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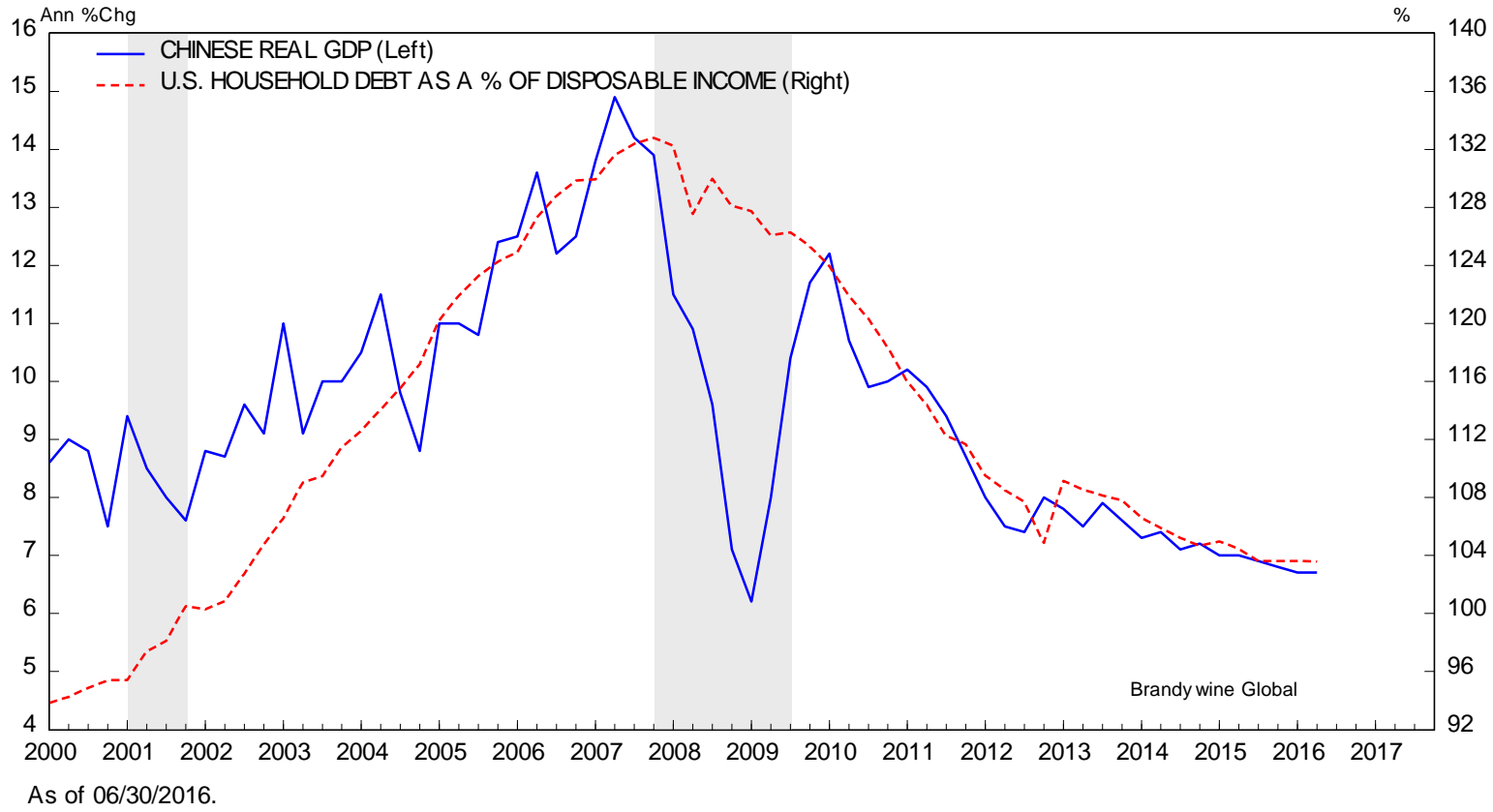
Presented by

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Co-Director of Global Macro Research

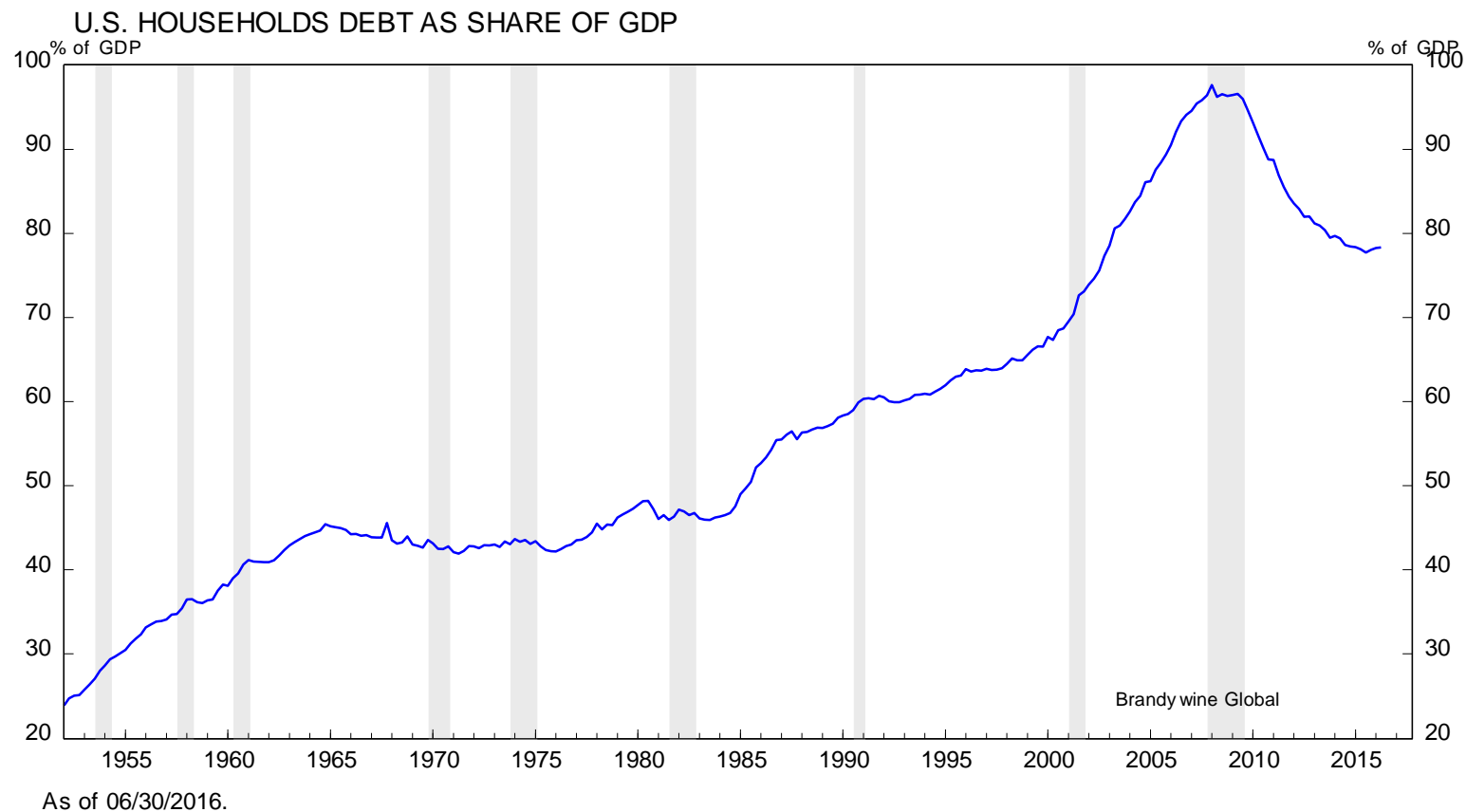
Portfolio Manager, Macro Strategy

The Last 8 Years Have Been Dominated by U.S. Household Deleveraging and a Corresponding Consolidation in Chinese Production

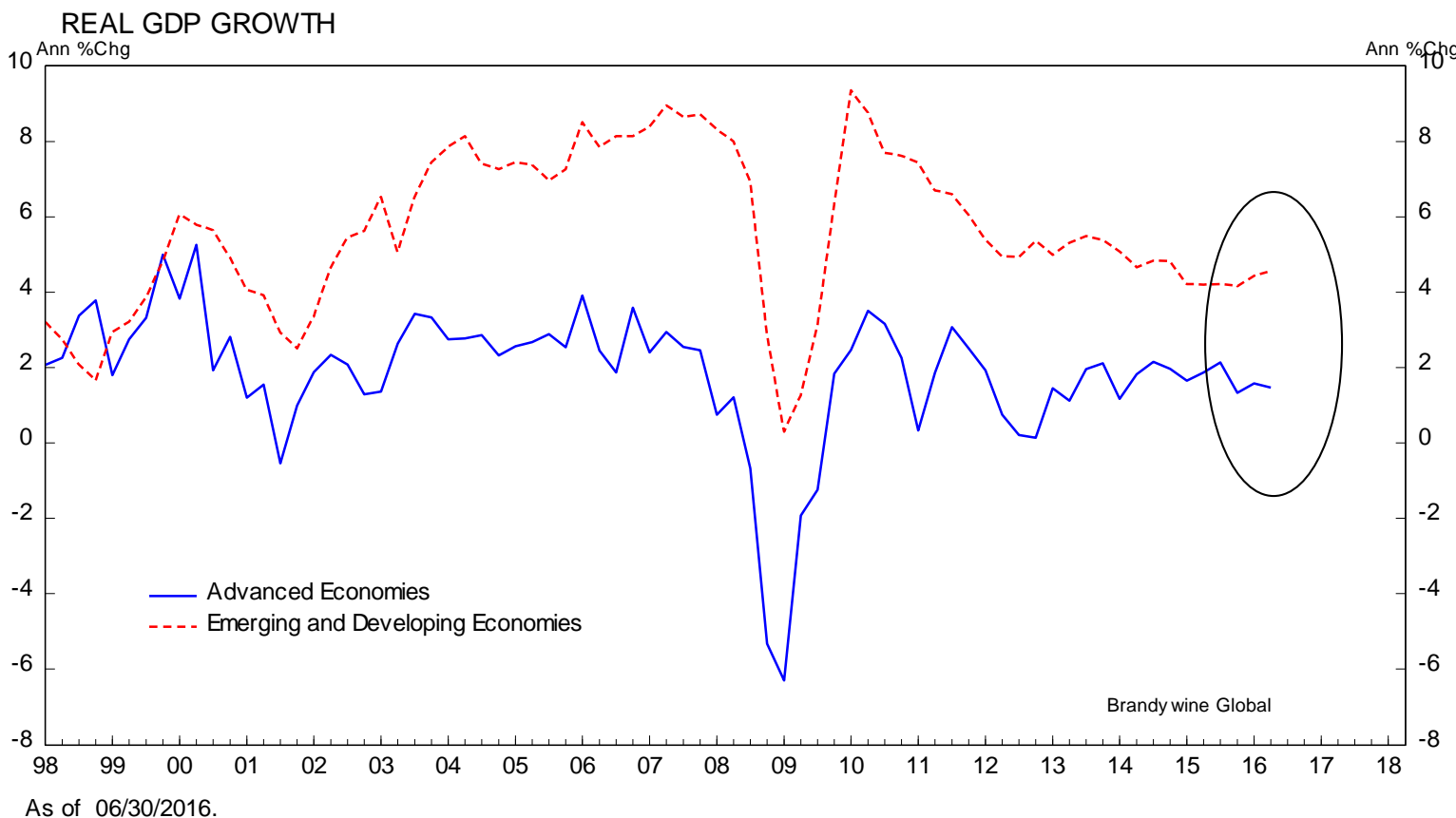


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A Secular Change? The Beginning of the End of U.S. Household Deleveraging?

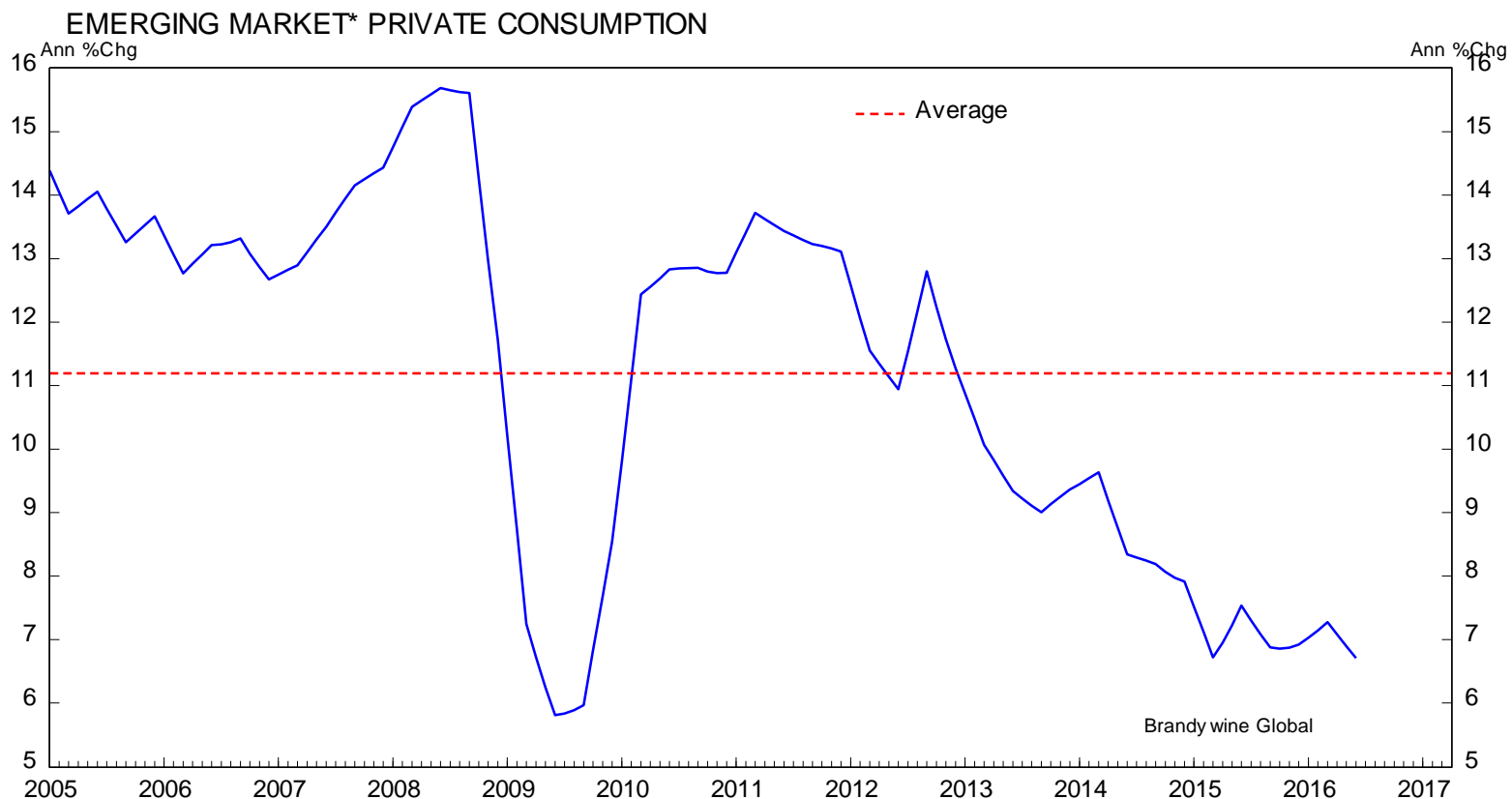


A Corresponding Secular Shift? The End of the Emerging and Developing Country Slump?



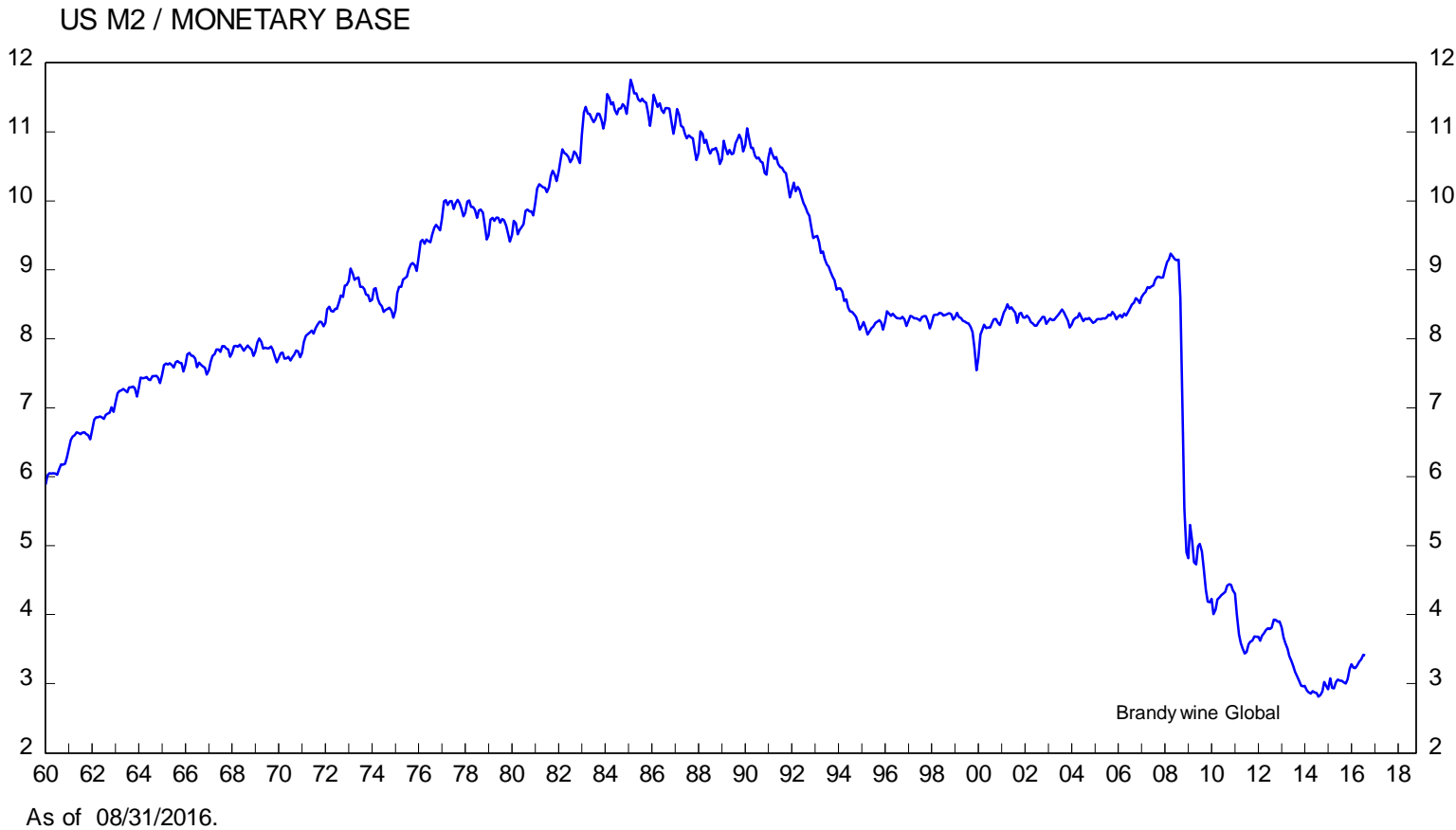
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The Negative Impulse to Global Growth since 2014 is Especially Evident from the Trend in Emerging Market Private Consumption



*EXCLUDING CHINA. GDP WEIGHTED, INCLUDING BRAZIL, RUSSIA, INDIA, MEXICO, KOREA, INDONESIA, TURKEY
As of 06/30/2016.

The Money Multiplier is Forming a Large Base, a Possible Sign that Commercial Banks are Putting Their Cash Back to Work

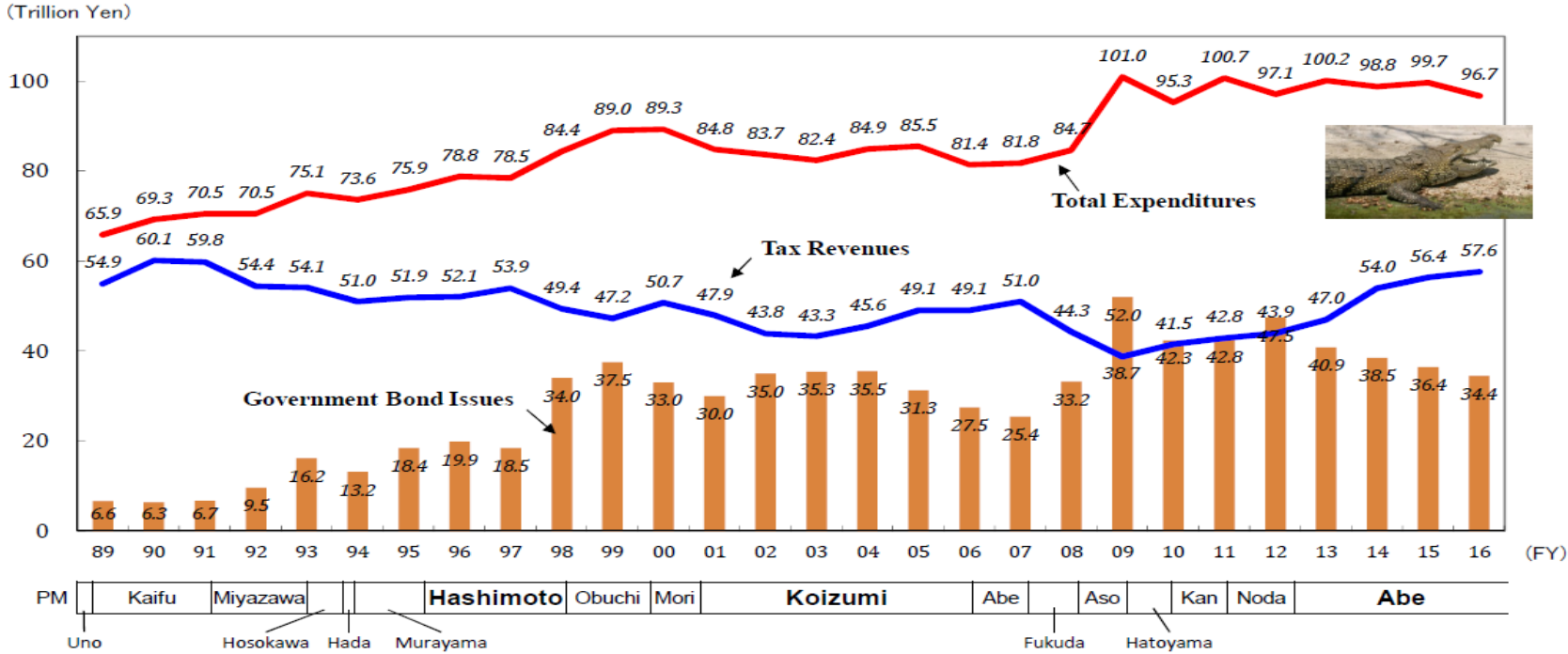


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Global Fiscal Policy Has Been Contractionary for the Last 5 Years

For example, Japanese government spending has been flat since 2009, tax revenues rising the combination creating a negative fiscal impulse to growth

The History of Japan's Fiscal Targets



1997: Enactment of the Fiscal Structure Reform;
 • By 2003, reduce fiscal deficit less than 3% to GDP ratio and, stop issuing special deficit-financing bond

2006: 2011 primary balance target established

2010: 2015 & 2020 target established;
 • By 2015, halve the primary deficit to GDP ratio from that in 2010
 • By 2020, achieve primary surplus

1990: The bursting of the Bubble Economy

1998: Suspension of the Fiscal Structure Reform

2008: Leman Brothers Crisis
 ⇒ 2009: Government Change

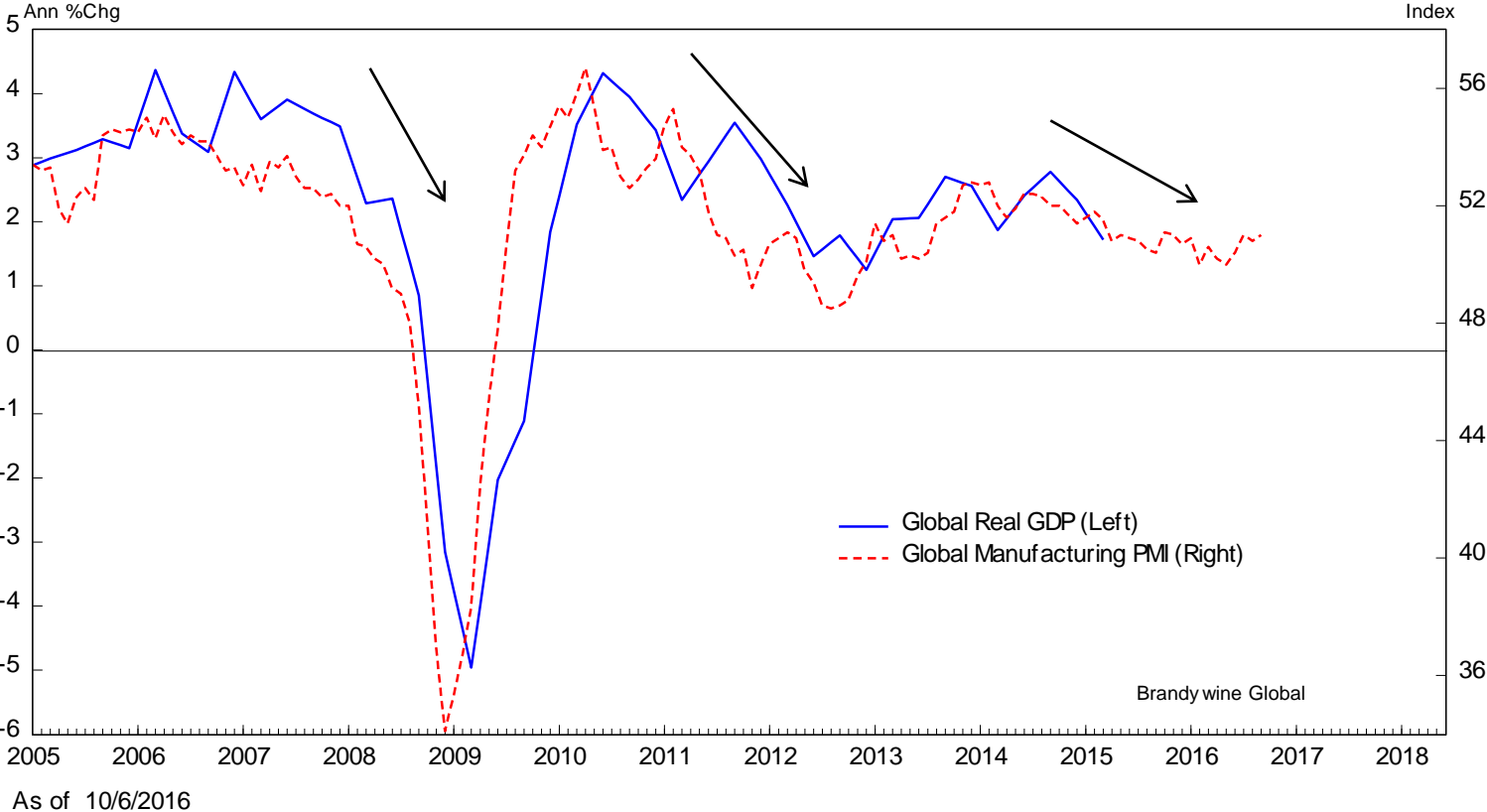
2015: 2015 target is expected to be achieved!

te) FY1975–2014: Settlement, FY2015: Including supplementary budget, FY2016: Draft budget

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“Secular Stagnation” Has Unfolded in Three Waves

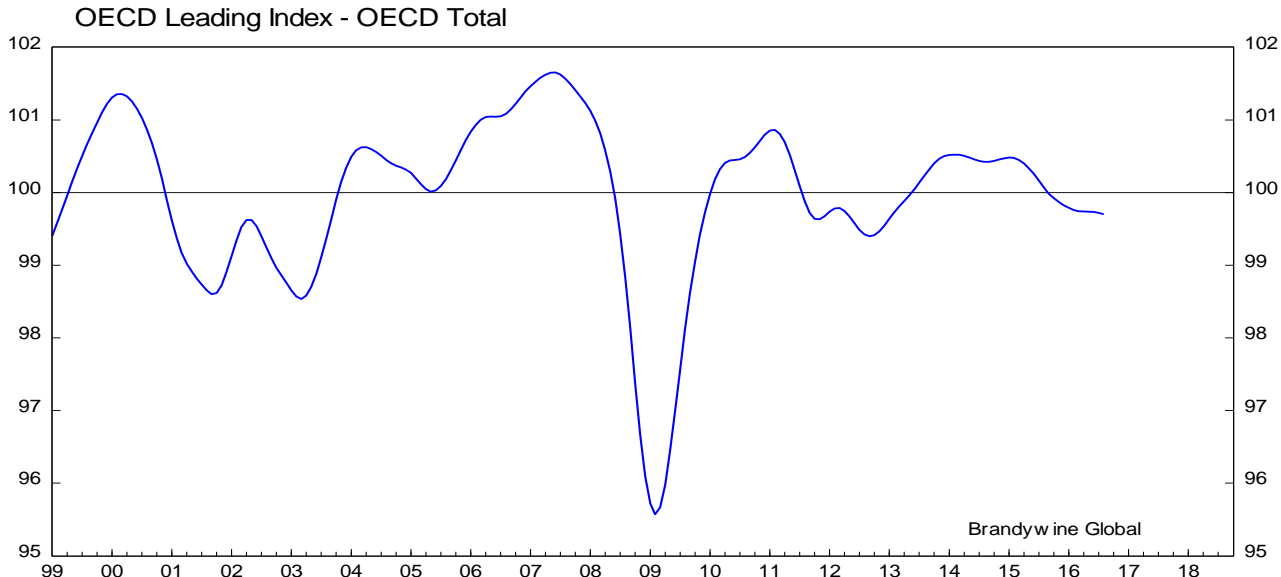
First came the U.S. housing bust, second was the European debt crisis, and the most recent has been led by the slump in China



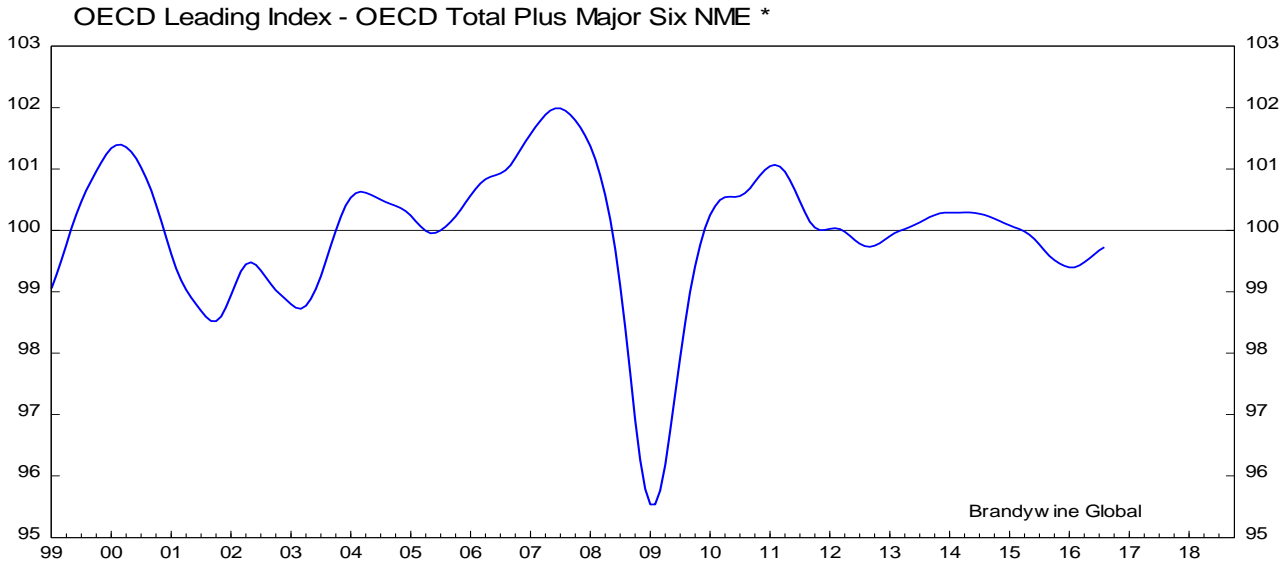
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Reflationary Measures Lifting the Global Leading Indicator, But All the Improvement Coming from the Six Big Non-Member OECD Countries.

It is an EM Story



As of 08/31/2016.

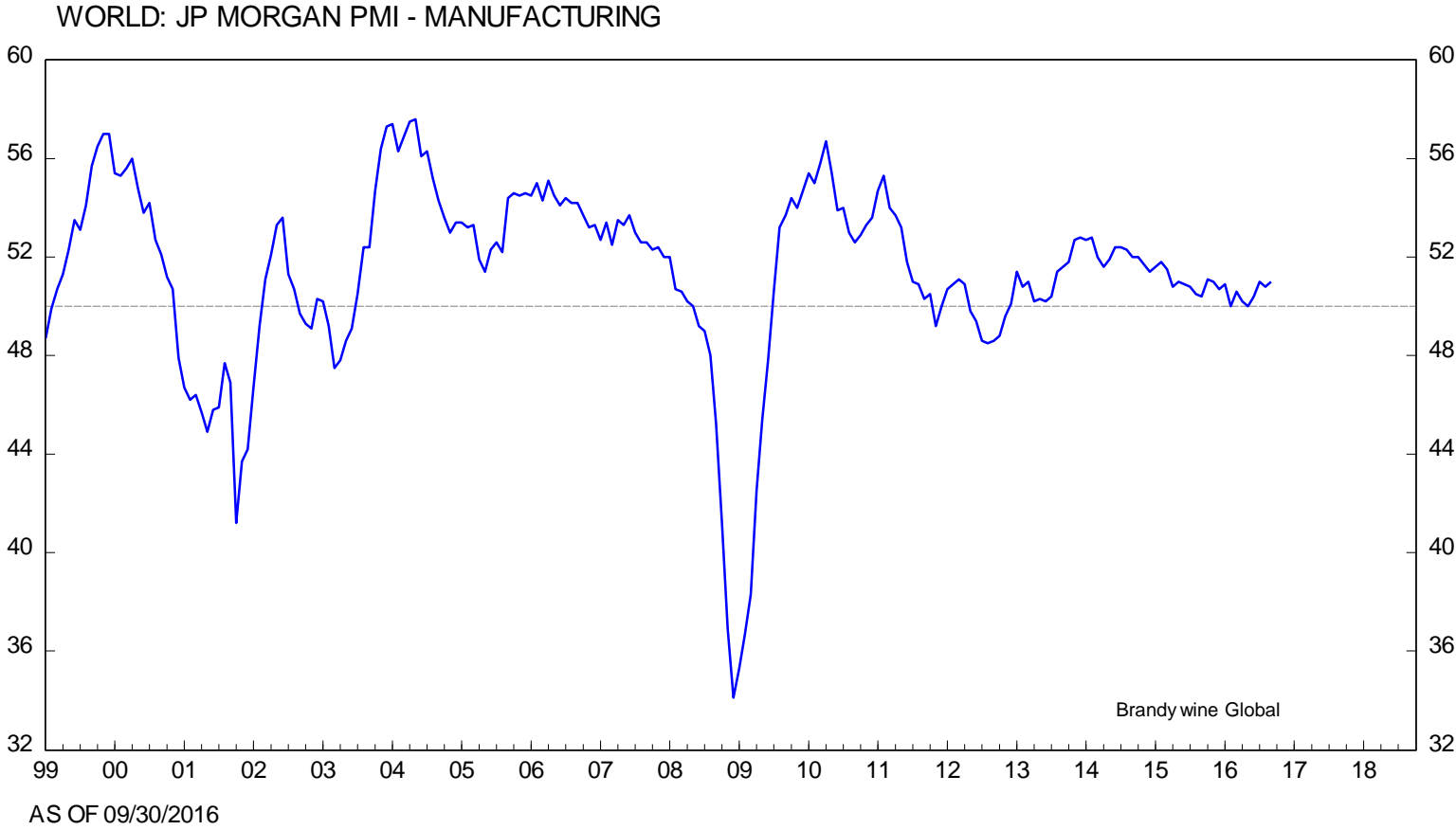


As of 08/31/2016.

Six major non-member economies: Brazil, China, India, Indonesia, Russia, South Africa.

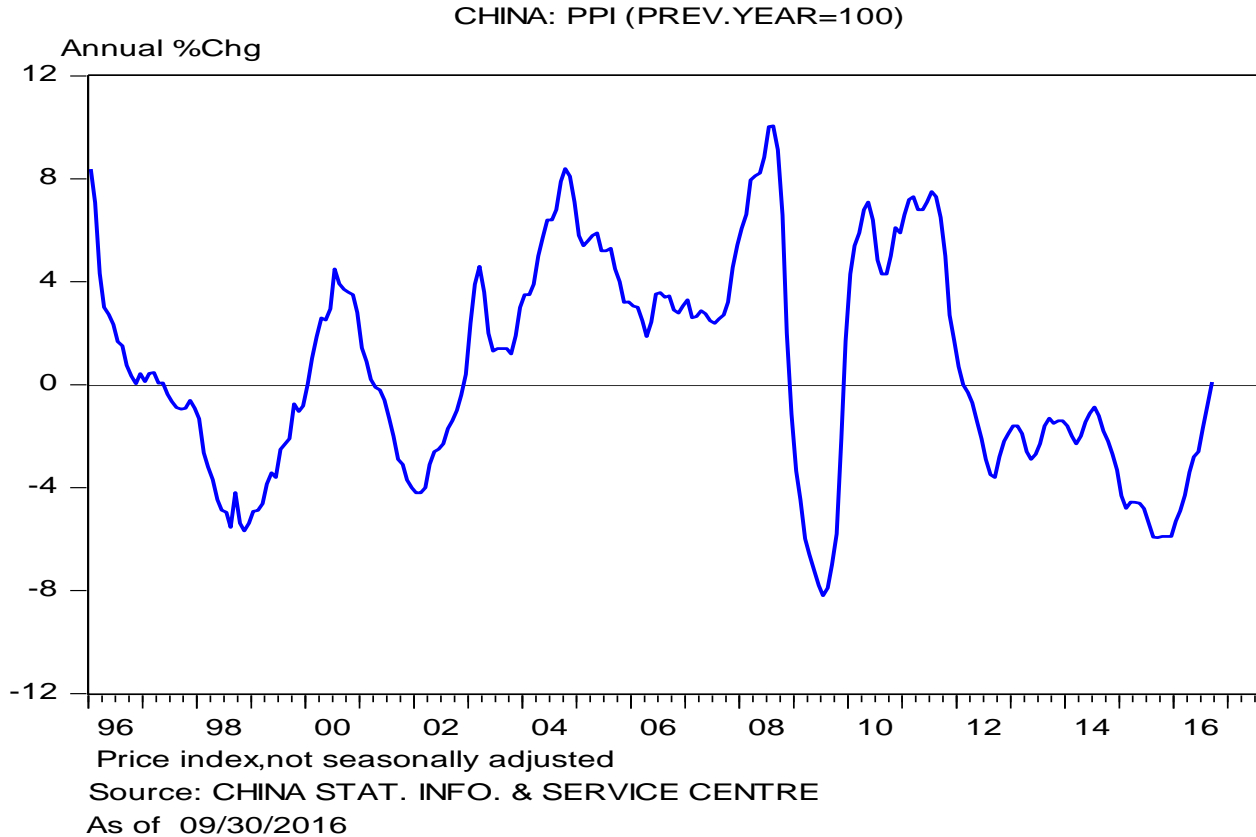
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The Global PMI for Manufacturing Appears to be Stabilizing Above 50



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China's Produce Price Inflation Rate is Positive for the First Time Since Early 2012



Appendix 1 – Important Disclosure Information

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