

# What a Wonderful World

Jonathan Pain

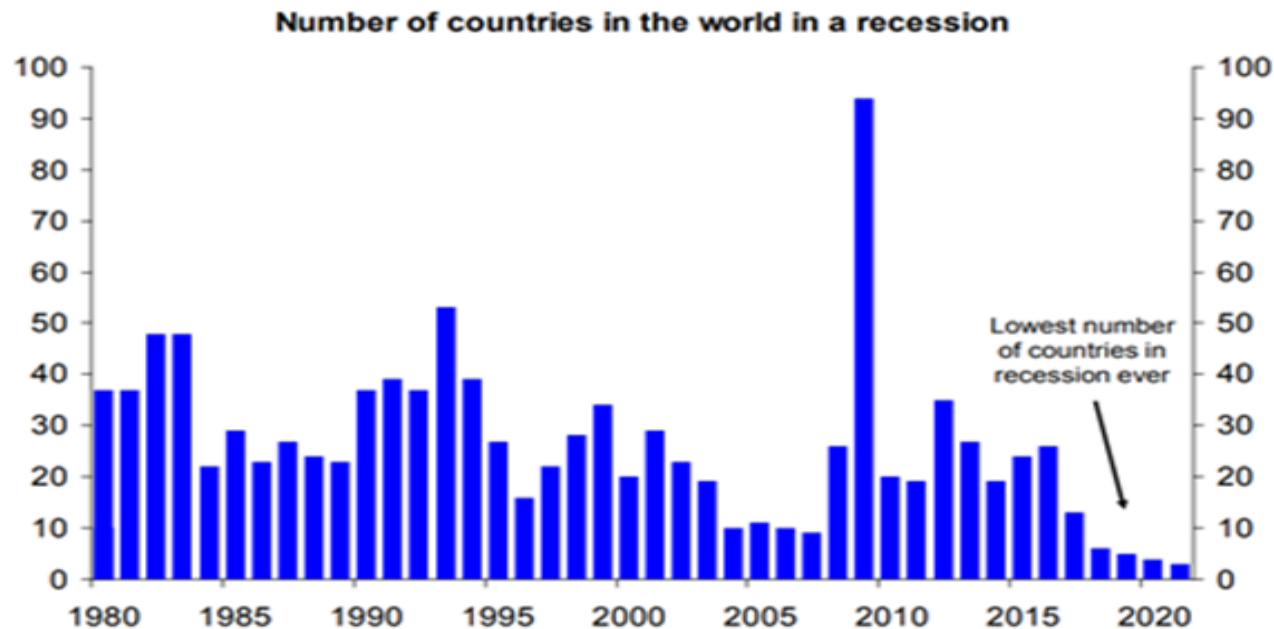


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# Firing on all cylinders

The world economy has never been in better shape



Source: IMFWEO, Haver Analytics, DB Global Markets Research

Deutsche Bank Research

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# USA

- Strong growth and strong earnings (25%)
- Tax cuts and deregulation...good.
- Trade/economic wars bad.
- Higher inflation...like toothpaste!
- The Trump agenda: economic nationalism
- Mid-term elections a referendum on Trump
- Like him, or dislike him, DJT turbo-charged the economy



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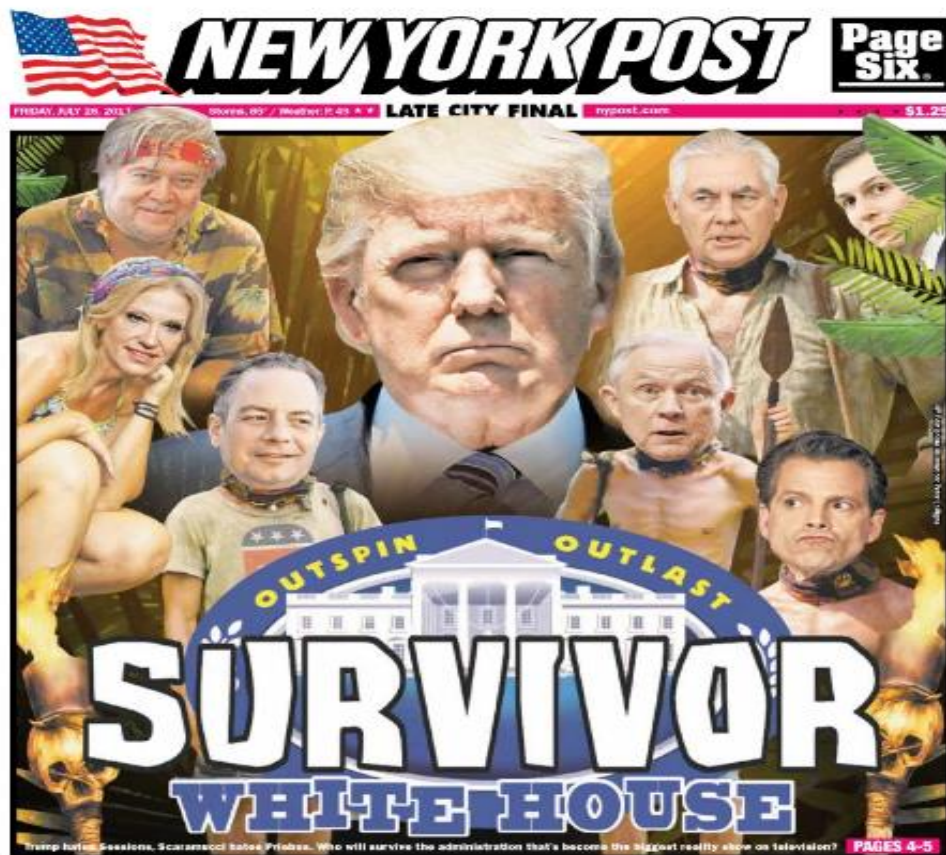
# No one wins



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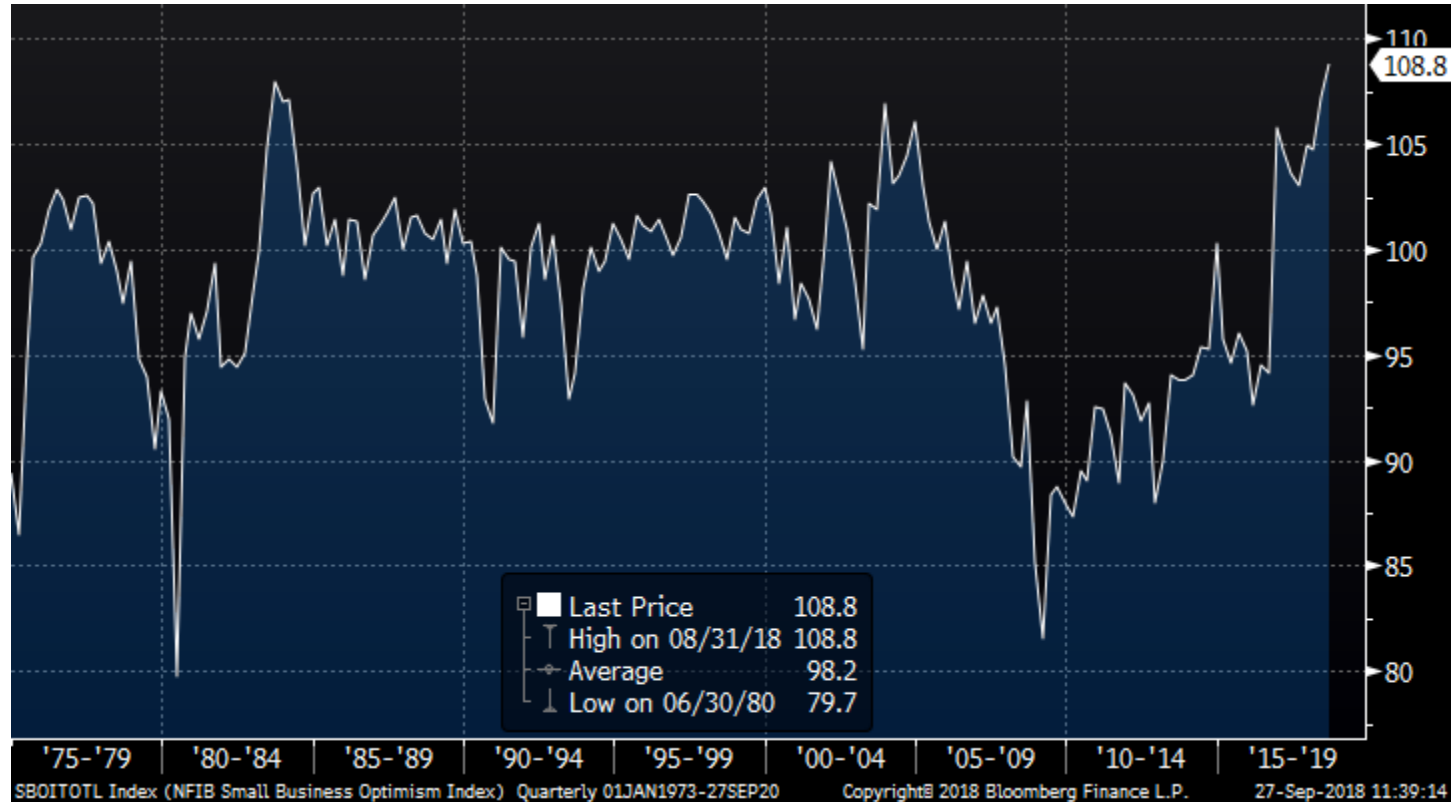
# Will the last one out...



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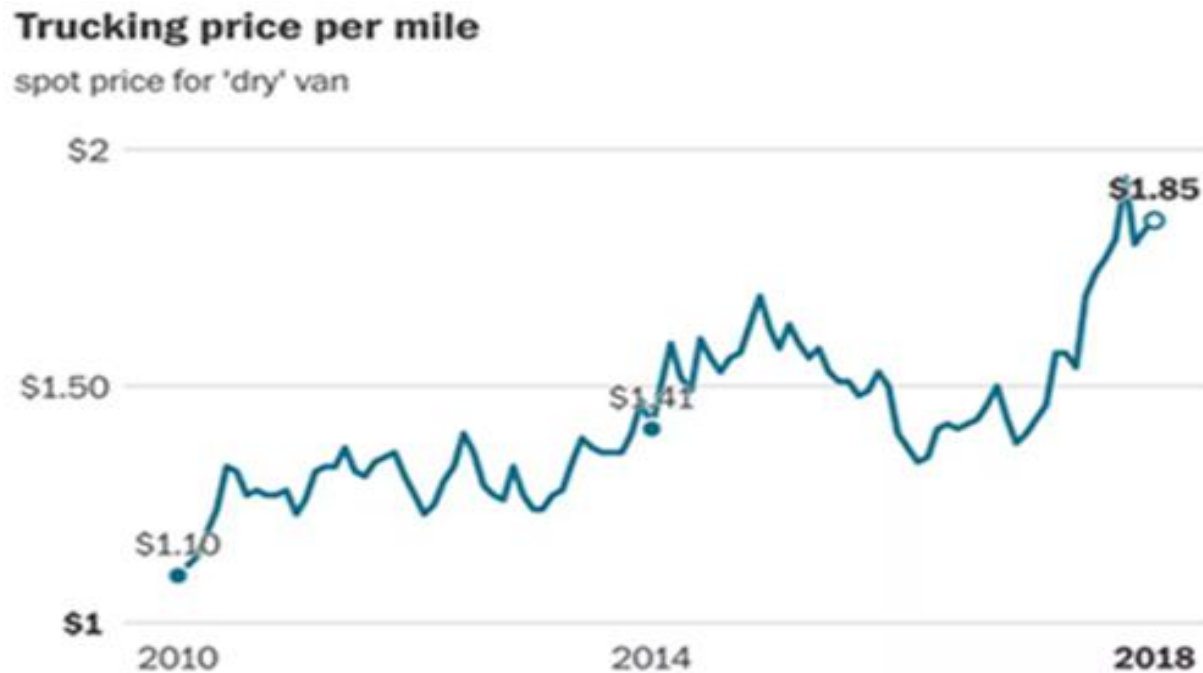
# U.S small business optimism



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# On its way to the shopping basket



Source: DAT Solutions and Broughton Capital, LLC  
THE WASHINGTON POST

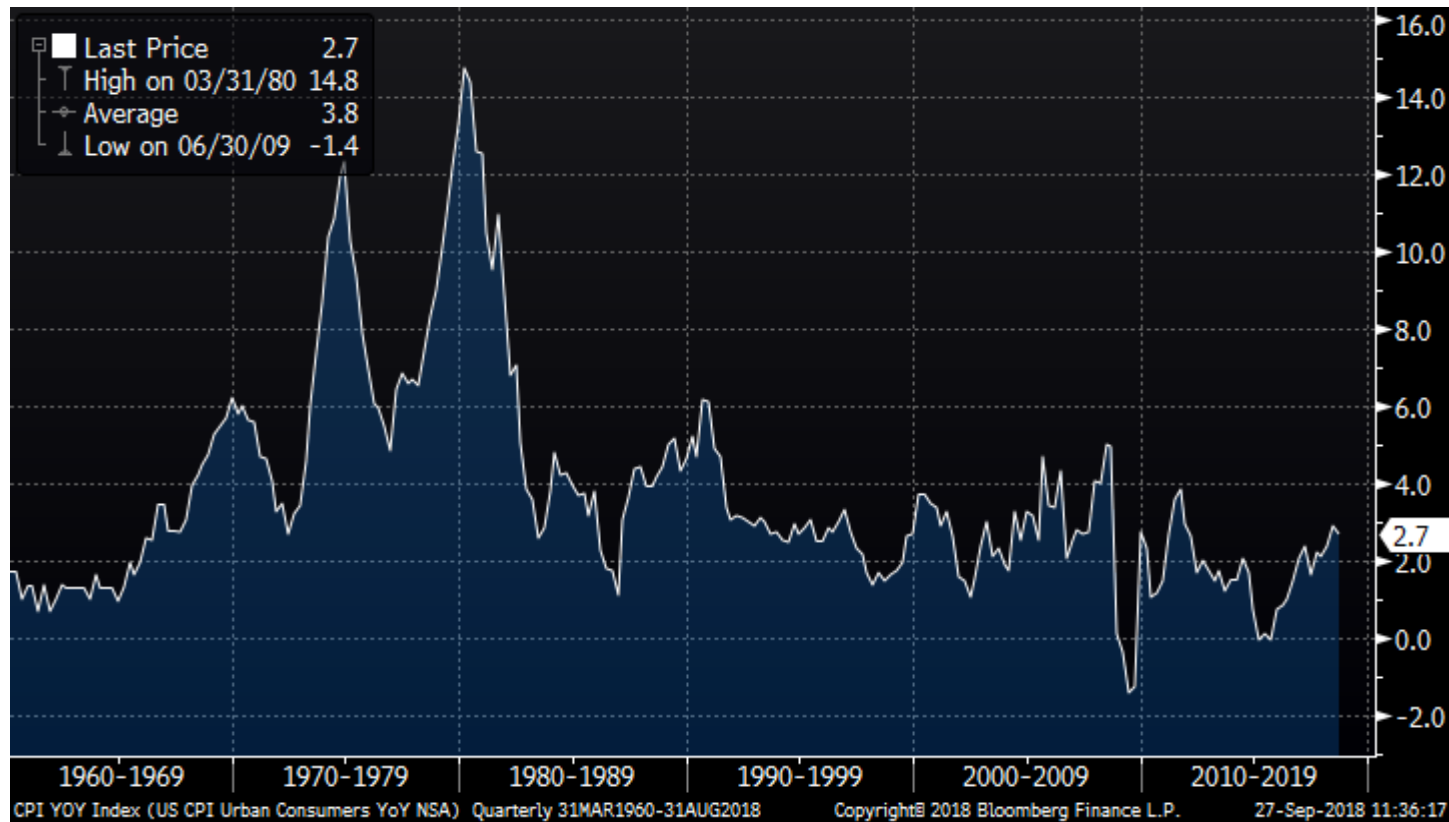


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# On its way higher

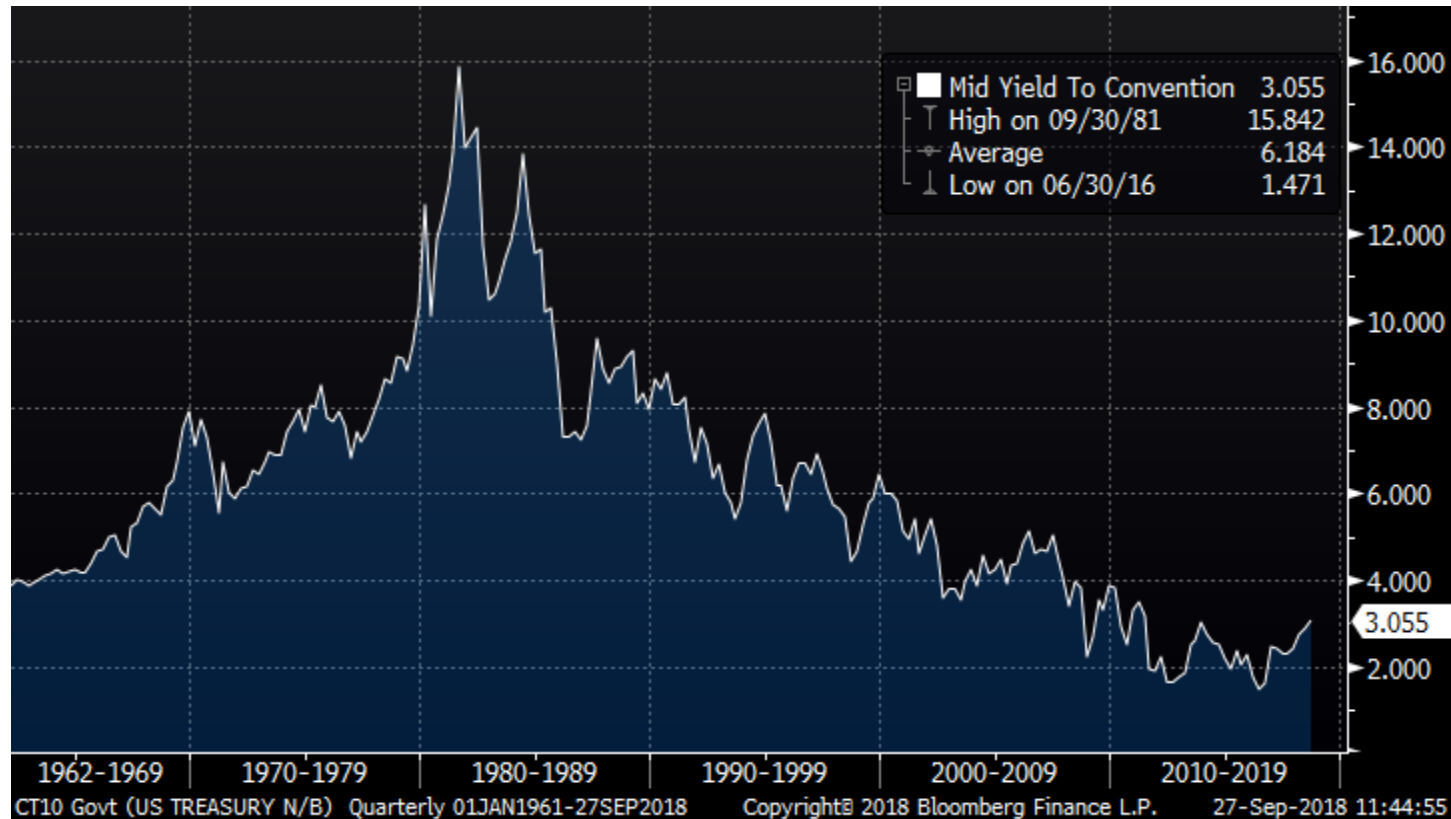


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# The World's most important



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# An Apple a day...\$1trillion



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# Europe

- Reflationary forces gaining traction
- Even Mario ‘whatever it takes’ Draghi agrees!
- No rate hike until *at least* September 2019
- A new populist, anti-establishment, anti-Brussels government in Rome
- Who is the PM of Italy?



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# The locomotive is overheating

## Labor Bottleneck

German companies are increasingly having to hold back production due to lack of workers

■ Portion of companies citing labor shortage as factor limiting production



Source: European Commission survey

Bloomberg



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# Middle East-this will do for now



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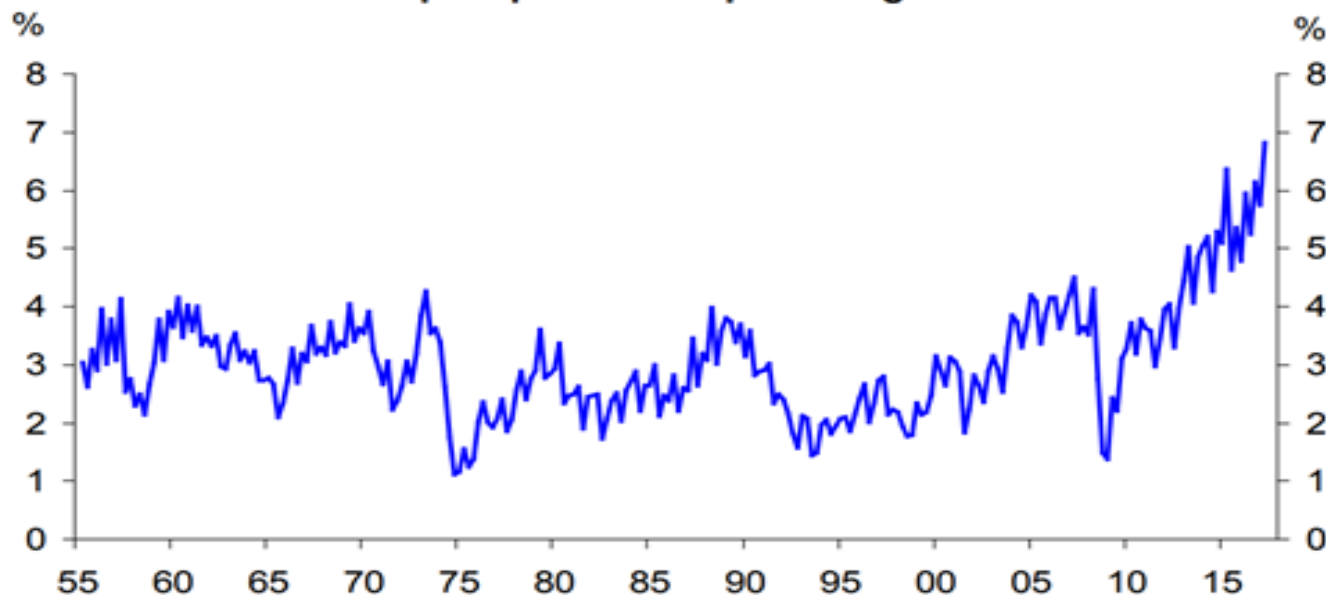
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# The Land of the Rising Sun

Something is different in Japan this time around



**Japan: profits as a percentage of sales**



Source: Ministry of Finance, Japan, Haver Analytics, DB Global Markets Research

Deutsche Bank Research

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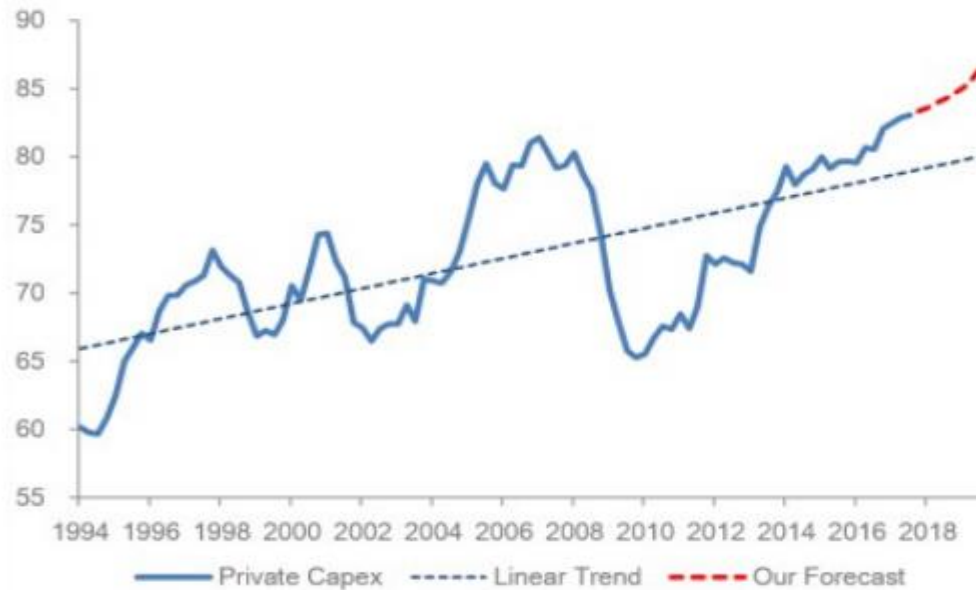


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# Japanese companies spending again

**Exhibit 15:** Japan: Above-trend growth: Real private capex (trillion yen)



Source: Cabinet Office, Morgan Stanley Research forecasts



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# China

- The Chinese dream...Make China Great Again
- 19<sup>th</sup> National Party Congress, China's coming out party and abolition of two-term limit
- Laws of arithmetic and slower growth...5-6%
- Last thing they need is an economic war.
- Rise of Asian middle classes...most significant and defining economic phenomenon of our life time



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# Asia

- Vietnam: rising like a Phoenix
- Indonesia: 265 million...plus 25 million since?
- India: fastest growing major economy
- Pakistan 193, Bangladesh 162, Philippines 105  
Thailand 65, Myanmar 52, South Korea 51
- In 2003 'A Sleeping Giant Awakes'
- We 'ain't' seen nothing yet!!



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# 65 years in the making



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# He didn't just bring his own toilet

- Before the actual signing, a North Korean official wearing latex gloves inspects Kim's pen and swabs it down. Despite his thoroughness, Kim ultimately opts to use a different pen provided to him by his sister.



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# The pen is mightier than the sword



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# Australia

- A new PM...not again?
- Strong employment growth. Wages?
- RBA to keep rates at 1.5% for a while?
- Slowdown in housing, strong infrastructure
- By an accident of geology and geography a very lucky country...and more beach!
- Implications for Local Government services

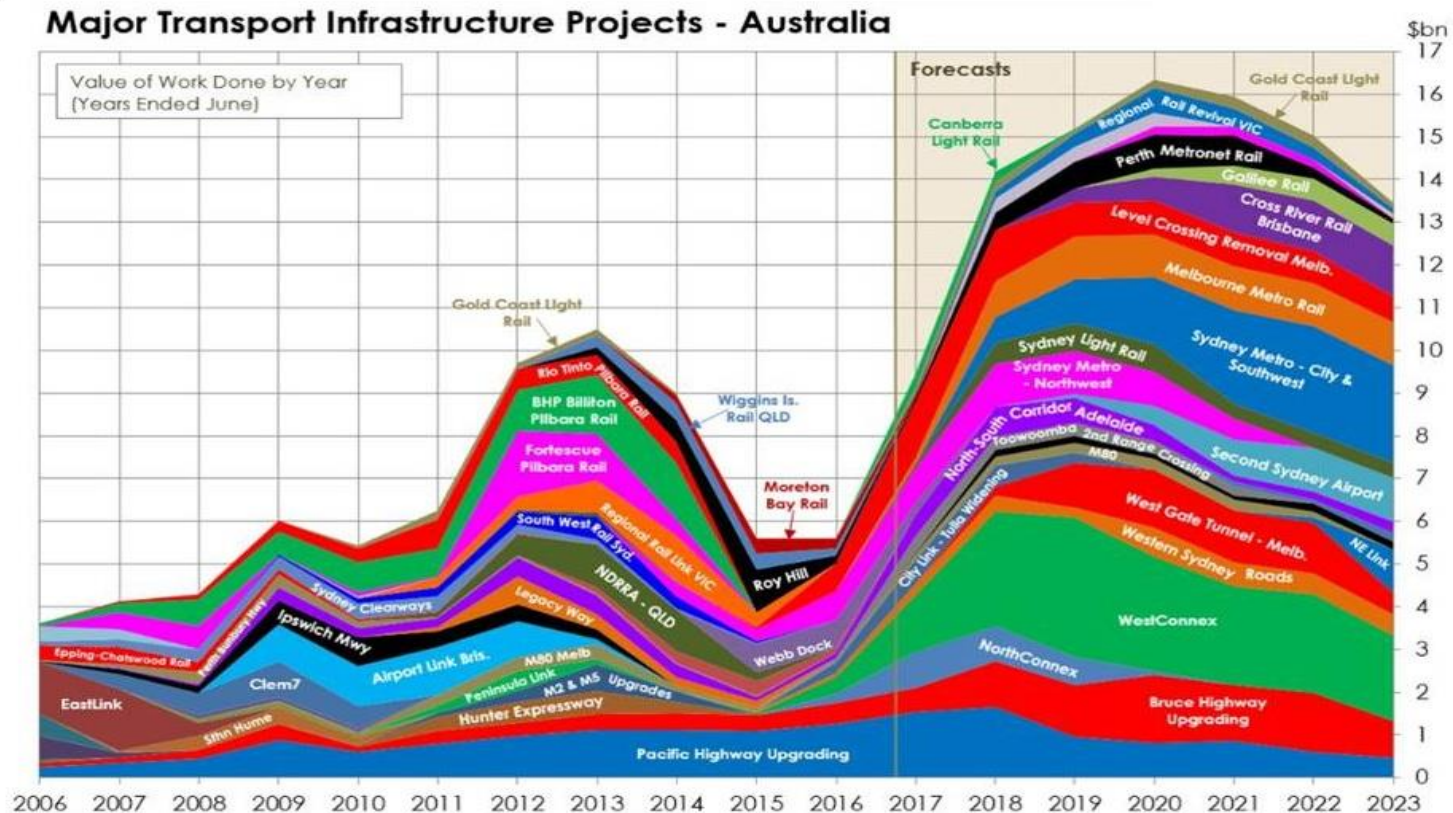


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# Build it and they will come



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# In closing

- Global economy, best we've seen in a long time BUT trade wars are a spanner in the works
- Monetary policy normalisation and an inflection point in inflation
- Most significant and defining economic...
- Beware the prism through which you view the world



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