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**HOW LOW WILL THEY GO?**

# Agenda

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- What happens when the safety trade isn't safe?
- Australia vs Global
- RBA Tactics
- What to watch for
- Implications for Investment

David Llewellyn Smith  
Tim Fuller  
Damien Klassen



# Government Bond

## Pros

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- Fixed Capital Return, fixed interest payments
- Real Rates are close to zero
- Question is whether 1.7% yields will look attractive in 2 years time
- Safety mixed with some capital upside

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Tim Fuller  
Damien Klassen



# Government Bond Cons

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- Fixed Capital Return, fixed interest payments
- If inflation returns...
- Is there any room for error
- MMT

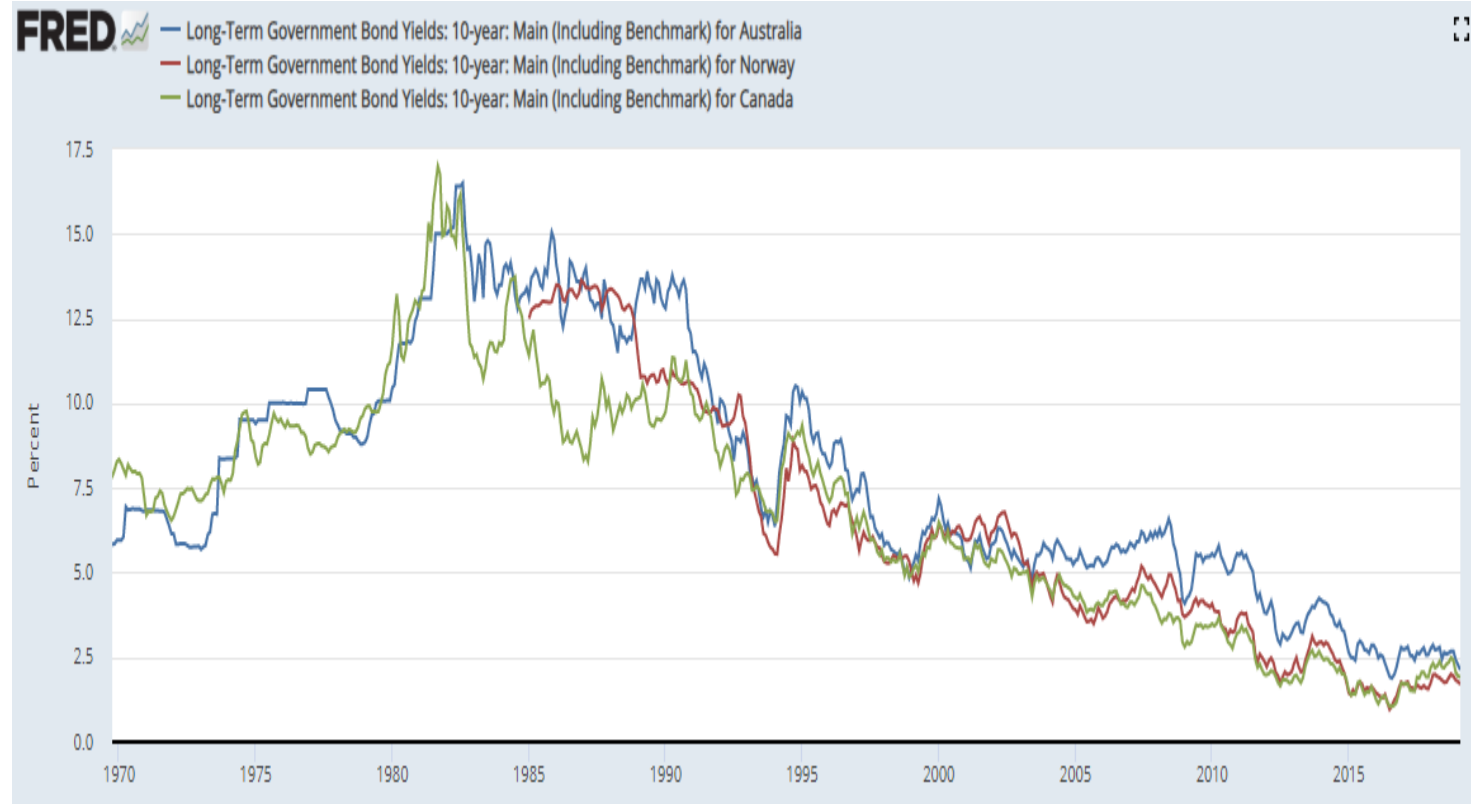
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# Australia vs Global

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## Commodity Countries:



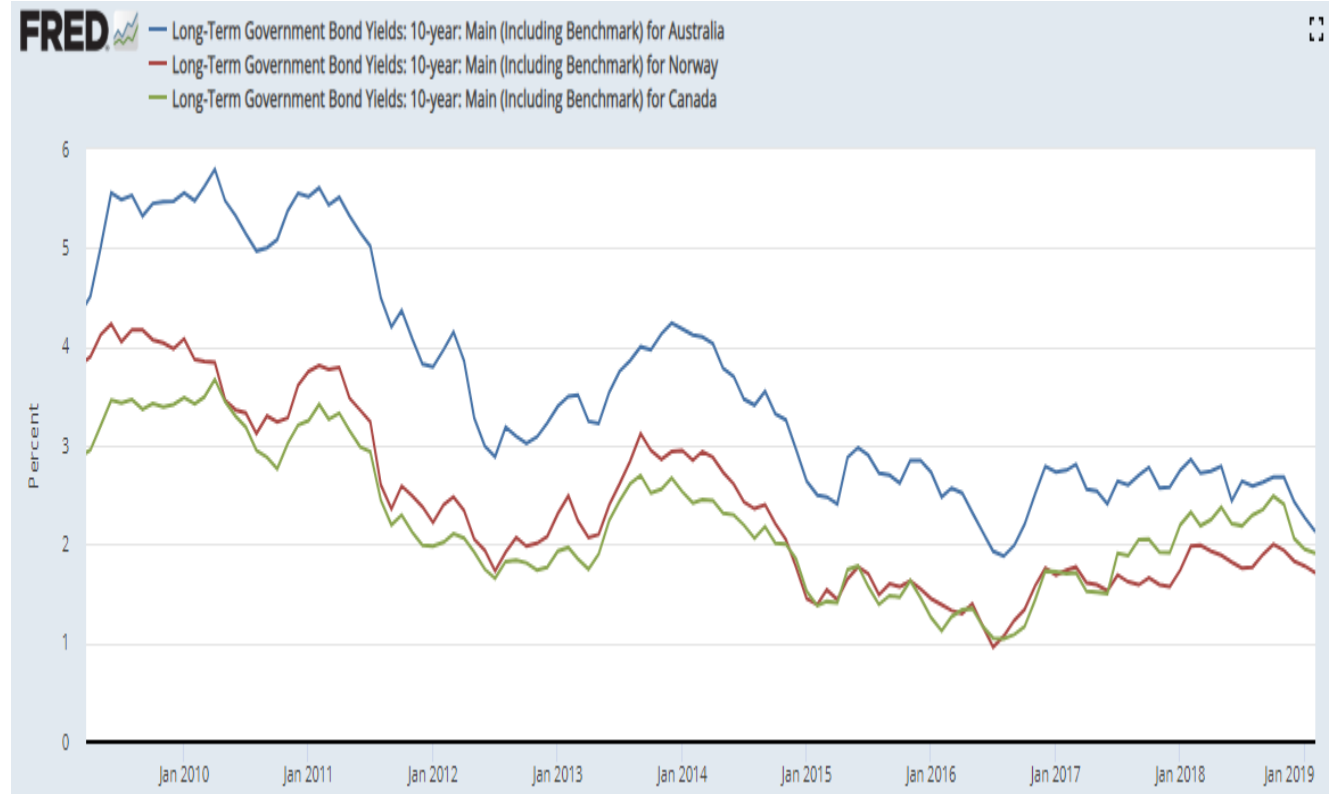
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# Australia vs Global

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## Commodity Countries:

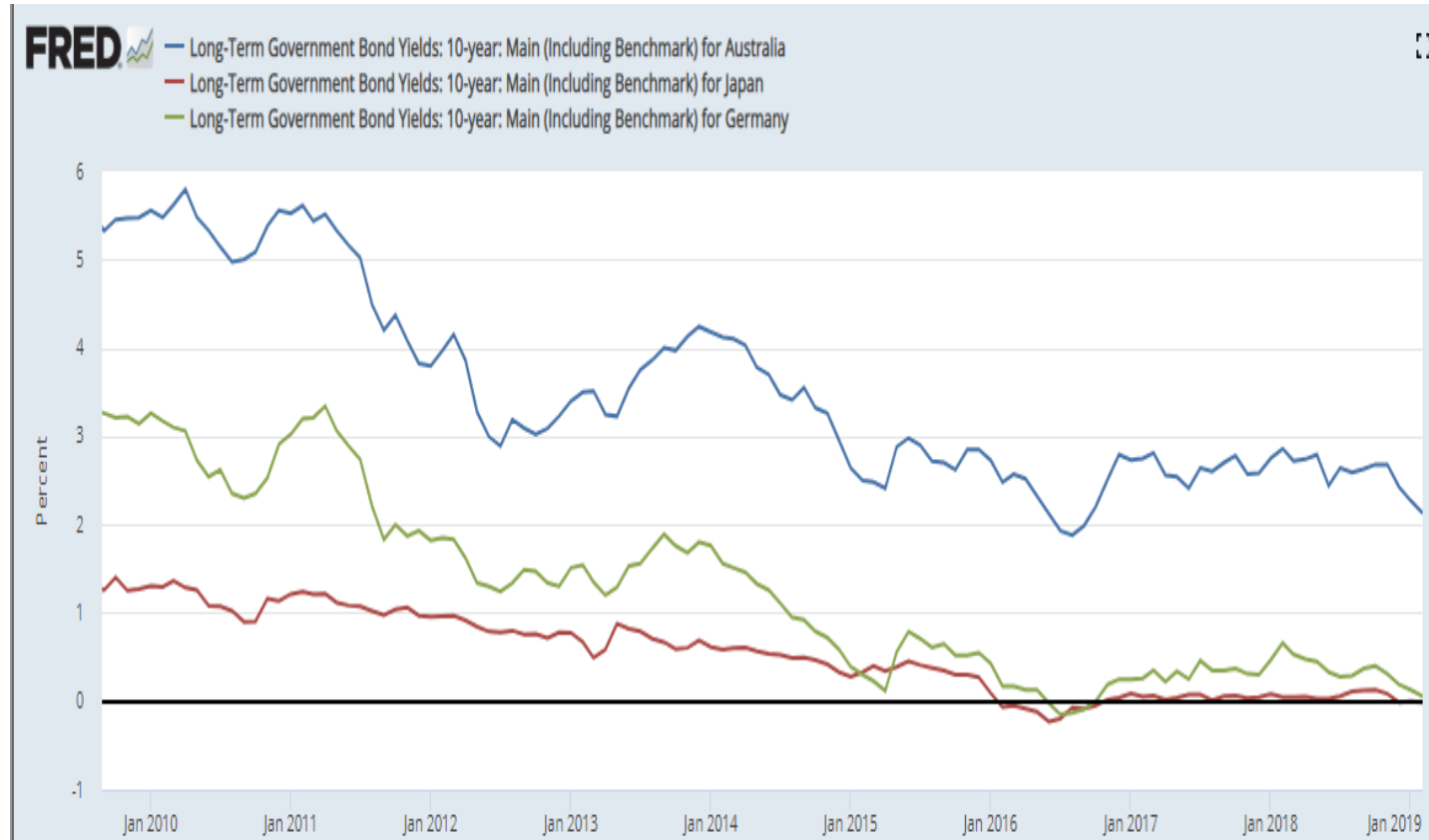


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# Australia vs Global

## Developed Exporters:



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# RBA Tactics

Past vs future

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## Traditional:

- Rate cuts
- Blowing debt bubbles
- Loosening credit standards

## Future:

- QE (assets)
- Currency devaluation
- QE (people)

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# RBA Tactics

## Behind the curve

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- RBA: Behind the curve
- How fast can RBA turn it around
- Historically been quite data driven
- Rest of the world has already been through the process, we can see what works
- Don't appear to be thought leaders
- Reliance on Fiscal? Will state offset federal?

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Tim Fuller  
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# What to watch for

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- 2016 commodity country bond yield lows
- Rate cuts / QE
- Fiscal spend
- Housing crash
- Australian dollar
- Corporate debt defaults
- MMT

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# Investment Implications

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- Stick with bonds
- Waiting for AUD
- Safety trades for equities

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