

The Case Against a Melt-up (Or Meltdown)

3rd Quarter 2019

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Blackstone

Introduction

Still No US Recession In Sight

- ▶ Recent developments such as an intensified and increasingly multilateral trade war have once again called into question the durability of this economic cycle. Even so, cyclical excesses are notably absent and business and consumer confidence remain high.
- ▶ More importantly from our perspective, the indicators we watch for signs of recession are mixed (see page 2), leading us to believe a recession is not imminent.
- ▶ US growth is likely to “muddle through” so long as housing and capital spending remain muted. We are waiting for both to show signs of life, though low mortgage rates and increased mortgage applications are hopeful signals.

Self-Inflicted Wounds the Biggest Risk

- ▶ Policy mistakes are currently the top threat to this cycle, from inflammatory morning tweets, to the risk that the Fed may start easing too late. Much is to be gained from a fairer global trade regime, but a haphazard trade war is proving damaging to business confidence and supply chains.
- ▶ The biggest risk is that trade partners decide the current Administration is not a reliable negotiation partner and walk away – leaving businesses to scramble and lurching the global economy into recession.

Stay the Course

- ▶ Despite these risks, our base case remains that trade will be resolved by early next year, as President Trump gears up for the 2020 election. The global slowdown has persisted this year, but we expect growth to rebound in 2H'19.
- ▶ While markets are unlikely to make much more progress in 2019, this bull market is set to continue for longer than people expect. Uncertainty implies volatility to come, but corrections will be potential buying opportunities.
- ▶ We remain bullish on growth prospects; this economic cycle may be the longest in history, but it's not done yet.

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Recession Monitor Checklist

Recession indicators are mixed, do not signal imminent trouble

			Tech Bubble	Housing Bubble	Current
Primary Indicators (Signals)	Average Hourly Earnings Growth	<ul style="list-style-type: none"> Wage growth of +4% creates inflation concern Currently 3.4% and growing slowly 	✓	✓	✗
	Leading Economic Indicators (LEIs)	<ul style="list-style-type: none"> Negative LEI growth precedes economic contraction LEIs rolled over – may have bottomed (pg. 11) 	✓	✓	✓
	Yield Curve: 10Y/2Y Spread	<ul style="list-style-type: none"> 10Y/2Y inversion precedes recession by around 18 months; this spread is flat but still positive 10Y/3M spread has inverted by a significant amount and for a significant period of time – Inversion Cause: Bull flattener, not bear flattener 	✓	✓	✗
			Tech Bubble	Housing Bubble	Current
Secondary Indicators (Necessary Conditions)	Sentiment	<ul style="list-style-type: none"> Euphoric sentiment as reflected by wild price swings or extreme investor bullishness (see Crowd Sentiment poll, pg. 8) Investors are extremely optimistic, typically a bearish signal⁽¹⁾ 	✓	✓	✓
	Unemployment	<ul style="list-style-type: none"> Labor markets weaken as economy slows; never a recession with jobless claims falling Claims trough on average 15 months before recession⁽²⁾ On average, claims rise by 66,000 by start of recession 	✓	✓	✗
	Corporate Earnings	<ul style="list-style-type: none"> Never a recession with corporate profits rising Earnings recessions (negative for at least 2 consecutive quarters) coincide with economic recessions 57% of the time 1Q'19 growth was negative; 2Q negative growth would be bearish 	✓	✓	✗

Source: Blackstone Investment Strategy and Strategas Research Partners, as of 7/11/19.

(1) Based on Ned Davis Research Crowd Sentiment Poll, as of 7/2/19.

(2) Based on four-week moving average of initial claims, seasonally adjusted. Represents the period 1/1/67 through 7/11/19.

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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 I 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)

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.

“Radical” Asset Allocation

No change from prior quarter

Asset Class	Allocation	Note
Global Large Cap Multinationals	5%	Fair value in terms of yield and multiple
Other U.S. Long Only	15%	Valuations attractive
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	10%	Residual, awaiting tactical opportunities
Total	100%	

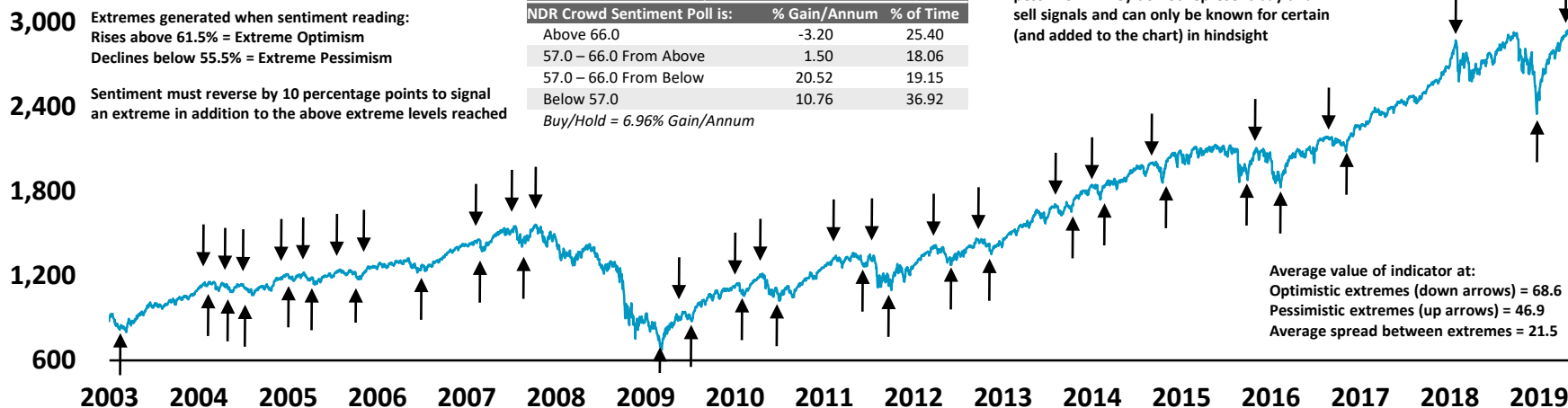
Note: As detailed in the “Disclaimers” section, the above reflects the personal views of Joseph Zidle, Managing Director and Byron Wien, Vice Chairman in the Private Wealth Solutions Group, and does not necessarily reflect the view of Blackstone itself.

NDR Crowd Sentiment Poll (7/31/2002 – 7/2/2019)

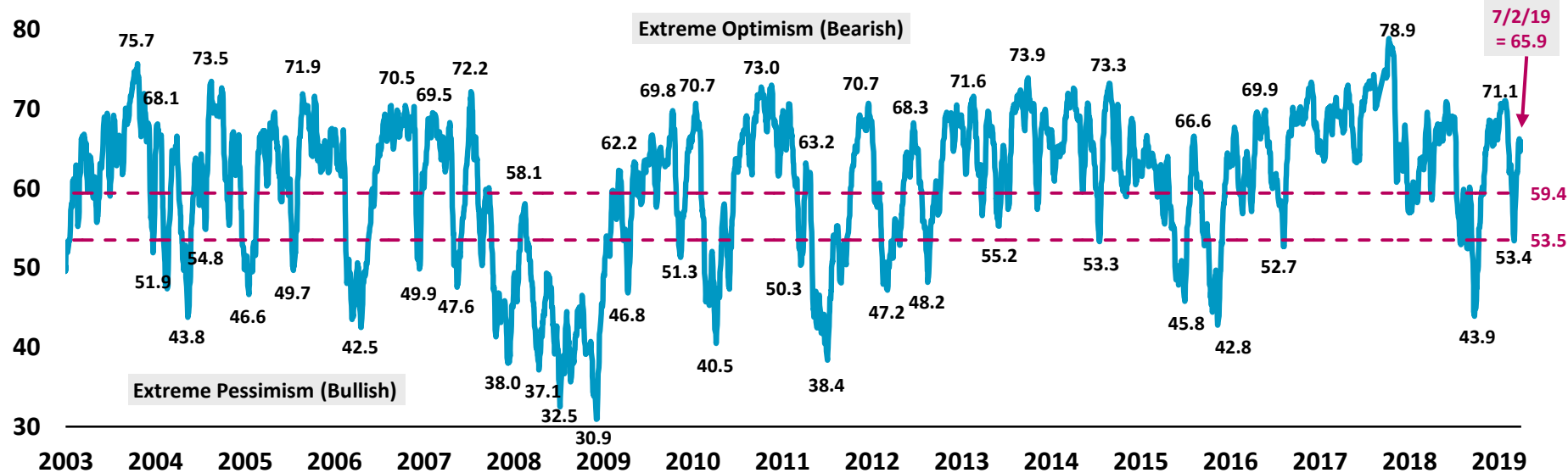
S&P 500 Composite Index

S&P 500 Index Performance Full History: 12/1/1995–7/2/2019		
NDR Crowd Sentiment Poll is:	% Gain/Annum	% of Time
Above 66.0	-3.20	25.40
57.0 – 66.0 From Above	1.50	18.06
57.0 – 66.0 From Below	20.52	19.15
Below 57.0	10.76	36.92
<i>Buy/Hold = 6.96% Gain/Annum</i>		

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



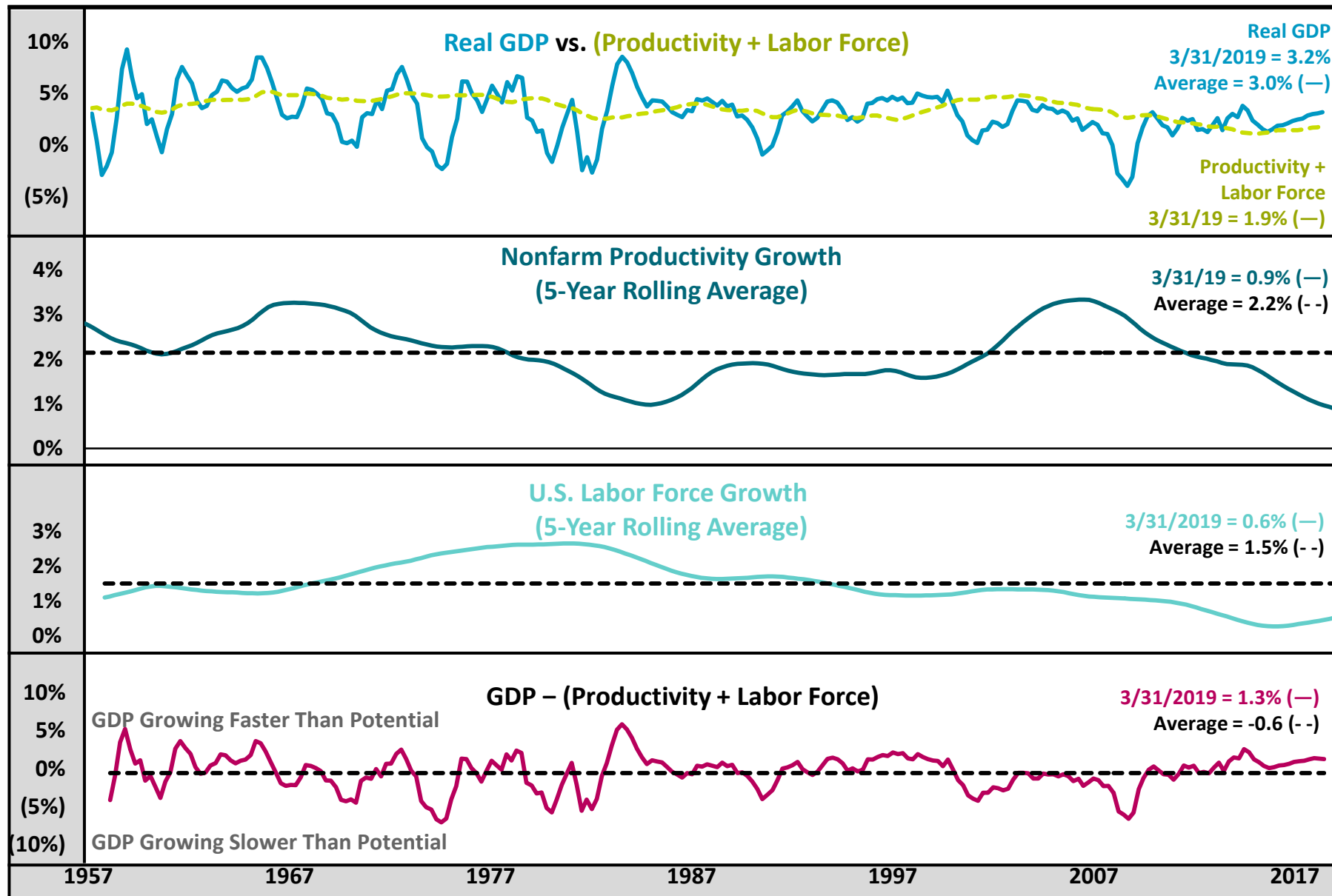
NDR Crowd Sentiment Poll



Source: Ned Davis Research and Blackstone Investment Strategy, as of 7/2/19.

II. US "Muddle Through" Growth

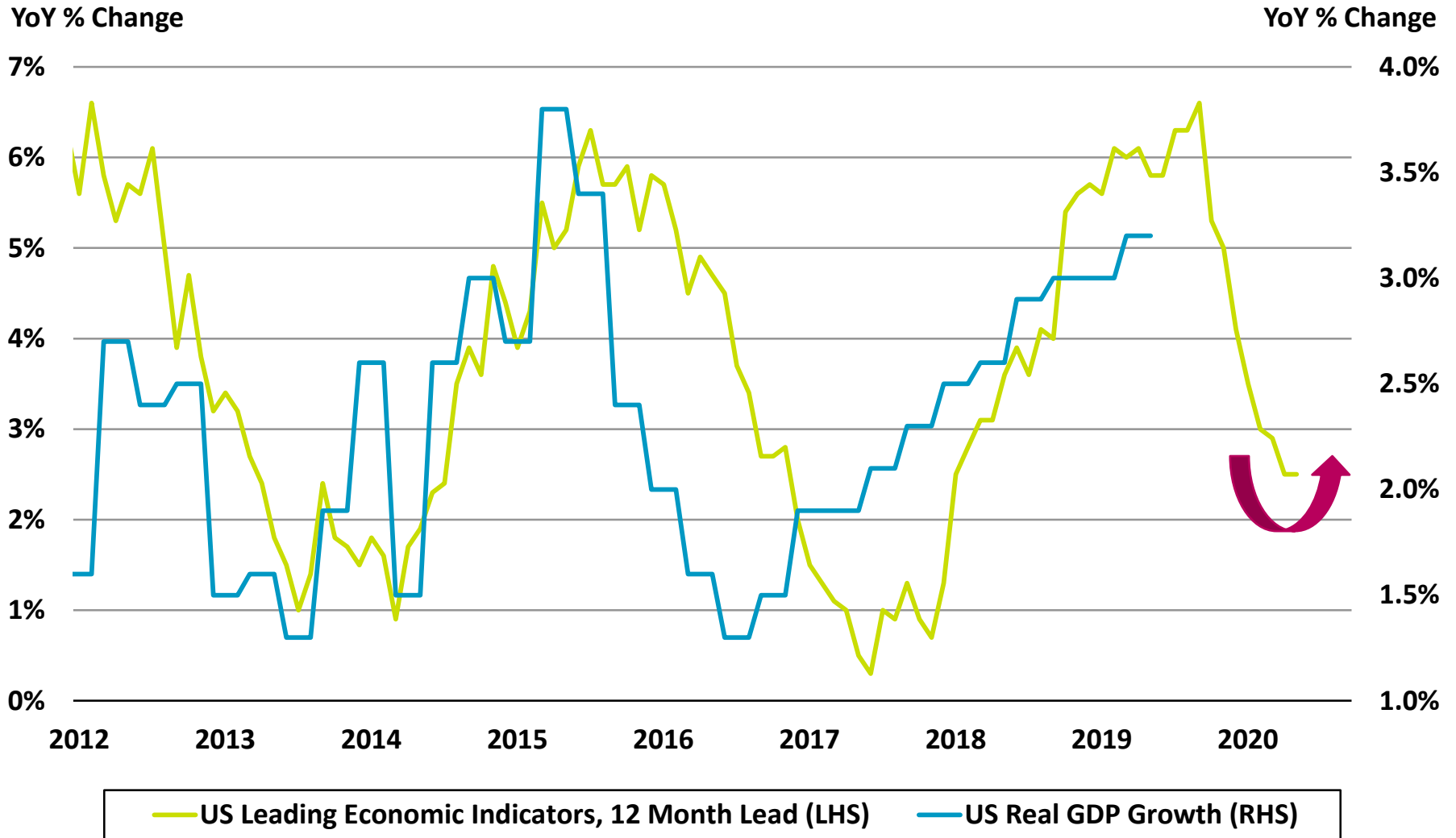
Long-Term Composition of Real U.S. GDP Growth



Source: Ned Davis Research, Bureau of Labor Statistics and Blackstone Investment Strategy, as of 3/31/19. All percentages are year-over-year growth rates.

Growth and Leading Indicators

US leading economic indicators rolled over, but potential bottom in sight

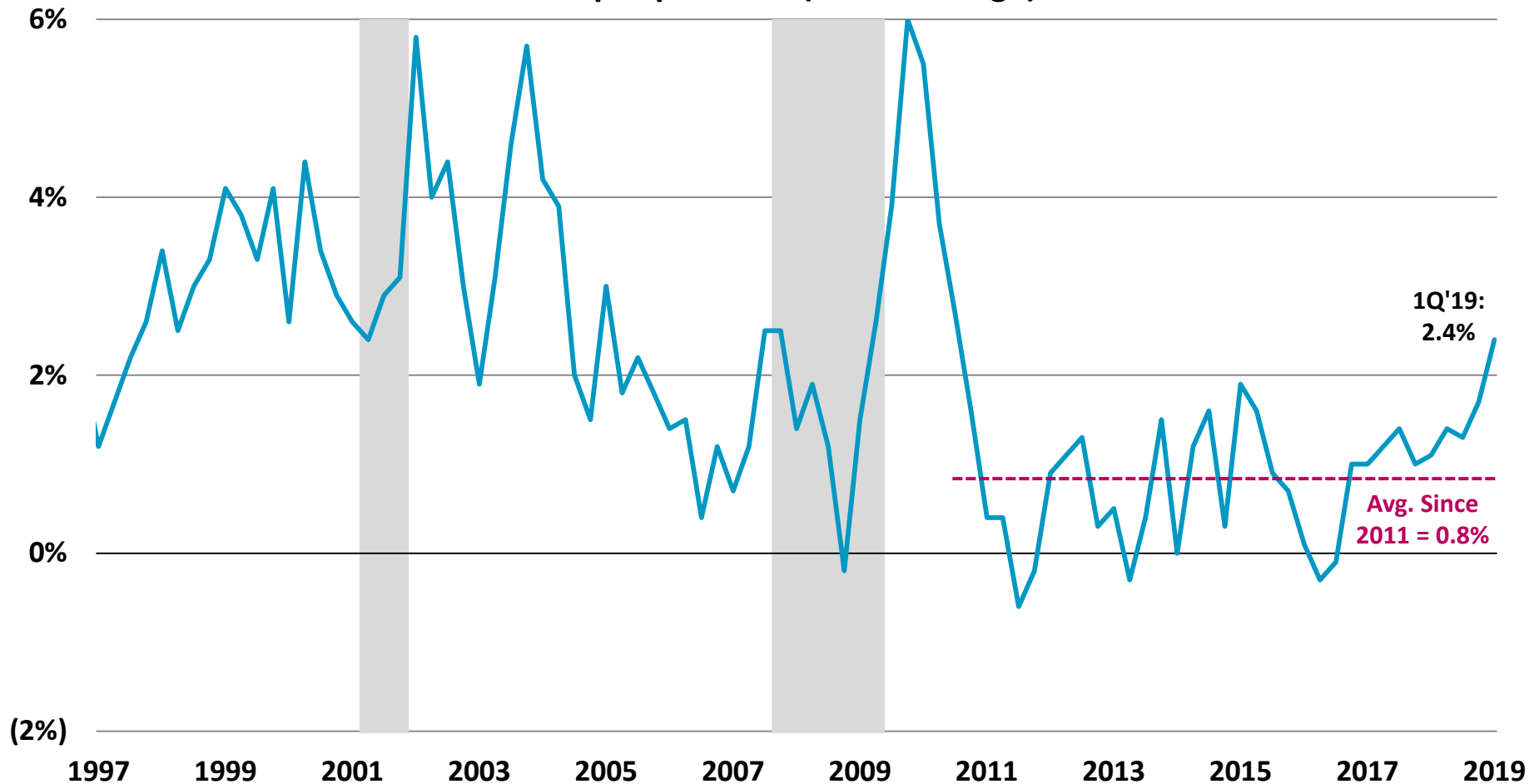


Source: Bureau of Economic Analysis, Conference Board, Bloomberg and Blackstone Investment Strategy. GDP data as of 3/31/19, LEI data as of 5/31/19. All percentages are year-over-year percent changes.

Improved Productivity Growth

Productivity growth has been so low, some gains were bound to be made

**Nonfarm Business Sector
Real Output per Hour (YoY % Change)**

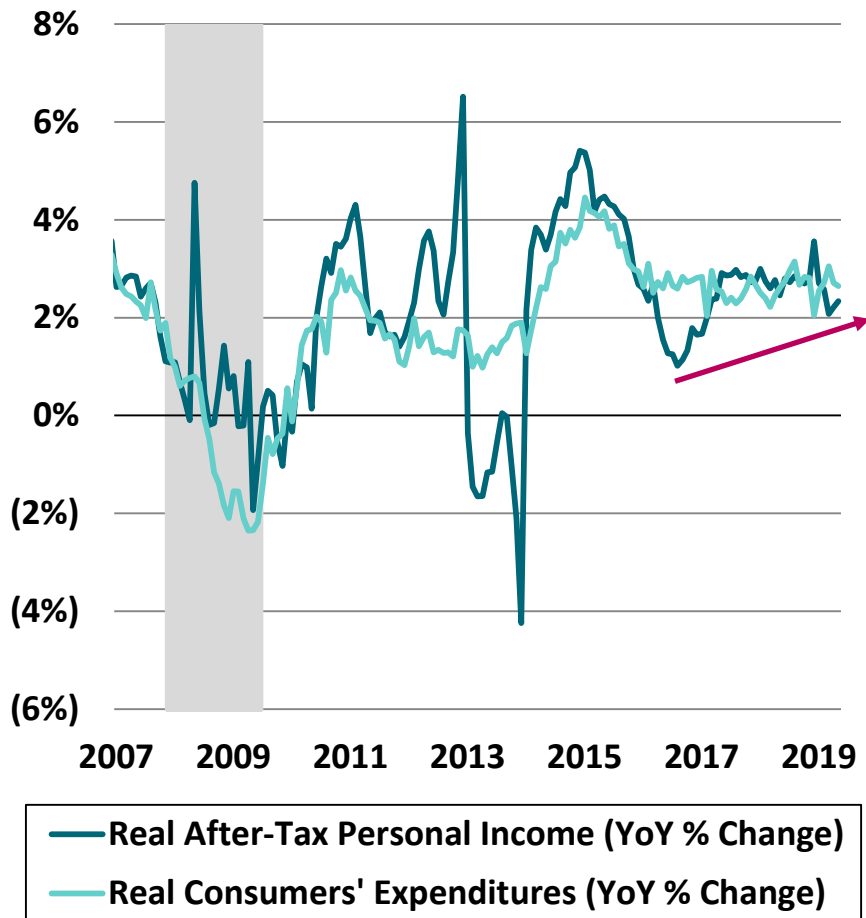


Source: Bureau of Labor Statistics and Blackstone Investment Strategy, as of 3/31/19. Represents year-over-year change in the nonfarm business sector real output per hour of all persons, seasonally adjusted (2012=100).

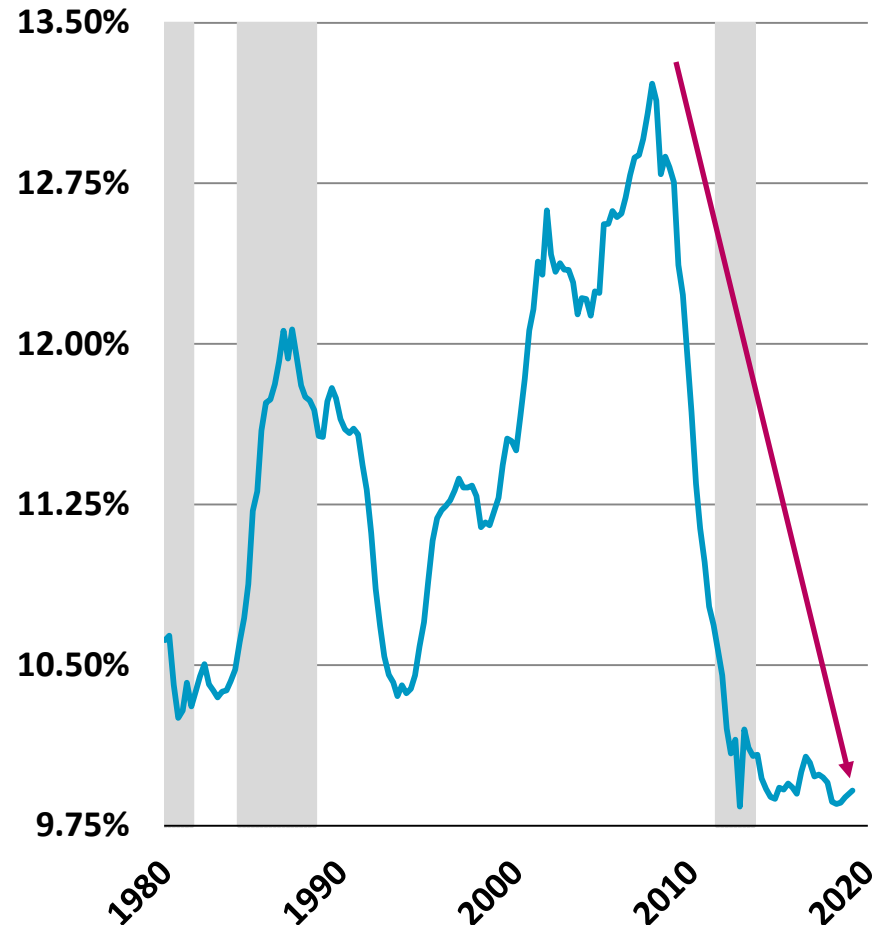
Check-Up on the Consumer

It's hard to see a recession with the consumer doing this well

Real Consumer Income and Expenditures⁽¹⁾



Household Debt Payments as % of Disposable Personal Income⁽²⁾



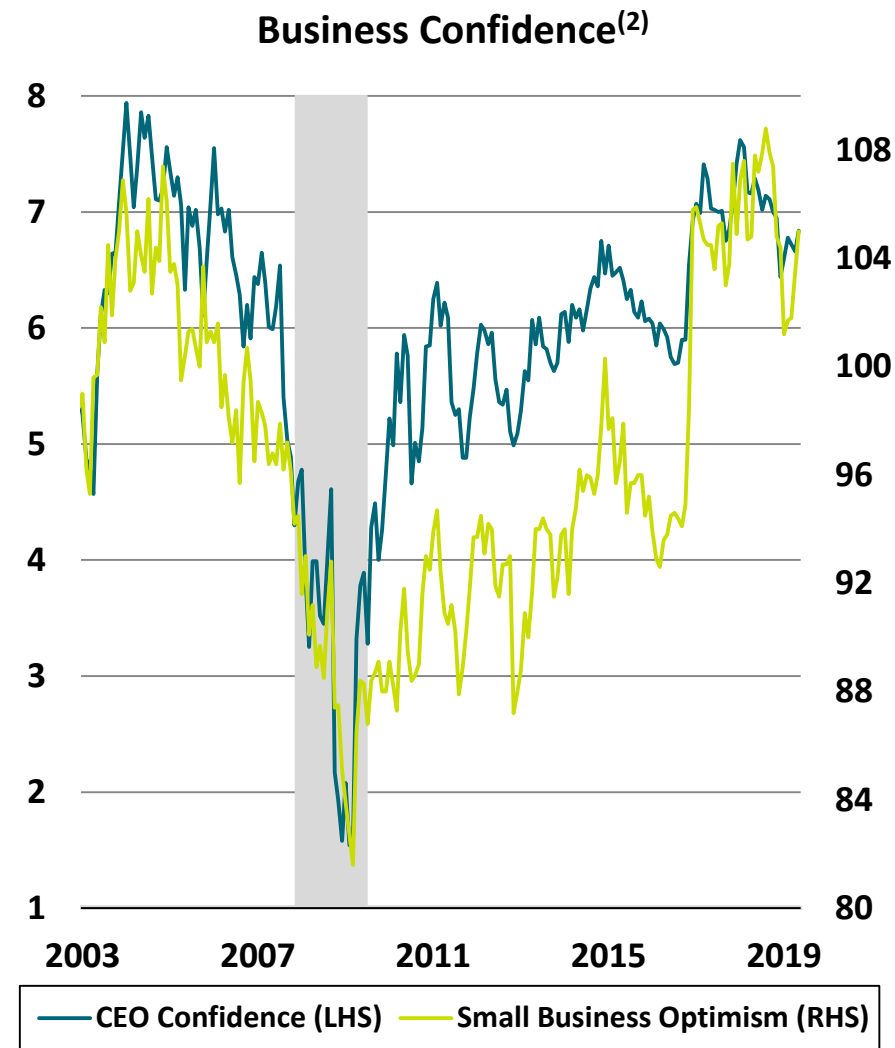
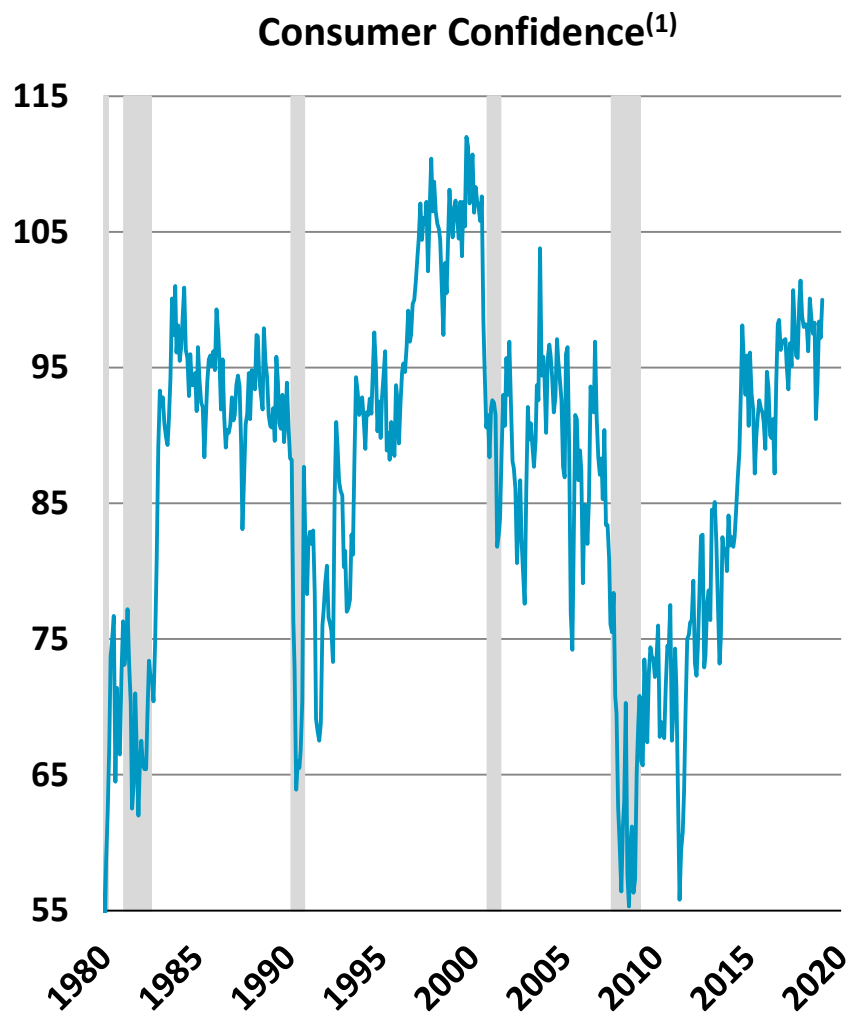
Source: The Federal Reserve and Blackstone Investment Strategy.

(1) As of 5/31/19.

(2) As of 3/31/19.

Animal Spirits Still at Work

Consumer/business confidence elevated; usually fall before recessions



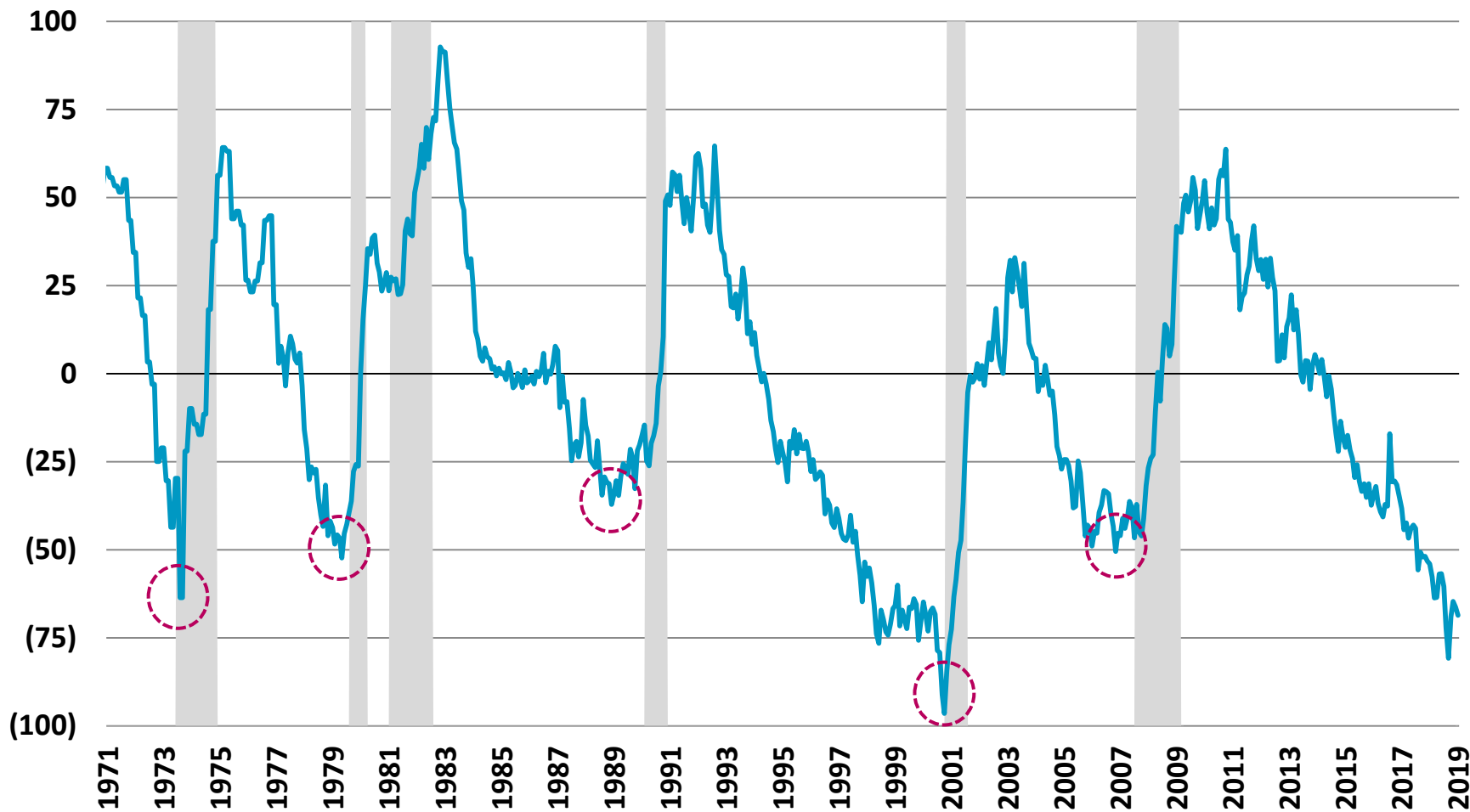
(1) Source: University of Michigan Consumer Sentiment Index, Bloomberg and Blackstone Investment Strategy, as of 5/31/19.

(2) Source: Chief Executive Magazine, NFIB, Bloomberg and Blackstone Investment Strategy, as of 5/31/19.

However, Consumers Less Sanguine About Future

Bad sign when consumers significantly less optimistic about future than present

**“Consumer Confidence Expectations”
Less “Consumer Confidence Present Situation”⁽¹⁾**



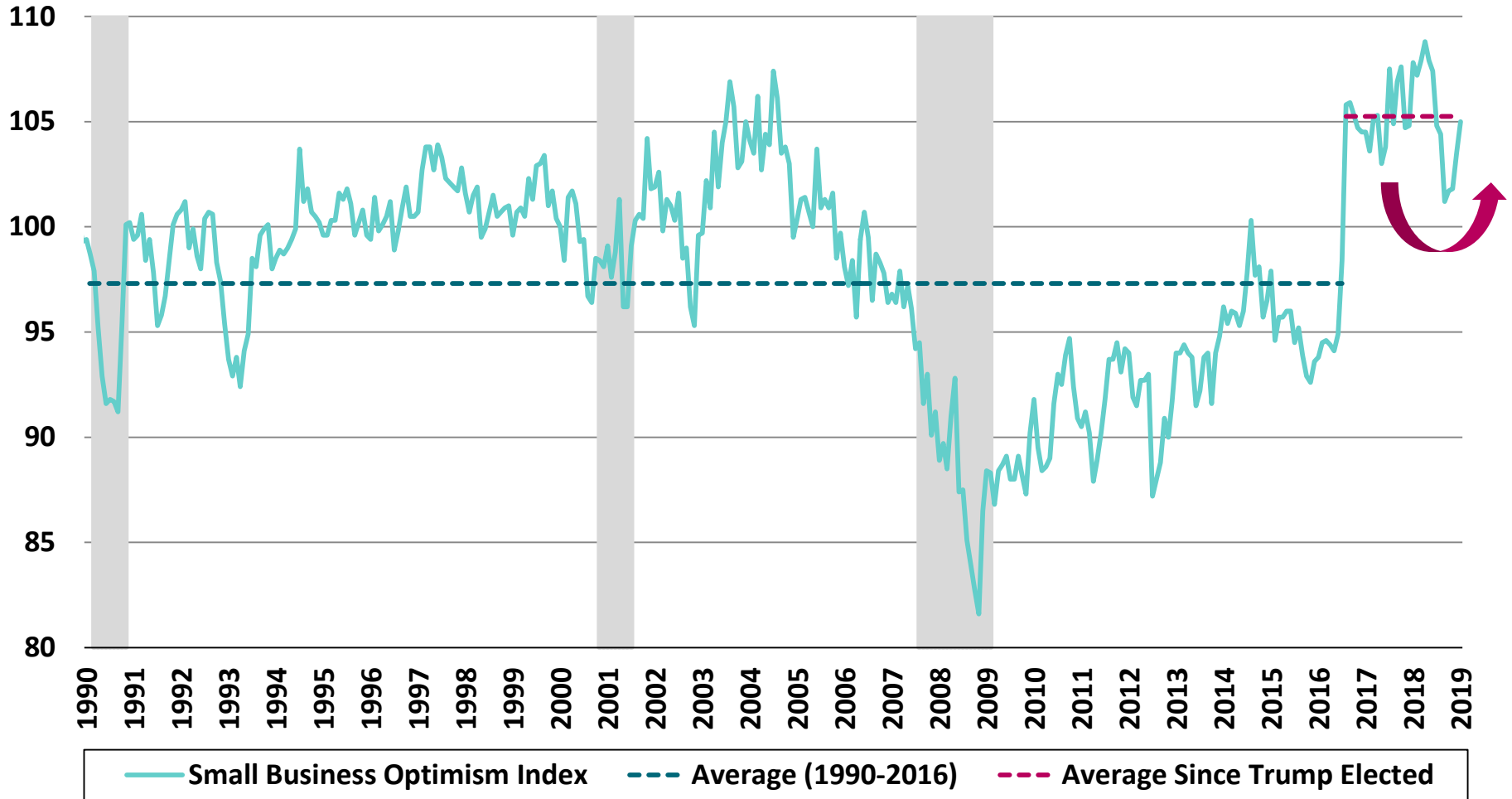
Source: Conference Board, Bloomberg and Blackstone Investment Strategy, as of 5/31/19.

(1) Represents the Conference Board Consumer Confidence Expectations Index, less the Conference Board Consumer Confidence Present Situation Index. Both indices seasonally adjusted, 1985=100.

Small Businesses Optimistic Again

Optimism returning to historic highs; declines are usually a warning signal

NFIB Small Business Optimism Index

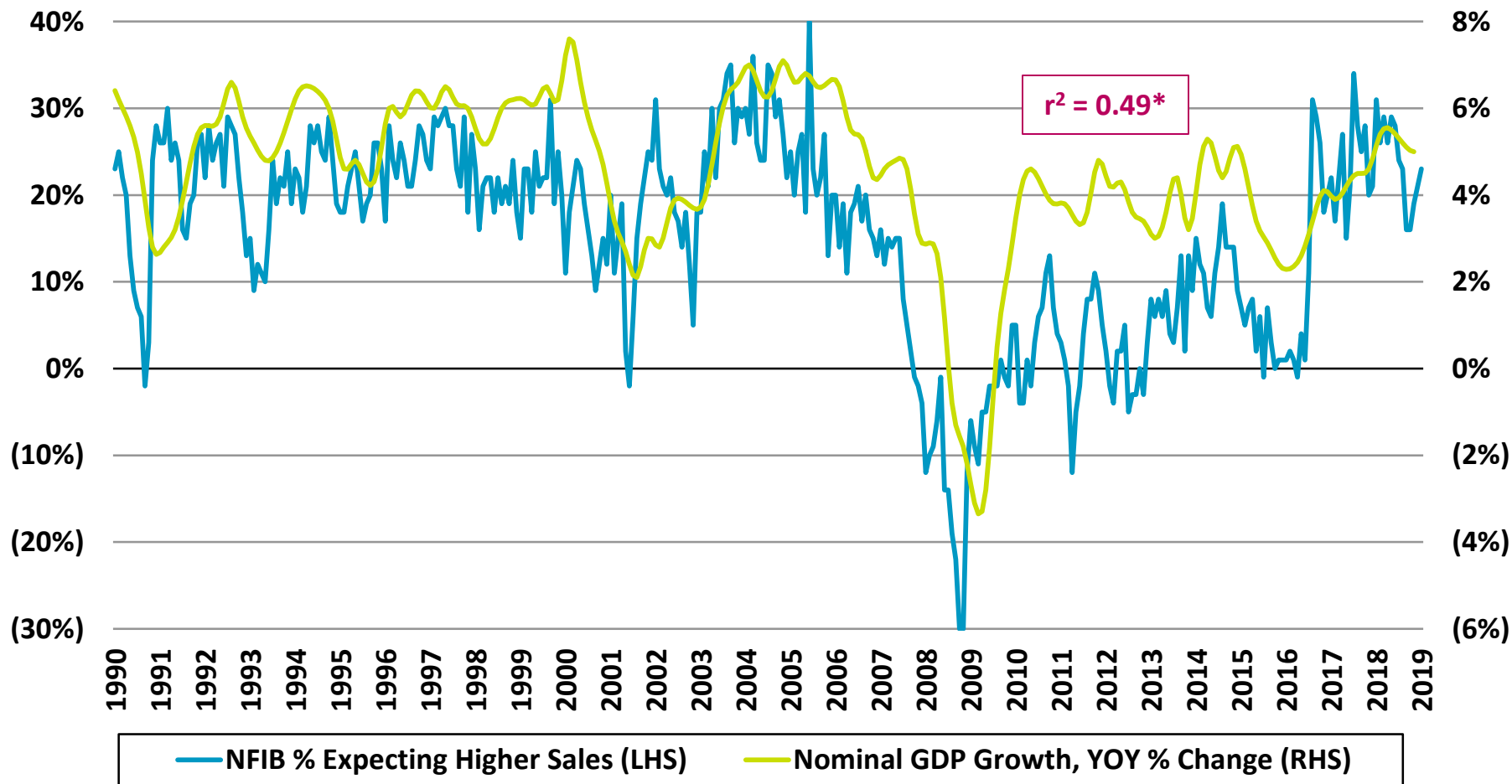


Source: NFIB, Bloomberg and Blackstone Investment Strategy, as of 5/31/19.

As Goes Small Business, So Goes the Economy

Small business sales expectations rebounded; we are watching carefully

NFIB Small Business Sales Expectations and Nominal GDP Growth

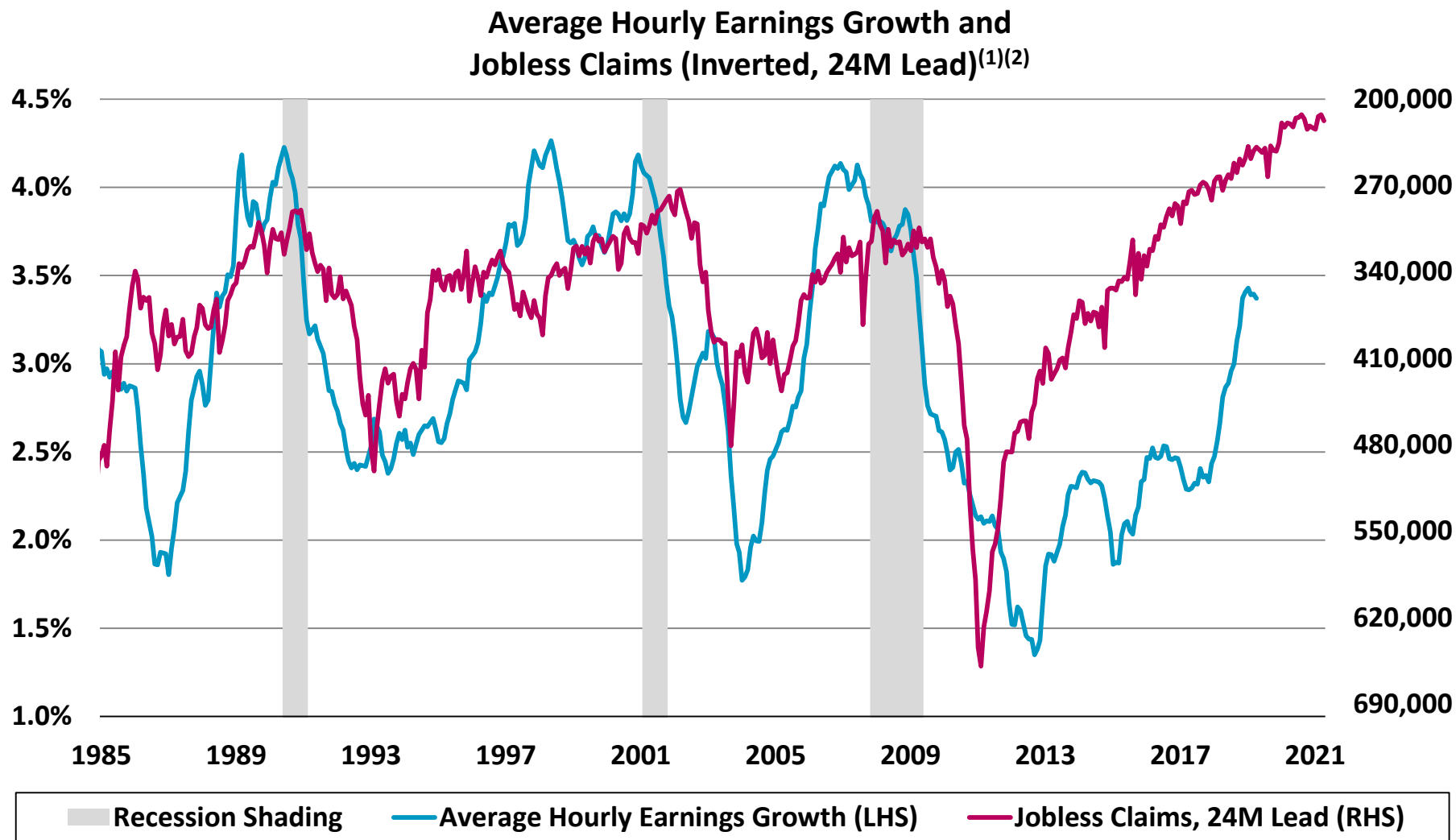


Source: Bureau of Economic Analysis, NFIB, Bloomberg and Blackstone Investment Strategy. Monthly observations. NFIB data as of 5/31/19, GDP data as of 3/31/19.

* Rolling 5-year correlations for the period 6/1/90 through 3/31/19.

Upward Pressures on Wage Growth

Wage growth likely to rise, given an economy at or near full employment



Source: Bureau of Labor Statistics and Blackstone Investment Strategy, as of 5/31/19.

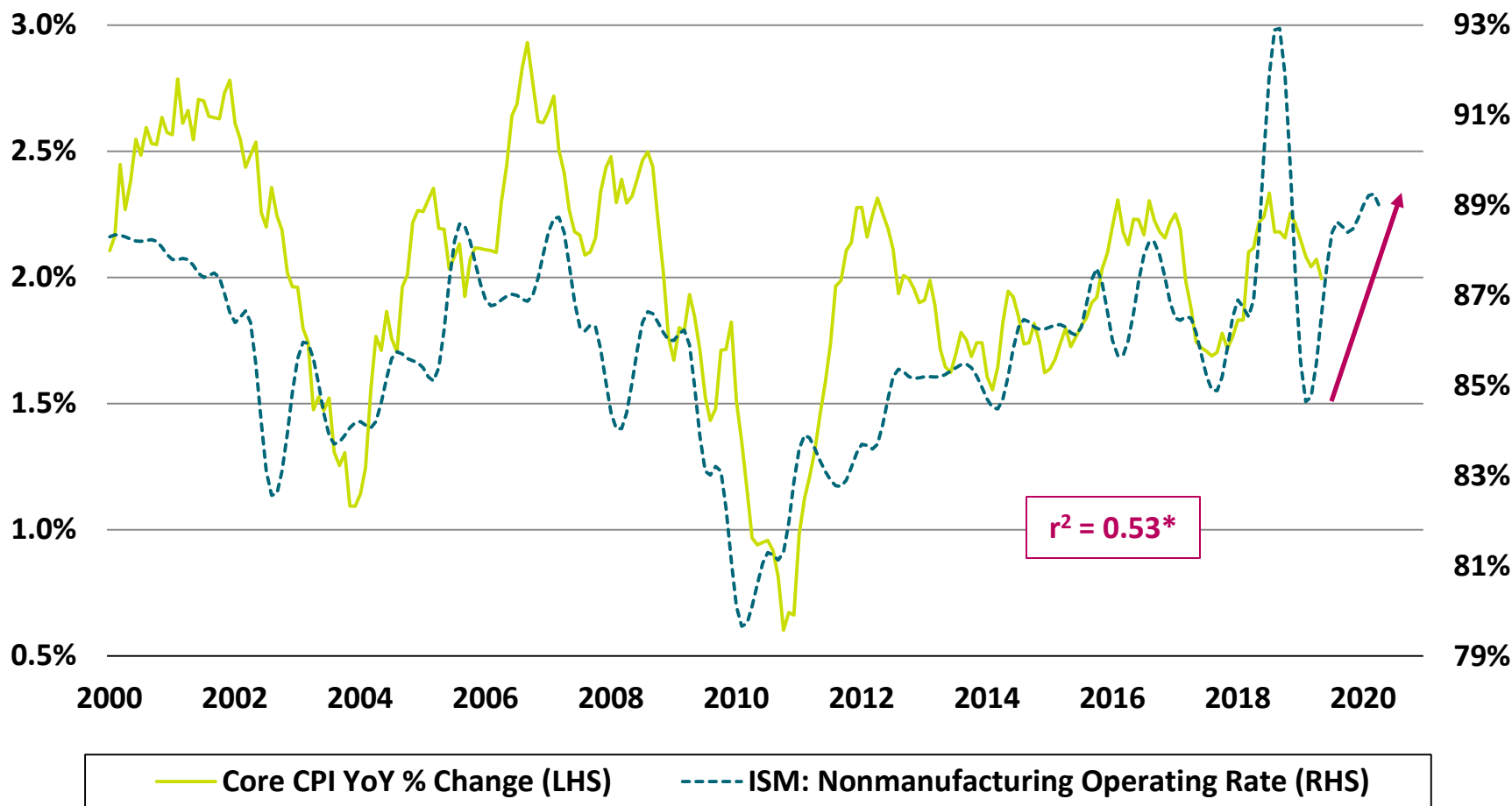
(1) Note: Average hourly earnings growth represents 3-month average of year-over-year growth for production and nonsupervisory employees: total private, seasonally adjusted.

(2) Note: Jobless claims represent 4-week moving average of initial claims, seasonally adjusted. Jobless claims are inverted, lead by 24 months.

Core Inflation Muted

Core inflation rising, but not high or fast enough to be concerning

Nonmanufacturing Operating Rate (12M Forward)
And Core CPI (YoY % Change)⁽¹⁾



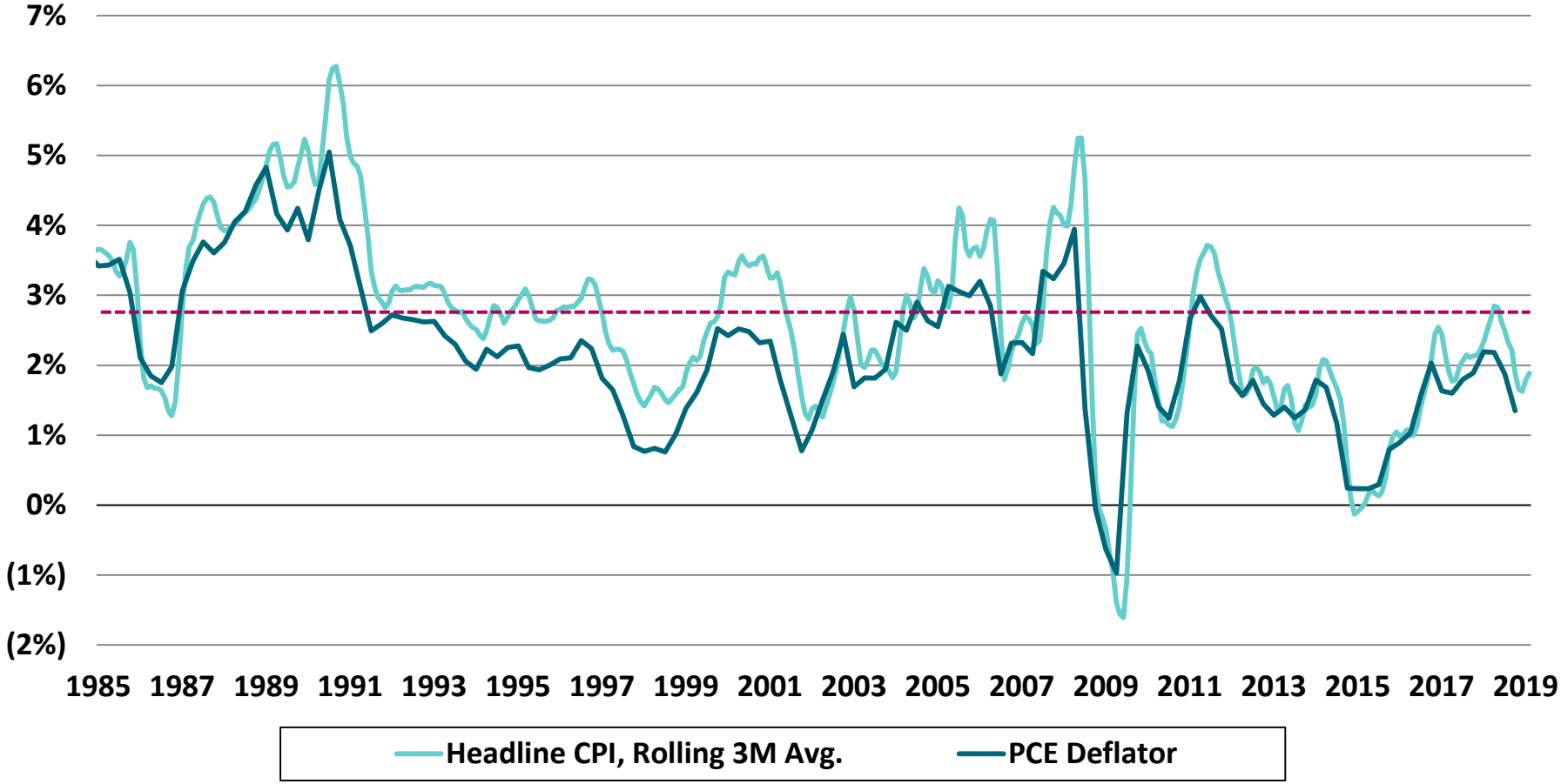
Source: Strategas Research Partners, Bureau of Labor Statistics, Institute for Supply Management and Blackstone Investment Strategy, as of 5/31/19. *Rolling 5-year correlations for the period 1/1/2000 through 5/31/2019. Blackstone 19

(1) Core CPI represented by the Consumer Price Index for All Urban Consumers: All items less food and energy, seasonally adjusted (1982-84=100).

Inflation Low and Slowing

Key inflation measures struggling to maintain Fed's 2% target level

Headline Consumer Price Index (CPI) and Personal Consumption Expenditures (PCE) Deflator

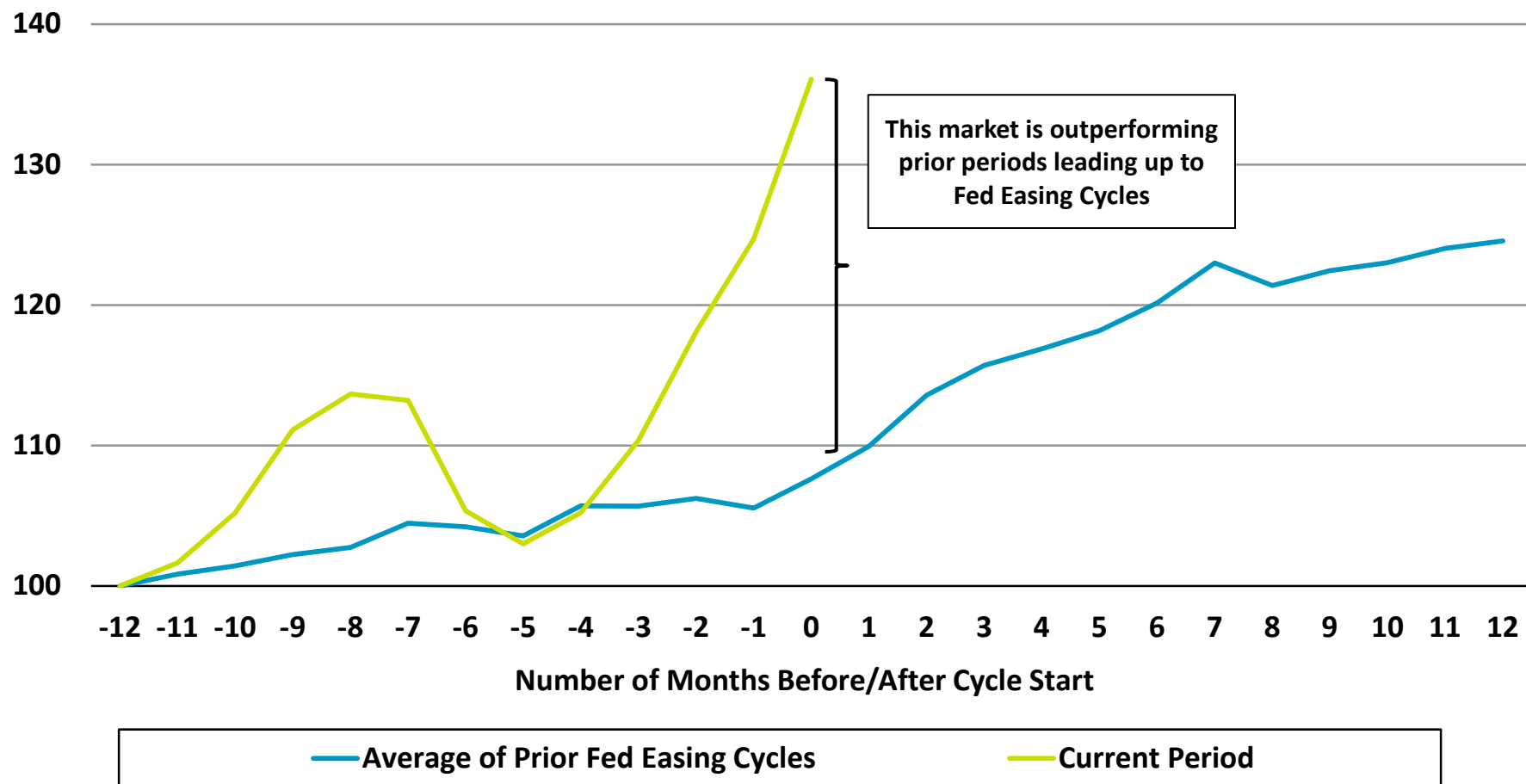


Source: Bureau of Economic Analysis, Bureau of Labor Statistics and Blackstone Investment Strategy. Personal Consumption Expenditures ("PCE Deflator") as of 3/31/19, Consumer Price Index for All Urban Consumers: All Items ("Headline CPI") as of 5/31/19. All data represents year-over-year percent change, seasonally adjusted. Blackstone 20

Fed Cuts Already Priced In

Markets may not have as much room to run after a potential Fed cut

**S&P 500 Performance Around Fed Easing Cycles⁽¹⁾
(Indexed to 100 at 12 Months Prior to First Cut)**



Source: Blackstone Investment Strategy and Bloomberg. Represents the period 1/1/1954 through 5/31/2019. All returns are total returns, gross dividends. For the current period, assumes that a Fed cut occurs in July 2019.

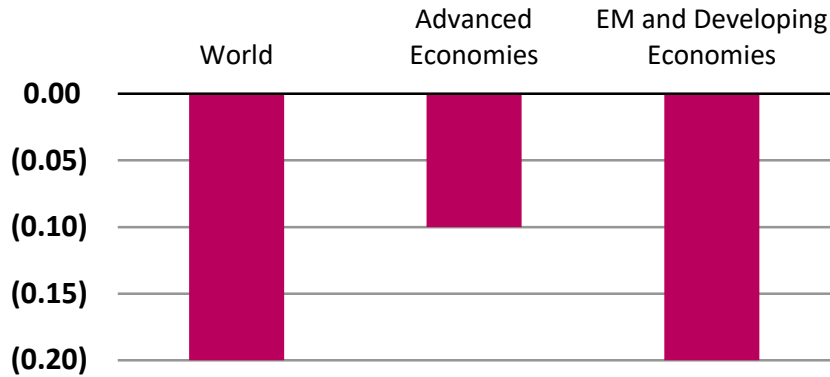
(1) Fed Easing Cycle defined as at least three consecutive rate cuts without an intervening rate hike.

III. Global Growth Being Tested

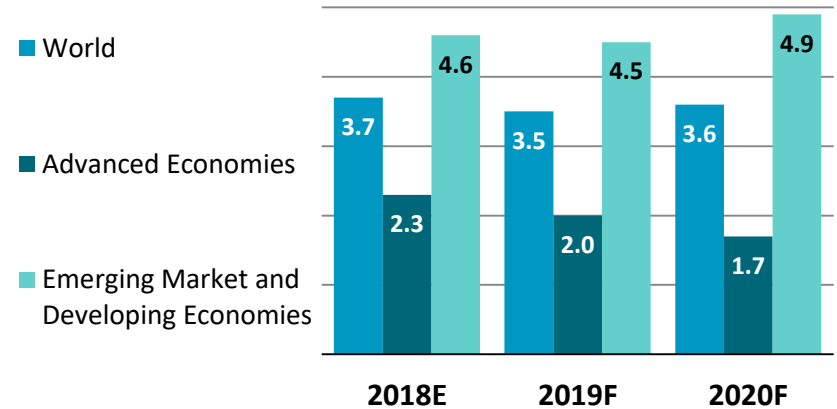
Global Growth Decelerating

Growth forecasts for 2019 adjusted down, expected to rebound in 2020

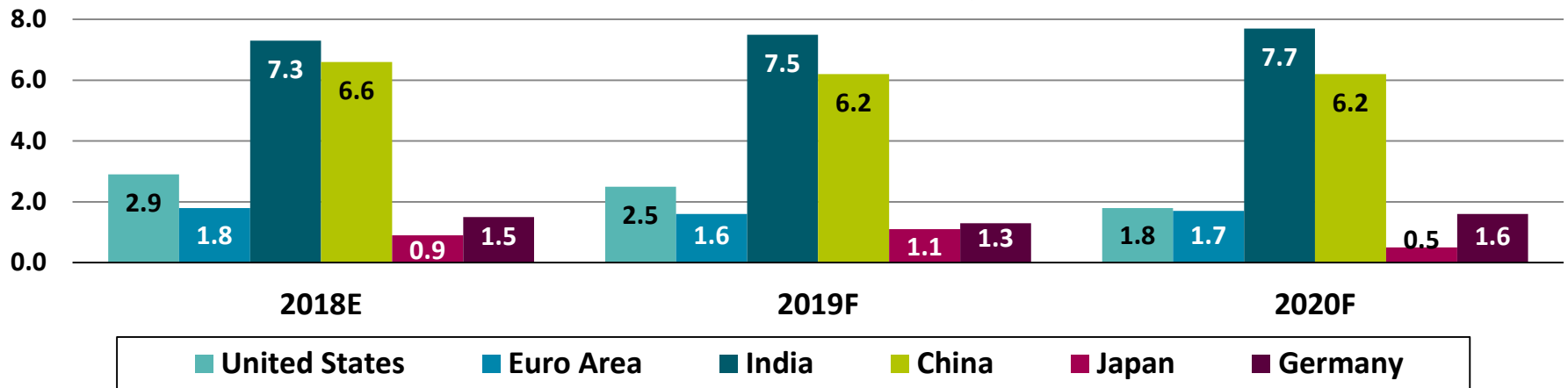
**IMF % Adjustment to Growth Forecast
(Oct 2018 to Apr 2019)**



Real GDP Growth (YoY % Change)

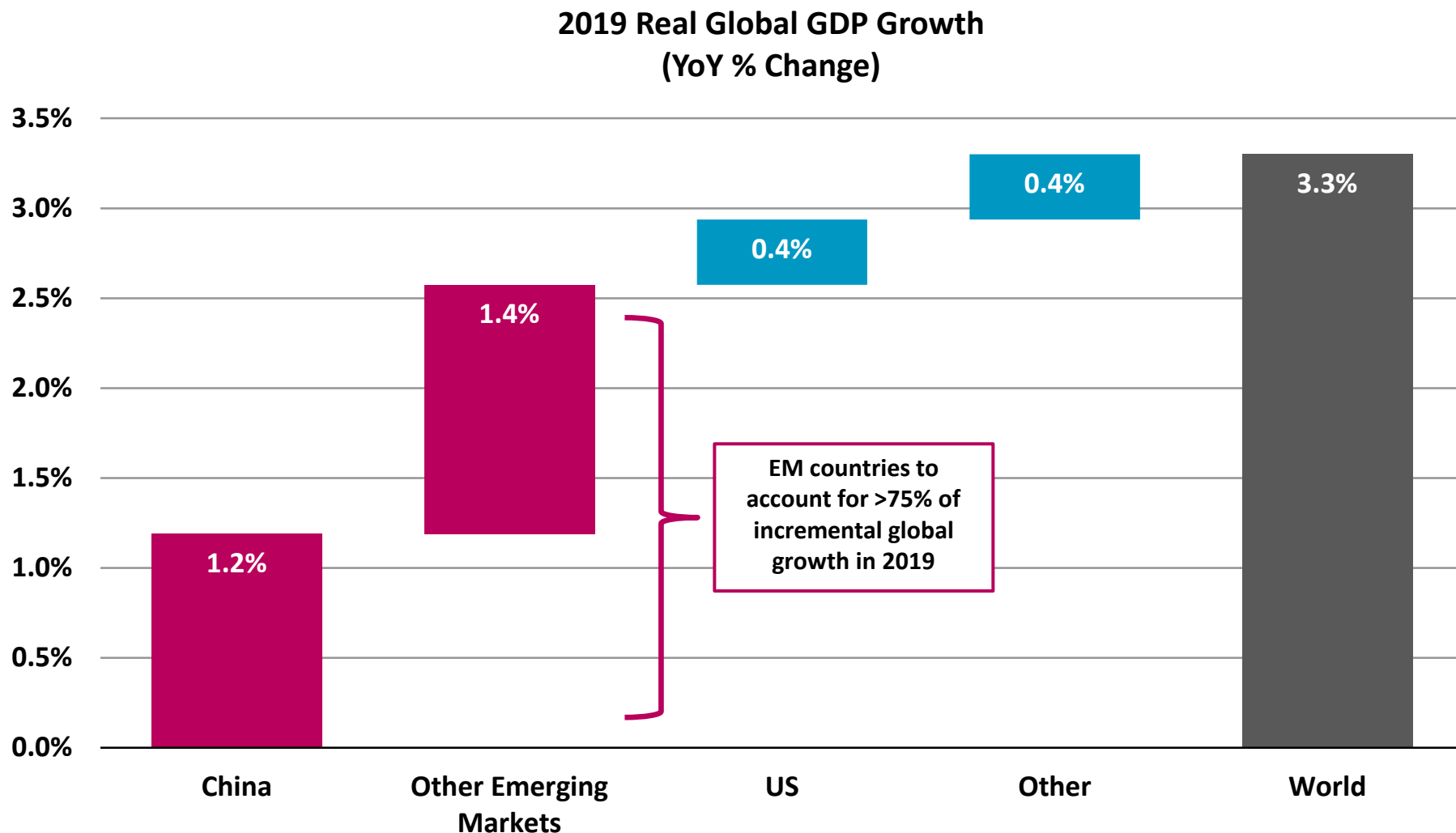


Real GDP Growth (YoY % Change)



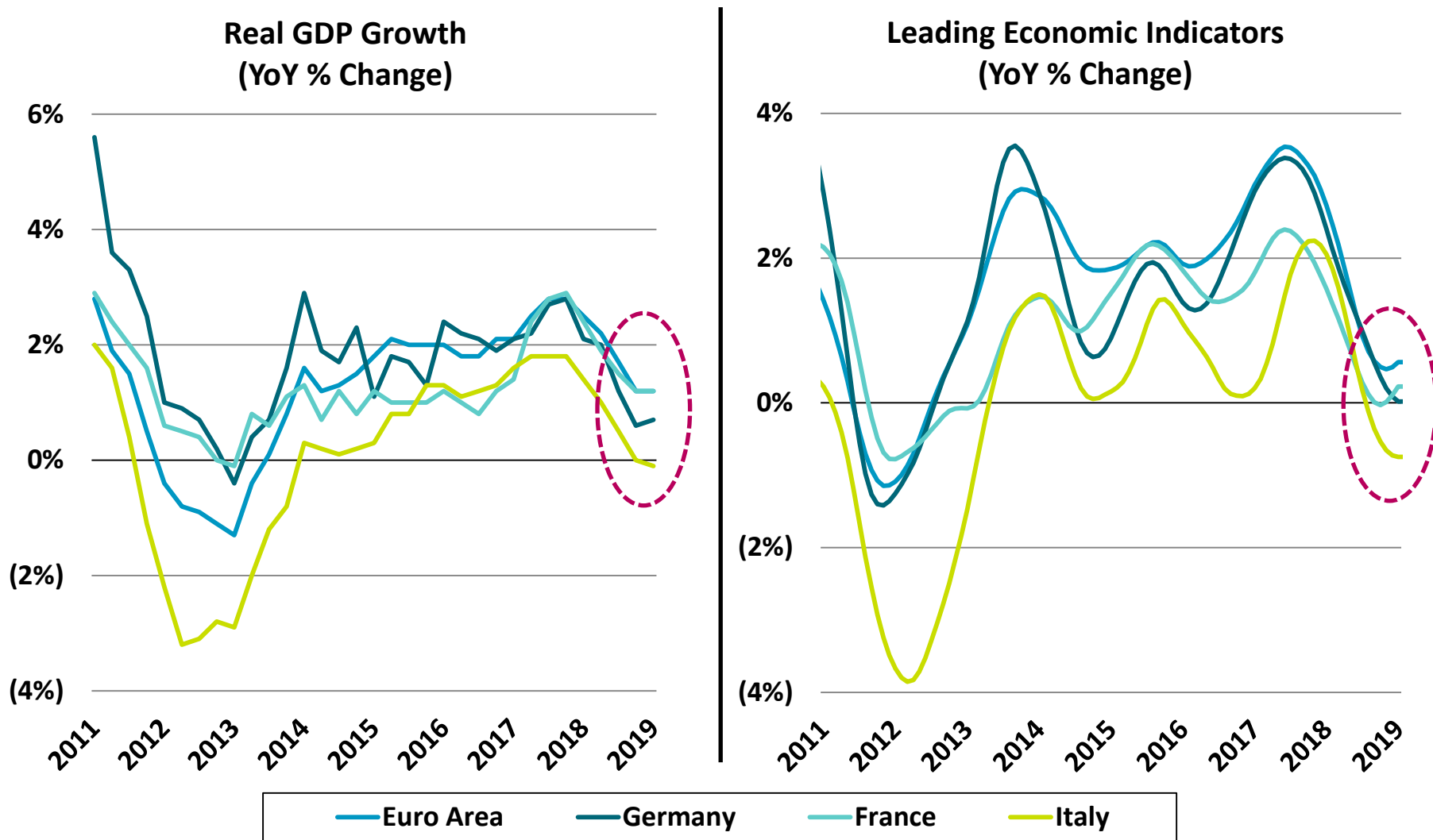
EM the Drivers of Global Growth

Emerging markets forecasted to comprise over 75% of global growth in 2019



Europe and “Big Three” Economies

European growth and indicators declining, show signs of stabilization

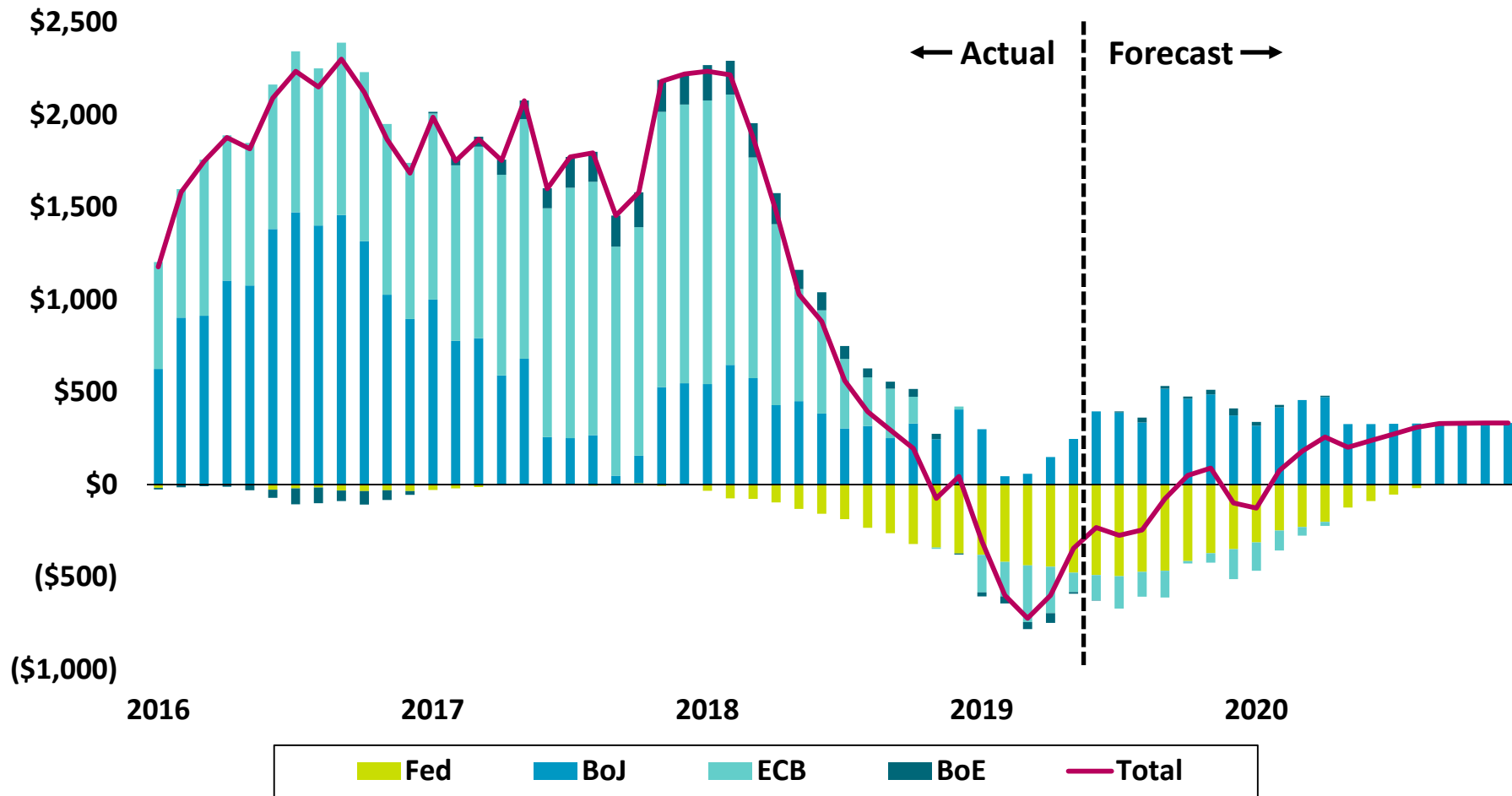


Source: OECD, Bloomberg and Blackstone Investment Strategy, as of 3/31/19.

Central Banks Responding to Slowing Growth

Central banks easing monetary policy, supportive of future growth

Global Central Balance Sheets
(\$ in Billions, 12M Change)



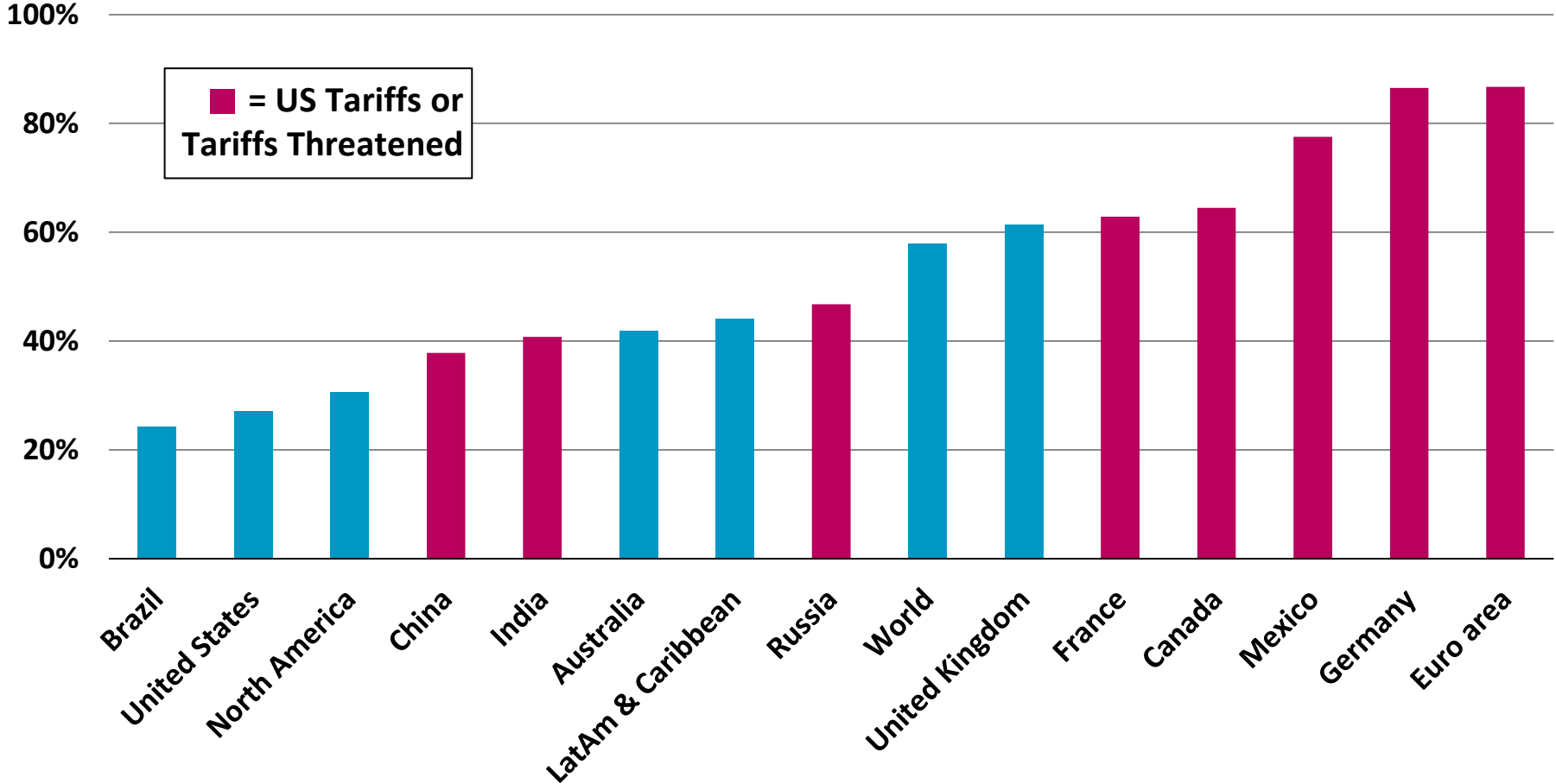
Source: Strategas Research Partners and Blackstone Investment Strategy, as of 5/31/19.

IV. Trade the Key Issue for the Market, Economy and Election

Global Trade to GDP

Trade an essential component of many major economies

Trade to GDP
Selected Countries/Regions (2017)

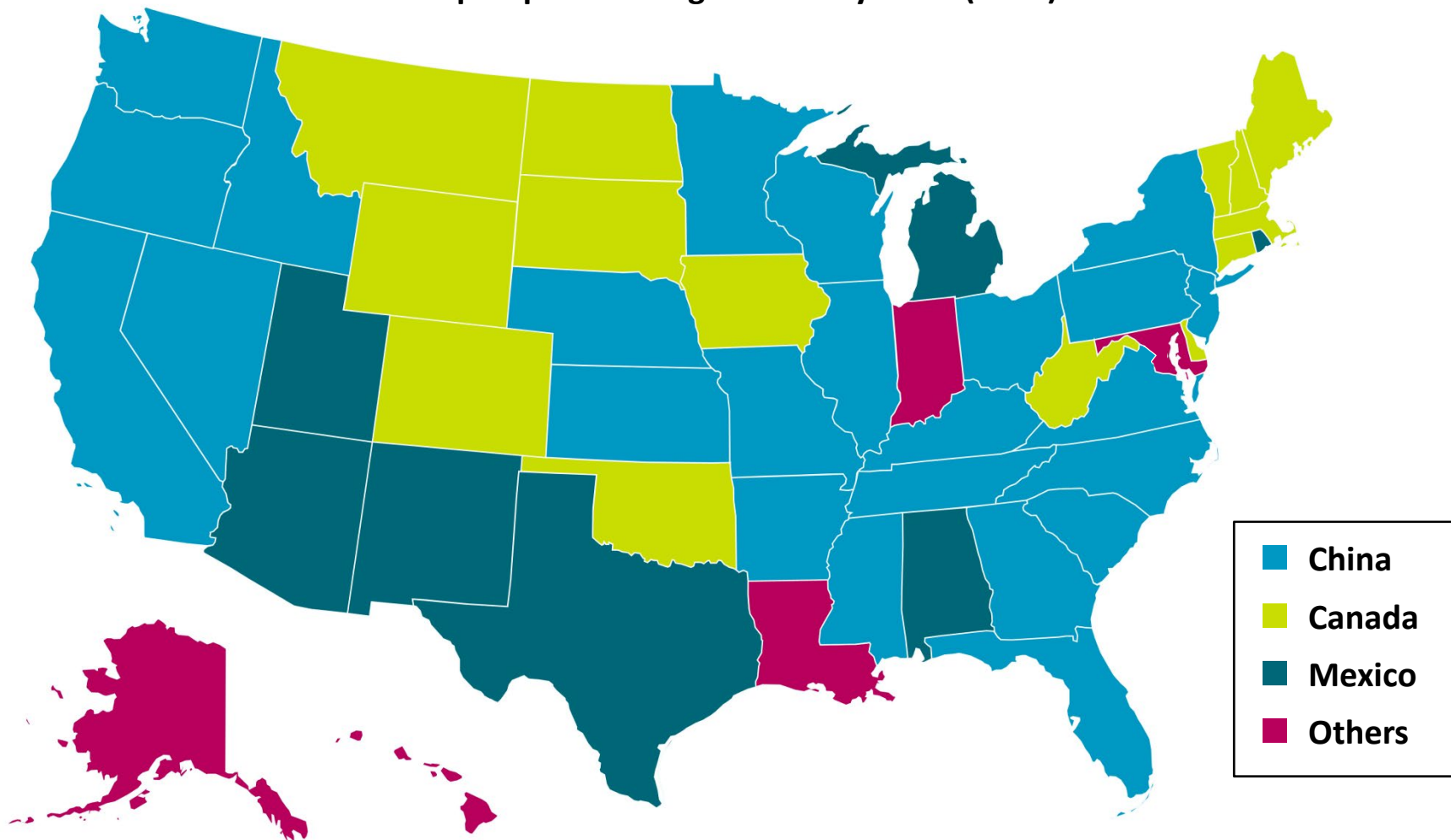


Source: World Bank and Blackstone Investment Strategy, as of 12/31/17.

China's Political Leverage

China is the top import trading partner in many swing states

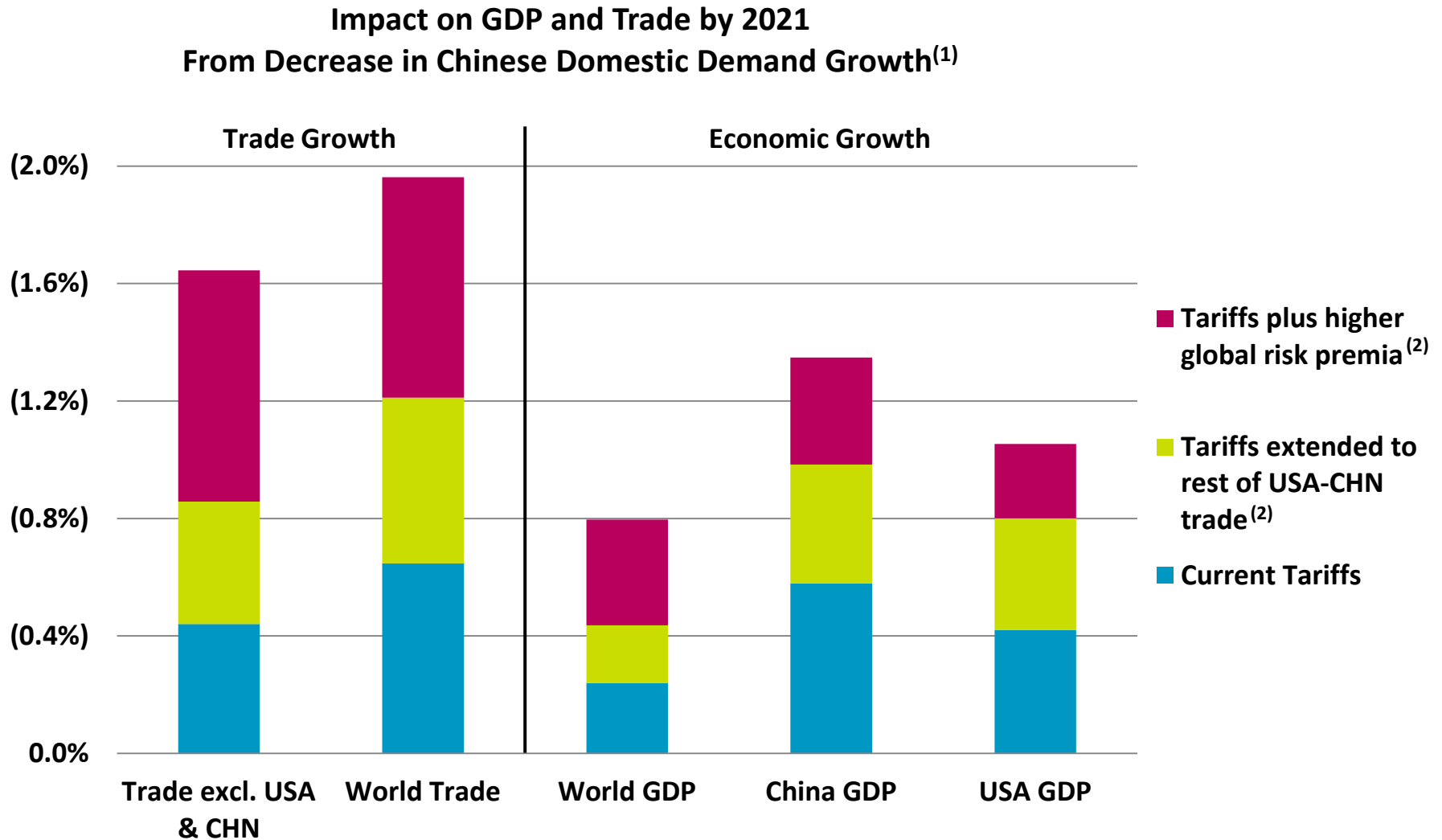
Top Import Trading Partner by State (2018)



Source: Census Bureau, Deutsche Bank Research and Blackstone Investment Strategy, as of 12/31/18.

Tariff Hikes a Drag on Global Growth

As tariffs are escalated, there are incremental costs to the global economy



Source: OECD Calculations and Blackstone Investment Strategy, as of 11/21/18. Represents the percent difference from baseline forecasts.

(1) Note: Simulated impact of a decline of 2 percentage points per year in domestic demand growth in China for two years.

(2) Note: The "Extended to rest" scenario shows the additional impact if tariffs of 25% are imposed on all remaining bilateral non-commodity trade between China and the U.S. from July 2019. The "Global risk premia" scenario shows the additional impact of related uncertainty resulting in a rise of 50bp in investment risk premia in all countries in 2019-2021.

Consumers Will Finally Feel the Tariff Heat

Final \$325B of Chinese imports includes key consumer products

Chinese Product Type	2017 US Import Value (\$ in Billions)
Mobile Phones	\$45
Laptop Computers	\$37
Toys ⁽¹⁾	\$12
Video Game Consoles & Machines	\$5
Computer Monitors	\$4
Solid State HDDs	\$4
Flat Panel TVs >34.29 cm	\$4
Multifunction Office Machines	\$2
Knitted Cotton Apparel	\$2
National Flags	\$2
Total	\$117



\$20.5 billion price increase in phones & laptops, assuming 25% tariff rate



Over \$620 per American, assuming 10% of population purchases a new phone or laptop per year⁽²⁾

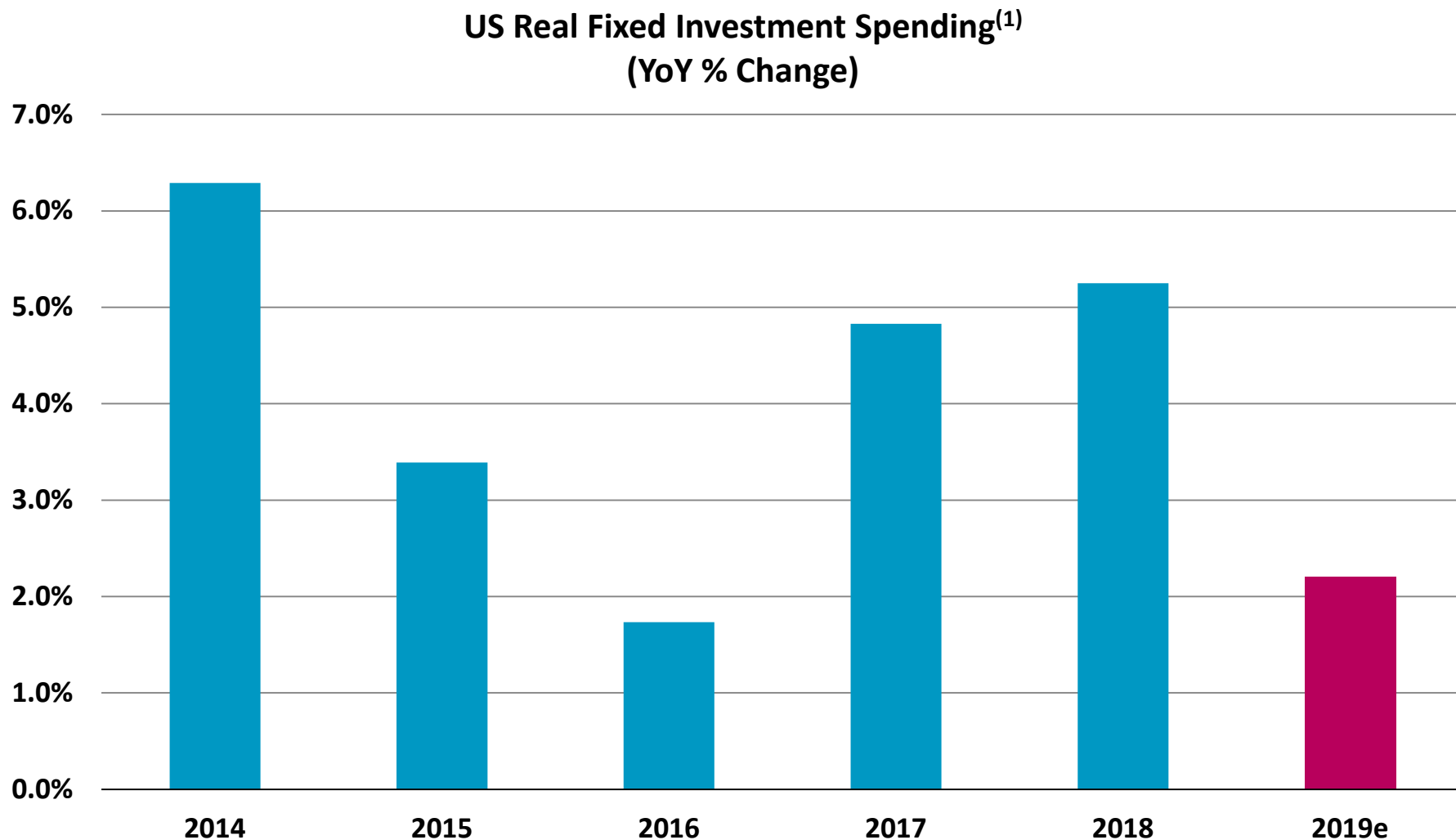
Source: KKR Global Macro & Asset Allocation and Blackstone Investment Strategy, as of 7/11/18.

(1) Other than bicycles, puzzles and models.

(2) Assumes even distribution of costs for 10% of the US population based on population size of 330 million in 2018.

Businesses Feeling the Heat, Too

Capital spending plans put on hold because of trade uncertainty



Source: Bureau of Economic Analysis and Blackstone Investment Strategy. Estimates for 2019 from KKR Global Macro & Asset Allocation, as of 6/7/19.

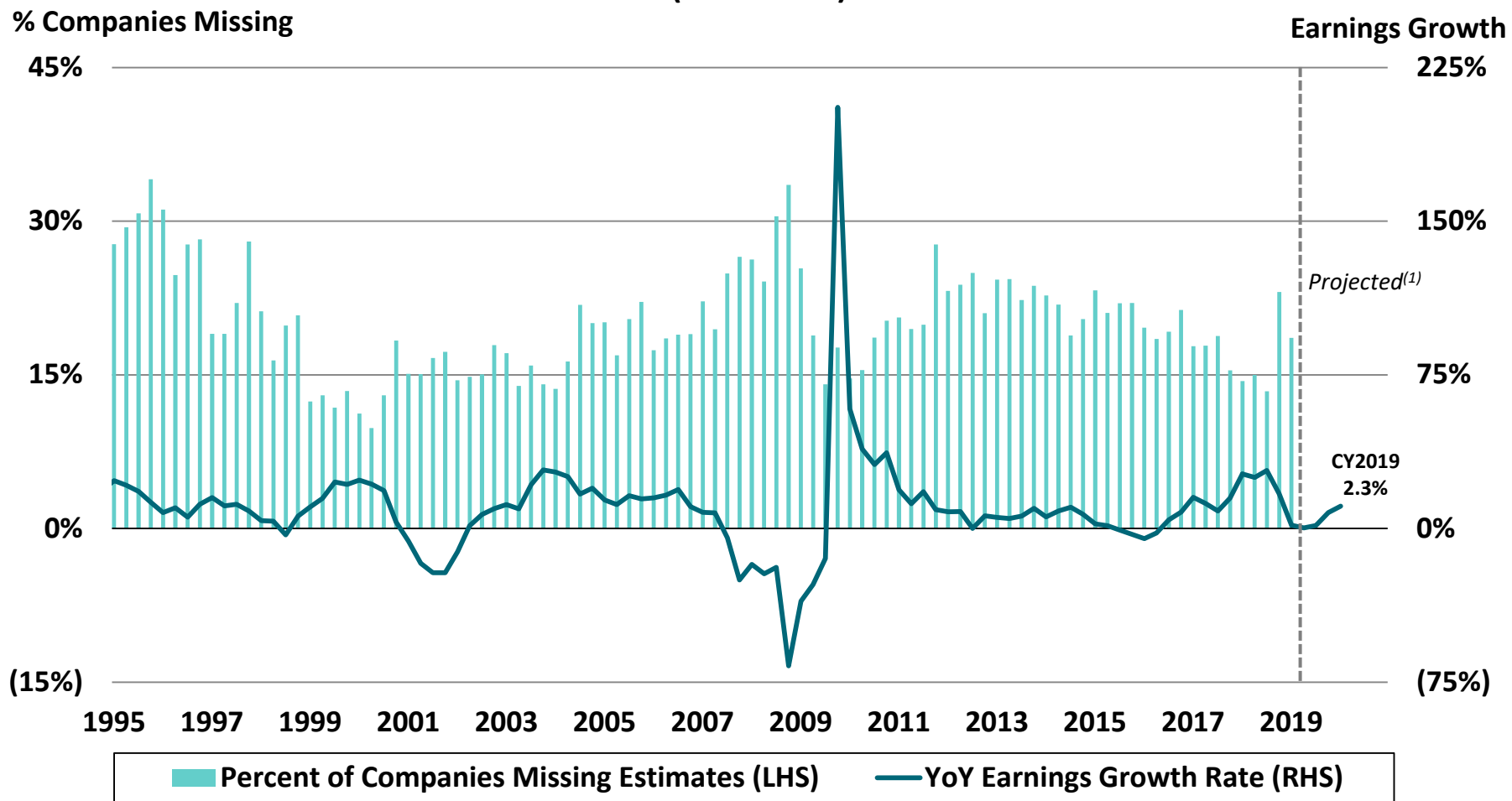
(1) Represents real private fixed investment, seasonally adjusted annual rate.

V. Financial Markets

Earnings Expectations Fall in 2019

Earnings are under pressure in 2019, set to rebound in 2020

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



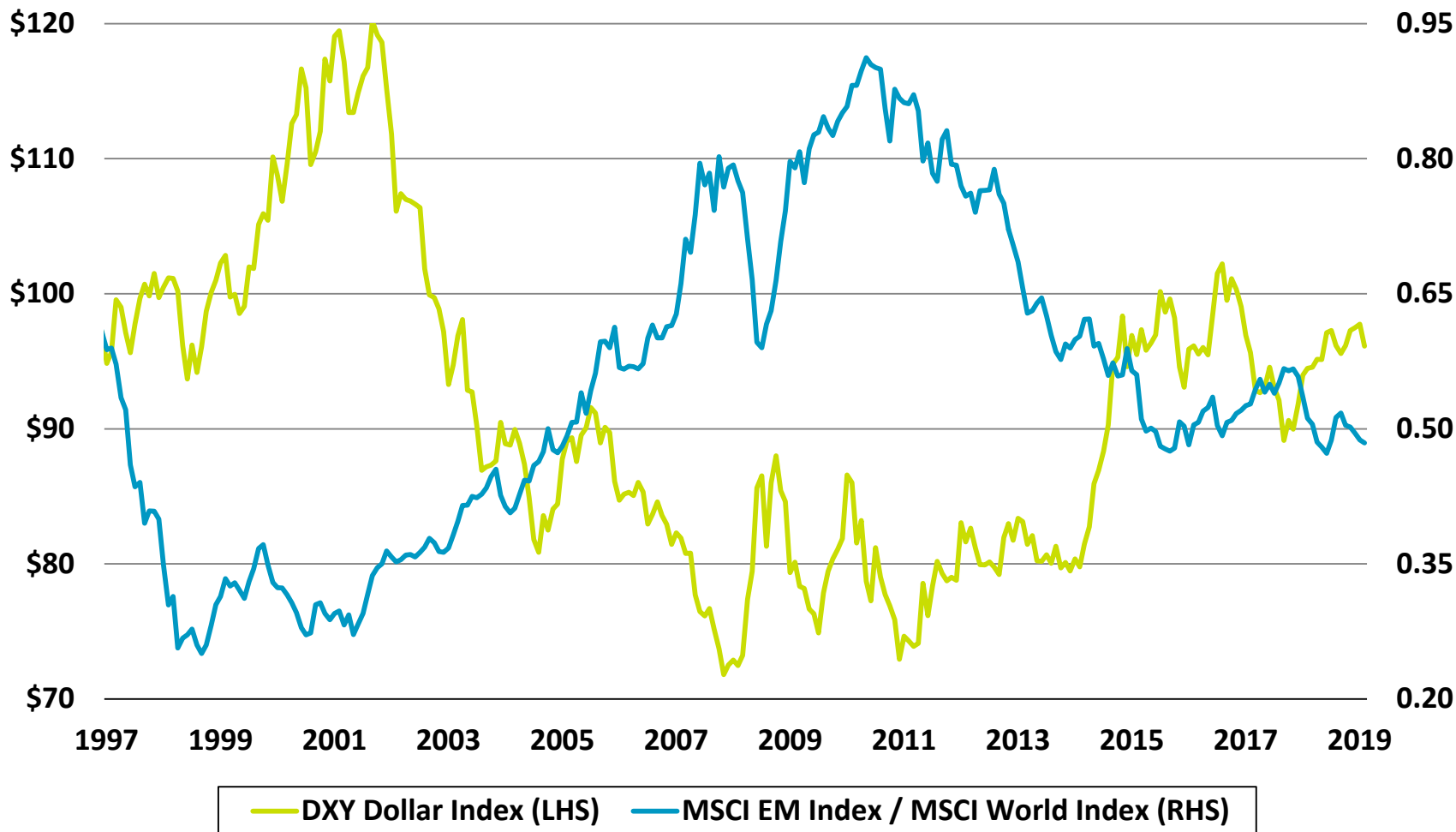
Source: I/B/E/S data from Refinitiv and Blackstone Investment Strategy, as of 7/2/19.

(1) All data for 2Q'19 and after are forecasts.

Emerging Markets Need Dollar Reprieve

Strong dollar pressuring EM earnings growth and returns

USD vs. MSCI EM Relative Performance

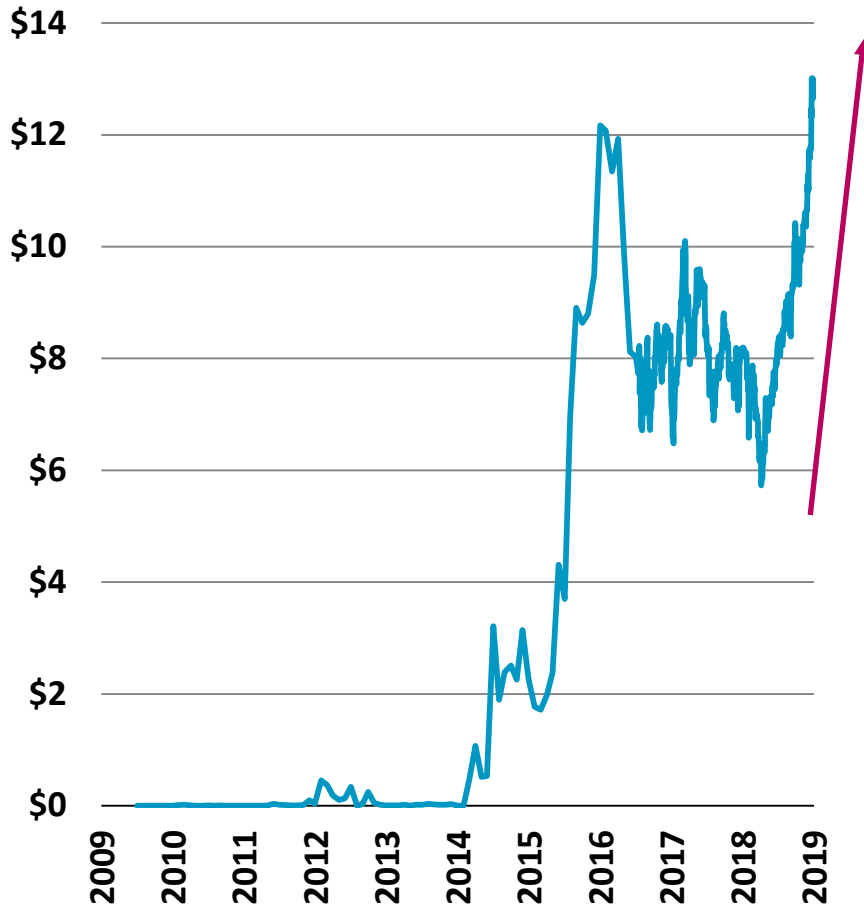


Source: Bloomberg and Blackstone Investment Strategy, as of 6/30/19. Monthly observations.

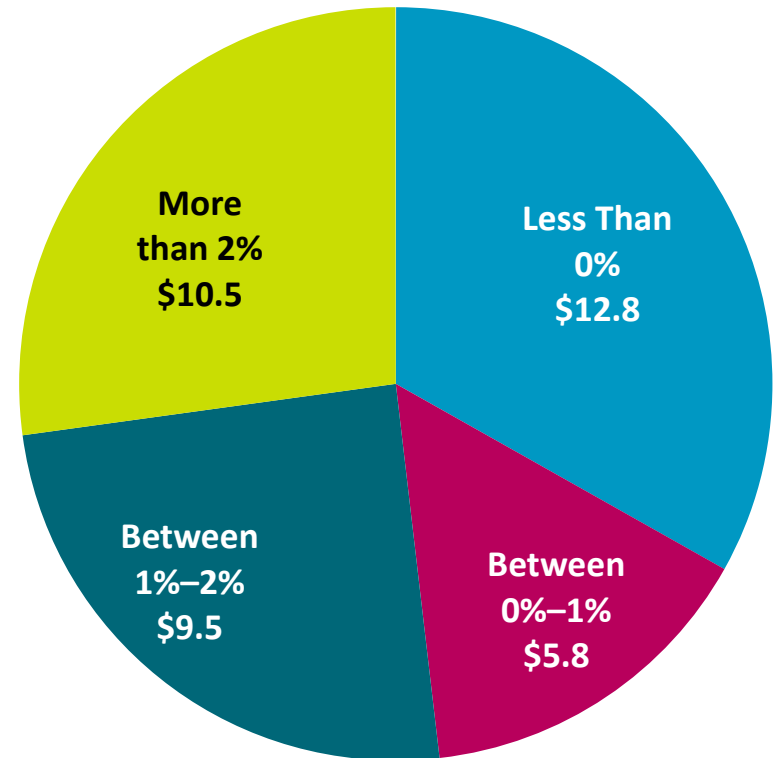
Most Global Debt Yields Less than US Treasuries

Global negative yielding debt re-approaching historic highs

Global Negative-Yielding Debt Market Value (\$ in Trillions)⁽¹⁾



Outstanding Global Debt = \$38.6T (\$ in Trillions)⁽²⁾



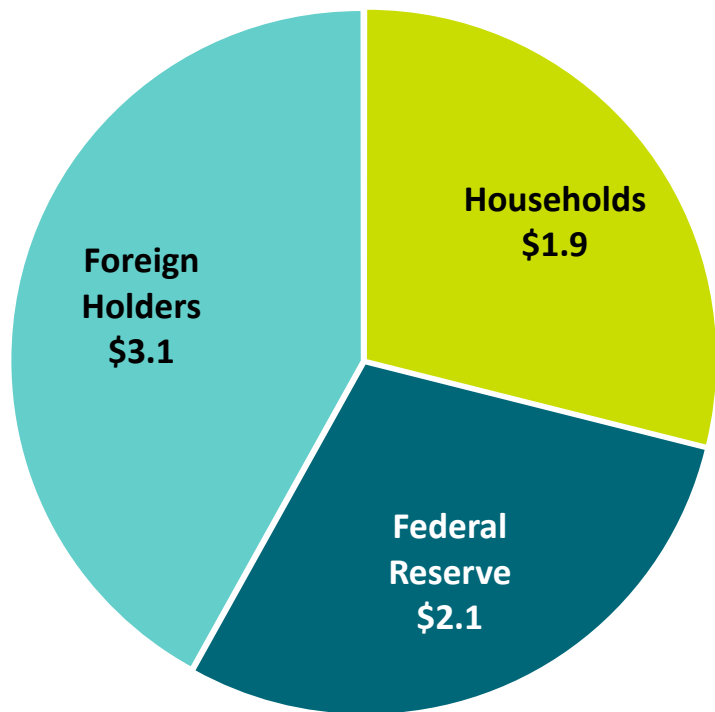
(1) Source: Bloomberg and Blackstone Investment Strategy, as of 7/1/19.

(2) Source: Bianco Research and Bloomberg, as of 6/12/19.

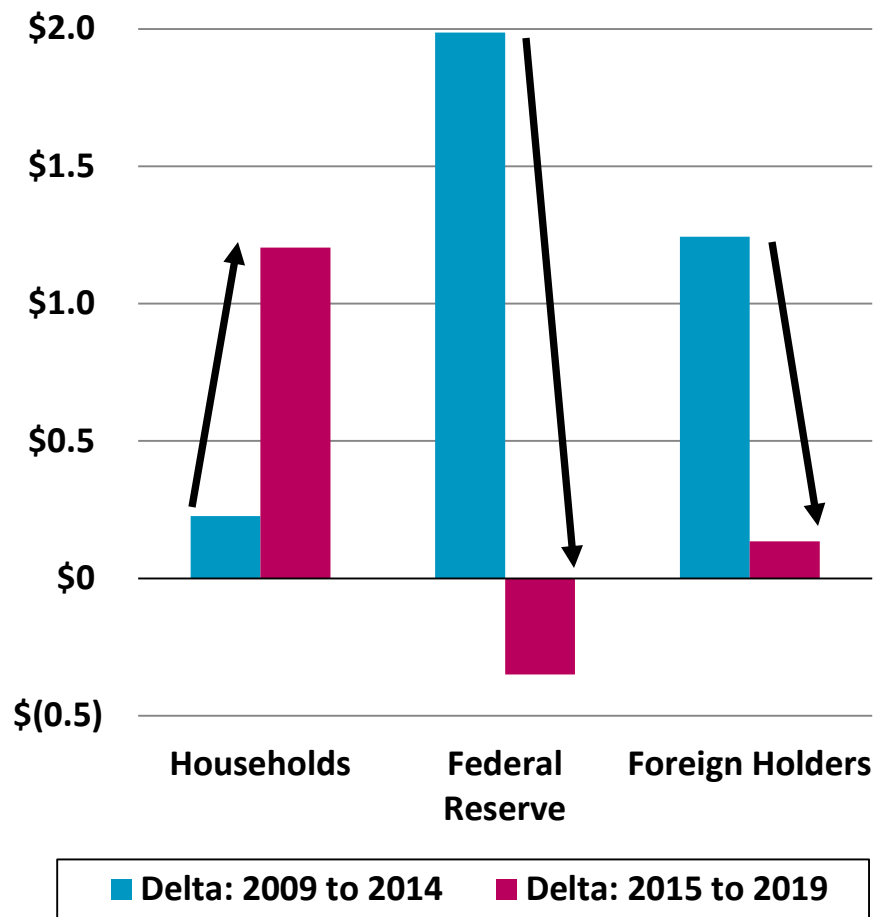
Treasury Demand Depends on Private Sector

Households the only category increasing rate of US Treasury purchases

Treasury Securities by Holder Type
(\$ in Trillions)



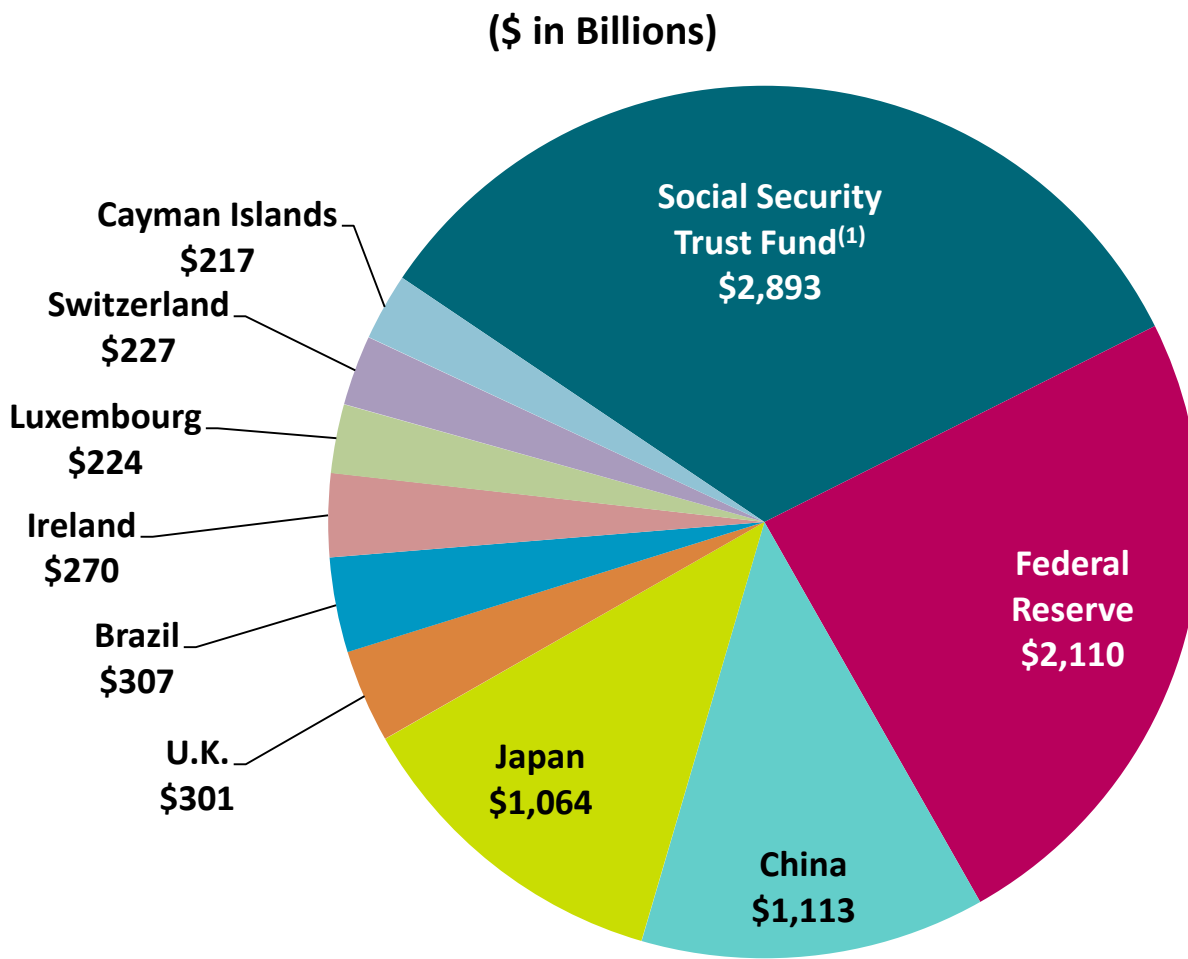
Change in Treasury Holdings
(\$ in Trillions)



Source: Blackstone Investment Strategy and Federal Reserve. Data for households as of 3/31/19, all other data as of 7/1/19. "Households" sector includes US nonprofit organizations, domestic hedge funds, private equity funds and personal trusts.

Selected Major Holders of US Treasury Debt

China and Japan together hold 25% of all US Treasury debt



Source: Federal Reserve, Treasury Department, Social Security Administration and Blackstone Investment Strategy. Foreign holdings data for April 2019, as of 7/1/19. Federal Reserve data as of 7/1/19. Social Security Trust Fund Data for May 2019, as of 7/1/19.

(1) Shown for comparison purposes only; all securities held by the Social Security trust funds are special issues and available only to the trust funds.

Dividend Discount Model⁽¹⁾

1-Year EPS(\$)	10 Year Treasury Yield												
	1.00%	1.25%	1.50%	1.75%	2.00%	2.25%	2.50%	2.75%	3.00%	3.25%	3.50%	3.75%	4.00%
152	7,340	5,409	4,282	3,544	3,023	2,635	2,336	2,097	1,903	1,742	1,606	1,489	1,389
154	7,437	5,480	4,338	3,590	3,062	2,670	2,366	2,125	1,928	1,765	1,627	1,509	1,407
156	7,534	5,551	4,395	3,637	3,102	2,704	2,397	2,152	1,953	1,788	1,648	1,529	1,425
158	7,630	5,622	4,451	3,684	3,142	2,739	2,428	2,180	1,978	1,811	1,669	1,548	1,444
160	7,727	5,693	4,507	3,730	3,182	2,774	2,459	2,208	2,003	1,833	1,690	1,568	1,462
162	7,823	5,765	4,564	3,777	3,221	2,808	2,489	2,235	2,028	1,856	1,711	1,587	1,480
164	7,920	5,836	4,620	3,823	3,261	2,843	2,520	2,263	2,053	1,879	1,732	1,607	1,498
166	8,017	5,907	4,676	3,870	3,301	2,878	2,551	2,290	2,078	1,902	1,754	1,627	1,517
168	8,113	5,978	4,733	3,917	3,341	2,912	2,581	2,318	2,103	1,925	1,775	1,646	1,535
170	8,210	6,049	4,789	3,963	3,380	2,947	2,612	2,346	2,128	1,948	1,796	1,666	1,553
172	8,306	6,120	4,845	4,010	3,420	2,982	2,643	2,373	2,153	1,971	1,817	1,685	1,571
174	8,403	6,192	4,902	4,057	3,460	3,016	2,674	2,401	2,179	1,994	1,838	1,705	1,590
176	8,499	6,263	4,958	4,103	3,500	3,051	2,704	2,428	2,204	2,017	1,859	1,725	1,608
178	8,596	6,334	5,014	4,150	3,540	3,086	2,735	2,456	2,229	2,040	1,880	1,744	1,626
180	8,693	6,405	5,071	4,196	3,579	3,120	2,766	2,484	2,254	2,063	1,902	1,764	1,645
182	8,789	6,476	5,127	4,243	3,619	3,155	2,797	2,511	2,279	2,086	1,923	1,783	1,663

Source: Blackstone Investment Strategy, as of 7/11/19.

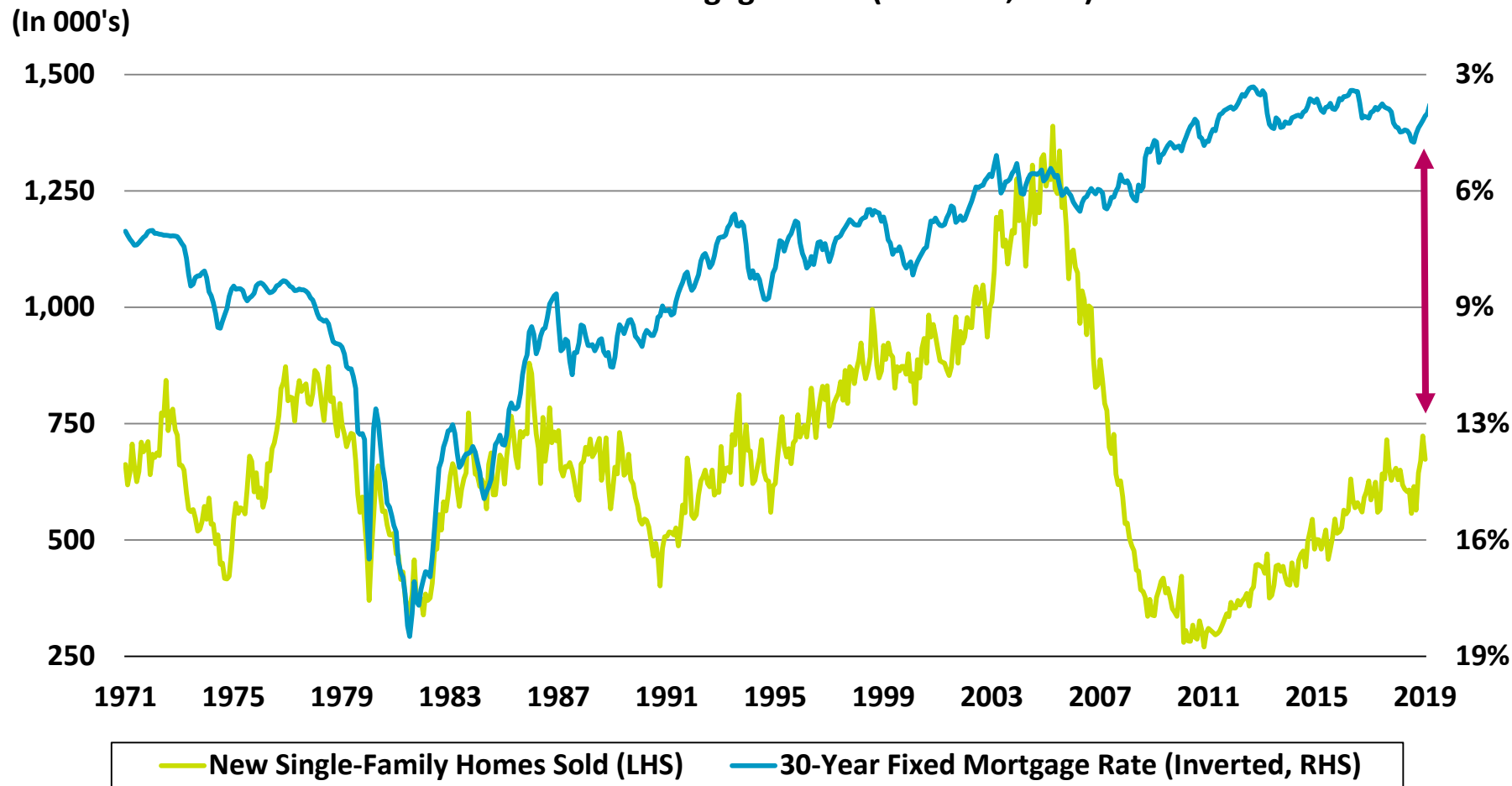
(1) Note: Assumes that S&P 500 Earnings Per Share start the period increasing/decreasing to level indicated in first column, before increasing/decreasing linearly over 2 years to a 4% nominal growth rate and remaining there in perpetuity. Further assumes dividend payout ratio remains at prior year's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

VI. Other Trends to Consider

This Cycle Needs Housing to Pick Up

New home sales have been historically low this cycle; trending up

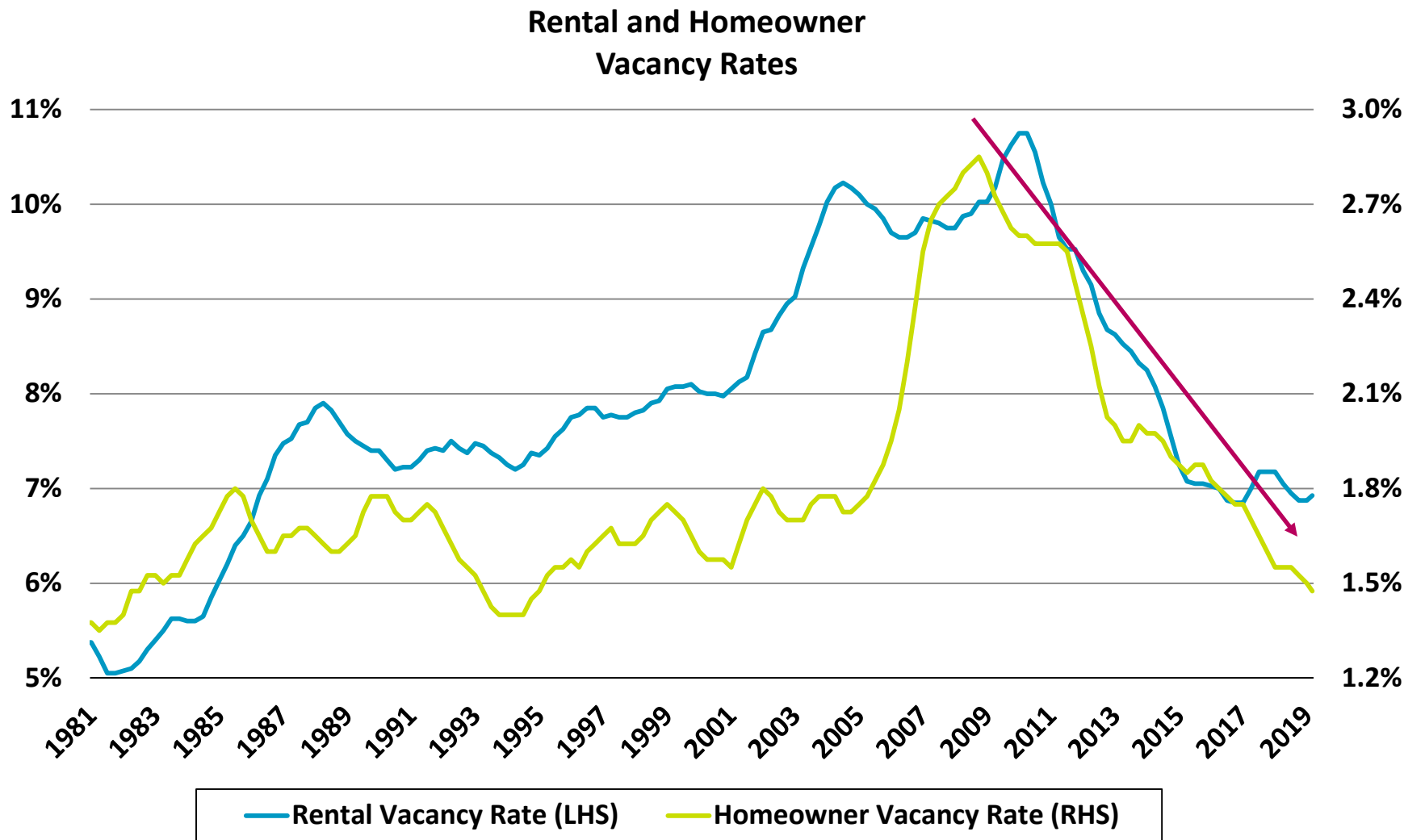
**New Single-Family Homes Sold (LHS) and
30-Year Fixed Mortgage Rates (Inverted, RHS)**



Source: Census Bureau, Freddie Mac and Blackstone Investment Strategy. Sales data represent the seasonally adjusted annual rate as of 5/31/19, mortgage rate data as of 6/30/19.

Pent-Up Demand in Housing

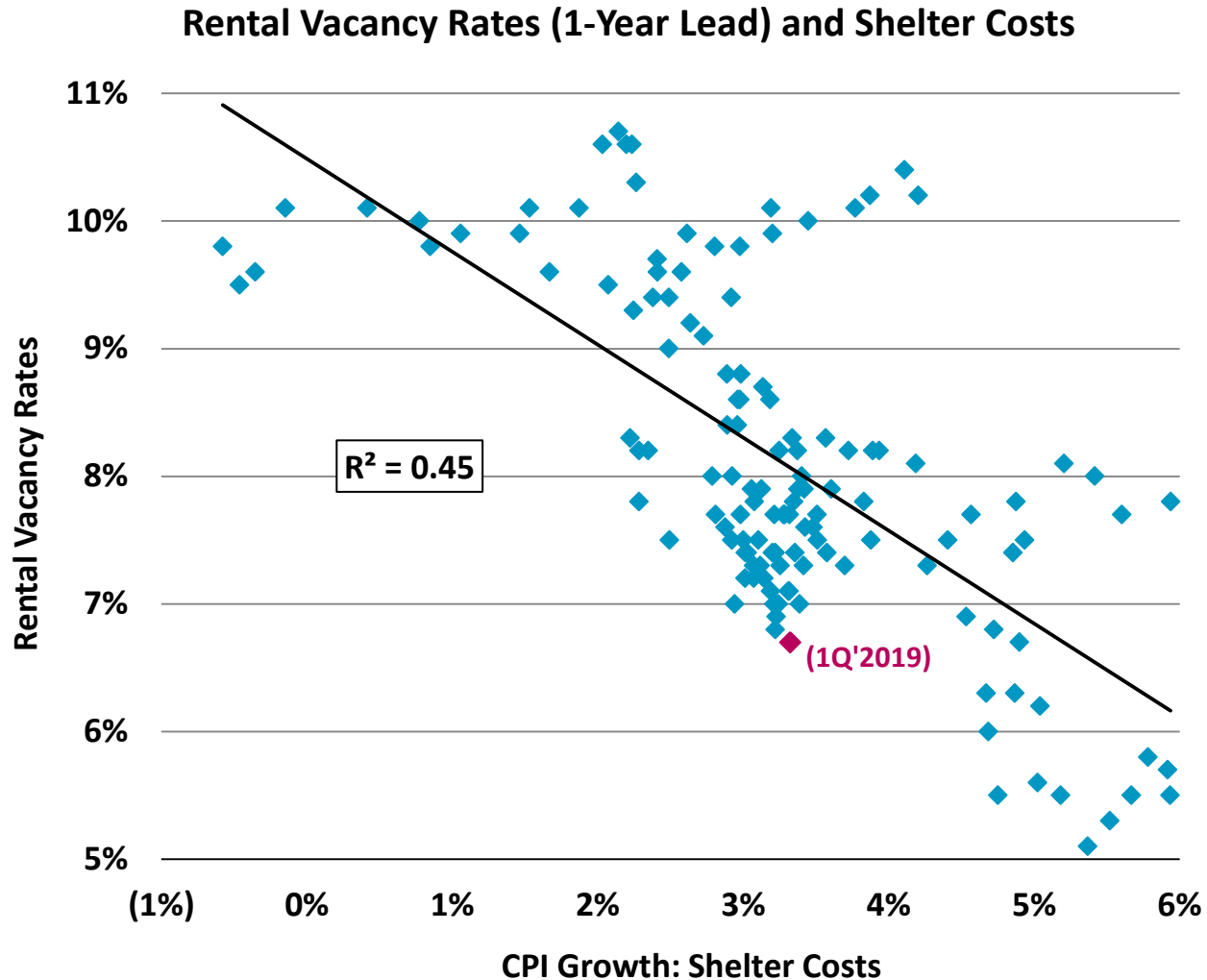
Rental and homeowner vacancy rates lowest since '80s and '90s, respectively



Source: Census Bureau and Blackstone Investment Strategy, represents the period 1/1/1981 through 3/31/2019. Note: Vacancy rate is proportion of the respective inventory that is vacant for rent.

Lower Vacancy Rates, Higher Shelter Costs

At current vacancy rates, implied shelter cost growth may be up to 5%

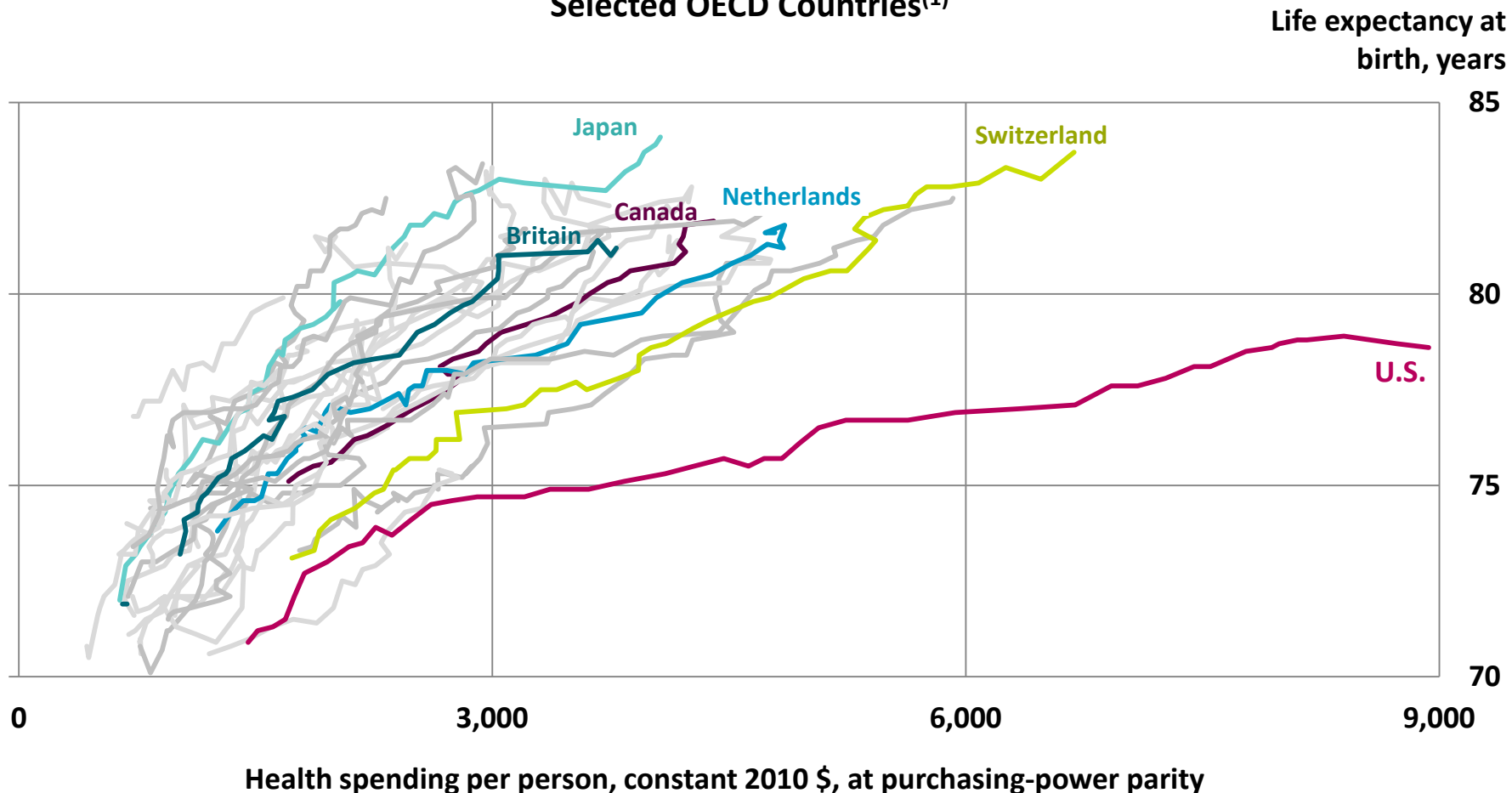


Source: Bureau of Labor Statistics, Census Bureau and Blackstone Investment Strategy. Based on quarterly observations for the period 1/1/1985 through 3/31/2019. Vacancy rates lead by one year.

US An Outlier on Healthcare Spending

Life expectancy goes up as health spending increases – but not in the US

Health Spending and Life Expectancy
Selected OECD Countries⁽¹⁾



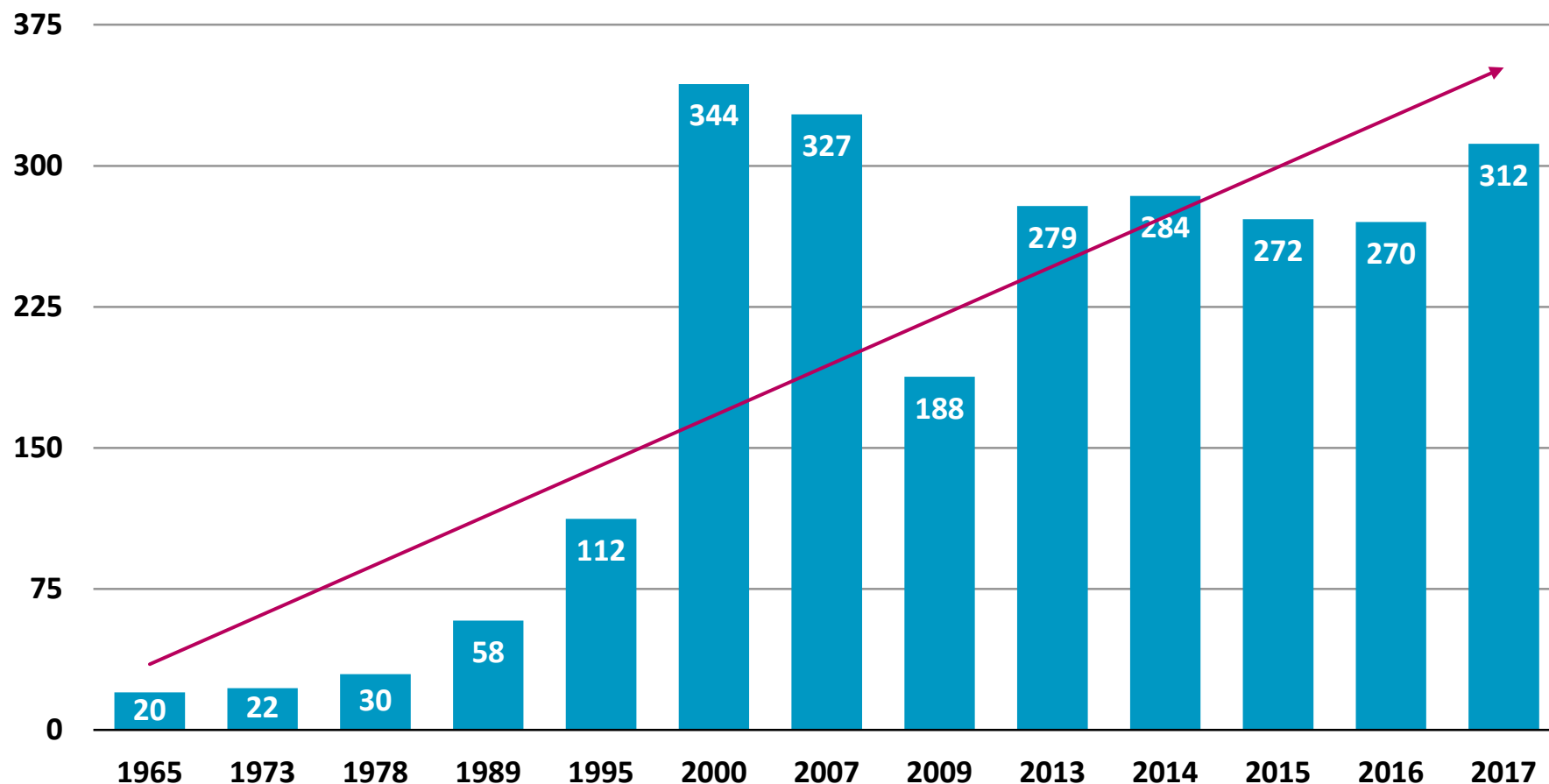
Source: OECD and Blackstone Investment Strategy, as of 2017 (or latest available.)

(1) Represents maximum available data for all countries over the period 1970-2017. Recent data include estimated and provisional values.

CEO Compensation Has Surged in the New Century

CEOs made 312x the average worker in 2017, compared to 20x in 1965

CEO-to-Worker Compensation Ratio
Selected Years⁽¹⁾



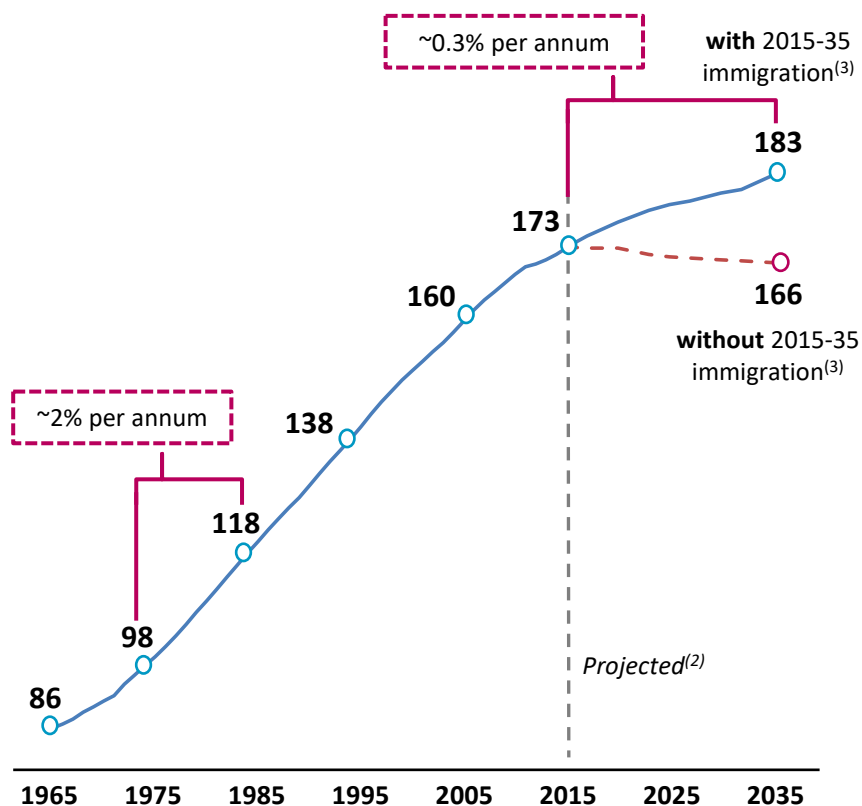
Source: Blackstone Investment Strategy and Economic Policy Institute, as of 8/16/2018. 2017 values are projected.

(1) CEO annual compensation is based on "options realized," which includes salary, bonus, restricted stock grants, options realized and long-term incentive payouts for CEOs at the top 350 U.S. firms ranked by sales.

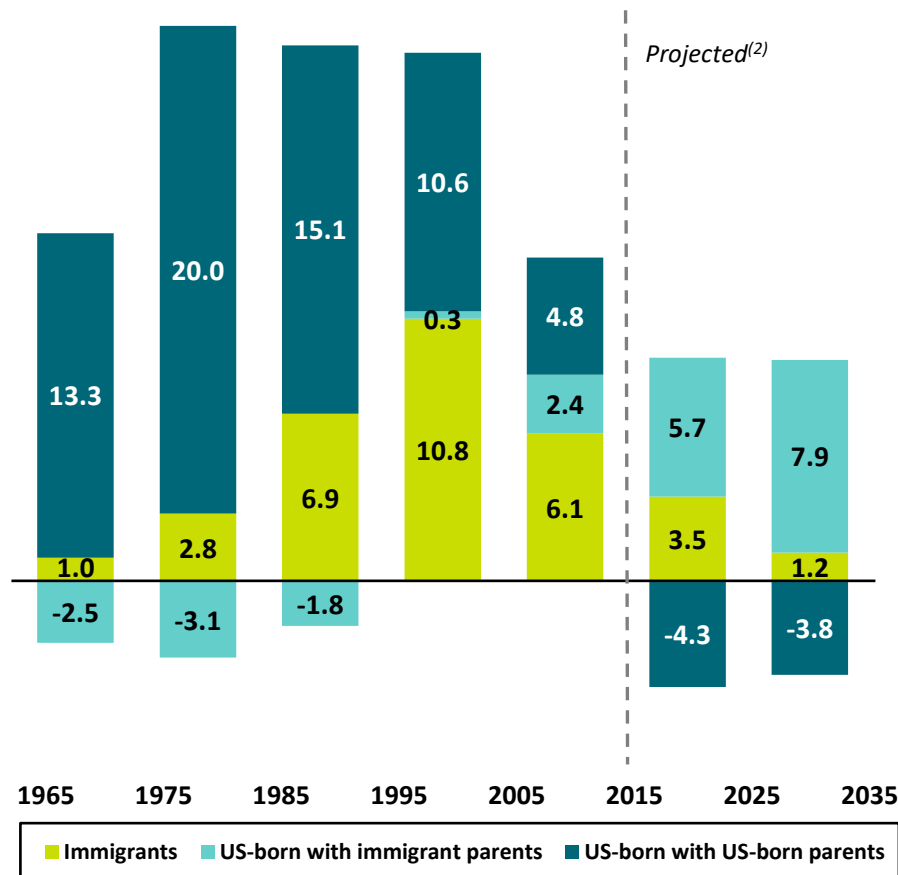
Immigration Necessary for Working Age Population Growth

Without immigration in 2015-2035, working age population will decline by ~17M people

U.S. Working Age Population (Millions)⁽¹⁾



Net Change in Working-Age Population by Decade (Millions)⁽¹⁾



Source: US Census Bureau and Blackstone Investment Strategy, as of 12/31/16.

(1) Population in millions. Working age population defines as ages 25-64.

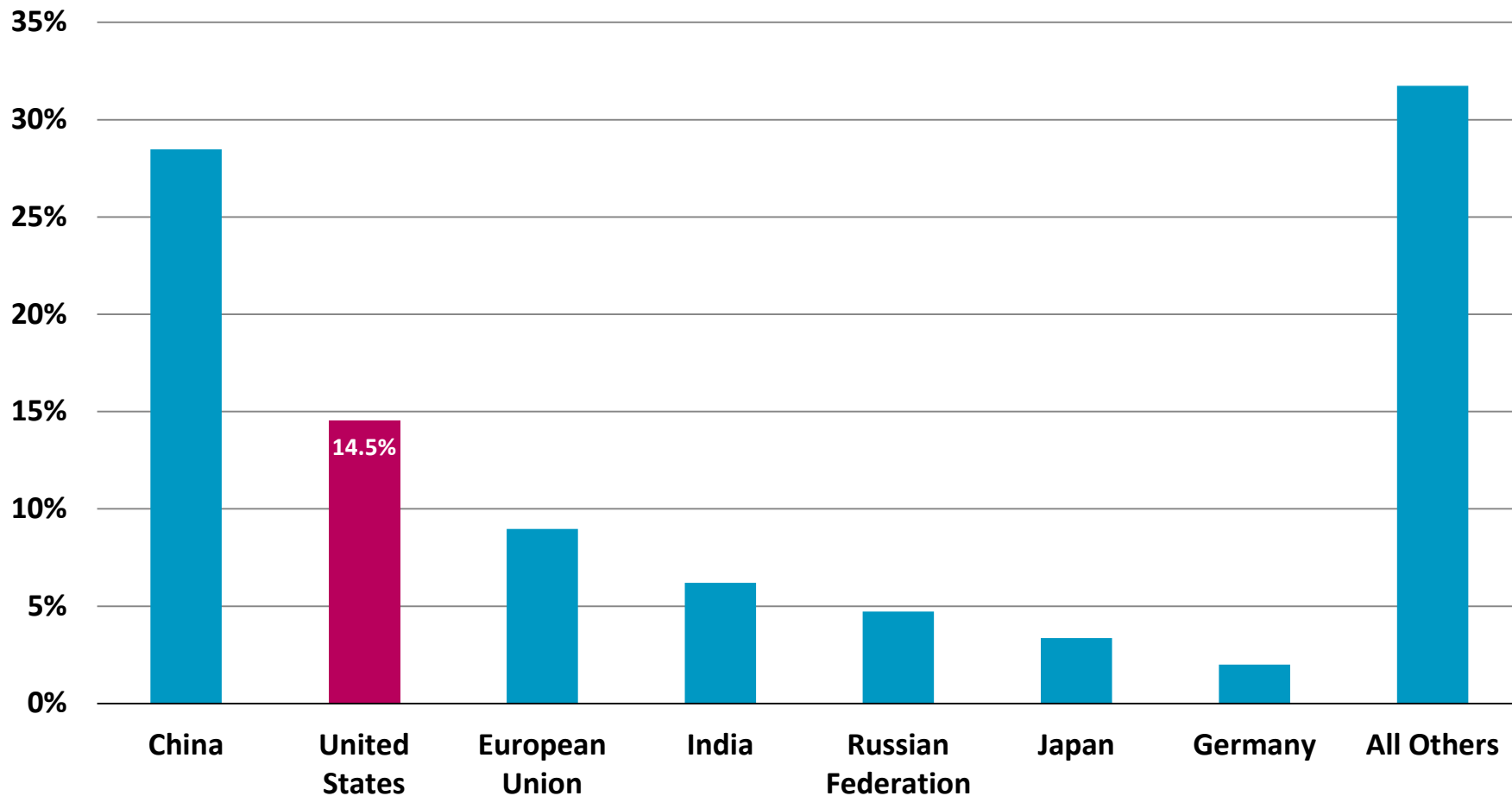
(2) Based on Pew Research Center projections for 2015-2035.

(3) Immigration numbers comprised of new immigrants and working age U.S.-born adults with immigrant parents.

US Accounts for 14.5% of World CO2 Emissions

Even if the US eliminated all CO2 emissions – it would remain a problem

Share of World CO2 Emissions by Country



VII. Byron's Life's Lessons

Byron's Life's Lessons

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)

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)

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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