Erratic geopolitics and tough economic indicators to come


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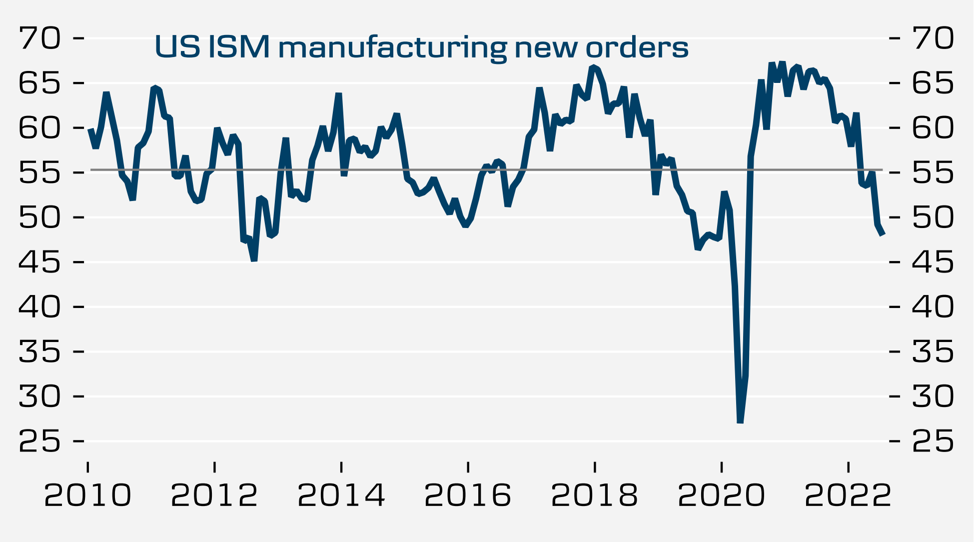
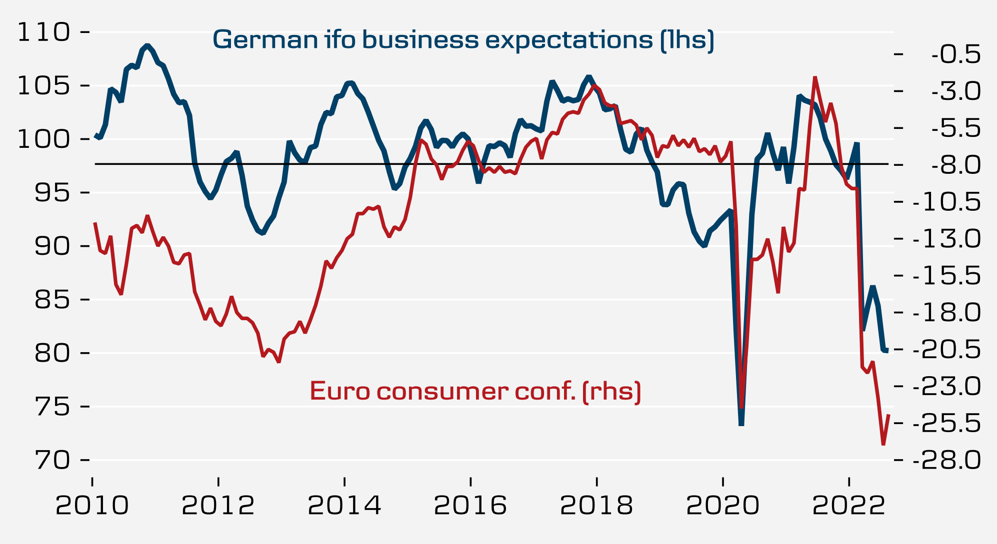
State of the world – from boom to bust?

US



Europe



China

Growth: Significant headwinds – but we also have a few tailwinds

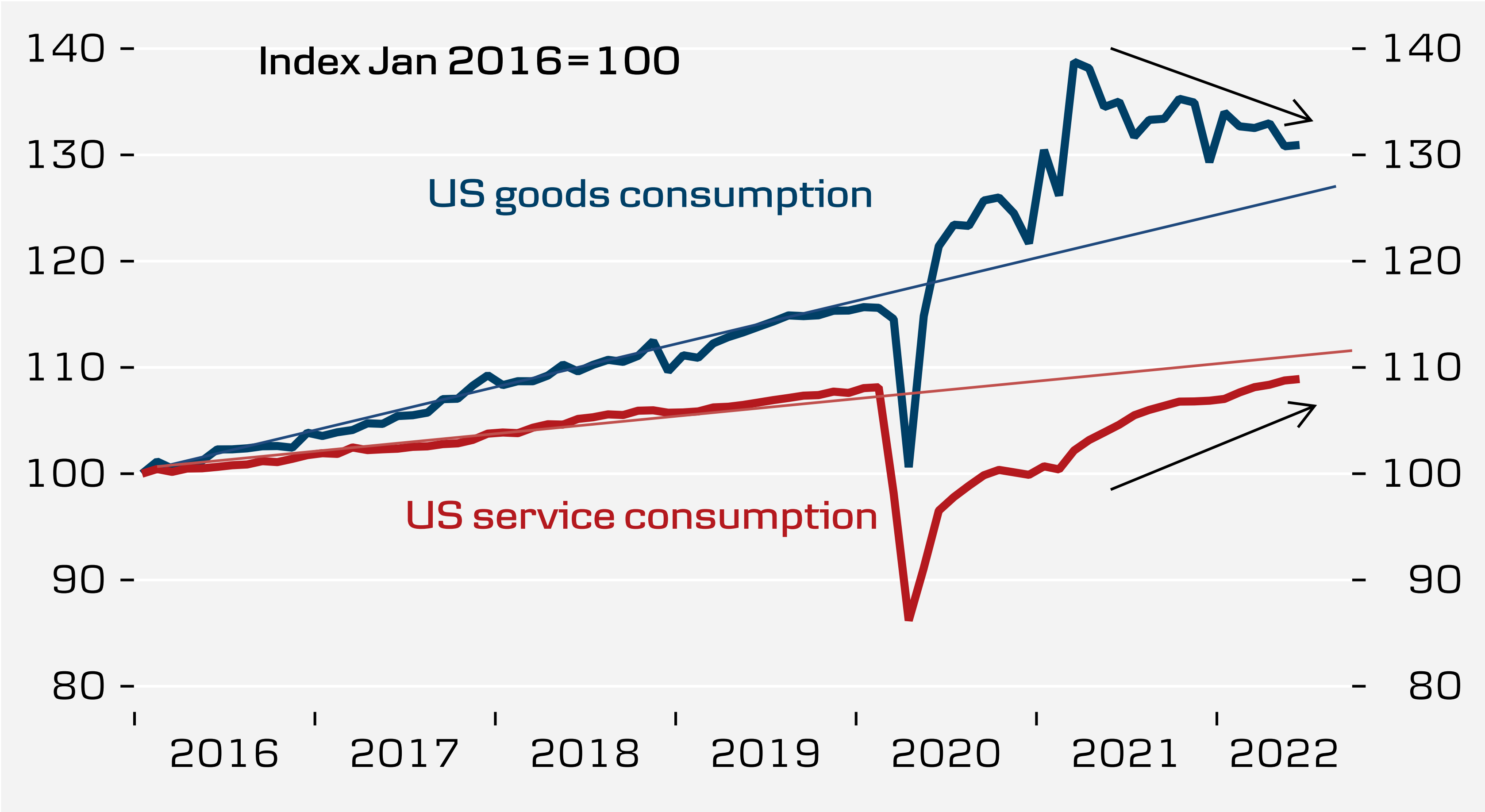
Headwinds (to demand):

- Uncertainty over the war
- Financial tightening on **businesses**
- Financial tightening on **housing**
- Record real wage hit to **consumers**
- China covid/property crisis

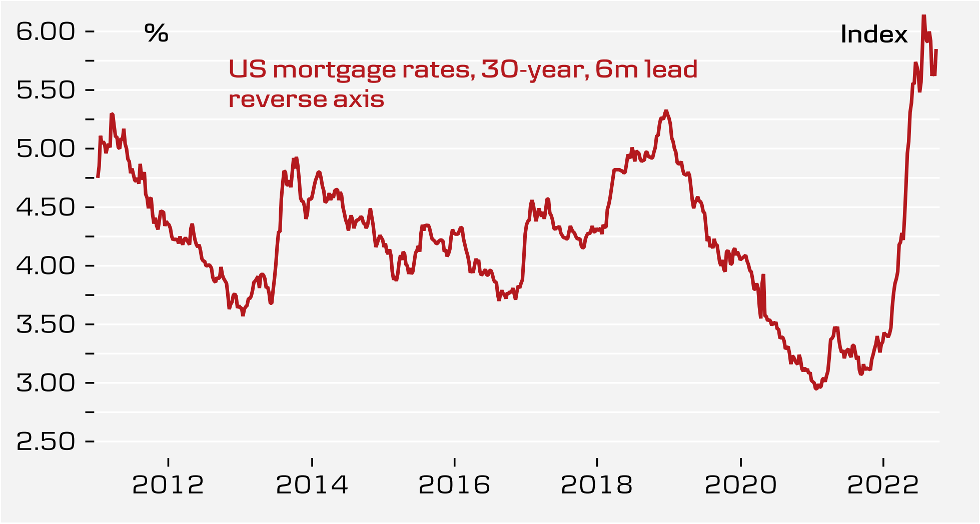
Tailwinds:

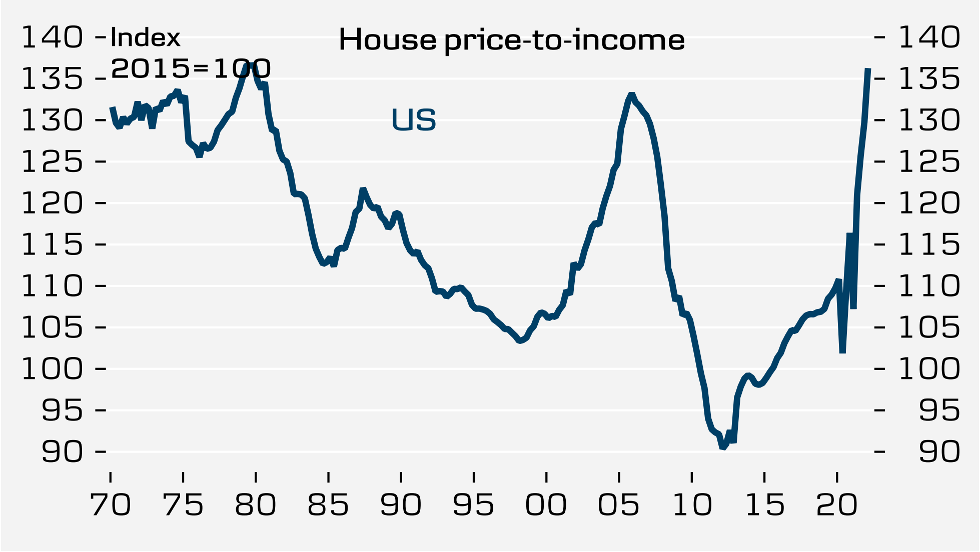
- High savings
- Pent-up demand in services
- Very strong labour markets

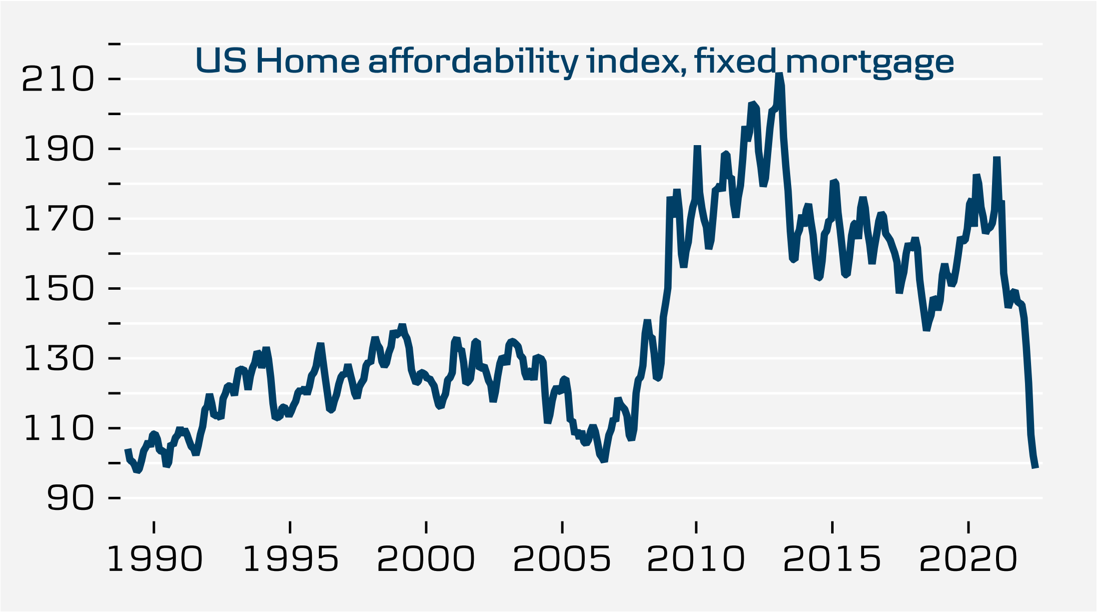
US consumers normalizing spending pattern which means less goods demand



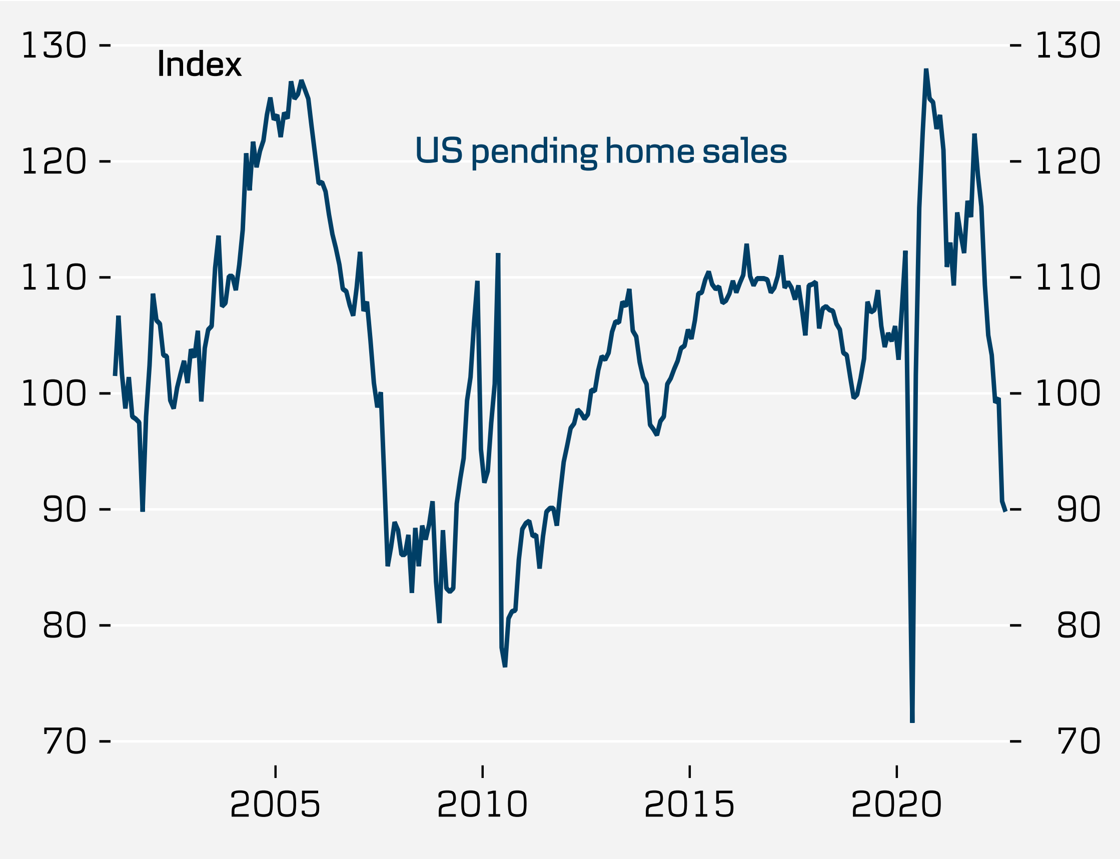
US housing markets hitting the wall (same picture in many countries)

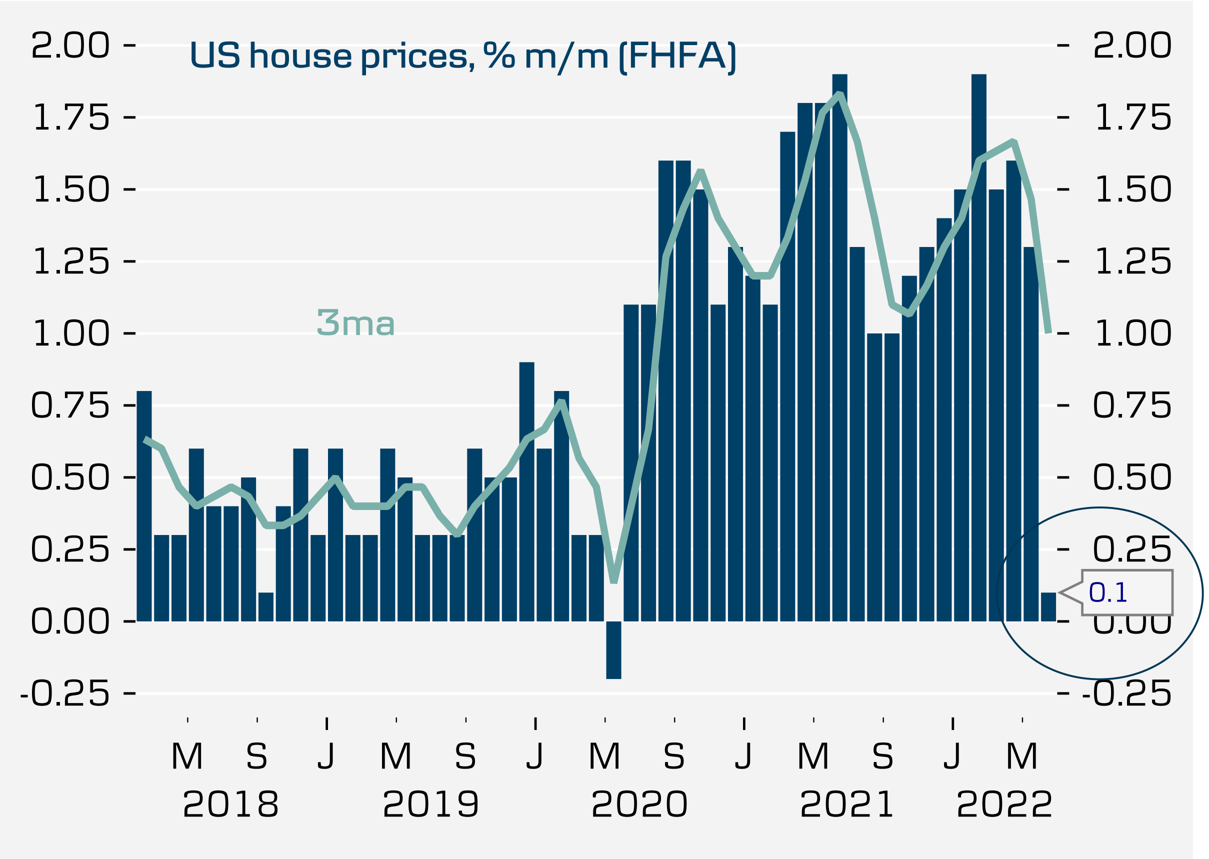






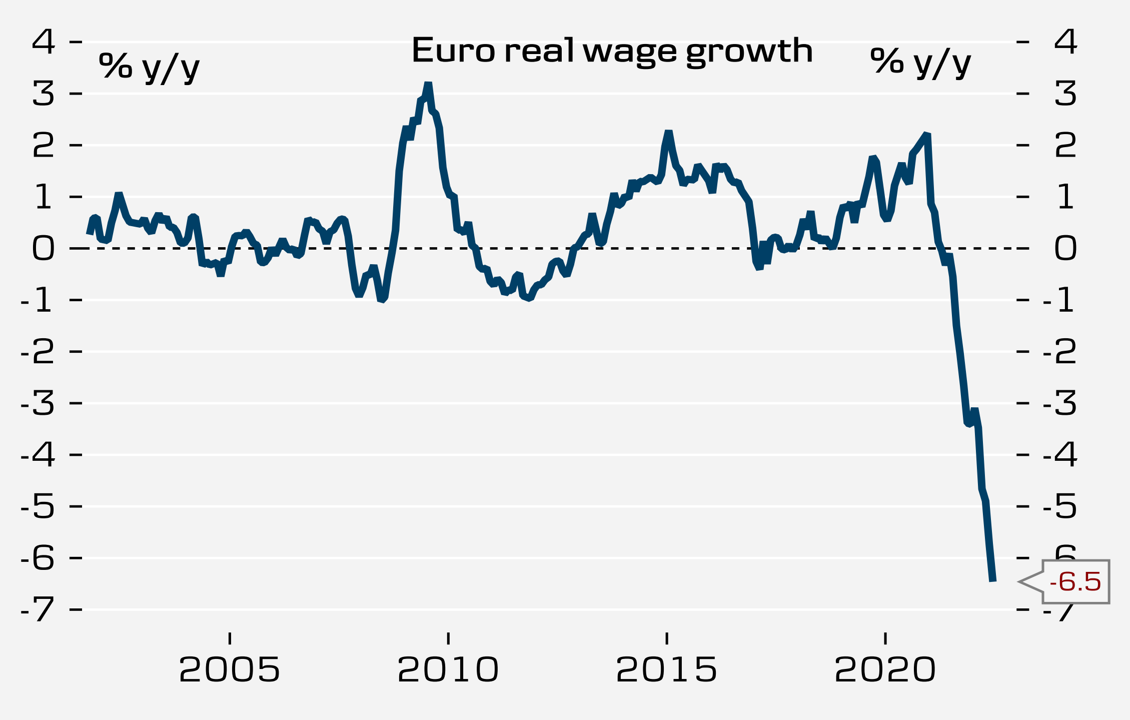
From boom to bust in a very short time



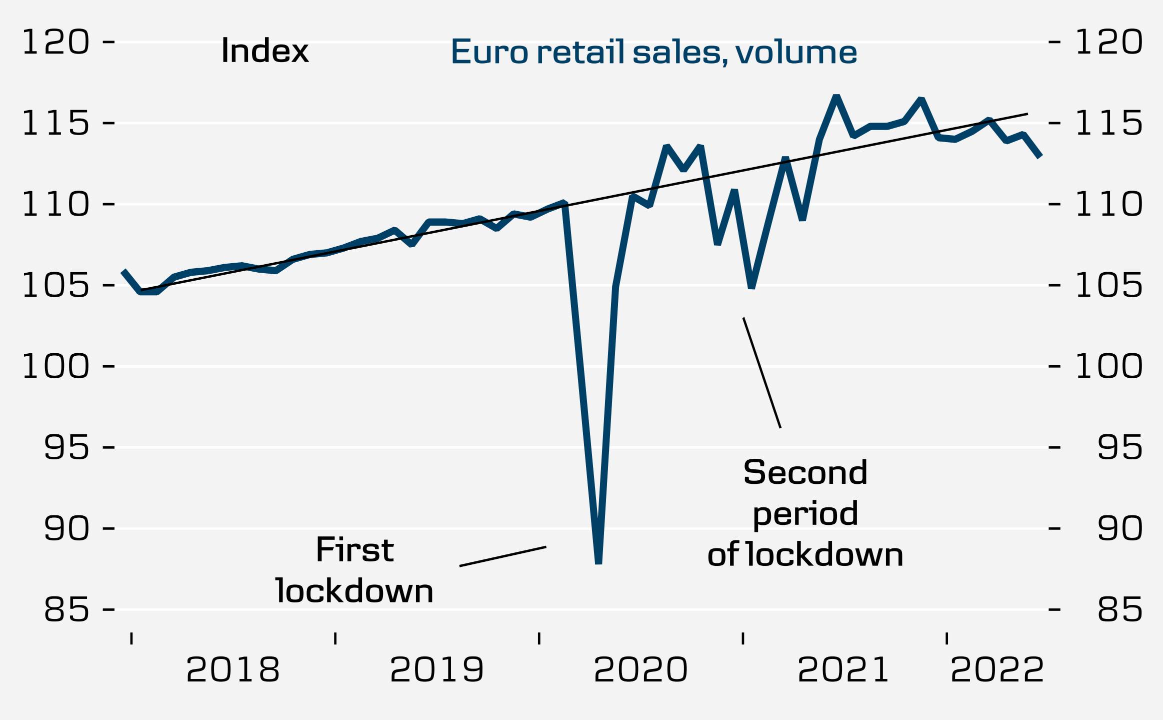


European consumers face stiff headwinds from high inflation

Very sharp hit to consumer purchasing power



Retail sales stalled– but not collapsed



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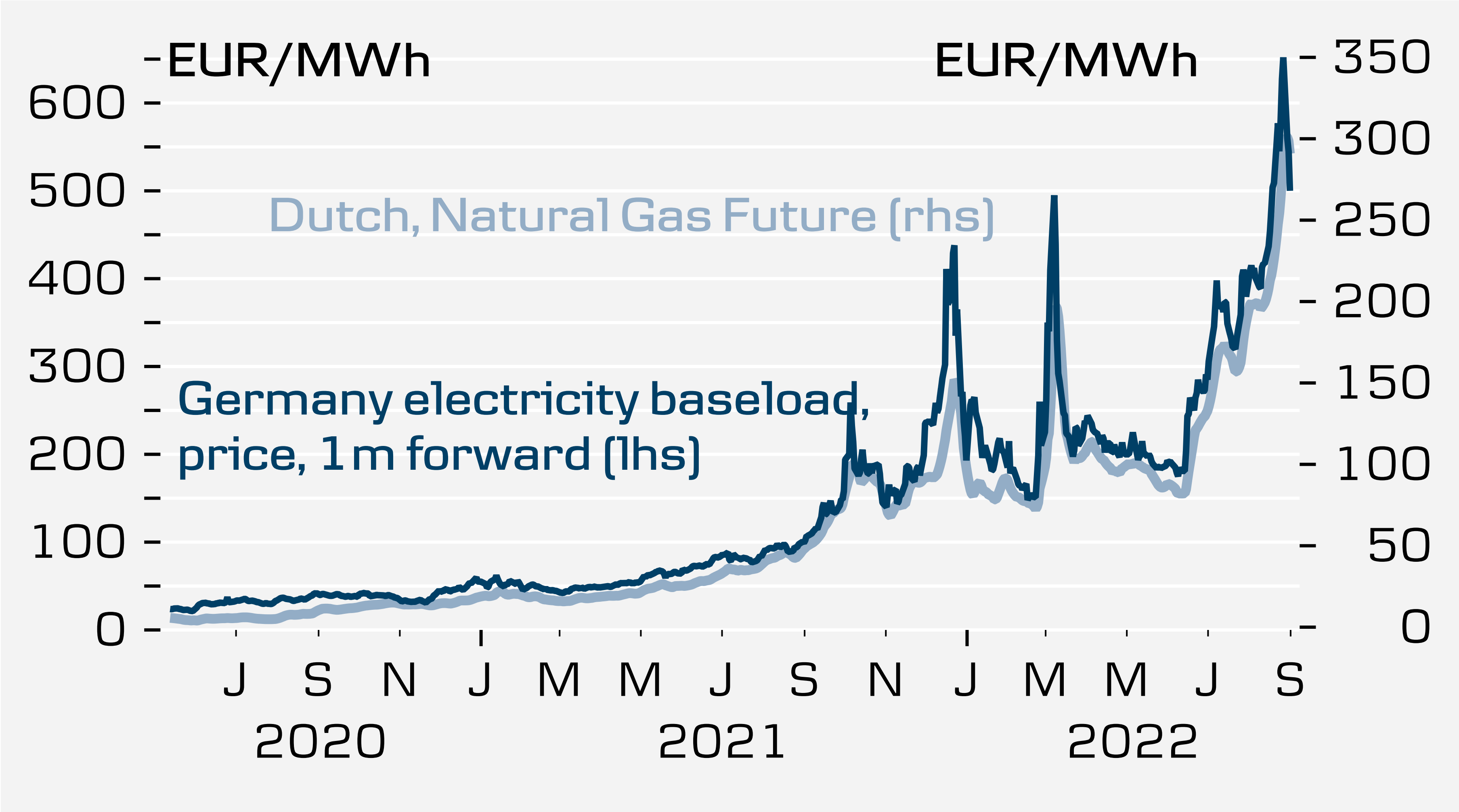
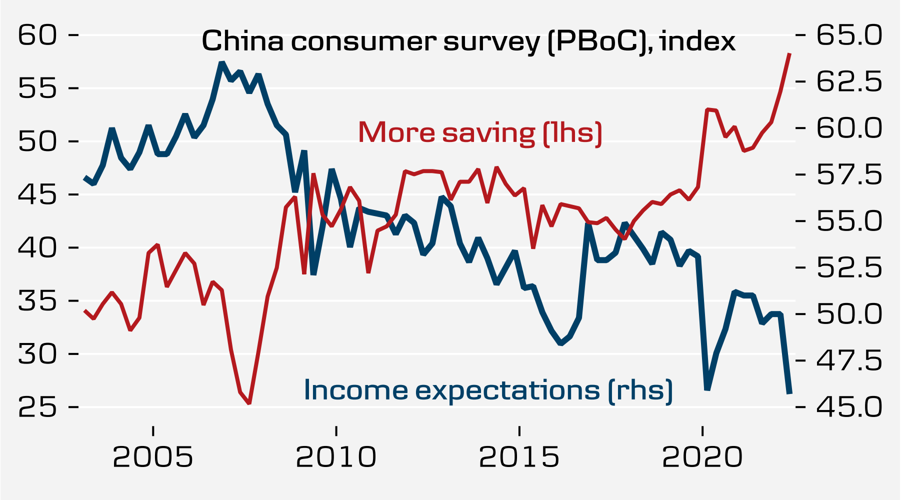
Energy crisis in Europe is serious and could hit consumers and production hard



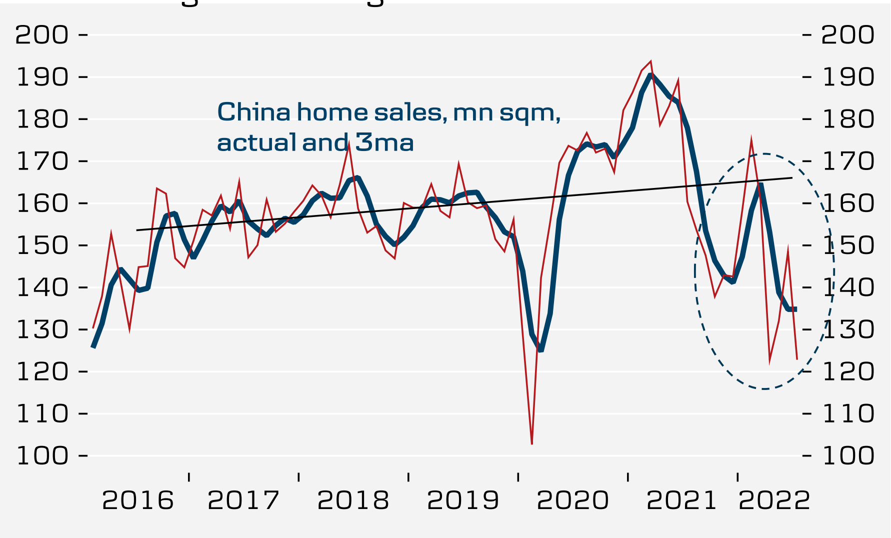
Chinese consumers struggling

Sentiment very weak



Retail sales far below usual growth rates

Housing crisis a big headwind for consumers



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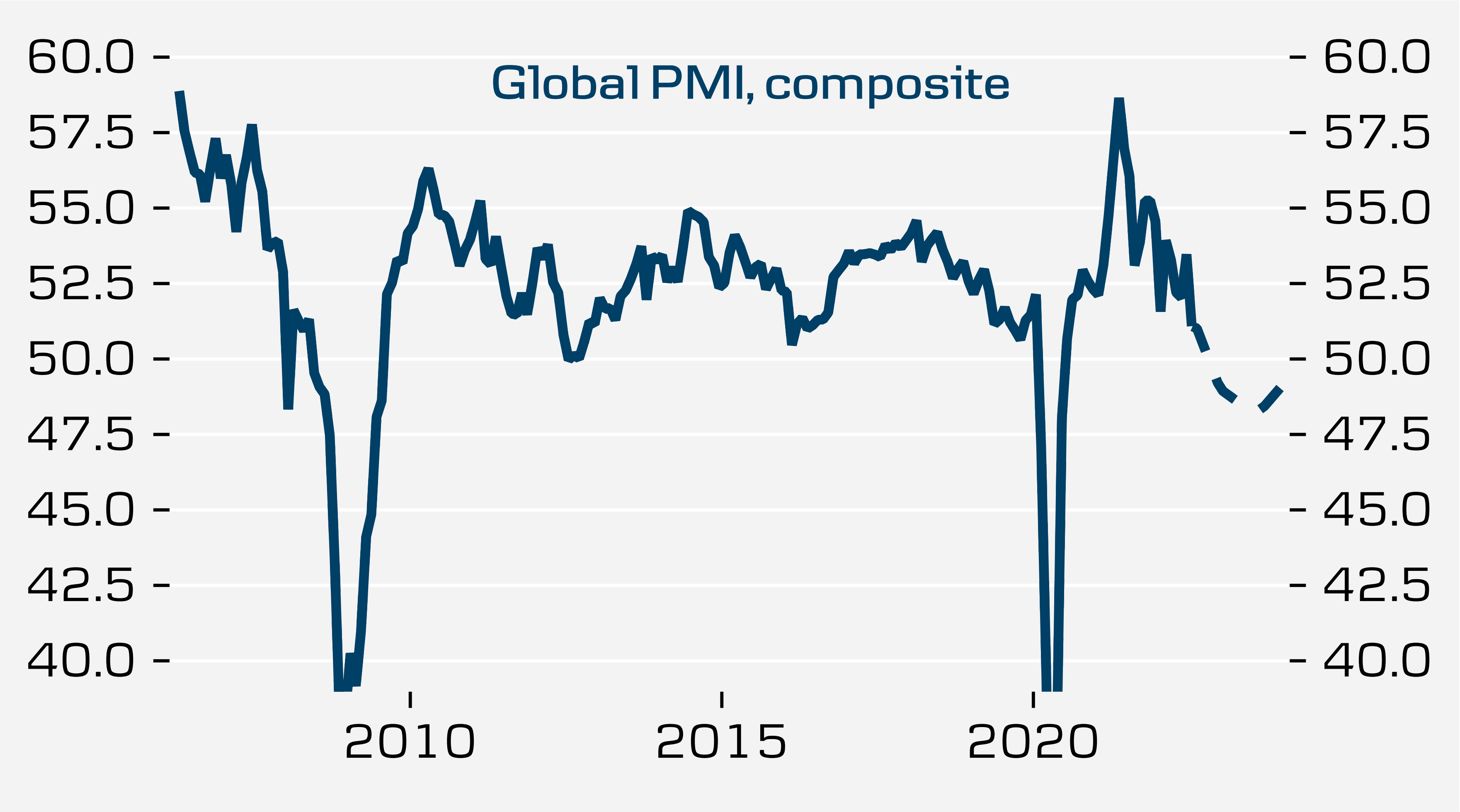
Global outlook – more weakness coming as global headwinds are severe

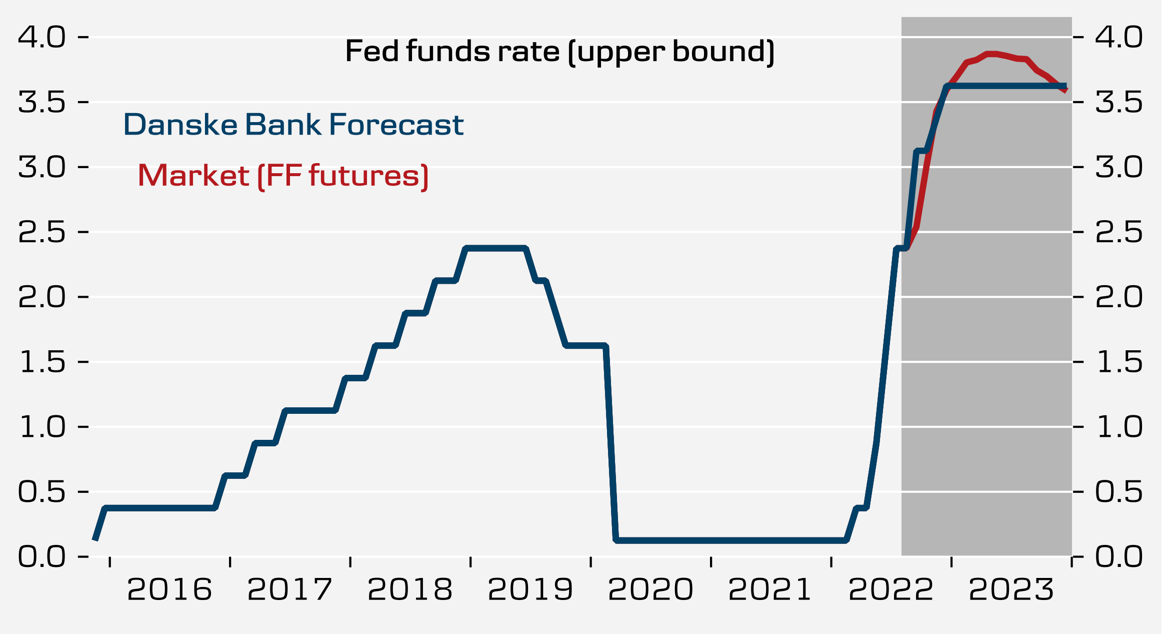


Central banks not compromising in the fight of inflation

Fed Governor Powell at Jackson Hole 27 Aug, 2022

"*Restoring price stability will take some time and* ***requires using our tools forcefully to bring demand and supply into better balance.***"

"*While higher interest rates, slower growth, and softer labor market conditions will bring down inflation, they will* ***also bring some pain to households and businesses. These are the unfortunate costs of reducing inflation.*** *But a failure to restore price stability would mean far greater pain.*"



Why China means business about Taiwan

Historical background

China's 'Century of Humiliation' begins with Opium wars

China
"The Middle
Kingdom" for
centuries

1683:
Qing dynasty
annexed Taiwan

1839-42
First Opium War
Loss of Hong Kong

1856-1860
Second Opium War

1894-95
First Sino-Japanese
War
Loss of Taiwan to Japan

1937-1945
Second Sino-Japanese
war
Nanking Massacre, use of
chemical weapons

1945
Taiwan returns
to China after
WWII

1949
Communists win civil
war, founding of PRC,
Nationalists flee to
Taiwan (Republic of

1979
US state PRC "sole
legal government of
Taiwan" (One-China
policy). But also
passes "Taiwan
Relations Act" which
says US to help Taiwan
defend itself.

Consensus emerges
and creates a 'status
quo' balance

2016
Independence leaning
Tsai Ing-Wen becomes
Taiwan President. Trump
wins US election marking
beginning of erosion of
'One-China' policy

New ‘Cold war’, high tensions and de-globalisation

- De-globalisation
- Supply chain diversification
- Cold War 2.0?
- Decoupling
- ”Democracy” vs ”autocracy” battle for the coming decade(s)
- Biggest risk over next 10 years is a war over Taiwan

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