



GLOBAL REFLATION: HOT TRADE OR HOT AIR?

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Agenda

Global reflation

Rational Optimism

Irrational Exuberance

Investment Outlook



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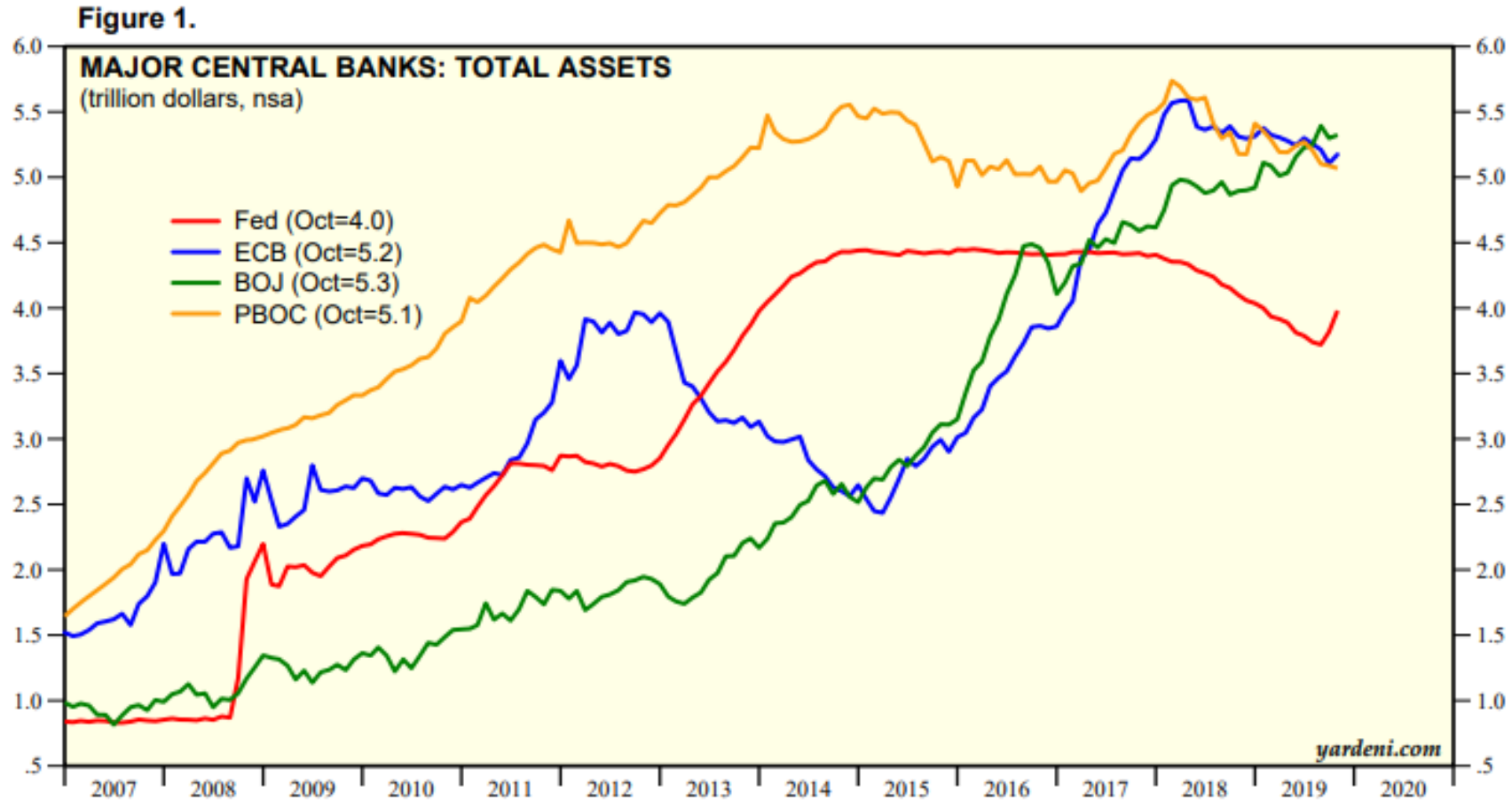
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Global reflation

Central bank ended quantitative tightening



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Global reflation

Second derivative trade flows improving

The deterioration in global new export orders has eased

Purchasing manager index, composite new export sub-index, below 50= a majority of businesses reporting a contraction



Sources: IHS Markit, Refinitiv
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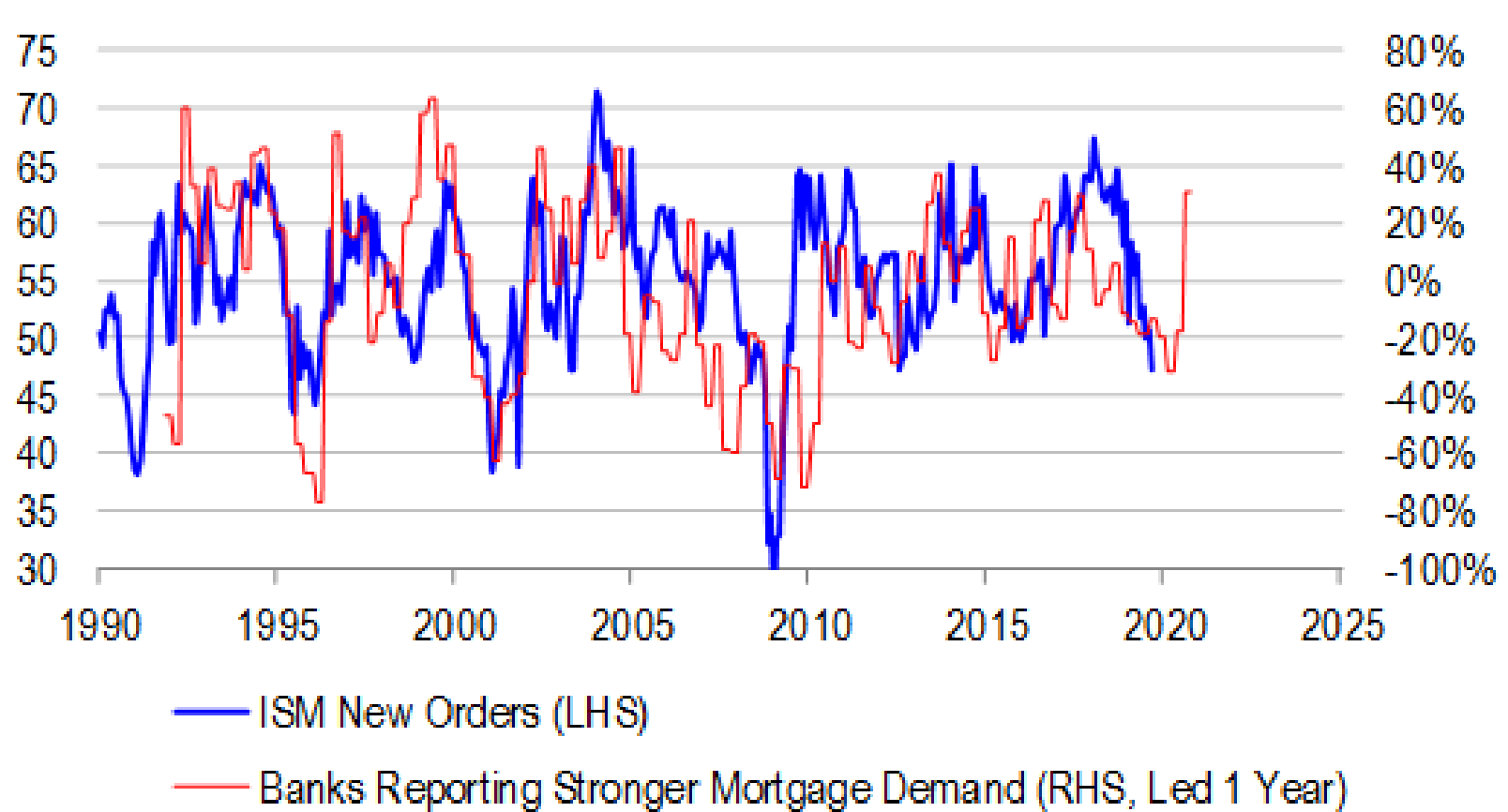
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Global reflation

US housing market of last resort lifting



Source: Credit Suisse



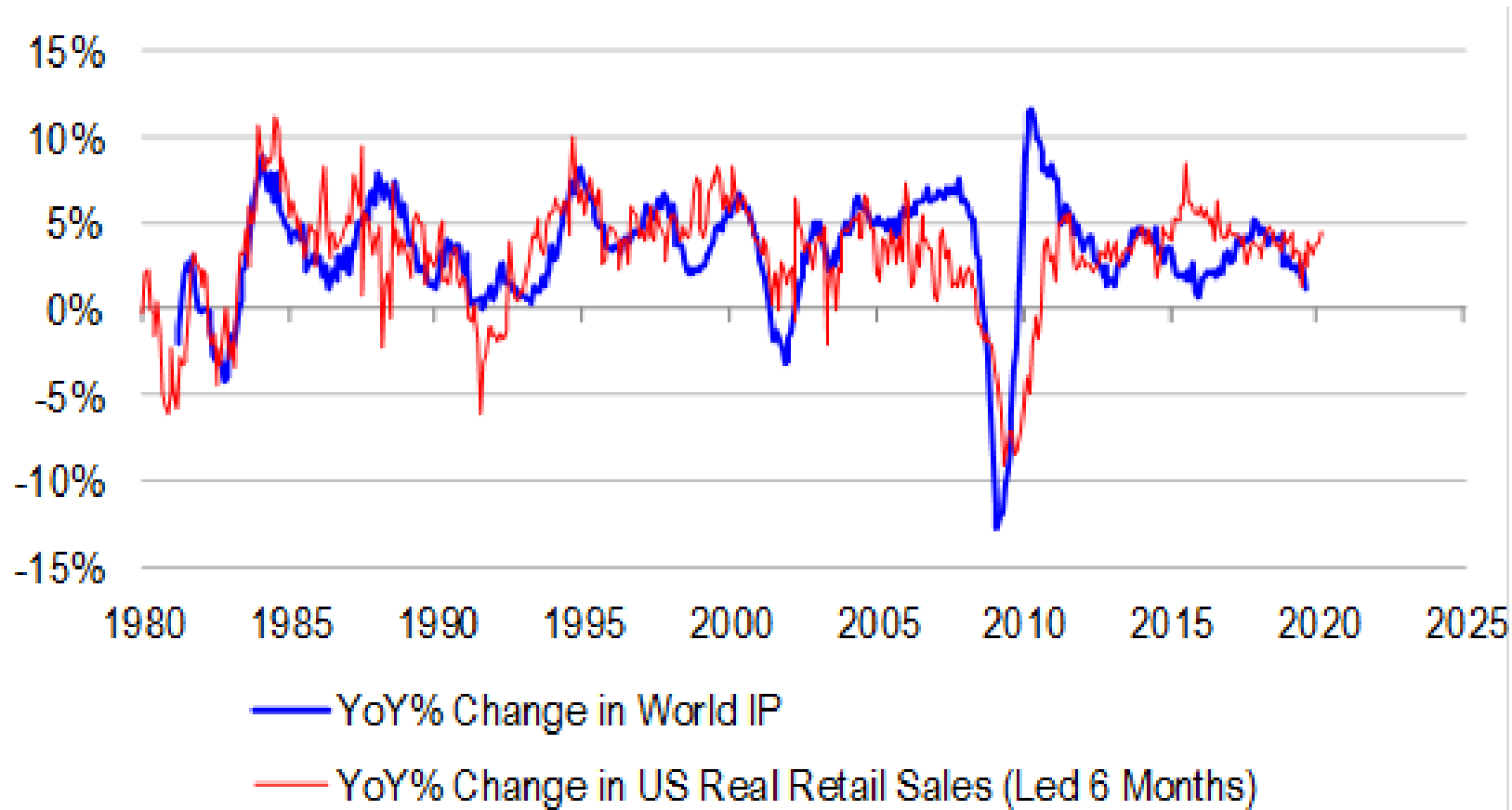
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Global reflation

US consumer drives global industrial production



Source: Credit Suisse



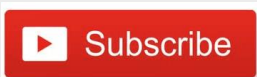
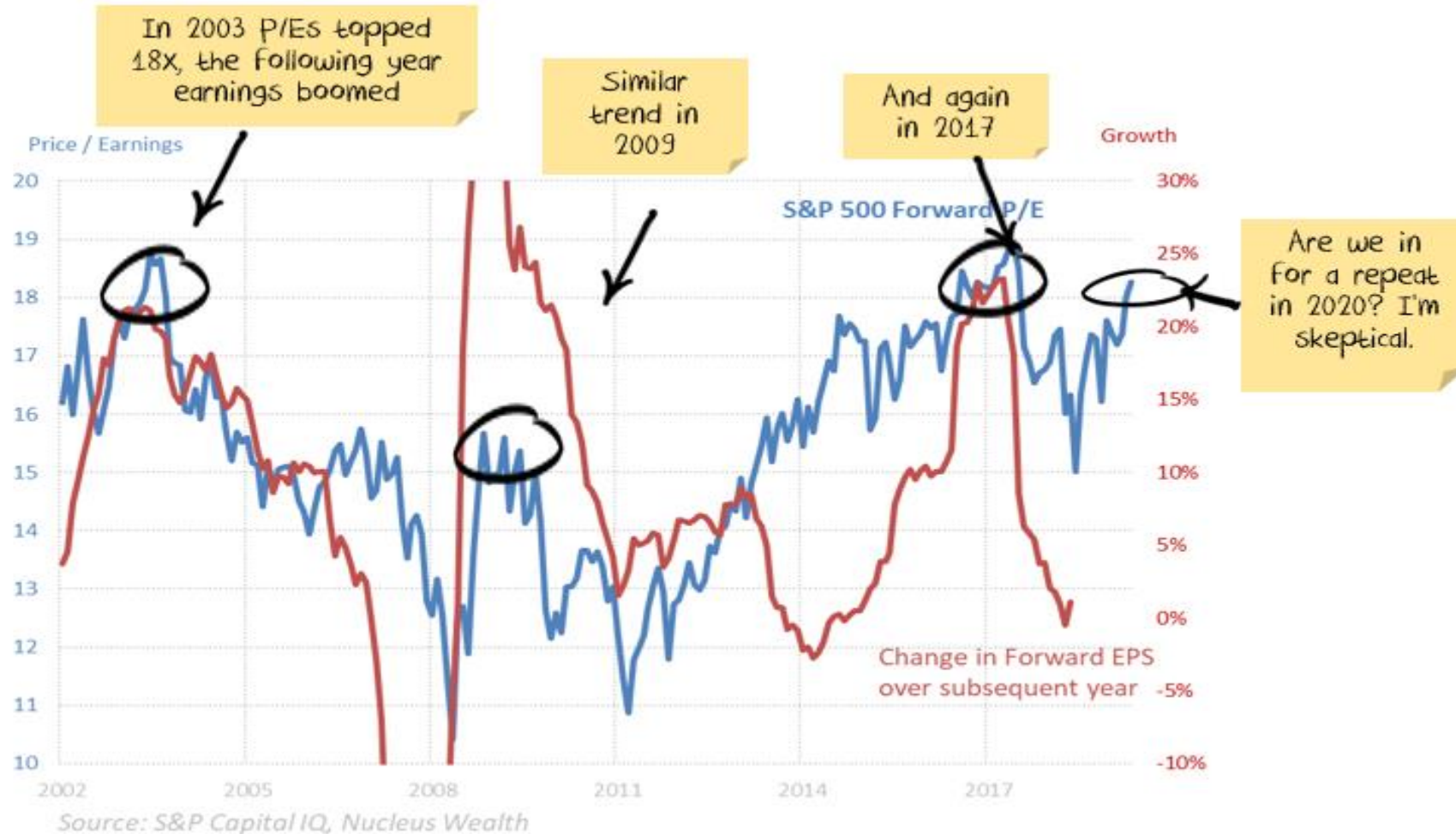
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Rational Optimism:

Expensive valuations are often justified



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Irrational Exuberance

BUT!

- Tariffs derail global spillovers from US
- Central banks are not all-in
- China is still slowing internally via deleveraging and difficult to stimulate owing to CNY
- Brexit still likely even if managed
- Hong Kong disrupting trade deal
- Global growth and earnings remain constrained with big political downside risks

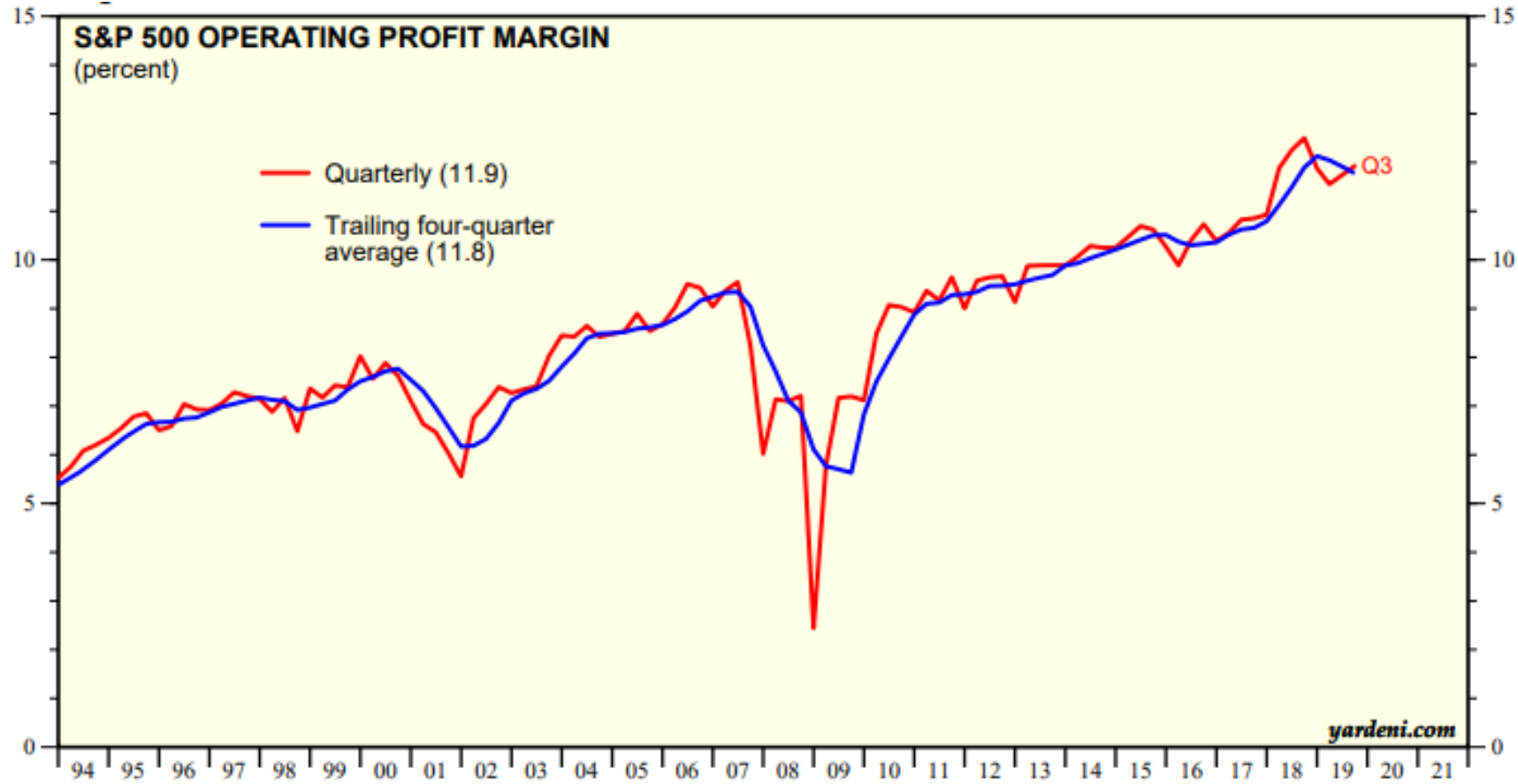


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Irrational Exuberance: Goldilocks zone for profits



Source: Standard & Poor's Corporation (revenues) and I/B/E/S data by Refinitiv (operating EPS).



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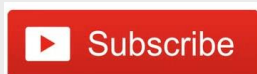
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Investment Outlook:

Patience is a virtue

- Largely positioned for more negative outcomes
- Not deploying cash yet
- Have a target list of stocks, looking at picking up bargains



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