



Market SitRep

Pushing On A String



Topics

- Macro Summary
- Super Mario
- U.S. Recession
- Price Charts



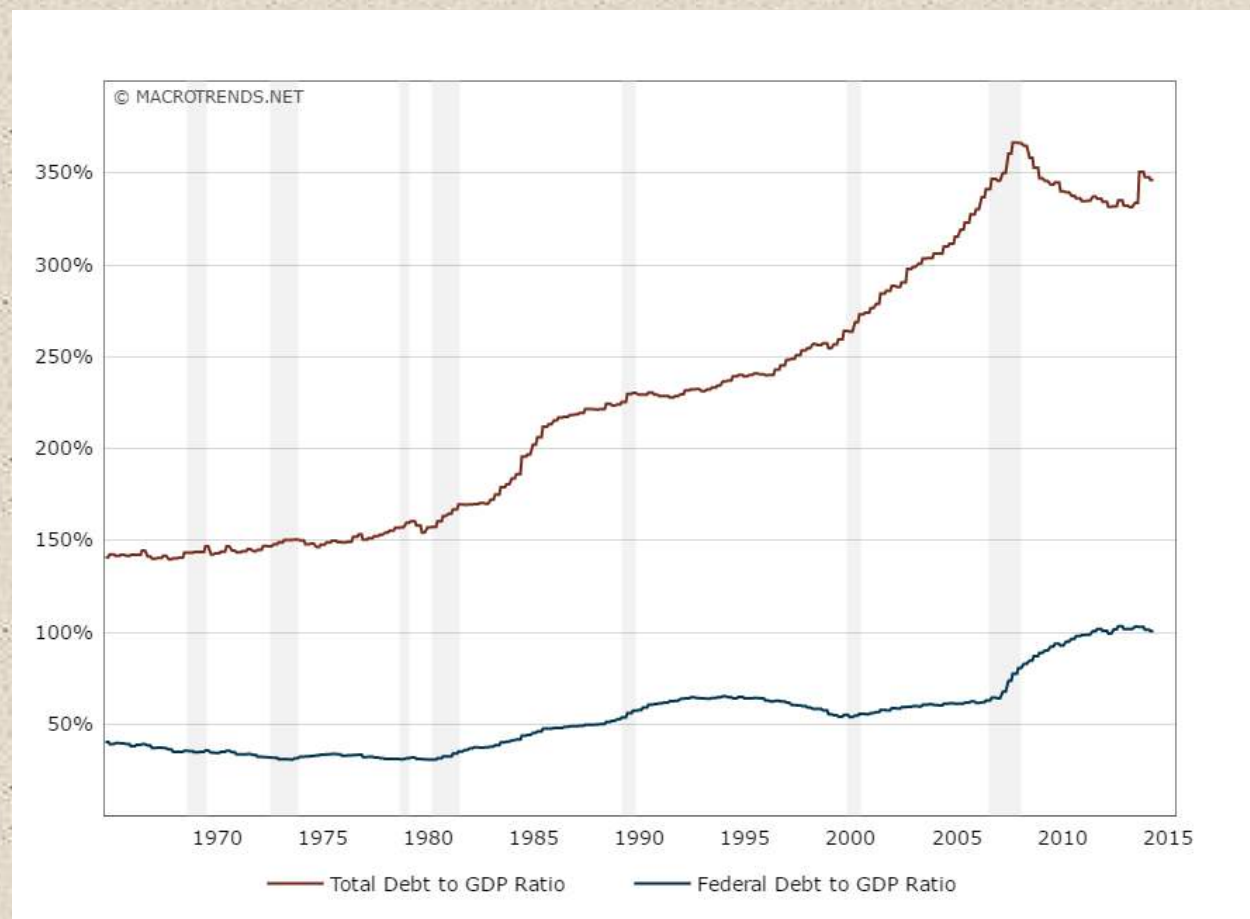
Macro Summary

Current Global Environment

- All developed markets are in the early stages of a deleveraging as part of the long term debt cycle.
- U.S. has increased official credit outstanding by 58 fold since the 1970s.



U.S. Debt To GDP





Current Global Environment

- Emerging markets are at the beginning stages of a cyclical short-term deleveraging.

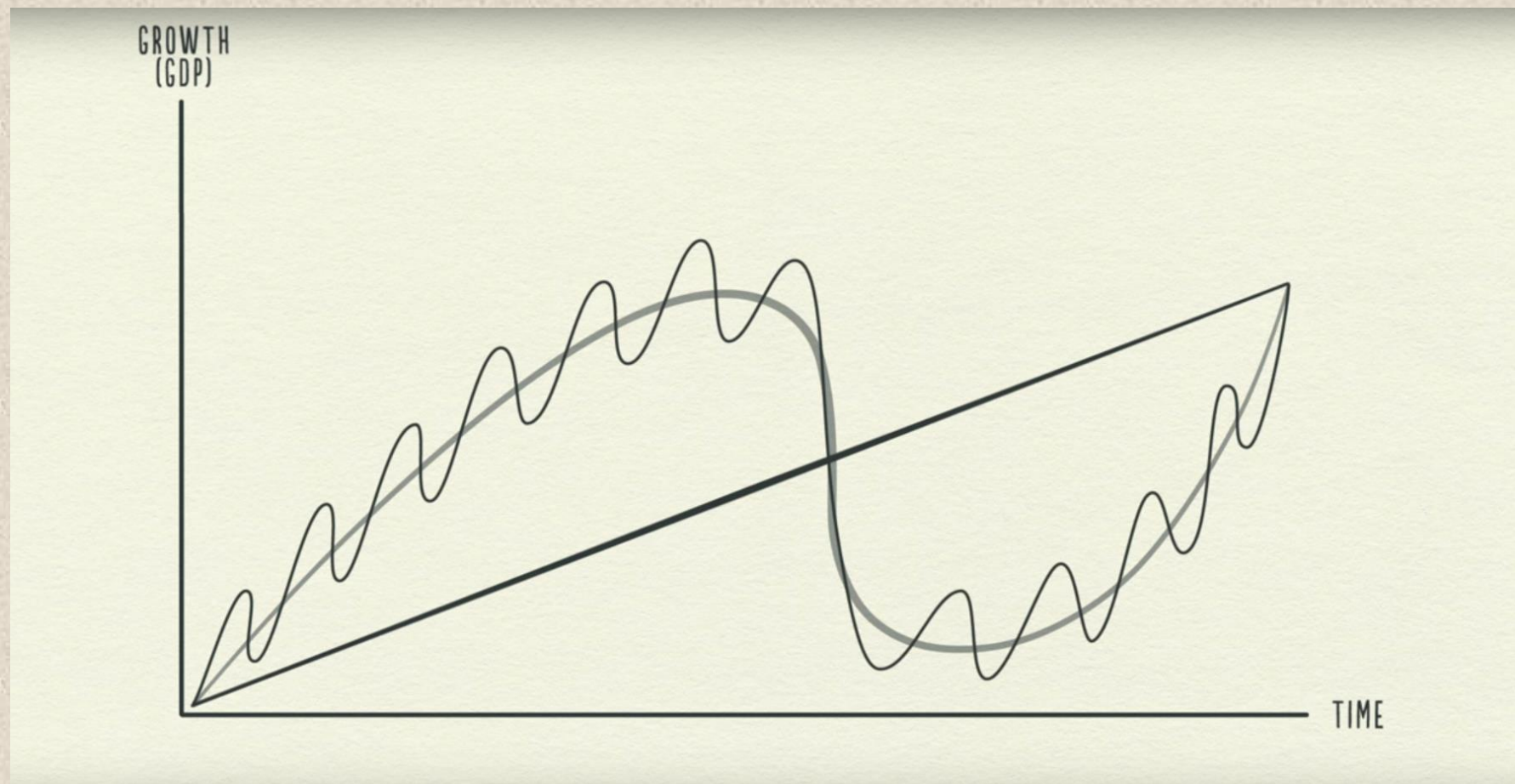


Current Global Environment

- China is somewhere in between the developed markets and the emerging markets.
- China is beginning a deleveraging from a very overleveraged point in which massive amounts of debt was accumulated in a very short time.



Where We Are





Easing Pushes On A String

- Japan, Europe, and the US through monetary policy (interest rates + QE) have reduced the spread between cash and financial assets to the point where it can't effectively be narrowed further.



Easing Pushes On A String

- Negative rates, additional QE, and other monetary policies aimed at investors have lost their efficacy.

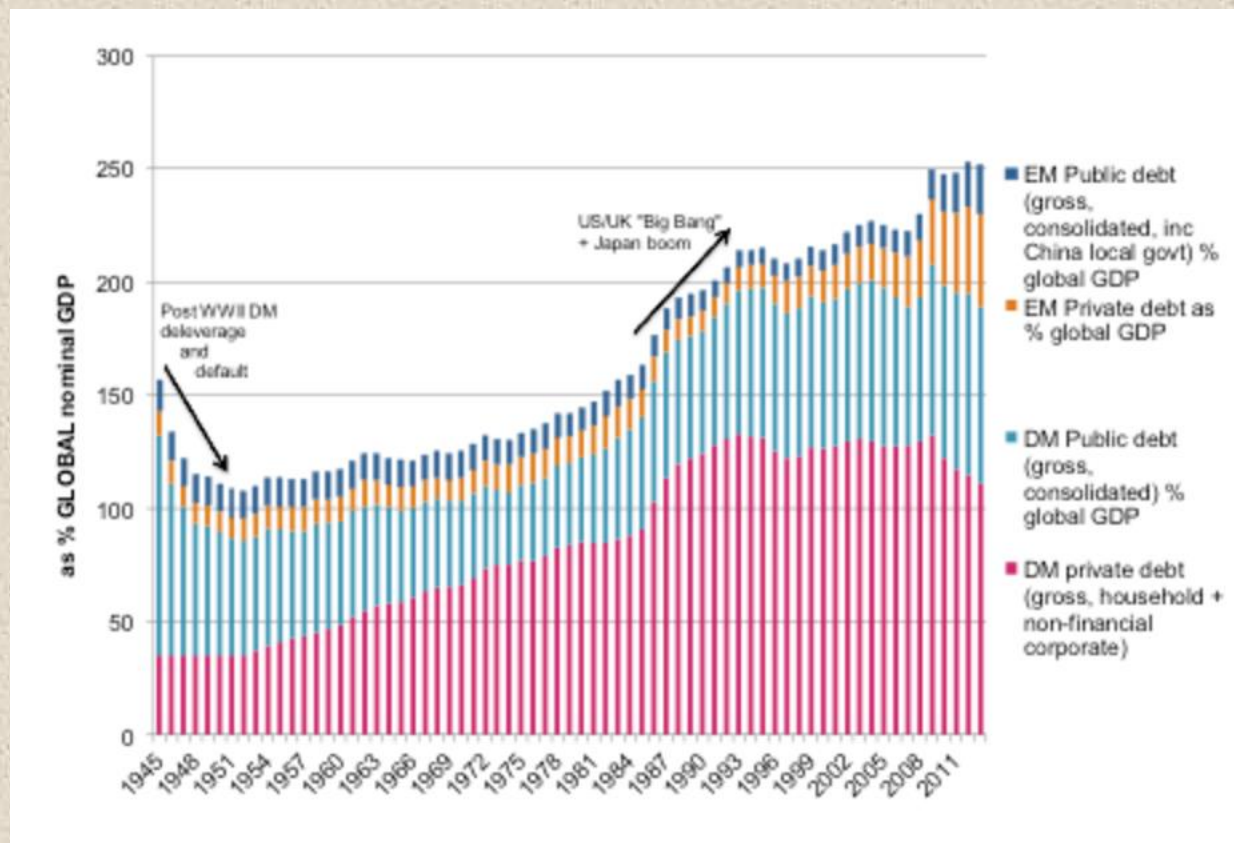


Easing Pushes On A String

- Debts to incomes are simply too high and they need to rebalance.

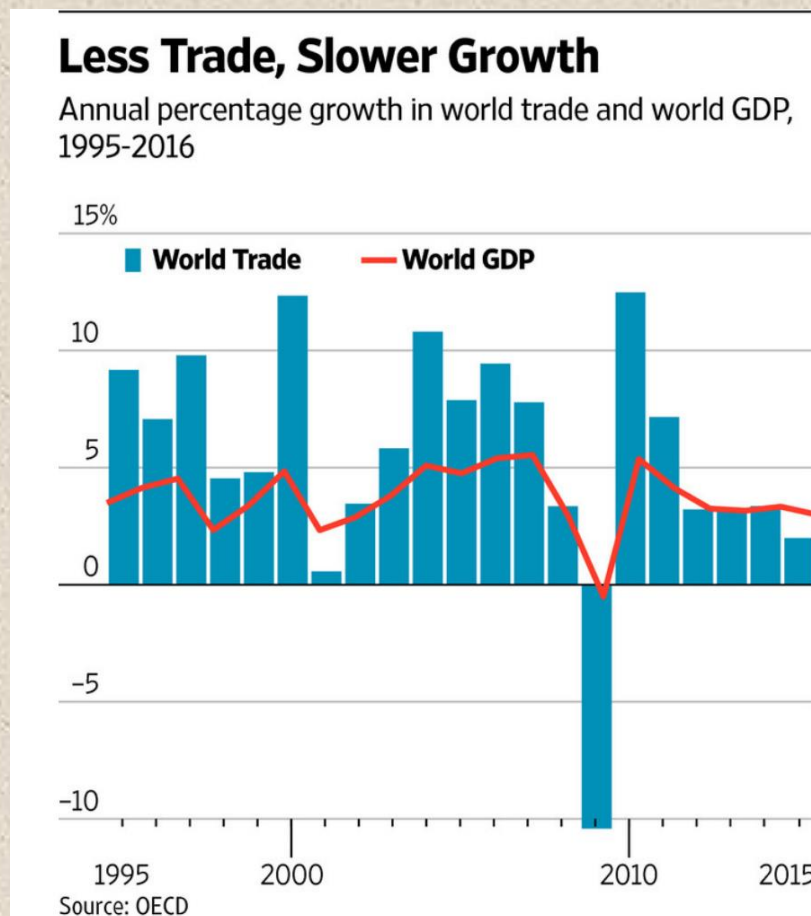


Global Debt



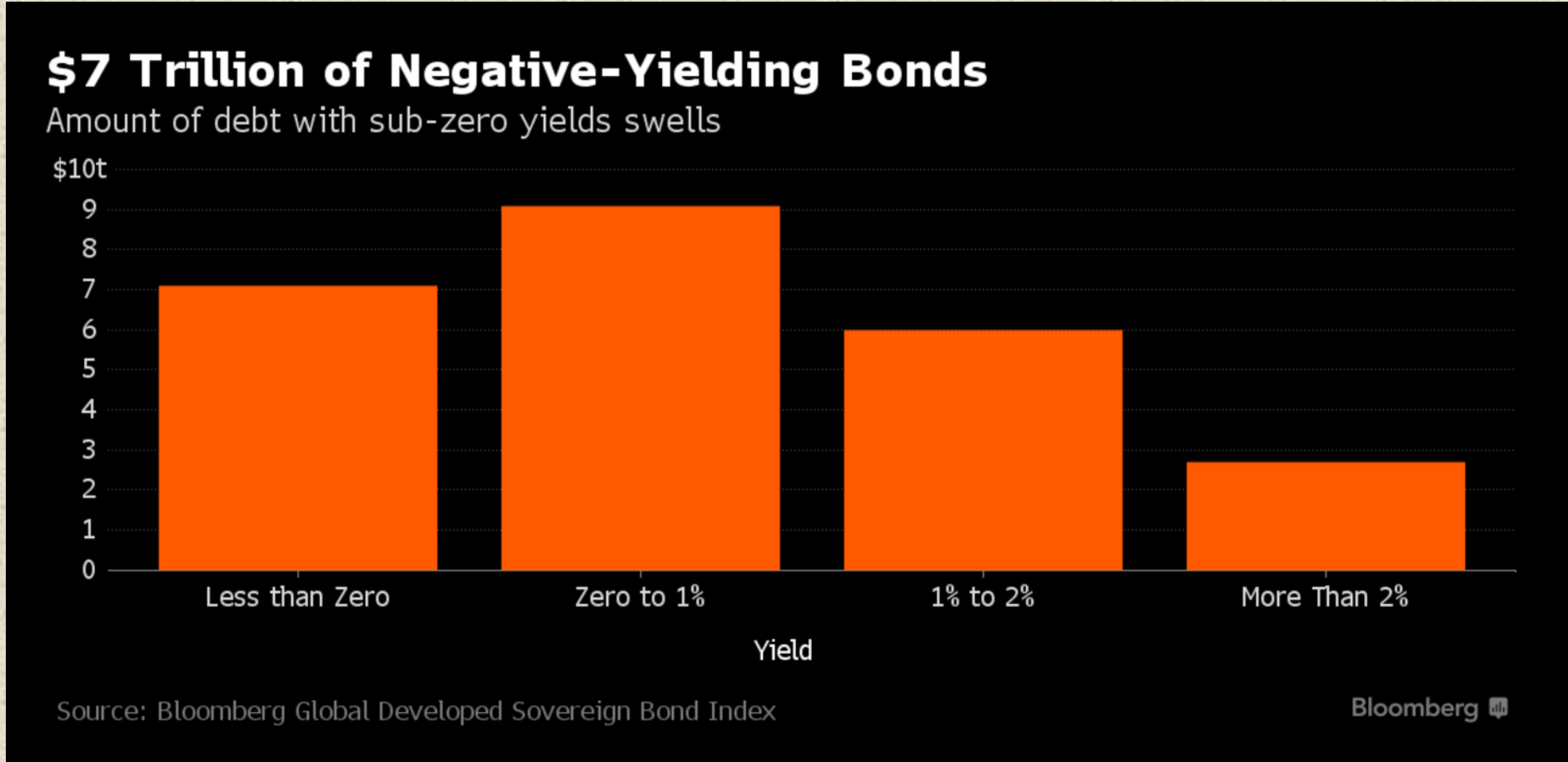


Global Slowdown



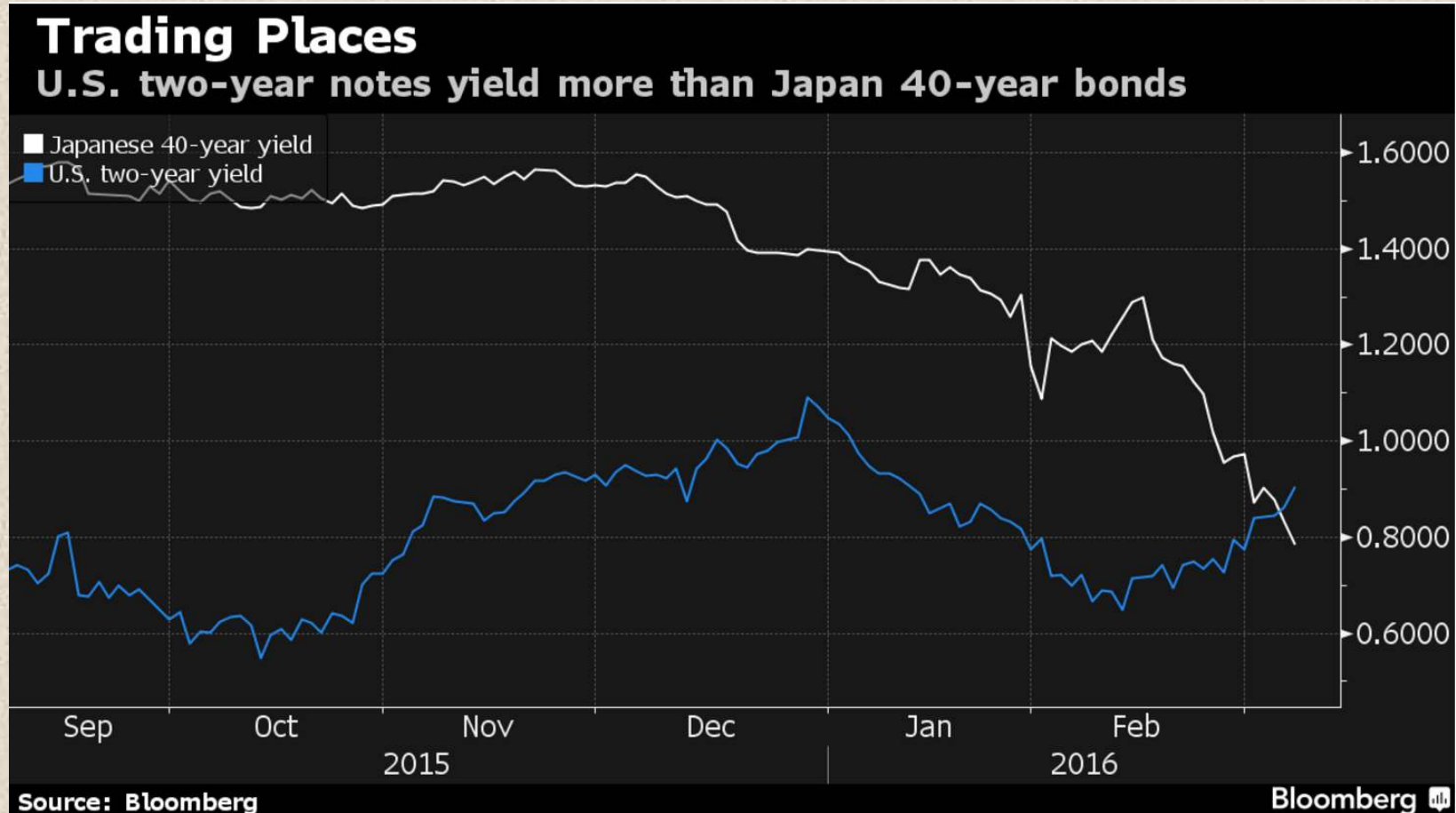


Negative Rates=Bad





Sad Times For Japan

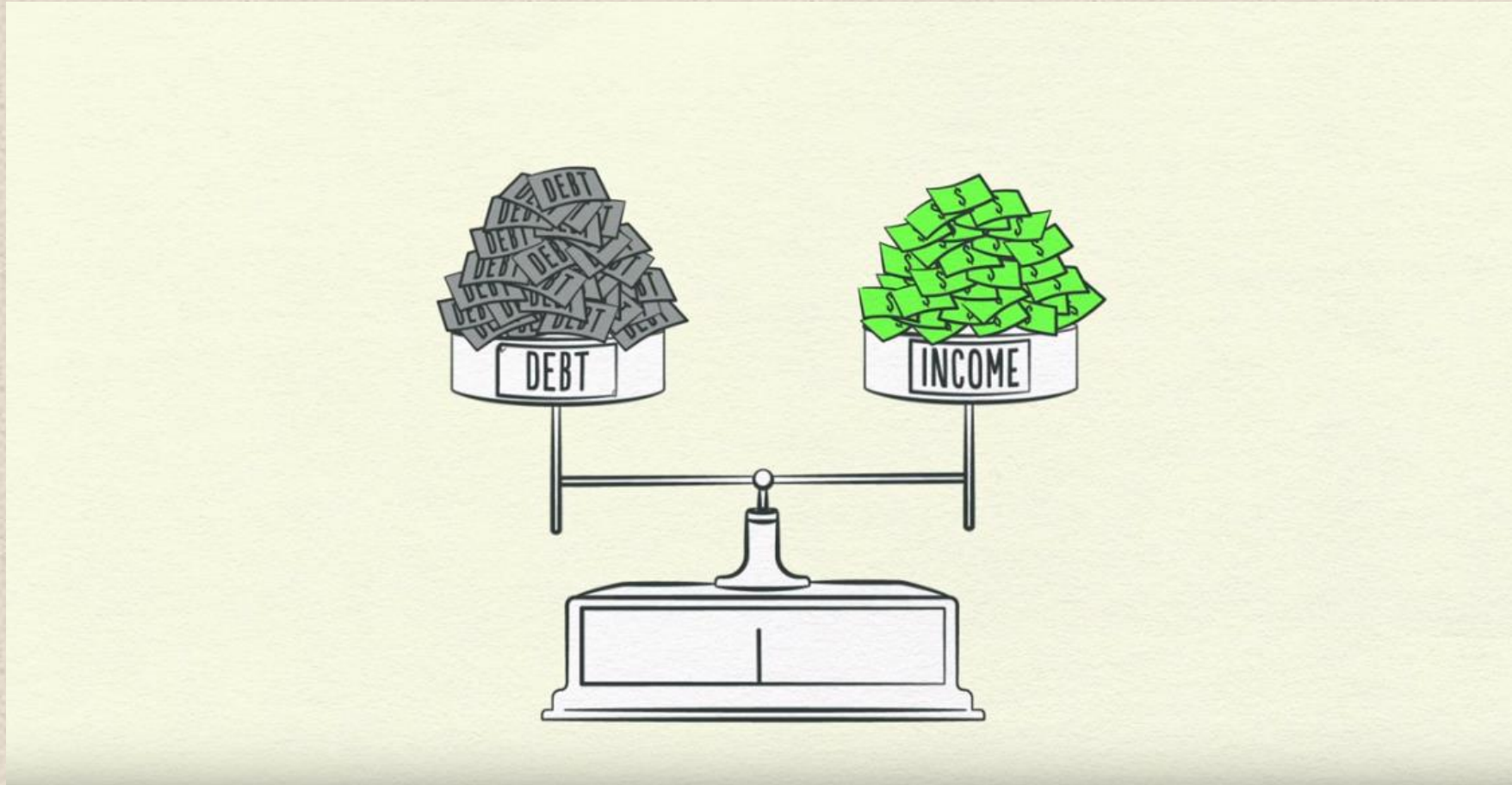


Why Do We Care?

- It's important to understand that high debt loads are very dangerous now.
- Debt servicing costs can become unbearable and there is very little room to lower the cost of debt again.



Fix This Scale





Super Mario



Super Mario Still Trying





ECB Update

- Latest meeting was on March 10th
- QE expanded from 60 billion a month to 80 billion a month.
- They expanded into buying corporate debt.

ECB Update

- ECB went more negative on deposit rate down to negative 0.4%
- Benchmark rate was lowered to 0%

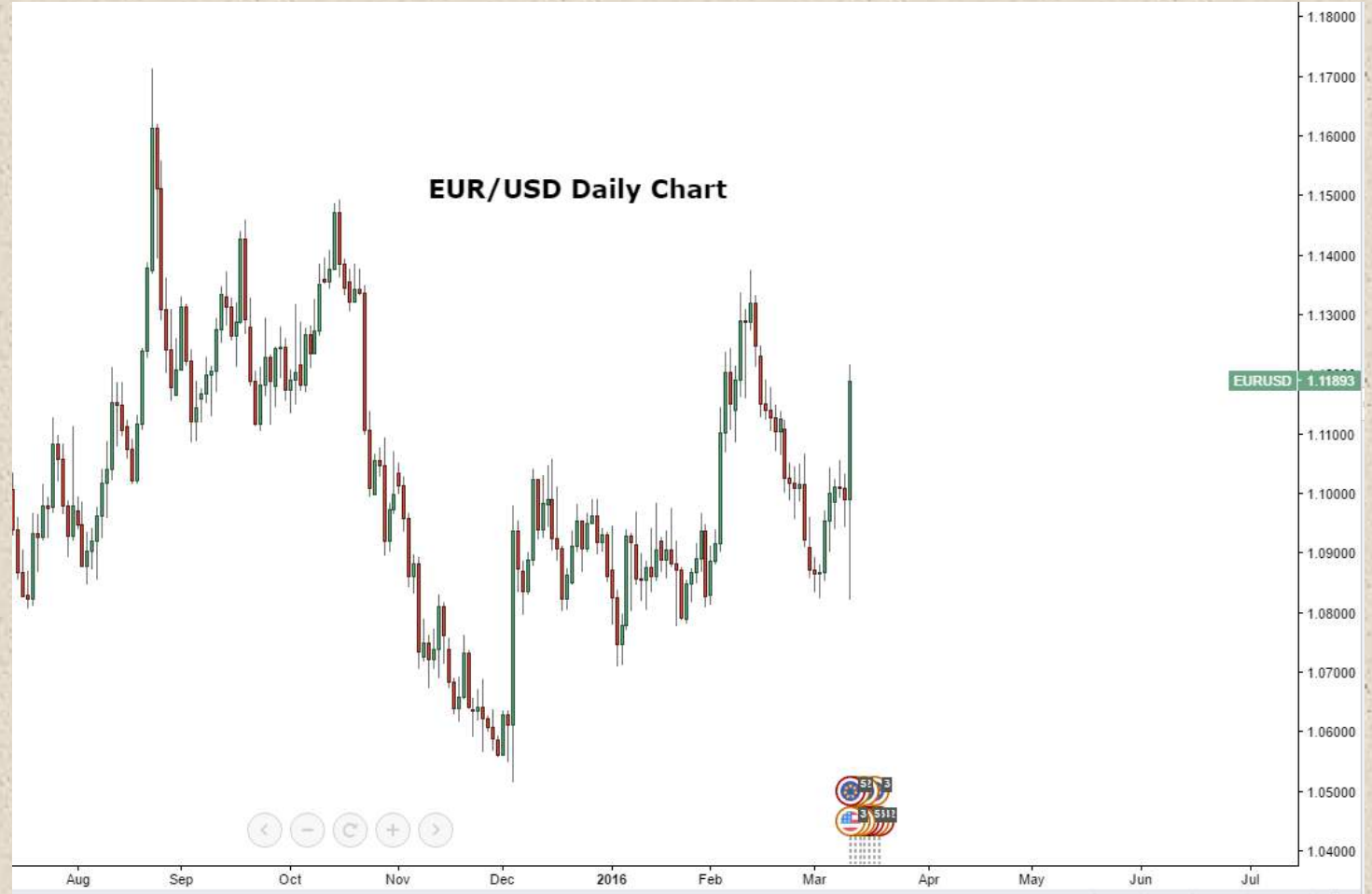


But Market Don't Give A Shit



HONEY BADGER

DON'T GIVE A SHIT



Easing Pushes On A String

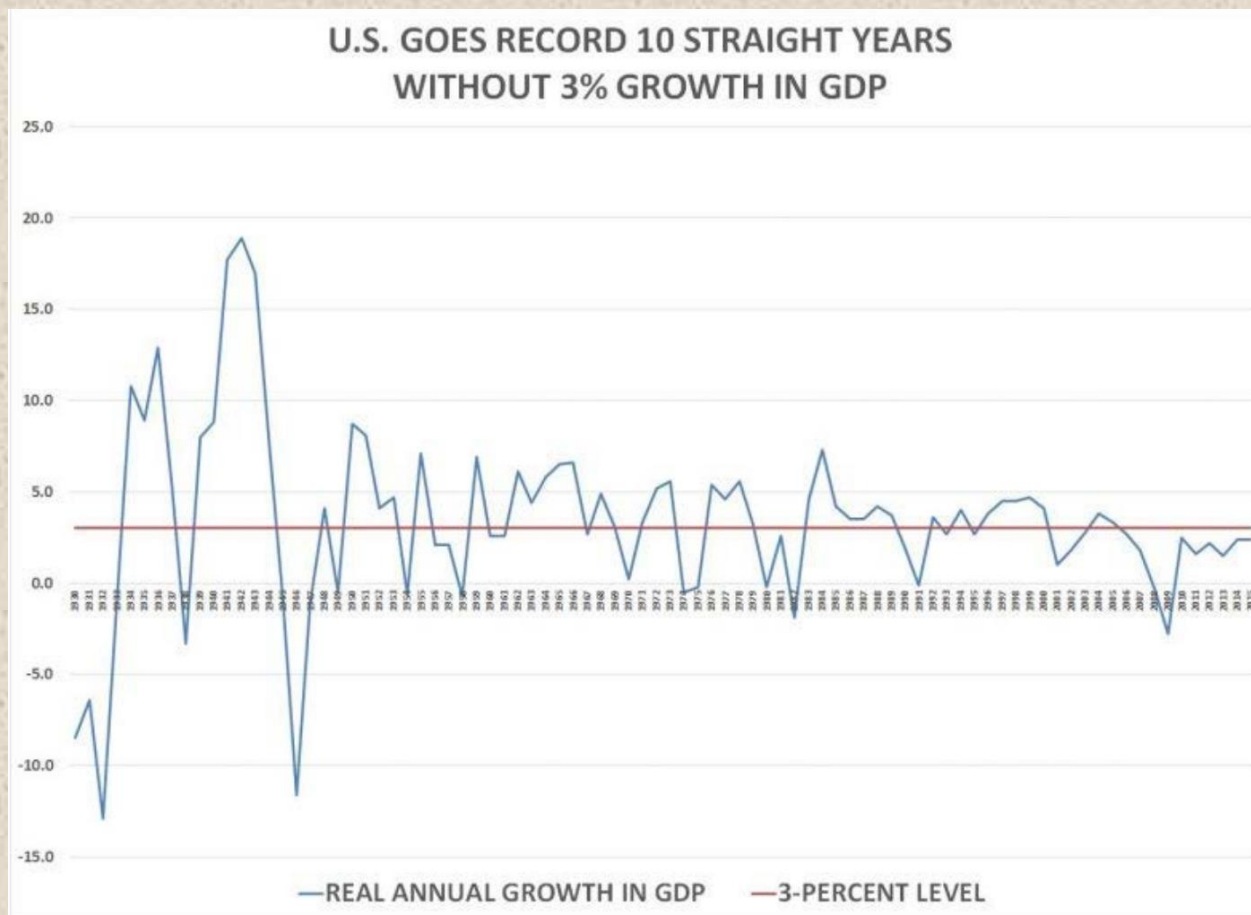
- We saw it with Kuroda after Japan went NIRP and now we seeing it again with Draghi.
- Further easing is no longer effective.



U.S. Recession?

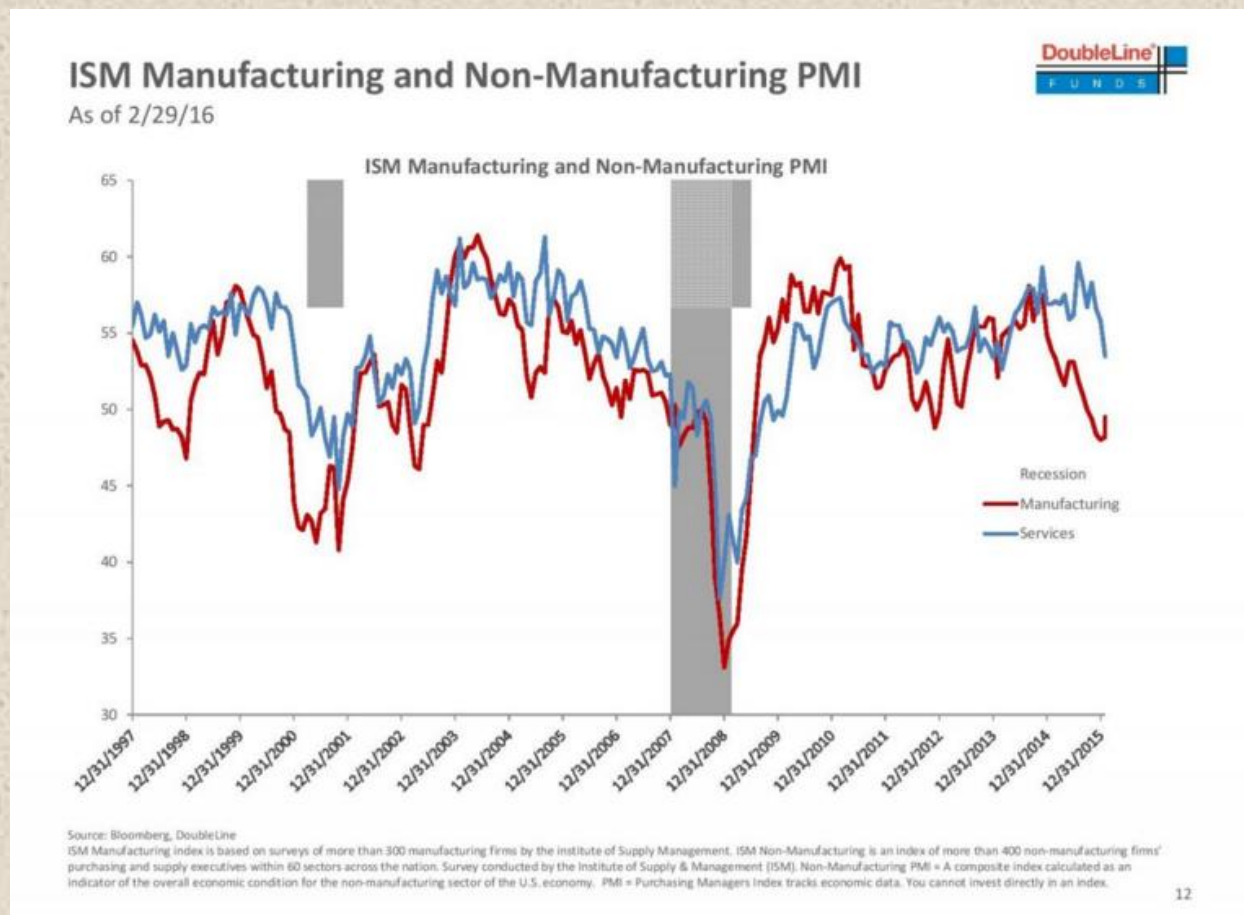


Growth Is Meager



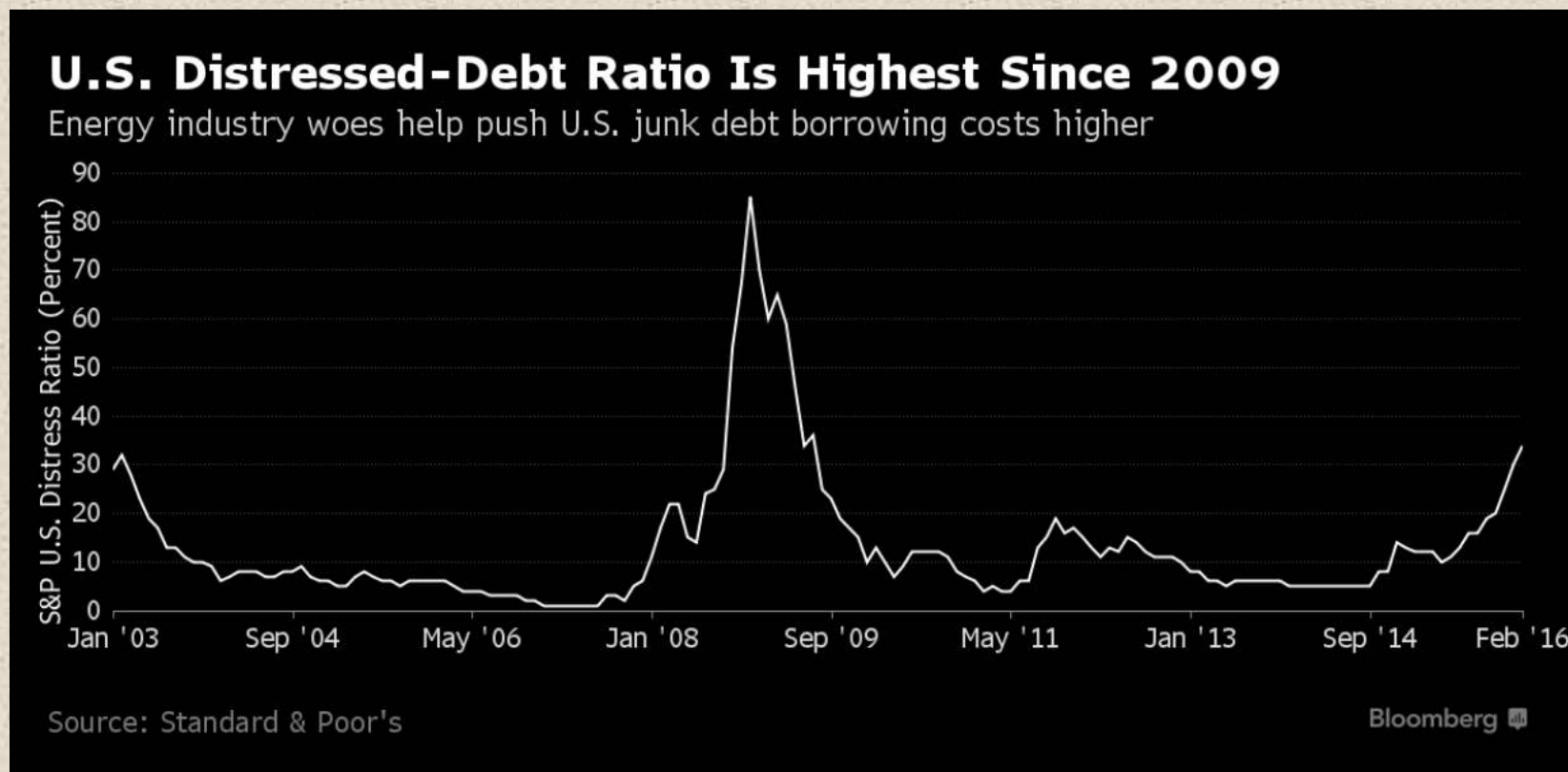


ISM Still Horrible





Distressed Debt





One Will Meet The Other





Conclusion

- Lots of downside risk with little to get excited about on the upside for equities.



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Futures Guide