



# MARKETS DISCONNECT FROM REALITY: WHAT COMES NEXT?

# Agenda

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- Why has the market risen
- What are current economic conditions
- Are we in the new normal
- What are we most concerned about



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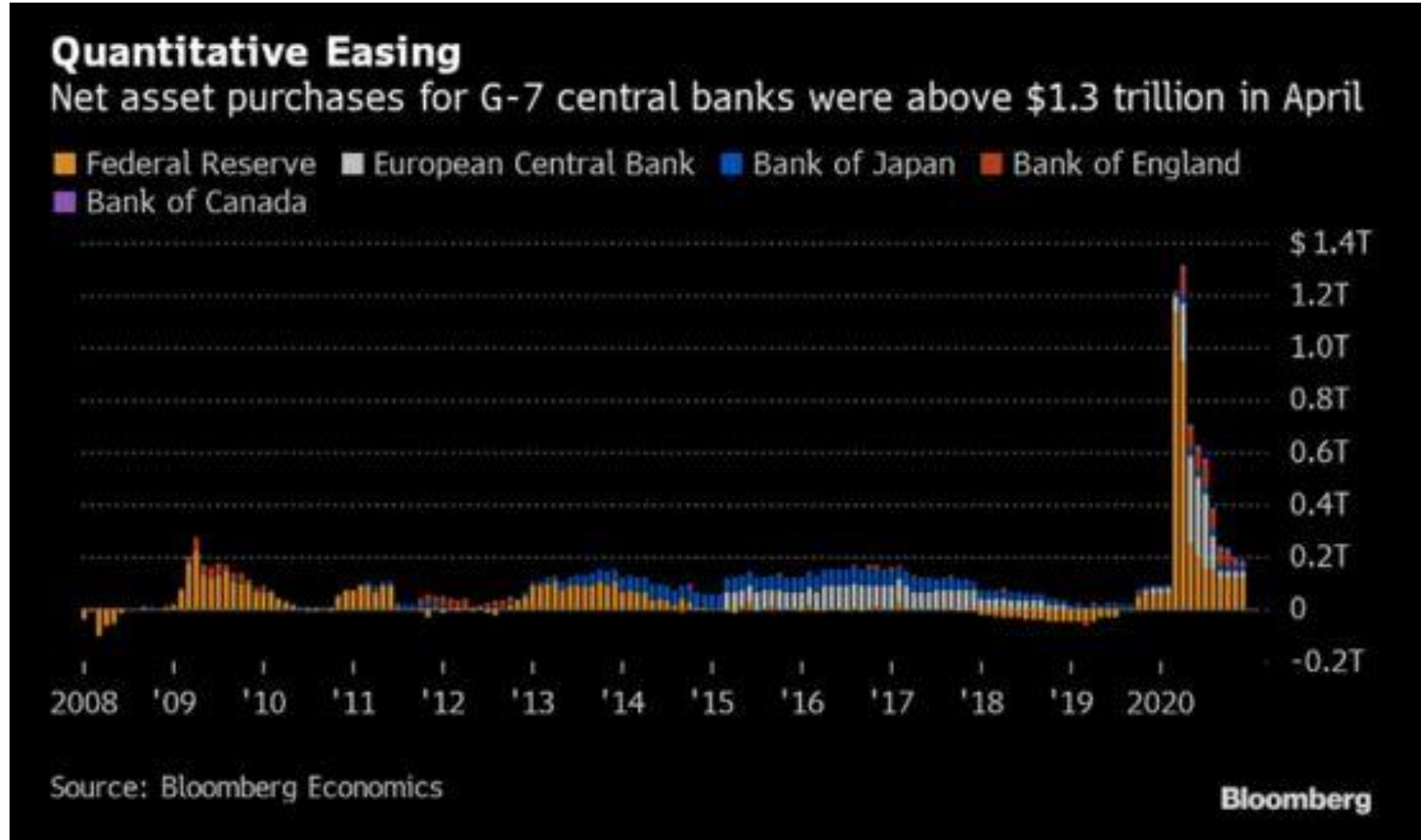
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# Why has the market risen:

## Central Bank Printing



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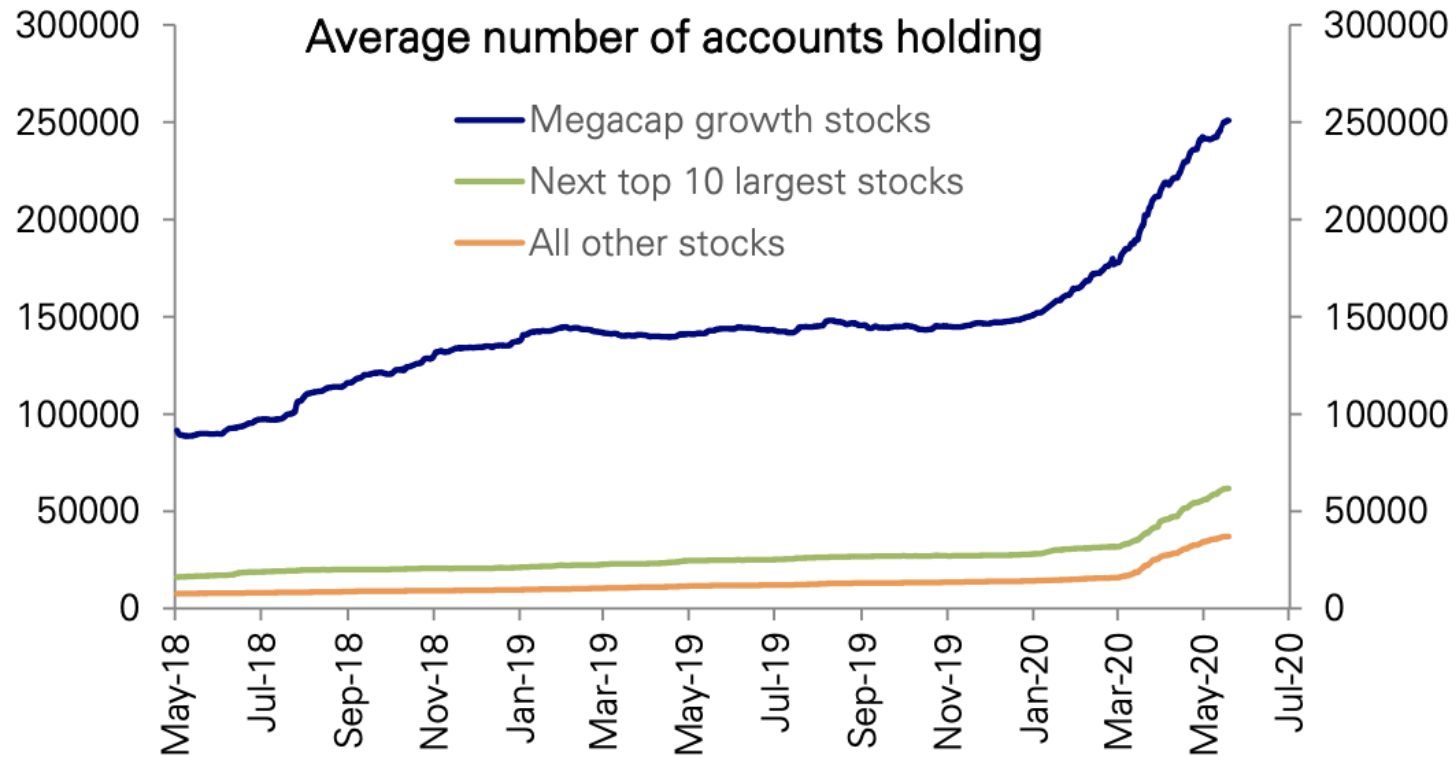
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# Why has the market risen:

## Momentum traders, robots and retail traders

Figure 22: New retail account openings have risen sharply



Source : Robinhood brokerage accounts data from Robintrack.com, Deutsche Bank Asset Allocation



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# Why has the market risen:

## Three years in three months

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- boom followed by bust
- USD safe haven and bond bid
- flight to quality in stocks
- stimulus
- bounce off the lows for stocks
- momentum trades kick in
- bonds start to sell and USD safe haven unwinds
- bond back up
- rotation to value in stocks

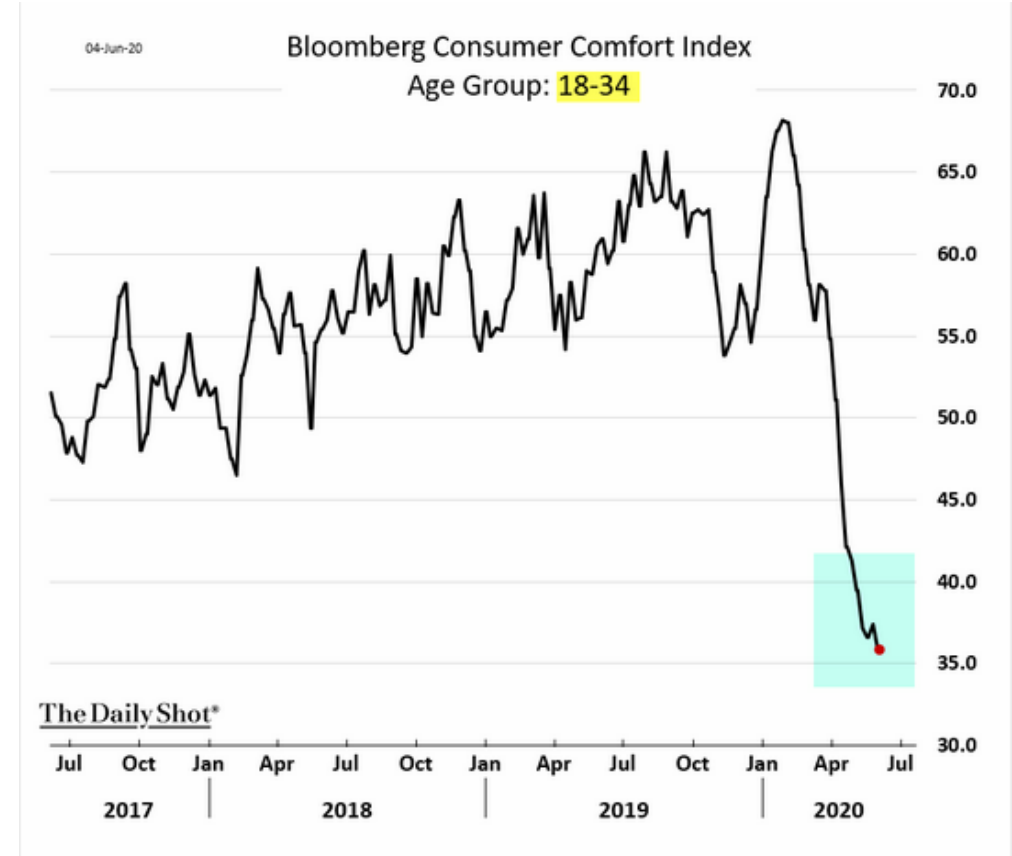
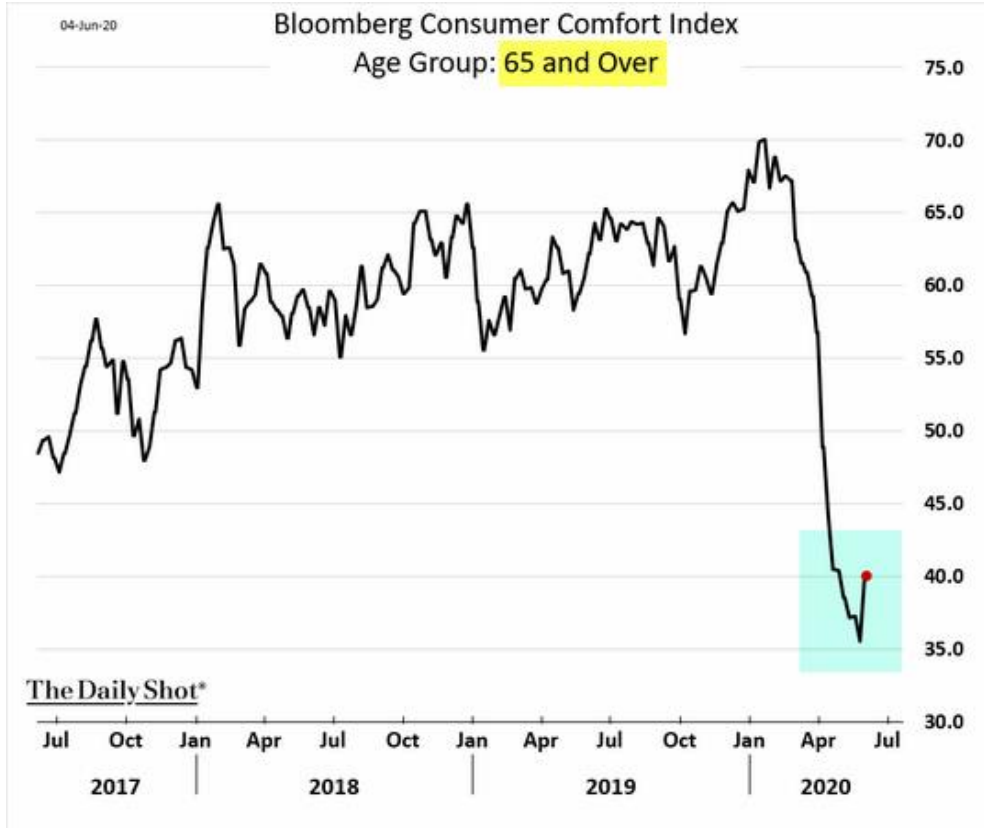


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# Why has the market risen: Inequality



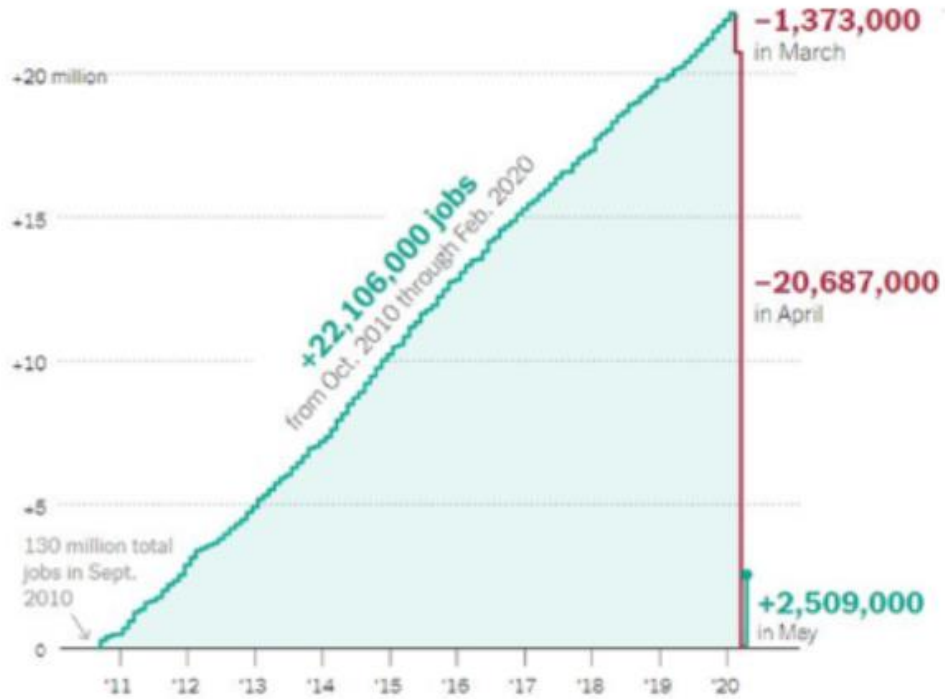
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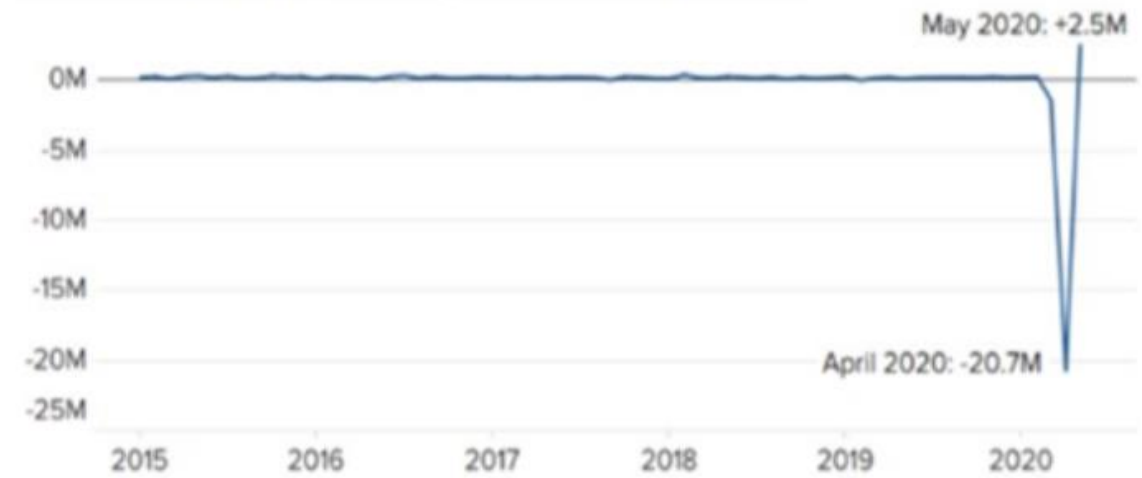
## Mistaking direction for position



Source: Bureau of Labor Statistics by Ella Koeze via NY Times

## Job losses and gains since 2015

Total nonfarm payrolls, change from previous month



SOURCE: Bureau of Labor Statistics



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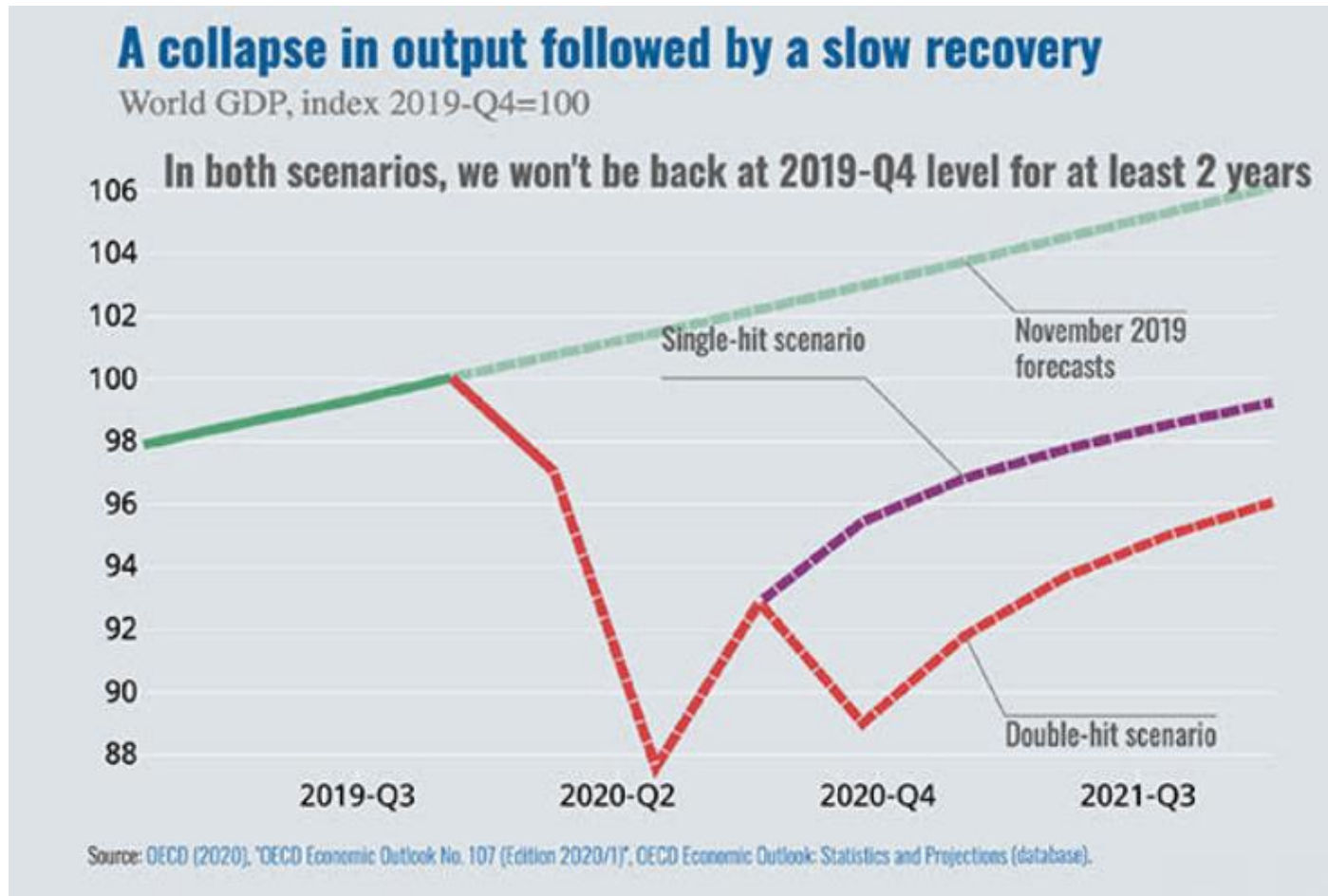
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# What are current economic conditions

Bad



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# Are we in a new normal:

## Central Banks or Governments bailing out everyone

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- Large Companies
- Small / Medium Companies
- Unemployed people
- Suspension of capitalism



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# Are we in a new normal:

## What would bring markets back to reality

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- ~~Q1 earnings showing how much damage~~
- ~~A failure to control the virus in the US~~
- ~~Rampant virus activity in developing countries~~
- ~~The likely intensification of the US/China trade war~~
- ~~Widespread rioting in the US~~
- Earnings not bouncing back



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# What are we most concerned about:

## The short list

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- Demand
- Debt Crises
- Valuations



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