



AUSTRALIAN
INVESTORS
ASSOCIATION

Synchronicity – Coincidence, luck or the new paradigm.

“This time it’s different”. How to find
investment love in all the wrong places.

Disclaimer

- General Disclaimer This document has been prepared (in Australia) by MTIS ACN110 971 689 /AFS Licence 473383) regulated by the Financial Services Authority (FSA) All information has been prepared in good faith and based on the facts known at the time of preparation and does not purport to contain all relevant information in respect of the financial products to which it relates. Any projections are estimates only and may not be realised in the future.
- This presentation is for information only-see your own financial advice and no recommendations are made in regards any specific recommendations or views.
- The Views expressed in this presentation are solely the views of Henry Jennings-Seek your own professional advice in relation to any ideas represented in this presentation.

The Sizzle

- “How to benefit from the change in narrative in a synchronised world where crowded trades dominate and resulting volatility is rising”.

Co-Ordinated Global Growth

Manufacturing momentum

GTM - U.S. | 45

Global Purchasing Managers' Index for manufacturing, quarterly



Source: Markit, J.P. Morgan Asset Management.
Heatmap colors are based on PMI relative to the 50 level, which indicates acceleration or deceleration of the sector, for the time period shown. Heat map is based on quarterly averages, with the exception of the two most recent figures, which are single month readings. Data for Canada, Indonesia and Mexico are back-tested and filled in from December 2007 to November 2010 for Canada and May 2011 for Indonesia and Mexico due to lack of existing PMI figures for these countries. DM and EM represent developed markets and emerging markets, respectively.
Guide to the Markets - U.S. Data are as of June 30, 2018.

J.P.Morgan
Asset Management

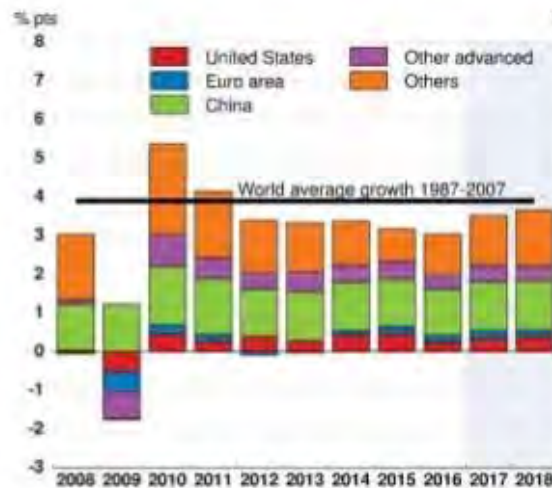
Synchronicity



A synchronised short-term global upturn

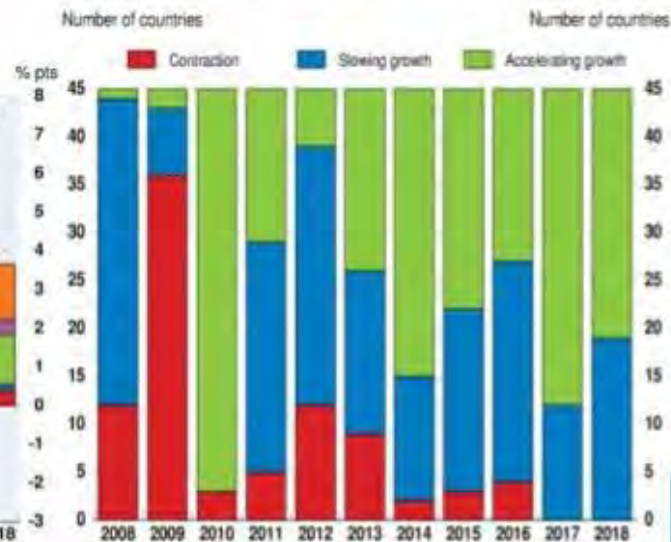
Global GDP growth

Contributions by regions



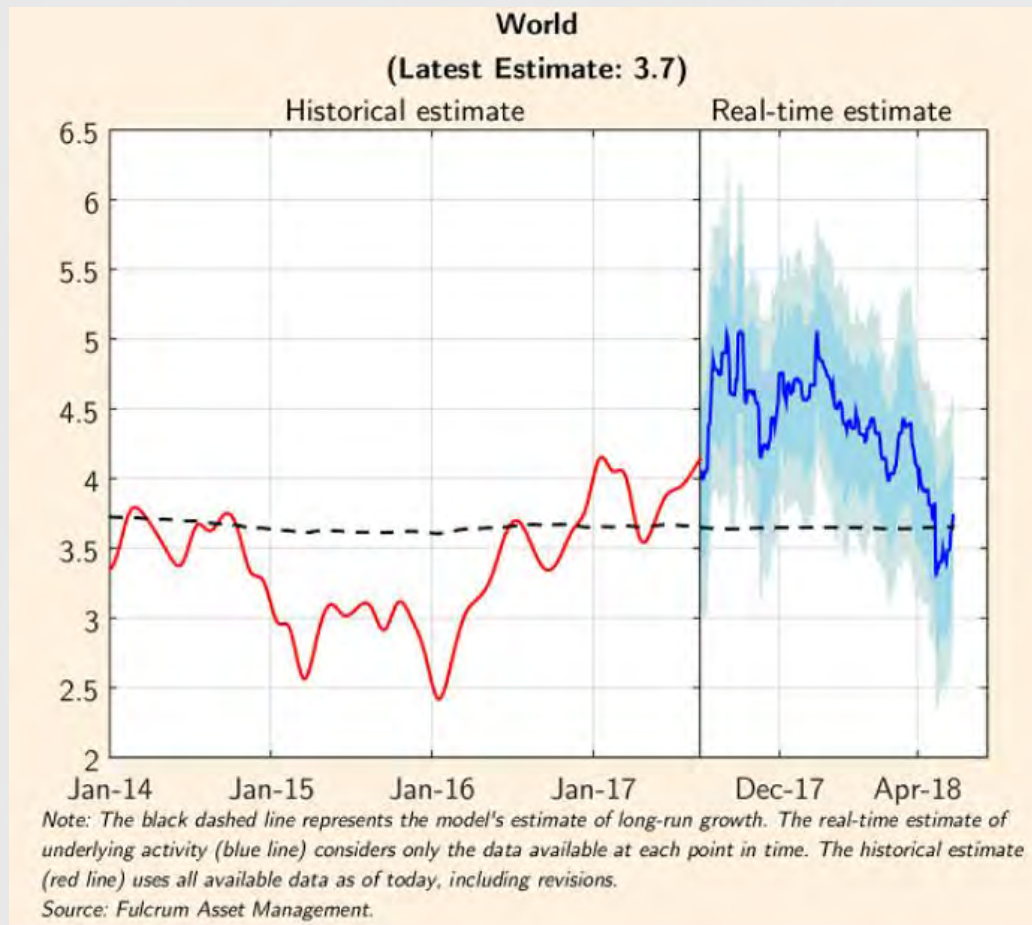
The recovery is broad-based

GDP growth of selected countries

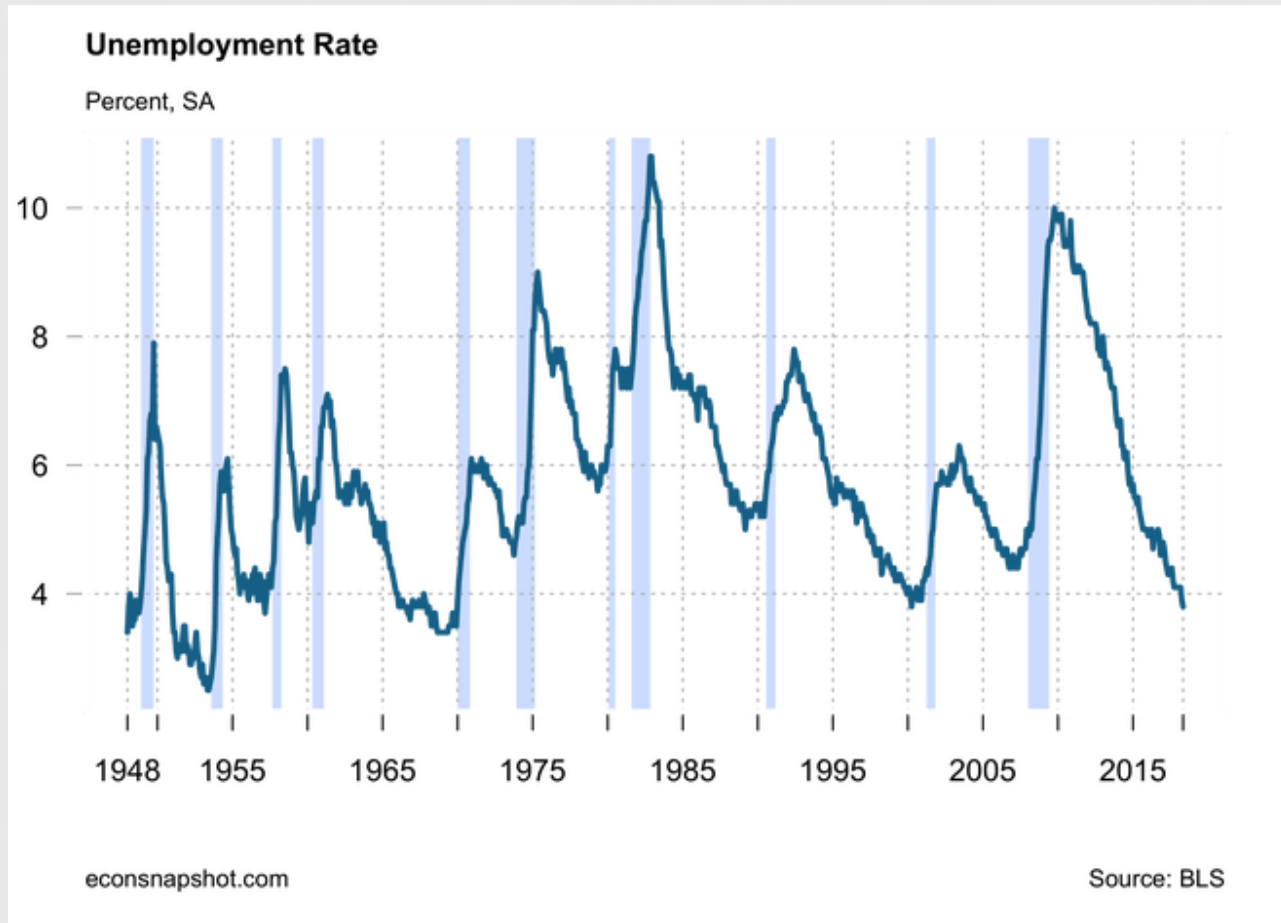


Note: Selected countries are OECD countries, Argentina, Brazil, China, Colombia, Costa Rica, India, Indonesia, Lithuania, Russia and South Africa.
Source: OECD Economic Outlook database.

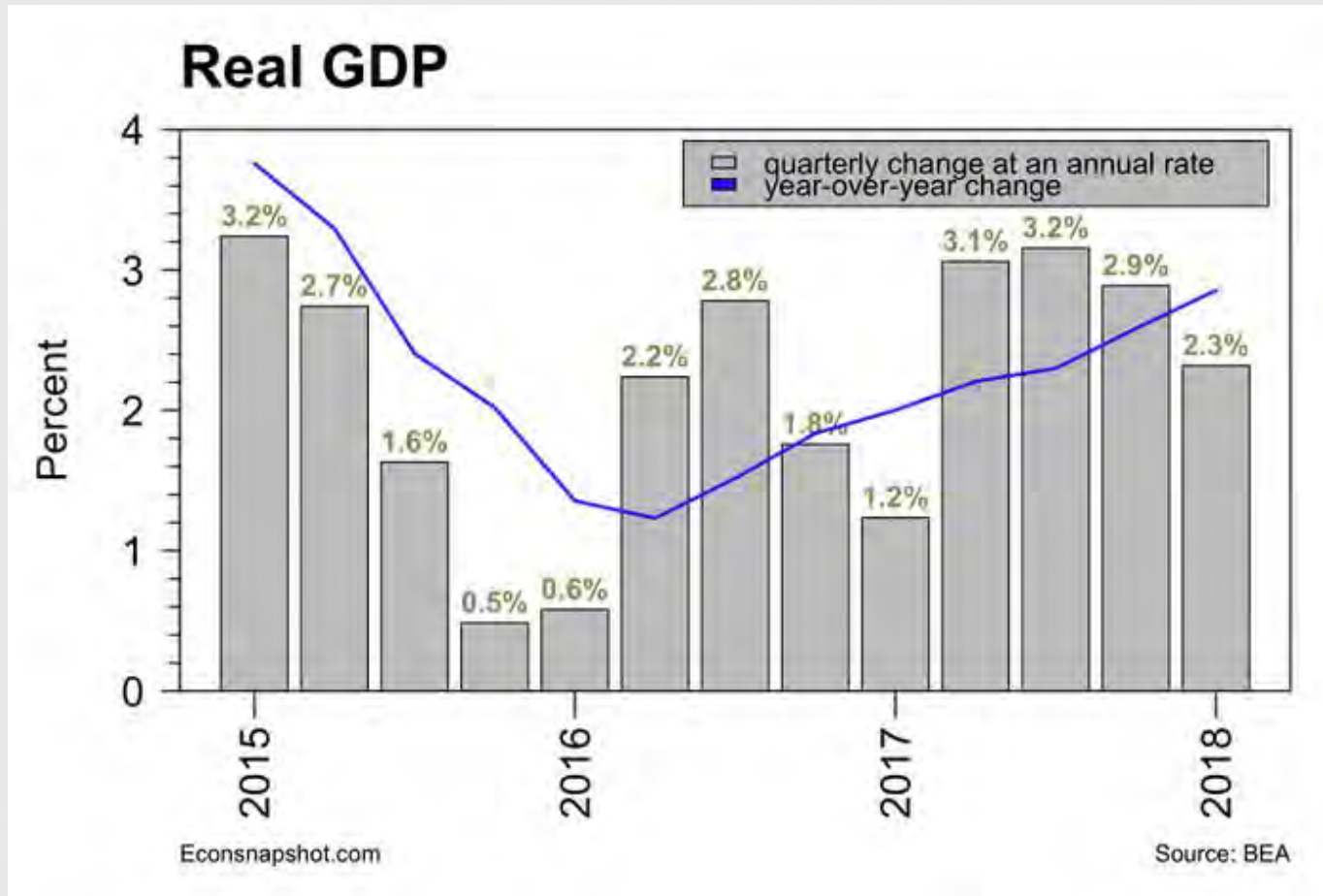
Global Co-ordinated Growth



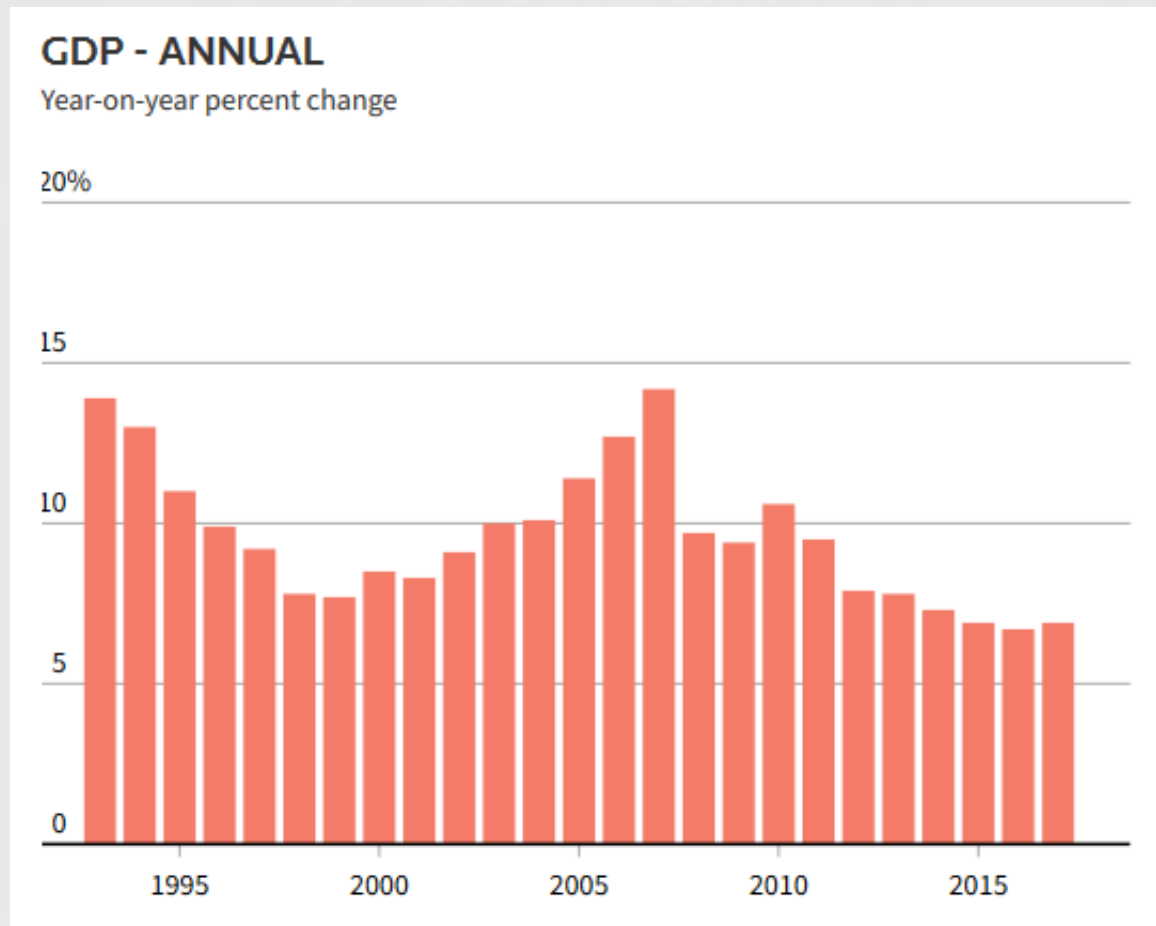
The New Paradigm – US Jobs



US GDP

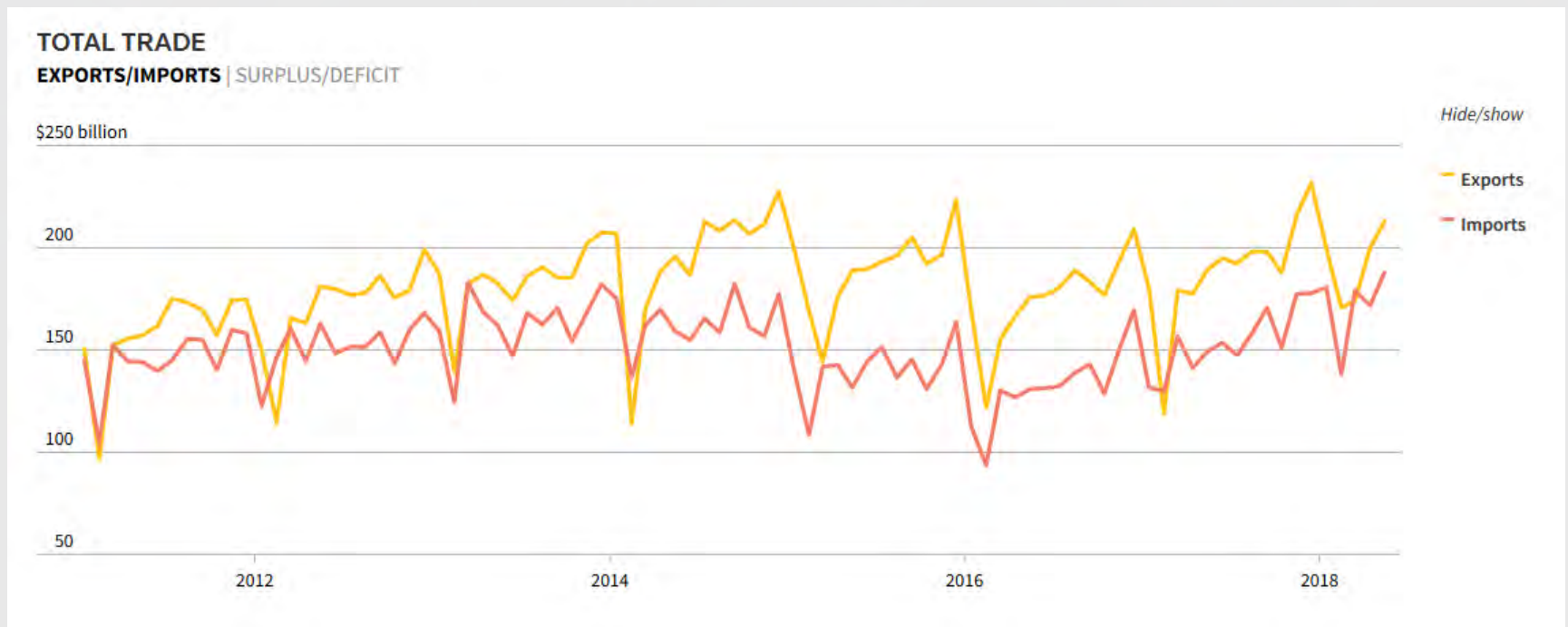


Good Luck or Good Fortune (cookie)



Good Luck or Good Fortune (cookie)

Chinese Economy

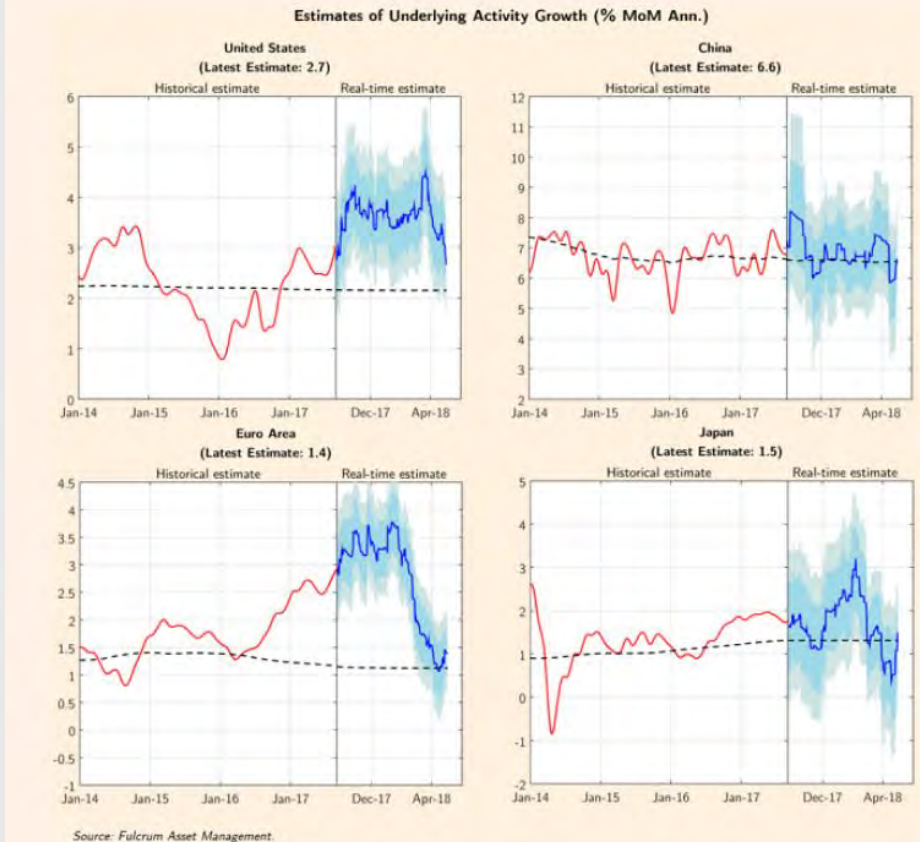


Have we seen 'Peak Global Growth'?

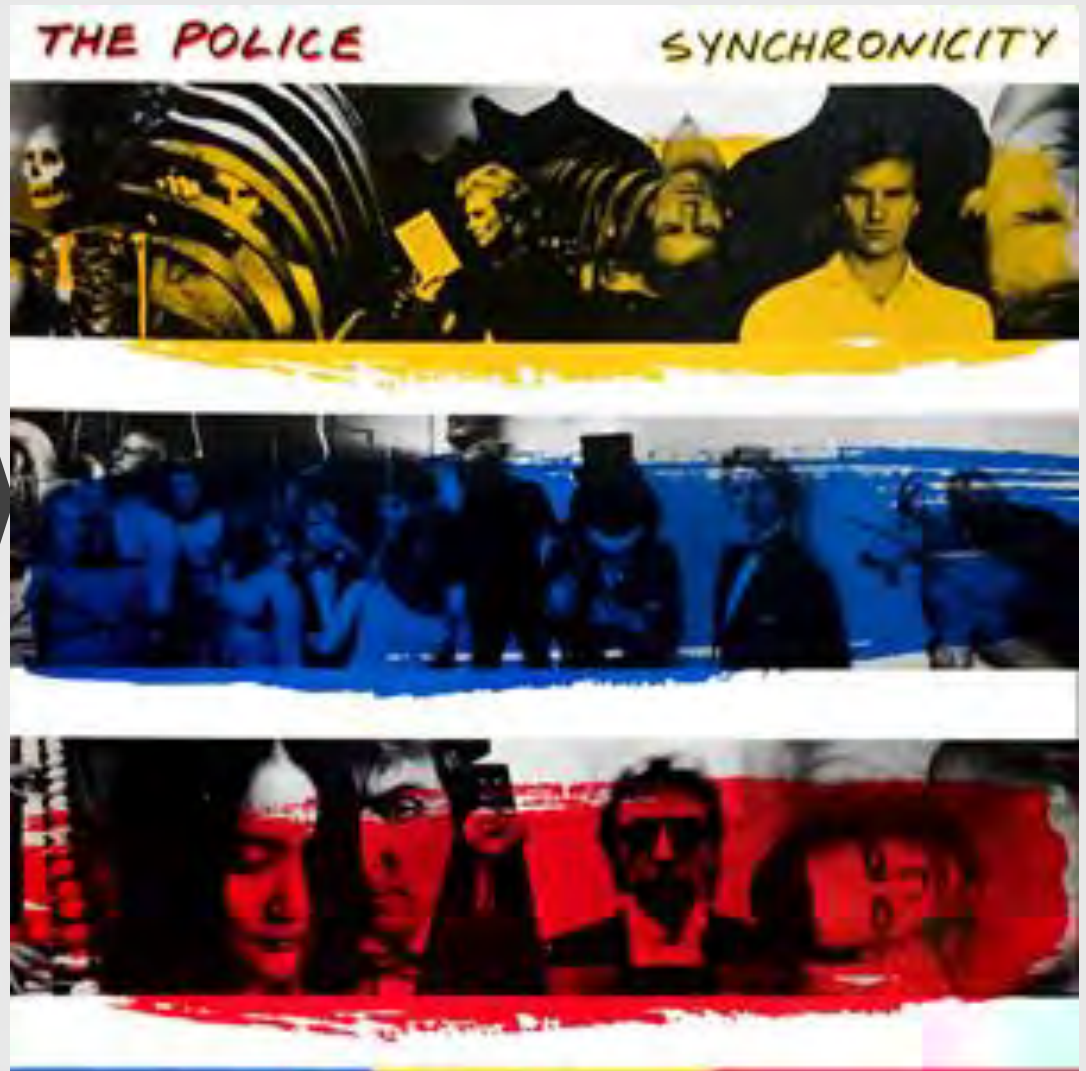


Current Trends

Appendix — Nowcasts for the Major Economies



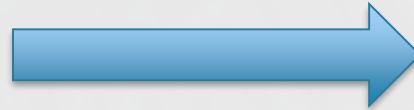
Every time
it's
different.
Even this
time.



1983 - 2018



Introduced 1983



Is it different this time?

1987- Japanese wall of money will protect us –
Greed is good –
Germans raised rates

1997 – Thai Baht –
Bubble in Asia - IMF
Bailout – Contagion

2000- You are too old
to understand the
internet – Y2K experts
revenge!

2007 – New paradigm
in global growth –
Credit Crunch –
leverage – housing
crisis

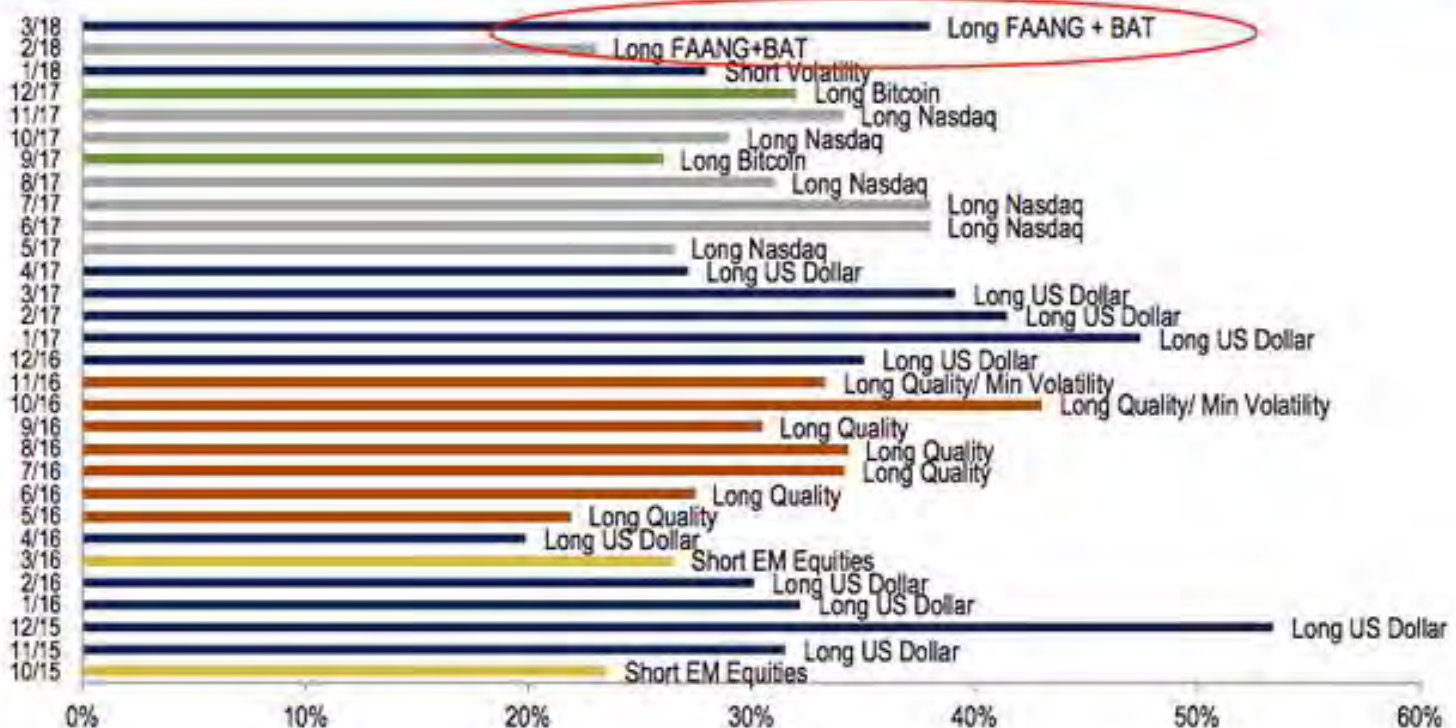
2018 – Record low
rates – corporate tax
cuts – house prices –
Rising Rates

CURRENT MACRO CROWDED TRADES

- OIL – ARAMCO – Global Growth
- Short AUD – Short USD
- 1st World Equity Markets – Emerging market suffering on rising rates
- FAANGS – BAT
- Short Volatility – Complacency – Mispricing of Risk
- M&A Activity – Buy Backs – Capital returns
- Lack of Mining Investment
- ETFs – What happens when the liquidity is tested

Global Crowded Trades

Exhibit 5: Evolution of Global FMS “most crowded trade”



Source: BofA Merrill Lynch Global Fund Manager Survey

The VIPs

GSTHHVIP: The 50 stocks that matter most to hedge funds

Exhibit 17: Very Important Positions (VIP) for hedge funds

New stocks in basket listed in bold; holdings as of December 31, 2017; pricing as of February 15, 2018

50 stocks that most frequently appear among the largest 10 holdings of hedge funds

Company	Ticker	Sub-sector	Equity cap (\$ bn)	No. of funds with 10 to 200 positions owning stock 31-Dec-17	No. of funds with stock as top 10 holding 31-Dec-17	Average portfolio weight when stock ranks among top 10 holdings	% of equity cap owned by hedge funds 31-Dec-17	Total return YTD
Amazon.com Inc.	AMZN	Internet & Direct Marketing Retail	\$704	106	80	8 %	2 %	25 %
Facebook Inc.	FB	Internet Software & Services	429	114	70	6	4	2
Time Warner Inc.	TWX	Movies & Entertainment	74	84	65	9	19	4
Alphabet Inc.	GOOGL	Internet Software & Services	654	83	54	7	3	4
Microsoft Corp.	MSFT	Systems Software	715	84	52	7	2	9
Bank of America	BAC	Diversified Banks	336	68	48	7	2	9
NXP Semiconductors	NXPI	Semiconductors	40	60	44	10	41	(0)
Alibaba Group Hldg (ADR)	BABA	Internet Software & Services	473	65	41	7	2	9
Visa Inc.	V	Data Processing & Outsourced Services	222	68	38	7	4	7
Comcast Corp.	CMCSA	Cable & Satellite	187	53	35	6	4	0
Apple Inc.	AAPL	Technology Hardware Storage & Peripherals	888	57	34	6	1	3
Citigroup Inc.	C	Diversified Banks	204	55	28	6	2	4
Netflix Inc.	NFLX	Internet & Direct Marketing Retail	121	36	28	9	9	46
PayPal Holdings	PYPL	Data Processing & Outsourced Services	94	46	28	6	4	6
Wells Fargo & Co.	WFC	Diversified Banks	296	34	25	6	1	(0)
Charter Communications	CHTR	Cable & Satellite	90	44	24	9	9	8
Aetna Inc.	AET	Managed Health Care	58	40	23	7	12	(2)
Constellation Brands	STZ	Distillers & Vintners	37	28	23	6	17	(5)
Caesars Entertainment Corporation	CZR	Casinos & Gaming	9	45	22	7	33	4
JPMorgan Chase	JPM	Diversified Banks	401	40	21	5	1	9

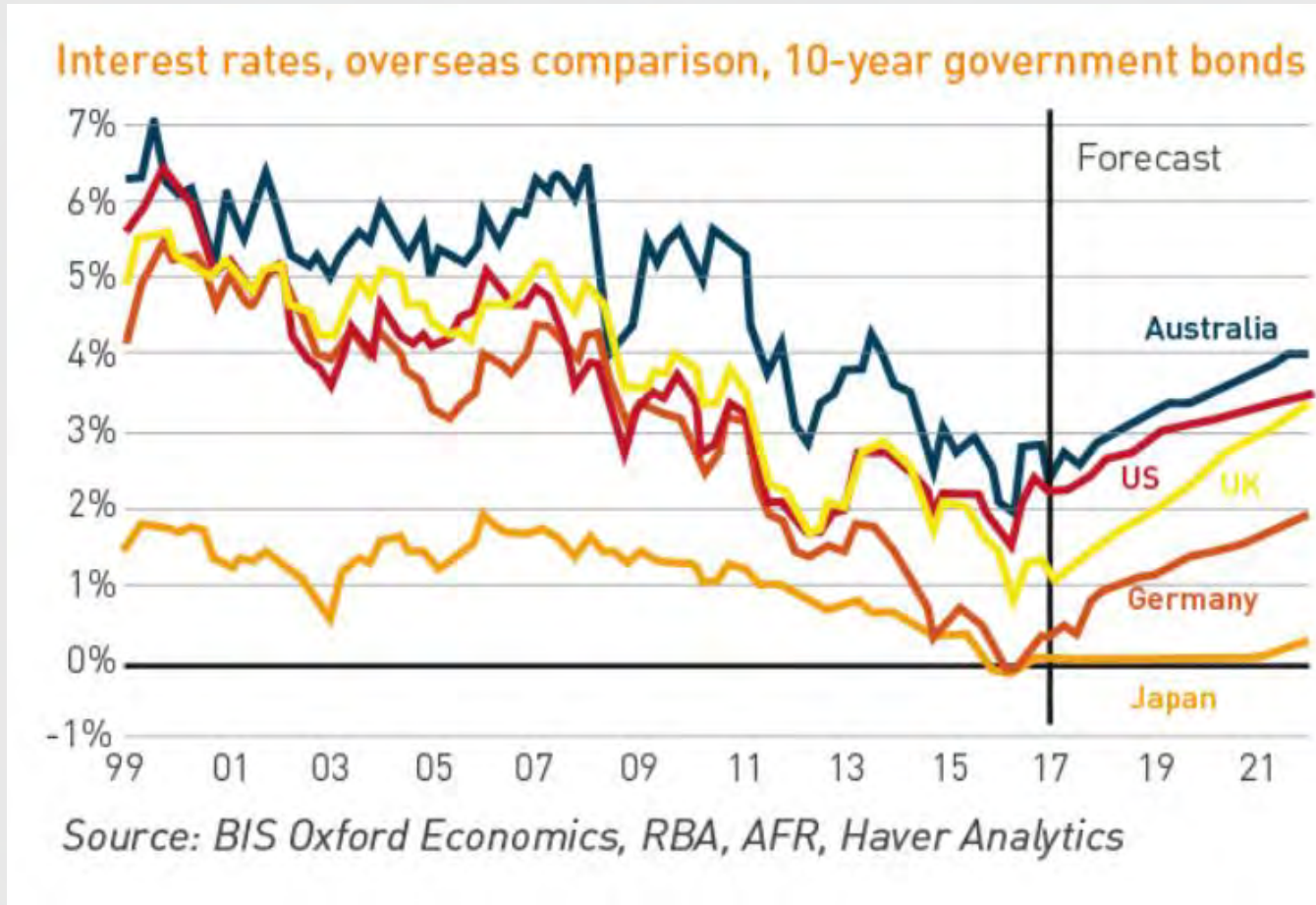
Will Rate
Rises Kill the
Equity
Market?



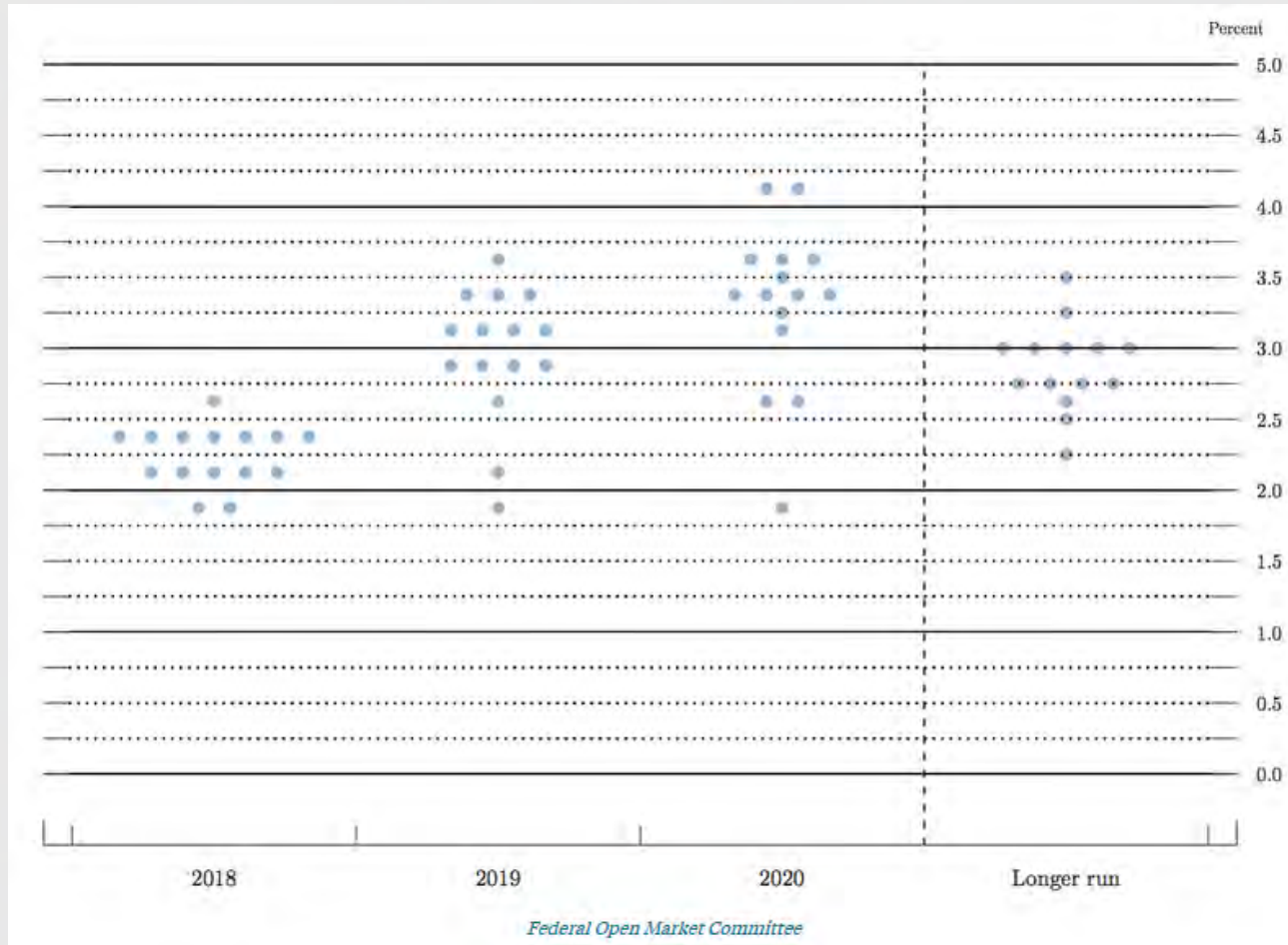
Alchemy -1987 From The Wash Up of the Crash- Sounds like a Central Bank Meeting recently

- After the Plaza Accord, the dollar was rapidly falling against the yen and the mark. The US government finally considered the depreciation of the dollar was overdone, holding a meeting of **the Group of Seven in Louvre Palace on the 22nd of February, 1987, to agree to cooperate to correct the situation.**
- The agreement was that Japan and Germany, which had the strong currencies, were to cut the interest rate whilst the US would raise the rate, preventing the dollar from falling.
- However, **Germany, which once agreed to the Louvre Accord, feared the potential inflation and decided to raise the interest rate in September, 1987.**
- This action of Germany wasn't acceptable for the US, which was worried about the falling dollar. The investors considered that due to the German rate hike, the US would be forced to raise the rate more rapidly than expected. **This meant the end of the weak dollar and the low interest rate, which had been supporting the stock market since 1982.**

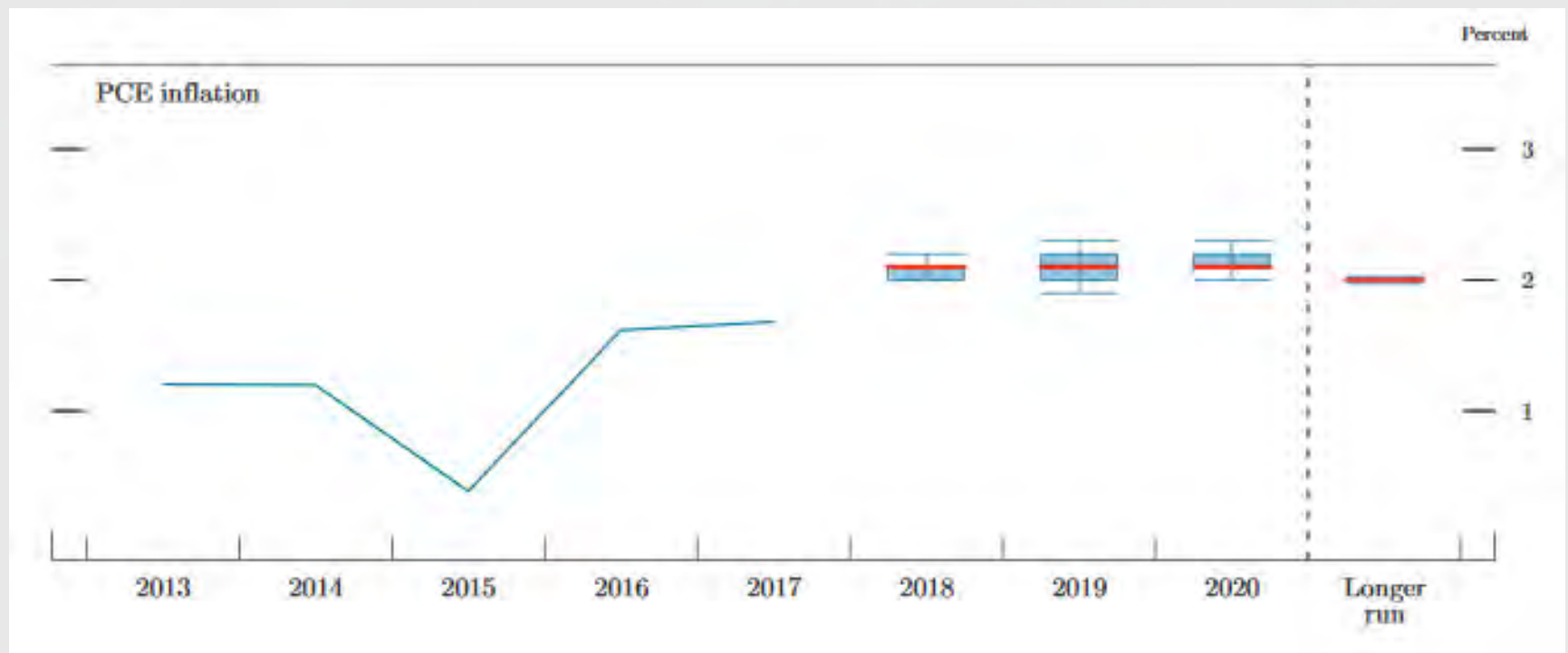
The Big Risk?



What's in the Dots?



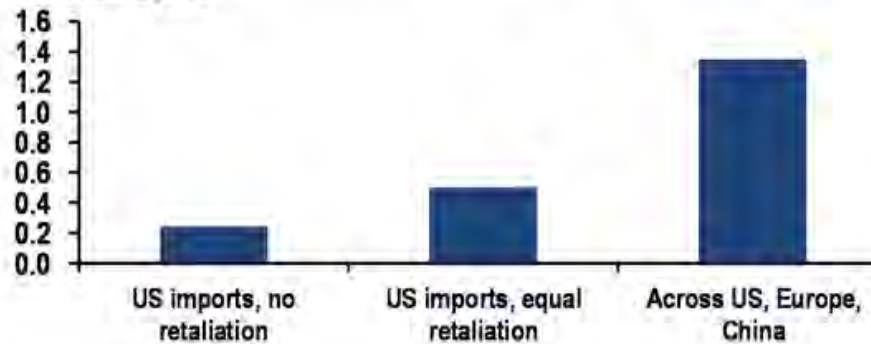
US INFLATION EXPECTATIONS



TRADE WARS

Global GDP impact of 10%-pts tariff increase

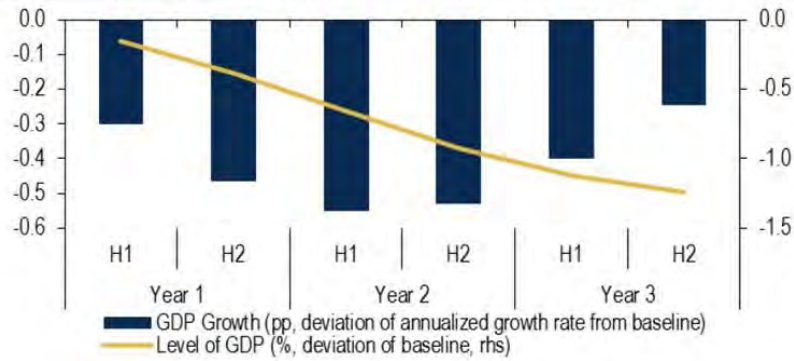
% over 1-2 years



Source: IMF, OECD, J.P. Morgan

Source: J.P. Morgan

Chart of the day: A major trade war could be a meaningful drag on US real GDP growth



Bank of America Merrill Lynch

Goldman Sachs US Financial Conditions Index



Business Insider / Joe Ciolli, data from Bloomberg

US INFLATION RATE



SOURCE: TRADINGECONOMICS.COM | U.S. BUREAU OF LABOR STATISTICS

THE US YIELD CURVE IS FLATTENING

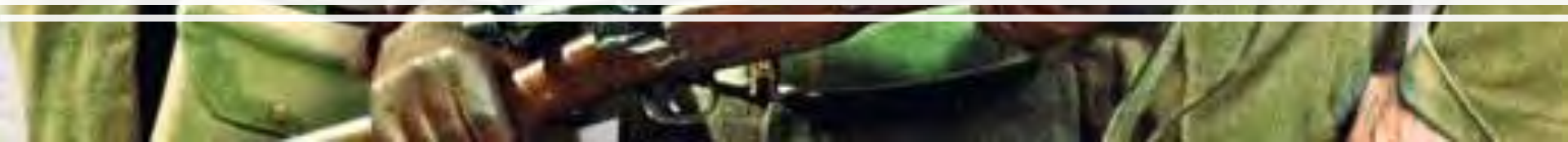


It's Coming Home (to Roost)

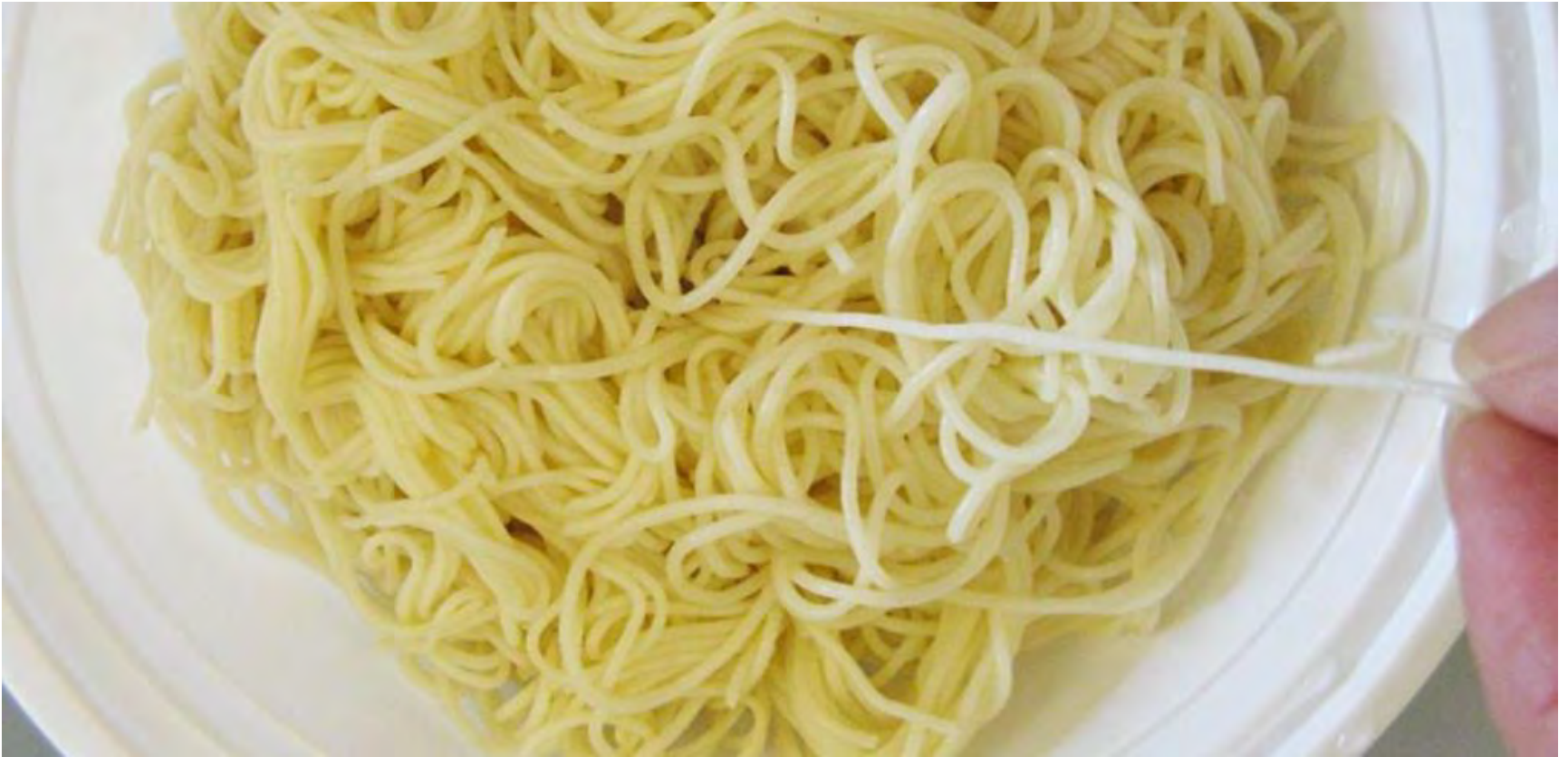




Phoney Brexit



Brexit and the EU



“Equity bull markets never die simply of old age. They die of excessive Fed monetary restraint.”

The Infections That Kill Old Bull Markets

Infection : Interest Rates

Infection : Spiking Input Costs/Energy prices

Infection : Inflation

Infection – Valuations

“Old age that leaves the bull defenceless against infections.”

"Bull markets are born on pessimism, grown on skepticism, mature on optimism, and die on euphoria."

"The time of maximum pessimism is the best time to buy, and the time of maximum optimism is the best time to sell."

John Templeton

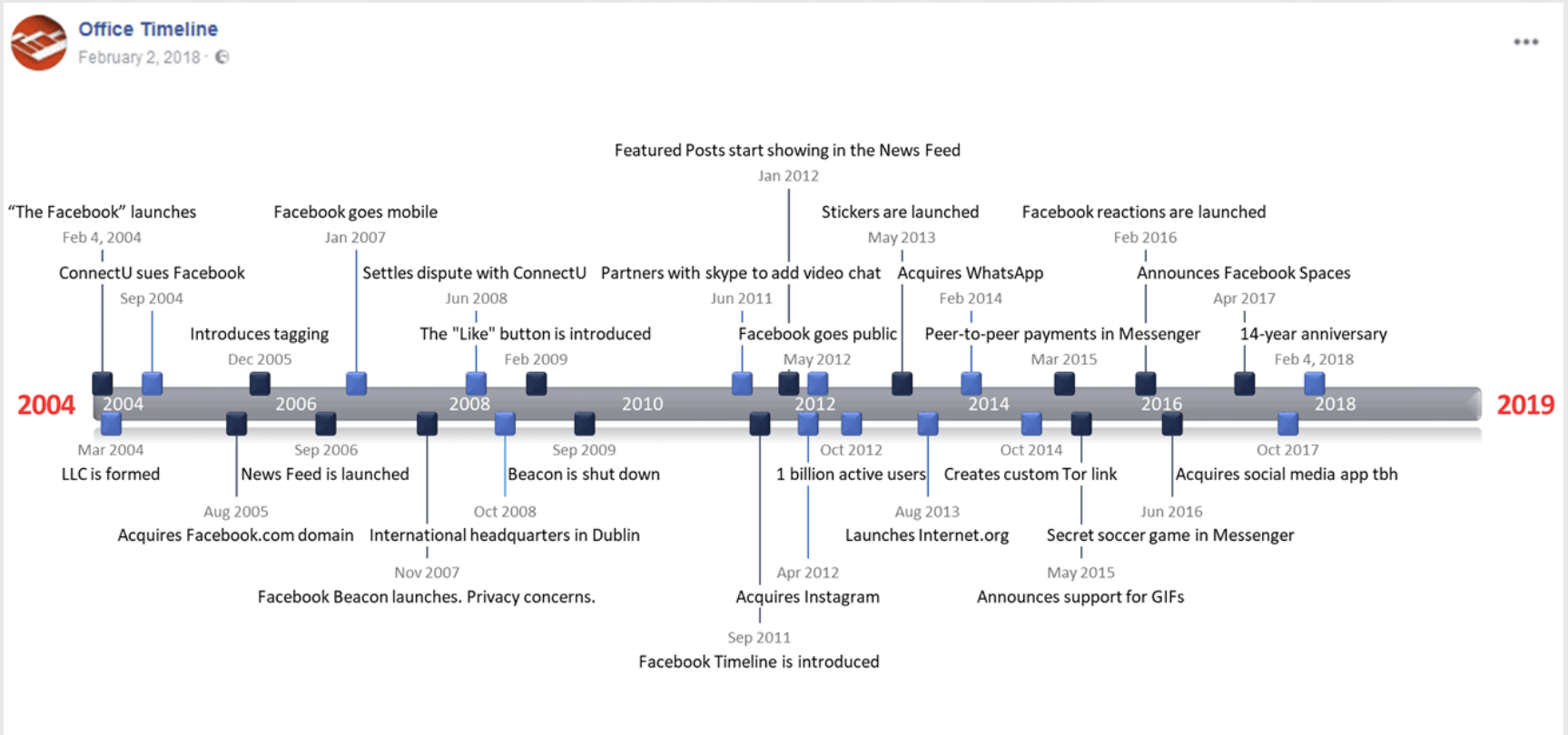
In 1939—maximum pessimism—Templeton purchased \$100 worth of every publicly traded stock available to him that was trading for less than a dollar.

He bought into 104 companies, only four of which never panned out. After an average holding period of four years, that portfolio had returned 400%.

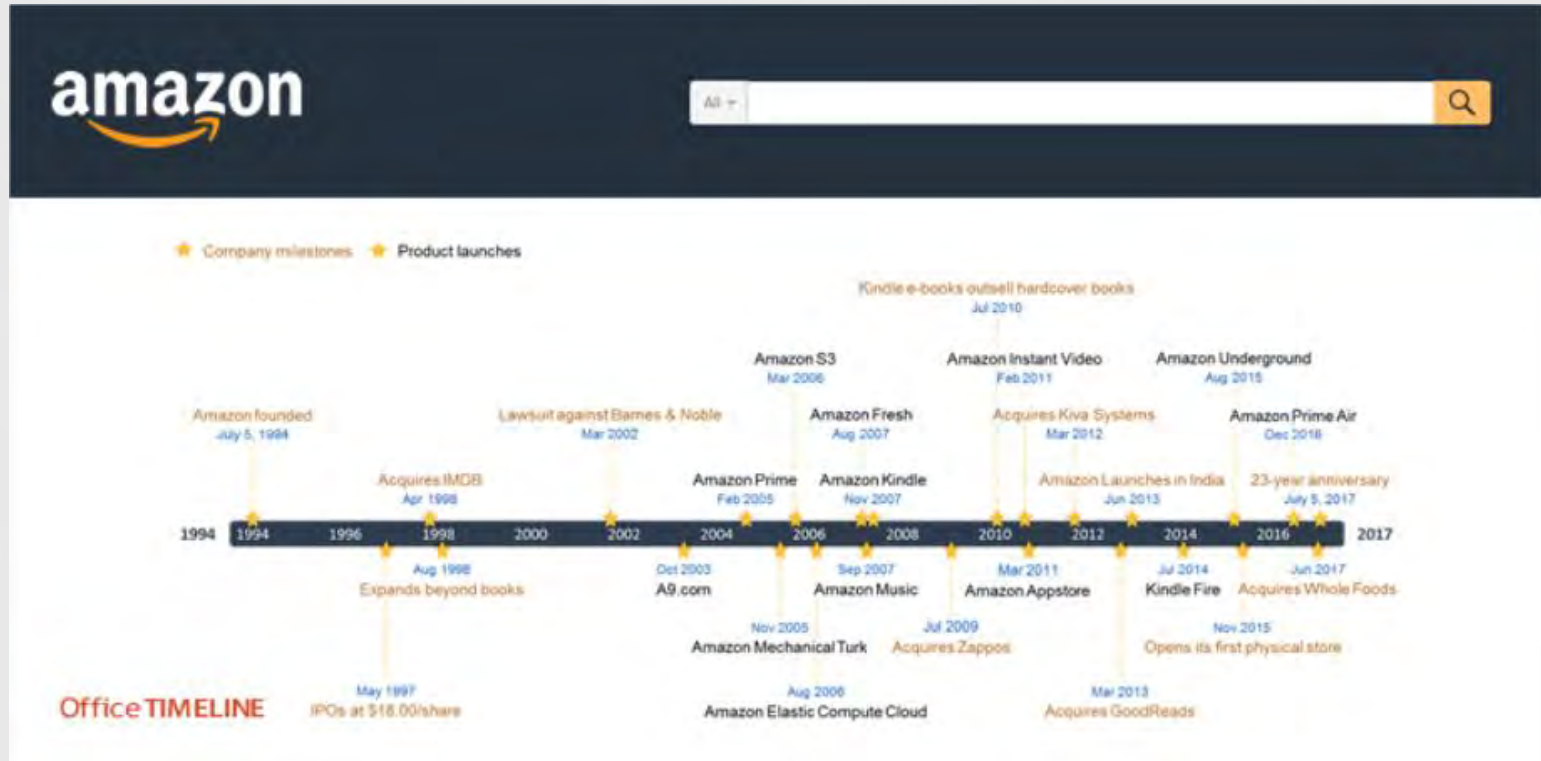
Themes for the next decade

- Rise of AI- Big Data – Blockchain - Immense change
 - Ageing Populations – One Child Policy - Japan
 - Internet of Things (5G) – Saviour?
 - Driverless Cars
 - Energy Changes – Renewables/Nuclear?
 - Targeted Bio -Tech Solutions
- China's Middle Class – Consumer spending - OBOR
 - India – The new China
 - MAGA – Trump – Second Term
- Protectionism – Unwind of Central Bank Stimulus

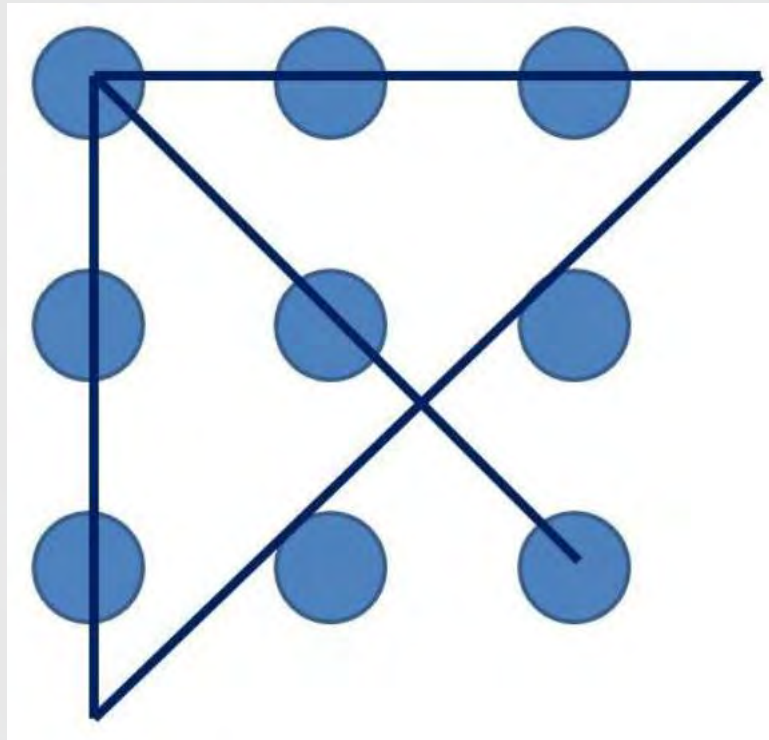
Facebook



AMAZON



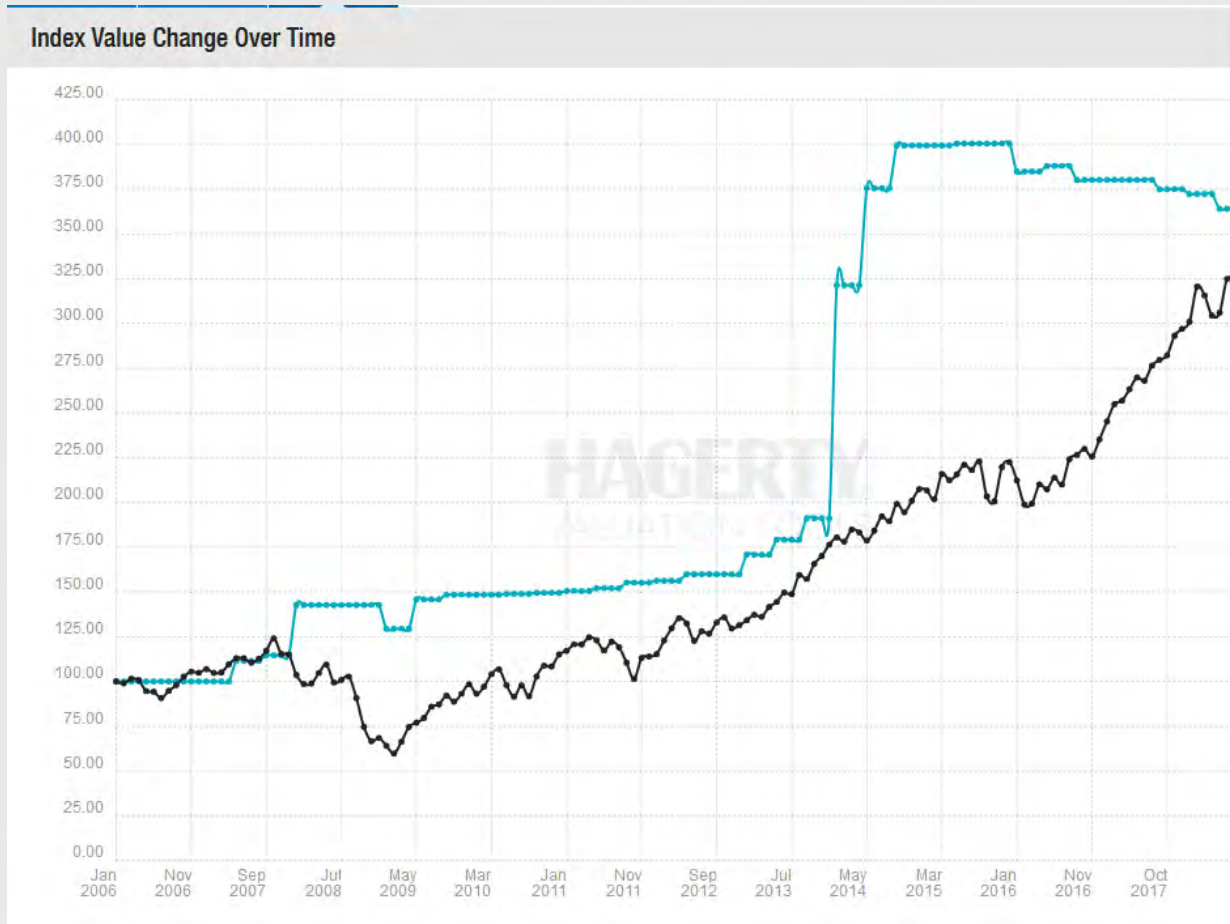
OUTSIDE THE SQUARE



Looking for Love in all the Right Places



Porsche Prices v NASDAQ



STOCKS FOR THE FUTURE

- APX – AI
- ALL – Digital Gaming – US opens up
 - APT – US the key
 - CSL – Global Leader
 - WTC – Global Logistics
 - NTC -5G winner
 - MAQ-Cloud Expansion
- SPECULATIVE SECTORS – Cannabis – Esports - EVs

Curly's Law



One Recommendation to Rule them All



Last Year – ALL : Up around 50%



THE ONE

????????



Q & A