## Key takeaways:

- Listen to the music of bond and commodities markets. They're playing *Low Inflation* and *Very Little Growth*.

- U.S. economy: Best house in a dodgy – but improving – neighborhood.

- Puget Sound metro area: Fingers crossed. It just doesn't get much better. Key risk: Amazon.com reverts to the mean.
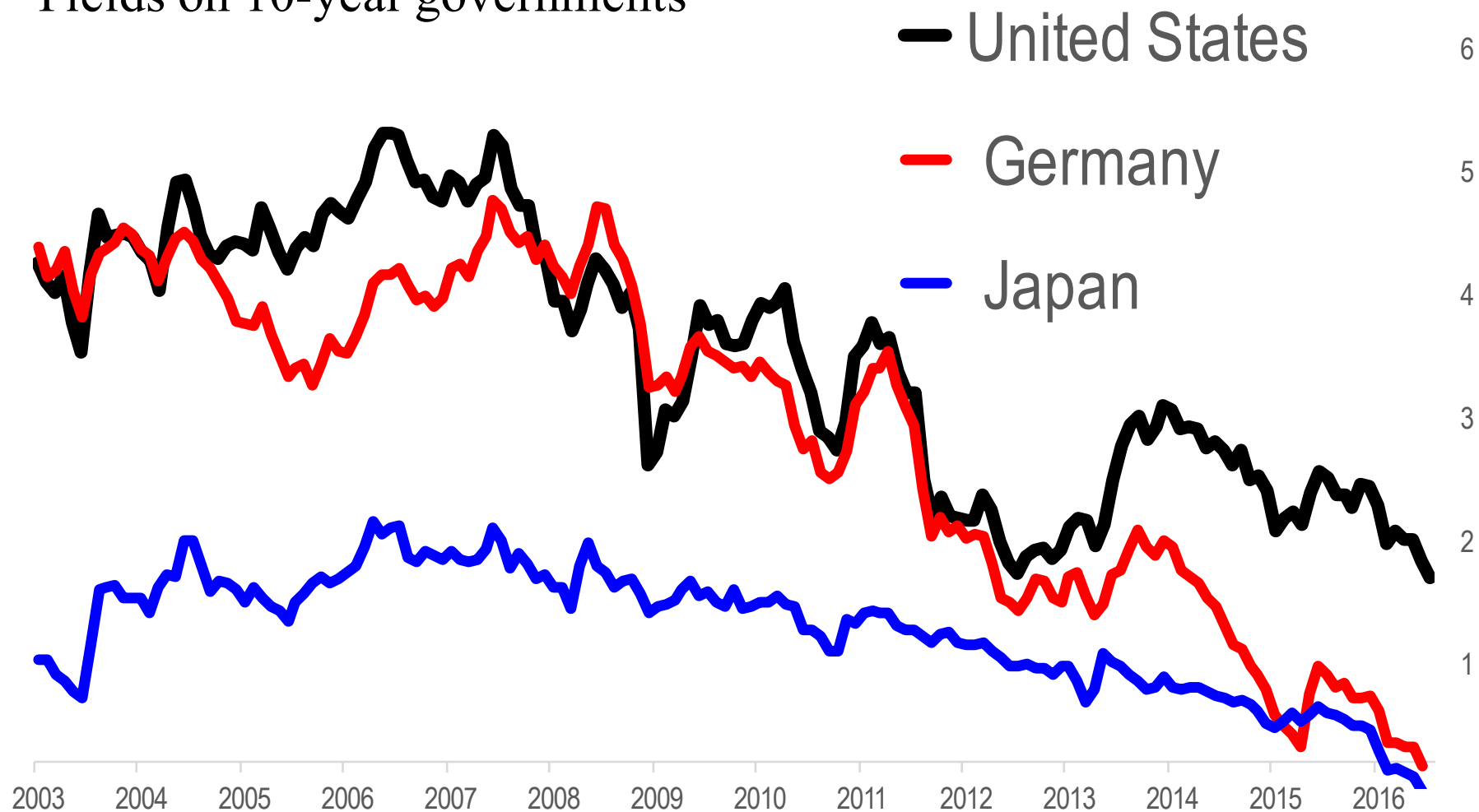
The growth engine slows
China's average real GDP growth

1990-2010: 10.2%

2011-2015
8.0%

*Forecast
2016-2021
6.1%*
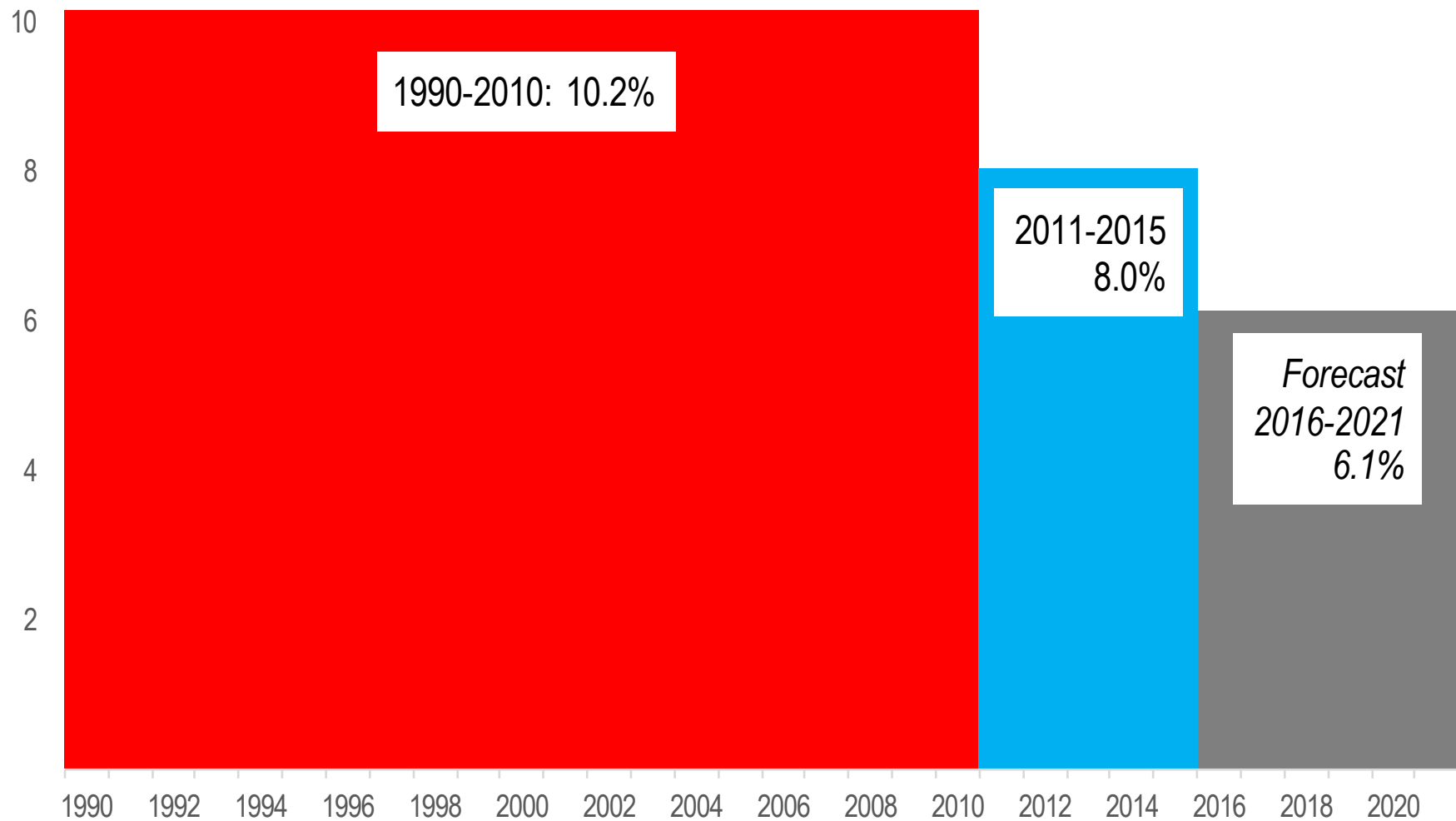
Data: International Monetary Fund World Economic Outlook April 2016

Uncharted territory
Yields on 10-year governments

— United States

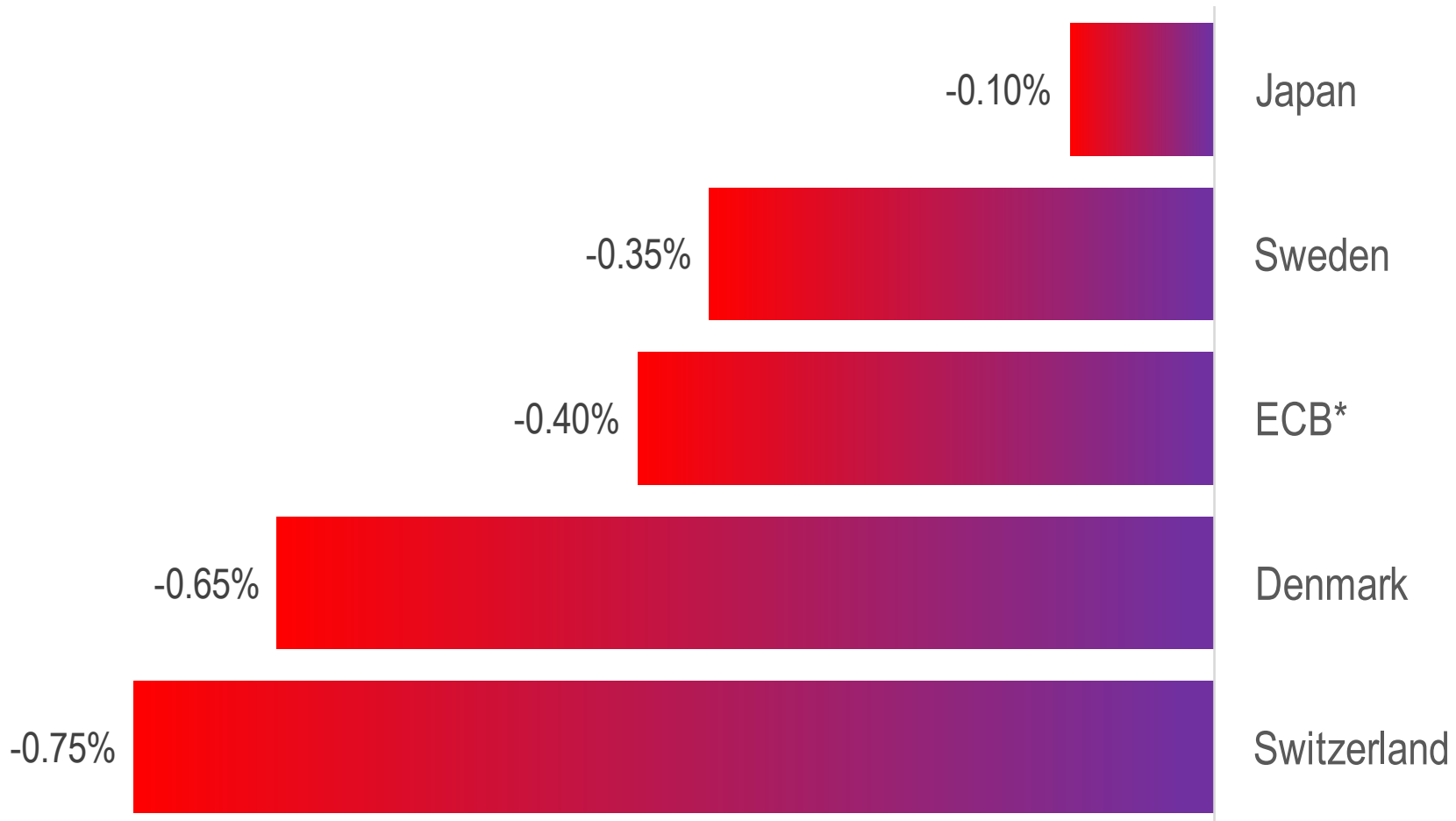**— Germany**

— Japan

Through the looking glass
Central banks with negative interest rates
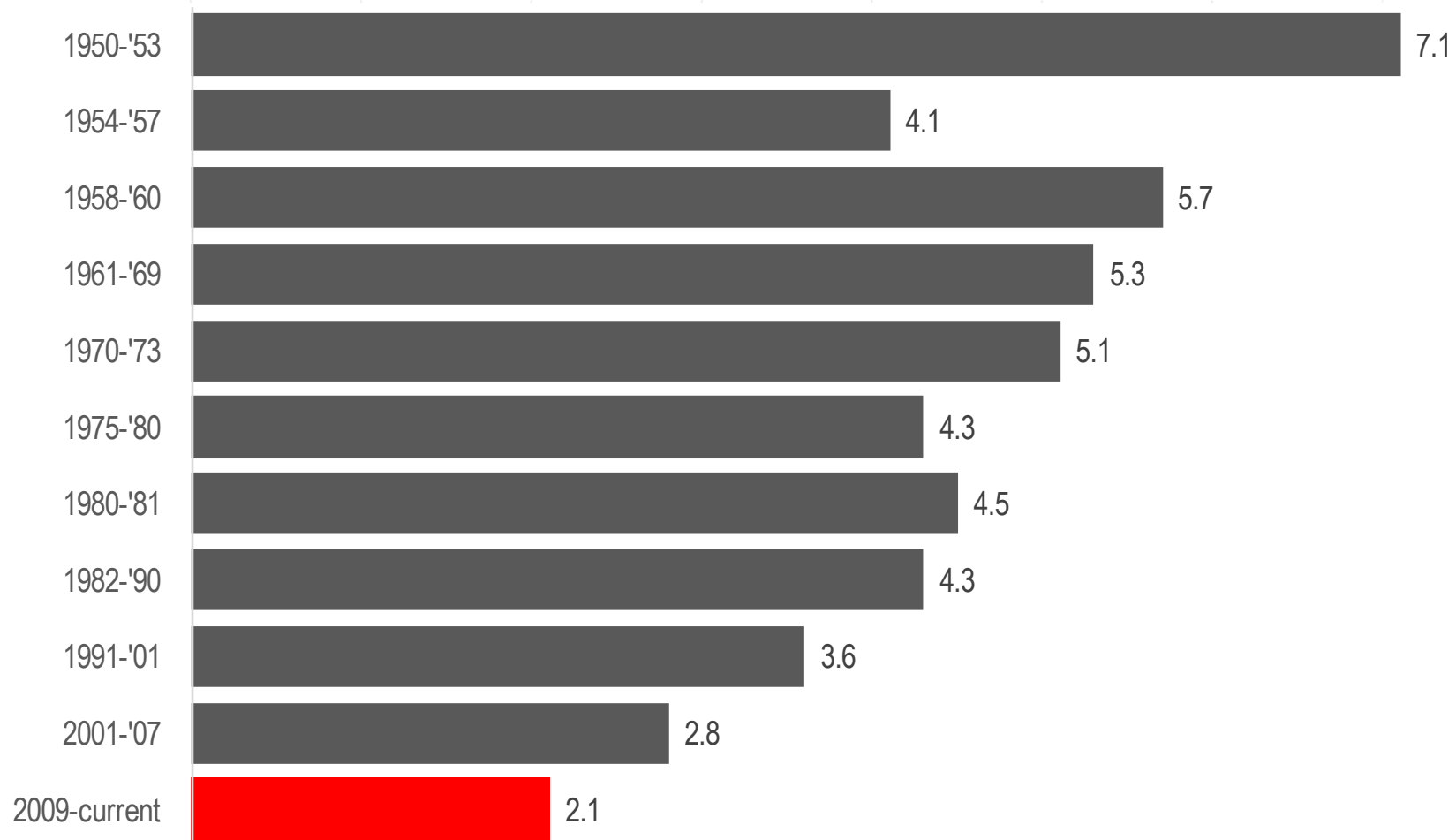
-0.10% Japan

-0.35% Sweden

-0.40% ECB*

-0.65% Denmark

-0.75% Switzerland

*European Central Bank. Data: USA Today, Bloomberg April 2016

97-pound weakling among post-WW II expansions

Average annual rate of <u>real</u> U.S. GDP growth

Period	Rate
1950-'53	7.1
1954-'57	4.1
1958-'60	5.7
1961-'69	5.3
1970-'73	5.1
1975-'80	4.3
1980-'81	4.5
1982-'90	4.3
1991-'01	3.6
2001-'07	2.8
2009-current	2.1

Data: Bureau of Economic Analysis August 2016; hat tip: *Wall Street Journal*

The Great Disappointment

Cumulative change in real GDP seven years from recession's end

Recession:
July 1981-November 1982

+36%

Recession:
November 1973-March 1975

+26%

+22%

**Great Recession:
January 2008-June 2009**

+16%

Q1 '75

Q4 '82

Q2 '09

Trough quarters
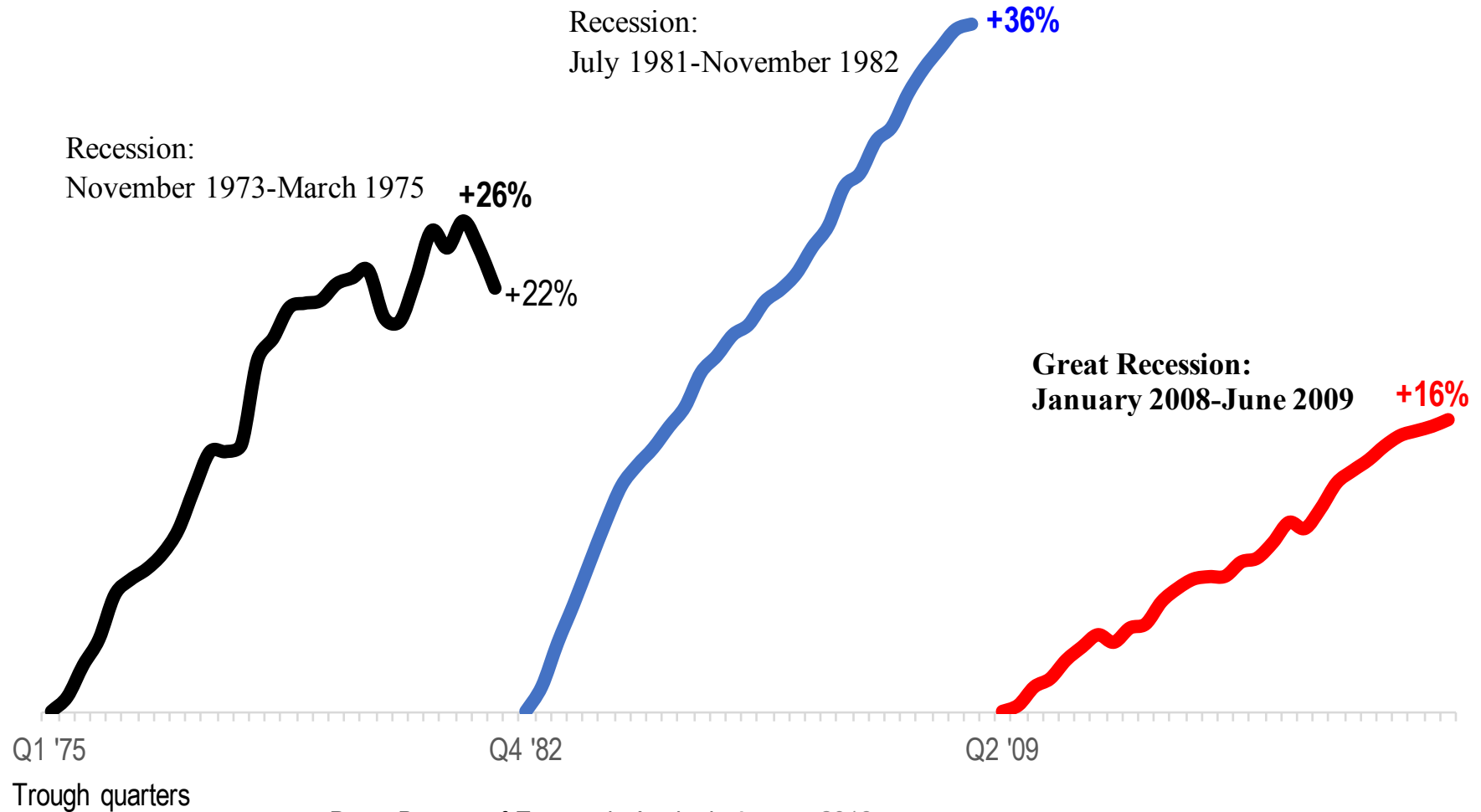
Data: Bureau of Economic Analysis August 2016

Amazon.com head count

(Full-time and part-time, in thousands;
excludes contractors and temps)

268.9

183.1

132.6

97.0

69.1

43.2

Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
2011				**2012**				**2013**				**2014**				**2015**				**2016**	
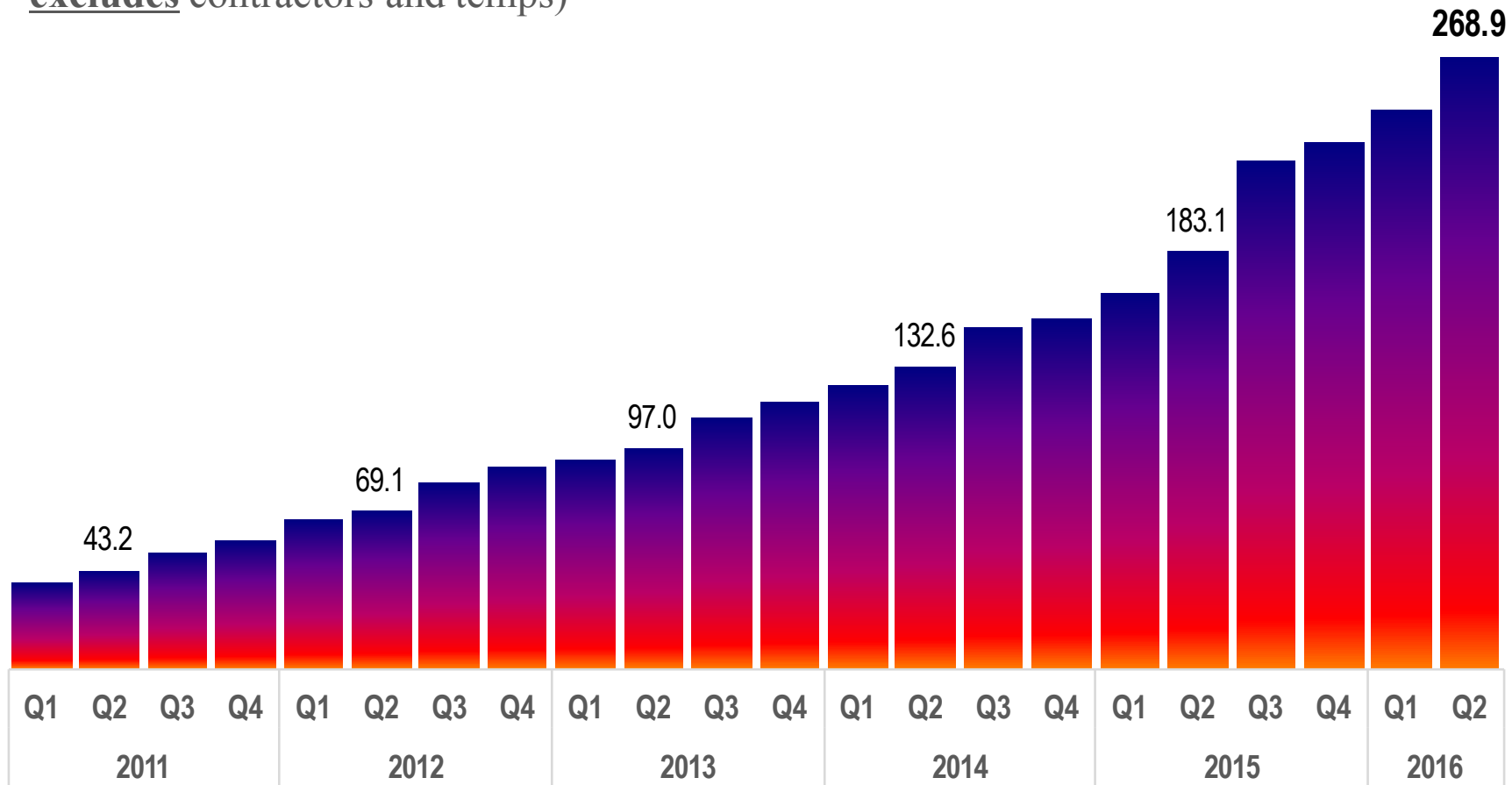
Data: Amazon.com July 2016

Much better than average
Per cent change (y/y) in wage-and-salary employment

Washington

United States

3.5

3.0

2.5

2.0

1.5

1.0

2011   2012   2013   2014   2015   2016
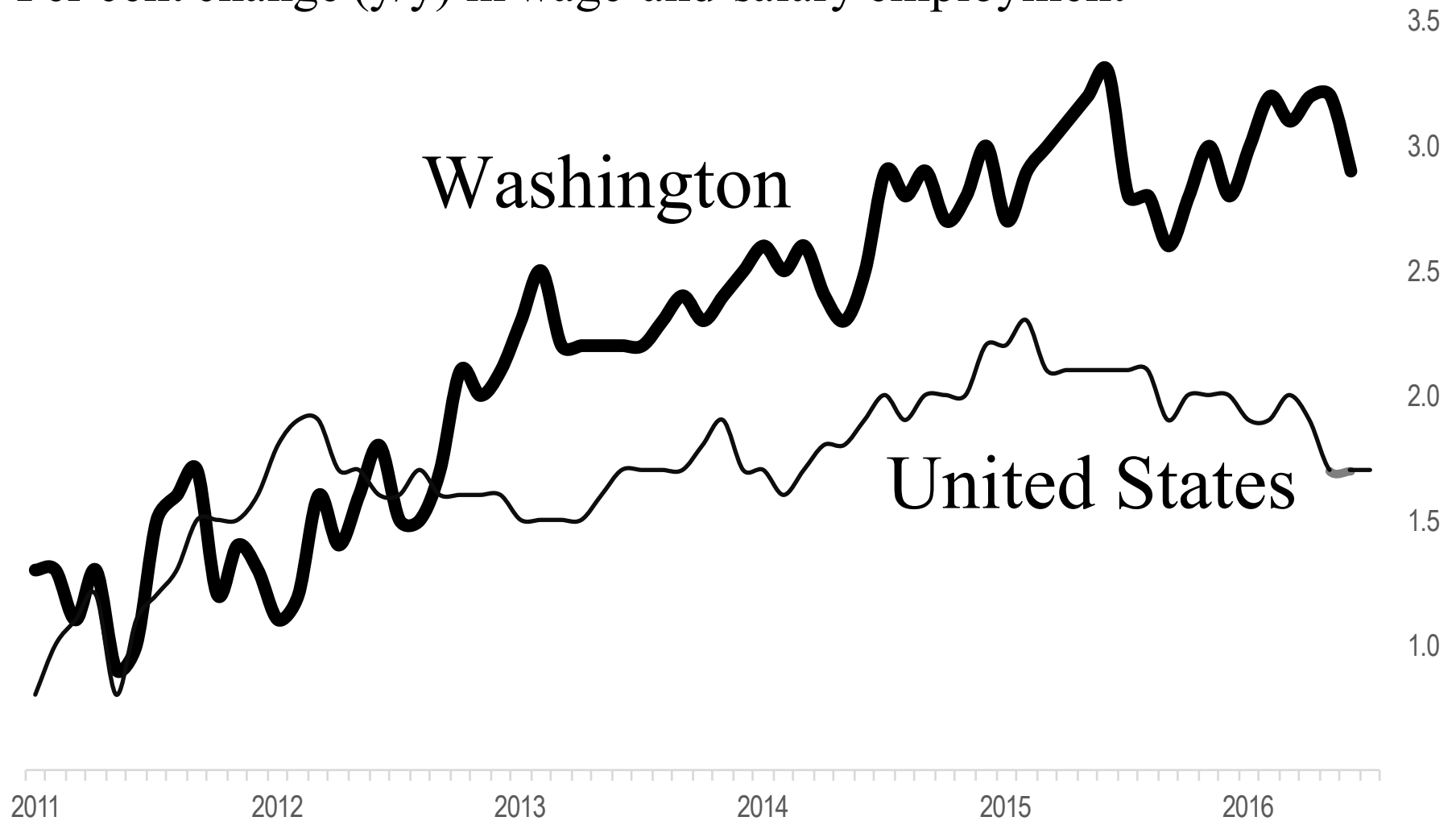
Data: Bureau of Labor Statistics Aug 2016

Concluding thoughts:

- Outlook: More of the same. Slow growth, low inflation, low interest rates, weak commodities prices.

- Be optimistic by wary. The U.S. recovery is long in tooth, now in its eighth year. Business cycles have not been repealed.

- For good or ill, developments in China will have disproportionate global impact.

- Beware a Black Swan, a disruption that by definition cannot be forecast.

Sorry, kids

Workers per retiree

Ratio of those aged 15-64 to those 65 and up

Data: UN World Population Prospects 2015 Revision
medium fertility); estimates in black, projections in red

United States
6.2 | 5.2 | 4.5 | 2.8 | 2.6
1975 1995 2015 2035 2055

Germany
4.3 | 4.4 | 3.1 | 1.8 | 1.6
1975 1995 2015 2035 2055

Japan
8.6 | 4.8 | 2.3 | 1.8 | 1.4
1975 1995 2015 2035 2055

China
14.0 | 11.3 | 7.7 | 3.1 | 1.8
1975 1995 2015 2035 2055

India
16.2 | 14.6 | 11.7 | 7.1 | 4.3
1975 1995 2015 2035 2055

Brazil
15.5 | 14.0 | 8.8 | 4.3 | 2.4
1975 1995 2015 2035 2055