



Total Exposure

March 2013



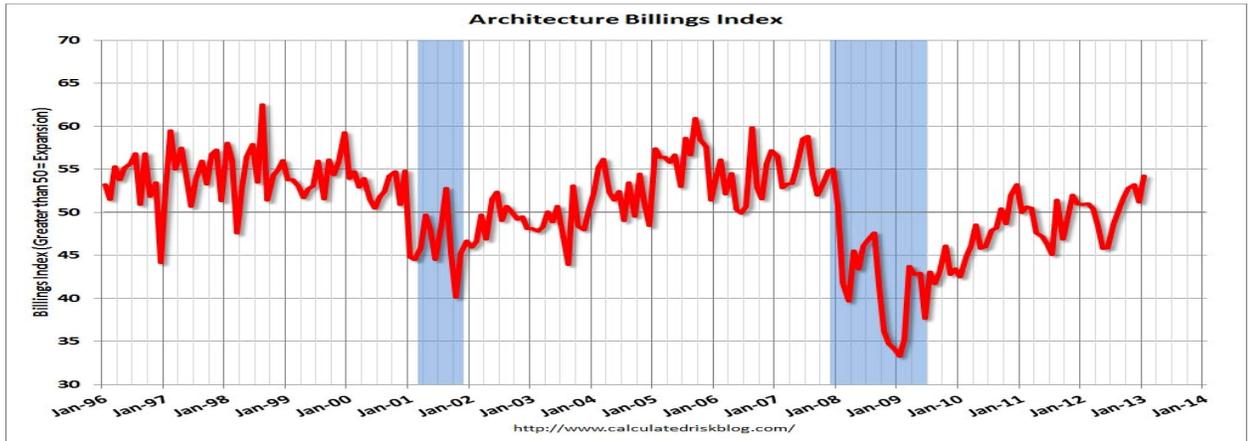
Issue 8

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MARKET ANALYSIS: ABI REPORTS STRONGEST BUSINESS CONDITIONS SINCE 2007

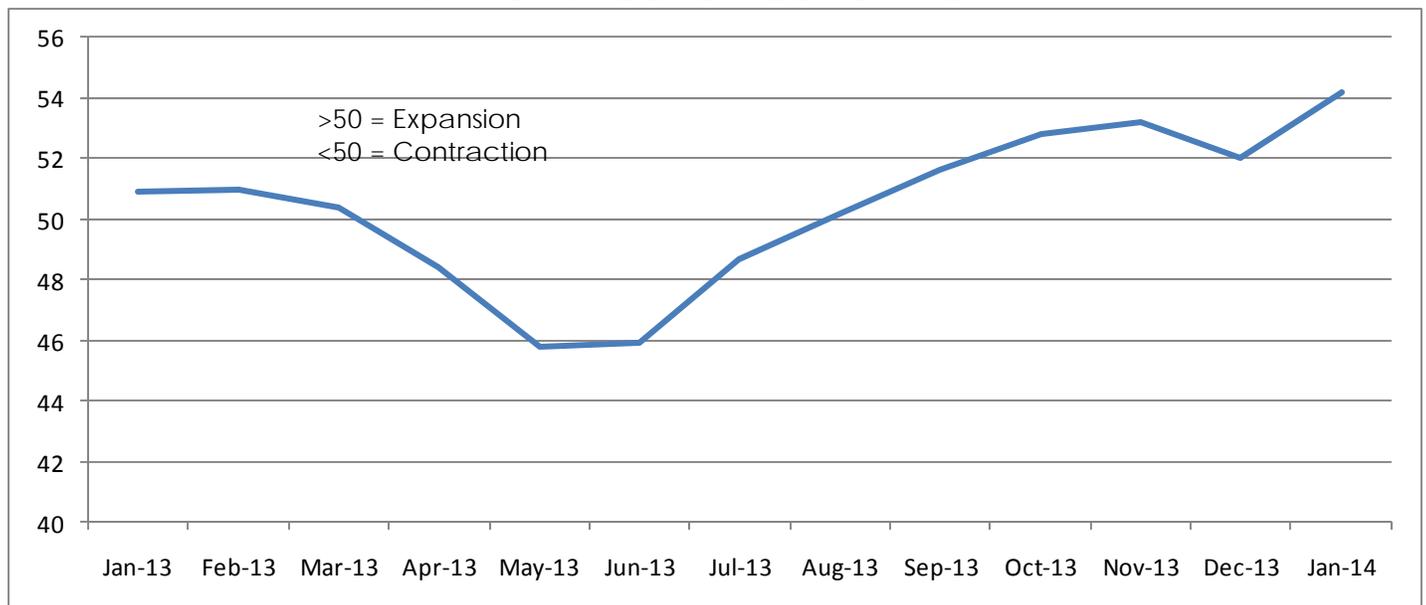
BY GARY SEATON, JR.



The Architecture Billings Index (ABI) (above), compiled by the American Institute of Architects (AIA), represents demand for design services in the United States during a specific month. The ABI is widely accepted as the leading economic indicator of non-residential construction activity. In theory, we expect to see the impact of a respective ABI figure roughly 12 months in advance on construction spending. Thus, the expected construction spending graph below is simply the ABI graph shifted to the right by one year. Any score above 50 indicates an increase in demand while a score below 50 reflects contraction.

Currently, the architecture industry is enjoying the strongest growth its seen in five and a half years. Most recently, the ABI climbed to 54.2, marking the sixth consecutive score above 50, dating back to August of 2012. Consequently, we expect non-residential construction activity to pick up significantly, beginning in the summer of 2013. Moreover, AIA Chief Economist, Kermit Baker, echoes the positive sentiment seen in recent ABI figures, "We have been pointing in this direction for the last several months, but this is the strongest indication that there will be an upturn in construction activity in the coming months. These are the strongest business conditions we have seen since the end of 2007, before the construction market collapse."

EXPECTED CONSTRUCTION ACTIVITY



As illustrated above, construction firms can expect difficult market conditions throughout the spring, indicated by low ABI scores in the spring of 2012. However, construction spending is expected to improve significantly, beginning this summer.



MARCH MADNESS PREVIEW

BY: GARY SEATON, JR.

In the week leading up to the NCAA Basketball Tournament, expert analysis and predictions by prognosticators are easy to find. In effort to provide something different, we highlight information provided by three experts in the field of predictive analytics (Don't stop reading, I won't bore you with all the details). The methodology used in predictive analytics is often complicated so we will keep it simple.

First, Ken Pomeroy, creator of kenpom.com, is an expert whose analysis is so well respected, high profile coaches often reference his work to better understand how to beat their opponent. Pomeroy, a meteorologist by day and college hoops expert by night, specializes in what's referred to as tempo stats, "because they take into account the game's pace." Essentially, his methodology is rooted in points per possession. What's interesting this year about Pomeroy's analysis is he ranks Florida number one overall above all four one seeds while the Gators are only a three seed.

Secondly, Nate Silver is a statistician originally known for his work in forecasting a player's performance and career development in Major League Baseball. More recently, Silver is recognized for his predictive analysis of Presidential Elections and now, college basketball odds. This year, Silver gives Louisville at 23.8% chance to win the tournament compared to Indiana at 18.4%, Florida at 13.2%, and Kansas at 7.9%.

Third, Paul Bessire is an expert in quantitative analysis that introduced the world to the predictator, a system that mathematically simulates sports outcomes 50,000 times before the game is actually played. Bessire's Prediction Machine, as it's often referred to, uses current rosters, strength of schedule, and pace-adjusted statistics to play every game 50,000 times in a computer simulated model. While Pomeroy ranks Florida number one and Nate Silver gives Louisville the best chance to win the Tournament, Bessire believes Indiana has the best chance to cut down the nets at 24%, followed by Louisville at 16%, Gonzaga at 9%, and Florida at 8%.

The irony behind the studies

completed by three of the most well respective experts in predictive analytics is all three predict a different champion; Pomeroy ranks Florida number one, Silver believes Louisville is most likely to win the Tournament, and Bessire lists Indiana is the most likely outcome.

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In addition to 'expert' opinion, I will offer my personal insight into this year's Tournament from a perspective you likely will not find elsewhere. One option in filling out your bracket is simple and as some would say, unadventurous. For the first round matchups, you can easily use the Vegas odds to select the team favored to win. From there, you can select the team most likely to advance to the next round according to futures odds. However, If you're looking for a team capable of pulling of an upset or identifying a team that is under-seeded, reference the first column on the next page entitled 'SeedValue.' You can see here where oddsmakers ranked the entire field based upon each team's value in the gambling market. To determine which teams are under/over seeded, identify where oddsmakers would rank the respective team compared to their seed. We expect the teams oddsmakers rank 1-4 to be 1 seeds, ranked 5-8 to be 2 seeds, ranked 9-12 to be 3 seeds and so on. The 'seed value' is the difference between where the team is seeded compared to how oddsmakers see the field. To illustrate, take 11 seed Minnesota into account. Oddsmakers would rank the Gophers 24th, which should equate to a 6 seed. However, since they are an 11 seed, we say they are under-seeded by 5 spots, which is no surprise since 11 seed Minnesota is favored to beat 6 seed UCLA by 3 points. On the

other hand, several teams are over-seeded, indicated by a negative number in the 'seed value' column. Under-seeded teams have been seeded higher by the selection committee than oddsmakers believe they are worth. Take 3 seed Marquette for example: oddsmakers rank Marquette 30th, which should equal an 8 seed, 5 below their actual seed; it's no coincidence Marquette is only favored by 4 points in their first round matchup vs. 14 seed Davidson.

Next, I put together a numerical figure to represent how well each school has recruited in recent years, listed in the second column labeled 'Recruit.' I identified the seven players on each team that average the most minutes played and evaluated how highly coveted they were as high school recruits, according to ESPNU. Of the seven players, I took an average of where each player was ranked based on their position. For example, Kansas' average position recruiting rank is 25, comprised of a #12 SG, #15 SG, #6 PG, #8 C, #110 PF, #17 PG, and #9 PF.

Hopefully, you can utilize the information provided here as a tool to win your bracket this year. Good luck!



	SeedValue	Recruit
1		
Louisville	0	20
Gonzaga	-1	34
Kansas	-1	25
Indiana	0	22

2		
Duke	1	15
Ohio State	-1	13
Miami	-1	28
Georgetown	-2	18

3		
Michigan State	1	13
New Mexico	-4	69
Marquette	-5	40
Florida	2	15

4		
St. Louis	-2	70
Kansas St.	-4	37
Syracuse	0	14
Michigan	1	35

5		
Oklahoma St	1	38
Wisconsin	2	46
UNLV	-4	27
VCU	0	47

6		
Memphis	-5	18
Arizona	1	11
Butler	-8	30
UCLA	-5	7

	SeedValue	
7		
Creighton	4	
Notre Dame	-2	
Illinois	-3	
Sand Diego St	1	

8		
Colorado St.	3	
Pittsburgh	4	
NC State	-2	
North Carolina	-1	

9		
Missouri	4	
Wichita State	3	
Temple	-6	
Villanova	-6	

10		
Cincinnati	-1	
Iowa State	0	
Colorado	-2	
Oklahoma	-2	

11		
Mid Tn State	4	
Belmont	4	
Bucknell	-4	
Minnesota	5	
St. Mary's	3	

12		
Oregon	-2	
Ole Miss	0	
California	-2	
Akron	-4	

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