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**Is there a free market exit from QE?
It only works until it works**

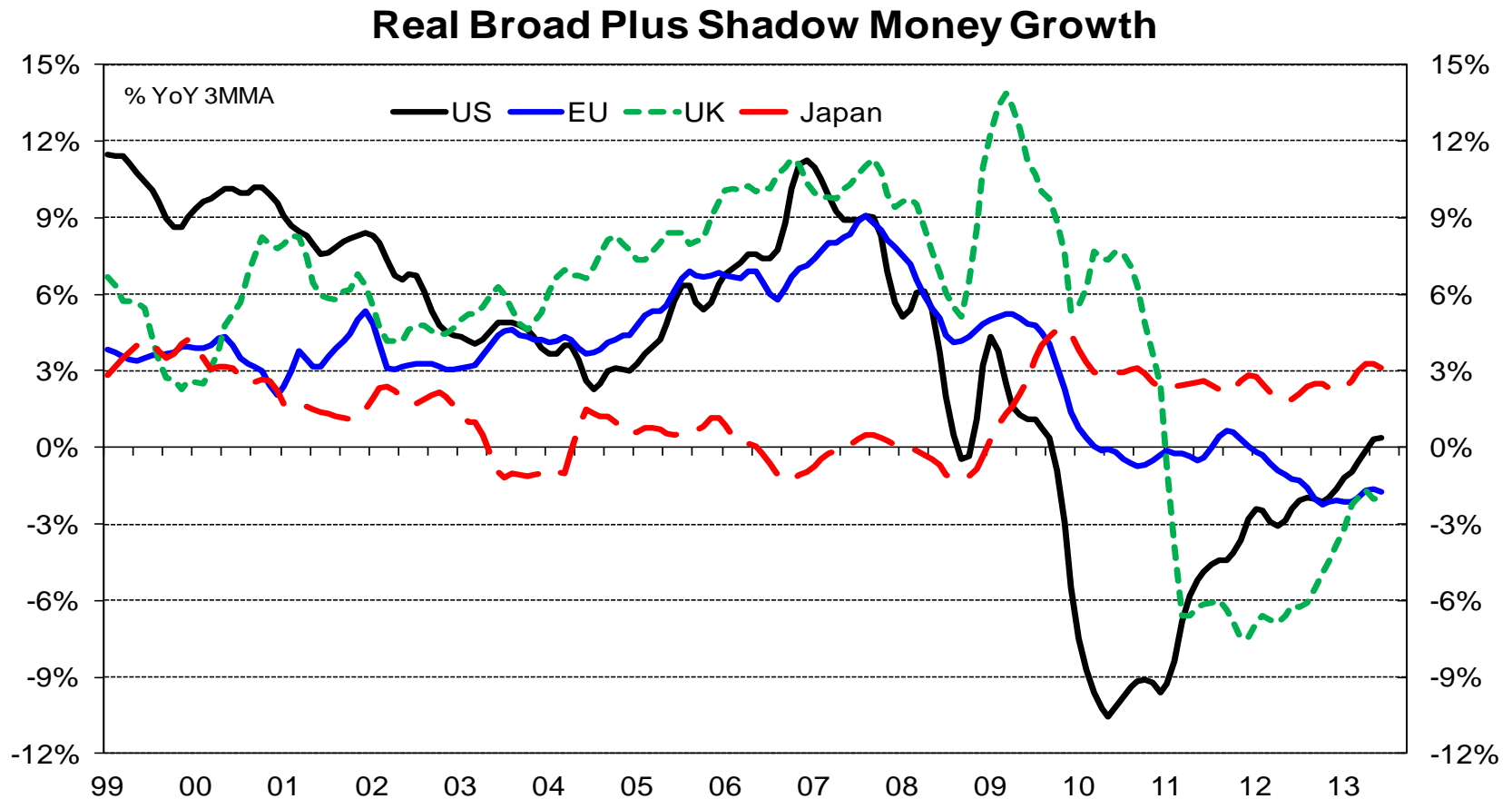
Simon Ogus
Khazanah Megatrends Forum 2013
simon@dsgasia.com; www.dsgasia.com



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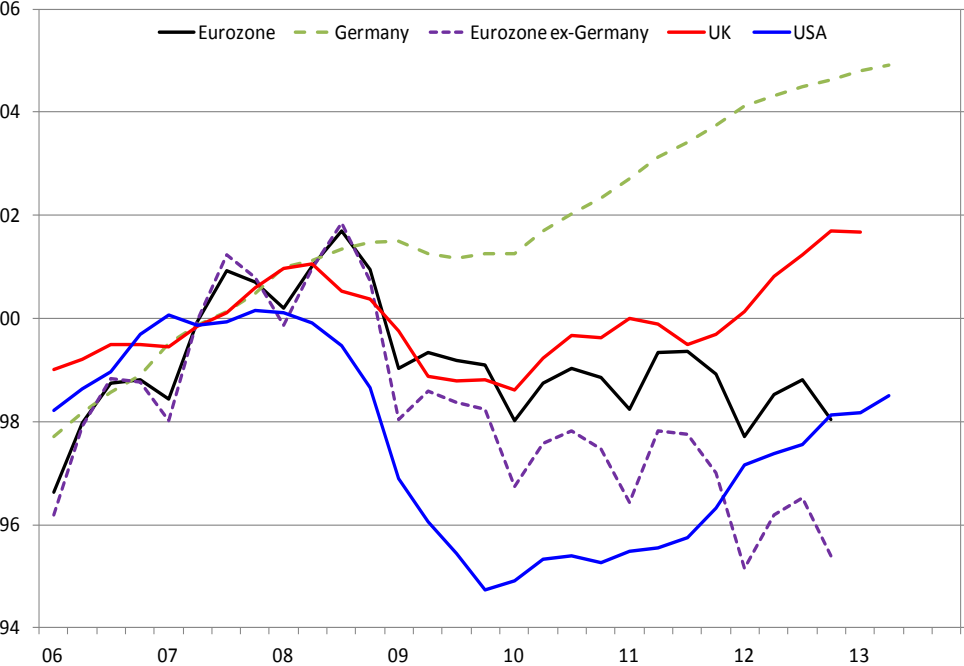
Independent Asian Economic & Political Analysis

The Fed is right to be talking of tapering since the financial system is starting to grow again. The UK is about a year behind, Europe remains rather further back

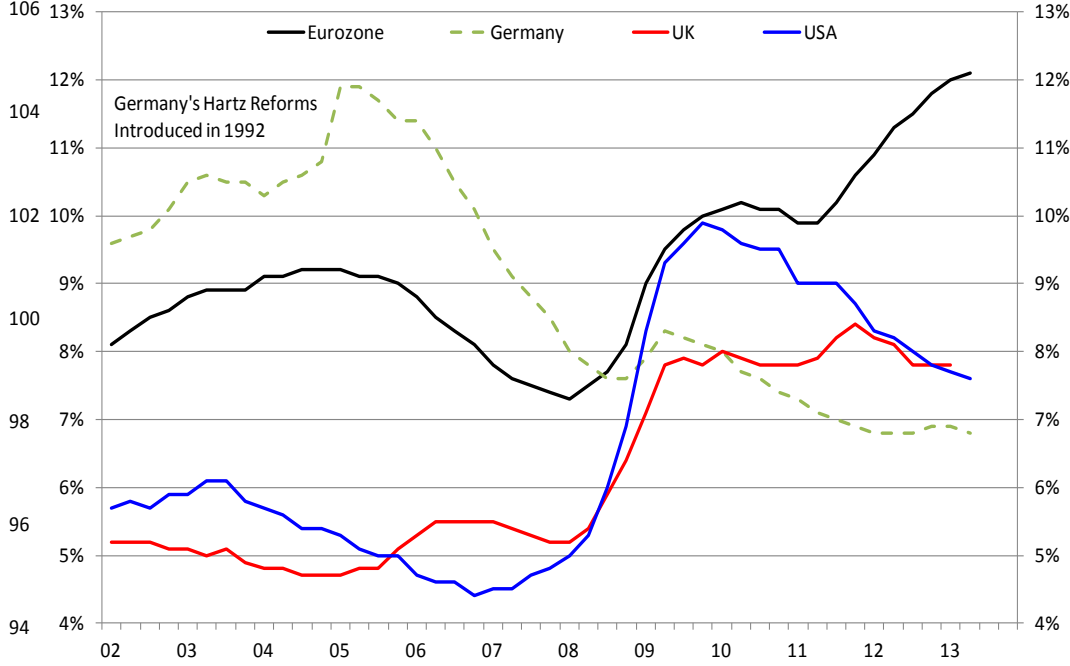


Draghi's threat to do "whatever it would take" has calmed financial markets (for now) but outside of Germany, the man on the street has hardly felt the benefits

Employment, Index 2007 = 100

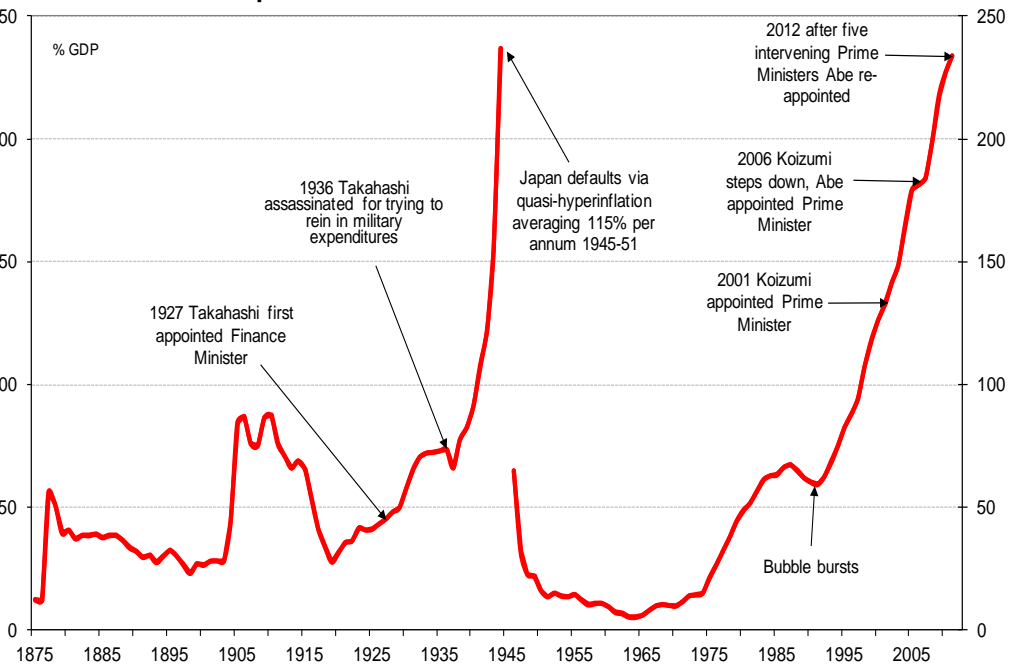


Unemployment Rates

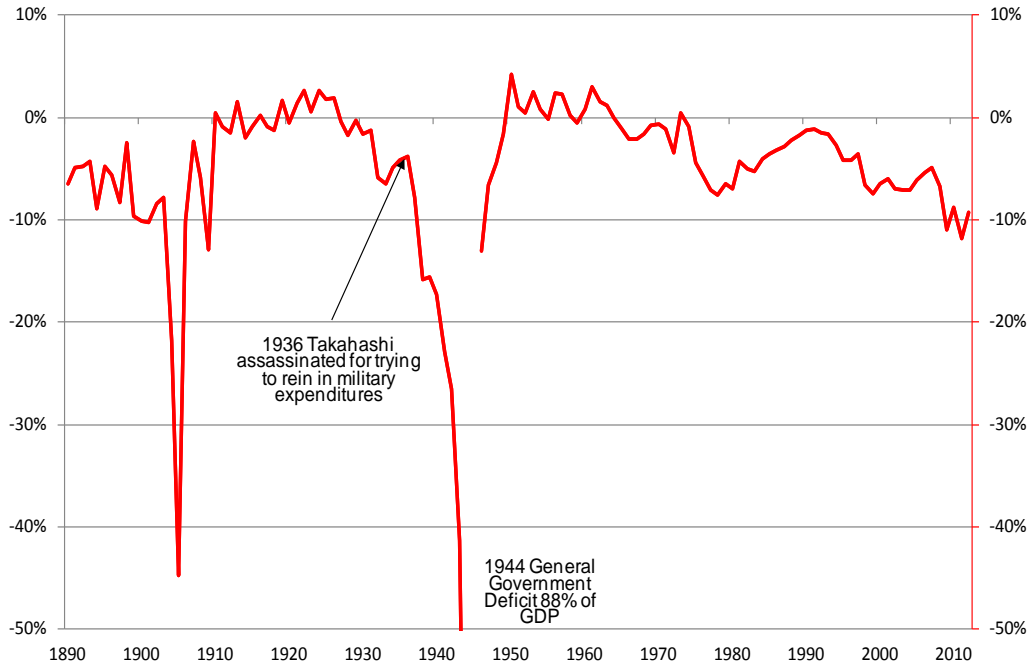


Abe and Kuroda are invoking the spirit of Takahashi. The starting position is very different to the 1930s while, for now, invading Manchuria is not on the cards

Japan Gross Government Debt-to-GDP Ratio

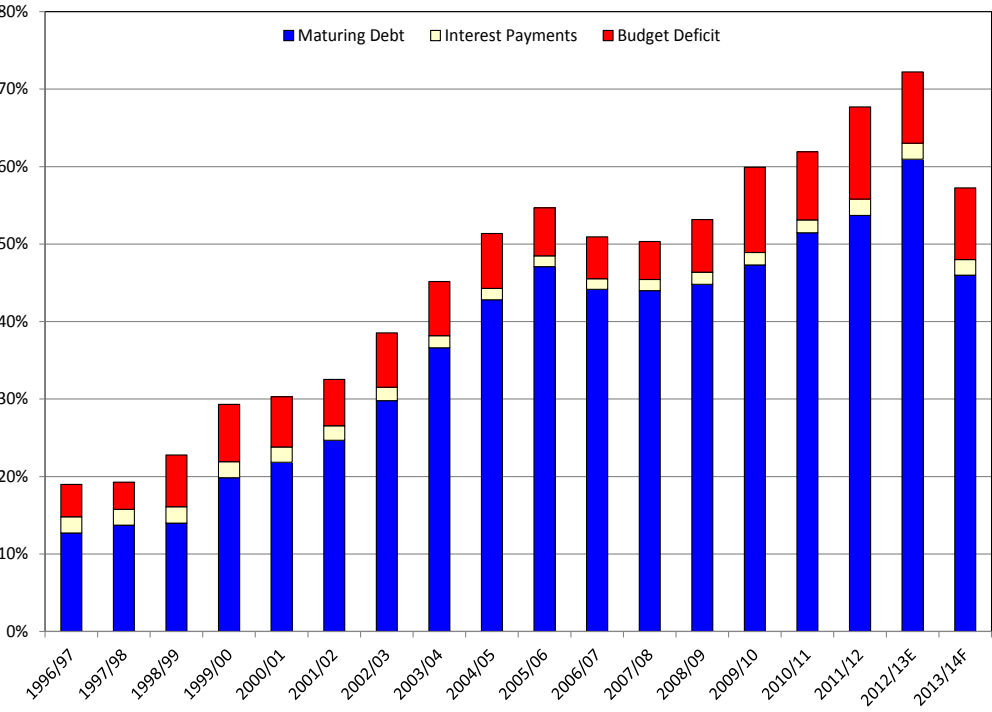


Japan General Government Budget Balance as a % of GDP

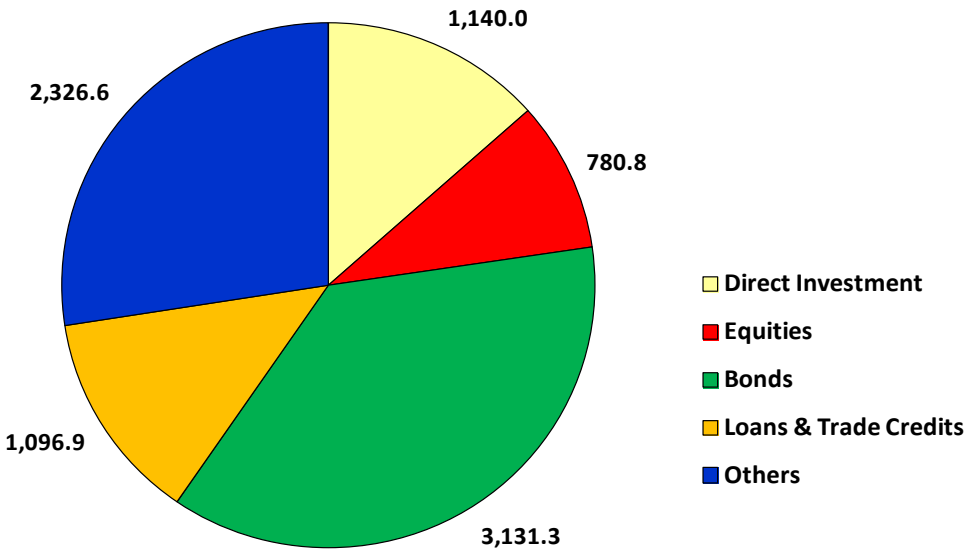


JGB yields had better not rise for everyone's sake. QE (everywhere?) will only be good for equities for as long as it fails to work

Japan Gross Financing Requirements as a Percentage of GDP



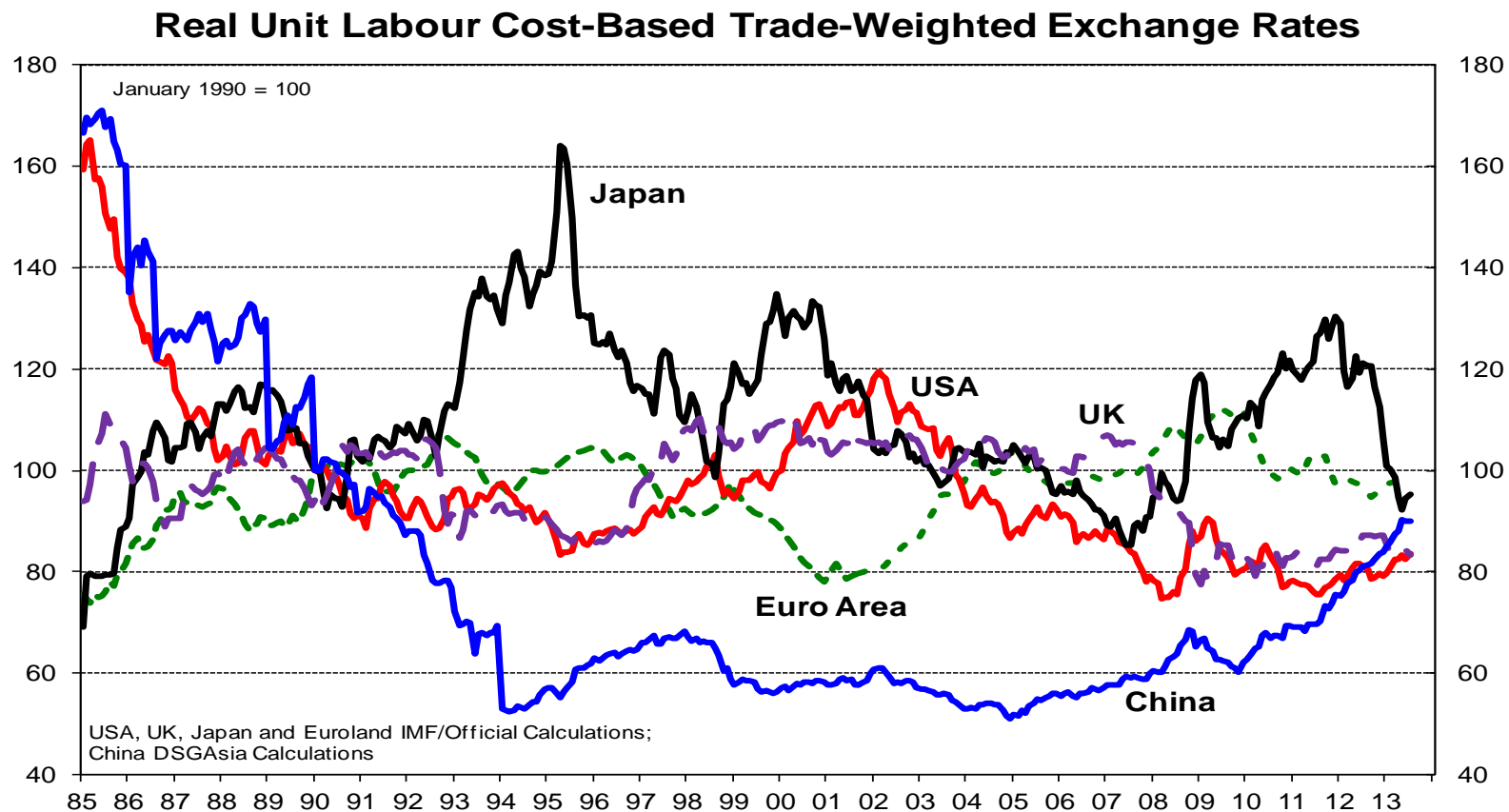
Japan International Assets 2012 (USD8,476 billion)



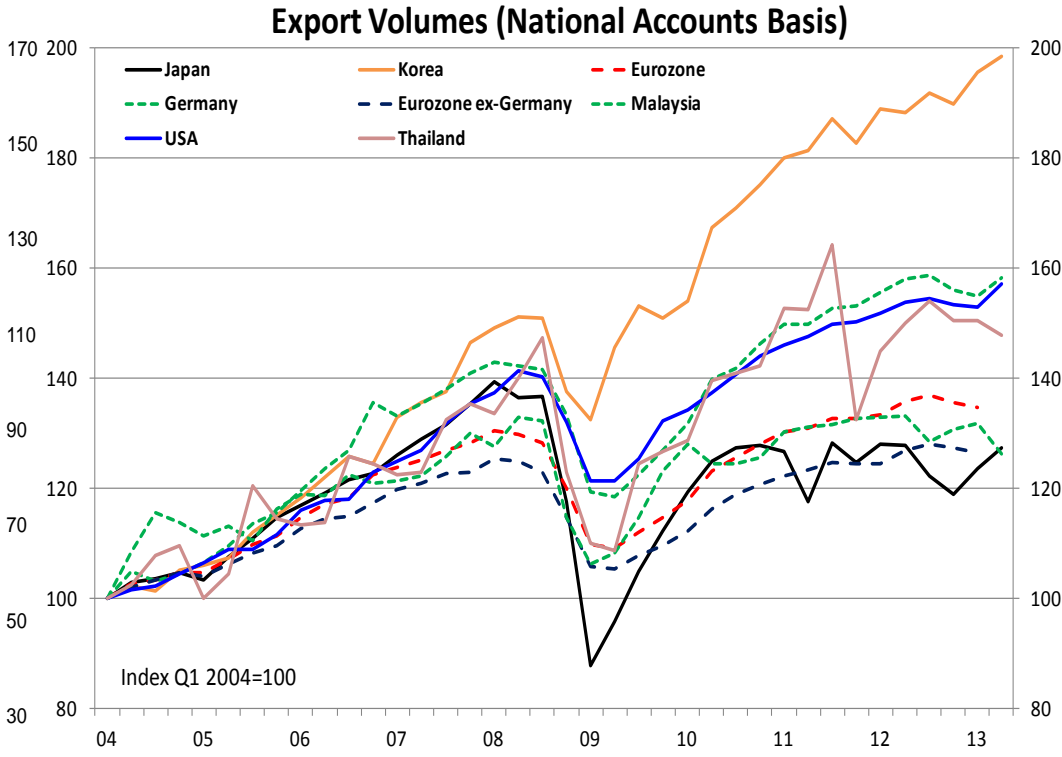
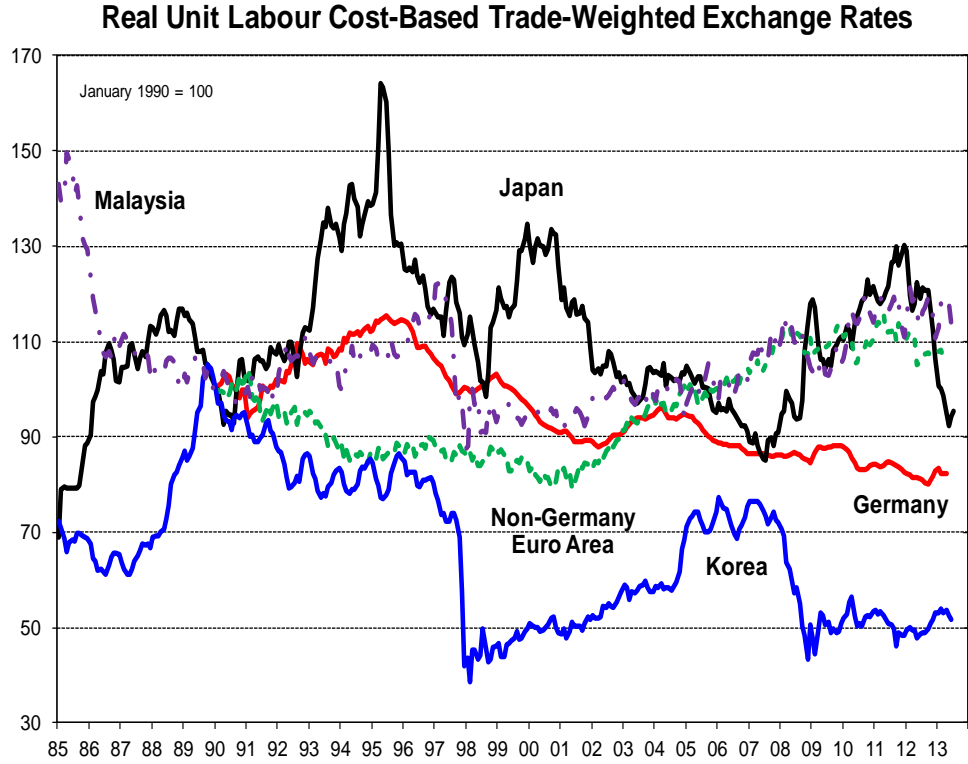
Japanese government debt service (with significant roll assumptions) already accounts for a quarter of government expenditures, of which interest costs comprise a half



Japan was previously the sucker at the currency poker table, but at this stage there is little choice between the majors in terms of valuation

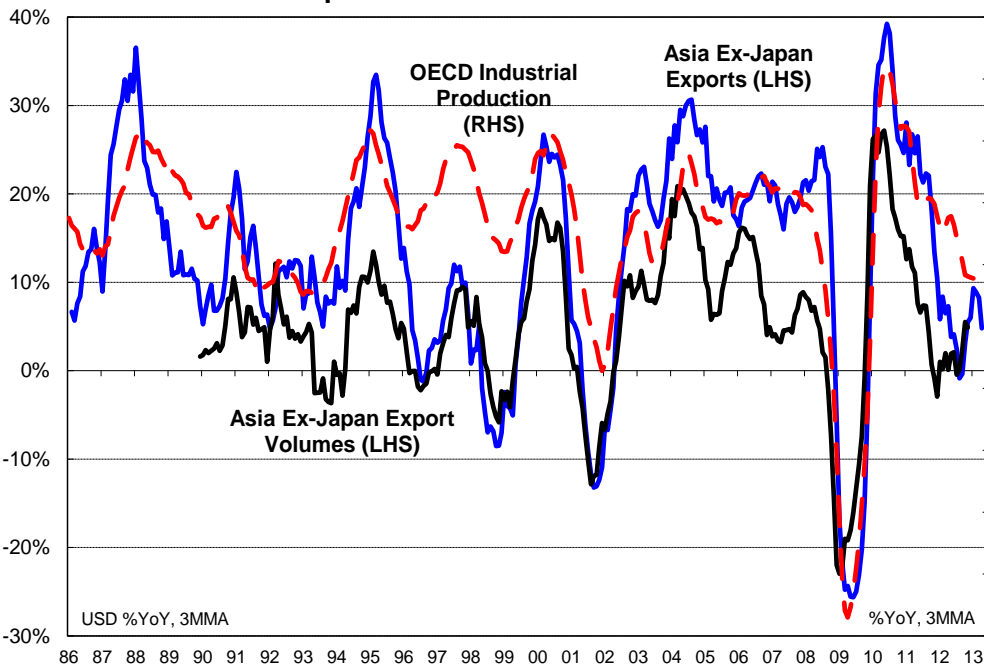


Intra-continental FX divergences have been the major drivers of divergent export trends. America's re-industrialisation story continues. Malaysian exports remain disappointing

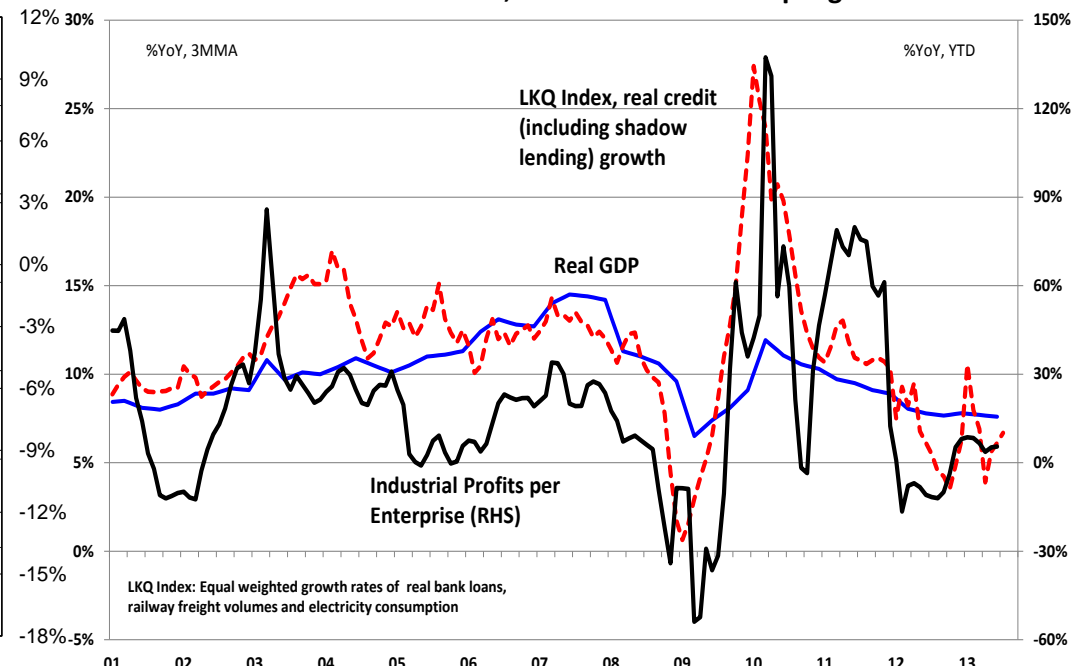


Strangely enough, Asia failed to decouple (again) while China is unlikely to come to the rescue this time. Re-balancing remains the principal medium-term imperative

Asia Exports and OECD Industrial Production



China Real GDP Growth, Profits and the Li Keqiang Index

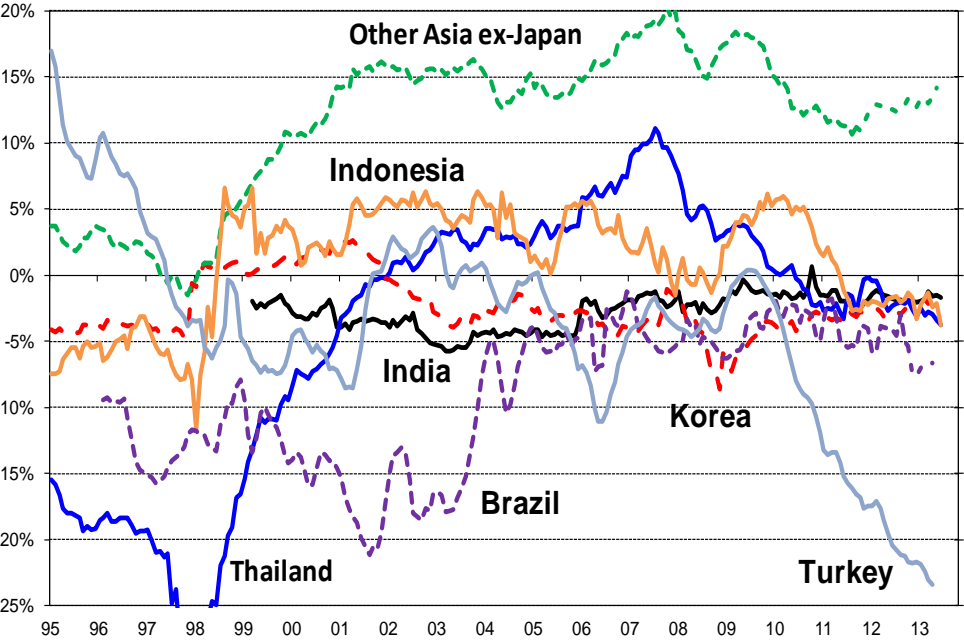


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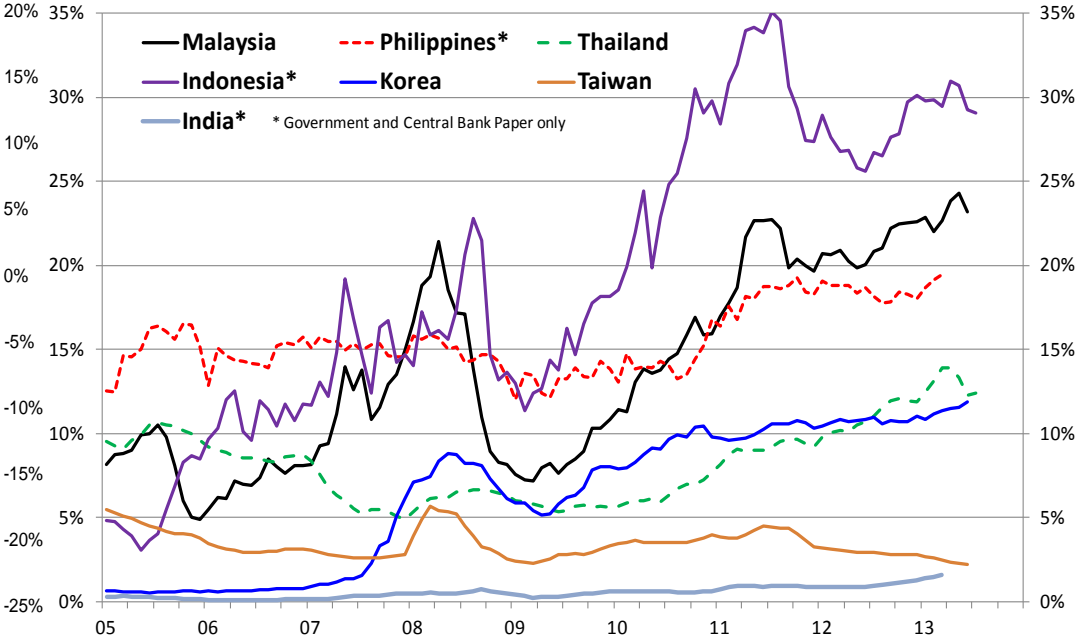
Independent Asian Economic & Political Analysis

Much of Asia was over-owned and over-valued, but this should not be a re-run of 1997. Indonesia is probably the most vulnerable of the ASEAN economies

Net Foreign Assets as a Percentage of Total Deposits

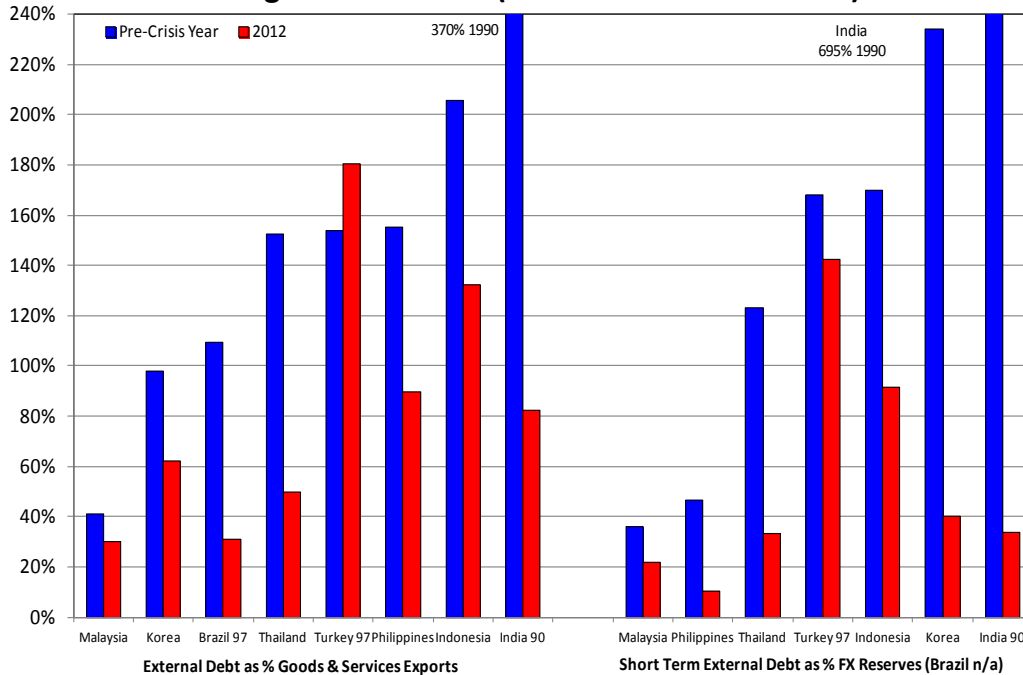


Foreign Ownership Percentages of Debt Markets

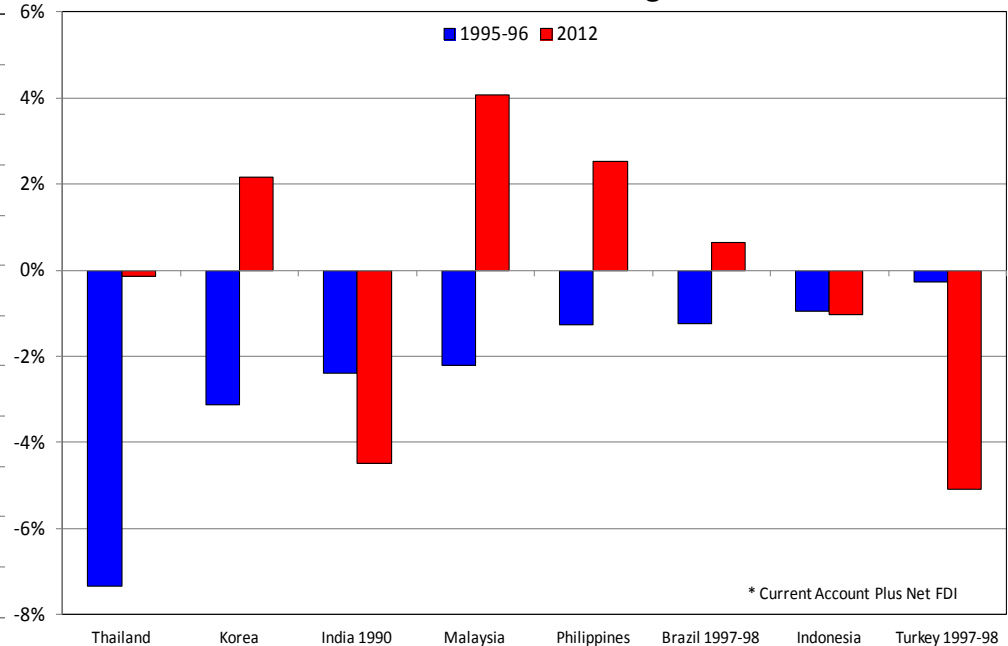


India also has largely self-inflicted problems easily solved by a decent dose of political will. Various other emerging markets are, potentially, in deeper trouble

Foreign Debt Metrics (Selected Crisis Countries)



Basic Balance* as a Percentage of GDP

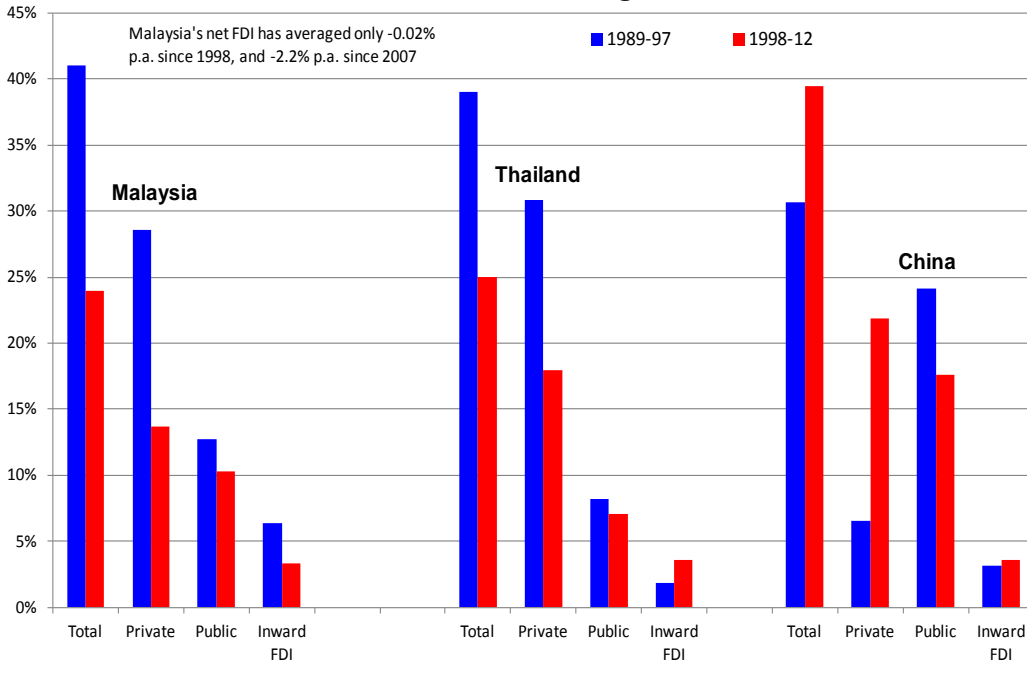


* Current Account Plus Net FDI



Malaysia has a good story to sell but recent growth has been pumped up largely by government and household debt. Private investment has been more sceptical

Investment as a Percentage of GDP



Malaysia Investment Approvals and Actual Investment

