United States

S&P 500 Beige Book

Portfolio Strategy Research

Four key themes from 4Q 2014 conference calls

(1) Companies with significant international sales experienced the negative force of a rapidly strengthening US dollar on their top- and bottom-line results; (2) The benefit from lower oil prices on the US economy and consumer spending was almost unanimous; (3) Capex guidance varied significantly depending on the commodity price sensitivity of a company's business; (4) Firms expressed high levels of confidence in the pace and durability of the US economic expansion but uncertainty regarding economic growth in Europe and Asia.

Theme 1: Multinationals lament the strong US dollar

FX headwinds weighed heavily on companies with high international sales exposure. Managements expect further negative currency impact in 2015.

Theme 2: Low oil price boosts US economy and business outlook

Managements cited the tailwind to the US economy from lower oil prices. Firms expect consumers will lift spending as disposable incomes rise.

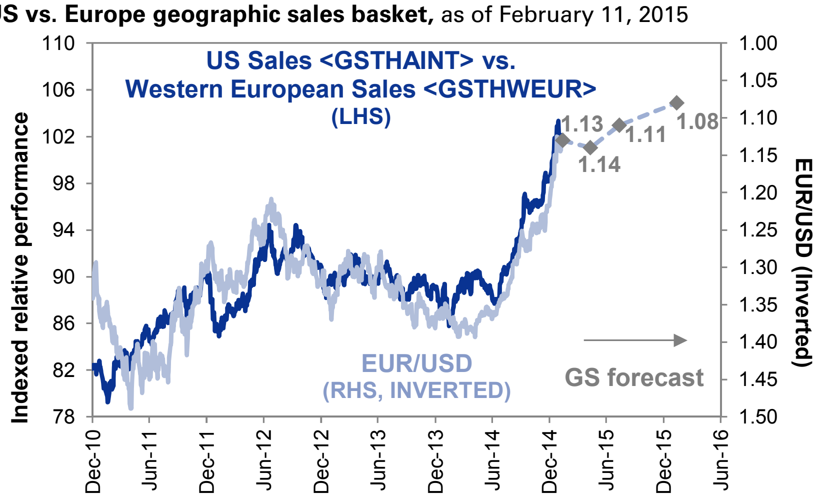
Theme 3: Cash use tied to macro variables

Energy companies slashed capital expenditures and suspended buyback programs in light of the recent drop in oil prices. Companies benefitting from lower energy costs increased cash returns.

Theme 4: Management confidence lies with the US

Firms viewed the US as the driver of global growth and expressed concern regarding the political and economic environments in Europe and Asia.

US vs. Europe geographic sales basket, as of February 11, 2015



Source: FactSet and Goldman Sachs Global Investment Research.

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Companies mentioned in this report listed alphabetically, by sector
Companies appear in order listed

Consumer Discretionary		Financials		Industrials		Materials	
Ford Motor Co.	F	Bank of America	BAC*	3M Co.	MMM	Alcoa Inc.	AA
Lennar Corp.	LEN*	BlackRock Inc.	BLK	Boeing Co.	BA	Dow Chemical	DOW
McDonald's Corp.	MCD	Boston Properties	BXP	Caterpillar Inc.	CAT	E. I. du Pont and Co.	DD
Netflix Inc.	NFLX	Citigroup Inc.	C	Delta Air Lines	DAL	Freeport-McMoRan	FCX
NIKE Inc.	NKE*	JPMorgan Chase	JPM	FedEx Corp.	FDX*	Monsanto Co.	MON
Starbucks Corp.	SBUX*	Morgan Stanley	MS	General Electric	GE	Praxair Inc.	PX
		Simon Property Group	SPG*	Northrop Grumman	NOC*		
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Altria Group Inc.	MO			United Technologies	UTX	AT&T Inc.	T
Colgate-Palmolive	CL	**Health Care**				Verizon Communications	VZ
Costco Wholesale	COST	AbbVie Inc.	ABBV	**Information Technology**			
Procter & Gamble	PG	Amgen Inc.	AMGN*	Apple Inc.	AAPL	**Utilities**	
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Chevron Corp.	CVX	UnitedHealth Group	UNH	International Bus. Machines	IBM		
ConocoPhillips	COP			Microsoft Corp.	MSFT		
Exxon Mobil Corp.	XOM			Visa Inc.	V		
Kinder Morgan Inc Class P	KMI*						
Phillips 66	PSX						
Schlumberger	SLB						

* denotes membership in Americas Conviction list

Source: Goldman Sachs Global Investment Research.

Prices in the body of this document are as of the market close of February 5, 2015.

Ratings in the body of this document are as of market close February 11, 2015.

Key takeaways from S&P 500 fourth-quarter 2014 conference calls

The *Summary of Commentary on Economic Conditions*, commonly known as the "Beige Book," is published by the Federal Reserve eight times per year. In it, the 12 regional Reserve branches offer anecdotal evidence on the current economic environment in their respective regions based on interviews with key business contacts, economists, market experts, and other sources.

In our quarterly *Beige Book* publication, we review the earnings transcripts of companies in the S&P 500 to monitor the anecdotal evidence of fundamental and thematic trends. This quarter's report contains excerpts from 56 companies that account for 33% of total S&P 500 revenues and 39% of the S&P 500 equity capitalization. All management comments on the following pages were taken verbatim from company transcripts as recorded by CallStreet and accessed via FactSet. All company data are as of February 5, 2015. We highlight four major themes from 4Q 2014 earnings commentary.

Theme 1: Multinationals lament the strong US dollar

Companies most exposed to international sales faced negative currency impacts on revenue and EPS. Even with hedges in place, managements predict this trend will continue in 2015. Companies that also incur significant costs in non-US locations witnessed an offset to lower revenue on the bottom line.

Selected examples: C, CAT, DD, GE, GOOGL, IBM, JNJ, MCD, PG, PSX, UTX, and XOM.

Theme 2: Low oil boosts US economy and business outlook

Lower oil prices were viewed as an overall benefit to US economic growth and consumer spending. Companies with significant oil-based costs also experienced a boost to earnings. However, unsurprisingly, certain Energy companies suffered severe negative effects to their businesses.

Selected examples: AA, BA, BAC, CAT, CL, DAL, F, KMI, PSX, V, and WFC.

Theme 3: Cash use tied to macro variables

Managements' capital spending forecasts relied heavily on the cash flow impact from lower oil prices and a stronger dollar. Energy companies cut capital spending budgets due to the drop in oil prices. However, this trend did not extend to other sectors and many firms that benefitted from lower oil increased cash spending guidance.

Selected examples: AMGN, APC, BA, COP, COST, CVX, DAL, DOW, FCX, MCD, MS, and SLB.

Theme 4: Management confidence lies with the US

Ongoing, stable US economic growth is a view shared by many firms. The outlook for Europe and Asia was less consistent and largely uncertain. Our US Economics team forecasts above-trend US GDP growth of 3% in 2015. Europe's uncertainty arises from economic and geopolitical concerns in Greece and Russia. Asia witnessed patches of positive growth but remains in a recovery phase.

Selected examples: C, CL, DD, FB, FCX, GE, JNJ, MMM, MS, PSX, and UTX.

Theme 1: Multinationals lament the strong US dollar

Firms with the highest international sales faced significant pressure from a strengthening US dollar. Currency translation impacts on earnings were more muted for companies that also incur significant costs overseas. We forecast both the euro and yen will depreciate by roughly 20% relative to the US dollar by 2017.

NEGATIVE Impact

Procter and Gamble (PG)

Across all currencies, foreign exchange hurts totaled $450 million after tax in the December quarter, $650 million fiscal year-to-date and are forecast to be a $1.4 billion after tax profit hurt over the course of the fiscal year. This is the most significant fiscal year currency impact we have ever incurred.

Johnson & Johnson (JNJ)

…if currency exchange rates were to remain where they were as of last week for the balance of the year then our sales growth rate would decrease by nearly 5.5%, reflecting the recent weakening of the euro and other major currencies against the U.S. dollar.

United Technologies (UTX)

The incremental negative sales impact from translation effects is expected to be around $1.5 billion.

International Business Machines (IBM)

Currency impacted our revenue performance by about 4.5 points or $1.2 billion. This is a 1.5-point growth or $400 million more than anticipated based on spot rates 90 days ago.

Google (GOOGL)

On the revenue side, clearly as you've heard, the strengthening of the U.S. dollar resulted in a gross negative currency impact of $616 million just into Q4.

E. I. du Pont de Nemours and Co (DD)

If you look at the total impact on the revenue line for 2015, we're looking at now about 3.5%. And then when you translate that down our positions and in all of our businesses, it does come out to $0.60 a share. So it is large.

McDonald's Corp (MCD)

Given the recent strengthening of the U.S. dollar against virtually all major foreign currencies, we expect a negative translation on first quarter 2015 of $0.08 to $0.10 per share, and a full-year impact of $0.35 to $0.40 per share.

POSITIVE Impact

Exxon Mobile Corporation (XOM)

In terms of ForEx, obviously as you're probably very aware, that it has opposite impacts across our business in the upstream, it primarily ends up being a margin benefit.

Caterpillar (CAT)

…the stronger dollar, while negative for our sales is positive for our costs over all. And that's because of our non-U.S. operations and our material purchases outside the U.S. And overall, that's expected to be a positive for profit.

NO Impact

Philips 66 (PSX)

And the dollar strengthening as far as looking at it from a global perspective or international has a slight impact but not – I wouldn't say it was overall significant impact on us…

Citigroup (C)

So, the dollar strengthening or weakening or different currencies strengthening and weakening has an impact on our revenue line, our expense line, and our cost of credit line. However, as you can see, in no individual quarter does it really have what I would consider to be an outsized impact on our pre-tax earnings. And in fact, this quarter, even with all the volatility, the net impact was close to zero.

General Electric (GE)

I would say in the short run here we've seen very little that I'm aware of, very little impact on our order performance as result of currency. That may play out more in 2015, but through fourth quarter of this year we've seen very little of that.

Theme 2: Low oil boosts US economy and business outlook

Lower oil prices allow more consumer spending, which benefits US economic growth. Our economists estimate that lower gasoline prices equate to a $175 billion "tax cut." Companies expect to see further pickup in discretionary spending in the latter half of 2015, when the savings created from lower oil become increasingly visible to consumers.

POSITIVE Impact

Visa Inc. (V)

U.S. fuel prices are down approximately 30% since June. This drop amounts to approximately $60 per month for the average consumer. According to our surveys, approximately 50% of the savings consumers are seeing is being saved, 25% is being used to pay down debt, and approximately 25% is being spent in other discretionary categories. These categories include grocery, clothing, and restaurants. This is consistent with what we've seen in our own spend data. As we look forward, we would anticipate the savings will accumulate, and ultimately we would see more spent in the discretionary categories…

Delta Airlines (DAL)

There's a tremendous opportunity in front of us from lower fuel prices. We will drive these savings to the bottom line with strong revenue growth and yield preservation regardless of fuel prices. At current fuel prices we expect to capture over $2 billion in fuel savings benefit in 2015 net of our hedges.

Boeing Company (BA)

Overall, we see low fuel prices and positive traffic trends as beneficial to our industry and growth prospects.

Philips 66 (PSX)

I think people are discounting the impact of $50 crude globally in terms of economic activity, demand for petrochemical products. In fact, we're seeing increased demand for even refined products.

Ford Motor Company (F)

The drop in the oil prices will be good for consumers, and we think that will help the economy…we are expecting some growth in the industry.

Alcoa (AA)

The direct impact that Alcoa has, outside of the industry impact here, for every $10 per barrel up or down, it means for us $40 million pre-tax profitability impact.

Bank of America (BAC)

I think if you think overall, one of the things that give a perspective that we see is in a consumer spending in January, on debit and credit cards, basically, we've seen the spending go up by 3%, and if you look at the fuel side of that, it's about 5% of that total spending…

Wells Fargo Corporation (WFC)

While lower oil prices have created volatility in the financial markets, America, as a whole, is a net consumer of energy and American households will benefit from the decline in energy prices, which is positive for the U.S. economy.

Colgate-Palmolive (CL)

We get a benefit in 2015, of course, from the current oil prices, which we expect to work through towards the end of the first half next year and of course commodity materials…

NEGATIVE Impact

Caterpillar (CAT)

Without a doubt, the impact of substantially lower oil and gas prices is the most significant reason we're expecting lower sales in 2015.

Kinder Morgan Inc. (KMI)

I believe we're going to have an average of $50 WTI crude price this year…You'd start with the crude and you'd say, crude is going down by $20 per barrel. Our sensitivity is $10 million per $1. Therefore that's a $200 million degradation.

Theme 3: Cash use tied to macro variables

Firms severely affected by lower oil prices and the stronger dollar reduced capital spending guidance. Despite these cutbacks, dividends remained more or less unchanged. Buybacks also remain a major use of cash for most S&P 500 firms. We forecast 2015 S&P 500 capex and buyback growth will be -3% and 12%, respectively.

DECREASED Guidance

Chevron (CVX)	*Given the change in market conditions, we are suspending our share repurchase program for 2015.*
Conoco-Philips (COP)	*So first, CapEx. This morning we announced a further reduction in 2015 capital to $11.5 billion. That's $2 billion lower than the $13.5 billion that we announced in early December.*
Anadarko Petroleum Corporation (APC)	*I think you can anticipate, we will have a significant reduction in CapEx year-over-year that will look like it's generally in line with what our peers have announced so far.*
Freeport-McMoRan (FCX)	*We are cutting our capital expenditures in 2015 by $1.5 billion, that's over a third decrease in our oil and gas CapEx.*
McDonald's Corporation (MCD)	*Our plan for 2015 capital expenditure budget is approximately $2 billion, nearly $1 billion less than our initial capital expenditure plan last year.*

INCREASED Guidance

Delta Airlines (DAL)	*We will accelerate our capital returns to our owners with a minimum of $1.5 billion in dividends and buybacks this year. We will complete our repurchase authorization by the end of 2015, a full year ahead of schedule.*
Boeing Company (BA)	*…we announced in December that our Board of Directors increased the share repurchase authorization to $12 billion and increased the dividend 25%, up 88% in the last two years.*
Schlumberger NV (SLB)	*As a further demonstration of the confidence we have in our continuing ability to generate free cash flow, the board of directors just approved the 25% increase in our quarterly dividend, which means that we have doubled our dividend payments over the past five years.*
Dow Chemical (DOW)	*We completed our $4.5 billion share repurchase program and launched an additional $5 billion tranche and we announced two dividend increases in the year.*
Amgen (AMGN)	*This strong financial performance and our confidence in the longer-term outlook enabled us to increase our dividend by 30% to 2014 and by 30% again for 2015 while increasing our stock buyback plans as well.*
Costco (COST)	*Our fiscal 2015 CapEx is estimated to be in the $2.5 billion-plus range. This compares to last year's $2 billion, so up pretty significantly year-over-year…*
Morgan Stanley (MS)	*Our plan is to increase both our share buyback program and our dividends with greater returns of capital, supported by the increased proportion of our revenue and earnings coming from more stable businesses.*

Theme 4: Management confidence lies with the US

Firms expect solid US economic growth in 2015. Macroeconomic and geopolitical uncertainties still exist in Asia and Europe. We expect the US economy will grow at an above-trend pace in 2015, led by a pickup in housing activity and an oil-driven boost in consumer spending.

General Electric (GE)	*…the U.S. is the best we've seen since the financial crisis. And then what we call rising Asia… which is really China, India, ASEAN…actually quite positive for us right now from an orders standpoint … And then Europe for us is flattish.*
3M Company (MMM)	*…we have seen businesses coming back a little bit both in China for us and in Southeast Asia…So I think when you look upon North America, U.S., Canada, Mexico, has very good growth momentum for us. And then West Europe, we would say, as we said before, a little bit of question mark…*
United Technologies (UTX)	*…we expect continued recovery in our North American markets, slight growth in Europe and moderated but still solid growth in China and Asia.*
E. I. du Pont de Nemours and Company (DD)	*We expect global growth of 3% against a backdrop of world economy that continues to face many uncertainties. We expect global industrial production to increase about 3% in 2015. Growth has strengthened in North America, and uncertainty in Japan and Europe continues as industrial production has stalled and Russia and Ukraine remain in recession.*
Freeport-McMoRan (FCX)	*China is in a slower situation, but the government is responding with economic stimulus. And, in fact, there's a lot of positive things in China…even though China's growth rate is slowing, it's still consuming a lot of copper. In the U.S., the fundamentals are stable.*
Philips 66 (PSX)	*And so I think the demand side of the equation is probably going to be a little better than what people are thinking in terms of 2015. So we're seeing fairly robust demand in the U.S. for petchems. European, kind of moving sideways. Asia, it weakened in the fourth quarter but it looks like it may be coming back to us.*
Johnson & Johnson (JNJ)	*…in the United States where we probably have the clearest and the most tangible data. And here we're encouraged. I think one of the areas of challenge for us has been Europe. There remain obviously a lot of concerns economically in Europe… We continue to see good growth in China. On a full year basis, we saw over double-digit growth in China and close to that in the BRIC regions.*
Citigroup (C)	*While the recovery in the U.S. is gaining momentum, aided by lower energy costs; Europe is a continuing area of concern, with Russia and Greece facing the most immediate pressure. And while most emerging markets continue to grow, their economies remain the most vulnerable to external factors.*
Morgan Stanley (MS)	*Finally, our outlook is consistent with data that suggest ongoing growth in the U.S. and the expectation that key markets outside the U.S. will benefit from central bank support.*
Colgate-Palmolive (CL)	*But if you step back and kind of take a look at where is the consumer, we continued to see for our categories that in North America category growth…edging wildly up to the upper end of that 1% to 2% range. Europe continues to be moribund between zero and 1% and across the emerging markets; we continue to feel comfortable with the mid-single digit local currency value growth rates for our category.*
Facebook, Inc. (FB)	*…so you have regions that are certainly growing more quickly and regions that are growing more slowly. So from a macro perspective, the United States is doing better in terms of growth versus Europe versus Latin America…So, I'd say generally we've got more favorable market conditions in which to operate in the U.S.*

Consumer Discretionary

	S&P 500 Wght	Price ($)	Price Chg 1 Mo (%)	Total Return YTD (%)	Consensus Earnings Growth 2014 (%)	2015E (%)	2016E (%)	P/E Mult. (NTM)	Equity Mkt Cap ($ bil)
Ford Motor Co. (F, Neutral)	0.33	15.85	7.4	3.3	(30.1)	37.5	18.2	9.9	61

Global growth: *North America was profitable, and we achieved a record profit in Asia Pacific. Ford Credit's profit was its highest since 2011. And while we reported losses in other business units, Europe and Middle East and Africa improved from a year ago. Volume was about equal to a year ago, while company revenue declined 2%. And we achieved record market share in Asia Pacific, driven by record share in China.*

Pension charges: *Our global pension plans were underfunded by $9 billion at the end of 2014, which was unchanged from 2013 despite significantly lower discount rates.*

Uses of cash: *Consistent with our plan to provide regular and growing dividends that are sustainable over an economic or business cycle, we increased our 2014 quarterly dividend by 25%. And as you know, we announced an additional 20% increase earlier this month. We also completed our share repurchase program that reduced our diluted shares by about 3%.*

Margins: *Operating margin at 3.9% was down 1.5 percentage points. Total automotive pre-tax profit at $4.5 billion was down $2.4 billion. The lower results were driven by the Americas, all other business units improved.*

For 2015, our company outlook for pre-tax profit, Automotive revenue and operating margin is unchanged from our September Investor Day guidance.

Oil: *...we take a look back and see if there was any correlation between low fuel prices and growth of the industry, and there's not a lot of correlation there. So we're very comfortable with our call for the industry, which is really driven by replacement demand, because as you know, the industry has run under replacement demand for five years, so we think that provides a good foundation.*

FX: *In terms of your question on exchanges, I'm kind of looking at 2015, it doesn't – broadly across the company, there's some ups and downs, but doesn't seem to have much of a material impact. I think you're technically right where we have losses, like in South America and Europe. Just look at the translation effects; obviously the loss in local currency will translate into fewer dollars. But there are other flows. You've got pounds, you've got euros, you've got a number of different currencies that are at play there. But broadly, for the whole company, it's not having much of an effect there.*

	S&P 500 Wght	Price ($)	Price Chg 1 Mo (%)	Total Return YTD (%)	Consensus Earnings Growth 2014 (%)	2015E (%)	2016E (%)	P/E Mult. (NTM)	Equity Mkt Cap ($ bil)
Lennar Corp. (LEN, Buy*)	0.05	46.45	5.7	3.8	35.3	10.8	13.9	15.1	10

Economic outlook: *...the overall economy in Texas is very strong...job growth across the state has been incredibly strong. Inventories are in the neighborhood of maybe one to two months of finished home supply.*

Housing market: *...we continue to believe that we are still in the early stages of a protracted, slow growth housing recovery. The recovery continues to be driven forward by increased pent-up demand derived from a now multi-year production deficit and the increasingly high monthly cost of rentals.*

We believe that the market is downside supported by many years of production deficits, which has yielded a supply of both rental and for-sale – a limited supply of both rental and for-sale housing in the country. Any pull back in housing volume would be short lived as there is a need for shelter in the country and there is very little inventory with almost no likelihood of mortgage foreclosures, given the stringent underwriting standards of the past years.

…and so, as it relates to Houston, it's not an exact science. The market has not yet quite revealed itself, but there are other cross currents that are defining a lot of questions that exist in the marketplace. And of course, we've injected appropriate conservatism in our thinking…while the oil complex moves down, gas prices come down, and Houston is a more diversified platform than it has been in prior oil downturns.

Oil: *With oil prices down, we should see cost in petroleum-based products such as roof shingles and asphalt come down, as well as broader reductions from the overall positive impact of lower transportation cost.*

	S&P 500 Wght	Price ($)	Price Chg 1 Mo (%)	Total Return YTD (%)	Consensus Earnings Growth 2014 (%)	2015E (%)	2016E (%)	P/E Mult. (NTM)	Equity Mkt Cap ($ bil)
McDonald's Corp. (MCD, Neutral)	0.50	94.34	2.3	0.7	(15.1)	4.4	7.9	18.4	92

Business outlook: *2015 will be a year of regaining momentum globally. We expect further growth amid the pockets of success we're already seeing. However, it will take time, especially in our larger markets, for customers to notice the comprehensive changes that are under way. So our internal projections assume continued sales and earnings pressure and volatility in the business, particularly in the first half of the year.*

We're evolving our menu in response to a lot of the consumer trends. We're launching new products at a national level this year and we're complementing that on differentiated products at a local level...

Economic outlook: *In Russia, while all of our restaurants impacted by the temporary closures are back in operation, the market remains in a recession and the economic outlook is weak. More broadly, consumer confidence across most of Europe is forecasted to remain low throughout 2015.*

While sales trends in China showed signs of improvement during the fourth quarter, our best estimate is that it will take at least three to six more months for our business in China to return to a normalized level.

FX: *Foreign currencies proved to be another headwind in 2014, with translation negatively impacting fourth quarter EPS by $0.08, and full year EPS by $0.12.*

Uses of cash: …*we've reduced capital expenditures by paring back on new store openings in markets that are experiencing significant near-term challenges, including China, Russia, Germany and the United States.*

As we move into 2015, we remain on track to deliver against our three-year target to return $18 billion to $20 billion to shareholders between 2014 and 2016 in the form of dividends and share repurchases, having returned $6.4 billion to shareholders last year.

Margins: *…multiple states are increasing minimum wages. We've got national healthcare impacting 2015 for the first time. That's going to hit the McOpCo margin for about 20 basis points. So I think the margin in the U.S. will continue to be a little bit pressured by the combination of less price flexibility and a few of these costs, but long-term, as the sales get back on track and start to grow, that is what will allow us to start to see the market leverage.*

Inflation: *For the full year, commodity costs ended up about 3%, which was the upper-end of our forecast, as reductions in other commodities were more than offset by increases in* *beef. Commodity cost pressure is expected to continue into 2015, with the full year increase projected at 1.5% to 2.5%, again driven primarily by beef. Excluding currency, Europe's commodity costs were up 1% for the fourth quarter and were relatively flat for the full year. For 2015, our full-year outlook is for Europe's grocery basket to also reflect an increase of 1.5% to 2.5%.*

	S&P 500 Wght	Price ($)	Price Chg 1 Mo (%)	Total Return YTD (%)	Consensus Earnings Growth 2014 (%)	2015E (%)	2016E (%)	P/E Mult. (NTM)	Equity Mkt Cap ($ bil)
Netflix Inc. (NFLX, Buy)	0.15	448.91	35.5	31.4	NM	(3.6)	60.8	NM	27

Business outlook: *…total hours, of course, that's going up but more importantly median hours has continued to climb in every market as we make the programming better and better. So that's the main thing that we track internally and it's just very exciting to see as the devices get simpler to use, as the UI gets more personalized, as the content gets better.*

Margins: *In terms of the margin guidance for 40%, it isn't the first time. We actually guided to 30%, right, in terms of setting a margin target out there. But we wanted to give investors some guidance in terms of long-term margin growth, and what it's about for us is the steady march upward of about 200 basis points – averaging about 200 basis points a year.*

International: *One is the success that we've seen from Argentina to Finland to have all of our first wave of markets from Canada, Latin America, Nordics, Netherlands, U.K. and Ireland be profitable together as a group. It's just a tremendous accomplishment. And at the growth rate that they're seeing it's going to be very significantly profitable going forward. So that's been a big driver for us.*

…our incremental confidence in international is that our originals programming continues to be highly engaged across markets outside the U.S. We thought it might be based on the type of content that those markets were enjoying. But we just didn't know.

…on China what we said in the letter is that we're exploring options. So we need to get a license. That's not 100% clear that we'll be able to do that. So we're figuring that out. And what we said is that if we go, it'll be a modest investment, because we won't have that much content. We're going to be very cautious and feel our way along through that process, if we're able to get that license.

Uses of cash: *So we mentioned that we'd have a couple of years of heavy investment. I think that's going to drive capital needs which then leads into the conversation around the capital. And we think right now is still a good time to secure long term, low cost capital in the debt market and that's why we've chosen debt.*

Title II: *But what's been great for Netflix is the general idea of the Internet as a utility, open to all, not for discriminatory use, has really taken hold. And of course the shift we've seen over the last year around perceptions on Title II is amazing to see in just 12 months and we appear to be on the edge of enacting Title II. And generally codifying the idea that, at least in the U.S., the Internet is a utility for broad social good and wide open access. And that over time, if it happens, will significantly insulate us from any accelerating tax for interconnections.*

	S&P 500 Wght	Price ($)	Price Chg 1 Mo (%)	Total Return YTD (%)	Consensus Earnings Growth 2014 (%)	2015E (%)	2016E (%)	P/E Mult. (NTM)	Equity Mkt Cap ($ bil)
NIKE Inc. (NKE, Buy*)	0.36	93.34	(0.2)	(2.9)	13.0	17.3	15.3	24.6	80

Business outlook: *…As long as we don't see huge moves in the macroeconomics, we believe that we can continue to generate growth in the business, and we've generally seen that to be the case around the world. There are a few places where we've seen some of the macros start to, at least in the near-term, affect consumer confidence. Brazil is an example of that. Certainly, we think over time we've got to keep a close eye on Russia. But generally, what we've found is our product is one of those things that consumers find ways to continue to buy.*

Women are driving a larger global movement of health and fitness. They're running in record numbers. They're engaging in new kinds of workouts and athletic activities at a rapid pace, and that means they have new needs which are creating new insights and inspiring new products and services. And by staying focused on the needs of the consumer, we're driving growth in our women's business.

International: *In Greater China, we continue to see the benefits of our strategy to reset the marketplace.*

…Our DTC business in Western Europe also continues to perform very well, delivering 40% growth in the quarter. This resulted in double-digit revenue growth in every territory and strong growth across nearly every category…

In the emerging markets geography, Q2 revenue grew 13% on a currency-neutral basis, as all territories except Mexico and Korea posted higher revenues.

FX: *…The dollar has strengthened against most other currencies, and the FX markets have been extremely volatile. While our trading company structure and hedge programs do protect us from some of that volatility, we cannot entirely eliminate all FX risk.*

Margins: *When you look at the underlying fundamentals of gross selling price improvements versus input costs, we're continuing to make great progress from an operating standpoint on expanding margins.*

On the cost side, we've talked about some of the things we're doing in the manufacturing space…so we don't see that previous peak as somehow a magical ceiling.

	S&P 500 Wght	Price ($)	Price Chg 1 Mo (%)	Total Return YTD (%)	Consensus Earnings Growth 2014 (%)	2015E (%)	2016E (%)	P/E Mult. (NTM)	Equity Mkt Cap ($ bil)
Starbucks Corp. (SBUX, Buy*)	0.37	89.64	12.2	9.6	17.2	17.0	17.3	27.4	67

Business outlook: *We continue to see broad customer acceptance and adoption of our mobile payment technologies. Today in the U.S. alone, over 13 million customers were actively using our mobile apps, and we are now averaging over 7 million mobile transactions in our stores each week, representing roughly 16% of total tender, more than any other bricks-and-mortar retailer in the marketplace.*

International: *Our fast-growing China, Asia Pacific region delivered strong sales profit and a company-leading 8% store comp in Q1 and continues to be a focal point of our future growth.*

Moving on to EMEA, where the momentum and remarkable results from fiscal 2014 continued into the first quarter. Revenue grew by 3% after adjusting for $15 million of unfavorable foreign currency exchange impact.

Uses of cash: *This month, we are making the single largest new investment we have ever made in our partner, our employee experience, and it will touch 135,000 partners across our U.S. store base. Changes include increases in barista and shift supervisor pay rates, enhanced recognition programs, a new food benefit and updates to our dress code, among others.*

We continue to expect to add approximately 1,650 net new stores globally. Of the 1,650, we expect 650 in the Americas, 150 in EMEA and 850 in China, Asia Pacific...and we expect capital expenditures of $1.4 billion for fiscal 2015.

FX: *Noteworthy is that based upon where exchange rates are today, the stronger dollar will adversely impact revenue growth and operating income growth by about one point each. We are confident that we will be able to offset this foreign exchange impact given the strength of our Q1 global operating results and the progress we will continue to make in leveraging COGS and G&A.*

Commodity costs: *…we have recently priced a significant amount of coffee as prices have moved down within our target range over the past six weeks. As such, we now have 94% of our 2015 coffee needs priced, and therefore we expect commodity costs to be roughly flat for 2014.*

Consumer Staples

	S&P 500 Wght	Price ($)	Price Chg 1 Mo (%)	Total Return YTD (%)	Consensus Earnings Growth 2014 (%)	2015E (%)	2016E (%)	P/E Mult. (NTM)	Equity Mkt Cap ($ bil)
Altria Group Inc. (MO, Neutral)	0.58	53.67	10.2	8.9	6.7	8.7	7.7	19.3	106

Growth: *Altria had another terrific year in 2014. For the full year, we again delivered against our two long-term financial goals. We grew adjusted diluted EPS by 8% and we paid out approximately 80% of adjusted diluted EPS to shareholders in dividends which totaled $3.9 billion.*

Uses of cash: *We also raised our dividend by 8.3%, marking the 48th increase in the last 45 years. We further rewarded shareholders by repurchasing nearly $1 billion in shares between the program we completed in 2014 and the new $1 billion program we announced in July.*

Oil: *I think gas prices for us historically, we have not called out gas prices as one of the principal drivers of consumer behavior, although we acknowledge that it had some effect. To us it was really more about the unemployment rate, consumer confidence, and housing starts.*

Now the way that gasoline prices have gone down so precipitously has obviously had a bigger effect on the consumer rate. The C stores, as you and others have pointed out, are seeing better traffic, and I don't think there's any question that it's contributing to consumers feeling better about their economic situation.

	S&P 500 Wght	Price ($)	Price Chg 1 Mo (%)	Total Return YTD (%)	Consensus Earnings Growth 2014 (%)	2015E (%)	2016E (%)	P/E Mult. (NTM)	Equity Mkt Cap ($ bil)
Colgate-Palmolive (CL, Neutral)	0.33	69.79	1.8	1.4	1.6	3.3	8.9	22.7	64

Business outlook: *...our assumption is that it will continue pretty much as it has been...the couponing volume and couponing values both stepped up substantially in 2014, and we expect that will continue in 2015.*

FX: *So when you think about foreign-exchange as a headwind, yes, the translation impact is 10% on the bottom line. On the top line, we see it going to be about 7% to 7.5% on the year. In terms of the transaction impact, that is bedded into our guidance on gross margin being up 50 basis points to 100 basis points.*

Oil: *If you take oil, the most immediate benefit you get tends to be in freight because that prices quite quickly, and so we got a little bit of benefit in the fourth quarter, very modest, and we expect that to benefit us starting in this quarter in 2015. When you talk about the flow-through benefits of the resin impact and the other material impacts, that will start to benefit us towards the end of the first half, partly related to it working through the system, partly related to our own inventory levels.*

Margins: *While our gross margin was down in the quarter due to very significant transaction costs, we believe that we'll see an improving trend as we move through 2015 with a more benign raw material cost environment and pricing taken to offset the impact of rising transaction costs related to foreign-exchange.*

Pricing: *...we expect to continue to price as we have already done in some parts of the world. So pricing will be a factor in growth and in our gross margin expansion plans for 2015, and we believe as we indeed already have, that we will be able to realize that, and I go back to the fourth quarter and say there was a fairly meaningful step-up in pricing in* *those emerging markets, and yet we still had a balance between volume growth and pricing growth.*

Advertisements: *Now, as we think about 2015, in terms of that traditional bucket of advertising and promotion, we're planning for that to increase absolutely and as a percentage to sales.*

International: *Mexico hasn't changed for us. We certainly didn't see a 20% decline there, nor did we see a 20% decline in China. So no, that environment hasn't really changed for us. Russia, for us, is still a relatively modest part of our business, between 1% and 2%. Chaotic may be overstating it, but it is indeed difficult, and it is likely to become more difficult.*

	S&P 500 Wght	Price ($)	Price Chg 1 Mo (%)	Total Return YTD (%)	Consensus Earnings Growth 2014 (%)	2015E (%)	2016E (%)	P/E Mult. (NTM)	Equity Mkt Cap ($ bil)
Costco Wholesale (COST, Neutral)	0.36	149.09	6.5	8.7	6.3	10.6	10.5	28.5	65

FX: …*the foreign currencies, where we operate, overall, weakened versus the U.S. dollar, primarily in Canada and Japan, resulting in our foreign earnings in the first quarter when converted into U.S. dollars being lower by about $22 million pre-tax or $0.03 a share than those earnings would have been had FX exchange rates been flat year-over-year.*

Uses of cash: *And we recognize that our – as first priority is CapEx and then tied for second, if you will, are a few of the things that we'll continue to look at.*

For all of fiscal 2015…we have a current plan of 31 new locations, 18 locations of which will be in the U.S., three locations each in Japan and Mexico, two locations each in Australia and Korea, and one location each in Canada, U.K., and Taiwan.

International: *Internationally, in local currencies, the better performing countries were Canada, Taiwan, and Mexico.*

Japan is certainly a bigger market for us…so we're doing well there. And we just, as I mentioned, opened our seventh location in Australia. While Australia is, what, two-thirds of the size population-wise as Canada, where we have 90 or so units. We have seven units in Australia. Western Europe or all of Europe is certainly an opportunity for us.

Oil: *Our view, historically, has been on something big like this whether it was when gas was going crazy upward towards $4 a gallon in early to mid-2008. Did it impact us? It probably impacted us a little bit, but not as much as some of the dollar type stores or lower demographic stores. Similarly, are we getting a little benefit from it? Yes, but we don't think it's big either way for us.*

China: *And we recognize, look, it's a giant market. We're confident about what we do. We're also very hands-on…If you had said, what's the likelihood in the next 5 years to 10 years? Sure. Next two years to five years? Maybe. Next Thursday? We're not ready yet.*

Inflation: *Basically, again, very slight deflation for the first 12 weeks. Food and sundries is very slight inflation. Sundries is very slight inflation, like less than 10 basis points. Apparel is very slight inflation, also less than 10 basis points. Right. So that's through the end of our fiscal year. And food, of course, for all of fiscal 2013 it was up about 3.5 percentage points on a cost of goods basis. But again, for the first 12 weeks of this month, it's ever so slightly up. Computers and appliances and things like that are down about a point. Gas, of course, is down, as you know, a little bit. And those are pretty much the pools, and it all adds up to being down less than a half a percentage point since the beginning of our fiscal year, that's versus being up a half percentage point all of last year from the beginning of the prior fiscal year.*

	S&P 500 Wght	Price ($)	Price Chg 1 Mo (%)	Total Return YTD (%)	Consensus Earnings Growth 2014 (%)	2015E (%)	2016E (%)	P/E Mult. (NTM)	Equity Mkt Cap ($ bil)
Procter & Gamble (PG, Neutral)	1.28	86.70	(3.7)	(4.1)	(0.9)	3.4	8.4	20.5	234

Business outlook: *Because of these [currency] impacts, the outlook for the fiscal year will remain challenging. We have and will continue to offset as much of this currency impact as we can through pricing and productivity cost savings. At the same time, we'll continue to invest in our businesses, brands, product innovation and capabilities, because it's the right thing to do for the mid and long term.*

FX: *While we continue to make steady progress on strategic business and company brand and product initiatives… the progress has not been sufficient enough to offset FX. All in, sales were down 4% versus the prior year, including a 5 point headwind from foreign exchange…*

Margins: *Now as these FX impacts flow through the income statement, they obviously impact margins. Core gross margin was down 20 basis points in the December quarter. Excluding foreign exchange, it was up 40 basis points. Cost savings of approximately 190 basis points and 60 basis points of improvement from higher pricing were offset by 110 basis points of mix, 50 points from innovation and capacity investments, and 50 basis points from commodity cost increases.*

Pricing: *Developing market volume was down slightly as we took pricing to offset foreign exchange devaluation across several countries. Pricing and mix each added 1 point to sales growth.*

Uses of cash: *It was a strong cash quarter... Fiscal year-to-date, we've returned $7.9 billion to shareholders, $3.6 billion in dividends and $4.3 billion in share repurchase.*

We are maintaining the investments necessary to support our brands and product innovations.

China: *On China, we've built that business. We've grown about 50% over the last four years. It's now our second largest business in both sales and profit. There are two things that we are working to improve in China. One quite frankly is the amount of price transparency that exists in the marketplace…and then as I mentioned in several category discussions previously, there is just a massive opportunity in China as that market premiumizes.*

Energy

	S&P 500 Wght	Price ($)	Price Chg 1 Mo (%)	Total Return YTD (%)	Consensus Earnings Growth 2014 (%)	2015E (%)	2016E (%)	P/E Mult. (NTM)	Equity Mkt Cap ($ bil)
Anadarko Petroleum (APC, Neutral)	0.23	83.68	10.4	1.4	3.4	NM	NM	NM	42

Business outlook: *As I mentioned earlier, we're approaching 2015 with caution, given the uncertainties surrounding commodity prices and service cost.*

I think today, we would concur with those that are in the camp that think we have a U-shape. We're not anticipating it being V-shape. So consequently…we see ourselves in a period here trying to build value, maintain flexibility and not grow in a low-commodity price environment that has economics that we see is less than attractive. Consequently, we will continue to look to add to more of the mid-cycle, and to some extent, longer-cycle stuff with our exploration to create the option value that we've done so well, I think, over the last six or seven years. And I don't see ourselves really deviating from a lot of the things we've done so well the last five. I think what we will do is put a little bit of a hold or a pause on some of the short-cycle oil, where we frankly, we as industry, just don't have the proper wellhead economics until service costs sync up with the commodities.

Uses of cash: *…if we get into a much more extended period where we have low commodity prices, and we do not have much movement on the service cost side, I think you can anticipate we could very likely drop our capital plans that we come out with to a lower number. We'd achieve that through dropping rigs and not completing wells that we've drilled.*

We probably won't drill the same number of wells in 2015 that we did in 2013 or 2014, but we are going to drill deepwater exploration.

Oil: *We don't anticipate having a worst oil environment, the second half of the year. I think we're sort of in the camp that believes that oil will continue to recover. How much it recovers and how quickly it recovers, I'm not in a great position or a better position to answer than anyone else.*

M&A: *But I don't think we're unique in saying there's a large company that's got financial capability and capacity that we'd be looking at acquisition. I think we all, of our peer group, would be looking at this as an environment where if assets come to the market in places where we consider ourselves currently active, we're going to be looking to add into those positions, whether they're bolt-on or a little bigger than bolt-on.*

	S&P 500 Wght	Price ($)	Price Chg 1 Mo (%)	Total Return YTD (%)	Consensus Earnings Growth 2014 (%)	2015E (%)	2016E (%)	P/E Mult. (NTM)	Equity Mkt Cap ($ bil)
Chevron Corp. (CVX, CS)	1.13	109.31	1.1	(2.6)	(10.1)	(57.9)	58.7	22.3	207

Business outlook: *…We're screening projects based on the current level of prices if the return is near at hand. So if you have short cycle-based business or shale investments and they don't meet investment hurdles at current prices, which is the revenue you're likely to realize, we're pulling them from the program and we've cut rigs all over the world.*

As time rolls on with our capital program, we talked about and we do believe that there will be some recovery in oil price. We don't know to what level or exactly how quickly, and there'll be adjustments to our cost structure, so we feel very comfortable with the position that we're in…

Economic outlook: *...As long as the world economy grows, there's a reasonable correlation between world economic growth and growth in energy demand. If the world economy grows 3% to 4%, we tend to see 1% to 2% growth in energy consumption. In our view, maybe 1% for oil, 2% for gas over that time period.*

If you look at some of those that follow us very closely, they can see increases of 300,000 to 500,000 barrels a day from lower prices. But you've also got countries around the world that are reducing demand-side subsidies and things of that sort. So it's a function of economics and it depends how long this persists. Truck sales in the U.S. are doing pretty well right now. So I think we'll get a bump from lower prices, and I think we'll see growth of perhaps a million barrels a day in demand worldwide in 2015, but that number could move around a little bit.

Uses of cash: *2014 marked the 27th consecutive year that we have increased our dividend payment.*

Earlier today, we announced a $35 billion capital program for 2015. This is $5 billion, or 13% lower, than last year.

I will say exploration, we're going to continue to explore.

	S&P 500 Wght	Price ($)	Price Chg 1 Mo (%)	Total Return YTD (%)	Consensus Earnings Growth 2014 (%)	2015E (%)	2016E (%)	P/E Mult. (NTM)	Equity Mkt Cap ($ bil)
ConocoPhillips (COP, CS)	0.45	67.57	2.9	(2.2)	(6.6)	(74.6)	NM	47.0	83

Business outlook: *We expect to grow production by 2% to 3% from 2014 to 2015 and this includes an expected first quarter production rate of between 1.57 million and 1.61 million barrels per day.*

...we're trying to build a company that has a solid base of legacy assets, low production decline, the things that you can underpin the dividend with over time. So as we bring on the oil sands our legacy assets in Alaska, what we're doing in Europe and the North Sea, what we're building in Asia-Pacific. And then on top of that, we're moving to a lower cost of supply in the portfolio through the addition of the unconventional portfolio that we're developing here in North America.

Economic outlook: *...we probably should expect with some of the modest growth that we're seeing in demand and really the resiliency that we see in the unconventionals having an impact on the supply, we're going to be in a more volatile world as we go ahead.*

Oil: *There's a lot of debate right now about the duration of the current low oil prices. But we're assuming that they'll stay low for 2015, and we're taking decisive actions accordingly.*

...we see a modestly rising price deck over the course of the next few years but certainly not back to a level that we've seen the last two or three years.

...we are seeing reductions as rigs start rolling off, onshore rig rates will be coming down. We're seeing pumping services and some of the commodities, and we're tracking each one of those.

Uses of cash: *At our revised capital level, we still expect to deliver 2% to 3% growth in 2015 versus 2014.*

As we assess commodity price environments, both in 2015 and for the next few years, we think it's unlikely that we'll need to increase our debt to a level that would cause our credit ratings to slip out of the single-A credit rating range.

We'll protect the dividend first and then with what's left over in the cash flow, we'll fund a capital program that will set the growth that we see coming out of that, because we know *the growth is directly related to that capital program. When it comes to share buyback, we'll just assess what we have in terms of capital opportunities in the portfolio.*

Deflation: *At this time, our revised $11.5 billion budget anticipates capturing about $500 million of deflation in 2015. Most of this will come from our Lower 48 unconventional business. As one of the largest purchasers of industry goods and services globally, we expect to benefit significantly in future years before any sustained deflationary cycle.*

	S&P 500 Wght	Price ($)	Price Chg 1 Mo (%)	Total Return YTD (%)	Consensus Earnings Growth 2014 (%)	Consensus Earnings Growth 2015E (%)	Consensus Earnings Growth 2016E (%)	P/E Mult. (NTM)	Equity Mkt Cap ($ bil)
Exxon Mobil Corp. (XOM, CS)	2.14	92.36	2.3	(0.1)	(3.2)	(45.4)	32.5	22.3	391

Business outlook: *Overall, our U.S. refining footprint is just very well positioned to benefit from advantaged feedstocks and from the investments that we've made that focus across a number of areas to further advance our profitability in those assets, such as feedstock flexibility, logistics capability, increasing the higher-value product yields, and reducing our fundamental cost structure, and most important, capturing the most value from our integrated business model.*

We've got significant drillable gas potential within the U.S. and, as you know, that's generally a short cycle-type investment. We can get on capacity pretty quick…I'd also say that from a chemical perspective, our chemical business is very well-positioned to take advantage of the lower commodity prices. Particularly in the U.S., our manufacturing sites are highly flexible and can run across a wide range of feedstocks, from ethane all the way to gas oil.

Economic outlook: *…we see oil demand growing at about 0.8% per year. That's underpinned by transportation and chemical needs. In the gas sector, we see gas demand growing by about 1.5% – 1.6% per year. And that's primarily underpinned by power generation and industrial demands. Now overall demand growth is largely underpinned by the non-OECD growth.*

…our global demand is expected, based on our assessment, expected to grow above GDP driven by Asia.

Oil: *Broadly speaking, you're correct to assume that lower crude prices will provide an uplift, as you saw in the sequential comparison, but that impact is largely complicated by the multiple contracts, cost recovery, and other effects that we have in our operations.*

…energy prices declined sharply in the fourth quarter, and U.S. refining margins decreased significantly, while Chemical specialty product margins improved on lower feed and energy costs.

Realizations decreased earnings by $2.4 billion, as worldwide crude oil prices declined almost $32 per barrel. Notably, favorable sales mix effects increased earnings $400 million, driven by higher-margin production growth from the U.S. and major projects in Canada, Angola, and Papua New Guinea…. volumes were up 223,000 oil-equivalent barrels per day, or 5.8% sequentially.

International: *Expansion in the U.S. continued, but growth slowed relative to the third quarter. China's economy decelerated, while Europe and Japan showed continued signs of economic weakness.*

FX: *So in quarter-on-quarter, it was a slight hurt to earnings of under $50 million, although sequentially, it actually was a positive of over $200 million.*

Uses of cash: *I'll tell you that right now we have no CapEx guidance. As you may recall, we had signaled a further reduction in CapEx to under $37 billion in 2015. As we normally* *do, we'll provide an update on both our business strategy and our investment plans next month, as I indicated.*

Share purchases to reduce shares outstanding are expected to be $1 billion in the first quarter of 2015.

	S&P 500 Wght	Price ($)	Price Chg 1 Mo (%)	Total Return YTD (%)	Consensus Earnings Growth 2014 (%)	Consensus Earnings Growth 2015E (%)	Consensus Earnings Growth 2016E (%)	P/E Mult. (NTM)	Equity Mkt Cap ($ bil)
Kinder Morgan Inc Class P (KMI, Buy*)	0.39	41.49	(0.4)	(0.9)	90.8	2.1	(12.0)	47.4	88

Uses of cash: *...we expected to be able to declare a dividend of $2 for calendar year 2015, to grow that dividend at a compound annual rate of 10% out through 2020 and to have more than $2 billion of excess coverage over that period from 2015 through 2020. We're still comfortable with the first two projections and we're still comfortable that we will have substantial excess coverage but I have to admit it's hard to ascertain exactly what that amount will be given the recent volatility in commodity prices.*

...we're going to concentrate on this tremendous dividend growth story that we've got and be very careful about maintaining our investment-grade rating by paying close attention to it and keeping that debt to EBITDA in the range that we've talked about for the last six months.

M&A: *And I think that if there's a silver lining in these clouds of low commodity prices it's going to be the ability to make some extremely good acquisitions over the next six to 12 months. Now we're not the only player here that's going to be looking at the same thing. There are other well-capitalized midstream companies but I think you're going to see consolidation opportunities.*

	S&P 500 Wght	Price ($)	Price Chg 1 Mo (%)	Total Return YTD (%)	Consensus Earnings Growth 2014 (%)	Consensus Earnings Growth 2015E (%)	Consensus Earnings Growth 2016E (%)	P/E Mult. (NTM)	Equity Mkt Cap ($ bil)
Phillips 66 (PSX, Buy)	0.23	75.21	10.7	4.9	3.8	(5.0)	18.0	11.9	42

Business outlook: *Chemicals and Refining are expecting high turnaround activity in the first quarter and this is reflected in their respective utilization rates.*

Economic outlook: *I think on the distillate in the U.S. just keeps going with industrial activity. So I think that's been consistent. I think the surprise upside would be the gasoline piece, and what is the consumer response to lower prices in driving? We're seeing early signs that demand has picked up. And so we anticipate with lower prices that you should see some favorable demand impact particularly with the gasoline.*

Uses of cash: *In 2015 we have a $4.6 billion capital plan, 65% of which is dedicated to growing our Midstream businesses.*

...we're committed to our 40%/60% distribution capital allocation, a policy that we laid out a year ago or two years ago. We've got a big capital program in front of us in 2015, mostly in-flight projects that we think is going to add a lot of value to our Midstream business. So we're going to execute that, at the same time continue with a pretty aggressive distribution program to shareholders.

One important piece I missed was around distributions to shareholders. And so we've been out there consistently saying expect double-digit increases in dividend.

Oil: *...with the inventory building, it seems like that's going to be something that kind of keeps the market in a bit of a flux. And with this much contango, I think we still look for a fairly, I'd say, fluid and soft market for crude going forward.*

And as far as the Gulf Coast, probably not quite as much incentive there with all the inventory showing up there, but I think fundamentally this increased supply in terms of import options will put pressure on the inland U.S. crudes and that's why we would expect the diffs on the U.S. piece to come back out from where they've been.

Well, on the secondary products, I mean, clearly as the crude price falls, the losses on the secondary products, those product prices don't move. So we've got quite a bit more value uplift, so to speak, on the secondary products, and that was a big factor in the capture rate improvement. So that's kind of that dynamic that works, so just lower feedstock prices help that, typically. On the contango, I'd look at it really as it's going to be part of our normal course of business. We're not changing where we go in terms of our commercial activity.

M&A: *Our focus today remains on executing into organic projects and so we will just, I think, we will see how the market unfolds here in 2015. But I don't disagree with the idea that there could be some distressed assets out there in 2015.*

FX: *…a lower dollar would increase the competitiveness, say, of Asian manufacturers. So there can be some effect from the dollar just in terms of exports more in those materials markets, but not so much, I don't believe, in the fuels.*

	S&P 500 Wght	Price ($)	Price Chg 1 Mo (%)	Total Return YTD (%)	Consensus Earnings Growth 2014 (%)	2015E (%)	2016E (%)	P/E Mult. (NTM)	Equity Mkt Cap ($ bil)
Schlumberger (SLB, Neutral)	0.60	85.92	3.1	0.6	14.6	(29.0)	8.9	19.8	111

Special charges: *During the quarter, we recorded $1.8B of pre-tax charges. These charges are primarily related to actions we have taken to meet the challenges of the current market conditions. The $806mm of charges relating to the restructuring of the Western Geco seismic fleet are as we announced last month. We recorded $296mm of severance cost associated with the headcount reduction of approximately 9,000. This reduction, which will largely be completed by the end of Q1, will bring our headcount more in line with the currently anticipated activity levels. The last item relates to $199mm write-down of an unconventional integrated project in the Eagle Ford, as a result of the decline in oil prices.*

Cash Flow: *From a cash flow perspective, we generated $11.2 billion of cash flow from operations during all of 2014. During the same period, we generated a free cash flow of $6.2 billion. This represents a $700 million increase over 2015, and means that we converted 84% of our 2014 earnings, excluding charges and credits into free cash flow.*

Uses of cash: *Yesterday, our board of directors approved a 25% increase in our annual dividend to $2.00 per share. This is now the fifth consecutive year that we have increased our dividend and it results in doubling over the five-year period. This new level of dividend reflects our confidence and our ability to continue to generate superior cash flows and return excess cash to our shareholders even in the face of market challenges.*

Financials

	S&P 500 Wght	Price ($)	Price Chg 1 Mo (%)	Total Return YTD (%)	Consensus Earnings Growth 2014 (%)	2015E (%)	2016E (%)	P/E Mult. (NTM)	Equity Mkt Cap ($ bil)
Bank of America (BAC, Buy*)	0.92	15.97	(8.1)	(10.7)	(52.9)	NM	18.6	11.3	168

Business outlook: *...as we look out into our forecasted models, we would expect there to continue to be strong deposit growth throughout 2015. And as we referenced before, obviously, the goal with that deposit growth is very much a focus to grow loans within our core customer segments. And as I referenced, we saw that within the Global Banking space this quarter. We saw within Wealth Management. We're seeing pickups in overall mortgage activity.*

Our mobile banking customers reached 16.5 million in the fourth quarter and now 12% of all customer deposit transactions are done through mobile devices.

I think it's a little bit early to forecast what you would expect for the quarter for the overall sales and trading businesses. The only thing I would say is that clearly the activity levels that we've seen that it's been more of a return to normal than what we experienced in the month of December. But I wouldn't want anyone to draw any conclusions when we're nine days through 62 trading days in a quarter.

Cyber security: *We've invested some of those savings in our technology, spending over $3 billion in 2014 to improve and protect our company.*

Oil: *I think if we look at the amount of funded exposure across what we refer to as oil and gas, that the amount of funded exposure which includes derivative exposure was roughly $23 billion at the end of the year. As you look at that $23 billion, I would think of it generally as 60% that's directly reflected or affected by the price of oil. There are a lot of those that are not, so you've got roughly $22 billion or $23 billion funded, 60% directly affected by oil, well north of 80% of that are investment-grade borrowers and for those non-investment grade borrowers, they're obviously secured facilities and in most cases, have formulas upon which they can borrow based on the value of the assets that we're secured by.*

	S&P 500 Wght	Price ($)	Price Chg 1 Mo (%)	Total Return YTD (%)	Consensus Earnings Growth 2014 (%)	2015E (%)	2016E (%)	P/E Mult. (NTM)	Equity Mkt Cap ($ bil)
BlackRock Inc. (BLK, Buy)	0.25	358.82	3.3	0.4	15.4	4.6	15.0	17.7	60

Business outlook: *I do believe the traditional fundamental equity business is alive. It's not well. It had poor performances in industry and I think that's what you're alluding to. We have seen great movement as an industry movement out of maybe more the fundamental investing into index.*

I think the dialog starts with the macro environment and how to play it. And that is the most forceful reason why there's so much money in motion.

We continue to see sizable asset allocation driven flows both into and out of institutional index products resulting in net inflows of $20B in the quarter.

Uses of cash: *During 2014, we returned approximately $2.3B to shareholders through a combination of dividends and $1B in share repurchases, representing a total payout ratio of 71%.*

Barbelling: *Barbelling continues to be a key theme as institutional clients pair cost effective beta exposure with alternatives and other high conviction alpha solutions to achieve uncorrelated returns.*

ETFs: *…envision fixed income ETF shares fitting into institutional portfolio construction … there are three segments, there is the buy-and-hold segment where people are using ETFs as a part of their fixed income portfolio for the beta and fixed income…the second thing is that as the financial markets change, ETFs are a surrogate for many financial instruments that have, because of regulatory reasons and liquidity reasons, become very expensive. And there are surrogates, for example in swaps and futures where ETFs are now being used in fact more than futures are being used, and as people learn about that they had that into their portfolios. On the other side of that, they're also being used as, we call it, precision instruments where people are looking for a specific allocation and ETFs provide that specific precision tool for them to be invested in. So, this is just the beginning of where fixed-income ETFs go.*

	S&P 500 Wght	Price ($)	Price Chg 1 Mo (%)	Total Return YTD (%)	Consensus Earnings Growth 2014 (%)	2015E (%)	2016E (%)	P/E Mult. (NTM)	Equity Mkt Cap ($ bil)
Boston Properties (BXP, Buy)	0.12	143.79	8.6	11.7	7.3	2.2	9.8	26.6	22

Business outlook: *Starting with the property markets. In the short-term, there has not been nor do we expect much change.*

…while the demand from traditional office tenants in the legal and the large financial services sector is not expanding, we believe we're getting much closer to the end of the law firm and financial services space reduction, stemming from changes in space utilization and downsizing, and we're seeing small financial firms expanding and absorbing high-quality premium office space.

Economic outlook: *…on the overall U.S. economy, as we enter 2015 the overall health of the office markets, in our opinion, is stronger today than it was 12 months ago…it's the demand from the technology and the life sciences businesses that's really driving things and it continues to be very strong.*

Margins: *Overall, we anticipate our same-store GAAP NOI for 2015 to be relatively flat, between negative 1% and positive 0.5% compared to 2014, and that's in line with our guidance last quarter.*

Uses of cash: *Given the prime assets in our core markets are trading at higher prices per square foot and lower yields than where we can develop, we'll likely continue to be net sellers of real estate, while reinvesting raised capital into new development.*

Our current cash on hand is nearly $2.3 billion. After funding our special dividend of $4.50 per share this week, and our forecasted development spend, we project the cash balance at year-end 2015 of about $800 million.

FX: *…so far we haven't seen any impact, not to suggest if this continues that we won't see some impact. If anything, I would say the strengthening dollar has confirmed the U.S. as a interesting area of investment, because it's added to the return for the investments that have already been made here by off-shore investors.*

…we're not making investment decisions in London or elsewhere based on currency fluctuations.

Oil: *We're not active in any energy-driven markets, so we see no direct impact to our tenants from falling oil prices and their associated negative impact on capital investment and employment in the energy sector.*

As much deflation as there is in the overall economy right now in terms of the impact of oil prices and the impact of other commodities, it's not being reflected in reductions in construction cost in our markets, and that's largely due to two things. The first is that the overall amount of activity in our markets on a relative basis is probably higher today than *it's been at anytime over the past five or six years…the other thing that has occurred is that during the downturn, there were a number of contractors who basically gave up and either went out of business, because they decided it wasn't profitable or they were forced out of business, because they couldn't make ends meet.*

Rates: *…lower interest rates can only add to the aggressive pricing we witnessed for assets in our core markets. Further, the downward pressure on growth and interest rates outside the U.S. has likely pushed back the timing for the inevitable increases in U.S. rates. Acquisitions will likely remain as competitive as ever, and we believe, we can be more patient in the pace of our asset sales and in company's financing activity.*

I think that given lower interest rates and lower returns generally available in the world, I think that's going to contribute to compression in the yields that investors are looking forward for the development project. So that that's impacting land prices directly.

I mean one of the things we're watching is, what's going to happen to the 10-year over the next three months, six months, nine months. And we're watching it very closely, because we clearly have the opportunity to try to do a financing early. Now, there is a significant prepayment penalty associated with repaying this debt early.

	S&P 500 Wght	Price ($)	Price Chg 1 Mo (%)	Total Return YTD (%)	Consensus Earnings Growth 2014 (%)	2015E (%)	2016E (%)	P/E Mult. (NTM)	Equity Mkt Cap ($ bil)
Citigroup Inc. (C, Neutral)	0.80	48.54	(7.6)	(10.3)	(49.5)	NM	8.7	9.0	147

Business outlook: *We remain committed to delivering on our financial targets, including a mid-50%s efficiency ratio in Citicorp and a return on assets of at least 90 basis points for Citigroup.*

We expect credit costs to increase in 2015, driven by loan growth as well as lower loan loss reserve releases. And our tax rate should be in the range of 31%. We believe that Citi Holdings will stay at or above breakeven on a full year basis, and we expect to keep balance sheet discipline, staying at or below our current size.

Economic outlook: *And so clearly, when you look across the world today, the big beneficiaries [from oil] are the U.S., they're Europe, they're China, Japan, India, and you could take that list forward. You look at those that are probably most negatively affected, countries such as probably Saudi Arabia, Russia, Venezuela, and Nigeria. The countries that I mentioned in terms of being positive probably account for an excess of 65% of our revenues, and you could measure that in 2013 or 2014. If you look at the countries that are most negatively affected, those countries probably constitute somewhere 2% or less than 2% of our revenues. But, that being said, I think we all have to recognize that it's going to create unevenness. It's going to create some uncertainty. It's certainly going to create volatility, and I think we all need to be mindful of that.*

Special charges: *In the fourth quarter, we earned $346 million, or $0.06 per share, including the impact of $3.5 billion of legal and repositioning charges.*

Margins: *Looking to the first half of 2015, we expect our net interest margin to remain more or less flat to full year 2014 levels.*

Oil: *I'd say global energy has certainly been a robust area for the last four years. And clearly, our Investment Banking franchise, as with other institutions, has seen significant growth in episodic business as a result from that sector. And you're going to have some impact for lower commodity prices and lower equity valuations. That is certainly going to have an impact on equity offerings and IPOs.*

FX: *When it comes to capital, we do hedge our capital that's invested in foreign currencies, but we hedge it with a view towards protecting our CET 1 ratio. And that's why – when you* *look at how foreign exchange movements occur, they not only impact your capital invested, they'll impact your assets and they'll also impact some of the assets that you have, such as the intangibles that serve then as direct deductions against your regulatory capital base.*

	S&P 500 Wght	Price ($)	Price Chg 1 Mo (%)	Total Return YTD (%)	Consensus Earnings Growth 2014 (%)	Consensus Earnings Growth 2015E (%)	Consensus Earnings Growth 2016E (%)	P/E Mult. (NTM)	Equity Mkt Cap ($ bil)
JPMorgan Chase (JPM, Buy)	1.16	56.77	(6.2)	(8.7)	18.2	9.2	11.2	9.8	212

Business outlook: *2014 was a year of larger deals. 2015 has still got a good pipeline. So we're expecting to have a reasonably strong at least start to the year and probably a strong year. And it's very driven in the fourth quarter and likely to continue to be so by M&A related financings. So the downside we talked about is just less maturities to be refinanced, but nevertheless some. But we're going to continue to have support from the M&A space, which we expect to be fairly strong in 2015. So you've got some puts and takes, but what we think is going to be a solid to good year in 2015, maybe not a record, but certainly a good year.*

Rates: *And then just in terms of the flattening yield curve, we are more geared towards a short-end rate move, and we're still expecting that to happen in the second half of the year. And so what really matters for us is the funds rate notwithstanding the overall yield curve.*

Oil: *…We think [the sharp decline in oil]'s very good for the consumer on balance and also for the economy on balance…from a trading perspective, there are pluses and minuses. The oil price volatility contributed to the softer quarter in the credit space, but was helpful as it related to the currency and the commodities space, so in fact net-net neutral to maybe even slightly favorable. And then with respect to our traditional credit exposure to the sector, it's about 5% of our overall credit exposure.*

	S&P 500 Wght	Price ($)	Price Chg 1 Mo (%)	Total Return YTD (%)	Consensus Earnings Growth 2014 (%)	Consensus Earnings Growth 2015E (%)	Consensus Earnings Growth 2016E (%)	P/E Mult. (NTM)	Equity Mkt Cap ($ bil)
Morgan Stanley (MS, Neutral)	0.29	34.93	(6.9)	(9.7)	13.0	23.5	14.0	11.9	68

Business outlook: *We continue to benefit from the three tailwinds of one, growth in the deposit base and associated assets; two, the optimization of those assets, namely moving cash into AFS and lending; and three, eventual upside from higher rates. We see strong loan demand among our sizable Wealth Management and Institutional Securities client base.*

Economic outlook: *In Investment Banking, the M&A pipeline is up, driven by continued strength in large and cross-border M&A, where we are well-positioned given our global franchise. The global equity underwriting pipeline remains similarly healthy, benefiting from broad-based global activity. The pipeline also includes additional issuance from transactions that were deferred to the first half of 2015 during the market choppiness of October.*

Sales and trading: *In addition, the quarter reflects a difficult market and trading environment across the industry, especially in October and the last few weeks of December. Our trading businesses, in particular, Fixed Income and Commodities sales and trading, were clearly not immune to the unfavorable market environment.*

Uses of cash: *We increased our share buyback and for the first time in several years, we increased our dividend.*

Oil: *Within Commodities, we reduced our exposure to physical oil, most notably by selling TransMontaigne and we remain committed to selling our oil merchanting business. We are also integrating the balance of our Commodities business within sales and trading.*

Rates: *…I think we're saying we clearly see an improved rate environment. We are in a business mix that we think does well with the improving global economy and we're over-weighted to the U.S. because of Wealth Management, which as we all know is doing best among the developed countries on a risk adjusted return basis. And we clearly see additional capital returns, because we're hitting all the capital ratios that we've talked about.*

Margins: *We also see higher than 10% returns with an improved rate environment; improved global economic growth, which in turn drives our Wealth Management and Institutional Securities business performance; and higher payout ratios reflecting higher capital returns.*

Regulatory environment: *…litigation from the crisis isn't resolved. It remains a headwind…It's tough to forecast, but neither the timing or amount is fully in our control.*

	S&P 500 Wght	Price ($)	Price Chg 1 Mo (%)	Total Return YTD (%)	Consensus Earnings Growth 2014 (%)	2015E (%)	2016E (%)	P/E Mult. (NTM)	Equity Mkt Cap ($ bil)
Simon Property Group (SPG, Buy*)	0.35	203.22	9.2	11.6	0.7	9.9	8.9	20.7	63

Business outlook: *So there is a little more pressure on some closings, but conversely we're at record occupancy. We've just come out of our meetings in December and we're – got a lot of momentum in the business, because there are a lot of people that are looking for space and we certainly anticipate we're going to be able to hold our market share.*

Economic outlook: *In Europe, the supply and demand is reasonably favorable. But, on the other hand, the U.S. is really caught up on that front, because there's been, as we all know, no new really full price development for a number of years. So, the occupancy costs are a little higher in Europe than they are – for a retailer than they are in the U.S.*

…overall, is the economy stronger? It is. Is the lower oil and gas prices putting some incremental disposable money in the consumer's pocket? It is. Confidence is up. So, overall, the macro factors are encouraging.

Margins: *Our guidance of FFO is $9.60 to $9.70 per share. This range represents 8% to 9% growth compared to our reported FFO per share at $8.90 for 2014.*

FX: *…the unfavorable impact of recent currency devaluations which should approximate $0.10 compared to the currency levels that existed in 2014.*

…from an investment point of view, book value we're essentially hedged, but it's not going to mean a lot. We're still going to have some volatility, not from a cash flow point of view but from an earnings point of view.

Uses of cash: *We will pay at least $5.60 in dividends in 2015, which is an increase of 8.7% compared to last year in totality. And if we include WP's dividend, we've more than doubled our dividend since the Great Recession.*

Rates: *Right now, we could issue 10-year euro debt at under 1.5%, significantly under. So, it's something we'll look at. And the basis play has become a lot more favorable in the last couple of months.*

	S&P 500 Wght	Price ($)	Price Chg 1 Mo (%)	Total Return YTD (%)	Consensus Earnings Growth 2014 (%)	2015E (%)	2016E (%)	P/E Mult. (NTM)	Equity Mkt Cap ($ bil)
Wells Fargo & Co. (WFC, Neutral)	1.39	53.67	0.9	(1.5)	3.8	1.7	9.5	13.9	278

Economic outlook: *While we serve our customers throughout the world, 97% of our revenue comes from the United States. And there have been many signs of strength in the U.S. economy.*

Uses of cash: *We returned $12.5B to our stockholders through dividends and net share repurchases, up 74% from a year ago.*

…we returned $3.9B to shareholders in Q4. Our common shares outstanding declined by 45mm shares in Q4, reflecting 62mm shares purchased during the quarter.

Oil: *…since the United States is a net consumer, a net importer of oil, we think it's a positive for the U.S. economy. Clearly, that's on average because there's going to be some states that are impacted, some customers are going to be impacted, and some business is going to be impacted. But we serve 70mm customers. Virtually all of them know how to fill a gas tank and go to a gas pump, and that's a real benefit.*

Rates: *Our balance sheet remains asset sensitive, so we're well-positioned to benefit from higher rates. But as we've demonstrated by growing net interest income throughout the year, we're not relying on rates to increase to generate growth.*

…because of the way our balance sheet is positioned, it would probably be – there's upside when short-term rates move, and if that happens later, then that upside might be realized later. We're continuing to position ourselves to compete and to perform in this interest rate environment, and so loan growth, deposit growth, redeploying excess liquidity into earning assets, as I said, being vigilant on expenses, all of those things contribute to the performance that we've had and that we're anticipating continuing to have until that time that rates begin to move.

Health Care

	S&P 500 Wght	Price ($)	Price Chg 1 Mo (%)	Total Return YTD (%)	Consensus Earnings Growth 2014 (%)	2015E (%)	2016E (%)	P/E Mult. (NTM)	Equity Mkt Cap ($ bil)
AbbVie Inc. (ABBV, Buy)	0.51	57.99	(10.3)	(10.7)	5.9	32.7	15.1	13.7	92

Business outlook: *So, we have established a strong foundation and have entered 2015 with good momentum, which we intend to build upon.*

For a company of our size, the sales projections from our late stage pipeline assets represent an impressive opportunity for meaningful revenue growth in the years to come.

Margins: *As I outlined earlier this month, in 2015, we are forecasting full-year adjusted earnings per share of $4.25 to $4.45. It's important to remember that this range reflects EPS growth of 28% to 34%, which is well above our peer group.*

FX: *If the recent rates were to remain in effect for the remainder of the year, our sales growth would be roughly 5% lower. Given our global business structure and programs we have in place to mitigate exchange impacts, the fall-through from currency to the bottom line is much more modest for us. We are comfortable with our 2015 EPS guidance range despite potential currency swings.*

Uses of cash: *We're committed to returning cash to shareholders, and our primary means to do so will continue to be our dividend. Last year, we announced that AbbVie's quarterly dividend will be increased to $0.49, an increase of nearly 17%, beginning with the dividend payable next month. We intend to maintain our strong commitment to growing our dividend going forward.*

Additionally, last year, we also disclosed a $5 billion share buyback program to be executed over the next several years, further reflecting our commitment to return cash to shareholders. We've also utilized our strong cash flow to enhance our pipeline through licensing and partnering activities. As I mentioned in 2014, we entered into several collaborations to add to our pipeline. We view these activities as an important component of our overall R&D strategy and we expect to continue to augment our pipeline in 2015 and in the years to come.

	S&P 500 Wght	Price ($)	Price Chg 1 Mo (%)	Total Return YTD (%)	Consensus Earnings Growth 2014 (%)	2015E (%)	2016E (%)	P/E Mult. (NTM)	Equity Mkt Cap ($ bil)
Amgen Inc. (AMGN, Buy*)	0.64	153.36	(2.9)	(3.7)	15.5	7.2	12.6	16.5	117

International: *Our international business grew 11% in the fourth quarter, excluding the negative impact of foreign exchange. Our new and emerging markets delivered just over $1 billion in sales in 2014.*

Taxes: *The tax rate was 10.2% for the quarter, a 2.5 point decrease versus Q4 2013. This decrease was primarily due to the favorable tax benefit from the extension of the 2014 federal R&D tax credit which occurred in Q4 of 2014...*

Employment: *We also have completed and largely implemented the first phase of reductions in workforce announced in July, which will total approximately 3,000, and have made significant progress on reducing our facilities footprint towards the 23% goal.*

FX: *Amgen has about 75% of its sales currently are in the U.S., and 25% are non-U.S. So vis-à-vis other global companies, we have a relatively more limited level of exposure. Secondly, we have a three-year rolling hedge program. So we're able to significantly offset in the short term foreign exchange movements, either plus or minus.*

...If you look at the year-over-year effect on revenue, if we were to stay at the current exchange rates through the balance of 2015, that would have about a $250 million impact unfavorable year over year, so about one percentage point on revenue and about $0.05 a share...

	S&P 500 Wght	Price ($)	Price Chg 1 Mo (%)	Total Return YTD (%)	Consensus Earnings Growth 2014 (%)	2015E (%)	2016E (%)	P/E Mult. (NTM)	Equity Mkt Cap ($ bil)
Bristol-Myers Squibb (BMY, Buy*)	0.55	60.23	2.8	2.0	2.4	(8.4)	32.1	35.9	100

FX: *With the dollar strengthening, foreign exchange had an unfavorable impact on both the top and bottom line. Compared to the same quarter last year, the negative impact was 3% on sales and approximately $0.03 on EPS.*

As you all know, the U.S. dollar has strengthened against almost all currencies from 2014 average rates and quite a bit just in January. Based on current FX rates, this will negatively impact our 2015 revenues by approximately $800mm and $0.12 to $0.14 on EPS.

	S&P 500 Wght	Price ($)	Price Chg 1 Mo (%)	Total Return YTD (%)	Consensus Earnings Growth 2014 (%)	2015E (%)	2016E (%)	P/E Mult. (NTM)	Equity Mkt Cap ($ bil)
Johnson & Johnson (JNJ, Sell)	1.57	102.46	(1.3)	(2.0)	7.3	3.9	5.2	16.5	287

Business outlook: *We would be comfortable with your models reflecting an operational sales increase on a constant currency basis of between 1% and 2% for the year. This would result in sales for 2015 on a constant currency basis of approximately $75B to $76B.*

To set context for our businesses going forward...First is the rising cost of healthcare, which by 2020 is expected to account for 21% of the GDP in the United States, nearly 11% in the European Union, and 6% in China... Next, expanding access is an important macro trend impacting how we and others think about the future of the business.

Economic outlook: *In Europe, we saw a contraction initially. Then Europe actually performed better. You've got Southern Europe vs. Northern Europe. We continue to see Northern Europe performing slightly better than the rest of Europe. It's been impacted the most recent quarters by Russia in a significant way.*

Uses of cash: *We reward the shareholders by returning about 70% of our FCF over the past decade, which amounts to about $90B.*

We invested $8.5B in R&D last year across our segments to keep us at the forefront.

International: *We're growing very well in emerging markets and are capitalizing on the scale, depth, and breadth of the portfolio we can offer to governments, large healthcare systems, and large payers around the world to add value and help patients. And we grew sales in China by nearly 15% on an operational basis last year.*

Margins: *On a constant currency basis, our operational EPS growth in our guidance is expected to range between 2.3% and 4.7%.*

FX: *We expect transaction currency impacts to be negative to our gross profit by approximately 50BPS to 70BPS in 2015 as compared to 2014.*

M&A: *Managing those dynamics, demand innovation, and new models are driving considerable health industry consolidation at the health system level, as well as in the med tech, pharmaceutical, and biotech sectors, where the M&A activity is back to peak levels last observed before 2009.*

	S&P 500 Wght	Price ($)	Price Chg 1 Mo (%)	Total Return YTD (%)	Consensus Earnings Growth 2014 (%)	2015E (%)	2016E (%)	P/E Mult. (NTM)	Equity Mkt Cap ($ bil)
Pfizer Inc. (PFE, Buy)	1.14	32.99	5.9	6.8	(1.0)	(7.7)	7.3	15.7	208

Business outlook: *Today we have a total of 86 programs in clinical development with 29 programs in late stage development or registration. We continue to grow in key areas, most notably in some of our recently launched new products…*

In 2015, we will continue our efforts to finish the ground work required to be in a position to operationalize a potential split of the company and we have made good progress on this work. For 2015, we anticipate the effort that will be required for this work will result in approximately $400 million in one-time costs on a pre-tax basis. Let me remind you, at this point in time we have not yet made a decision to split the company. We have said the final decision will depend upon how our businesses perform in their markets...

FX: *Foreign exchange negatively impacted fourth quarter adjusted revenues by $453 million or 3% and positively impacted adjusted cost of sales, adjusted SI&A expenses, and adjusted R&D expenses in the aggregate by $351 million or 4%. As a result, foreign exchange negatively impacted fourth quarter adjusted diluted EPS by approximately $0.01 compared with the year-ago quarter.*

In addition, we expect foreign exchange to have an additional $2.8 billion negative impact on reported revenues.

International: *We expect to see operational revenue growth of mid to high single digits in the emerging markets this year by focusing on opportunities in key growth markets such as China, Brazil, India, Russia, and Turkey.*

Uses of cash: *From 2011 through 2014 we returned more than $64 billion to shareholders through dividends and share repurchases. In addition, in 2015 we anticipate returning approximately $13 billion to shareholders through dividends and share repurchases.*

Tax: *…in 2015, we will again be in a position to reduce our adjusted effective tax rate. We expect it will decrease from 26.5% in 2014 to approximately 25% this year. We will continue to manage our tax line as we do any other expense line and look to be as efficient as possible.*

	S&P 500 Wght	Price ($)	Price Chg 1 Mo (%)	Total Return YTD (%)	Consensus Earnings Growth 2014 (%)	2015E (%)	2016E (%)	P/E Mult. (NTM)	Equity Mkt Cap ($ bil)
UnitedHealth Group (UNH, Neutral)	0.57	108.82	9.8	7.6	(1.2)	8.7	12.7	17.5	104

Business outlook: *We enter 2015 with momentum from a strong 2014 finish, and with more growth opportunities and fewer impediments than we've encountered over the last few years. We expect the strength of our performance capacities to become more visible in 2015 and even more so in 2016 and beyond as we begin to perform more consistently to the full potential of this enterprise.*

Sitting here today, we have 75% of our revenue for 2015 locked in. And the vast majority of that revenue comes from retained accounts. Those are customers that we have experience with, that we understand their performance. So we feel very comfortable with not only our cost trend outlook, but also in relation to where we are positioned from a revenue standpoint in our commercial business.

Use of cash: *In 2015, we will hold the strong financial disciplines we expect to return capital to shareholders through a rising dividend and consistent share repurchase while we* *maintain a disciplined M&A outlook to further strengthen our capabilities and scale to benefit customers and consumers.*

International: *As expected, commercial and international markets were more challenging for us over the past year, but we believe this is beginning to turn as well. In Brazil, we grew revenues by just under 9% in 2014, with revenue lift provided by pricing changes and efforts to expand our geographic presence. Price increases clearly pressured membership levels, but are consistent with realigning our products for a sustainable marketplace going forward. And we expect stronger market conditions in 2015.*

ACA: *We have enrolled more than 400,000 individuals through individual public exchanges, with four weeks of marketing still to go. We are ahead of schedule, reflecting the brand value and trust in the UnitedHealthcare name.*

Industrials

	S&P 500 Wght	Price ($)	Price Chg 1 Mo (%)	Total Return YTD (%)	Consensus Earnings Growth 2014 (%)	Consensus Earnings Growth 2015E (%)	Consensus Earnings Growth 2016E (%)	P/E Mult. (NTM)	Equity Mkt Cap ($ bil)
3M Co. (MMM, Neutral)	0.58	166.55	3.9	1.4	6.1	9.2	10.2	20.4	107

Uses of cash: *Full year capital expenditures were $1.5 billion, an important element as we continue to expand the business organically. We paid $2.2 billion to shareholders in cash dividends during 2014, up $486 million versus 2013. As a reminder, on December 16th, we communicated a Q1 2015 dividend increase of 20% per share. And in terms of buybacks, gross share repurchases in 2014 were $5.7 billion, up $440 million year-on-year. Net debt at the end of December was $3.5 billion, up $2.3 billion from year end 2013.*

Ebola: *We also saw a pickup in sales related to Ebola in the quarter. We estimate this added approximately $30 million to Q4 sales.*

FX: *We now estimate FX to reduce sales by 4% to 5% versus previous guidance of minus 2% to minus 3%. However, as evident in our fourth quarter and full year result, we know how to operate in this environment. In addition, we see input costs lower versus one month ago and our sourcing teams are focused on maximizing those benefits.*

With the movement in the foreign exchange rates that we've seen in the last month, we now put ourselves right at the high end of that range as hurting 3M's earnings per share by $0.20 year-on-year.

Our approach in managing that is really unchanged and it's on several fronts…a hedging strategy where we hedge approximately 50% of our economic or P&L exposure…then operationally, some of the things we do to manage that exposure is looking for opportunities in sources of supply and in some cases raising prices to offset that currency or pegging our selling prices to a hard currency, such as the U.S. dollar.

Oil: *…for the year, we are estimating that oil prices are going to average $50 a barrel. And while you're on the subject, in the December 16th earnings call, part of my outlook at that time was that raw materials we expected to benefit our earnings per share in 2015 by $0.15 to $0.25. With our latest assumption on oil prices, we're now right at the high end of that estimate.*

	S&P 500 Wght	Price ($)	Price Chg 1 Mo (%)	Total Return YTD (%)	Consensus Earnings Growth 2014 (%)	Consensus Earnings Growth 2015E (%)	Consensus Earnings Growth 2016E (%)	P/E Mult. (NTM)	Equity Mkt Cap ($ bil)
Boeing Co. (BA, Neutral)	0.54	148.60	15.1	14.3	15.4	(0.8)	7.4	17.3	106

Business outlook: *Boeing is entering 2015 stronger, healthier and better positioned in its markets than any time in recent memory.*

To meet customer demand for our market-leading commercial airplanes, we have five more rate increases ahead of us over the remainder of the decade. These higher production volumes will provide additional opportunities for driving step function gains in productivity for us and our suppliers…

Our view of the business environment remains positive, given favorable global air traffic trends, improving airline profitability and the continuing need for efficient and value creating products we provide. Strong growth in the commercial airplane market continues to drive demand that supports our planned production rate increases over the remainder of the decade…

Oil: *Overall, we see low fuel prices and positive traffic trends as beneficial to our industry and growth prospects.*

Margins: *2015 earnings per share is expected to grow between 4% and 6%.*

International: *We continue to see strong international demand for our offerings as well, particularly in the Middle East and the Asia-Pacific region.*

Uses of cash: *…we expect research and development spending for 2015 to be approximately $3.5 billion with about 70% related to 787.*

Capital spending guidance for 2015 is approximately $2.8 billion driven by the new 777X facilities and equipment, Charleston expansion to support the 787 rate increase and other investments to support continued growth and productivity.

	S&P 500 Wght	Price ($)	Price Chg 1 Mo (%)	Total Return YTD (%)	Consensus Earnings Growth 2014 (%)	2015E (%)	2016E (%)	P/E Mult. (NTM)	Equity Mkt Cap ($ bil)
Caterpillar Inc. (CAT, Neutral)	0.28	83.57	(4.0)	(7.9)	4.8	(26.1)	5.6	16.8	51

Business outlook: *Our current view is that sales and revenues will be about $50 billion and that's down over 9% from 2014.*

The bottom line for us is, in our business is, it has been and continues to be a tough environment for many of the industries that we're in. Mining is weak and operating below what we think a normal level is and far below the prior peak.

Based on our outlook for 2015 sales and revenues, 2015 is going to be our third consecutive year of sales decline. And to put that in some perspective, that's happened only one other time in the history of our company and that was during the great depression in 1930, 1931, and 1932.

Economic outlook: *So if we look at sales for construction, if we just talk about it generically regionally, we are looking to be up in the U.S. next year, North America, mostly the U.S. Probably a little less than we thought before the oil price dropped…We're still not getting any decent economic growth in Europe. The developing countries, Brazil, China, are still, let's just say challenged. We're actually expecting a little bit lower GDP growth in China next year than we had – or in 2015 than we had in 2014. So we're looking for the – outside the U.S. construction to be weak.*

FX: *So, if you take 2015, for example, the stronger dollar, as we convert all those sales from local currencies around the world into dollars it's going to translate into fewer dollars. The flip side of that is we have substantial manufacturing operations outside the U.S, and that largely mitigates the profit impact. So we have, in the case of a stronger dollar, a decent sizeable negative impact on sales but a positive impact on costs. Usually, it's not too big of an impact one way or the other on profit, although it can depend on which currency moves and how much.*

Oil: *From mid-October to today, oil prices have dropped from the mid-$80s to the high-$40s and that's off prices that were around $100 for most of the first half of last year. With oil this low, we expect substantial reductions in producers' CapEx and that it will be negative for our sales.*

Uses of cash: *In 2015, we are planning to increase R&D. We are in a very competitive and changing world, and products and services do matter.*

…our CapEx was fairly well below our plan level for the year. I think you'll find $1.6 billion being a fairly low number for us and well below what we thought in 2014. And so, we finished the year with net debt-to-cap around 18% and around $7 billion in cash. And so, we're very happy with where the balance sheet is.

	S&P 500 Wght	Price ($)	Price Chg 1 Mo (%)	Total Return YTD (%)	Consensus Earnings Growth 2014 (%)	2015E (%)	2016E (%)	P/E Mult. (NTM)	Equity Mkt Cap ($ bil)
Delta Air Lines (DAL, Buy)	0.21	46.14	(4.6)	(6.2)	3.1	50.7	16.8	9.3	39

Business outlook: *In high-level conceptual terms at Delta, the first quarter is a good indicator of the macro trends for 2015. We expect to keep our RASM and non-fuel CASM about flat in 1Q, capacity growth will be about 5% but just 3% net of last year's weather, with fewer airplanes and fewer departures with revenues growing 7%. Fuel savings will go to the bottom line, which will set up for a very strong 1Q, and these trends in 1Q bode well for all of 2015.*

In our most recent Ford Corporate Travel Survey, 88% of our customers anticipate increasing or at least maintaining travel spend in Q1 and over the balance of 2015.

Economic outlook: *The operating environment for Delta and the overall industry in the U.S. is remarkably good. Carbon price declines are a huge benefit to the overall U.S. economy.*

We are seeing some continuing pressure on our international unit revenues from the stronger dollar and lower fuel surcharges. In the domestic market, demand and revenues remained solid.

And one last comment on the global demand scene, we see really good core strength with just one exception, and that is Africa, Middle East and Russia. And so we will be adjusting our capacity in those key markets as we move forward through the year. But all kind of different events, Russia being more political, Middle East being related to the oil and Africa being related to the perception of Ebola, because we really don't fly to Ebola-affected areas.

Oil: *Our already strong cash flow will further benefit from the low fuel price environment which will allow us to continue our progress in strengthening the balance sheet by paying down debt, funding our pension plans and continuing to return cash to our owners.*

FX: *International faced headwinds from the dollar strength versus both the euro and yen, which combined with the impact of our service reduction to Venezuela impacted revenues by $60 million, and lowered system unit revenues by about 0.6 points.*

Uses of cash: *Our top priority continues to be paying down debt. We expect to have our adjusted net debt below $6 billion by the end of this year, and achieve a $5 billion target next year. We will contribute over $900 million to our pension plans this year, which marks the third year of excess contributions to the plan to address that obligation.*

	S&P 500 Wght	Price ($)	Price Chg 1 Mo (%)	Total Return YTD (%)	Consensus Earnings Growth 2014 (%)	2015E (%)	2016E (%)	P/E Mult. (NTM)	Equity Mkt Cap ($ bil)
FedEx Corp. (FDX, Buy*)	0.25	173.37	2.1	(0.2)	10.2	26.2	17.5	17.5	49

Business outlook: *Over the last several peak seasons, we have regularly observed situations where volume hasn't always come where we expected it or come when we expected it. But one thing has been certain, it always comes…So I suspect that you'll see a lot of purchases of gift cards in lieu of merchandise and in January, you'll see some of that traffic moving in the truckload sector and elsewhere into the retailing brick-and-mortar system.*

The second thing that's very different this year, and it's something that you should pay attention to, is a lot of traditional retailers have gotten very, very good at e-commerce in terms of their marketing and their apps and their ability to sell things online. What they *haven't gotten as good at, in some cases, is processing those orders and getting them out the door.*

Economic outlook: *Our U.S. GDP forecast is 3.1% for calendar 2015, and we expect industrial production to grow at 3.9% in calendar 2015.*

Oil: *Understanding the net y-over-y impact of fuel on our results involves three key considerations. Timing lags in adjustments to our fuel surcharges, the structure of the fuel surcharge tables, and the manner in which we purchase fuel. Our fuel surcharges for Express and Ground incorporate a timing lag of approximately six weeks to eight weeks before they are adjusted for changes in fuel prices.*

While the daily spot price of jet fuel declined almost 30% from the end of August to the end of November, the average monthly price we paid for jet fuel under our contractual arrangements did not change by a corresponding amount.

Uses of cash: *We're going to continue to buy back shares. We'll probably do it at a lower pace than we did when we did the initial one. We're certainly going to at least prevent dilution from our comp programs. We may or may not go further than that. We also review our dividend at the end of every FY with our board and you should not assume that the GENCO and Bongo acquisitions are in any way going to change that, because we have plenty of cash flow to go around to solve both of those issues.*

	S&P 500 Wght	Price ($)	Price Chg 1 Mo (%)	Total Return YTD (%)	Consensus Earnings Growth 2014 (%)	Consensus Earnings Growth 2015E (%)	Consensus Earnings Growth 2016E (%)	P/E Mult. (NTM)	Equity Mkt Cap ($ bil)
General Electric (GE, Neutral)	1.35	24.50	(0.4)	(3.0)	(0.1)	4.6	5.0	14.2	246

Business outlook: *…we called out a 2015 organic growth range of 2% to 5% and we still feel good about this range.*

As you look into 2015, we expect to continue to grow services, including upgrades, and we anticipate a flat gas turbine market but expect to gain share.

Economic outlook: *…we still see the global environment as generally positive with a lot of volatility…the U.S. continued to strengthen as did Asia.*

Looking forward, we expect the U.S. market to continue to improve. Although final industry figures have yet to be publish, we believe we are winning share in key modalities in the U.S. and China should grow modestly as we look into 2015. The business will continue to drive structural and product cost out as we move forward.

Margins: *And with an intensifying focus on gross margins and product costs, we're on track for another year of margin growth in 2015…*

FX: *Assuming the euro at today's rates for the entire year, foreign exchange would have a modest impact, about $0.01 a share. So very manageable in the context of the total company.*

Oil: *Notwithstanding the volatility of oil prices in the fourth quarter, we believe the relative impact was modest, with more impact expected in 2015…2015 will be a challenging year for our Oil & Gas business…the team are focused on executing on the cost-out actions to offset volatility and deliver on their commitments.*

…we expect to realize some incremental benefits in direct material and other logistical and variable costs as a result of lower fuel costs.

Uses of cash: *We returned about $11 billion to investors in dividends and buyback and we remain on track for $12 billion to $15 billion for cash flow and dispositions in 2015. Our priority is to execute on Alstom, fund organic growth, and continue to grow the dividend.*

Remember that Synchrony at the current pricing should return $18 billion to $20 billion to investors in the share exchange.

	S&P 500 Wght	Price ($)	Price Chg 1 Mo (%)	Total Return YTD (%)	Consensus Earnings Growth 2014 (%)	2015E (%)	2016E (%)	P/E Mult. (NTM)	Equity Mkt Cap ($ bil)
Northrop Grumman (NOC, Buy*)	0.18	163.03	13.7	10.6	4.3	(1.6)	10.4	17.4	33

Business outlook: *Clearly, the global security environment is the most prominent driver of how that works out and we all know we're dealing with a world around us today that has so much volatility in that regard that any one thing in that basket of volatility could push our nation and our allies into a very different place on security spending.*

International growth: *In 2014, international sales increased 20% to approximately $3 billion or 13% of 2014 revenue. International sales grew at all four of our sectors.*

We expect international revenue to grow to approximately 15% of sales in 2015…

Uses of cash: *We returned $3.2 billion to our shareholders or nearly 160% of free cash flow. We repurchased 21.4 million shares for approximately $2.7 billion, which reduced our weighted average share count by 9%. And through the end of 2014, we have repurchased 42.2 million shares or approximately 70% toward our goal of retiring 60 million shares by the end of 2015, market conditions permitting.*

We spent slightly less in 2014 than our planned capital expenditures of $600 million. And frankly, I would expect that that under-spend amount will be made up in 2015, along with some other increases.

Pension: *When we file our 10-K, you'll see that our projected pension obligations have increased by approximately $4.5 billion to $30.5 billion, with the increase being largely the result of the decrease in the year-end discount rate and then to somewhat lesser extent due to the updated mortality assumptions.*

	S&P 500 Wght	Price ($)	Price Chg 1 Mo (%)	Total Return YTD (%)	Consensus Earnings Growth 2014 (%)	2015E (%)	2016E (%)	P/E Mult. (NTM)	Equity Mkt Cap ($ bil)
Union Pacific Corp. (UNP, Buy)	0.60	122.85	7.2	3.1	17.8	14.7	13.6	18.5	109

Economic outlook: *Here's what it's looking like: overall, the U.S. economy continues to move forward at a moderate pace, but, of course, there's always some uncertainty out there. Clearly, one of the biggest uncertainties is the outlook for energy markets, which will bring both challenges and opportunities as we move ahead. Lower energy prices could slow the recent shale-related domestic energy boom, depending on how low the prices get and how long they stay there. On the other hand, lower gasoline prices could spur continued auto sales and help strengthen the consumer economy, which would create opportunities in our other market segments…so on balance, with all the pluses and minuses taken together, we expect to see positive volume growth for the 2015 year.*

Oil: *We will keep a close eye on oil prices as the year progresses, as the recent drop has led producers to reevaluate their plans for 2015. Ultimately, if the oil prices remain at current levels, it will impact our crude oil shipments. We also expect energy market to be a factor in our frac sand volumes in industrial products. The decline in oil prices has impacted rig counts, so it is unlikely that we will see the robust levels of growth that we saw in 2014…*

We achieved a quarterly operating ratio of 61.4%, improving 3.6 points when compared to 2013. The net impact of lower fuel prices contributed about 1.5 points of the improvement.

Uses of cash: *Assuming moderate economic growth, our overall 2015 capital plan will likely be higher than last year's spending.*

We also continue to be opportunistic in our share repurchases. In the fourth quarter, we bought back more than 7.7 million shares, totaling $880 million. For the full year, purchases exceeded 32 million shares and totaled about $3.2 billion, up 45% from 2013. Our current repurchase authorization of up to 120 million shares over a four-year time period went into effect January 1 of 2014. About 88 million shares remain on that authorization as of year-end 2014.

	S&P 500 Wght	Price ($)	Price Chg 1 Mo (%)	Total Return YTD (%)	Consensus Earnings Growth 2014 (%)	Consensus Earnings Growth 2015E (%)	Consensus Earnings Growth 2016E (%)	P/E Mult. (NTM)	Equity Mkt Cap ($ bil)
United Technologies (UTX, Buy)	0.56	120.11	6.2	4.4	9.1	3.1	10.1	17.1	109

Business outlook: *…to make it clear, nothing has fundamentally changed in the health of the underlying businesses. Just as we told you in December, strong operating leverage across the business should still allow us to deliver segment earnings growth of $0.57 at the midpoint, excluding the impact of foreign exchange and pension headwinds in 2015, and with no growth at Pratt. That's 8% growth operationally.*

Economic outlook: *In our commercial businesses, we continue to see good traction in North America. U.S. consumer sentiment reached its highest level in nearly eight years in December on lower gas prices and better wage and job prospects. ABI trends remain positive and the outlook for commercial construction continues to be encouraging.*

…despite the Greek elections on Sunday, I think generally – we think Europe will probably be a little bit better with the quantitative easing that Mr. Draghi has initiated on top of the much lower fuel prices, gas and oil.

While we expect overall economic output in China to moderate, it should still outpace global GDP…just given the strong backlog that we end the year, I feel pretty optimistic we're going to continue to see growth in China.

FX: *…at a $1.10 euro, which is a little less than today's rates, we have almost $0.25 of headwind that wasn't contemplated in the initial EPS guidance that we discussed back in December.*

Uses of cash: *We are now targeting $3 billion of share repurchase at the high end of our prior range.*

So we're in a secular cycle here where CapEx is just naturally going to be high. It will come down. But frankly, we're not capital constrained.

Oil: *…there is definitely going to be benefit on the oil side, the lower fuel costs both for jet fuels that are used by our aerospace companies as well as in the large number of trucks and service vehicles that we have. We should see some benefits there. We estimate maybe $50 million to $75 million of benefit which probably towards the later part of the year help us build a little bit of our contingency back. On the other hand, customers see the same papers that we do and the same report that we do, and there's likely to be probably a little bit more pressure on the pricing side because they'll expect some of this to be passed through to them. So we've got to balance both those things which is why we have not reflected that potential savings in our roadmap.*

Information Technology

	S&P 500 Wght	Price ($)	Price Chg 1 Mo (%)	Total Return YTD (%)	Consensus Earnings Growth 2014 (%)	2015E (%)	2016E (%)	P/E Mult. (NTM)	Equity Mkt Cap ($ bil)
Apple Inc. (AAPL, Buy)	3.85	119.94	12.9	9.1	10.7	24.8	7.3	14.3	703

Business Outlook: *We've been blown away by the reaction to Swift, our new programming language.*

Point of sale suppliers tell us they are seeing unprecedented demand from merchants and all of our partners and customers simply love this new service. With all of this momentum in the early days, we are more convinced than ever that 2015 will be the year of Apple Pay.

Development for Apple Watch is right on schedule and we expect to begin shipping in April.

We expect revenue to be between $52 billion and $55 billion compared to $45.6 billion in the year-ago quarter.

FX: *Our results would have been even stronger absent fierce foreign exchange volatility.*

As we look forward and we look into particularly the March quarter, the foreign exchange headwinds will be stronger in Q2 than they were in Q1 for two main reasons. The first one is the fact that the U.S. dollar has continued to appreciate against foreign currencies during the last few weeks. And the other one is the fact that our existing hedges expire, they get replaced by new contracts at current levels, and therefore the protection that is provided to us by our hedging program diminishes over time.

International: *The emerging markets, which has been a source of great questions over time, the growth was absolutely stunning in Brazil and mainland China, more than doubling year-over-year, which is a 3x to 4x what those markets were doing according to IDC.*

Uses of cash: *…our Board has declared a dividend of $0.47 per common share payable on February 12, 2015, to shareholders of record as of February 9, 2015.*

The majority of the increase will continue to come from R&D, given the fact that we've expanded our product portfolio…We also expect to continue to invest in marketing and advertising.

Record-breaking Q4: *Demand for iPhone has been staggering, shattering our high expectations with sales of over 74 million units driven by the unprecedented popularity of iPhone 6 and iPhone 6 Plus. This volume is hard to comprehend. On average, we sold over 34,000 iPhones every hour, 24 hours a day, every day of the quarter.*

	S&P 500 Wght	Price ($)	Price Chg 1 Mo (%)	Total Return YTD (%)	Consensus Earnings Growth 2014 (%)	2015E (%)	2016E (%)	P/E Mult. (NTM)	Equity Mkt Cap ($ bil)
Facebook Inc. (FB, Buy)	0.86	75.62	(2.0)	(3.1)	NM	9.8	31.1	38.9	211

Facebook, Inc. (FB)

Business outlook: *…would say the business is driven by the fundamentals of us continuing to execute against our plan. So, whether you're in a market that's suffering a little bit from a macroeconomic headwind, we still have the best mobile product in the market, in that market and we're growing.*

FX: *Assuming exchange rates were to remain constant at today's levels, we would expect that our total revenue in 2015 would be approximately 5% lower than it would be under*

2014 exchange rates. Note this 5% represents the expected reduction in 2015 total revenue, not the reduction in the year-over-year growth rate.

…we're not really making investment decisions on short-term fluctuations in currencies. So, I would say, in general, no, it's not affecting, not affecting those decisions.

Uses of cash: *In terms of product, we are investing to build great experiences for people, marketers and developers, ranging from our existing products and services to newer initiatives such as ad:tech, Internet.org, Oculus and WhatsApp. We'll also invest in marketing to support all of these initiatives, which, as I noted, was a driver of expense growth in Q4.*

We will be investing in data centers, our network and servers to grow our existing services and support newer initiatives such as video and our global connectivity efforts through Internet.org. We anticipate our 2015 CapEx will be in the neighborhood of $2.7 billion to $3.2 billion.

	S&P 500 Wght	Price ($)	Price Chg 1 Mo (%)	Total Return YTD (%)	Consensus Earnings Growth 2014 (%)	2015E (%)	2016E (%)	P/E Mult. (NTM)	Equity Mkt Cap ($ bil)
Google Inc. (GOOGL, Neutral)	1.65	529.83	2.0	(0.2)	18.4	12.2	16.1	18.5	359

FX: *Without currency fluctuations, our gross consolidated revenue growth would have in fact been 18% year-over-year. And despite all the FX pressure, our Google site revenue was up a healthy 18% year-over-year to $12.4 billion, and was up 10% quarter-over-quarter, in part driven by the strength in our mobile search.*

International: *So despite large currency headwinds, we saw solid performance from our core advertising business around the world. The U.S. revenue was up 14% year-over-year to $7.9 billion, the U.K. was up 10% year-over-year to $1.7 billion, and in fixed FX terms it actually grew to 11% year-over-year. Non-U.S. revenue excluding the U.K. was up 18% year-over-year to $8.6 billion, accounting for 47% of total revenue. And in fixed FX terms, in fact the rest of the world grew at a healthy 24% year-over-year.*

Uses of cash: *We are pleased with our strong operating cash flow at $6.4 billion. Our CapEx for the quarter was $3.6 billion, and this quarter most of the CapEx was spent on – related-to-facilities, production equipment, and data center construction, in that order. So as I mentioned a few minutes ago, we have been opportunistic about acquiring space in real estate where we need to really pressure and accommodate for future growth. To that end, our facilities expenditure included just over $900 million of real estate investments during the quarter, of which $585 million was related to the acquisition of our property in Redwood City that we disclosed in our 10-Q for the third quarter.*

	S&P 500 Wght	Price ($)	Price Chg 1 Mo (%)	Total Return YTD (%)	Consensus Earnings Growth 2014 (%)	2015E (%)	2016E (%)	P/E Mult. (NTM)	Equity Mkt Cap ($ bil)
Intel Corp. (INTC, Sell)	0.90	33.94	(5.6)	(5.8)	18.9	2.7	9.0	14.4	164

Economic outlook: *We also forecasted a roughly similar worldwide economic or worldwide demand scenario as what we're seeing today. So we did not build in a big recovery or big resurgence of the emerging markets into our 2015 model. So we're not dependent on an emerging market recovery or return in order to make our numbers for 2015.*

Uses of cash: *In November, we announced a dividend increase to $0.96 per share on an annual basis effective for the first quarter of 2015. We repurchased about $10.8 billion of stock in 2014, up from $2.1 billion in 2013.*

But the majority of our cash generation is in the U.S. We do generate a lot of cash, and we certainly have the ability to use that for any corporate purposes, including a buyback.

…we are making increases in R&D investment.

	S&P 500 Wght	Price ($)	Price Chg 1 Mo (%)	Total Return YTD (%)	Consensus Earnings Growth 2014 (%)	2015E (%)	2016E (%)	P/E Mult. (NTM)	Equity Mkt Cap ($ bil)
International Bus. Machines (IBM, Neutral)	0.79	157.91	(1.0)	(1.6)	(9.5)	(3.1)	5.1	9.5	156

Business outlook: *For 2015 specifically, we are dealing with some transitions in our business. For example, while we are fully participating in the shift to cloud, margins are impacted by the level of investment we are making, and the fact that the business is not yet at scale.*

Economic outlook: *And then there are cyclical considerations. Given the geographic breadth of our business, we have seen challenges in some markets, most notably many of the growth markets. We firmly believe these are important markets over time and we've been investing to capture the opportunity, but we're not counting on a robust demand environment in many geographies in 2015. And then of course there is the impact from currency.*

FX: *…nearly all moved in an unfavorable direction for our business profile. The result is an impact to our revenue and our earnings. We hedge a portion of our cross-border cash flows, which defers the impact of the currency movement, but it doesn't eliminate it. Our hedges are designed to provide stability around the receipt of cash, but there is no year-to-year benefit in the income statement when a currency's direction is sustained over a longer period. And that's what we've been dealing with. Looking at the fourth quarter, we estimate the impact to our profit growth was nearly $300 million. At current spot rates, we would expect a significant impact to revenue and profit in 2015.*

International: *…Both major markets and growth markets were down 2%. Within major markets, we had growth in Japan, while North America and Europe declined. Europe's performance improved from last quarter, with improvements in the UK and Italy, and continued growth in Spain.*

Our growth markets year-to-year performance improved nearly 2 points from last quarter. This was driven by China, which was down 1% this quarter.

Uses of cash: *As for the uses of free cash flow for the year, we acquired six companies, we paid $4.3 billion in dividends, and bought back almost 72 million shares, reducing our average share count by 8%.*

…we do see an increased allocation of capital to the investments we're making. As I mentioned, we've included in our 2015 guidance more than $0.5 billion of increase. Now, we don't see that rate and pace continuing forever.

	S&P 500 Wght	Price ($)	Price Chg 1 Mo (%)	Total Return YTD (%)	Consensus Earnings Growth 2014 (%)	2015E (%)	2016E (%)	P/E Mult. (NTM)	Equity Mkt Cap ($ bil)
Microsoft Corp. (MSFT, Sell)	1.91	42.45	(8.4)	(8.6)	(4.5)	6.1	15.3	15.6	350

Business outlook: *…we are confident in the underlying health of our business, proud of the significant innovation we are funding within our prioritized operating budgets, and excited to continue gaining share in key strategic markets.*

… Windows 10 will be the most attractive Windows development platform ever. With our free upgrade offer and with universal application and unified store for developers, we'll have a large unified up-to-date user base to target.

Economic outlook: *On a geographic basis, we expect year-on-year revenue declines in China, Russia and Japan. In Japan, Q3 represents an even tougher comparison with the anniversary of the VAT which again will create difficult comparables in Windows and Office. We currently expect that these geographic dynamics, challenging comparables from XP and FX headwinds will be in place throughout the remainder of our fiscal year.*

Margins: *With this lower aggregate revenue base, we expect gross margins, which include non-cash amortization, to be lower for the next couple of quarters.*

FX: *Foreign exchange had a $0.01 negative impact on EPS…*

In total, we expect that FX will negatively impact revenue growth by approximately 4 points in Q3. The majority of this impact is in our Commercial business.

International: *…relative to our expectations, the U.S. outperformed and Europe was generally in line. As I mentioned earlier, China and Japan were below our expectations.*

We have in China, currently a set of geopolitical issues that we are working through. We are very committed to China as a market. We have in fact pockets of good growth in China with our cloud doing fairly well. But at the same time, we grounded that in the fact that we need more work to do and we are working through them.

Uses of cash: *…we announced our intention to complete the existing $40 billion share repurchase authorization by December 31, 2016.*

	S&P 500 Wght	Price ($)	Price Chg 1 Mo (%)	Total Return YTD (%)	Consensus Earnings Growth 2014 (%)	2015E (%)	2016E (%)	P/E Mult. (NTM)	Equity Mkt Cap ($ bil)
Visa Inc. (V, Buy)	0.73	271.80	4.9	3.7	14.7	14.7	15.1	25.3	168

Business outlook: *For full-year revenue growth, we are maintaining our guidance of low-double-digit constant dollar growth with a negative two percentage points of foreign exchange impact, but would position expectations at the lower-end of that range.*

Economic outlook: *Beyond FX, the severe economic challenges in Russia have also been a notable drag on cross-border results. In total, our outlook for cross-border volume-driven revenue growth in fiscal 2015 is approximately a half percentage point less than when we began the year.*

Geopolitical tensions are playing a more meaningful role in our results as they have at different times during our past.

Oil: *In terms of fuel, significantly lower gas prices had a negative one percentage point effect on U.S. payment volume growth in the quarter, with a disproportionate impact in December and with a bigger impact on debit than credit.*

Consumer spending: *…I mean, if you boil it down to people filling up their tanks once a week, right, at that point you're down to $15 a week. How are you going to go spend differently? So the places that we're seeing it, which I mentioned are the grocery stores…But as I said from our surveys, we know that 50% of it is being saved. That amount of money accumulates, people start to see that they have additional money, and then over a period of time will potentially buy higher-ticket items is what we would anticipate.*

FX: *FX is an important contributor, as a stronger than anticipated U.S. dollar has led to substantially reduced travel into the U.S. from Europe, Canada, and Latin America, notably Brazil.*

…what we see for U.S. travel abroad, given the strong dollar, is that it has sustained.

…the economic environment in terms of what we're seeing with the strengthening dollar, obviously makes our jobs more difficult.

Margins: *We are also reaffirming our full-year EPS guidance of mid-teens. That said, remember, when projecting Q2 results, in Q2 of last year, Visa booked a sizable tax benefit which included both one-time and ongoing tax impacts, and we will be lapping an unusually low level of client incentives in the prior year.*

Uses of cash: *First, as you can see from the earnings press release, we announced that our board of directors has authorized a four-for-one stock split.*

Through January 27, we purchased an additional 2.5 million shares for a total of 5.6 million shares, fiscal year-to-date at an average price of $258, leaving us with an open-to-buy of $4.2 billion. Of note, all share repurchase programs authorized prior to October 2014 have now been completed.

Volatility: *Partially offsetting these headwinds has been a strong rebound in currency volatility versus prior quarters. The improvement has sustained from September through early January and has stepped up even further due to recent Central Bank actions by the Swiss and the Canadians, and was further aided by the recent elections in Greece.*

Materials

	S&P 500 Wght	Price ($)	Price Chg 1 Mo (%)	Total Return YTD (%)	Consensus Earnings Growth 2014 (%)	2015E (%)	2016E (%)	P/E Mult. (NTM)	Equity Mkt Cap ($ bil)
Alcoa Inc. (AA, Buy)	0.11	17.07	14.1	8.3	NM	26.7	22.6	15.5	20

Business outlook: *...if you look at the airline fundamentals, we are taking here the IATA expectations. What they expect for this year is 7% increase of passenger, a 4.3% increase of cargo demand. Airline profits are supposed to go up to a level of $25 billion for the airlines. That's pretty amazing. This has a reflection also when you look at the jet engine order book, where there are now 23,800 engines on firm order. We've also seen outside of large commercial aircraft segment, regional jets have been rebounded, and we believe that this growth is going to continue with 8.7%. They have already today the highest order book in five years.*

FX: *Currency was a $7 million headwind year-over-year due to unfavorable impacts of a strengthening dollar as our non-U.S. businesses have revenue and costs both denominated in local currency.*

Economic outlook: *Demand growth remains robust. We're projecting 2015 global growth to continue strong at 7%. China continues to lead global growth at 10%. And the rest of the world/North America demand will be 5% – North American demand will be 5%, driven by growth in automotive consumption.*

The aerospace market will remain strong. We expect recovery in the North American non-residential construction market continues to be a bright spot with some softness seen in Europe. The heavy-duty truck market will remain strong in North America, partially offset by declines in Europe.

Oil: *...while the gas prices have been coming down, the consumer preference has been shifting a bit. It's probably too early to tell whether that's really a trend here, but it's an interesting development. So lower gas prices, I would say, increase – lead to bigger vehicles.*

	S&P 500 Wght	Price ($)	Price Chg 1 Mo (%)	Total Return YTD (%)	Consensus Earnings Growth 2014 (%)	2015E (%)	2016E (%)	P/E Mult. (NTM)	Equity Mkt Cap ($ bil)
Dow Chemical (DOW, Buy)	0.29	47.80	8.2	4.8	21.9	(5.8)	20.9	16.7	56

Business outlook: *Historically, when Dow has seen escalating operating rates, favorable energy markets, and increasing GDP, it has boded well for our company's performance in the years that follow. I am excited about where the company is today and its future.*

We're actively working with the Chinese government agencies and expect approval for Enlist corn in 2015. We're moving forward to ensure a successful stewarded launch in the United States for corn in 2015 and a full commercial launch in 2016.

Looking ahead, while there is clearly pricing pressure, demand fundamentals have not changed. Our sales volumes actually look slightly better than last year as customers' orders remain steady before the late February through June seasonal typical demand strength.

Economic outlook: *The U.S. construction market continues to improve, as evidenced by December housing starts.*

The market and world economy will be volatile, although still growing, especially in the United States and increasingly in China.

…we believe low oil price is very good for world demand. And as you get global growth coming back through low oil prices you'll start to see the beginning of peak economics in the Plastics engine going into 2016 and 2017.

FX: *We anticipate continued near-term currency headwinds and expect a range of between 15% to 30% of the change in revenue to translate to an EBITDA impact.*

Margins: *We do expect growth and margin expansion driven by increasing demand in Dow Electronic Materials, Dow Automotive and Consumer Care.*

Oil: *Low oil price will be a tailwind for global demand and for our products.*

Despite plunging oil, we reported a 15%, $314 million, increase in operating EBITDA with growth in every segment. Let me be clear: I'm not here to state that there will be no challenges from lower oil; however, we believe the energy supply dynamic that is ongoing will lead to a long-term lower volatility scenario for our underlying structural positions. The long-term lower volatility of both oil and natural gas will reduce cyclicality of what have been historically cyclical businesses and more effectively leverage the potential of our integrated model to deliver value to our shareholders.

Uses of cash: *…we expect capital expenditures to peak at around $3.9 billion for the year.*

	S&P 500 Wght	Price ($)	Price Chg 1 Mo (%)	Total Return YTD (%)	Consensus Earnings Growth 2014 (%)	2015E (%)	2016E (%)	P/E Mult. (NTM)	Equity Mkt Cap ($ bil)
E. I. du Pont and Co. (DD, Neutral)	0.38	76.00	6.0	2.8	1.1	3.0	11.5	18.4	69

Business outlook: *The company continued to execute on its strategy to enhance the value creation of the portfolio, finalizing five divestitures in the fourth quarter and ten portfolio actions for the full year…they remain the right strategic choices to unlock shareholder value over the long term, enabling our future growth by allowing us to focus on higher growth opportunities, margin improvement and less cyclicality.*

Economic outlook: *In Agriculture, the fundamentals are challenging. Farmer net income has declined, and we anticipate lower corn planted area as farmers favor soybeans over corn. Auto growth continues, while growth in the U.S. housing is expected to accelerate.*

FX: *For the full year, we had a $0.26 per share currency headwind comprised of an $0.11 hurt impacting segment results, and an after-tax exchange loss of $0.15.*

Broadly speaking, the U.S. dollar continues to strengthen against most currencies and will be a substantial headwind for us in 2015.

	S&P 500 Wght	Price ($)	Price Chg 1 Mo (%)	Total Return YTD (%)	Consensus Earnings Growth 2014 (%)	2015E (%)	2016E (%)	P/E Mult. (NTM)	Equity Mkt Cap ($ bil)
Freeport-McMoRan (FCX, Neutral)	0.11	19.59	(11.6)	(14.9)	(26.2)	(42.8)	NM	16.0	20

Commodity prices: *We're prepared to deal with whatever commodity price environment we have to live with. In many ways there is a disconnect today, kind of unlike 2008, between the current fundamentals of the marketplace and what we're seeing with commodity prices. But the market is what the market is, and we're not developing plans that's based on and assumed near term quick recovery in prices.*

…There's an apparent disconnect now between the copper price and market fundamentals. Clearly the market is trading on the basis of the oil price decline and the impact generally on commodity prices. Traders are looking at the relative values of metals in relation to oil. They're looking at the relative value of copper in relation to other metals. And what we've seen is a significant decrease in prices, but inventories remain low.

Supply side issues still significantly underlie this market. As I said, the forecast for large surpluses has not materialized. Exchange stocks are low. New projects are facing delays. As you read fourth quarter earnings reports and announces you'll be struck by the number of production declines that are being announced around the industry. Grades are falling. People are constraining CapEx. All of this will be very supportive of copper prices as we go forward.

Uses of cash: *…We've developed a plan that preserves the dividend in this plan. And our expectation is the Board is going to take steps to preserve our liquidity as we go forward. We all want to keep the dividend. And we're going to work hard to try to do it.*

Well, our plan is to manage our business so that we don't increase debt. I mean we're going to take steps as we can to improve the maturity schedule of our debt. There will be times because of the nature of our business that we'll have some draws under our bank credit facility.

	S&P 500 Wght	Price ($)	Price Chg 1 Mo (%)	Total Return YTD (%)	Consensus Earnings Growth 2014 (%)	2015E (%)	2016E (%)	P/E Mult. (NTM)	Equity Mkt Cap ($ bil)
Monsanto Co. (MON, Buy)	0.32	120.86	3.0	1.6	4.7	13.7	15.7	19.9	59

Business outlook: *With annual projections for corn and soybean demand increasing by an estimated 500mm and 200mm bushels respectively in each of the next five years, the world will need considerably more yield.*

Uses of cash: *We remain diligent on our capital allocation targets and the $6B accelerated share repurchase which is the initial step in our two-year $10B share repurchase authorization, which continues on pace.*

Soybeans: *…we are well-positioned to manage the variability across the acres and as has been the case in prior years, for every 1mm acres shifting from corn to soybeans in the U.S., we see roughly a $0.03 per share decline in our EPS.*

FX: *We do see currency as a continued headwind. We factored into our guidance the headwind of approximately $0.15 to $0.20, which was roughly the same rate of devaluation we experienced in FY2014.*

Climate Pro Service: *Our Climate Pro service in 2015 will also incorporate newly enhanced satellite imagery feeds that increase the frequency and analytics to improve usability and accuracy of the service, allowing farmers to more quickly and precisely identify and treat in-field pest, disease, water, and fertility issues.*

	S&P 500 Wght	Price ($)	Price Chg 1 Mo (%)	Total Return YTD (%)	Consensus Earnings Growth 2014 (%)	2015E (%)	2016E (%)	P/E Mult. (NTM)	Equity Mkt Cap ($ bil)
Praxair Inc. (PX, Neutral)	0.20	124.61	(1.5)	(3.8)	4.7	1.6	10.2	19.6	36

Economic outlook: *Merchant volume trends remain positive year-over-year in the United States and Canada.*

For 2015, we expect mid to high single digit organic growth in Asia, including project startups of new plants in China and India, serving chemicals, metals and manufacturing customers.

Uses of cash: *During 2014 we reduced our outstanding share count by 1%. This was our fifth consecutive year of reducing the share count by at least 1%. And $1 billion remains available under the current $1.5 billion share repurchase program. We expect to continue our strong cash flow generation and our stock buyback program to reduce the share count without diminishing our credit rating or access to low cost funding.*

This morning we announced a 10% increase to our quarterly dividend in the first quarter of 2015, which represents our 22nd consecutive annual increase. This is consistent with our policy of growing dividends each year at least in line with earnings growth.

Capital spending in 2014 was $1.7 billion with almost half of the CapEx spend occurring in North America, about 20% in South America, and about 15% each in Asia and Europe. During 2015 the distribution of spend across geographies is expected to be similar with an increase in spend in the U.S. Gulf Coast offset by a decrease in Europe.

Rates: *During 2014, we issued euro-denominated notes of $1.1 billion in two tranches with 6 to 11 year terms at an average of interest rate of 1.6%. We were able to take advantage of low interest rates and our tight issue spreads to Treasuries. At year-end about 80% of our debt was fixed rate and about 20% was floating rate, as we have significantly reduced our exposure to rising interest rates.*

FX: *Almost 40% of our sales have experienced 8% to 12% devaluation in foreign currencies, which will create an immediate negative impact to our book earnings…Eventually, foreign currencies will rebound and become a tailwind to current book earnings. But no matter what, we will continue to focus on long-term value creation.*

Telecom Services

	S&P 500 Wght	Price ($)	Price Chg 1 Mo (%)	Total Return YTD (%)	Consensus Earnings Growth 2014 (%)	2015E (%)	2016E (%)	P/E Mult. (NTM)	Equity Mkt Cap ($ bil)
AT&T Inc. (T, Not Rated)	0.98	34.54	3.0	4.3	(1.1)	1.3	2.4	13.6	179

Business outlook: *We will exit 2015 a very different company. We'll be a company with the ability to deliver video to any device. We'll have a unique capability to integrate solutions across a diversified base of customers, geographies and technology platforms that are mobile, fast and highly secure, and we will have a path to profitable TV growth. And we'll have a nice set of growing Latin American businesses positioned well in video and the mobile Internet.*

… we expect to deliver continued consolidated revenue growth. Our adjusted EPS growth will be in the low single-digit range.

Our fixed broadband footprint will quickly begin expanding to 70 million customer locations in the U.S. when we complete the DIRECTV transaction.

We also laid the groundwork for expanding these capabilities outside the U.S. We've always believed the demand for the mobile Internet and economic benefits experienced in the U.S. would be repeated throughout the world…And Iusacell and Nextel International's Mexico assets give us this opportunity.

Margins: *We will have expanding margins, consolidated wireless and wireline margins.*

Uses of cash: *We will also have improving free cash flow and improving dividend coverage. And then capital expenditures will be in the $18 billion range, the same as we guided earlier and that's thanks to the completion of a lot of the Project VIP initiatives.*

Title II: *I don't know of anybody in the industry who really argues that we shouldn't have net neutrality…but until we kind of have clarity, and we're saying we're just on any new investments, we're in a bit of a pause mode, but it's really up in the air right now…if Chairman Wheeler can find some creative solution of categorizing these as Title II, but doesn't cause the industry to slow down, doesn't cause investment cycles to slow down, does not cause innovation cycles to slow down, then it will give us some confidence and relief to continue investing at the same pace we have.*

	S&P 500 Wght	Price ($)	Price Chg 1 Mo (%)	Total Return YTD (%)	Consensus Earnings Growth 2014 (%)	2015E (%)	2016E (%)	P/E Mult. (NTM)	Equity Mkt Cap ($ bil)
Verizon Communications (VZ, Neutral)	1.09	47.86	2.8	3.5	71.0	9.5	5.6	13.1	199

Business outlook: *Strategically, our most notable accomplishment was completing the transaction for full ownership of Verizon Wireless. We closed the deal in late February, providing immediate earnings accretion and full access to the cash flows of what we believe is the best wireless asset in the world.*

…we are targeting the following for 2015. Consolidated revenue growth of at least 4%; sustained profitability with a consolidated adjusted EBITDA margin at a level consistent with our full-year 2014 performance; strong free cash flow generation, with consolidated capital spending of between $17.5 billion and $18 billion; and a minimum pension funding requirement of approximately $700 million.

Internet of Things: *…Internet of Things is going to be a very important category, $585 million, up 45% year-over-year. And we don't really disclose it, but we have over 15 million* *connections now of Internet of Things. We announced the Verizon Vehicle, as I said. You should look at us as launching over-the-top mobile first sometime this summer…*

Uses of cash: *Last September, our Board of Directors approved a 3.8% dividend increase, raising the annual amount to $2.20 per share. At the same time, we are investing and innovating for the future, through new growth businesses and integrative product development efforts in rapidly evolving markets like mobile video and the Internet of Things.*

I've been pretty consistent with this, in the fact that we will spend more CapEx in the Wireless side and we will continue to curtail CapEx on the Wireline side. And some of that is because we're getting to the end of our committed build around FiOS…it's all about encompassing, so we're looking at a slight increase from where we ended 2014.

Special charges: *This year, we recorded a pre-tax expense of $7 billion to increase our pension and OPEB liability. This adjustment, which was primarily non-cash, was caused by changes in the discount rate, the adoption of new mortality tables and other actuarial assumptions.*

Title II: *…I would emphasize also, that the approach in whole or in part on Title II, is an extreme and risky path that will jeopardize our investment and the development of innovation and broadband Internet and related services. It will also tie up the industry in a very uncertain time and cause all types of litigation. So, when I said before, and misquoted on the fact that it would not hurt our investment, I was talking about 2015. But if this piece of Title II was to pass, I can absolutely assure you, it would certainly change the way we then view our investment in our networks.*

Utilities

	S&P 500 Wght	Price ($)	Price Chg 1 Mo (%)	Total Return YTD (%)	Consensus Earnings Growth 2014 (%)	2015E (%)	2016E (%)	P/E Mult. (NTM)	Equity Mkt Cap ($ bil)
NextEra Energy Inc. (NEE, Buy)	0.26	109.71	3.9	3.2	8.1	6.2	7.7	19.5	48

Growth: *NextEra Energy delivered strong performance in the fourth quarter, capping off an outstanding year overall. Fourth quarter adjusted earnings per share grew 8.4% while full year adjusted earnings per share growth was 6.6%, even including a negative impact of $0.15 per share associated with the launch of NEP.*

NextEra Energy's operating cash flow growth outpaced EPS growth year-over-year and our overall credit metrics improved and are in line with our expectations and consistent with our ratings.

Florida: *Florida's economy continued to improve in 2014 and again did better than the U.S. average on most major measures. Florida's seasonally adjusted unemployment rate in December was 5.6%, down 0.7 percentage points from a year earlier and in line with that of the nation. However, this masks the fact that Florida's labor force participation rate also increased as more people were attracted to a healthier employment market. Florida added 230,000 jobs over the 12-month period ending December 2014, largely within the private sector. The corresponding growth rate in jobs of 3% outpaced that of the nation by 0.9 percentage points. In fact, Florida's rate of job creation outpaced the U.S. in the majority of individual private sectors, reflecting diversified growth.*

In the housing market, the Case-Shiller Index for South Florida shows prices up 9.5% from prior year, and building permits appear to be stabilizing at healthy levels. The strengthening economy was reflected in improvements in Florida's consumer sentiment index, which by the end of the year had reached its highest level since February 2007.

Disclosure Appendix

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