



# Shanghai

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The *Global Macro Investor* is an elite subscription-based research service written and published by Raoul Pal.

Clients include the world's largest hedge funds, sovereign wealth funds, state pension funds and family offices globally.

Raoul has over 22 years experience in the global macro space including running a large global macro fund.

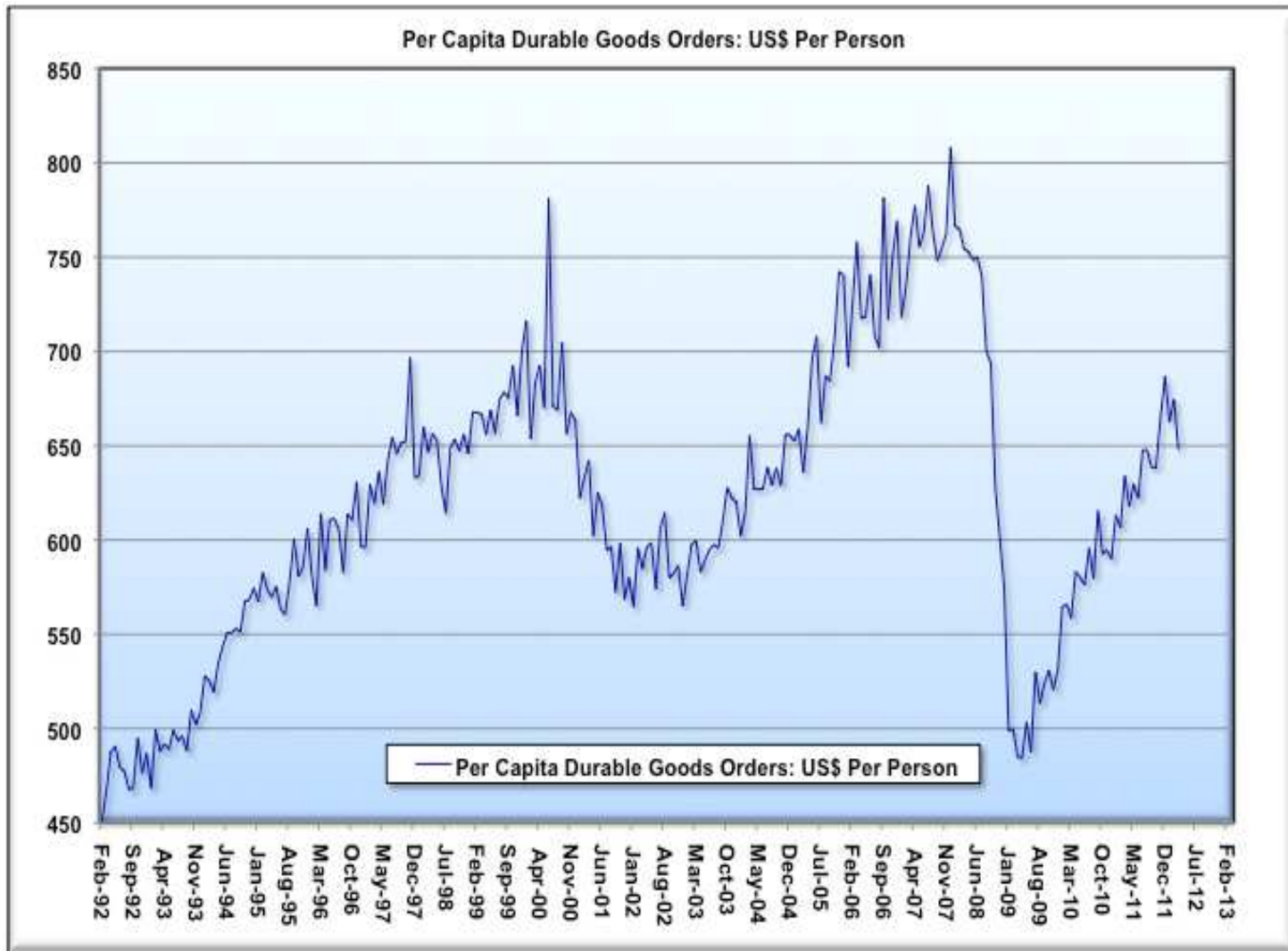
The returns generated by GMI's model portfolio since its launch in 2005 are the best in the industry (fingers crossed that it continues!).

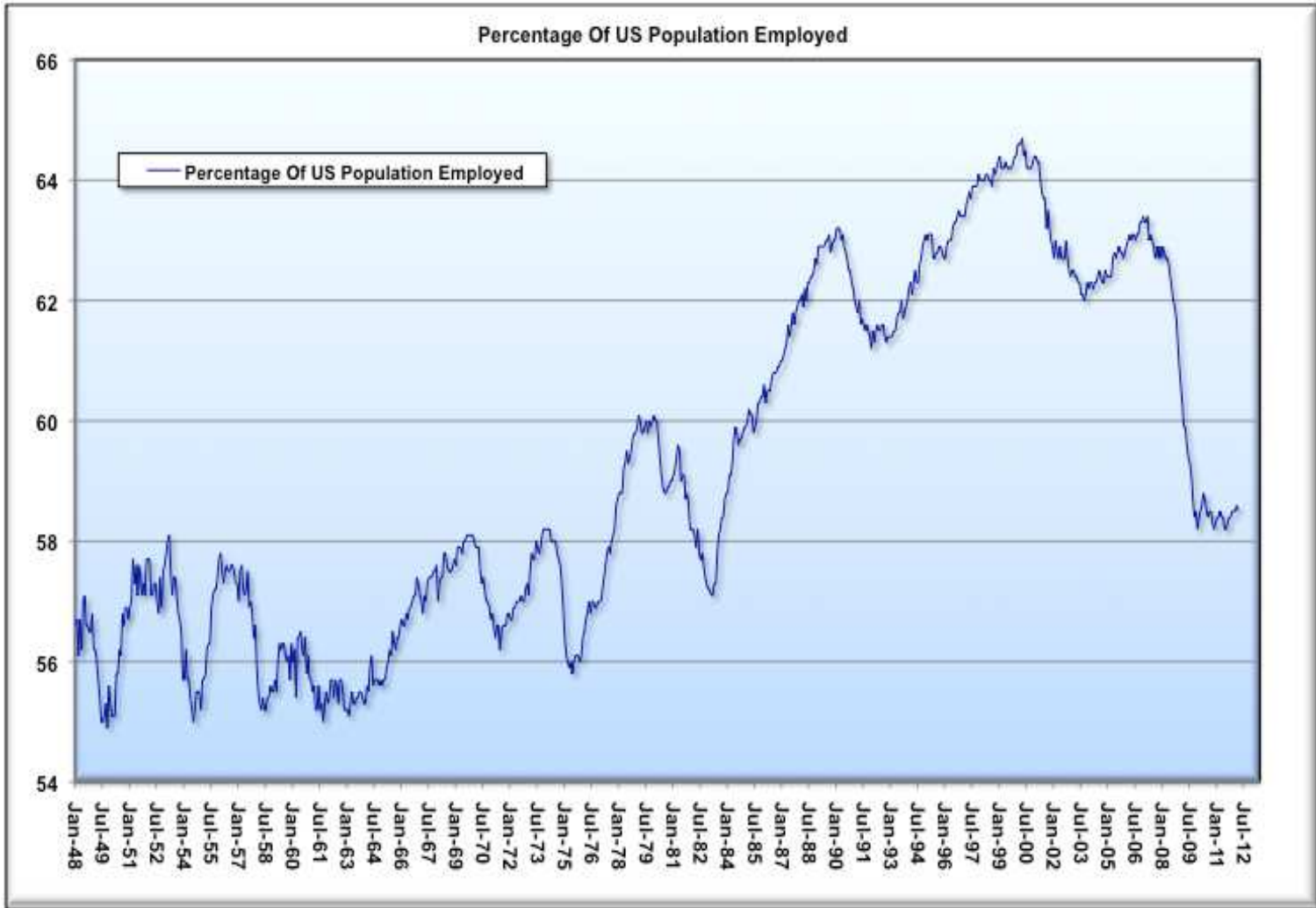
# The End Game

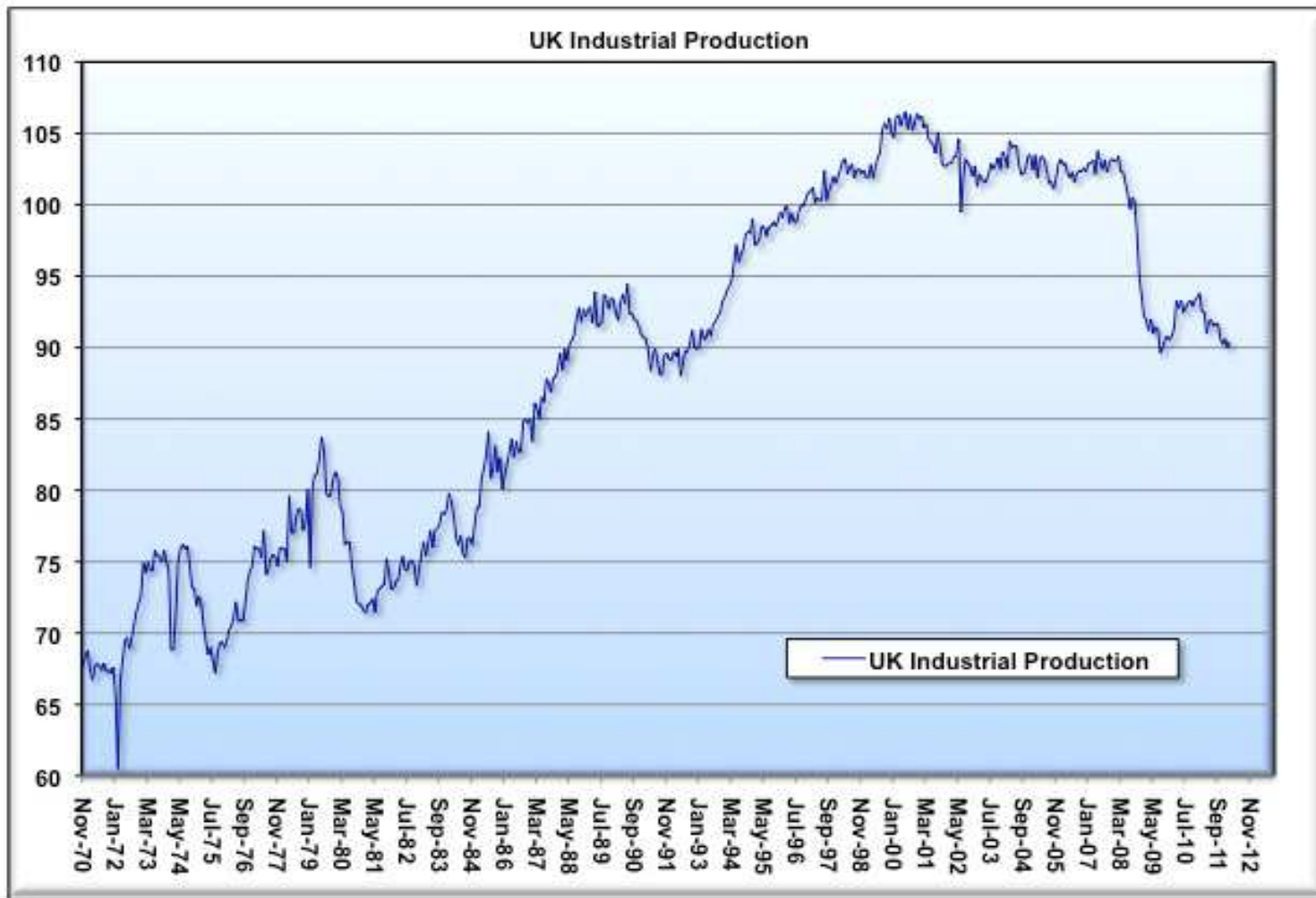
The world has no engine of growth with most of the G20 countries approaching stall speed at the same time.

The Western World is about to enter its second recession in an ongoing depression...

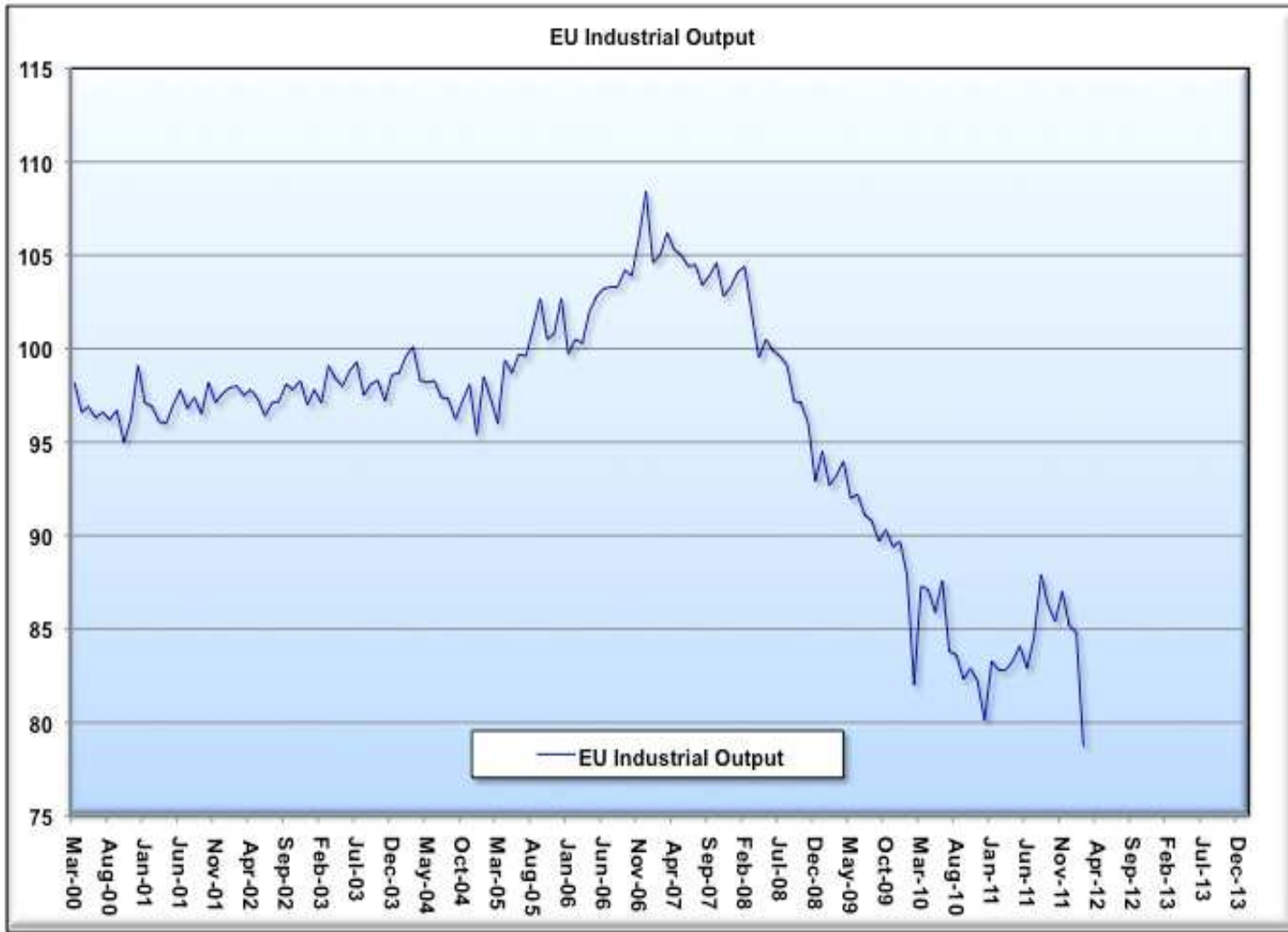
For the first time since the 1930's  
we are entering a recession –  
before Industrial Production,  
Durable Goods Orders,  
Employment and Private Sector  
GDP have made back their  
previous highs.

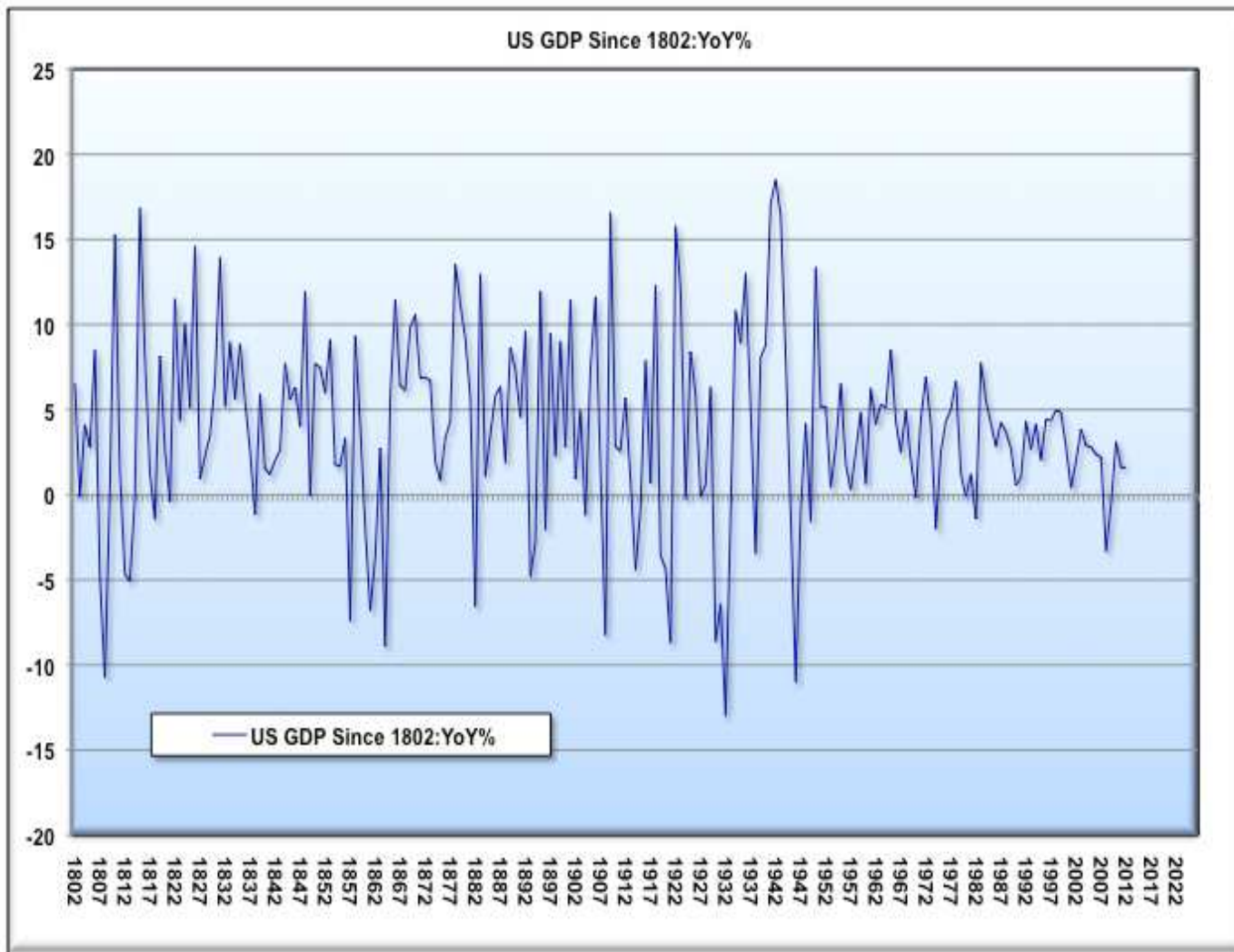












## Fact

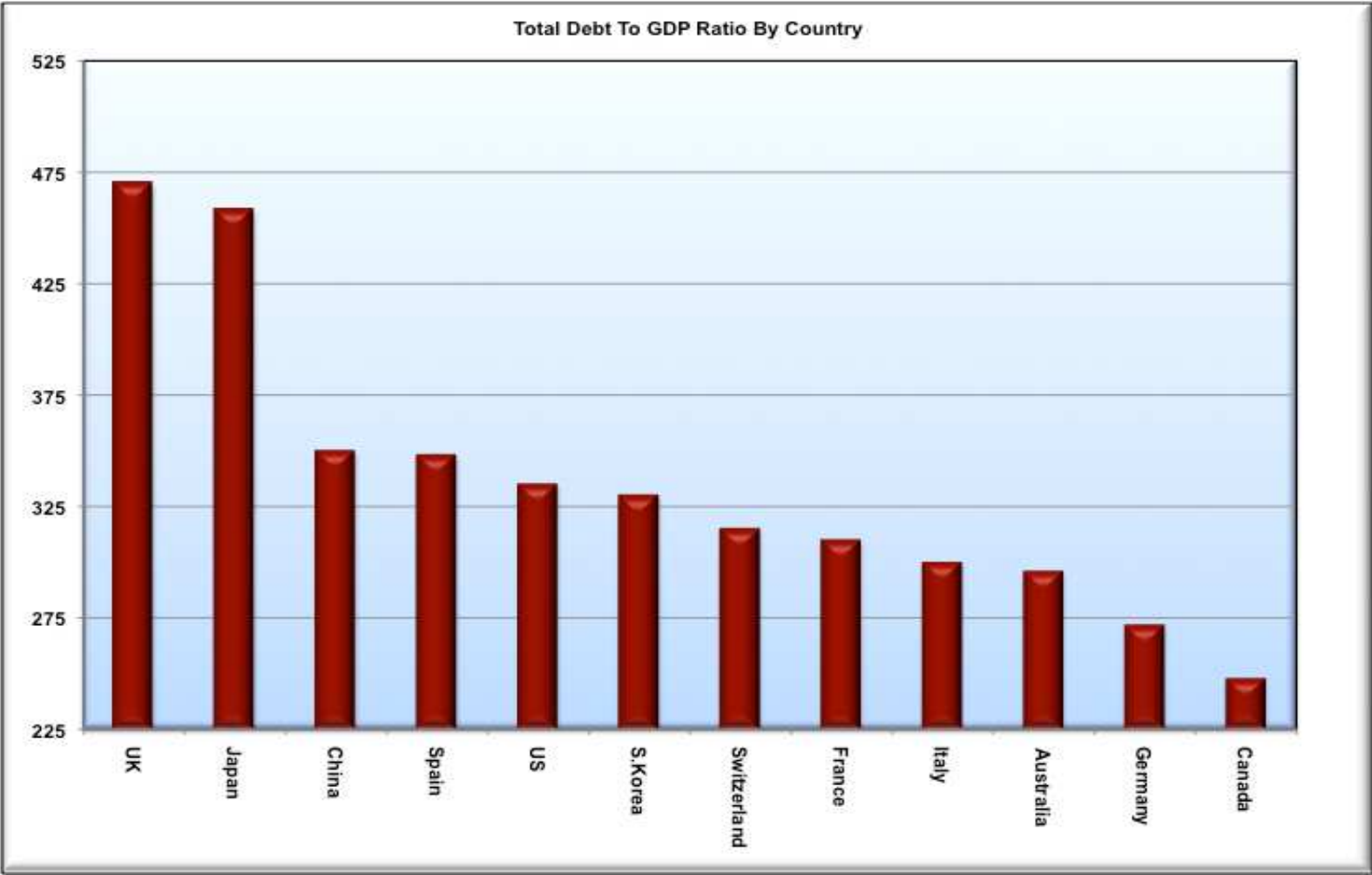
*This will be the lowest cyclical peak in GDP growth in G7 history.*

These are the weakest ever foundations on which to enter a recession.

The problem is down to one thing...

## Debt

The ten largest debtor nations on earth have total debts of over 300% of *World GDP*.

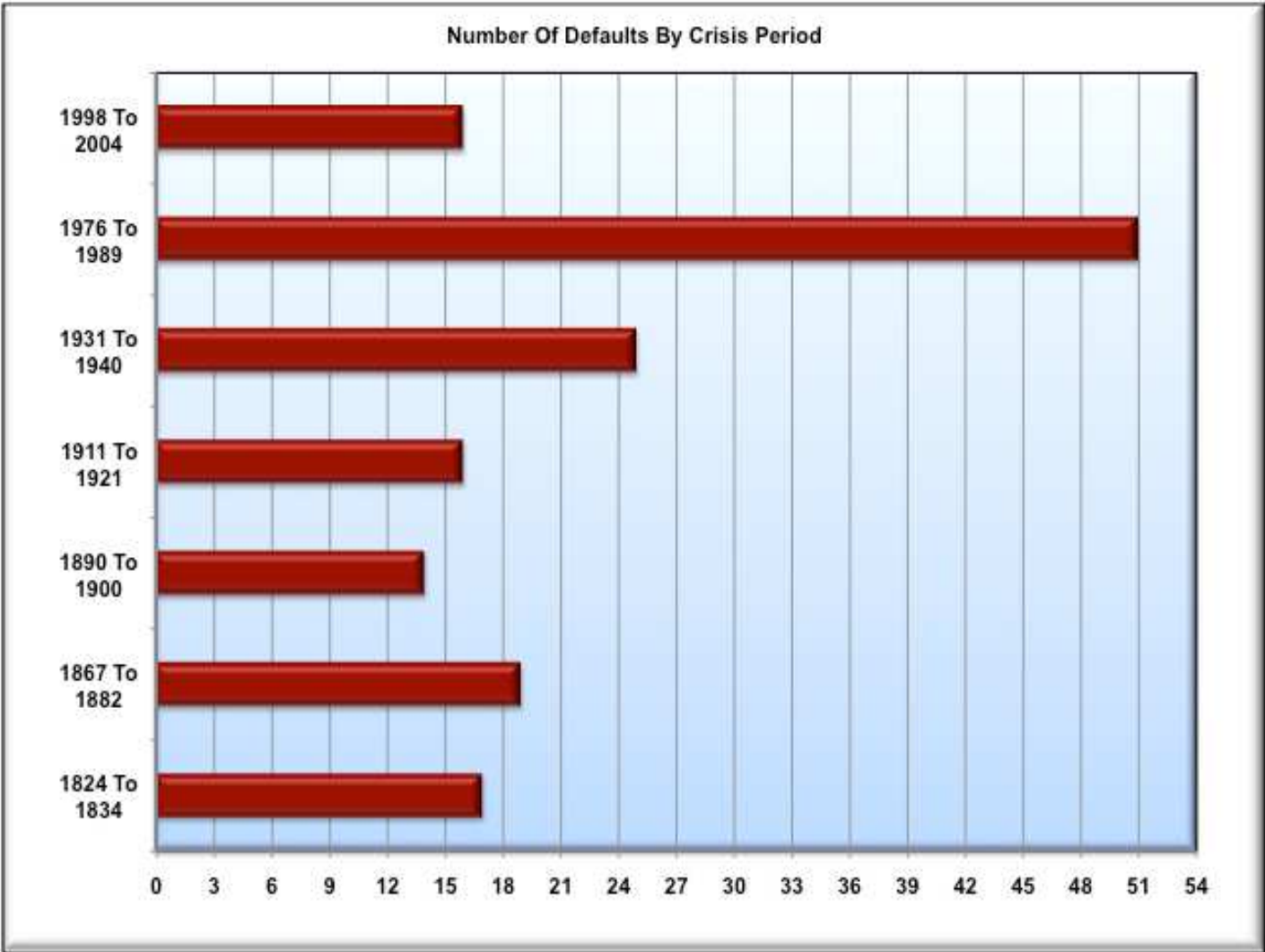


History tells us that when sovereign defaults occur,  
that they come in a series of defaults...

We need to understand history in order  
to grasp the present...

# The Domino Effect...







So what is coming?

EU Sovereign Defaults  
UK Sovereign Default  
Japan Sovereign Default  
South Korean Default  
China Default

And the biggest banking crisis in  
world history...

# MSCI World – the end of the world?



# The IBEX– The end of Europe?



# SMI – The end of finance?



# Oil stocks - A collapse in world trade?



**We are here...**



We don't know exactly what is to come, but we can all join the very few dots from where we are now, to the collapse of the first *major* bank...

With very limited room for government bailouts, we can very easily join the next dots from the first bank closure to the collapse of the whole European banking system, and then to the bankruptcy of the governments themselves.

There are almost no brakes in the system to stop this, and almost no one realises the seriousness of the situation.



The problem is not Government debt per se. The real problem is that the \$70 trillion in G10 debt is the collateral for \$700 trillion in derivatives...

Yes, that equates to *1200%* of Global GDP and it rests on very, very weak foundations.

From an EU crisis, we only have to join one dot for a UK crisis of equal magnitude.

*And then do you think Japan and China would not be next?*

*And then do you think the US would survive unscathed?*

That is the end of the fractional reserve banking system and of fiat money.

It is the big RESET.

From a timing perspective, I think 2012 and 2013 will usher in the end.

You have to understand that a global banking collapse and massive defaults would bring about the biggest economic shock the world has ever seen.

There would be no trade finance, no shipping finance, no finance for farmers, no leasing, no bond market, no nothing...

The markets are at the frankly terrifying point of realising that LTRO, EFSF, QE etc are not going to prevent this collapse.

The next phase as Spain and Italy go, will be to see nationalisation of banks and the assumption of the bank debts on Government balance sheets.

Then expect to be shut out of financial markets....

- Bonds will be stuck at 1% in the US, Germany, UK and Japan (for this phase). The whole bond market will be dead.
- Short selling on bonds - banned
- Short selling stocks – banned
- CDS – banned
- Short futures – banned
- Put options – banned
- All that is left is the Dollar and Gold

As defaults in governments and banks come to fruition, we risk a closure of the stock markets entirely and a closure of the banking system as occurred in Argentina in 2001, Russia in 1998, Brazil in 1991...

We have around 6 months left of trading in Western markets to protect ourselves or make enough money to offset future losses.

Spend your time looking at the risks of custody, safekeeping, counterparty etc. Assume that no one and nothing is safe.

After that... we put on our tin helmets and hide until the new system emerges.

I wish I could see another outcome with an equally high probability, but I can't...

All we can do is hope that I am wrong, but either way, a new system will emerge and it will open up a whole new set of opportunities... but we will be going back 40 years in time... and 1500 years... and 3000 years...