

Asia Independent Research Conference

20
18

AIMA

THE ALTERNATIVE INVESTMENT
MANAGEMENT ASSOCIATION

 BTIG

Paul Krake

View from the Peak

View from the Peak is an independent thematic investment research service. Paul Krake founded View from the Peak (VFTP) in 2011 following a long career as an analyst and portfolio manager in New York and Hong Kong.

VFTP is published by IND-X Advisors Ltd., a Hong Kong-based investment advisory company, the origins of which can be traced back to 2003. IND-X is regulated by the Hong Kong SFC and is a registered investment advisor with the US SEC.



VIEW FROM THE PEAK

The Unknown Unknowns

- What can stop stocks from doubling by 2022 -

Paul Krake, Founder **View from the Peak**

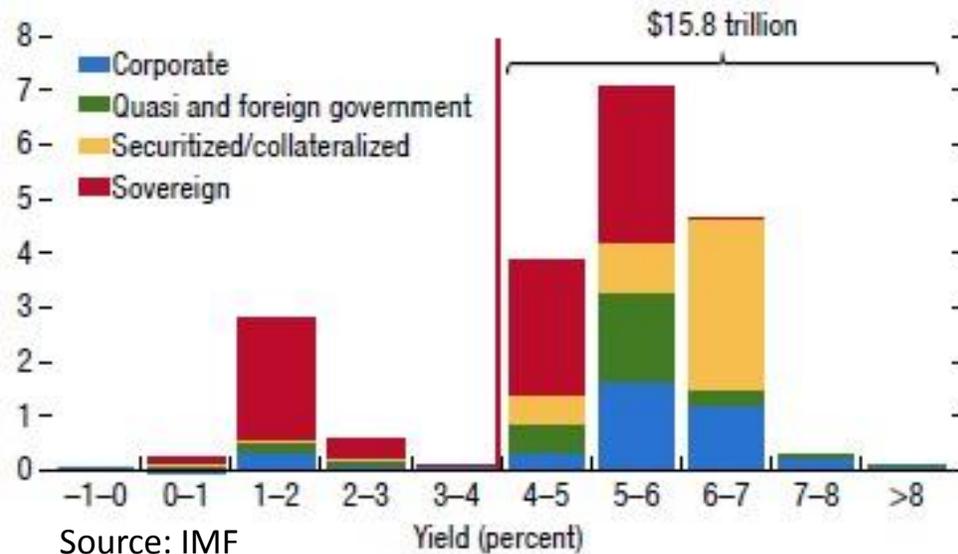
Global equities to double in four years – Why?

- Inflation is not going to re-emerge.
- Recessions are only ever caused by interest rates moving above neutral.
- Negative real interest rates cause nominal GDP to continue to stay above nominal rates, meaning corporate profits remain robust and default rates remain low.
- No recession in the US, Europe, Japan, and the emerging world for the next five years and beyond – What multiple would you pay for equities?
- There is a shortage of global yield – If it looks like a bond and acts like a bond, it should be priced like a bond.

Investment Grade securities yielding over 4%

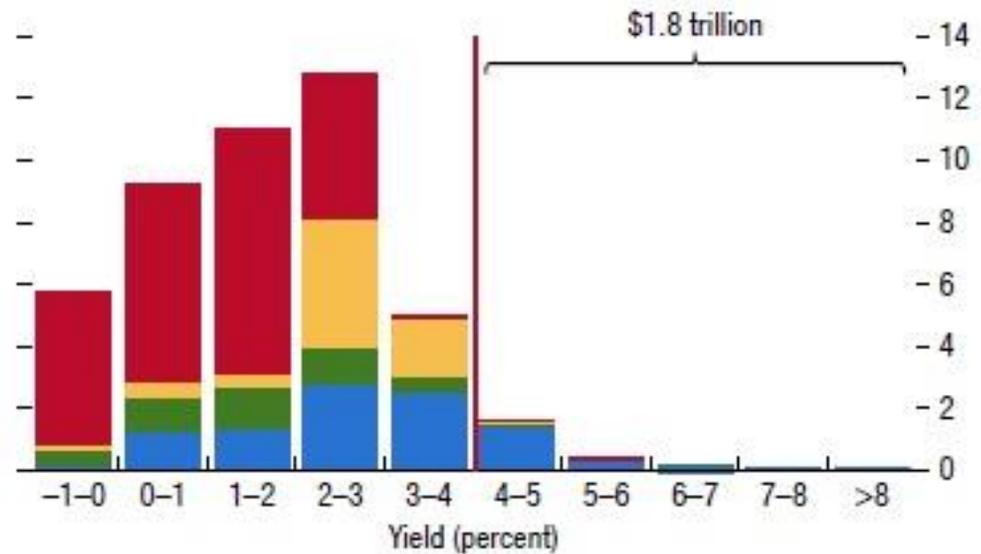
In 2007, a variety of asset classes generated returns in excess of 4 percent.

1. Global Investment-Grade Fixed Income Instruments, 2007
(Trillions of US dollars)

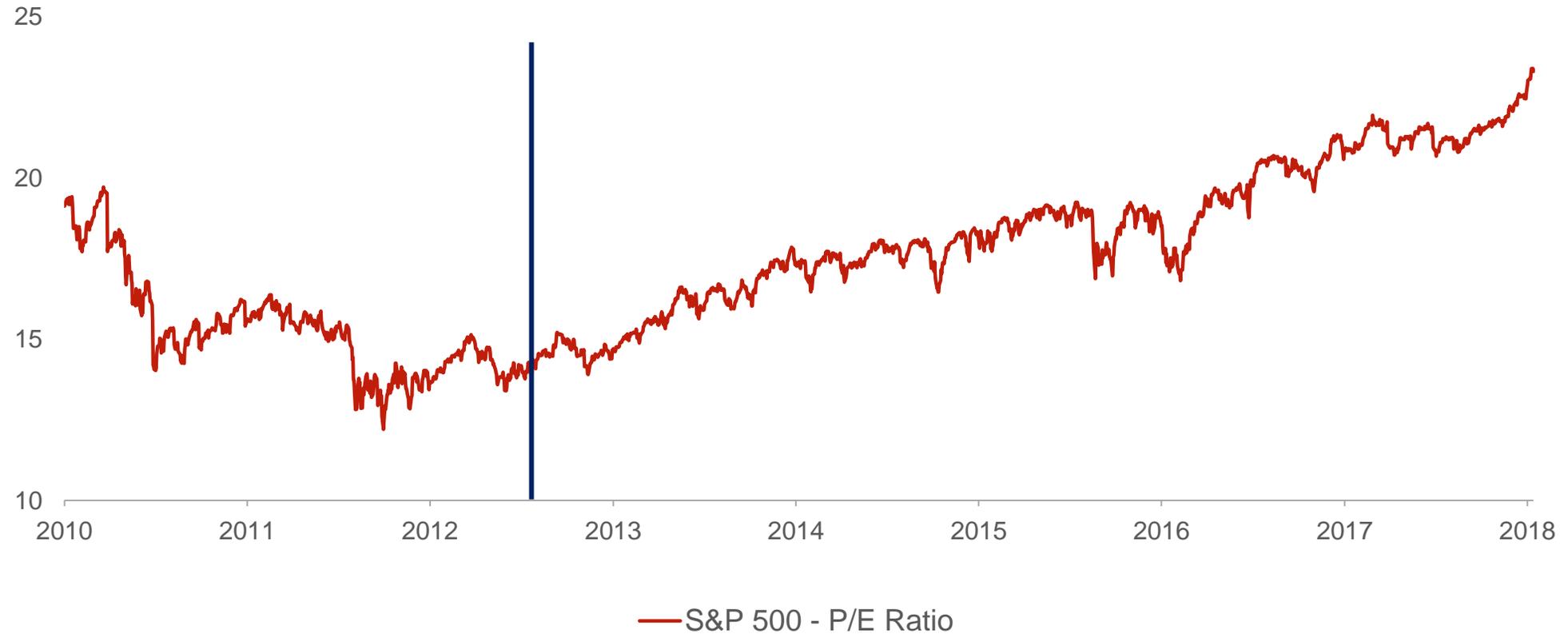


In 2017, corporate debt is the only significant asset class that provides a comparable return.

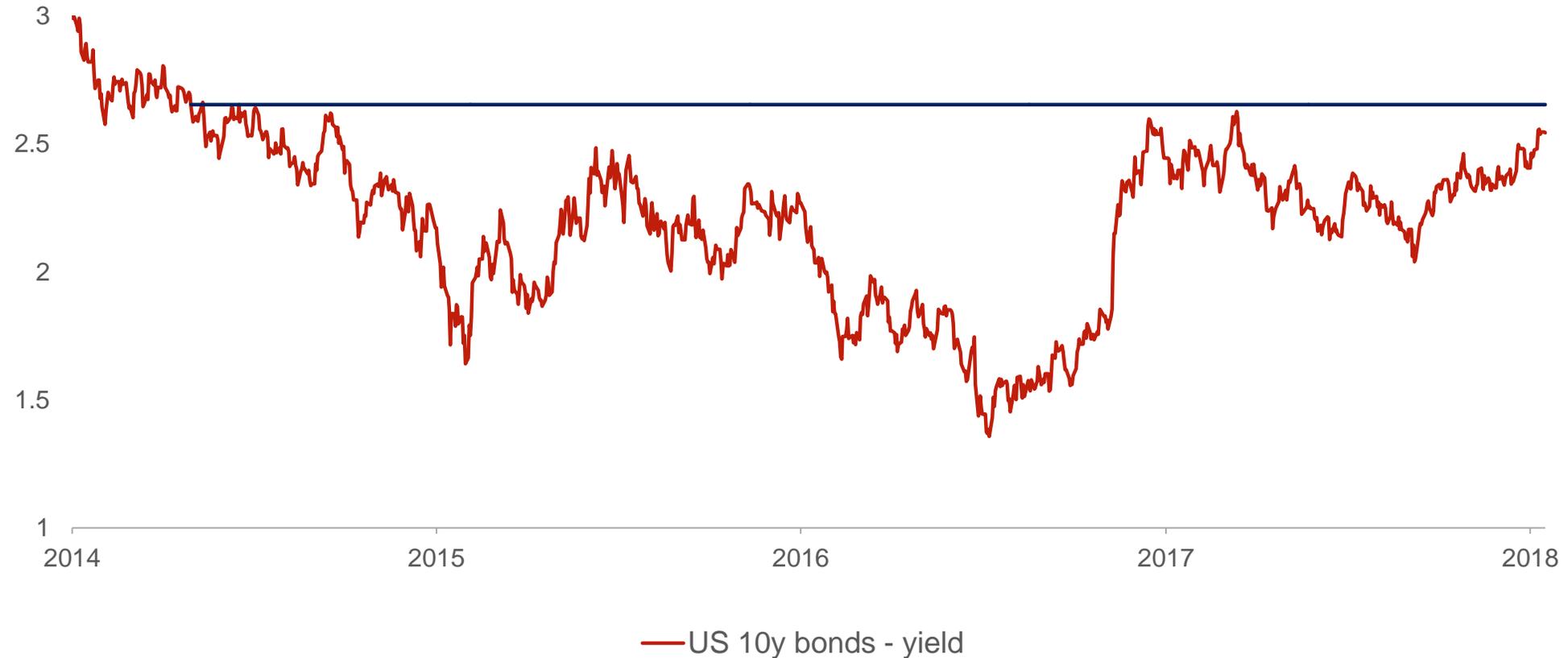
2. Global Investment-Grade Fixed Income Instruments, 2017
(Trillions of US dollars)



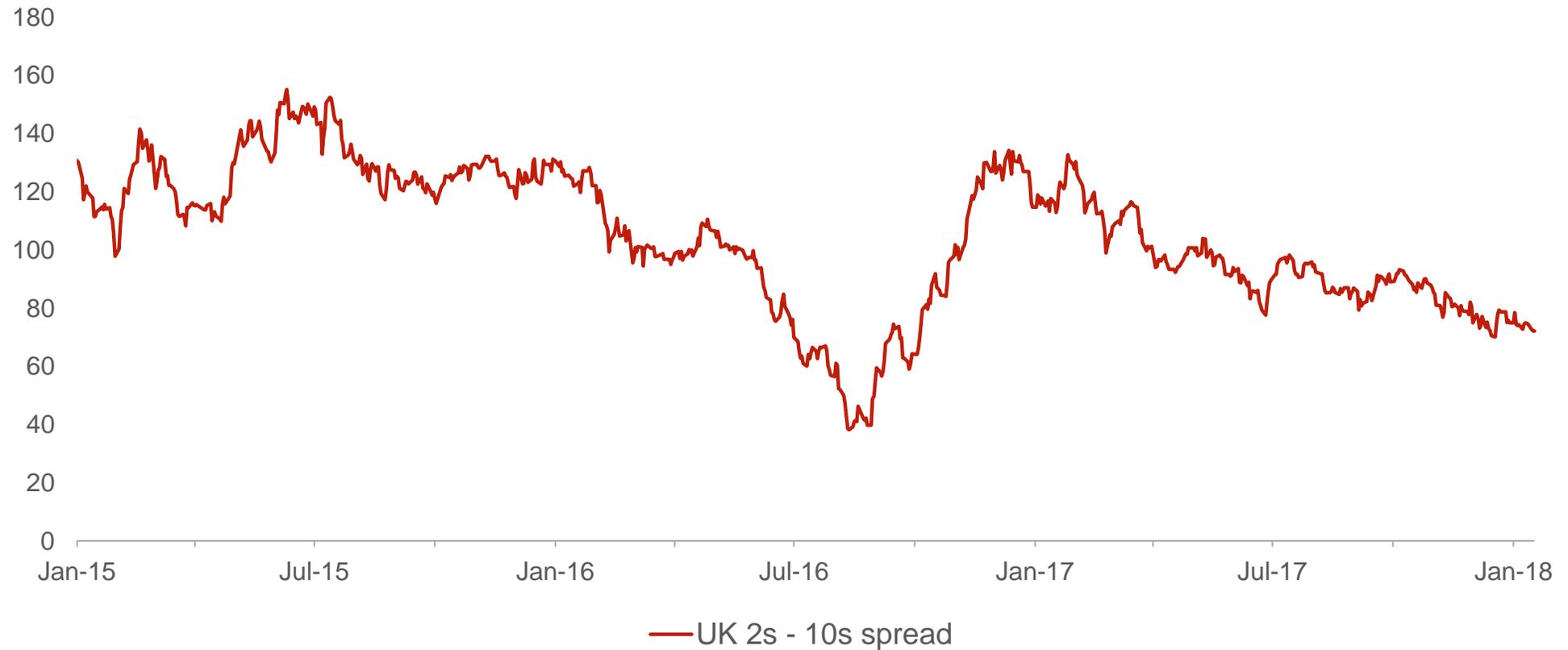
S&P500 P/E Ratio – Cheers, Mario



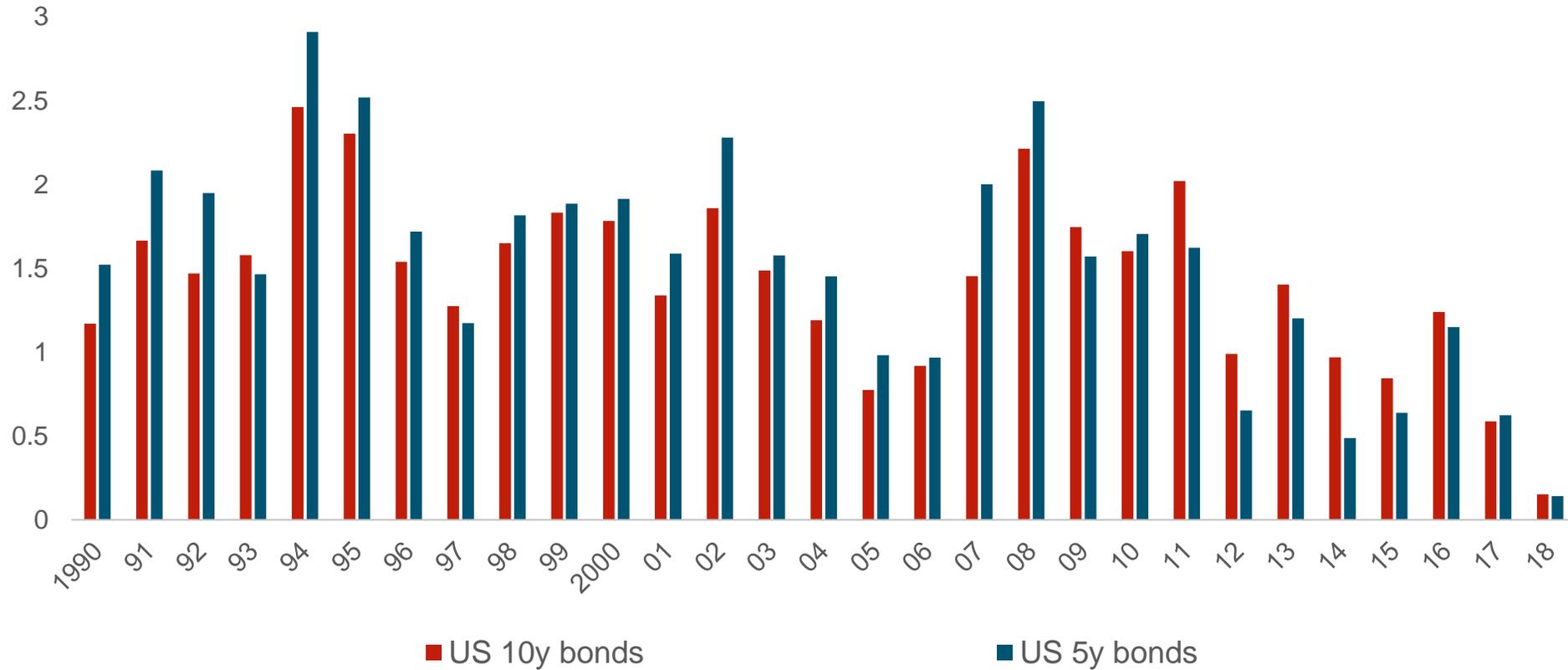
US 10y bond yields – Capped at 2.65%



UK 2s – 10s Spread



US 5y and 10y bonds – Yield trading range



MOVE Index



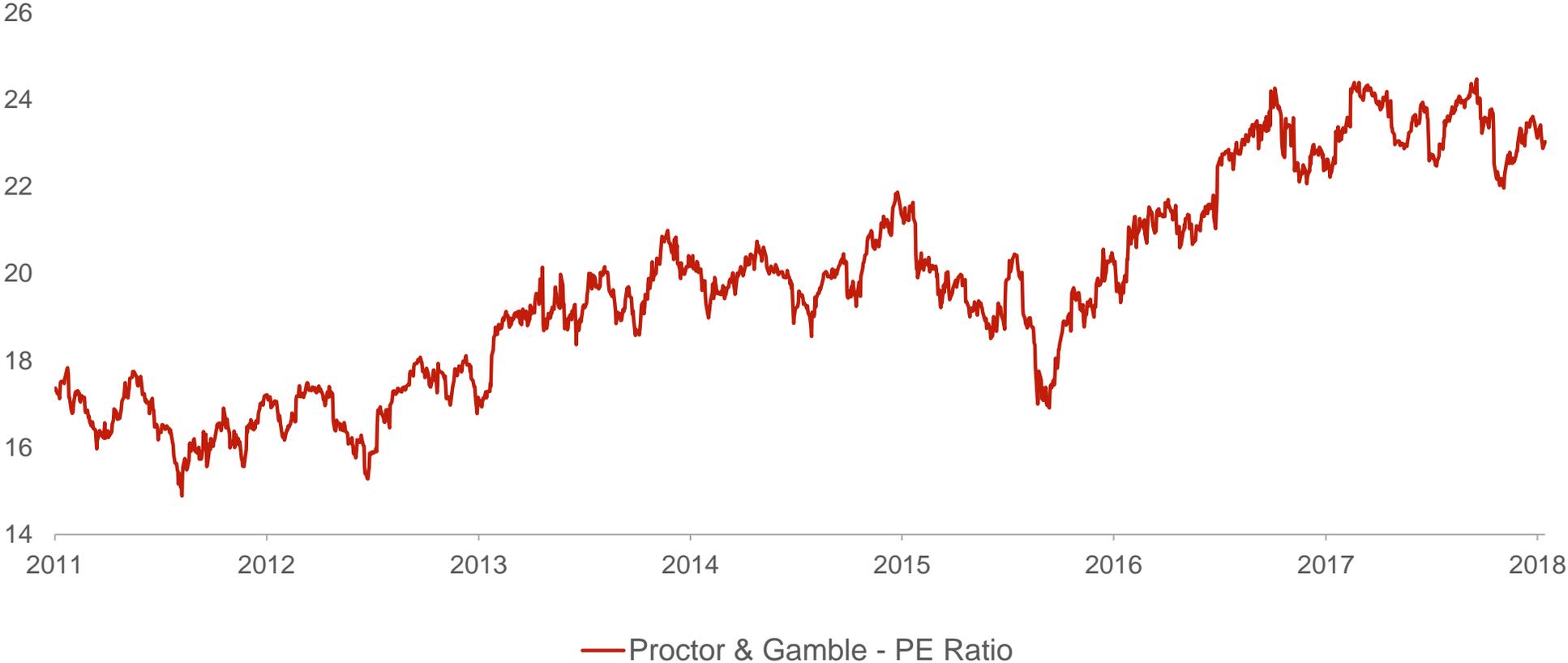
Atlanta Fed wage growth tracker



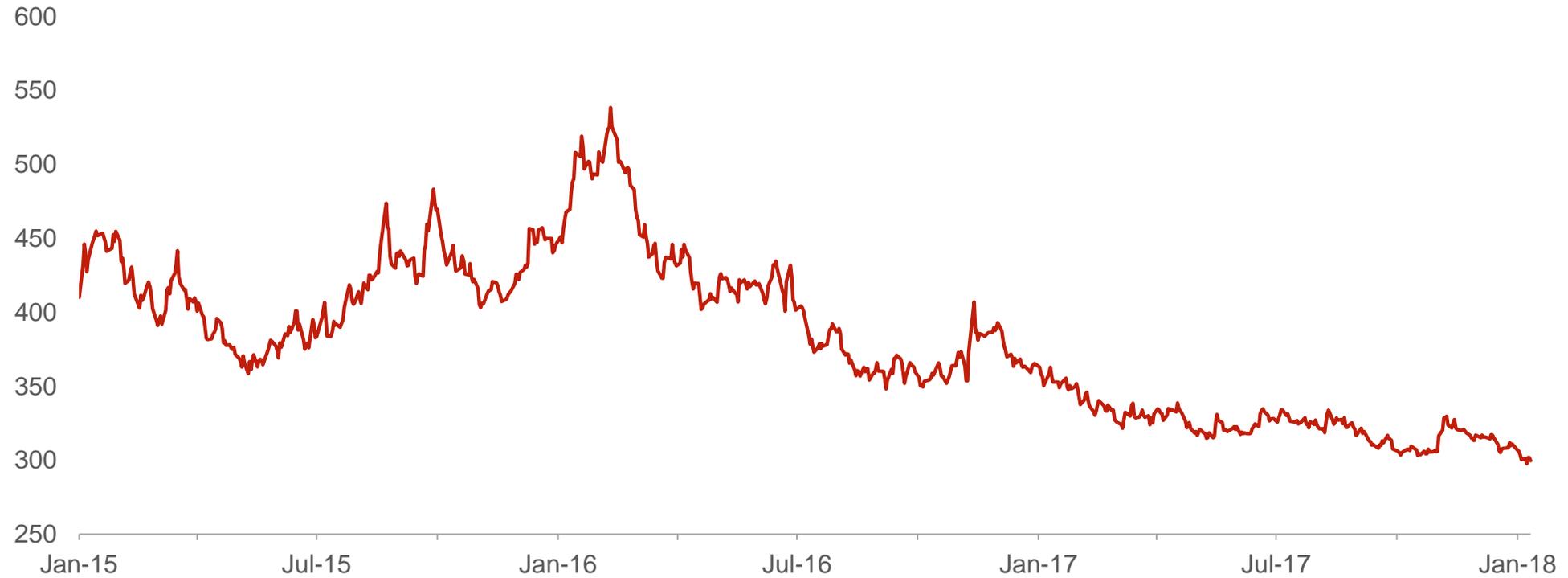
US 5y Breakeven



Proctor & Gamble P/E Ratio



Emerging Market Spreads are falling



— JPM Global EM Sovereign Bond Index Spread

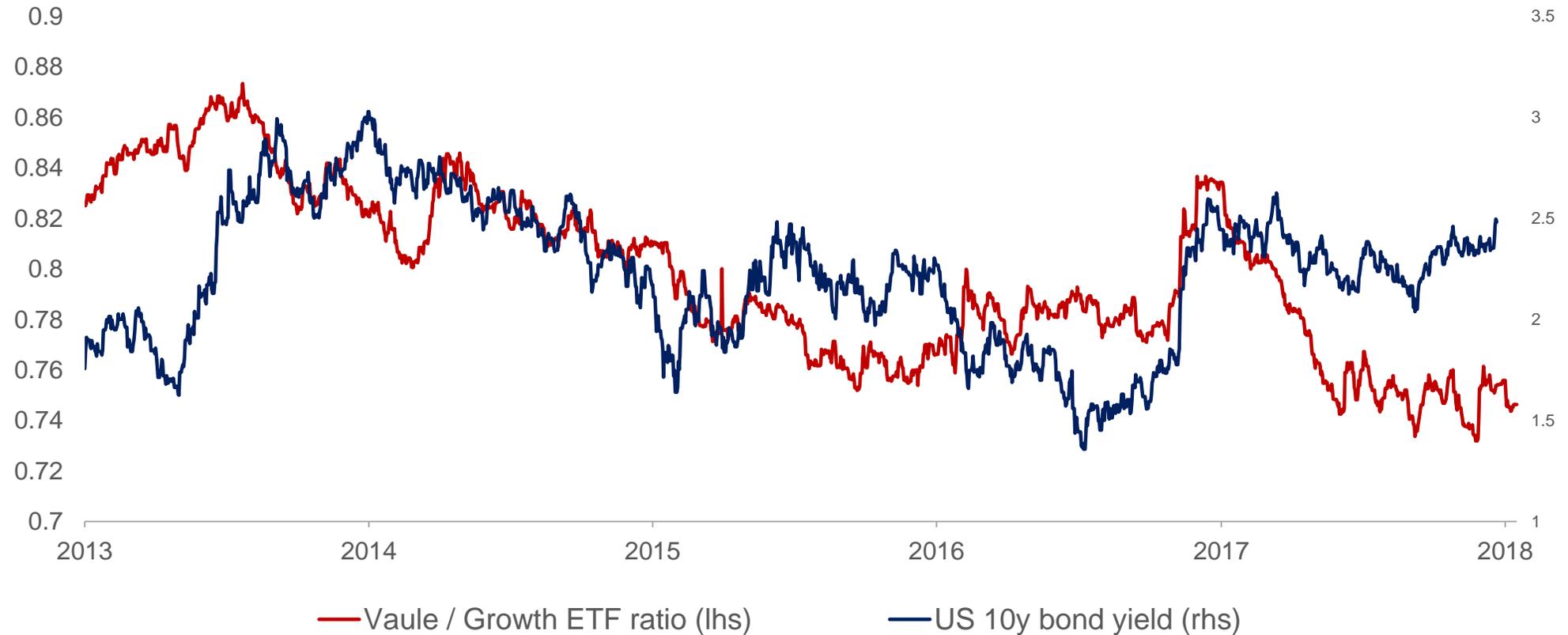
US 5y - German 5y bond spread v USDEUR



December '19 Eurodollars



Value / Growth ETF ratio vs US 10s



The Unknown Unknowns

- Facebook and Google face anti-trust in Europe
- 2020 US election is fought on an anti-tech platform
- Tesla declares bankruptcy
- Trump impeachment / institutionalized
- UK Conservative government falls
- The next alarm isn't a false alarm – North Korea
- Saudi Aramco actually gets a \$2tn valuation, leading to escalation of Saudi efforts to destabilize Iran. Civil war in Lebanon. Oil to \$100 despite record Shale supply.
- Berlusconi becomes the next Italian Prime Minister in March, leading to one hell of a White House Summit
- Alibaba delists in the US and lists in Shanghai as the ultimate SOE

Asia Independent Research Conference

20
18

AIMA

THE ALTERNATIVE INVESTMENT
MANAGEMENT ASSOCIATION

 BTIG