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STOCKS VS BONDS

Content

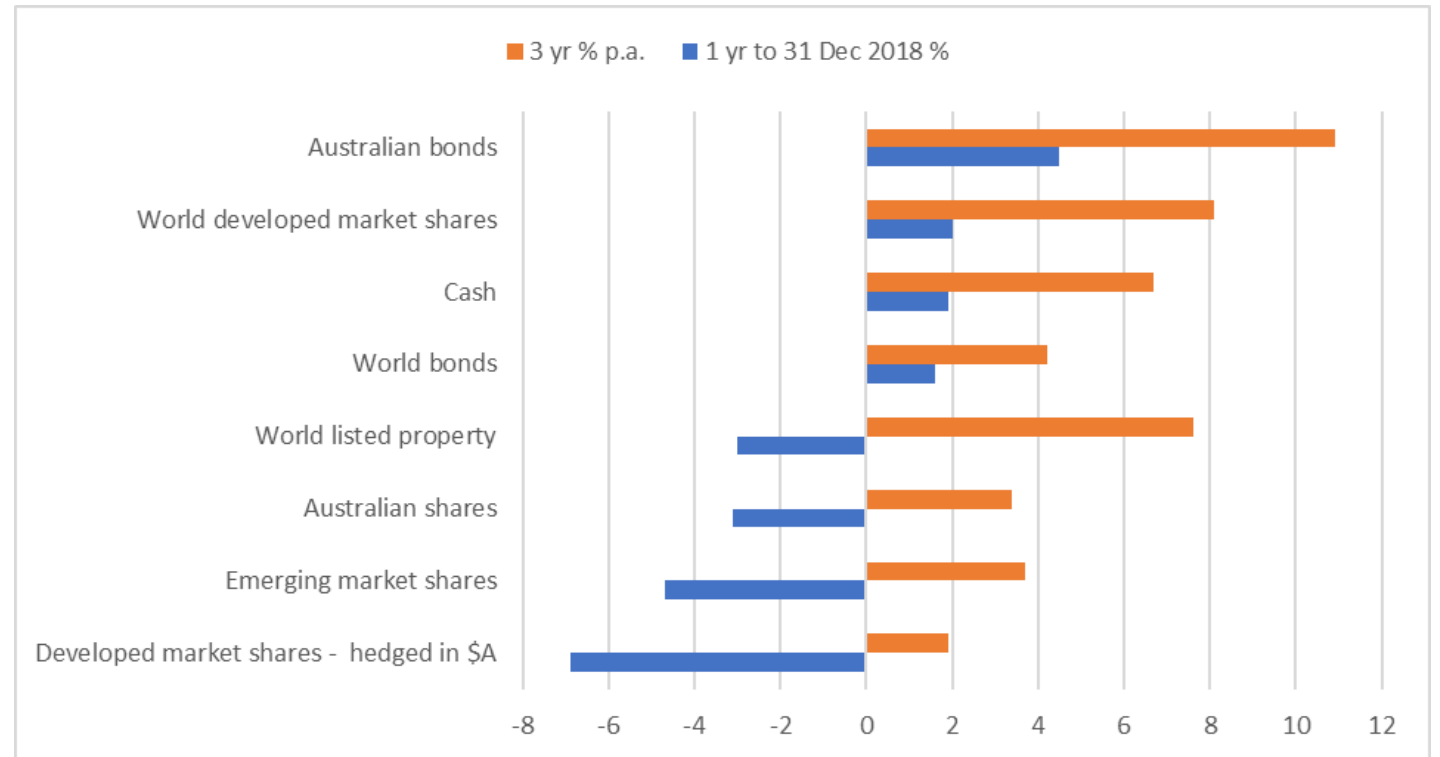
- Stocks vs Bonds
- Case 1: Bull Stocks / Bear Bonds
- Case 2: Bull Bonds / Bear Stocks
- Investment Implications

Tim Fuller
Damien Klassen



Stocks vs Bonds

Performance



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Case 1: Bull Stocks / Bear Bonds

Global

- Central Banks reverse course, more QE
- Quick resolution to China / US trade
- Brexit delayed / sent back to referendum
- Fiscal Stimulus in US/China drives growth
- US Government Shutdown resolved quickly

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Damien Klassen



Case 1: Bull Stocks / Bear Bonds

Australia

- Housing market bottoms, investor demand returns
- China stimulus holds up commodity prices
- Tax cuts from election spur economic growth

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Case 2: Bull Bonds / Bear Stocks

Global

- Central Banks too hawkish, demand ↓
- China / US trade unresolved or tariffs ↑
- US Government shutdown drags on, real effects on US demand
- Hard Brexit
- Limited Fiscal Stimulus in US and China
- Chinese debt issues emerge

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Case 2: Bull Bonds / Bear Stocks

Australia

- Falling housing market continues to weigh on growth, possible debt problems
- Growth problems in China, commodities fall
- Companies delay capex due to elections
- RBA reverses course too late
- Overpriced stock market

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Damien Klassen



Investment Implications

- Unlikely to be all positive or all negative
- Bull cases seem less likely
- Need protection
- Australian stocks not looking good – expensive, low growth, greater risks
- Bonds a good chance to outperform again

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