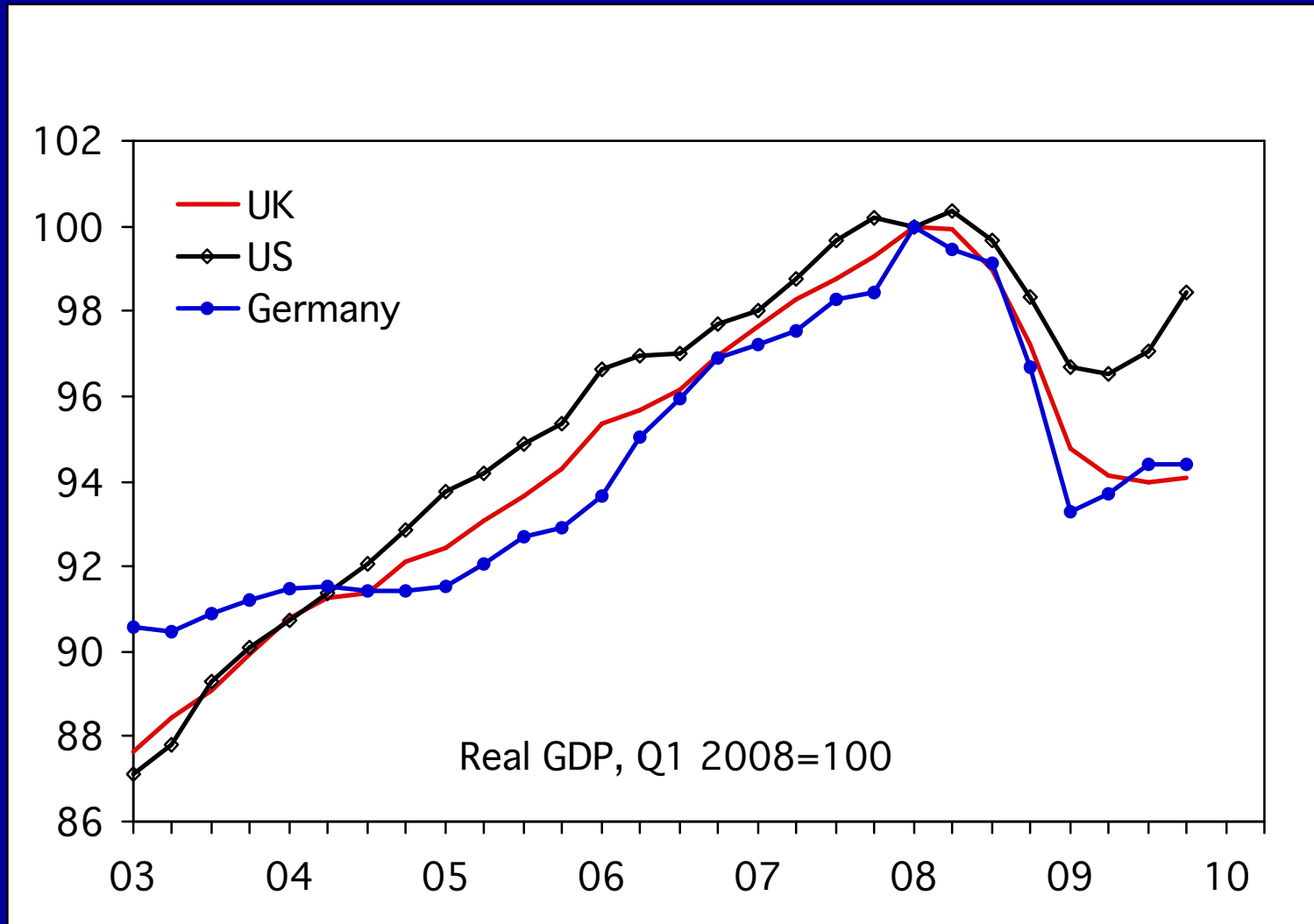


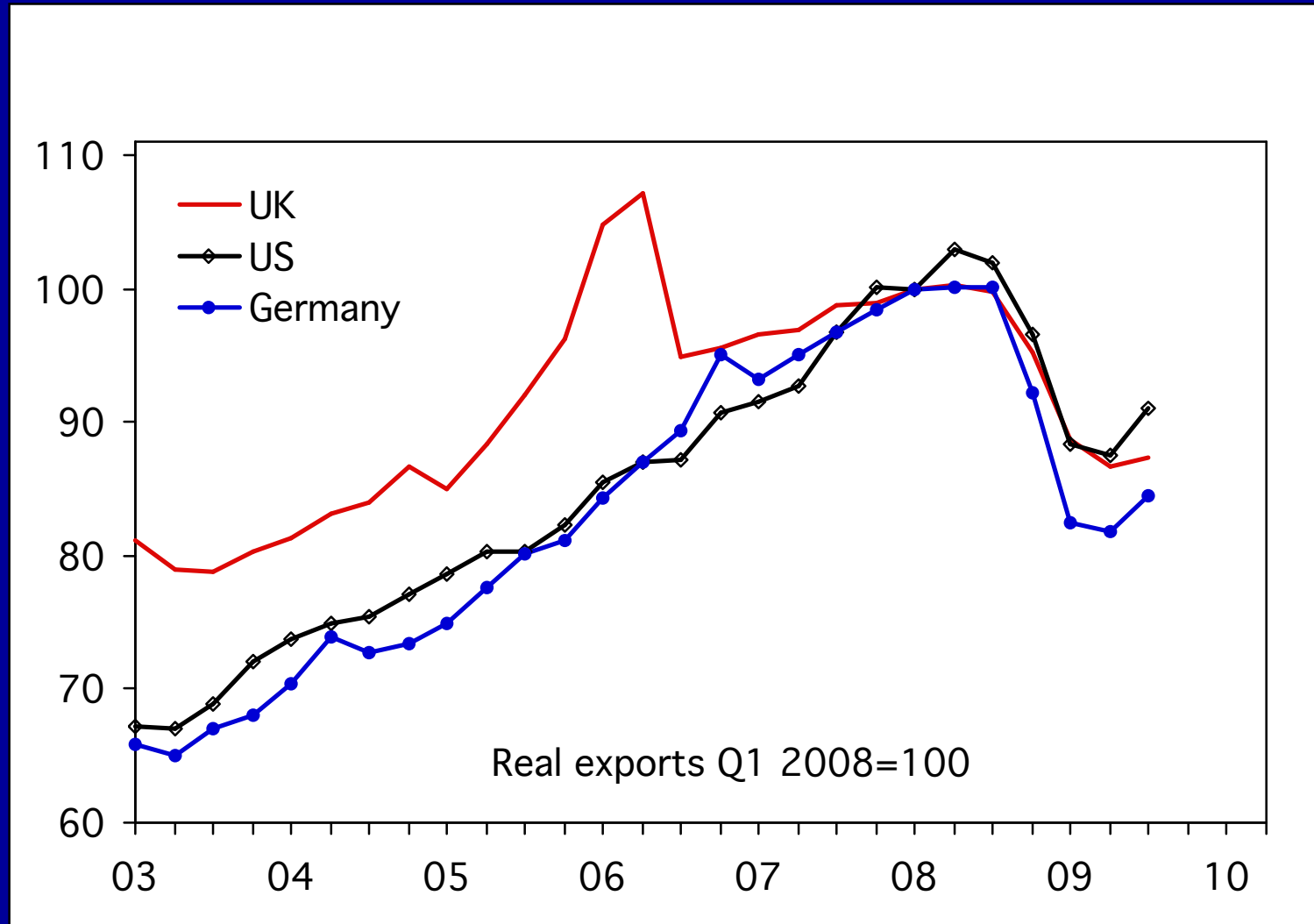
Knowns,  
Known Unknowns  
*and* Unknown Unknowns

Ian Shepherdson  
High Frequency Economics

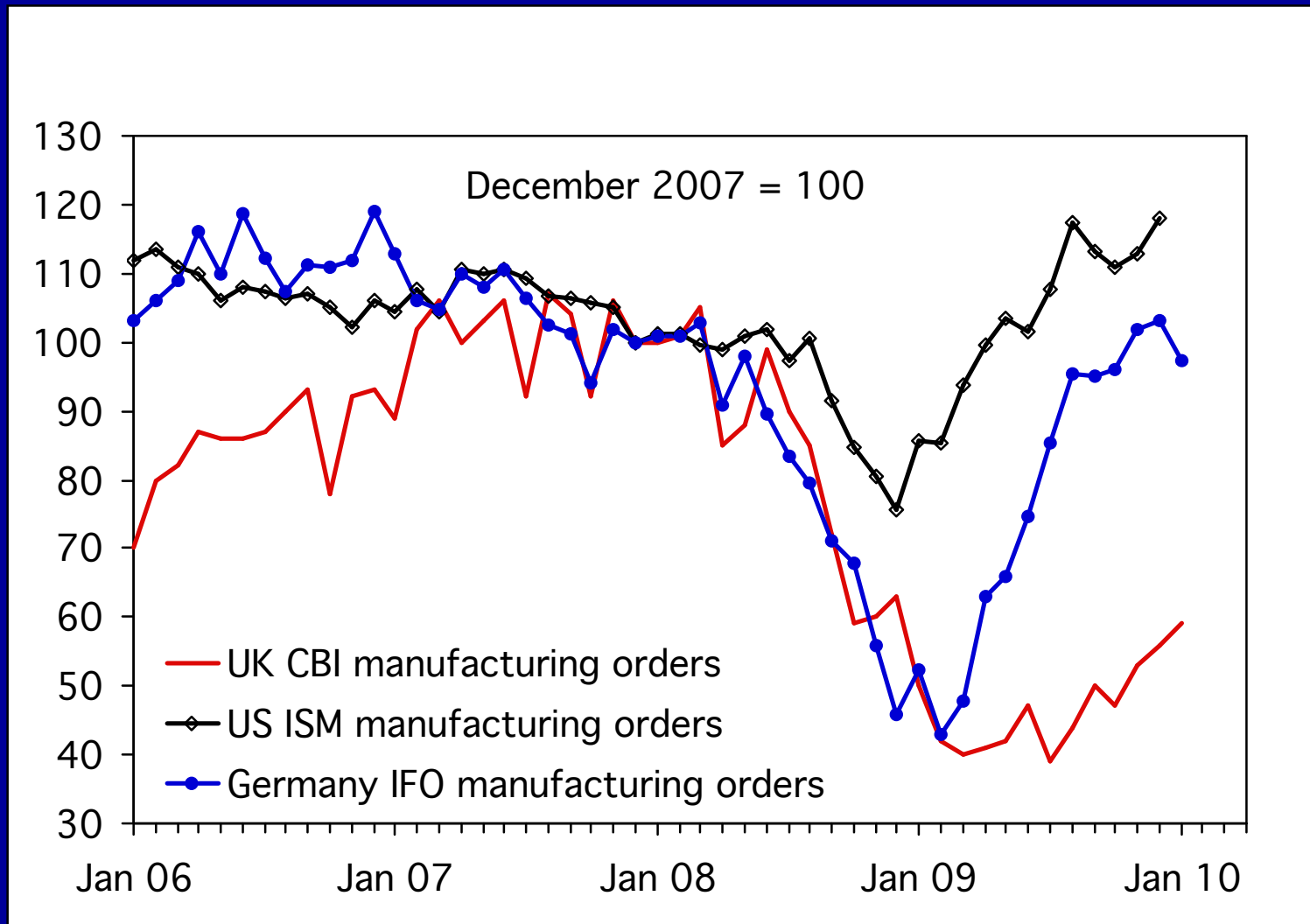
# After Lehman, The Meltdown



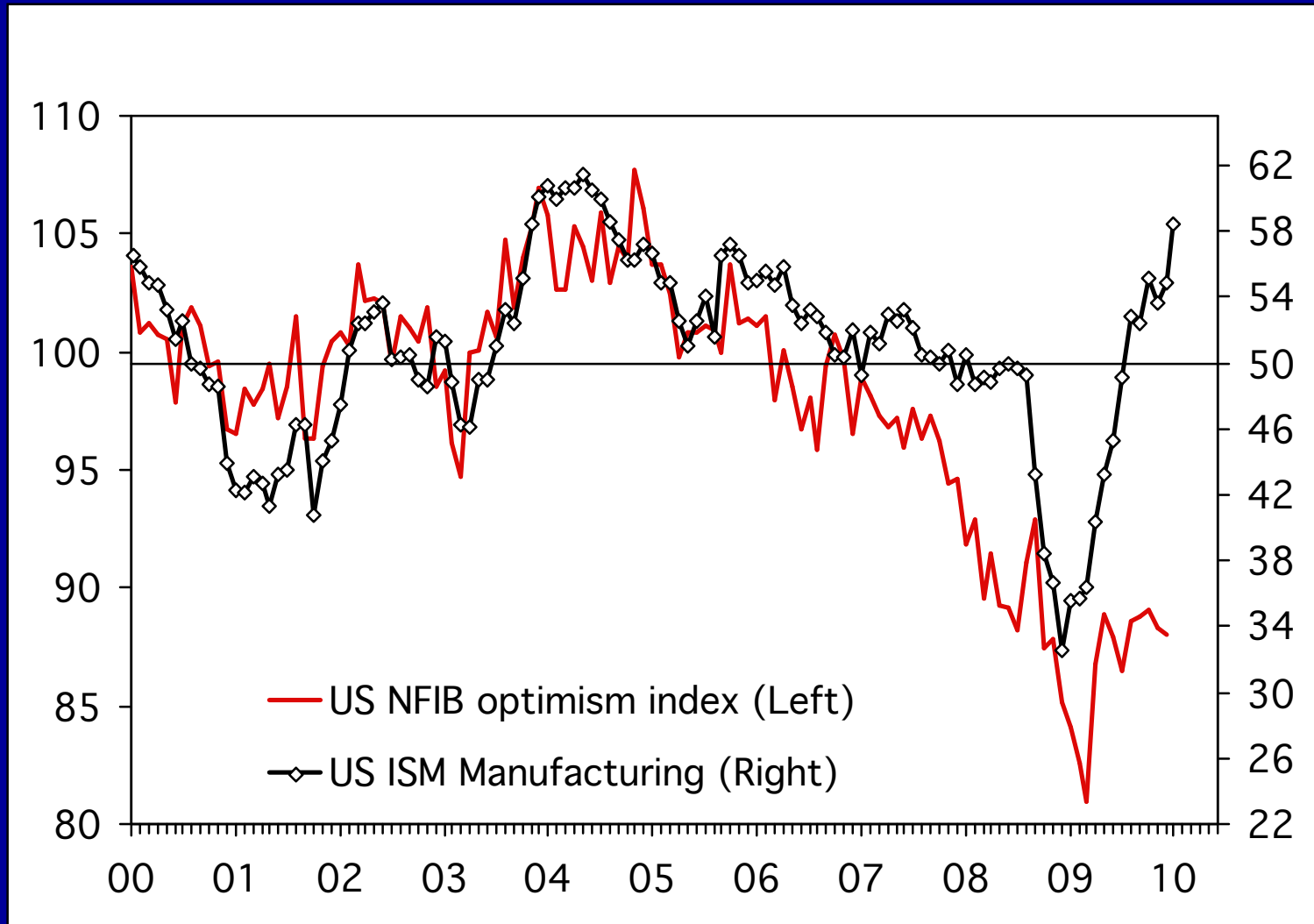
# Collapsing Trade Hit Germany Hard



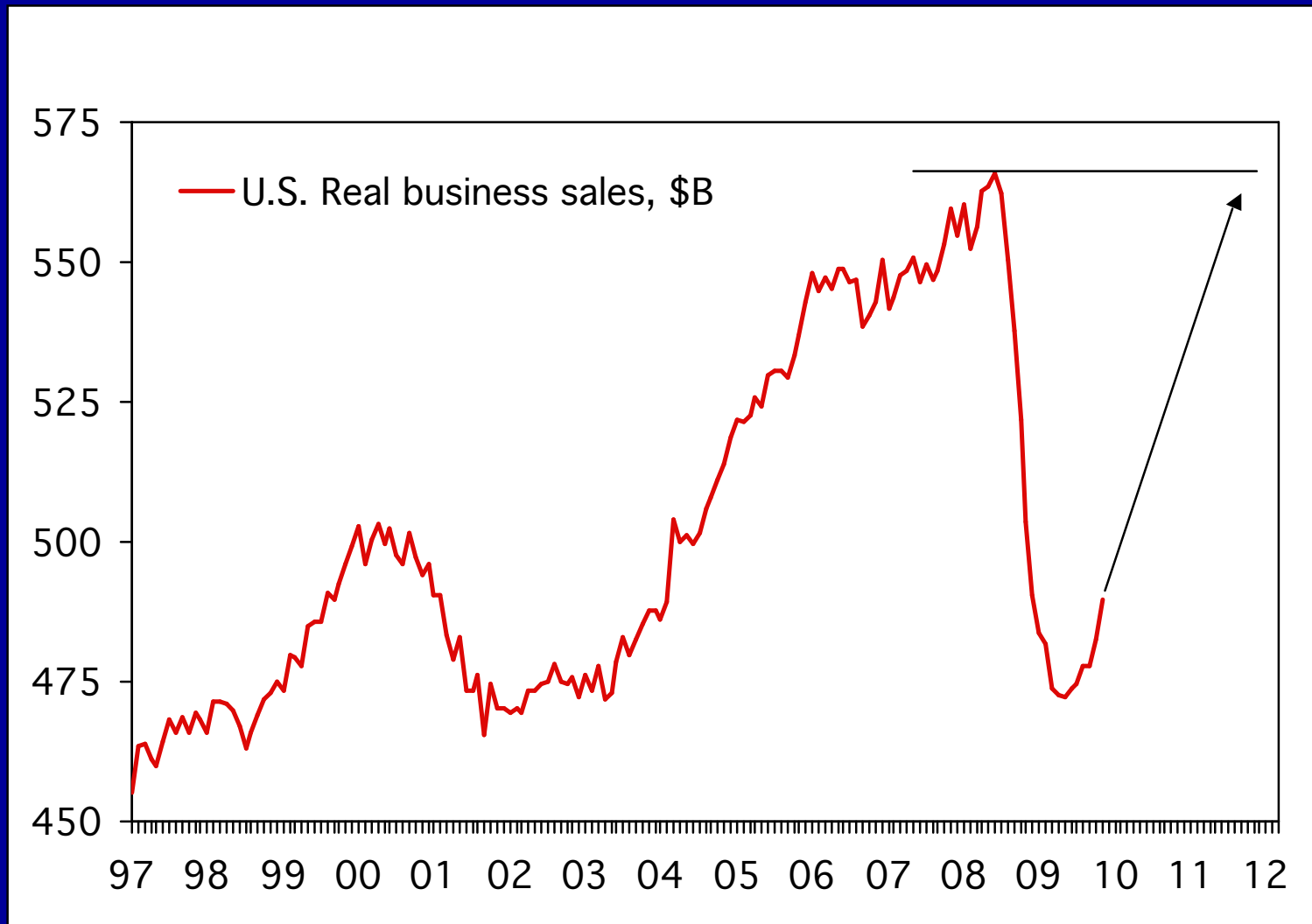
# Large Companies Are Growing Again...



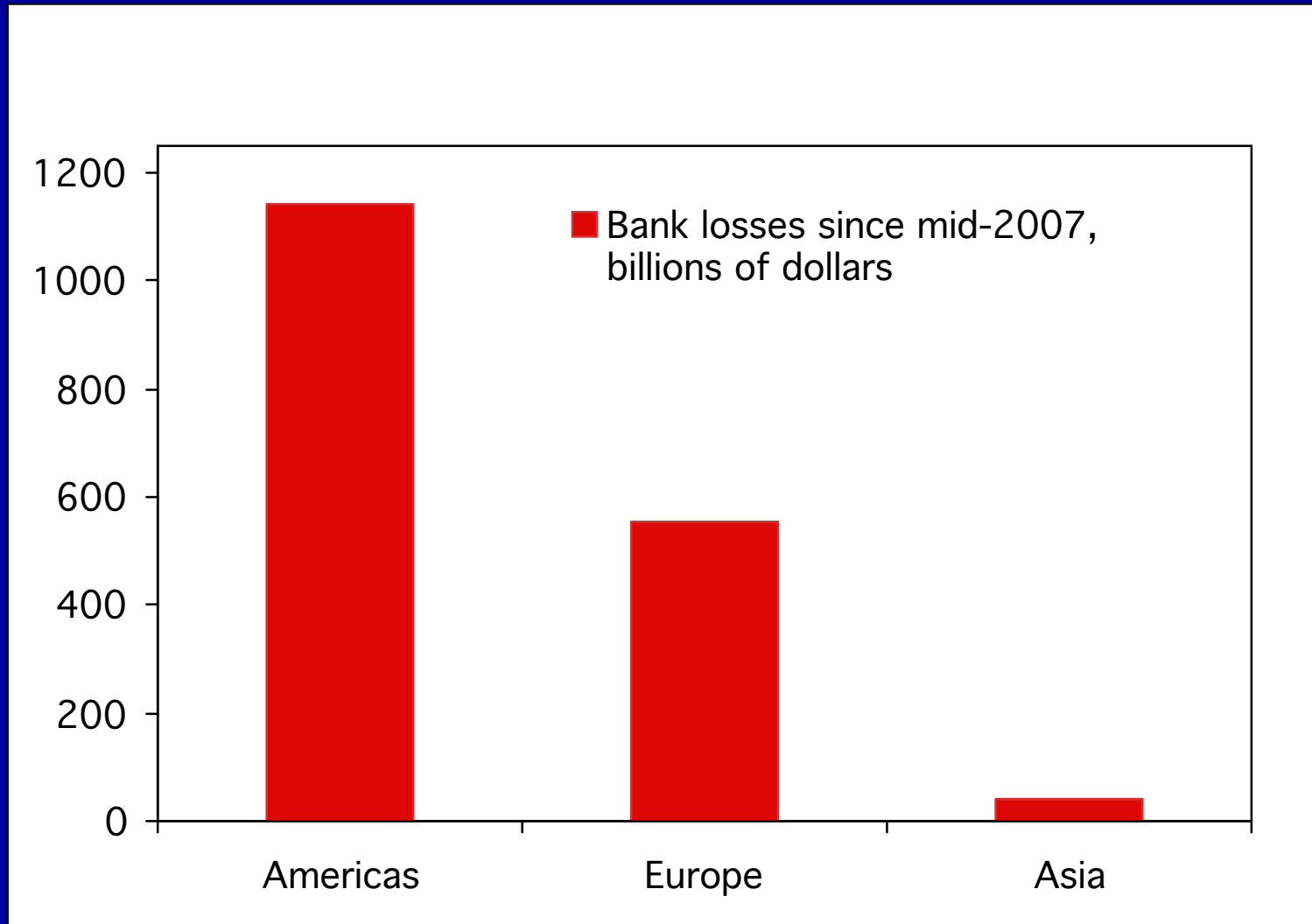
# ...But Small Ones Are Not



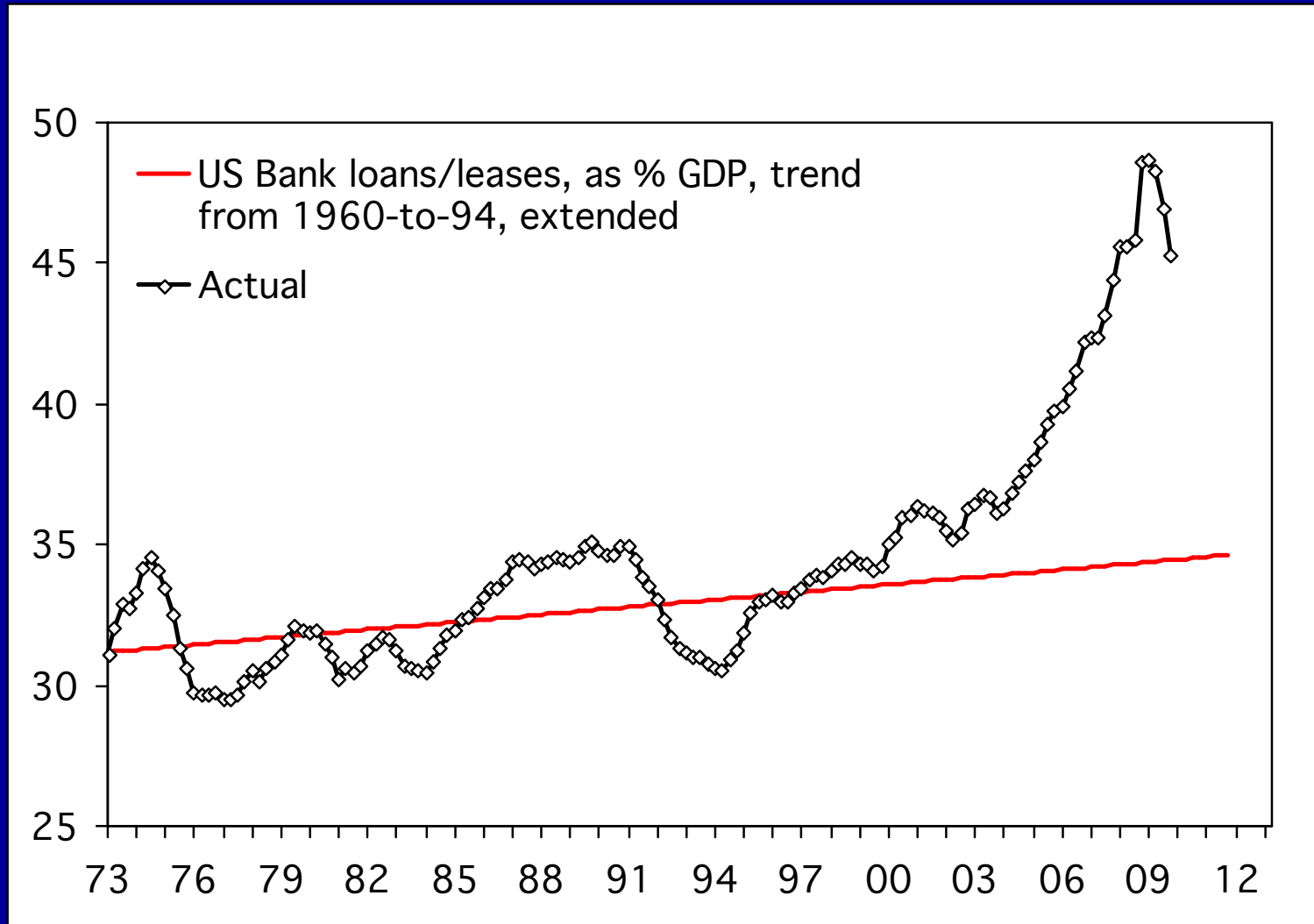
# And A *Bit* of Growth Is Not Recovery



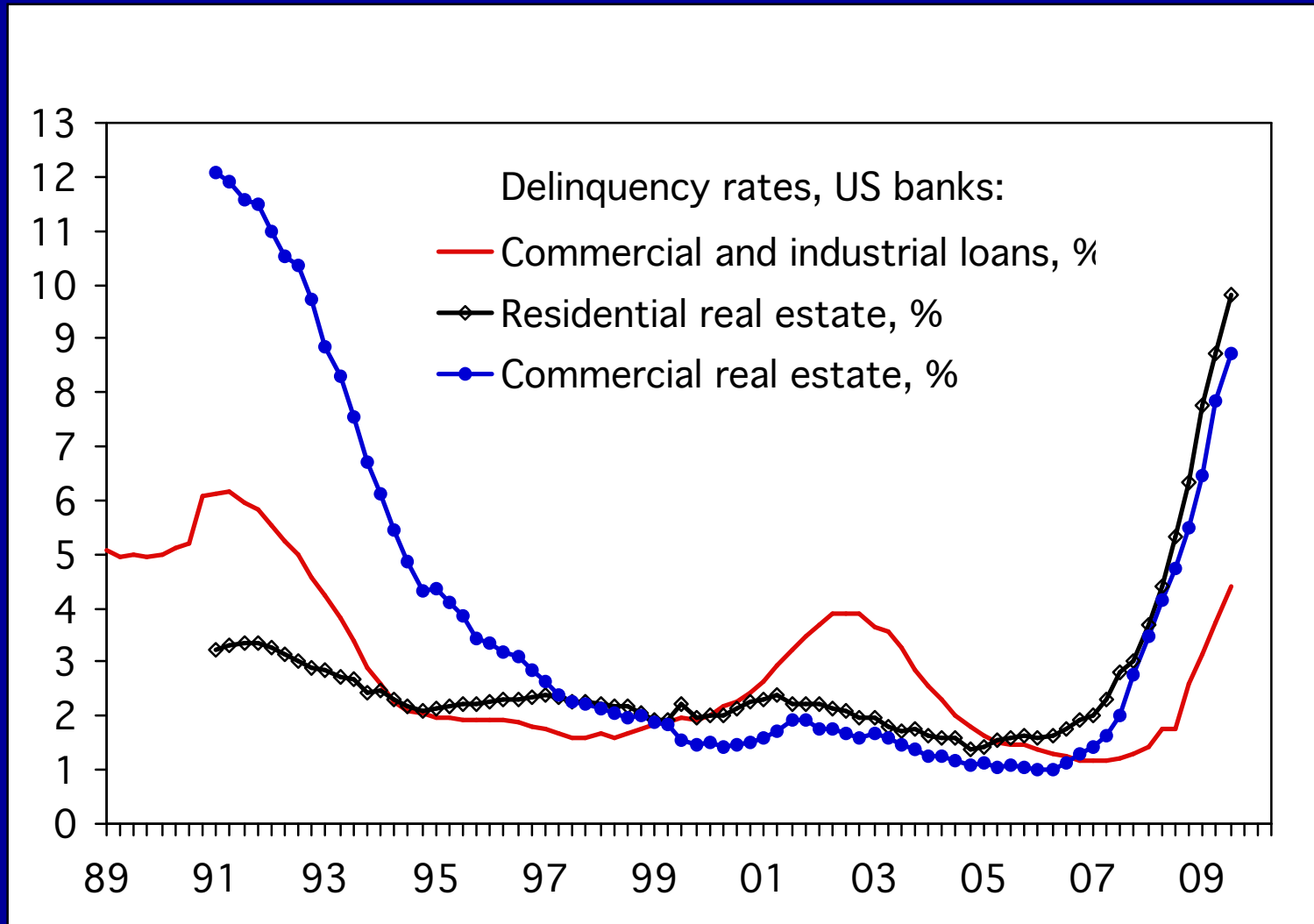
# Bust Banks Are The Problem



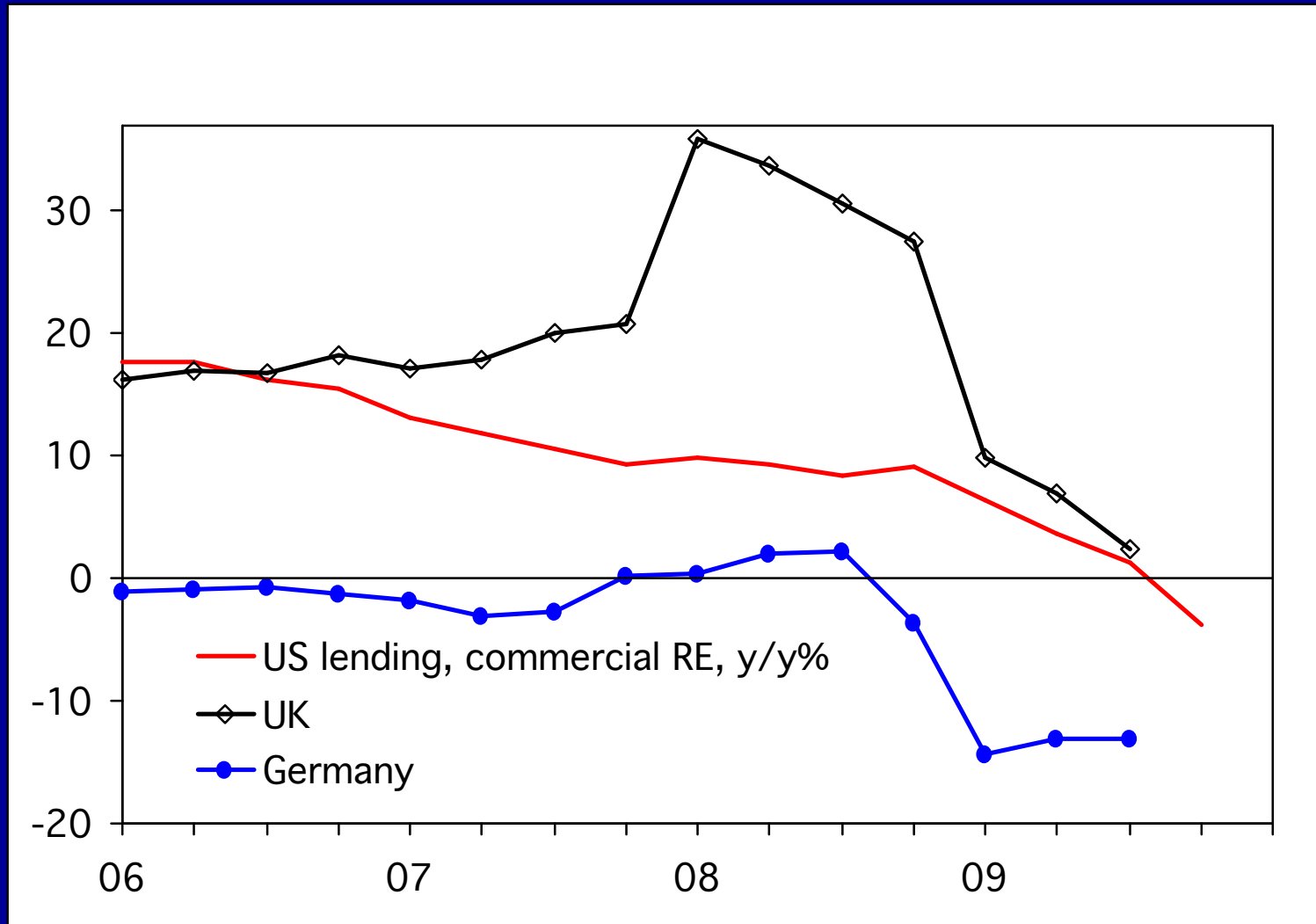
# Ten-Year Party, How Long A Hangover?



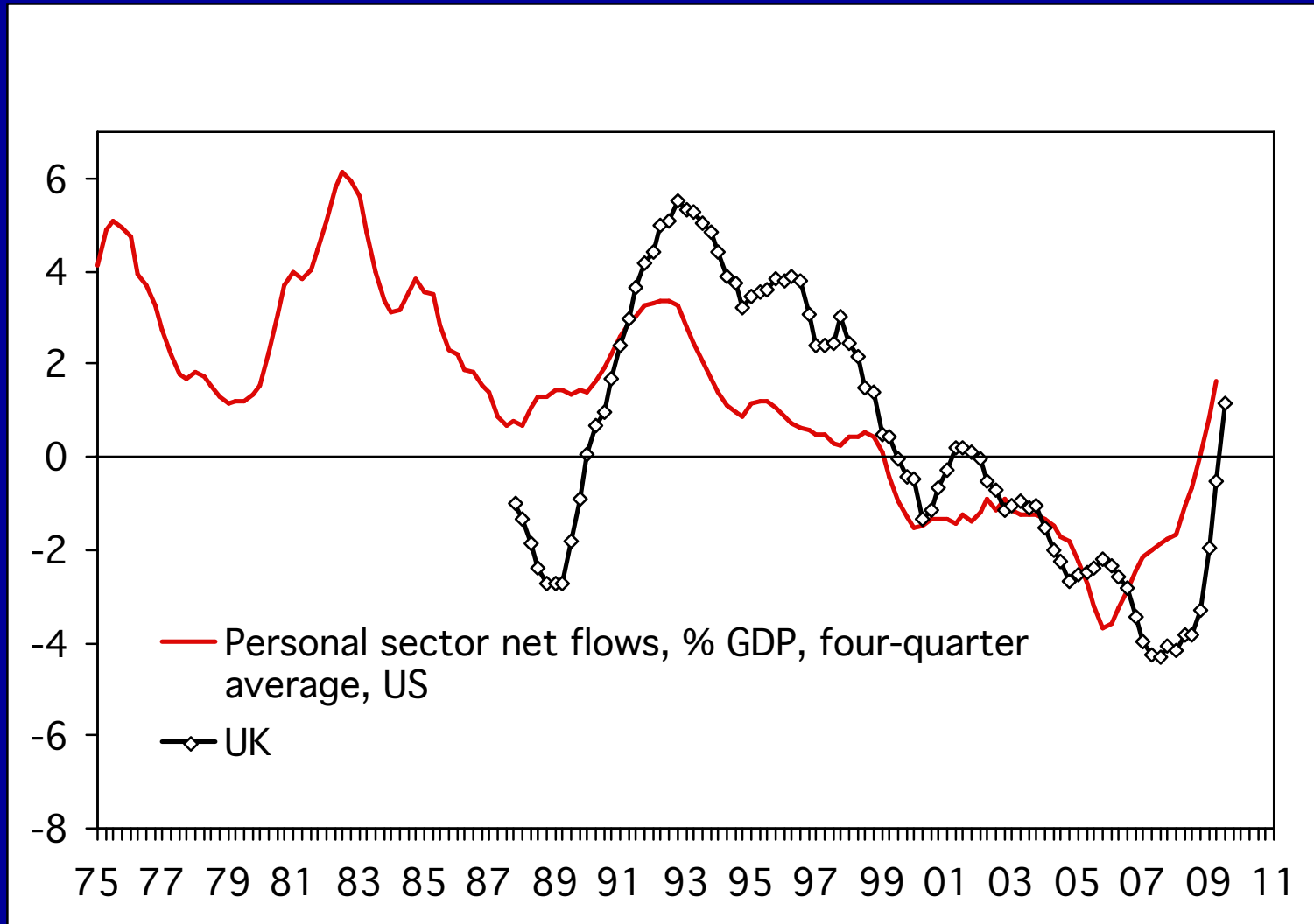
# Pressure On Banks Is Still Increasing...



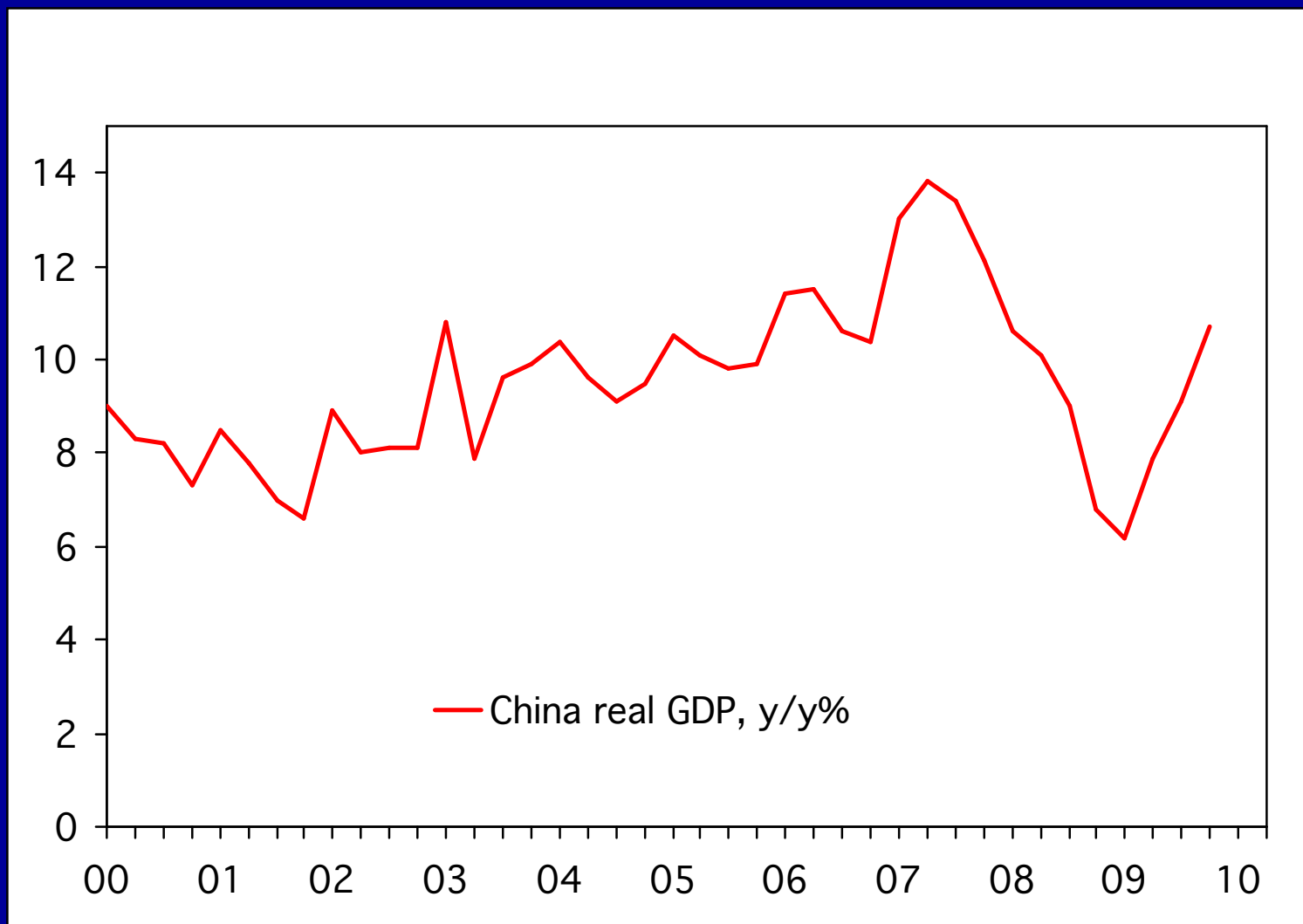
# ...So They Are Squeezing Hard



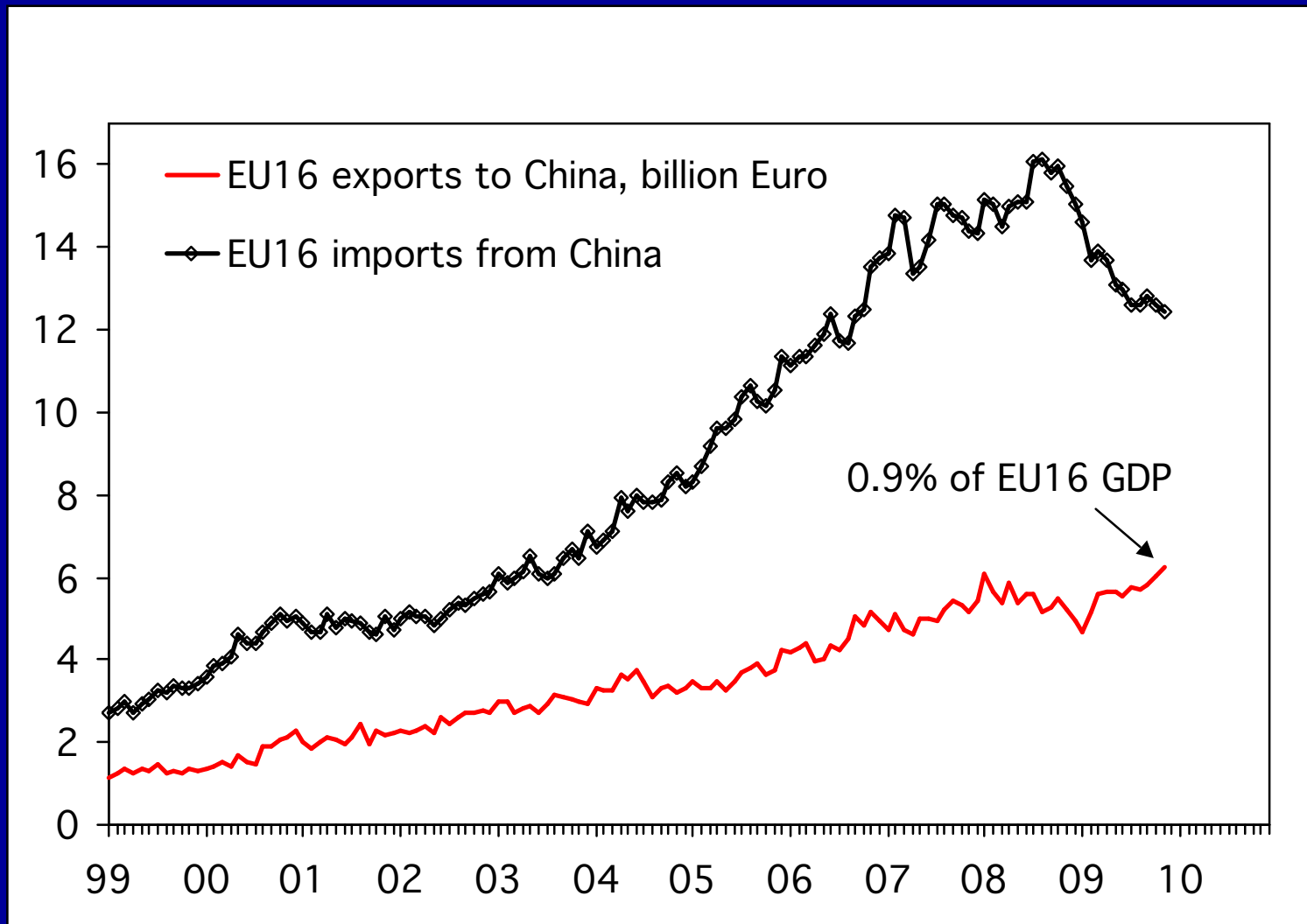
# Indebted Economies Have To Save More



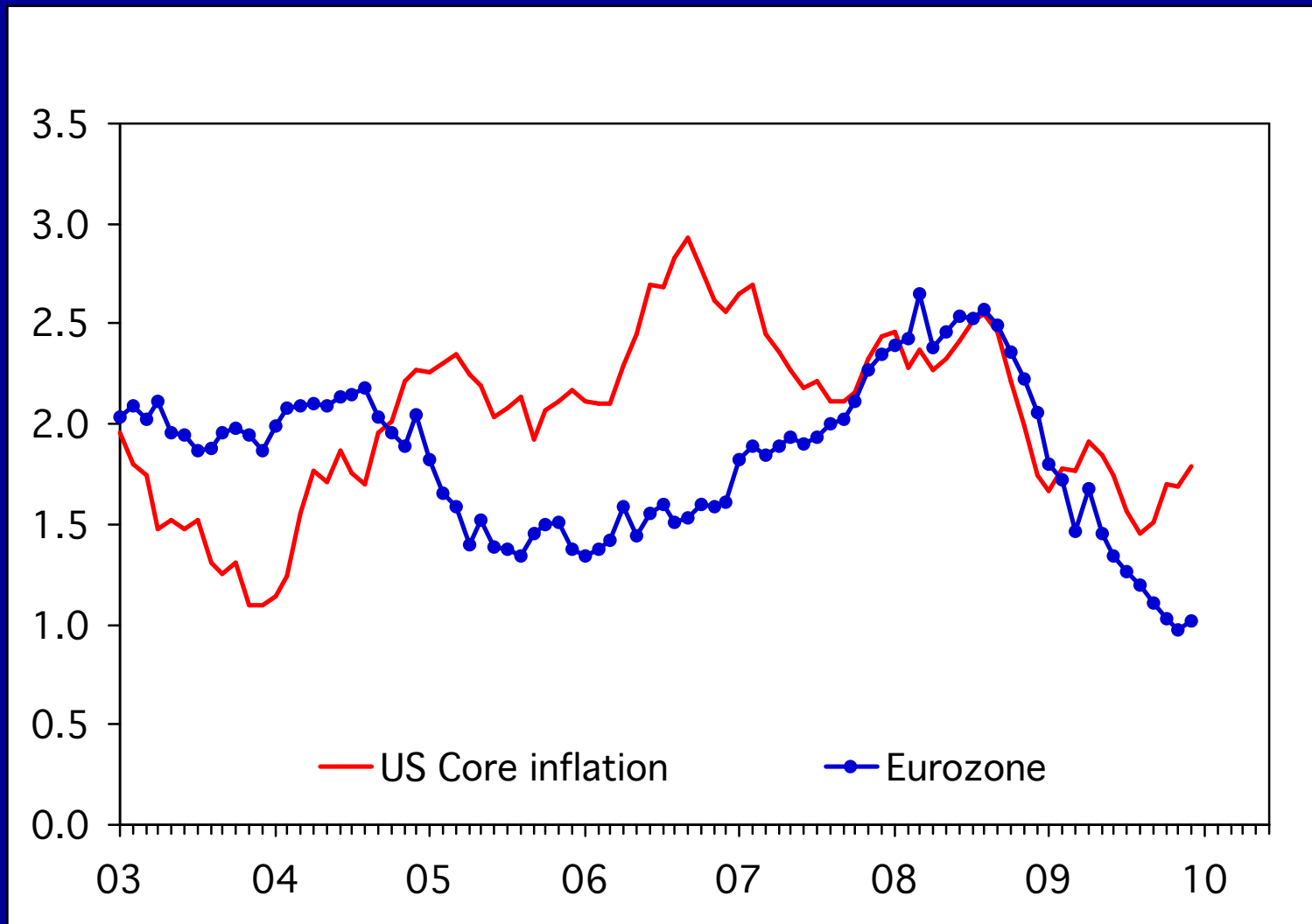
# China Is The Massive Exception



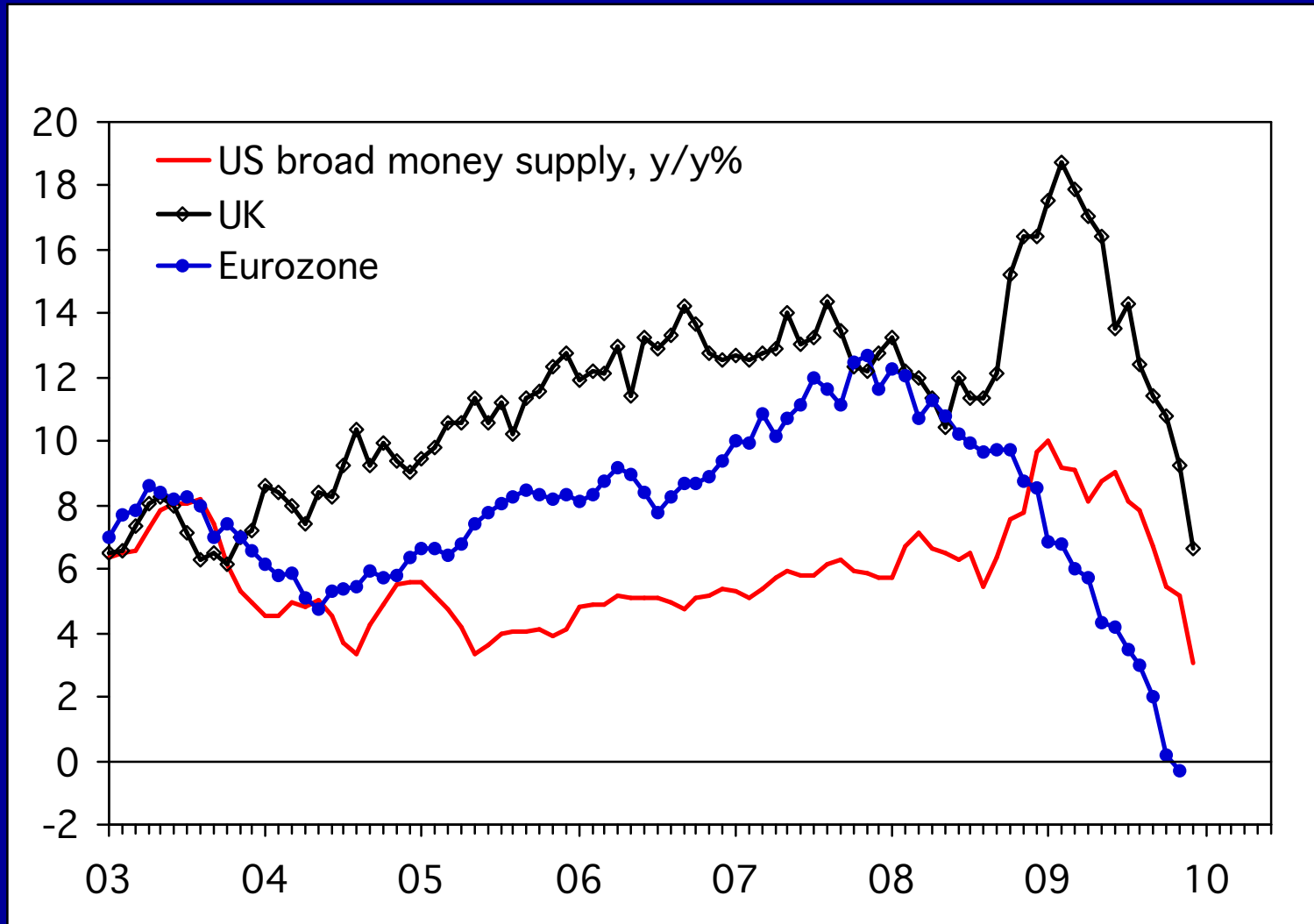
# ...But China Doesn't Buy Much From Us



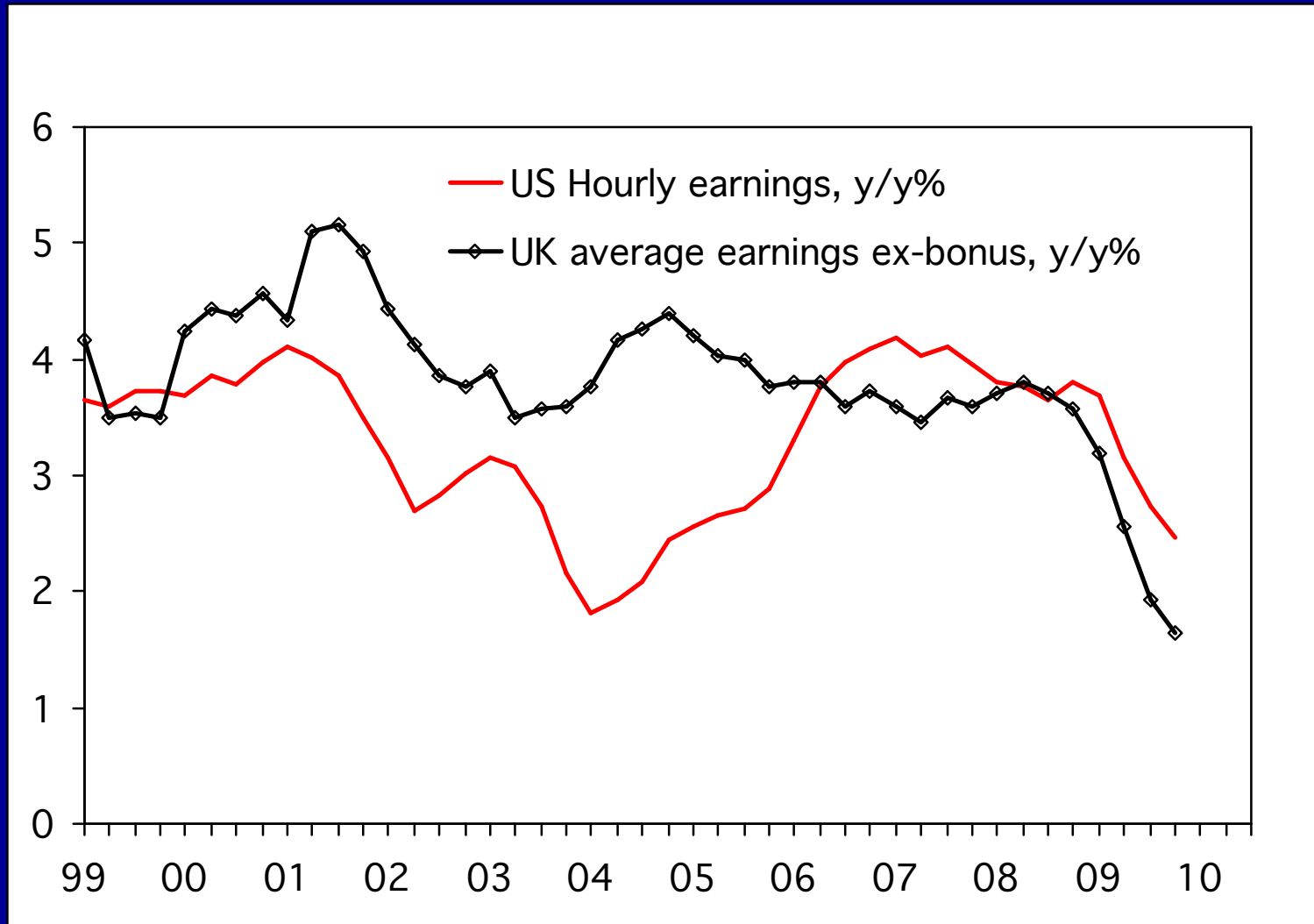
# The Good News: No Inflation



# The Bad News: Risk Of *Deflation*



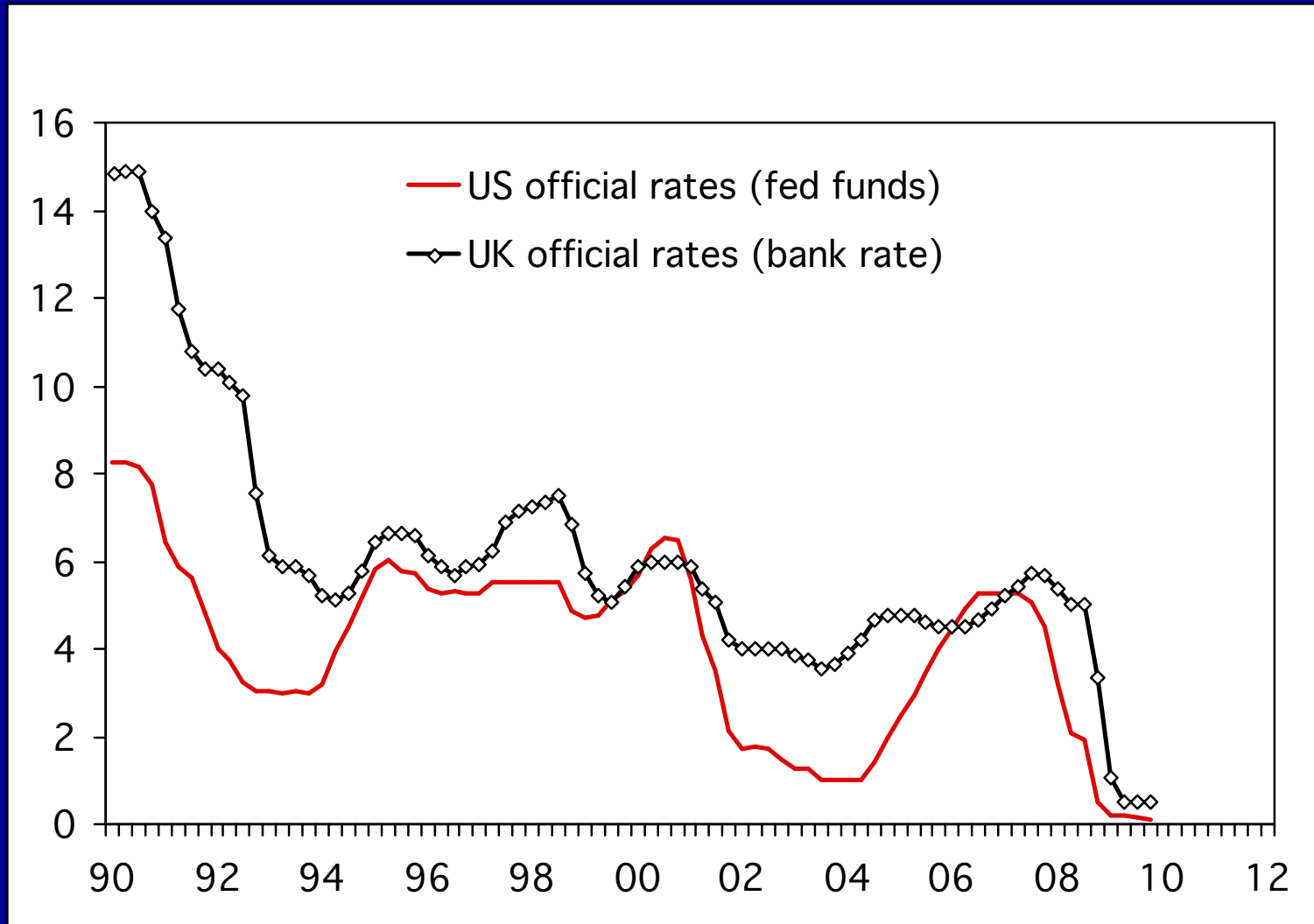
# Income Growth Is Dangerously Low...



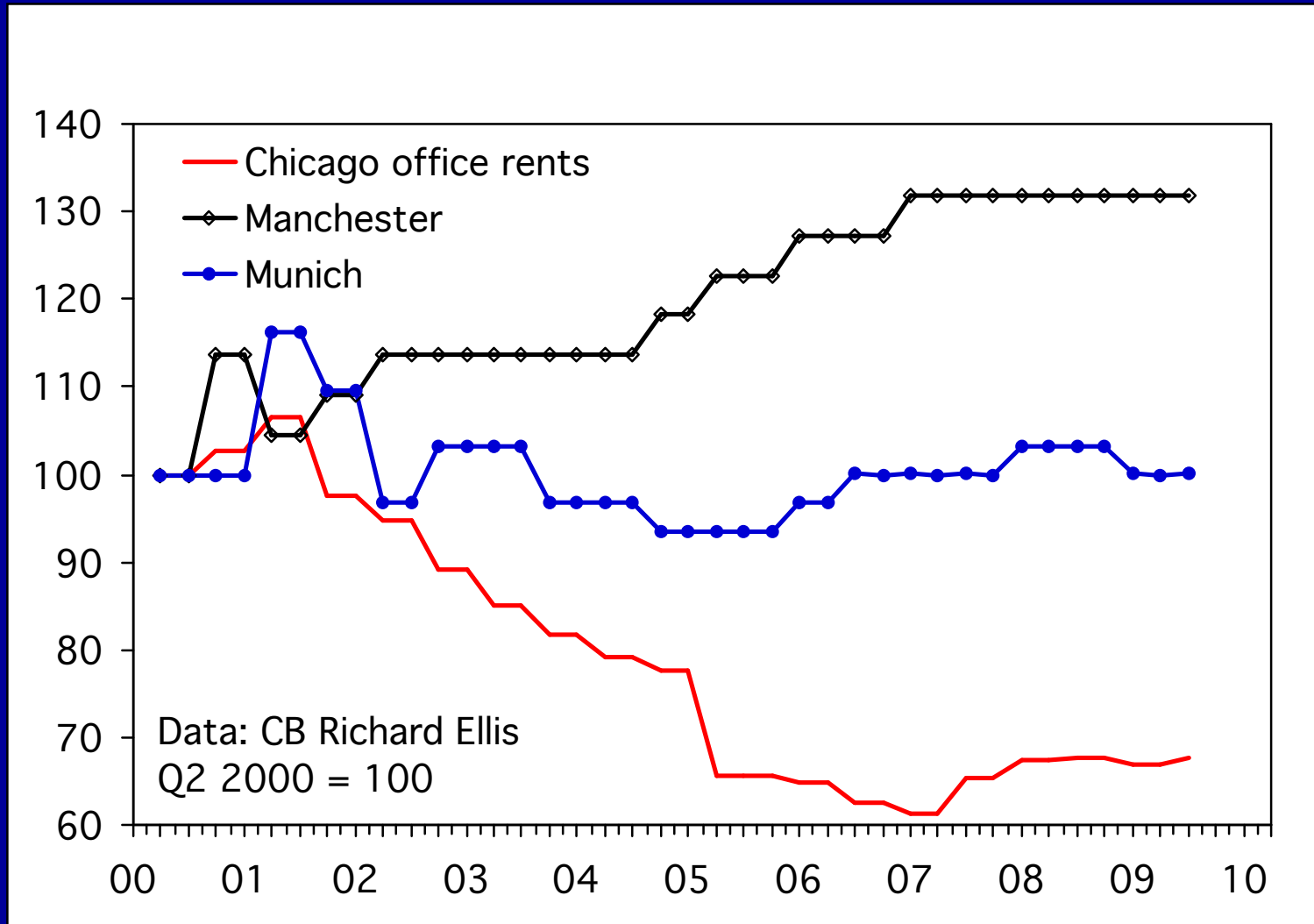
## ...And Not Just In Anglo Economies



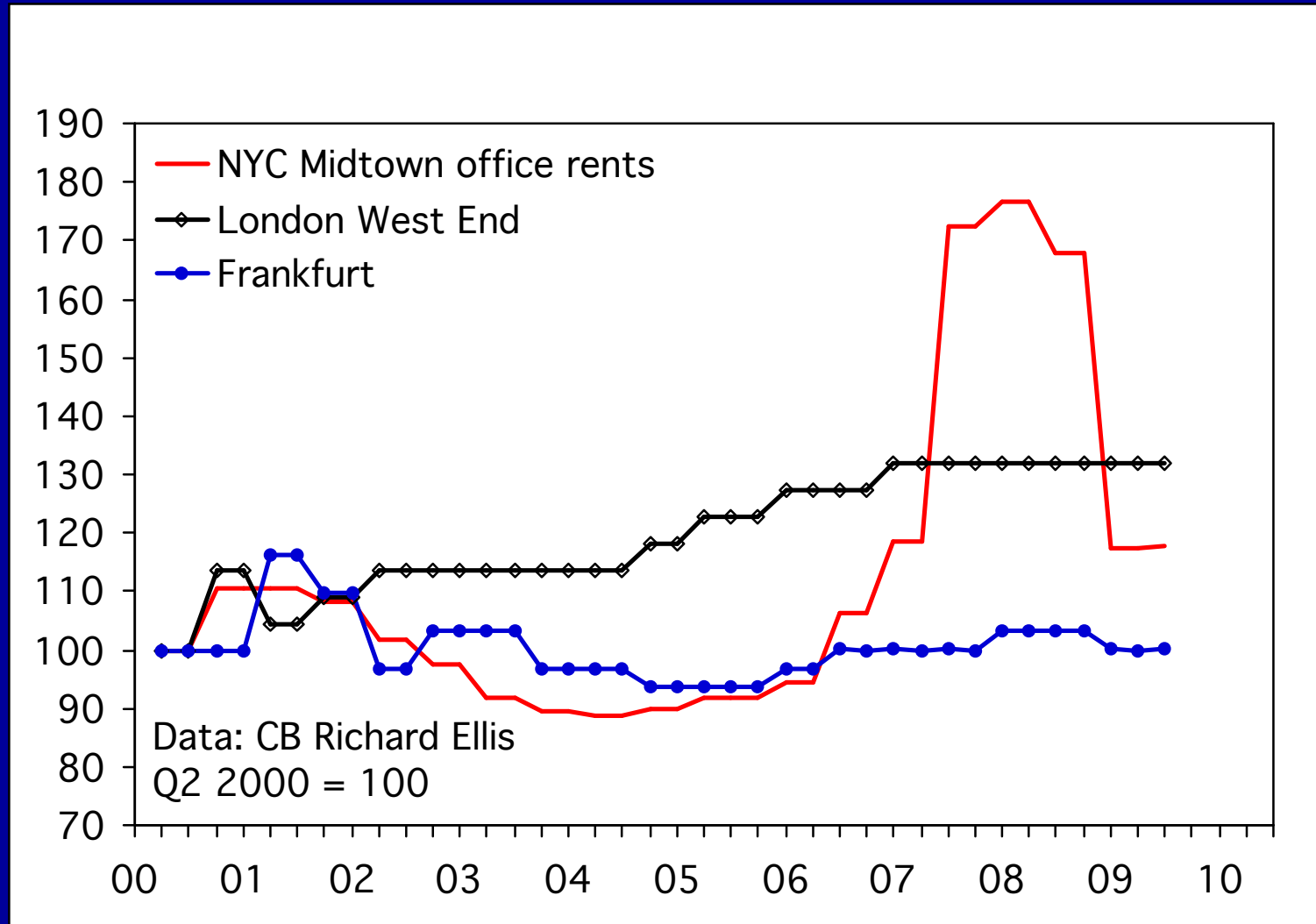
# ...Very Low Inflation Means Low Rates



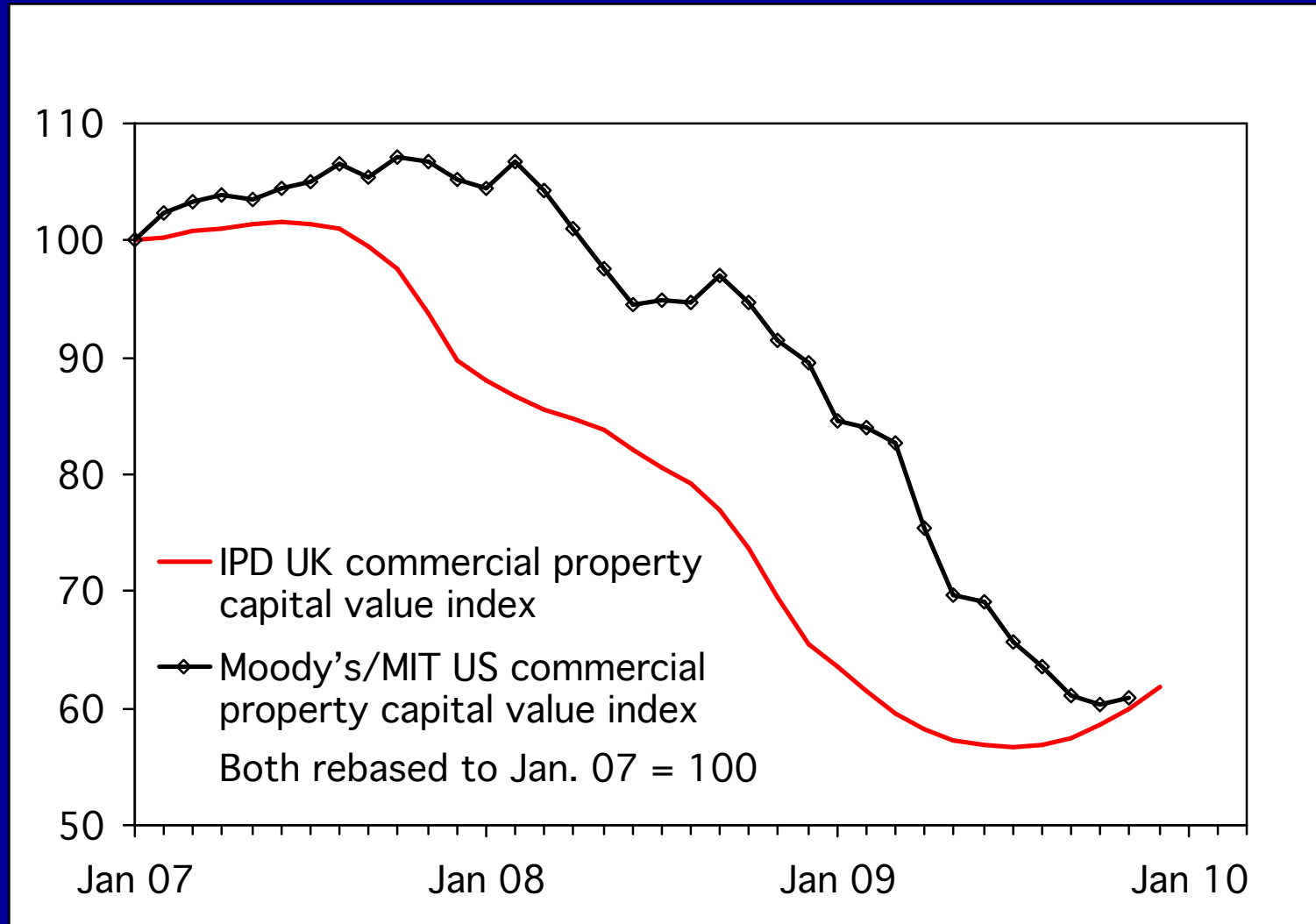
# Rents Have Not Adjusted To New World



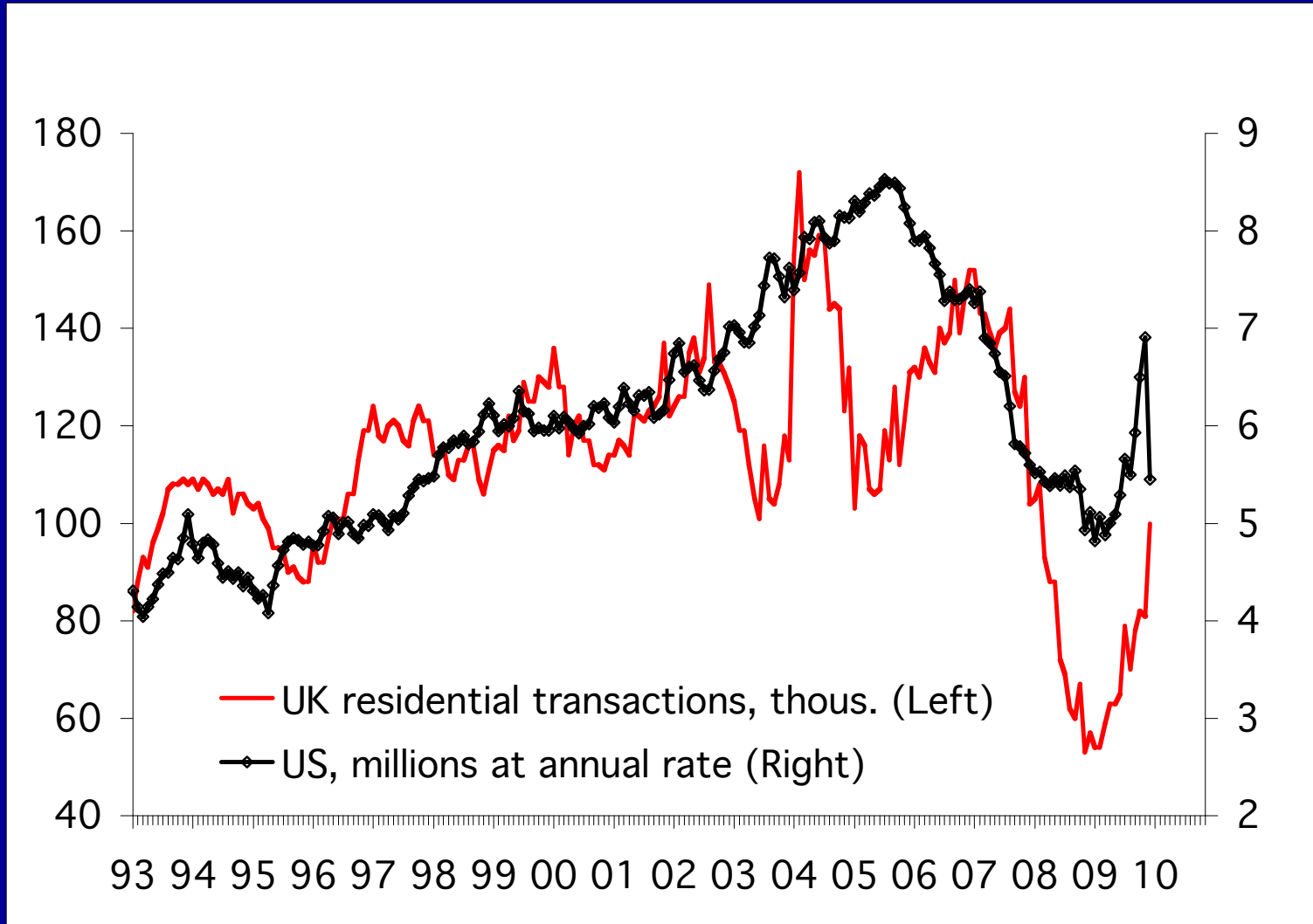
# ...Even In Financial Centres



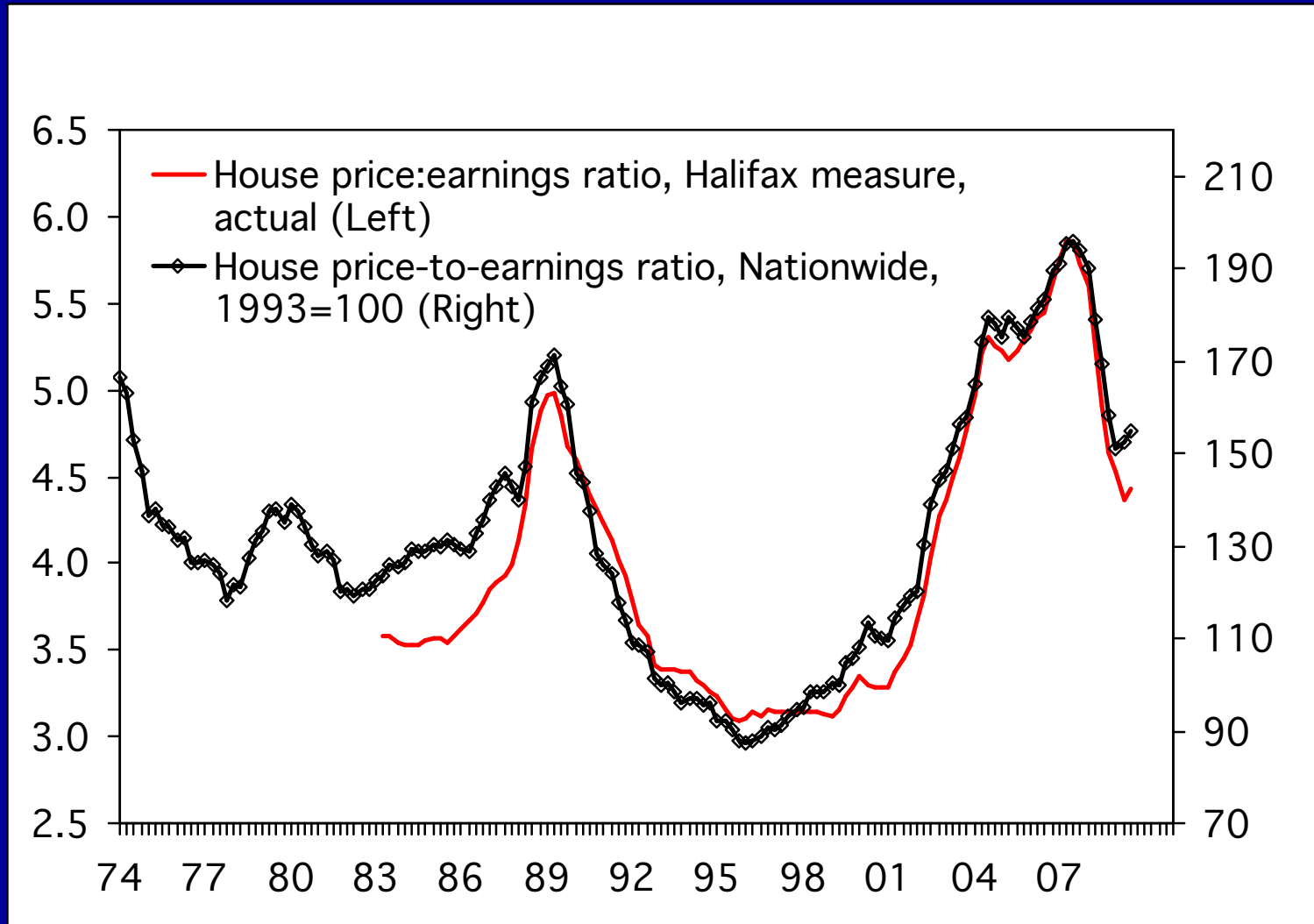
# Higher Yields Have Pulled In Buyers



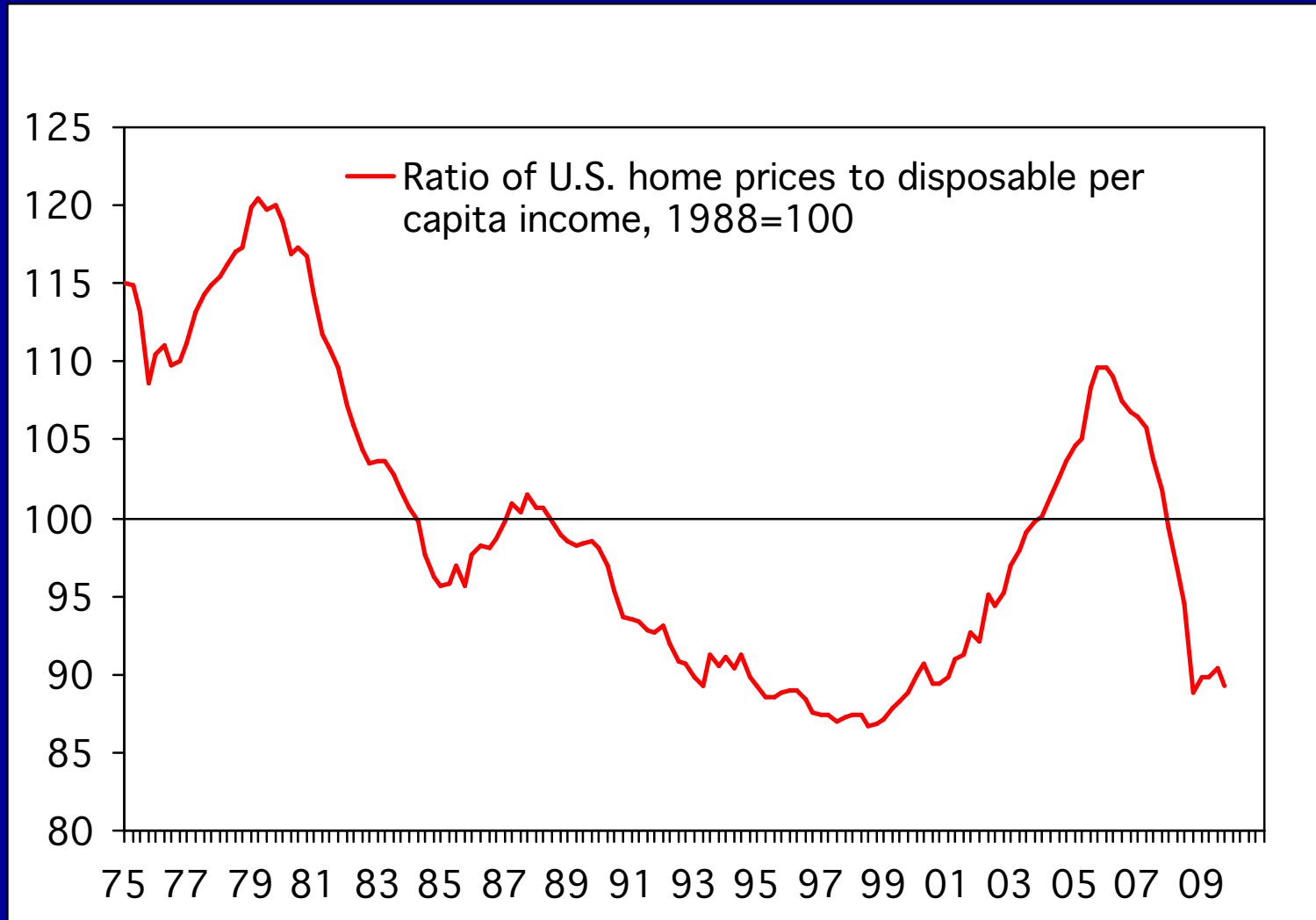
# Resi Transactions Have Bottomed...



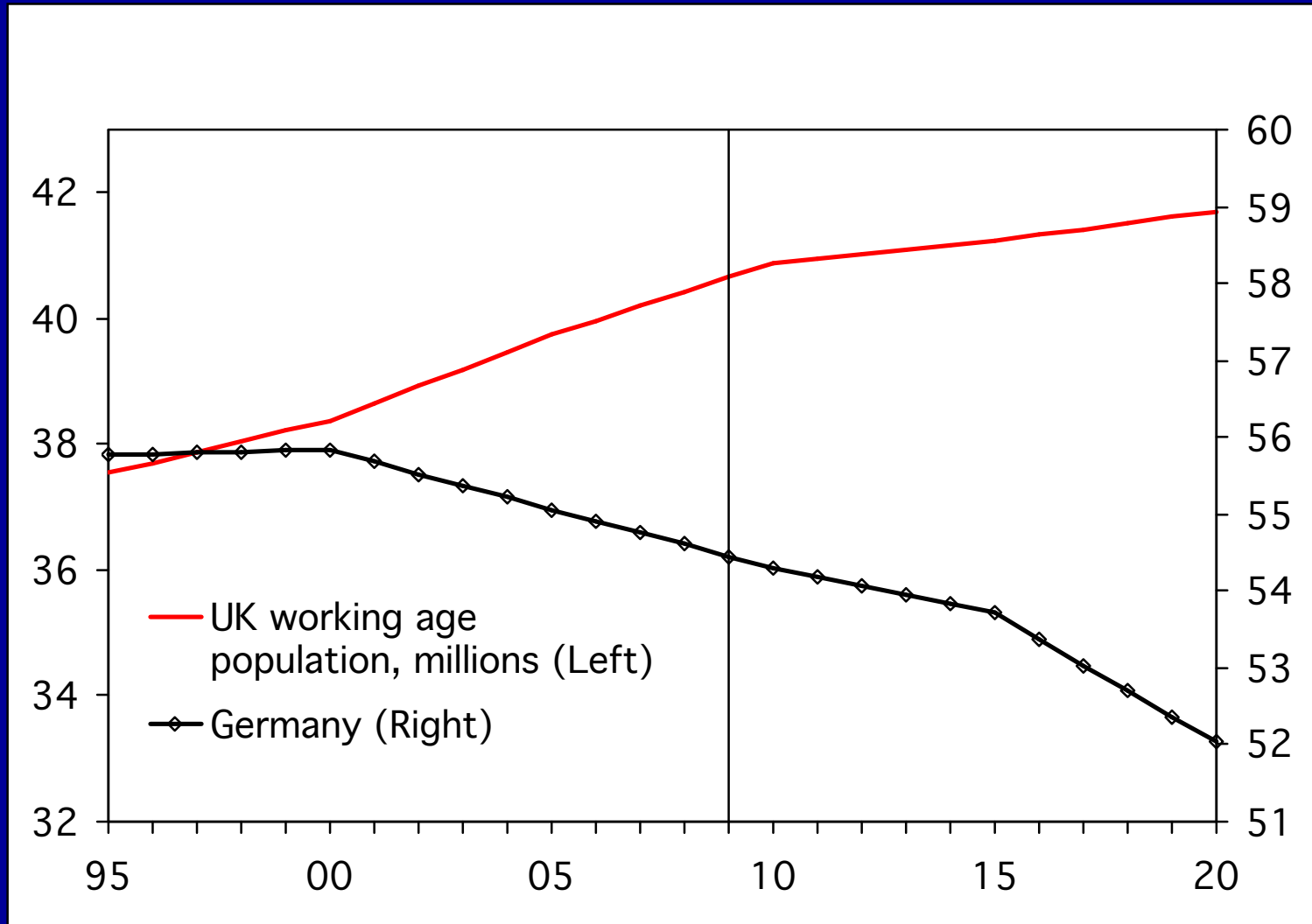
# ...But Prices May Not Have



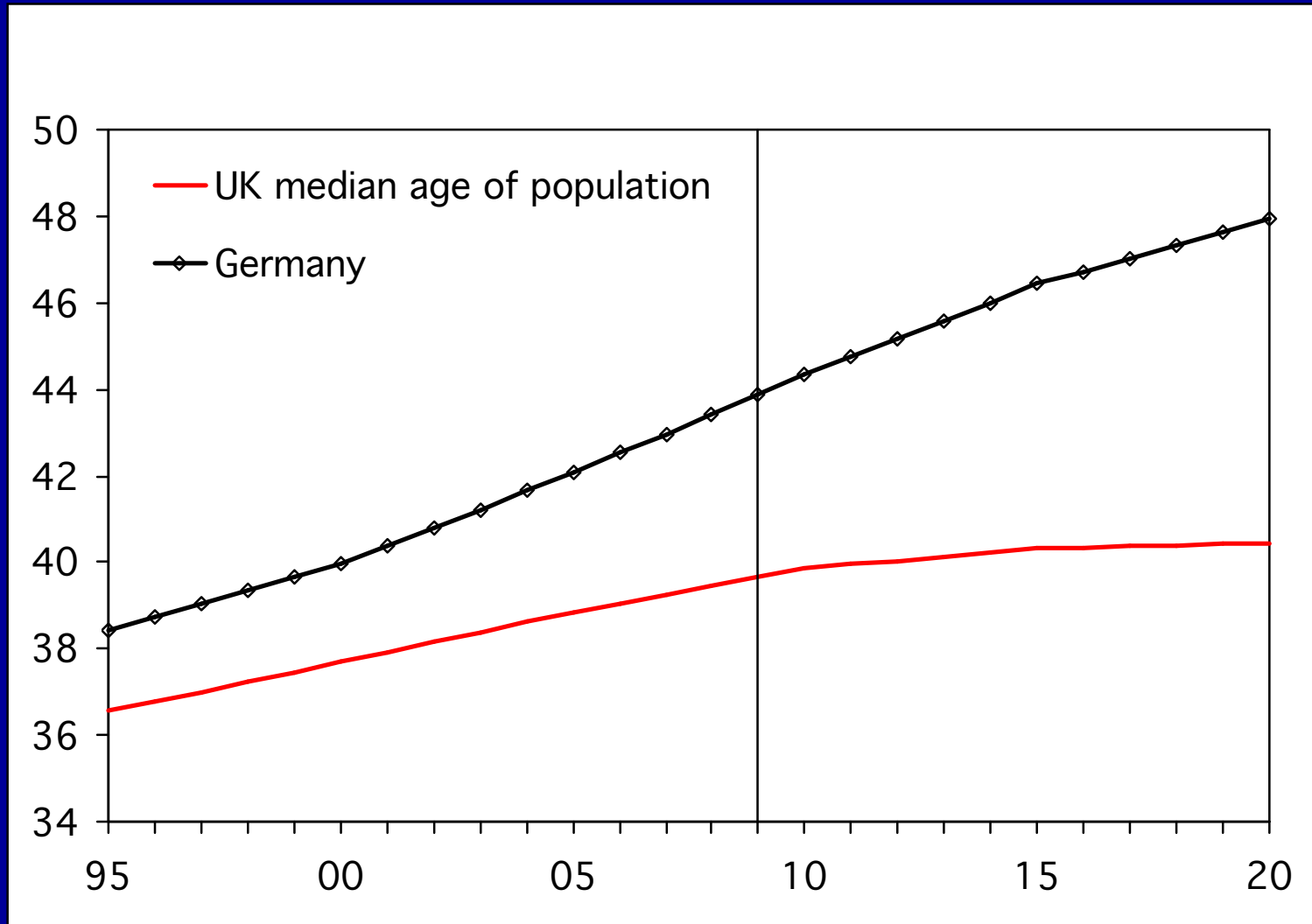
# ...US Picture Is Better



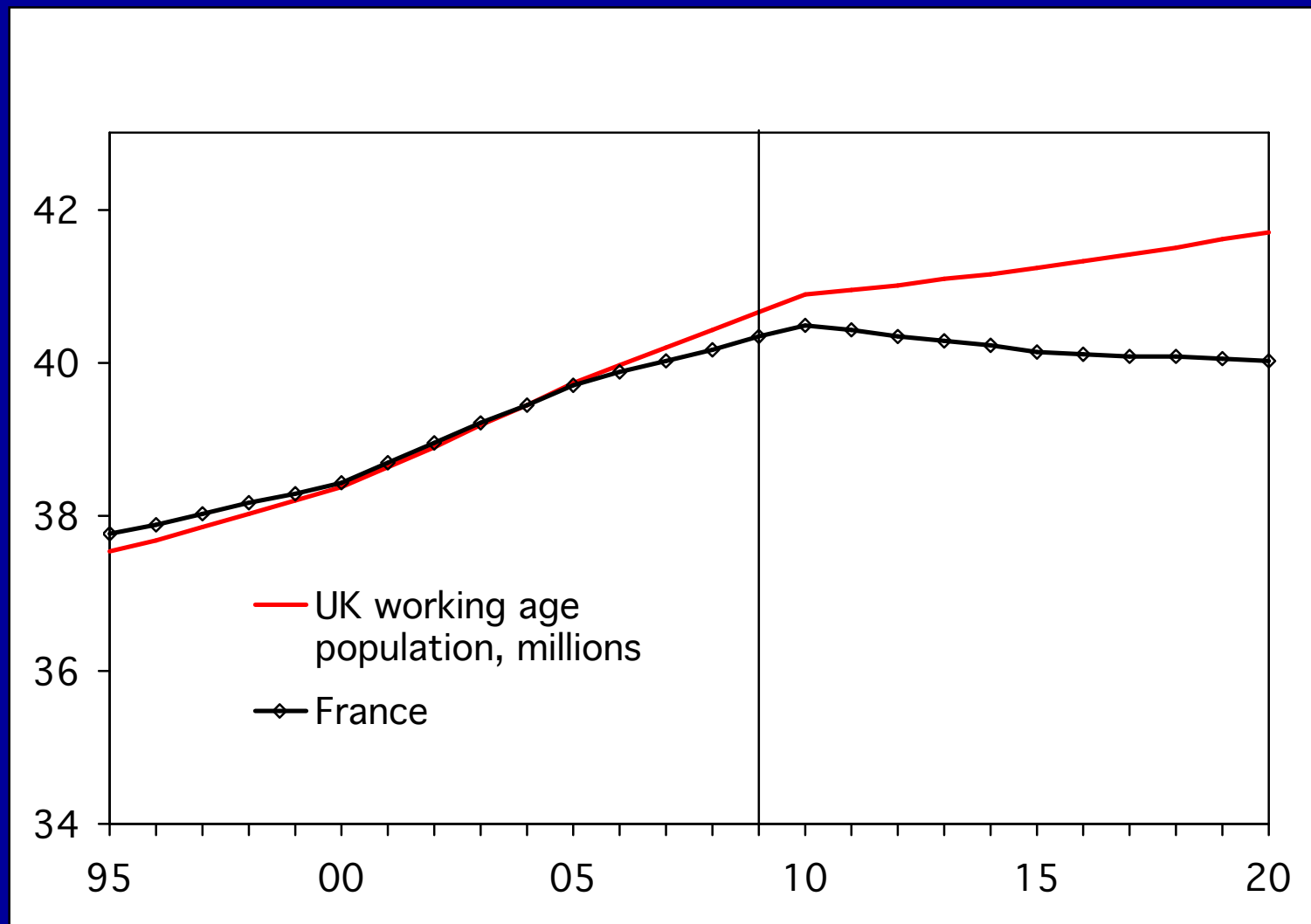
# Beware The European Population Bomb



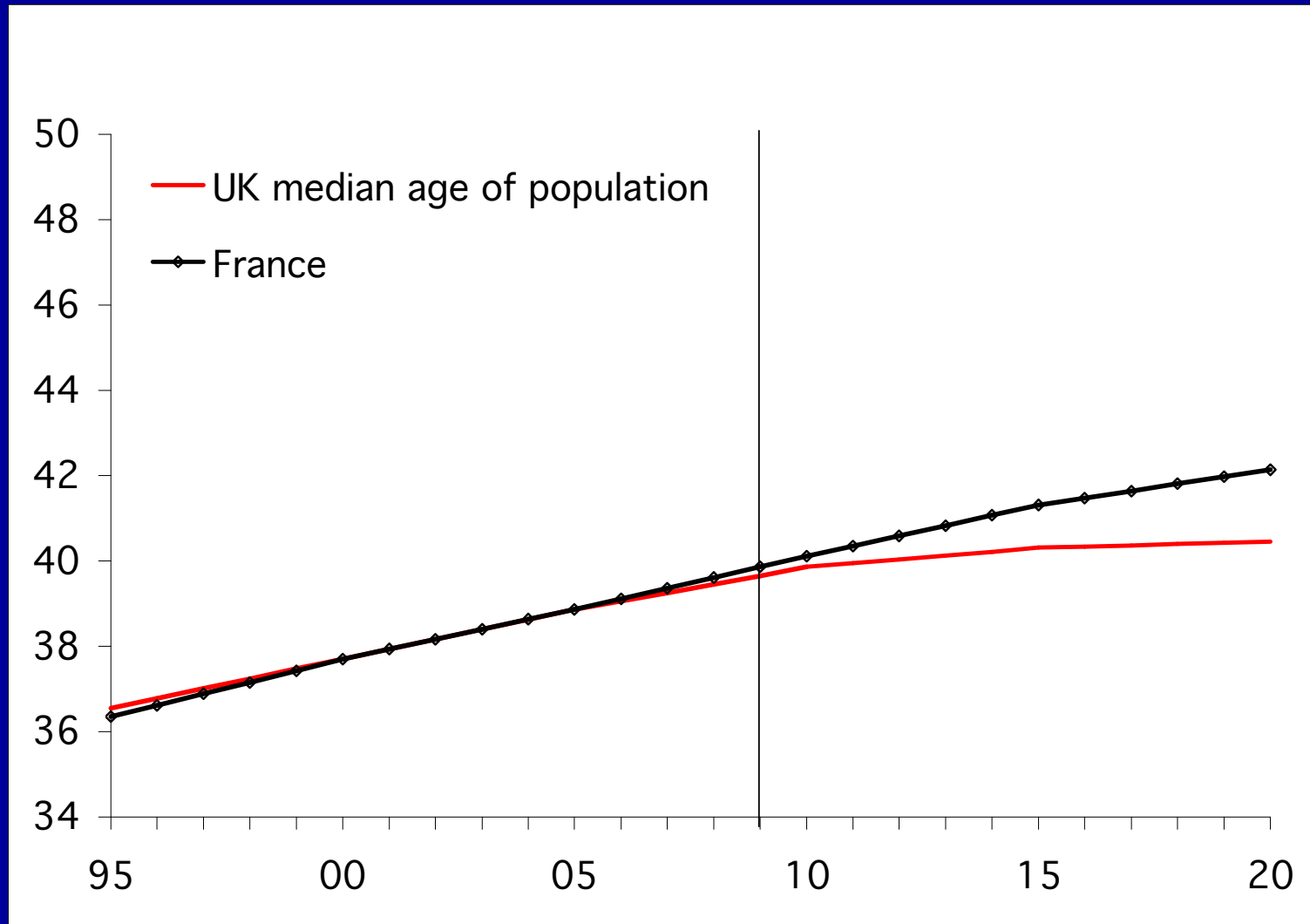
# Germany Is Ageing



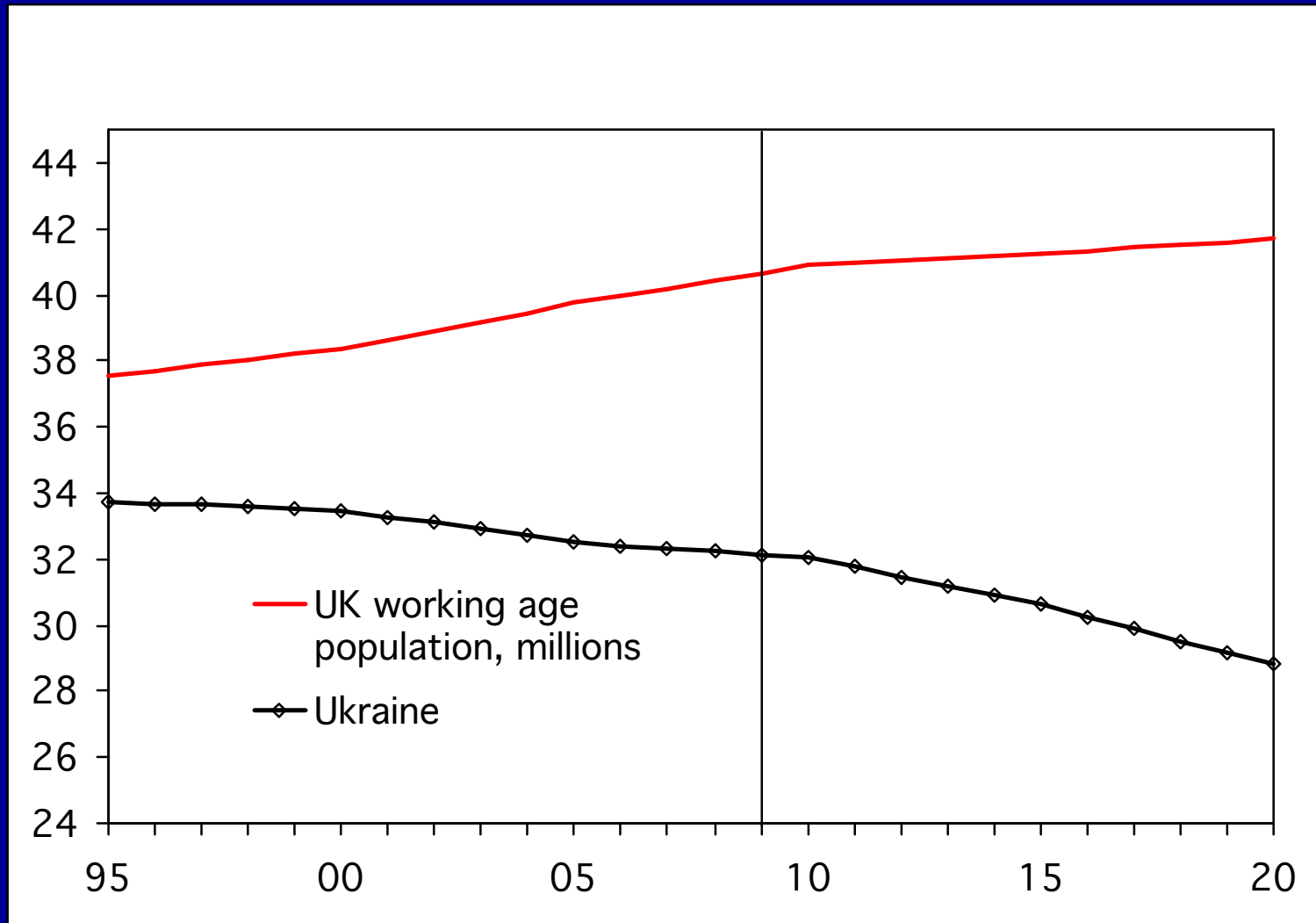
# French Population Outlook Less Acute



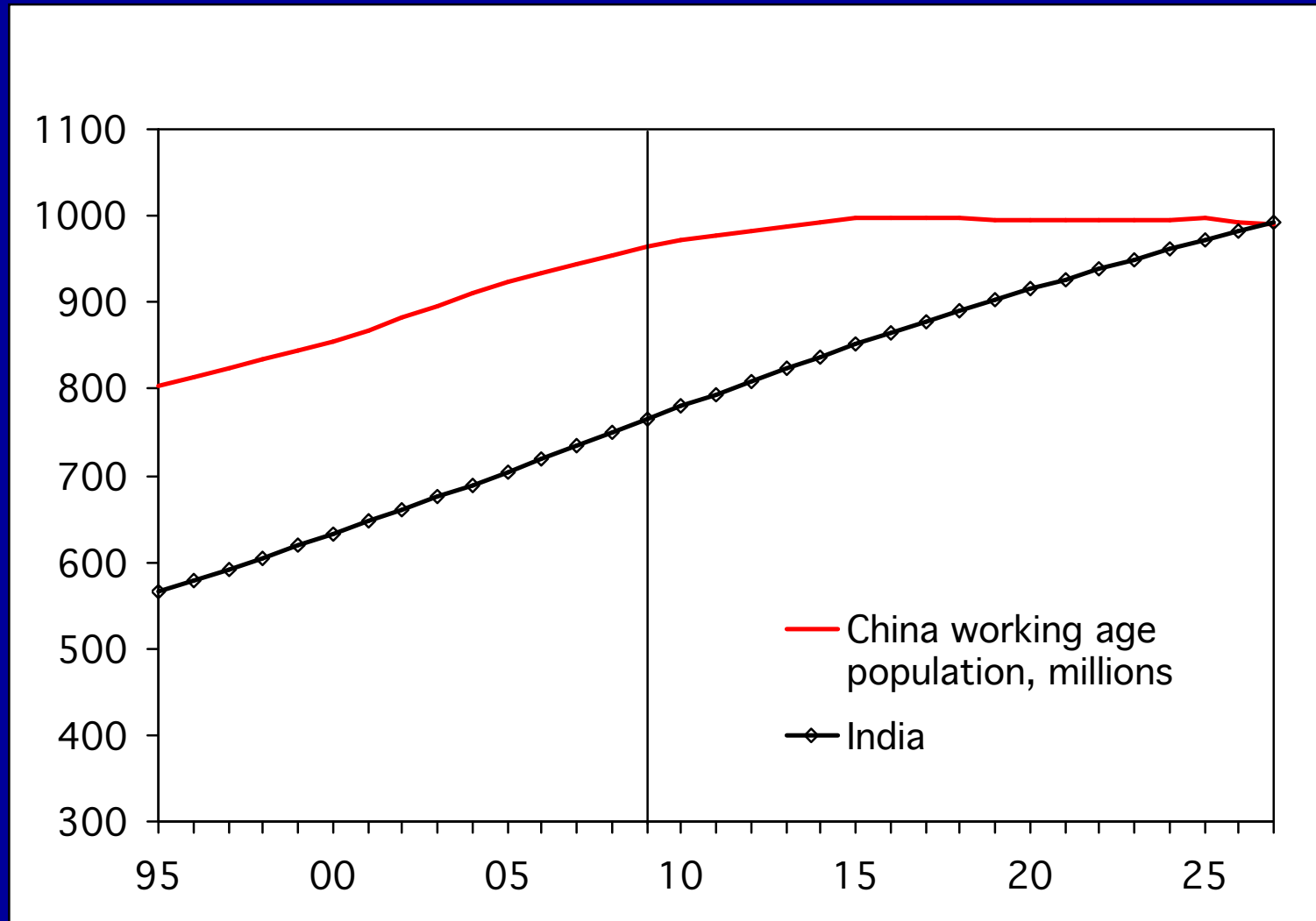
# Ageing Less Extreme Than Germany Too



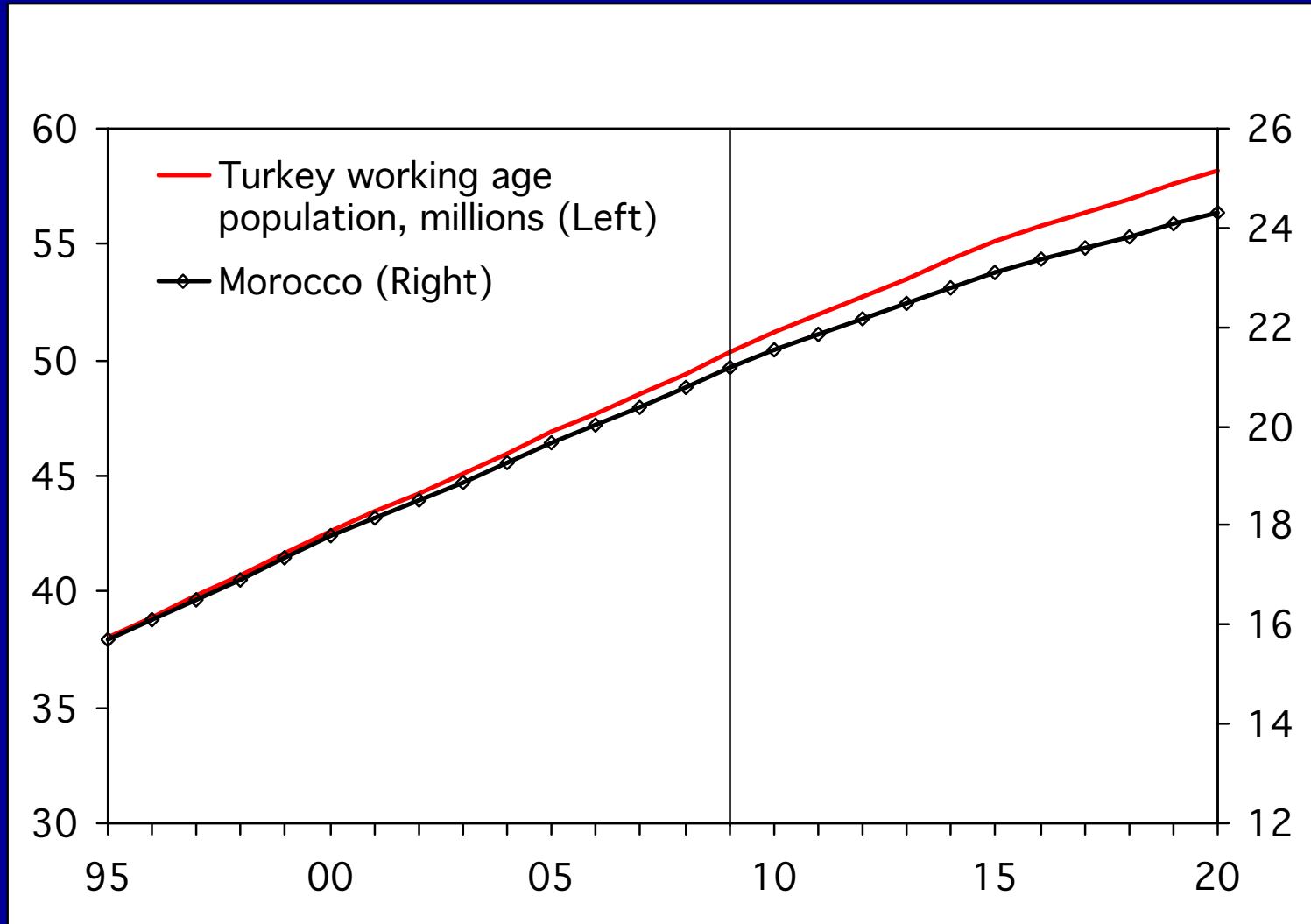
# “New Europe” Bad Too



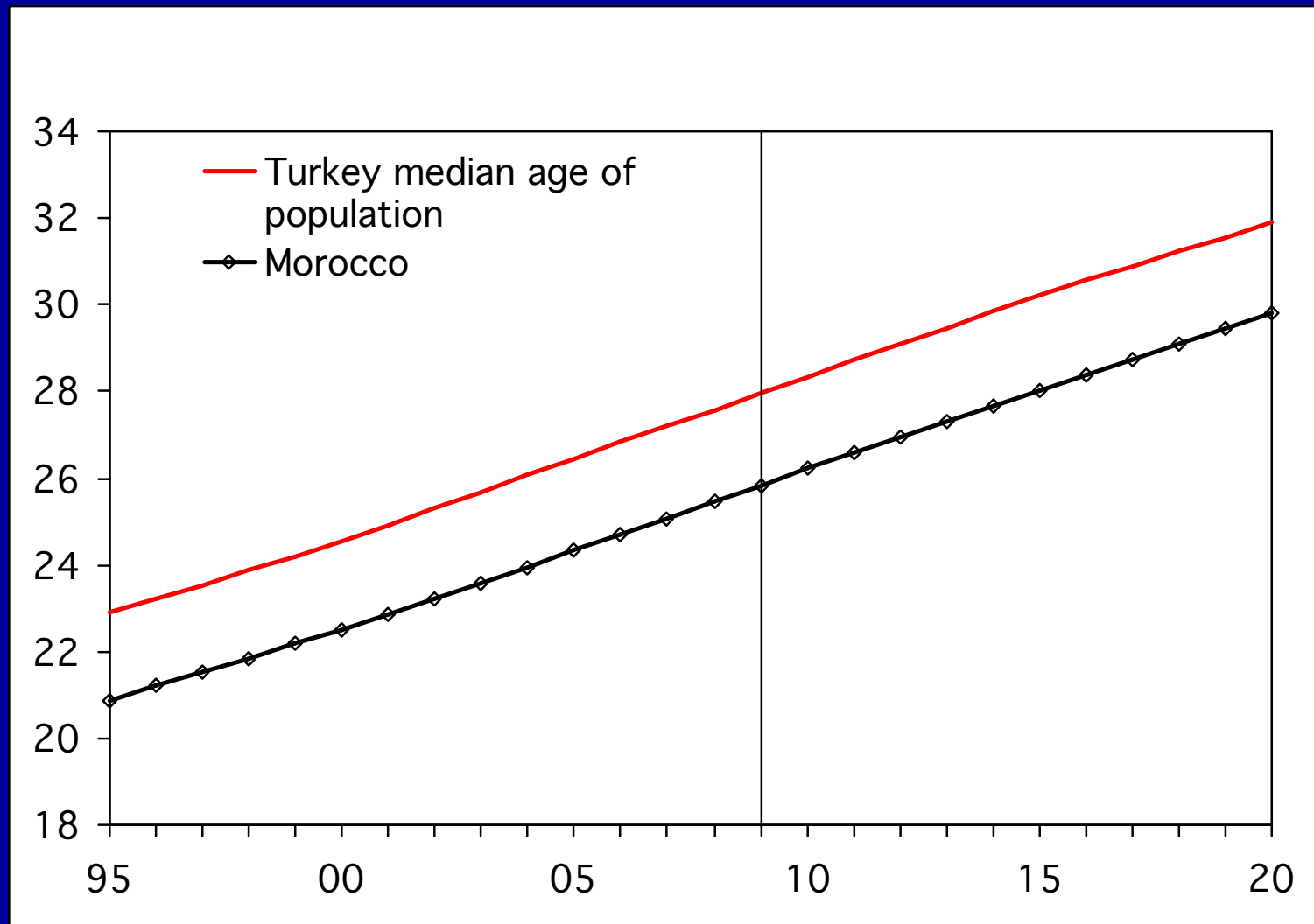
# China's Population Close To Peak



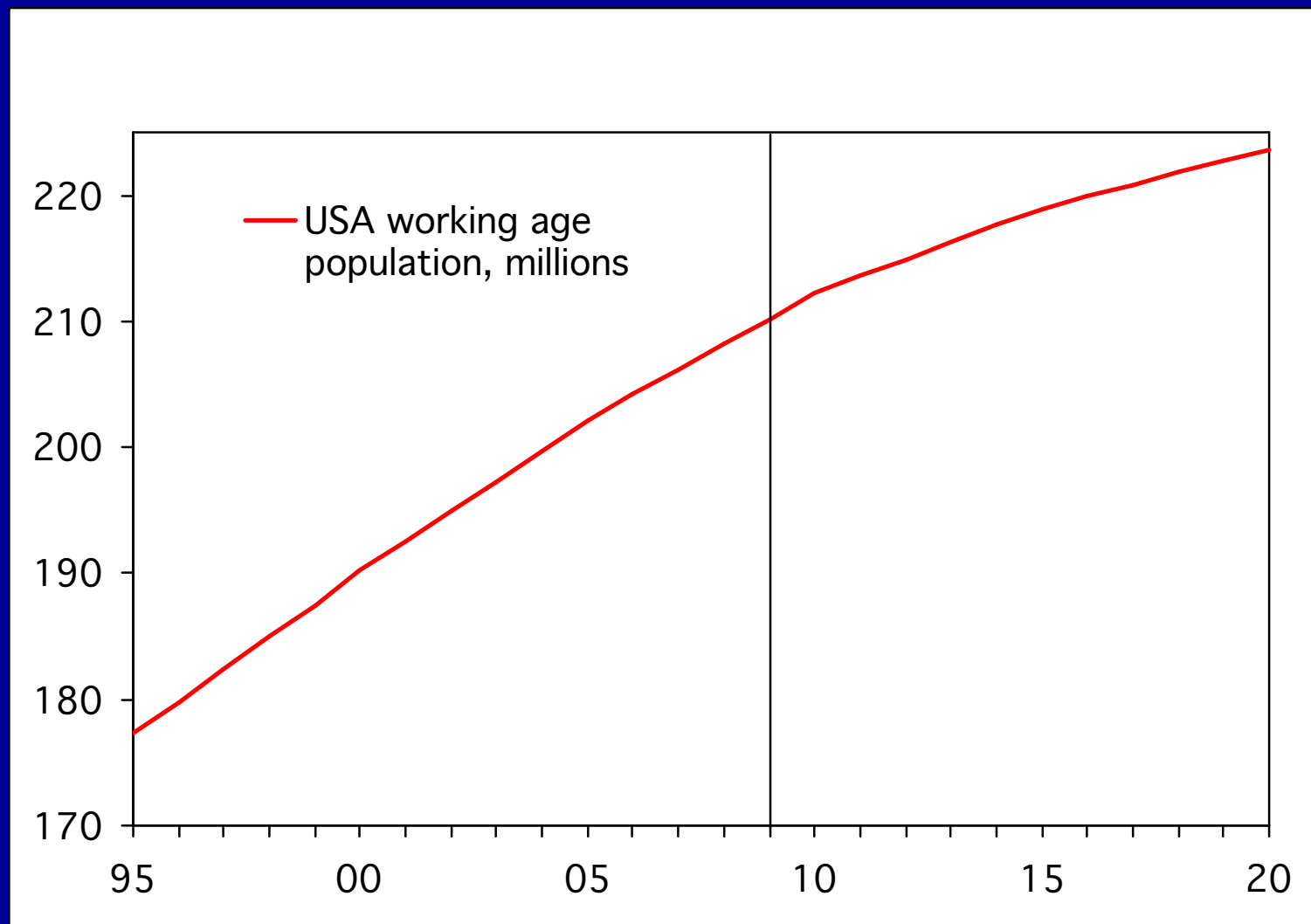
# Plenty Of People Closer To Home



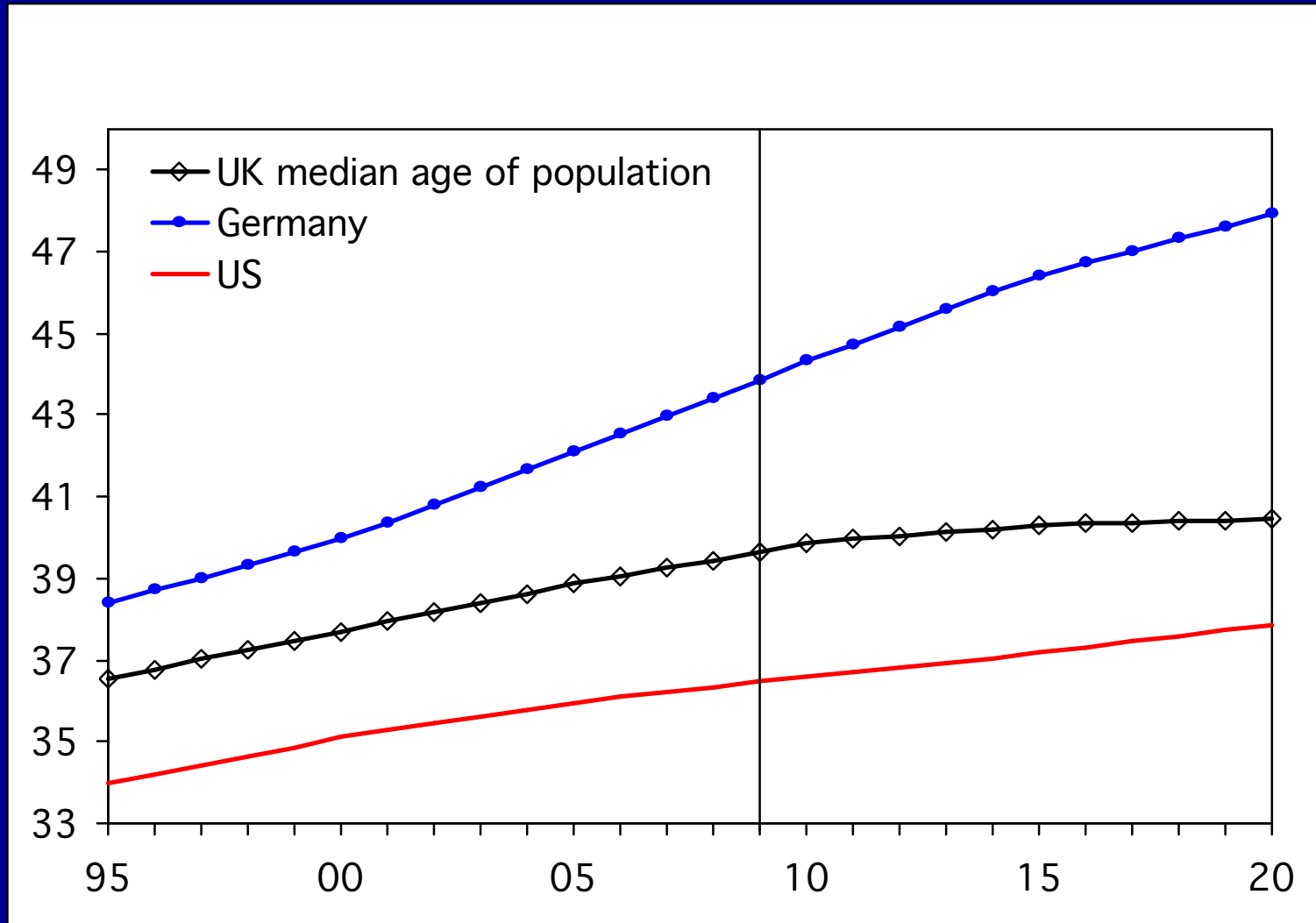
# ...And They're Young



# American Exceptionalism Strikes Again



# ...And Again



# Summary

- The global economy is growing again; strongly in emerging markets, not in G7
- Deflation risk means interest rates will stay low for years
- Capital values may have further to fall as rents adjust to the new world
- In the long run, look east or west from continental Europe to escape grim demographics