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WRITTEN BY: ASHOK DHILLON



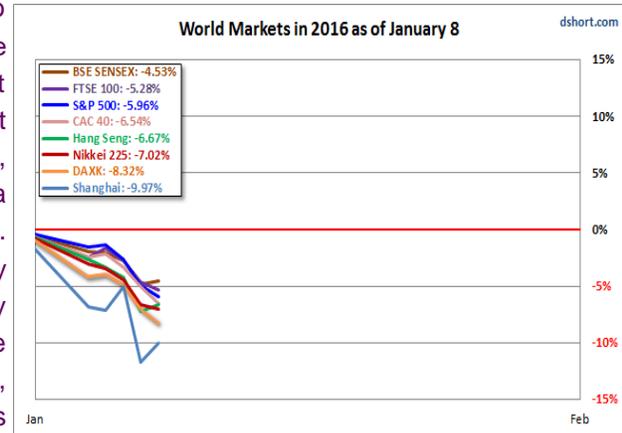
Ashok Dhillon has over 40 years of front-line business experience in Canada and International markets.

Mr. Dhillon's experience includes start-ups, venture capital, seed funding, and heading companies in construction and international power development. His extensive experience gives him in-depth knowledge and intuitive insights into macro and micro, national and international, geo-political and economic realities and trends. He has been invited to speak on international business at various forums, including as an expert witness for the Standing Senate Committee, Government of Canada, on "The Rise of Russia, China and India".

## Global Economies – Closing 2015 and Opening 2016

The end of 2015 was the culmination of 7 years of vast injections of cash as stimulative measures, and near zero interest rates policy ('ZIRP'), in the developed economies. And at the end of it all one can safely say that for the most part the flood of stimulus money was ill spent, because it did not trigger or support a sustainable global economic recovery. And, the extraordinarily low price of money through ZIRP only encouraged heavy speculation in the financial markets, by the banks and financial institutional players, which in turn has *recreated* the very risks that had brought on the last global financial crisis.

responsible for the worst start to the year since 2008.



This ill-conceived experiment of financial engineering to engender 'the wealth effect' on a global scale, undertaken by the major Central Banks, led by the Federal Reserve of the U.S., for the most part did next to nothing for the Main Street economies, but has been creating massive risk rather than economic activity, and that financial risk is starting to assert itself in global financial markets in 2016, and so far has been

### MSCI WORLD STOCK MARKET INDEX January 1, 2008 to January 14, 2010



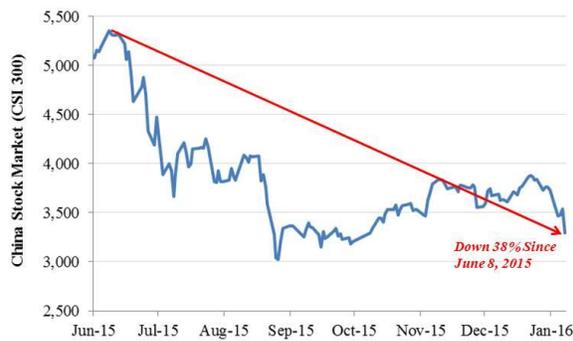
Yes, we do think the bubbles have been inflated enough and are overripe for popping, except for China, where they have already been popping for a while now first in real estate, and as of June last year (2015) in the stock market. If it wasn't for the very active and almost continuous and massive interventions by the Chinese Government, we would have seen some spectacular crashes. Even more so than the meltdown of the Shanghai Stock Index in June 2015. But all the interventions of the Chinese Government to prop up its crashing markets are going to be

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ineffective against the over-inflated internal conditions, and a genuine deflationary global cycle externally significantly dampening product and services demand.

## Chinese Stock Market Swoons...



Note: As of 01/07/15  
Source: Bloomberg

## Carnage on the Chinese stock markets

Source: Yahoo Finance



China is truly caught between a rock and a hard place. If it eases, it makes its current risks worse, and if it tightens, it makes its current collapses worse.

Emerging economies are dependent on the wellbeing of developed markets as they need their consumer's buying power. No emerging market is more dependent on developed economies than China. And in turn a lot of resource rich developed and emerging economies like Canada, Australia and Brazil are dependent on China for their raw resource sales. These closed loops mean that the continuing and worsening weakness of the developed economies, which are weakening the

emerging economies, especially China, are going to keep the global economies struggling to break out of the steady downward drift. But things are going to get a lot worse before anything gets remotely better.

Our overall assessment of the global economy heading into 2016 was negative. We believe the overcapacity of the West, and the gargantuan overcapacity of China, spells trouble for the global economies for this year and maybe next. This general weakness has, and is producing the economic and financial tremors that we have been experiencing lately, with the very real possibility of the second 'Big One' that could be triggered any day by the plethora of possible black swans that seem to be swimming everywhere.

Brazil, Russia, and China are going to continue to pose an ever growing risk to the global economic environment in the very short term. From the deep downward pull of these economies are coming daily downward pressures on their currencies.

As the global economies continue to struggle against contraction and deflationary forces, the U.S., the U.K. and Europe will further contract, putting the U.S. into recession territory. That could force the Federal Reserve to 'ease' off, putting the global system at risk once again.

