

# Theme 1

## The global economy

The road(s) to recovery

another brilliant publication



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The current status and 2009/2010 outlook for...

## ... the global economy

**Jonathan Pain**

Investment Strategist | HFA Asset Management

**Dr Jack Gray**

Adjunct Prof | University of Technology Sydney



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# The Mother of all Stimulations

Jonathan Pain



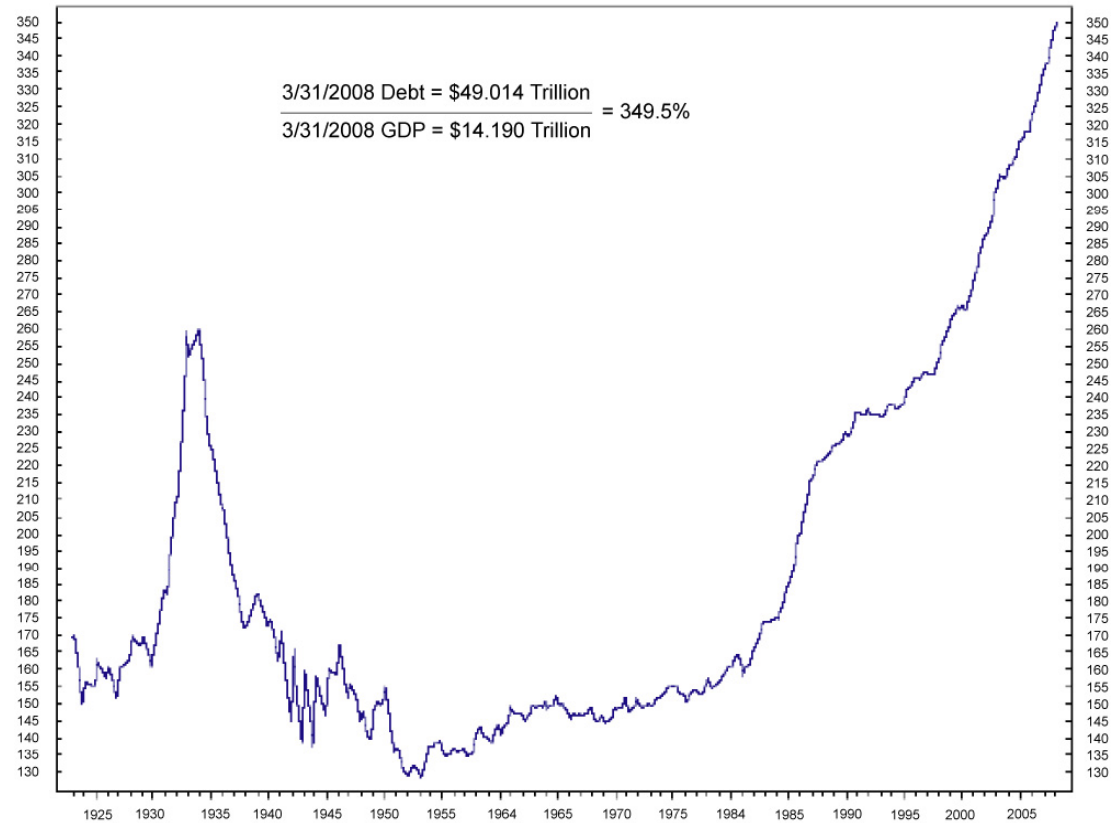
## Where it all began

- Shameful and predatory lending
- No deposit, no worries
- NINJA loans
- Shop till you drop
- Stagnant swimming pools in Stockton

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## The world's scariest chart



Source: Ned Davis Research Inc. Quarterly data 31/12/1922 - 31/3/2008

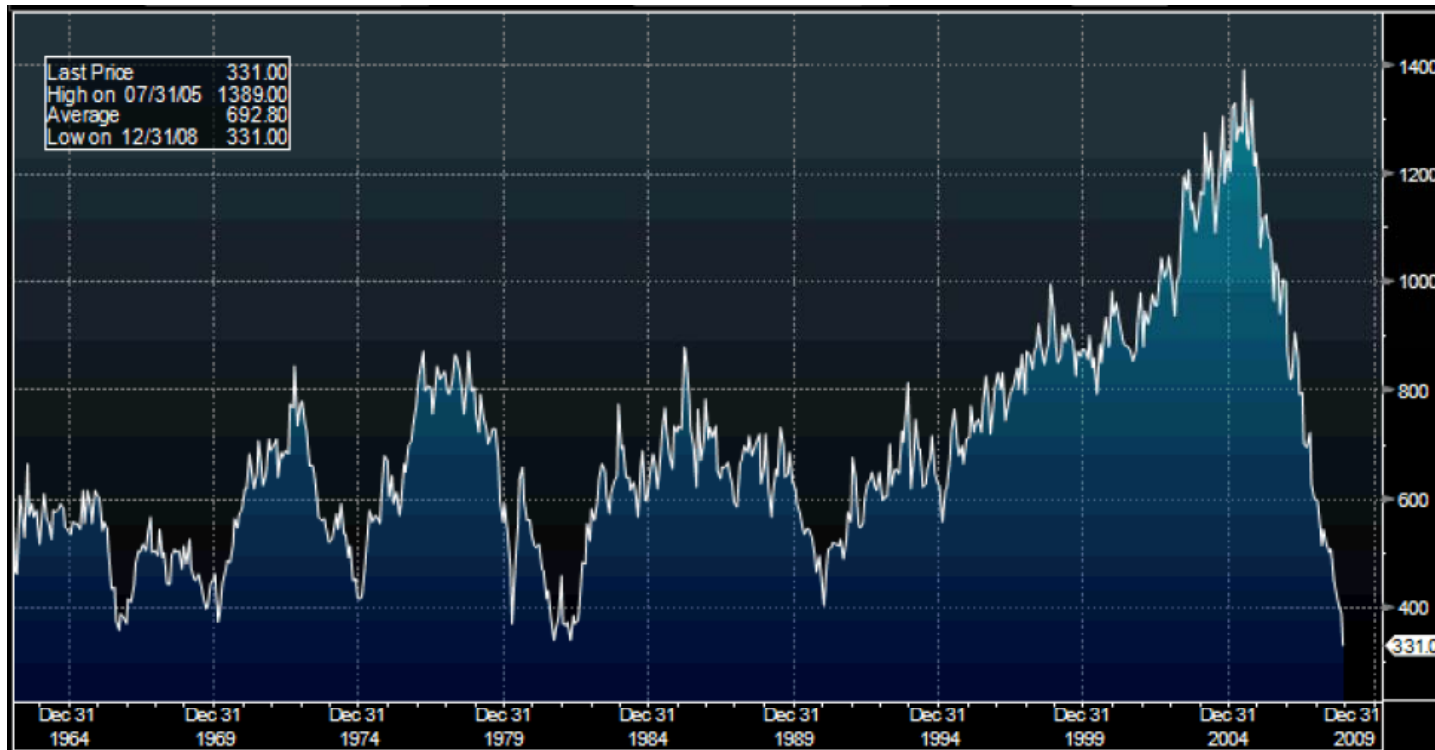
Second most scary chart!



Source: "Irrational Exuberance," Robert J. Shiller

Source: New York Times

# The great American housing bust



Source: Bloomberg, US new home sales

## Global economy suffers cardiac arrest



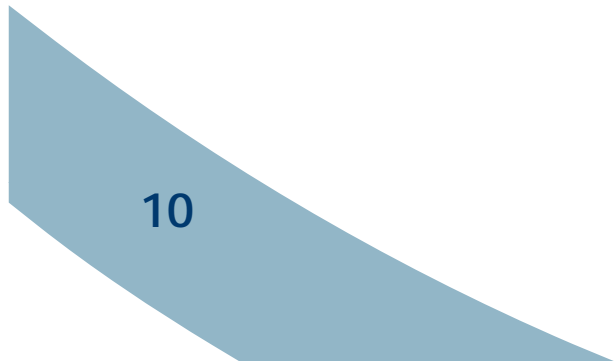
Source: Bloomberg, Baltic Dry Index

## After an era of unprecedented credit expansion

- We face credit contraction
- A more frugal future
- Recession in every developed country
- Next six months ghastly

## Toilet rolls and earnings

- English toilet rolls
- Bottom up equity analysts
- From plus 40 to minus 30



## Hope on the horizon

- The mother of all stimulations
- Central banks unite in a race to zero
- Public sector balance sheets versus private sector

...Obama!

## A category 7 financial hurricane



Source: Bloomberg 3 month U.S. Treasury bills versus 3 month Libor

(The world's most important equation

$$MV = PT$$

...Looking for traction

## Don't forget Asia

- Whose the locomotive now?
- Three billion Asians Say "yes we can!"
- Sharp slowdown but still growing

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## For the first time in a long time

- Markets better reflect reality
- Some extraordinary credit opportunities
- Looking for economic recovery in late 2009

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## A brave new world

- A more balanced world
- A better world






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