

The Ten Surprises of 2012

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The Ten Surprises of 2012

1. The extraction of oil and gas from shale and rock begins to be a game changer. The price of oil drifts back to \$85 a barrel and the United States becomes less dependent on Middle East supply. Deposits in Poland, Ukraine and elsewhere prove promising as well. Increased production from Libya and Iraq and reduced demand resulting from the slowdown in world-wide economic activity contribute to the price decline.
2. Earnings for American corporations continue to move higher, driving the Standard & Poor's 500 above 1400. Raw material prices continue soft and business leaders successfully adjust to slower economic growth by using technology to reduce the labor and logistical component of goods and services sold; profit margins stay high.
3. The U.S. economy gets its second wind. Real growth exceeds 3% and the unemployment rate drops below 8%. Recession fears and even "the new normal" view of prolonged slow growth are called into question. Capital spending, exports and the consumer drive the economy, overcoming fiscal drag. The drop in the price of oil and the rise in the stock market improve both consumer confidence and spending patterns.
4. The recovering economy and the declining unemployment rate help President Obama convince the voters that he didn't do such a bad job in his first term after all. He is viewed as a good speaker but a poor leader who is running against Mitt Romney, viewed as uninspired and whose positions on many issues are unclear. Democrats take back the House of Representatives but lose the Senate in an anti-incumbent wave.
5. Europe finally develops a broad plan to deal with its sovereign debt problem and moves closer to fiscal cohesion. The European Central Bank, the International Monetary Fund, the European Financial Stability Facility and the European Union band together to keep all the countries within the Union and to continue the euro as the continent's currency. Greece has a major restructuring of its debt; Spain and Ireland strengthen their finances during the year, but Italy suffers a "voluntary" restructuring. A meltdown of the banks is avoided, but imposed austerity causes Europe to suffer a recession.

The Ten Surprises of 2012 (Cont'd)

6. The computer replaces conventional armaments as the principal weapon of terrorists and geopolitical adversaries. Eastern European and Asian hackers invade the data banks of major international financial institutions, causing temporary bank closures. An alarmed G-20 meets to address the problem.
7. Concerned over rapid money supply growth in the developed world, investors buy the currencies of countries that seem to be managing their economies sensibly. Scandinavian currencies, the Australian and Singapore dollar and the Korean won benefit.
8. Congress decides its dysfunctionality is harmful to both parties and acts before the November election to deal with the failure of the Super Committee to develop a program to reduce the U.S. budget deficit by \$1.2 trillion over ten years. Both defense and Medicare are cut significantly; subsidies for agriculture are reduced and tax deductions for oil, gas and real estate partnerships are modified. Obama pledges to let some aspects of the Bush tax cut program continue if he is reelected.
9. The Arab Spring finally overcomes Bashar al-Assad and his family's rule over Syria ends. While Assad's fall might have been inevitable, it has important ripple effects throughout the region, weakening Hamas and Hezbollah and further isolating Iran.
10. After two years of poor stock market performance while their economies came through with high-single-digit real growth, the emerging markets finally have a good year. Growth slows somewhat but favorable valuations enable China, India and Brazil indexes to appreciate 15%–20%.

The “Also Rans” of 2012

11. Housing starts to pick up significantly. The strength in the economy coupled with record affordability encourages the consumer to come back into the market and make long-term commitments. The overhang of vacant homes begins to be absorbed.
12. The yield on the 10-year U.S. Treasury note rises to 4% as China continues to invest heavily in hard assets and raw materials and pulls back from putting reserves into the bonds of developed nations.
13. After correcting sharply toward the end of 2011, gold rebounds to \$1,800 during the year. Accommodative monetary policies throughout the developed world cause a renewed migration to hard assets by individual investors and sovereign wealth funds. Silver benefits also, rising to \$40.
14. Fiscal discipline at the state and local level allows the drop in yields for municipal bonds to continue.

The Ten Surprises of 2011

1. The continuation of the Bush tax cuts coupled with the extension of unemployment benefits has put all working Americans in a better mood. Real Gross Domestic Product rises close to 5% in 2011 driven by improved trade and capital spending in addition to stronger retail sales. Unemployment drops below 9%
2. The prospect of increasing Federal budget deficits and rising government debt finally begins to weigh on the bond market. The yield on the 10-year U.S. Treasury approaches 5% as foreign investors become more demanding. Spreads with corporate fixed income securities narrow
3. Encouraged by renewed economic momentum the Standard & Poor's 500 rises close to its old high of 1500. A broad range of sectors participate, but telecommunications and utilities lag. With earnings improving, valuations seem low and individual investors return to equities for the first time since the financial crisis. Merger and acquisition activity becomes intense and the market reaches a blow-off euphoria. Stocks correct in the second half as interest rates rise
4. Although inflation remains benign, the price of gold rises above \$1600 as investors across the world place more of their assets in something they consider "real." Sovereign wealth funds of countries with significant dollar reserves also become big buyers. Hedge funds keep thinking the price rise is becoming parabolic and sell their positions and some even short the metal but gold keeps climbing and they scramble back in
5. Worried about inflation and excessive growth, the Chinese decide to use their currency as a policy tool. They manage the value of the renminbi aggressively to keep the growth of the economy below 10% and to prevent consumer prices from increasing above the 4%–5% range. The move is viewed as a precursor to the world-wide adoption of a basket including the renminbi as an alternative to the use of the dollar as the principal reserve currency

The Ten Surprises of 2011 (Cont'd)

6. Rising standards of living in the developing world seriously increase the demand for agricultural commodities. The price of corn rises to \$8.00, wheat to \$10.00 and soybeans to \$16.00. Commodities become a component of more institutional portfolios
7. The housing situation improves. Although the inventory of unsold homes remains high, the oversupply is drawn down substantially, contrasting with an increase in 2010. The Case-Shiller gradually heads higher and single family housing starts exceed 600,000
8. Continuing demand from the developing world and a failure to bring onstream new supply causes the price of oil to rise to \$115 per barrel. The higher price at the pump fails to discourage driving, increase sales of hybrid vehicles or cause Congress to initiate conservation measures
9. Frustrated by the lack of progress against the Taliban and the corruption of the Karzai government, President Obama concludes that whenever American troops return home, Afghanistan will once again become a tribal state ruled by warlords. He accelerates the withdrawal of most military personnel to the end of 2011. Coupled with the pullout of forces in Iraq, this will leave the Middle East without a major Western presence in the face of rising fears of terrorism
10. Under duress, Angela Merkel leads the way in European financial reform. The weaker countries, having pledged to cut their budget deficits in half by 2014, are provided additional transitional aid by the European Union (with Germany's backing) and the International Monetary Fund as long as they implement their austerity programs, increase some taxes and still show modest growth. The European financial crisis becomes less of a concern. The policies put in place prove psychologically satisfying to the financial markets but harmful in the longer term because they are palliative and do not represent solutions

“Radical” Asset Allocation

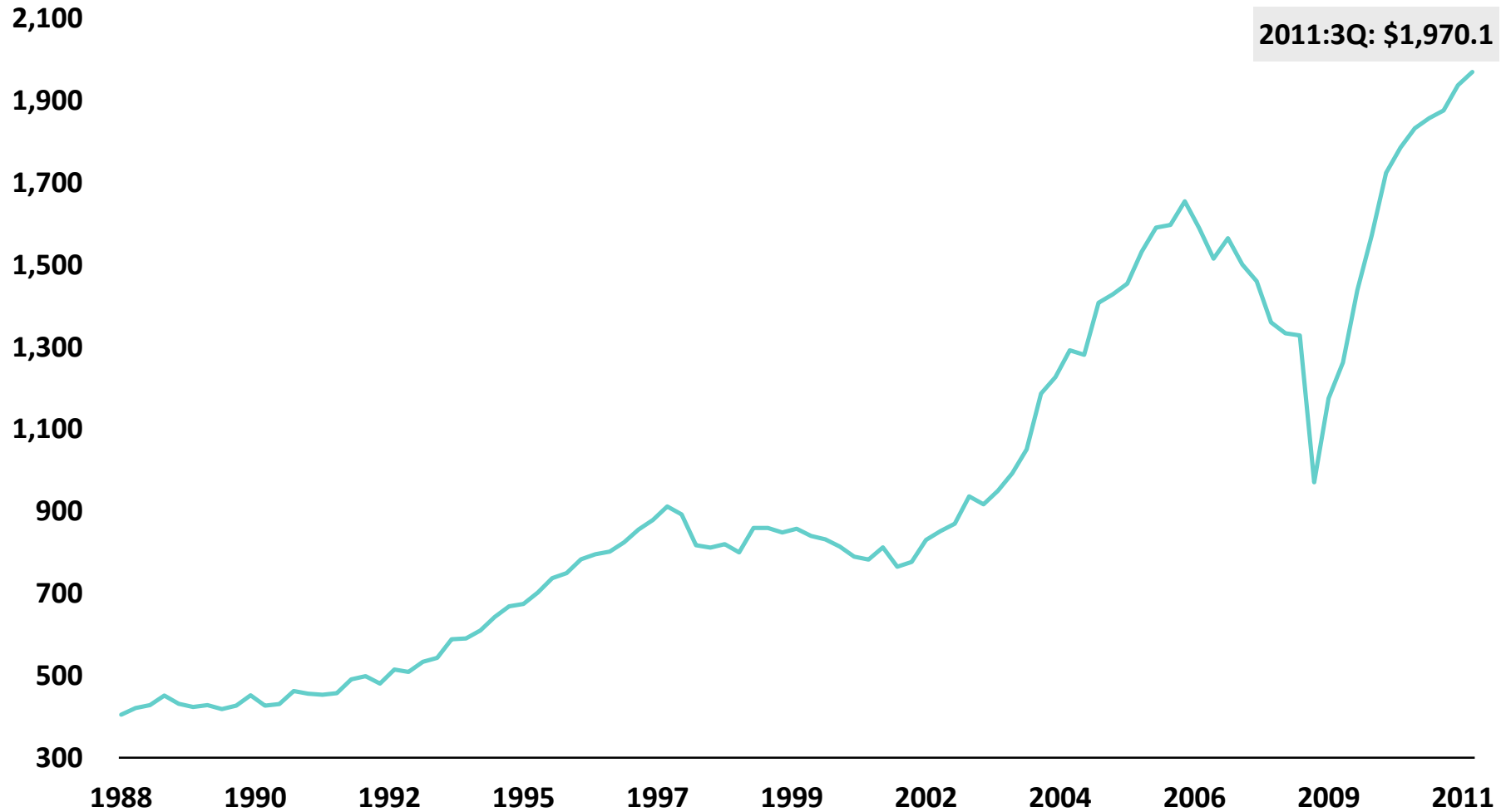
Asset Class	%	Reasoning
High-Quality Multinational Growth Stocks	10%	▶ Ten to fifteen times earnings 2.5% yield. Reasonable growth
Emerging Market Equities	15%	▶ Five to ten percent growth over the next five years. Reasonable valuations. Volatile
Hedge Funds (as revised)	15%	▶ Satisfactory positive performance in good markets; less downside in bad markets
Private Equity	10%	▶ Strong return on capital over investment period
Real Estate	10%	▶ Limited new construction. Increasing value for existing properties
Gold	5%	▶ Insurance against financial calamity
Agricultural Commodities	5%	▶ Rising standard of living in the developing world
High Yield Securities	15%	▶ Exceptional returns. Wide spread with Treasuries. Limited downside if no recession occurs
U.S. Treasuries	10%	▶ To reduce volatility
Cash	5%	▶ Reserve for fund needs

What Are The Critical Factors Which Will Influence the Financial Markets during 2012?

1. Outlook for the U.S. economy
2. The U.S. budget deficit problem
3. European Sovereign credit crisis and its impact on growth in Europe
4. Emerging market growth

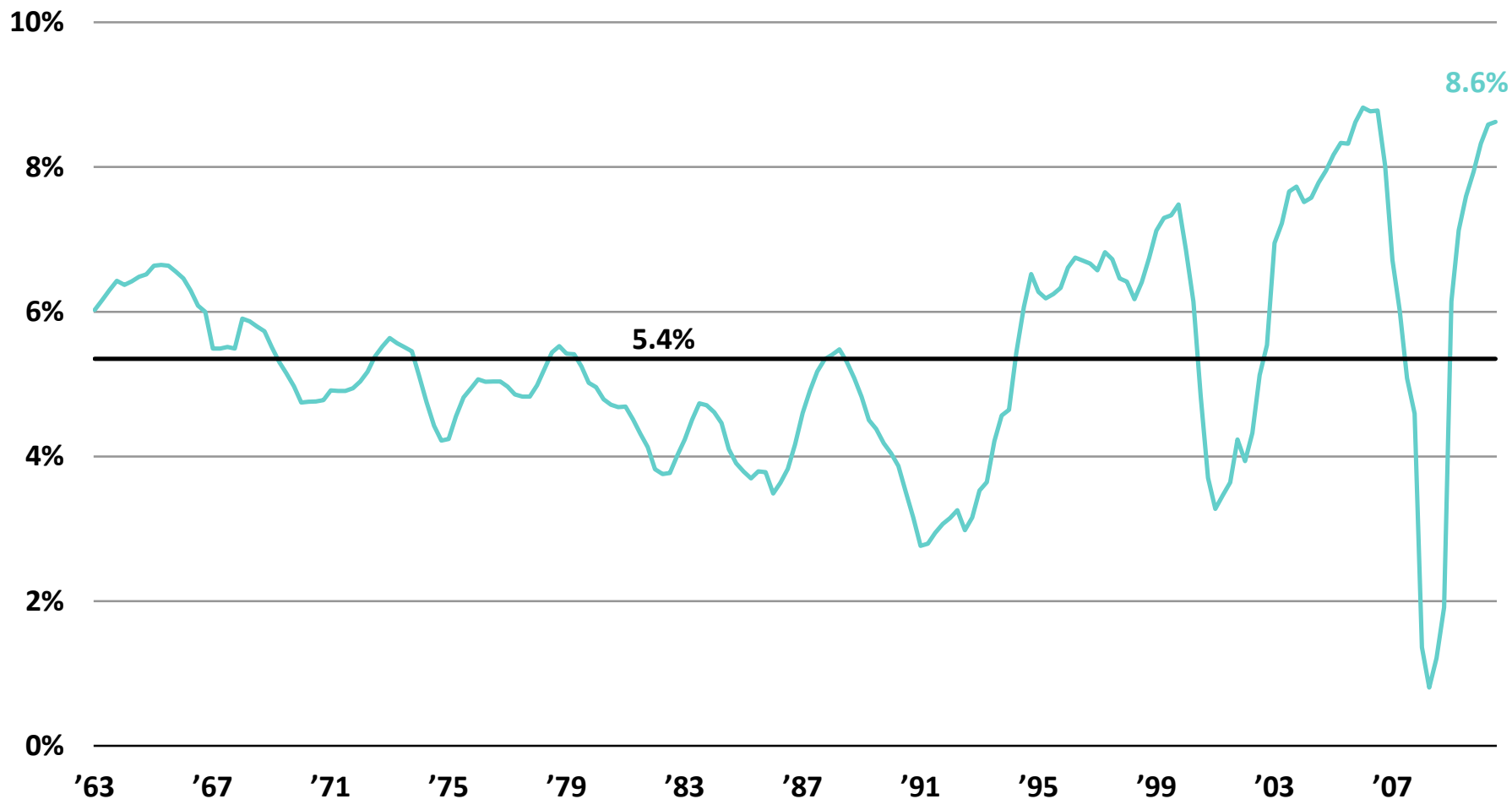
Outlook for the U.S. Economy

U.S. Corporate Profits



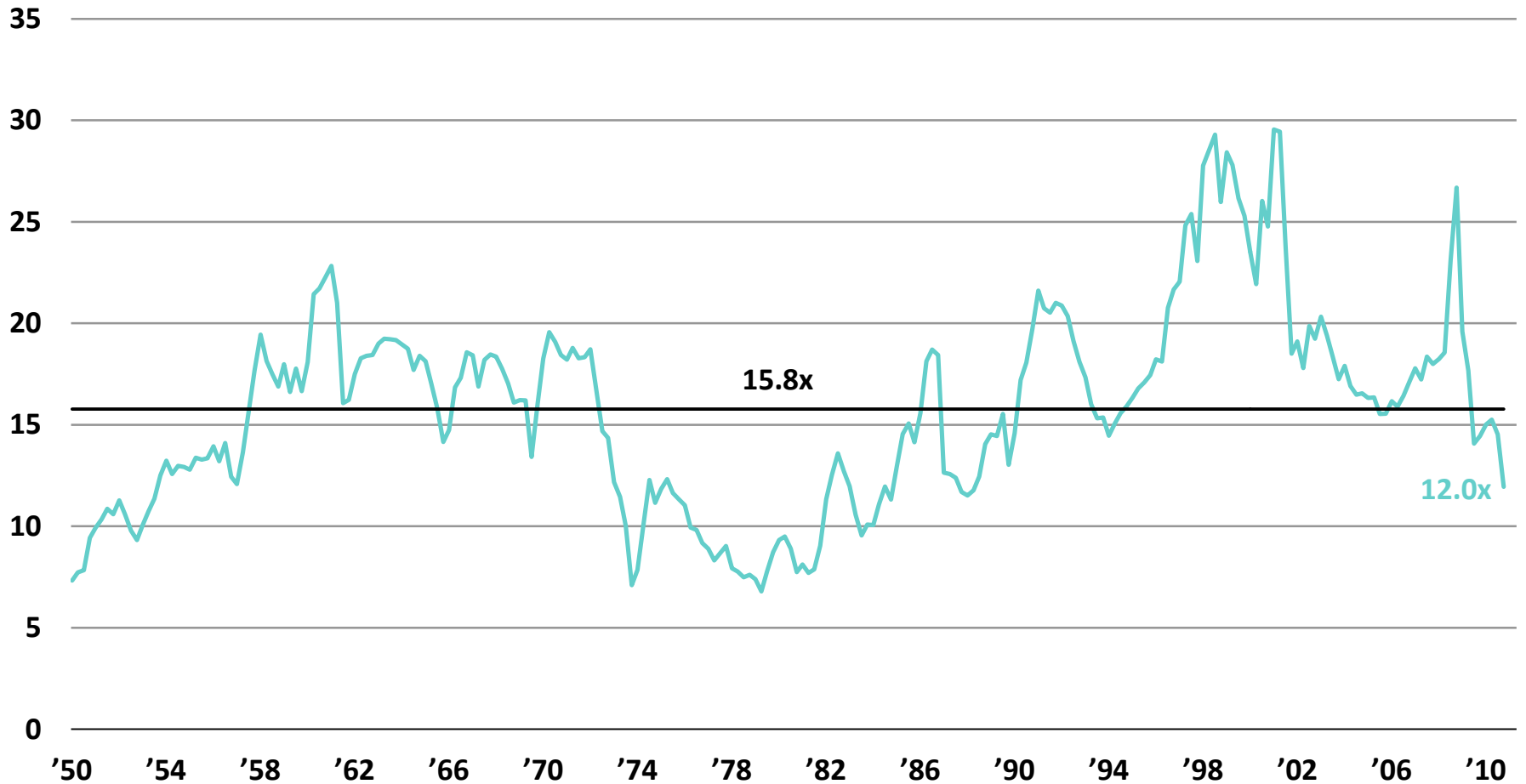
Source: ISI Group

S&P 500 Net Margin (4Qtr Average)



Source: Strategas Research Partners.

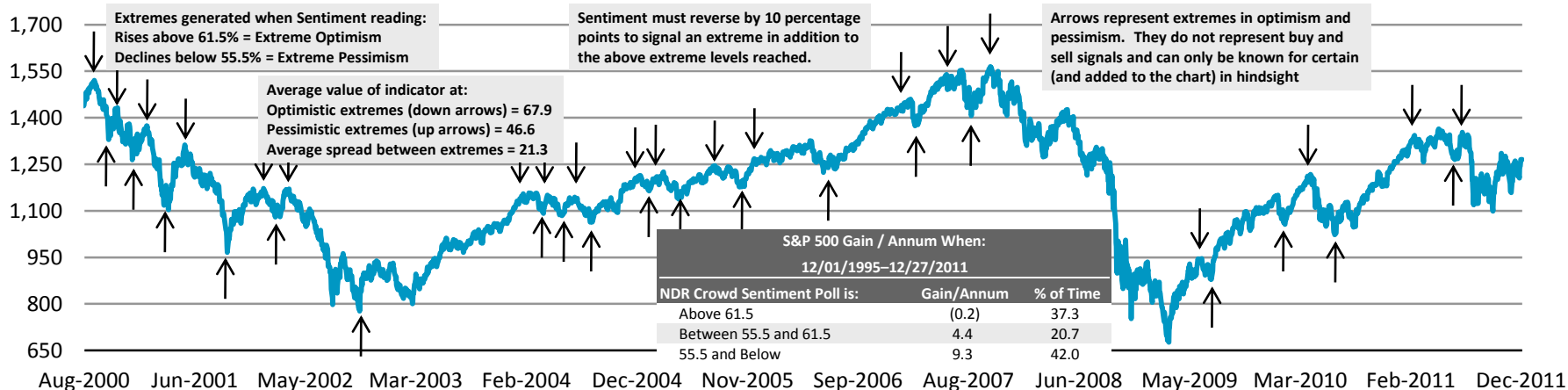
S&P 500 TTM Price-to-Earnings



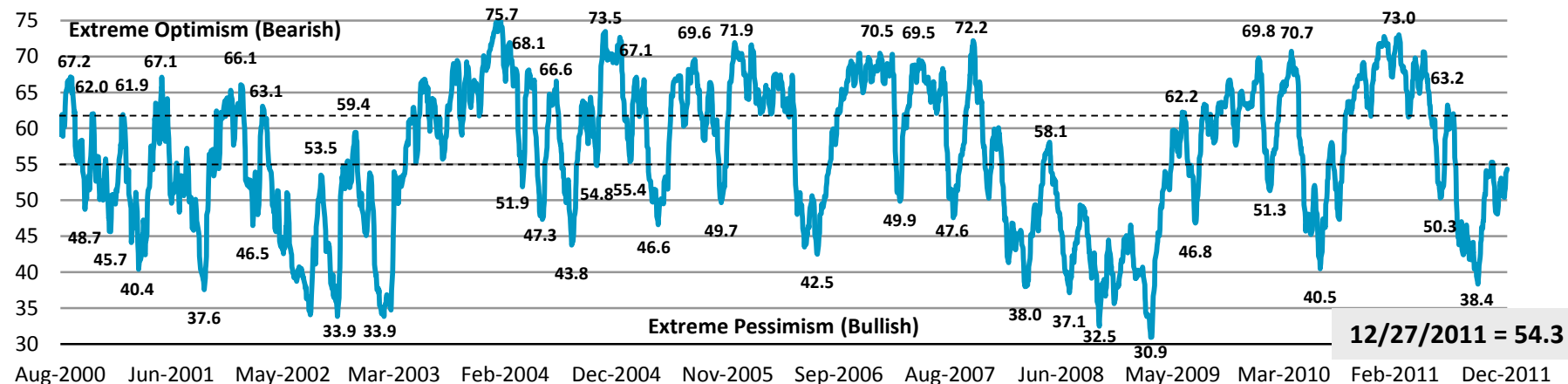
Source: Strategas Research Partners.

NDR Crowd Sentiment Poll (8/3/2000 – 12/27/2011)

S&P 500 Index



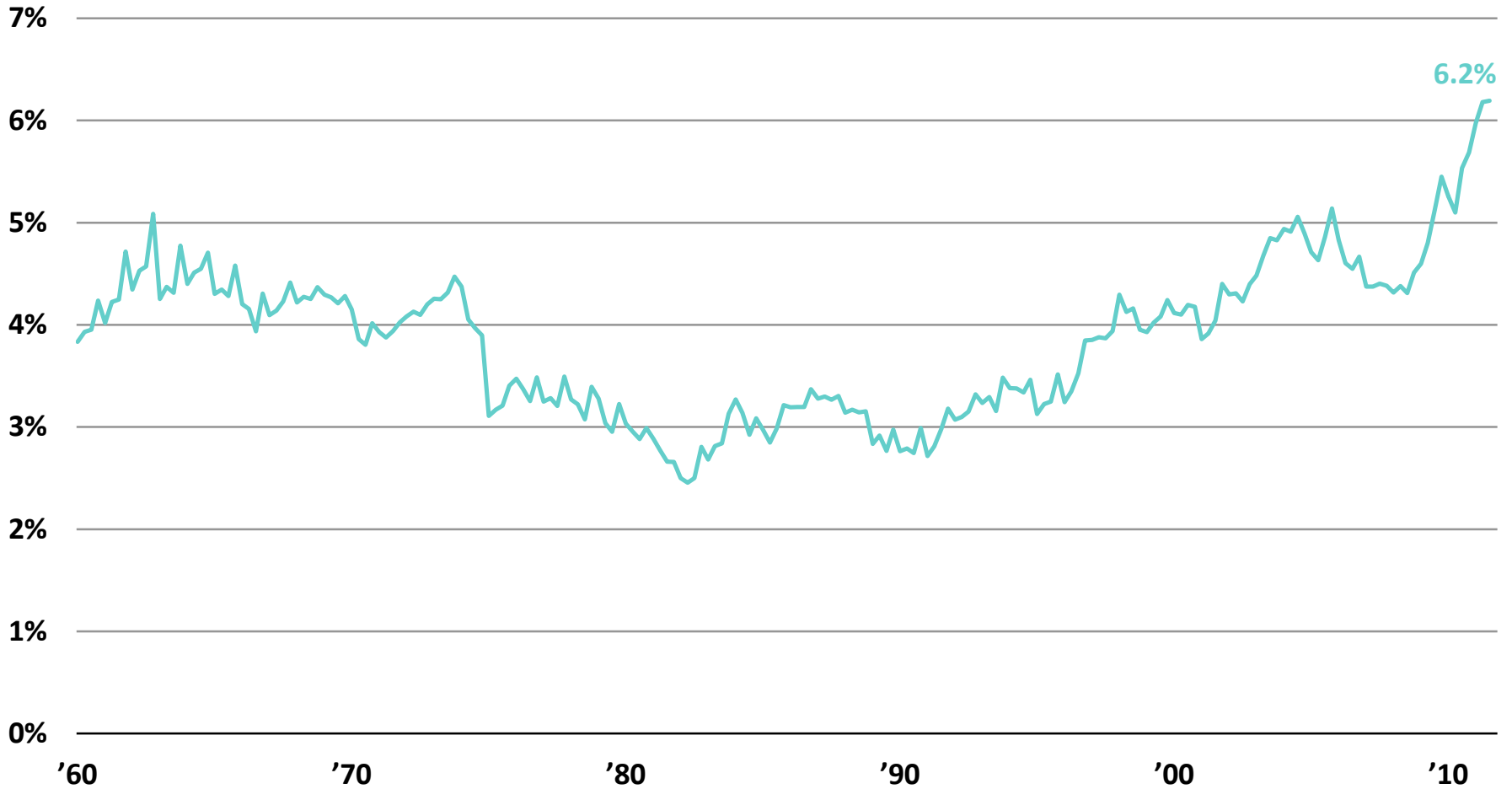
NDR Crowd Sentiment Poll



Source: Ned Davis Research

U.S. Non-Financial Corporations Cash

(% of Total Assets)



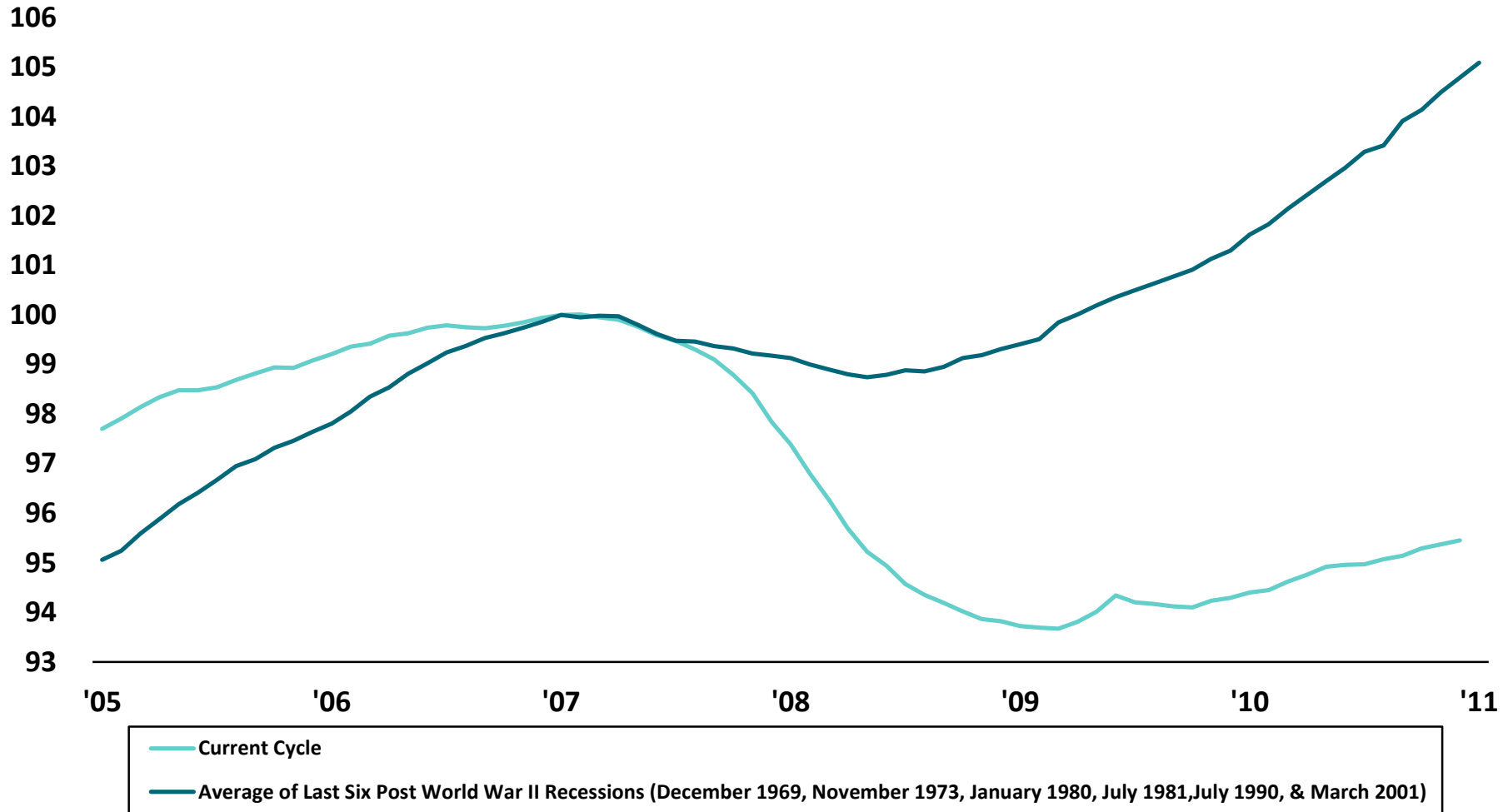
Source: Strategas Research Partners.

No Bubble Now

1. Banking system has gone from insolvency to strong capital ratios.
2. No weak/opaque shadow banking system to contend with.
3. The financial condition of Corporate America is excellent.
4. Profit and revenue growth are still good as is growth in dividends and share buybacks.
5. Business inventories are in excellent shape. There is no bubble in housing as in 2008 and most cyclical sectors of the economy are at a very low percentage of GDP.
6. Household debt/GDP, while still high, has dropped from 95.4% to 85.1%. Debt service ratio substantially improved.
7. The consumer savings rate has gone from 1% to an average of 4.7% this year.
8. Lower dollar should be a plus for exports.
9. Oil price decline from \$115 to \$97 WTI (\$130 to \$108 Brent) per barrel positive for consumers and economy generally.
10. FED policy of zero interest rates will ultimately work.
11. Tame wages and decent productivity.
12. Decent M&A activity and large pool of private equity capital.
13. Investors are conservatively postured.
14. Market valuation very appealing – both absolute and particularly relative to alternatives (financial repression).

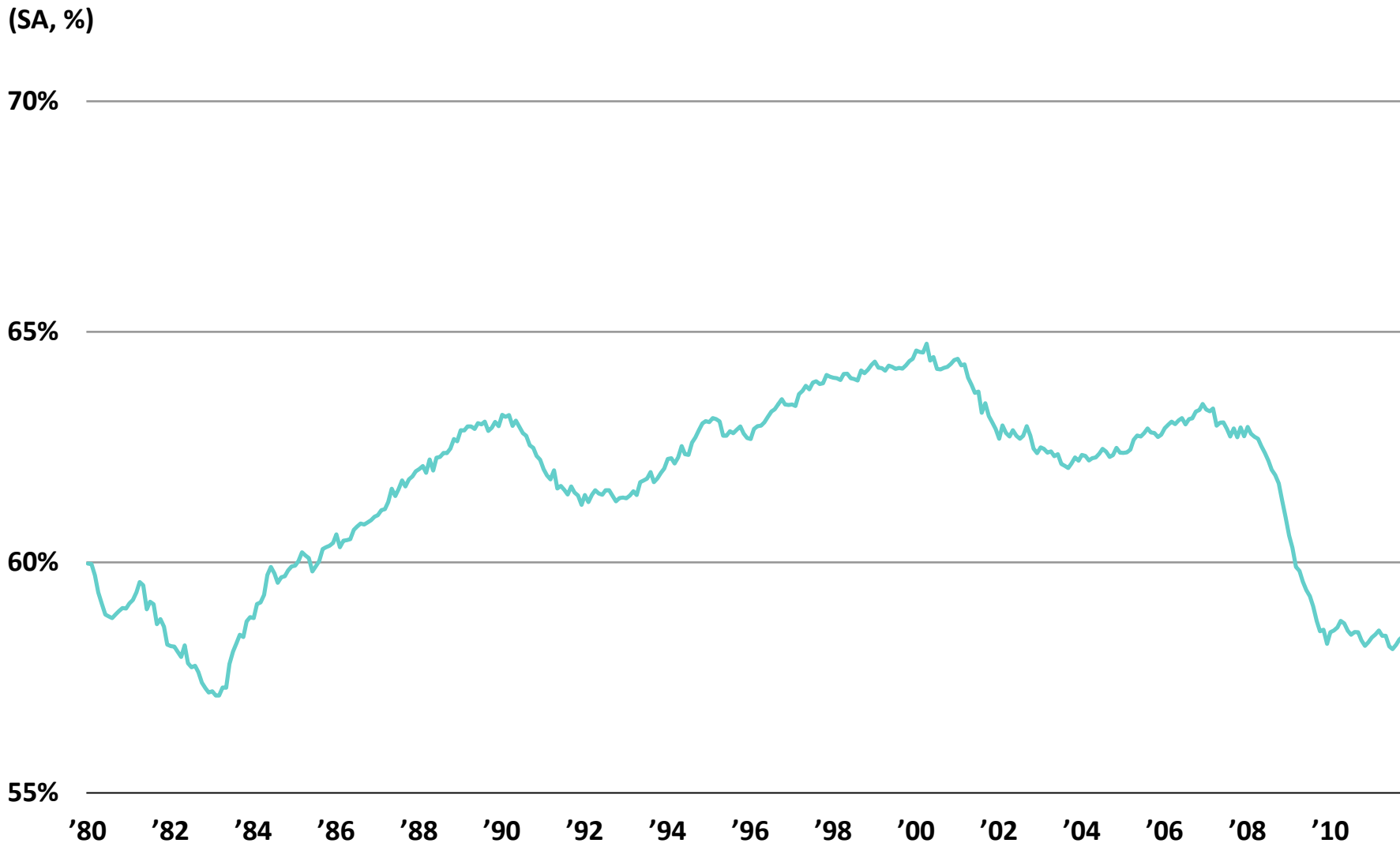
Performance of Nonfarm Payrolls vs. Average of Last Six Recessions and Aftermath

Current Cycle vs. Average of Last Six Post World War II Recessions
(December 1969, November 1973, January 1980, July 1981, July 1990, & March 2001)



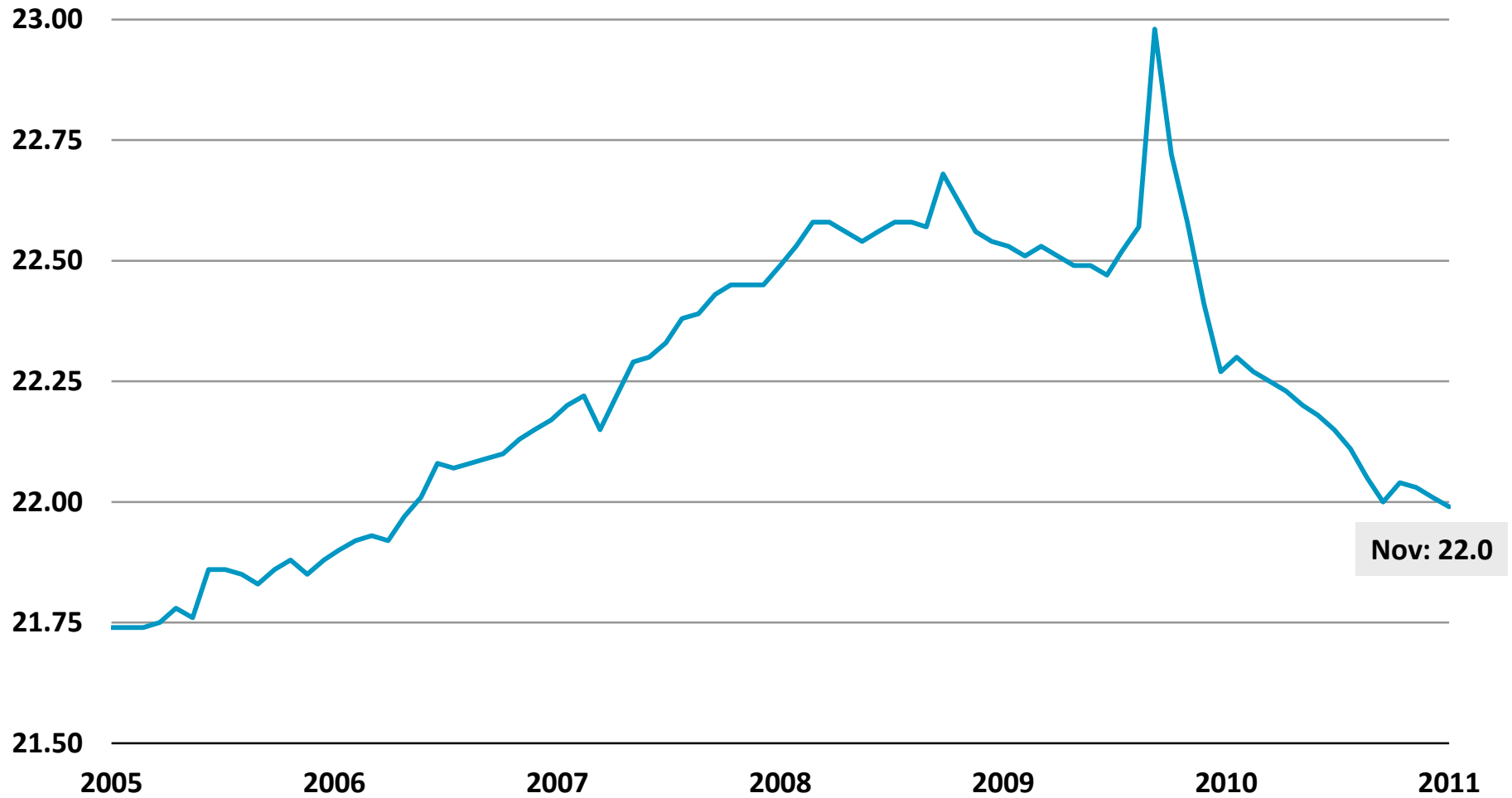
Source: Ned Davis Research.

Employment / Population Ratio



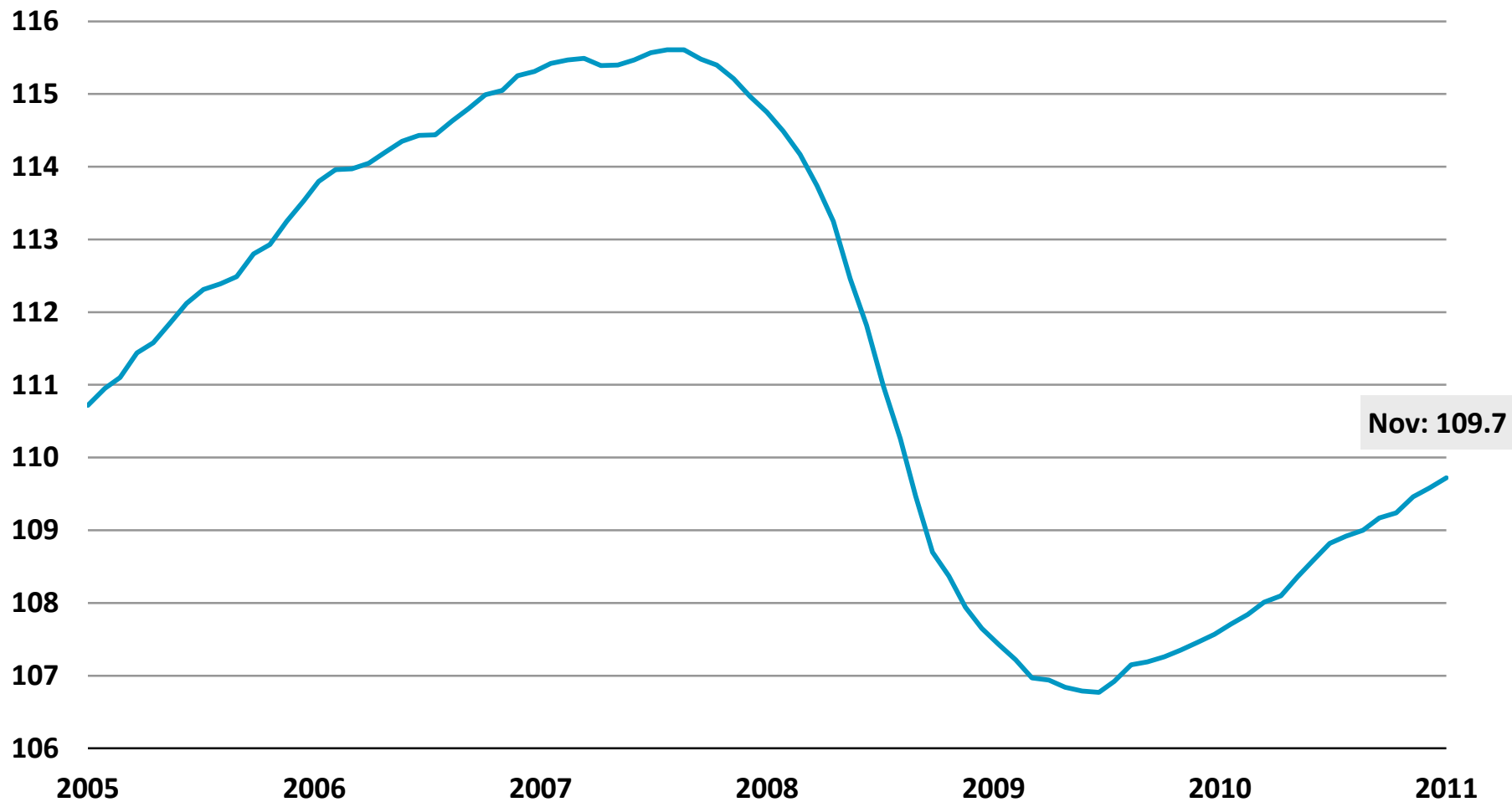
Source: Bureau of Labor Statistics / Haver Analytics / Strategas Research Partners.

U.S. Government Employment



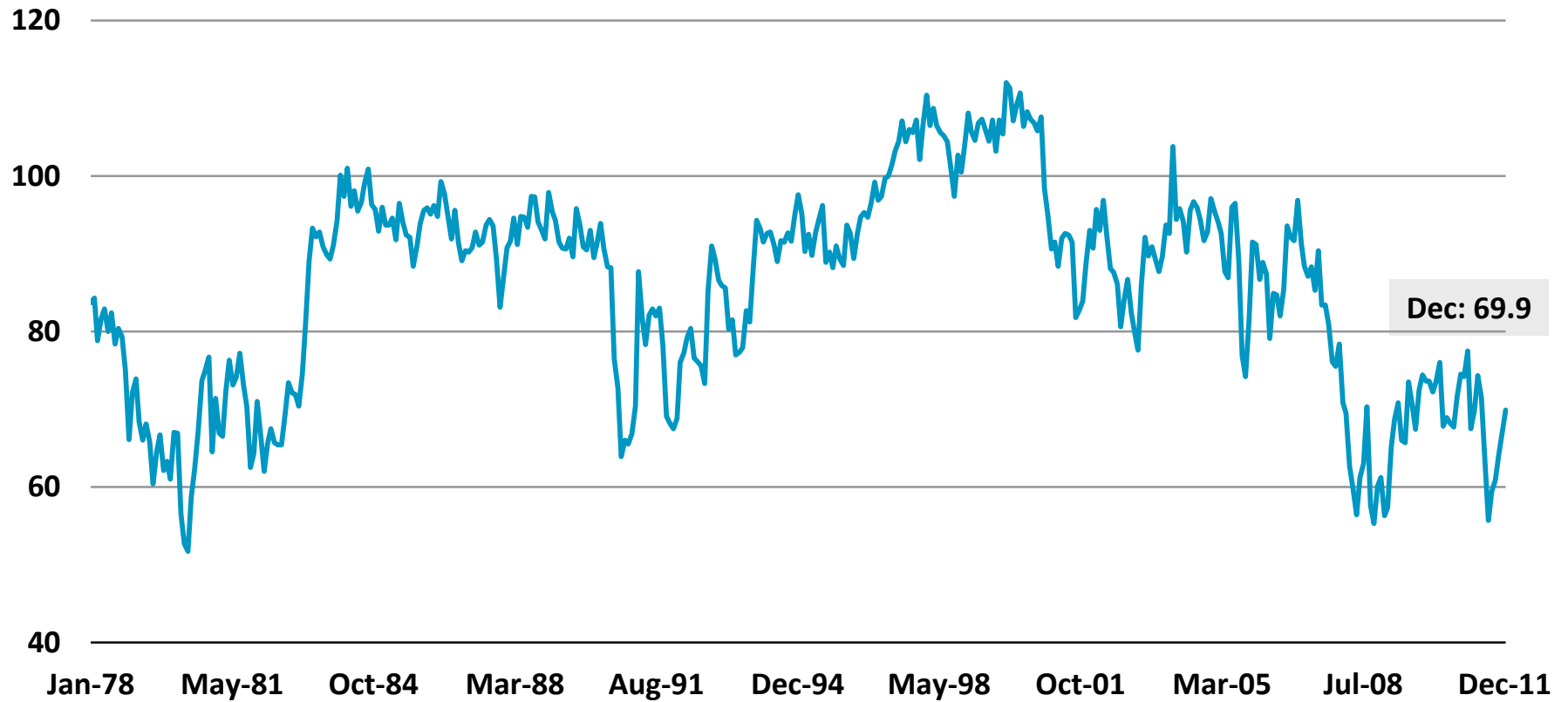
Source: ISI Group

U.S. Private Employment



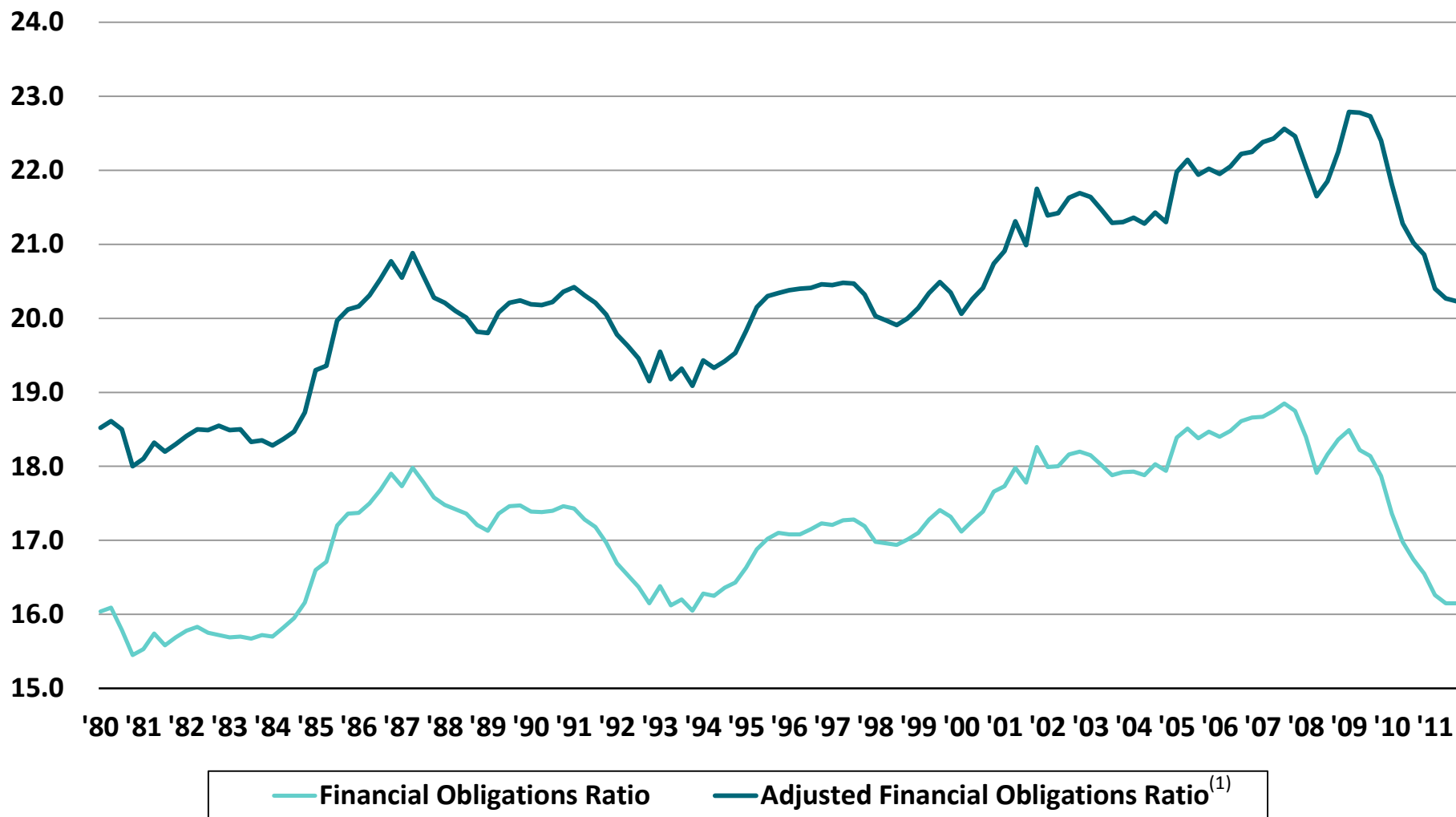
Source: ISI Group

U.S. Consumer Sentiment (U MICH)



Source: ISI Group

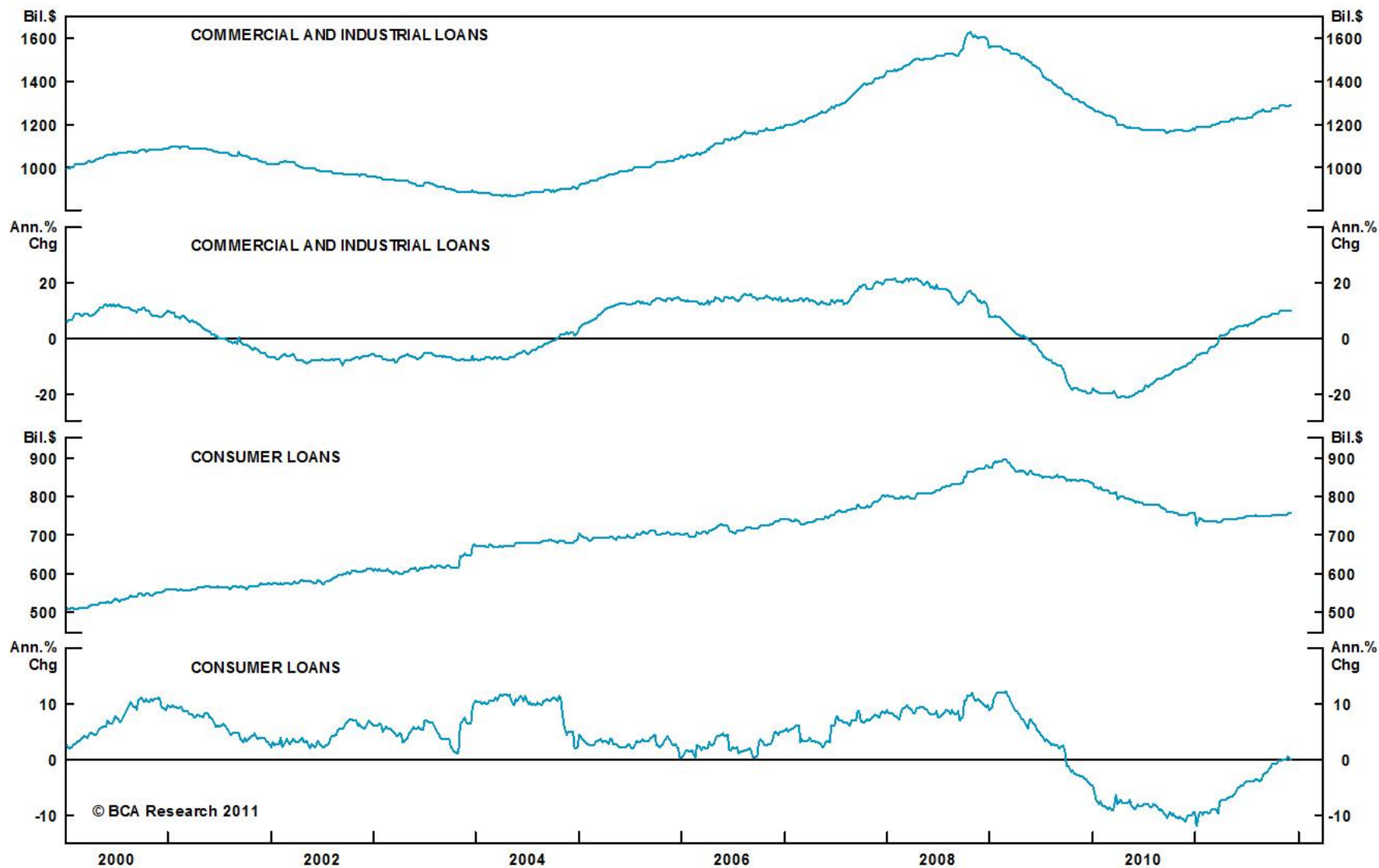
Household Financial Obligations Ratios



Source: Ned Davis Research.

(1) Excludes Government Transfer Payments from Disposable Personal Income.

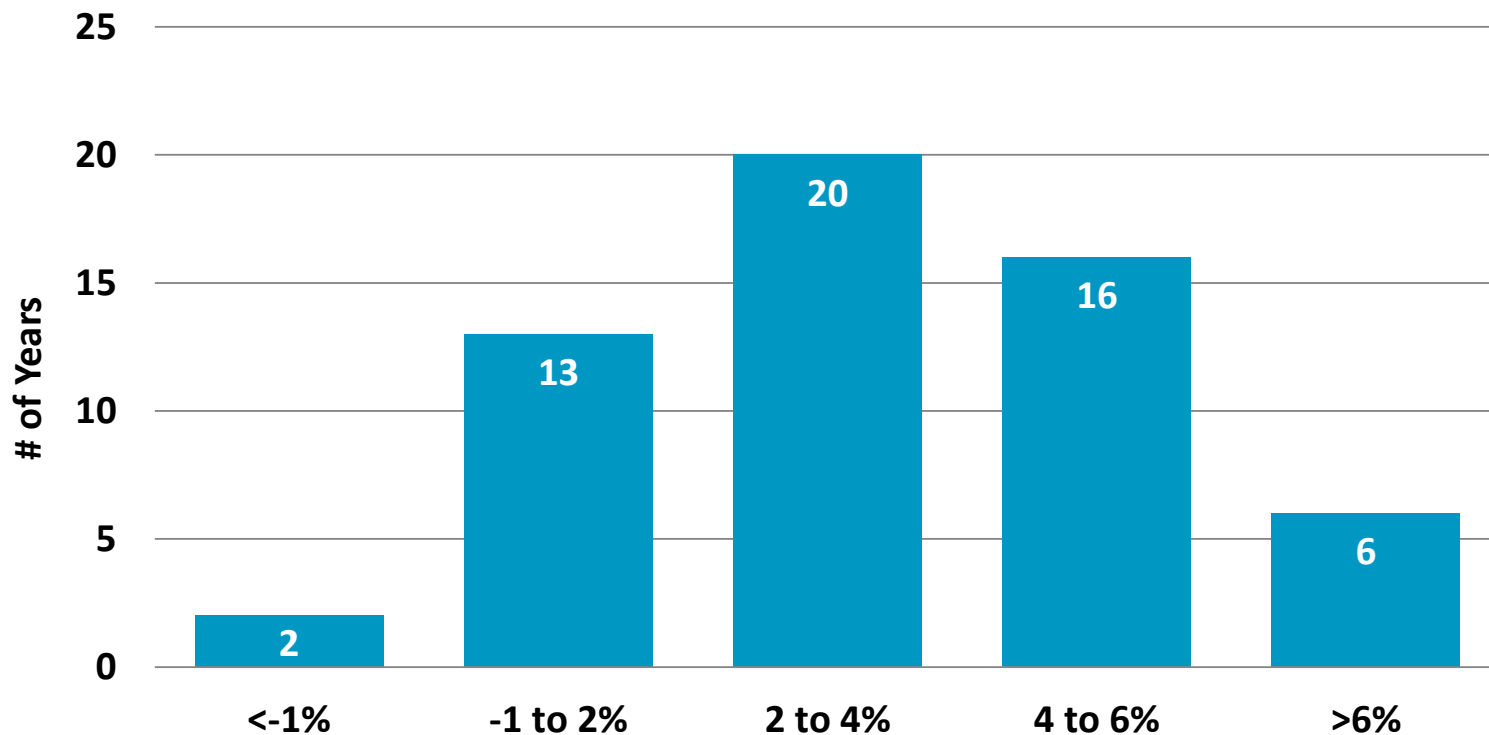
Lending Growth Has Held Up So Far



Source: The Bank Credit Analyst

S&P 500 Index Returns versus GDP Growth

(GDP by Year 1954–2010)

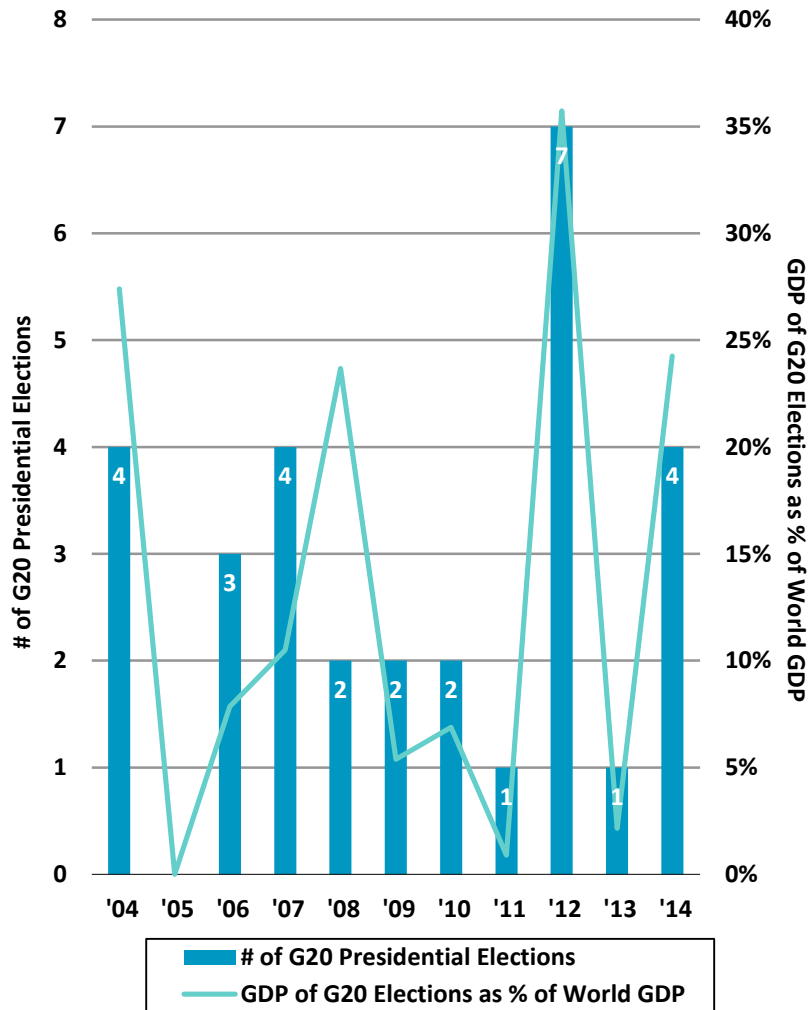


Average GDP Growth	-2.7%	0.4%	3.0%	4.8%	6.8%
Average Return⁽¹⁾	23.9%	8.5%	13.4%	14.0%	7.2%
Average CPI	3.3%	4.5%	3.7%	4.0%	2.1%

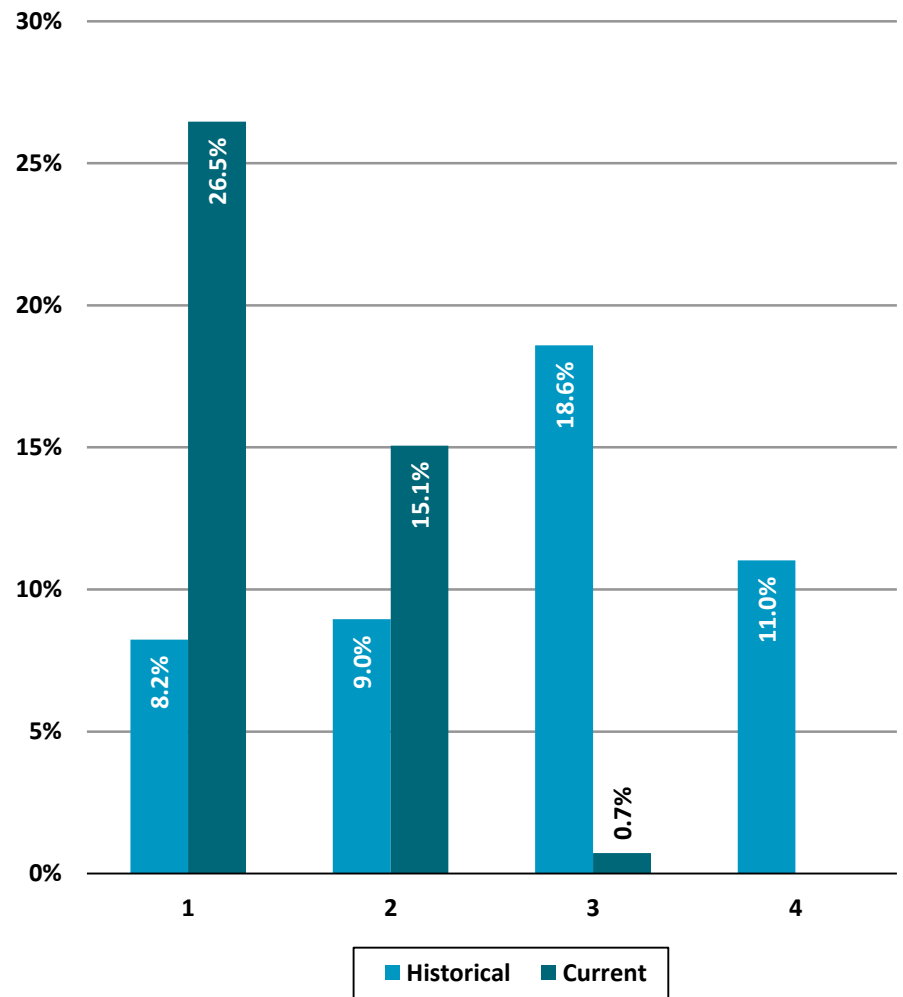
Source: Monticello Associates, Inc.

(1) S&P 500 Index

of G20 Presidential Elections & G20 GDP with Presidential Elections



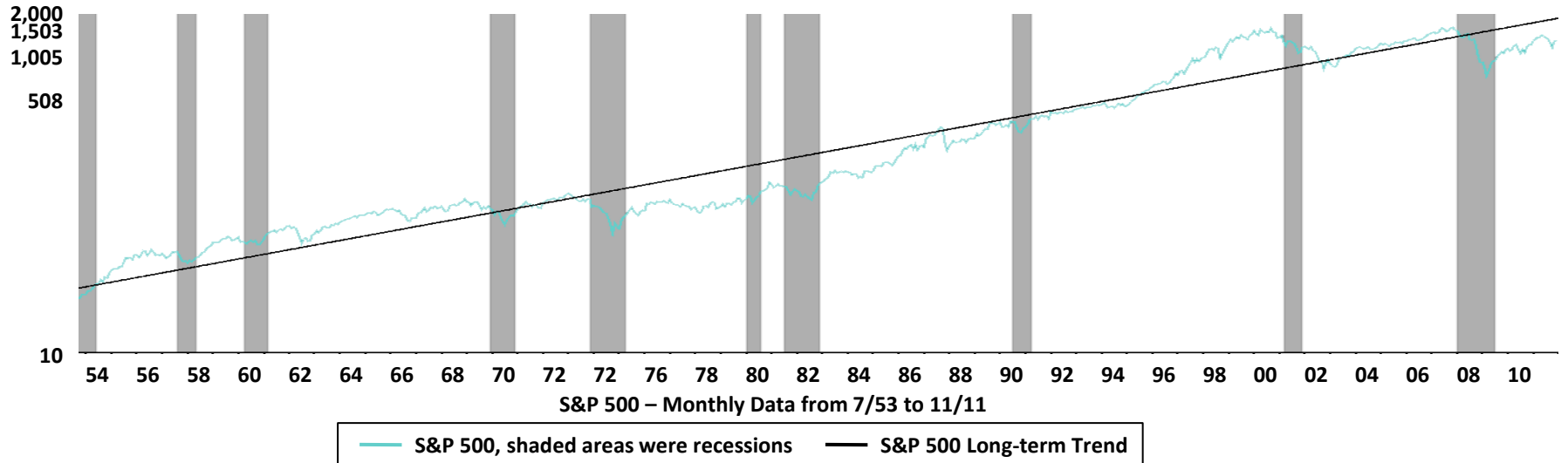
S&P 500 Total Returns by Presidential Cycle (Since 1926)



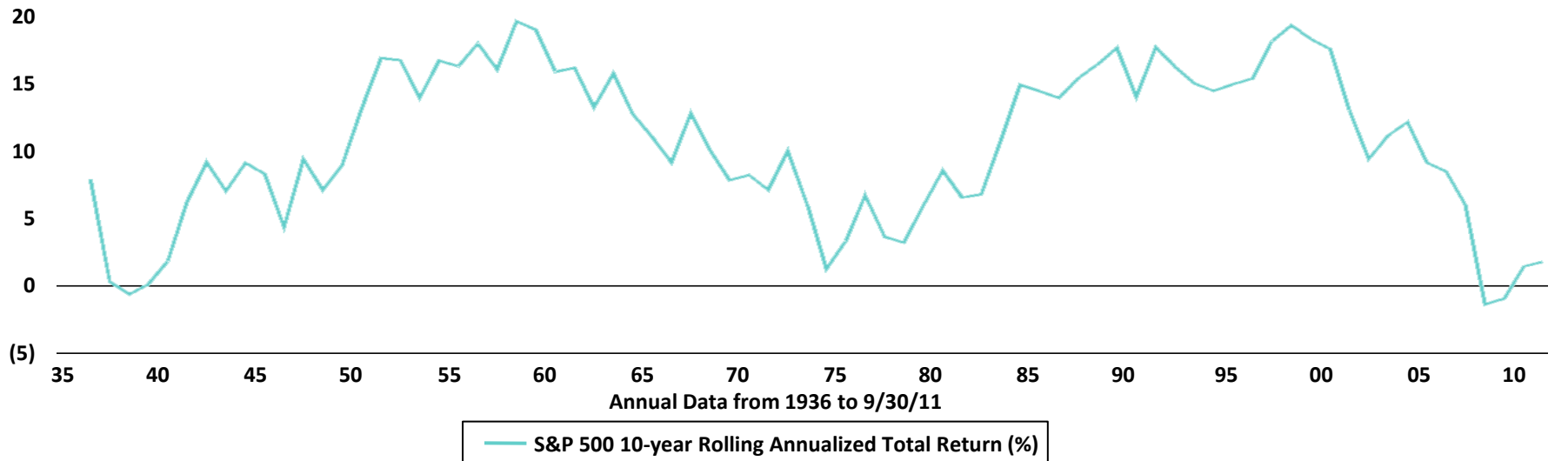
Source: Strategas Research Partners.

S&P 500 10-Year Return

S&P 500



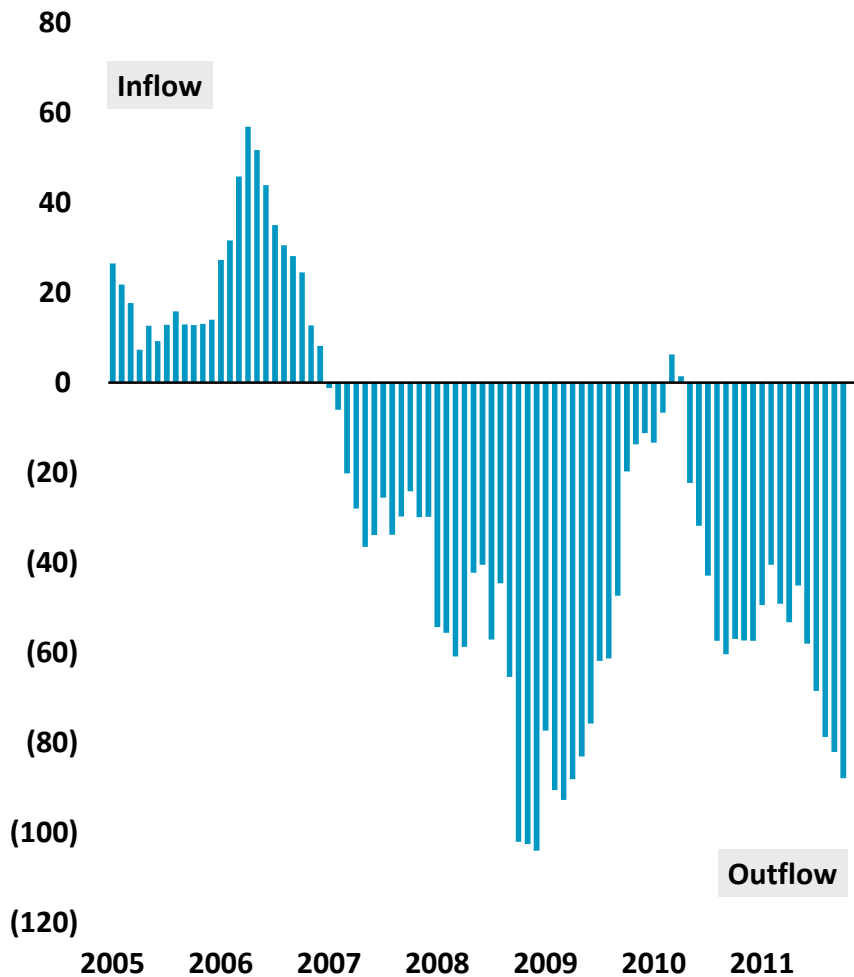
S&P 500 10-Year Return



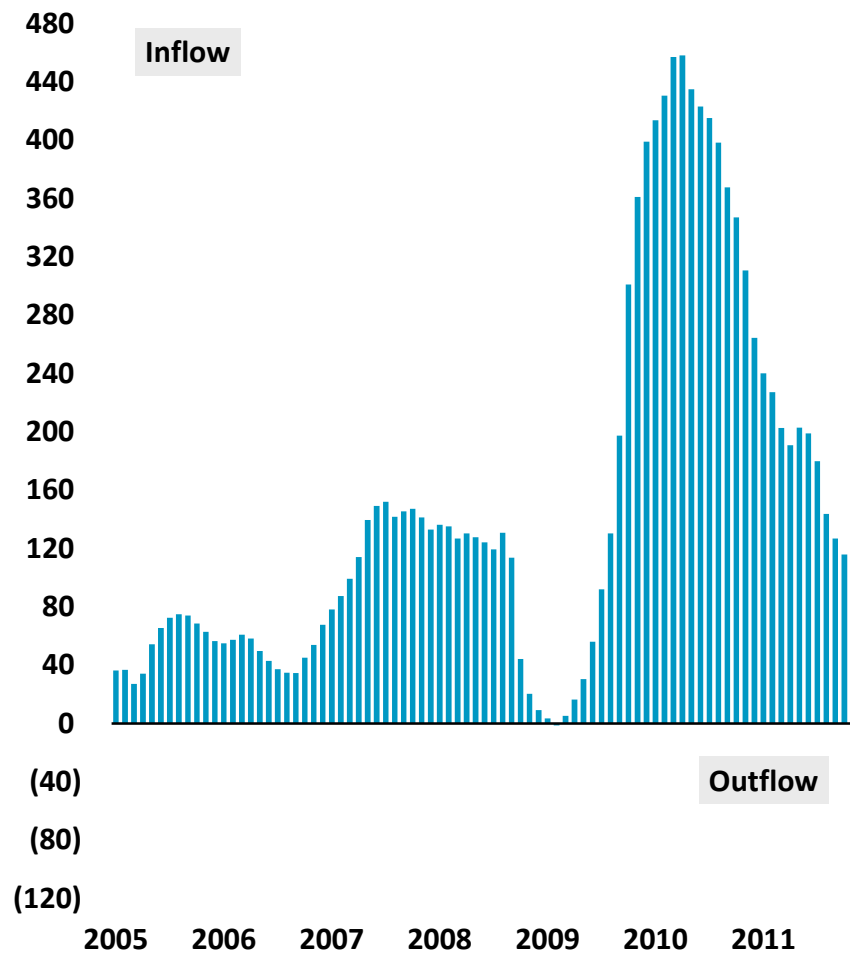
Source: Standard and Poor's / Omega Advisors, Inc.

Record Flows Into Income-Generating Funds

Equity Funds: Capital Appreciation Funds

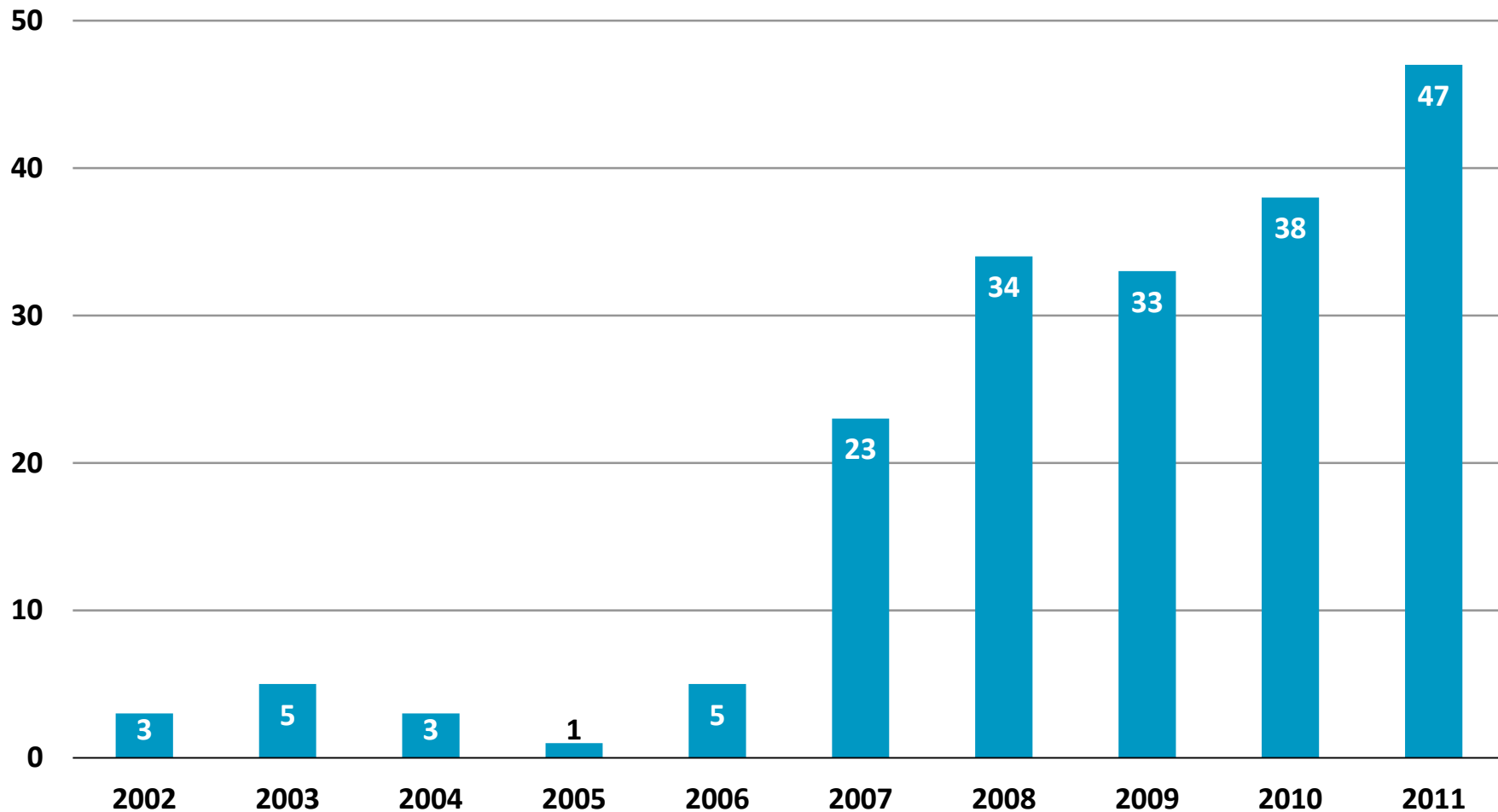


Income Funds



Source: Gluskin Sheff & Associates.

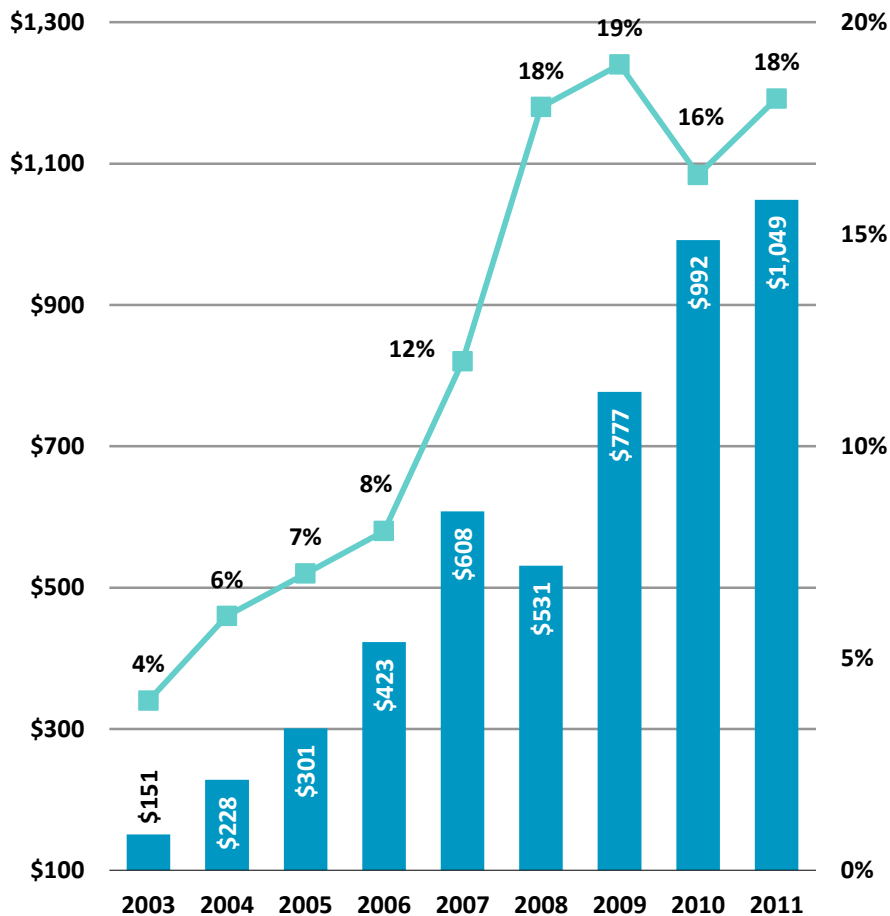
Number of 90% Up-Days & Down Days



Source: Strategas Research Partners.

ETFs: Number & Total Assets

ETFs: Number & Total Assets (\$ in billions) ETF Volume as % of Total Volume



ETFs Number & Total Assets ETF Volume as % of Total Volume

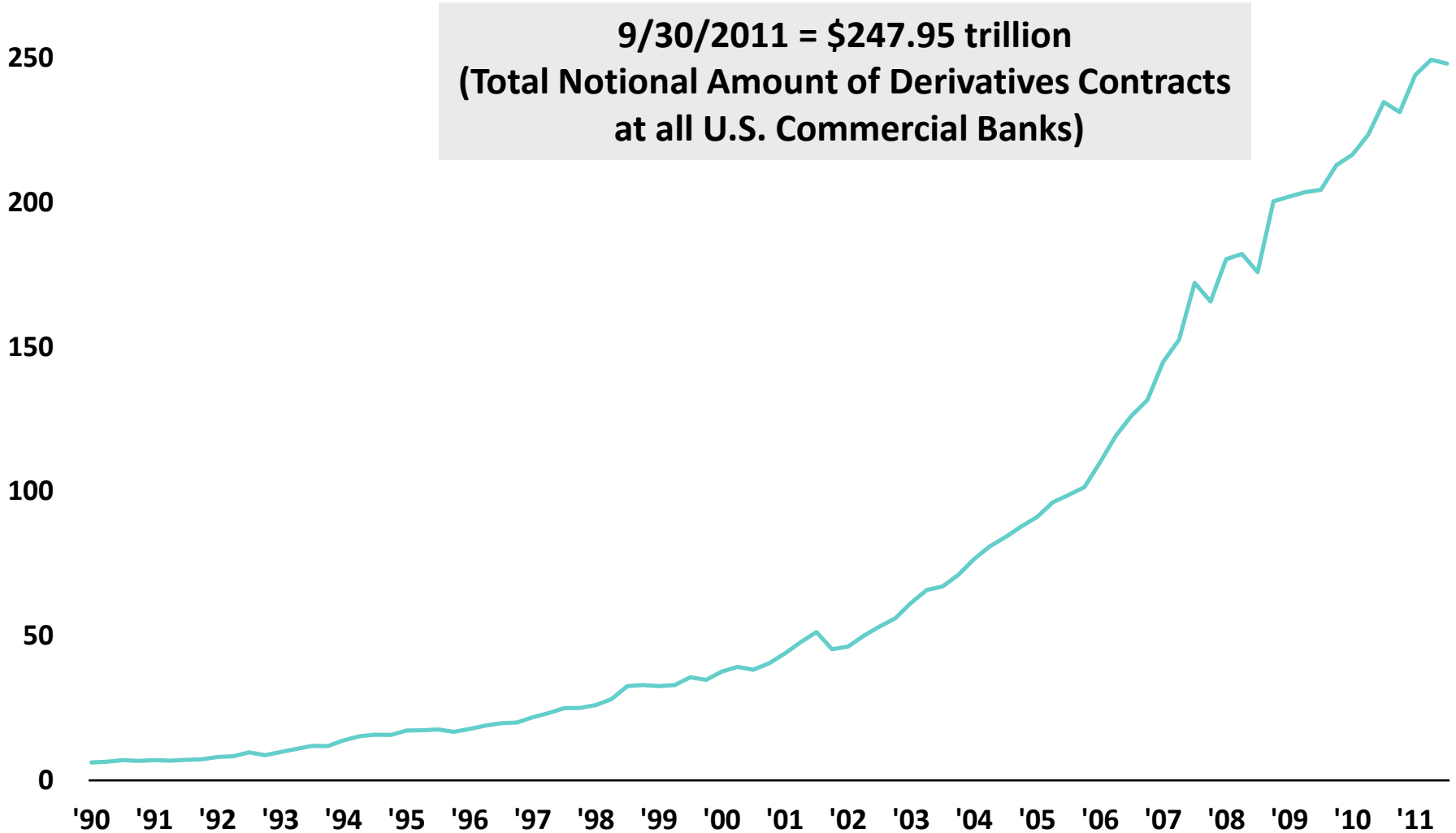
Source: Strategas Research Partners.

(\$ in millions)

U.S. ETF Assets	
U.S. Equity	\$500,510
Global Equity	\$251,912
Fixed Income	\$173,819
Commodity	\$110,709
Real Estate	\$21,063
Currency	\$7,638
Specialty	\$440
Total	\$1,066,091

Total Notional Derivatives

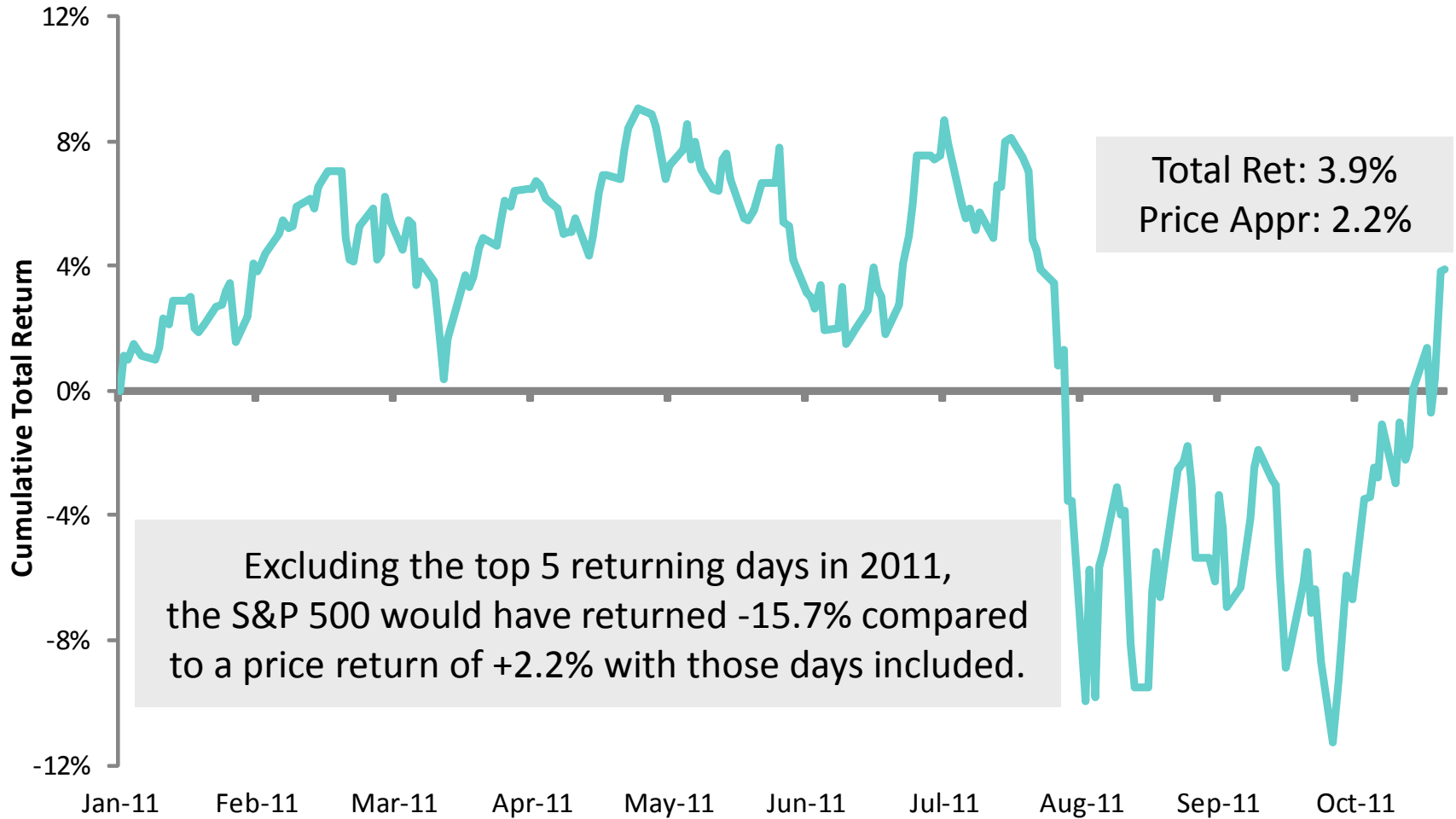
(in trillions)



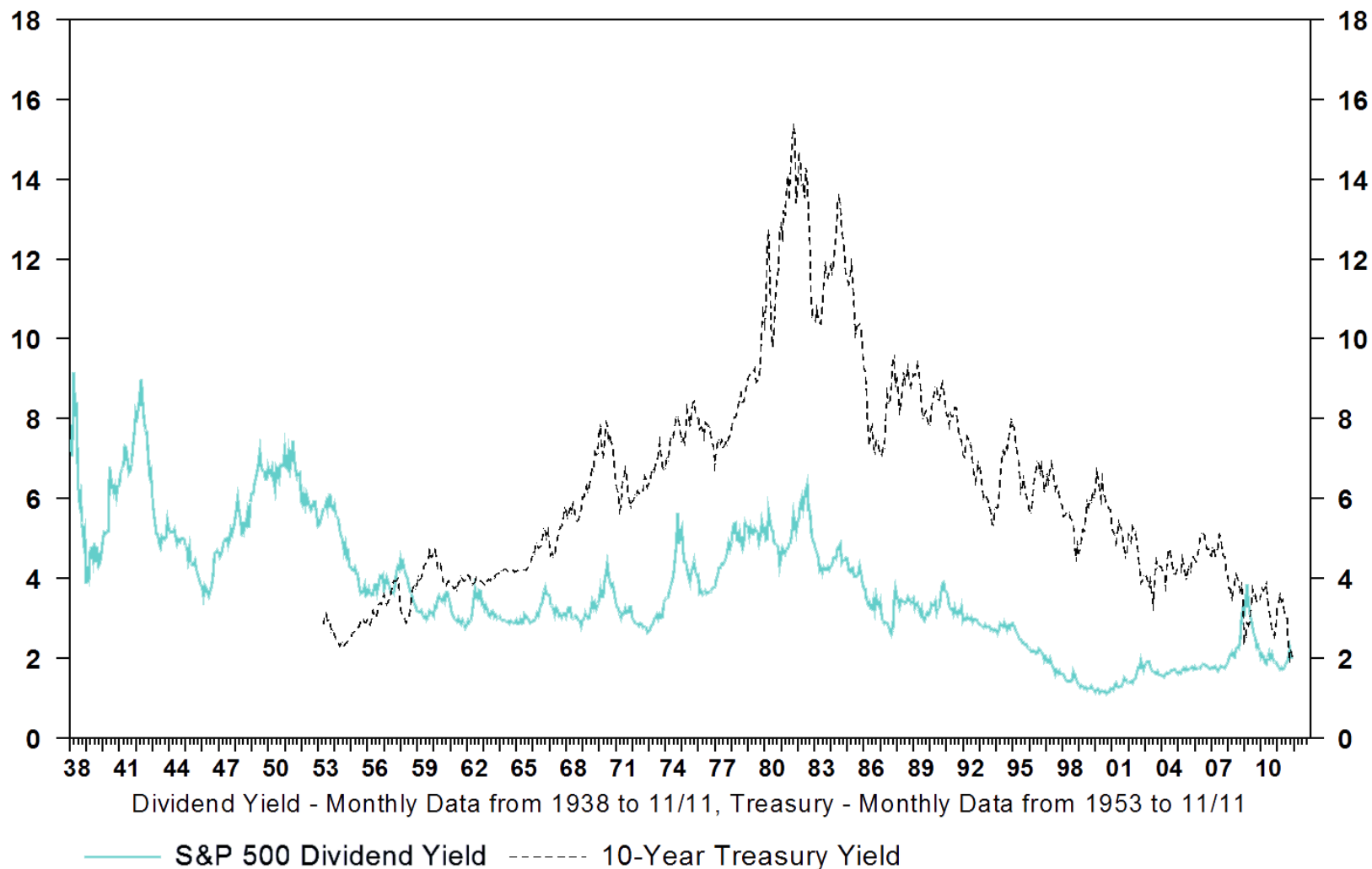
Source: Ned Davis Research.

S&P 500 Index

Why Market Timing Is So Difficult



S&P 500 Dividend Yield and 10-Year Treasury Yield



Source: Standard and Poor's / FRB / Omega Advisors, Inc.

S&P 500 Companies Excluding Financials

Dividend Yield Higher Than 10-Yr T-Note Yield				
	% of Companies		% of Companies	
2011 ⁽¹⁾	42.1			
2010	14.7		1995	4.5
2009	11.4		1994	2.3
2008	45.5		1993	5.0
2007	6.6		1992	0.9
2006	1.7		1991	1.0
2005	4.8		1990	4.0
2004	5.5		1989	2.0
2003	5.6		1988	3.4
2002	10.1		1987	3.2
2001	3.6		1986	5.4
2000	3.1		1985	3.0
1999	4.7		1984	1.9
1998	3.8		1983	3.5
1997	2.2		1982	7.7
1996	3.6		1981	2.4

Source: Standard and Poor's / Factset / Bloomberg / Omega Advisors, Inc.

(1) As of November 30, 2011.

Current versus March 2009

	12/8/2011	3/9/2009
S&P 500 Index	1,234.35	676.53
PE (4Q trailing operating EPS)	12.9 x	12.4 x
Dividend Yield	2.0 %	4.0 %
10-Year T. Bond Yield	1.97	2.89
Long-term Corp. Bond Yield	4.48	6.74
High-yield Bond Yield	8.94	19.35
Earnings Yield - T. Bond Yield	5.79 p.p.	5.15 p.p.
Earnings Yield - Corp. Bond Yield	3.28	1.30
S&P 500 EPS (4Q trailing)	95.80	54.37
S&P 500 DPS	25.18	27.25

Source: Standard and Poor's / FRB / Bloomberg / Moody's / Thomson Reuters / Omega Advisors, Inc.

2011 Returns & P/E Ratios by Credit Ratings

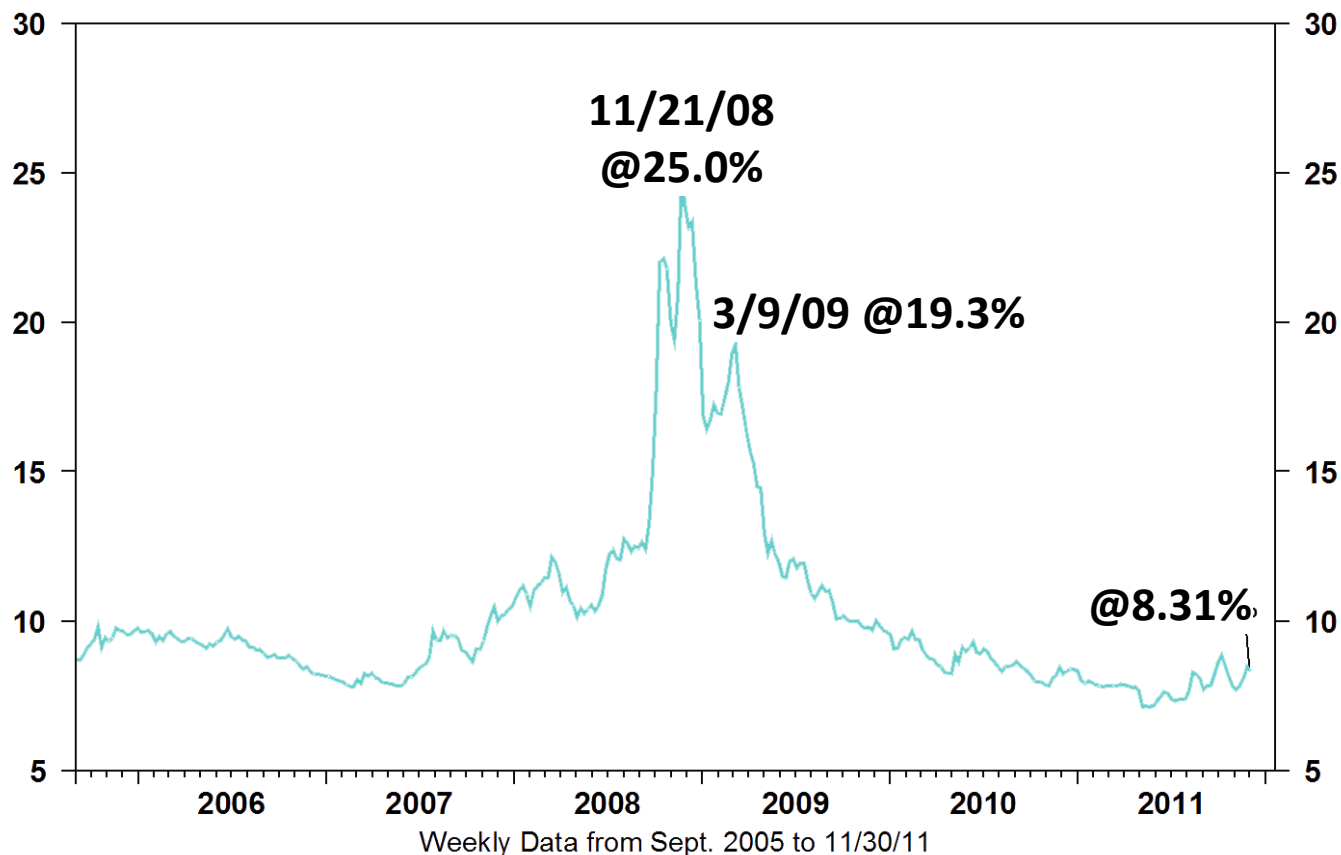
2011 Returns & P/E Ratios by Credit Ratings										
S&P 500 Rating	2009 Ret.	2010 Ret.	Q1'11 Ret.	Q2'11 Ret.	Q3'11 Ret.	YTD Ret.	Trailing P/E	Leading P/E (2011)	Leading P/E (2012)	Div. Yld
AAA to AA-	20.8%	8.8%	3.1%	0.8%	-9.7%	-6.1%	12.6	12.0	11.0	3.1
A+ to A-	34.0%	19.1%	7.0%	0.9%	-16.2%	-9.0%	14.1	13.0	11.3	2.4
BBB+ to BBB-	44.5%	21.9%	7.6%	1.9%	-16.1%	-8.0%	15.7	14.1	12.0	3.1
BB+ and below	70.8%	28.2%	8.4%	-1.3%	-22.3%	-15.8%	25.7	23.9	14.3	3.1
S&P 500⁽¹⁾	26.5%	15.1%	5.9%	0.1%	-13.9%	-8.7%	12.0	11.1	9.9	2.4

Source: Monticello Associates, Inc.

Note: Data as of 9/30/11

(1) Market cap weighted and excludes unusual items, calculated by Standard and Poor's

Average Yield of High Yield Corporate Bonds



— The Avg. Yield Weighted by Par, all Bonds in FINRA-Bloomberg US Corp. Bond Index (NBBHYL)

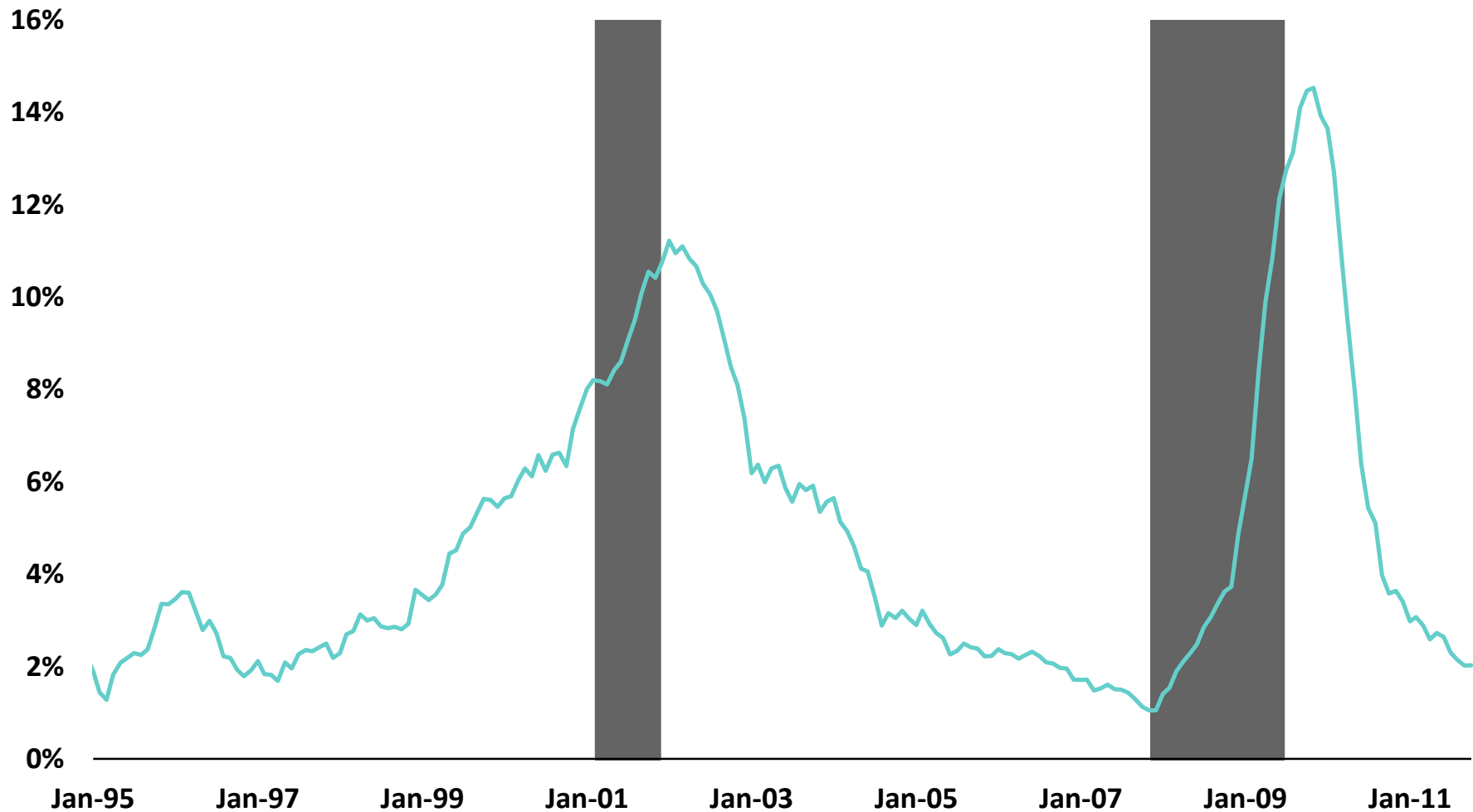
SPX 500 P/E

11/08	=	900/65	=	13.9
2/09	=	800/62	=	12.9
Current	=	1247/98.0	=	12.7
		1247/104.0	=	12.0

Source: Omega Advisors, Inc.

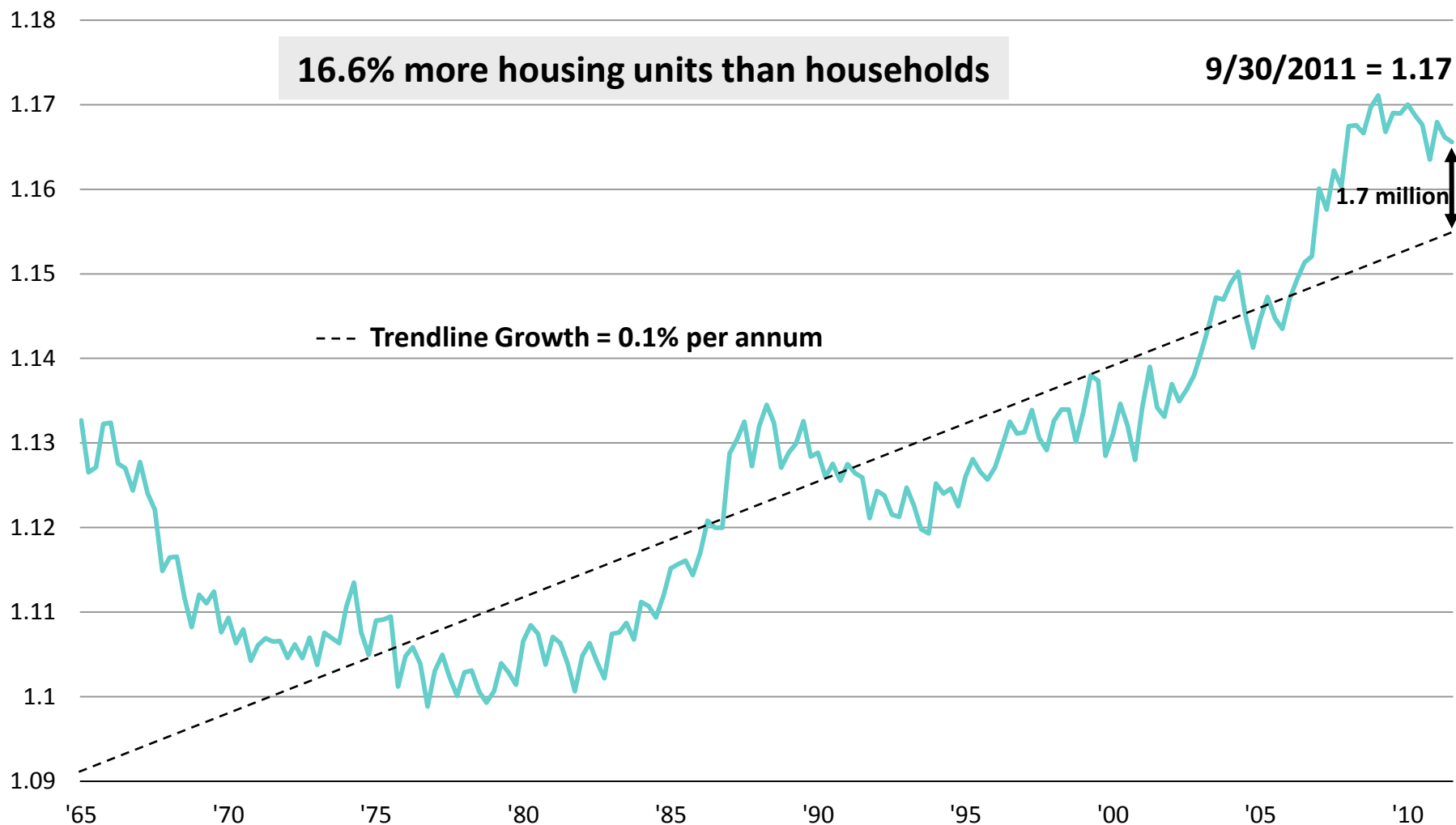
Corporate Default Rates Match Strong Balance Sheet Fundamentals

(Percent)



Source: Gluskin Sheff & Associates.

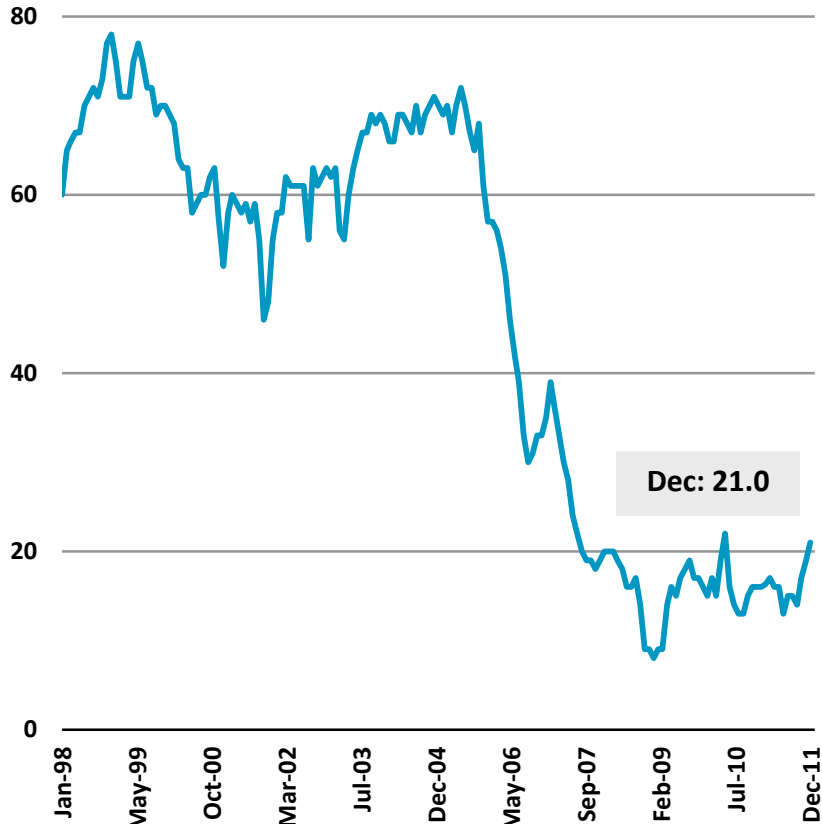
Housing Units Per Household – Quarterly data 12/31/1966 – 9/30/2011 (Log Scale)



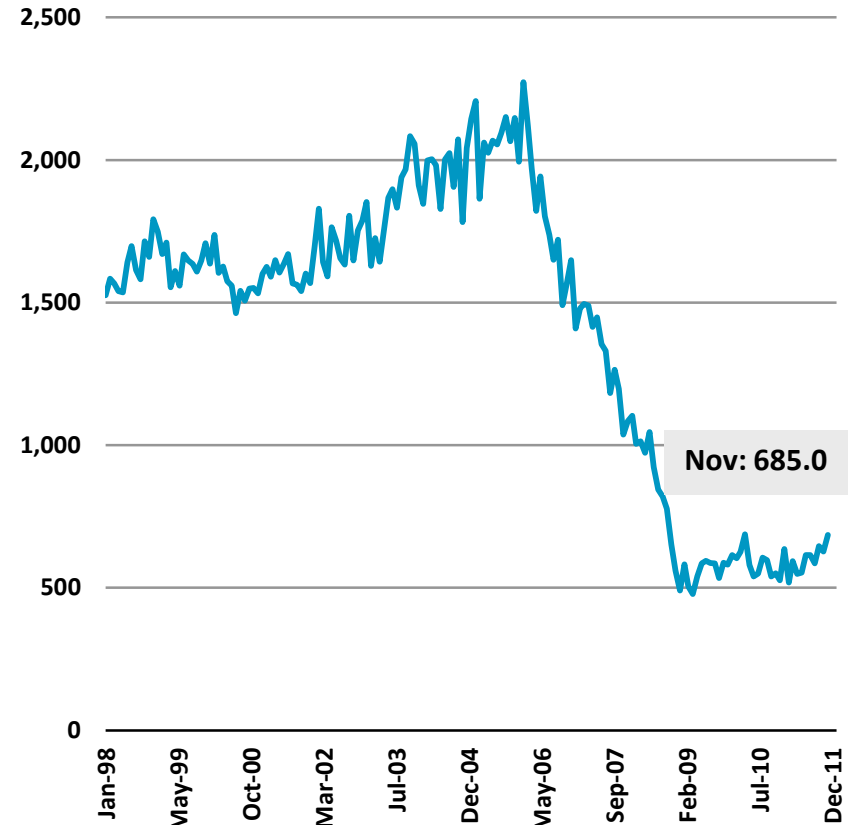
Source: Strategas Research Partners.

U.S. Housing Starts

U.S. Housing Market Index (NAHB)



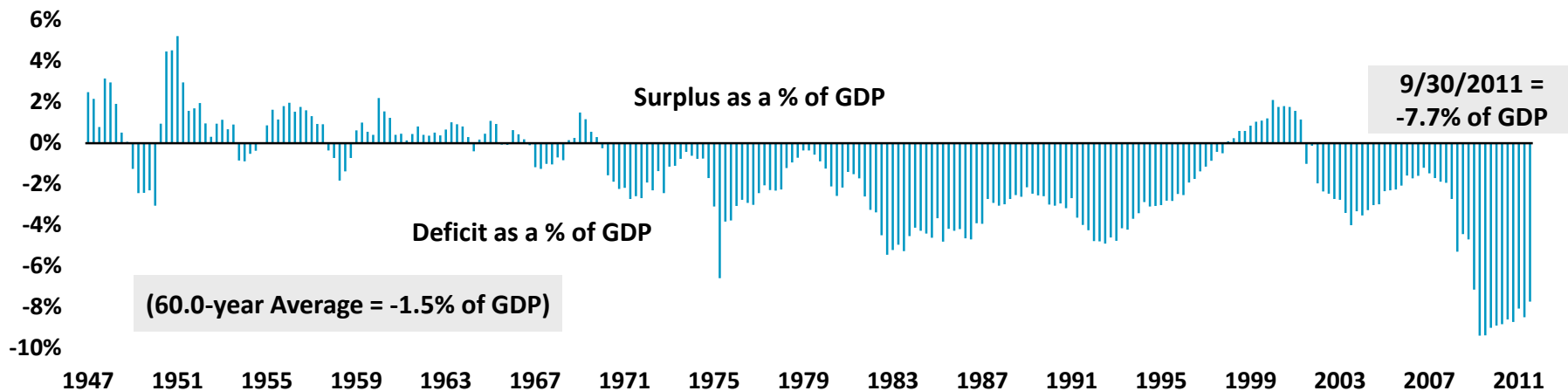
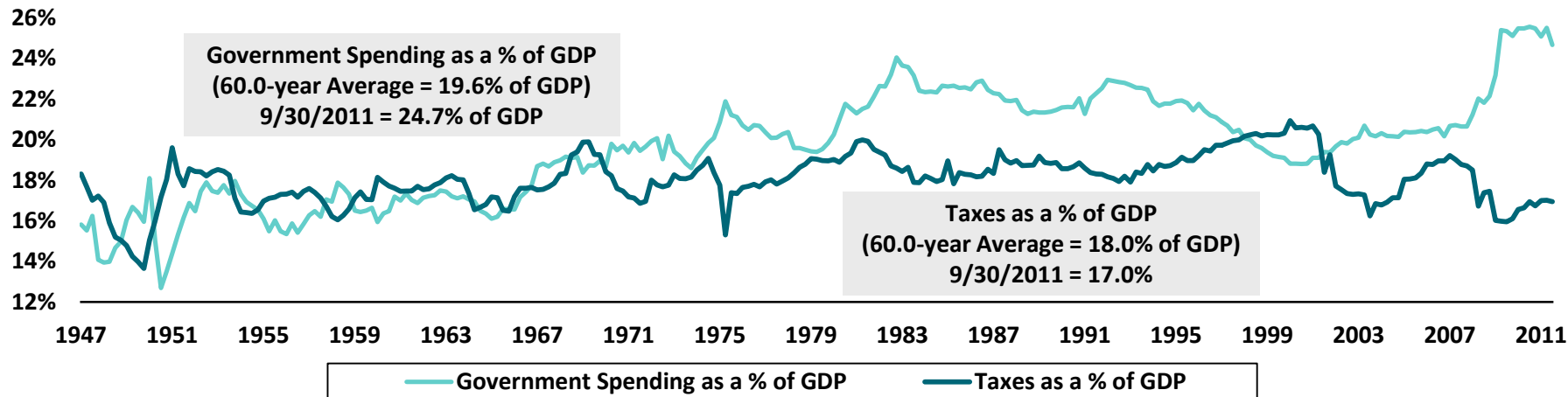
U.S. Housing Starts



The Budget Deficit Problem

Taxes and Government Spending

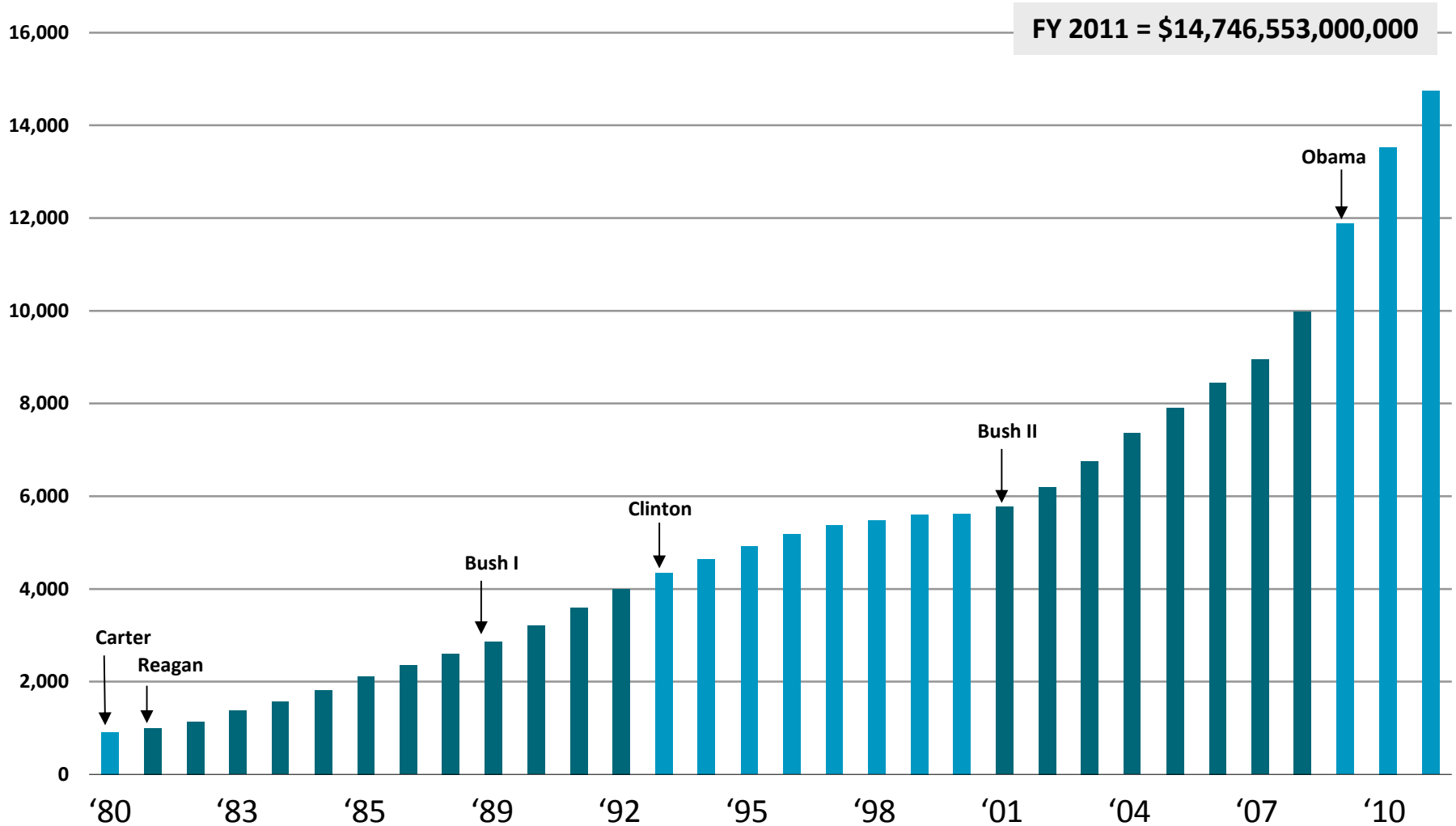
(Quarterly Data, 3/31/47–9/30/11)



Source: Ned Davis Research.

U.S. Government Debt

(\$ in billion)



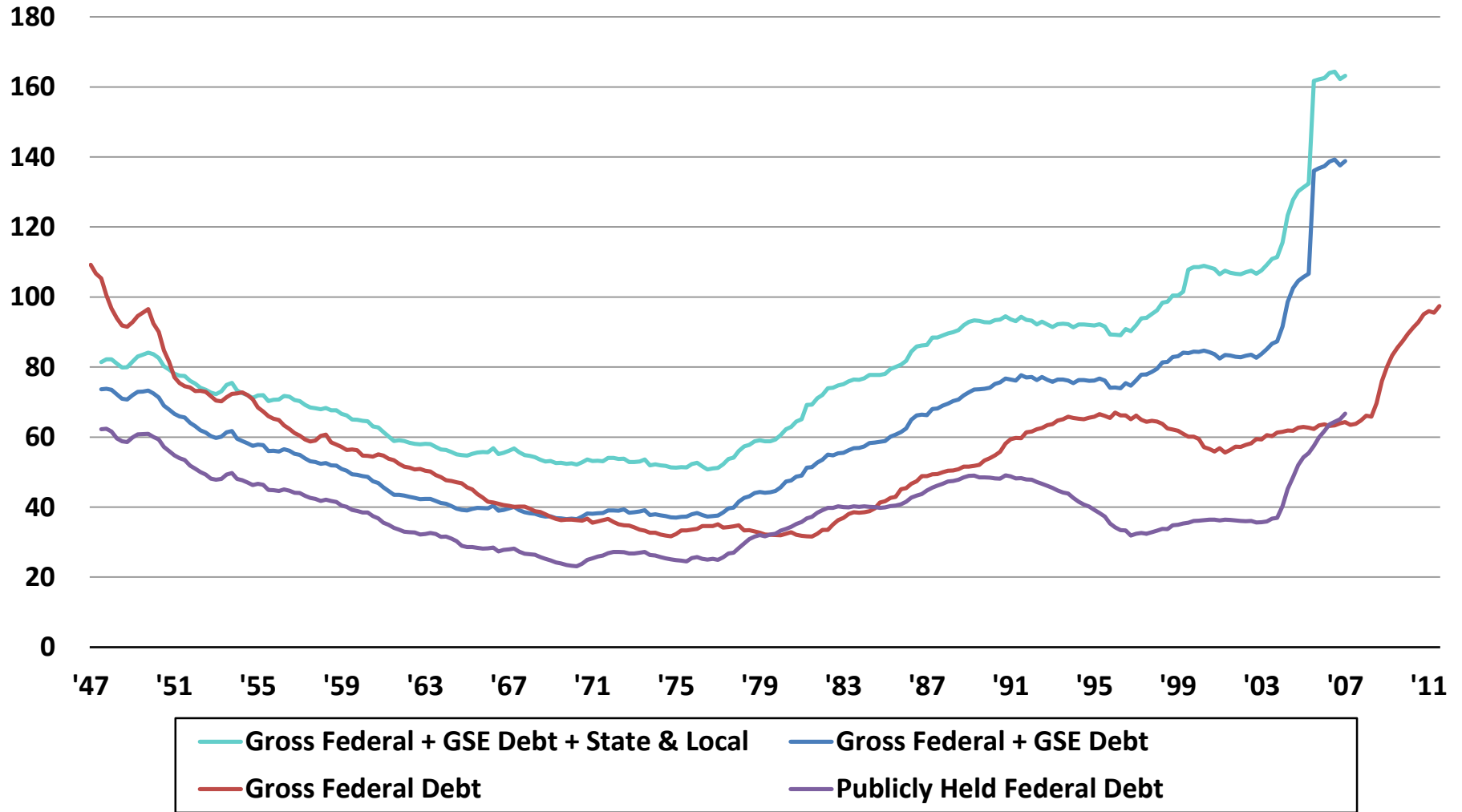
Source: Strategas Research Partners.

Fiscal Positions of Select Countries

	Deficit % GDP		Gross Debt % GDP	
	2007	2010	2007	2010
U.S.	-1.2	-8.9	64.4	93.2
U.K.	-2.7	-10.3	44.4	79.9
Euro-Zone	-0.7	-6.2	66.3	85.3
Germany	0.2	-4.3	65.2	83.2
France	-2.7	-7.1	64.2	82.3
Italy	-1.6	-4.6	103.1	118.4
Spain	1.9	-9.3	36.2	61.0
Ireland	0.1	-31.3	24.8	92.5
Portugal	-3.1	-9.8	68.3	93.3
Greece	-6.5	-10.6	107.4	144.9
Japan	-0.2	n/a	163.4	190.8

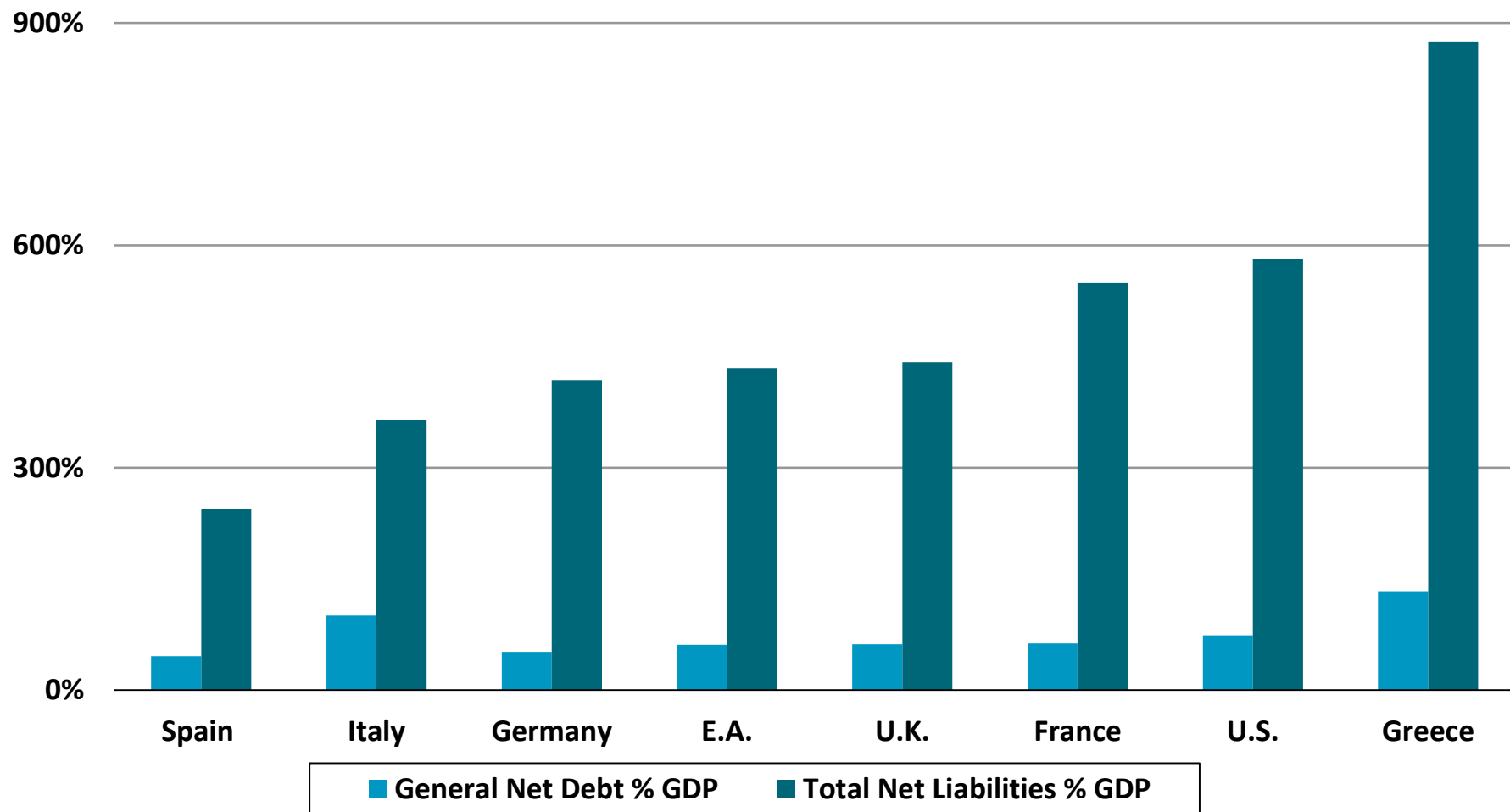
Source: EuroStat, OMB, Haver.

Government Debt (Federal, State, Local) + GSE Debt as a % of GDP



Source: Ned Davis Research.

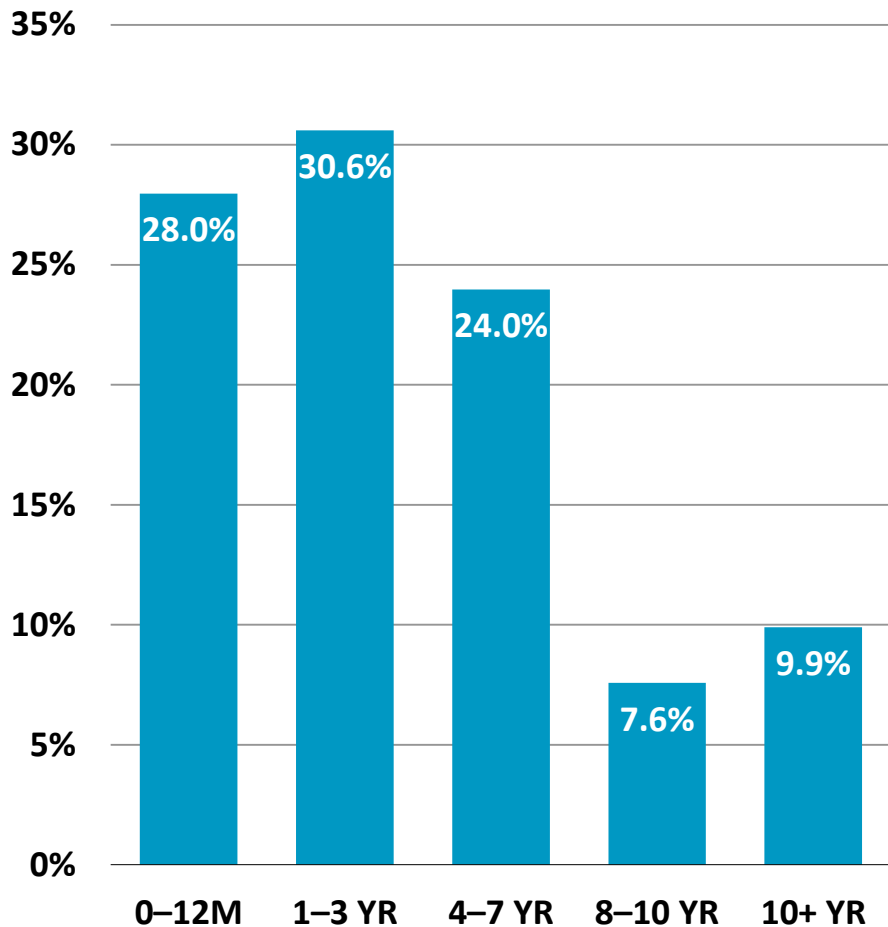
Total Net Liabilities



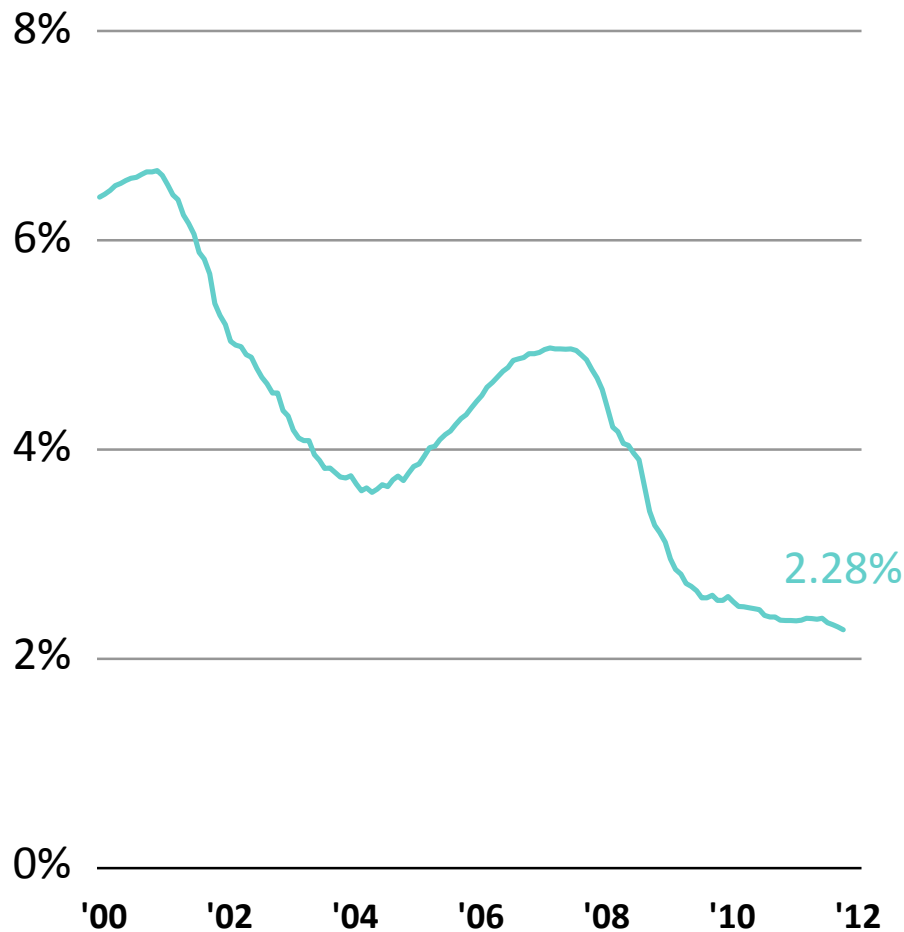
Source: Strategas Research Partners.

Weighted Average Cost of Marketable Debt

U.S. Outstanding Sovereign Debt by Maturity Timeline



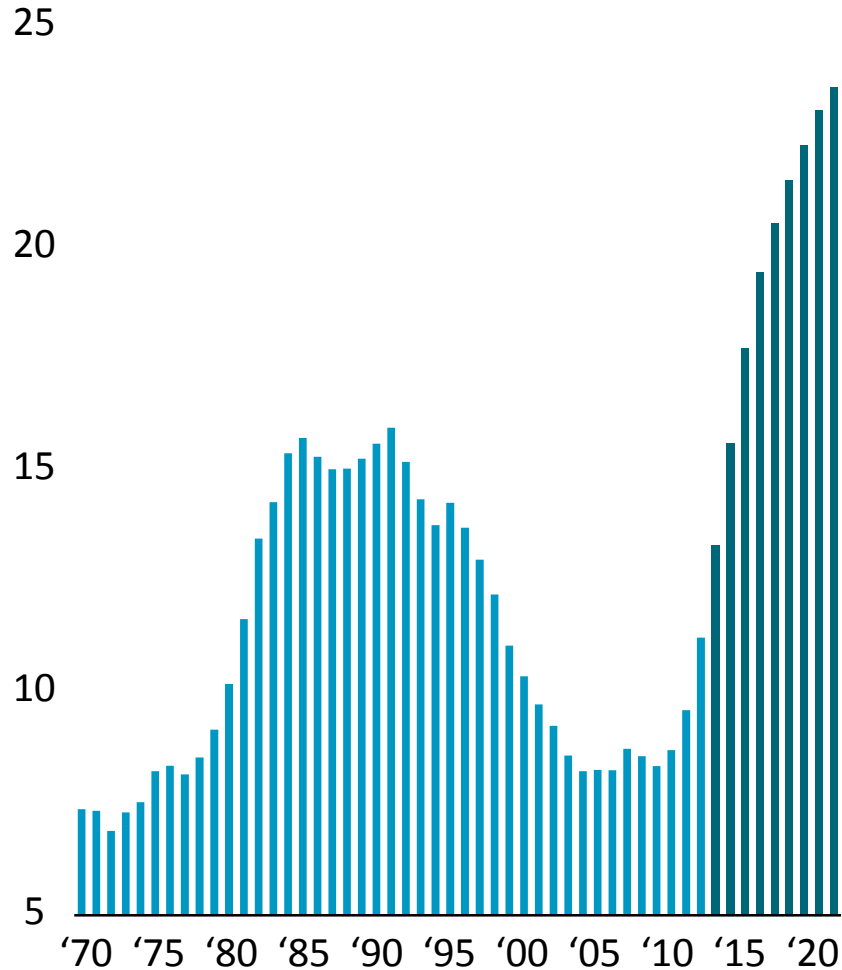
Weighted Average Cost of Marketable Debt



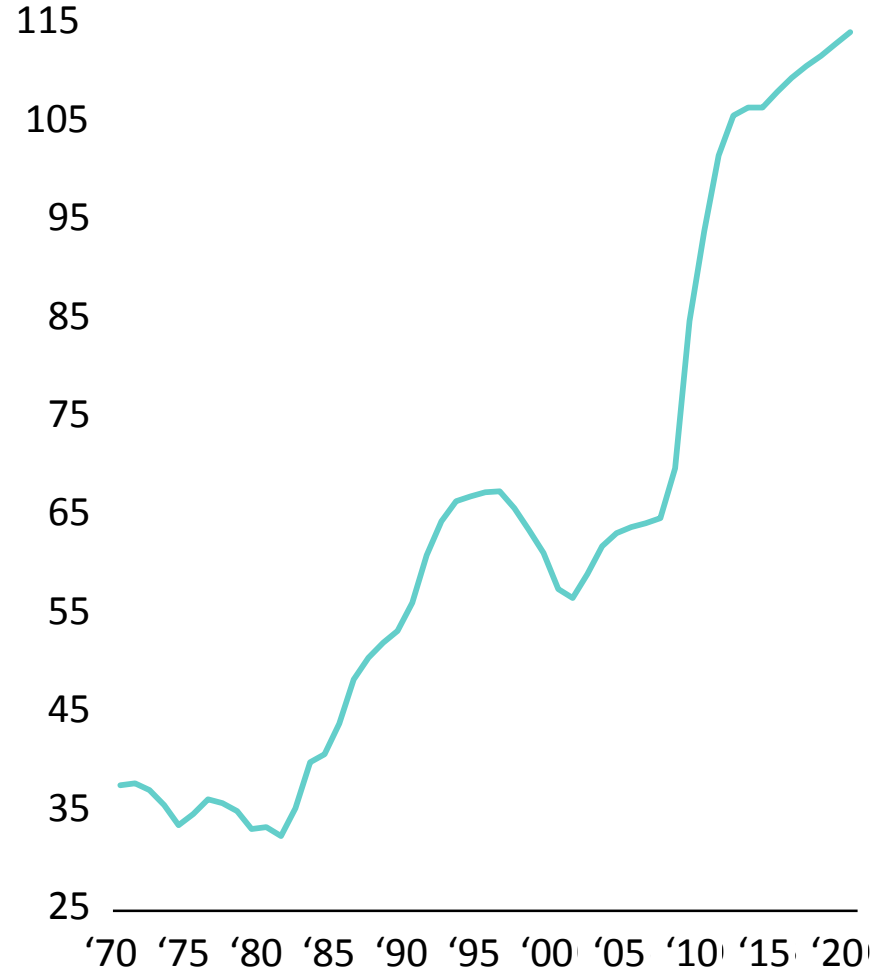
Source: Strategas Research Partners.

A Challenging Environment for the Federal Government

Interest Payments / Revenue



Gross Federal Debt as a Percentage of GDP



Source: Gluskin Sheff & Associates.

Diminishing Returns from Debt-Financing by Decade

12/31/1949 – 9/30/2011

(\$ in billions)

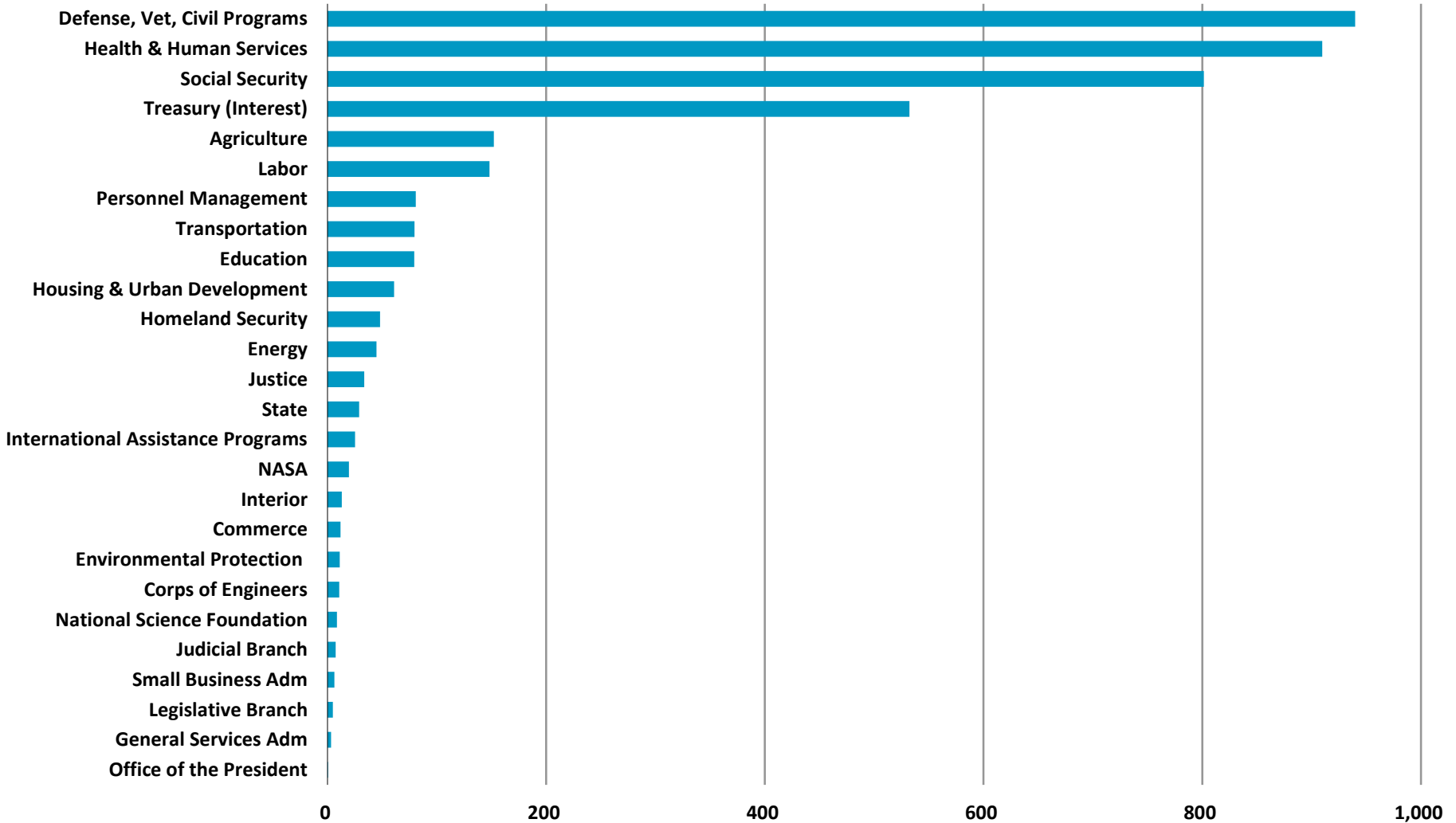
Date Range	Decade Change in Debt	Decade Change in GDP	Debt / GDP
12/31/1949 – 12/31/1959	\$337.6	\$248.0	1.36
12/31/1959 – 12/31/1969	\$752.1	\$491.3	1.53
12/31/1969 – 12/31/1979	\$2,785.2	\$1,654.9	1.68
12/31/1979 – 12/31/1989	\$8,562.8	\$2,922.3	2.93
12/31/1989 – 12/31/1999	\$12,549.7	\$4,026.0	3.12
12/31/1999 – 12/31/2009	\$27,670.8	\$4,479.7	6.18
12/31/2005 – 09/30/2011*	\$11,724.9	\$2,279.5	5.14

Source: Ned Davis Research.

*Last 5.25 years using most recent data available.

U.S. Government Expenditures

(\$ in billion)



Source: Strategas Research Partners.

The U.S. Tax System

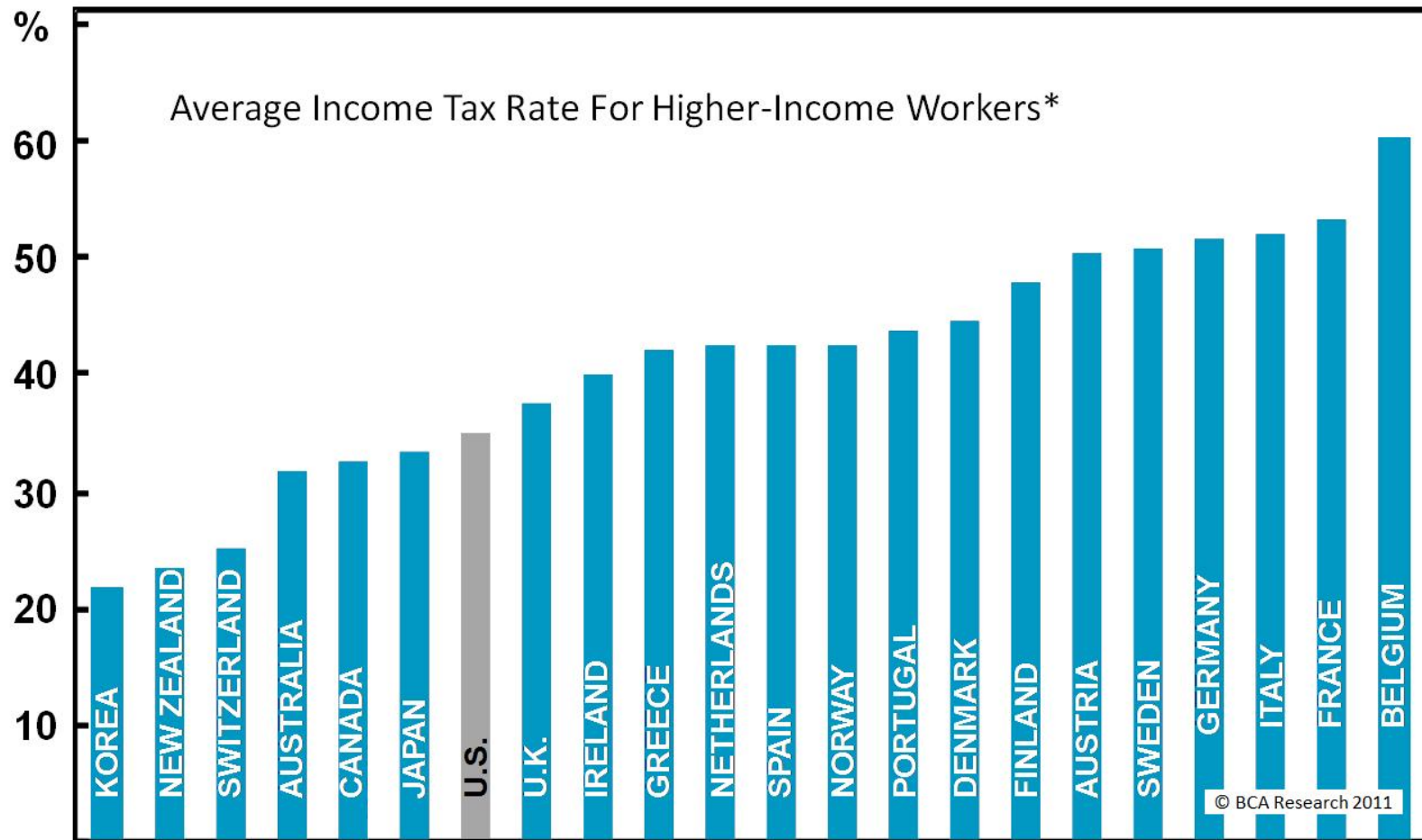
Some facts:

- ▶ The top 1% pay 38% of all individual federal taxes. Top 10% pay 70%. Top 25% pay 86%; top 50% pay 97%.
- ▶ About half of Americans pay no federal income tax. Almost 25% pay no federal taxes at all.
- ▶ The average federal tax rate for the top 1% is 23%. Top half 14%. Average rate for the bottom half is 3%.

The U.S. Tax System (cont'd)

- ▶ The wealthiest .1% paid federal taxes (including payroll taxes) of 31.5% in 2005, down from 42.9% in 1979. Middle income taxpayers saw their rate fall to 14.2% from 18.2%.
- ▶ The top 1% increased its income 275% between 1979 and 2007.
 - Next 19% 65%
 - Middle 60% 40%
 - Bottom 20% 18%
- ▶ Top fifth of the population saw a 10 percentage point increase in their share of after tax income.
- ▶ In 1980 the top 1% made 9.1% of the nation's income. By 2006 that had risen to 18.8%.
- ▶ In 1980 the average top 1%-er made 12.5 the median income. In 2006 the average top 1%-er made 36 times the median income.

Average Income Tax Rate For Higher-Income Workers

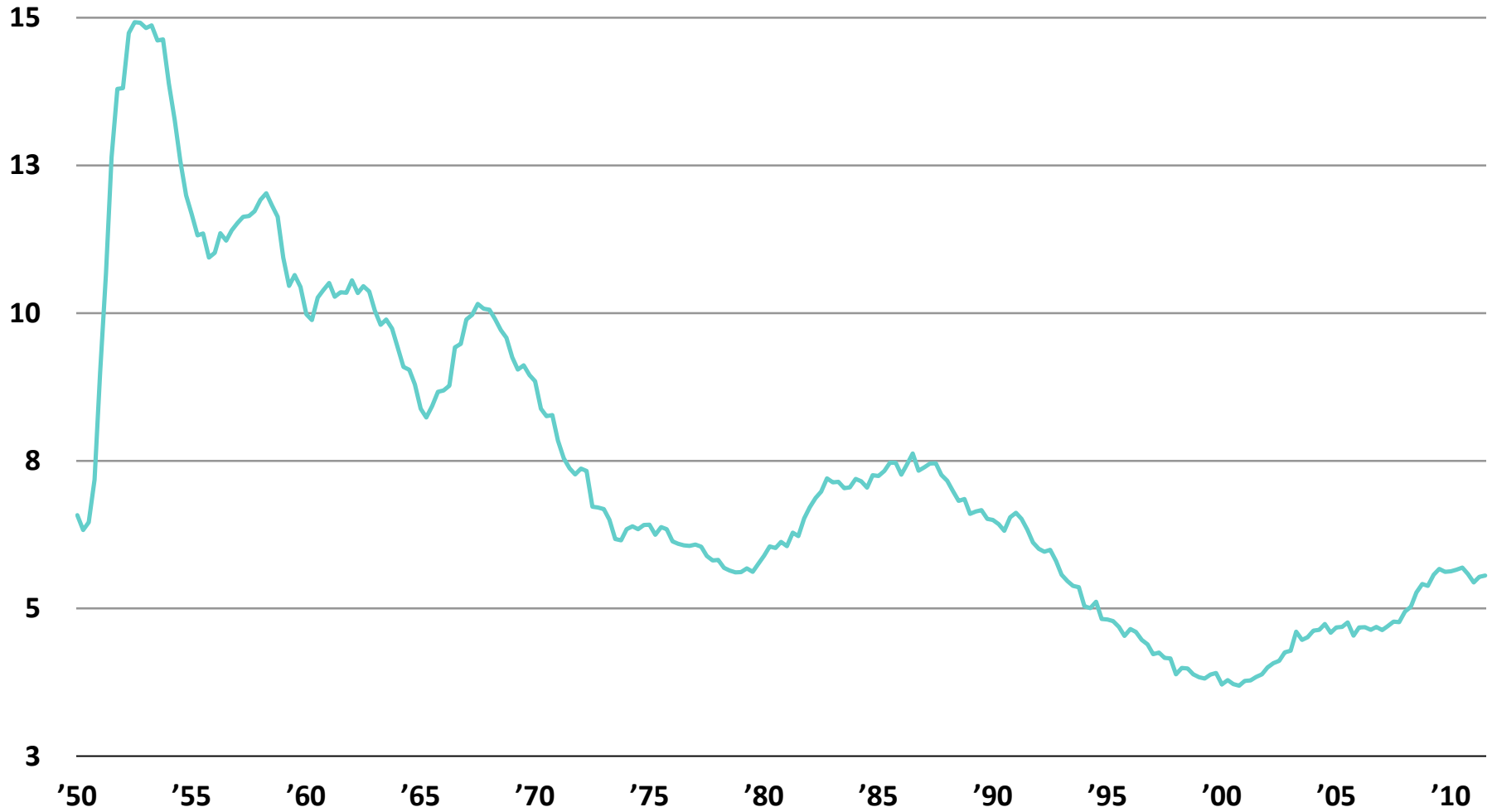


*PERSONAL INCOME TAX RATE FOR A HYPOTHETICAL WORKER WHOSE AVERAGE ANNUAL GROSS WAGE EARNINGS ARE 167% OF THE NATIONAL AVERAGE.

NOTE: PERSONAL INCOME TAXES PAID AT ALL LEVELS OF GOVERNMENT, INCLUDING EMPLOYEE AND EMPLOYER SOCIAL SECURITY CONTRIBUTIONS.

SOURCE: OECD

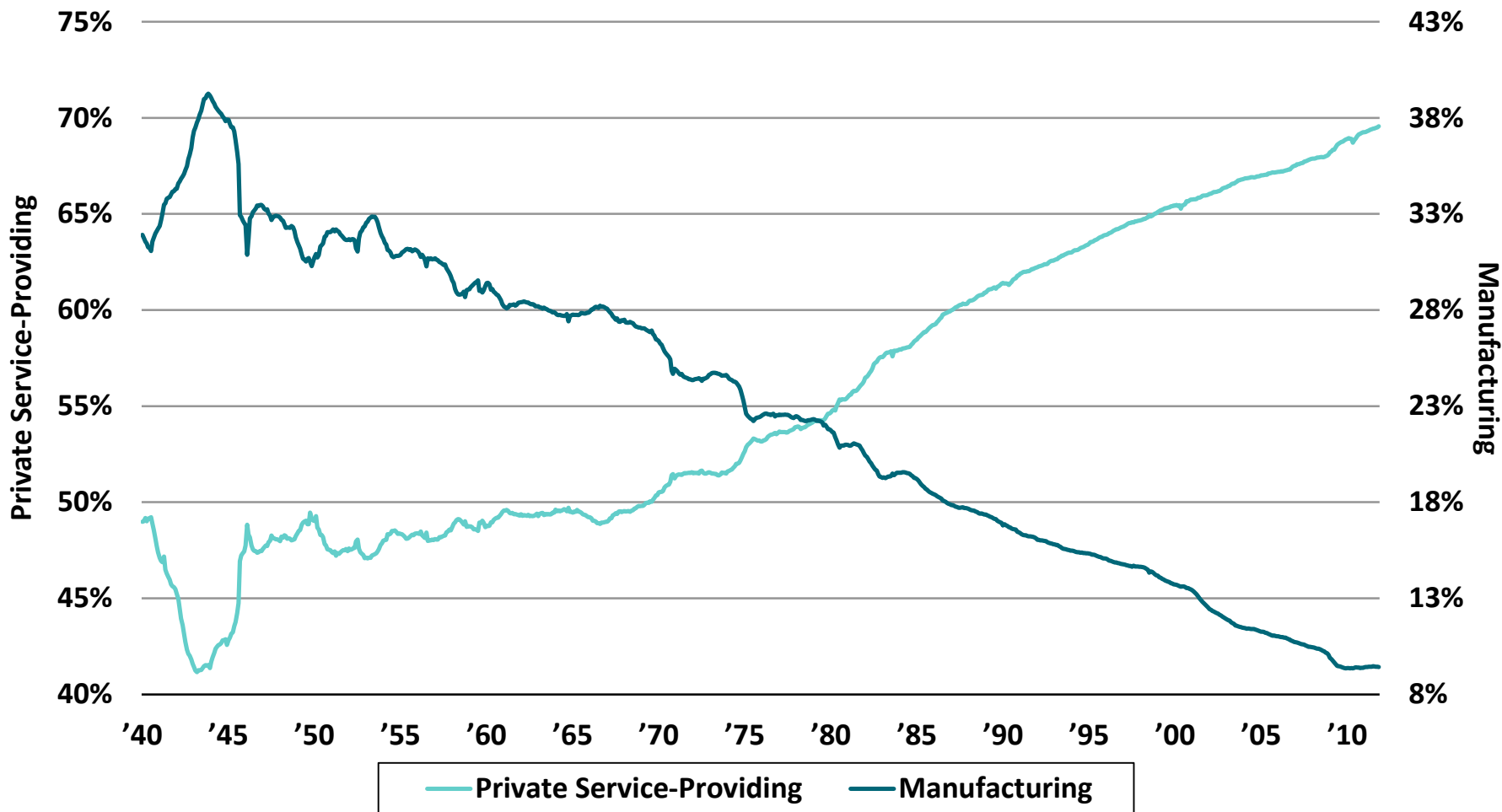
National Defense Spending as a % of GDP



Source: Strategas Research Partners.

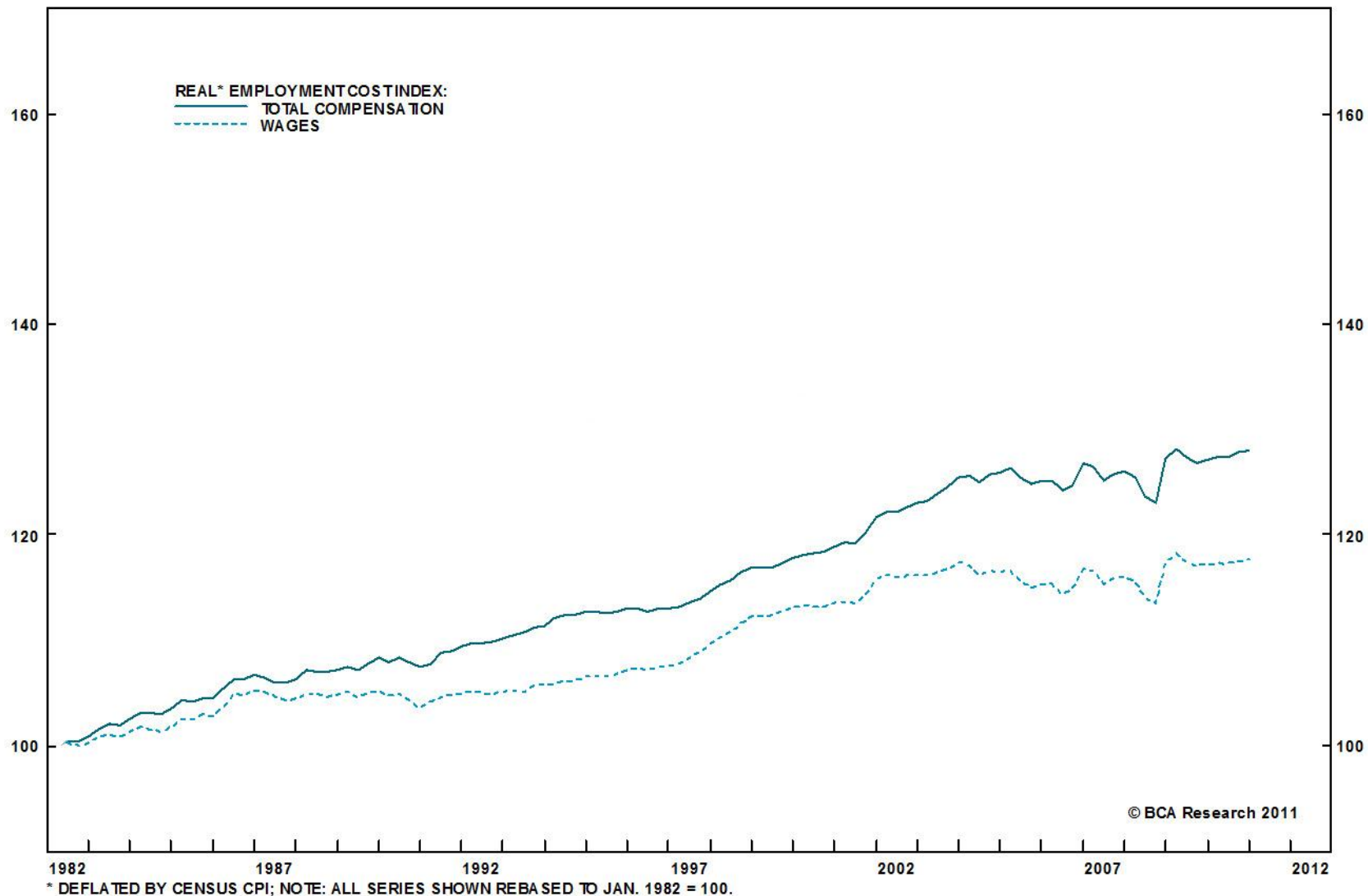
Once a Manufacturing-Driven Labor Market, Now Mostly Service-Related

SA, Thous



Source: Strategas Research Partners.

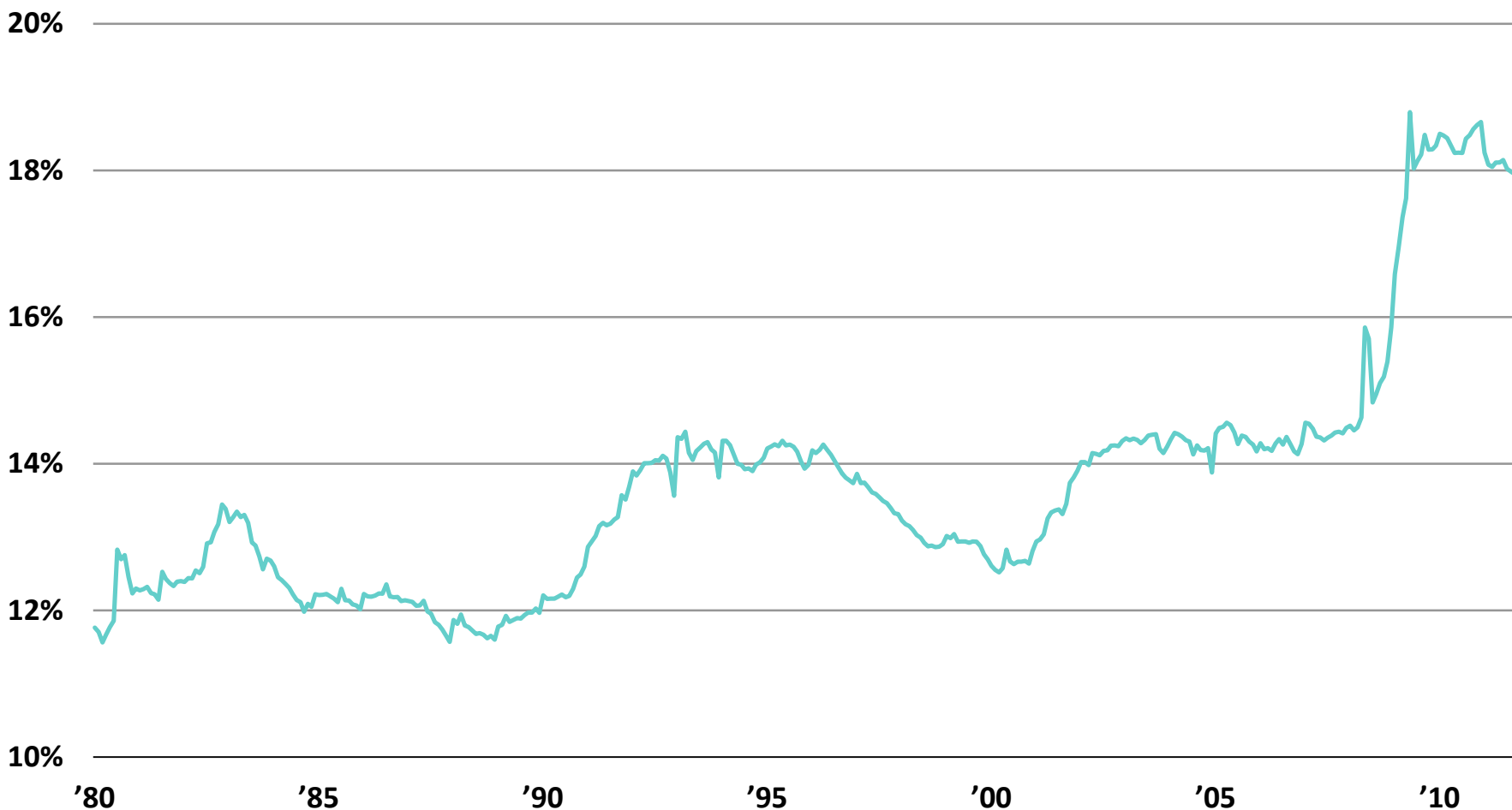
Benefits Have Become An Increasingly Large Part of Employees Compensation



Source: The Bank Credit Analyst

45 Million Americans Receive Food Stamps From The U.S. Government

Transfer Income as % Personal Income



Source: Strategas Research Partners.

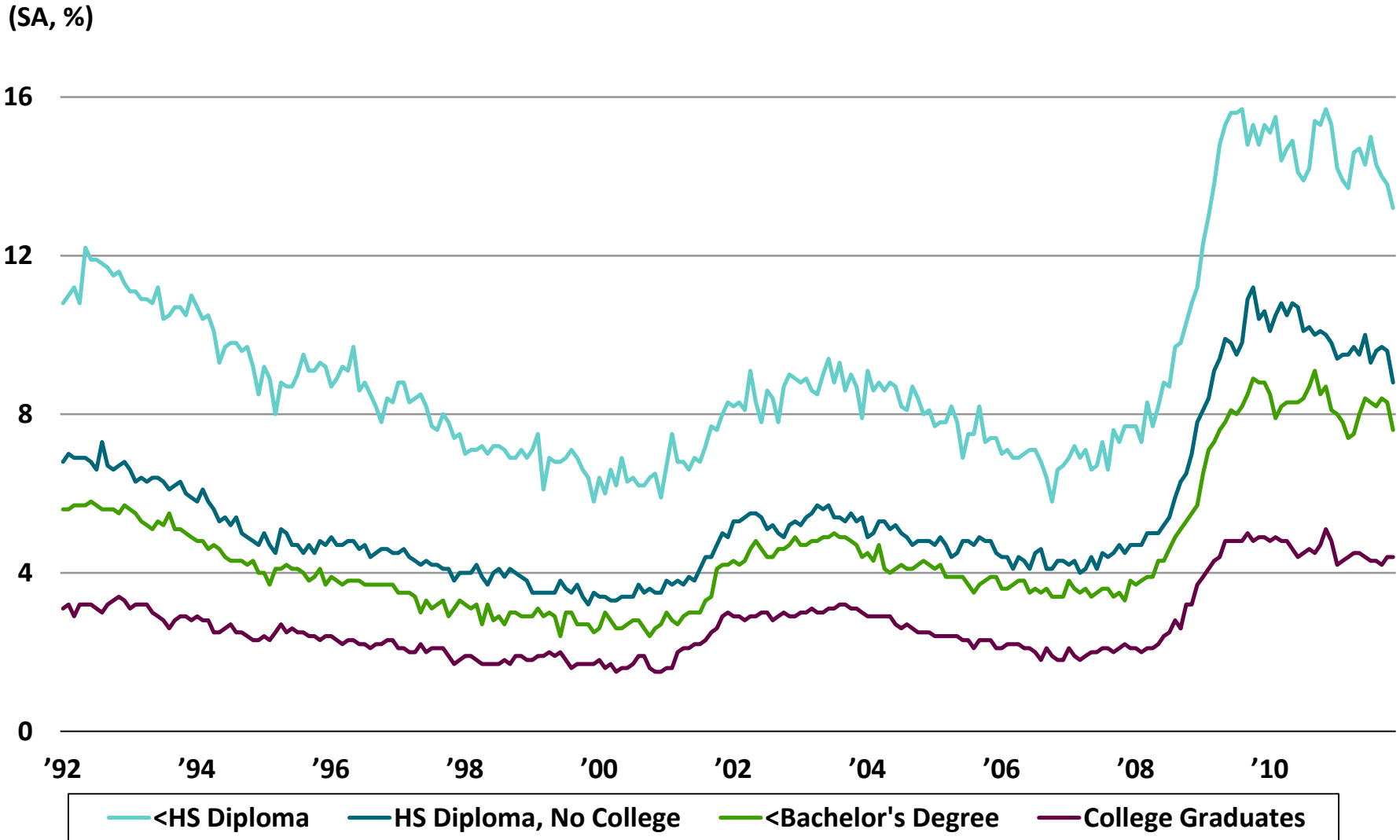
Inter-Generational Income Mobility Is Higher In Most European Countries Than In The U.S.



NOTE: THE HEIGHT OF EACH BAR CORRESPONDS TO AN ESTIMATE OF INTER-GENERATIONAL EARNINGS ELASTICITY. THIS MEASURES THE EXTENT TO WHICH SONS' EARNINGS LEVELS REFLECT THOSE OF THEIR FATHERS.

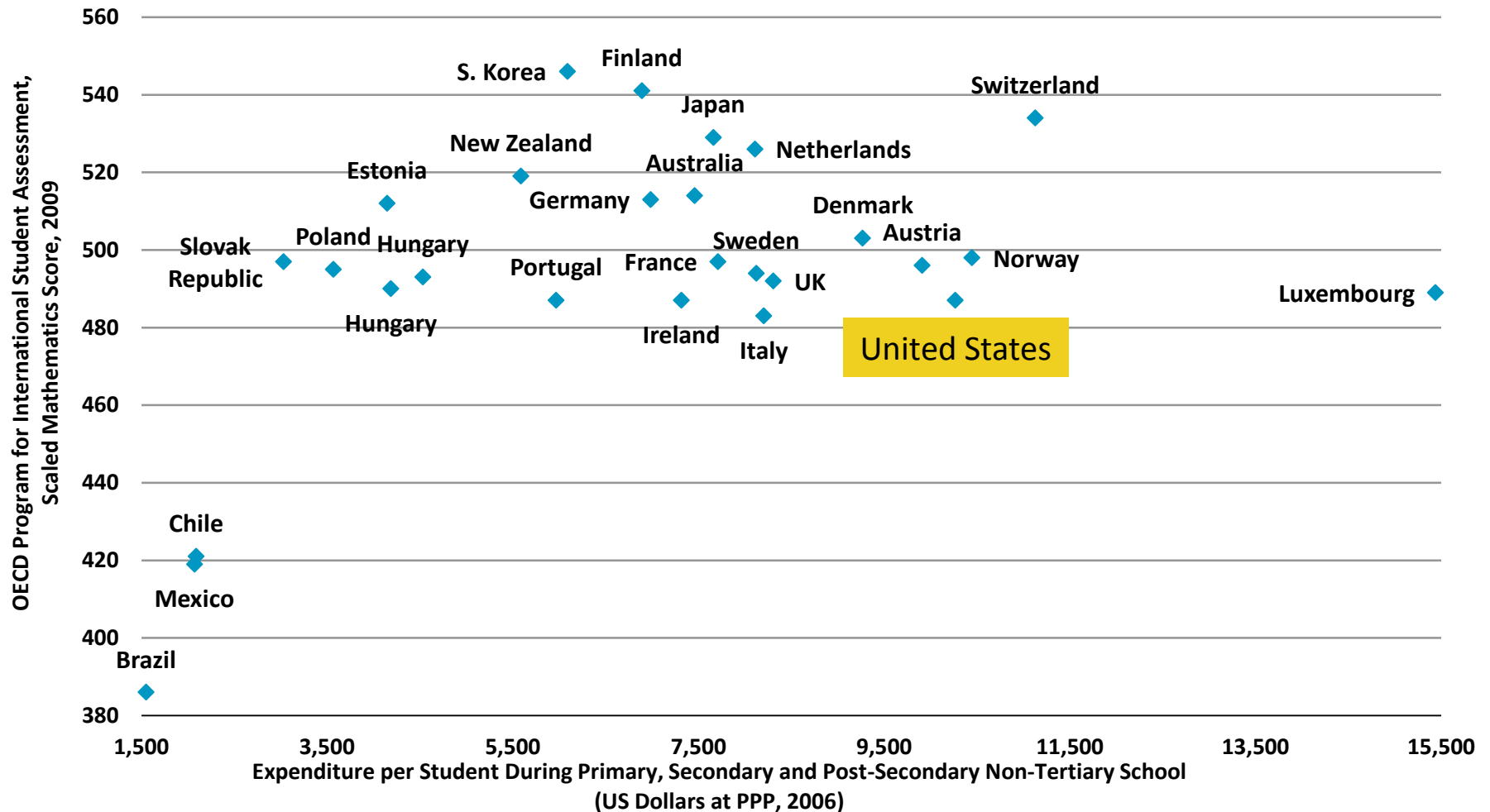
SOURCE: OECD

Unemployment by Educational Achievement



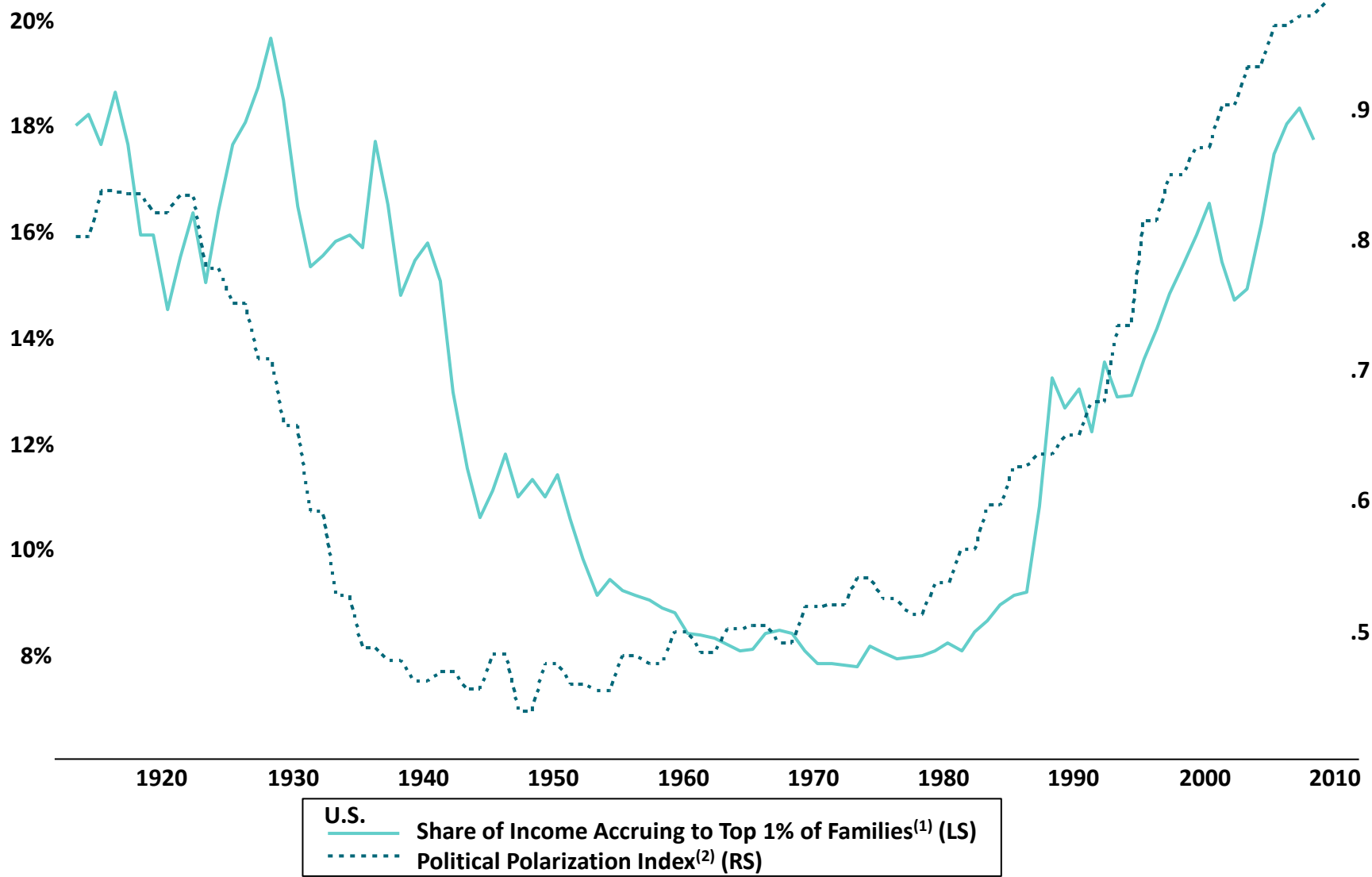
Source: Strategas Research Partners.

Educational Spending and Attainment in Mathematics



Source: Strategas Research Partners.

Political Polarization Has Increased Along With Widening Inequality



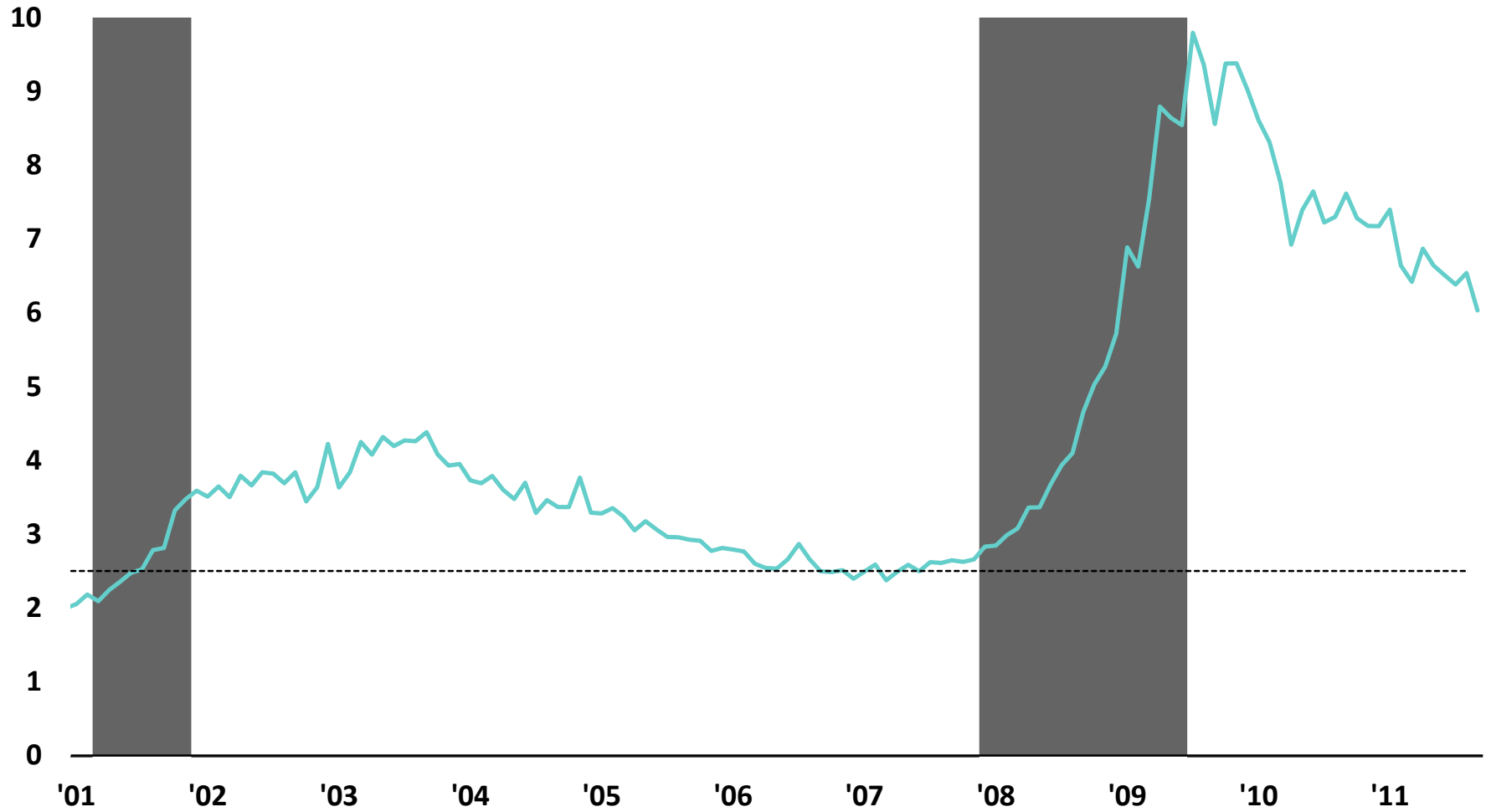
Source: The Bank Credit Analyst.

(1) Source: Thomas Piketty and Emmanuel Saez.

(2) Defined as a measure of partisanship that gauges the extent to which members of Congress vote with the majority of their own party.

More Than Six Americans Competing For Every Job Opening

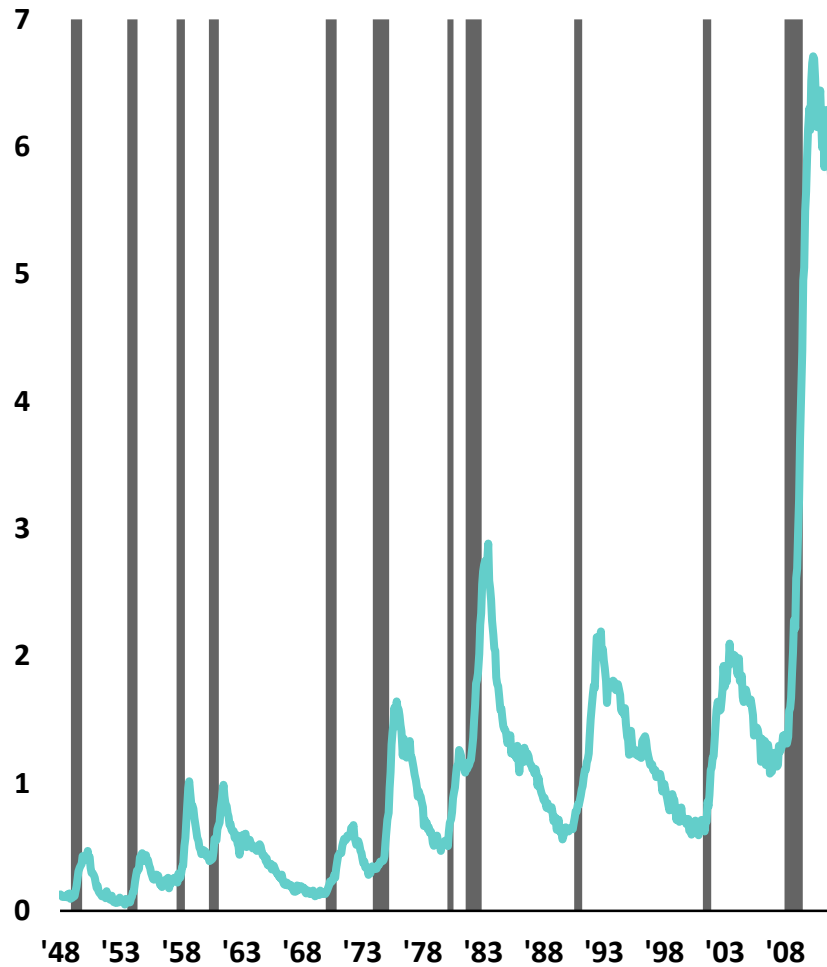
(SA, 000s)



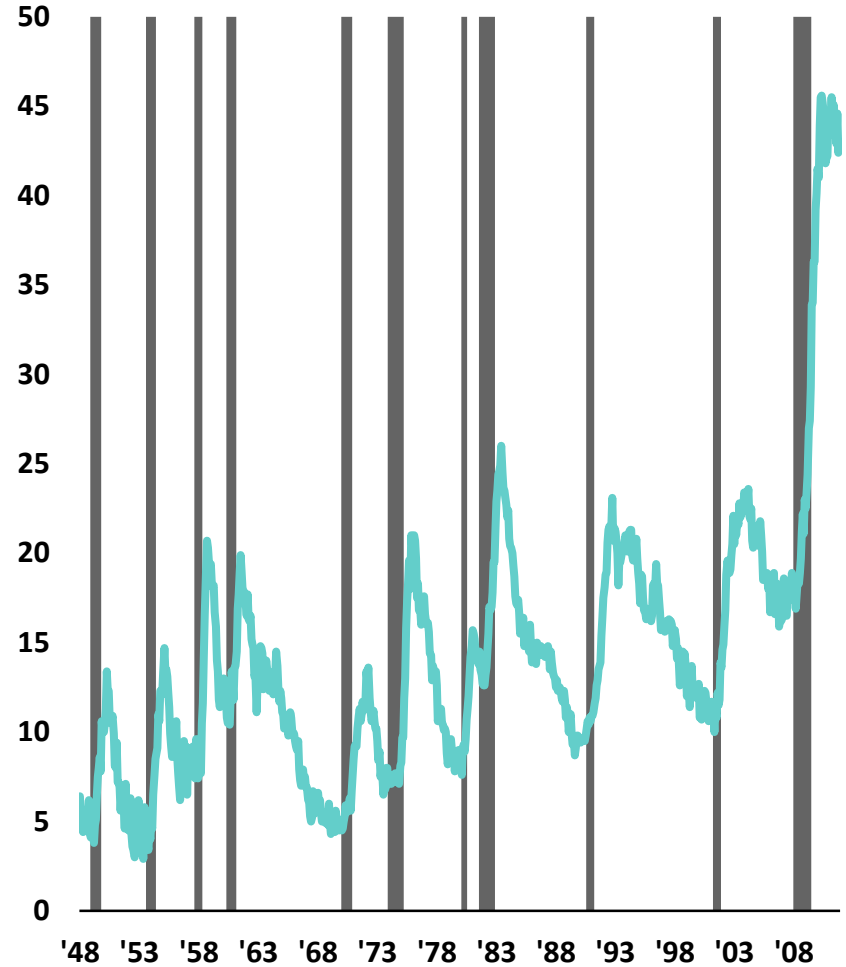
Source: Gluskin Sheff & Associates.

United States: Civilians Unemployed for 27 Weeks +

Total in millions



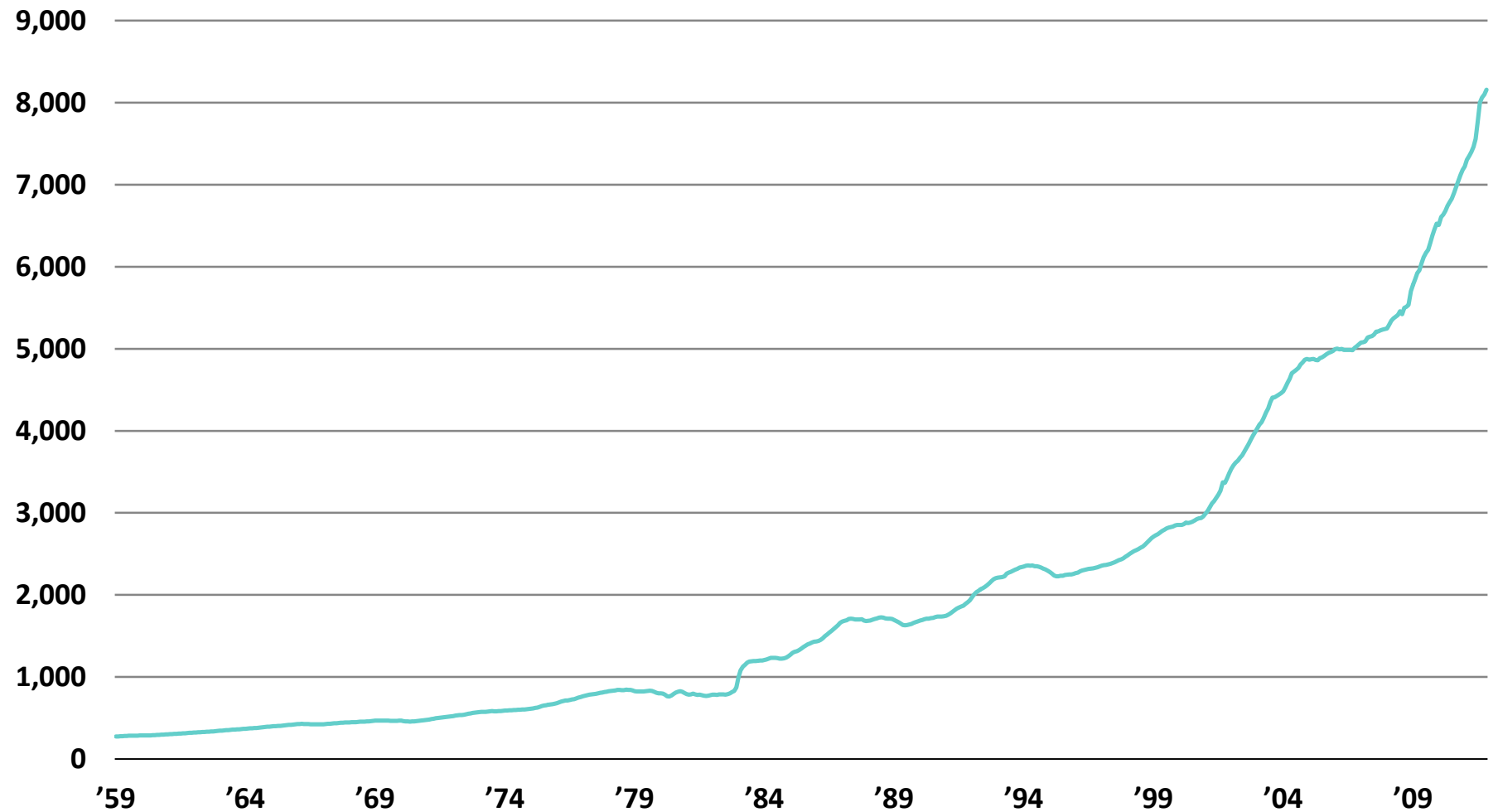
As a % of Unemployed



Source: Gluskin Sheff & Associates.

True Money Supply

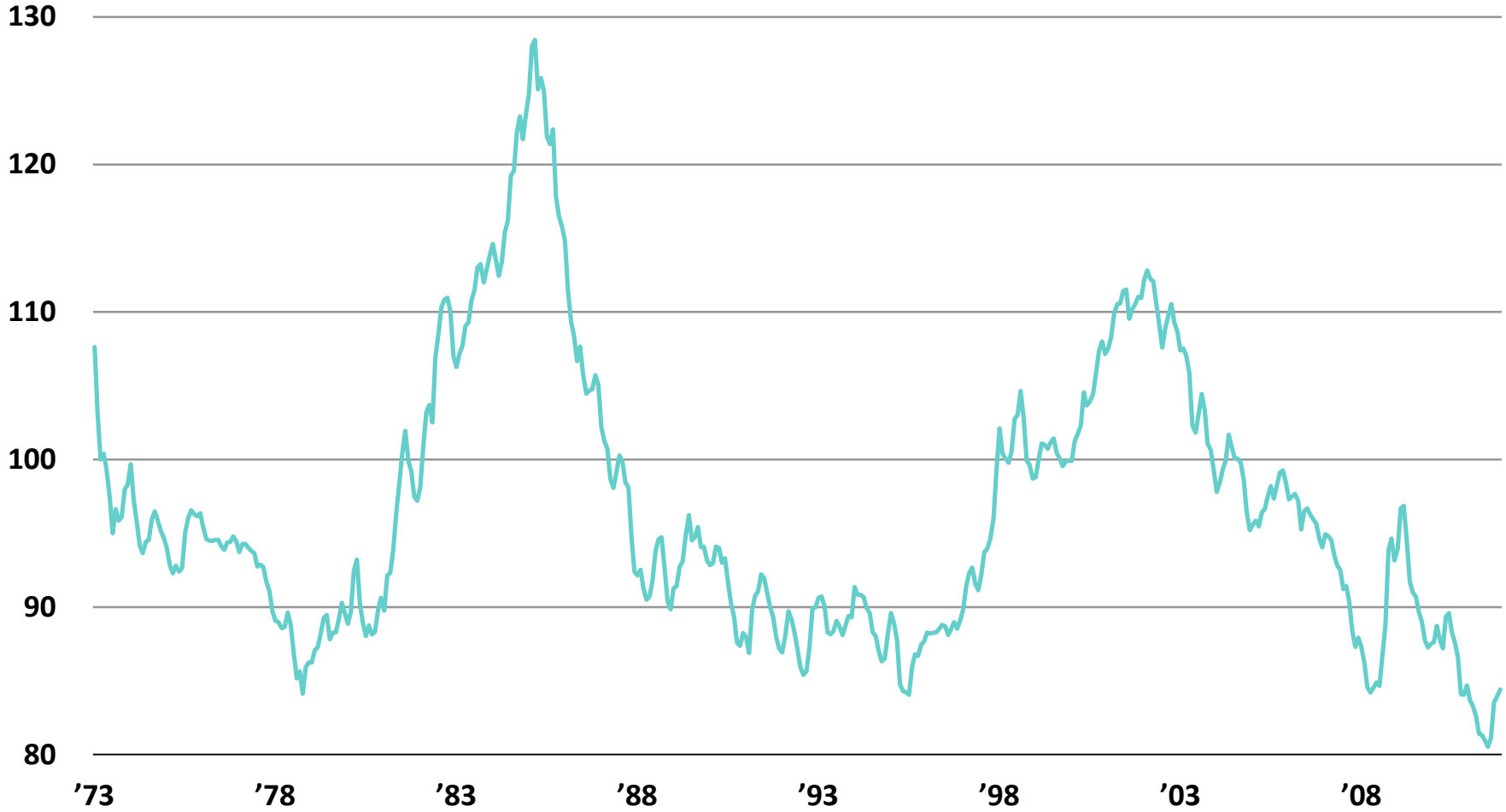
(in billions)



Source: Strategas Research Partners.

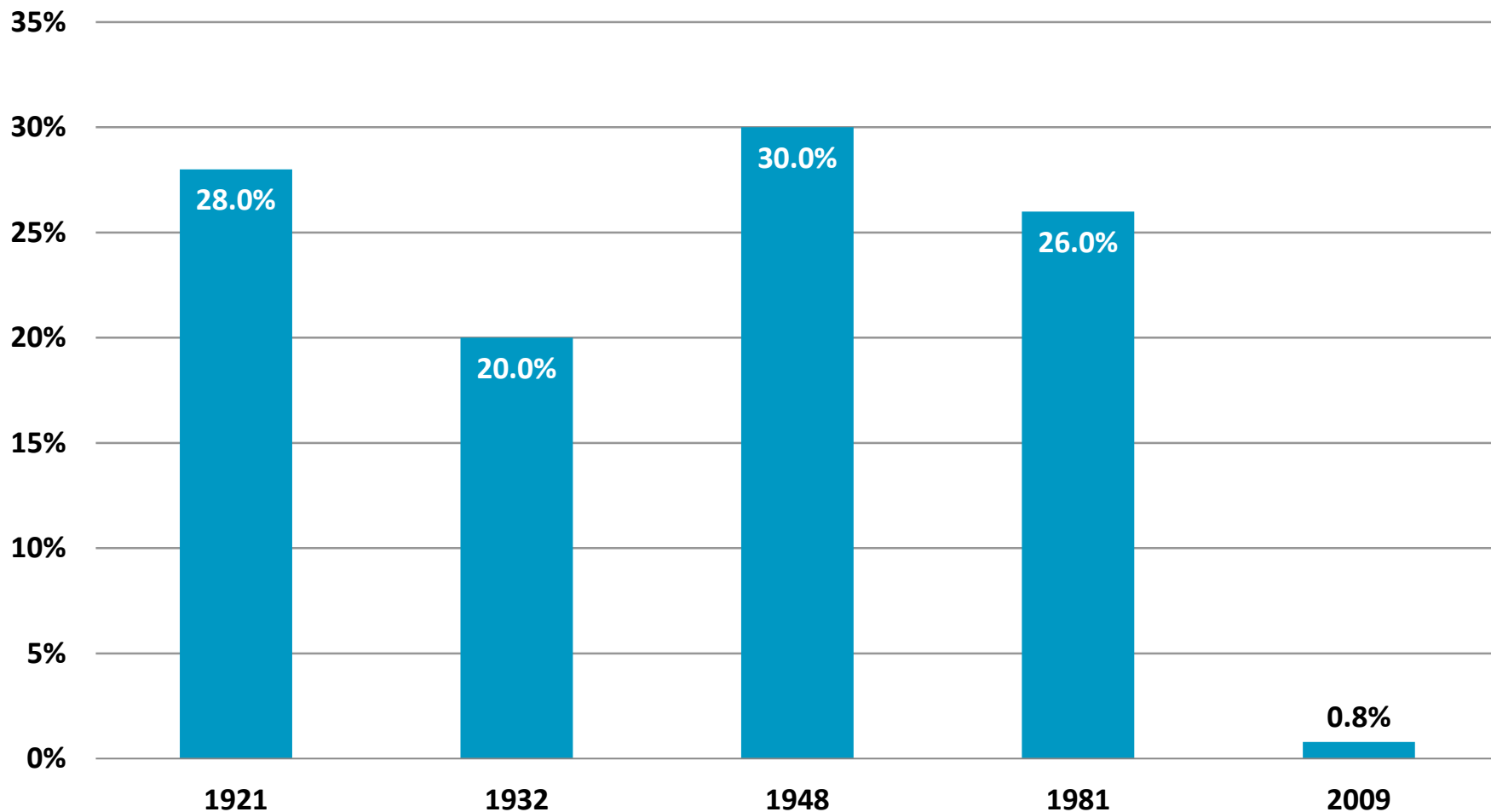
Real Broad Trade-Weighted Exchange Value of the US\$

(Mar-73 =100)



Source: Strategas Research Partners.

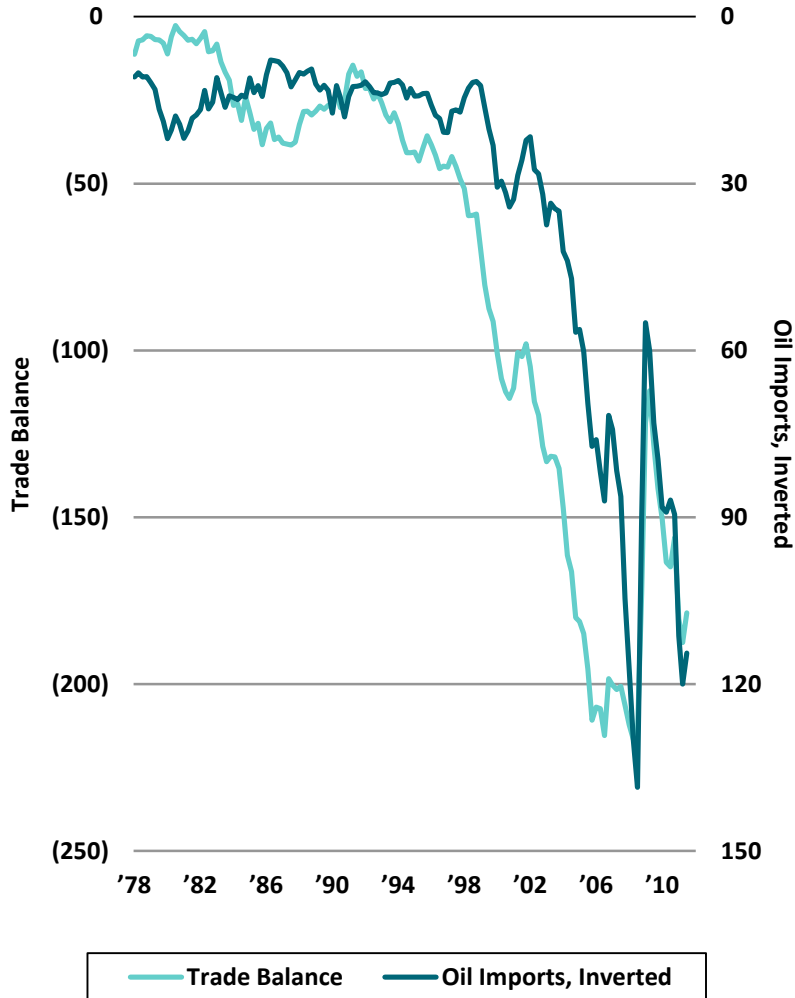
Gold and Gold Mining Shares as a % of Global Assets



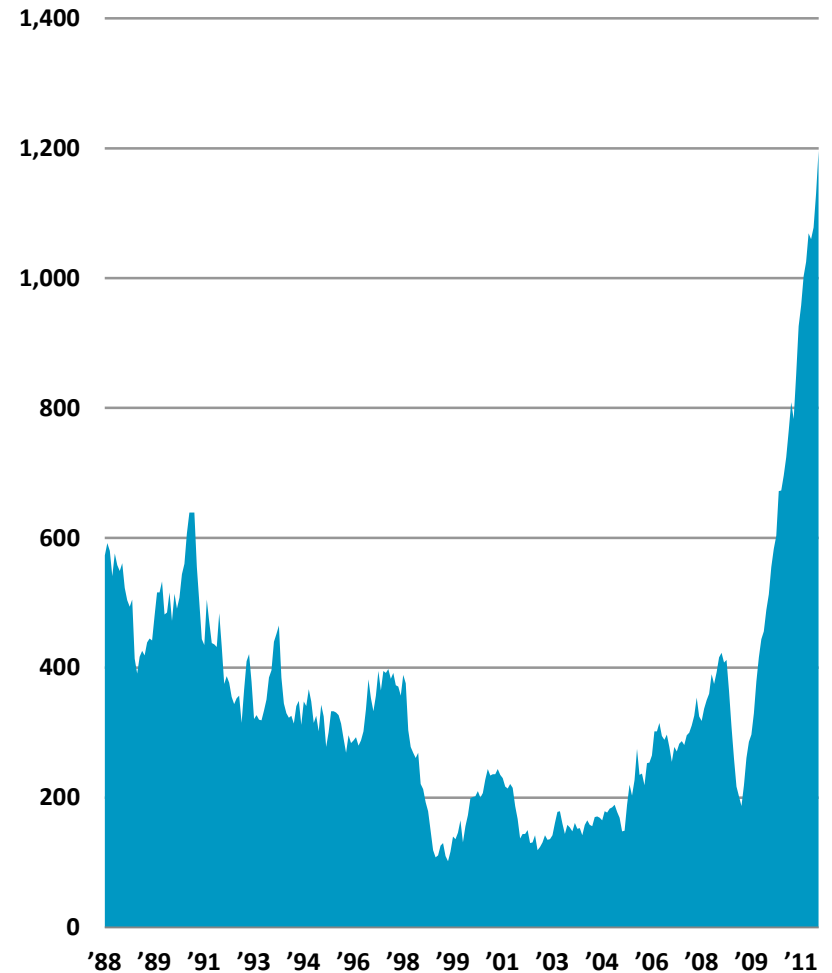
Source: Strategas Research Partners.

Crude Oil Rotary Rig Count

Balance of Trade in Goods and Services vs. Oil Imports (\$ in billions)



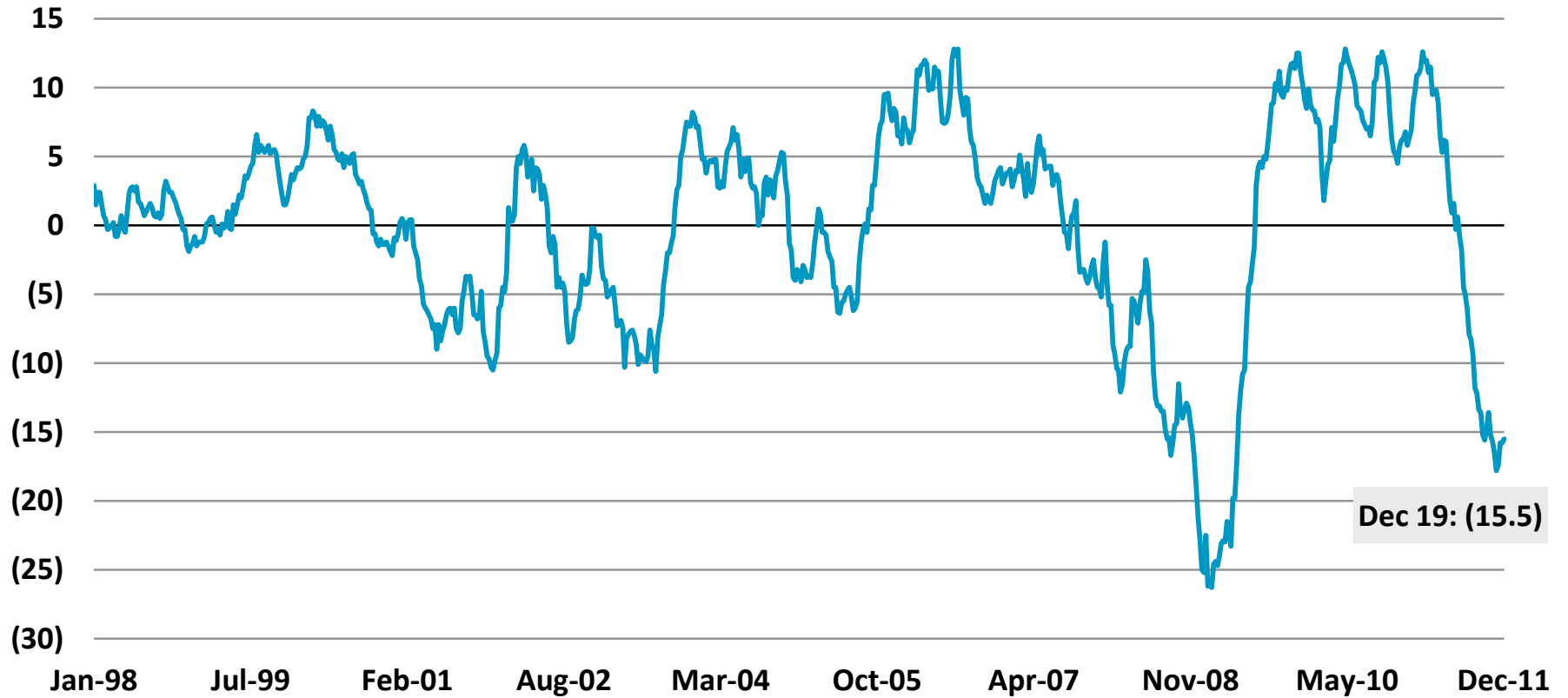
Crude Oil Rotary Rig Count



Source: Strategas Research Partners.

The European Sovereign Debt Problem

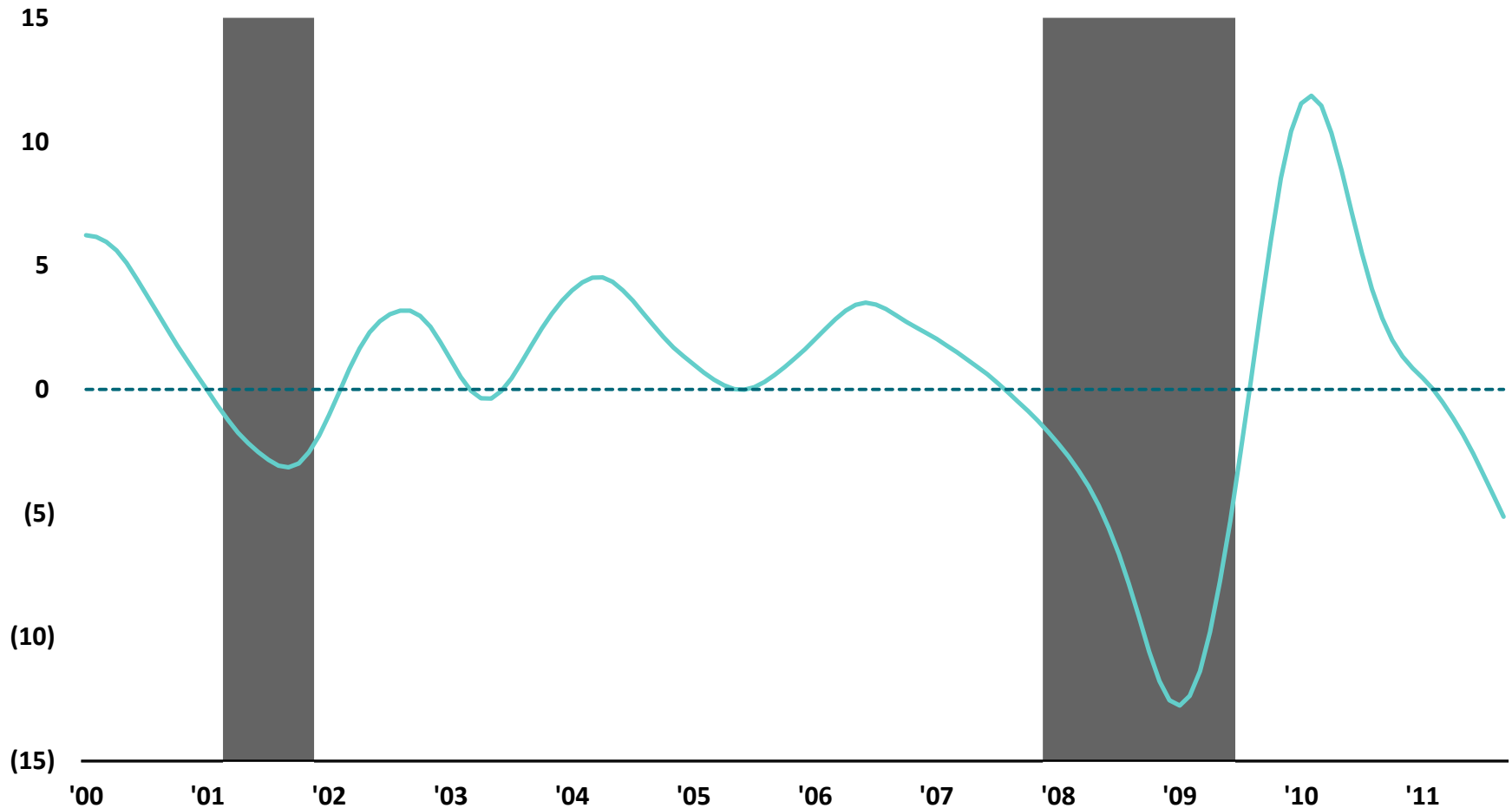
ISI Eurozone Economic Diffusion Index



Source: ISI Group

Euro Area: Heading For Recession

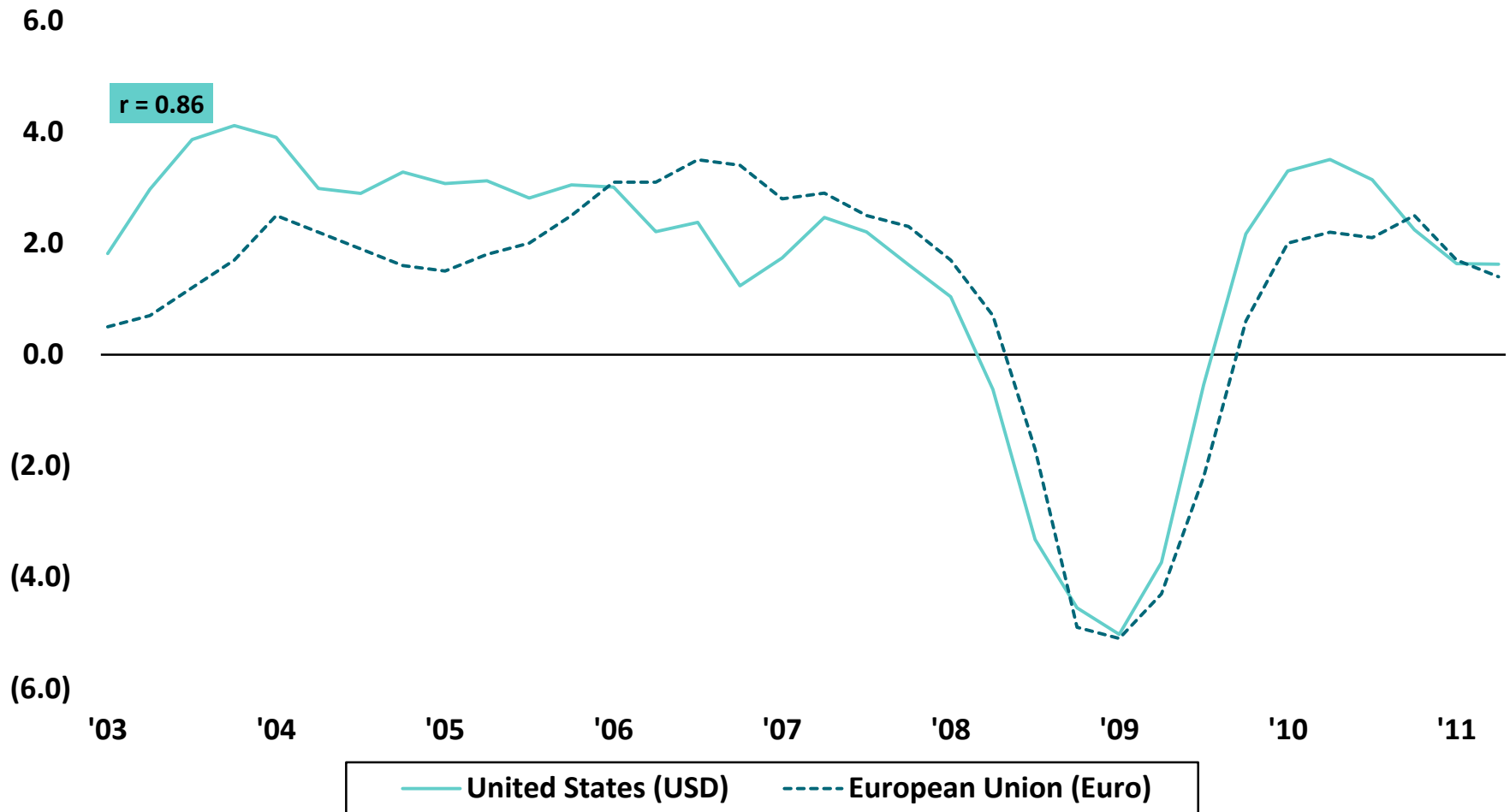
(NSA, Trend Restored, Y/Y % Chg) and Monthly NBER Recession/Expansion: Recession Shading (+1/-1)



Source: Gluskin Sheff & Associates.

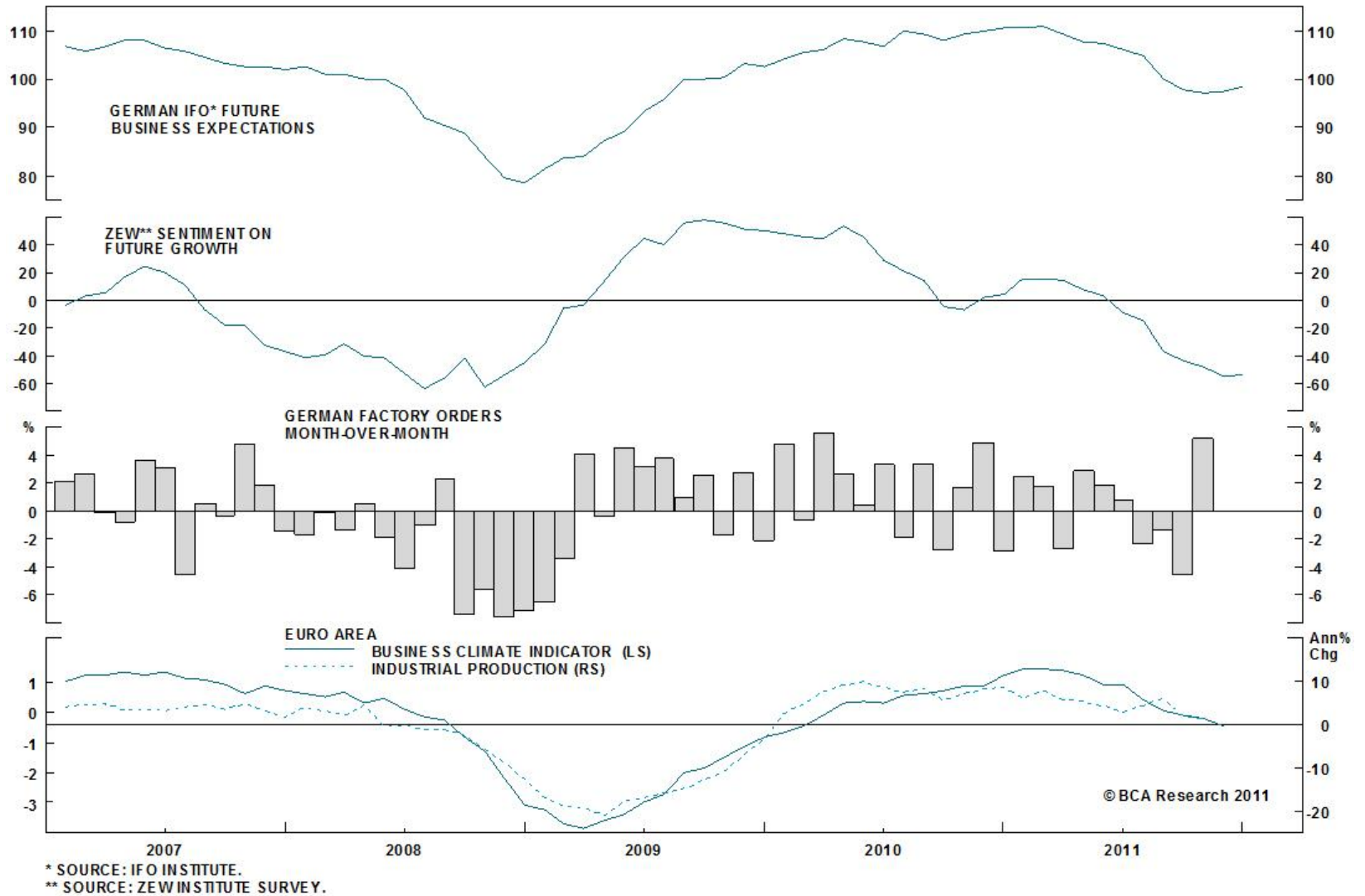
There Is No Decoupling

% Change – Year to Year



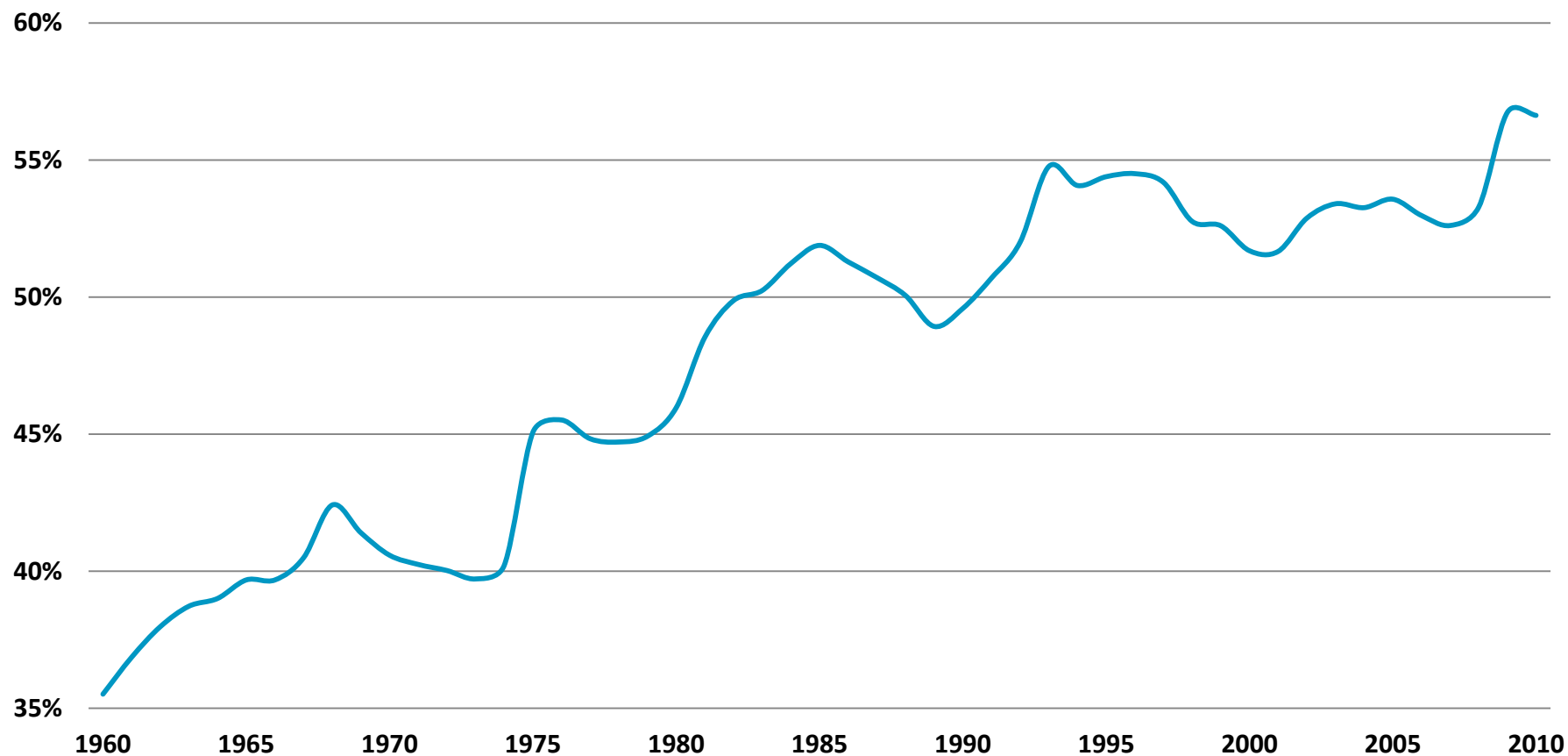
Source: Gluskin Sheff & Associates.

Germany: Growth Momentum Is Slowing



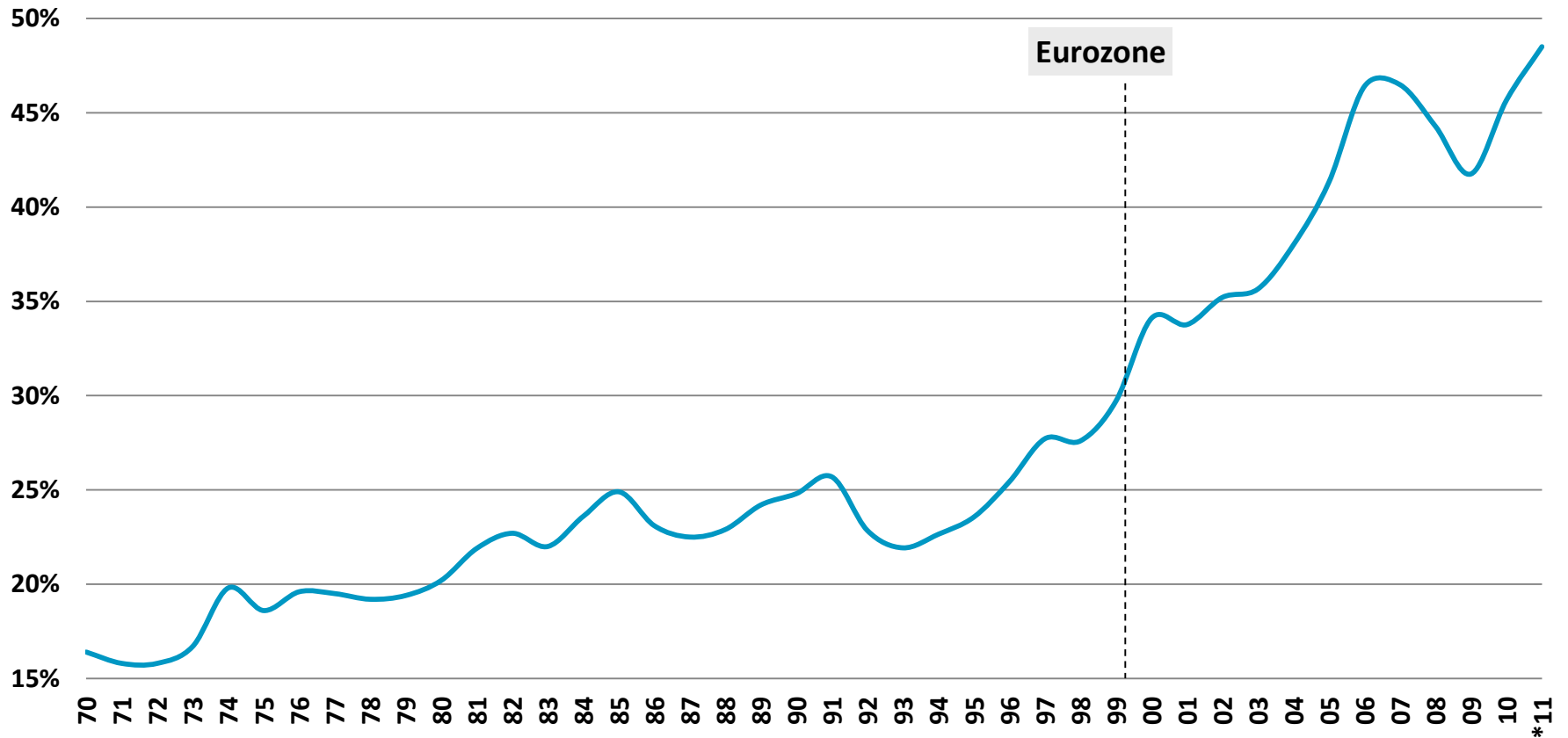
Source: The Bank Credit Analyst

Government Spending as % of GDP - France



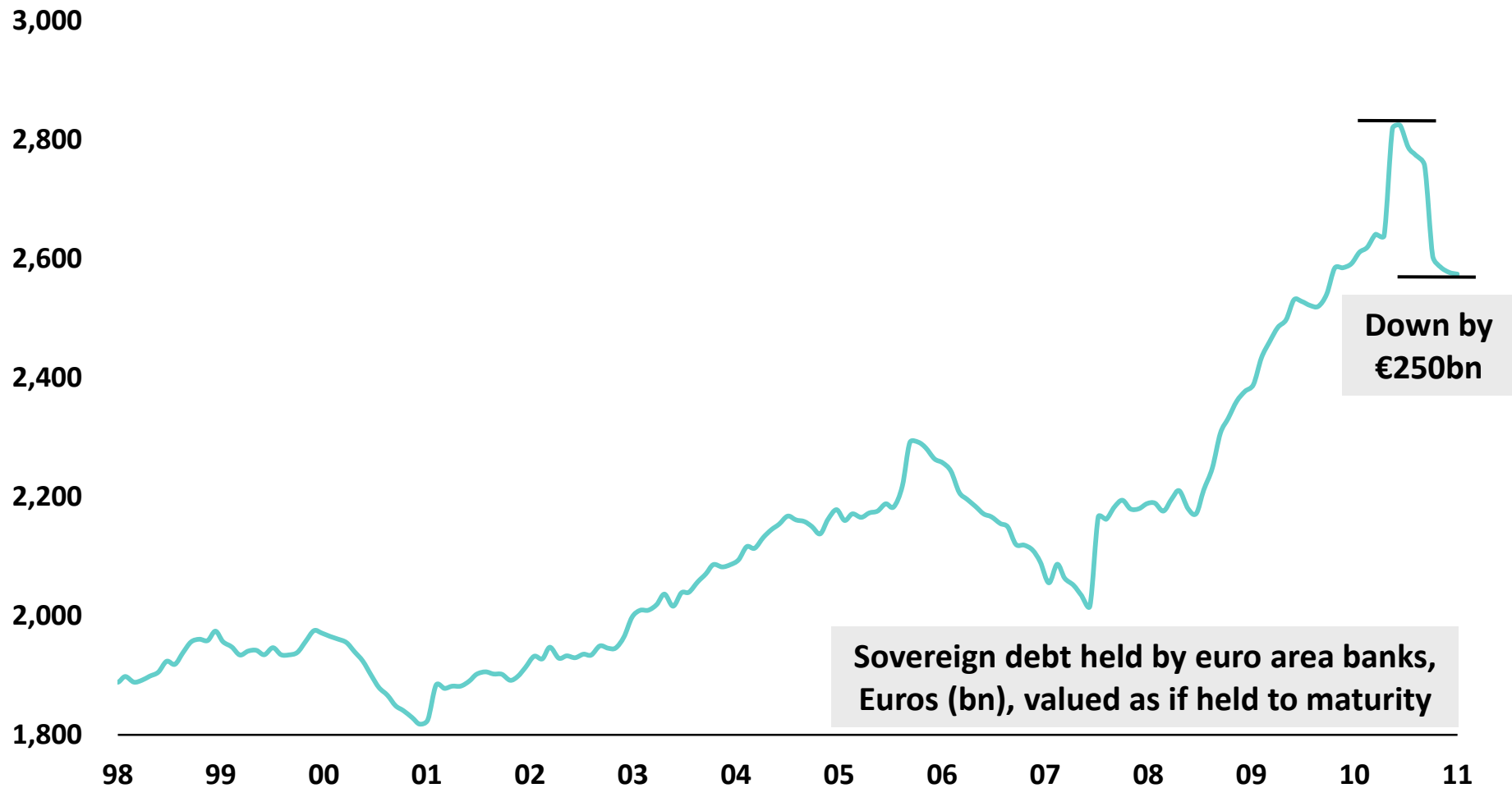
Source: Monticello Associates, Inc.

Exports as % of GDP - Germany



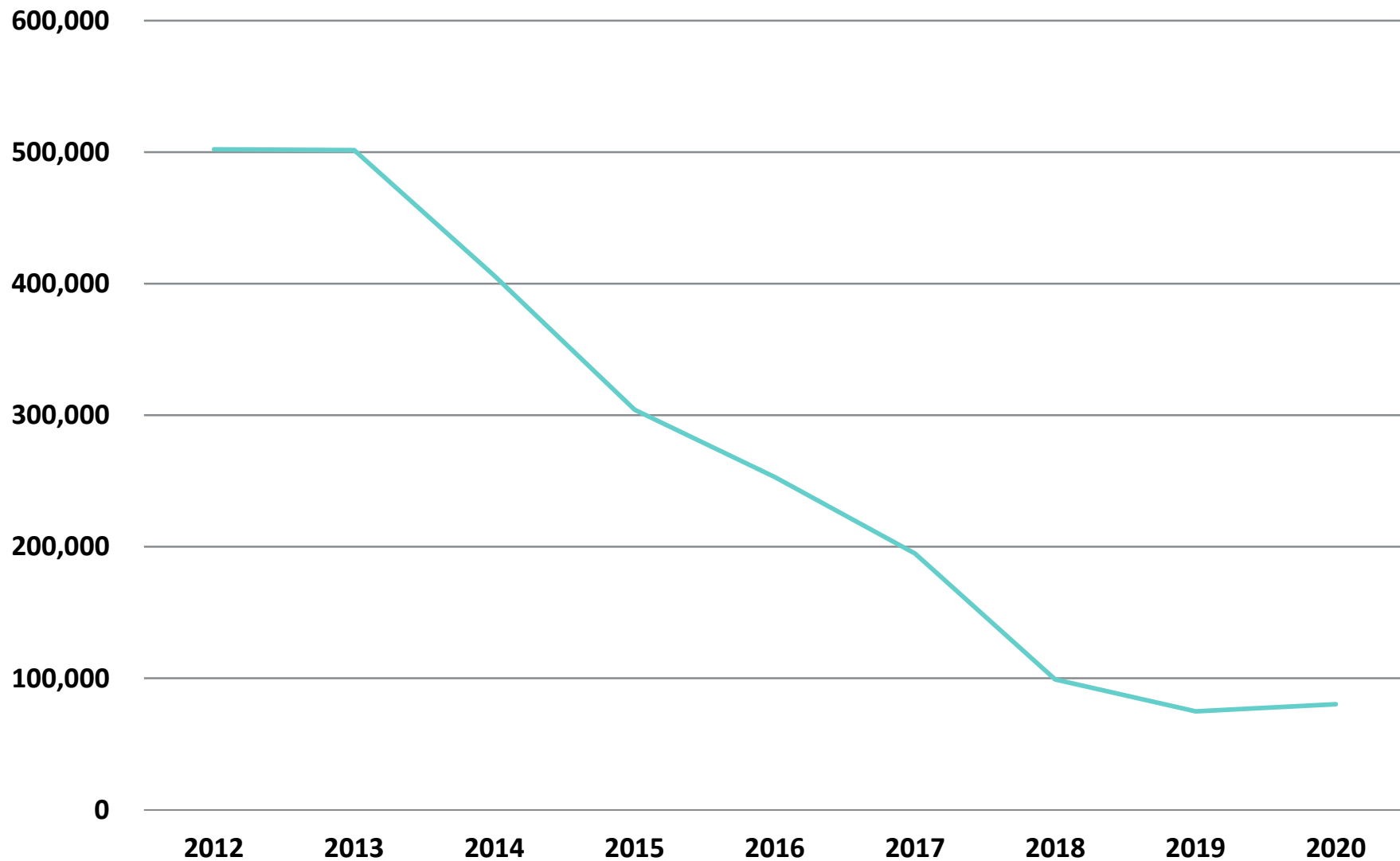
Source: Monticello Associates, Inc.

European Banks Cut Sovereign Exposure



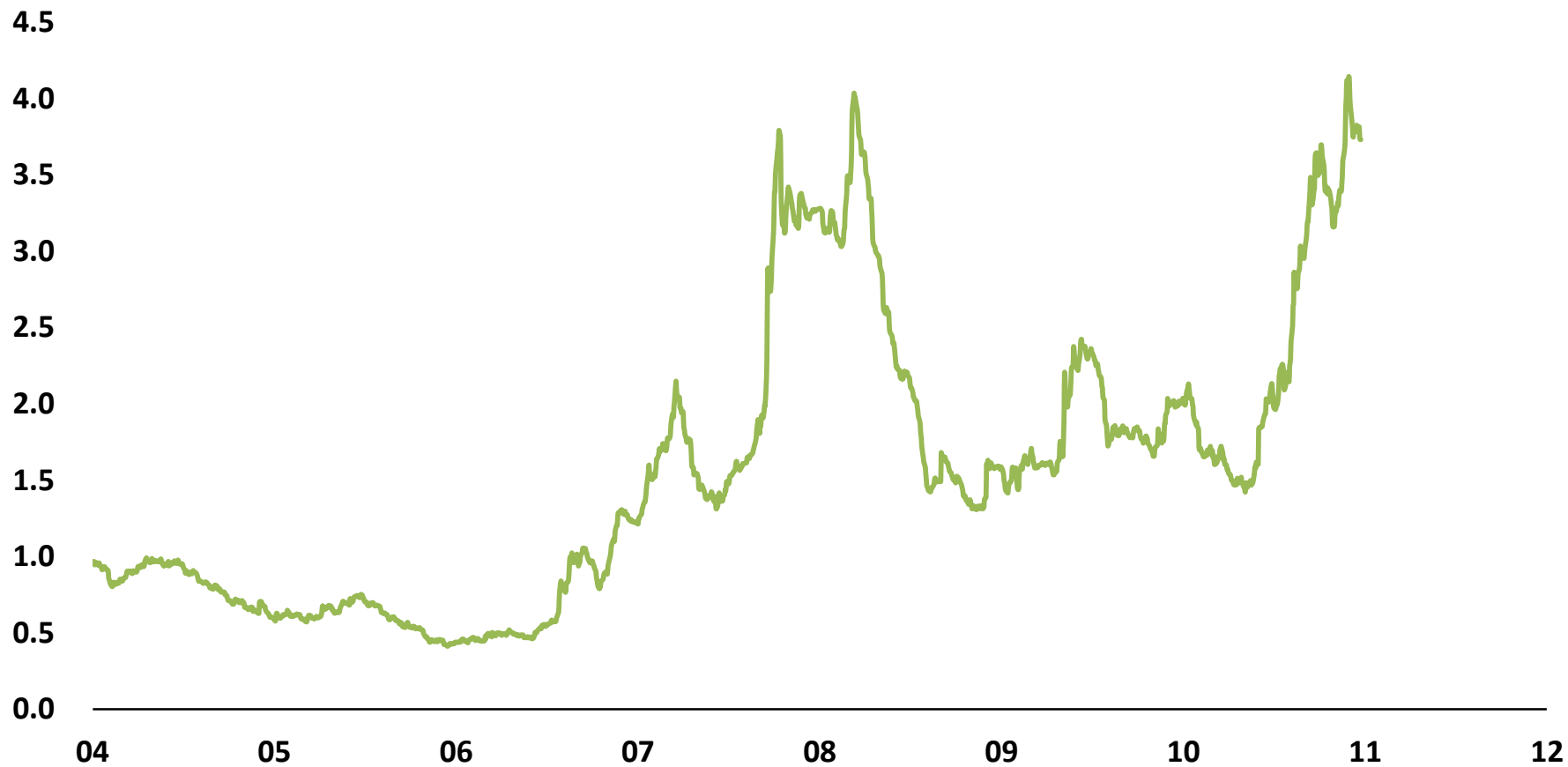
Source: ISI Group

500 Billion Of Euro Area Bank Bonds Mature In 2012



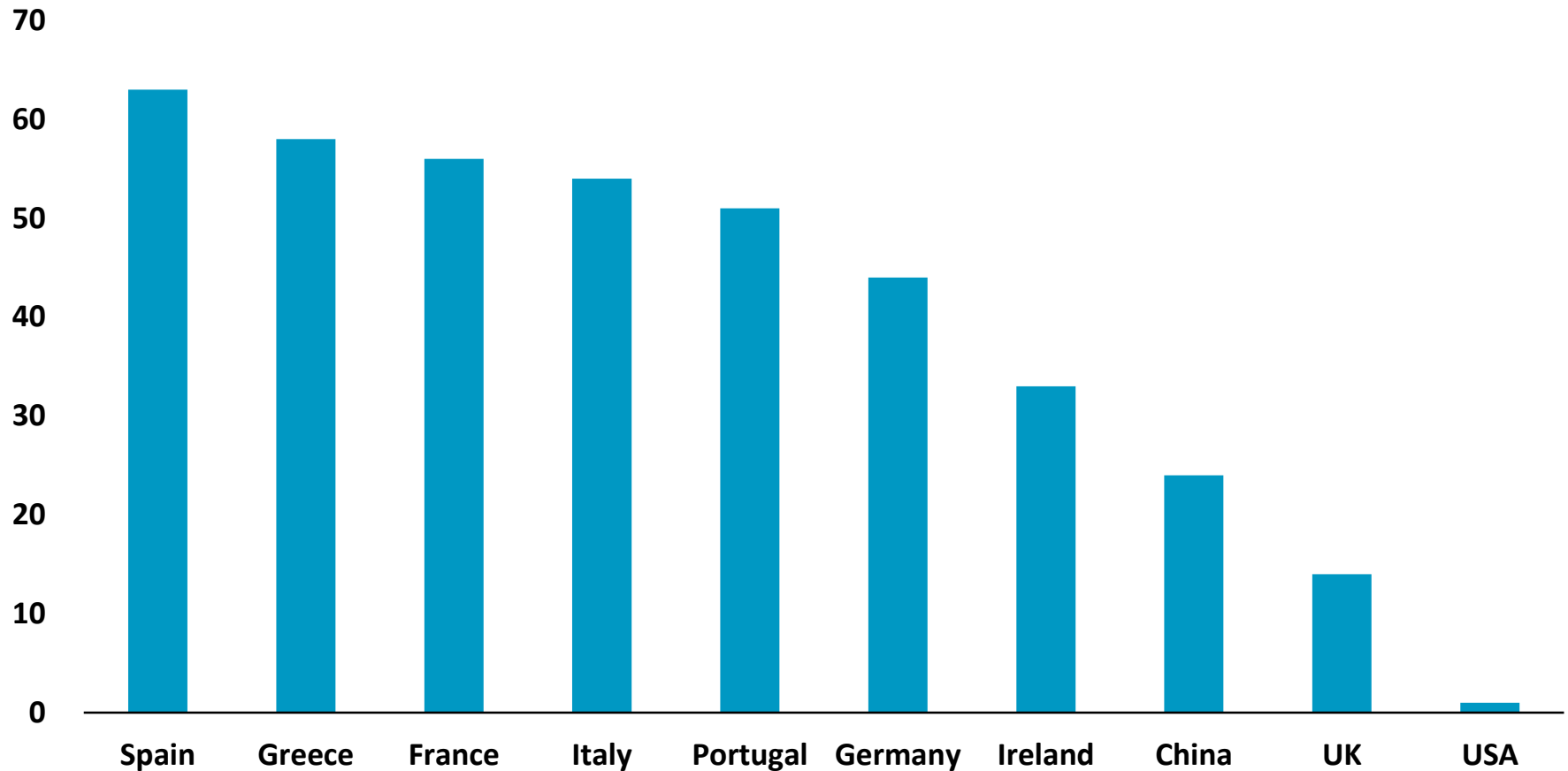
Source: ISI Group

Euro Financial Spreads Near 2008 Peak



Source: ISI Group

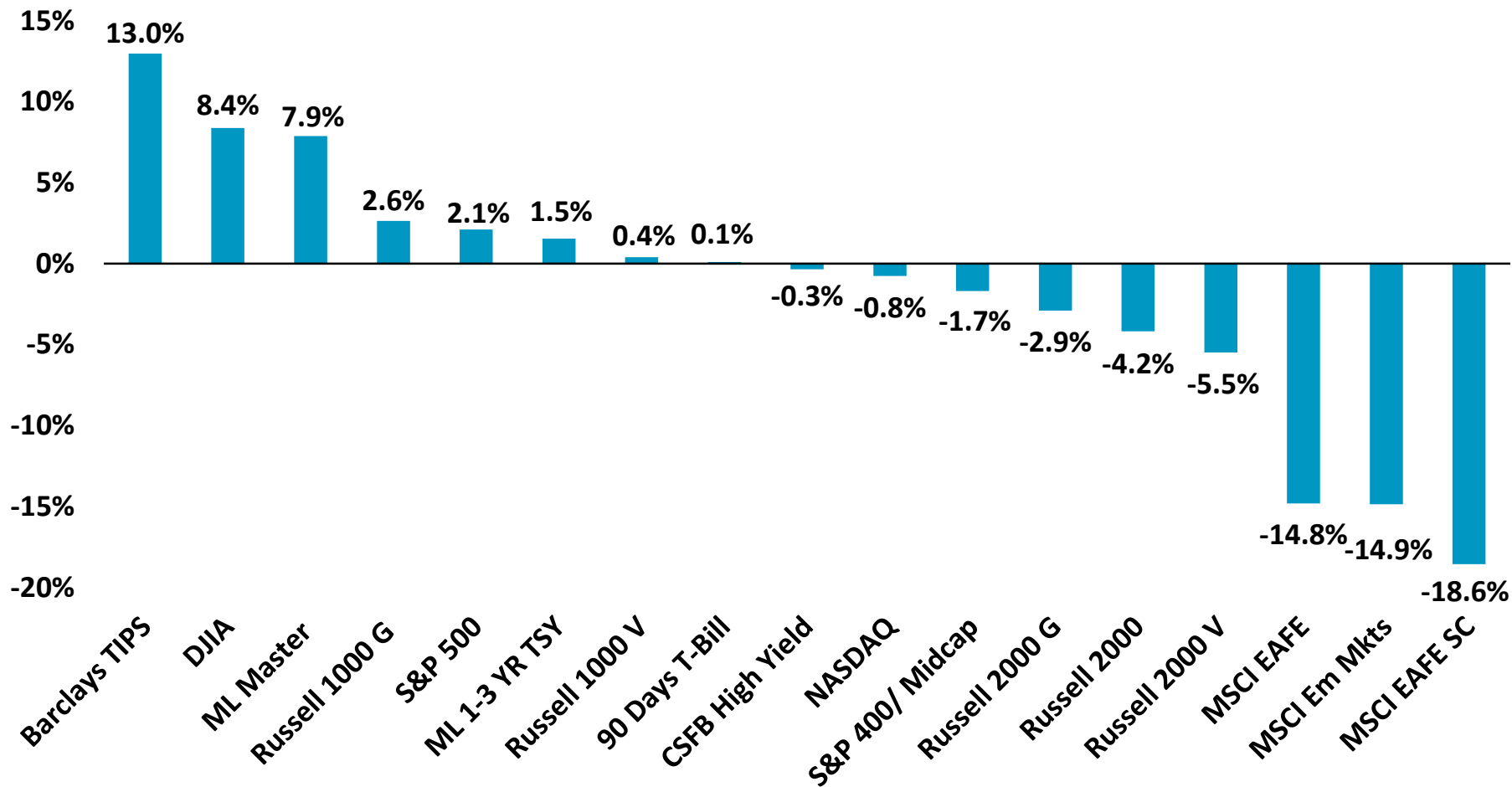
European Firms Less Able To Cope With Worsening Activity



The World Bank has created an index of employment and wage rigidity with a scale of 0-100 (100 being the most rigid). The US is at 1, the UK is at 14, China is 24 but in terms of Europe, Italy is at 54, France is at 56 and Spain is at 63.

Emerging Markets

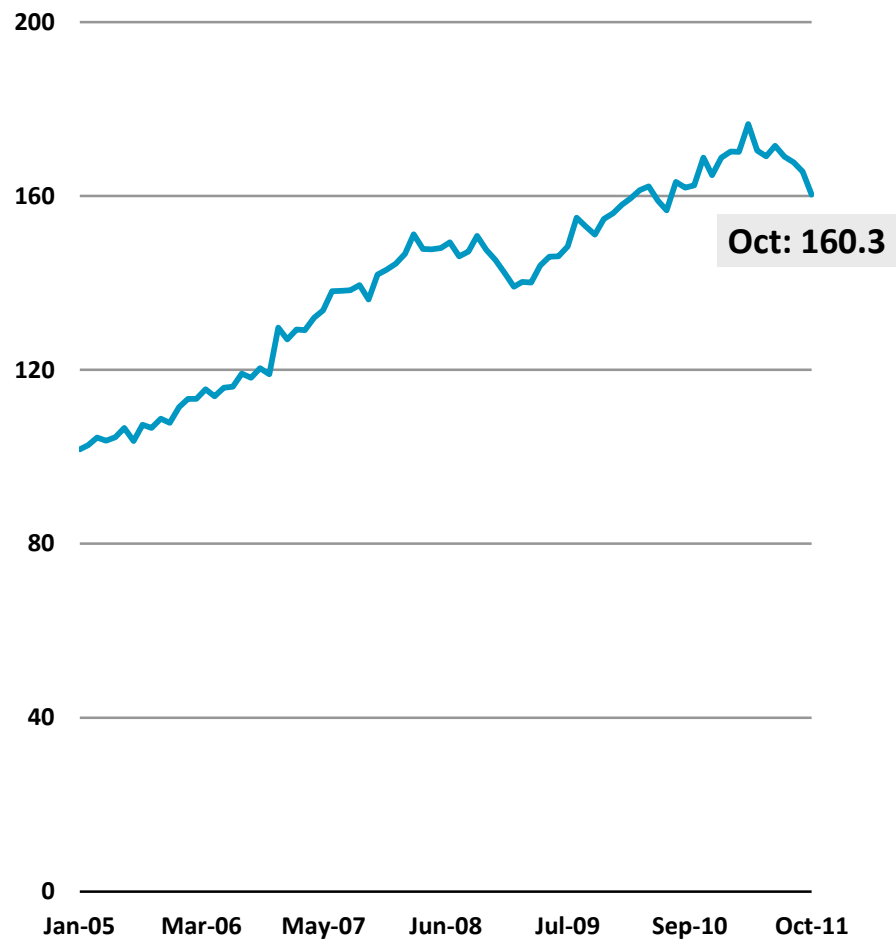
Year-To-Date Market Returns



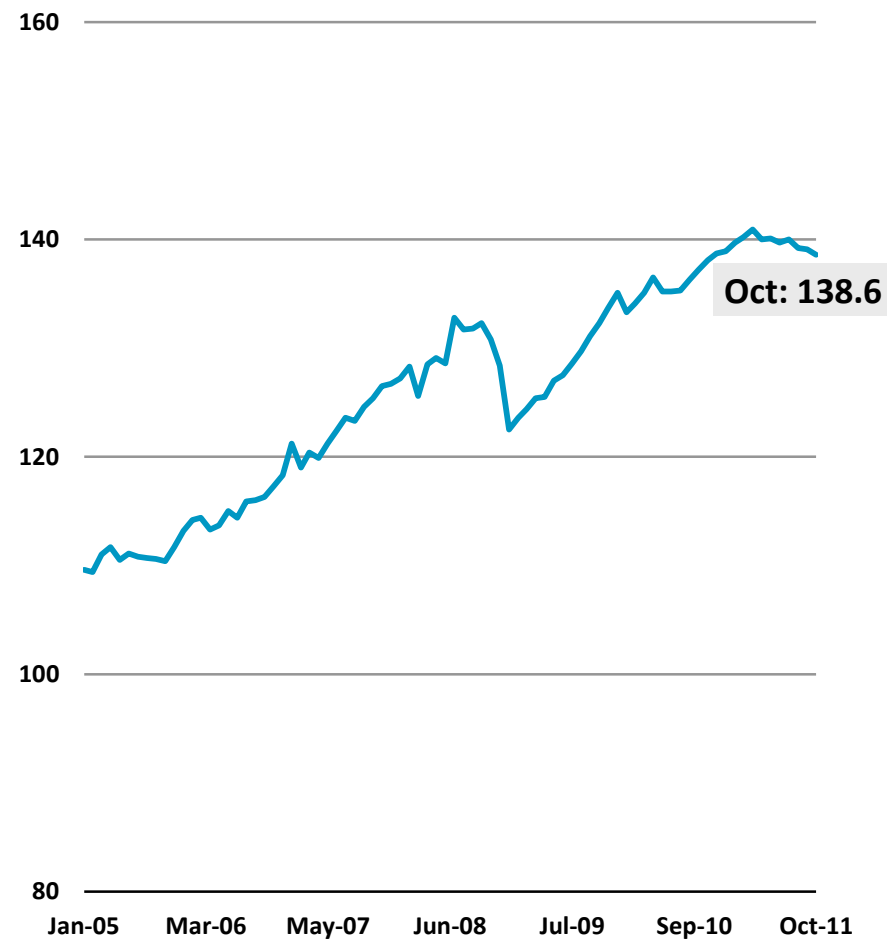
Source: Strategas Research Partners.
Numbers as of September 30, 2011.

Brazil / India

India Industrial Production



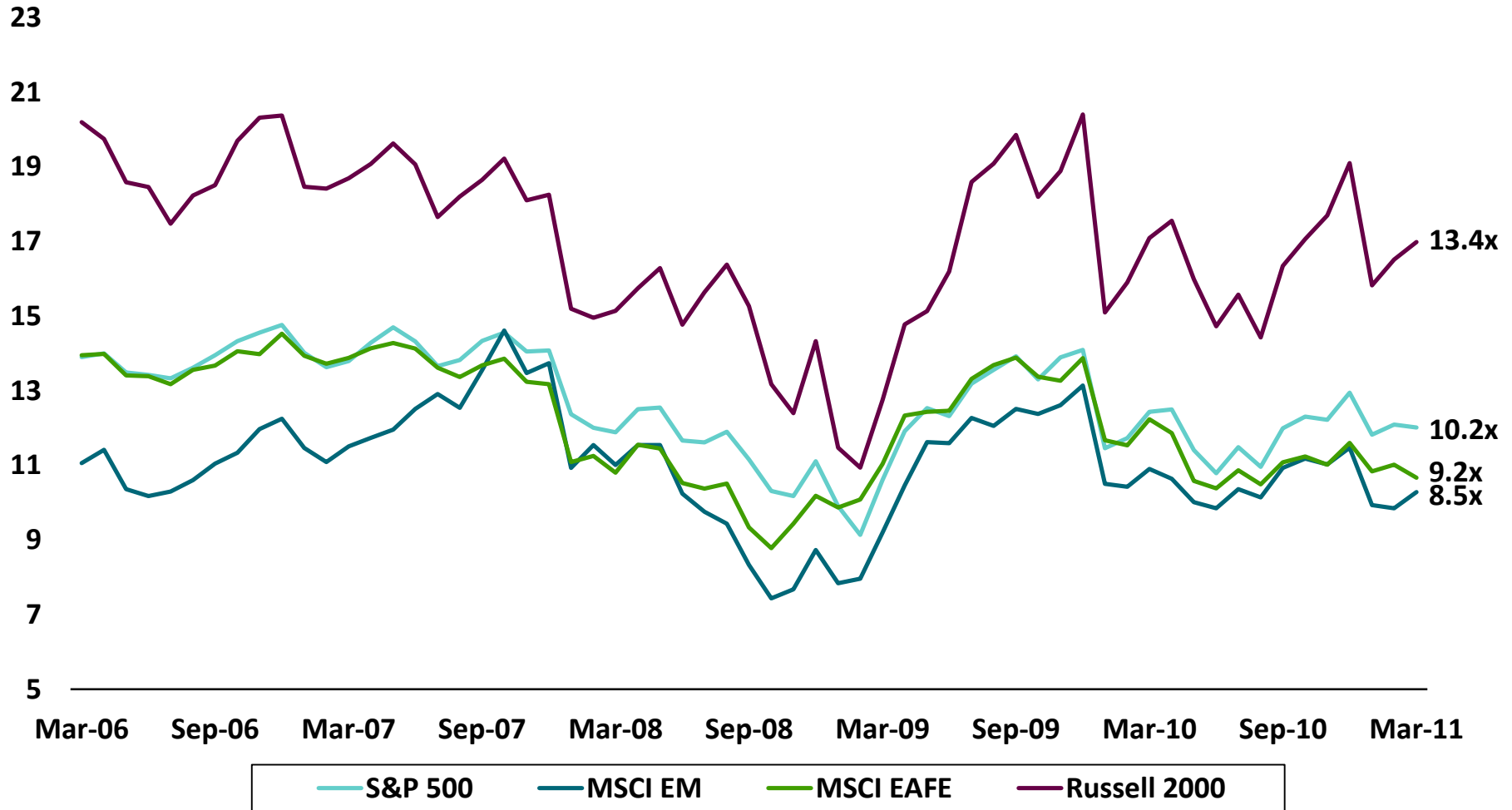
Brazil Real Economic Activity Index



Source: ISI Group

Valuations

Forward P/E Multiples



Source: Monticello Associates, Inc.

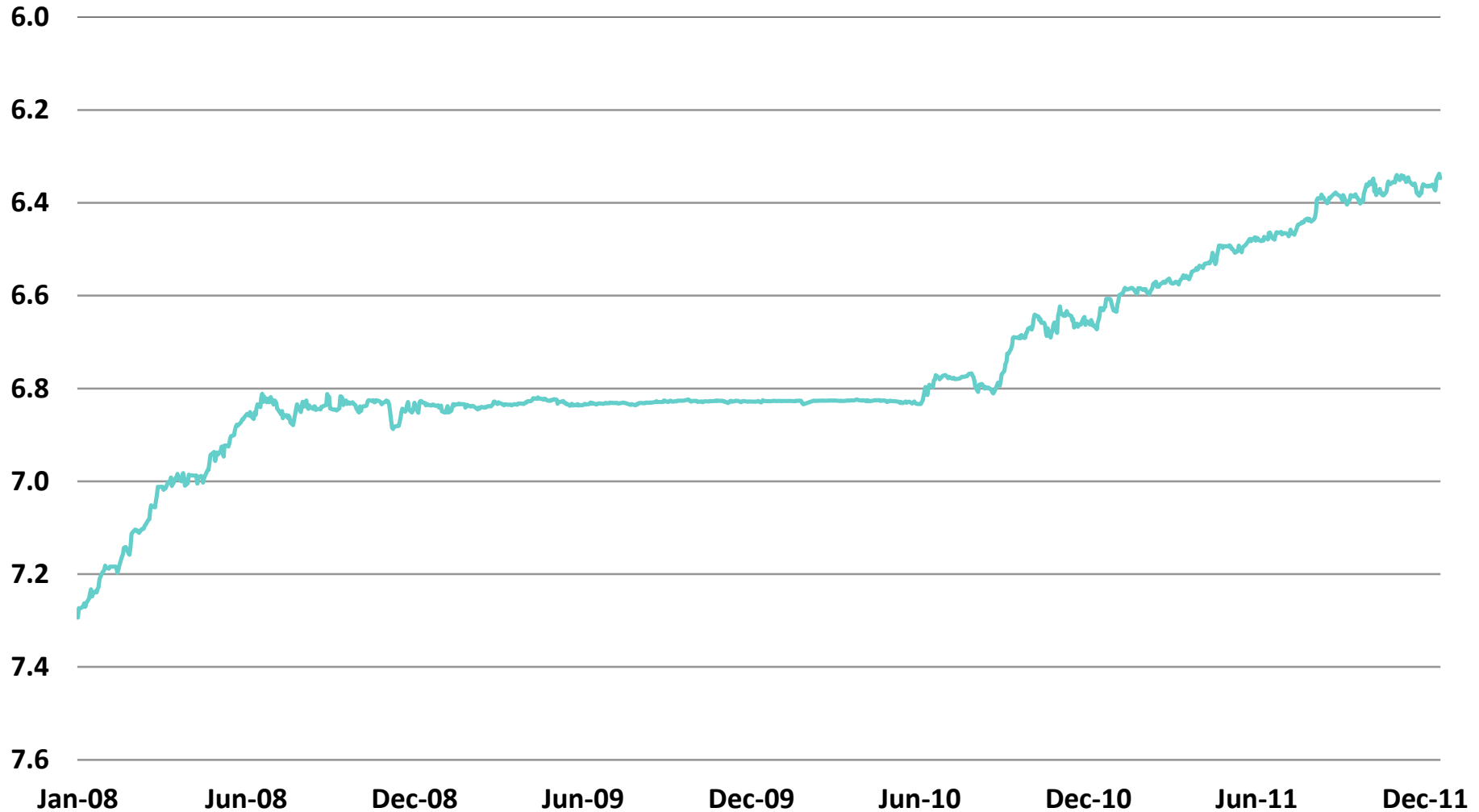
China's Share of World Commodity Consumption

Coal	46.2%
Steel	43.3%
Rice	30.0%
Pork	50.0%
Soybean	27.0%
Cement	56.0%
Iron Ore	66.0%
Eggs	37.2%

Source: Strategas Research Partners.

China Yuan

China Renminbi
(CNY / US\$)



Source: Strategas Research Partners.

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