



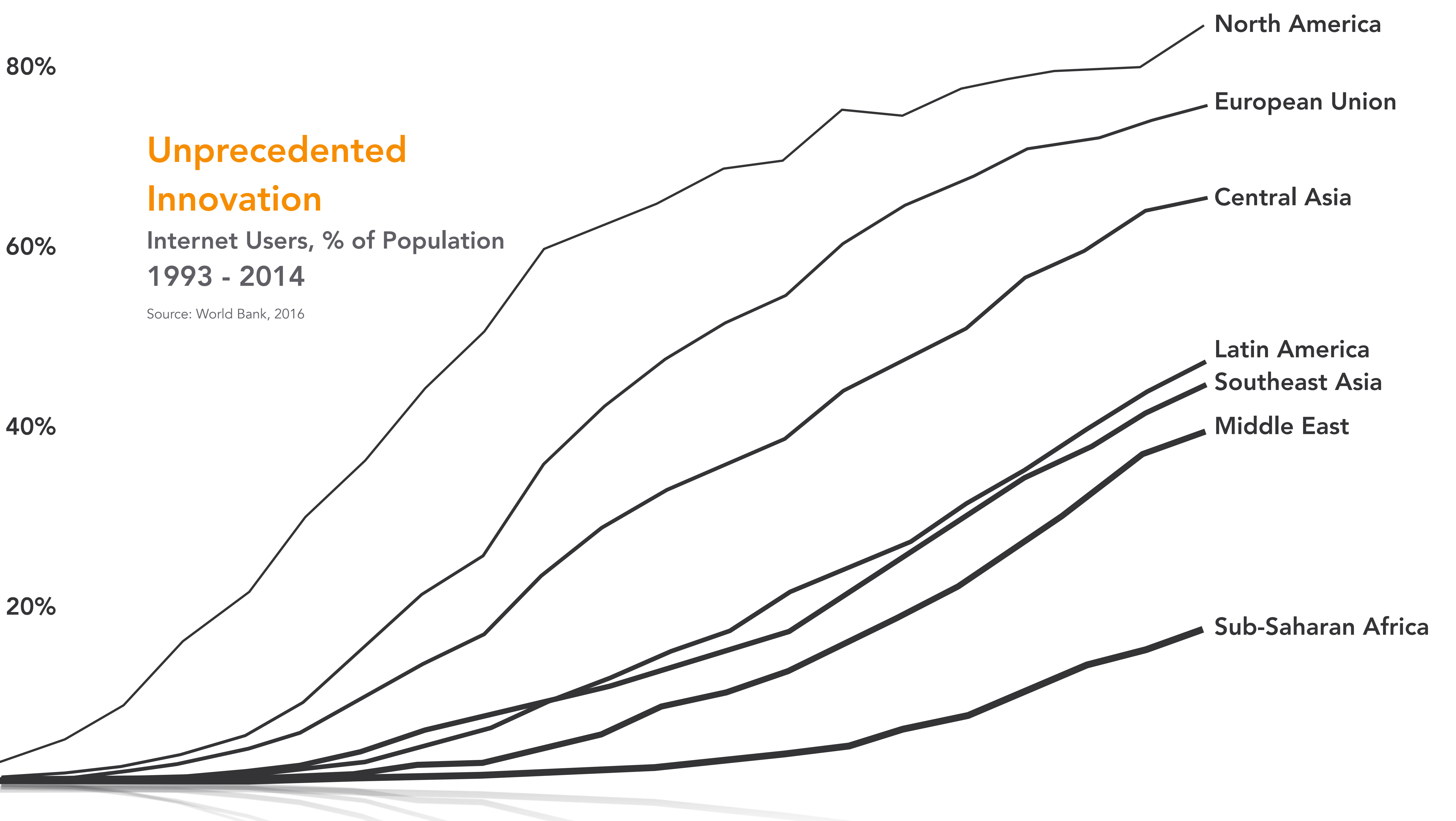
# Boom, Bust, Bounce

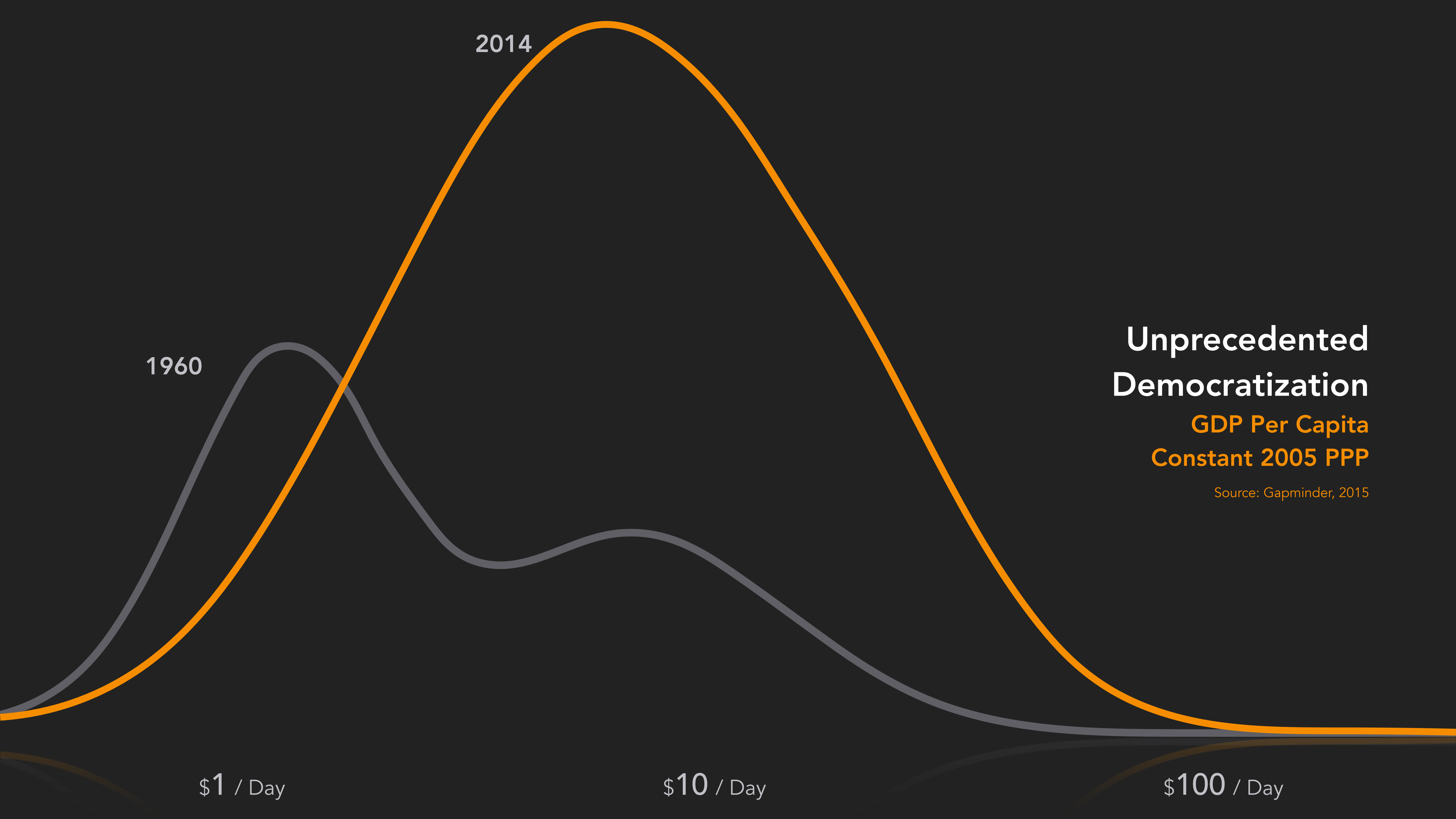
## 2016 Currency Outlook

# Unprecedented Innovation

Internet Users, % of Population  
1993 - 2014

Source: World Bank, 2016





1960

2014

# Unprecedented Democratization

GDP Per Capita  
Constant 2005 PPP

Source: Gapminder, 2015

\$1 / Day

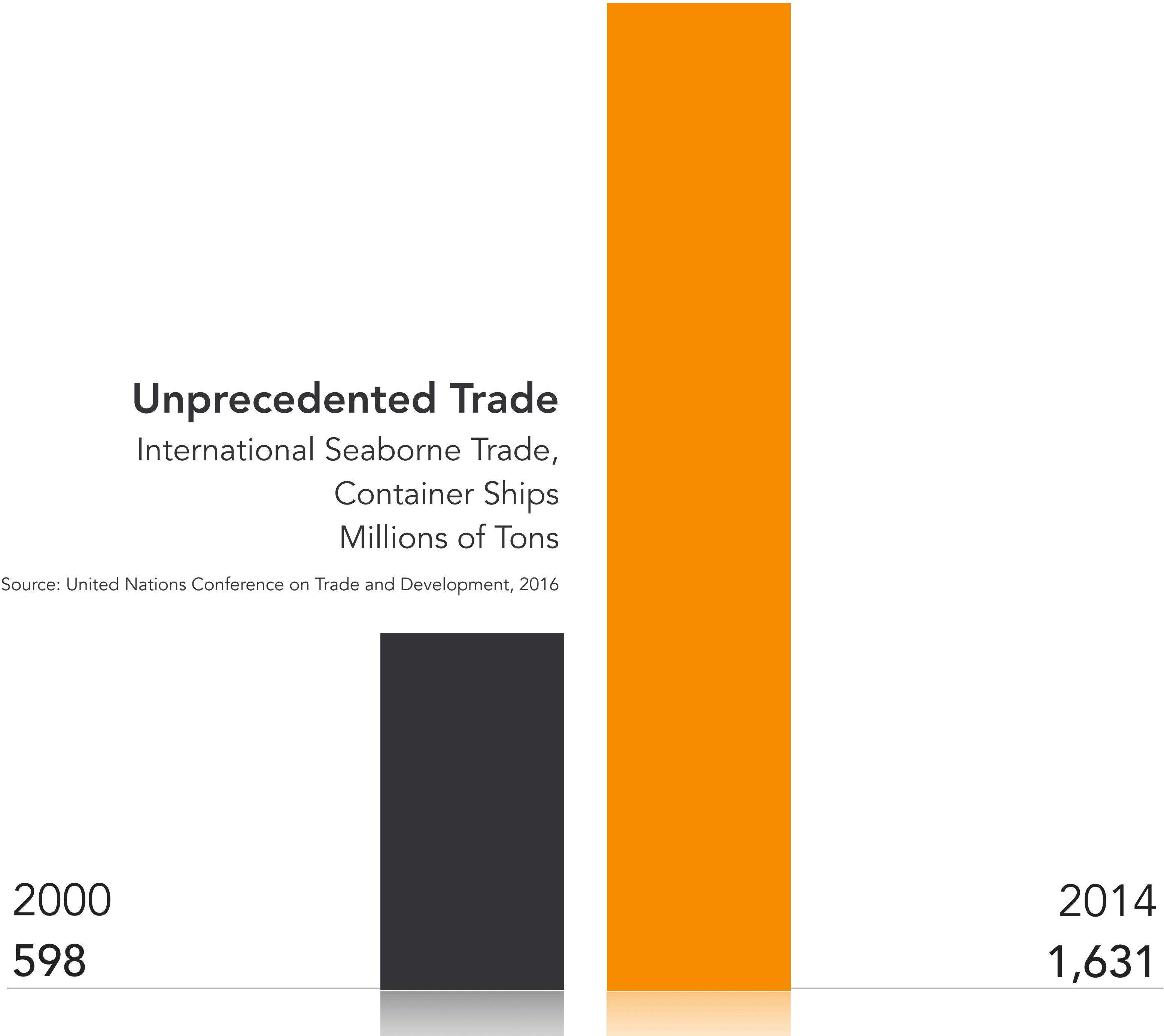
\$10 / Day

\$100 / Day

# Unprecedented Trade

International Seaborne Trade,  
Container Ships  
Millions of Tons

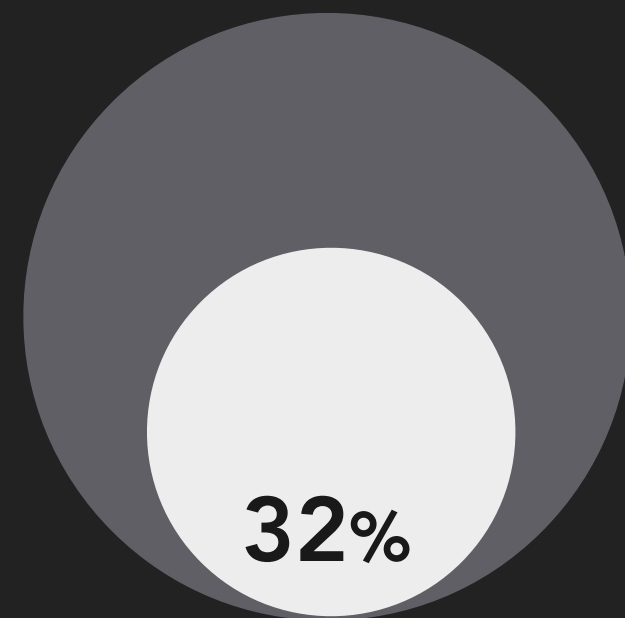
Source: United Nations Conference on Trade and Development, 2016



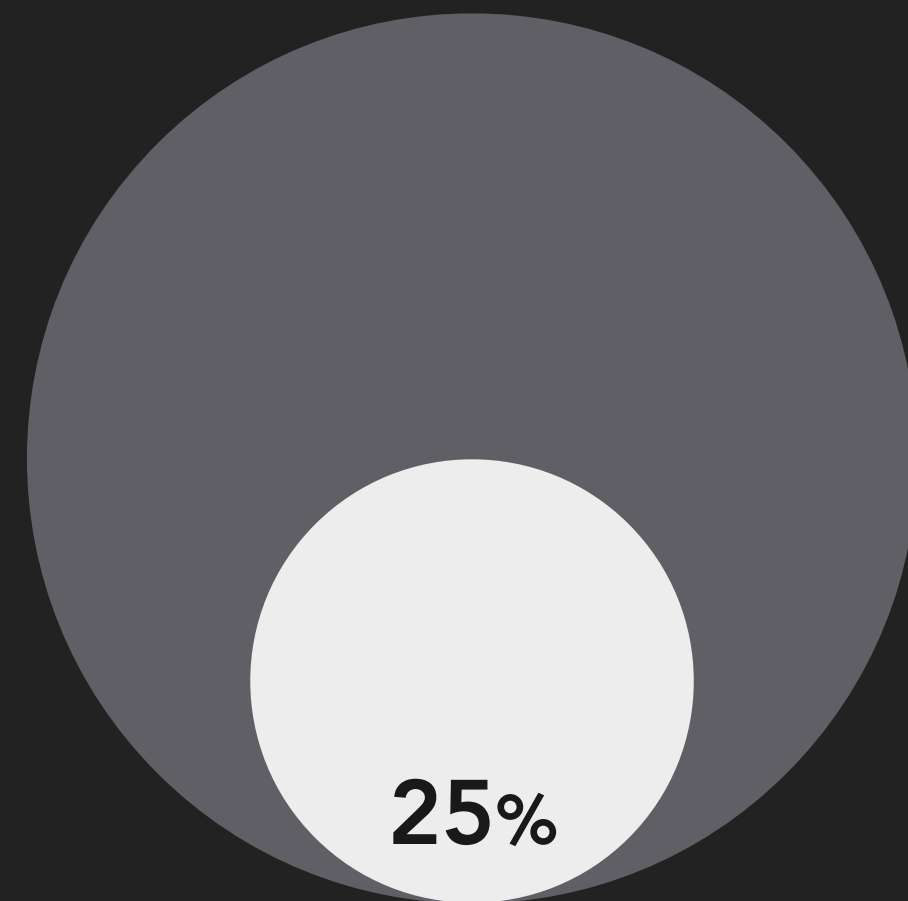
# Unprecedented Participation

Share of Gross Domestic Product  
Advanced + Developing

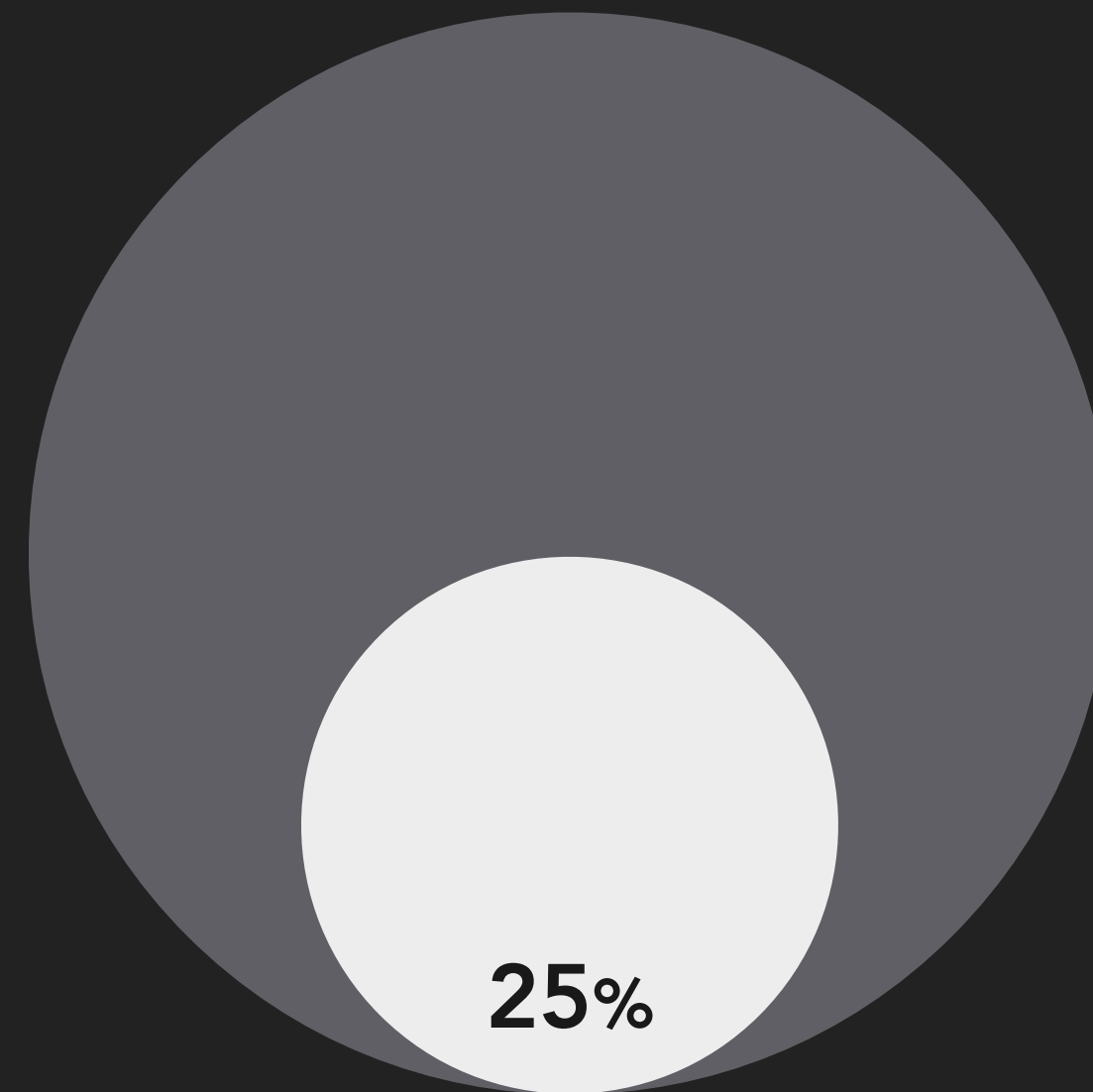
Source; International Monetary Fund, 2016



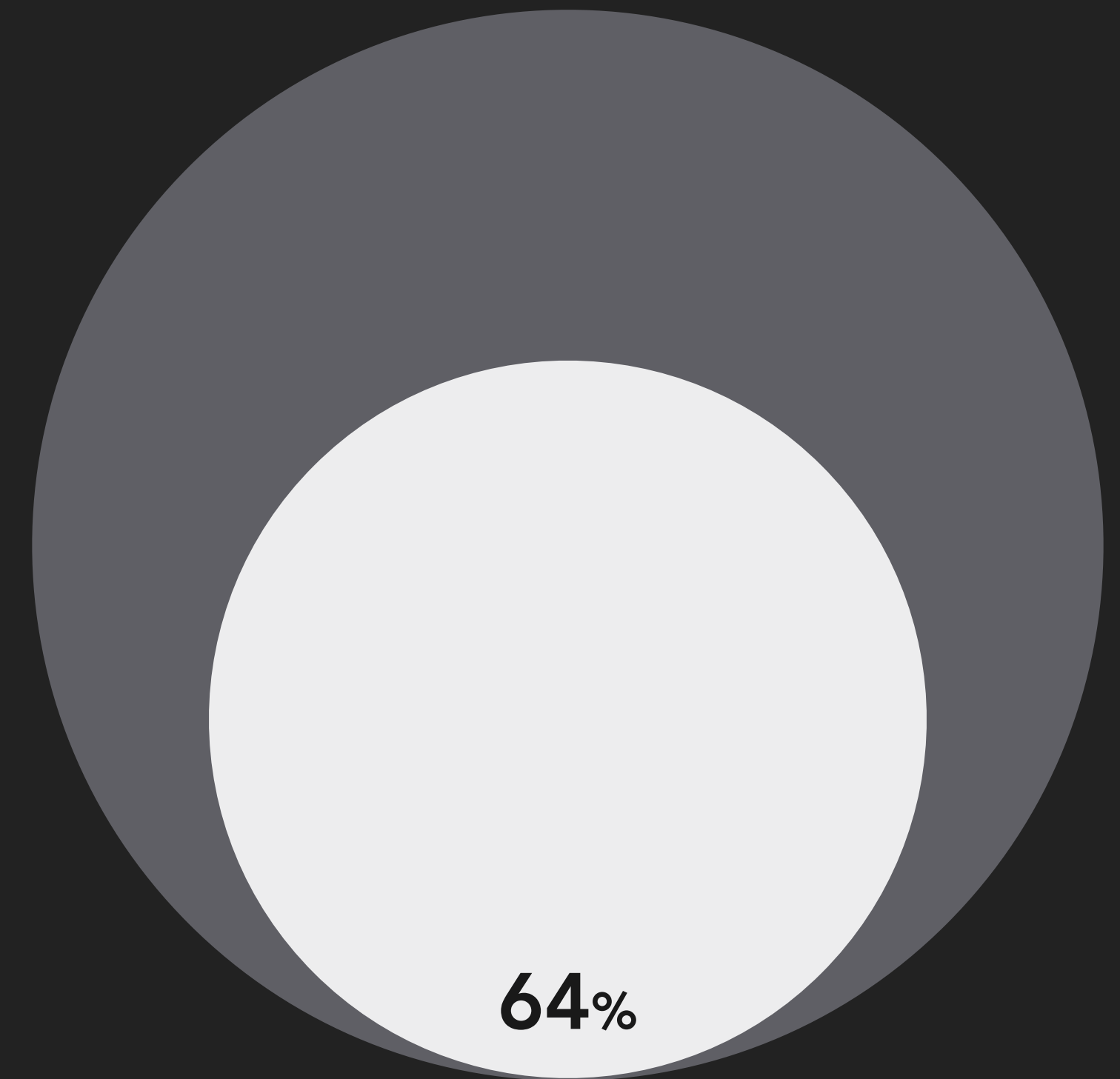
1980



1990



2000

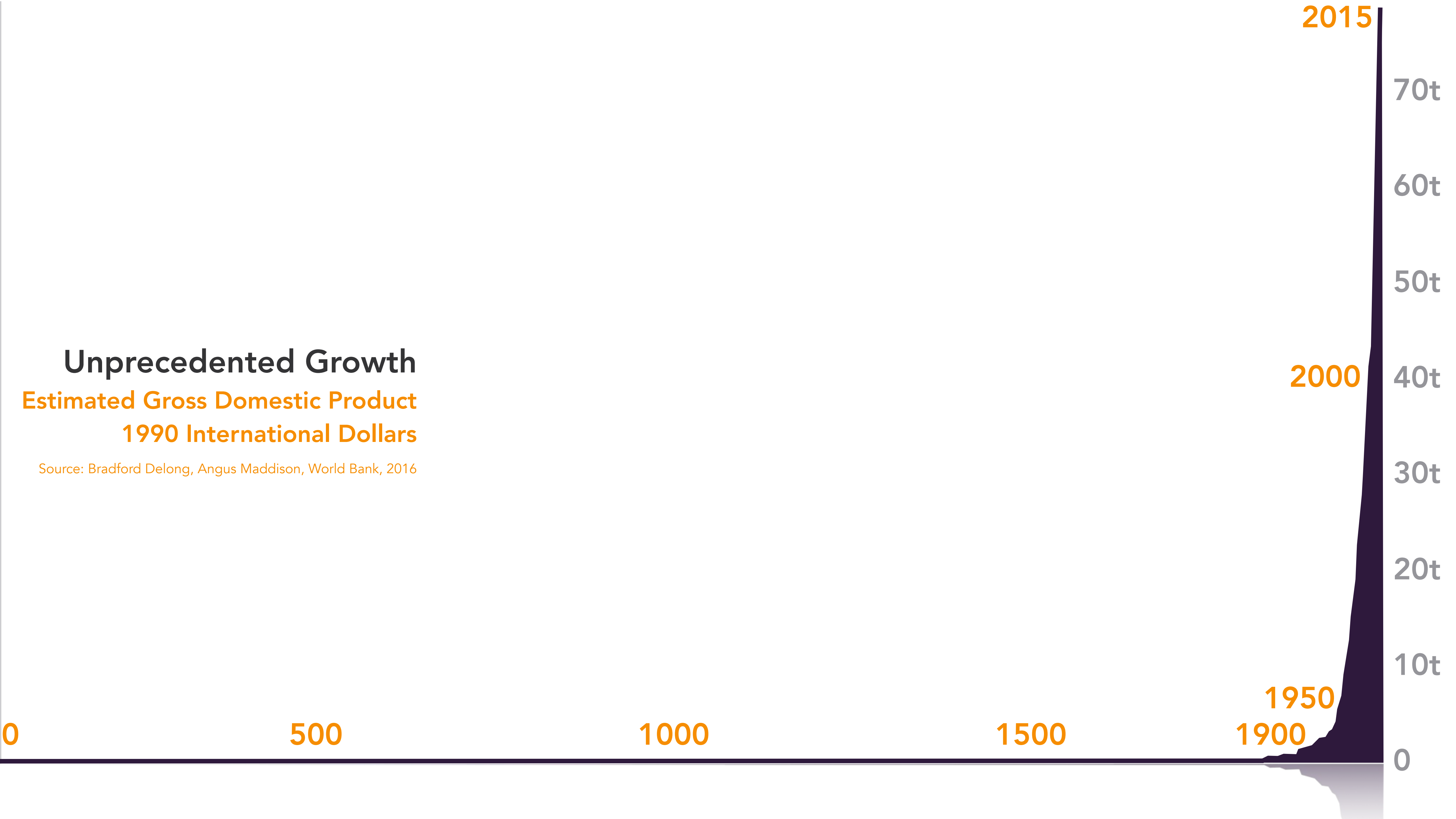


2014

# Unprecedented Growth

## Estimated Gross Domestic Product 1990 International Dollars

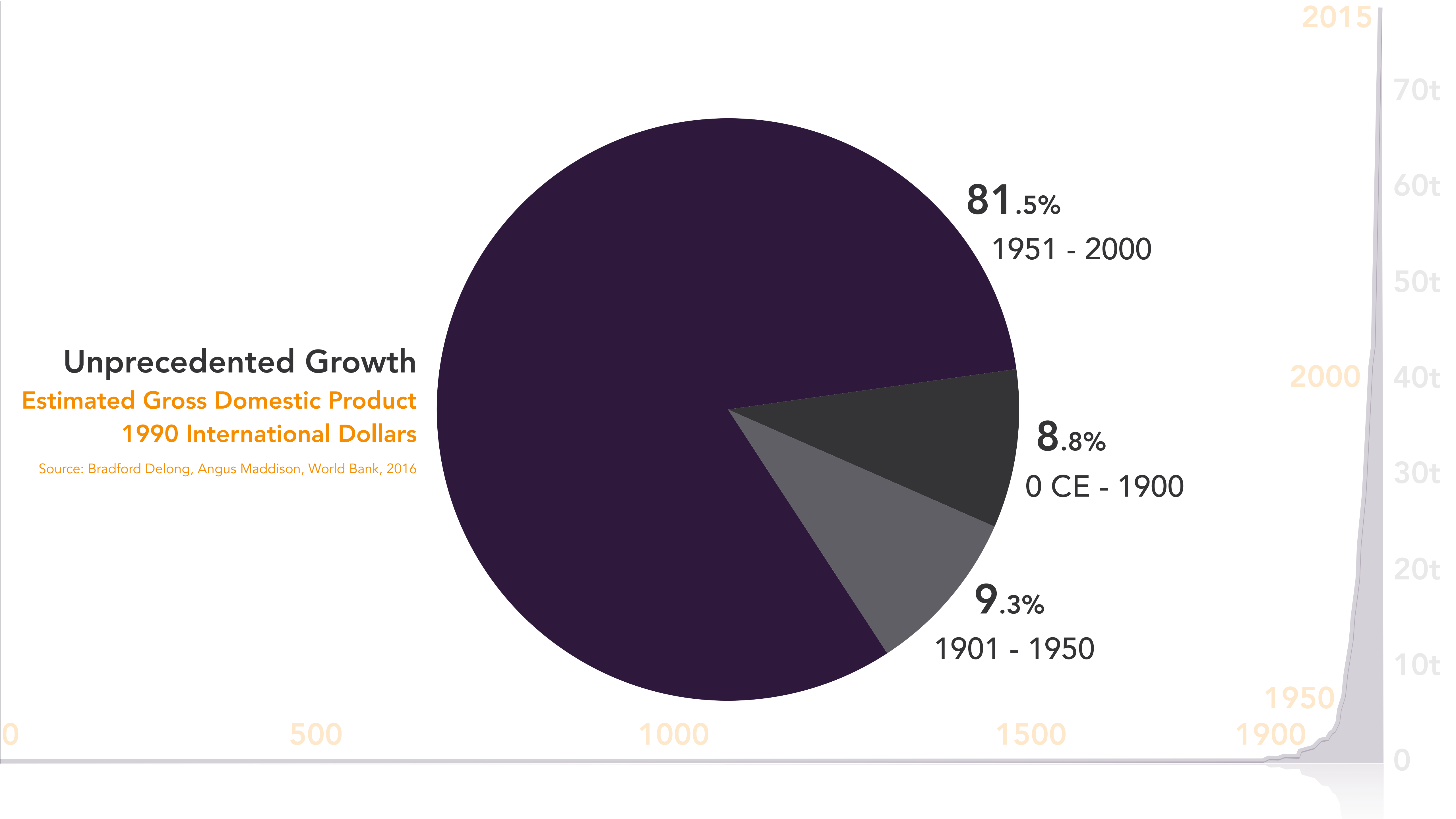
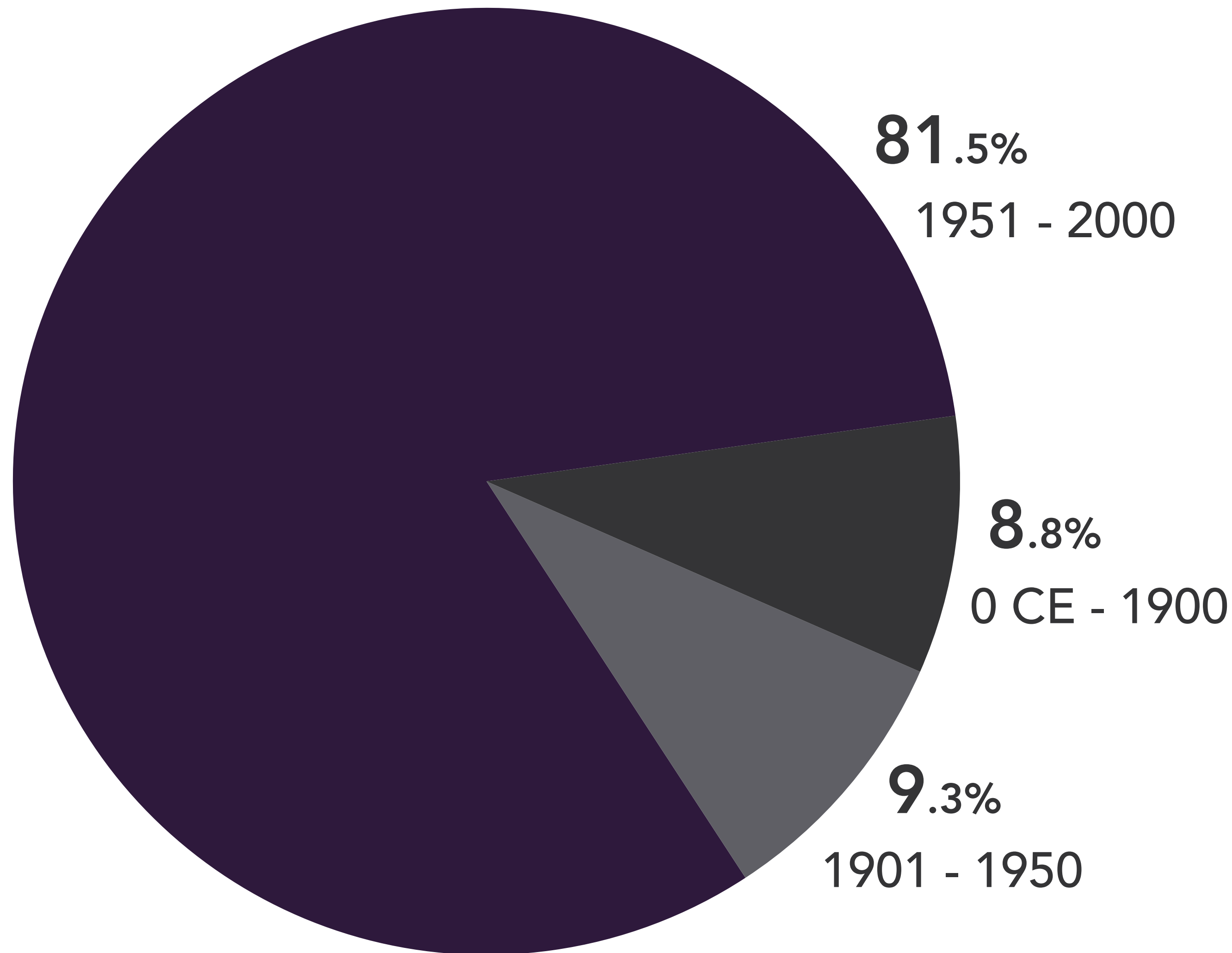
Source: Bradford Delong, Angus Maddison, World Bank, 2016



# Unprecedented Growth

## Estimated Gross Domestic Product 1990 International Dollars

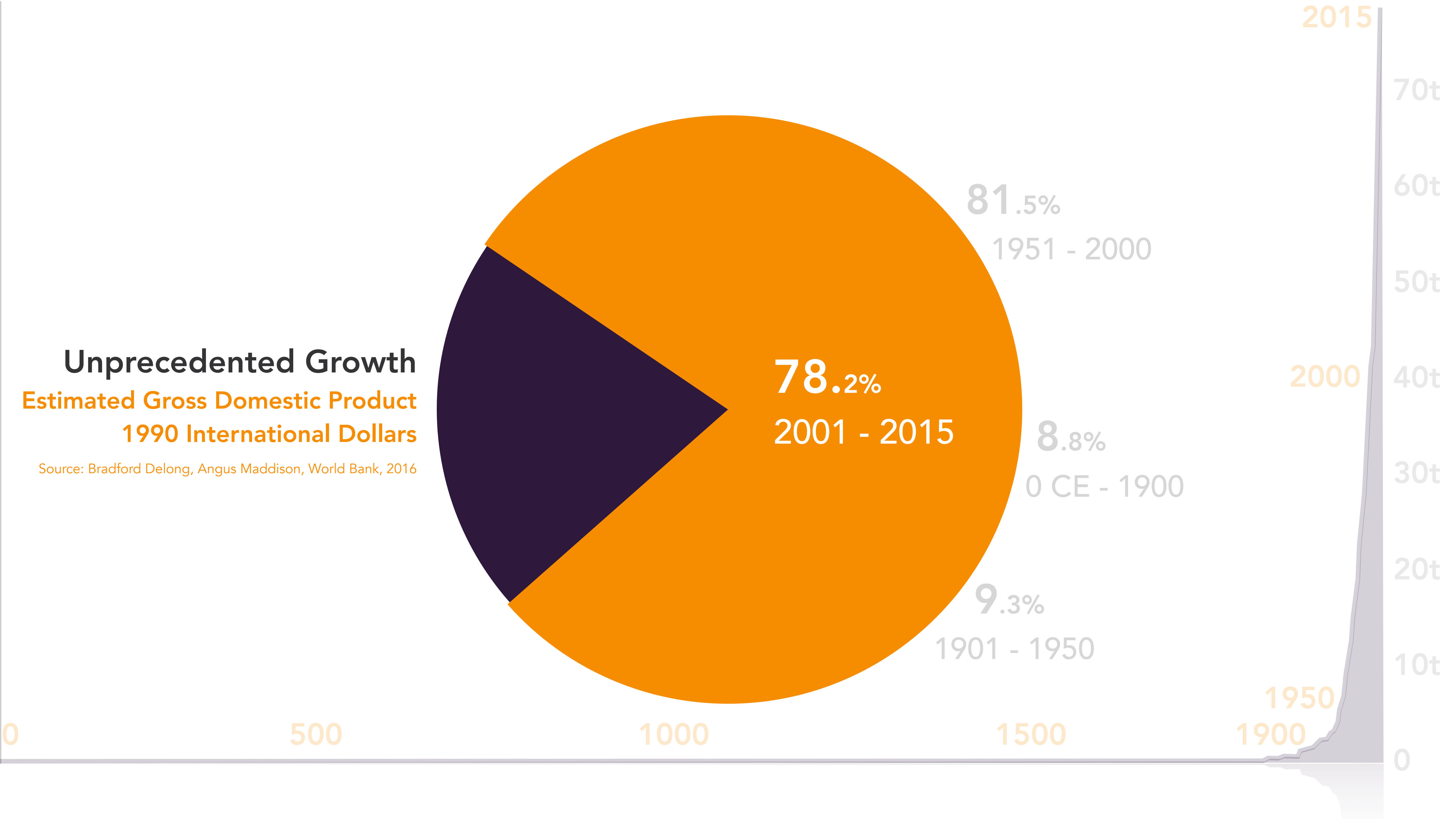
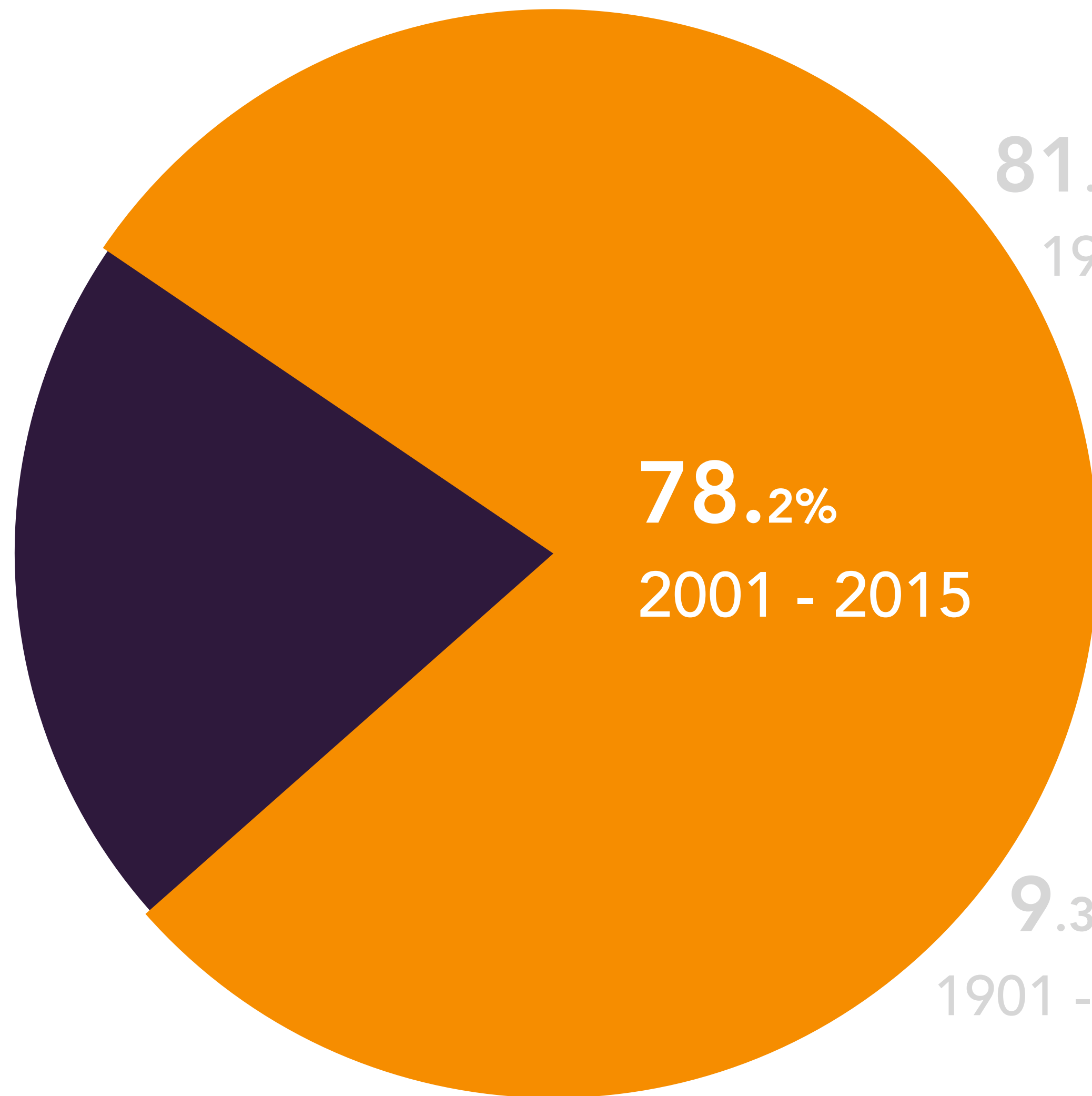
Source: Bradford Delong, Angus Maddison, World Bank, 2016



# Unprecedented Growth

## Estimated Gross Domestic Product 1990 International Dollars

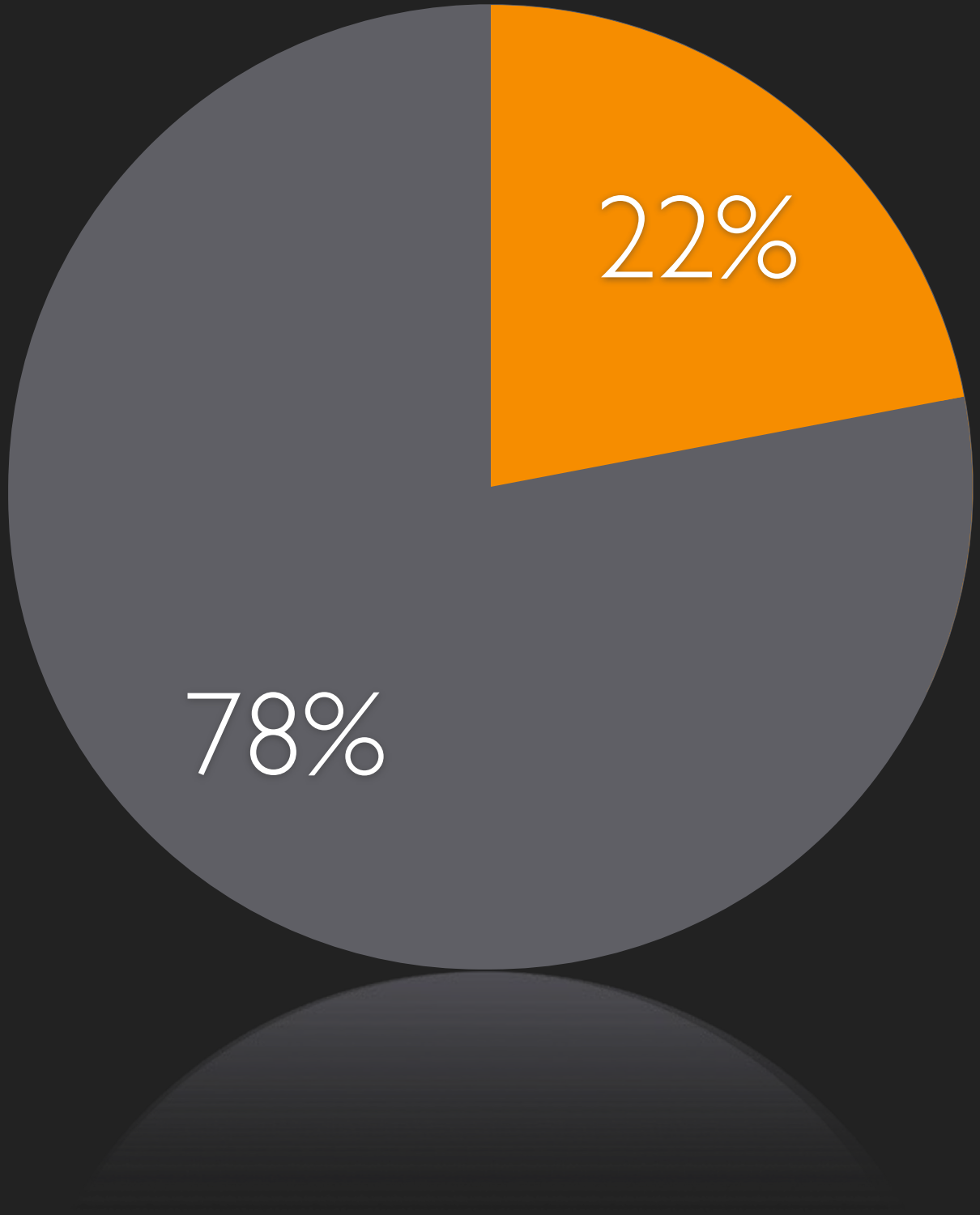
Source: Bradford Delong, Angus Maddison, World Bank, 2016





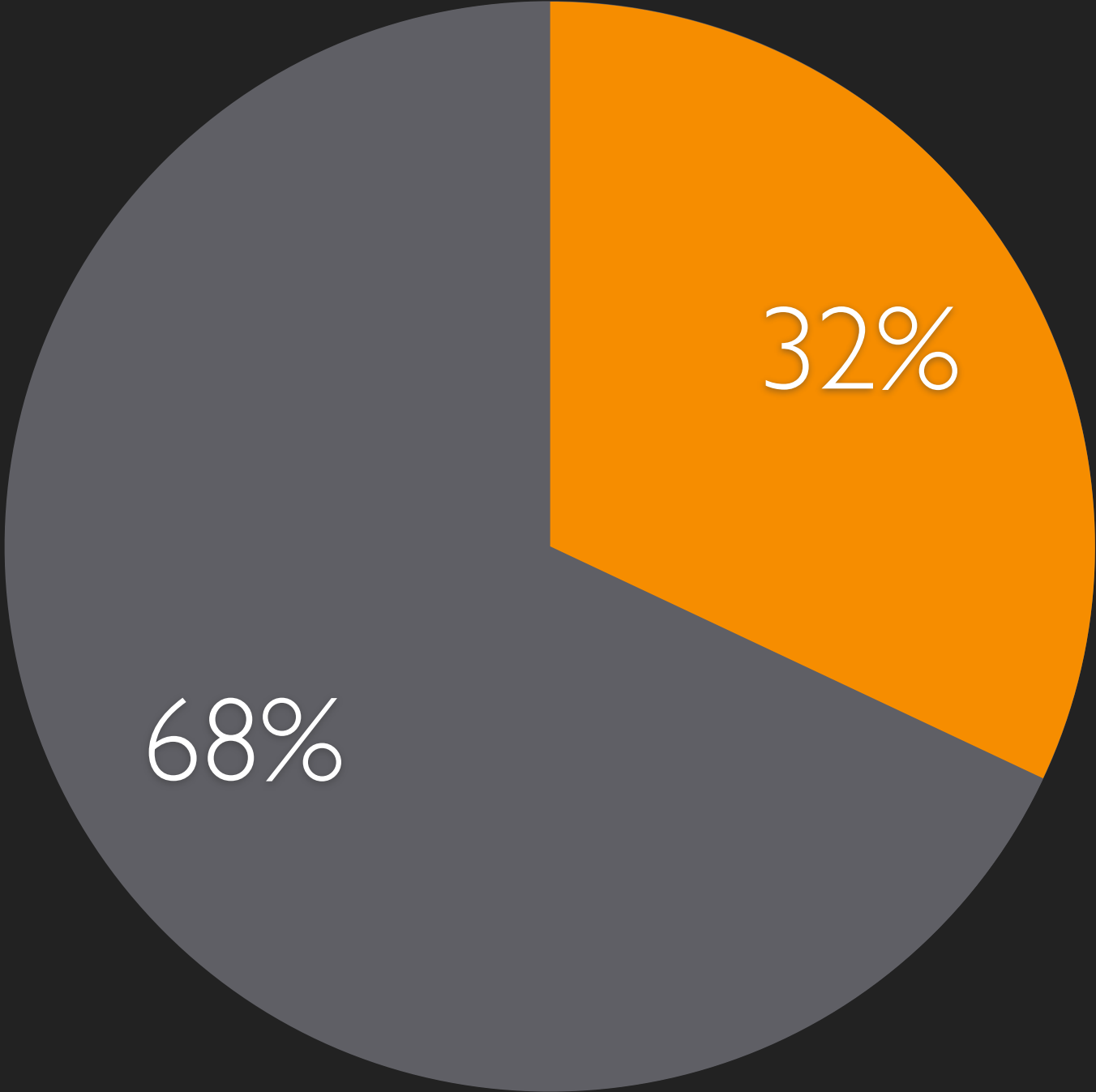
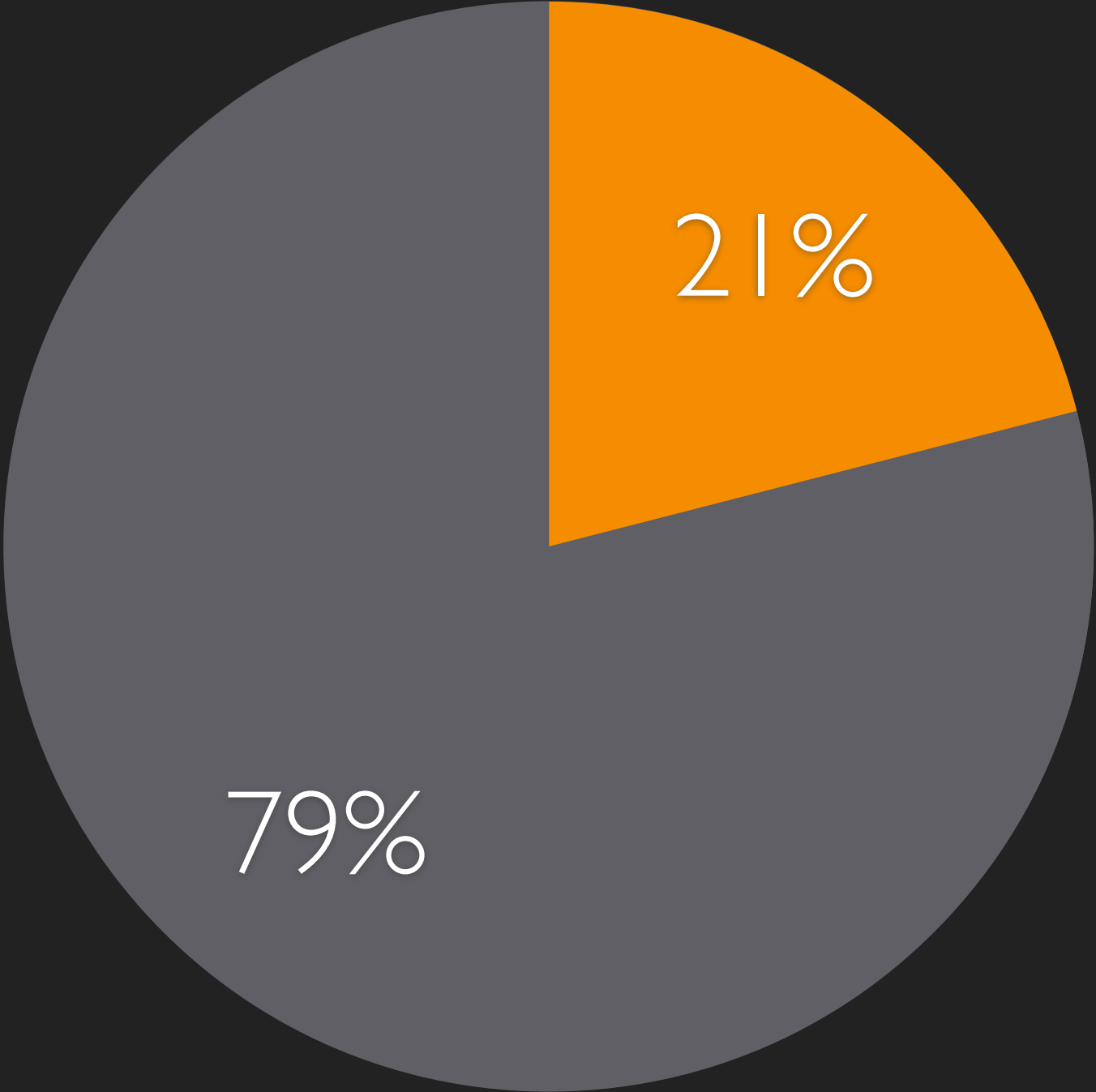
Unprecedented Savings  
National Savings Rate, % of GDP  
2005

Source: International Monetary Fund, 2015



Unprecedented Savings  
National Savings Rate, % of GDP  
2011

Source: International Monetary Fund, 2015



# Unprecedented Wealth

Debt, Equity, Deposits  
Current US Dollars

Sources: World Bank, Bank for International Settlements, World Federation of Exchanges, 2016

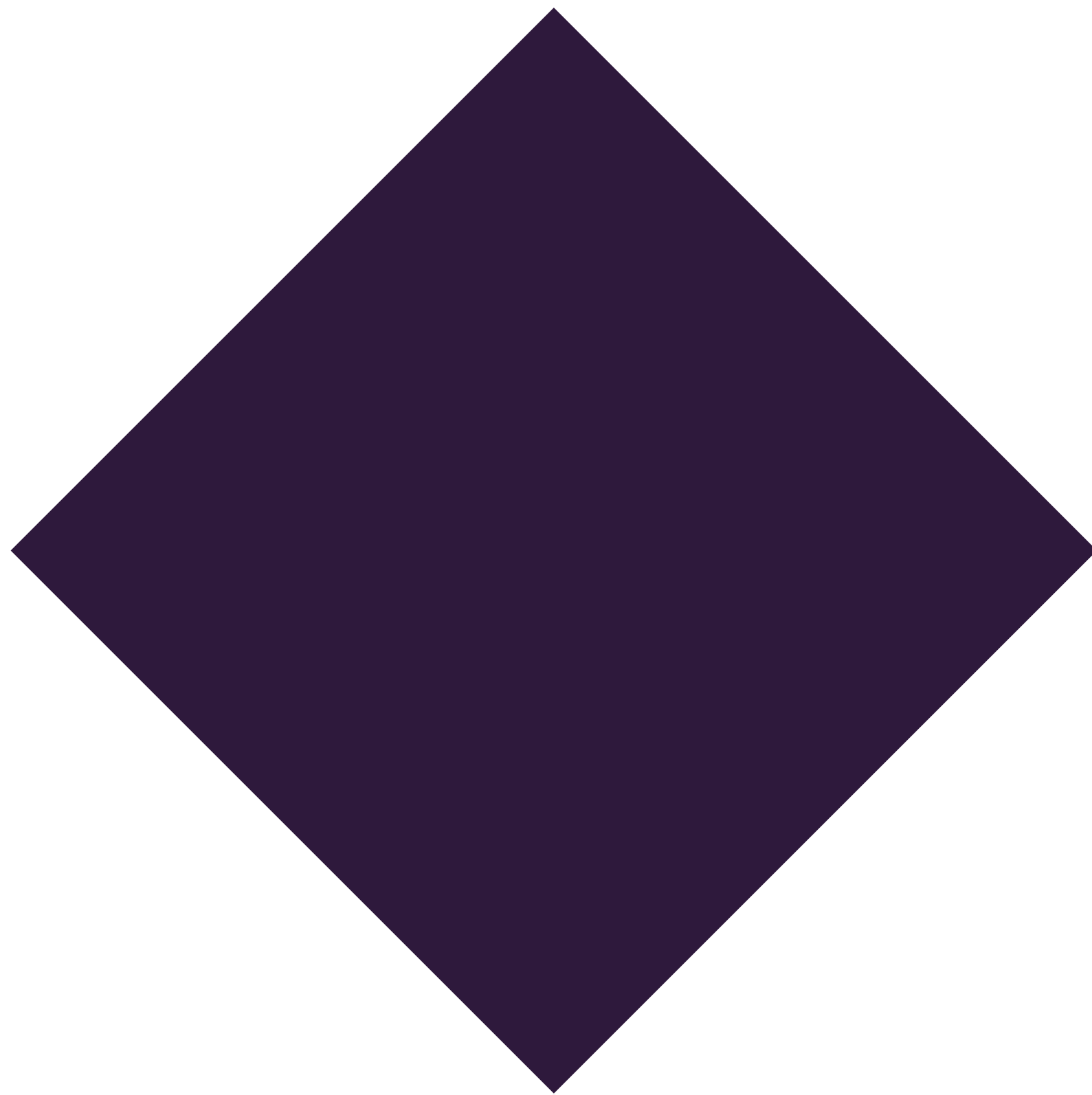
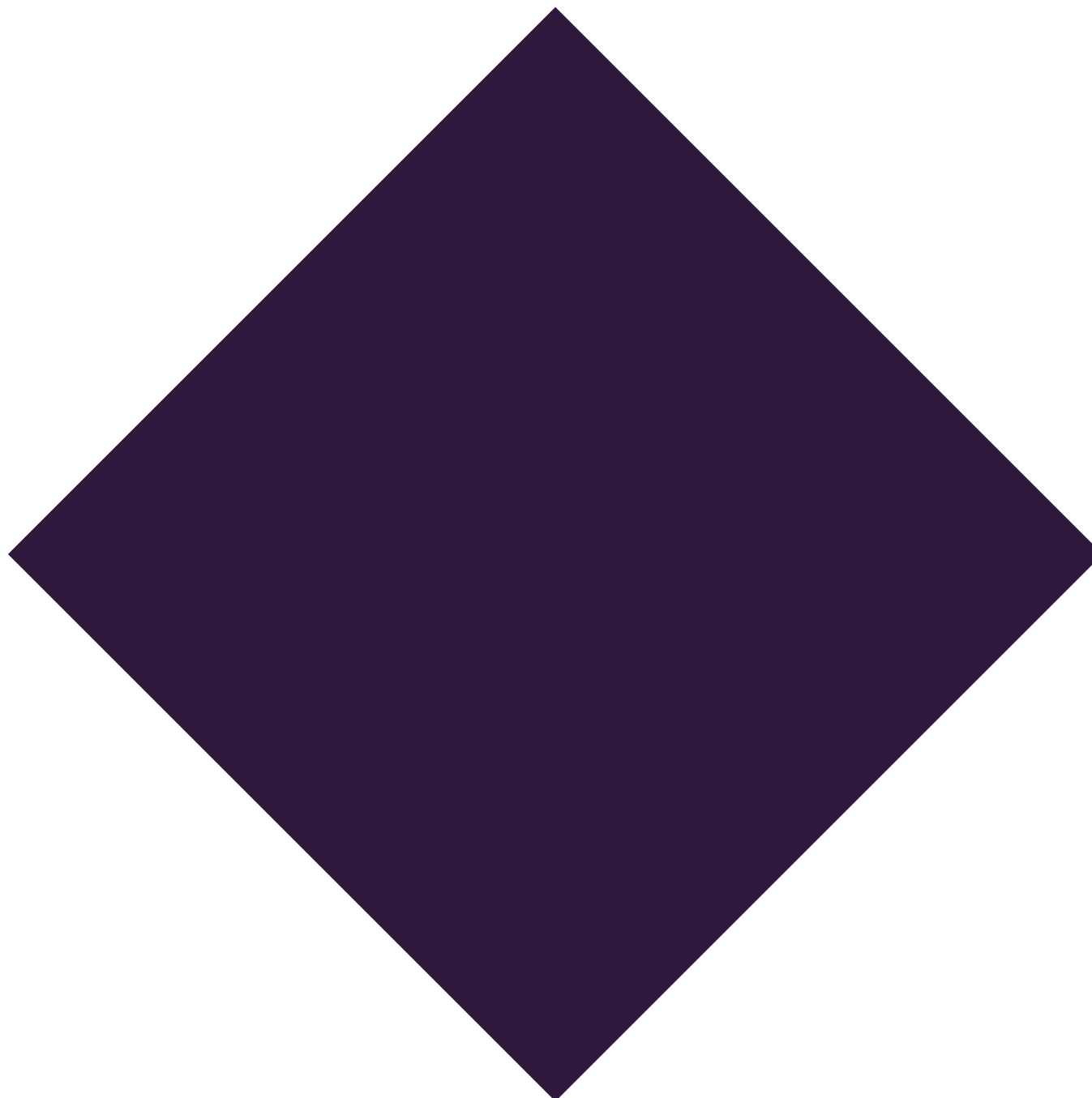
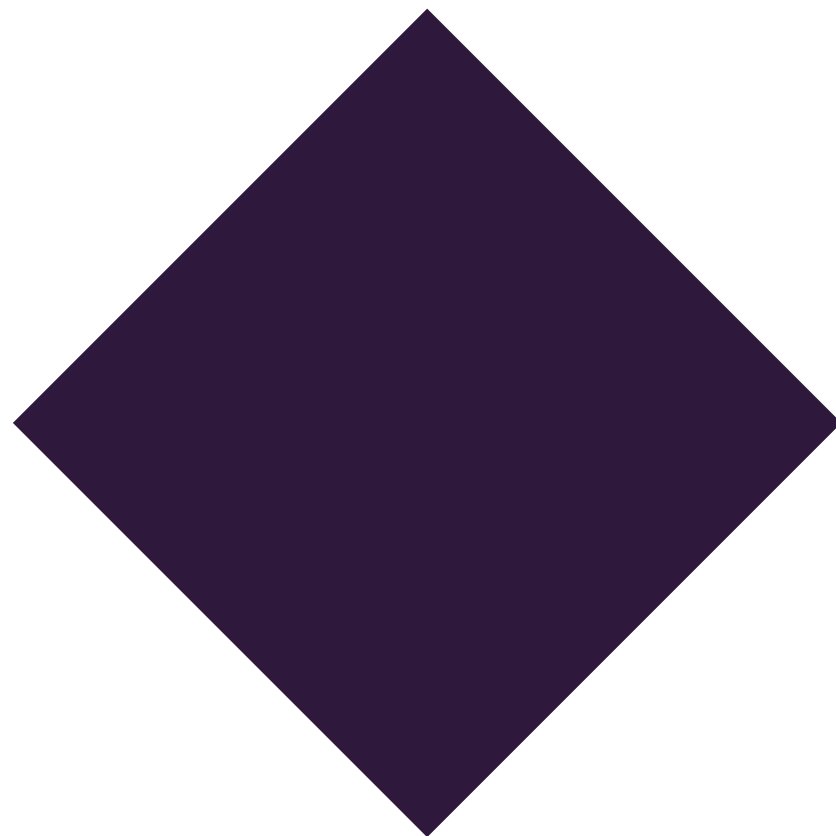
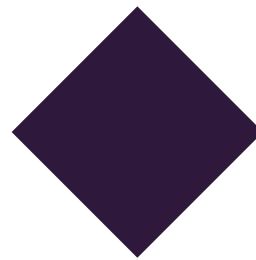
1980  
12t

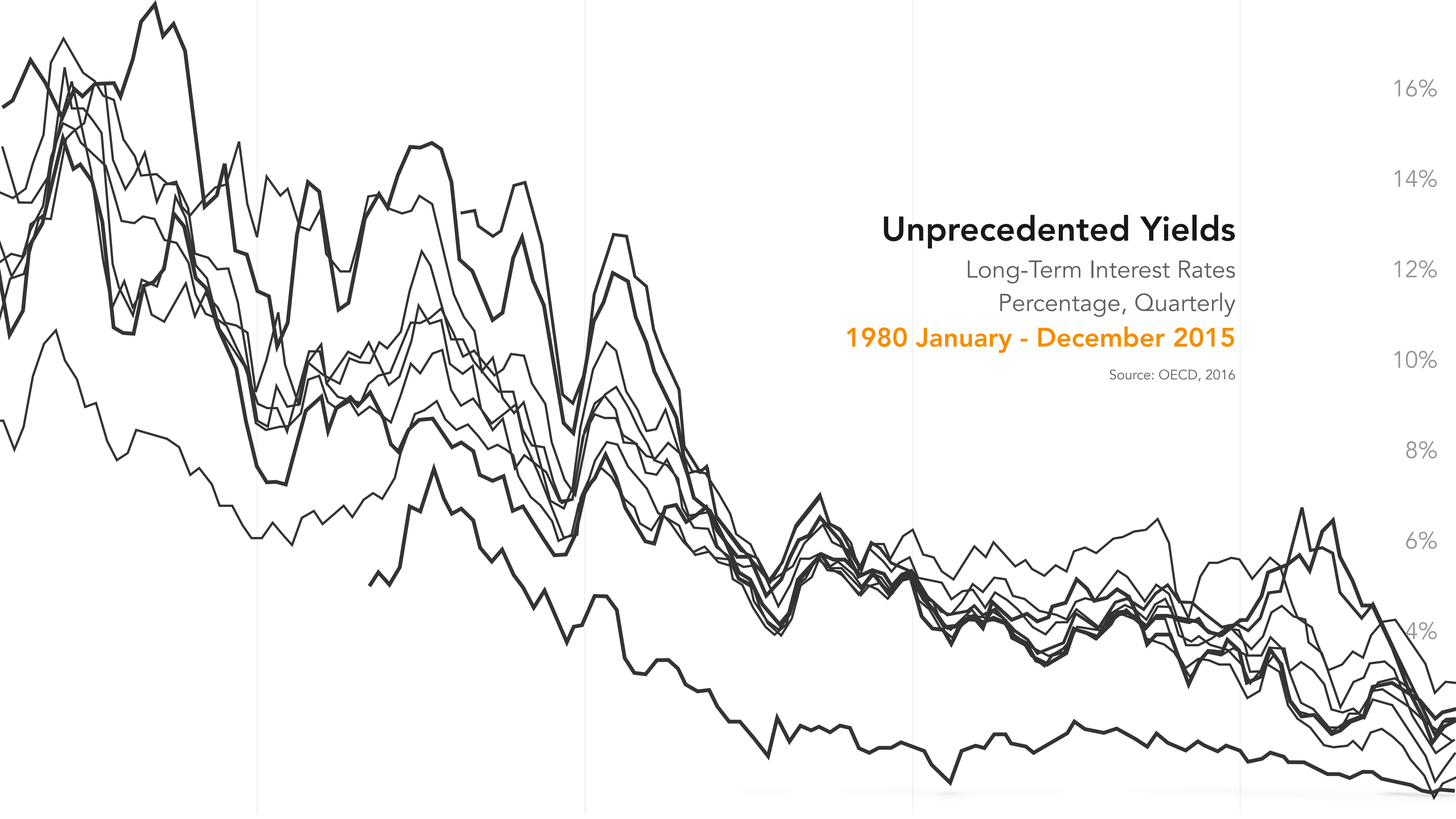
1990  
43t

2000  
94t

2010  
259t

2015  
294t





# Unprecedented Yields

Long-Term Interest Rates

Percentage, Quarterly

1980 January - December 2015

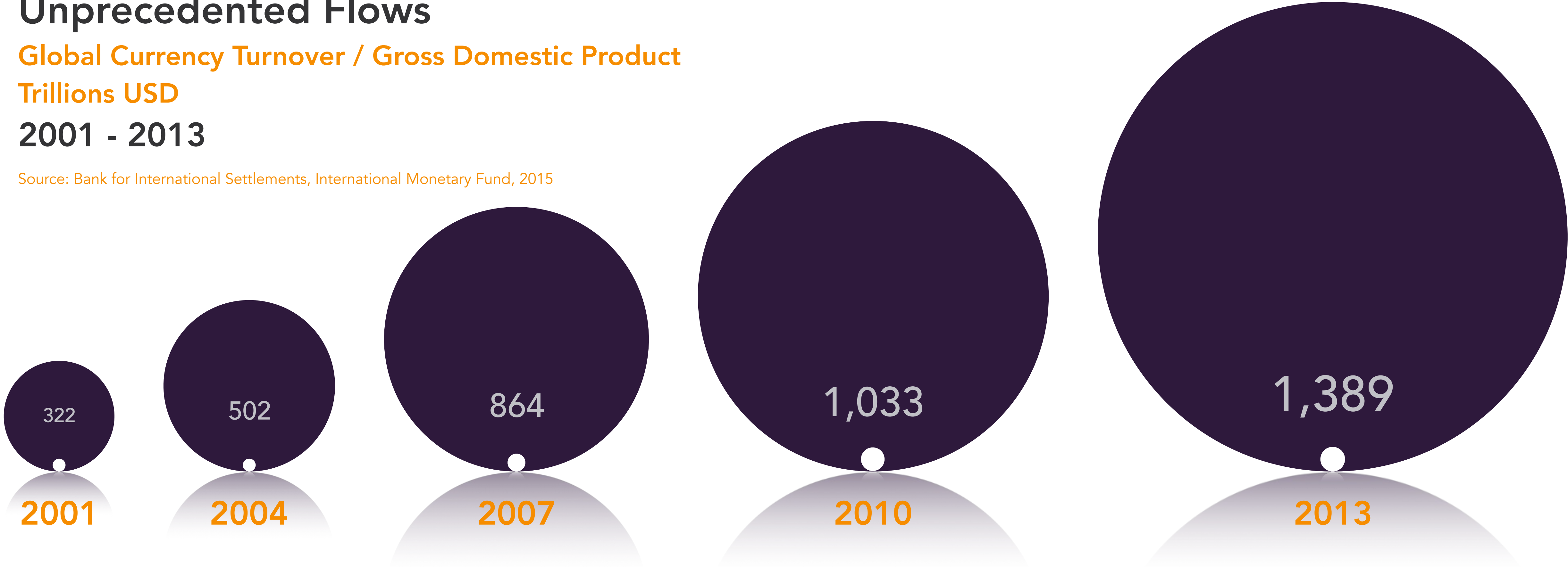
Source: OECD, 2016

# Unprecedented Flows

Global Currency Turnover / Gross Domestic Product  
Trillions USD

2001 - 2013

Source: Bank for International Settlements, International Monetary Fund, 2015



Boom

A pack of lemmings looks like a group of rugged individualists compared with Wall Street when it gets a concept in its teeth.

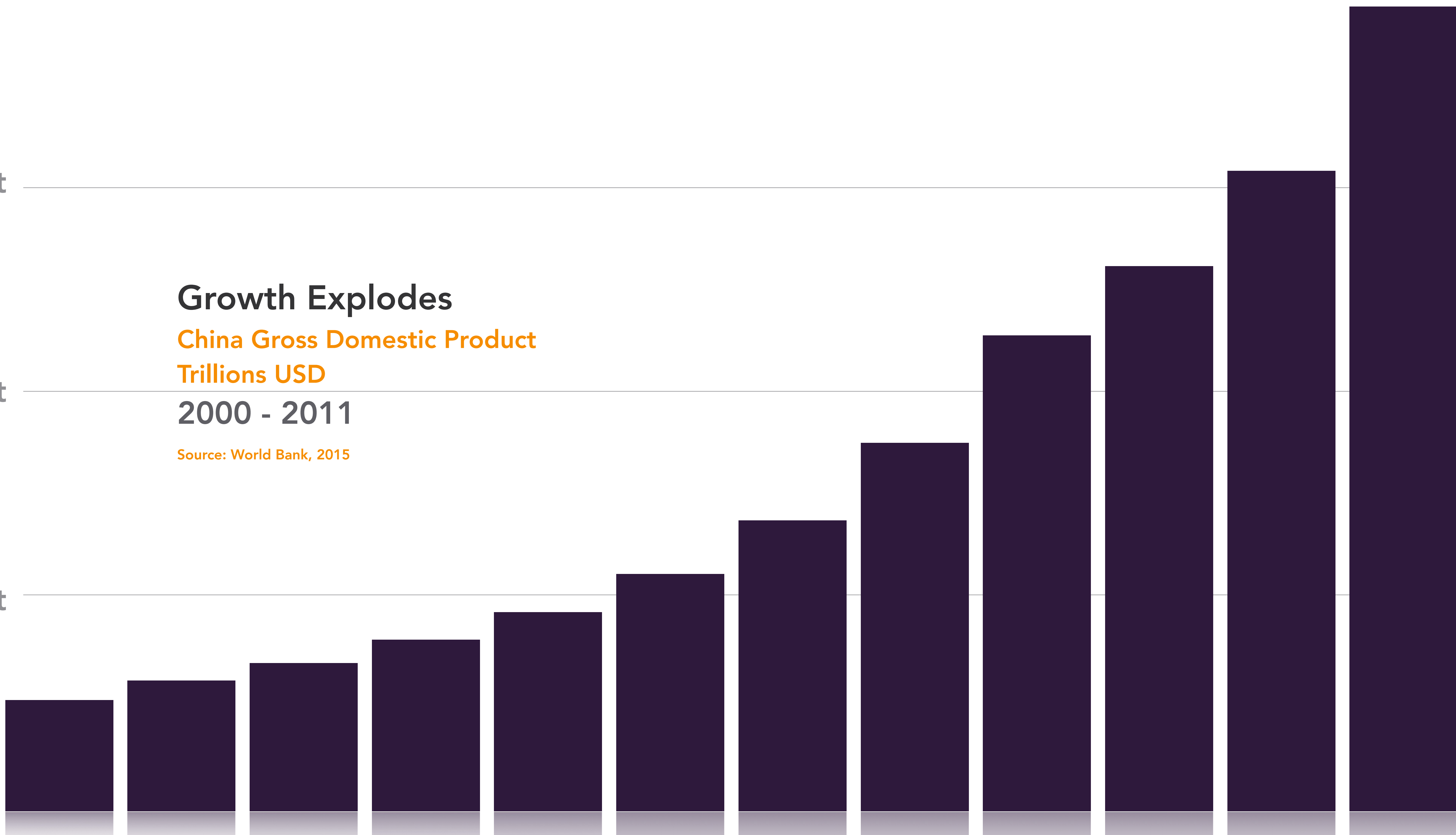
Warren Buffett

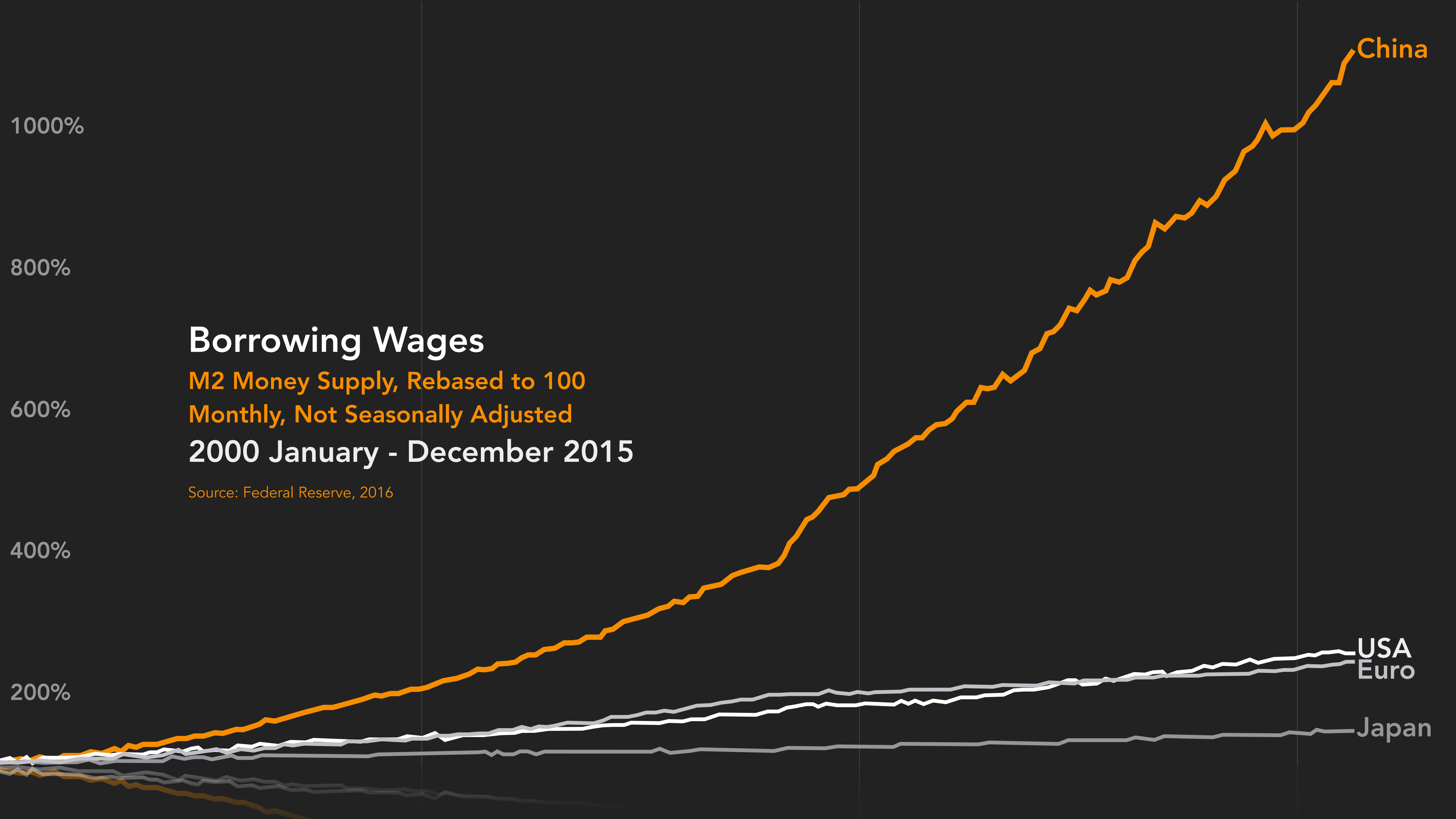
# Growth Explodes

## China Gross Domestic Product Trillions USD

### 2000 - 2011

Source: World Bank, 2015







# Borrowing Savings

## Tax On Savings

Average Real Interest Rate

1980 - 2014

Source: World Bank, 2015

40%

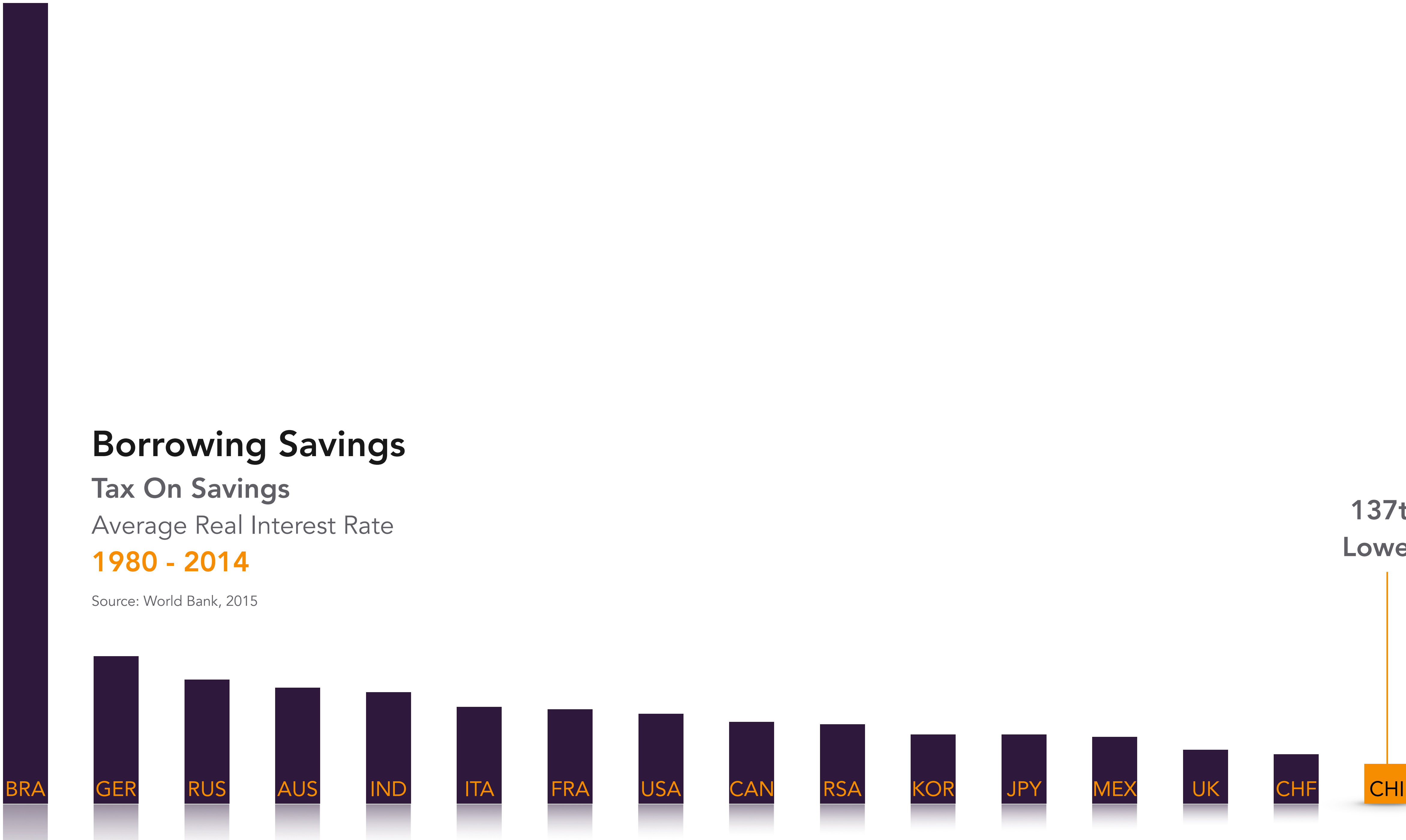
30%

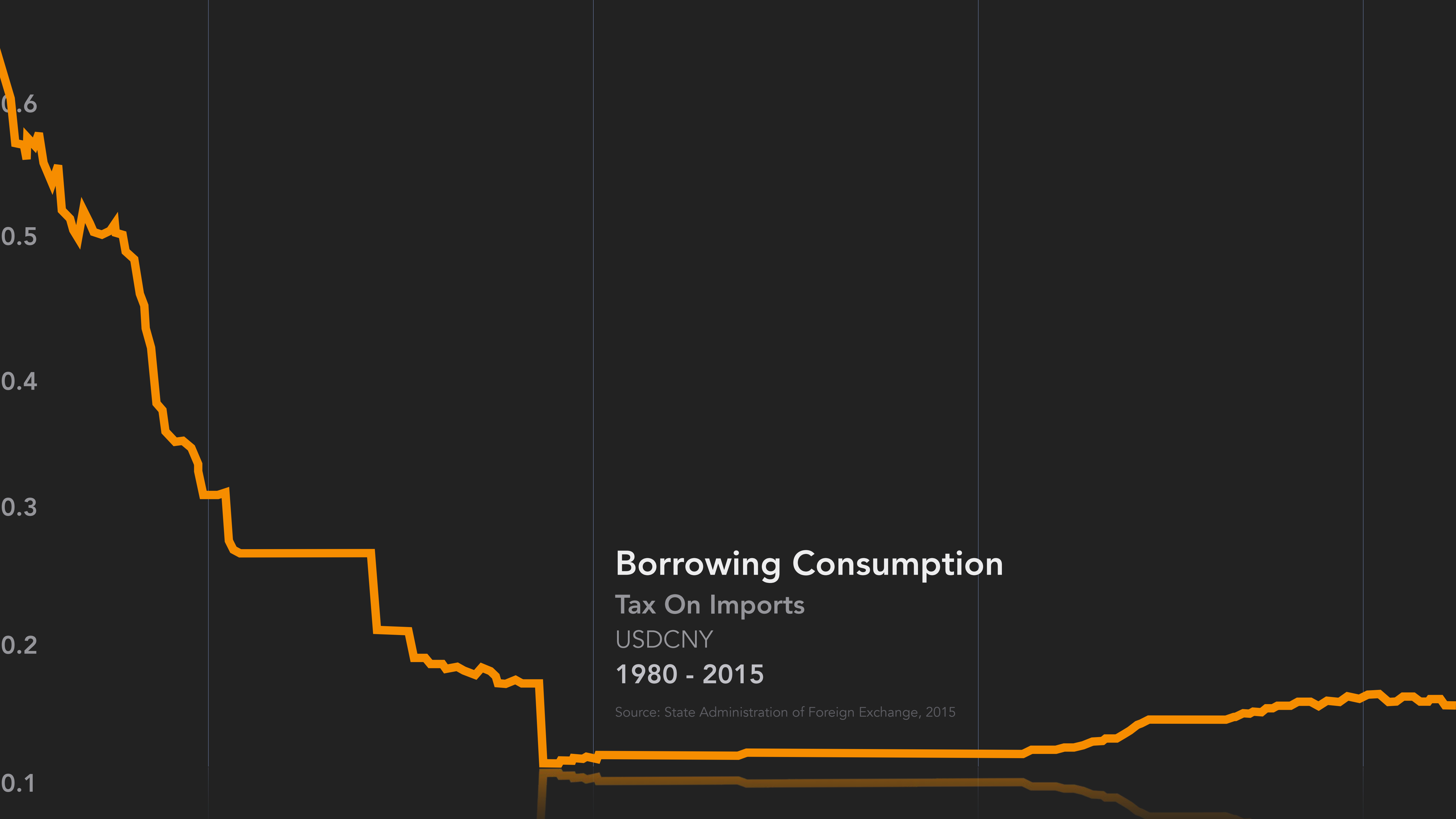
20%

10%

BRA GER RUS AUS IND ITA FRA USA CAN RSA KOR JPY MEX UK CHF CHI

137th  
Lowest





# Borrowing Consumption

Tax On Imports

USDCNY

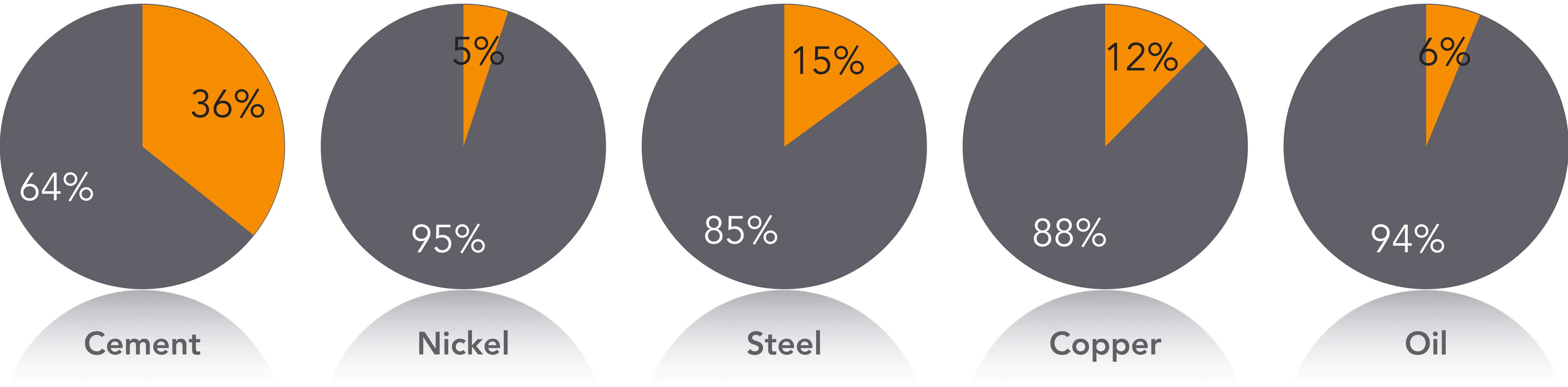
1980 - 2015

Source: State Administration of Foreign Exchange, 2015

# Demand Explodes

Share of Global Consumption, %  
2000

Source: International Monetary Fund, 2015

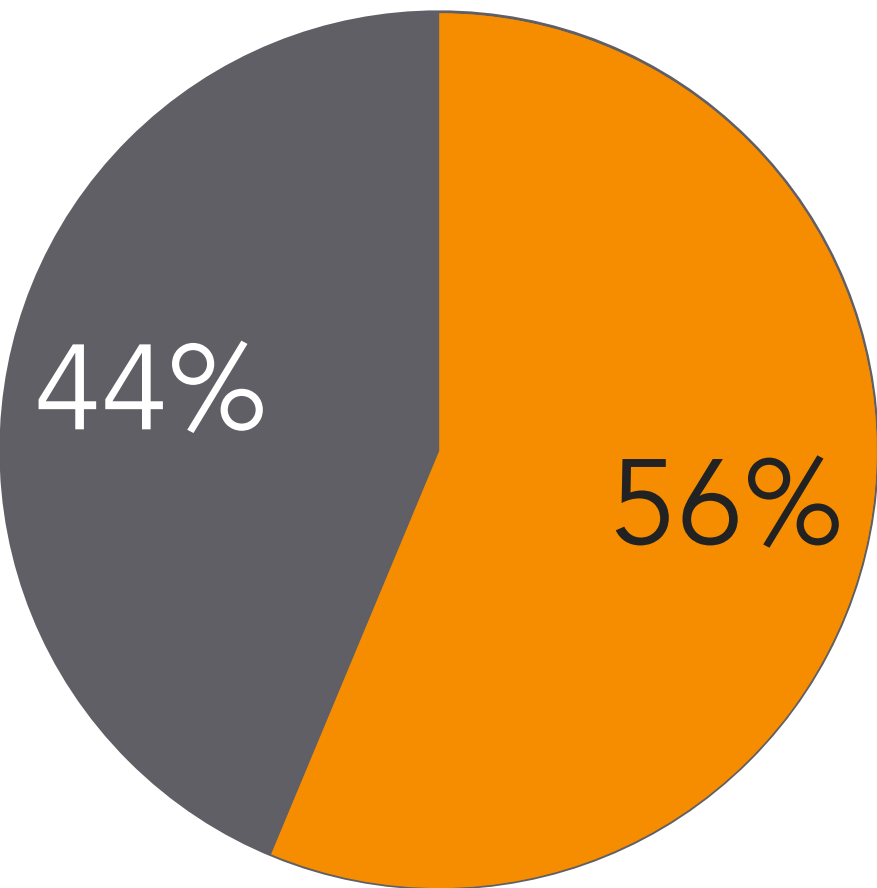


# Demand Explodes

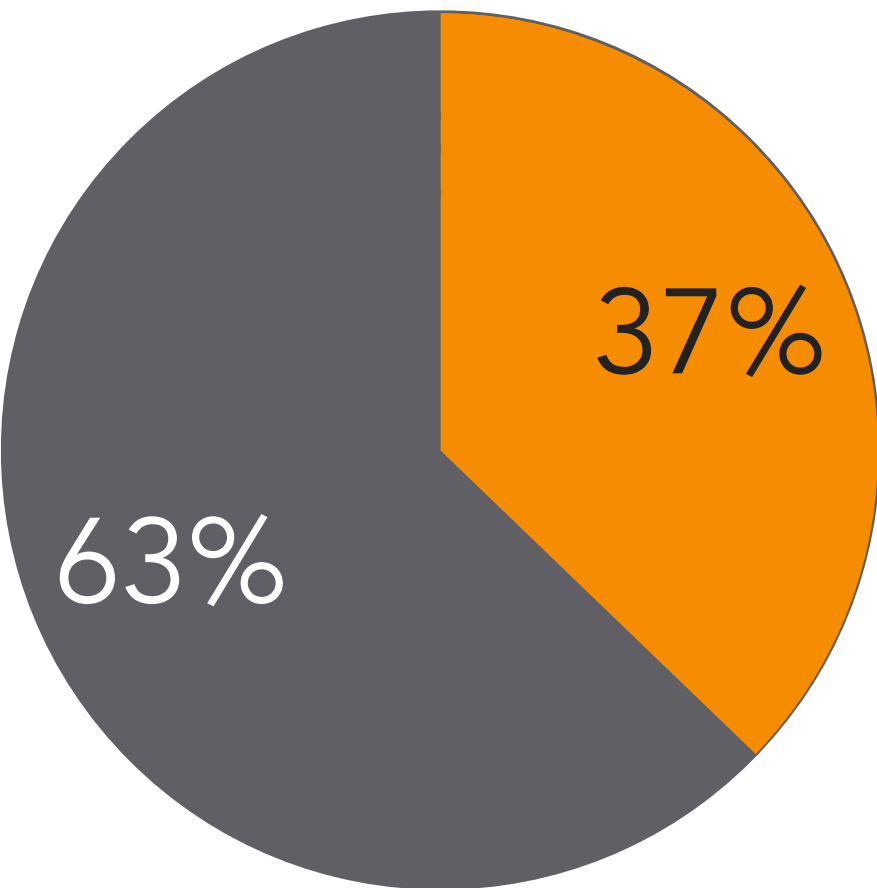
Share of Global Consumption, %

2005

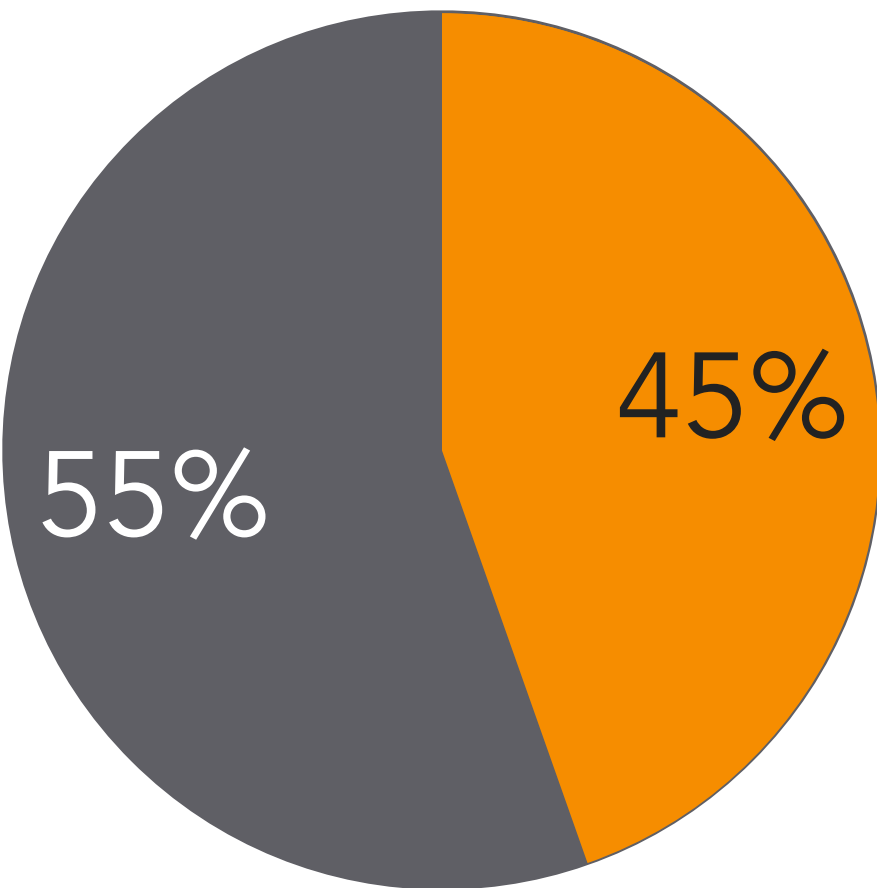
Source: International Monetary Fund, 2015



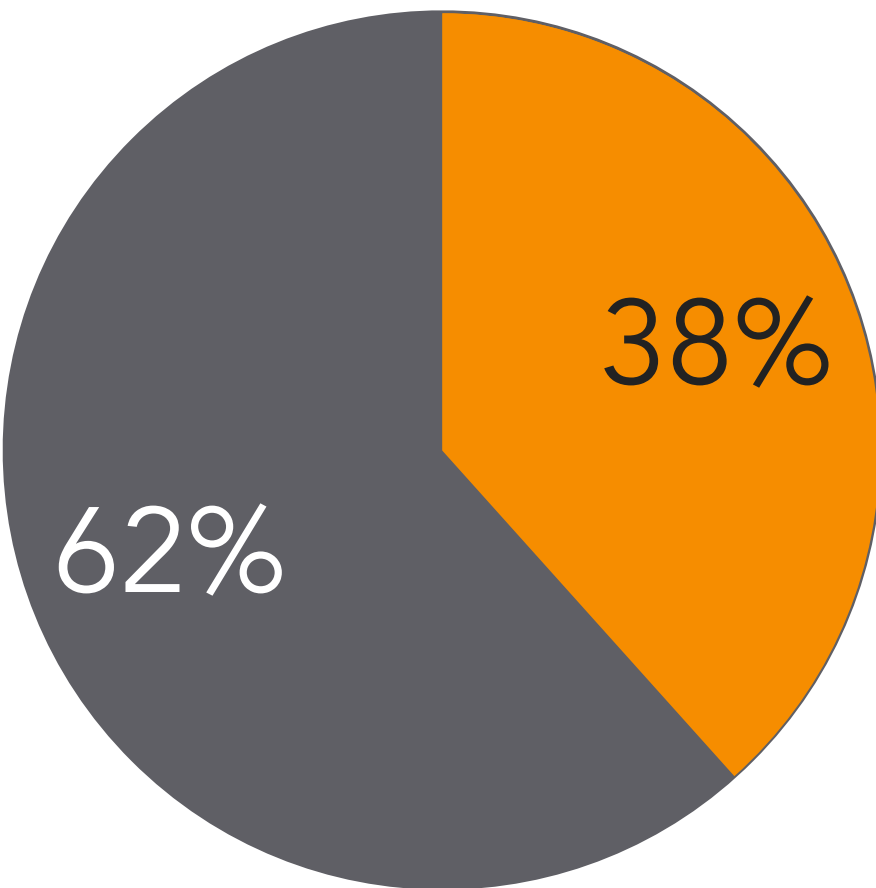
Cement



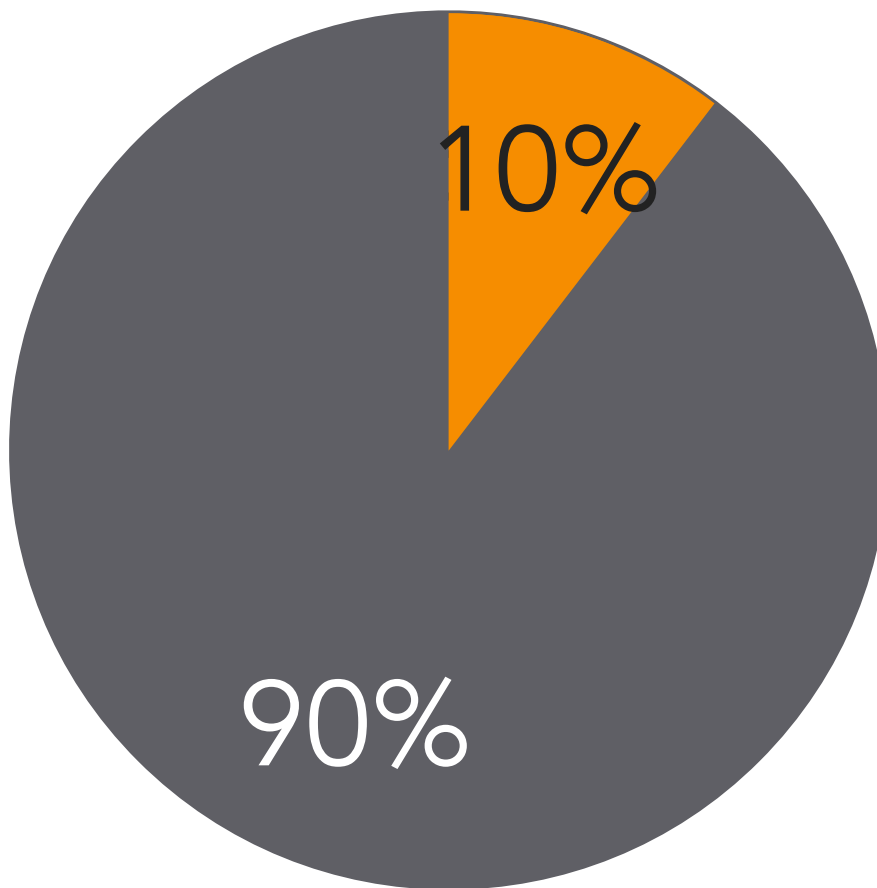
Nickel



Steel



Copper

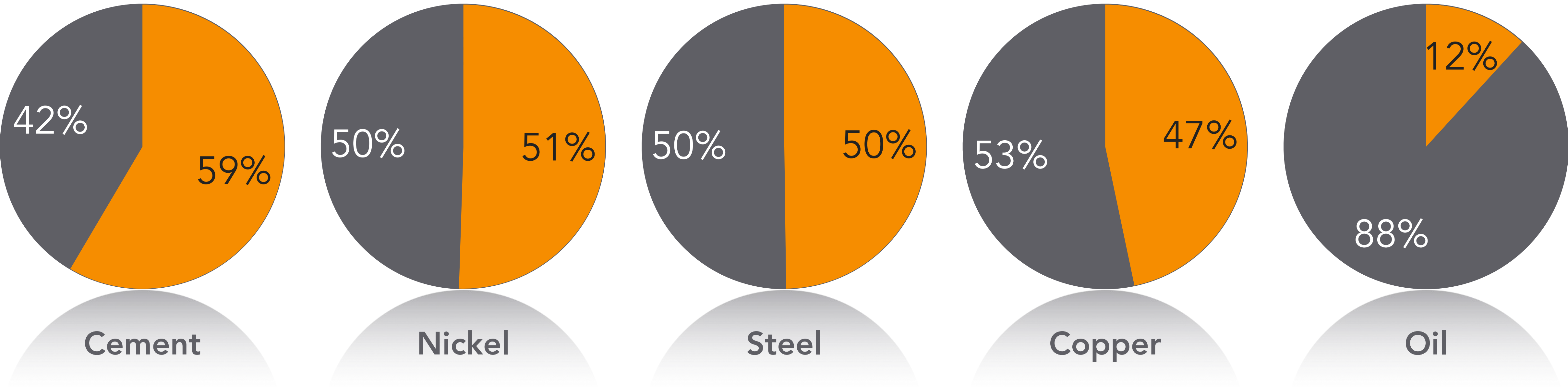


Oil

# Demand Explodes

Share of Global Consumption, %  
2011

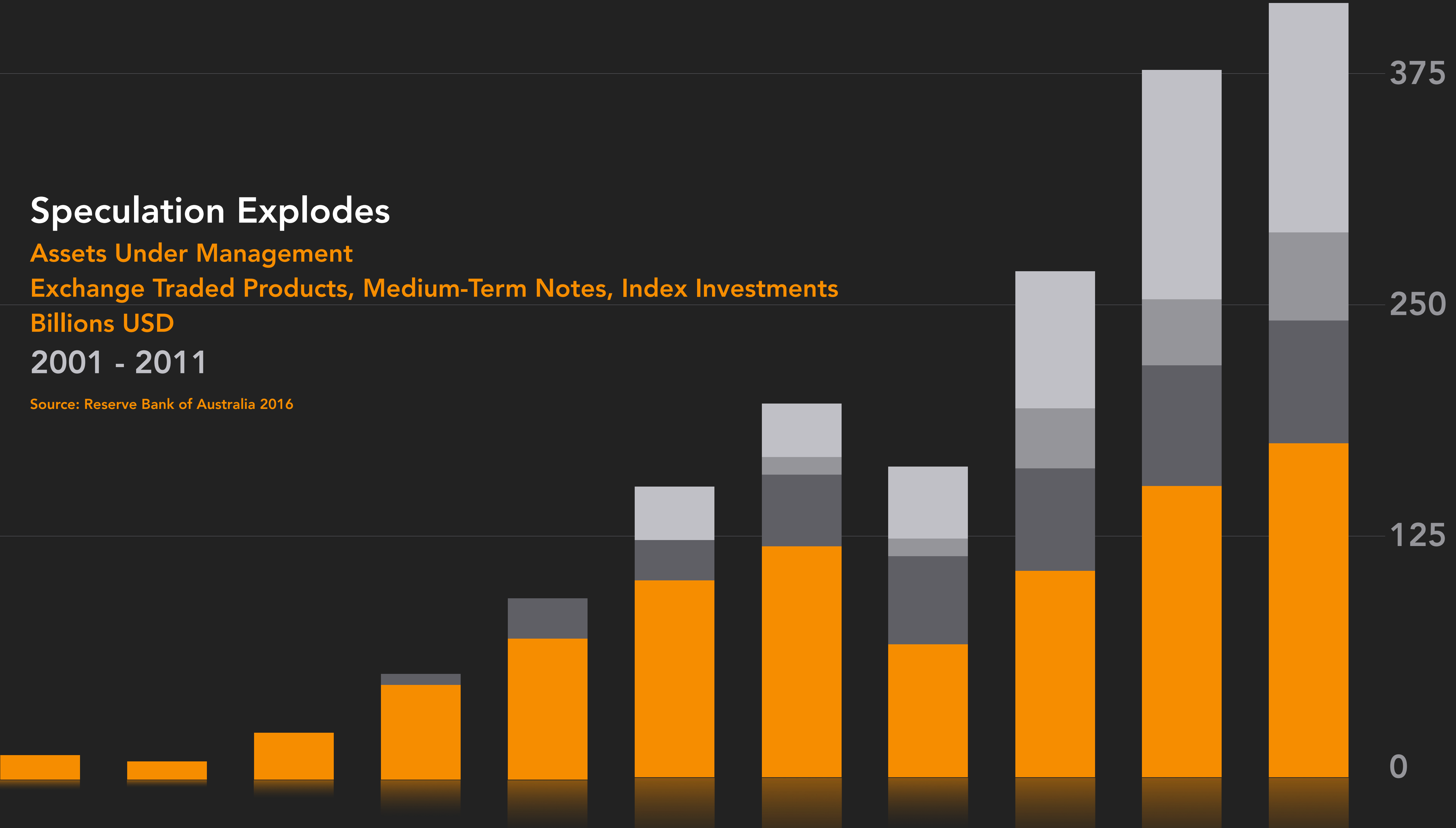
Source: International Monetary Fund, 2015

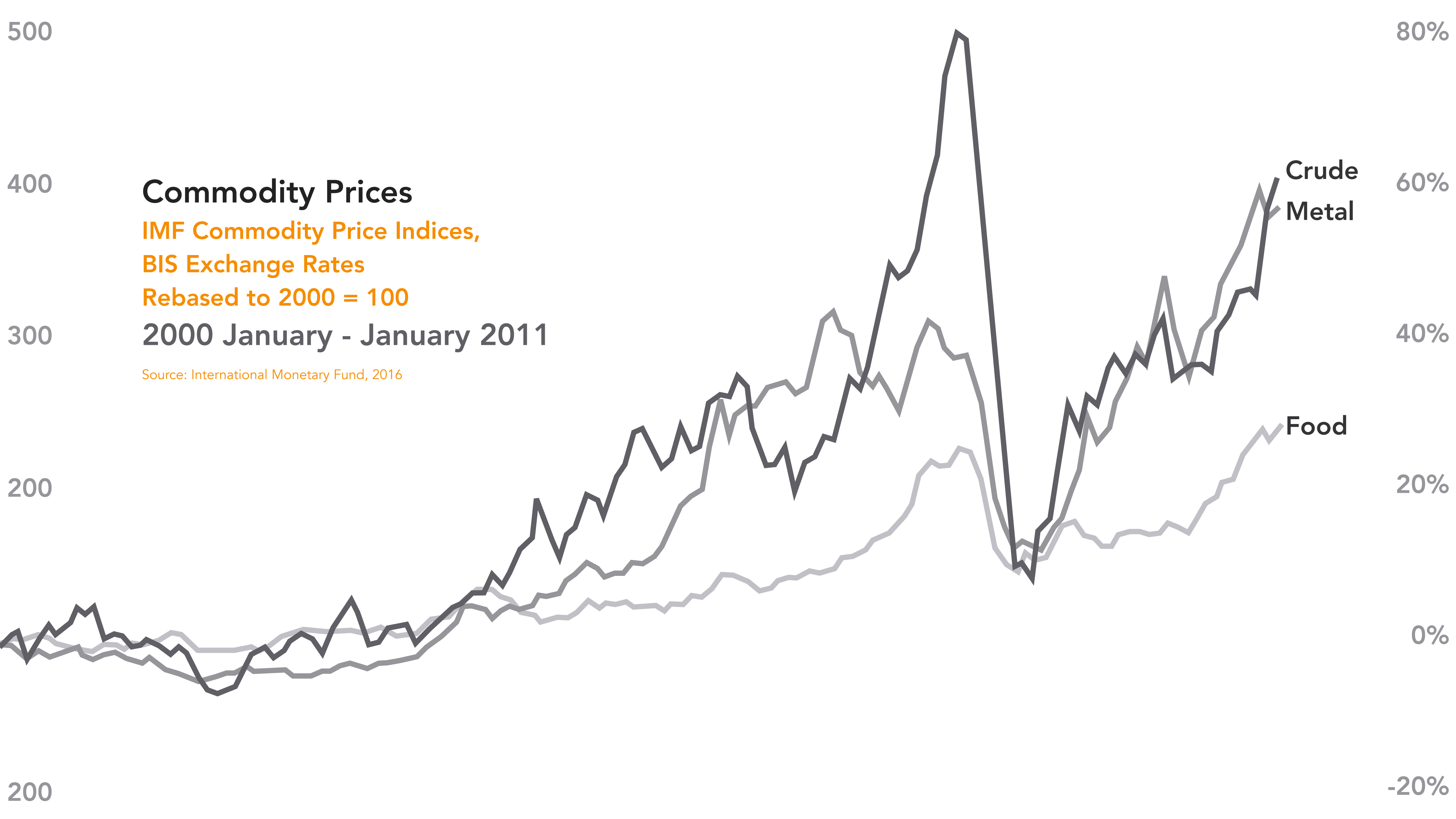


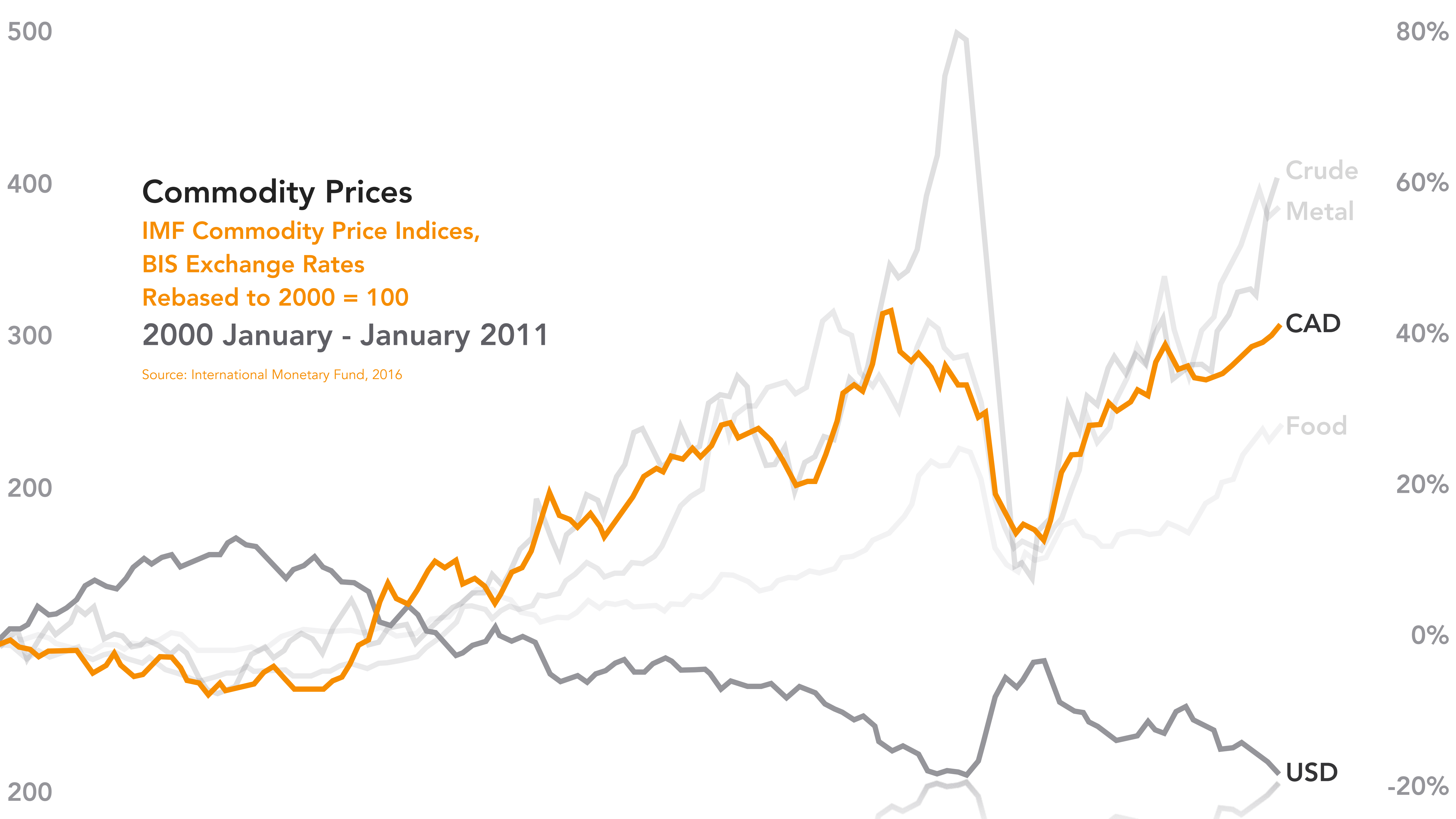
# Speculation Explodes

Assets Under Management  
Exchange Traded Products, Medium-Term Notes, Index Investments  
Billions USD  
2001 - 2011

Source: Reserve Bank of Australia 2016









Bust

For every complex problem there is an  
answer that is clear, simple, and wrong.

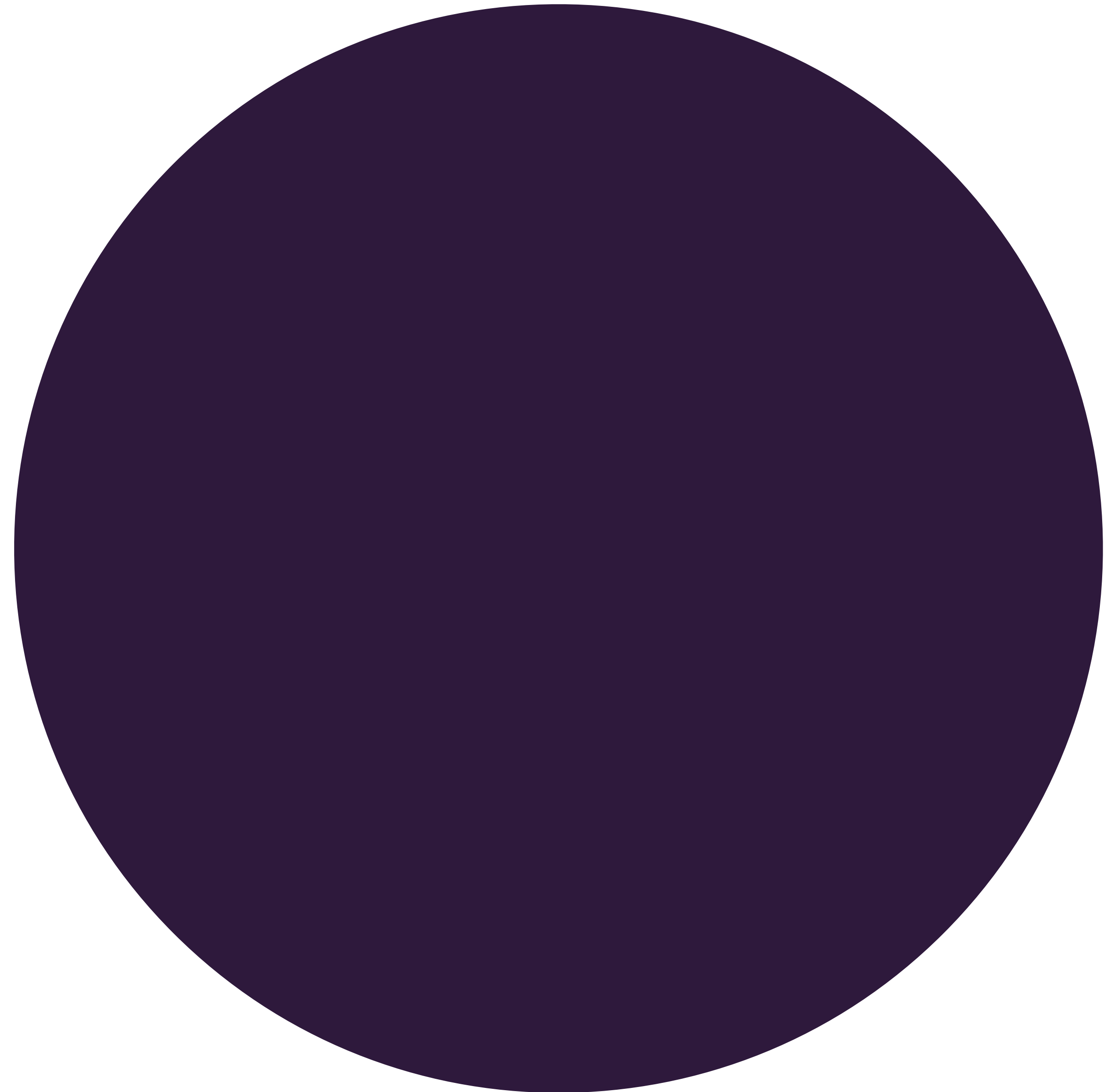
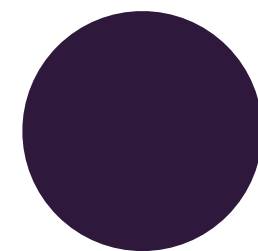
H.L. Mencken

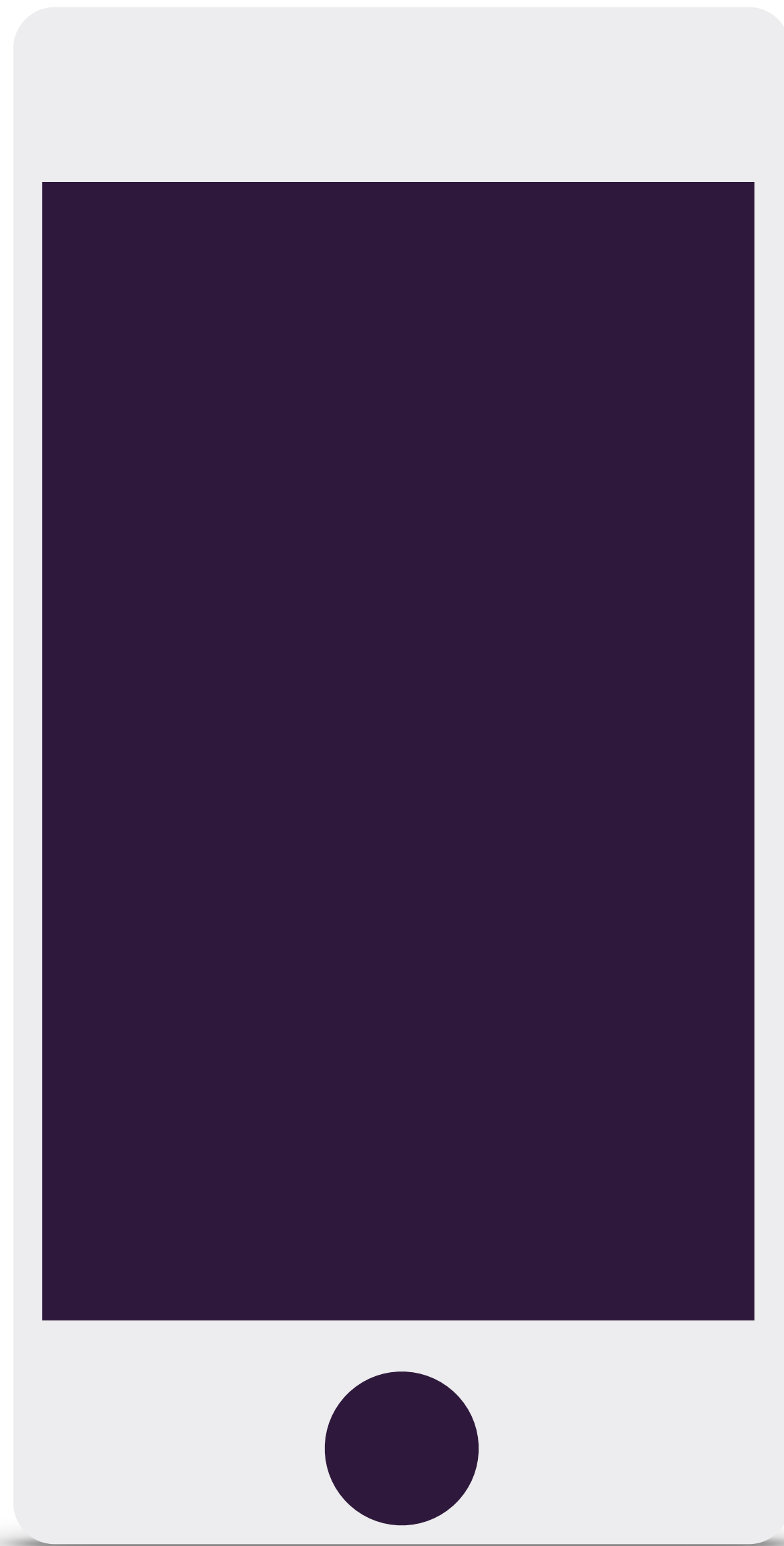
# Made in China?

Total Personal Consumption Expenditure

Source: Federal Reserve, 2012

1.9%





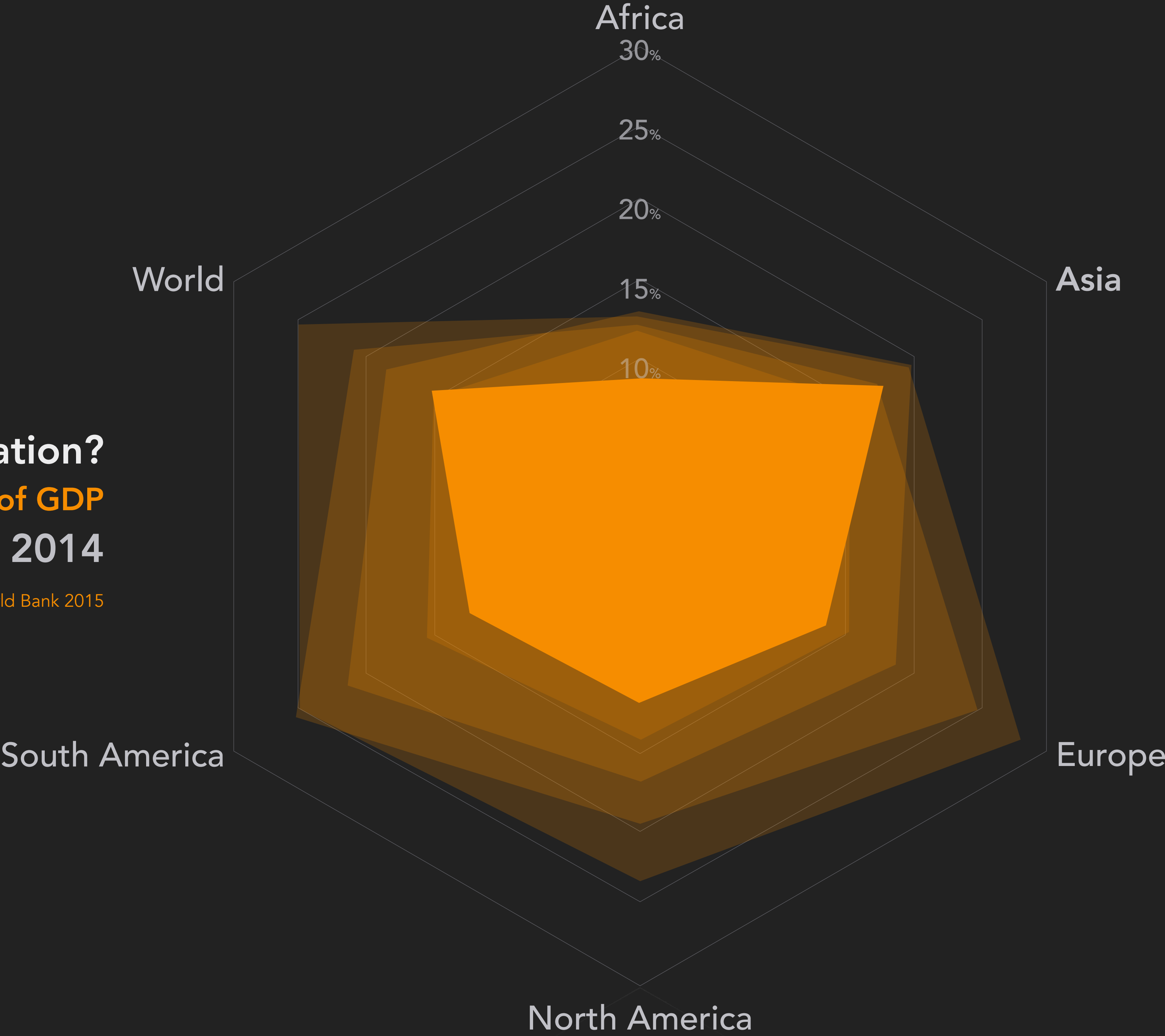
\$ 749 Retail (iPhone 5s)

\$ 8.00 Assembly In China

Source: Federal Reserve, 2012, Financial Times, 2015

Deindustrialization?  
Manufacturing % of GDP  
1972 - 2014

Source: World Bank 2015

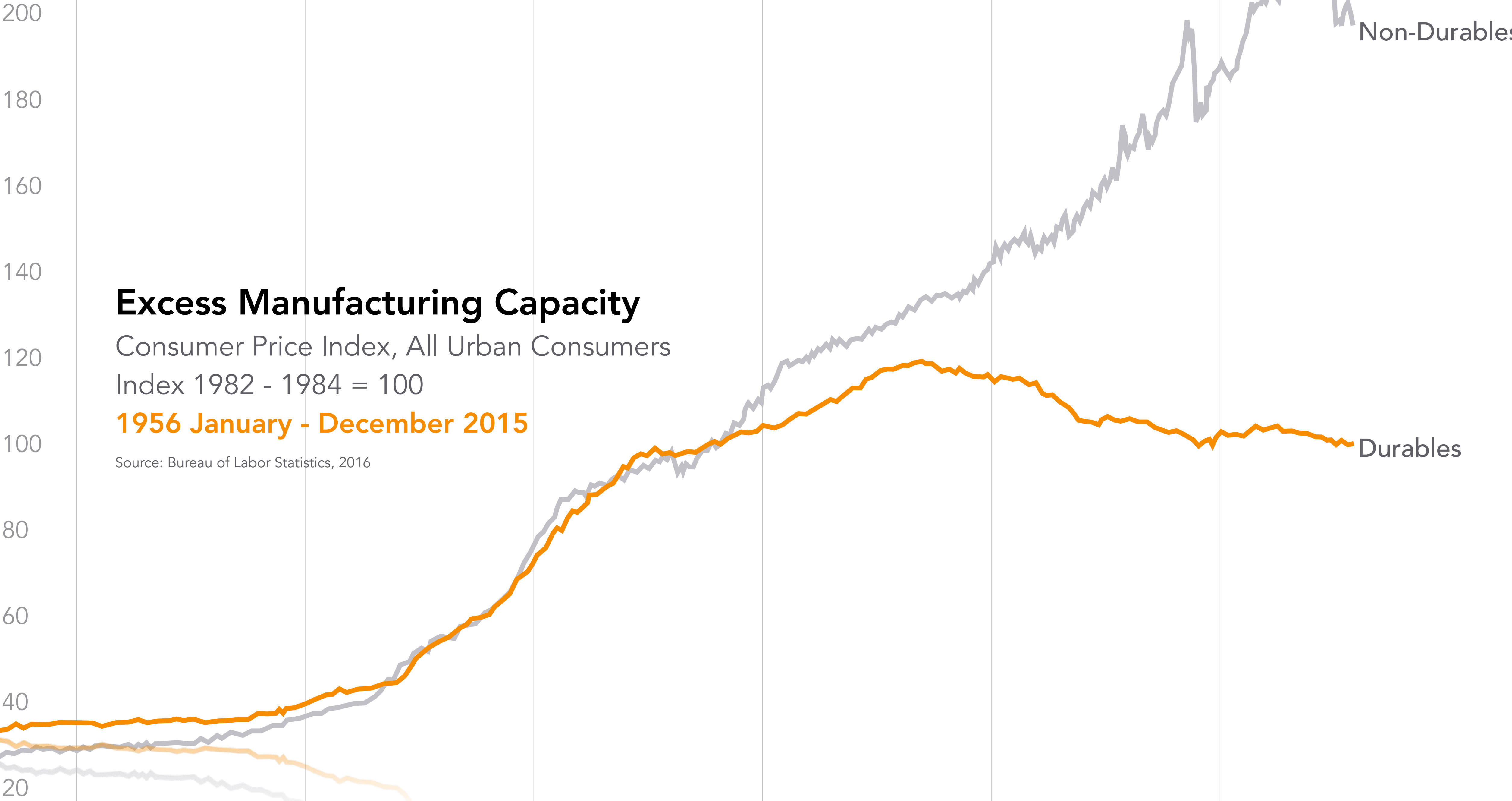


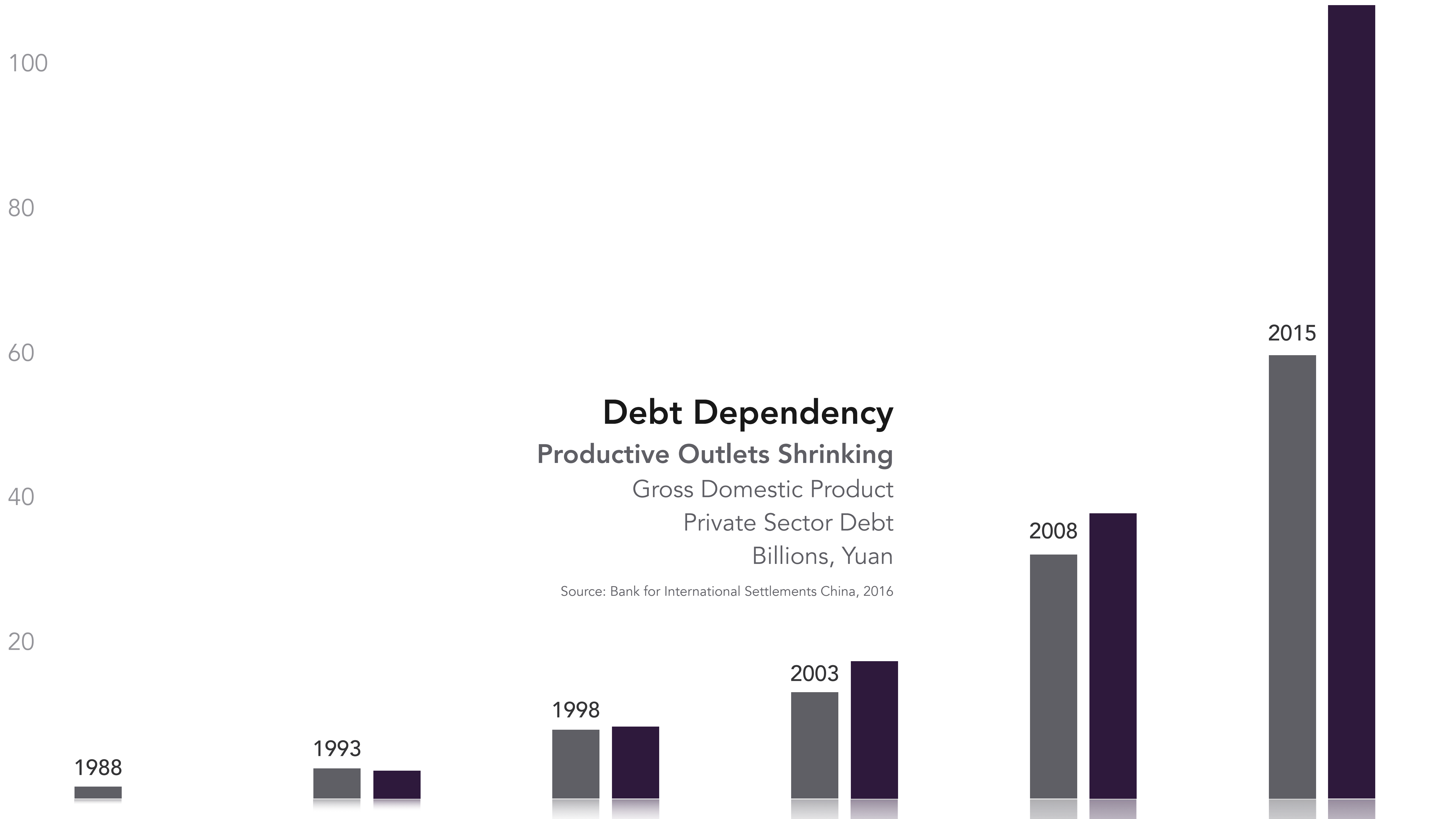
# Excess Manufacturing Capacity

Consumer Price Index, All Urban Consumers  
Index 1982 - 1984 = 100

1956 January - December 2015

Source: Bureau of Labor Statistics, 2016





# Oil Investment

Capital + Exploration  
Billions, Constant 2010 USD  
**1970 - 2015**

Source: International Monetary Fund, 2016

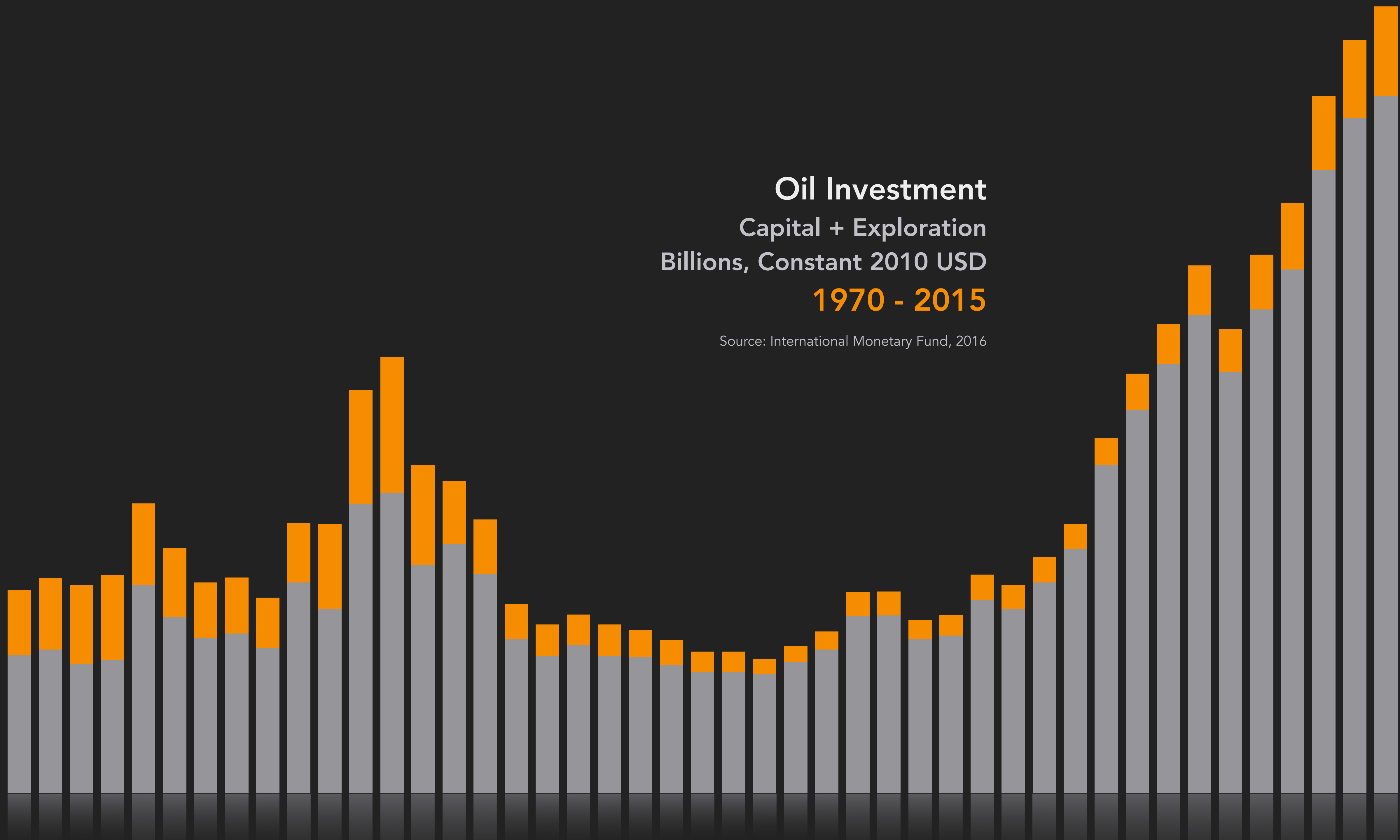
400

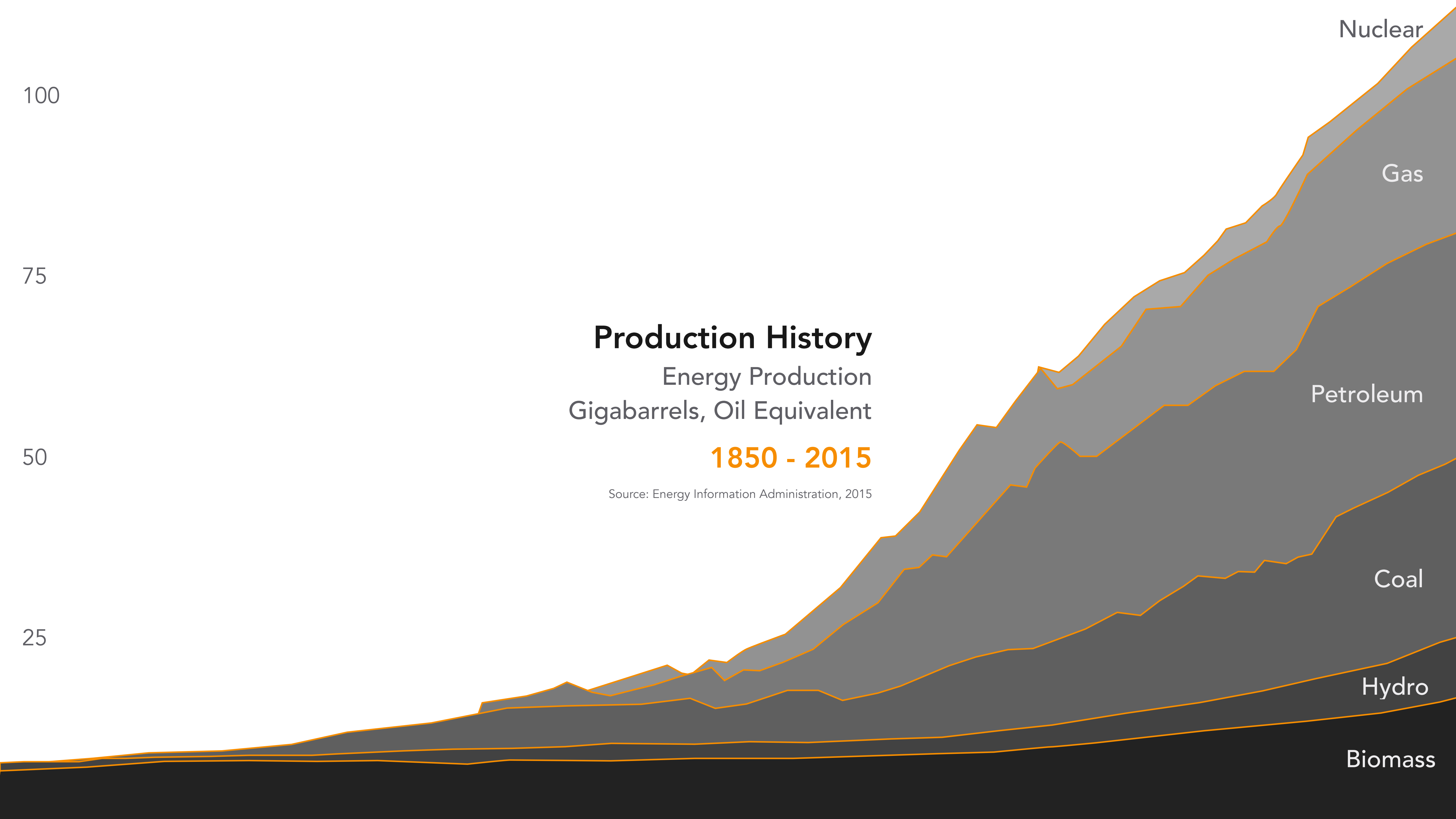
320

240

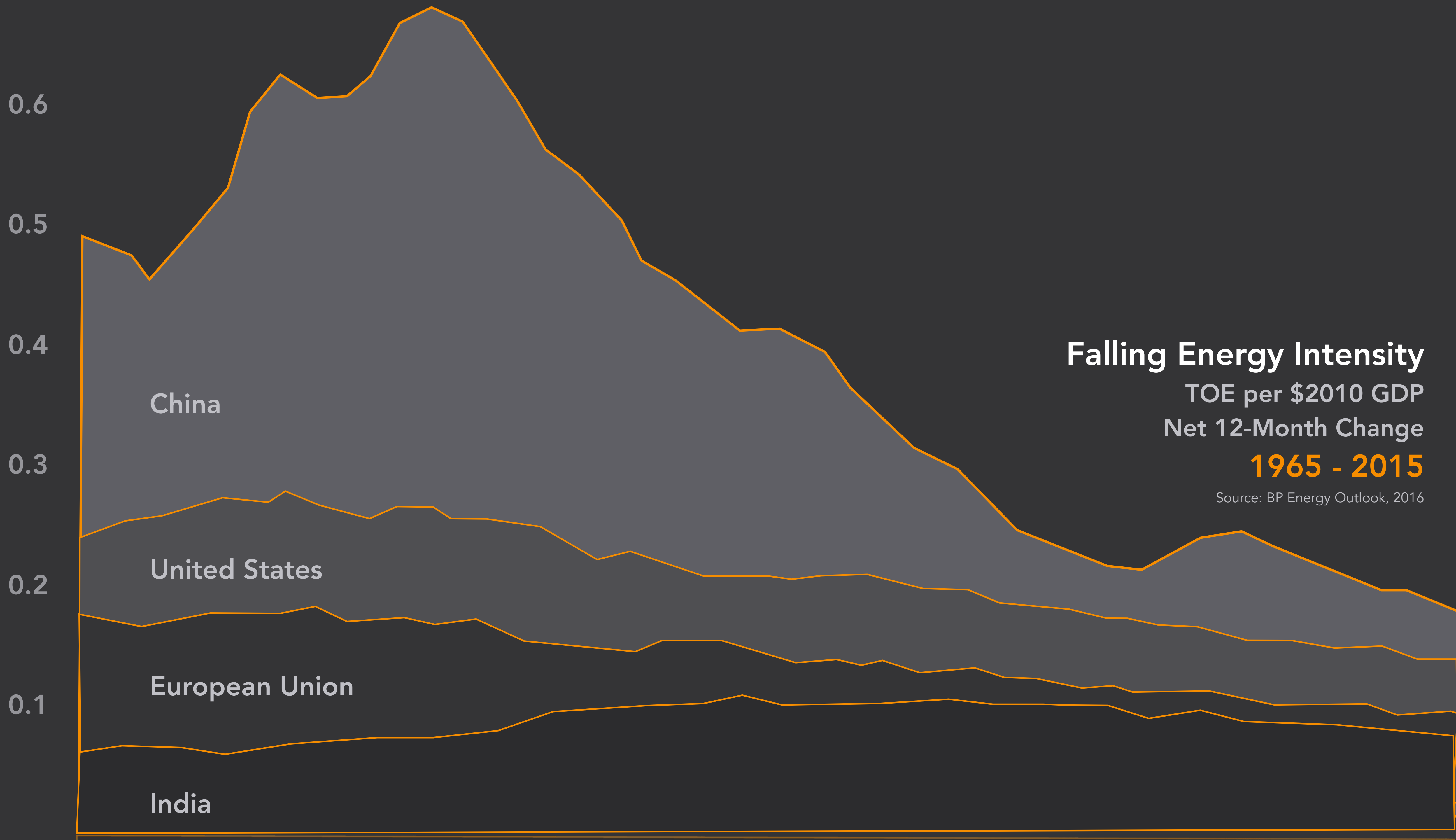
160

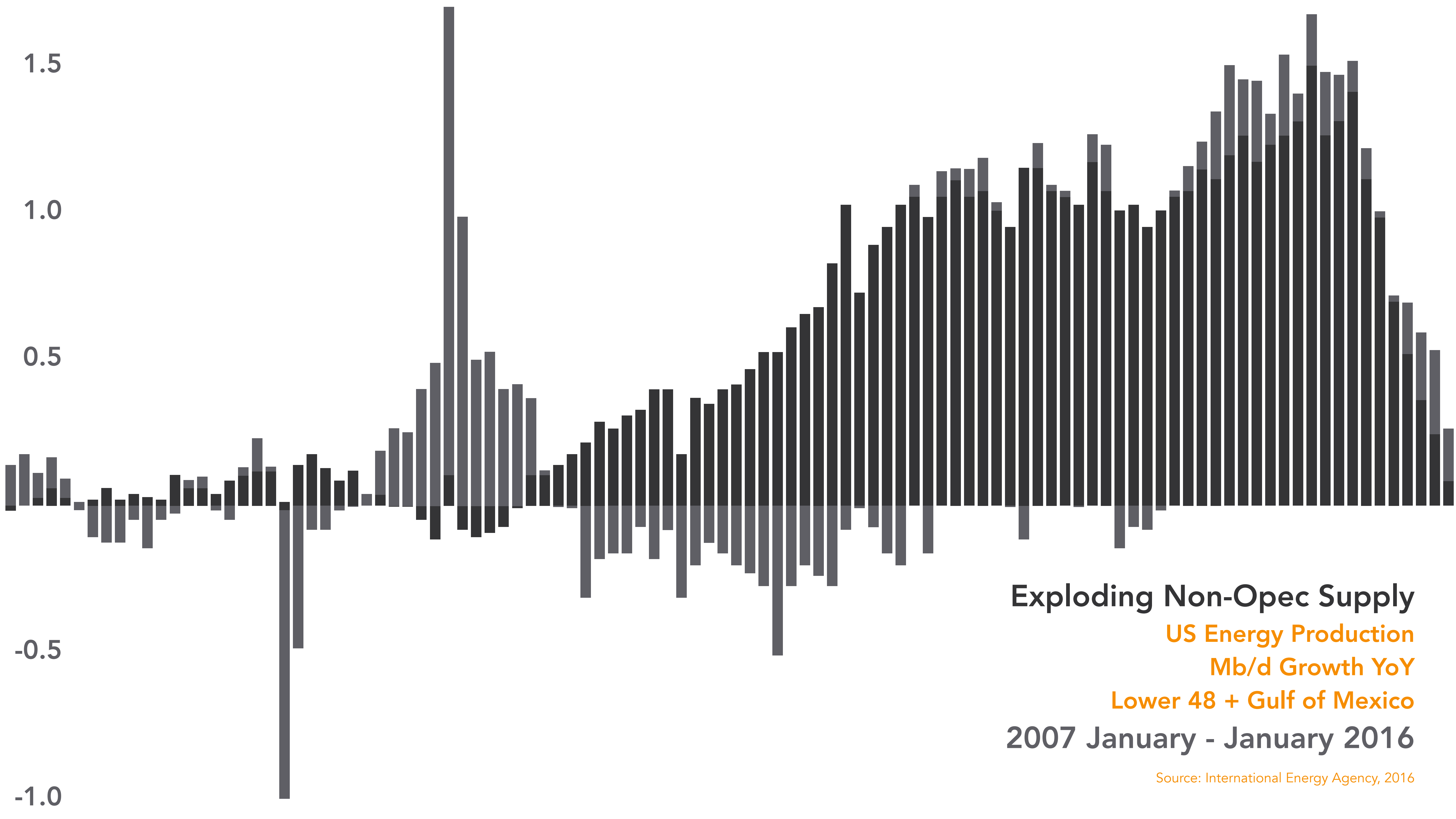
80











**Exploding Non-Opec Supply**

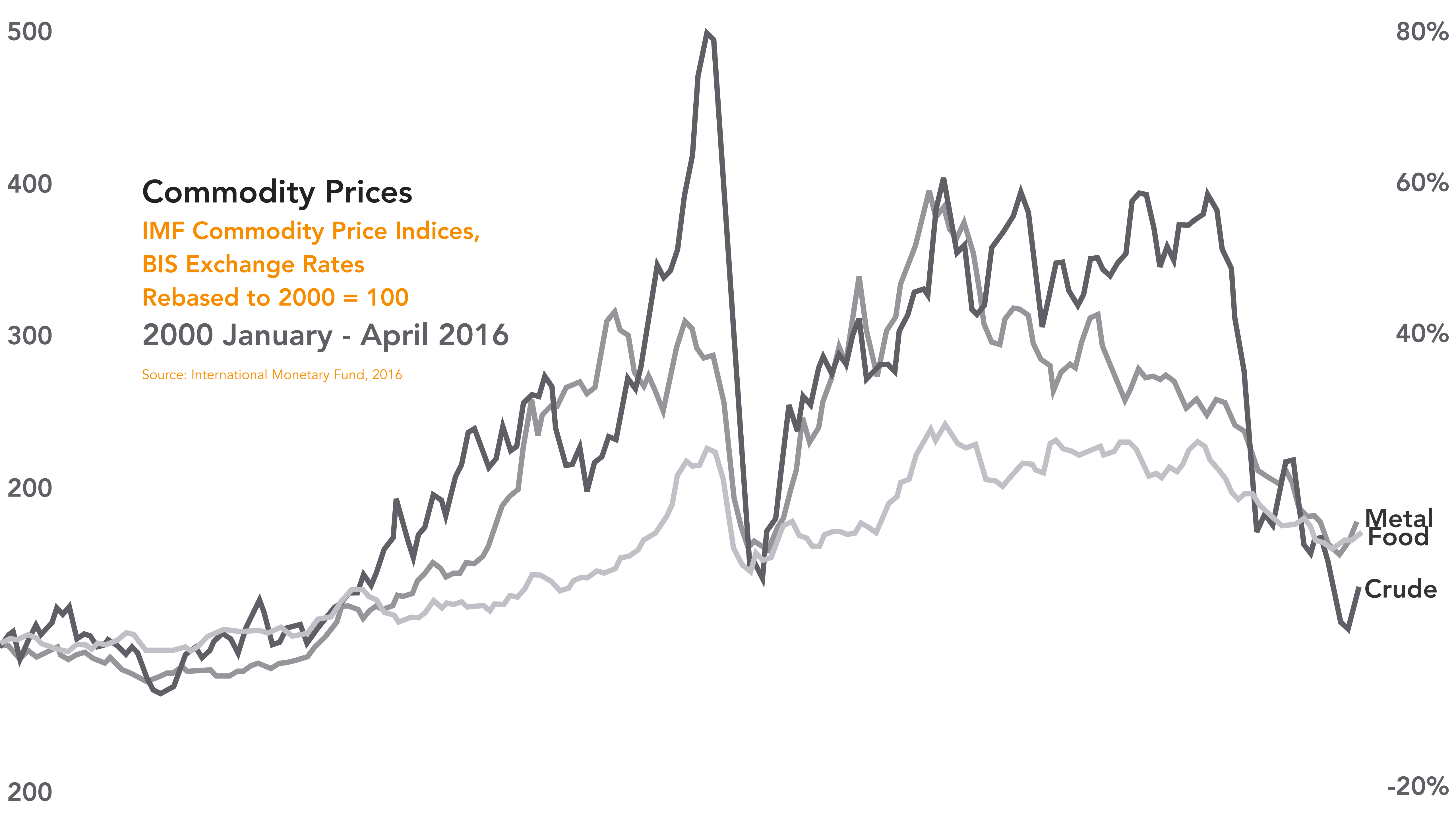
**US Energy Production**

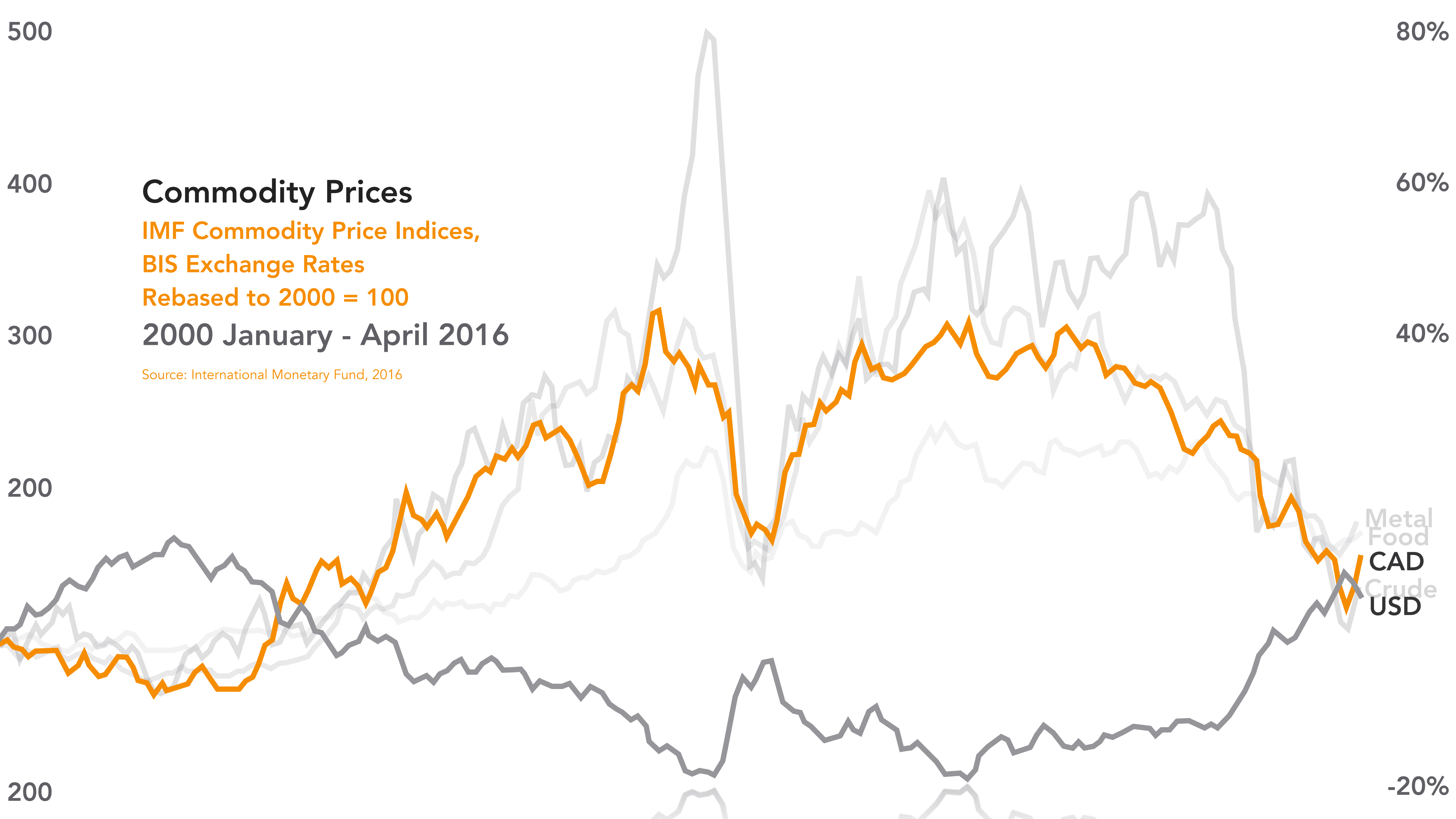
**Mb/d Growth YoY**

**Lower 48 + Gulf of Mexico**

**2007 January - January 2016**

Source: International Energy Agency, 2016

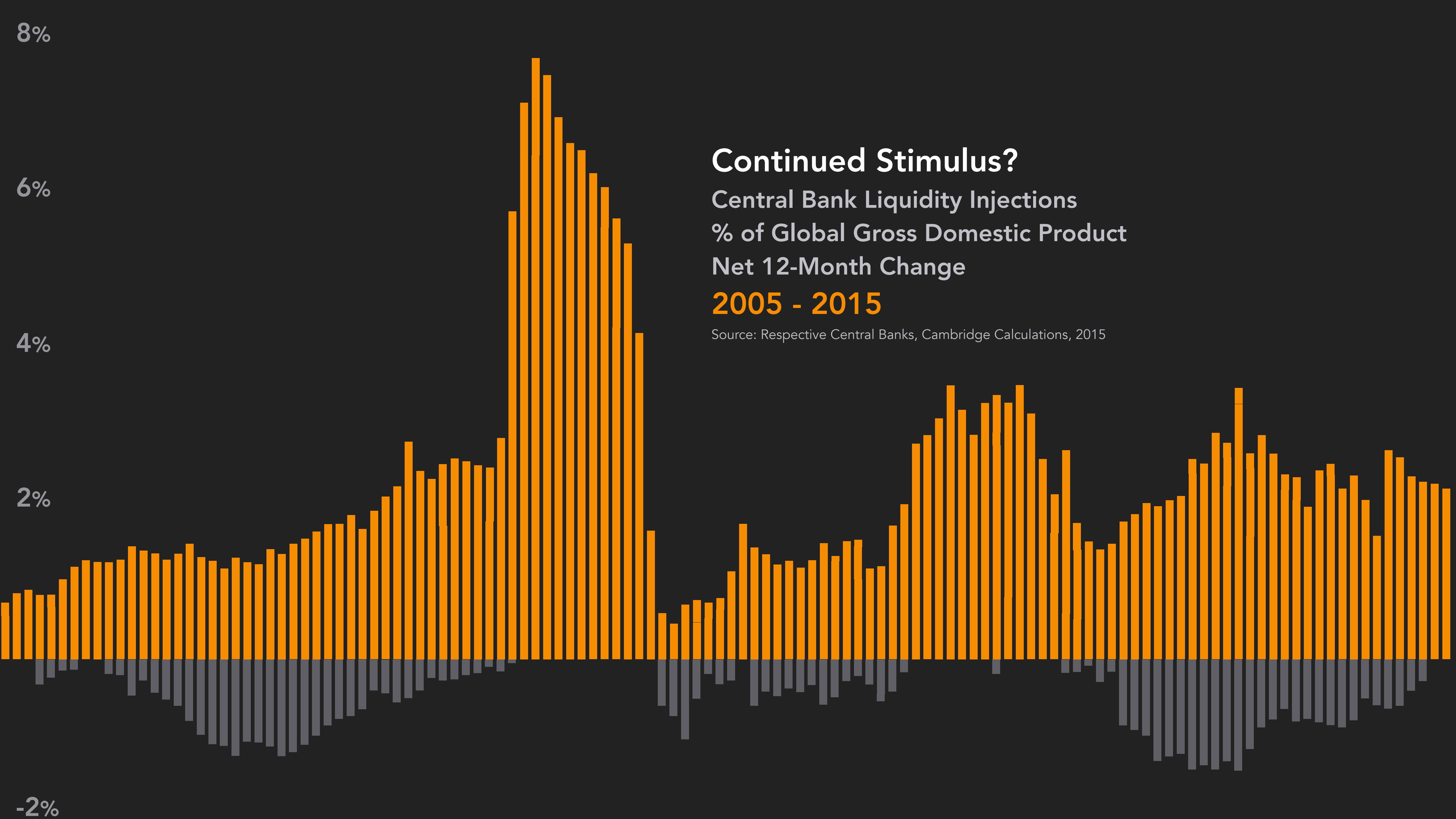




Bounce

What gets us in trouble isn't what we know. It's what we know that just ain't so.

Mark Twain

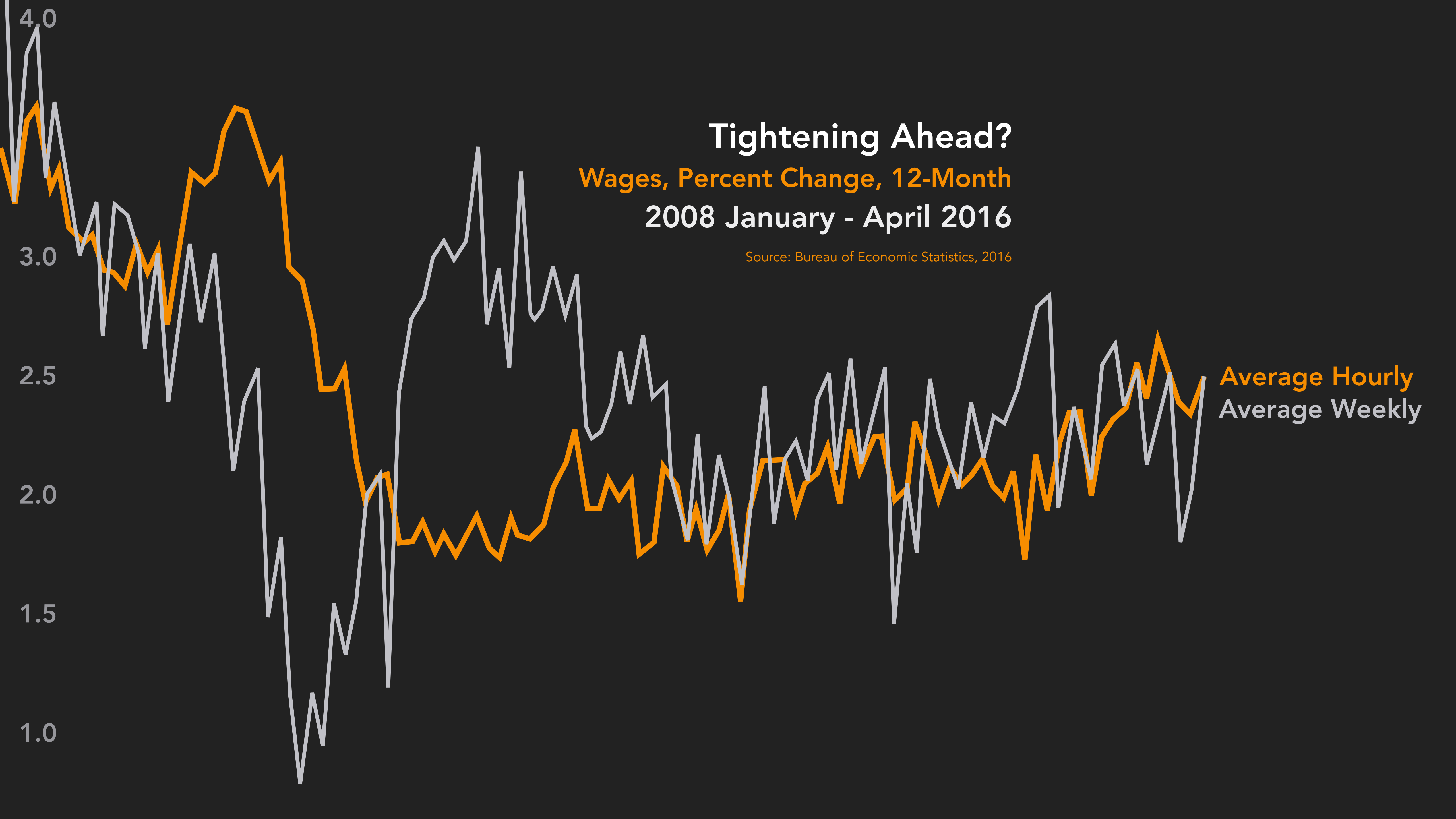


# Continued Stimulus?

Central Bank Liquidity Injections  
% of Global Gross Domestic Product  
Net 12-Month Change

2005 - 2015

Source: Respective Central Banks, Cambridge Calculations, 2015



3t

2t

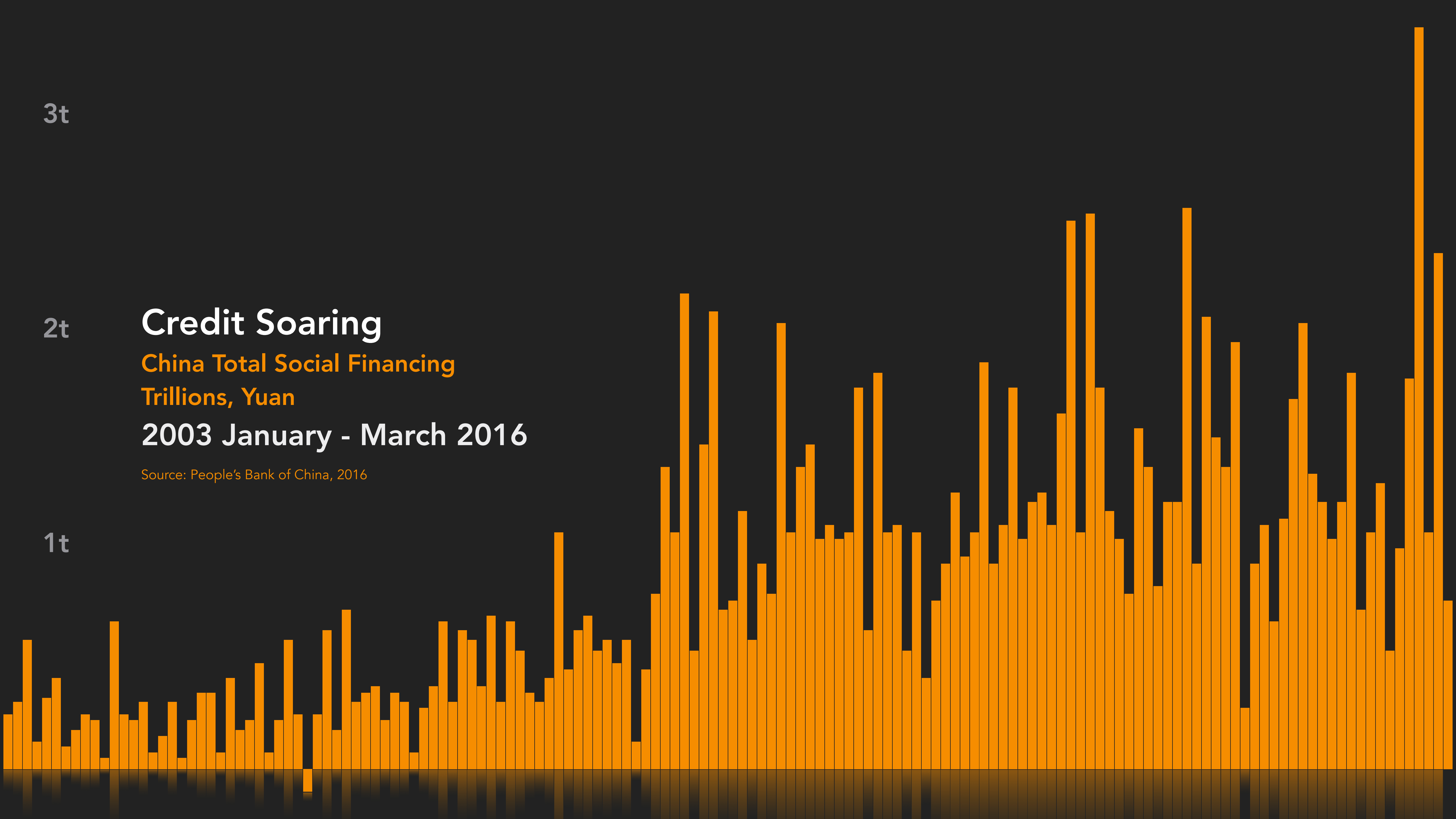
1t

# Credit Soaring

China Total Social Financing  
Trillions, Yuan

## 2003 January - March 2016

Source: People's Bank of China, 2016



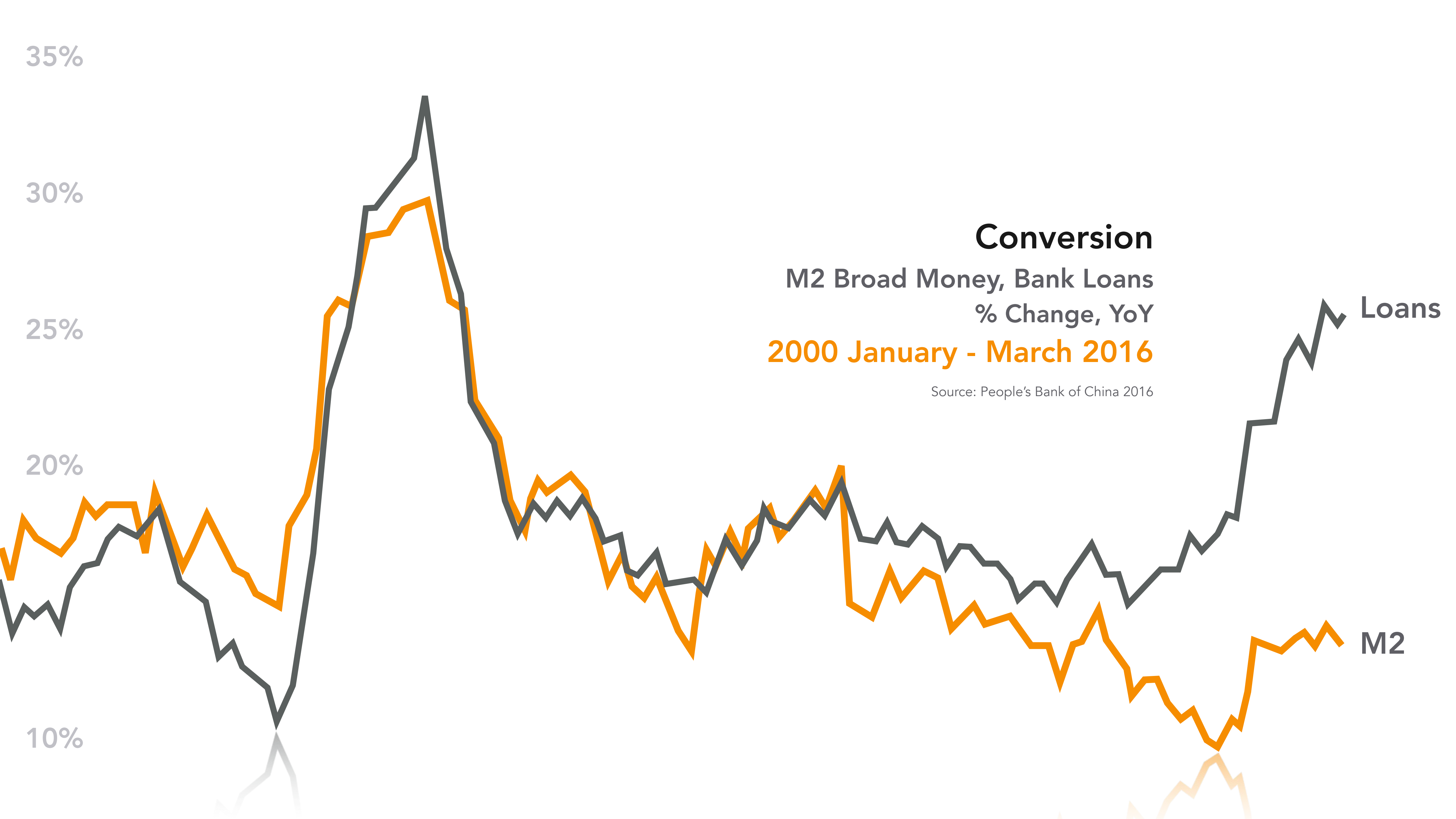


35%  
30%  
25%  
20%  
10%

**Conversion**  
M2 Broad Money, Bank Loans  
% Change, YoY  
2000 January - March 2016

Source: People's Bank of China 2016

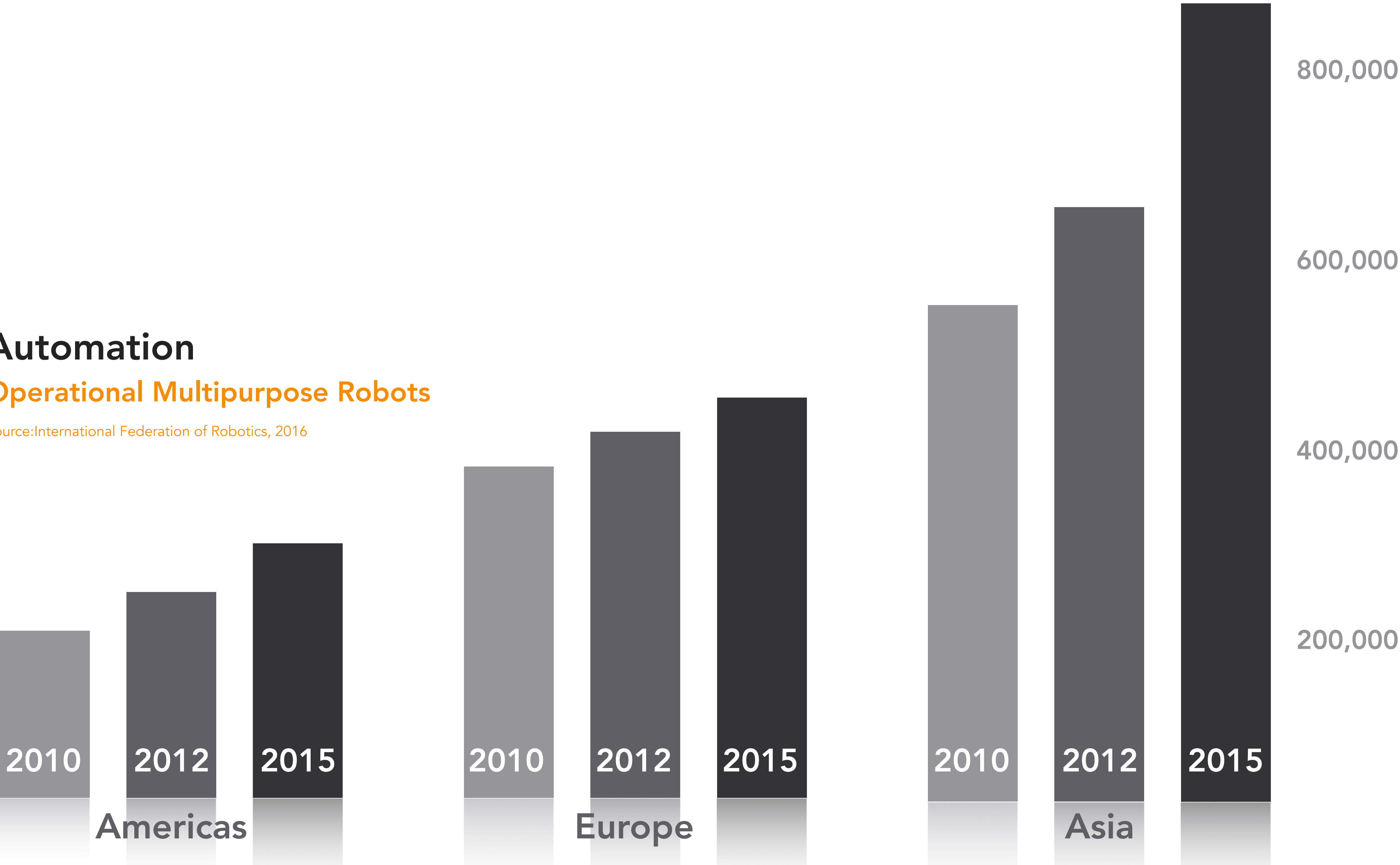
Loans  
M2

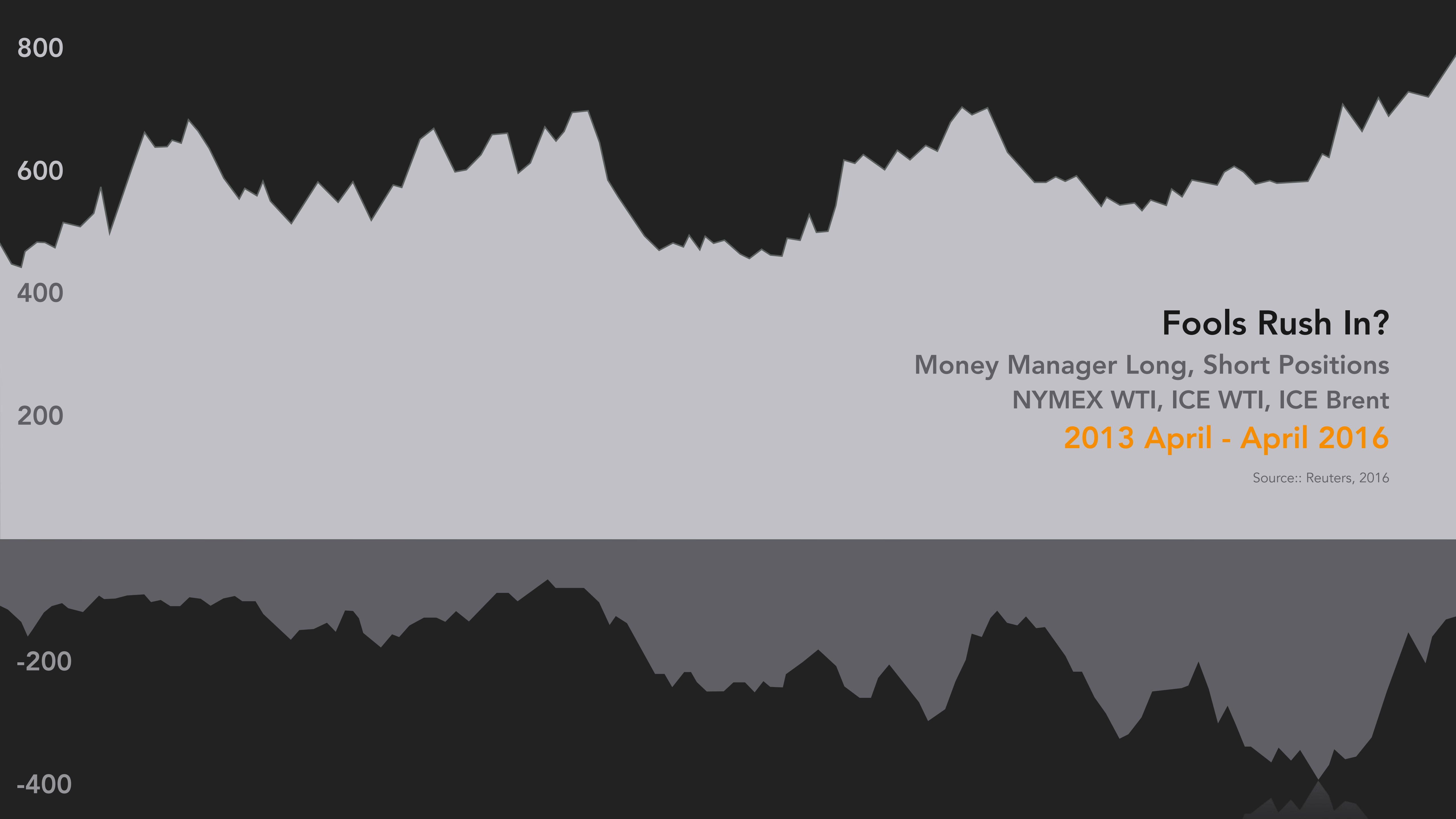


# Automation

## Operational Multipurpose Robots

Source:International Federation of Robotics, 2016





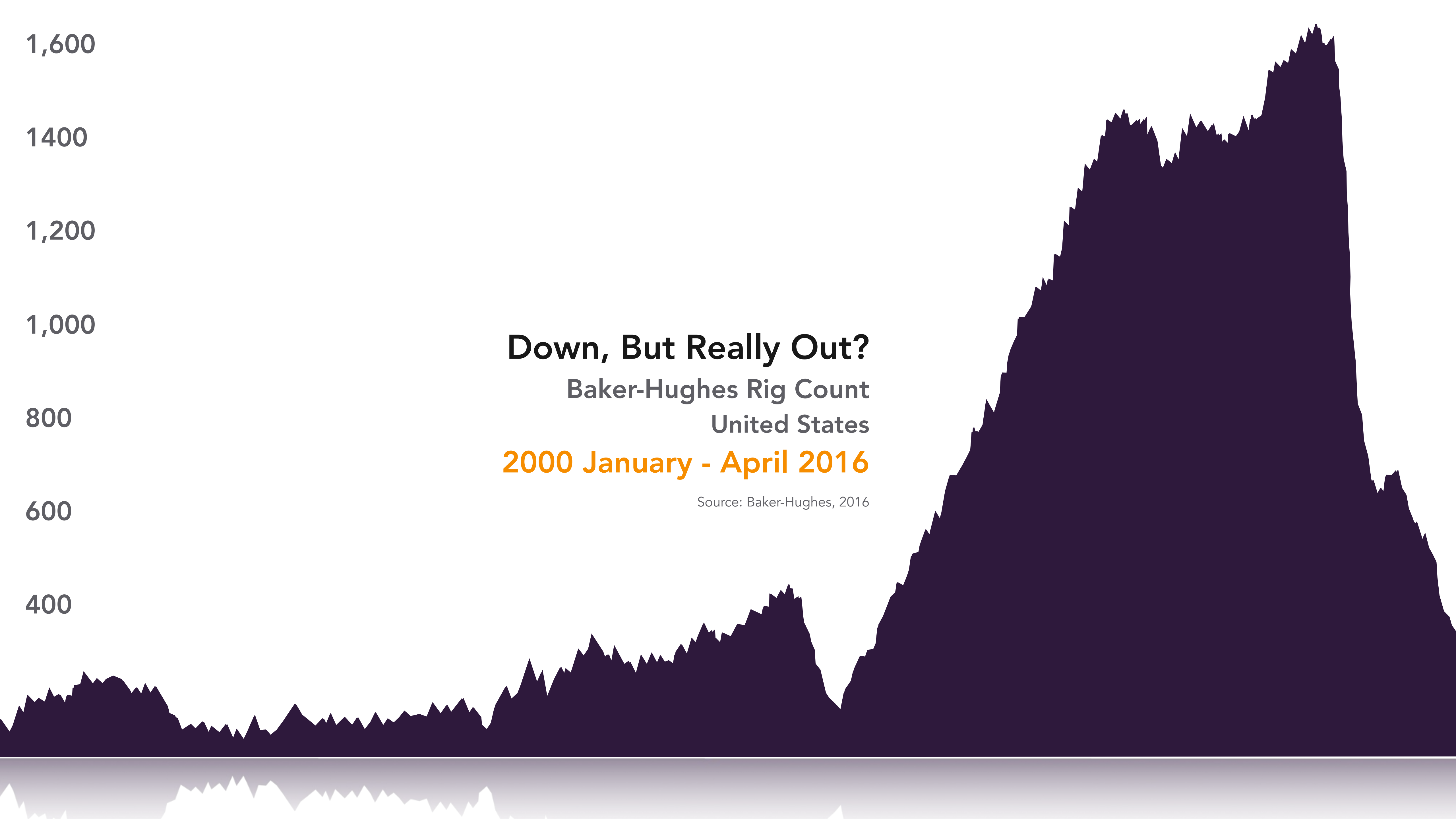
## Fools Rush In?

Money Manager Long, Short Positions

NYMEX WTI, ICE WTI, ICE Brent

2013 April - April 2016

Source:: Reuters, 2016

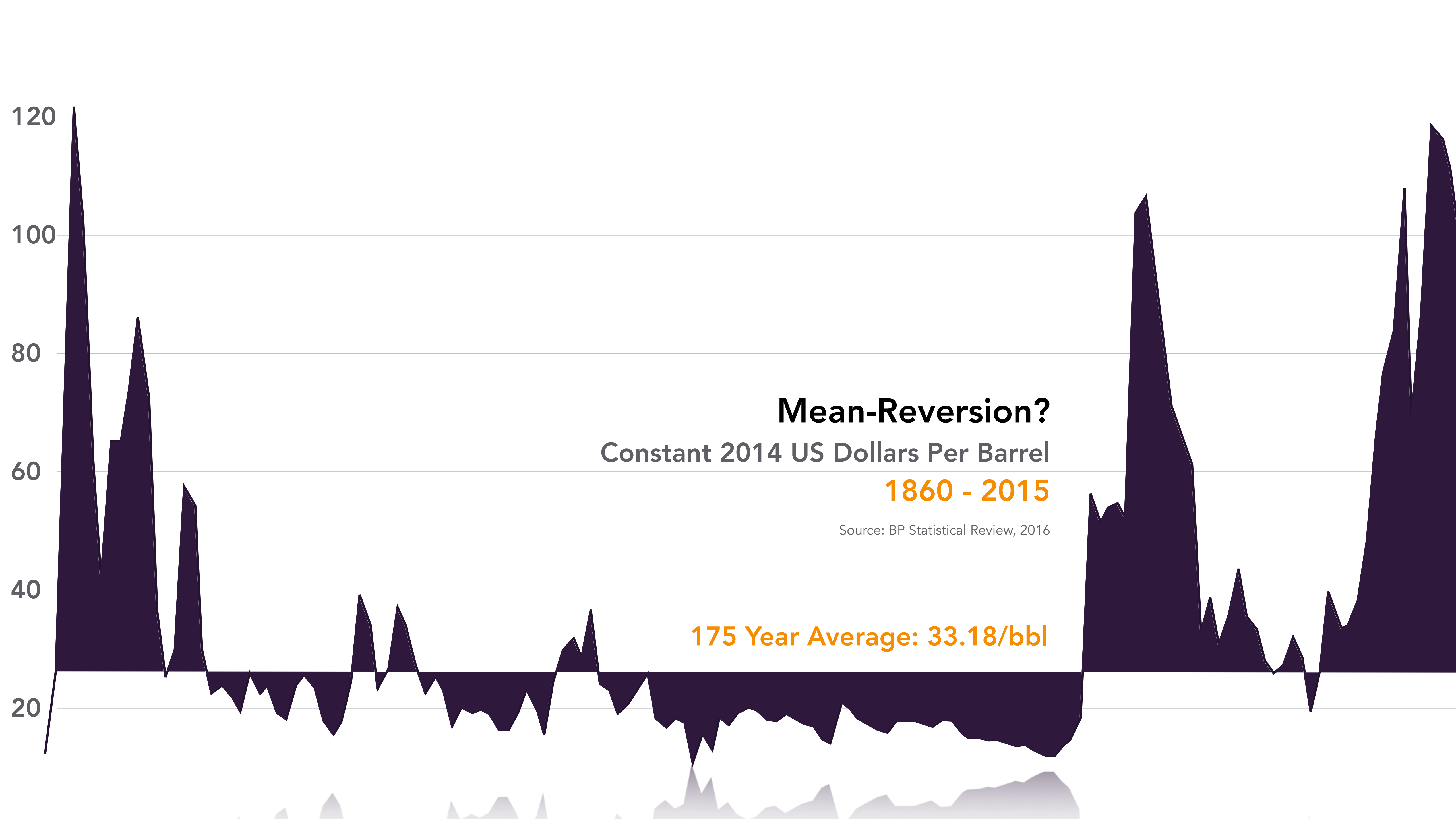


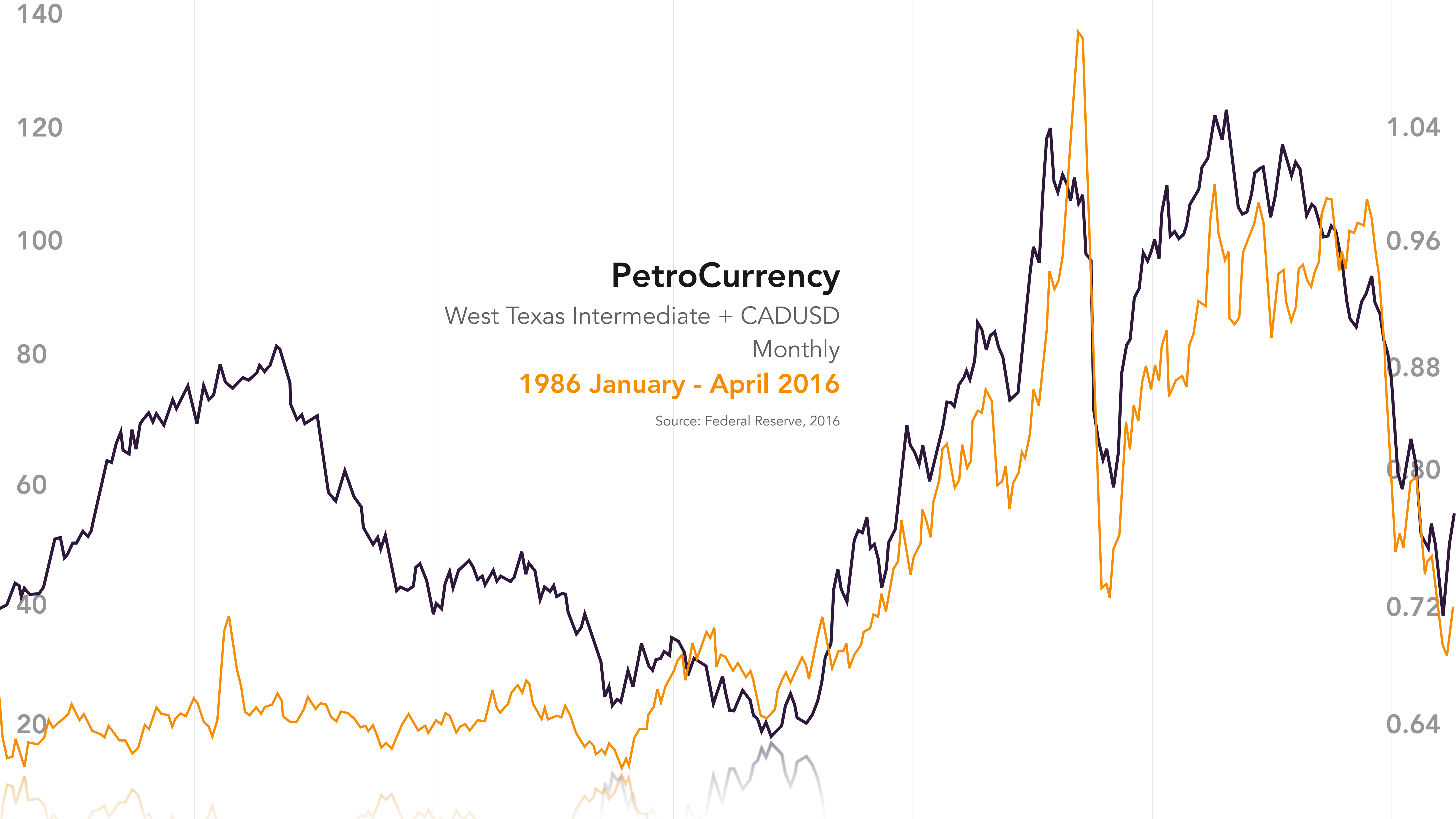
# Down, But Really Out?

Baker-Hughes Rig Count  
United States

2000 January - April 2016

Source: Baker-Hughes, 2016



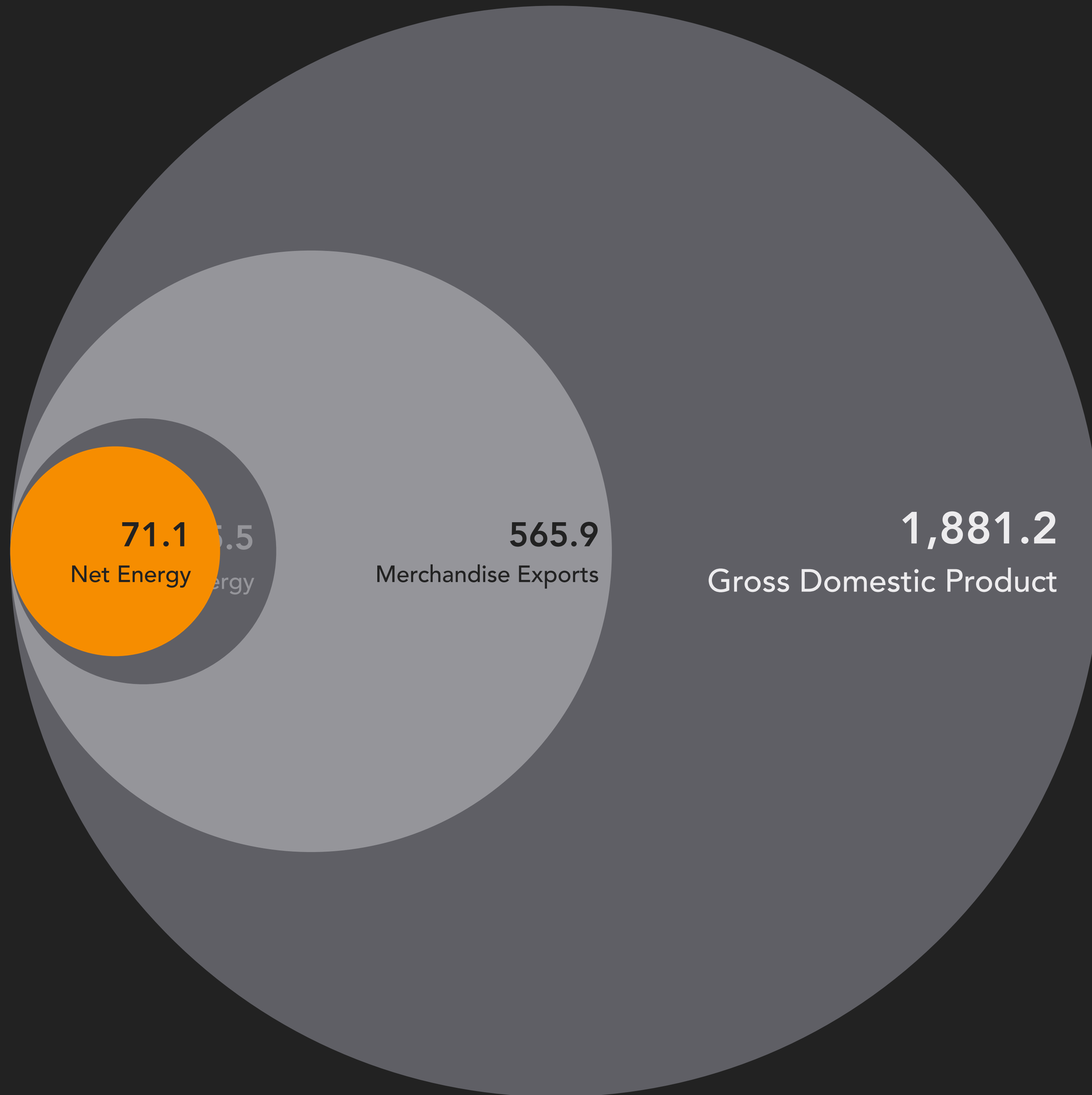


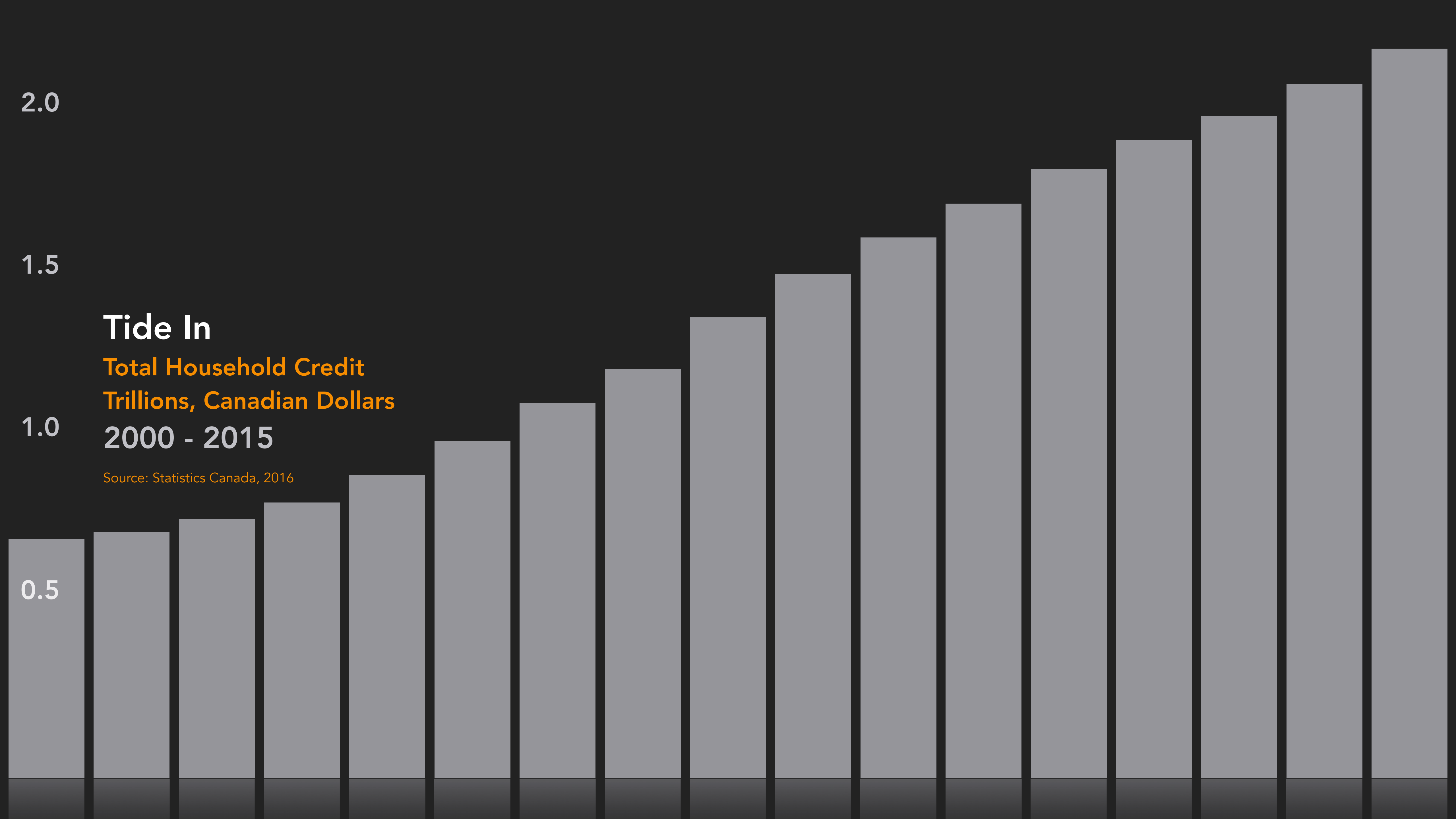
# Petro State?

Billions, CAD

2013

Source: Statistics Canada, 2014

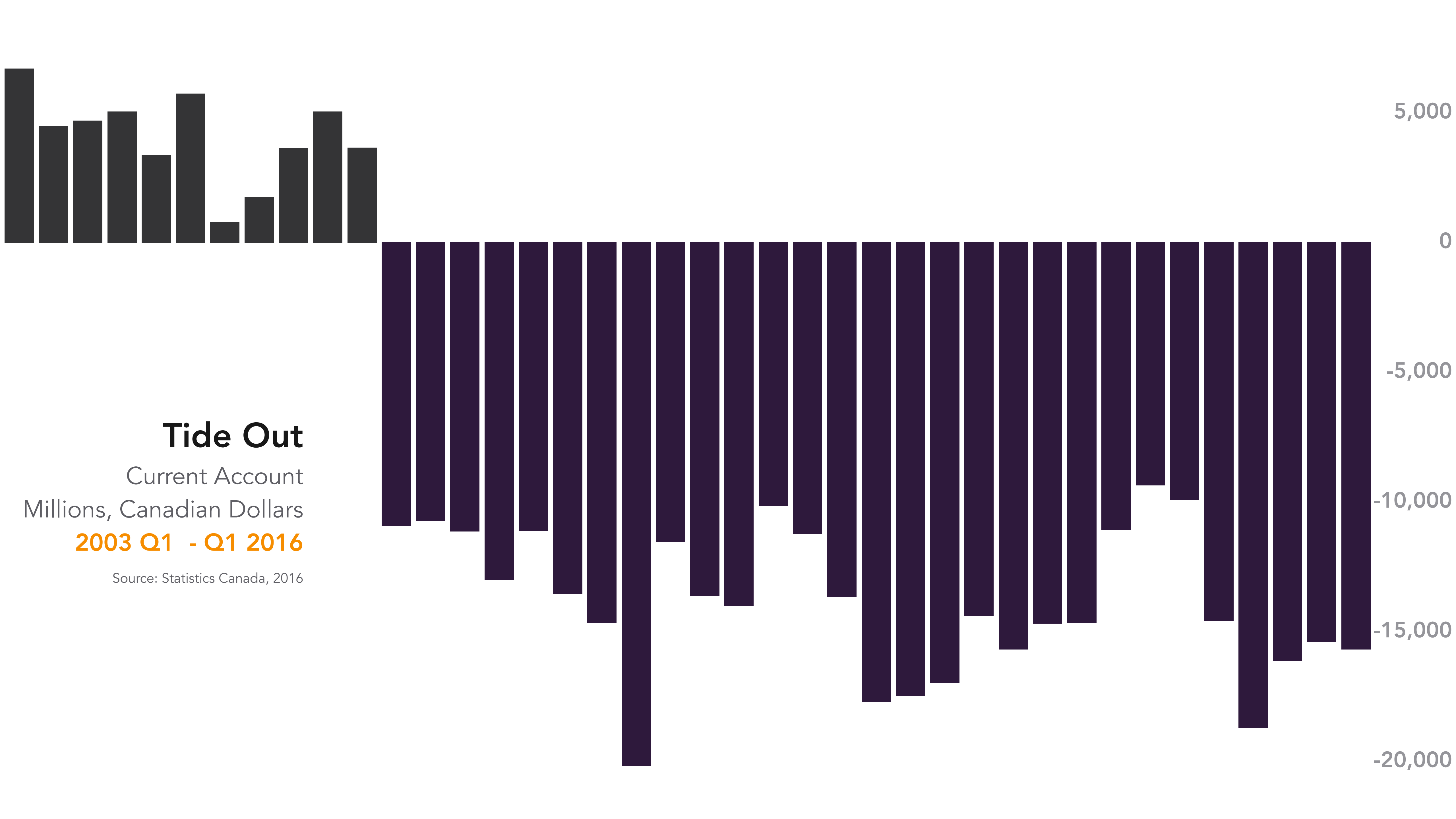


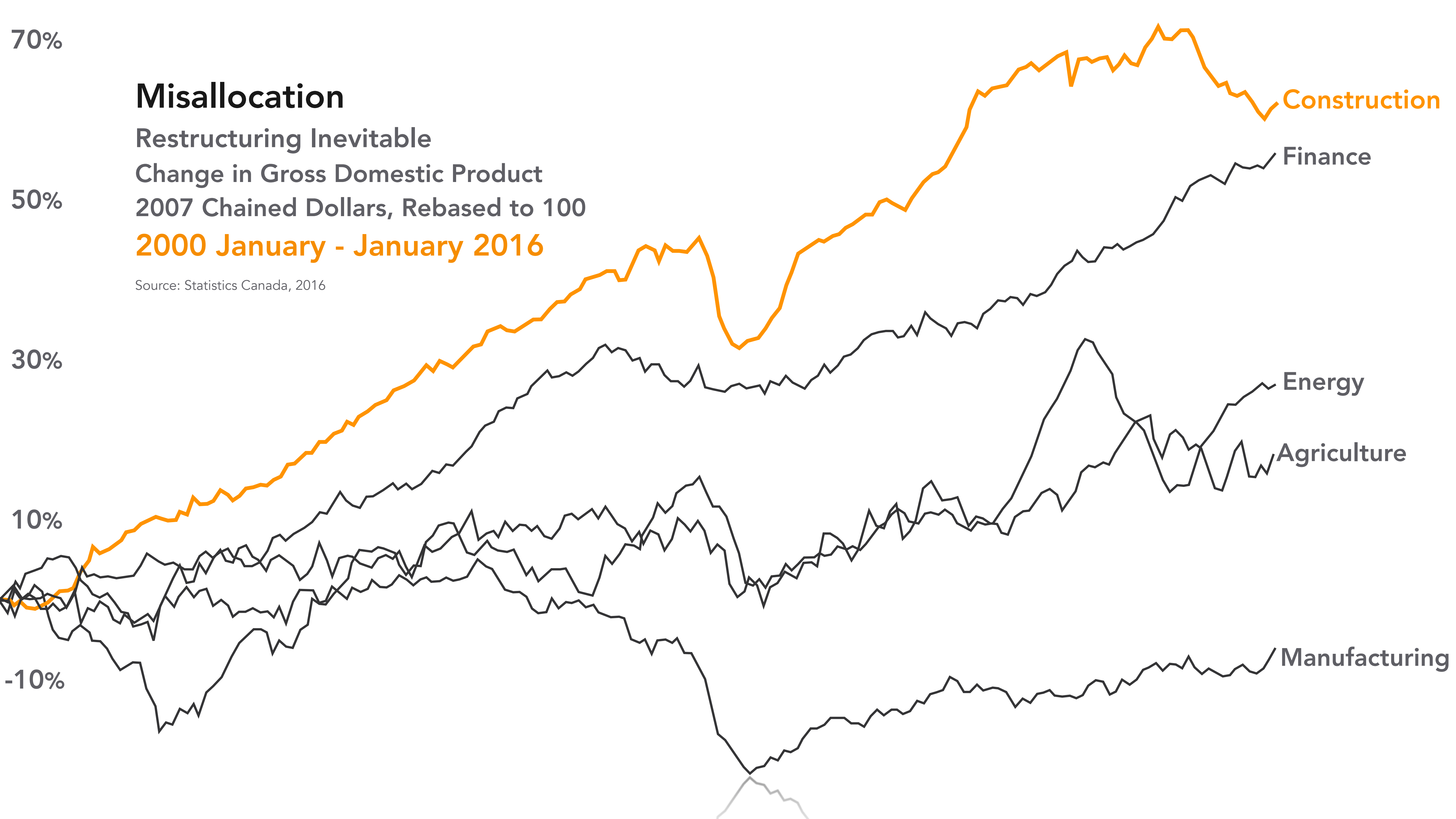


**Tide In**  
**Total Household Credit**  
**Trillions, Canadian Dollars**  
**2000 - 2015**

Source: Statistics Canada, 2016







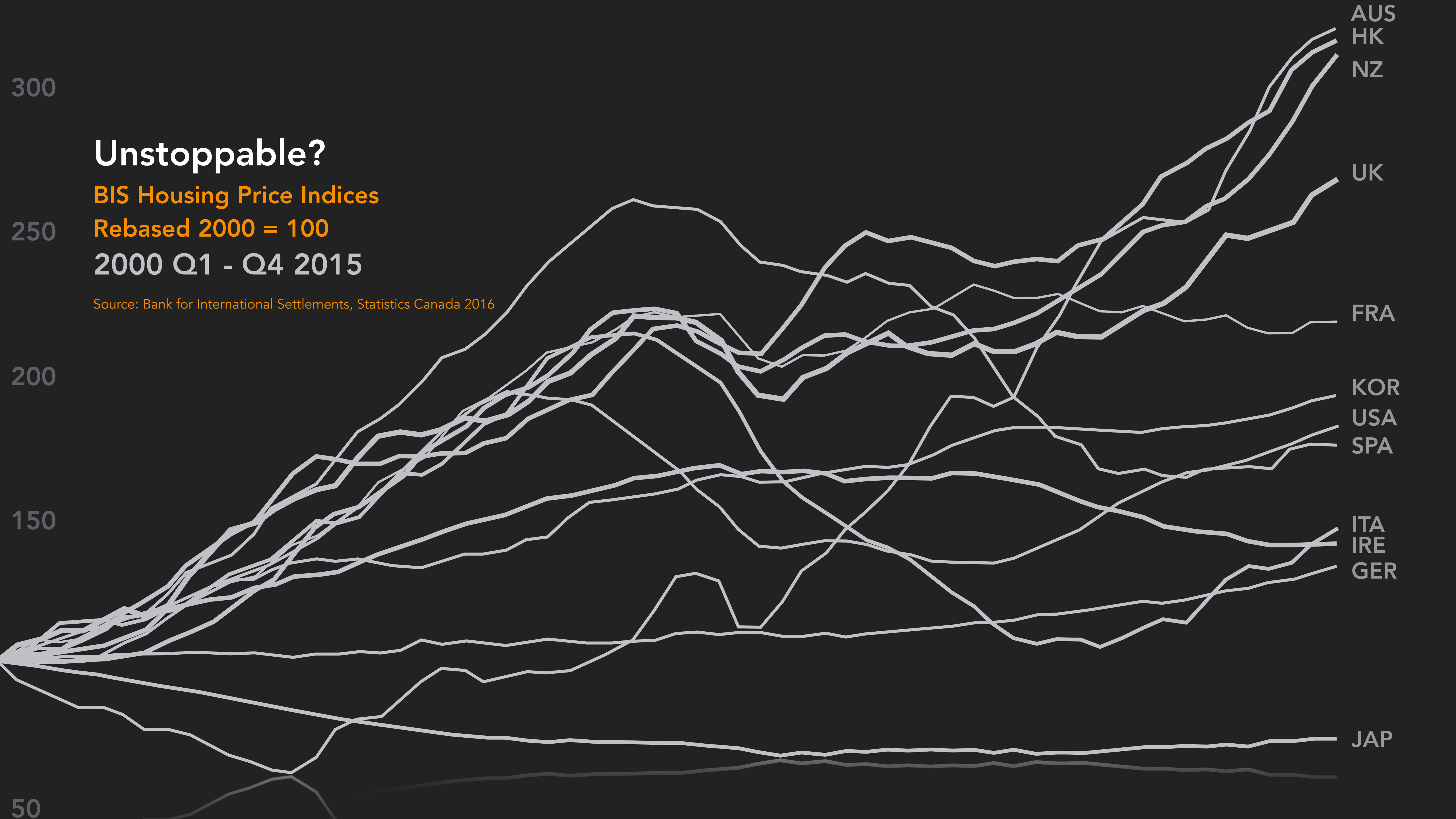
# Unstoppable?

BIS Housing Price Indices

Rebased 2000 = 100

2000 Q1 - Q4 2015

Source: Bank for International Settlements, Statistics Canada 2016



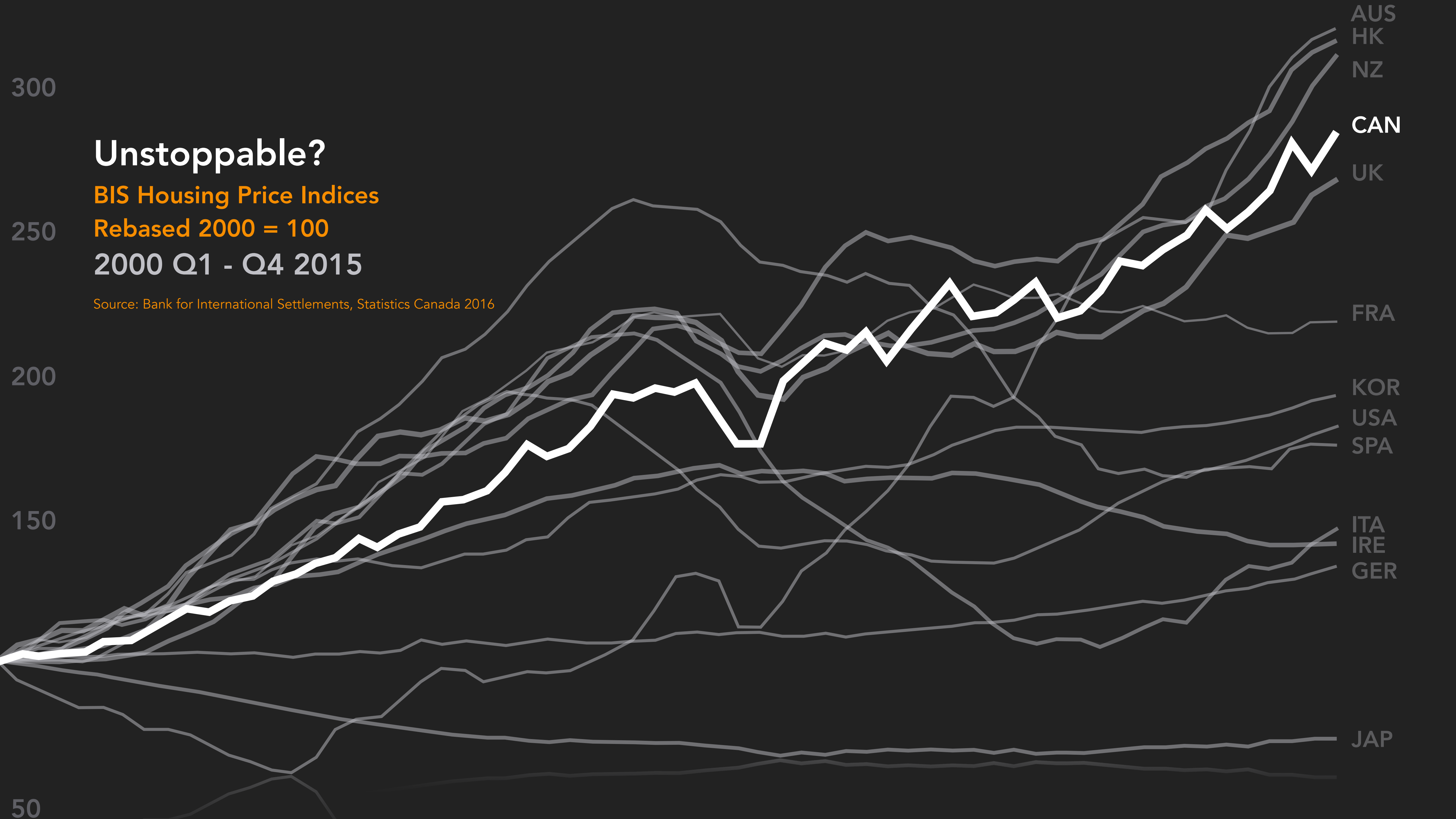
# Unstoppable?

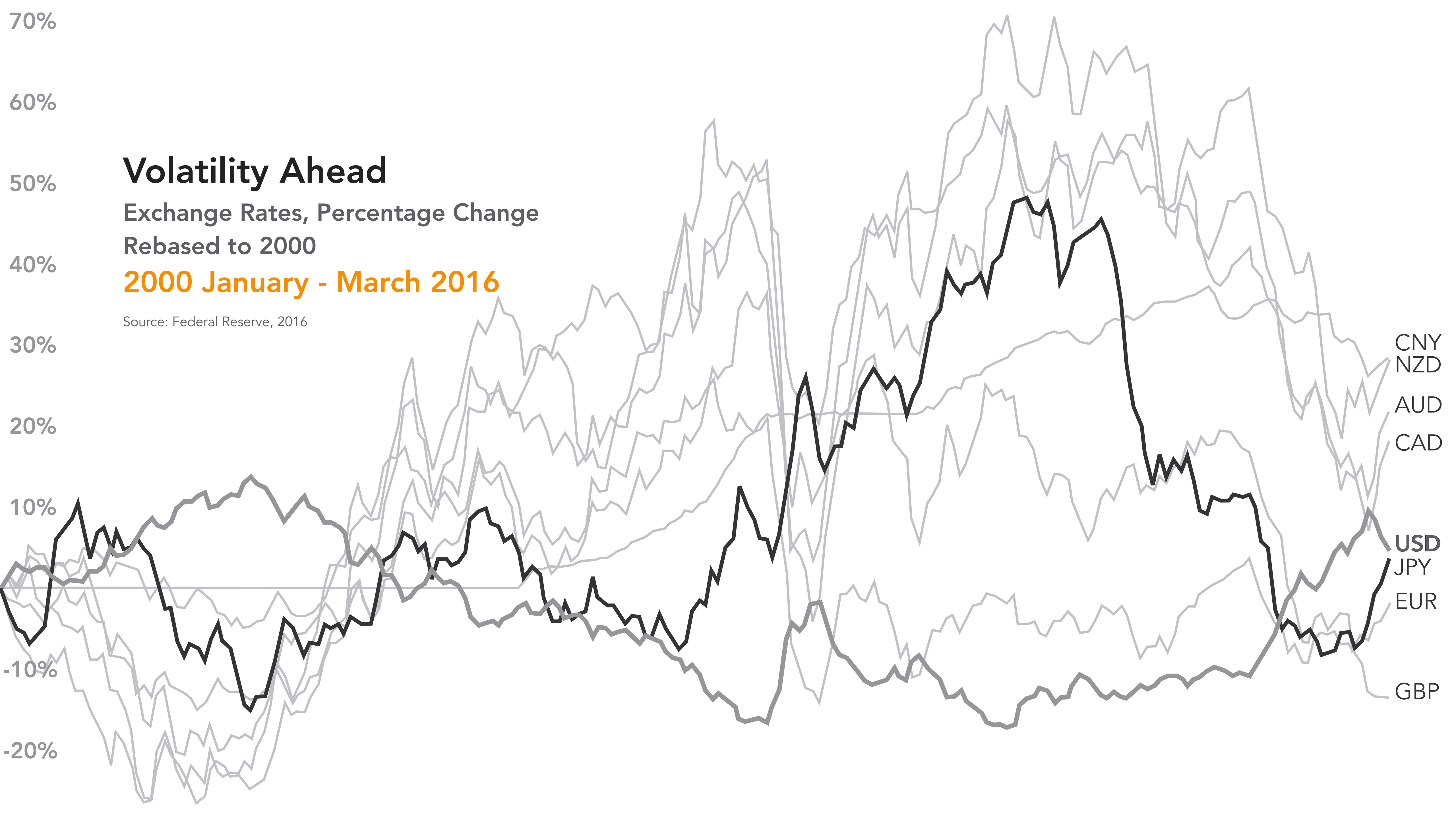
BIS Housing Price Indices

Rebased 2000 = 100

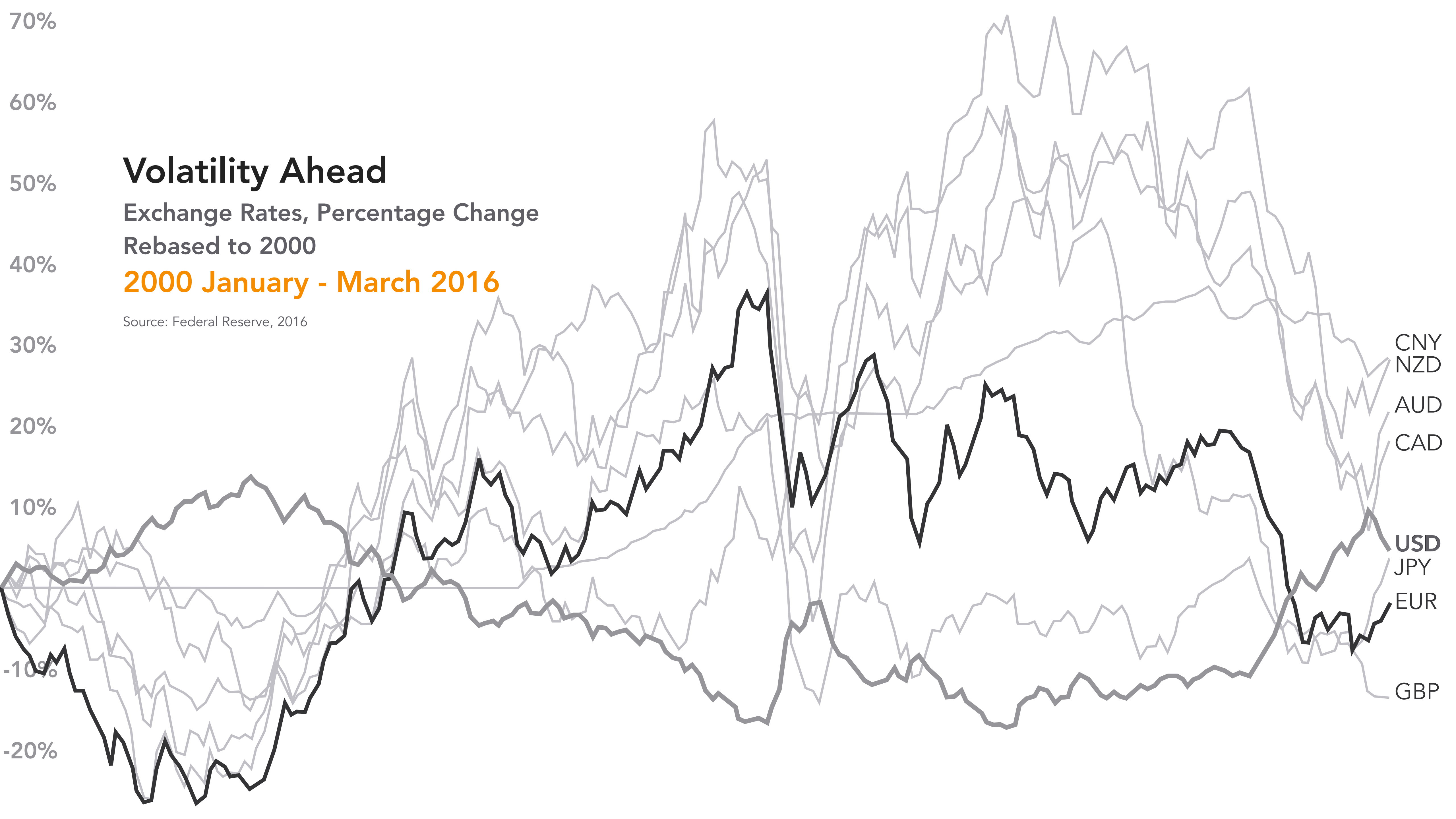
2000 Q1 - Q4 2015

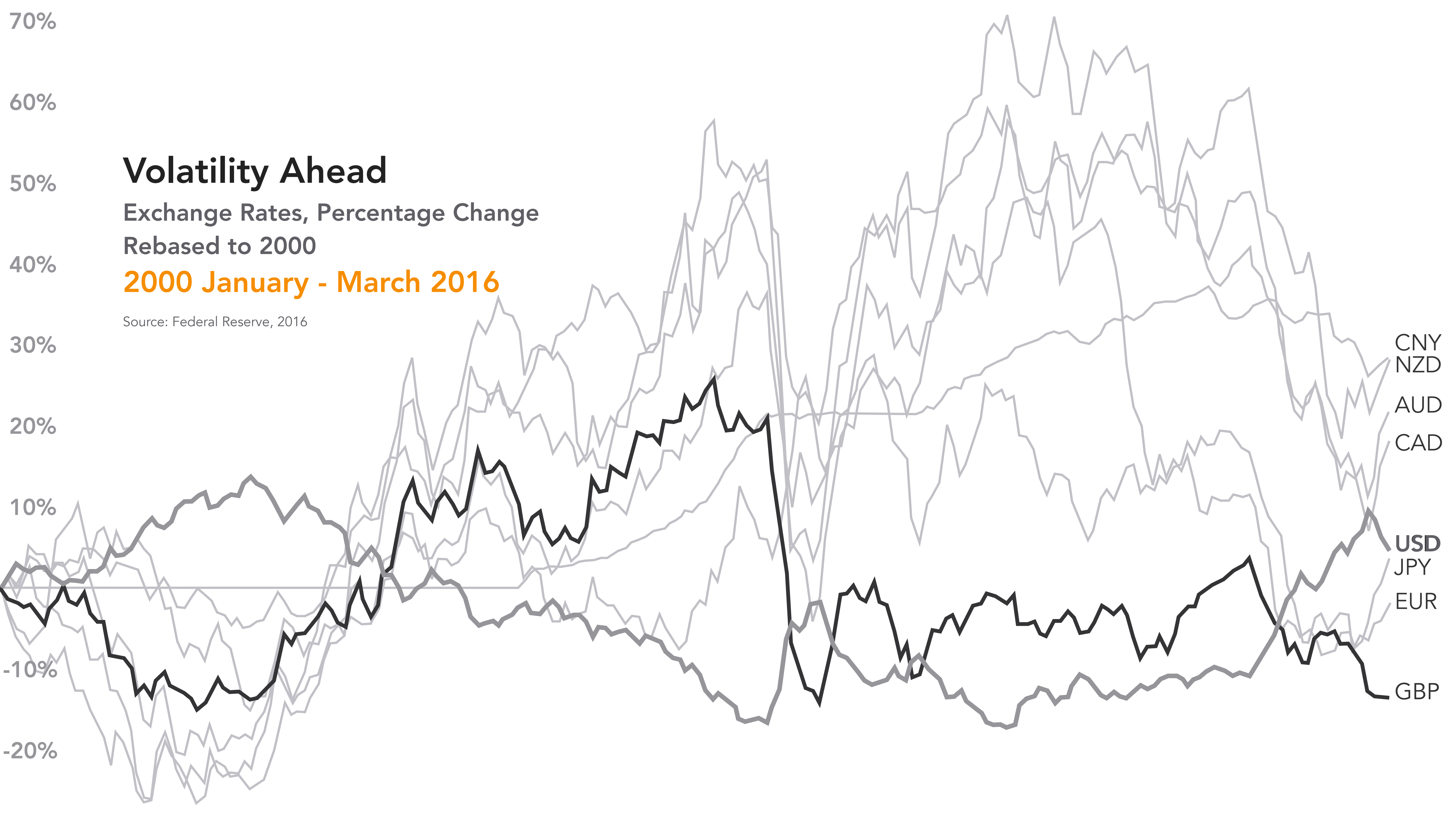
Source: Bank for International Settlements, Statistics Canada 2016

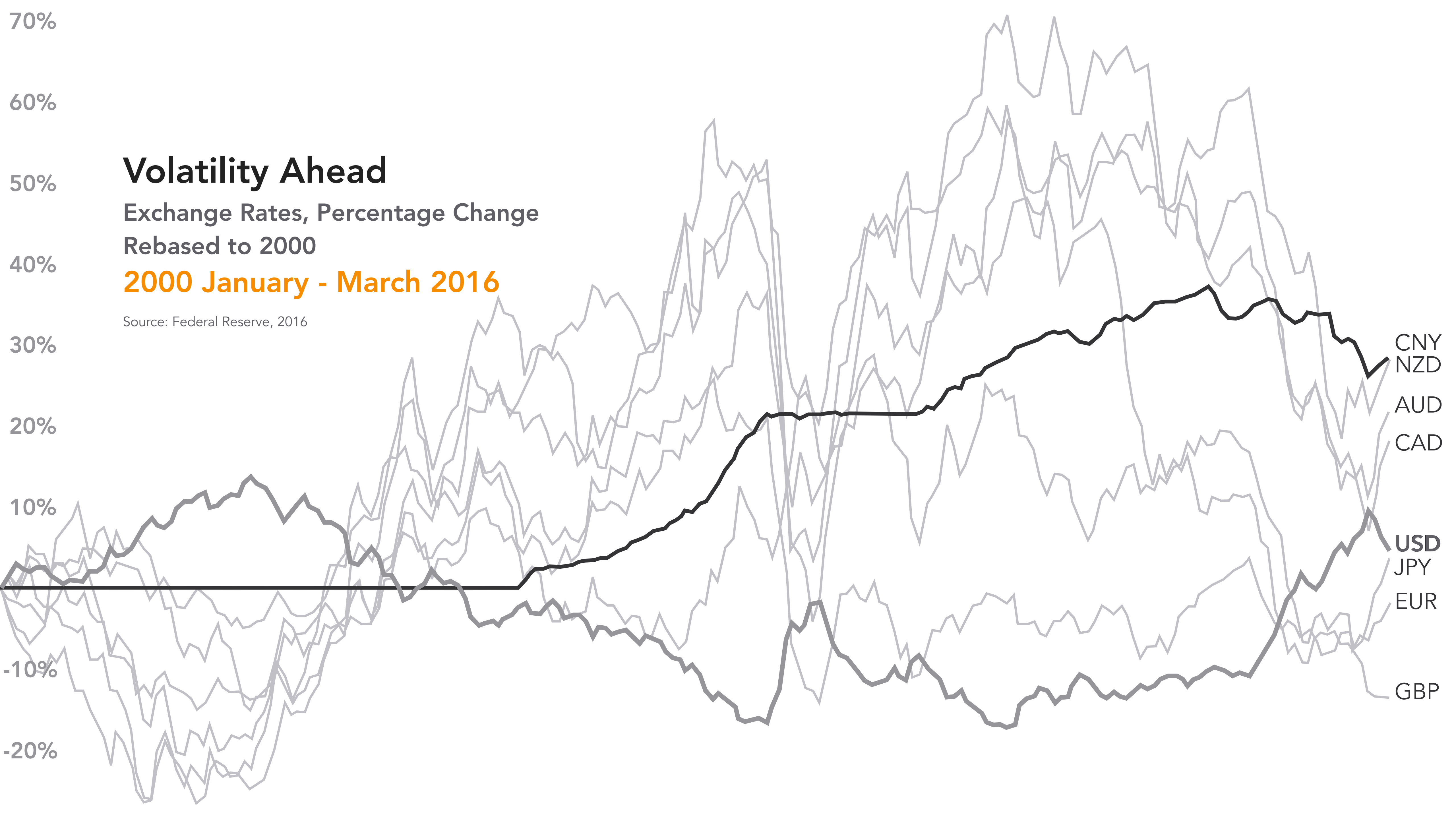




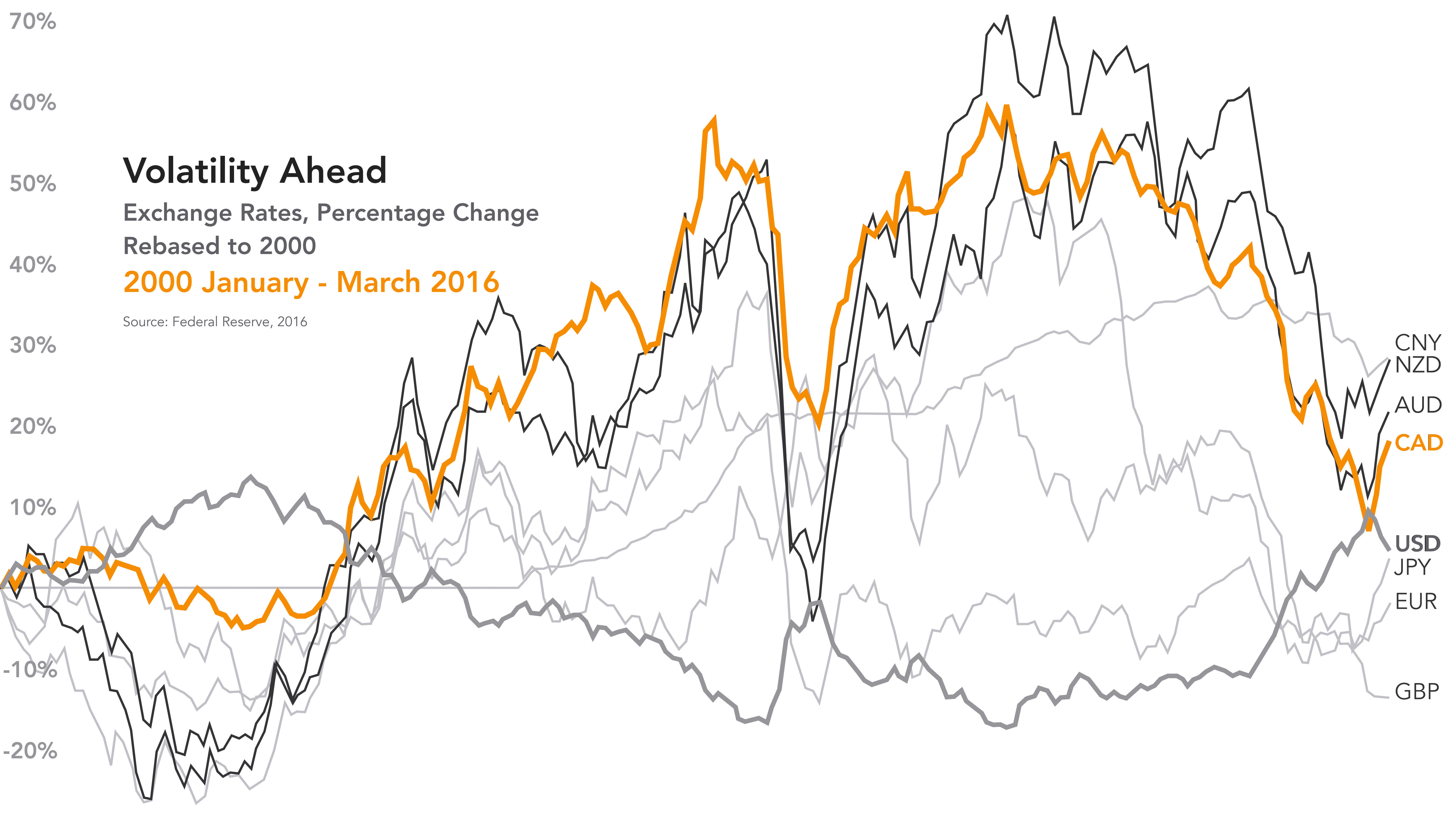












John Kenneth Galbraith

The **only** function of economic forecasting  
is to make **astrology** look respectable.

Derivatives use is associated with lower cashflow volatility, lower standard deviation of stock returns, lower systematic risk and slightly higher market values.

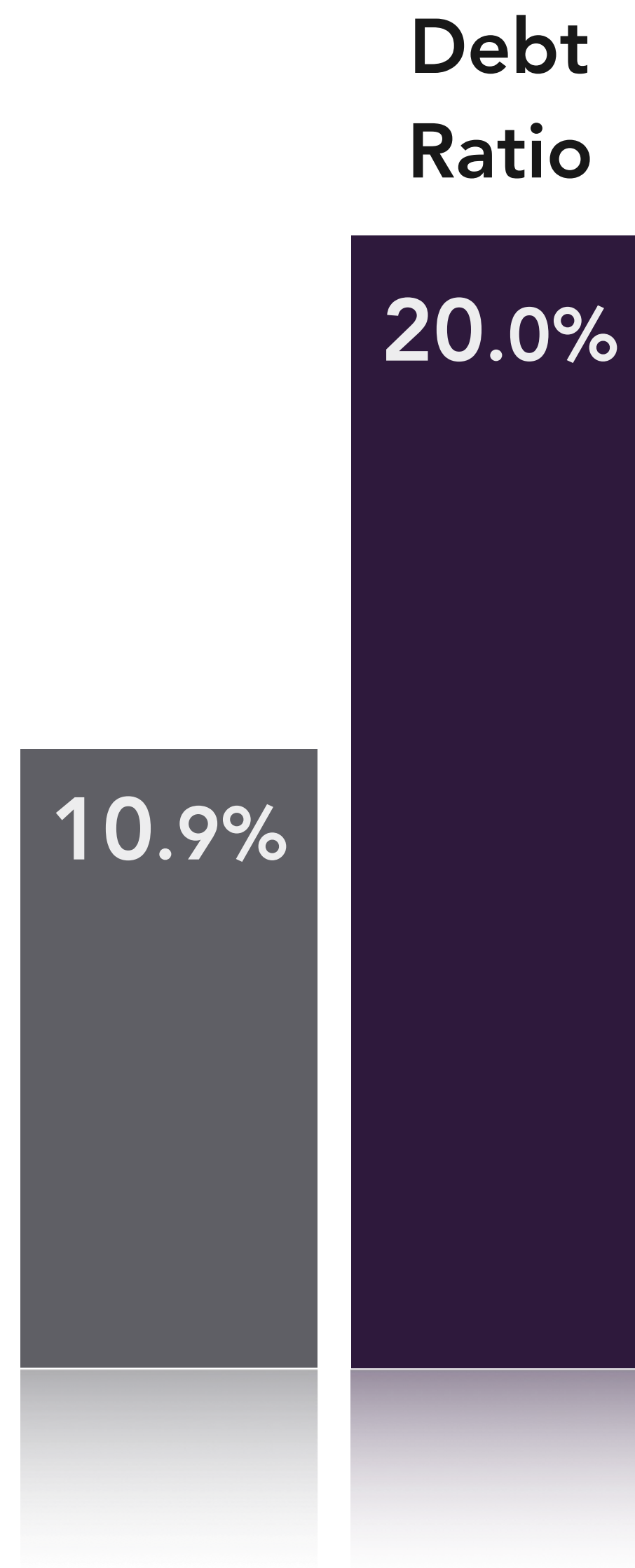
Use of Financial Derivatives by Canadian Firms  
Bank of Canada, 2014

# Hedging Pays

## TSX-Listed Companies

### 2005 - 2013

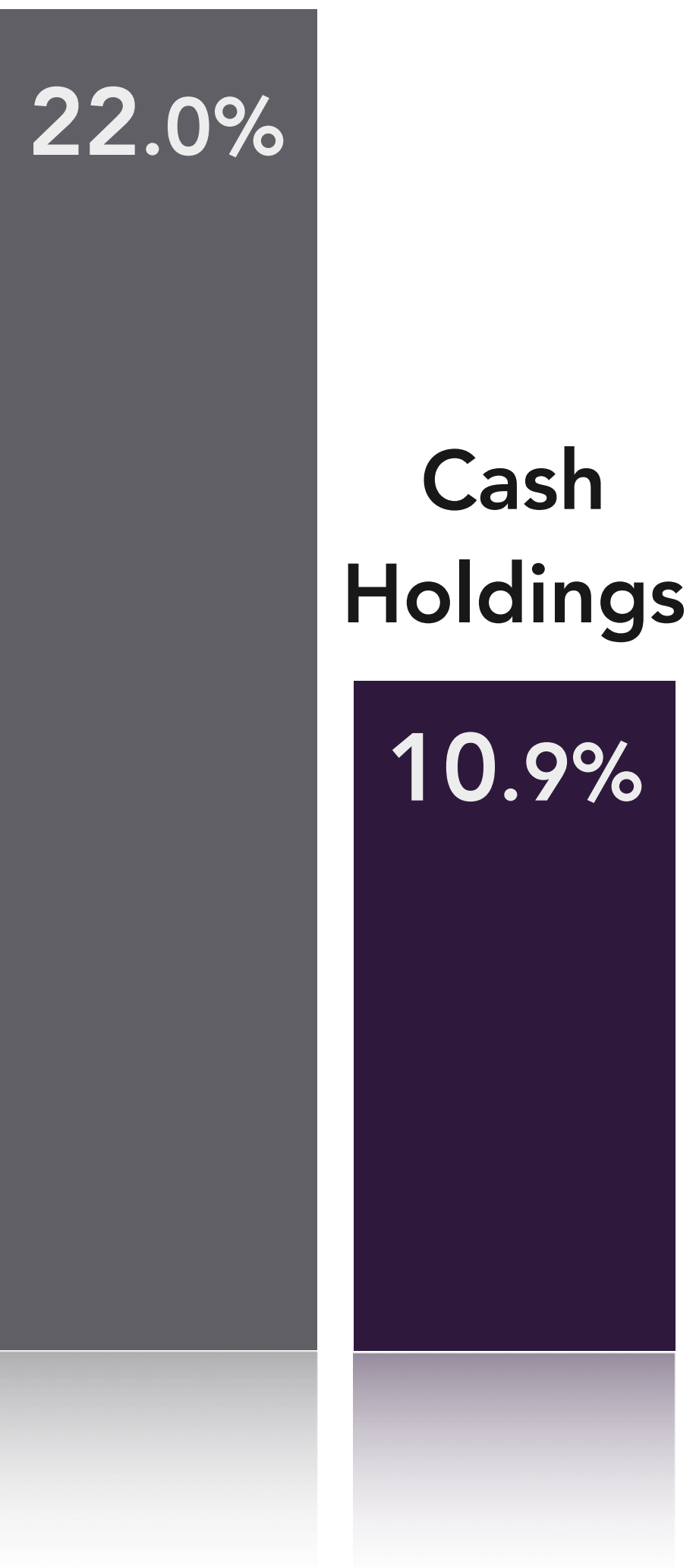
Source: Bank of Canada, 2015



-5.3%

# Hedging Pays TSX-Listed Companies 2005 - 2013

Source: Bank of Canada, 2015

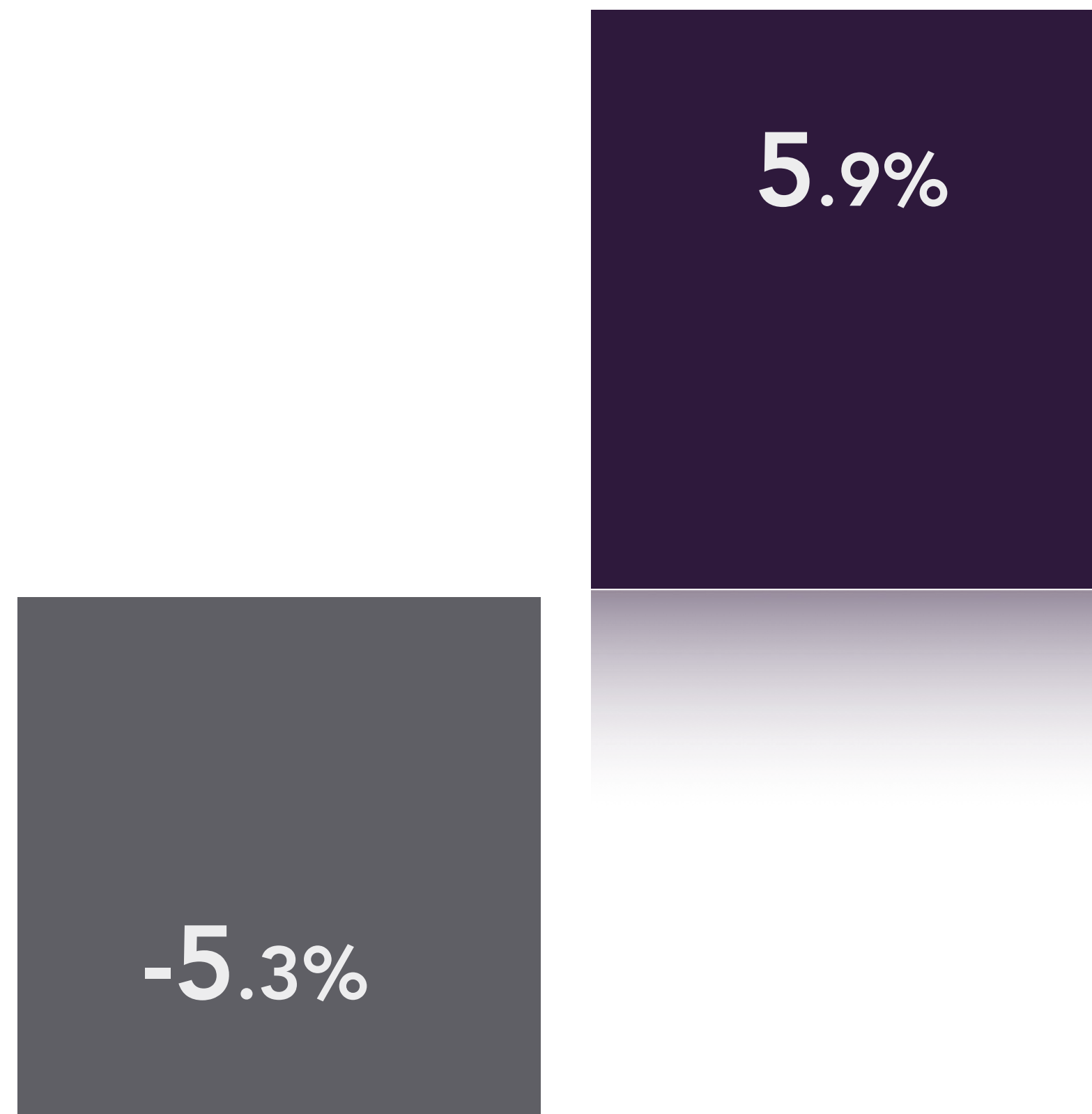


-5.3%

## Return On Assets

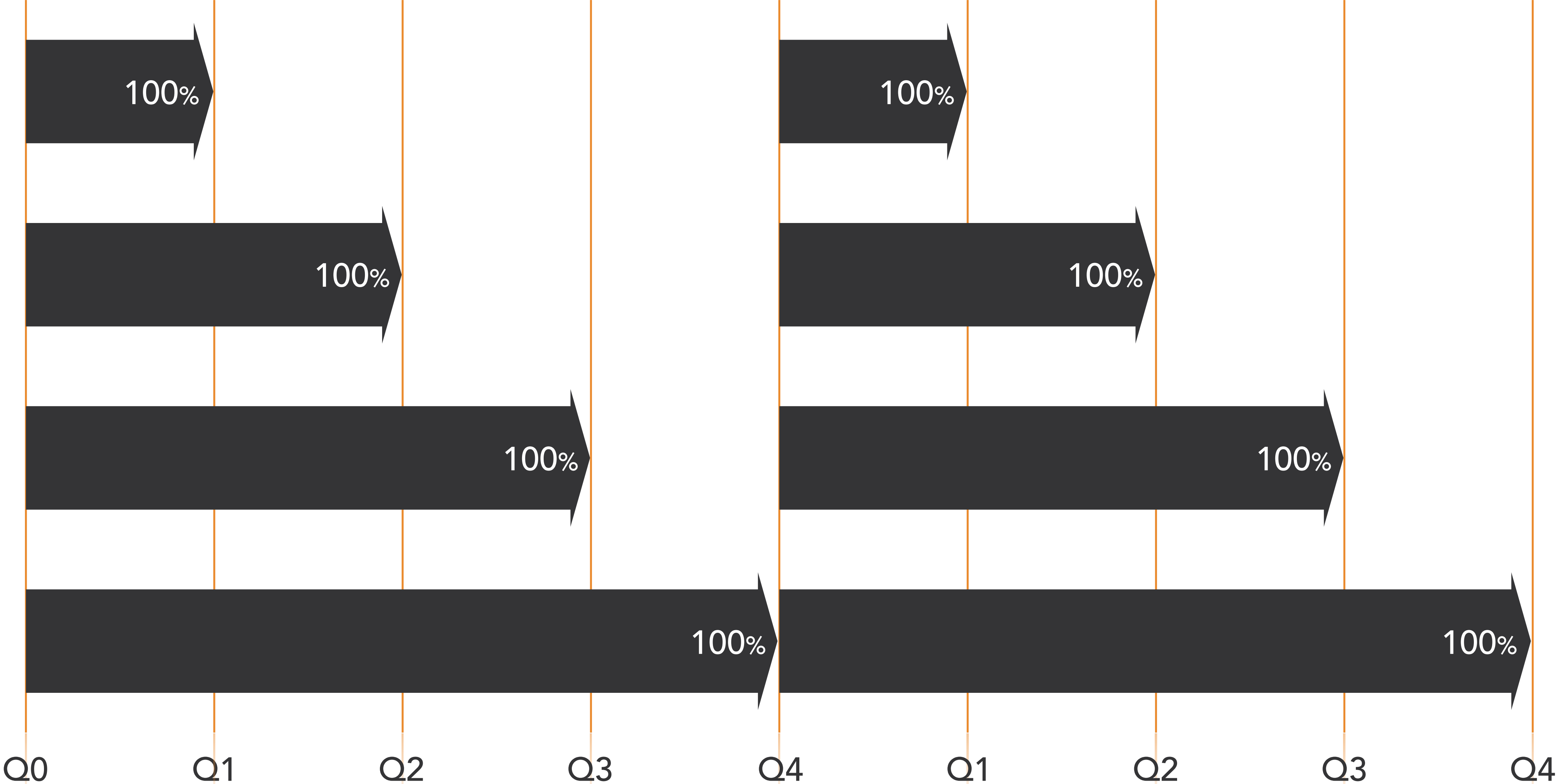
## Hedging Pays TSX-Listed Companies 2005 - 2013

Source: Bank of Canada, 2015

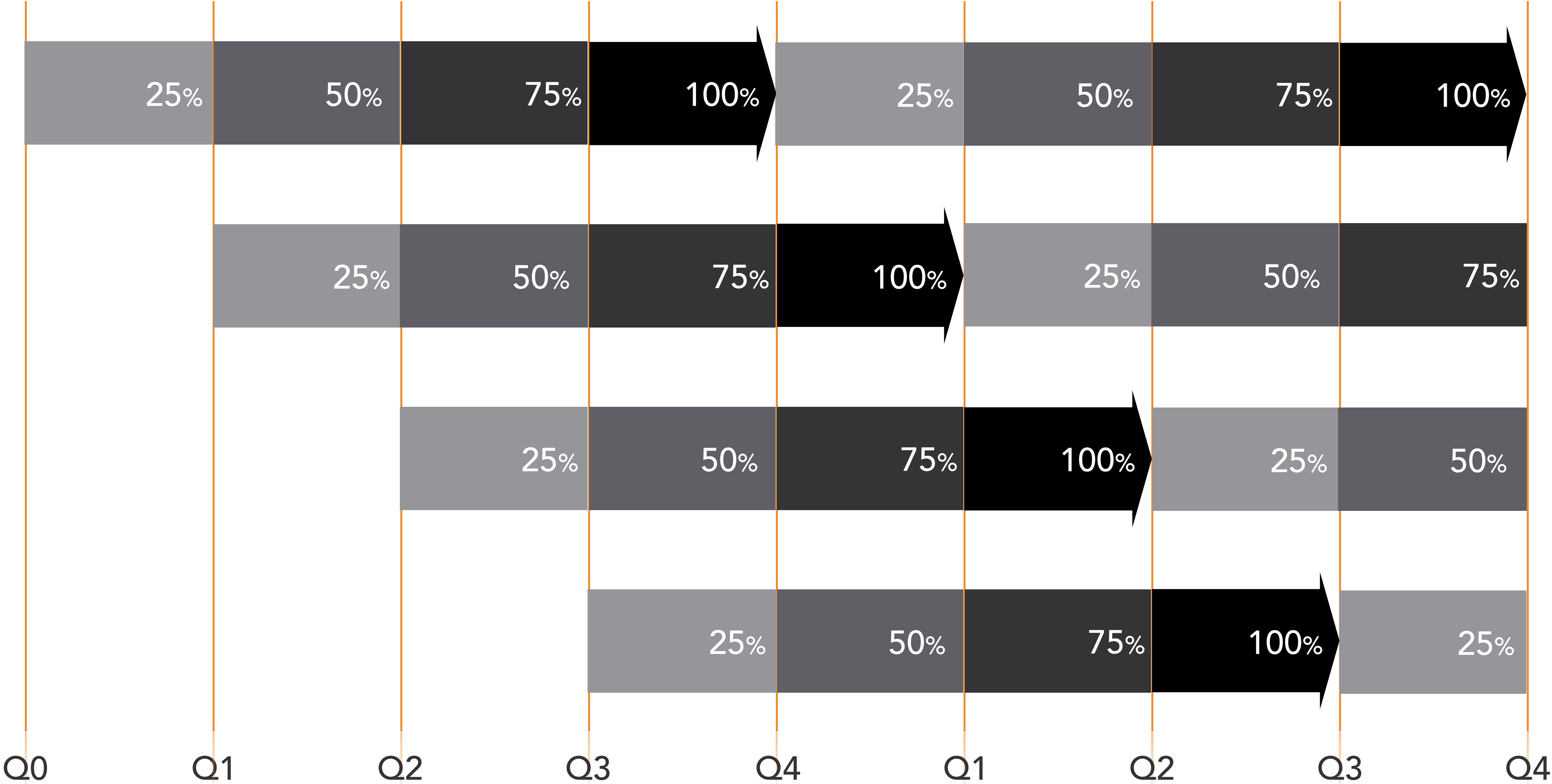


-5.3%

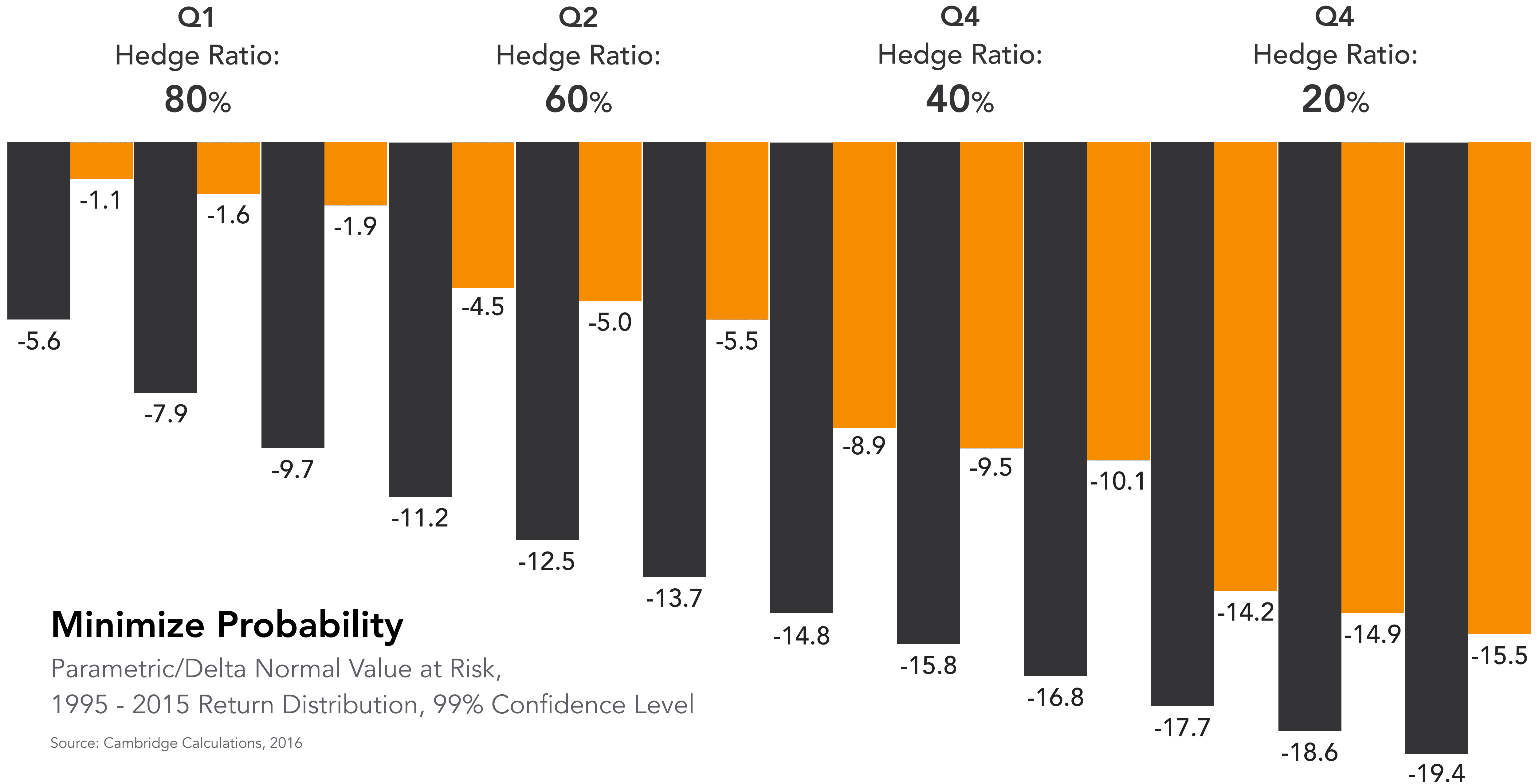
Layer Actively

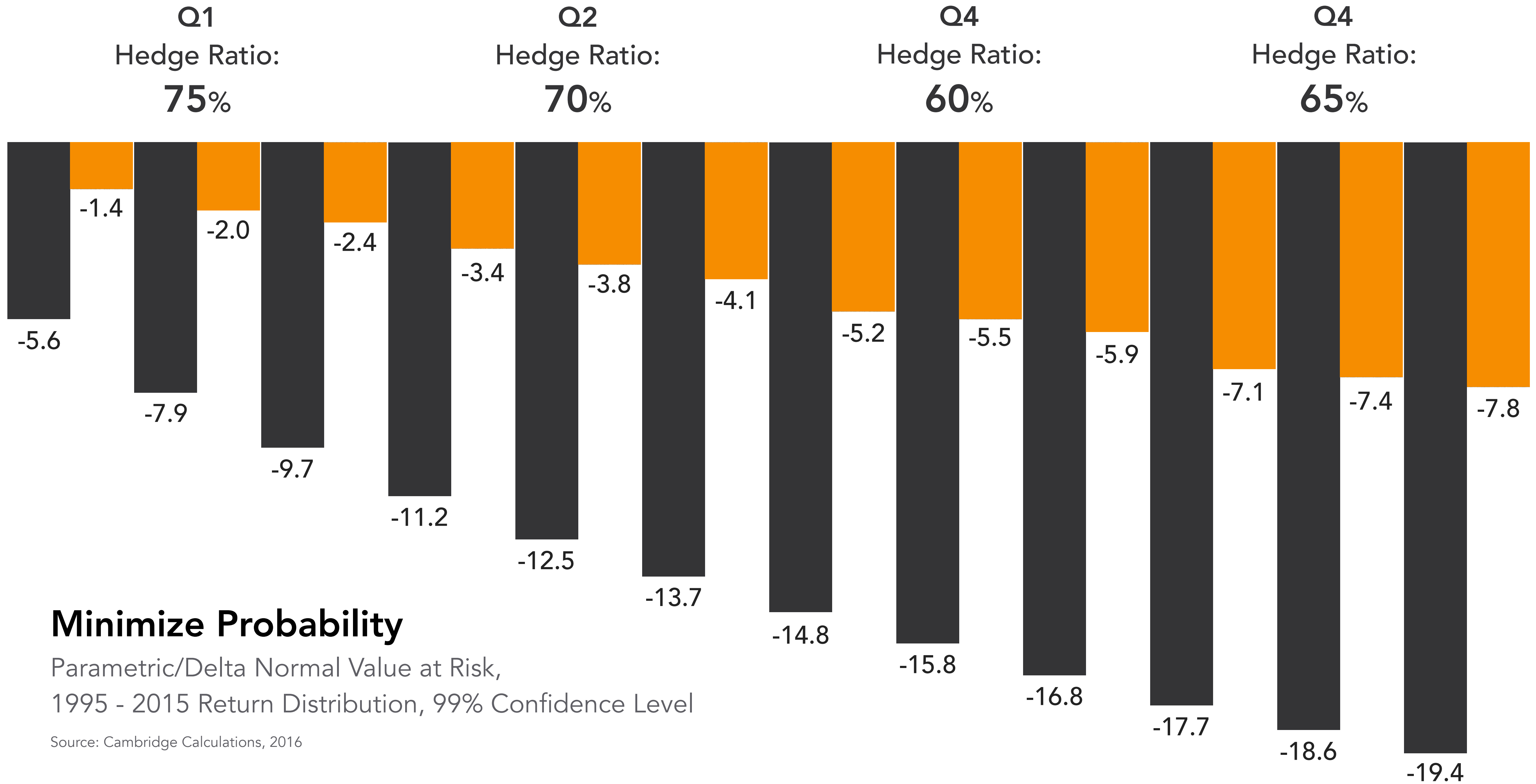


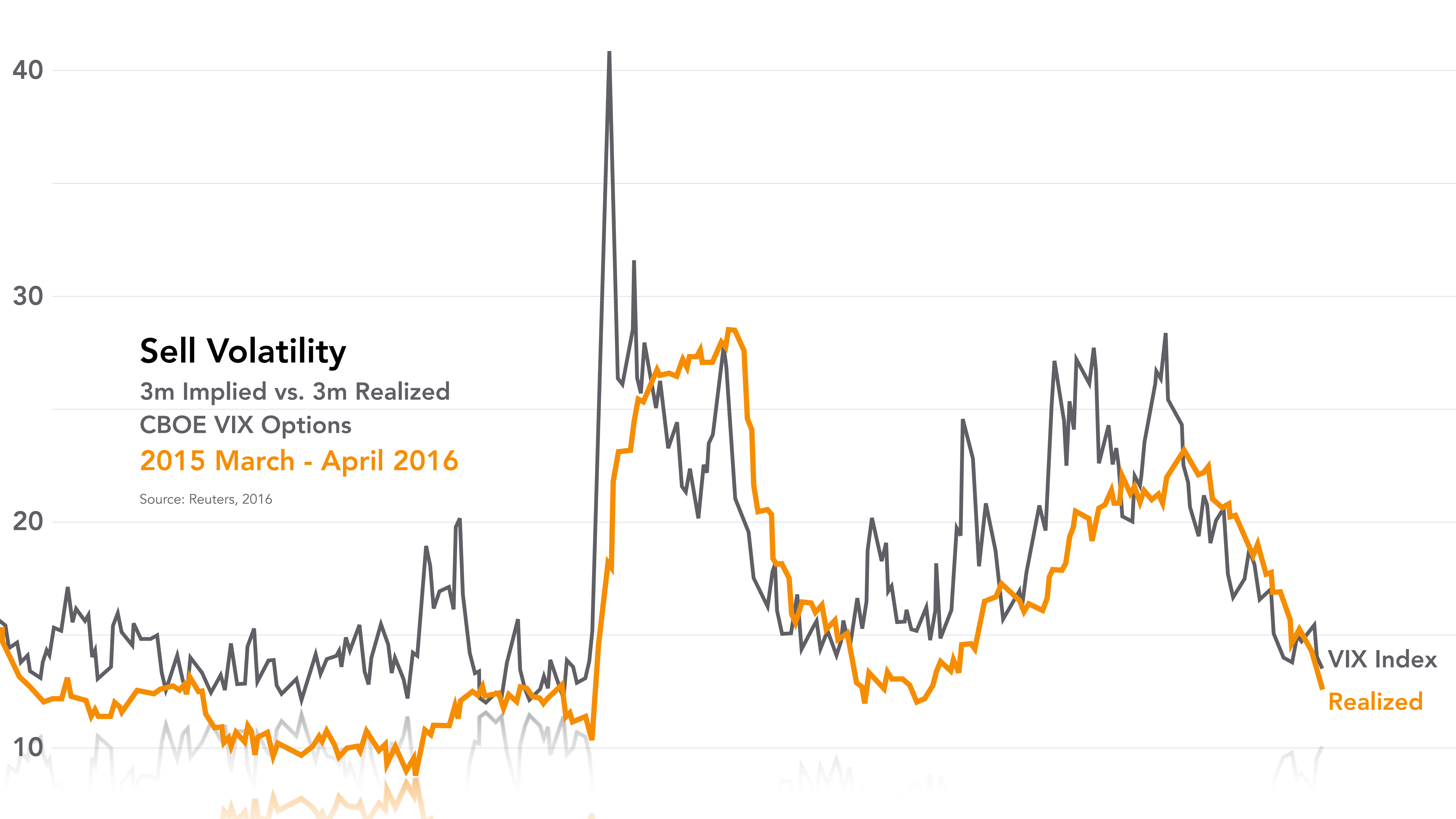
# Layer Actively











# Trade Tactically

12m Swap Point Change

USDCAD Spot Rate

2015 January - December 2015

Source: Reuters, 2016



54 Basis Points

High-Low

USDCAD Forward Differential

2,324 Basis Points

High-Low

USDCAD Spot Rate

Ben Tregoe

When all is said and done,  
more is said than done.



**Thank You.**

Karl Schamotta

Cambridge Global Payments

[kschamotta@cambridgefx.com](mailto:kschamotta@cambridgefx.com)

