

[Markets]

I've been thinking about...

**... the economy
in the new reality**

Hamish Douglass

MD and CEO | Magellan Financial Group

Chris Watling

CEO | Longview Economics

Jonathan Pain,

Chief Inv Strategist | HFA Asset Mgmt



CONFERENCE



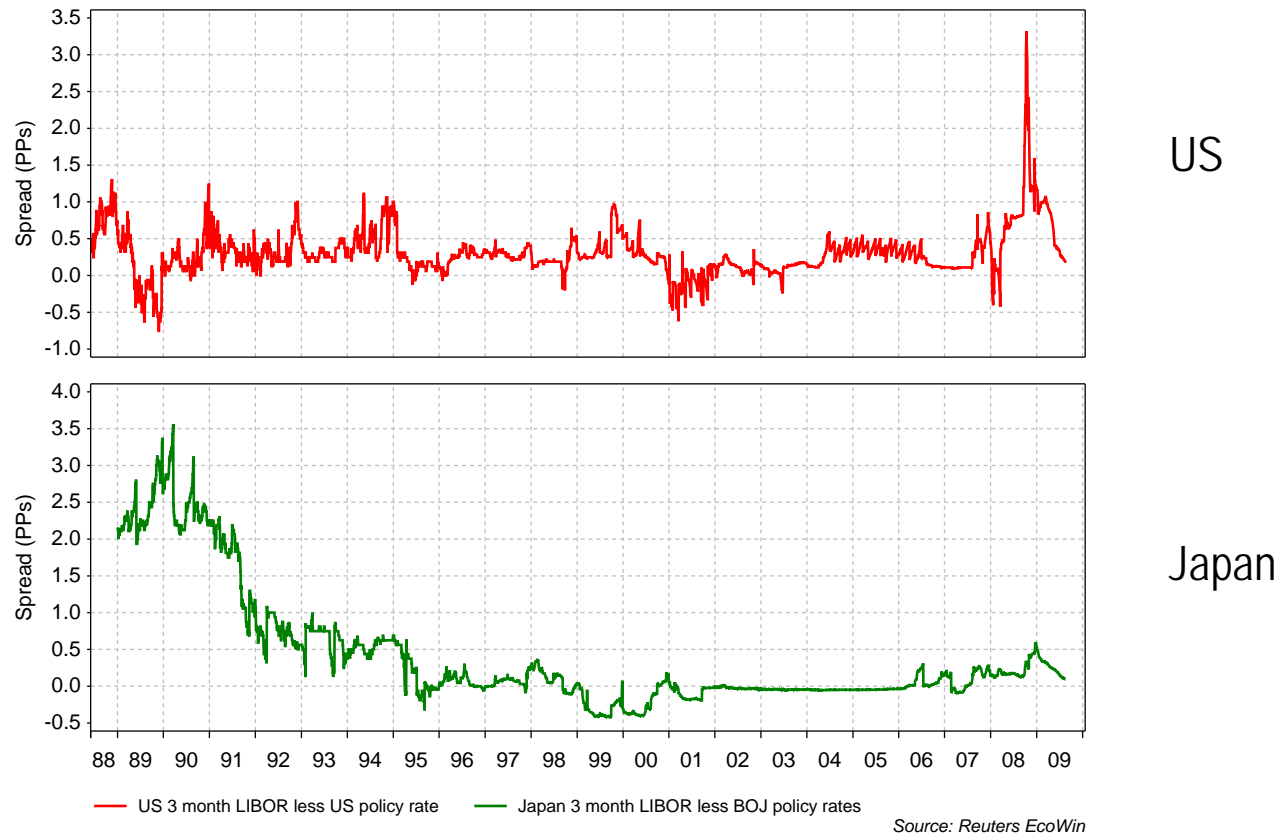
The Case for the 'W'

Chris Watling, CEO, Longview Economics

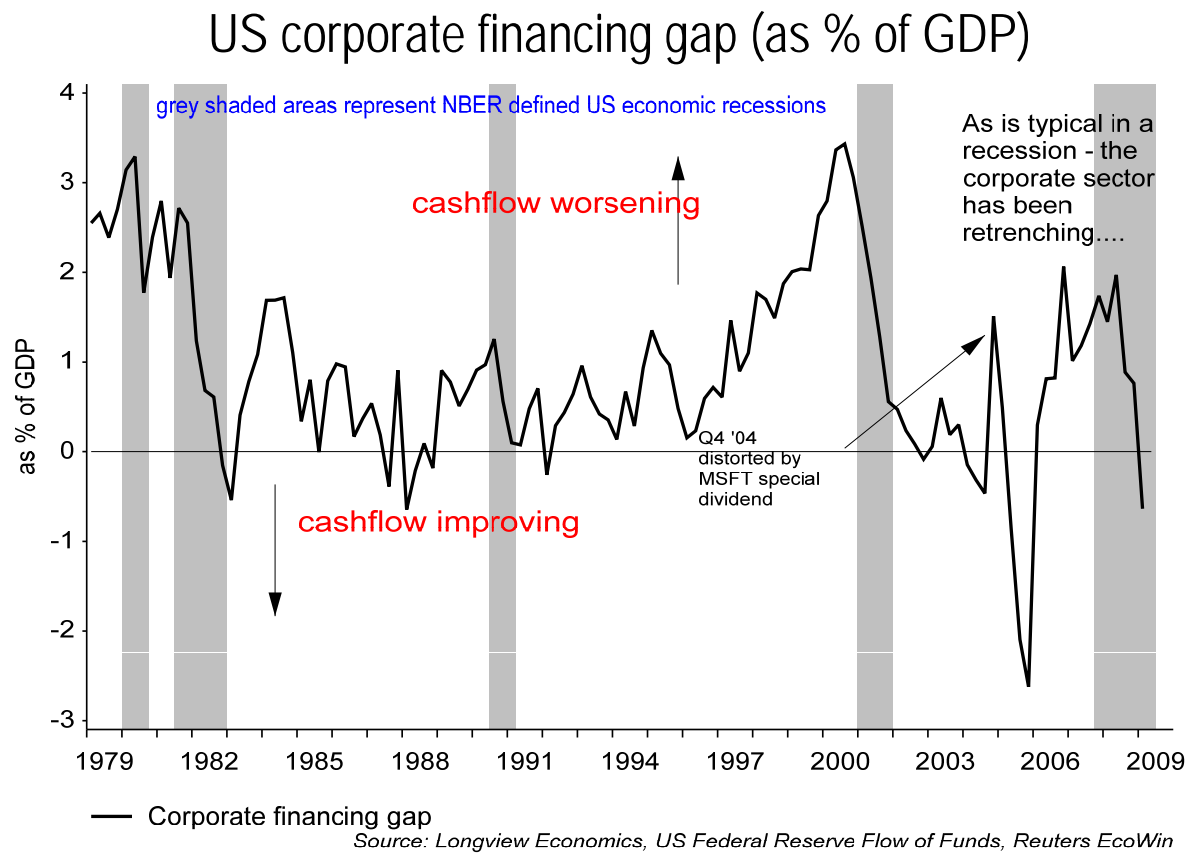
August 2009

1. America – NOT Japan

US & Japanese 3m LIBOR over respective policy rates (1988 – 2009)



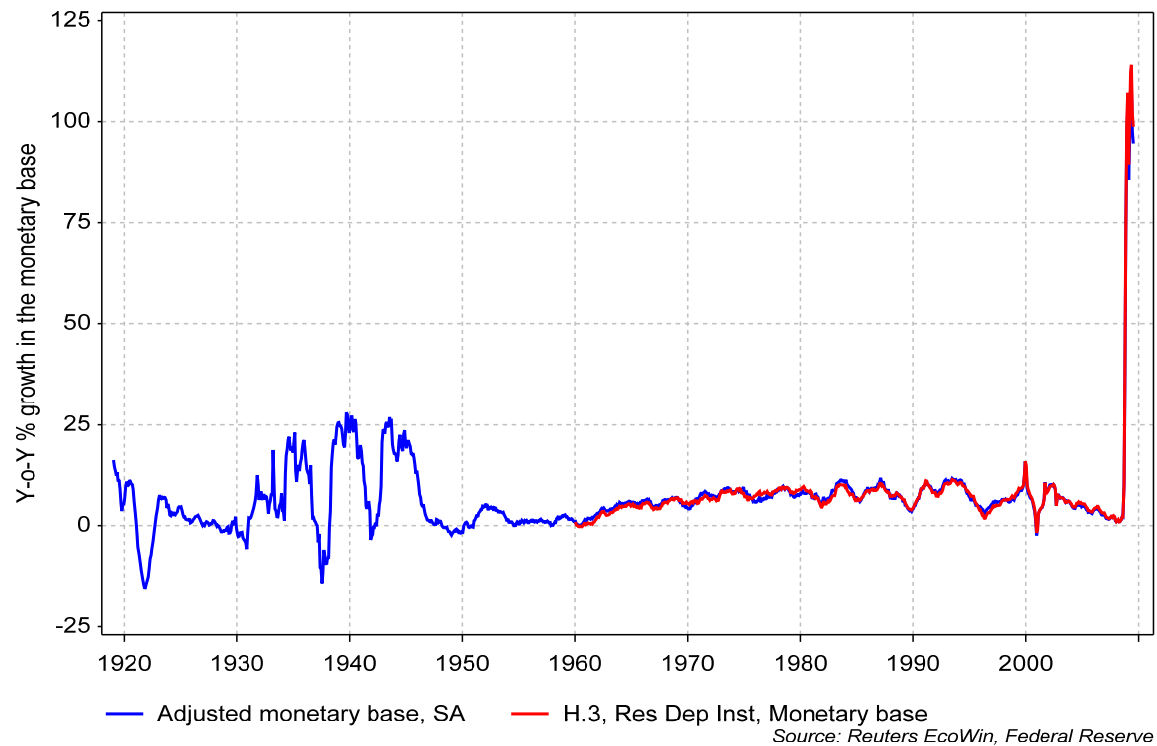
2. The case for a 'V': Economic adjustment – advanced



3. The case for a 'W'

Cost Push/Commodity/Monetary Inflation

US monetary base growth (Y-o-Y %): 1918 to 2009



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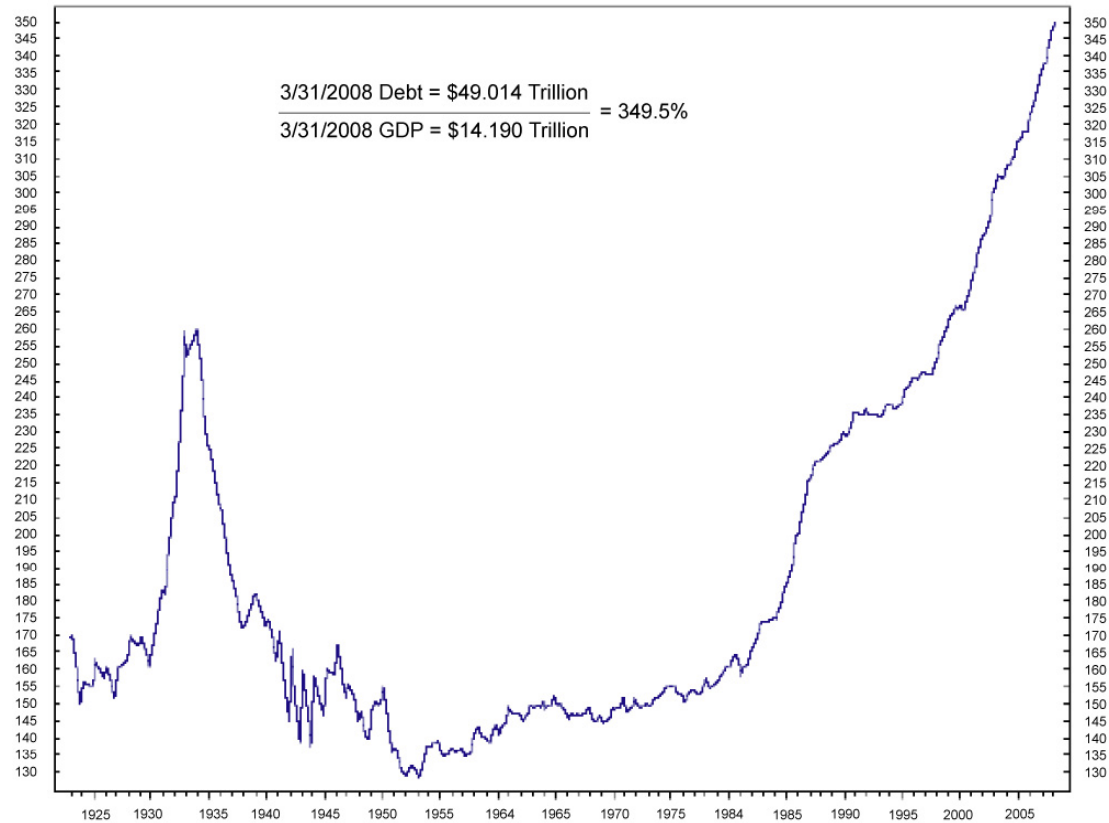
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The world's scariest chart



Source: Ned Davis Research Inc. Quarterly data 31/12/1922 - 31/3/2008

- DEBT... paradox, banks and birth certificates
- DELEVERAGING... the mother of all
- DEFLATION... the big banana
- DENIAL... Ain't just a river
- DECOUPLING... thank goodness

...statistics if tortured



The adjustment we had to have

- The world will be a better place
- A fusion of East and West

