



## What's Next for the Economy and the Dollar?

Please read important risk disclosure and Fund related information towards the end of this presentation.

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## Global Imbalances

- **U.S. Consumer**
  - Interest rate sensitive; driver of world economy
- **Asia**
  - Interest in employment
  - Global overproduction
- **Corporate America**
  - Margins squeezed
  - Accelerated outsourcing
  - Lackluster job & real wage growth

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## Credit Crisis

- **Credit Expansion**
  - Fed fosters credit expansion
  - Fed ineffective / less relevant
  - False sense of security
- **Credit Contraction**
  - Rise in volatility / Risk priced back into markets
  - Paring down of leverage: price deflation
  - Crises when de-leveraging is not possible

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## Crisis Response

- **Stabilization**
- **Stimulus**
  - Fiscal Stimulus
  - Quantitative Easing
  - Credit Easing

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## Sowing seeds for next crisis?

- **Market Intervention**
  - Rewarding bad business at expense of good
  - Crowding out
  - Overvalued government debt?
- **Exit Strategy**
  - Fed boxed into a corner
  - Not credible
- **Inflation**
  - Slack in economy / output gap
  - Expectations key

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## Sound Policies

- **Stabilize system**
- **Allow prices to clear**
  - Facilitate write offs
  - For businesses and consumers
- **Avoid Unintended Consequences**

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## Diversification

- **Equities**
  - Many firms dependent on cheap financing
- **Bonds**
  - Inflation risk
- **Foreign Exchange**
  - Non-correlated
  - Many not profit maximizing

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## Dollar no longer “risk-free”

- **Which Currencies?**
  - Norway the new Switzerland?
  - Eurozone
- **Reflation?**
  - Australia & Canada
  - Gold
- **Asia**
- **Currency Asset Class**

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