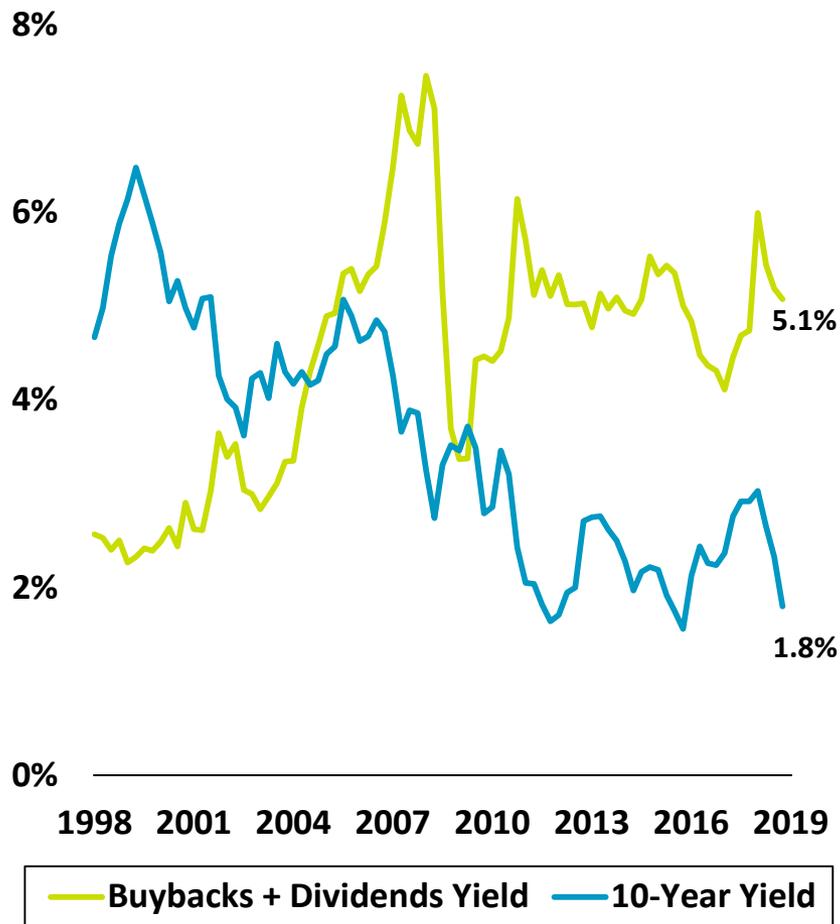


Source: Bloomberg and Blackstone Investment Strategy, as of 12/31/19. Based on monthly price to earnings ratios.

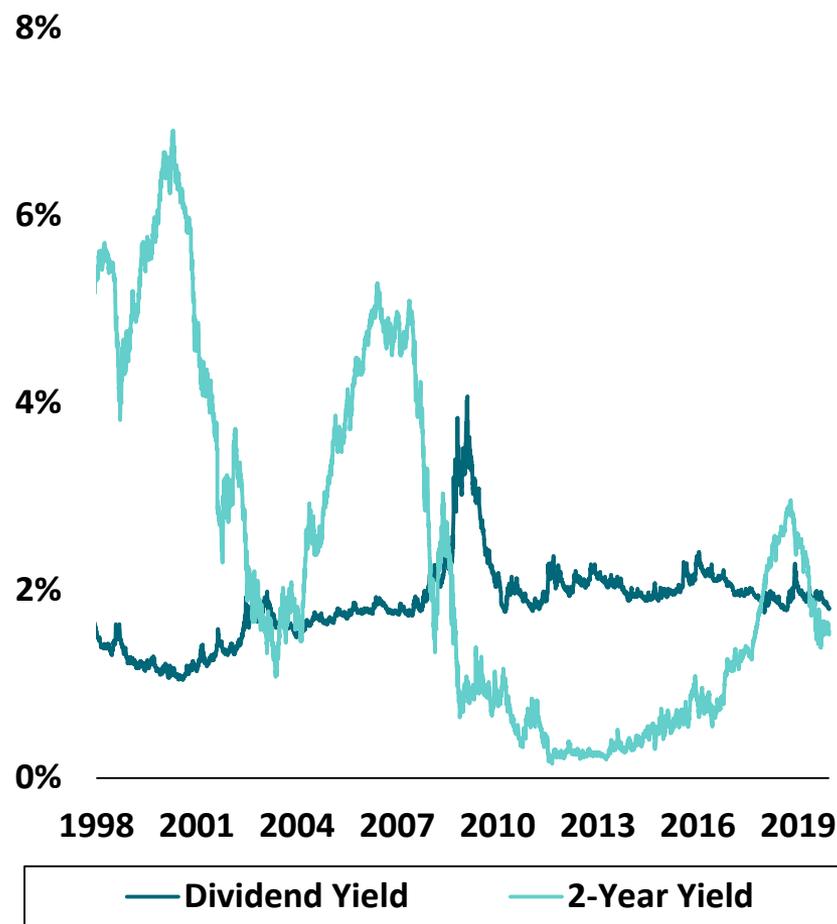
## Investors Become Comfortable That Rates Will Stay Low for Longer

With rates so low, investors may feel “there is no alternative” for equities

**S&P 500 Buyback and Dividend Yield vs. US 10-Year Treasury Yield<sup>(1)</sup>**



**S&P 500 Dividend Yield vs. US 2-Year Treasury Yield<sup>(2)</sup>**



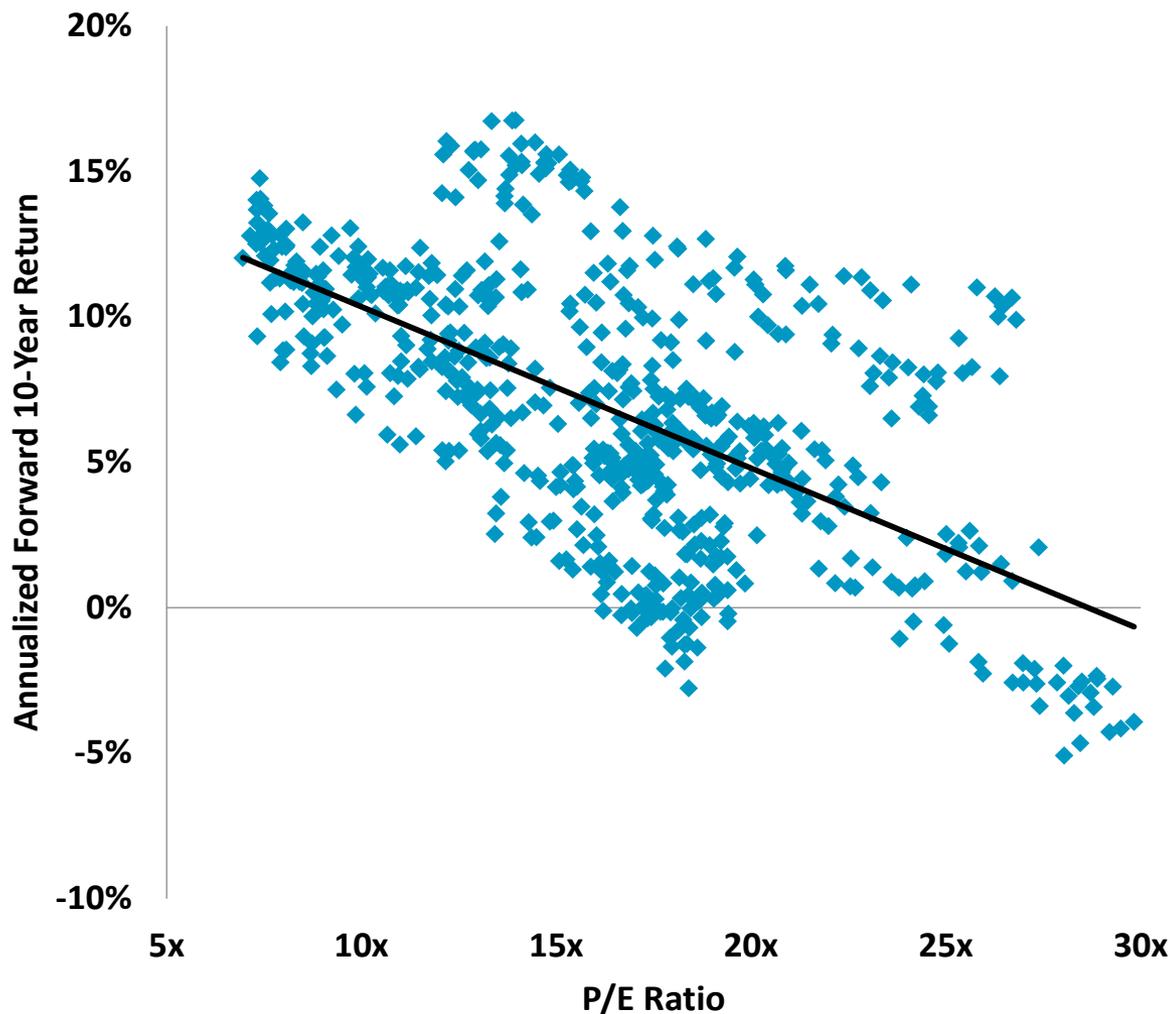
Source: Bloomberg, Standard & Poor's and Strategas.

(1) Quarterly, as of 9/30/19. Represents the value of buybacks and dividends as a percent of the total market capitalization of the S&P 500.

(2) Daily, as of 12/31/19.

## Get Ready for Lower Returns in the 2020s

The next decade could deliver meager returns, based on current valuations

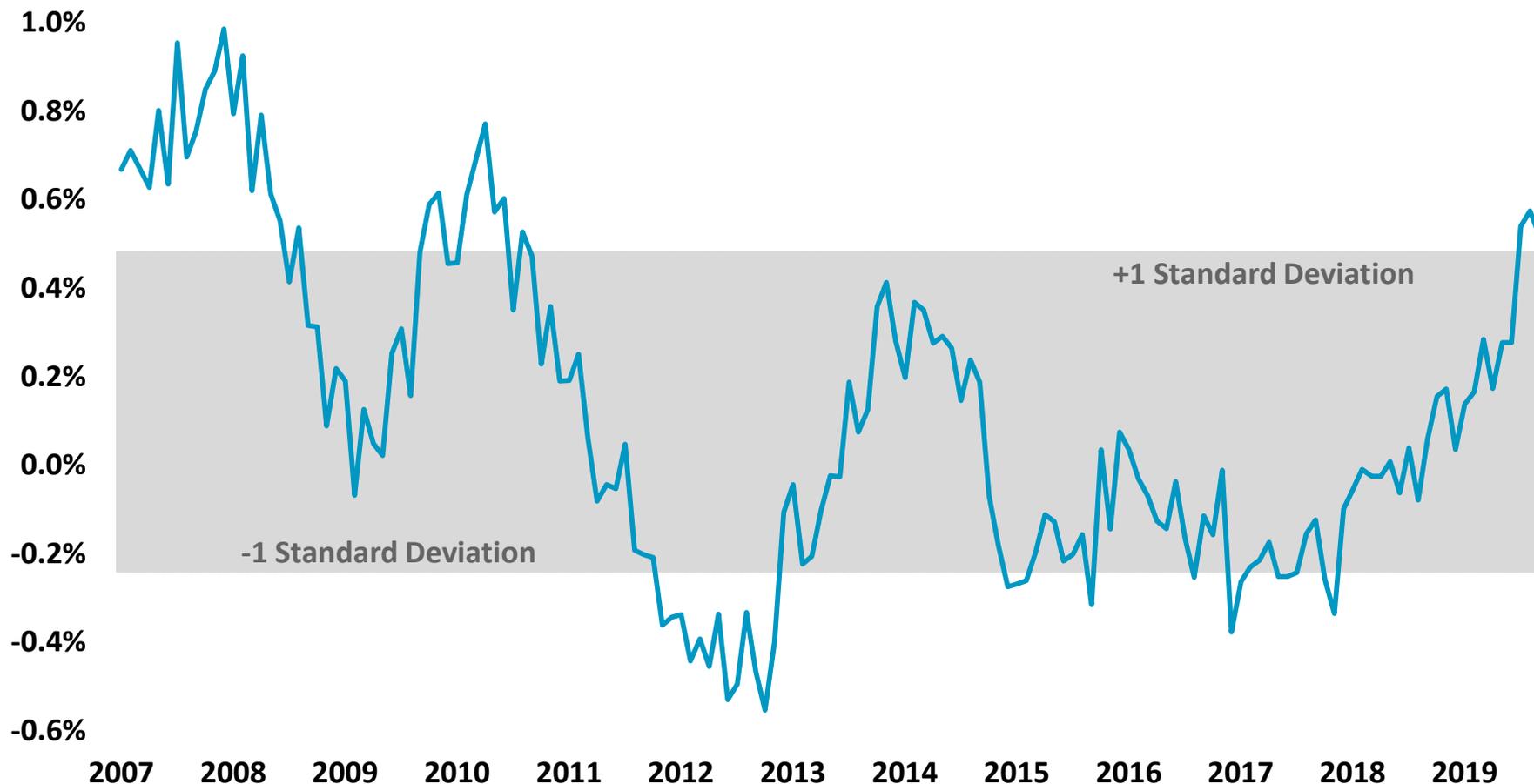


## **B. "Data-Dependent" Monetary Policy**

## Wage Growth Diverging

Wage growth substantially faster for production/nonsupervisory employees

**Difference in Average Hourly Earnings Growth  
(Production/Nonsupervisory Employees Less All Private Employees)**

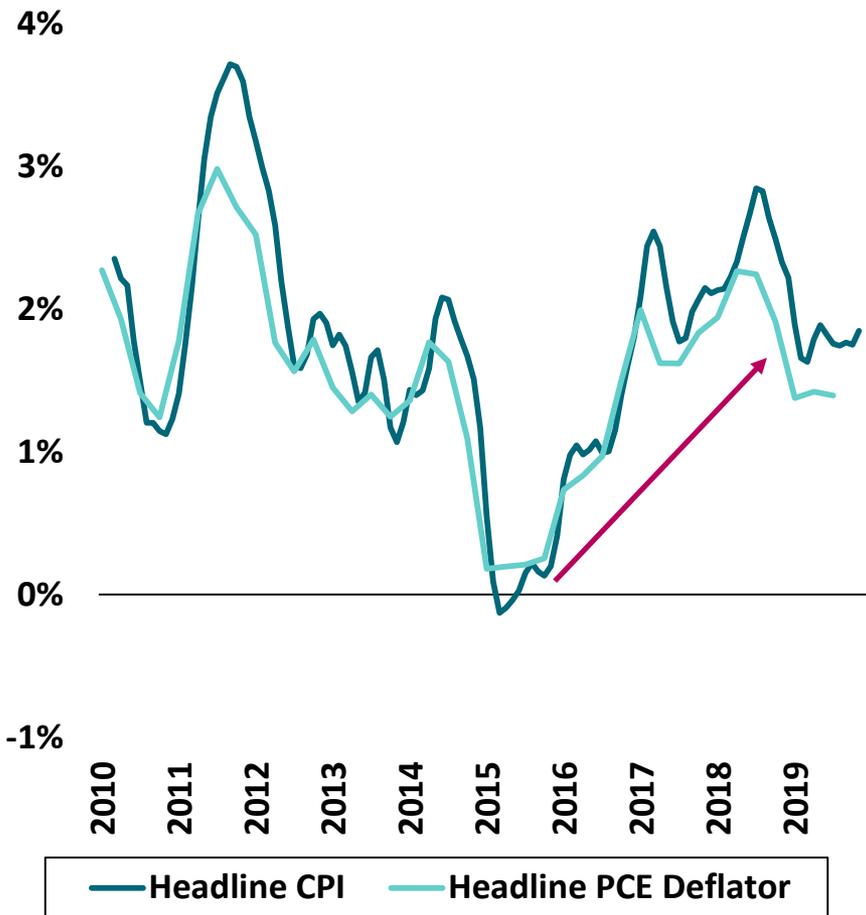


Source: Bureau of Labor Statistics and Blackstone Investment Strategy, as of 11/30/19. Represents average hourly earnings growth (monthly year-over-year) for production and nonsupervisory employees, less average hourly earnings growth for total private employees.

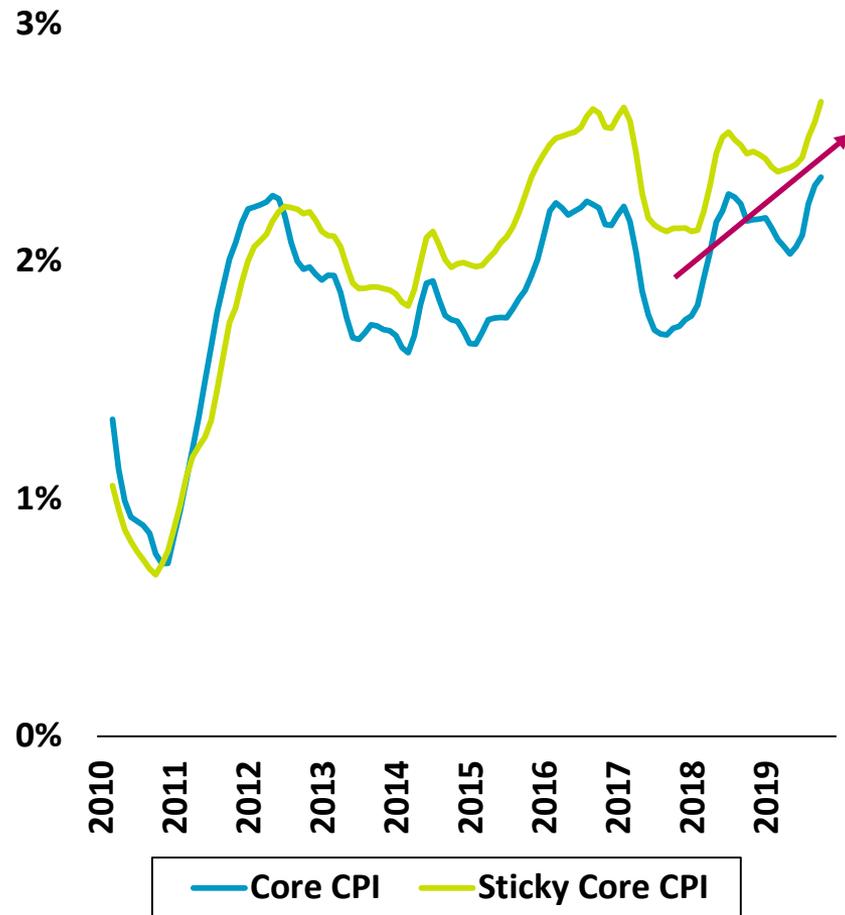
## Mixed Signals from Inflation Data

Headline inflation on upward trend since 2015; core inflation above 2% and rising

### Headline Measures of Inflation (YoY Change)<sup>(1)</sup>



### Core Measures of Inflation (YoY Change)



Source: Bureau of Labor Statistics, Atlanta Fed, Bureau of Economic Analysis and Blackstone Investment Strategy. All data are 3-month averages, as of 11/30/19, unless otherwise noted.

(1) Headline PCE deflator data are quarterly, as of 9/30/19.

### **III. Global Growth Outlook**

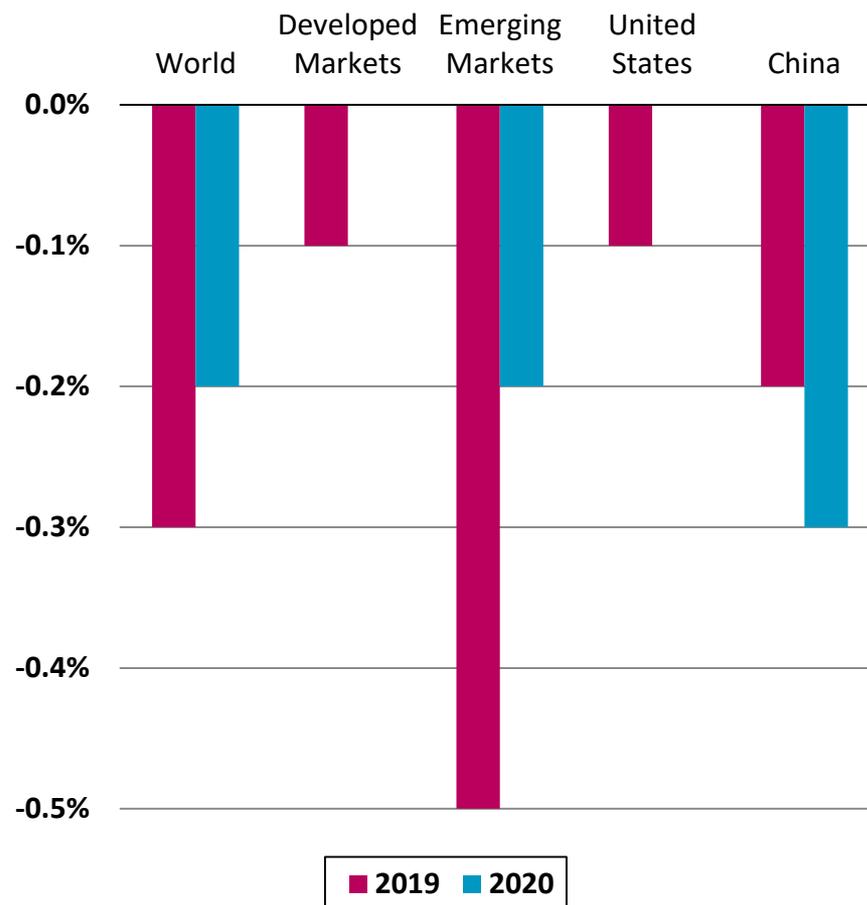
## Global Growth Forecasts Continue to Fall

Revisions continue to trend downwards for 2019 and 2020 growth forecasts

### Real GDP Growth (YoY % Change)

	Actual	Forecast	
	2018	2019	2020
<b>World</b>	<b>3.6</b>	<b>3.0</b>	<b>3.4</b>
<b>Developed Markets</b>	<b>2.3</b>	<b>1.7</b>	<b>1.7</b>
United States	2.9	2.4	2.1
Euro Area	1.9	1.2	1.4
France	1.7	1.2	1.3
Germany	1.5	0.5	1.2
Italy	0.9	0.0	0.5
Japan	0.8	0.9	0.5
United Kingdom	1.4	1.2	1.4
Canada	1.9	1.5	1.8
<b>Emerging Markets</b>	<b>4.5</b>	<b>3.9</b>	<b>4.6</b>
Brazil	1.1	0.9	2.0
China	6.6	6.1	5.8
India	6.8	6.1	7.0
Mexico	2.0	0.4	1.3
Russia	2.3	1.1	1.9
Emerging and Developing Asia	6.4	5.9	6.0
Emerging and Developing Europe	3.1	1.8	2.5
Middle East and Central Asia	1.9	0.9	2.9
Africa (Region)	3.4	3.2	3.8

### Change in Real GDP Forecast Since April 2019<sup>(1)</sup>

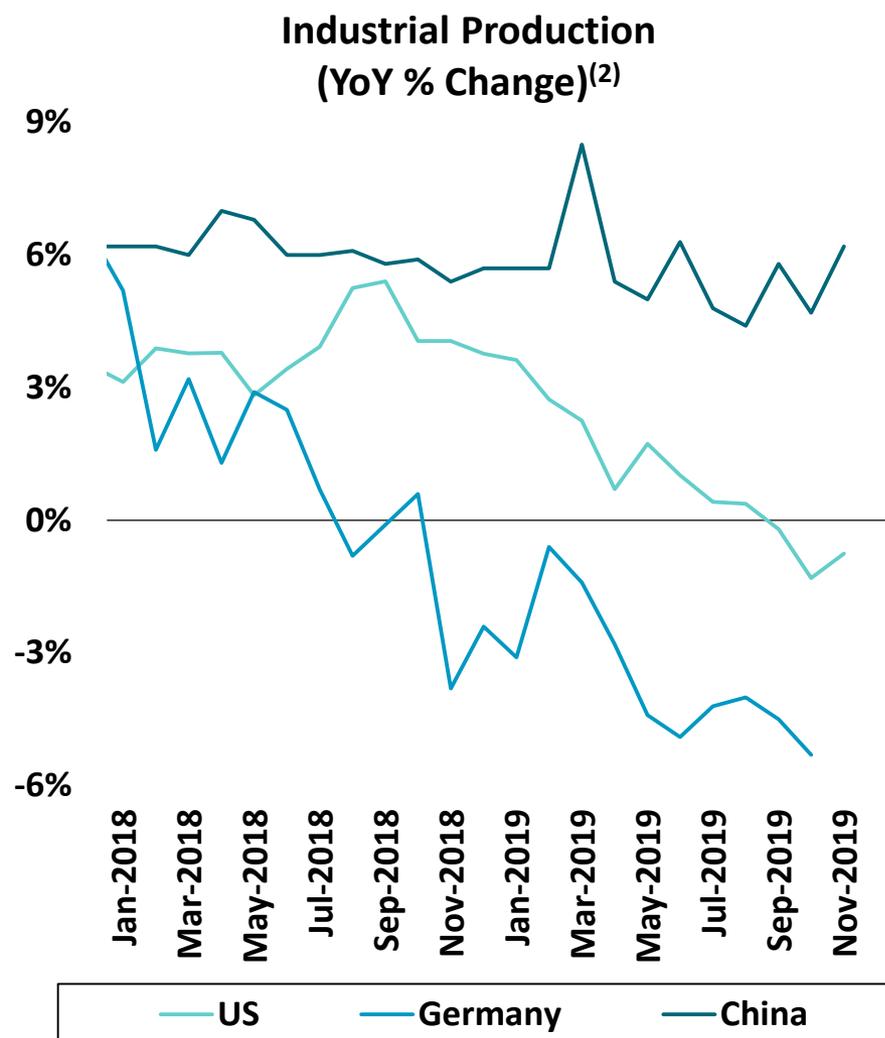
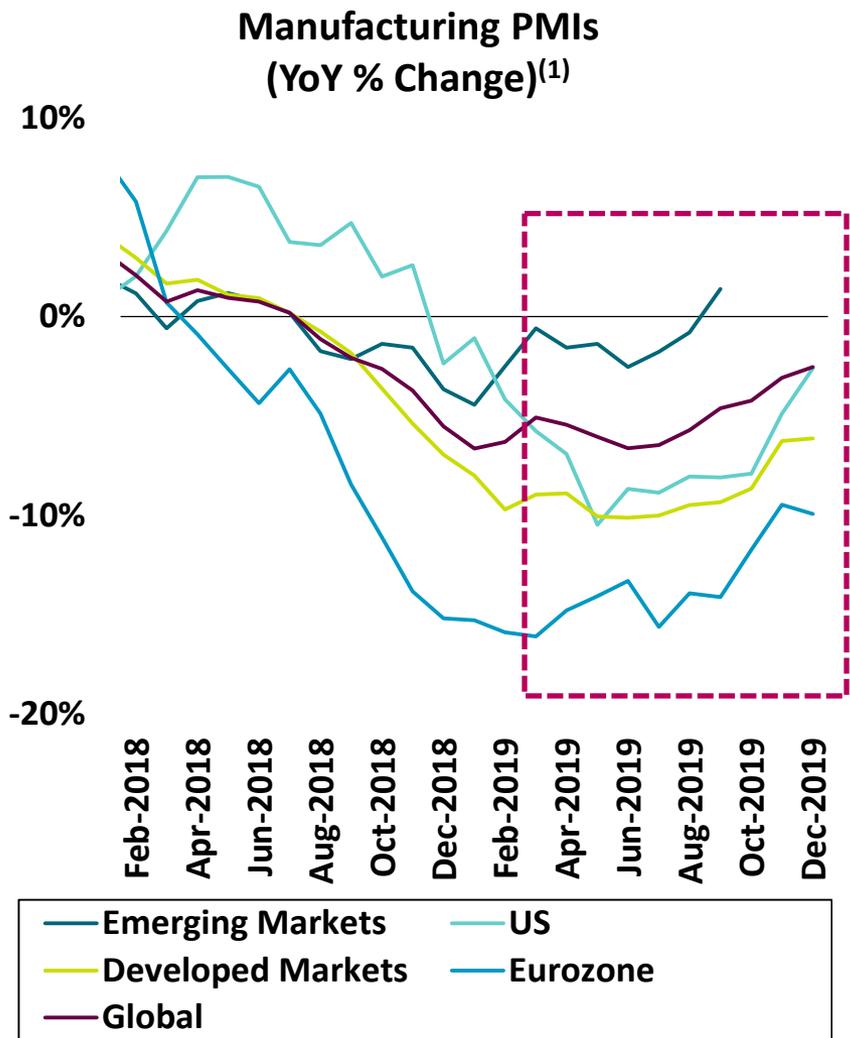


Source: International Monetary Fund and Blackstone Investment Strategy, as of October 2019.

(1) The absence of a bar represents a zero value.

# Global Industrial Recovery Underway

## PMIs improving across regions, expect a rebound in industrial production



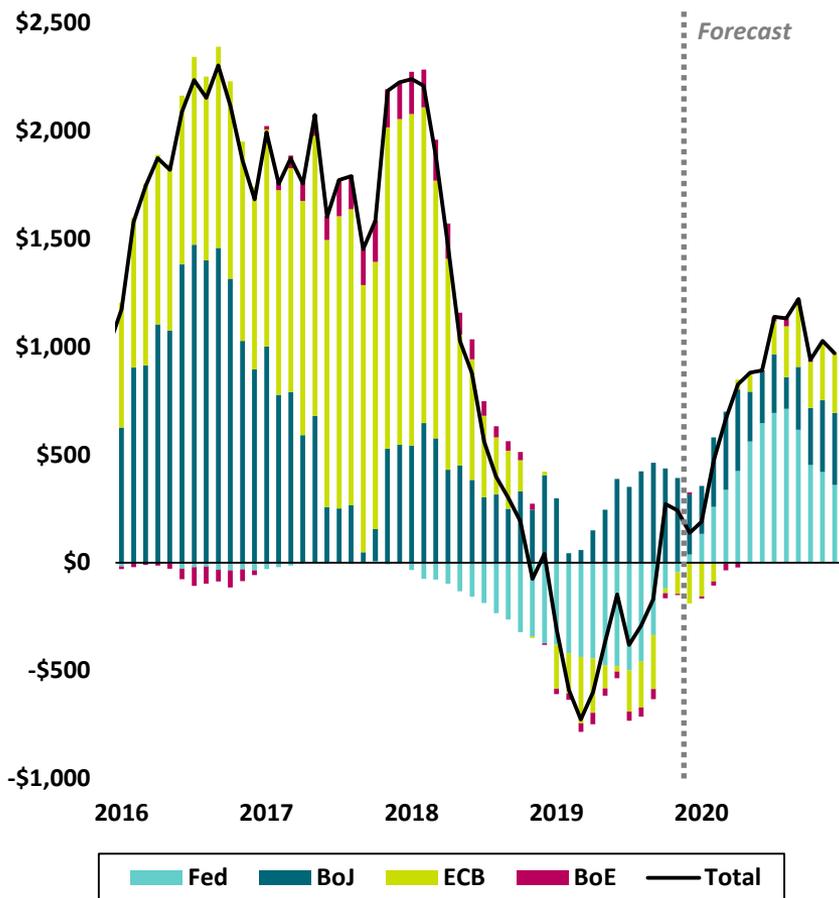
(1) Bloomberg, Markit and Blackstone Investment Strategy, as of 12/31/19. Emerging markets as of 9/30/19.

(2) Federal Reserve, German Federal Statistical Office, National Bureau of Statistics of China and Blackstone Investment Strategy, as of 11/30/19. Germany as of 10/31/19.

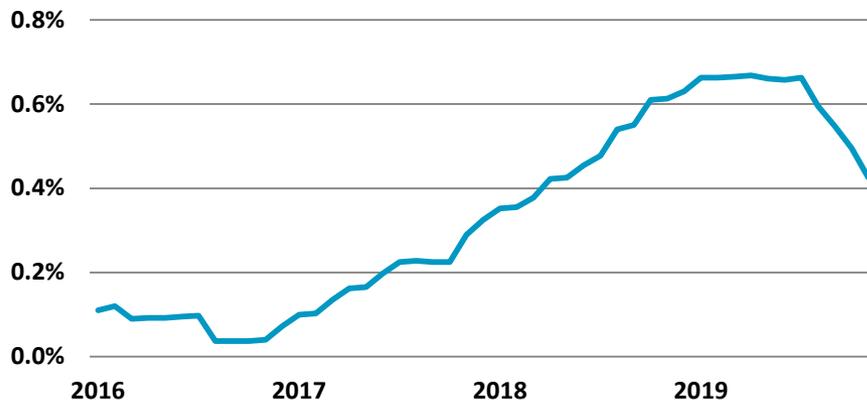
# Central Bank Policies Continue to Be Accommodative

## Central bank balance sheets increasing; policy rates are falling globally

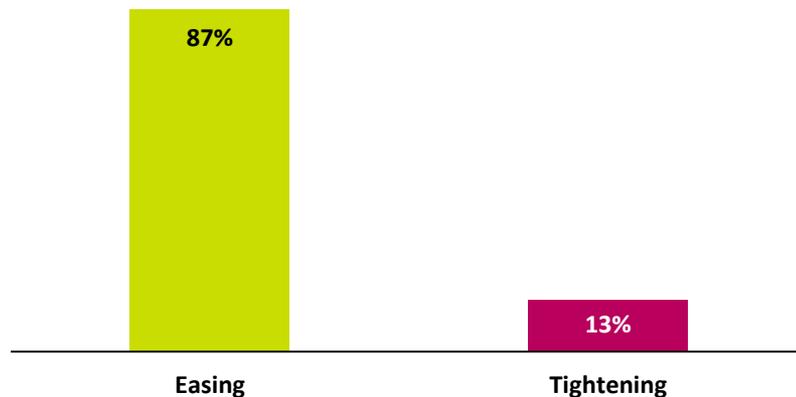
**Global Central Balance Sheets<sup>(1)</sup>**  
(12M Change, \$ in Billions)



**Average Policy Rate (Major Central Banks)<sup>(2)</sup>**



**Percent of Global Central Banks Whose Last Rate Move in 2019 Was Easing/Tightening<sup>(3)</sup>**



(1) Source: Strategas. Actual data as of 11/30/19. Data beyond 11/30/19 are forecasts.

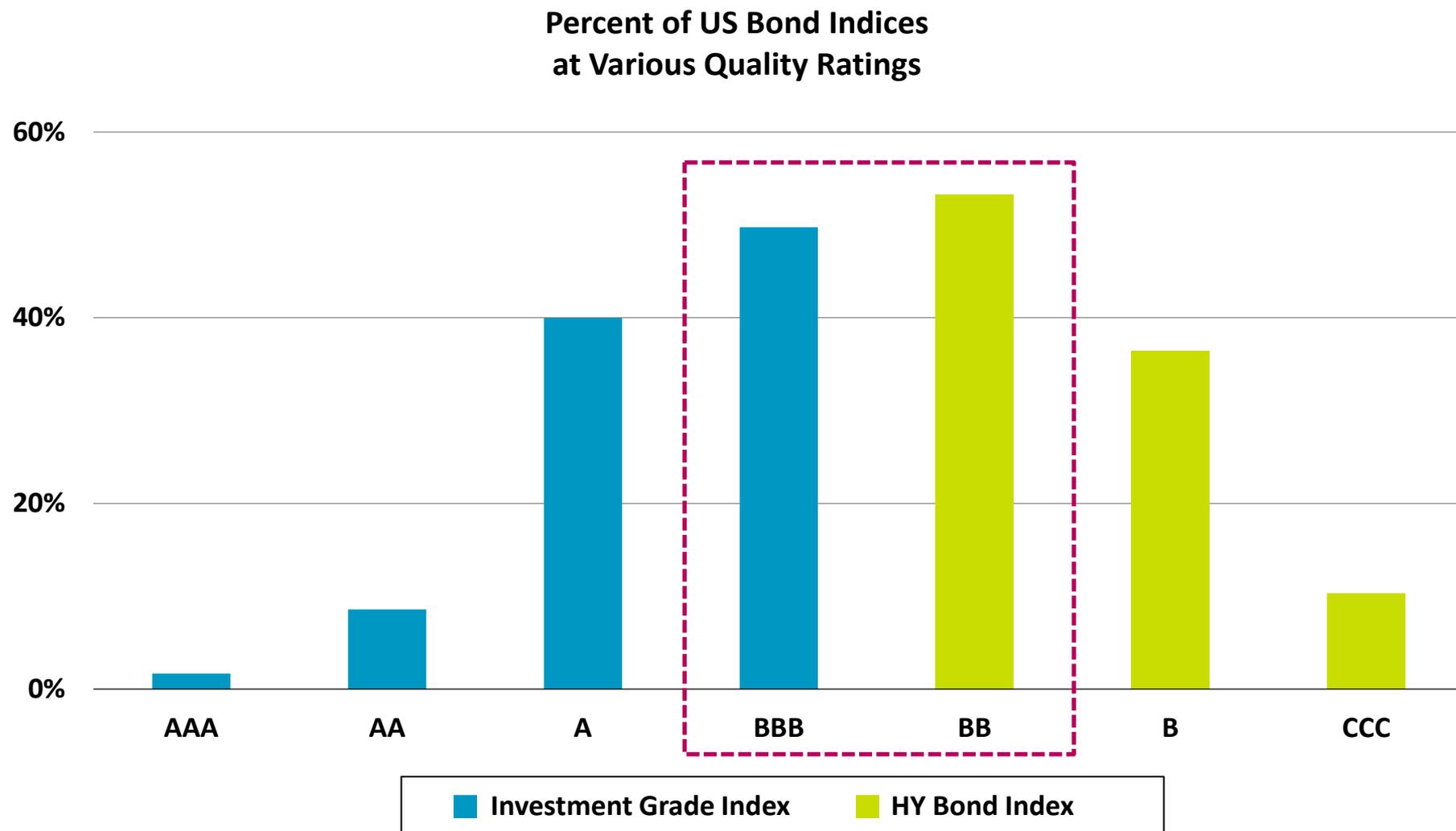
(2) Source: Bloomberg and Blackstone Investment Strategy, as of 11/30/19. Includes policy rates for the Federal Reserve, Bank of Japan, European Central Bank and Bank of England.

(3) Source: Bank for International Settlements and Blackstone Investment Strategy, as of 10/31/19, as available. Based on policy rates of 23 central banks in 2019 year to date.

## **A. Global Debt Markets**

## Risk of Debt Downgrades in a Slowing Economy

Nearly half of IG debt is in the lowest-quality rating (BBB)

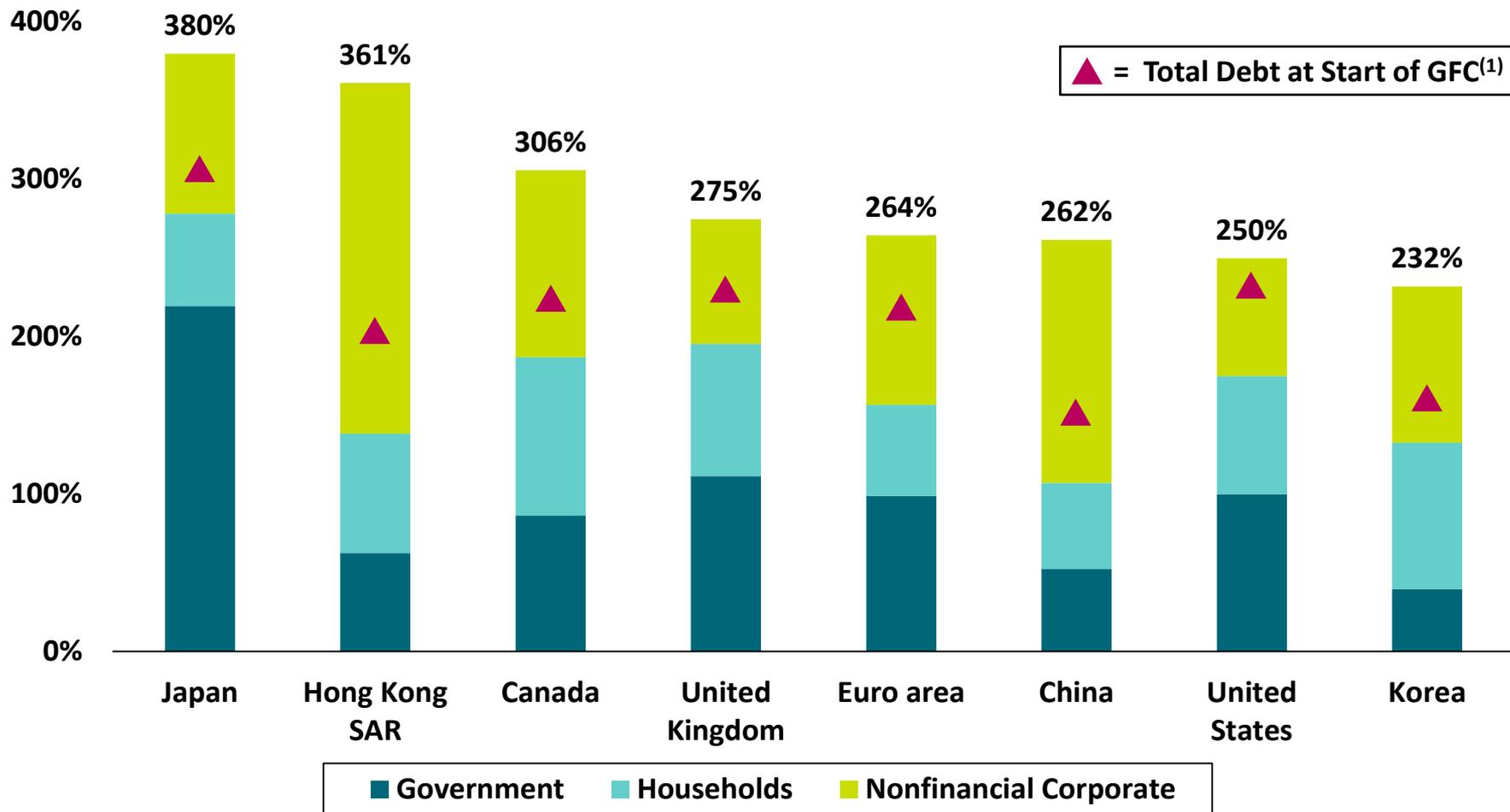


Source: Morgan Stanley, as of 12/31/19.

## Global Debt Levels

Debt levels have increased overall across major economies since the GFC

Debt Levels by Economy and Component

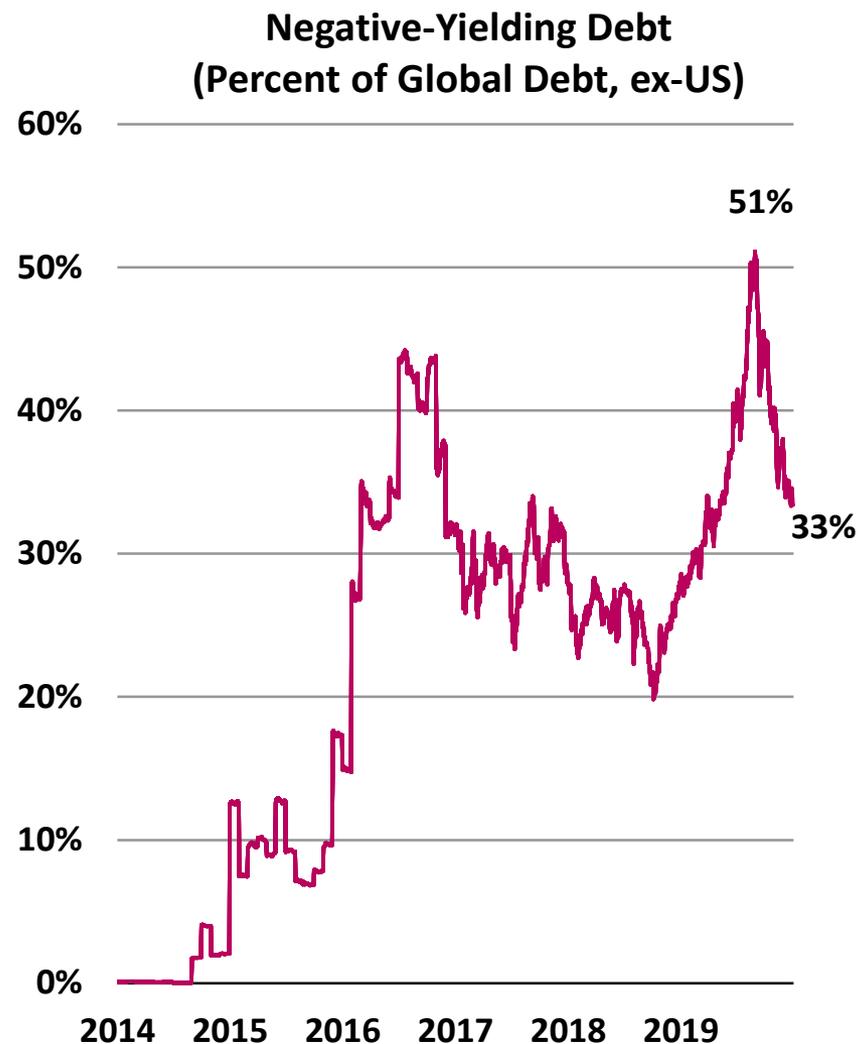
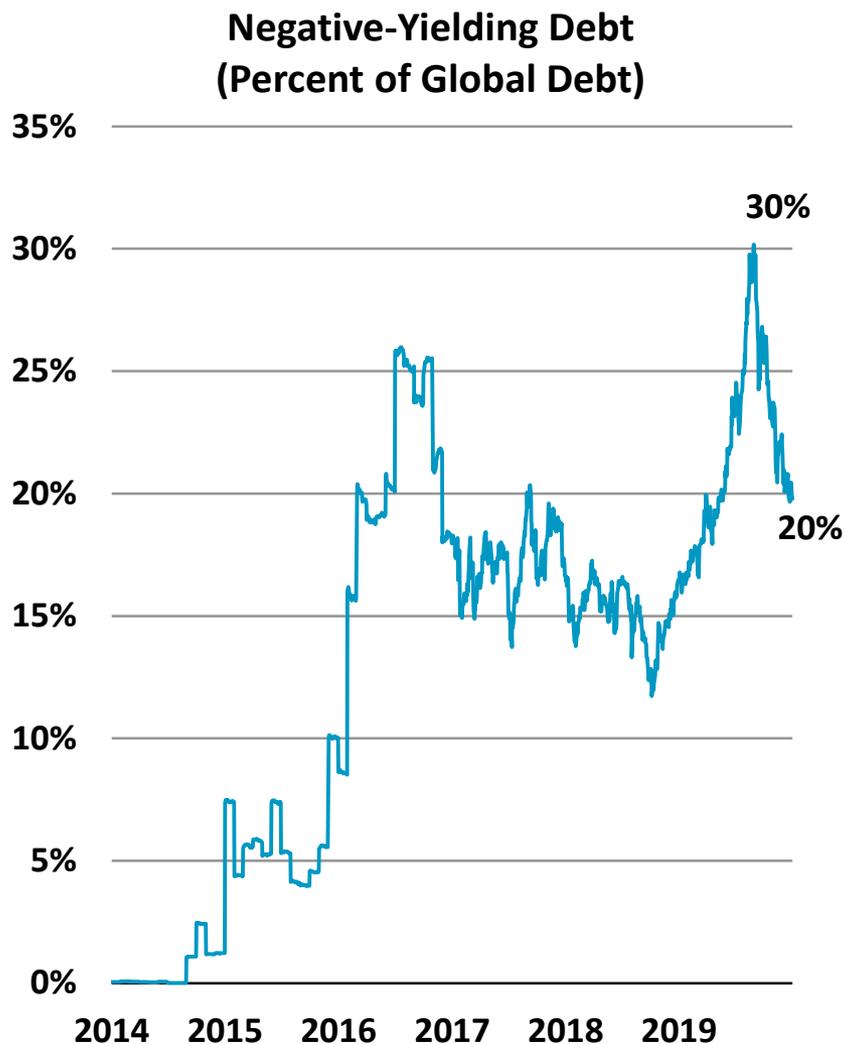


Source: Bank for International Settlements and Blackstone Investment Strategy, as of 6/30/19. Represents credit from all sectors at market value, as percentage of each economy's GDP, for the following categories: general government, households and non-profit institutions serving households (NPISHs) and non-financial corporations.

(1) As of 3/31/08.

## Negative-Yielding Debt Declining

Amount of negative-yielding debt peaked in Sept-2019 and has declined since



Source: Bloomberg and Blackstone Investment Strategy, as of 12/31/19.

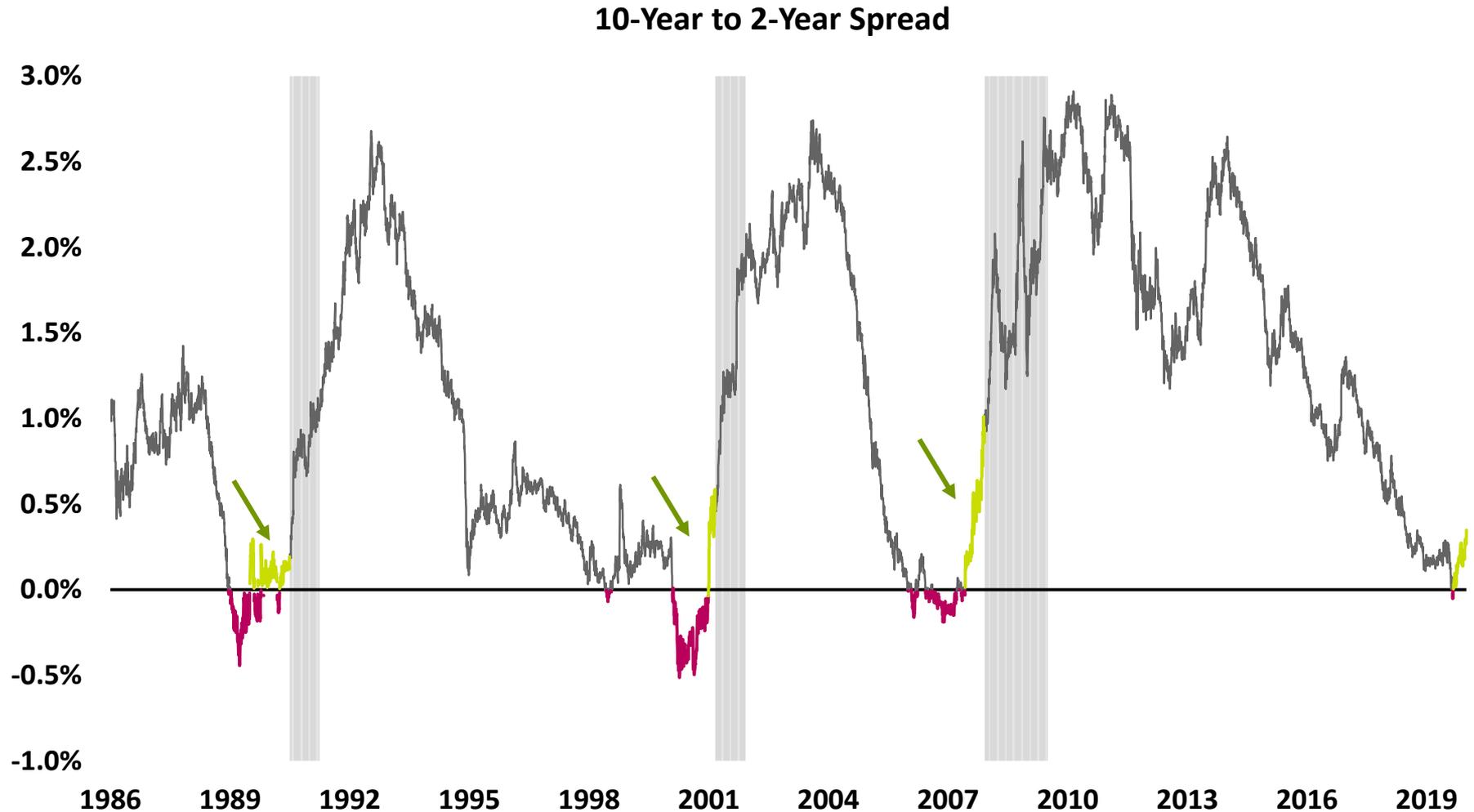
(1) Represents the Bloomberg Barclays Global Aggregate Negative-Yielding Index.

(2) Represents the negative-yielding portion of the Bloomberg Barclays Global Aggregate Bond Index, less the Bloomberg Barclays US Aggregate Bond Index.

## **IV. Risks to the Outlook**

## Curve De-Inversion Not an “All’s Clear” Signal

Yield curve was positively sloped at onset of each of last three recessions



Source: Federal Reserve and Blackstone Investment Strategy, as of 12/31/19.

## Growth in International Trade Declining

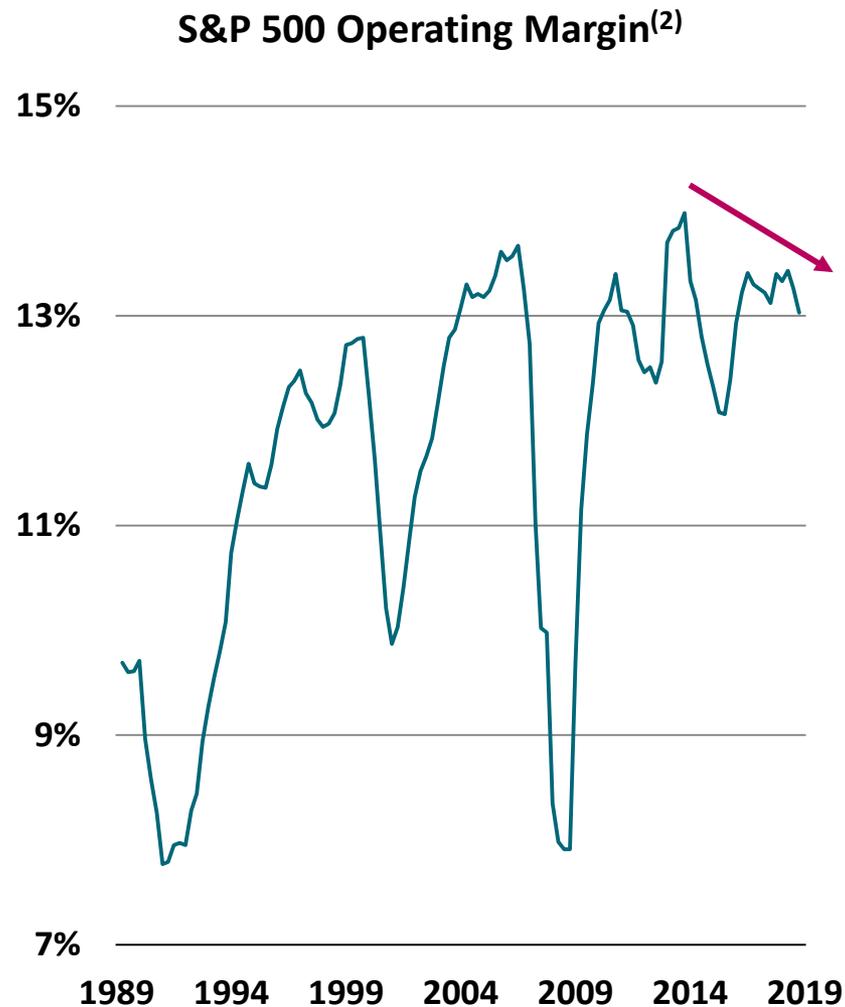
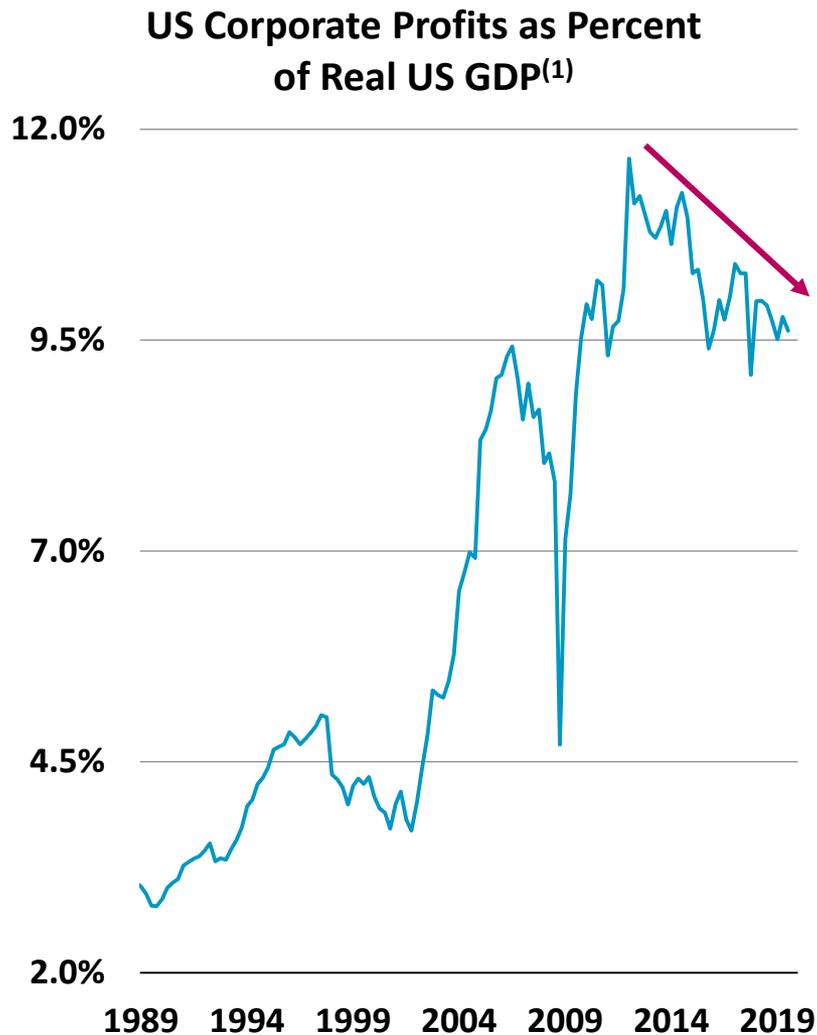
Growth rate of exports has been negative for two consecutive quarters



Source: World Trade Organization and Blackstone Investment Strategy, as of 9/30/19. Represents total merchandise exports for all countries tracked by the WTO.

# US Corporate Profits Rolled Over

Corporate profits and operating margins have peaked and are declining



(1) Source: Bureau of Economic Analysis and Blackstone Investment Strategy, as of 9/30/19. Represents corporate profits after tax, without inventory valuation and capital consumption adjustments.

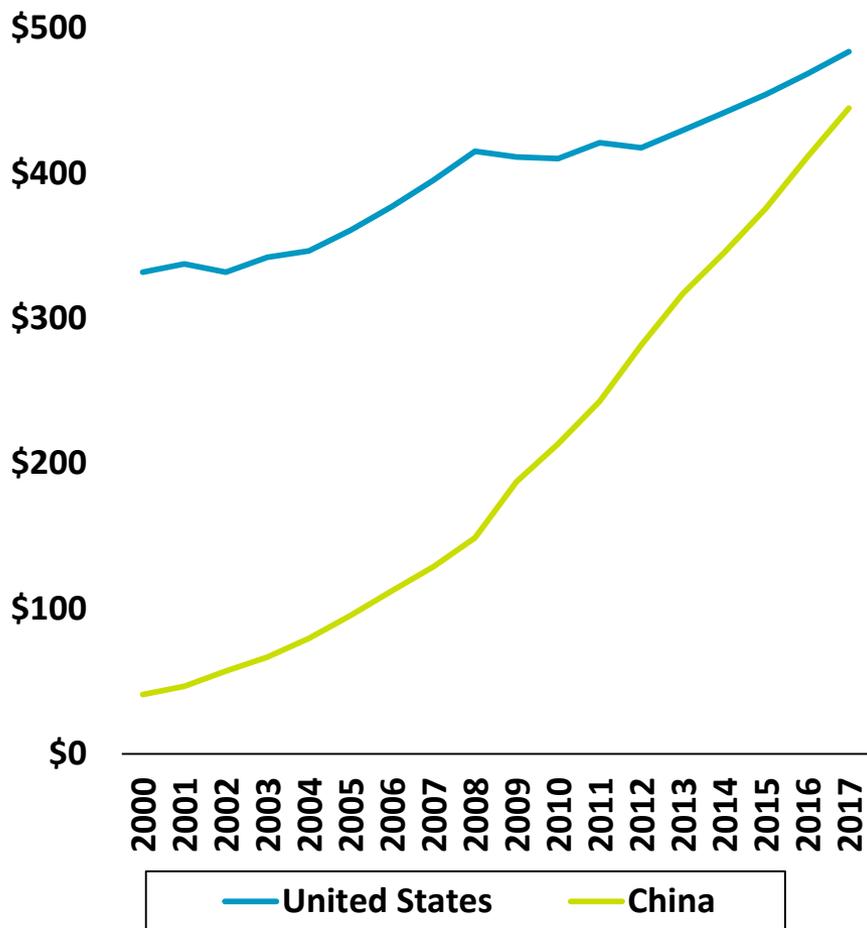
(2) Source: Bloomberg and Blackstone Investment Strategy, as of 9/30/19.

## **V. Long-Term Trends to Consider**

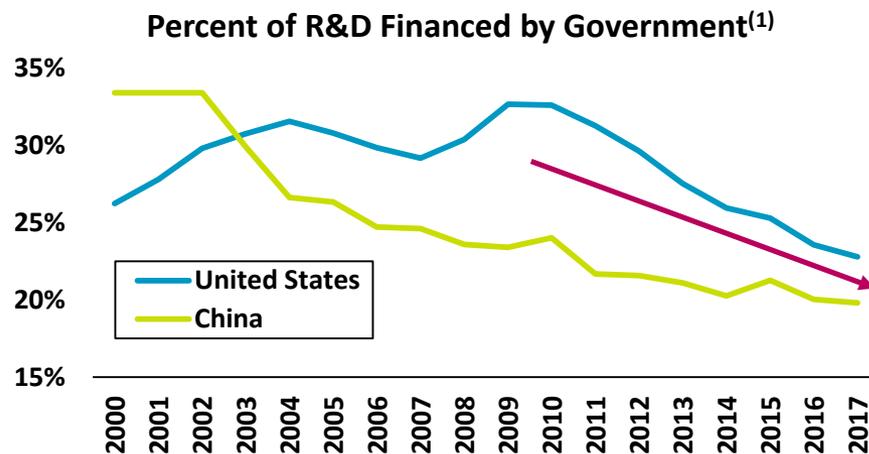
# China Closing the R&D Gap with the US

## China has nearly overtaken the US in research and development spending

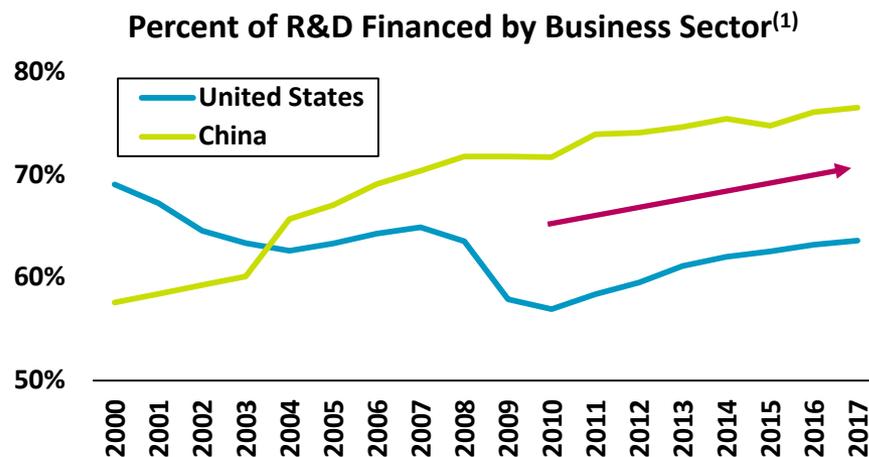
**Total R&D Spending  
(Constant 2010 USD, Billions)**



**R&D is being driven less by government funds...**



**...and more by the business sector.**

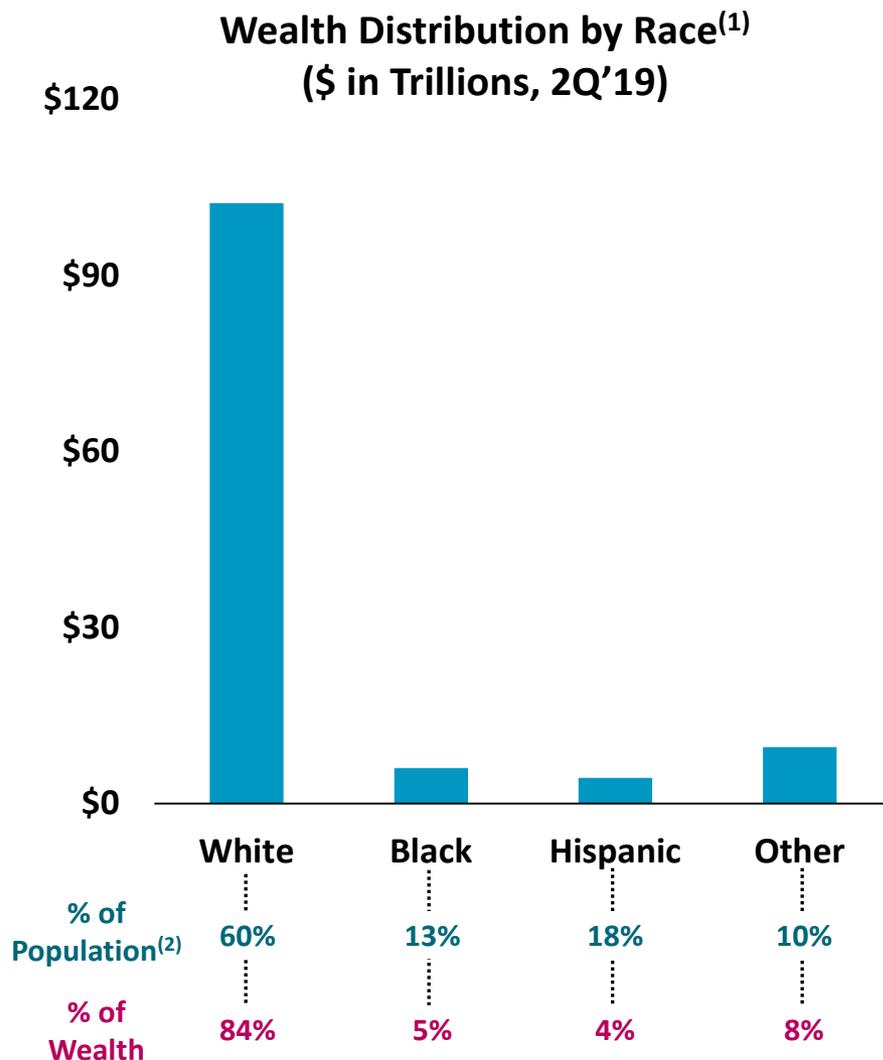
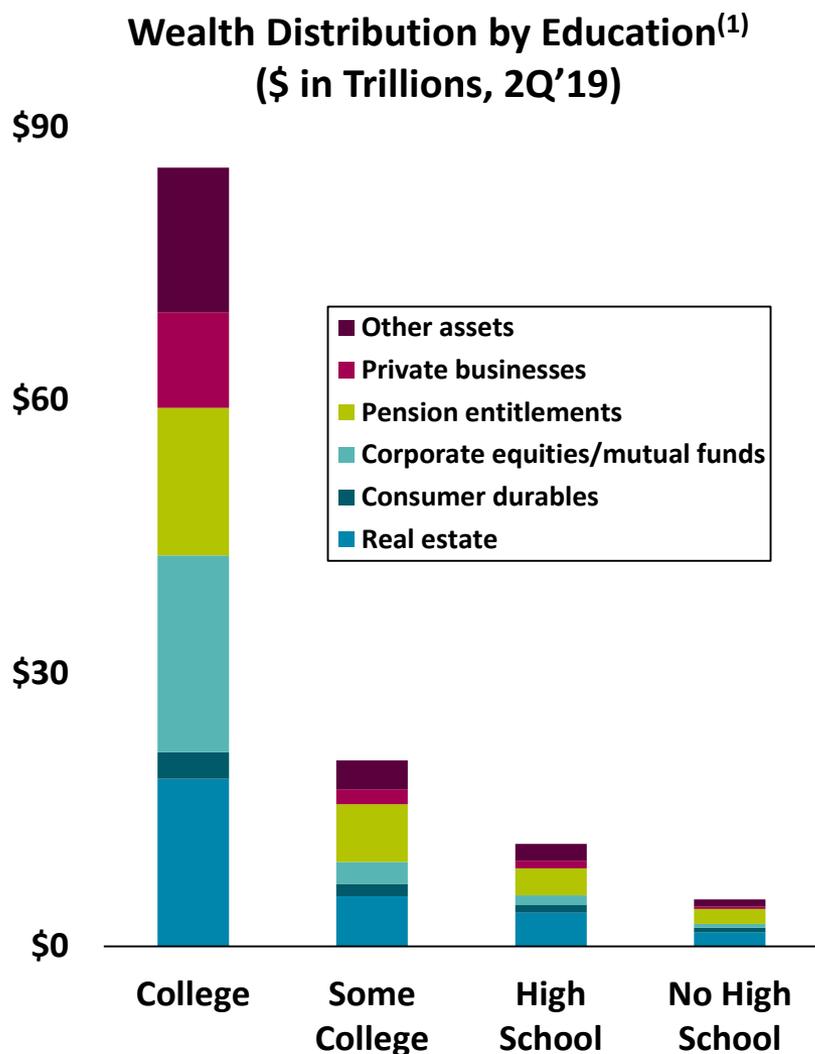


Source: OECD and Blackstone Investment Strategy, as of 12/31/17.

(1) China numbers are extrapolated for 2001 and 2002 due to unavailability of data.

# Inequality to Take Center Stage in 2020

## Education and race important variables in understanding wealth distribution



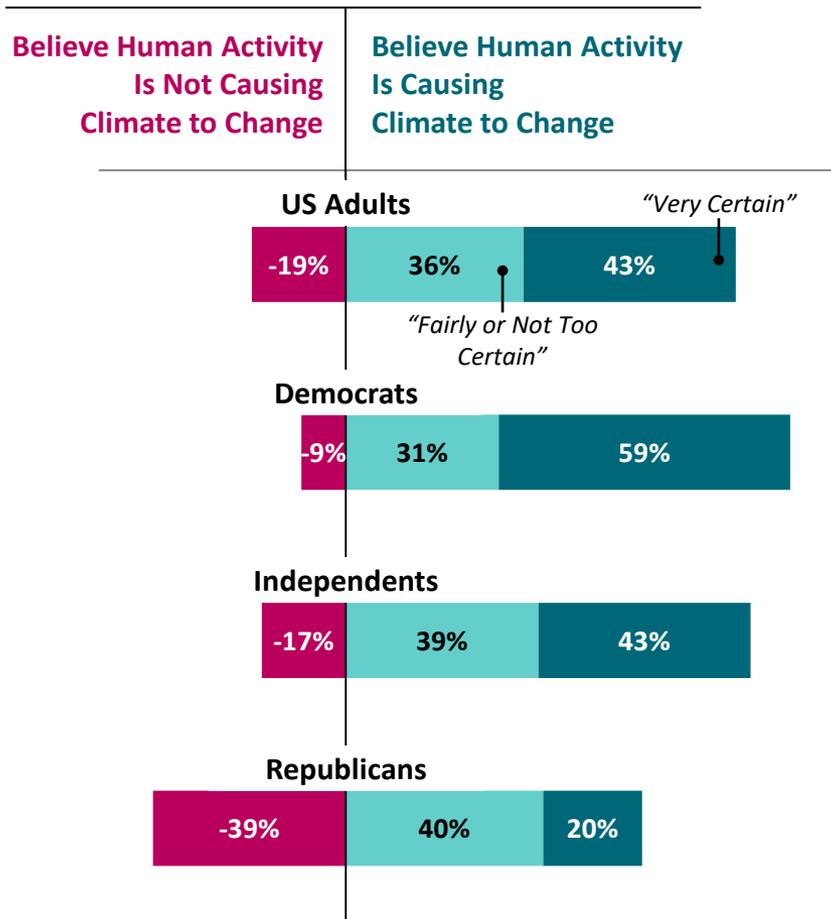
(1) Source: Federal Reserve and Blackstone Investment Strategy, as of 6/30/19.

(2) Source: Census Bureau and Blackstone Investment Strategy, as of 7/1/18. Totals may not sum due to rounding. "White" represents people who identify as "white alone, not Hispanic or Latino."

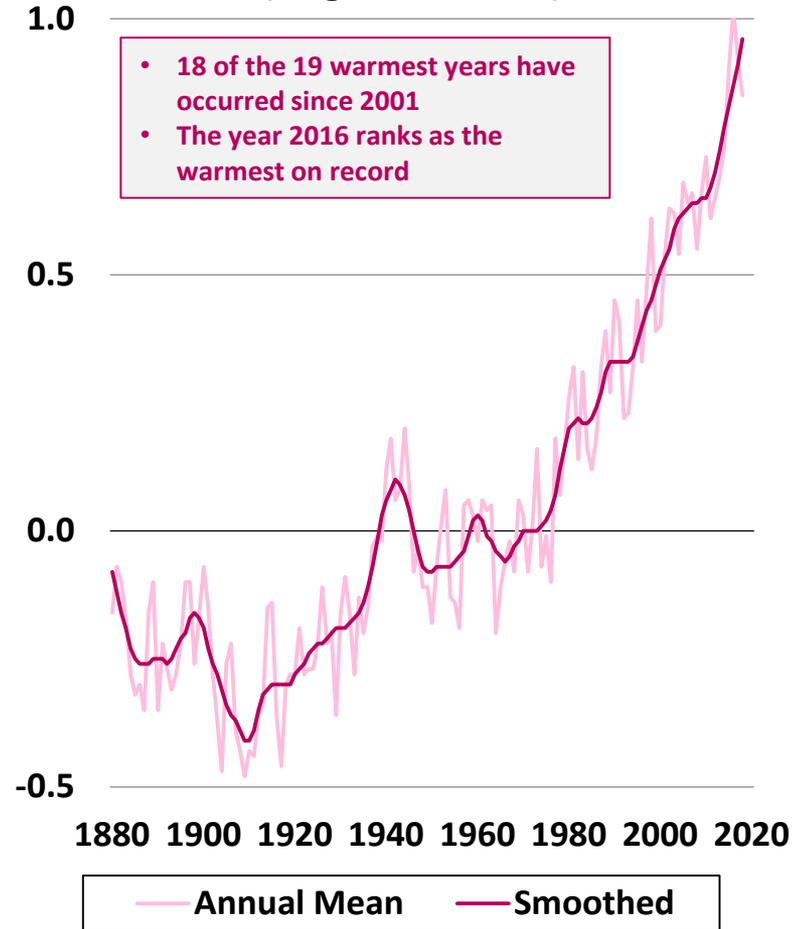
# Climate Change Will Be a Major Issue in 2020 and Beyond

## Americans divided on cause of climate change as temps reach new highs

**Survey of American Views on Cause of Climate Change<sup>(1)</sup>**



**Global Temperature Anomaly (Degrees Celsius)<sup>(2)</sup>**



(1) Source: Washington Post–Kaiser Family Foundation and Blackstone Investment Strategy. Survey for period July 9–August 5, 2019. Error margin of +/- 3 percentage points. Error margin larger among subgroups. Note: Totals do not sum to 100, as not all response options are shown.

(2) Source: NASA/GISS, as of 12/31/18. Represents global surface temperature relative to 1951-1980 average temperatures. Smoothed data uses the LOWESS method.

## **VI. Byron's Life's Lessons**

## Byron's Life's Lessons

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**Here are some of the lessons I have learned in my first 80 years. I hope to continue to practice them in the next 80**

1. Concentrate on finding a big idea that will make an impact on the people you want to influence. The Ten Surprises, which I started doing in 1986, has been a defining product. People all over the world are aware of it and identify me with it. What they seem to like about it is that I put myself at risk by going on record with these events which I believe are probable and hold myself accountable at year-end. If you want to be successful and live a long, stimulating life, keep yourself at risk intellectually all the time.
2. Network intensely. Luck plays a big role in life, and there is no better way to increase your luck than by knowing as many people as possible. Nurture your network by sending articles, books and emails to people to show you're thinking about them. Write op-eds and thought pieces for major publications. Organize discussion groups to bring your thoughtful friends together.
3. When you meet someone new, treat that person as a friend. Assume he or she is a winner and will become a positive force in your life. Most people wait for others to prove their value. Give them the benefit of the doubt from the start. Occasionally you will be disappointed, but your network will broaden rapidly if you follow this path.
4. Read all the time. Don't just do it because you're curious about something, read actively. Have a point of view before you start a book or article and see if what you think is confirmed or refuted by the author. If you do that, you will read faster and comprehend more.
5. Get enough sleep. Seven hours will do until you're sixty, eight from sixty to seventy, nine thereafter, which might include eight hours at night and a one-hour afternoon nap.
6. Evolve. Try to think of your life in phases so you can avoid a burn-out. Do the numbers crunching in the early phase of your career. Try developing concepts later on. Stay at risk throughout the process.

## Byron's Life's Lessons (Cont'd)

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7. Travel extensively. Try to get everywhere before you wear out. Attempt to meet local interesting people where you travel and keep in contact with them throughout your life. See them when you return to a place.
8. When meeting someone new, try to find out what formative experience occurred in their lives before they were seventeen. It is my belief that some important event in everyone's youth has an influence on everything that occurs afterwards.
9. On philanthropy my approach is to try to relieve pain rather than spread joy. Music, theatre and art museums have many affluent supporters, give the best parties and can add to your social luster in a community. They don't need you. Social services, hospitals and educational institutions can make the world a better place and help the disadvantaged make their way toward the American dream.
10. Younger people are naturally insecure and tend to overplay their accomplishments. Most people don't become comfortable with who they are until they're in their 40's. By that time they can underplay their achievements and become a nicer, more likeable person. Try to get to that point as soon as you can.
11. Take the time to give those who work for you a pat on the back when they do good work. Most people are so focused on the next challenge that they fail to thank the people who support them. It is important to do this. It motivates and inspires people and encourages them to perform at a higher level.
12. When someone extends a kindness to you write them a handwritten note, not an e-mail. Handwritten notes make an impact and are not quickly forgotten.
13. At the beginning of every year think of ways you can do your job better than you have ever done it before. Write them down and look at what you have set out for yourself when the year is over.
14. The hard way is always the right way. Never take shortcuts, except when driving home from the Hamptons. Short-cuts can be construed as sloppiness, a career killer.

## Byron's Life's Lessons (Cont'd)

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15. Don't try to be better than your competitors, try to be different. There is always going to be someone smarter than you, but there may not be someone who is more imaginative.
16. When seeking a career as you come out of school or making a job change, always take the job that looks like it will be the most enjoyable. If it pays the most, you're lucky. If it doesn't, take it anyway. I took a severe pay cut to take each of the two best jobs I've ever had, and they both turned out to be exceptionally rewarding financially.
17. There is a perfect job out there for everyone. Most people never find it. Keep looking. The goal of life is to be a happy person and the right job is essential to that.
18. When your children are grown or if you have no children, always find someone younger to mentor. It is very satisfying to help someone steer through life's obstacles, and you'll be surprised at how much you will learn in the process.
19. Every year try doing something you have never done before that is totally out of your comfort zone. It could be running a marathon, attending a conference that interests you on an off-beat subject that will be populated by people very different from your usual circle of associates and friends or traveling to an obscure destination alone. This will add to the essential process of self-discovery.
20. Never retire. If you work forever, you can live forever. I know there is an abundance of biological evidence against this theory, but I'm going with it anyway.

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