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A PALLION COMPANY

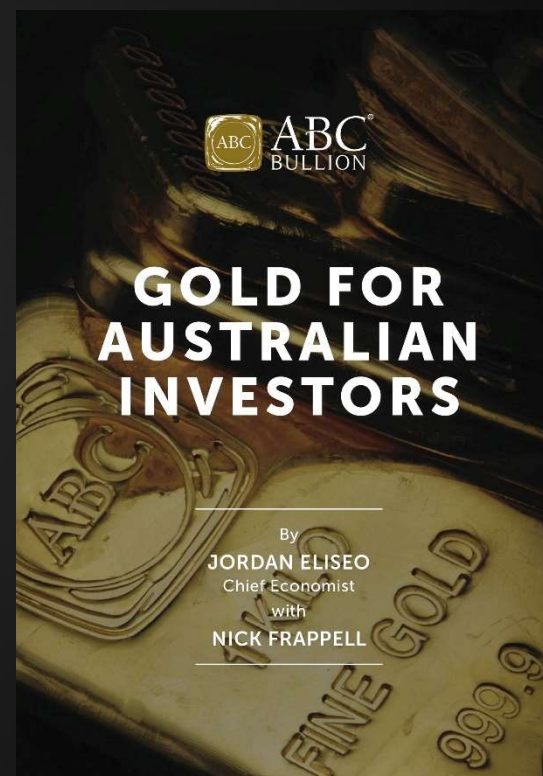
The End of “Easy Money”

Investing in the Decade Ahead

Jordan Eliseo
Chief Economist
August 2017

Topics

- Easy Money
- Global Financial Markets: What's next?
- The Australian Story
- Macroeconomics: Ignoring the Noise
- Steven Bradbury and Opportunities



DID YOU
KNOW ?
THAT IN 2028

"THERE IS NO PRIOR PERIOD OF CHANGE
THAT REMOTELY RESEMBLES WHAT
HUMANITY IS ABOUT TO EXPERIENCE.

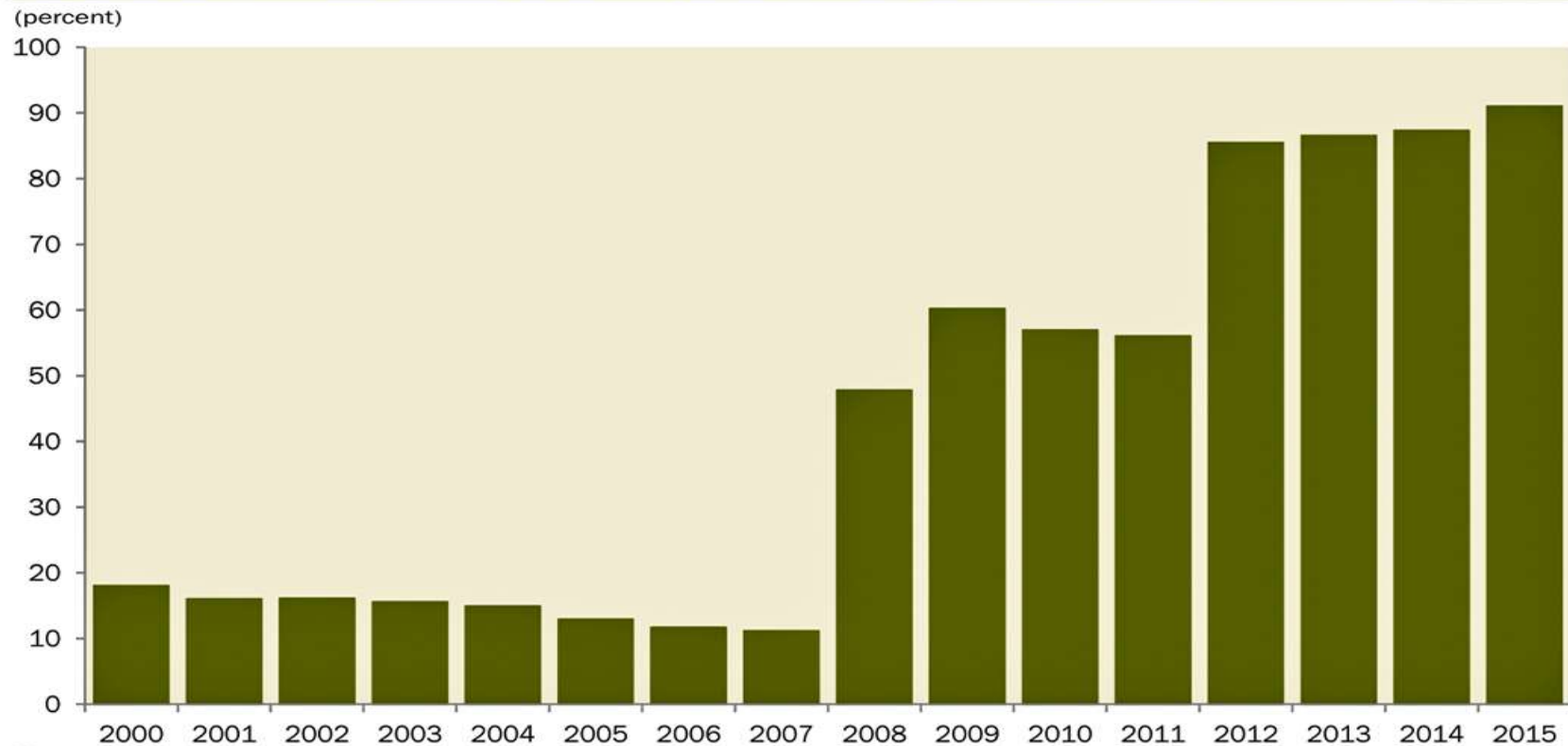
WE HAVE GONE THROUGH REVOLUTIONARY
PERIODS BEFORE, BUT NOT AS POWERFUL OR
AS PREGNANT AS THE FRATERNAL TWINS - PERIL
AND OPPORTUNITY - AS THE ONES BEGINNING TO
UNFOLD."



Markets Chart of the Day

90% OF INDUSTRIALIZED WORLD ECONOMY IS ANCHORED BY ZERO RATES

World: Share of Industrialized Economies' GDP with Policy Rates Near or Below 0%



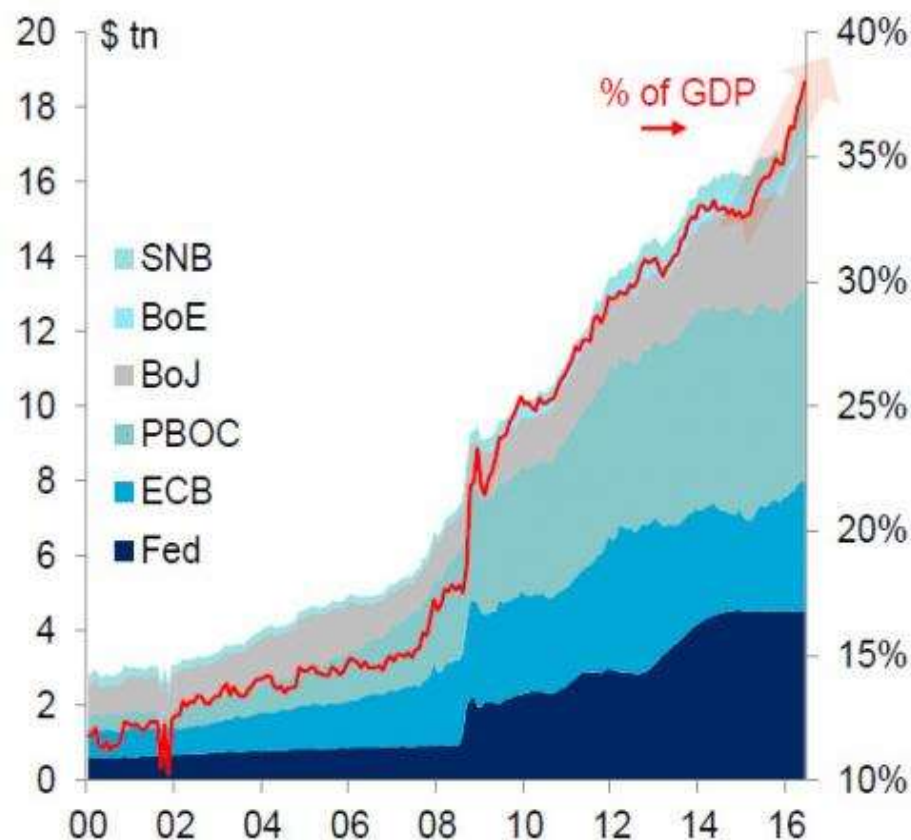
Notes:

Source: International Monetary Fund, Bloomberg, Haver Analytics, Gluskin Sheff

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More and more and more!

Aggregate balance sheet of large central banks, \$tn & % of GDP

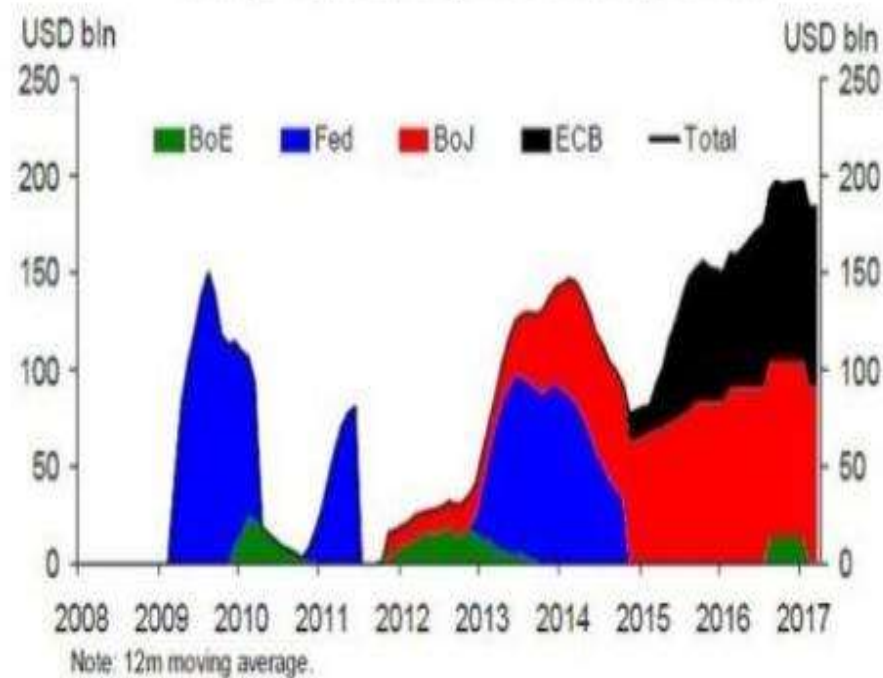


Source: Citi Research, Haver.

Still plenty of liquidity being added to markets:
ECB, BoJ, and BoE buying a combined \$200bn every month



Monthly Fed, ECB, BoE, and BoJ asset purchases



Note: 12m moving average.

Source: DB Global Markets Research

Deutsche Bank Research

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January 2017

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This is Easy Money - Bonds

Barclays Aggregate IG Bond Index
+7.50% p.a. for 40 YEARS



Source: Bloomberg

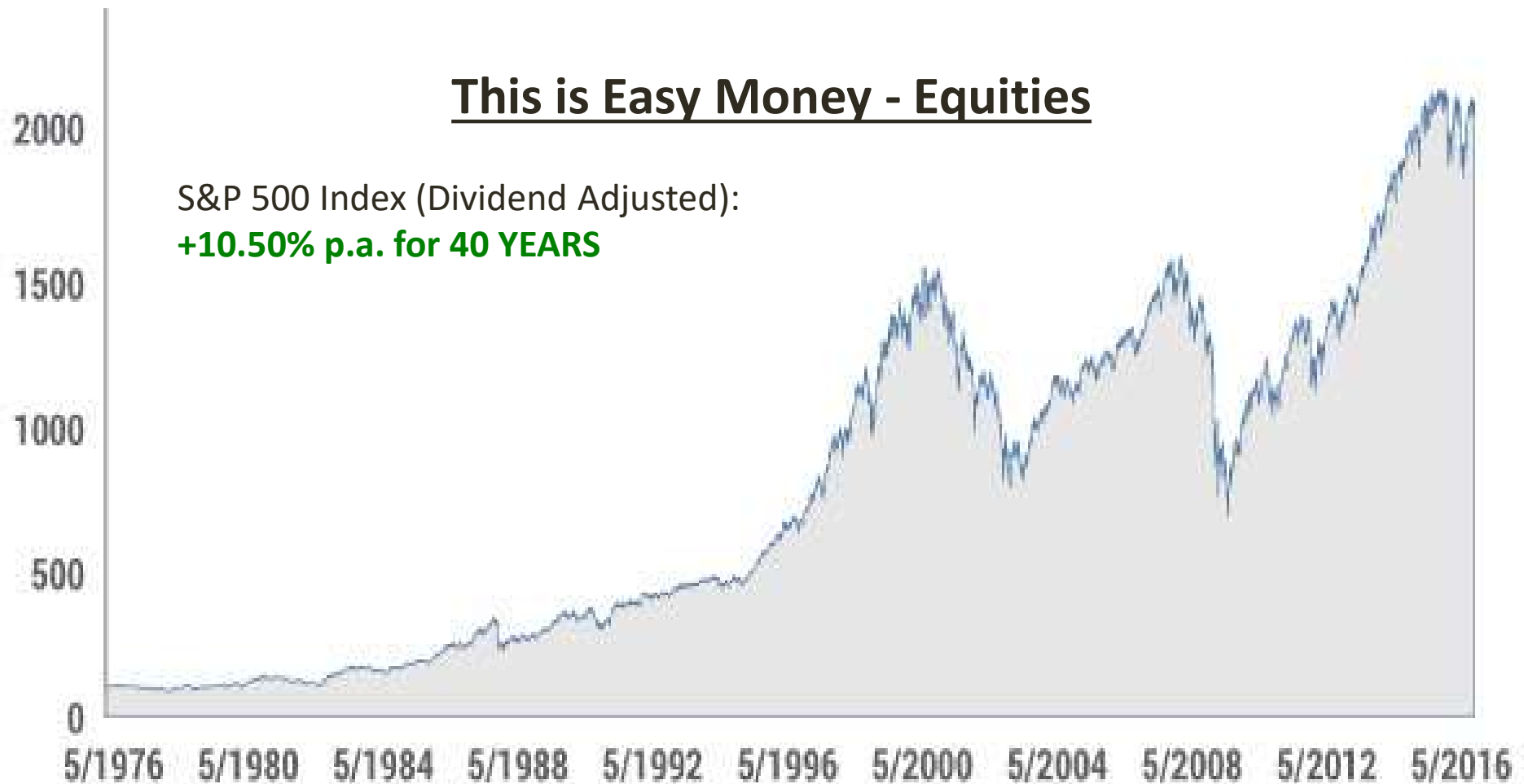




This is Easy Money - Equities

S&P 500 Index (Dividend Adjusted):

+10.50% p.a. for 40 YEARS



Source: Bloomberg

Factors Driving Equity Market Returns

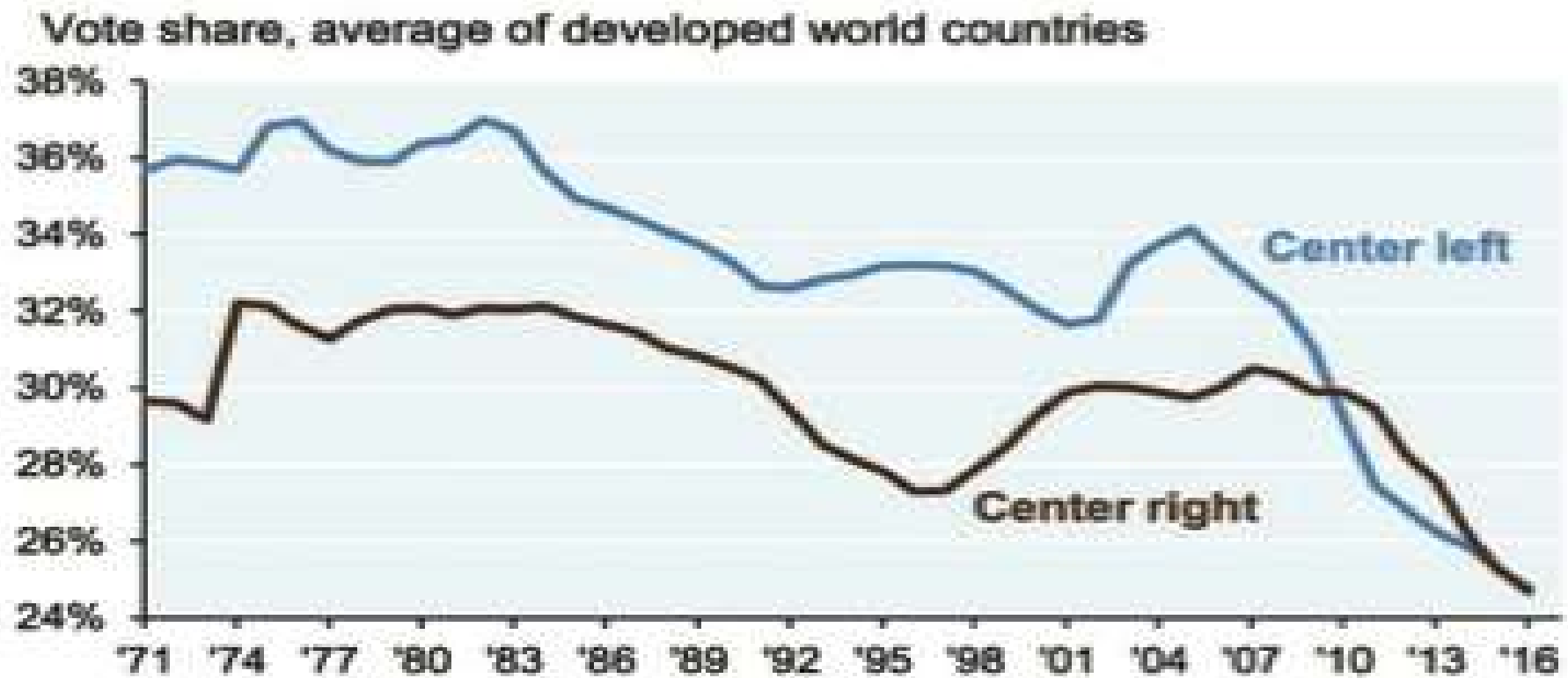


- Productivity Gains
- Low Interest Rates
- Female Labor Force Participation
- Declining Corporate Tax Rates
- Demographics
- Democratization of Credit/Leverage
- Globalization and centrist politics
- Valuations

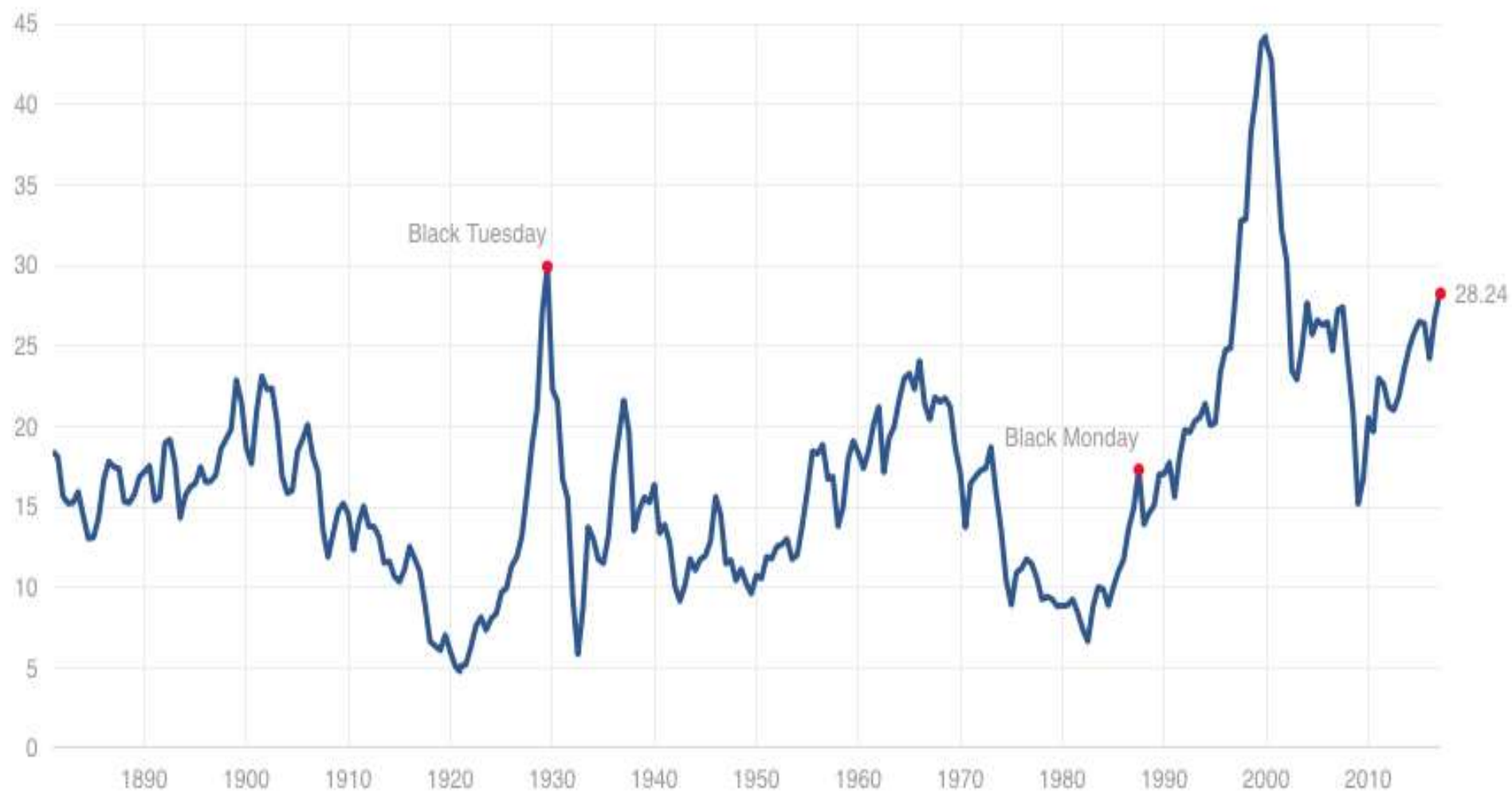
Neutral
Going Forward

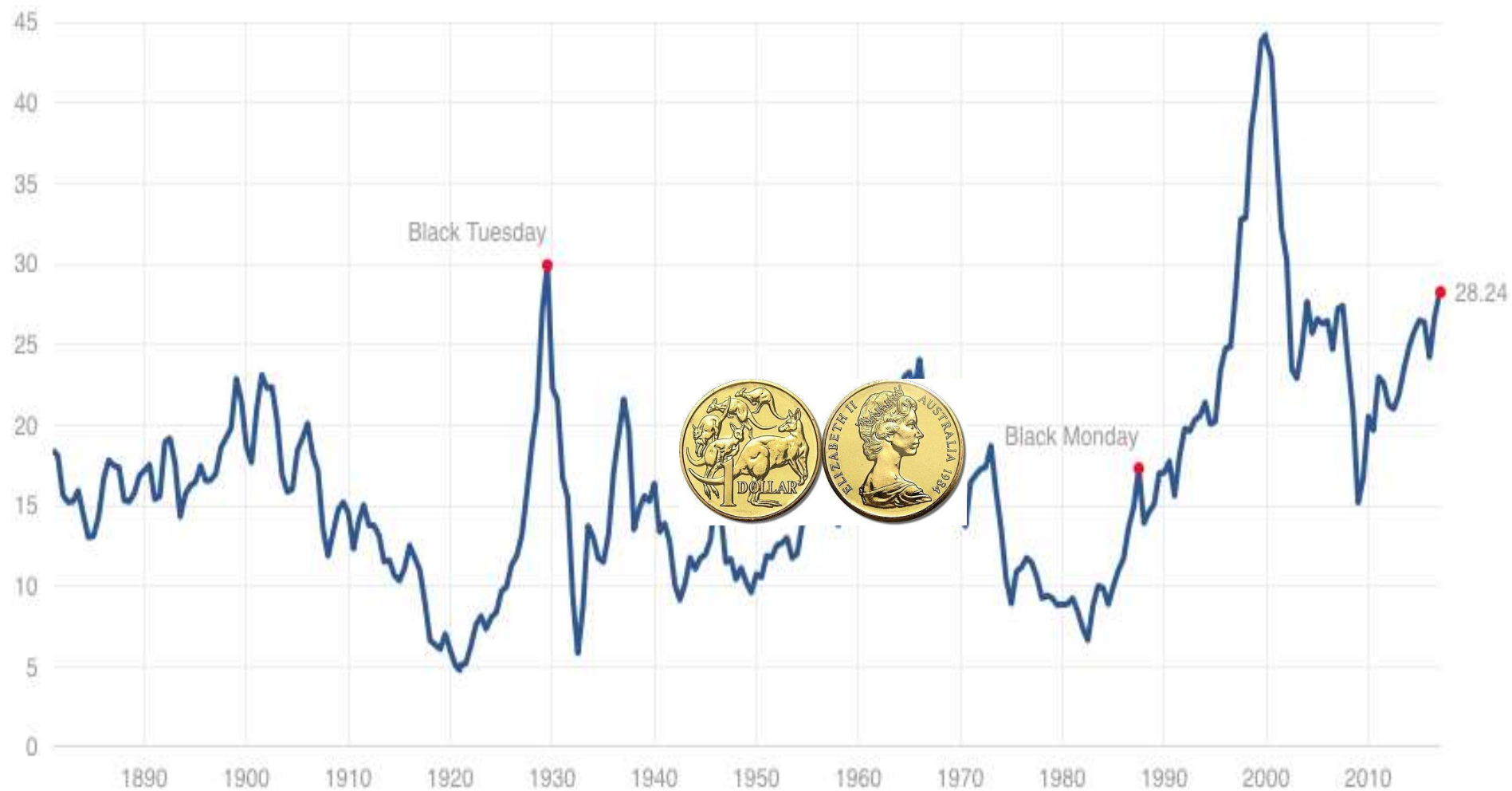
Headwinds in
The Decade Ahead

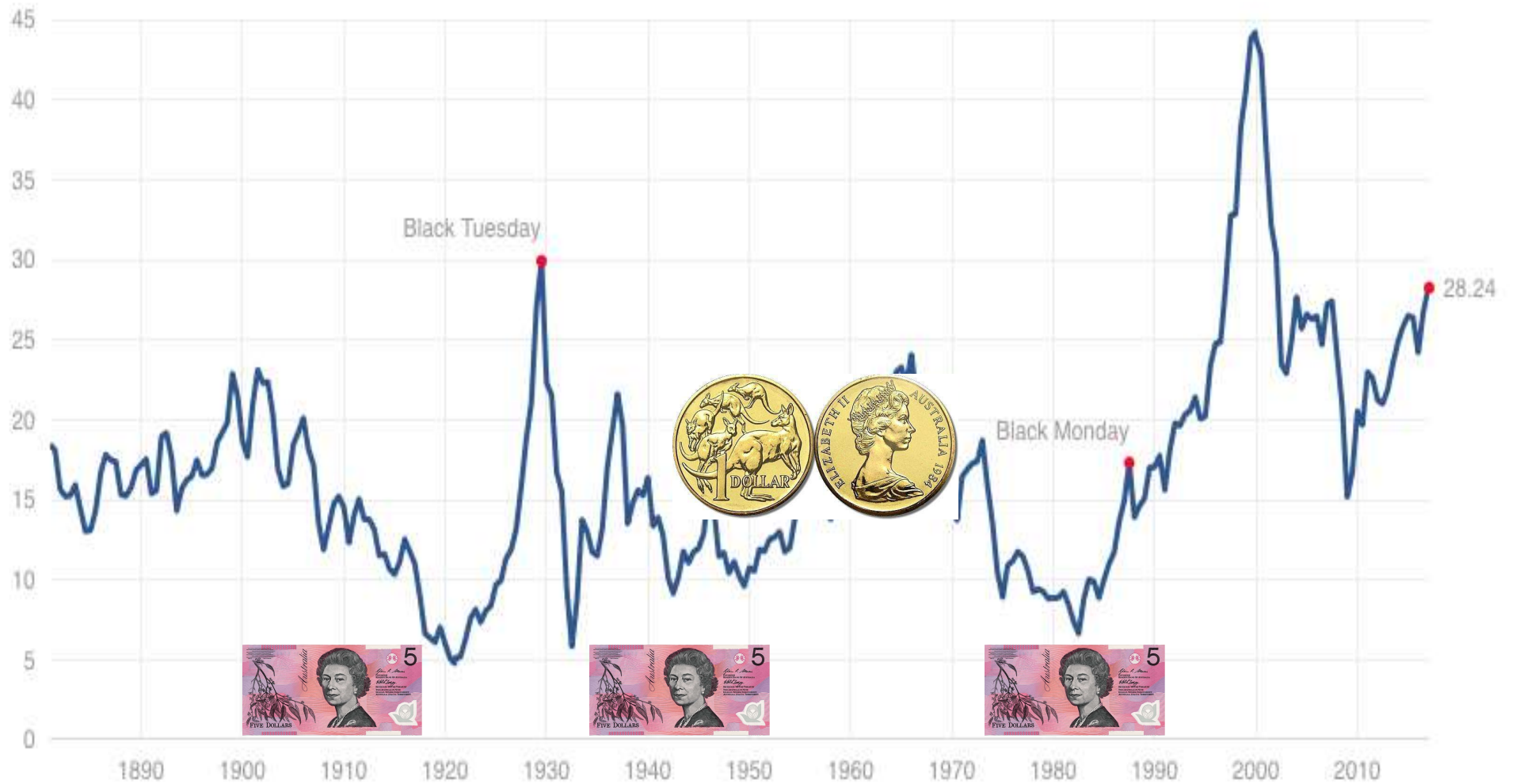
Erosion of the Political Centre



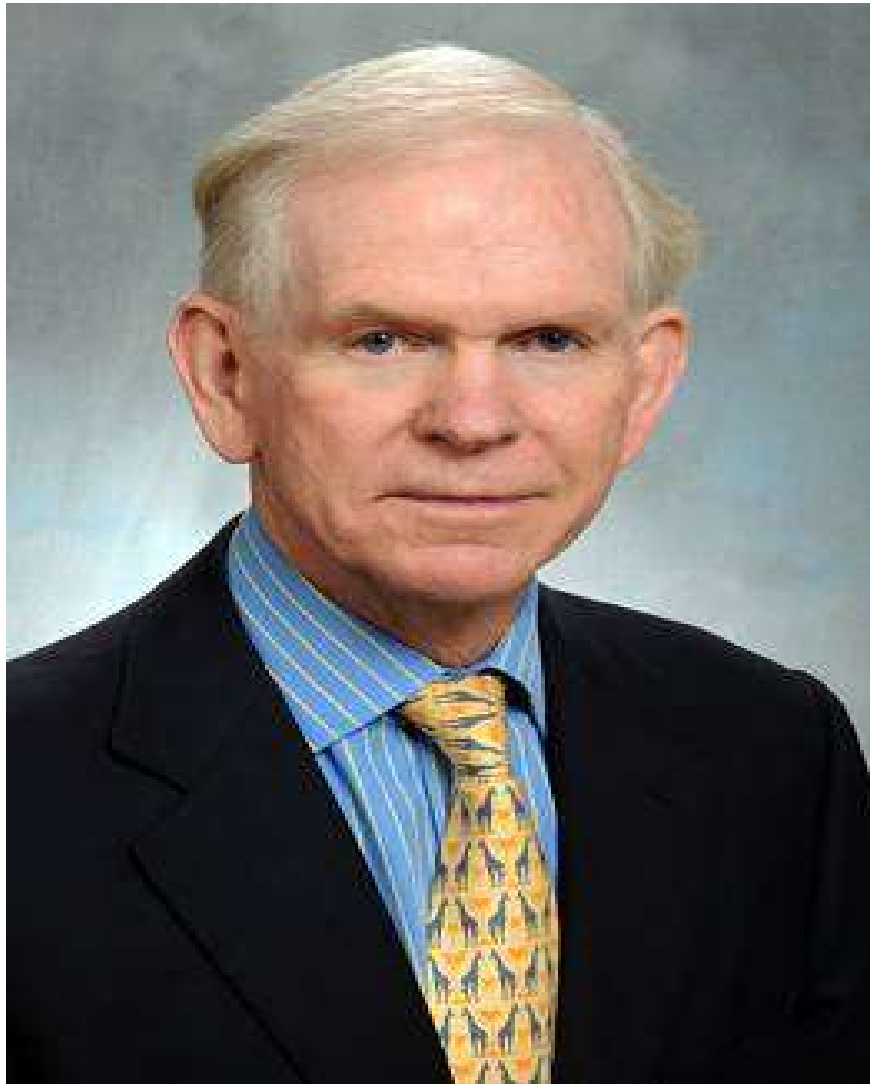
Source: Barclays Research. October 2016











Forecasts to 2024

- US Large Cap Stocks -3.8%
- US Small Caps -3.1%
- US Bonds -0.8%
- International Bonds -2.8%

The Past Is Not A Guide To The Future

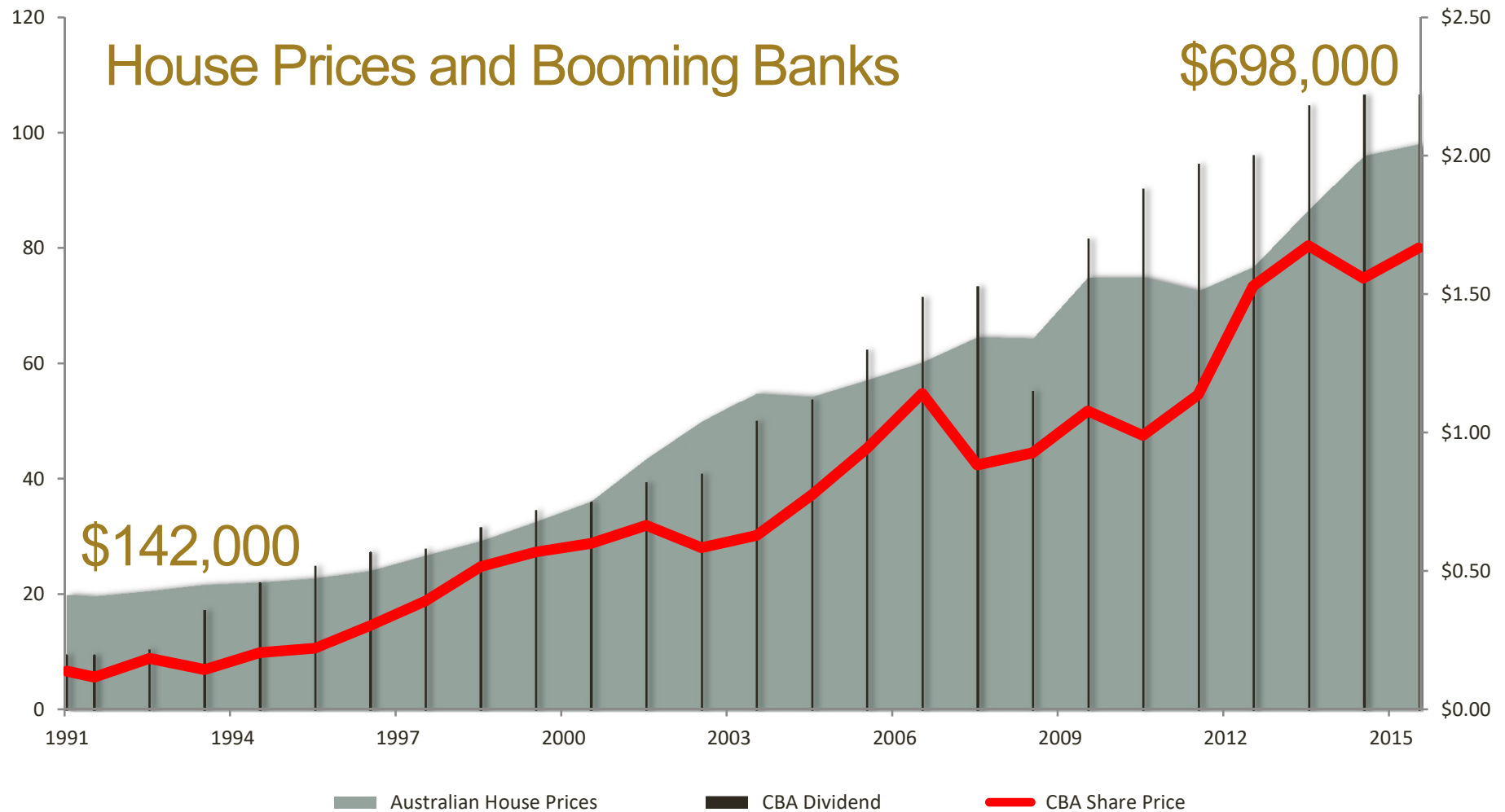
	COMPOUND % RETURNS P.A.		PORTFOLIO WEIGHT
	THE PAST 1982-2016	THE FUTURE 2016-2026	
U.S. EQUITIES	11.2	3.5	40
OTHER DEVELOPED EQUITIES	9.3	5.5	20
EM EQUITIES	11.6	7.5	5
LONG-TERM TREASURIES	8.3	2.6	25
CORPORATE BONDS	9.3	3.6	10
TOTAL PORTFOLIO*	9.9	4.0	100
INFLATION	2.7	2.0	
TOTAL PORTFOLIO REAL RETURN	7.0	2.0	

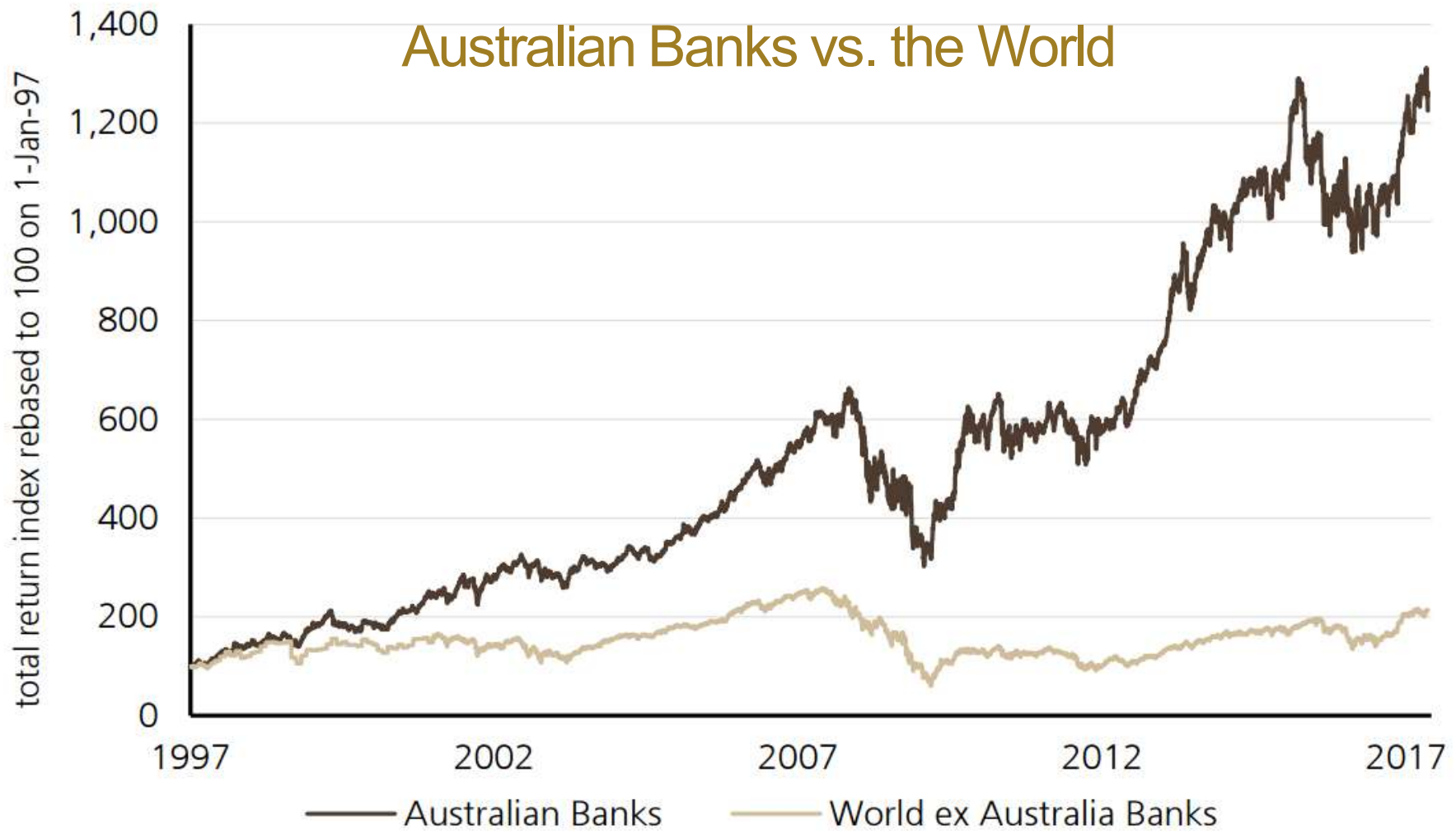
*BASED ON WEIGHTS IN FINAL COLUMN.



The Australian Story

House Prices and Booming Banks

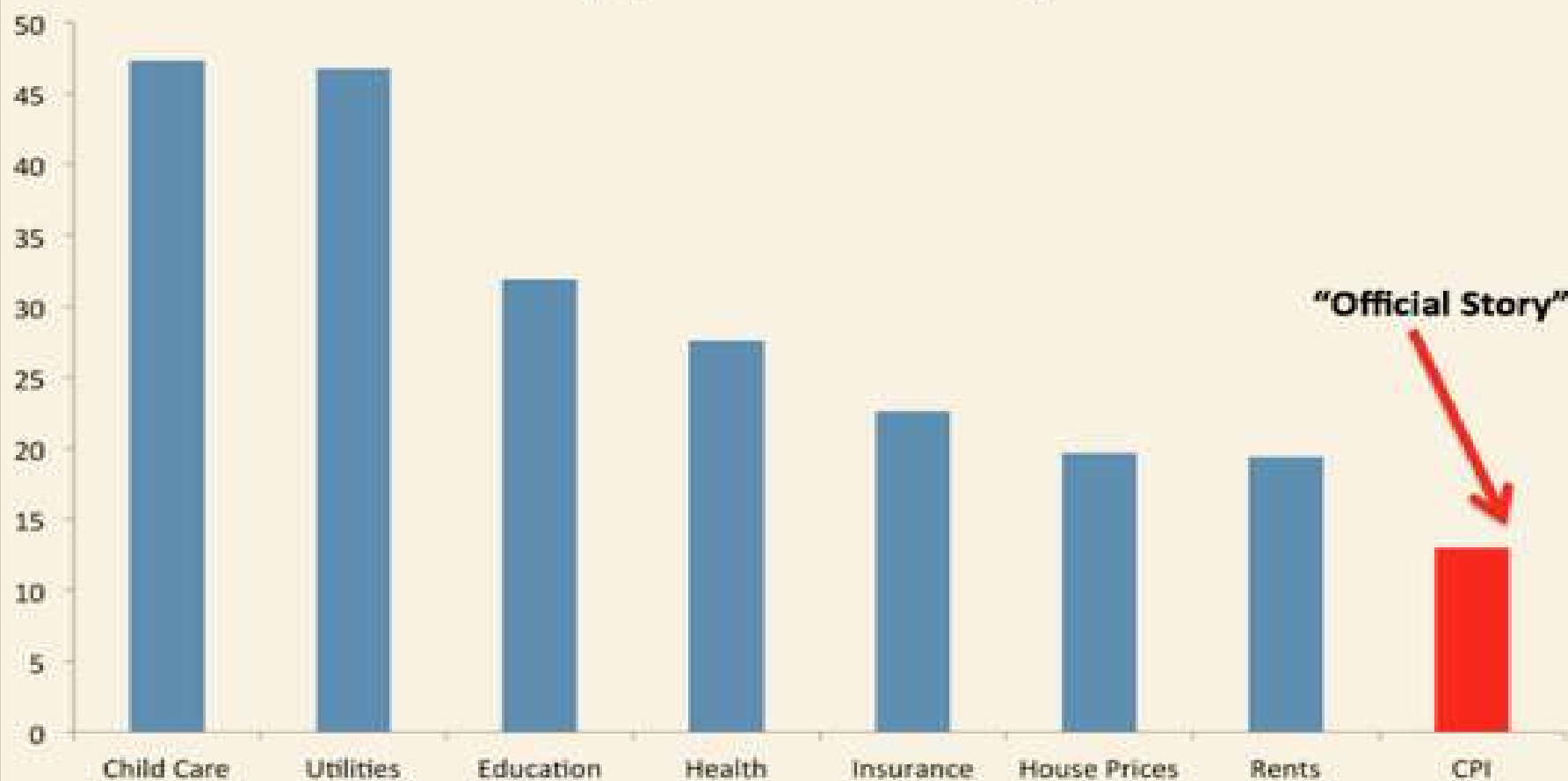




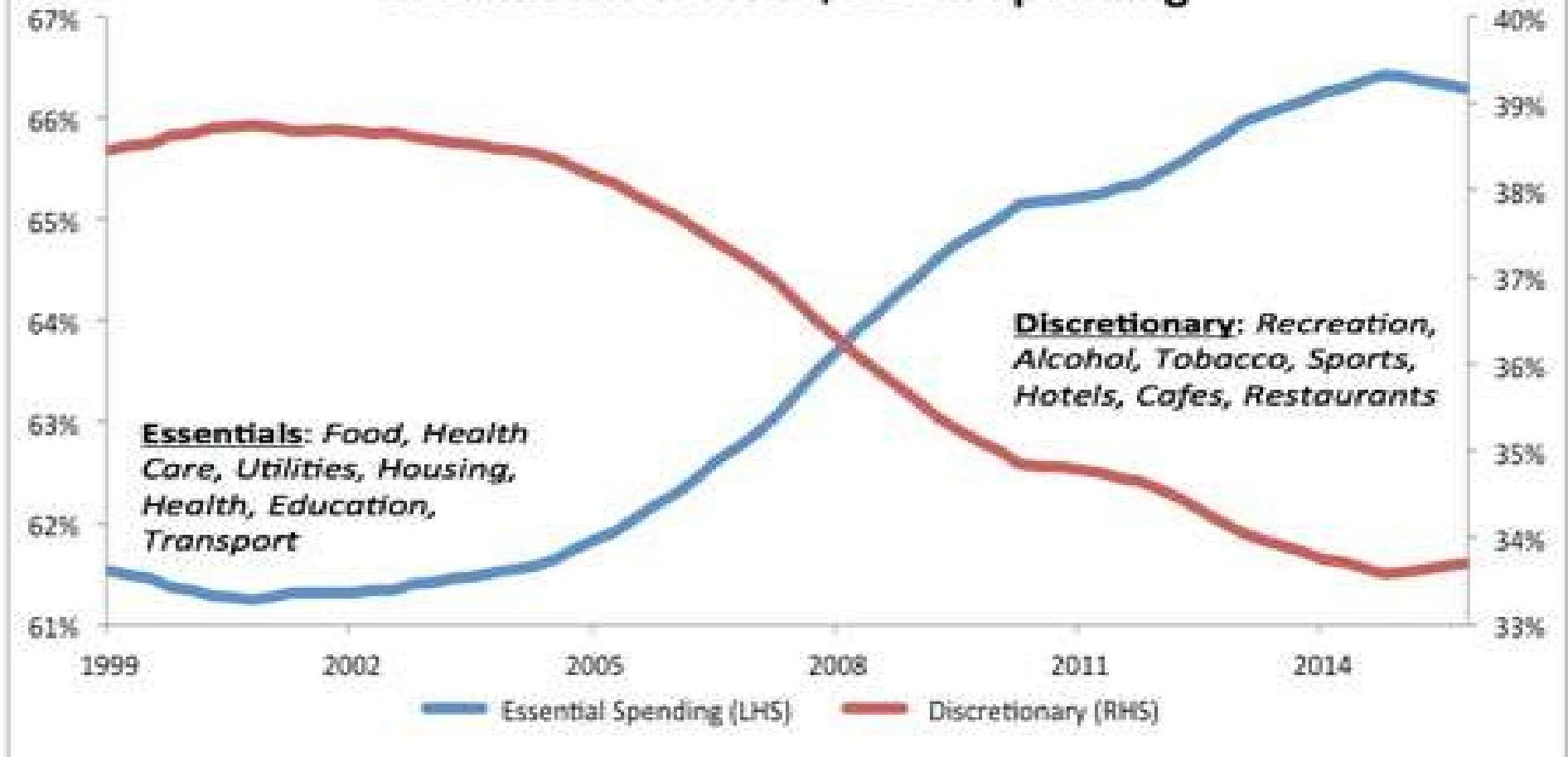
Rates, Debt, Yields and Bank Lending

	<u>1990</u>	<u>2016</u>
RBA Interest Rate	17.5%	1.5%
Home Lending (% of Total Bank Loans)	24%	61%
Investor Home Loans (% of total)	16%	50%
Residential Property Yields	7-8%	3%
Household Debt to Income	70%	180%
Household Saving Rate	9.6%	5.6%

Australian Inflation (%) - December 2009 through December 2014



Breakdown of AUD \$100 in Spending





Macroeconomics

ECONOMICS IS
EXTREMELY USEFUL
AS A FORM OF
EMPLOYMENT FOR
ECONOMISTS.



John Kenneth Galbraith
Canadian-American Economist


QUOTEHD.COM

1908 - 2006

MONDAY, APR 03

	USD	Markit Manufacturing PMI (Mar)	
	USD	ISM Manufacturing PMI (Mar)	
	USD	ISM Prices Paid (Mar)	
	USD	Construction Spending (MoM) (Feb)	
	USD	Fed's William Dudley speech	SPEECH
	USD	3-Month Bill Auction	
	USD	6-Month Bill Auction	
	USD	FOMC Member Harker Speech	SPEECH
	USD	Total Vehicle Sales (Mar)	
	USD	Fed's Lacker speech	SPEECH

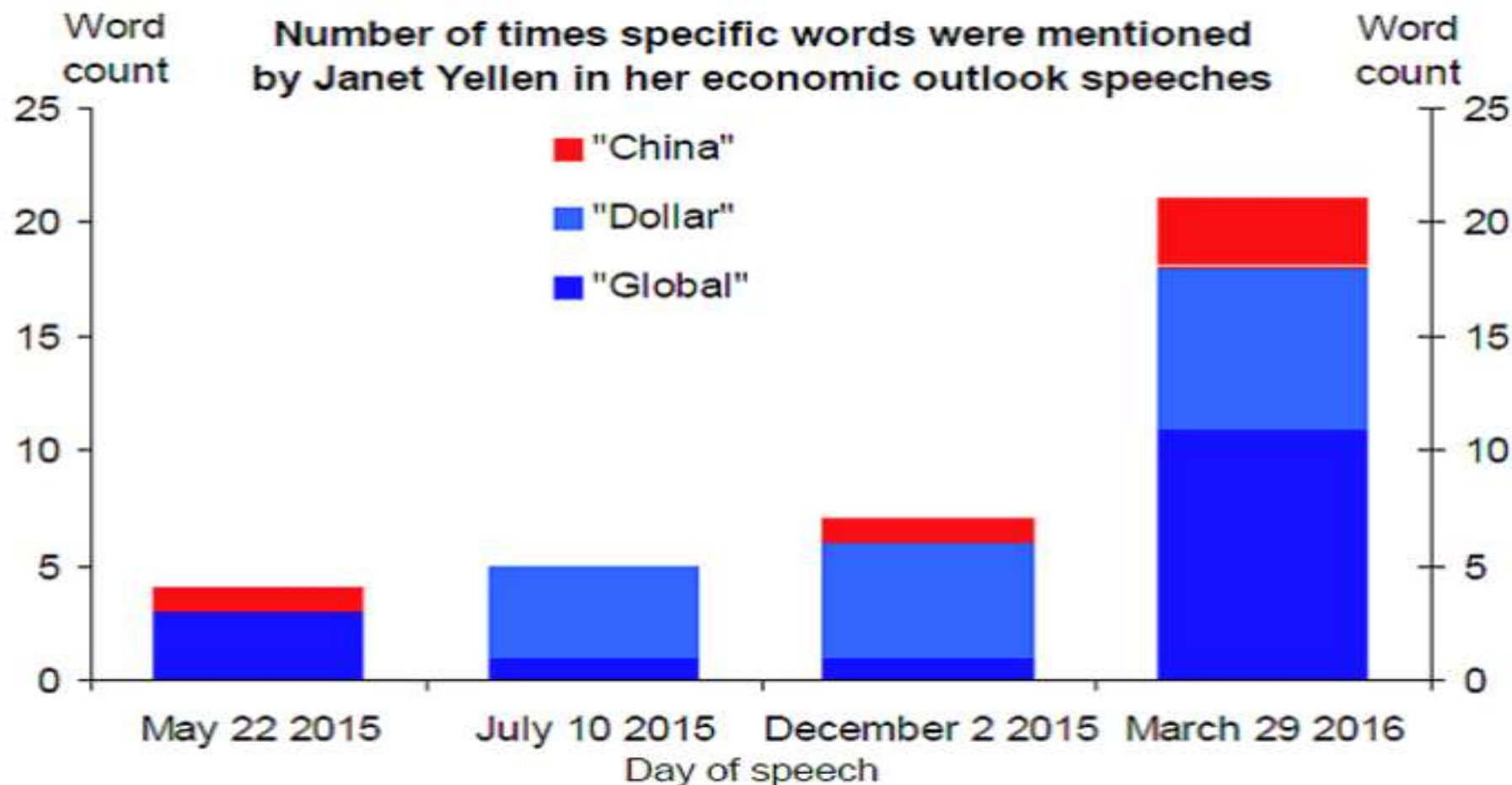
TUESDAY, APR 04

	USD	Trade Balance (Feb)	
	USD	Redbook index (MoM) (Mar 31)	
	USD	Redbook index (YoY) (Mar 31)	
	USD	ISM New York index (Mar)	
	USD	Factory Orders (MoM) (Feb)	
	USD	IBD/TIPP Economic Optimism (MoM) (Apr)	
	USD	4-Week Bill Auction	
	USD	Fed's Tarullo speech	SPEECH
	USD	API Weekly Crude Oil Stock	

WEDNESDAY, APR 05

	USD	MBA Mortgage Applications (Mar 31)	
	USD	ADP Employment Change (Mar)	
	USD	Markit PMI Composite (Mar)	
	USD	Markit Services PMI (Mar)	
	USD	ISM Non-Manufacturing PMI (Mar)	
	USD	EIA Crude Oil Stocks change (Mar 31)	
	USD	FOMC Minutes	REPORT

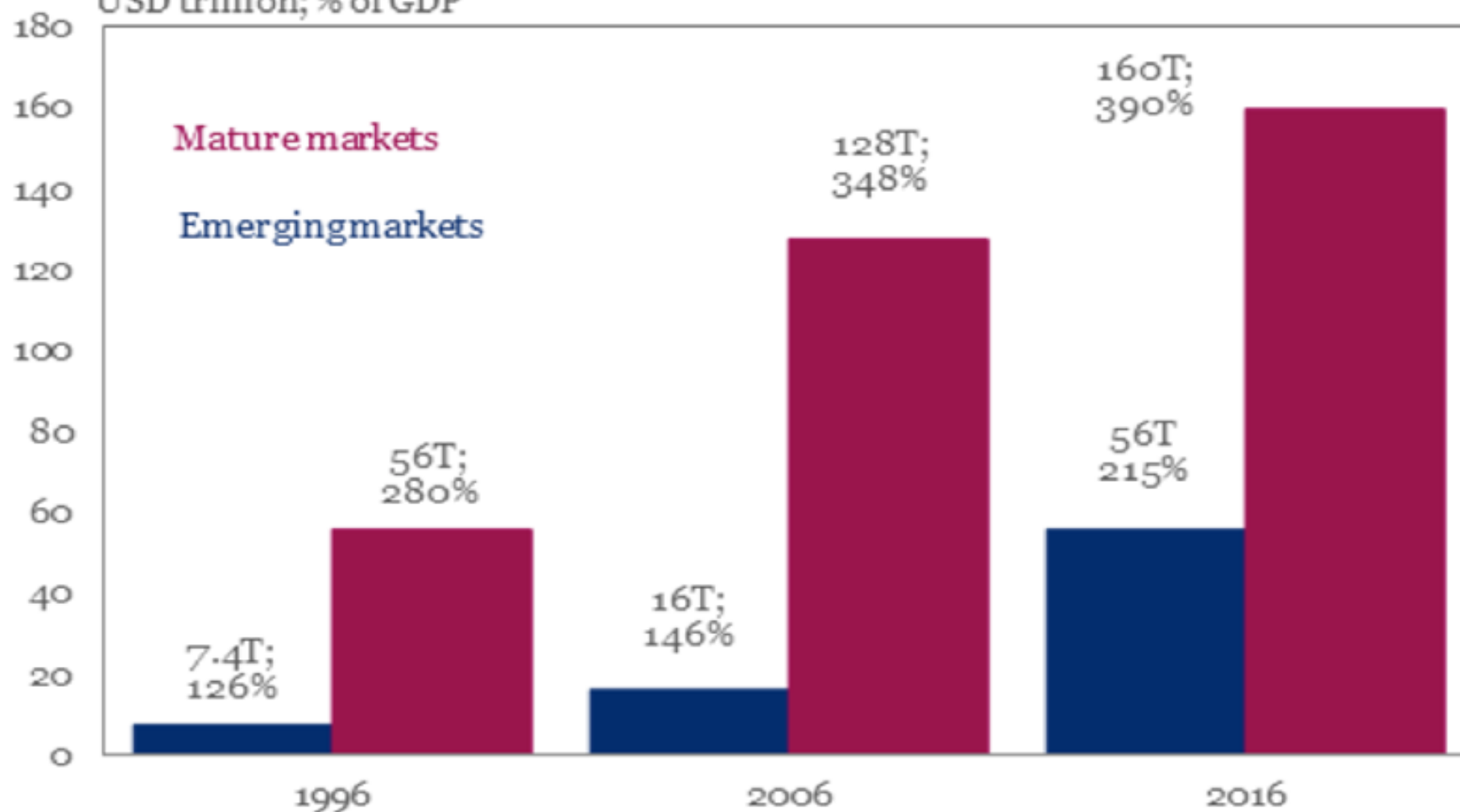
The rest of the world is more and more important for Fed policy



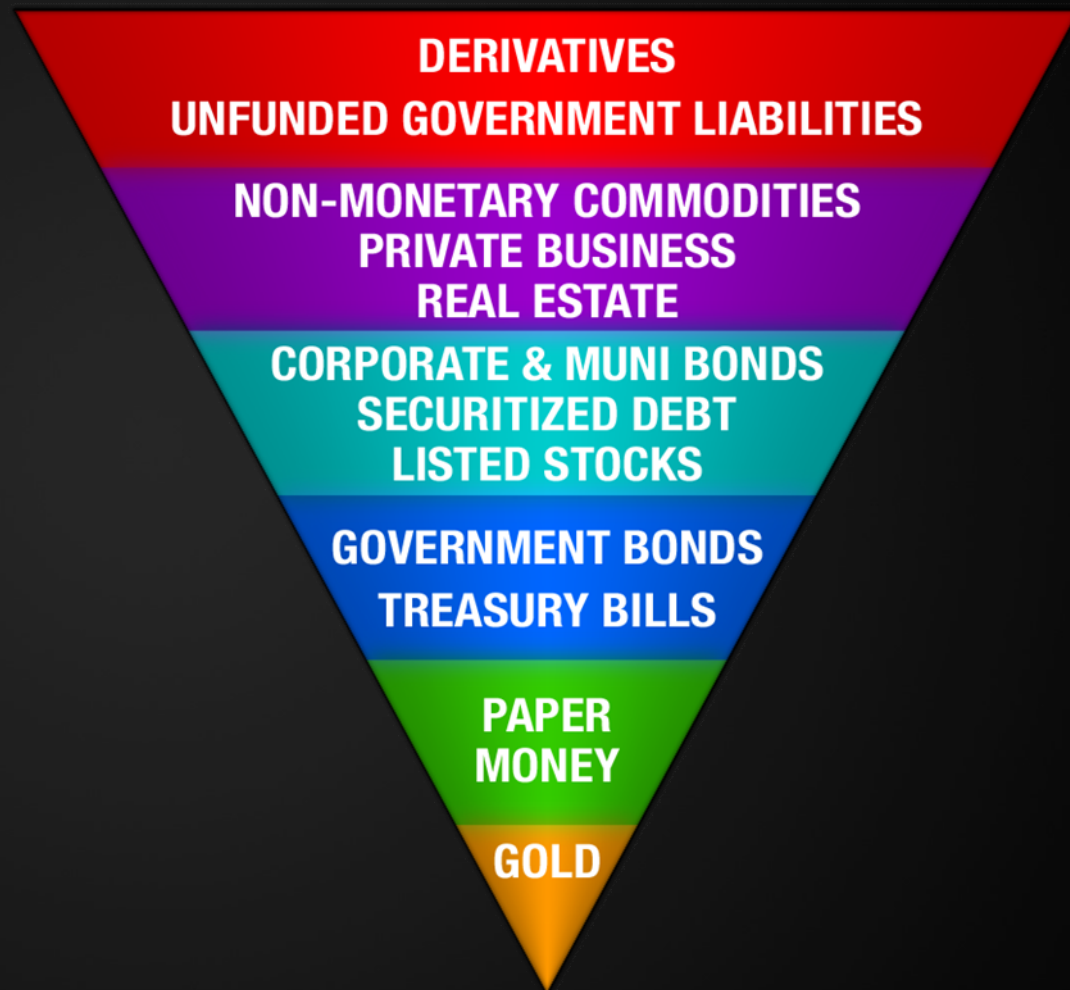
Source: Federal Reserve, DB Global Markets Research

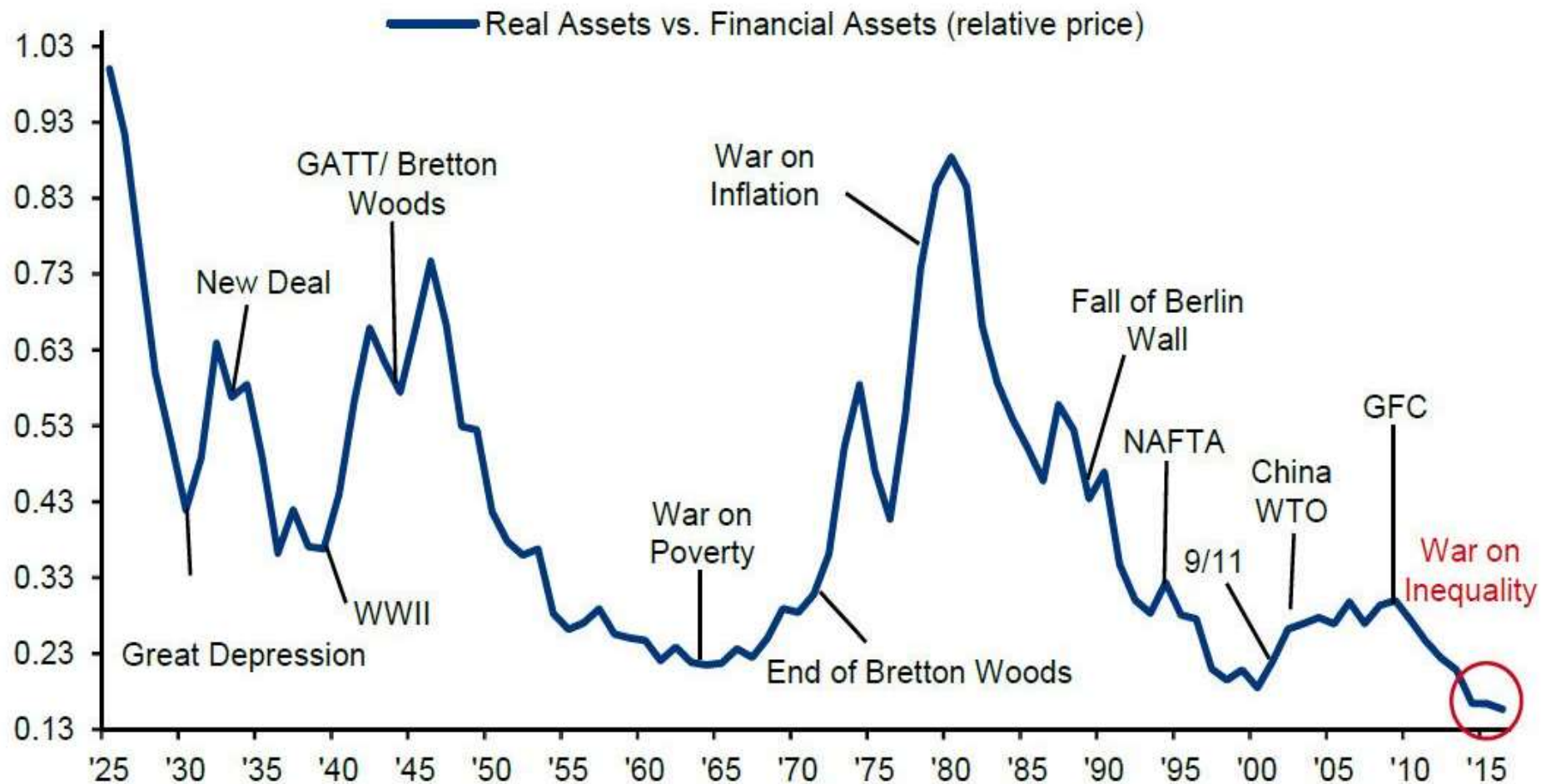
Total Global Debt (all sectors)

USD trillion; % of GDP



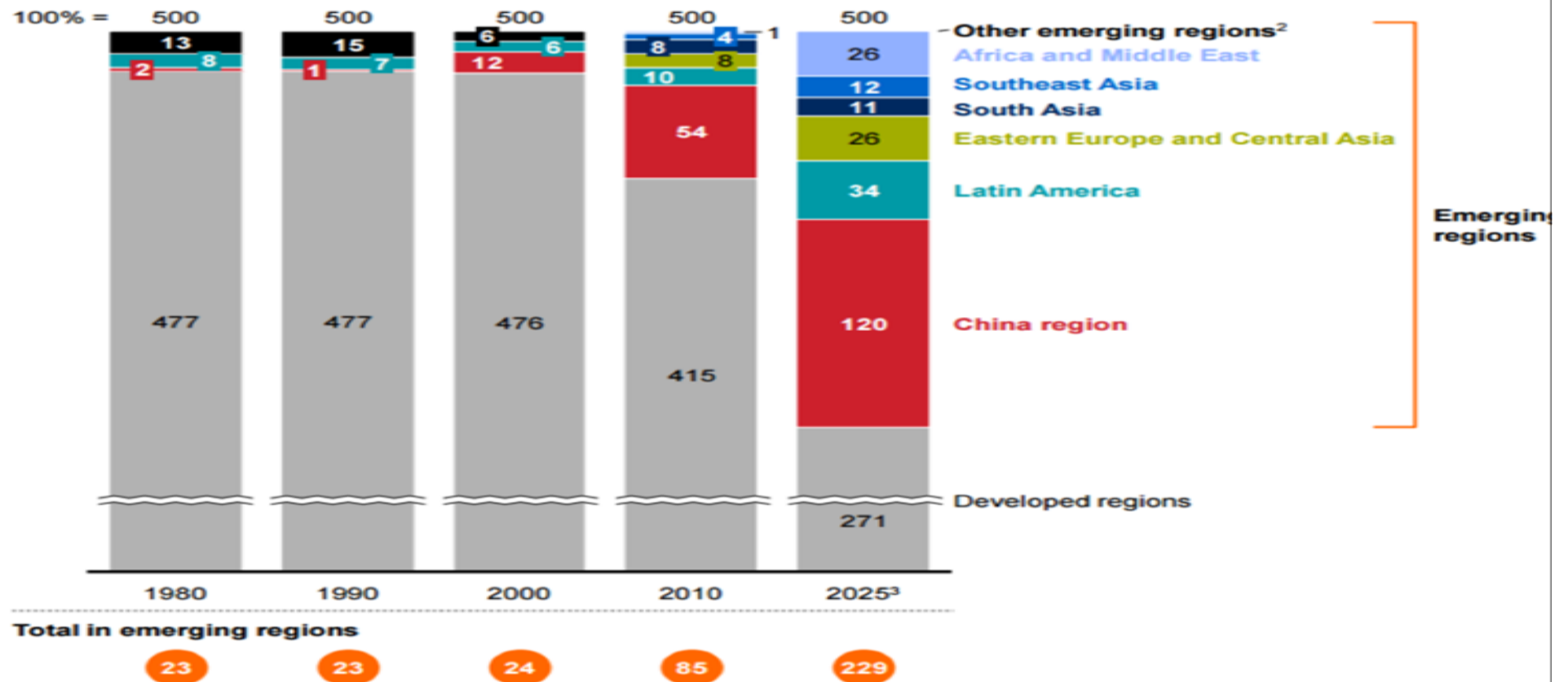






Source: BofA Merrill Lynch Global Investment Strategy, Global Financial Data, Bloomberg, USDA, Savills, Shiller, ONS, Spaenjers, Historic Auto Group. Note: Real Assets (Commodities, Real Estate, Collectibles) vs. Financial Assets (Large Cap Stocks, Long-term Govt Bonds)

Evolution of the Fortune Global 500¹ Number of Fortune Global 500 companies

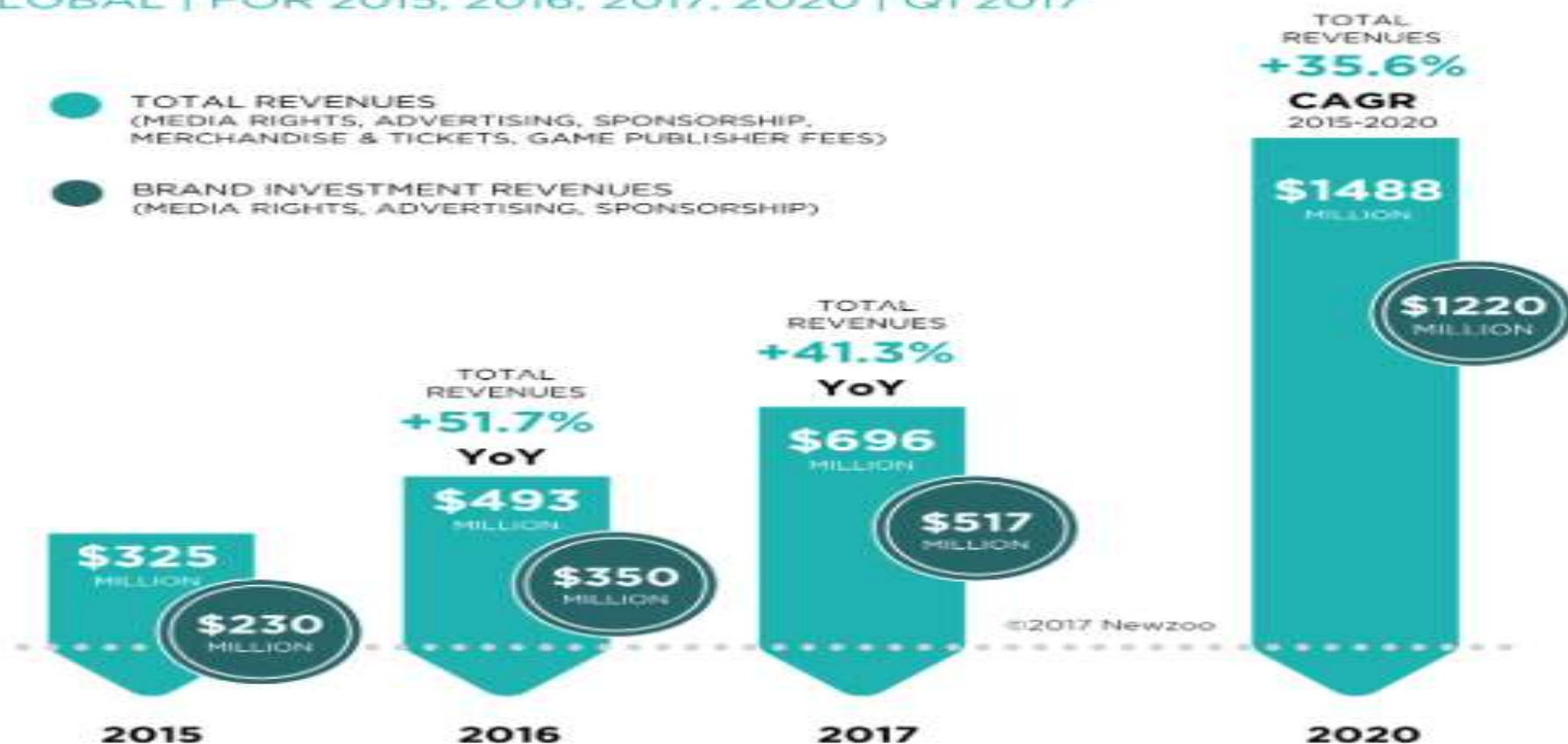


1 The Fortune Global 500 is an annual ranking of the top 500 companies worldwide by gross revenue in US dollars.
 2 Shares of emerging regions excluding China and Latin America combined until 2000.
 3 Fortune Global 500 share in 2025 projected from revenue shares of countries in 2025.
 NOTE: Numbers may not sum due to rounding.
 SOURCE: MGI CompanyScope; McKinsey Global Institute analysis

ESPORTS REVENUE GROWTH

GLOBAL | FOR 2015, 2016, 2017, 2020 | Q1 2017

-  **TOTAL REVENUES**
(MEDIA RIGHTS, ADVERTISING, SPONSORSHIP,
MERCHANDISE & TICKETS, GAME PUBLISHER FEES)
-  **BRAND INVESTMENT REVENUES**
(MEDIA RIGHTS, ADVERTISING, SPONSORSHIP)

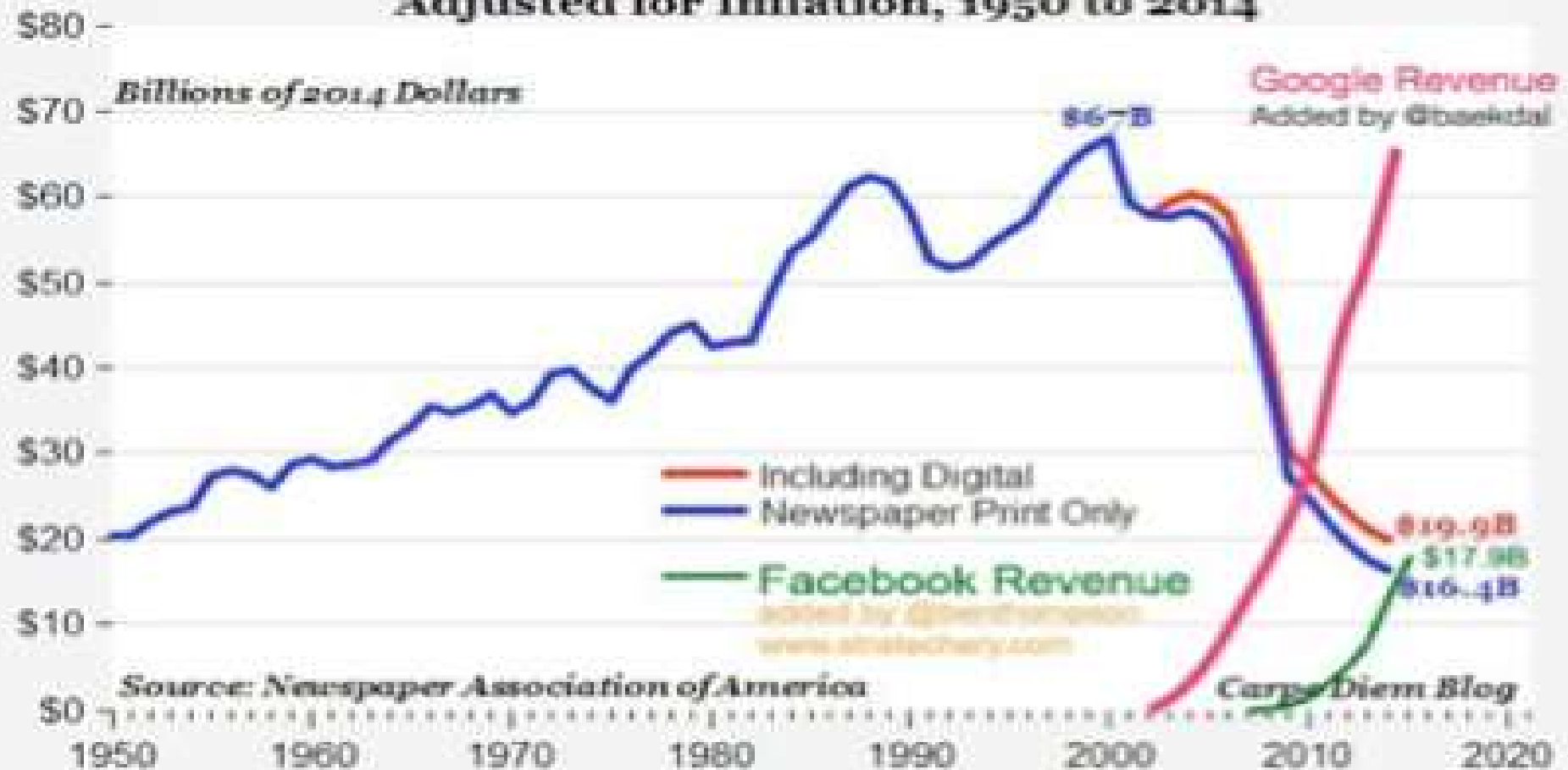


The background image shows a large esports arena with tiered seating filled with spectators. In the foreground, a stage is visible with several people, likely commentators or players, and large monitors displaying game footage. The entire scene is overlaid with a semi-transparent purple and red gradient. The logo 'EN' is prominently displayed in the center in a large, white, stylized font.

EN

ESPORTS NETWORK

Newspaper Advertising Revenue: Adjusted for Inflation, 1950 to 2014





NETFLIX

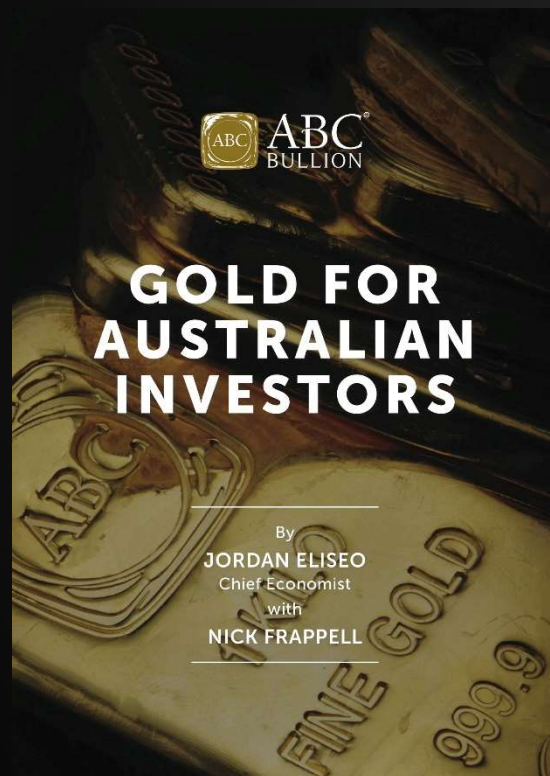
Final Thoughts



- Most dangerous macroeconomic, market and monetary environment we've been in
- The era of "Easy Money" is over
- Real return on *financial assets as a whole* likely to be zero (at best) in coming decade
- Preservation OF capital must be the priority
- Opportunities exist, but you have to look outside the box



Find Out More



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