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BLOOMBERG INTELLIGENCE
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Welcome to the Bloomberg Intelligence 2015 Outlook, which highlights key topics and trends that will define business and investing in the coming year.

The book includes analyses drawn from the work of more than 200 research professionals at Bloomberg Intelligence, the five-year-old research division of Bloomberg L.P. Embedded in this year’s outlook are three broad themes:

- **Interest rates:** As 2014 ended, the market appeared to be discounting a benign environment for 2015, with any rate increases likely to be modest. The Federal Reserve’s stated intention to raise rates contrasts with recent easing by Germany and China. The split may compel investors to recalibrate as we head into the new year.

- **Geopolitical risk:** Investors will keep a wary eye on world events, especially in Ukraine because that conflict has wide ramifications for European economic recovery. Concern about Iran’s nuclear capabilities and related sanctions may resurface at midyear.

- **The U.S. as an island:** The American economy has exhibited consistent but modest strength since the recession ended. How long can this continue amid persistent weakness in Europe and slowing growth in Asia, particularly China?

Our team, led by senior analysts with an average of 20 years of experience, analyzes more than 130 industries, thousands of companies worldwide and major asset classes to help Bloomberg’s clients understand what is most likely to prosper or falter. Our interactive service makes 320,000 customers immediately aware of major events and new data so they can review information graphically, read related research and reach out to investment and corporate professionals as well as our analysts through curated chat rooms.

We hope you’ll enjoy reading what our analysts have found. Contact our team if you want to know more about what we offer.

Sincerely,

**DAVID DWYER**  /ddwyer6@bloomberg.net

**PAUL SWEENEY**  /psweeney8@bloomberg.net

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**DIRECTORS OF RESEARCH**

**DAVID DWYER**  
Global  

**DREW JONES**  
Global Deputy  

**TIM CRAIGHEAD**  
Asia  

**SAM FAZELI**  
Europe, Mideast & Africa  

**PAUL SWEENEY**  
North America  

**JULIE CHARIELL**  
Government & Legal  

**NOEL HEBERT**  
Credit  

**JOEL LEVINGTON**  
Credit  

**CONTENT MANAGERS**

**PATRICIA WILSON**  
Global Product Manager  

**CHRIS ROGERS**  
Global Content  

**GALEN MEYER**  
Executive Editor
For the first time since June 2006, the U.S. Federal Reserve will probably increase the target Fed funds rate in 2015, kicking off a long-term cycle of returning interest rates to a normal environment that will hold global ramifications. Rising—yet still very accommodative—rates in the U.S. may come as welcome news, suggesting the country’s sluggish economic recovery is reaching escape velocity on improvements in business confidence and labor conditions.

Emerging-market economies that have grown dependent on cheap foreign capital to fuel growth got a preview of what higher U.S. rates may mean in 2013, when then-Chairman Ben Bernanke indicated the Fed might begin tapering its special asset purchases. That sent 10-year U.S. Treasury yields surging to 3 percent in September, almost double May's levels. Consequences were immediate. Higher Treasury yields triggered capital outflows from emerging markets, especially in economies with large current-account deficits, and resulted in sharply deteriorating growth prospects. From May to September 2013, the currencies of India, Brazil, Indonesia, Australia, South Africa and Turkey depreciated by more than 10 percent. South Korea experienced marginal appreciation, thanks in part to its large current-account surplus. Stability following the taper tantrum led to capital flowing back into emerging markets, creating a sense of complacency among policy makers.

Their economies will probably be caught off-guard by rising rates again in 2015. China’s closed economy will be more insulated from the Fed’s tightening cycle than other emerging markets. Still, reform efforts and headwinds from past excesses in investment weigh on the outlook. The government will probably choose slower growth over extreme stimulus. The 2015 growth target may be reduced to 7 percent from 7.5 percent this year. The reform agenda set out at the end of 2013 remains unfinished with more work to do on interest-rate liberalization and capital-account opening. Stresses in the property and financial sectors counsel for a cautious pace on liberalization.

The European Central Bank will probably need to take additional action to reverse falling inflation expectations. The ECB may consider the inclusion of government debt in its private debt purchase program in the monetary union’s version of quantitative easing. Policy makers have failed to take advantage of the recent period of stability—relative to the height of the euro crisis—to put the economy on the path to a lasting recovery. Many euro-area countries—including Italy, which has the world’s third-largest public debt market—are plagued by debt-to-GDP ratios that remain on unsustainable trajectories. The prolonged crisis may lead to pockets of market volatility next year inside and outside of Europe.

An unexpected recession in Japan and the results of a snap general election in December support Prime Minister Shinzo Abe’s plan to lift the economy out of its two-decade slumber. The Abenomics agenda is bold. Still, it may have come too late.

Japan faces severe demographic challenges—a quarter of its population is older than 65. It maintains a debt-to-GDP ratio of about 240 percent. The dollar’s strength against the yen, a by product of Fed tightening and Bank of Japan easing, will boost profits for Japanese businesses. The fear is that they pocket those windfall gains rather than investing them in ways that can boost growth.

—

MIKE MCDONOUGH
Bloomberg Economist
The U.S. economy is entering 2015 primed for another year of expansion.

A sluggish pace of growth earlier in this economic cycle has left the world’s largest economy without the types of imbalances that could lead to a potentially perilous lull in activity. Growth is likely to moderate from the 4.6% and 3.5% gains logged over the last two quarters while still expanding at an above-trend pace.

The critical economic development will be the long-awaited initiation of higher interest rates by the Federal Reserve. Uncertainty about the timing and pace of the new cycle of expected increases will be a critical factor driving financial markets, as the central bank attempts to raise its policy rates for the first time since the financial crisis began.

With the labor market gaining strength, questions of slackness in employment and prospects for inflation will be a key focus for investors.

As the unemployment rate declines, the debate over what constitutes full employment will intensify. Continued job growth will support consumer confidence and spending, particularly because U.S. households have made substantial progress in working through their debt overload. The biggest question hanging over the U.S. consumer is the outlook for wage growth, which remains clouded by softer realized and expected inflation.

If the Fed begins raising rates around midyear, as is currently expected, this will result in a significant divergence of monetary policy between the world’s major central banks. In turn, this is likely to result in further appreciation in the dollar. Prospects for continued strength in the dollar will support imports and drag on exports, particularly in light of outstanding geopolitical risks. Because net exports are a relatively modest portion of the U.S. economy, the impact from weakness in Europe and Japan should be limited.

A strengthening domestic economy will be only partly offset by challenges abroad, because the U.S. economy remains relatively closed and driven by consumption.
MARKET OUTLOOK
MARKET OUTLOOK

U.S. S&P Outperforms as China GDP Slows, Europe Growth Stagnates

With S&P Price-to-Earnings at 8-Year High, Profit Growth Is Key
Dividend Gains a Key Driver as Equity and Bond Yields Converge

Analysts Jonathan Adams (Insurance) & Paul Sweeney (Media)
Dec 18, 2014
Yields and dividend growth are key drivers of the relative value between bonds and the S&P 500 Index. Through Dec 16, the 12-month trailing yield on the S&P 500 rose 14 bps because dividend growth exceeded the 7% gain in the S&P. Ten-year U.S. Treasury yields declined and the spread to the S&P's dividend yield fell to just 3 bps from 114 bps. In 2015, consensus expects 10-year rates to rise to 3.07%, while dividends may expand further, boosting the S&P's yield.

U.S. Margin Optimism Strong (Though Slipping) as 2015 Approaches

Analysts Jason Miner (Chemicals) & Paul Sweeney (Media)
Dec 17, 2014
Consensus estimates for the S&P 500 Index suggest that EPS will rise 7.2% to $128, while sales will gain 2.8% to $1,198 per share. This implies the highest net income margin, 10.7%, since before 1990 -- perhaps surprising with business investment, which may temporarily damp margins, an oft-cited driver of growth. Margins reached 10.0% in 3Q just as 2015 earnings expectations started to slide. With strong margins expected again in 4Q, cost controls and operating leverage will likely be a focus for 2015.
Lack of Volatility May Be Surprise From Credit Markets in 2015

**Analyst Richard Salditt**  
Nov 17, 2014

The surprise to global bond markets in 2015 may be that attempts by the Federal Reserve to raise rates are met with greater global demand for fixed-income assets. Flows will be impacted by different regional growth trajectories, divergent central bank policies, and industry credit dynamics. Available cash for reinvestment comes from $6.0 trillion in annual debt maturities and coupon income and may help offset potential outflows resulting from the Fed’s plan to raise rates.

Dashboard Home: Credit Strategy

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Net Credit Supply Increases 15% to Meet Demand for Income

**Analyst Richard Salditt**  
Dec 15, 2014 07:44

Demand for income-producing assets may continue to fuel investment in U.S. dollar credit instruments in 2015, even if record-low bond yields begin to rise. Net U.S. dollar credit supply rose 15% in the past 12 months, led by Treasuries, mortgages and bank loans. Available cash comes from $4.7 trillion in annual debt maturities, plus $1.3 trillion in annual coupon income produced from $37 trillion in credit assets outstanding, and may help to offset outflows should rates rise.

Dashboard Home: Credit Strategy
Investors Add $1.3 Trillion Credit Assets Even as Yields Decline

Divergent Credit Quality Trends Create Long, Short Opportunities

Credit Rating Reviews Since July 1, 2014

Source: Bloomberg (RATT<GO>)
Notes: *includes healthcare, **includes diversified
Leverage Holds Steady Even as M&A, Shareholder Returns Increase

Analysts Joel Levington & Noel Hebert
Nov 20, 2014
With sales expected to climb 3.7% in 2015, based on consensus, S&P 500 non-financials’ cash flow may be sufficient to continue shareholder rewards without materially damaging the companies’ balance sheets. Leverage for the group was 2.3x as of Sept. 30, 0.1x above the 20-quarter average, as earnings growth and ample cash generation largely offset a strong M&A environment and rising shareholder returns.

Dashboard Home: Global Medians

M&A Reaches $1.4 Trillion as Higher Growth, Lower Taxes Sought

Analysts Joel Levington & Noel Hebert
Nov 20, 2014
S&P 500 companies’ $1.4 trillion of M&A this year, the highest level in a decade, has been propelled by a healthy demand for debt and a low-growth, low-interest rate environment. The heavy deal volumes haven’t affected creditworthiness, as S&P has a 1.4x ratio of upgrades to downgrades in the U.S. While corporate inversions, or reincorporations overseas to avoid U.S. tax, had also sparked activity this year, the strategy may not have the same impact in 2015 due to recent legislation.

Dashboard Home: Global Medians
Share Buybacks Accelerate With Scant Effect on Credit Profiles

Analysts Joel Levington & Noel Hebert
Nov 20, 2014
Non-financial companies in the S&P 500 are on pace to increase share buybacks by 1% this year, following a 24% decline in 2013, a potential signal that management teams are gaining confidence in their prospects. Repurchases have not meaningfully altered credit profiles, with debt-to-Ebitda for the group staying in a tight band of 2.2x to 2.4x over that time frame. Technology companies, led by Apple, IBM, Intel and Cisco, have been the most active this year.

S&P 500 Repurchases Remain Hot Trend

Source: Bloomberg
*Amounts in Billions

$774 Billion of High-Grade Corporate Bonds Coming Due in 2015

Analysts Joel Levington & Noel Hebert
Nov 20, 2014
Refinancings can weigh on credit spreads, and companies in the banking, auto and consumer industries have among the highest investment-grade maturities coming up in 2015. Banks account for about $230 billion, with another $50 billion coming from automakers and suppliers to support vehicle sales. Coca-Cola, Pepsi, Pfizer and Novartis have multi-billion dollar maturities. About $55 billion of high yield maturities are expected in 2015, led by financial, materials and consumer discretionary issuers.

Investment Grade Debt Maturities

Source: Bloomberg
*Amounts in Billions
COMMUNICATIONS
$28 Billion in Programmatic Ads Shows Mad Men to Math Men Shift

Analysts Paul Sweeney & Geetha Ranganathan
Nov 14, 2014
Global programmatic ads, or the automated buying and selling of ad inventory, may rise 33% to $28 billion in 2015, according to MagnaGlobal. The U.S. dominates and at $14 billion will account for 50% of the global market. Display ads are rising 20% a year, which may lead worldwide programmatic trading to grow to $52 billion by 2018. Ad agencies are stepping up programmatic investments to avoid being cut out by advertisers, who can make purchases directly.

Source: MagnaGlobal

WPP, Ad Peers May Aim at Smaller M&A After Publicis-Omnicom Flub

Analysts Geetha Ranganathan & Paul Sweeney
Nov 14, 2014
Publicis is raising its digital exposure to 50% by 2015 on its recent $3.7 billion purchase of Sapient. This re-ignited ad M&A after the failed $35 billion merger of Publicis and Omnicom in 2014. Havas has said that it will make acquisitions in Southeast Asia even though it has been mentioned by Sir Martin Sorrell and others in the industry as an M&A target. Dentsu and WPP have said that they are interested in small to mid-sized deals, and Interpublic said that it sets aside $200 million annually for M&A.

Source: Bloomberg Data, Company Filings
Facebook, Google to Top $46 Billion Ad Market as Users Go Mobile

Analysts Geetha Ranganathan & Paul Sweeney  
Nov 14, 2014
Global mobile ads may rise 46% to $46 billion in 2015, and double to $95 billion by 2018, according to eMarketer, as users spend more time on smartphones and other devices. Facebook and Google may together generate 73% of global mobile ads in 2014, with the format making up 66% of Facebook’s ad sales. Mobile is a leading ad category, accounting for 25% of digital and 10% of all ads. It could also dominate social ads, generating $10.6 billion or 56% of the 2015 total in that segment.

Source: eMarketer

$65 Billion Display Ads to Find Favor, Overtake Search in 2015

Analysts Paul Sweeney & Geetha Ranganathan  
Nov 14, 2014
Global display advertising will reach a milestone in 2015, rising to $64.9 billion and overtaking search ads for the first time, Zenith Optimedia projects. Display is the fastest-growing online ad category, rising about 22% a year, primarily driven by growth in online video and social media ads. By 2016, Zenith Optimedia projects $76 billion in display ads, compared with $71 billion for search. Display and search make up the Internet ad platform, which is the fastest-growing ad category with 16% annual gains.

Source: Zenith Optimedia
Entertainment M&A Simmers on DreamWorks, MSG as Pay-TV Merges

Analysts Paul Sweeney & Geetha Ranganathan
Nov 17, 2014
Entertainment M&A has been heating up and may gain steam in 2015, spurred by mega pay-TV deals. Even as Time Warner rejected Fox’s bid and Softbank’s M&A talks with DreamWorks ended quickly, DreamWorks may seek a different deal following the end of its merger talks with Hasbro. Starz executives met with Fox about a possible acquisition as smaller networks go after deals to gain leverage in pay-TV negotiations. RealD rejected Starboard’s takeover offer while MSG may split its sports and event businesses.

<table>
<thead>
<tr>
<th>Date</th>
<th>Target</th>
<th>Acquirer</th>
<th>Value</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 2014</td>
<td>Time Warner</td>
<td>21st Century Fox</td>
<td>94,419</td>
<td>Withdrawn</td>
</tr>
<tr>
<td>July 2014</td>
<td>Multiple</td>
<td>BSkyB</td>
<td>9,701</td>
<td>Completed</td>
</tr>
<tr>
<td>Sept 2014</td>
<td>DreamWorks</td>
<td>Softbank</td>
<td>3,400</td>
<td>Proposed</td>
</tr>
<tr>
<td>Oct 2014</td>
<td>Chellimedia</td>
<td>AMC</td>
<td>1,034</td>
<td>Completed</td>
</tr>
<tr>
<td>May 2014</td>
<td>Channel 5</td>
<td>Viacom</td>
<td>760</td>
<td>Completed</td>
</tr>
<tr>
<td>Nov 2014</td>
<td>Ten Network</td>
<td>Time Warner</td>
<td>658</td>
<td>Proposed</td>
</tr>
<tr>
<td>Oct 2014</td>
<td>RealD</td>
<td>Starboard</td>
<td>548</td>
<td>Proposed</td>
</tr>
<tr>
<td>March 2014</td>
<td>Maker</td>
<td>Disney</td>
<td>500</td>
<td>Completed</td>
</tr>
</tbody>
</table>

Source: Bloomberg, Company Filings

Dashboard Home: Entertainment

TV Advertising Hits Weak Spot as Viewers, Budgets Shift Online

Analysts Paul Sweeney & Geetha Ranganathan
Nov 17, 2014
Most media companies including Discovery, Viacom and Time Warner posted weak ad results as 2014 progressed, fueling concerns about a slowing ad market and the possibility of a secular decline into 2015. TV ads are losing out to online platforms that are becoming a large component of most ad campaigns. The total upfront market declined 5% in 2014, with cable networks dropping for the first time since 2009. Magna projects a 1% dip in 2015 U.S. TV ads to $66.9 billion.

U.S. TV Advertising ($ Mn)

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>58,012</td>
</tr>
<tr>
<td>2011</td>
<td>56,918</td>
</tr>
<tr>
<td>2012</td>
<td>64,016</td>
</tr>
<tr>
<td>2013</td>
<td>63,629</td>
</tr>
<tr>
<td>2014</td>
<td>67,503</td>
</tr>
<tr>
<td>2015</td>
<td>66,887</td>
</tr>
</tbody>
</table>

Source: MagnaGlobal

Dashboard Home: Entertainment
Star Wars ‘Force’ to Awaken $11.8 Billion Record 2015 Box Office

A slew of highly anticipated films, including Disney’s “Avengers: Age of Ultron,” "Star Wars: The Force Awakens" and Universal’s "Minions," may help domestic box office reach a record $11.8 billion in 2015, according to projections from Boxoffice.com. In the past five years, domestic ticket sales have averaged about $10.6 billion. Given that box office receipts are down 4% through mid-November vs. a year earlier, 2014 may not surpass the 2013 record of $10.92 billion.

HBO, CBS Fly Over-the-Top, Walk Content-Distribution Tightrope

HBO is planning to launch direct-to-consumer streaming subscriptions in 2015 as media owners seek new ways to monetize content. CBS started a streaming service for $5.99 a month while Showtime may also offer an over-the-top service next year. Content owners have to be careful when introducing digital platforms, since this undermines the steady affiliate fees that they receive from pay-TV operators. Industry affiliate revenue may reach $52 billion in 2015.
Mobile Ad-Measurement Progress May Disrupt Google Dominance

Analysts Praveen Menon & Paul Sweeney  
Nov 14, 2014  
Marketing tools such as Facebook’s Atlas and AOL’s One, which track Internet activity anonymously across PCs and mobile devices, may disrupt Google's dominant online-ad leadership. Google’s PC search business depends on cookies to track users, a concept that doesn’t work on mobile. Social media companies such as Facebook and Twitter have pioneered social logins on third-party websites, which can track users outside their core networks.

Digital Ad Market Share (%)

| Source: Emarketer |

Instant-Messaging’s Rapid Expansion Boosted by Engagement, M&A

Analysts Praveen Menon & Paul Sweeney  
Nov 14, 2014  
Instant-messaging may represent the next social media iteration, boosted by rising engagement and recent M&A. Facebook’s WhatsApp purchase and Alibaba’s Weibo investment led 2014 social media M&A. Popular Asian products Line and Kakao remain private entities after delaying IPO plans, while Snapchat garnered funding at a $10 billion valuation. Social-messaging trails only gaming and Facebook in terms of U.S. mobile engagement, according to Flurry Analytics.

<table>
<thead>
<tr>
<th>Activity</th>
<th>% Time Spent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apps</td>
<td>46%</td>
</tr>
<tr>
<td>Gaming</td>
<td>32.0%</td>
</tr>
<tr>
<td>Facebook</td>
<td>17.0%</td>
</tr>
<tr>
<td>Social Messaging</td>
<td>9.5%</td>
</tr>
<tr>
<td>Utilities</td>
<td>5.0%</td>
</tr>
<tr>
<td>YouTube</td>
<td>4.0%</td>
</tr>
<tr>
<td>Entertainment (Other)</td>
<td>4.0%</td>
</tr>
<tr>
<td>Productivity</td>
<td>4.0%</td>
</tr>
<tr>
<td>News</td>
<td>3.0%</td>
</tr>
<tr>
<td>Others</td>
<td>3.0%</td>
</tr>
<tr>
<td>Twitter</td>
<td>1.5%</td>
</tr>
<tr>
<td>Browser</td>
<td>1.4%</td>
</tr>
<tr>
<td>Apple Safari</td>
<td>7%</td>
</tr>
<tr>
<td>Google Browsers</td>
<td>5%</td>
</tr>
<tr>
<td>Others</td>
<td>2%</td>
</tr>
</tbody>
</table>

Sources: Flurry Analytics, ComScore
Automated Online Ad-Buying Helps Internet Lure TV Dollars

Analysts Praveen Nenon & Paul Sweeney
Nov 14, 2014
Simplifying Internet-ad buying with real-time bidding and automation, coupled with consumers spending more time online than watching TV, may help Internet companies boost their share of advertising dollars. Real-time online ad buying may double to $8.5 billion in the U.S. by 2017, when it will account for about one-third of Internet display ads, according to EMarketer. Online has 13% of the $129 billion U.S. advertising market, compared with 17% for TV.

Dashboard Home: Internet

Google, Facebook Hardware Ambitions Amplify on Digital Content

Analysts Praveen Nenon & Paul Sweeney
Nov 14, 2014
Google and Facebook’s bets on virtual reality hardware, and Amazon’s multitudes of consumer devices, may help the Internet companies compete for a bigger share of consumers’ digital ecosystems. In 2015, Android’s 80% share of smartphone sales has boosted Google’s mobile search and ancillary products such as Maps, which drive core advertising revenue and help expand a loyal customer base. Digital games and apps are the most lucrative digital content on mobile, according to App Annie.

Dashboard Home: Internet
FCC Spectrum Auctions to Reshape Wireless Landscape, Competition

<table>
<thead>
<tr>
<th>Projected Date</th>
<th>Frequency Band</th>
<th>License Available (MHz)</th>
<th>Cost Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nov 2014</td>
<td>AWS-3</td>
<td>2155-2180 MHz</td>
<td>$11.1 Billion – $14.2 Billion</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Paired: 1755-1780 MHz</td>
<td></td>
</tr>
<tr>
<td>Nov 2014</td>
<td>AWS-3</td>
<td>1655-1710 MHz</td>
<td>$3.3 Billion – $4.3 Billion</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(Uplink Only)</td>
<td></td>
</tr>
<tr>
<td>Late-2015</td>
<td>600 MHz Broadcast</td>
<td>512-608 MHz</td>
<td>$9 Billion – $54 Billion</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Paired: 614-698 MHz</td>
<td></td>
</tr>
</tbody>
</table>

Note: AWS-3 price estimates from comparable secondary market transactions at $0.71–$0.91 per MHz-Pop; 600 MHz estimate based on FCC estimate of $1.50 per MHz-Pop. Source: FCC, Bloomberg Intelligence.

Dashboard Home: Telecom Carriers

Content Is King for Telecom Carriers Amid Surging Mobile Video

Surging data traffic and in particular, mobile video, is a promising new opportunity for wireless carriers. Cisco projects mobile video traffic to increase at a compound annual rate of 61% in 2013–18, which underscores the size of the opportunity and value of mobile video content. AT&T and Verizon’s mobile content strategies are taking shape, with a 2015 launch of multicast video planned by both carriers. This will likely mark an inflection point in the wireless video market.

Dashboard Home: Telecom Carriers

Note: Scale in Terabytes Per Month

Source: Cisco
Sprint, T-Mobile Waging Wireless Price War Against AT&T, Verizon

**Analysts John Butler & Matthew Kanerman**  
Nov 17, 2014  
The escalating price war in wireless is shaping up to be a prominent industry theme heading into 2015, as leaders Sprint and T-Mobile have slashed prices in a bid to boost subscriber share. This has prompted AT&T and Verizon to respond with price cuts of their own, putting pressure on revenue growth and margins. CEO Marcelo Claure plans to make Sprint the value leader in wireless, suggesting that the price war will intensify in 2015.

Dashboard Home: Telecom Carriers  
Source: Company Filings

AT&T Leads Telecom Capex Slowdown in Hunt for Free Cash Flow

**Analysts John Butler & Matthew Kanerman**  
Nov 17, 2014  
North American telecom carriers reduced their capital spending beginning in 2H, with AT&T proposing some of the biggest cuts. Leading equipment suppliers, including Alcatel-Lucent, Cisco, Ericsson and Juniper, all cited a slowdown in service provider capital spending in North America as a drag on their revenue growth. Capital spending should remain low as these carriers wind down large network upgrade projects and focus instead on targeted capacity enhancements.

Dashboard Home: Telecom Carriers  
Note: 2014 and 2015 reflect company guidance  
Source: Company Filings
HBO ‘Game of Thrones’ Over-the-Top May Bring Stark Pay-TV Future

Streaming services may unravel the traditional video bundle and disrupt the $200 billion pay-TV market in 2015. HBO will launch direct-to-consumer streaming subscriptions, targeting broadband-only homes without a pay-TV connection. The move could drive pay-TV subscribers to cut the cord or trim packages. This follows CBS’s recent introduction of a streaming service for its broadcast network. MagnaGlobal projects over-the-top homes, or those that receive video via streaming services, to rise 26% to 8 million in 2015.

Dish, Spectrum in Focus as Comcast, AT&T M&A Await Regulator Nod

Two mega pay-TV deals expected to close in 2015, with approval from the FCC and Justice Department, would reorder the industry’s competitive landscape. AT&T’s purchase of DirecTV would create the second-largest pay-TV operator with 26 million subscribers after the 30 million subscriber Comcast-Time Warner Cable combination. Should the deals go through, they may spur M&A among other cable operators seeking to build scale. Dish may pursue T-Mobile, partner with a wireless carrier or possibly just sell only its spectrum.
Net Neutrality Gets Nebulous as Obama Pits Title II vs. Hybrid

Analysts Geetha Ranganathan & Paul Sweeney
Nov 17, 2014
New net neutrality rules may come out in 2015 as the FCC decides on the future of the Internet and the fate of broadband providers. FCC Chairman Tom Wheeler is unlikely to adopt the severe regulations that would come with classifying the Internet under Title II of the Telecommunications Act, as favored by President Barack Obama. Wheeler favors a hybrid approach, separating broadband into retail and back-end services. Broadband has been a major growth driver, rising 9% vs. video’s 1% since 2009.

Dashboard Home: Cable & Satellite

Source: SNL Kagan

Broadband, Business Revenue Boom Boosts Cable Growth Outlook

Analysts Paul Sweeney & Geetha Ranganathan
Nov 17, 2014
Cable will see continued growth from its commercial-business revenue segment, which has been rising 25% to 30%. With Comcast and Time Warner Cable pegging their opportunities at about $20 billion to $30 billion in their markets, cable operators expect this business to expand substantially. In addition, broadband’s 9% compound annual revenue growth in the last five years has offset meager 1% video gains. Broadband’s 90% gross margin vs. video’s 60% makes it more profitable.

Dashboard Home: Cable & Satellite

Source: Bloomberg, Company Filings
Telecommunications Act Will Reshape Multiple Industries in 2015

Analysts Brad Barker (Government) & Paul Sweeney (Media)
Nov 20, 2014 06:06
Both the House and Senate will initiate a rewrite of the 1996 Telecommunications Act, creating a massive headline risk even if the bill doesn’t pass in the new Congress. Industries affected by the rewrite have revenue of $1.9 trillion and a market cap of $3.6 trillion. The decades-old law has been overwhelmed by the Internet and new media. A Gordian knot will be undone and the complexity of the bill and winners and losers may dwarf anything Washington has seen recently.

Dashboard Home: Legislation

Source: Bloomberg

Congress Will Have Impact on FCC’s Rules Covering Net Neutrality

Analyst Brad Barker
Nov 19, 2014
Net neutrality and a revamp of the 1996 Telecommunications bill will be a top issue in the next Congress. President Barack Obama said he wants to reclassify the Internet as a utility. The Senate Commerce Committee will scrutinize the FCC through oversight of the agency in 2015, making clear what the FCC can regulate and how.
Expect the committee to work with the agency on net neutrality before it issues new rules. If the FCC upsets Congress on net neutrality, expect legislative action.

Dashboard Home: Legislation

Source: Netflix ISP Index, Oct 2014
DishSquared May Be Media Mogul Ergen’s Next $7 Billion Creation

Analyst Julia Winters
Nov 17, 2014
Dish Network is likely to control LightSquared in 2015 if the bankruptcy-court deal announced Nov. 3 sticks. The accord would give Dish Chairman Charlie Ergen $1 billion in new debt and 60% of new LightSquared stock for his existing $1.4 billion of debt. Ergen, who valued a Dish-LightSquared combination at $7 billion, is likely to pass the stock on to Dish, which has already amassed wireless communications spectrum that could be paired with LightSquared’s. A transfer may also resolve Dish shareholder litigation over Ergen’s LightSquared dealings.

Dashboard Home: Litigation

Sports Fans Hold Lead in Comcast, Baseball, NHL Antitrust Battle

Analysts Jennifer Rie & Geetha Ranganathan
Nov 14, 2014
Comcast, DirecTV, MLB and the NHL may go to trial in 2015 in an antitrust case that may impact TV-sports-rights fees. These fees for all U.S. major professional sports leagues -- NHL, MLB, NFL, NBA -- combined could exceed $11 billion in 2015. TV viewers sued the leagues and the pay-TV companies over their agreements to limit where live games are broadcast by using blackouts. A court win for TV viewers may mean the end of live-game blackouts. Absent a settlement, a trial is expected in the fourth quarter of 2015.

Dashboard Home: Litigation
CONSUMER
Best Time to Buy as Auto Shoppers Factor Cheap Fuel, Low Rates

Analysts Kevin Tyman & Tanner Murphy
Nov 14, 2014
Low interest rates and fuel cost may provide strong motivations for new-vehicle buyers in 2015. A 400-basis point drop in the 60-month auto loan rate since 2009 means buyers in 2014 had the same monthly payment as they did when buying a car five years earlier, even though new vehicle average transaction prices are $3,132 higher. Gasoline prices at $2.93 a gallon translate into annual savings of $356 over EPA estimates based on a $3.50 nationwide average.

U.S. Buyers Rush to Lock Low Interest Rates on Car Leases, Loans

Analysts Kevin Tyman & Tanner Murphy
Nov 14, 2014
The possibility that auto-loan interest rates may creep higher will be an important demand driver in 2015. Easy interest rates pushed lease penetration in early 2014 above 28%, the highest level ever. Leasing has pulled back as a surge in the supply of pre-owned vehicles muted residual values. A 400-basis point drop in the 60-month auto loan rate since 2009 has led to lower monthly payments for buyers.
Auto Dealer Acquisitions Create Scope and Scale to Drive Margins

Analysts Kevin Tynan & Tanner Murphy
Nov 14, 2014
With the purchase of Van Tuyl Group by Warren Buffett’s Berkshire Hathaway — and disclosure of his intention to buy more — acquisitions among auto dealers likely will intensify in 2015. Dealers use new and used vehicle sales as a gateway to higher-margin parts, service, finance and insurance businesses. A large percentage of dealers’ profits are generated outside of vehicle sales, as gross margins in parts and service department have averaged 4% since 2008.

Dashboard Home: Auto OEM

Tiremakers May Be Crowded Out of U.S. by Chinese Imports in 2015

Analysts Kevin Tynan & Tanner Murphy
Nov 14, 2014
Top-tier tiremakers will face a challenging environment in the U.S. in 2015 as dealers and distributors devote inventory space and liquidity to tires imported from China. The trend was already evident by the third quarter of 2014, when a 25% increase in Chinese imports drove a 3% gain in U.S. wholesale tire volume, according to the Rubber Manufacturers Association. Without those additional units, U.S. sales to distributors declined 4%, indicating large early purchases of Chinese tires.

Dashboard Home: Auto OEM
**CONSUMER**

Apparel’s International Expansion an Engine for Sales, Margins

Analyst Chen Grazulis  
Nov 17, 2014  
Branded apparel makers will continue to expand internationally in 2015, seeking to ignite much-needed sales growth and higher gross margins. Challenged by weakening retail traffic and lack of fashion newness, the U.S. clothing and accessories market has become highly competitive and promotional. Apparel sales in western Europe, China as well as the rest of Asia tend to have higher average selling prices and better gross margins, contributing to companies’ profitability.

<table>
<thead>
<tr>
<th>International Sales as % of Total</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ralph Lauren</td>
<td>33.1%</td>
<td>33.9%</td>
<td>35.8%</td>
</tr>
<tr>
<td>VF Corp.</td>
<td>37.6%</td>
<td>36.5%</td>
<td>34.2%</td>
</tr>
<tr>
<td>Michael Kors</td>
<td>16.3%</td>
<td>11.1%</td>
<td>9.2%</td>
</tr>
<tr>
<td>Under Armour</td>
<td>5.9%</td>
<td>5.9%</td>
<td>6.1%</td>
</tr>
<tr>
<td>Hanesbrands</td>
<td>10.7%</td>
<td>11.0%</td>
<td>11.4%</td>
</tr>
<tr>
<td>G-III</td>
<td>11.0%</td>
<td>4.7%</td>
<td>3.7%</td>
</tr>
<tr>
<td>Perry Ellis</td>
<td>9.9%</td>
<td>8.5%</td>
<td>7.6%</td>
</tr>
<tr>
<td>Vince Holdings</td>
<td>7.8%</td>
<td>7.8%</td>
<td>NA</td>
</tr>
</tbody>
</table>

Source: Company Filings, Bloomberg Intelligence

Dashboard Home: Apparel Design

Direct Sales May Improve Branded Apparel Revenue, Gross Margins

Analyst Chen Grazulis  
Nov 17, 2014  
Branded apparel companies’ direct-to-consumer sales may expand in 2015, allowing for revenue growth with improved gross margins. The number of brick-and-mortar stores and e-commerce sites operated directly by brands continues to increase because the presentation in these fully owned venues is often better than in a traditional department store. Average selling prices are higher as well, making direct-to-consumer sales more profitable.

<table>
<thead>
<tr>
<th>Direct-to-Consumer Sales as % of Total</th>
<th>2014 To-Date</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ralph Lauren</td>
<td>50.4%</td>
<td>51.0%</td>
<td>52.0%</td>
</tr>
<tr>
<td>VF Corp.</td>
<td>23.8%</td>
<td>21.7%</td>
<td>21.0%</td>
</tr>
<tr>
<td>Michael Kors</td>
<td>47.9%</td>
<td>48.0%</td>
<td>48.7%</td>
</tr>
<tr>
<td>Under Armour</td>
<td>27.0%</td>
<td>30.0%</td>
<td>29.0%</td>
</tr>
<tr>
<td>Hanesbrands</td>
<td>7.9%</td>
<td>8.2%</td>
<td>8.2%</td>
</tr>
<tr>
<td>G-III</td>
<td>24.7%</td>
<td>16.3%</td>
<td>13.4%</td>
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<tr>
<td>Perry Ellis</td>
<td>9.3%</td>
<td>9.0%</td>
<td>8.8%</td>
</tr>
<tr>
<td>Vince Holdings</td>
<td>21.7%</td>
<td>20.5%</td>
<td>16.5%</td>
</tr>
</tbody>
</table>

Source: Company Filings, Bloomberg Intelligence

Dashboard Home: Apparel Design
Cotton May Provide Apparel Makers Some Relief From Rising Wages

Analyst Chen Grazulis
Nov 17, 2014
Branded apparel margins may improve in 2015, as cotton prices should remain at depressed levels as a result of the global oversupply. The price of cotton, which is key to garment industry profits, has dropped 30% since June, after Chinese authorities eased policies that kept prices artificially high since 2011. Lower cotton costs may offset to an extent the continued wage inflation in textile-producing regions such as China and Vietnam.

Source: Bloomberg Intelligence

Mobile Growth Requires Additional Investments by Apparel Brands

Analyst Chen Grazulis
Nov 17, 2014
Mobile transactions may take a bigger portion of apparel sales in 2015 as shoppers increase wireless platform usage. Larger screens and secure payment systems should help shopping on smartphones become more common among consumers. Most brands have fully functional e-commerce sites, yet many lack high-quality mobile infrastructure, requiring additional resources. Smartphone and tablet transactions represent 20% of online sales, according to Custora.

Source: Custora, Bloomberg Intelligence
Apparel Sales Surge Unlikely Without Skinny Jeans-Style Craze

Analysts: Poonam Goyal & John Buzuolits
Dec 10, 2014
Apparel retailers' sales, excluding off-price stores, may increase in 2015, though the lack of a major new fashion trend will likely prevent a sales surge even with easy year-ago comparisons. A skinny jeans and colored bottoms craze helped boost traffic and sales at stores a few years ago. With no hot new trend on the horizon, apparel retailers may struggle to differentiate themselves and drive sales growth.

Dashboard Home: Apparel Stores

Retailers' Margins May Remain Pressured From Rising Online Sales

Analysts: Poonam Goyal & John Buzuolits
Dec 10, 2014
Retailers' margins may remain under pressure in 2015 from rising shipping costs as online sales increase to become a larger portion of total sales. UPS and FedEx have each raised ground shipping costs by 4.9% for 2015. Contract customer rates are typically discounted, though are still likely above last year's levels, which will make it hard for retailers to offset rising costs. Consumers buying online and picking up in-store, and retailers shipping from the store may alleviate some pressure.

Dashboard Home: Apparel Stores
E-Commerce Surge May Result in Smaller Stores, More Closings

Analysts Poonam Goyal & John Buzolits
Dec 10, 2014
Rising competition and a surge in online shopping may force more store closings in 2015 or lead retailers to consider smaller prototypes. American Eagle plans to close 150 stores in the next three years. Abercrombie & Fitch expects to close 60 each year in the next few years, while Aeropostale plans to close all 125 mall-based P.S. units and up to 240 namesake stores, or 25% of that store base. Express will trim 50 stores, 8% of its base, over three years.

Dashboard Home: Apparel Stores

Cheaper Gas, Rising Consumer Confidence May Help Retail Spending

Analysts Poonam Goyal & John Buzolits
Dec 10, 2014
Rising consumer confidence and lower gasoline prices may boost retail spending in 2015. Gasoline has fallen below $2.70 a gallon. If the decline continues and pump prices fall to near the more than 40% drop in crude oil, the savings may spur shoppers to take more trips to stores. The drop in oil prices would leave them with more money for spending on non-essential items, which have higher margins. Macy’s, Wal-Mart and Costco have all said lower gas prices may help the bottom line.

Dashboard Home: Apparel Stores
Luxury Goods Growth to Slow to 3.5% in 2015 as Asia Normalizes

**Analysis by Deborah Aitken**

Nov 12, 2014

Amid subdued Asia demand for luxury goods at home, and political unrest in key countries, luxury goods sales growth may slow to 3.5% in 2015 to $351 billion vs. 3.9% growth in 2014, according to Euromonitor. The Middle East and Africa may lead with 5.6% growth. Falling from 7.9% growth in 2014, Asia-Pacific may gain 4.6%, along with a similar rate of growth for North America, Latin America and Eastern Europe. Western Europe, 33% of luxury sales, may see a slight recovery of 30 basis points to 1.2%.

Dashboard Home: Luxury Goods

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Affordable Accessories Buoy Luxury as High-Priced Clothing Flags

**Analysis by Deborah Aitken**

Nov 17, 2014

With the widest range of brands, and affordable entry price points for products ranging from leather bags to designer sunglasses, luxury accessories may again grow faster than the overall luxury market in 2015. At 17% of the $339 billion luxury goods market, accessories sales are forecast to rise 5.4% in 2015, according to Euromonitor. Jewelry and watches, 16% of sales, may add 3.7%, buoyed partly by a prolonged recovery in Asian watch demand. Higher-priced apparel, at 40% of sales, may gain just 2.8%.

Dashboard Home: Luxury Goods
Luxury Goods’ 25% Superior Online Sales Growth the New Must-Have

Analyst Deborah Ailken
Nov 17, 2014
Striving to broaden the appeal of their brands and broaden customer outreach, luxury goods makers are boosting efforts to woo well-heeled buyers with online shopping. Luxury goods online sales may rise 25% in 2015, according to Bain Altagamma, five times the rate of growth expected of total luxury goods in 2014 and superior to the 15% annually forecast to 2018 for all e-commerce growth. For now, luxury digital sales are just 5% of the segment compared with 10% across total retail.

Dashboard Home: Luxury Goods

Currency Impact a Sensitive Topic for Luxury Makers, Shoppers

Analyst Deborah Ailken
Nov 17, 2014
Hefty price tags on some luxury goods mean visiting shoppers’ purchasing power will be exchange-rate sensitive in 2015. Western Europe, which has 33% of the global luxury market, is biggest by sales. Japan is the second-largest country for luxury purchases (9% of sales) and, aided by a weak yen, is drawing more tourists. Russians lead tourist shoppers globally, though, as in Japan, the weaker ruble has encouraged them to buy locally, with luxury stores focused on boosting growth at home.

Dashboard Home: Luxury Goods

Source: UNWTO, Bloomberg Intelligence
If Gaming Is Back on the Las Vegas Strip, It’s Back on Baccarat

The Las Vegas Strip has outperformed U.S. regional casino market results since the second half of 2013. Although visitation is at record levels, much of the excess is due to the growth of baccarat, a high-stakes table game extremely popular in Asia. Las Vegas slot and other table game trends mirror the stagnant results of regional markets. Incremental Las Vegas casino revenue growth in 2015 may depend on further baccarat gains, a prospect that will increase the overall variance of gaming results.

Source: Nevada Gaming Control Board, Bloomberg Intelligence

U.S. Gaming Revenue Growth in 2015 Is Far From a Sure Bet

The direction of U.S. casino revenue in 2015 is uncertain. Nationwide growth stalled in 2013 and 2014 after post-recession gains driven by improving gambler trends and expansion in new markets. Casino operators have focused on cost-control to offset a lackluster operating environment with few casino additions. Recent company comments that losses are moderating sequentially is muted by easy growth comparisons and severe winter weather in December 2013 and early 2014.

Source: Gaming Regulators, Bloomberg Intelligence
Fear, Drought, Math to Challenge Macau Casino Growth Until June

Analysts Tim Craighead & Brian C. Miller
Nov 16, 2014
Macau casinos face several challenges and may continue well into 2015. China’s anti-extravagance campaign is feeding high rollers’ fear of being associated with corruption. The drought of new resort attractions and difficult yoy revenue growth comparisons will persist in the first half. China’s slowing growth and casino operators’ strategic shift away from the VIP segment add downward pressure on revenue. October’s 23% yoy plunge was the worst revenue drop on record.

Source: Macau DICJ, Bloomberg Intelligence

Macau’s New Casino Resorts May Reignite Revenue Growth in 2015

Analysts Tim Craighead & Brian C. Miller
Nov 16, 2014
A resurgence in Macau’s casino revenue growth may occur with the opening, in rapid succession, of eight mega projects, starting in the middle of 2015. Casino operators are building the most combined gambling, hotel and non-gaming space to open in a year. The unprecedented expansion, which will add significant convention space, will end Macau’s longest pause in building resorts. Moreover, a highway to Hong Kong’s international airport is scheduled to be built by 2016.

Source: Macau DICJ
Restaurants Reap Loyalty Rewards on Technology Investments

Analyst Jennifer Bartashus
Nov 19, 2014 06:18
Restaurant operators have trailed other industries in using technology to reduce costs and improve the customer experience. As balance sheet leverage has improved, they have invested more money in technology including labor scheduling, point-of-sale systems and loyalty programs. Tabletop tablets entertain and speed up aspects of service such as paying the check. Mobile ordering and payments will become the main focus as customers demand convenient options.

Dashboard Home: Restaurants

Source: Company filings, Bloomberg Intelligence

Pizza Fans Fast-Casual Restaurant Growth Flame to New Heights

Analyst Jennifer Bartashus
Nov 19, 2014 06:45
The fast-casual restaurant segment has outperformed its fast-food and casual dining peers by attracting customers with fast, customizable food that has perceived higher quality standards. New restaurant concepts have migrated to fast-casual’s smaller space and lower labor requirements, boosting unit growth. Pizza is on trend as operators can bake customized pies in less than three minutes, with multiple chains quickly adding locations in a bid to lock in share.

Dashboard Home: Restaurants

Source: Company filings, Bloomberg Intelligence
Commodity, Labor Costs May Force More Restaurant Price Increases

Analyst Jennifer Bartashus  
Nov 19, 2014 07:21  
Restaurants are facing sustained higher commodity costs, particularly in proteins and dairy products. USDA 2015 production forecasts for beef (down 3.25%) and commercial milk stocks (down 6%) may mean higher prices for restaurants. Additional cost pressures, including higher state-level minimum wage, paid sick leave and costs associated with the Affordable Care Act, are pushing restaurants to seek efficiencies combined with additional menu price increases.

Dashboard Home: Restaurants  
Source: U.S. Department of Agriculture

High Restaurant Valuations Favor IPOs, M&A Deals May Continue

Analyst Jennifer Bartashus  
Nov 19, 2014 09:26  
The number of restaurant mergers and acquisitions and initial public offerings announced in 2014 reached the highest levels since 2005, as market conditions drove deal volumes. Activity may continue even as valuations have risen, spurred by healthy balance sheets and private equity firms looking to take advantage of the growth in multiples to sell off portfolio companies. The median trailing 12-month total value-to-Ebitda multiple is 10.9x.

Dashboard Home: Restaurants  
Source: Company Filings, Bloomberg Intelligence
U.S. Homebuilding Expected to Accelerate Following Dismal 2014

**2015 U.S. Homebuilding Forecasts**

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>Yoy</th>
<th>2014</th>
<th>Yoy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing Starts</td>
<td>1,106</td>
<td>11%</td>
<td>999</td>
<td>8%</td>
</tr>
<tr>
<td>Single-Family</td>
<td>715</td>
<td>12%</td>
<td>641</td>
<td>4%</td>
</tr>
<tr>
<td>Multifamily</td>
<td>391</td>
<td>9%</td>
<td>358</td>
<td>17%</td>
</tr>
<tr>
<td>New SF Home Sales</td>
<td>499</td>
<td>12%</td>
<td>446</td>
<td>4%</td>
</tr>
<tr>
<td>New SF Home Price</td>
<td>$285</td>
<td>3%</td>
<td>$277</td>
<td>3%</td>
</tr>
</tbody>
</table>

Source: Bloomberg Intelligence poll of sell-side analysts

Decelerating Pricing, Rising Costs May Mean Flat Builder Margins

**Homebuilder Gross Margins (%)**

<table>
<thead>
<tr>
<th>Builder</th>
<th>GM (%) 2014</th>
<th>GM (%) 2015</th>
<th>Bps Chg</th>
</tr>
</thead>
<tbody>
<tr>
<td>D.R. Horton</td>
<td>19.8</td>
<td>20.2</td>
<td>+40</td>
</tr>
<tr>
<td>KB Home</td>
<td>18.8</td>
<td>19.7</td>
<td>+90</td>
</tr>
<tr>
<td>Lennar</td>
<td>25.4</td>
<td>26.4</td>
<td>0</td>
</tr>
<tr>
<td>NVR</td>
<td>19.1</td>
<td>19.2</td>
<td>-10</td>
</tr>
<tr>
<td>Pulte</td>
<td>25.2</td>
<td>24.3</td>
<td>-89</td>
</tr>
<tr>
<td>Ryland</td>
<td>21.6</td>
<td>21.5</td>
<td>-6</td>
</tr>
<tr>
<td>Standard Pacific</td>
<td>28.1</td>
<td>25.0</td>
<td>-115</td>
</tr>
<tr>
<td>Taylor Morrison</td>
<td>21.4</td>
<td>21.0</td>
<td>-32</td>
</tr>
<tr>
<td>Toll Brothers</td>
<td>23.5</td>
<td>24.8</td>
<td>130</td>
</tr>
<tr>
<td>TRI Pointe Homes</td>
<td>20.8</td>
<td>23.3</td>
<td>250</td>
</tr>
</tbody>
</table>

Median: 21.5

Source: Bloomberg - Top ten builders by market cap
Community Count Critical to Builder Orders Amid Slow Absorptions

Analyst Drew Reading
Nov 19, 2014 08:55
Community count expansion will be the key driver of order and revenue growth for most homebuilders as absorption rates are expected to remain challenged throughout 2015 and builders realize a diminishing benefit from accelerating home prices. Builders may continue to face challenges bringing new communities to market due to labor shortages in some areas and delays with local municipalities due to understaffing following the decline.

Dashboard Home: Homebuilders

Source: Company Filings

Homebuilding M&A Machine Will Keep Churning Out Deals

Analyst Drew Reading
Nov 19, 2014 09:21
Homebuilding industry consolidation is likely to persist through 2015 as larger public builders look to gain share within existing markets while also expanding to new markets to fuel volume sales. Buying smaller private builders may be the best opportunity for public builders that want access to lots in more-desirable A and B locations, as many remain averse to purchasing land in more outlying areas amid more sluggish demand.

Dashboard Home: Homebuilders

Source: Bloomberg Intelligence
Global Beverage Sales May Increase 2% to 3% Annually to 2018

Analyst Kenneth Shea
Nov 10, 2014
Slow sales growth is projected through 2018 for the largest beverage categories, according to Euromonitor data. Beer, the largest segment, may generate 2.6% compound annual sales growth during the period vs. 1.3% during the past 10 years, supported by growing demand among Asia-Pacific consumers. Spirits may grow by 2.9% annually, and wine by 2.6%. Carbonates may advance by only 1.2%, reflecting weak performance in mature North American and Europe markets.

Dashboard Home: Beverages

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Global Beverage Margins May Be Bolstered by Manageable Costs

Analyst Kenneth Shea
Nov 10, 2014
Key beverage costs may be stable going into 2015. Corn and related sweetener prices have eased since 2012 due to favorable global corn supply conditions, and orange juice futures prices have declined since mid-2014 on slack consumer demand. Elevated prices for milk and aluminum may offset some of those benefits to producers. In a Bull Case, stable input prices may support producer margins. PepsiCo estimates low-single-digit cost increases in 2014.

Dashboard Home: Beverages

Source: U.S. Department of Agriculture
**Beverage Spending May Stay Flat Even Amid Higher U.S. Confidence**

*Analyst Kenneth Shea  
Nov 6, 2014*

Spending on U.S. non-alcoholic beverages may not benefit from a further strengthening in consumer confidence. Non-alcoholic beverage spending has changed little since the end of the last recession, while consumer confidence has almost doubled. Slow population growth, projected to rise less than 1% in 2015, and tepid consumer demand for sugary drinks may depress sales of carbonated beverages.

**Dashboard Home: Beverages**

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**Wine Sales Outpace Beer and Spirits to Spur Home Alcohol Sales**

*Analyst Kenneth Shea  
Nov 7, 2014*

Steadily rising spending on alcoholic beverages for home consumption may support industry sales growth for the near term. U.S. spending on alcoholic beverages for at-home consumption in the third quarter rose 0.7% to $123 billion from a year earlier, which followed a 3.1% gain in the second quarter -- its largest increase in six quarters. Spending in establishments outside the home advanced 5% in the third quarter, led by wine, which outpaced growth of both beer and spirits.

**Dashboard Home: Beverages**

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**Source:** U.S. Bureau of Economic Statistics, Conference Board

**Source:** U.S. Bureau of Economic Statistics
Still Hot: Tobacco Sales Led by Cigarettes May Grow 6% a Year

Analyst Kenneth Shea
Nov 7, 2014
Global tobacco sales may increase 6.4% annually through 2018, according to Euromonitor data. Cigarettes, which account for more than 90% of tobacco industry sales, are expected to outpace the rest of the industry with 6.6% annual growth. Tobacco sales in the Asia–Pacific region could increase the fastest (13%), followed by eastern Europe (4.3%). The Pan-Europe region has a smoking rate of about 30%, the highest in the world.

High-Smoking Regions’ Rising Consumer Confidence Aids Tobacco

Analyst Kenneth Shea
Nov 7, 2014
Rising consumer confidence in high-smoking regions may aid tobacco sales in the near term. Consumer confidence has rebounded significantly in the European Union since early 2013 amid improving macroeconomic conditions. In Indonesia, where 36% of the 253 million residents smoke, confidence has risen steadily in recent years. Philip Morris is the market leader in the Pan-Europe region and second to China National Tobacco in the Asia–Pacific region.
CONSUMER

E-Cigarette, Vaporizer Sales May Rise Eightfold to $39 Billion

Analyst Kenneth Shea
Oct 8, 2014
The size of the global retail e-cigarette and personal vaporizer market is projected to soar more than eightfold to $39.2 billion in 2018, up from $4.8 billion in 2013, according to e-cig producer Kimree and research firm Frost & Sullivan. Industry growth will be driven by increasing consumer product acceptance, the entry of tobacco companies with significant financial resources for marketing, and ongoing electronic cigarette product innovation, they say.

Dashboard Home: Tobacco

Source: Kimree, Inc Form F-1, Page 66

Tobacco Spending Drops on U.S. Awareness of Risks, Price Hikes

Analyst Kenneth Shea
Nov 7, 2014
Price hikes, increased awareness of the health risks of cigarette smoking and the growing popularity of competing e-cigarettes and vaporizers may be collectively depressing demand for conventional tobacco cigarettes in the U.S. Improving consumer confidence and disposable income haven’t been enough to spark increases in tobacco spending. U.S. spending has declined steadily in 2014, by about 3.8% to $84 billion through Oct. 31.

Dashboard Home: Tobacco

Source: U.S. Bureau of Economic Statistics, Conference Board
North American Food Outlook Weak With More Innovation Needed

Analyst Kenneth Shea
Nov 7, 2014
North American packaged food sales may rise about 1% annually through 2019, according to Euromonitor data. Snack bars and chocolate candy touting convenience and natural ingredients may lead the group with 2% to 4% growth yearly. Such gains may mitigate declines for gum (down 2%), which is losing flavor with young adults due to artificial ingredients, and pasta (down 0.5%). Product innovation highlighting protein and simple ingredients remains high.

Dashboard Home: Food

North American Packaged Food Outlook

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Packaged Foods</td>
<td>$410.3</td>
<td>$413.4</td>
<td>$416.9</td>
</tr>
<tr>
<td>4Yr CAGR</td>
<td>0.5%</td>
<td>0.6%</td>
<td>1.1%</td>
</tr>
<tr>
<td>9Yr CAGR</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Forecast 5Yr CAGR</td>
<td></td>
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<tr>
<td>Forecast 5Yr CAGR</td>
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Source: Euromonitor International

Food Spending May Stagnate Even as U.S. Confidence Improves

Analyst Kenneth Shea
Nov 6, 2014
U.S. packaged food spending may not benefit from a further strengthening in consumer confidence, based on little spending growth since 2010 amid a general increase in confidence. Weak population growth -- projected to rise less than 1% in 2015 -- and recent packaged food price increases taken by producers to mitigate commodity inflation, are potential spending roadblocks.

Dashboard Home: Food

U.S. Consumer Confidence and Packaged Food Spending

Source: U.S. Bureau of Economic Statistics
U.S. Food Makers’ Sales at Risk From Slow Economies Abroad

Analyst Kenneth Shea
Nov 5, 2014
Many U.S.-based multinational packaged-food companies such as General Mills and Kellogg have cited softening macroeconomic conditions in the Asia-Pacific region, Europe and Latin America as factors for weak operating performance in those markets. GDP growth in Europe, Brazil and China has slowed since 2011, with consensus estimates calling for a weaker performance in 2015. This could potentially affect future profitability for food manufacturers.

Dashboard Home: Food

Source: Government Statistics

Improving U.S. Unemployment Rate May Stimulate Higher Food Sales

Analyst Kenneth Shea
Nov 5, 2014
Improvements in labor markets such as the U.S. may support consumers’ disposable-income growth, boosting North American packaged food sales. Better economic conditions may help premium-priced branded good sales the most, given their higher price elasticity than generic brands. The U.S. unemployment rate has declined steadily from its peak in October 2009, yet still remains above pre-recession levels.

Dashboard Home: Food

Food Inflation Supports Grocery Sales, May Hinder Gross Margins

Analyst Jennifer Bartashus
Nov 19, 2014 06:07
Rising food inflation, reflected by Consumer Price Index data, helps support grocers’ overall sales growth, provided they can pass the price increases through to customers. When input prices, as measured by the Producer Price Index, rise faster than selling prices, particularly in areas such as meat and dairy, retailers are unable to pass along the full increase in costs. That leads to pressure on their margins. The PPI has exceeded the CPI for food eaten at home since May 2012.

Organics Go Mainstream, Prompting New Food Retail Competition

Analyst Jennifer Bartashus
Nov 19, 2014 06:27
Demand for organic products is rising across all incomes, with notable new growth in middle and lower-income groups, as consumers seek healthier food. This is driving the expansion of chains focused on offering organic and natural products, as well as broader product assortments in traditional supermarkets. Mass merchants, including discount stores such as Wal-Mart and limited-assortment chains such as Aldi’s, are also rapidly adding items to attract customers.
Convenience Is King as Food Retailers’ Products, Stores Evolve

**Analyst Jennifer Bartashus**

**Nov 19, 2014 06:26**

Consumers’ demand for convenience is driving food retail evolution. Retailers are catering to customers’ changing needs by developing smaller stores that are easier to navigate, adding alternatives to in-store shopping, and expanding selections of prepared foods to enable quick meal assembly. Non-traditional retailers, including discount and dollar chains, are selling more food, helping to lure traffic into stores.

**Dashboard Home: Food & Drug Stores**

**Source:** Nielsen Perishables Group FreshFacts, 2014 vs 2013

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Online Grocery Shopping Poised to Accelerate on Convenience

**Analyst Jennifer Bartashus**

**Nov 19, 2014 07:02**

Online grocery sales may become a disruptive growth area during the next 10 years. While comprising a small percentage of total sales, they are expected to account for a disproportionate share of the industry’s modest annual growth. Buying over the Internet has high convenience appeal and generates greater customer loyalty, creating an advantage for early movers. Online grocery sales will grow to account for 11% to 17% of food spending by 2023, up from a current 4%, according to Brick Meets Click data.

**Dashboard Home: Food & Drug Stores**

**Source:** Brick Meets Click Analysis

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**Expected Growth for Online Grocery Sales**
Marijuana Momentum, Obama Legacy May Spur Drug Reclassification

Analyst Brad Barker  
Nov 19, 2014
Eighteen Congress members have asked President Barack Obama to reclassify marijuana as a less dangerous drug, after 23 states have legalized it in some form. Obama’s Attorney General Eric Holder has the power to do so and wavered before saying changes should be made by Congress. With Holder planning to step down and Obama’s last term half over, the administration may reclassify the drug before 2016. This would be momentous for an industry estimated by Electrum Partners to grow as big as $50 billion upon federal legalization.

Dashboard Home: Legislation

Online Gambling Legislation in 2015 Faces Adelson-Led Roadblocks

Analyst Brad Barker  
Nov 19, 2014
Online gambling is an $11 million/month business, and Nevada, Delaware and New Jersey offer various kinds of Internet wagering, with New Jersey holding a 90% share of the market. Sheldon Adelson, the billionaire CEO of Las Vegas Sands, has leveraged his influence in the Republican Party to lobby against the federal legalization of online gambling and has vowed to spend whatever it takes to stop it. Online gambling at the federal level has no plausibility until after 2016 at the earliest, in part due to Adelson’s influence.

Dashboard Home: Legislation
Caesars Entertainment Bankruptcy May Be in the Cards for 2015

Analysts Julia Winters & Emily Hamburger
Nov 10, 2014
Caesars Entertainment Operating Co. is likely to file for bankruptcy in early 2015 to complete its restructuring efforts, Bloomberg News reported. The company’s restructuring moves thus far have angered noteholders owed $5 billion and have led to litigation in Delaware and New York. The noteholders argue that the company is ring-fencing "good Caesars" before putting "bad Caesars" in bankruptcy and the transfers should be undone. Those arguments will surely echo in a bankruptcy case.

Dashboard Home: Litigation

Herbalife Will Face Pyramid Scheme Investigations, Court Rulings

Analyst Emily Hamburger
Nov 18, 2014 13:36
Herbalife’s request to dismiss a stock-fraud lawsuit will be decided in 2015. If Herbalife emerges unscathed from pending FTC and Justice Department probes into its business model, the suit will be weakened. Shareholders allege that the stock has been hurt by accusations that Herbalife is an illegal pyramid scheme and management’s misrepresentations on the matter. Damages payable to plaintiffs could be calculated based on the amount by which the stock’s market value is found to have been inflated at the time.

Dashboard Home: Litigation
Are North American Integrated Oil Companies Relics of the Past?

Organizational complexity of geographically diverse enterprises may handicap investors from fully appreciating a more nuanced fundamental investment thesis. The integrated, global corporate model followed by Exxon, Chevron and others includes elements of upstream E&P and downstream refining. When placed together, these two elements may disrupt expected relationships between commodities and individual segments because of counterbalancing forces and may hinder more thoughtful investment analysis.

Dashboard Home: Integrated Oils

Integrated Oil Model Trumps Independents During Times of Stress

The integrated oil model still has merit when compared with its smaller, independent peers. During market declines, integrated companies Exxon and Chevron showed lower volatility and have tended to outperform their more volatile independent E&P peers. Yet, equity performance trailed in the recovery as the S&P 500 reached an all-time high and the integrated names didn’t keep pace with the performance of global oil and gasoline prices. If markets rally in 2015, North American integrateds will likely trail the broader index.

Dashboard Home: Integrated Oils
Iran Oil Unlikely to Flood Markets in 2015 Even If Sanctions End

Iranian oil is unlikely to have a major impact on global markets next year, even if an agreement about the nation’s nuclear program leads to a resumption of exports. The country will take time to reverse an output fall as this will require the re-entry of global oil majors and their latest extraction technology. Even then, Iran may struggle to boost production to pre-2012 sanctions levels due to natural decline rates. Output may rise by less than 500,000 bpd in 2015.

Source: Bloomberg

Oil Majors’ Surging Capex May Force Higher Crude Prices in 2015

Oil prices may climb next year to support the increasingly expensive investments made by integrated oil and gas companies to keep up output and reserve replacement. Production costs are rising as greater complexity is creating technological demands, along with time and cost overruns. Development costs for new fields are also up, helping fan an average 10% annual capex increase at European oil majors over the last six years. Still, oversupply may curb prices in the short term.

Source: Company Filings
Drilling Trends, Efficiencies May Mute U.S. Oil and Gas Prices

Analysts: Vincent G Plazza & Gurpal Dosanjh
Nov 12, 2014
U.S. oil and natural gas output has been fairly resilient throughout periods of recent price volatility. While initial exploration has been costly, operators have garnered efficiencies over time across several unconventional plays by incorporating innovative drilling and completion designs, pushing down unit costs while raising estimated ultimate recoveries. Output relative to expected demand and additional efficiency enhancements will likely continue to temper commodity price increases.

Dashboard Home: Crude Oil Production

U.S. Oil and Gas Output Likely More Resilient Than Expected

Analysts: Vincent G Plazza & Gurpal Dosanjh
Nov 11, 2014
Oil wells typically produce some associated gas and gas liquids that add to the total supply of domestic oil and gas, even during periods of rather muted prices. Overall production would likely remain more resilient than is projected, even with less robust benchmark WTI crude oil prices. This is due to the drilling of the most economic wells, lower breakeven thresholds, a desire to showcase growth to investors, a need to delineate acreage and opportunistic producer hedging.

Dashboard Home: Crude Oil Production
With Oil E&Ps at Historical Lows, Can History Repeat Itself?

Analysts Vincent G Piazza & Gurpal Dosanjh
Nov 12, 2014
The Bloomberg Intelligence crude oil-levered equities are now trading near the lows of the 2008 decline, relative to the broader S&P 500 index. Risk of a further decrease is muted when compared with historical performance as the group rallied to relative highs in December 2010 from late 2008. Challenges to revisiting the valuation levels seen in 2010 are the removal of monetary stimulus and further retrenchment in global demand, pressuring global oil prices.

Dashboard Home: Crude Oil Production

U.S. Crude Oil E&Ps Relative P/CF Valuation vs S&P 500

U.S. Gas-Levered Equities at Historical Lows; 2010 Highs in Cards?

Analysts Vincent G Piazza & Gurpal Dosanjh
Nov 12, 2014
The BT natural gas-levered equities are now trading past the lows of the 2008 decline relative to the broader S&P index. Risk of a further decrease is subdued when compared with the historical performance as the group rallied off the lows in late 2008 to the relative highs of December 2010. Challenges to revisiting the valuation levels of 2010 are the removal of monetary stimulus, further U.S. economic deterioration given that gas is a regional commodity, and weakness in seasonal demand.

Dashboard Home: Nat Gas Production

U.S. Natural Gas E&Ps Relative P/CF Valuation vs S&P 500
U.S. Refiners’ MLP Growth at Risk If Interest Rates Rise in 2015

Analysts Gurpal Dosanjh & Vincent G Plazza
Nov 18, 2014 06:14
U.S. refiners’ plans for growth by selling logistics assets into a Master Limited Partnership (MLP) and receiving distributions would be placed at greater risk should interest rates begin to rise. Investors may choose to divert money from high-yield MLPs to other asset classes. An investor shift would reduce the value of the MLPs and the refining equities themselves. An increase in MLP distributions to compensate for low interest rates would slow growth.

Source: Bloomberg

Dashboard Home: Refining & Marketing

Refiners With Coastal Assets More Exposed to U.S. Energy Policy

Analysts Gurpal Dosanjh & Vincent G Plazza
Nov 18, 2014
Energy policies in the U.S., at both state and federal levels, impact refineries on the East and West coasts much more than inland assets. The potential for crude exports would most impact East Coast refineries such as PBF Energy, which has also invested in rail assets to bring Bakken and Canadian crude to its refineries. Should regulators allow crude exports, it would be easier for oil to flow through pipelines to the Gulf Coast, further assisting refineries in the hub.

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Source: Bloomberg

Dashboard Home: Refining & Marketing
Refiner Buybacks May Continue as Investment Decisions on Hold

Analysts Gurpal Dosanjh & Vincent G Piazza
Nov 18, 2014 10:39
U.S. refiners may decide to extend existing share repurchases as the overhang of crude exports threatens returns on investments from new projects. Crude oil output may continue apace despite price declines since October with the ongoing light crude output continuing. Refiners have suggested expanding plants to process this lighter, less-desirable crude, though lifting of the crude-export ban adds risk to the return on these projects. Excess capital may instead flow to shareholders.

U.S. Refiner Share Buybacks ($ mln)

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<td>Valero</td>
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<td>Western Refining</td>
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<td>55.6</td>
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Source: Company filings, Bloomberg Intelligence

U.S. Refiners Will Continue to Boost Global Share, Usurp Imports

Analysts Gurpal Dosanjh & Vincent G Piazza
Nov 18, 2014 10:36
U.S. refiners will continue to displace peers’ product imports to the U.S. as well as increase global market share by expanding exports. Regions such as the East Coast, which have traditionally been reliant on foreign product imports, are becoming more self-dependent and also seeing more domestic imports. Globally, refined product exports to Latin America and West Africa will continue, taking market share from competing Transatlantic refiners.

U.S. Refined Products imports and Exports

Dashboard Home: Refining & Marketing
More Supply, Lower Dayrates May Bode Poorly for Drillers

Analyst Andrew Cosgrove
Nov 21, 2014
Rig dayrates for ultradeepwater semi-submersible and drillship rigs may continue to be pressured by rising supply and weakening demand as 2015 unfolds. Rig dayrates are at their lowest levels since late 2011 and early 2012 as newly built units and those with expiring contracts compete for market share amid weak demand. Falling oil prices have recently exacerbated the 2014 decline in international oil company spending.

Source: Bloomberg Consensus Estimates, Bloomberg Intelligence

Oil Services Risk Rises for High-Growth Segments as Prices Slide

Analyst Andrew Cosgrove
Nov 21, 2014
Rig manufacturing is expected to have the highest growth of all the oilfield services segments in 2015 at 30%. Even so, expectations have deteriorated as hydraulic fracturing and coiled tubing segments, both big drivers of unit manufacturing sales, curtail drilling due to low oil prices. Contract drilling and seismic services are also expected to have growth declines in 2015.
U.S. Horizontal Rigs May Remain Resilient as Total Count Drops

Analyst Andrew Cosgrove
Nov 21, 2014
The direction of rig counts in the U.S. may differ by type in 2015, as capital spending dynamics and breakeven levels play more important roles. The U.S. land rig count may fall by more than 200, or 10.7%, as lower specification, less efficient rigs are taken off contract. In contrast, the horizontal rig count may remain stable heading into 2015, as more high specification and efficient rigs enable companies to drill more wells per unit. This limits potential rig count pressures even in the current price environment.

Dashboard Home: Oil & Gas Services & Equip

E&P Capital Spending Decline Signals Oil Service, Driller Pain

Analyst Andrew Cosgrove
Nov 21, 2014
Oilfield services and contract drilling companies have begun to feel the effects of a $15 billion E&P capital spending decline, which is the first drop in more than five years. An aggregation of Bloomberg consensus forecasts for global E&P companies show that spending may decline by about 2.5% in 2015. Related risks are increasing given that oil prices have been below $85 a barrel for the majority of Q4.

Dashboard Home: Oil & Gas Services & Equip
Solar Energy Demand Surge Is Anticipated on U.S., China Policy

Global solar energy installs may reach 49 gigawatts to 65 gigawatts next year, compared with 44 to 50 gigawatts in 2014, as demand from the U.S. and Asia increases. China and Japan are likely to lead installs on policy incentives, Wacker Chemie forecasts. U.S. demand may gain before a 30% investment tax credit is cut in 2017, with innovative financing spurring residential demand. Chile might offer new growth prospects. Demand in Brazil is set to increase following a government auction of solar projects.

Source: Wacker Chemie

Wind Energy Installs May Increase as China, U.S. Review Subsidy

Wind power installs may increase further in 2015, totaling more than 400 gigawatts of global capacity, according to Global Wind Energy Council data. China and the U.S. may lead growth, as demand increases before potential cuts to Chinese wind energy feed-in tariff subsidies and uncertainty about whether the U.S. will extend production tax credits. Brazil, Turkey and South Africa, as well as offshore wind, offers the industry growth opportunities.

Source: Global Wind Energy Council Moderate Scenario, Bloomberg Intelligence
California May Spark Utility-Scale Battery Energy-Storage Demand

Analysts James Evans & Tobias Nystedt
Nov 18, 2014 04:27
U.S. large battery demand may increase in 2015, with 28 lithium-ion projects announced this year compared with just five last year, according to the Department of Energy. California will expand the most, with the three biggest utilities having mandates to install energy storage. Southern California Edison has procured 225.5 megawatts of battery storage, and PG&E and SDG&E need to acquire a combined 110 MW in 2014. It can take as long as two years from the date a project is announced to actual commissioning.

Dashboard Home: Mind Energy Equipment

U.S. Exports, Cellulosic Fuel Output Offer 2015 Biofuel Growth

Analyst James Evans
Nov 18, 2014 04:17
The U.S. and Brazil will remain leading biofuel producers in 2015, with output reliant on weather and crop conditions. The U.S. EIA forecasts average ethanol output of 934,000 barrels per day in 2015 compared with an expected 927,000 barrels in 2014. U.S. ethanol exports may reach 1 billion gallons in 2015, depending on demand from Brazil and Asia. Cellulosic (non-food crop) biofuel plants commissioned in 2014 may reinvigorate the industry with large-scale fuel output.

Dashboard Home: Biofuels

Source: BP, Bloomberg Intelligence
Power-Plant Retirements in Next Two Years to Trim Coal Demand

Analyst Andrew Cosgrove  
Nov 23, 2014  
U.S. thermal coal demand is under pressure as expected retirements of coal-fired generation begin. Announced retirements and those modeled by Bloomberg New Energy Finance, based on new regulations, total slightly more than 30 gigawatts through 2016. While this figure represents about 45 million tons of potential lost coal demand, the actual total may be less due to higher coal use at compliant plants that will be allowed to stay open.

Dashboard Home: Coal

U.S. Coal Demand May Fall 20 Million Tons as Power Plants Shut

Analyst Andrew Cosgrove  
Nov 21, 2014  
U.S. thermal coal demand may fall by more than 2% in 2015, when almost two dozen coal-fired power plants are set to close. The loss of 26 million tons of sales will affect all major U.S. basins, with the Powder River Basin and Appalachia seeing the largest declines. The Powder River Basin may lose 5 million tons and Central Appalachia 5.7 million. Generation facilities planning to close next year may file for an extension to delay retirement until 2016.

Dashboard Home: Coal
Low Seaborne Coal Prices, Europe Weakness May Curb U.S. Exports

Persistently low seaborne thermal and coking coal prices may prompt more declines for U.S. coal exports in 2015. Weak global demand may remain a drag on exports, most notably in Europe, after flows to the region fell more than 20% in 2014. The lowest contract prices since 2008 also are taking a toll on U.S. producers, which have announced cuts in coking coal exports of more than 10 million tons since the first quarter, equal to about 10% of domestic capacity. More cuts are likely into 2015 if prices fail to pick up.

U.S. Coal Prices May Be Challenged by Rail Bottlenecks, Demand

Central Appalachian and Powder River Basin coal prices have fallen about 20% since late April and early May as declining natural gas prices slowed utilities’ coal purchases after a surge in late 2013 and early 2014. With current Central Appalachian coal prices making more than 50% of the region’s output unprofitable, producers likely are starting to feel the pain, while Powder River Basin coal output remains insulated from losses because of lower costs, any increase in shipments could be slowed by rail bottlenecks.
Utilities May Pursue More M&A to Increase Regulated Exposure

Mergers and acquisitions among utilities and power generators have continued at a steady pace in the past couple of years, and more may be in store in 2015 as American Electric Power considers selling its merchant fleet and Energy Future’s utility Oncor is on the auction block. Duke and PPL both unloaded their merchant assets to reduce unregulated exposure. Exelon’s planned acquisition of network utility Pepco would increase the company’s share of stable, regulated operations.

Pipeline Investments Sought by Utilities for Shale Gas Supply

Utilities are increasing U.S. pipeline investments to secure shale gas supply, with numerous projects announced in 2014 and more likely to come as gas demand is spurred by retirements of coal-fired power plants. Northeast Utilities is partnering with Spectra Energy on the $3 billion Access Northeast project to boost gas supplies to New England. NextEra and Duke plan separate pipeline projects that would carry Marcellus and Utica shale gas to the Southeast.
**ENERGY & UTILITIES**

Coal Retirements Shift Fuel Mix, May Support Higher Power Prices

Analyst Stacy Nemeroff  
Nov 13, 2014  
Massive retirements of coal-fired power plants are projected before the 2015 deadline for compliance with the Mercury Air Toxic Standards, which may be extended to 2016 in some cases. The Energy Information Administration forecasts that coal retirements in 2015 and 2016 may exceed 30 gigawatts. Natural-gas generation is likely to increase with coal-to-gas switching. Plant retirements may lead to supply constraints, possibly driving up power and capacity prices.

Dashboard Home: Power Generation

Source: Energy Information Administration, Bloomberg Intelligence

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Electricity Demand Limited by Distributed Generation, Efficiency

Analyst Stacy Nemeroff  
Nov 13, 2014  
U.S. electricity demand fell 4.5% from 2010 and 2013, weakened by energy efficiency, conservation and demand response, or compensating customers for using less at peak times. A 0.9% increase in the first 10 months of 2014 was partly supported by weather. Distributed generation is a threat, given the 478% surge in U.S. residential solar installations from 2008 to 2013. Utilities’ ability to withstand weaker demand may depend on their ability to achieve new rate structures that give more weight to fixed charges.

Dashboard Home: Utility Networks

Source: Edison Electric Institute
Congress Crude Crusader Would Likely Push Obama Export Action

Analyst Caitlin Webber
Nov 18, 2014 10:15
Even with Alaska Republican Lisa Murkowski leading the Senate Energy panel in 2015, the Obama administration may still dominate efforts to ease export restrictions on U.S. crude oil. Murkowski would likely push the administration to exercise one of several mechanisms to relax restrictions. Among the options, the administration could approve more exports on a case-by-case basis, broaden the ban’s "national interest" waiver and narrow the definition of crude to allow exports of lighter oils.

Dashboard Home: Legislation

Source: U.S. Department of Energy

Solar, Wind, Renewables Tax Credit Fate Precarious in 2015

Analysts Caitlin Webber & Tiffany Young
Nov 18, 2014 12:19
Tax benefits for the wind, solar and other renewable energy companies face an uncertain future in 2015 as major backers lose power in Congress. Solar companies trying to get an extension to the investment tax credit, which subsidizes 30% of equipment costs, will likely find their uphill battle even more difficult in the Republican-led Congress. Top Republicans in both chambers now oppose the renewable energy production tax credit, particularly its $6 billion annual cost.

Dashboard Home: Legislation

Source: Bloomberg
BP’s Worst Case: More Than $80 Billion in Gulf Oil Spill Costs

Analyst Brandon Barnes
Nov 18, 2014 07:36

BP’s costs tied to the 2010 oil spill in the Gulf of Mexico may almost double from the $43 billion the company reserved for cleanup, fines and other expenses if the worst-case legal scenario comes to fruition. In January, a judge is set to calculate BP’s fine for violating the U.S. Clean Water Act, which by itself could push BP’s total liability above the reserve by $3 billion. Add in shareholder lawsuits going to trial in 2015 and potential settlement costs and damages could exceed $80 billion.

Dashboard Home: Litigation

Kinder Morgan’s $44 Billion Merger Fight Likely Resolved by 3Q

Analyst Brandon Barnes
Nov 18, 2014 15:12

Legal challenges to the $44 billion merger of Kinder Morgan Energy Partners with its Kinder Morgan parent may be resolved in 2015. If the case settles, it would likely do so in the third quarter, given that the average time to settle on similar claims before the judge weighing the matter is about 11 months. While a court verdict typically requires more time, the claims that could affect the deal’s outcome — as opposed to those just seeking money — are likely to be dealt with in the earlier stages of the case.

Dashboard Home: Litigation
FINANCIALS
U.S. Bank Credit May Stay Stronger Longer, Supporting Profits

Analyst Alison Williams  
Nov 19, 2014
Net charge-off rates at U.S. banks have fallen to 2007 levels and are less than 20% of the 2009 peak, with charge-off rates about half long-term averages, leaving less room to further improve, credit trends may become a risk to earnings instead of being a potential profit driver. Economic consensus suggests further improvement in U.S. business and consumer financial health, mitigating this risk. Regulators and investors may increasingly scrutinize lending for signs that growing credit supply is leading to weaker underwriting standards.

Source: Federal Reserve, Bloomberg Intelligence

U.S. Bank Revenue at Risk Amid Slowing Global Growth Outlook

Analyst Alison Williams  
Nov 19, 2014
Bank revenue is supported by a steeper yield curve, and higher interest rates may provide a more significant revenue boost. While the Federal Reserve sets near-term rates, long-term rates reflect economic expectations. As the U.S. economy improves, the Fed may shift toward tightening in 2015, though global growth concerns may hamper these plans and suppress long-term yields. Geopolitical risk and any related U.S. Treasury demand may put more downward pressure on the yield curve.

Source: Bloomberg Intelligence, FDIC
Bank Legal Cost Relief After $140 Billion May Aid Capital Return

Analysts Alison Williams (Banks) & Elliott Stein (Legal)
Nov 18, 2014
Legal risks remain for U.S. banks, as civil liability costs may extend for years, potentially cutting profit and raising risk premiums for stocks vs. historical averages. The bulk of charges may be over, though, with $140 billion of cumulative post-crisis legal and liability costs through October for six large banks. This would create the potential in 2015 to funnel more capital to shareholders. Through 3Q, these banks paid $25 billion of legal costs vs. $30 billion in shareholder capital returns.

Capital Return Potential May Extend as Key Bank Stock Driver

Analyst Alison Williams
Nov 20, 2014
U.S. bank capital return potential may remain the key driver of stock performance into 2015, with revenue, profit and capital adequacy underlying inputs. Interest rate increases and sensitivity may also differentiate regional bank performance. Loan growth is the other revenue driver, as low credit costs may provide less of a profit boost, though still solid support. The largest U.S. banks may increase dividend payout ratios to 28% in 2015 from 24% in 2014, based on consensus, with buybacks key to boosting total payouts.
Global Investment Banks Seek Cyclical Revenue, Profit Recovery

Analyst Alison Williams  
Nov 20, 2014 03:15  
Global investment bank revenue has been suppressed since the financial crisis as new regulations cut profitability. Cyclical pressures have exacerbated the challenges in the last couple of years, especially to the larger fixed income, currency and commodities trading business. Volatility rising from historically lower levels may aid revenue and give a clearer picture as to how much of recent declines are cyclical vs. secular.

Dashboard Home: Investment Banking

Central Bank Assets of $11 Trillion and Growing May Pose Risk

Analyst Alison Williams  
Nov 20, 2014 03:15  
Global central bank balance sheet increases are a financial crisis legacy, with the ratio of assets-to-GDP across major economies increasing up to 4x precrisis levels. Effects of ultimate support unwinding are unknown, posing long-term risk. At each stage with support set to wane, a catalyst arose to push balances higher. As global growth risks cloud the outlook for 2015, U.S. plans for reduced support diverge with European and Japanese statements supportive of further stimulus.

Dashboard Home: Investment Banking
Legal Risk Extends for Global Banks, Though Costs May Fade

Analysts Alison Williams (Banks) & Elliott Stein (Legal)  
Nov 20, 2014 13:34
Global investment banks’ profit and capital buildup have been hurt by legal risk, costing a median 10% of 2014 revenue through 3Q. Banks aim to accrue much of expected near-term costs into fiscal 2014, removing the profit drag in 2015 and beyond. Group settlements reduce potential reputational harm to any one bank, though business restrictions may be a risk. Civil liability costs may extend for years, hampering profit and valuations vs. historical averages. Moving past the bulk of charges should reduce risk.

Dashboard Home: Investment Banking

Litigation Expense as % of Revenue

<table>
<thead>
<tr>
<th>Company</th>
<th>2013</th>
<th>2014 YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank of America</td>
<td>7%</td>
<td>25%</td>
</tr>
<tr>
<td>UBS</td>
<td>6%</td>
<td>11%</td>
</tr>
<tr>
<td>Citigroup</td>
<td>5%</td>
<td>11%</td>
</tr>
<tr>
<td>Credit Suisse</td>
<td>5%</td>
<td>10%</td>
</tr>
<tr>
<td>Barclays</td>
<td>1%</td>
<td>9%</td>
</tr>
<tr>
<td>Deutsche Bank</td>
<td>9%</td>
<td>6%</td>
</tr>
<tr>
<td>JPMorgan</td>
<td>11%</td>
<td>2%</td>
</tr>
<tr>
<td>Goldman Sachs</td>
<td>3%</td>
<td>2%</td>
</tr>
<tr>
<td>Morgan Stanley</td>
<td>6%</td>
<td>N/A</td>
</tr>
<tr>
<td>Median</td>
<td>6%</td>
<td>10%</td>
</tr>
</tbody>
</table>

Note: Revenue excludes valuation adjustments  
Source: Bloomberg Intelligence, Company Filings
Exchange Volumes Are Dependent on Return of Price Volatility

Analyst Kapilan Thilevthirampillai
Nov 18, 2014
A surge in price volatility in October served as a timely reminder that cyclical drivers for trading volumes still exist. Deutsche Boerse cited the volatility as an indication of why trading volumes are not "structurally depressed." The VIX Index, a gauge of fear, jumped 61% in the first two weeks of October, culminating in U.S. equity markets processing 11.5 billion shares on Oct. 15, a record for the year and 87% higher than the daily average for 2014, with the CME and CBOE posting record trading days.

Recovery From Spain to Dubai May Boost $219 Billion IPOs

Analyst Kapilan Thilevthirampillai
Nov 18, 2014 03:30
The key to sustaining the pace of IPOs remains the economic health of the global economy. This year marked the first IPOs in Dubai for five years after the emirate’s property market collapsed. BME expects more IPOs as confidence returns, citing a 500 bps narrowing in spreads between Spain’s 10-year bond and equivalent maturity German bunds since ECB President Mario Draghi pledged to save the euro in July 2012. About $219 billion was raised in global IPOs by Nov. 7, 2014, a 14% increase on the previous year.

Global IPOs in Review

<table>
<thead>
<tr>
<th>Region</th>
<th>2012</th>
<th>2013</th>
<th>2014 YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia Exchanges</td>
<td>63.9</td>
<td>59.3</td>
<td>53.9</td>
</tr>
<tr>
<td>Total Deals</td>
<td>531</td>
<td>497</td>
<td>509</td>
</tr>
<tr>
<td>European Exchanges</td>
<td>15.1</td>
<td>35.6</td>
<td>66.3</td>
</tr>
<tr>
<td>Total Deals</td>
<td>206</td>
<td>202</td>
<td>249</td>
</tr>
<tr>
<td>North American Exchanges</td>
<td>62.3</td>
<td>81.8</td>
<td>93.0</td>
</tr>
<tr>
<td>Total Deals</td>
<td>540</td>
<td>541</td>
<td>483</td>
</tr>
<tr>
<td>Middle East &amp; Africa Exchanges</td>
<td>2.0</td>
<td>2.3</td>
<td>4.1</td>
</tr>
<tr>
<td>Total Deals</td>
<td>18</td>
<td>18</td>
<td>18</td>
</tr>
<tr>
<td>LATAM &amp; Caribbean Exchanges</td>
<td>7.2</td>
<td>13.5</td>
<td>2.1</td>
</tr>
<tr>
<td>Total Deals</td>
<td>18</td>
<td>21</td>
<td>7</td>
</tr>
</tbody>
</table>

Data as of Nov 7, 2014
Source: Bloomberg
**FINANCIALS**

**Dark Pools Battle Exchanges for $24 Trillion Stock Market Share**

Analyst Kapilan Theiventhirampillai  
Nov 18, 2014  
Scrutiny of alternative trading systems, which account for about 40% of U.S. equity trades in the $24 trillion stock market, has intensified after an investigation into Barclays’s dark pool promoted allegations of fraud. UBS and Deutsche Bank have also flagged potential litigation over their dark pools and high-frequency traders, which the book “Flash Boys” alleges have speed advantages over other market participants. The battle for a share of trading between dark pools and exchanges is likely to escalate in the year ahead.

Dashboard Home: Security Exchanges  
Source: Bloomberg

**Shanghai-Hong Kong Stock Connect Paves Way for Asian Exchanges**

Analysts Francis Chan & Kapilan Theiventhirampillai  
Nov 17, 2014  
The Shanghai-Hong Kong Stock Connect may boost the Hong Kong Exchange’s trading volume by as much as 25%, based on a daily trading quota of 30.5 billion yuan ($1.7 billion). The program, launched Nov. 17, lets qualified mainland investors buy Hong Kong-listed stocks, while overseas investors can buy stocks listed in China. It may pave the way for similar links elsewhere and fuel trading volume between Asian bourses, with China’s Shenzhen Stock Exchange possibly partnering with Hong Kong or Japan’s Osaka Stock Exchange.

Dashboard Home: Security Exchanges  
Source: Shanghai Stock Exchange, Bloomberg
As P&C Insurance Returns Reach Balance, 2015 Margins at Risk

 Analysts Jonathan Adams & Jamie Dranoff
 Nov 17, 2014
 After the U.S. property and casualty industry’s surplus fell by $26 billion in 2001, triggering substantial price gains, insurers earned quarterly operating returns averaging 455 bps above their cost of equity from 2002 through 2007. Price declines, catastrophes and the financial crisis drove average returns 204 bps below the peer group cost of equity from 2010 to 2012. With 2014 returns meeting equity costs, renewed competition may drive 2015 margins lower.

Source: Bloomberg Data

P&C Insurer Reserve Adjustments May Add Less to 2015 Margins

 Analysts Jonathan Adams & Jamie Dranoff
 Dec 9, 2014
 For companies in the Bloomberg property and casualty insurance peer group, reserve adjustments enhanced underwriting margins by an average of 5.4 percentage points from 1Q06 through 3Q14. After reaching 8.9% in 4Q08, reserve releases averaged 4.5 percentage points in 2014, added just 3.5 points in 3Q, and may diminish further in 2015. Lower initial loss estimates in recent years, along with inflation pressures from economic expansion, may reduce future releases.

Source: Bloomberg Data
Life Insurer Pension Business May Rise With Republican Congress

Analysts Jonathan Adams & Jamie Dranoff  
Nov 18, 2014 10:50
The new Republican majority in Congress may bring significant pension opportunities to life insurers in 2015. Senator Orrin Hatch's pension bill, S. 1270, turns to insurers to help overhaul the pension system through annuities. With state and local pensions deficient by $1.2 trillion (72% funded) in 2013 and the top 100 private plans short by about $193 billion (86% funded), a program supported by public policy may be a material source of new business.

Dashboard Home: Life Insurance

<table>
<thead>
<tr>
<th>Pension Funding Ratios and Returns</th>
<th>2007</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>State and Local Pension Plans</td>
<td>87.0%</td>
<td>72.0%</td>
</tr>
<tr>
<td>Top 100 Private Pension Plans</td>
<td>105.4%</td>
<td>87.9%</td>
</tr>
<tr>
<td>Returns</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trailing 5-Year Average Yield</td>
<td>4.4%</td>
<td>2.7%</td>
</tr>
<tr>
<td>Yield on 10-Year Treasury</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trailing 5-Year Total</td>
<td>12.8%</td>
<td>17.9%</td>
</tr>
</tbody>
</table>

Source: Boston College, Milliman Pension Funding Index, Bloomberg Data

Insurer Capital Standards May Help Creditors, Deter Shareholders

Analysts Mary Chapman (Credit) & Jonathan Adams (Insurance)  
Nov 19, 2014 08:52
Seeking to limit systemwide risks, regulators forced the inclusion of AIG, Prudential and MetLife as non-bank SIFIs. MetLife is fighting the designation, which may put greater restraints on capital. Asset valuation reserves and other elements of statutory capital that insurers include in total adjusted capital may not be part of regulators’ capital measurements, based on Basel III Tier 1 metrics. Risk-weighted asset disclosure could reveal higher insurer capital. More capital aids creditors yet can suppress shareholder returns.

Dashboard Home: Life Insurance

<table>
<thead>
<tr>
<th>Bank and Insurance Capital Reconciliation</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of 12/31/2013, dollars in billions</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Prudential Insurance Company of America</td>
</tr>
<tr>
<td>JP Morgan Chase Bank NA</td>
</tr>
<tr>
<td>Total shareholders' equity/surplus</td>
</tr>
<tr>
<td>Add: Asset valuation reserve</td>
</tr>
<tr>
<td>Add: 50% of dividends apportioned for</td>
</tr>
<tr>
<td>payment to policyholders</td>
</tr>
<tr>
<td>Add: Other</td>
</tr>
<tr>
<td>Subtract: Unrealized gains (losses) on</td>
</tr>
<tr>
<td>available-for-sale securities</td>
</tr>
<tr>
<td>Subtract: Disallowed goodwill and</td>
</tr>
<tr>
<td>other intangibles</td>
</tr>
<tr>
<td>Subtract Other</td>
</tr>
<tr>
<td>Total Adjusted Capital</td>
</tr>
<tr>
<td>Tier 1 capital</td>
</tr>
</tbody>
</table>

Note: Prudential and JPMorgan have both been designated Systemically Important Financial Institutions (SIFIs)  
Source: Prudential Insurance Company of America annual statement, JPMorgan Chase Bank NA call report
Apartment REITs May Lead Industry as Supply Curbs Rent Growth

Analyst Jeffrey Langbaum
Nov 18, 2014 06:43
Apartment REITs tend to have above-average quality portfolios, including a geographic focus weighted toward the Northeast and West Coast, where rent growth is highest. As such, REIT portfolios may fare better than other apartment operators as average nationwide vacancy rates rise and rent growth slows. U.S. supply will exceed demand by more than 70,000 units in 2015, according to Reis, slowing rent growth to 3.2%. Equity Residential’s initial forecast for 2015 revenue growth of 3.5% to 4.5% is flat vs. 2014.

Dashboard Home: Apartment REIT

Source: Reis Inc.

Global Capital Flows, Rates to Determine Office REIT Values

Analyst Jeffrey Langbaum
Nov 18, 2014 12:57
Share prices of office REITs, especially those that own assets in urban markets such as New York and California are tied to the values of the underlying assets. REITs in those markets trade at premium multiples, driven in part by foreign investor demand for office properties, which has elevated asset prices to prerecession peaks. If changes in interest rates, currencys or investment philosophies alter capital flows, urban office values could be hurt.

Dashboard Home: Office REIT

Source: Real Capital Analytics
Retail REIT Pricing Power Lifts 2015 Mall, Shopping-Center Rents

Analyst Jeffrey Langbaum
Nov 18, 2014 07:42
Retail REITs that own high-quality assets have pricing power, as retailers fight for locations in full properties with little new construction under way. Even as struggling retailers close stores, which hurts lower-quality portfolios, other retailers are expanding, though focusing on better assets, which REITs tend to own. Reis forecasts 2.9% retail rent growth in 2015, up from 2% in 2014 and the strongest since 3.4% in 2006.

Dashboard Home: Retail REIT

Source: Reis Inc.

Interest Rates Drive Health-Care REIT Investments, Performance

Analyst Jeffrey Langbaum
Nov 18, 2014
Health-care REIT share prices are more susceptible to fluctuating interest rates, due partly to their much higher average dividend yields than other property segments. Additionally, health-care REIT earnings growth is heavily dependent on acquisitions. While rising interest rates might lower acquisition prices, they would also raise REITs’ cost of capital. Consensus projects a 3.4% 10-year Treasury yield by year-end 2015, amid Federal Reserve tightening.

Dashboard Home: Health Care REIT

Source: Bloomberg
Fannie-Freddie Reform Must Find Middle Ground to Succeed in 2015

Analysts Brad Barker (Government) & Drew Reading (Homebuilders)
Nov 19, 2014
After a strong rebound in 2012 and 1H13, the U.S. housing recovery has slowed. Consensus in Congress and the White House is that Fannie Mae and Freddie Mac should be wound down so the government isn’t on the hook in the event of another housing crisis. A push by new FHFA head Mel Watt to reform the two agencies could force Congress to act sooner. Affordable housing goals and a federal backstop has to be part of any overhaul signed by the White House.

Volcker Rule May Be Eased by Narrow Dodd-Frank Tweak in 2015

Analysts Caitlin Webber & Tiffany Young
Nov 18, 2014
The financial industry may get a narrow reprieve of Dodd-Frank rules in 2015, with bipartisan support in Congress and among some regulators to ease implementation of the Volcker rule. The Federal Reserve is considering extending the implementation period for certain funds, which may include collateralized loan obligations, a type of leveraged loan. Regulators are also considering whether to exempt smaller banks from the Volcker rule, which restricts proprietary trading.
Bank Forex, Libor, ISDAfix Rate-Rigging Probes, Lawsuits Persist

Analysts Elliott Stein & Jennifer Rie
Nov 18, 2014 01:45
Citigroup, JPMorgan and other banks are facing probes and suits related to foreign exchange, Libor and ISDAfix rate-rigging that will continue in 2015. Banks that don’t settle with U.S. and U.K. authorities in 2014 may reach civil and criminal deals over forex and Libor in early 2015. Dismissal motions in billion-dollar forex and ISDAfix civil antitrust suits will likely be decided in 2015. Libor antitrust claims may be revived through the U.S. Supreme Court.

Fannie-Freddie Takeover Suit Critical Rulings Likely in 2015

Analyst Elliott Stein
Nov 18, 2014 06:30
Critical rulings are expected in 2015 in Fannie Mae-Freddie Mac shareholder suits spread across several courts. In the Washington D.C. Court of Federal Claims, decisions on dismissal are likely in the second half of 2015. An appeals court in Washington will likely also rule in the second half of 2015 on the Sept. 30 district court dismissal of shareholders’ suits. A shareholder suit in Iowa is expected to be dismissed and appealed in 2015 as well.
Large Pharma’s Innovation Will Be Key Yardstick in 2015 Strategy

Analyst Sam Fazel
Nov 13, 2014

Drugmakers’ ability to achieve good pricing and formulary positions for their new drugs depends on how well-differentiated they are from often cheaper alternatives. During 2015, the focus will likely continue to be on companies’ drug pipelines. Those with drugs that have the potential to be differentiated, such as those active in the field of immuno-oncology, may attract more attention than those companies centering on business development and restructuring.

Dashboard Home: Large Pharma

J&J Remicade Biosimilar in Europe First to Test Extent of Threat

Analysts Sam Fazel & Michael Shah
Nov 13, 2014

Merck and J&J have said competition for Remicade, the first significant biosimilar launch in Europe, has made very little difference to its sales. Merck said pricing pressure and slowing new patient starts had dented sales instead of patients switching treatment. Remicade’s resilience in marginal launch markets so far may not be a good proxy for the bigger European territories, where it’s due in 2015, given that governments in these areas are focused on cutting drug spending.

Dashboard Home: Large Pharma
Drug Price Tug-of-War Likely in 2015 as Payers Flex Their Muscle

Analysts Sam Fazeli & Michael Shah
Nov 13, 2014
A developing theme among large pharmaceutical companies is the pressure that Medicare, Medicaid and other U.S. payers are putting on companies in terms of discounts and rebates that are given by them to gain good formulary positions. The rebates and discounts in two disease areas, respiratory and diabetes, have been increasing during the past several years. The issue is whether in 2015 there will be further pressure in other primary care disease categories such as autoimmune disease.

Make or Break for Some Drugs With Major Outcome Trials in 2015

Analysts Sam Fazeli & Michael Shah
Nov 13, 2014
There are four cardiovascular outcome trials reporting in 2015. Sanofi’s ELIXA trial with Lyxumia will be the first test of a GLP-1 analog’s effect on outcomes and may affect Novo Nordisk’s Victoza and AstraZeneca’s Bydureon. Merck’s TECOS looks at Januvia, while REVEAL is testing its anacetrapib, a lipid-lowering drug. Novo’s DEVOTE will have an interim analysis, which if positive will allow U.S. filing and bring competition for Sanofi’s Lantus in the U.S.
Will the Biotech Industry Indexes Be Able to Sustain Growth?

Analyst Ashika Goonewardene
Nov 19, 2014 06:03
Key indexes for the biotech sector flourished in recent times, growing more than 250% since 2010. The question on investors’ minds going into 2015 is whether this growth is sustainable. Analysts expect fundamentals to remain strong to 2018, while P/Es of the key stocks contributing the indexes by weight are stable, suggesting there may be room for growth. Yet sentiment may be rocked by threats to profitability, or from clinical or regulatory failures.

Dashboard Home: Biotech

Source: Bloomberg Intelligence

Biotech IPOs May Be in for Another Strong Year If Economy Holds

Analyst Ashika Goonewardene
Nov 19, 2014
More than 100 biotech initial public offerings were announced in the U.S. and western Europe in 2014, the most in 10 years, as financing and investor risk appetite returned following the recent recession. While this poses a challenge to beat in 2015, GDP forecasts for the U.S., where most of the biotech IPOs typically take place, predict growth from a year earlier. This may buoy offerings, putting 2015 on track to beat 2014.

Dashboard Home: Biotech

Source: Bloomberg Intelligence
Biotech Industry Catalysts Galore, Yet Which Will Bear Fruit?

Clinical and regulatory events are the key drivers of the biotech sector. There are more than 120 potentially game-changing events for the key stocks across the biotech peer groups in 2015. For Gilead, this includes sintuzumab data and its shorter duration hepatitis C regimens. Amgen and Regeneron will both have a separate PDUFA dates for their competing PCSK-9 drugs in August. Biogen will report data on anti-LINGO and ocrelizumab, key potential contributors to its multiple sclerosis franchise.

Political Pressure May Rock Biotechnology Investor Confidence

The runup of the Nasdaq and NYSE biotech indexes were staggered in 2014 on three occasions when key political figures and government officials challenged drug price premiums and valuations. The speculative nature of the industry relies on continued investor confidence. Any new political challenges that gather sufficient momentum and grab headlines may erode confidence and lead to volatility. A sufficient cascade of events could lead to another 1H14-like plunge, even if fundamentals remain convincing.
**Defibrillator Sales May Continue to Decline for Medtronic, Peers**

**Analyst Jason McGorman**
Nov 19, 2014 06:53

Implantable cardioverter defibrillators may continue to decline in 2015 as falling prices offset rising procedures, pressuring device makers such as Medtronic, St. Jude Medical and Boston Scientific. ICD revenue has fallen 1% on average since 2012, excluding currency exchange, while prices have fallen about 4% in the U.S., according to Millennium Research Group. While revenue could improve with new device launches, hospitals continue to push for lower prices.

Dashboard Home: Medical Devices

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**U.S. Orthopedic Growth May Continue to Rise, Aid Zimmer, Stryker**

**Analyst Jason McGorman**
Nov 19, 2014 09:20

U.S. orthopedic implant growth may continue to rise in 2015, boosting revenue per adjusted admission for hospitals, though falling prices may hurt revenue growth for device makers such as Stryker and Zimmer. Rising employment and expanding manufacturing have helped many regain insurance coverage in the U.S., though demand is becoming more seasonal toward 4Q due to health plan designs. An aging population may also boost growth.

Dashboard Home: Medical Devices
Medical-Device M&A at 10-Year High May Offer Spoils to Onlookers

Analyst: Jason Mcgorman  
Nov 19, 2014 09:45
Large medical-device manufacturers that have engaged in blockbuster deals such as Medtronic and Zimmer may lose market share in 2015 as they focus on integrating large businesses and sales representatives leave for competitors. Medical device M&A volume is at a 10-year high with more than $90 billion announced in 2014, led by Medtronic’s $46 billion purchase of Covidien. Some of the deals may help companies in the long term as companies seek a stronger pipeline of products.

Dashboard Home: Medical Devices

Edwards, Medtronic Heart Valves May Propel Sales Growth in 2015

Analyst: Jason Mcgorman  
Nov 19, 2014 10:11
Heart valve revenue growth may rise in 2015 for device makers if Edwards Lifesciences or Medtronic get new, smaller transcatheter heart valves approved in the U.S. that may treat more patients. U.S. transcatheter heart valve sales have grown about 75% in 2014 due to a broader range of sizes available, increasing the treatable patient population. Boston Scientific and St. Jude are evaluating their transcatheter valves in U.S. clinical studies.

Dashboard Home: Medical Devices
Payers Square Off With Providers as Obamacare Enters Second Year

Analysts Gerard Campagna & Jason Mcgorman
Nov 17, 2014
A simultaneous rally for managed-care payers and providers is uncommon; the launch of the Affordable Care Act, which may provide health insurance to 26 million Americans, provided a boost to both. As the benefit of the new law unfolds, investors may need to assess which one -- payer or provider -- will obtain more favorable contract pricing. Managed-care payers (up 25%) and hospitals (up 18%) have outperformed the S&P 500 Index (up 11%) in 2014 through Nov. 14.

Dashboard Home: Managed Care

Rising Specialty Drug Costs a Concern for Managed Care in 2015

Analysts Gerard Campagna & Jason Mcgorman
Nov 17, 2014
Managed-care medical loss ratios may worsen in 2015 as premium growth wanes and costs rise for specialty drugs, which could increase 18%. Payers may have difficulty justifying double-digit premium increases given that medical cost growth has hovered near 6% for the past three years. The shift to outpatient hospital visits, as opposed to higher-cost inpatient admissions, may ease managed-care expenses while cutting hospital revenue.

Dashboard Home: Managed Care
Payers May Still Have Edge Over Providers in Price Negotiations

Analysts Gerard Campagna & Jason Mcgorman
Nov 17, 2014
Hospital revenue per admission may grow at a slower rate in 2015, given the strong pace of higher-revenue elective procedures in 2014. Payment increases from private payers may be just 5%, compared with the 8% to 9% received in prior years, WCA says. Although providers have consolidated, the scale of payers may still provide an edge in price negotiations. The top 10 health insurers hold 58% of the U.S. market vs. just 18% for the 10 largest hospital systems.

Dashboard Home: Managed Care

Obamacare Could Add Enrollment, Cut Uncompensated Care in 2015

Analysts Gerard Campagna & Jason Mcgorman
Nov 17, 2014
The Affordable Care Act may boost managed-care enrollment and reduce hospital uncompensated care in 2015. Medicaid expansion in Pennsylvania, along with a push for expansion in Tennessee, may lower bad debt at Community Health and LifePoint. The second year of the public health-care exchanges may add 7 million members, who could be healthier and require lower costs. Payer margins may be pressured by competitive pricing and reduced risk payments.

Dashboard Home: Managed Care
Obamacare Tinkering by Congress Likelier Than Gutting

Analysts Brian Friel (Government) & Jason McGorman (Health Care)
Nov 18, 2014 06:12
Congress is unlikely to make major changes to the 2010 health-care law, the Affordable Care Act, given that President Barack Obama would likely veto a full repeal or other major Republican proposals. A medical device tax repeal has the best chance of enactment given Democratic backing. St. Jude Medical and Boston Scientific had the most exposure to the medical-device excise tax in 2013 among their large-cap peers.

Pharma, Device Makers Most Exposed to U.S. Tax Proposals

Pharmaceutical and medical device makers are among the most exposed industries to proposals to limit inversions, or reincorporations overseas avoiding U.S. tax. They are also among the top companies with earnings held overseas that could be returned to the U.S. at a reduced tax rate under a repatriation tax holiday proposal. Democrats may demand inversion limits in exchange for support of Republican repatriation plans.
Obamacare’s Tax Credits Will Take Supreme Court’s Center Stage

The Supreme Court will decide the legality of tax credits for participants in the 35 state health exchanges under the Affordable Care Act that are run by the federal government. Enrollment is expected to reach 25 million by 2017 with about 75% of participants subsidized. While states may find workarounds if the IRS can no longer issue tax credits, the political climate in those 35 states would make state-federal collaboration difficult. A decision is expected by the end of June 2015.

Biosimilars ‘Patent Dance’ Suits to Clarify Timing, Legal Costs

The Biosimilars Act “patent dance,” a section of the law that provides for patent information sharing between brand and biosimilar makers, may get much needed clarification in 2015. The first case on appeal relates to Sandoz’s biosimilar of Amgen’s Enbrel. Hospira has since sued J&J over Remicade, and Amgen has sued Sandoz over Neupogen. These cases should bring clarity and predictability to the legal costs associated with marketing a biosimilar. The appeals court’s decision is expected in the first quarter of 2015.
INDUSTRIALS
Multi-Industrial M&A May Ratchet Up on Heightened Deal Interest

Analyst Karen Ubelhart  
Nov 25, 2014
Capital allocation priorities should continue to shift toward M&A in 2015 as business confidence builds among industrials management. Many multi-industrials have ample debt capacity to finance acquisitions. Danaher, 3M and Honeywell have the highest acquisition capacity, ranging from $8 billion to $11 billion, based on B1’s M&A capacity model. All have expressed interest in doing larger deals. Divestitures are planned at Emerson, Danaher and Siemens.

Dashboard Home: Multi-Industry

North America Key to Multi-Industrials Growth as China Treads Water

Analyst Karen Ubelhart  
Nov 28, 2014 06:00
Multi-industrials may rely on growth in North America next year given the lack of momentum in other key regions. North America accounts for 50% of the industry’s sales. As in 2014, China’s growth is forecast to be tepid, and vary widely across end markets. The country’s construction segment is likely to remain weak. Rising health-care spending benefits the medical device segments at 3M, Danaher and GE. Other BRIC countries, while not a major factor to most multis, may pressure top-line growth, as could Europe, which is 24% of sales.

Dashboard Home: Multi-Industry
Currency Volatility May Aid European Industrial Sales, Hurt U.S.

**Analyst Heenal Patel**

Nov 20, 2014

Currency fluctuations are likely to create volatility for industrials sales in 2015. Consensus calls for a euro-dollar exchange rate of 1.2 in 2015, 12.5% higher than the 10-year average. This will aid European industrial sales, yet hinder U.S. sales, with Europe accounting for about 30% of U.S. companies' revenue. The yen’s deterioration is unlikely to lead to currency-led price competition between Japanese, European and U.S. industrials, except within China where construction equipment end-markets are particularly weak.

Dashboard Home: Multi-Industry

Industrials Sales Pressured as Smaller Oil, Gas Spending Slumps

**Analyst Heenal Patel**

Nov 20, 2014

A key sales driver for industrials has been the 15% annual growth in capital spending by oil and gas companies in the past 10 years, which equates to 20% to 25% of total revenue. Consensus calls for a 2.5% decline in spending in 2015, and a 10.2% drop for companies outside the top 50 biggest spenders. The 27% retreat in the oil price since June is more likely to hurt profitability of smaller companies. Investment among the top 10 spenders may fall 0.6% as their projects are less likely to lose money at current oil prices.

Dashboard Home: Industrials

Source: Bloomberg Intelligence, Bloomberg Consensus, Company Reports
North America Leads Machinery Sales Forecast With Europe a Risk

Analyst Karen Ubelhart  
Nov 19, 2014
Companies exposed to North America, which accounts for one-third of machinery industry sales, may fare better than peers in 2015 as economic growth accelerates and construction markets recover. Demand in Europe, also one-third of revenue, is a risk, with weak indicators suggesting sustained sluggish growth and unfavorable currency translation that may hurt U.S. producers. Weak mining, agriculture and crane markets could overwhelm North America economic strength at companies with large exposure such as Deere, Manitowoc and Joy.

Dashboard Home: Machinery

Mining Capital Spending Cuts Are Cushioned by Parts, Services

Analyst Karen Ubelhart  
Nov 19, 2014
Mining capital spending is expected to fall, with consensus projecting declines of 15% in 2015 and 12% in 2016. Maintenance deferrals may have reached a limit as major companies plan to raise sustaining capital spending 6% next year. Total equipment sales will remain pressured, though signs of stability are emerging. Margins would improve on higher parts and service sales. Joy’s sales are 100% exposed to mining. Komatsu and Caterpillar also have mining sales.

Dashboard Home: Machinery
Global Farm Equipment Demand May Stay Weak on Low Grain Prices

Analyst Karen Ubelhart
Nov 19, 2014
Global farm equipment demand could decline in 2015, with grain prices falling 40% to 50% from their 2012 peak. In the past four cycles, North American tractor declines averaged 25% over two years. In 2014, the first down year, tractors above 100 horsepower fell 8.7% as large equipment plummeted by double digits. Farmers could delay purchases following a seven-year rally, from 2007-13, the longest on record, when unit sales rose 122% vs. the average of 34% in prior cycle peaks.

Dashboard Home: Machinery

North America 7% Growth to Lead Construction Equipment Demand

Analyst Karen Ubelhart
Nov 19, 2014
Construction equipment demand is forecast to grow in most regions in 2015, led by North America at 7%, according to Off Highway Research. China excavator demand, down 15% year-to-date, may rise 8%, yet excess inventories and widespread customer financial stress may keep production below end market demand, hurting margins and factory utilization. Europe is a wildcard, as a 4% growth forecast could be tempered by economic softness. Demand varied in 2014, as North America strength was offset by weakness in China, Brazil and Europe.

Dashboard Home: Machinery
Defense Prime Revenue Pressured by Budget Constraints, Drawdown

Analyst **George Ferguson**  
Nov 19, 2014 08:11  
The Bipartisan Budget Act limits and threat of sequestration returning in 2016 keep defense prime contractor revenue under pressure even as Congress may pass a defense budget in 2015. The primes are likely to maintain similar margins during the year, though revenue will likely decline as the Pentagon manages flat budgets and withdrawal from Afghanistan. Primes will seek sales to foreign governments to improve revenue and buybacks to boost earnings per share.

Dashboard Home: **Defense Primes**  
Source: Bloomberg BUDG <go>

Defense Contractors Likely to Fall Short in Foreign Sales Pursuit

Analyst **George Ferguson**  
Nov 19, 2014 08:25  
Defense prime contractors’ pursuit of foreign business in 2015 to buoy sales and profitability may be challenged by excess competition and slowing government purchases as budgets throughout Europe, the U.S. and Japan are pressured by high debt levels and slow growth. Bright spots such as the Middle East Gulf region and Southeast Asia likely will slow military purchases on declining oil prices and lower GDP growth.

Dashboard Home: **Defense Primes**  
Source: Company Data
Profits Remain for Defense Primes Even With Pressure on Budgets

Analyst George Ferguson
Nov 19, 2014 08:42
Defense prime contractors are likely to remain profitable in 2015 as companies cut expenses on slowing sales. Revenue may fall on slow-growth defense budgets, though the Pentagon wants the defense industrial base to remain healthy and most contracts provide the ability to adjust to lower volumes. In most cases, large fixed costs are typically covered through government payments or absorption is guaranteed through multiyear contracts.

Dashboard Home: Defense Primes

Source: Company data, compiled by Bloomberg Intelligence

Defense Primes Boost 2015 Earnings Per Share on Strong Cash Flow

Analyst George Ferguson
Nov 19, 2014 08:45
Defense primes may focus on share buybacks to boost earnings per share in 2015, with revenue under pressure due to weak defense budgets, even as margins are stable. Most management teams will deploy cash to buy back shares or pay dividends as means to provide returns to shareholders in an environment where few see opportunities for investing in their business. Any acquisitions are likely to be small and focused on niche capabilities.

Dashboard Home: Defense Primes

Source: Company filings, compiled by Bloomberg Intelligence
Boeing, Airbus Orders May Fall on Cheaper Fuel, Higher Rates

Analyst George Ferguson  
Nov 18, 2014 06:00  
Aircraft orders may fall and delivery deferrals rise for aircraft and engine manufacturers in 2015 on lower fuel prices and rising interest rates. Fuel prices fell sharply on weaker economic growth and rising production from alternative sources such as shale oil. At an average fuel price less than $4 over 12 years, a $20 million, 10-year-old Boeing 737 or Airbus A320 would be cheaper to operate at 725 million available seat kilometers flown a year. Interest rate increases are possible later in 2015, which would make purchases more expensive.

Dashboard Home: Aerospace & Defense

Airplane Lines Hum on Backlogs, Book-to-Bill Could Cause Cuts

Analyst George Ferguson  
Nov 18, 2014 06:12  
Strong aircraft program backlogs should keep the assembly lines moving during 2015, though lower book-to-bill ratios may require reduced build rates to keep from idling production lines. Backlogs are above five years for key narrow-body programs (Airbus A320, Boeing 737) and wide-body models such as Boeing’s 787 and Airbus’ A350. Carriers’ unwillingness to take delivery of ordered airliners may increase the backlogs. Some programs such as Boeing 747 and Airbus A330 may need reduced production rates due to the weak demand.

Dashboard Home: Aerospace & Defense
Slowing Growth Leads to 2015 Risk for Boeing and Airbus

Analyst George Ferguson
Nov 18, 2014 06:24
Slowing 2015 growth in the developing world and Europe could lead to more deferrals of deliveries for airframers and engine makers. The developing markets, including the Asia-Pacific region and Latin America, comprise 38% of the industry’s total backlog. Europe accounts for 25%. Traffic growth will moderate if growth slows, as is expected, for China, Brazil, Russia and the euro area. Boeing, Airbus and the engine makers are particularly exposed given the concentration of backlogs in Asia.

Dashboard Home: Aerospace & Defense

Airbus, Bombardier Face Risk With A350, CSeries Launches

Analyst George Ferguson
Nov 18, 2014 06:36
The risk for airframers is high in 2015, with Airbus increasing production of its new A350 wide-body and Bombardier’s CSeries progressing through final testing and initial deliveries. Development and initial production of new airplanes is full of risk, as shown by the Boeing 787 and Airbus A380. Early years typically include weak cash generation on inventory builds and inefficient manufacturing as well as additional work to overcome production or design challenges.

Dashboard Home: Aerospace & Defense
Falling Fuel Prices May Trim Airline Costs, Wither Competition

Analyst George Ferguson
Dec 19, 2014 13:18

Airline profits may rise as fuel prices fall. Oil markets significantly re-priced from August to December, with futures predicting about $65 a barrel in 2015, down from $105. The lower price would reduce airlines’ fuel costs by 95 cents a gallon. Rising U.S. oil production and lower GDP estimates in the developing world and Europe could provide momentum for price declines. Oil hedges will delay the impact on fuel costs, while improving margins will depend on the intensity of competition in the market.

North American GDP Supports Airline Yields Amid Rough Skies

Analyst George Ferguson
Nov 17, 2014

North American airlines may benefit from rising GDP in the U.S., Canada and Mexico. Markets such as the U.S., where supply and demand are balanced, are likely to offer carriers improved pricing power. More competitive markets, such as Canada and Mexico, may not, as excess capacity fights for market share. Long-haul carriers face lower growth in key overseas markets such as Europe, China and Brazil.
U.S. Airlines Profit on Short Haul as Canada, Mexico Gains Stall

**Analyst George Ferguson**  
**Nov 17, 2014**

Domestic yields will probably drive profits for U.S. airlines in 2015, similar to 2014, aided by GDP growth and constrained capacity. Full-service airlines have posted the strongest increases in yield, helped by capacity limits and consolidation. Low-cost carriers’ yield growth is less robust, as smaller upstarts add large amounts of capacity. Yield growth in Canada and Mexico has been stunted by stiff competition.

Dashboard Home: Airlines

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North American Airlines May Struggle to Profit Overseas in 2015

**Analyst George Ferguson**  
**Nov 17, 2014**

North American airlines may struggle with international pricing in 2015 as yields weaken on overcapacity and slowing GDP growth. Trans-Atlantic routes are likely to be the strongest because joint ventures control capacity, although the initiation of service by more airlines will weaken pricing power. Asian routes suffered from excess capacity in 2014 as Chinese and Middle East carriers expanded. Latin American routes may struggle as capacity is added in pursuit of oversize yields.

Dashboard Home: Airlines
INDUSTRIALS

Rail Traffic Growth of 3.4% on Track to Outpace U.S. Economy

Analysts Lee Klaskow & Talon Custer
Nov 17, 2014
The U.S. railroad industry’s growth should chug along at a pace slightly higher than the 3% expected for the economy in 2015. Total traffic may increase 3.4%, according to FTR. Commodity carload growth, estimated at 3.5%, is expected to be strongest in metals, climbing 8.4%. Development of U.S. energy markets may fuel gains of 6% for non-metallic minerals and 5% for chemicals. Intermodal growth of 3.4% is dependent on rails restoring service to prior levels, after it degraded due to a surge in demand following the severe winter.

Energy Markets Offer Opportunities, Challenges for Railroads

Analysts Lee Klaskow & Talon Custer
Nov 17, 2014
North American energy markets should provide railroads with both opportunities and challenges in 2015. Crude by rail offers growth opportunities as rails deliver frac sand, pipes, chemicals and concrete to wells, in addition to hauling out oil and gas. Canadian Pacific, for example, expects crude carloads to rise to 200,000 in 2015, up from 90,000 in 2013. Coal carload growth will depend on type, origination, plant closings, weather and export markets.
Drums of Regulation Beat Louder for North American Railroads

Analysts Lee Klaskow & Talon Custer
Nov 17, 2014
Regulatory pressure has ebbed and flowed since the railroad industry was deregulated with the Staggers Act’s passage in 1980. Railroads have come under more scrutiny and face increased risk of regulation in 2015 because of declining safety and service metrics, potential consolidation and a Surface Transportation Board that has moved toward a more balanced treatment of railroads and shippers. Margins may come under pressure if more regulations drive up operating expenses while decreasing network productivity and fluidity.

Driver Deficit May Accelerate Trucking’s 2015 Price Increases

Analysts Lee Klaskow & Talon Custer
Nov 17, 2014
Driver availability should take center stage for truckers in 2015, given the shortage may worsen by 29% to about 264,886 in December 2016, according to FTR. Regulations, an improving economy, demographics and lifestyle has made attracting and retaining drivers a challenge. Carriers will need to provide higher pay and more flexible hours to help attract drivers. J.B. Hunt, for example, estimates 2015 core rates to increase 3% to 5%, in-line with its driver pay raise expectations.

Source: FTR Associates
Highway Funding Hopes Hinge on Repatriation Tax Holiday

Analysts Brian Friel (Government) & Karen Ubelhart (Industrials)
Nov 17, 2014
Astec, Martin Marietta and other companies that rely on U.S. federal road funding may face an extended period of uncertainty beginning in 2015. A repatriation tax holiday is the leading idea to plug a $64 billion, five-year hole in highway and mass transit accounts. Republican Senator Rand Paul and other backers must overcome Democratic opposition. Absent an agreement, the most likely outcome is a series of stopgap road funding measures into 2016.

Source: Congressional Budget Office

Dashboard Home: Spending

Tax Holiday May Affect Industrials’ $225 Billion Overseas Profit

Analysts Brian Friel (Government) & Karen Ubelhart (Industrials)
Nov 17, 2014
A tax holiday that Congress may approve in 2015 might encourage Industrials led by General Electric and United Technologies to repatriate foreign earnings for investment in the U.S. Industrials in the S&P 500 amassed $225 billion in overseas earnings through 2013, Bloomberg data show. That’s 12% of $2 trillion in S&P 500 earnings avoiding the 35% U.S. corporate tax. A tax holiday may reduce the tax rate to 5% to 7%. Revenue would be used for highway projects.

Source: Bloomberg News analysis of company filings

Dashboard Home: Spending
Marginal Defense Sequestration Relief Possible in 2015

**Analysts Brian Friol (Government) & George Ferguson (Aerospace)**
**Nov 17, 2014**
The Republican takeover of the Senate in January may increase chances that Congress will push for higher defense spending than allowed in 2016 under sequestration limits. With Democrats and Republicans at odds over how to pay for defense increases, any easing of sequestration may be marginal. The new Washington balance of power may mean little change for defense budgets and prime contractor earnings.

**Dashboard Home: Spending**

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Bombers, Humvees, Patrol Ships Lead Defense Contracts to Watch

**Analyst Brian Friol**
**Nov 17, 2014**
The U.S. in 2015 may award major defense contracts reshaping the aircraft, ground vehicle and shipbuilding markets. The Air Force may award the $120 billion Long Range Strike Bomber to Northrop Grumman or a Boeing-Lockheed team. Lockheed, Oshkosh and AM General face off for the $27 billion Joint Light Tactical Vehicles deal. General Dynamics and two other shipyards are battling for the $12 billion Offshore Patrol Cutter, the largest-ever Coast Guard award.

**Dashboard Home: Spending**

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**Top 2015 Defense Contracts**

<table>
<thead>
<tr>
<th>Contract Type</th>
<th>Value</th>
<th>Bidders</th>
<th>Expected Award</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-Range Strike Bomber</td>
<td>$120 Billion</td>
<td>Northrop Grumman; Lockheed / Boeing</td>
<td>Q2</td>
</tr>
<tr>
<td>Joint Light Tactical Vehicles</td>
<td>$27.4 Billion</td>
<td>Lockheed; Oshkosh; AM General</td>
<td>Q2</td>
</tr>
<tr>
<td>Offshore Patrol Cutter</td>
<td>$12.1 Billion</td>
<td>General Dynamics; Bollinger; Eastern Shipbuilding</td>
<td>Q4</td>
</tr>
</tbody>
</table>

**Source: Bloomberg Intelligence**
MATERIALS
Copper Markets Expect New Mines, Smelters and China Buying

**Analysts:** Kenneth Hoffman & Yi Zhu  
**Nov 19, 2014**
Copper markets may face another year of weak Chinese demand as construction continues to slow, and surging supply pressures prices. This follows a rough 2014, when the market was rocked by scandals, with metals over-pledged as collateral in financing deals, and weak China demand. China’s State Reserve Bureau purchases kept demand from plummeting further. Oversupply looms with new mines expected to add 1.6 million metric tons in 2015, or 27% of total new supply of 6.1 million metric tons from 2014 to 2020.

**Source:** Company filings, Bloomberg Intelligence

Dashboard Home: Copper

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Zambia Copper Tariffs May Be Next Resource Nationalism Move

**Analysts:** Kenneth Hoffman & Yi Zhu  
**Nov 19, 2014**
The introduction of a potential series of higher royalties and tax increases on Zambian copper miners could cripple production in 2015 and suspend new copper mine exploration, according to many of the largest miners there. After Indonesia banned the export of non-processed ores, many countries, including Zambia, decided to also pressure miners for a greater share of their revenue. The goal of the royalties is to double government revenue from mining.

**Source:** Company filings, Bloomberg Intelligence

Dashboard Home: Copper,
U.S. Steelmakers Face Steepening Challenge From Cheaper Imports

Analysts Kenneth Hoffman & Yi Zhu
Nov 14, 2014
The gap between U.S. and global steel prices is widening to near-record levels, and an even bigger challenge looms in the year ahead. U.S. steel prices, buoyed by strong auto and housing demand, have been stable as those of China have plunged, pushing import volumes 36% higher in 2014. The price gap for U.S. and China hot-rolled coil steel, used in auto, pipes and oil equipment, widened to $162 a metric ton in 2Q from zero in February. U.S. steelmakers’ ability to fend off an even bigger wave of imports is key to 2015.

Dashboard Home: Steel Producers

China Steel Capacity May Peak in 2015 as Cuts Finally Take Hold

Analyst Yi Zhu
Nov 14, 2014
China’s steel industry overcapacity may gradually ease starting in 2015 because of fewer additions and elimination of capacity that fails to meet environmental standards or suffers from tight credit control. China estimates 2014 net capacity additions of 20 million metric tons, sharply down from 50 million tons in 2013. New capacity in 2015 will be limited and must meet the government’s strict approval requirements tied to its goal of closing polluting, inefficient industries.

Dashboard Home: Steel Producers

Source: Bloomberg Intelligence
Iron Ore Prices Plunge 42% With More Record Supply Coming

Analysts: Kenneth Hoffman & Yi Zhu
Nov 21, 2014
Iron ore prices may face further pressure in 2015. Another 150 million metric tons of supply is set to be added after this year’s record 120 million tons. Major new mines such as Anglo American’s Minerals-Rio property, as well as expansions in Australia’s Pilbara region, added about 29% to 2014 global seaborne supply and will add another 69% in 2015. Iron ore prices fell by more than 40% in 2014 on strong supply and weak Chinese demand.

Dashboard Home: Steel Raw Materials

Global Iron Ore Forecast Through 2020

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<thead>
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<tbody>
<tr>
<td>Global Iron Ore Supply</td>
<td>1210</td>
<td>1130</td>
<td>1444</td>
<td>1575</td>
<td>1631</td>
<td>1649</td>
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<td>+ New mine supply (Financed)</td>
<td>120</td>
<td>150</td>
<td>171</td>
<td>98</td>
<td>62</td>
<td>13</td>
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<tr>
<td>(Disruption Factor)</td>
<td>2%</td>
<td>2%</td>
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<tr>
<td>- Disruption allowance</td>
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<tr>
<td>Adj. BBG Global Iron Ore Supply</td>
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<td>1567</td>
<td>1605</td>
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</table>

Source: Bloomberg Intelligence

China May Close Iron Ore Mines in Wake of 50% Price Plunge

Analysts: Kenneth Hoffman & Yi Zhu
Nov 21, 2014
Whether China closes iron ore mines due to low prices will be the story of 2015. The iron ore price plunge of more than 50% in 2014 led to speculation that very low-grade and high-cost mines will be closed by a Chinese government seeking to modernize the economy and shutter inefficient facilities. China mines produced about one-third of the country’s iron ore needs and any significant decline in output would be welcomed by the global industry, which has struggled with much lower pricing.

Dashboard Home: Steel Raw Materials
Shanghai Gold Trade Opens China Market and May Spur Buying

Analysts Kenneth Hoffman & Zhuo Zhang
Nov 21, 2014
The opening up of the Shanghai gold market to the rest of the world through the Shanghai Free Trade Zone in September may lead to further growth in demand for gold inside of China. China is seeking to open its currency markets. The Shanghai Free Trade Zone, in addition to new currency trading partnerships around the world, could lead to a continued increase in gold interest in the world’s largest gold buying economy.

Dashboard Home: Precious Metals

China Gold-Mine M&A Spree May Accelerate on Metal-Price Slump

Analysts Yi Zhu & Kenneth Hoffman
Nov 17, 2014
Chinese gold companies, which have spent more than $2 billion on domestic and overseas mines in 18 months, may step up acquisitions next year if gold prices continue falling. The miners have taken advantage of the price slump to snap up mines from producers that are either restructuring or suffering financial difficulties. The push also reflects Chinese gold demand. The country consumed 1,176 tons of gold in 2013, of which only a third, or 428 tons, was mined domestically.

Dashboard Home: Precious Metals
Fertilizer’s Future Hangs on Asian Government Subsidies, Tariffs

Analysts Jason Miner & Marc Fields
Nov 14, 2014
Asian demand growth is key to absorbing global expansions in fertilizer capacity that are set to last through this decade. The region is also the source of two key uncertainties facing fertilizer producers. India’s new government may change subsidies for farmers, which could affect levels of potash use. In China, tariff adjustments drove a 62% surge in urea exports in the first eight months of 2014, raising concern that 2015 policy may further loosen global supply.

Dashboard Home: Agricultural Chems

Petro Chemical Returns Reallocated by Oil Flows in Slow-Growth World

Analysts Jason Miner & Marc Fields
Nov 11, 2014
This year’s drop in oil prices has left the ratio of Brent crude to U.S. natural gas at the lowest since 2010, when that level sparked construction of U.S. chemical plants. The ratio reversal cuts costs for petrochemical producers in Asia and Europe just as the wave of new U.S. plants, set to ramp up in 2017, faces ballooning project expenses. Consensus global GDP growth of 2.9% (and falling) will likely make cost cuts and acquisitions the main levers to expand EPS. GDP growth of 2.5% drove up basic chemical sales a median 2.4% this year.

Dashboard Home: Basic & Divers. Chems
Chemicals Earnings Outlook Brings Deja Vu, Yet This Time With Low Oil

Analysts Jason Miner & Marc Fields
Nov 18, 2014 11:45
If petrochemicals companies worldwide meet consensus expectations in 2015, EPS will rise a median 23% on 4% more revenue. A year ago expectations were similar, yet not realized. This time, margin expansion has more support, with oil prices (typically two-thirds of petrochemical costs outside the U.S.) down more than one-third since mid-year. A year ago, median expectations for 2014 were 19% EPS growth on 5% higher sales, yet these have fallen to 8% higher EPS on 2% more sales.

Dashboard Home: Basic & Divers. Chems

Specialty Chems May Be Reshaped by M&A as Diversifieds Dissolve

Analysts Jason Miner & Marc Fields
Nov 18, 2014 11:00
With at least five large activist shareholders pushing diversified chemicals companies to divest or restructure complex underperforming portfolios, the specialty chemicals industry may be reshaped by changes in ownership in 2015. Specialty chemicals makers face slow organic growth while sitting atop ample cash, and may be open to opportunities to expand through acquisitions. Global chemicals deals rose fourfold in the first three quarters of 2014, and future transactions may create new standalone companies or consolidate suppliers in specialty niches.

Dashboard Home: Specialty Chems
U.S. Steel Producers Watch for Dumping With Eye on Trade Cases

**Analyst Caitlin Webber**

Nov 19, 2014

New U.S. trade cases involving steel imports are likely in 2015 with U.S. steel producers watching for dumped imports after a series of high-profile wins. Nucor, U.S. Steel and Steel Dynamics are among the U.S. steel companies that said they are monitoring for potential trade cases. In 2014, U.S. steelmakers won dumping petitions on tubular goods and non-oriented electrical steel imports. Potential tariffs are already pending in 2015 on welded line pipe and alloy steel wire rod.

Dashboard Home: Regulation

GOP-Led Congress, White House 2015 Trade Harmony May Boost TPP

**Analyst Caitlin Webber**

Nov 18, 2014

Legislation to give a procedural and symbolic boost to pending U.S. trade deals is likely to top the agenda of the GOP-led Congress in 2015, a boon for White House trade negotiators. Called trade promotion authority, the legislation would ease congressional consideration of the Trans-Pacific Partnership, which could be finalized in 2015. Under that deal, Nike and other apparel firms may see costs drop for sourcing from Vietnam, a top source of apparel imports even with high tariffs.

Dashboard Home: Legislation
Public Outcry More Than New Laws Will Pressure GMO Producers

Analyst Gregory Larkin
Nov 17, 2014
Failed ballots to label genetically modified foods in Colorado and Oregon haven’t eased regulatory and public pressure on GMO food producers. Twenty states had pending GMO legislation in 2014, up from eight in 2013 and one in 2012. Another increase in bills is likely in 2015. The debate over GMOs in state legislatures is putting pressure on food and seed manufacturers, as public health concerns drive a shift to GMO-free and organic brands.

Source: Right to Know GMO, Bloomberg Intelligence

Syngenta Corn Suit Could Complicate New Seed Technology Releases

Analysts Brandon Barnes & Jason Miner
Dec 11, 2014
A win for exporters and farmers in the $3 billion litigation against Syngenta could lead to more complicated decision-making in how new seed technology is released across the entire market. The suit represents another pressure point for agricultural companies considering new product releases as legal precedent could be applied to other domestic-export problems. There are now more than 175 cases against Syngenta, with initial hearings in the first quarter, making trial likely in the second or third quarter of 2016.

Source: Bloomberg Intelligence
TECHNOLOGY
Amazon, Google, Microsoft Cloud Price War Squeezes Smaller Peers

Analyst Anurag Rana
Nov 17, 2014
Amazon, Microsoft and Google, the three largest providers of computing and storage in the cloud, or infrastructure-as-a-service, will likely continue their year-long price war in 2015, as they attempt to push increased use of the service. New entrants and mid-size software and services vendors will find it hard to compete in this market given these price cuts will force them to offer higher-value products such as private or hybrid clouds.

License Revenue of Software Vendors Will Remain Under Pressure

Analyst Anurag Rana
Nov 17, 2014
Large software companies are slowly moving from a license- to subscription-based business model, which generally postpones revenue gains. This trend will likely accelerate in 2015, leading to greater declines in license revenue of large software vendors. As customers choose software rental as an option over buying, the revenue recognized by a software vendor gets distributed over the life of the deal as opposed to a large up-front payment under the traditional model of purchasing software.
Emerging Analytics Software Providers to Create More Competition

Analyst Anurag Rana  
Nov 17, 2014  
Emerging analytics software sellers such as Palantir, Tableau, Qlik, Hortonworks and Salesforce.com will create more competition for established companies such as Oracle, SAP, IBM and Microsoft in 2015. Emerging companies are creating new methods including using open source to analyze both structured and unstructured data. Established providers will likely expand their product lineups or acquire smaller companies to offer services that will help counter threats from emerging vendors.

Dashboard Home: Application Software  
Source: IDC, June 2014

Cybersecurity Spending May Ramp Up in 2015 as New Threats Emerge

Analyst Anurag Rana  
Nov 17, 2014  
An increase in advanced cyberattacks will likely continue in 2015 after many high-profile attacks in 2014, including at Target and JPMorgan. These attacks will support growth for both traditional and advanced security software sellers. In addition to firewalls, companies will spend more on protecting cloud- and mobile-based applications. Traditional security companies are likely to either acquire smaller specialized advanced security vendors or develop them internally.

Dashboard Home: Application Software  
Source: Bloomberg
Technology Spending May Rise on Profit, Business Confidence

Analyst Anurag Rana
Nov 19, 2014
Continuous improvement in business confidence indicators could trigger greater information technology spending in 2015. Corporate profits in the U.S. are near record levels with little debt on the balance sheets. These conditions, coupled with greater business optimism, could drive IT spending for equipment, software and consulting work. Large technology vendors haven’t seen a post-recession spending splurge as global growth concerns have held back capital expenditures.

Dashboard Home: IT Services

Source: Bloomberg

Europe’s Tech Outsourcing Appetite May Increase, Cutting Prices

Analyst Anurag Rana
Nov 19, 2014
Low-cost offshore regions, such as India and the Philippines, may be increasingly used for technology work in 2015 as companies in Europe become more comfortable with this method of delivery. North American technology providers have used this model for more than 15 years. Companies in Europe (except the U.K. and Germany) have lagged behind due to political pressures and labor laws. Greater use of offshore providers is reducing prices of low-end technology work in Europe, a trend which is likely to continue.

Dashboard Home: IT Services

Source: Everest Group

<table>
<thead>
<tr>
<th>Country</th>
<th>ITO Operating Cost per FTE (2013)</th>
<th>BPO Operating Cost per FTE (2013)</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.K.</td>
<td>$100,507</td>
<td>$72,479</td>
</tr>
<tr>
<td>India</td>
<td>$19,360</td>
<td>$13,649</td>
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</tbody>
</table>
Greater Adoption of Digital May Fuel Technology Spending

Analyst Anurag Rana
Nov 19, 2014
Strong interest in digital services such as social, mobile, analytics and the cloud will likely drive greater growth opportunities for information technology companies in 2015. Corporations are ramping up spending on these areas, and IT companies are offering new products and differentiating their businesses to take advantage. Companies from IBM to Accenture are increasing investments in these areas and acquiring smaller providers to meet demand.

Dashboard Home: IT Services

Source: IDC, Jul 25, 2014

Big Data Charges IT Services Growth for IBM to Accenture

Analyst Anurag Rana
Dec 4, 2014
IT services companies are noting greater demand for big data and analytics products driven by the exponential growth of data from social media, mobile devices and machine sensors, which is likely to continue in 2015. Clients are gaining better understanding of their customer behavior as these products give them a competitive edge in the market. The products take structured and unstructured data from multiple sources and provide real-time analytics to customers.

Dashboard Home: IT Services

Source: IDC Forecast
PC Stability May Spread from Corporations to Consumer

Analysts Anand Srinivasan & Eshani Gupte
Nov 19, 2014
The stable personal computer market may evolve in 2015 with buying strength migrating from corporations to the consumer. A clearer distinction in use of tablets vs. laptops, aging PCs and stronger demand from consumers in developed markets may spur the replacement of older machines even amid a weaker China. Prices and margins are lower in consumer PCs vs. corporate, aiding shipments more than sales. Companies may continue their PC buying, albeit at a slower rate.

Dashboard Home: Computer Hardware & Storage

Amazon-Led Cloud Model Proliferates Hardware Commoditization

Analysts Anand Srinivasan & Eshani Gupte
Nov 19, 2014
Growth of public, private and hybrid clouds continue to commoditize servers and storage, impacting Hewlett-Packard, EMC and NetApp. The proliferation of this model into the enterprise and in Chinese clouds and companies leads to greater use of non-branded servers, less use of networked storage in favor of "direct-attached" hard drives and more software control. Google, Amazon and Facebook drive this model and branded-hardware user Microsoft may also be changing.

Dashboard Home: Computer Hardware & Storage
Solid-State Drives, Cheap Hard Disks Polarize Storage in 2015

Analysts Anand Srinivasan & Eshani Gupte
Nov 18, 2014
Cloud storage price wars between Google, Amazon and Microsoft benefit consumers, though their impact on storage vendors is mixed. Cloud vendors buy cheaper "capacity optimized" hard drives, and this shift may pressure prices. NAND memory-based solid-state drives used in data centers and consumer laptops may also grow in 2015, reducing hard-drive usage. Networked storage from EMC and NetApp may struggle as clouds prefer "direct attached" hard drives.

Dashboard Home: Computer Hardware & Storage

Larger Phones, PC Use Leaves Tablets Stuck in the Middle

Analysts Anand Srinivasan & Eshani Gupte
Nov 18, 2014
Consumers’ preference for ‘larger-screen phones from Samsung and Apple and heavy-work oriented laptops from Hewlett-Packard and Lenovo may leave iPads and other media tablets stuck in the middle. This may hurt shipments for iPads as the tablet market pivots toward cheaper and smaller Android devices. Sales of a potential target, corporate iPad may help, though its impact may be small in 2015. Consumers’ need to refresh aging PCs may also hurt tablet purchases.

Dashboard Home: Computer Hardware & Storage

Global Consumer Device Forecast

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<th>Unit Shipments 2013</th>
<th>YoY Growth (%) 2015</th>
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<tr>
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Source: IDC, Bloomberg Intelligence
TECHNOLOGY

Wearables Hype Will Be Put to Test with Apple Watch in 2015

Analyst: Jitendra Varal
Nov 19, 2014

The 2015 launch of the Apple Watch will test the hype that surrounds wearable devices. Segment sales may jump 116% to $6.2 billion in 2015, IDC estimates, making it the fastest-growing category in consumer electronics. While wearables may grab more mainstream customers during the year, it could take longer for the market to be sizable compared to smartphones' $383 billion and tablets' $78 billion. Apps development will be key in determining the value proposition of smartwatches and other wearables.

Dashboard Home: Consumer Electronics

Game on for Sony, Microsoft as Titles Fuel Console Sales Jump

Analyst: Jitendra Varal
Nov 19, 2014

Shipments of next-generation consoles PS4 and Xbox One may jump 32% in 2015 to 28.9 million units, IDC forecasts, helped by growing content. New game titles, including those from independent developers, may exceed 100 in the year, raising the total beyond 400, IGN data show. Sony's PS4 leads with 13 million units shipped vs. 6.7 million for the Xbox One as of October, per vgchartz.com. Both devices have exclusive titles while Sony is touting Project Morpheus and Playstation Now, and Microsoft announced holiday price cuts.

Dashboard Home: Consumer Electronics
4K, Bigger Panel Sizes, Falling Prices Likely to Boost TV Demand

Analyst Jitendra Waral
Nov 19, 2014
Demand for TVs will probably be driven by the ultra high-definition 4K format and the shift toward larger sizes, which helped drive IDC’s estimated sales growth of 5.6% in 2014. Netflix and Sony are pushing 4K content while ultra HD support on smartphones and action cameras may boost higher-resolution videos. China drove the first leg of 4K adoption, and attention is shifting to mature markets as prices drop. IDC expects 4K TV sales to rise 46% to $40 billion in 2015 while 40-inch plus models may jump 12%.

Dashboard Home: Consumer Electronics

China LCD Makers Play for $50 Billion Market With New Capacity

Analysts Jitendra Waral & Simon Chan
Nov 19, 2014
Chinese LCD panel makers such as BOE and TCL are adding capacity and may gain market share from South Korean, Taiwanese and Japanese rivals. China plans to expand its local LCD industry to 300 billion yuan ($50 billion) in revenue by 2016. BOE, the largest among domestic vendors, plans to increase large-size LCD capacity by 50% to 270,000 sheets monthly in 2015. TCL’s China Star unit may grow capacity to 240,000 sheets, based on WitsView data.

Dashboard Home: Consumer Electronics
Semiconductor 33% Computing Exposure Brings Need for Stability

Analysts Anand Srinivasan & Eshani Gupte
Nov 17, 2014
Computing, including PCs and servers, accounts for one-third of semiconductor sales, and stability in the market is aiding chipmakers. A potential sales shift to consumer PCs from corporate may harm pricing and margins, yet brings higher unit shipments, which help sales. Processor maker Intel and DRAM manufacturers Samsung, SK Hynix and Micron made up 63% of computing chip sales in 2013. The increase in DRAM content, along with its price stability, has made sales of these chips a bigger percentage of overall computing chip sales in the last two years.

Dashboard Home: Semiconductor Devices

Smartphone 4G LTE Shift Unlikely to Help as High-End Chip Sales Slow

Analysts Anand Srinivasan & Eshani Gupte
Nov 17, 2014
Slowing smartphone sales growth will affect chipmakers in 2015 and a shift in the product mix toward 4G LTE chips may only slightly offset this. Smartphone chips are now the dominant segment and falling overall prices put pressure on component pricing. China still drives chip shipments yet does so with lower prices and margins. Qualcomm, which licenses standard chip technology, has been plagued by Chinese antitrust investigations, allowing cheaper 4G LTE chip share growth from peers like Mediatek and Intel.

Dashboard Home: Semiconductor Devices
PCs Boost DRAM Chips as NAND Memory Relies on Solid-State Drives

Analysts Anand Srinivasan & Eshani Gupte
Nov 18, 2014
The supply of DRAM chips, led by Samsung, Micron and SK Hynix, is likely to grow modestly in 2015 and stable pricing may prevail, especially with PCs leading demand. NAND memory makers, which include Toshiba and Sandisk, are raising supply to keep up with the higher storage of Apple iPhones and high-capacity NAND products, such as tablets. Falling prices may spur solid-state drive growth in high-end PCs and among business customers. Demand may stabilize NAND pricing.

Source: IDC, Bloomberg Intelligence

Analog Industrial Markets Poised to Slow on China, Europe

Analysts Mike Ohnberger & Anand Srinivasan
Nov 18, 2014
Analog chipmakers’ industrial markets are expected to slow in 2015, as economies in Europe and China likely weigh on spending for factory upgrades and infrastructure improvements. Industrial markets may still post a notable slowdown vs. their 2009-14 growth rates, according to IDC, yet are still forecast to grow fastest across all regions in 2015. Wireless communications in Japan is expected to have the largest decline among all markets.

Source: IDC, Bloomberg Intelligence
Apple’s Larger iPhones Raise Ante in Premium Smartphone Segment

Analysts John Butler & Matthew Kanterman
Nov 17, 2014
Smartphone growth has shifted during the last three years to emerging markets from developed ones, pressuring growth in mid- and premium-priced devices. This has locked premium vendors such as Apple, HTC and Samsung into a pitched battle for share. Premium shipments grew just 2% in 3Q, down from 7% in 3Q13 and 46% in 2Q12. The popularity of Apple’s new iPhone 6 models is likely to disrupt this segment even more in 2015 by causing market share to shift among vendors.

Dashboard Home: Mobile Phones

Xiaomi, Lenovo Geographic Expansion Threatens Entrenched Vendors

Analysts John Butler & Matthew Kanterman
Nov 17, 2014
Smartphone unit growth in China slowed dramatically after peaking in 2011. Local vendors that have had success in China, such as Xiaomi and Lenovo, are expanding abroad to maintain growth. Their success in gaining share in China from Samsung and Apple threatens to extend into new regions in 2015. Xiaomi’s domestic share rose to 15% in 3Q, from 1.3% in 1Q12, according to IDC, highlighting the risk to Apple, Samsung and others from Xiaomi’s expansion.

Dashboard Home: Mobile Phones

Source: IDC
**TECHNOLOGY**

**IOS, Android Jockey for Position in Nascent Internet of Things**

*Analysts John Butler & Matthew Kanterman*

Nov 17, 2014

The Internet of Things market has the potential to buoy growth of slowing smartphone sales as new, more powerful devices may be required to operate Internet-connected appliances. Smartphone shipment growth is expected to slow to 13% in 2015 from 24% in 2014, according to IDC. While the “Internet of Things” market has been slow to evolve, smartphone and mobile operating system makers are jockeying for position before it begins to take hold, which is likely to be 2015.

Dashboard Home: Mobile Phones  
Source: Cisco

**Apple Sticks to High End as Growth Shifts to Emerging Markets**

*Analysts John Butler & Matthew Kanterman*

Nov 17, 2014

Sales of new iPhone models tend to fall off rapidly following a refresh. This poses a risk to Apple, which remains focused on the slow-growth premium smartphone segment. In 2015, Apple probably will retain this focus even amid strong demand for low-end phones in emerging markets, risking market share losses as iPhone 6 sales slow. Through Q3, global shipments of low-end smartphones rose 50% from a year earlier vs. just 0.4% growth in the premium segment.

Dashboard Home: Mobile Phones  
Source: IDC
Cognizant, Infosys May Face Scrutiny by Powerful Visa Critic

Analyst Caitlin Webber
Nov 17, 2014
Charles Grassley, who is poised to lead the Senate Judiciary Committee, is a leading critic of highly skilled visas. The role may create headline risk for Cognizant, Infosys and other companies that rely on these visas to bring foreign workers into the U.S. Grassley will likely boost scrutiny of these hiring practices. He has authored proposals to prohibit visas being used for outplacement work and to limit access to visas once a company’s U.S. workforce is dominated by foreign workers.

Dashboard Home: Legislation

Source: Bloomberg Government

Uncle Sam, World’s Largest Technology Buyer, Tightening Belt

Analysts Brian Friel (Government) & Anurag Rana (Software & Services)
Nov 18, 2014
The U.S. federal government, the world’s largest buyer of information technology, plans to spend $74 billion on technology in 2015, a slight decline from 2014. Federal agency budgets have stabilized since the October 2013 government shutdown. The stagnant market may encourage consolidation among Uncle Sam’s top technology suppliers and acquisitions of small companies in growing health IT, cybersecurity and cloud segments.

Dashboard Home: Spending

Source: Bloomberg Government
TECHNOLOGY

Google Searches for Dismissal of Monopolization Class Action

Analyst Jennifer Rie
Nov 18, 2014
An antitrust class action against Google brought by buyers of Android devices may cost billions of dollars if not dismissed. The company is accused of monopolizing search on handheld devices since acquiring Android in 2005, causing a price increase for the devices. At issue are agreements Google enters with device makers to preload the most popular Google applications only if they set Google's search as the default. A decision on dismissal is likely in early 2015.

Dashboard Home: Litigation

Source: Bloomberg

Apple’s $1 Billion iTunes War Goes Into 2015 After Battle Is Won

Analyst Jennifer Rie
Dec 18, 2014 11:31
Apple’s court victory in the $1 billion antitrust class action lawsuit related to 2006 iTunes software updates will likely be appealed by the end of the first quarter, extending a 10-year fight. A jury found that Apple’s software changes were product improvements instead of attempts to make iTunes inoperable with competitors’ digital music, dealing a blow to plaintiffs. An appeal will probably be filed before the end of February and an appellate decision is expected by year-end, likely upholding Apple’s win.

Dashboard Home: Litigation

Source: Bloomberg
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ECONOMY & STRATEGY
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