

Zest Asset Management



Markets – Strategy & Asset Allocation

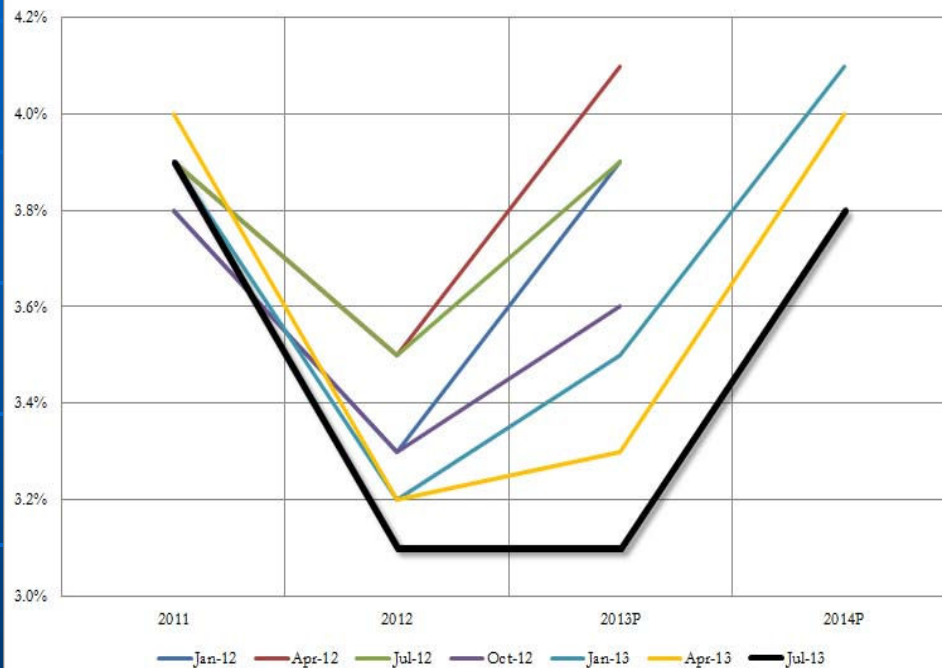


ASCOSIM – Milano 22 Gennaio 2014

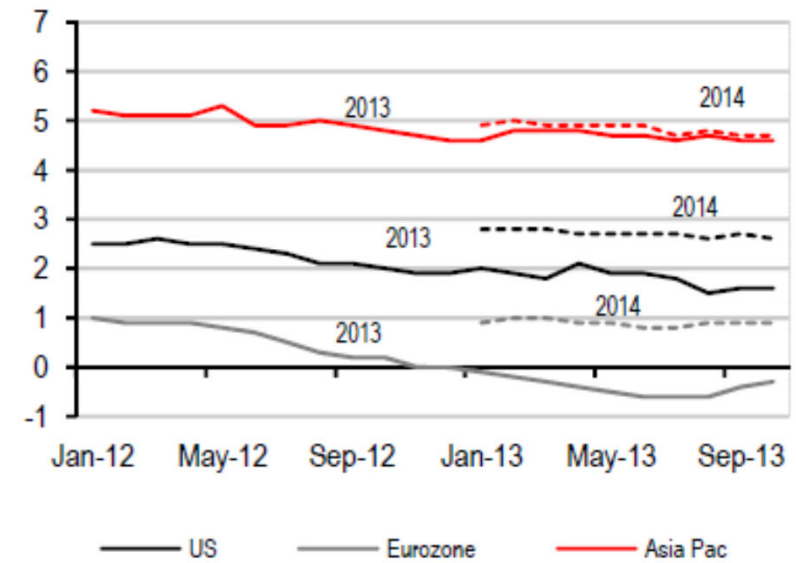
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Global Outlook

IMF's Revisions Of World Growth

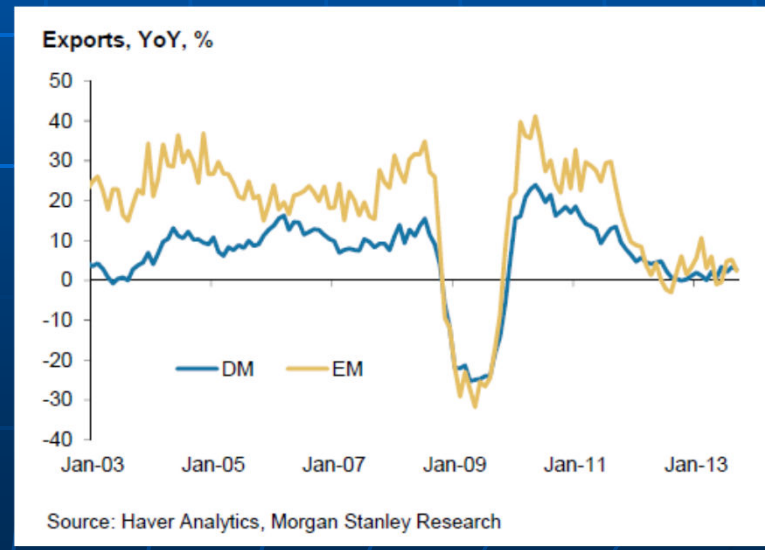
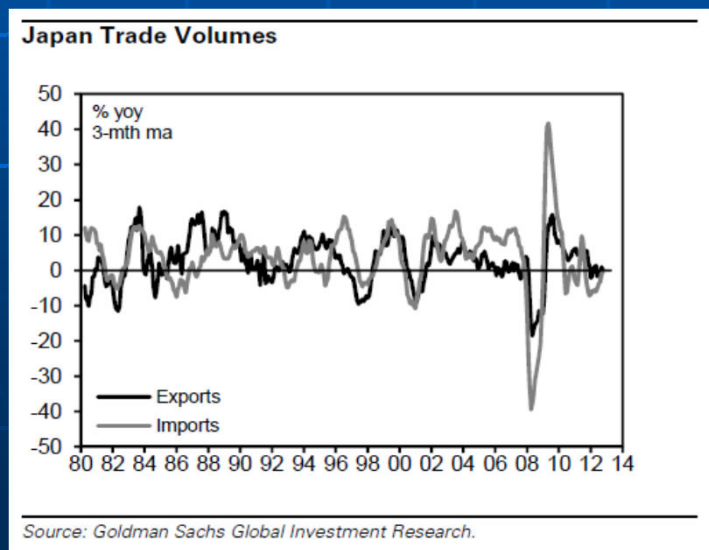
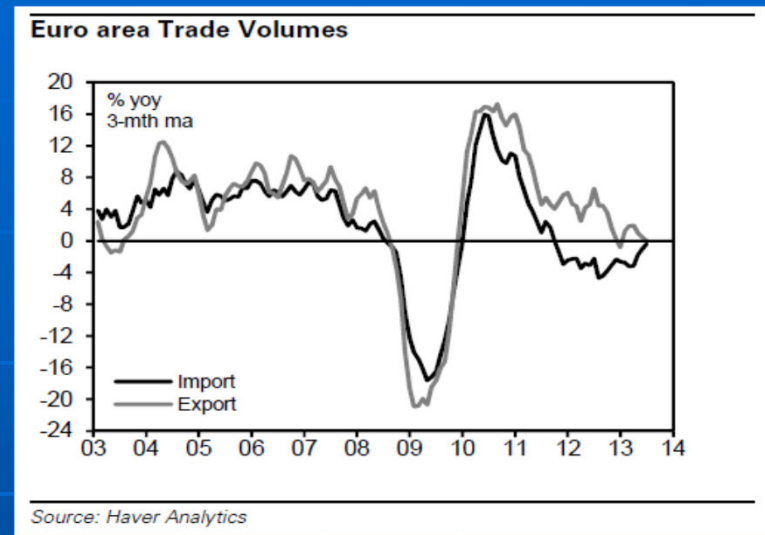


3. Consensus real GDP growth forecasts (% y-o-y)



Source: Consensus Economics

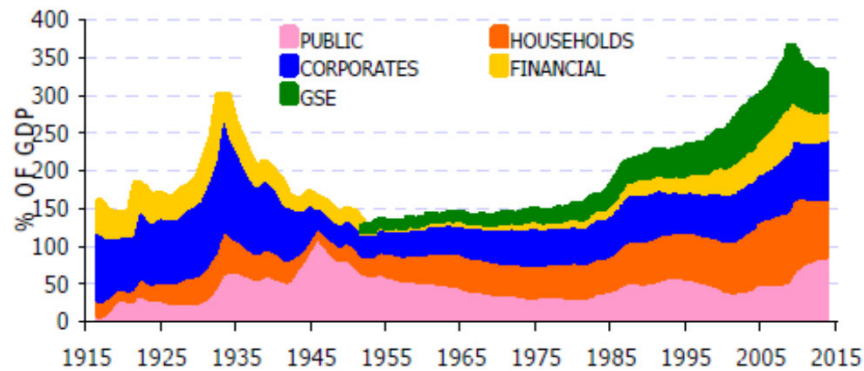
Global Outlook – The World Trade



Global Leverage still too high

Exhibit 63

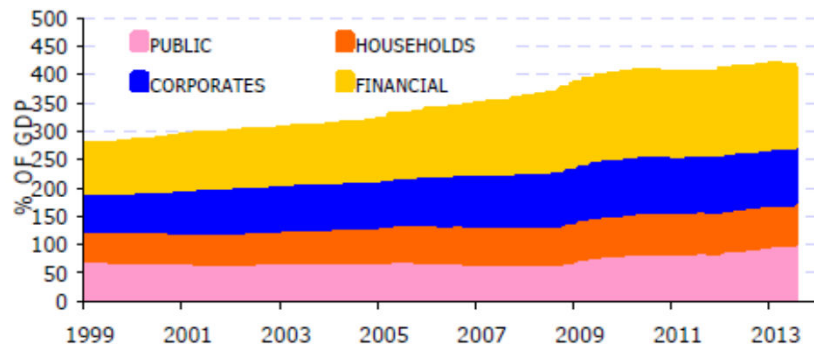
US debt to GDP (Dec 1916-Sep 2013): Modest deleveraging from a very high level



Source: DataStream, Morgan Stanley Research

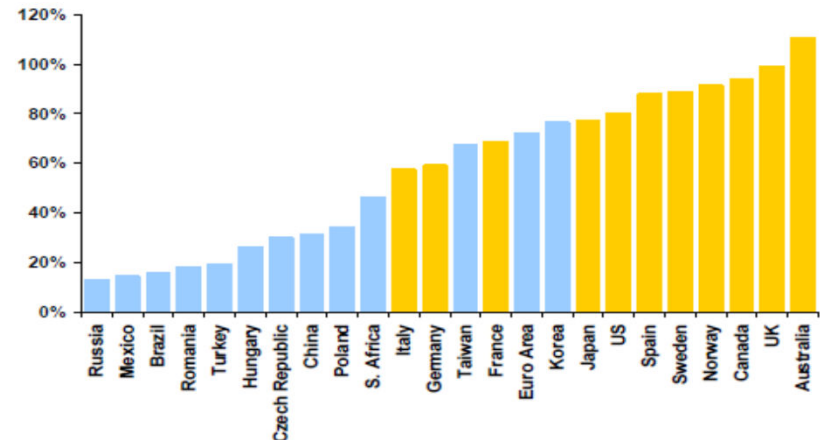
Exhibit 64

Europe debt to GDP (Mar 1999-Jun 2013): Almost no deleveraging yet

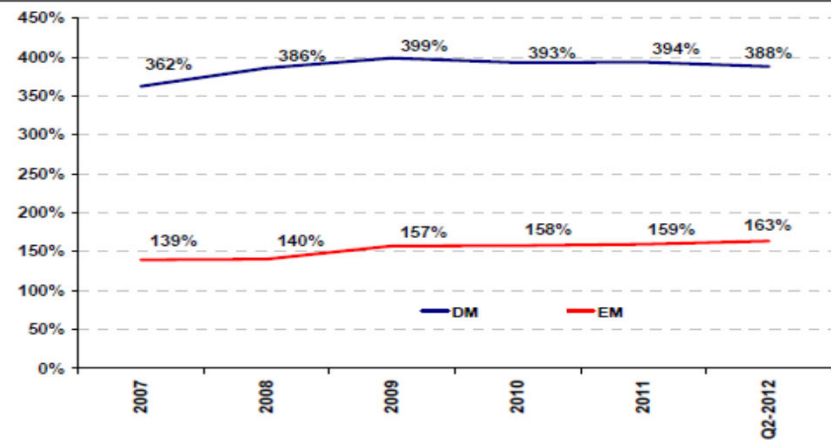


Source: DataStream, Morgan Stanley Research

2012 Household debt (percentage of GDP) by country: EM households are substantially less levered than those in DM



Overall debt to GDP EM versus DM (2007-12): EM has scope to increase leverage while DM needs to de-lever



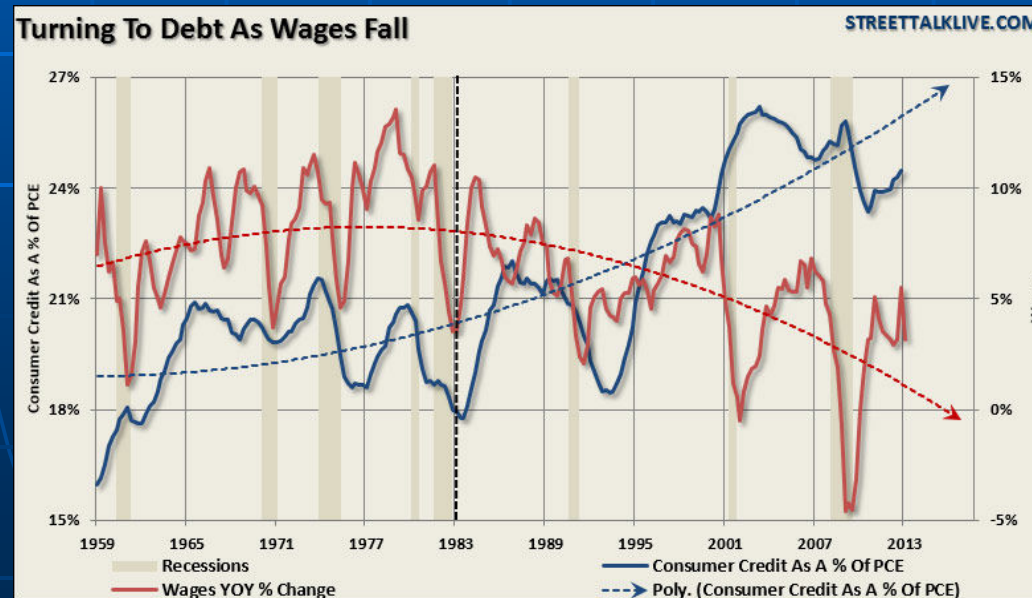
Note: Total Debt % of GDP (Corporate + Household + Govt + Financial Debt)

US Personal Consumptions to GDP

Personal Consumption/Expenditures as a Percentage of US GDP by Decade














Major Categories	\$ Trillions							
	1950	1960	1970	1980	1990	2000	2010	2013 Est.
Personal consumption/ expenditures	0.19	0.33	0.65	1.76	3.84	6.83	10.22	11.37
US GDP	0.29	0.53	1.04	2.79	5.80	9.95	14.50	16.00
	65%	63%	62%	63%	66%	69%	70%	71%

Source: Federal Reserve, Flow of Funds Accounts of the United States, 1950-2013 Q1,
Table F.6 Distribution of Gross Domestic Product, as of 6 Jun 2013



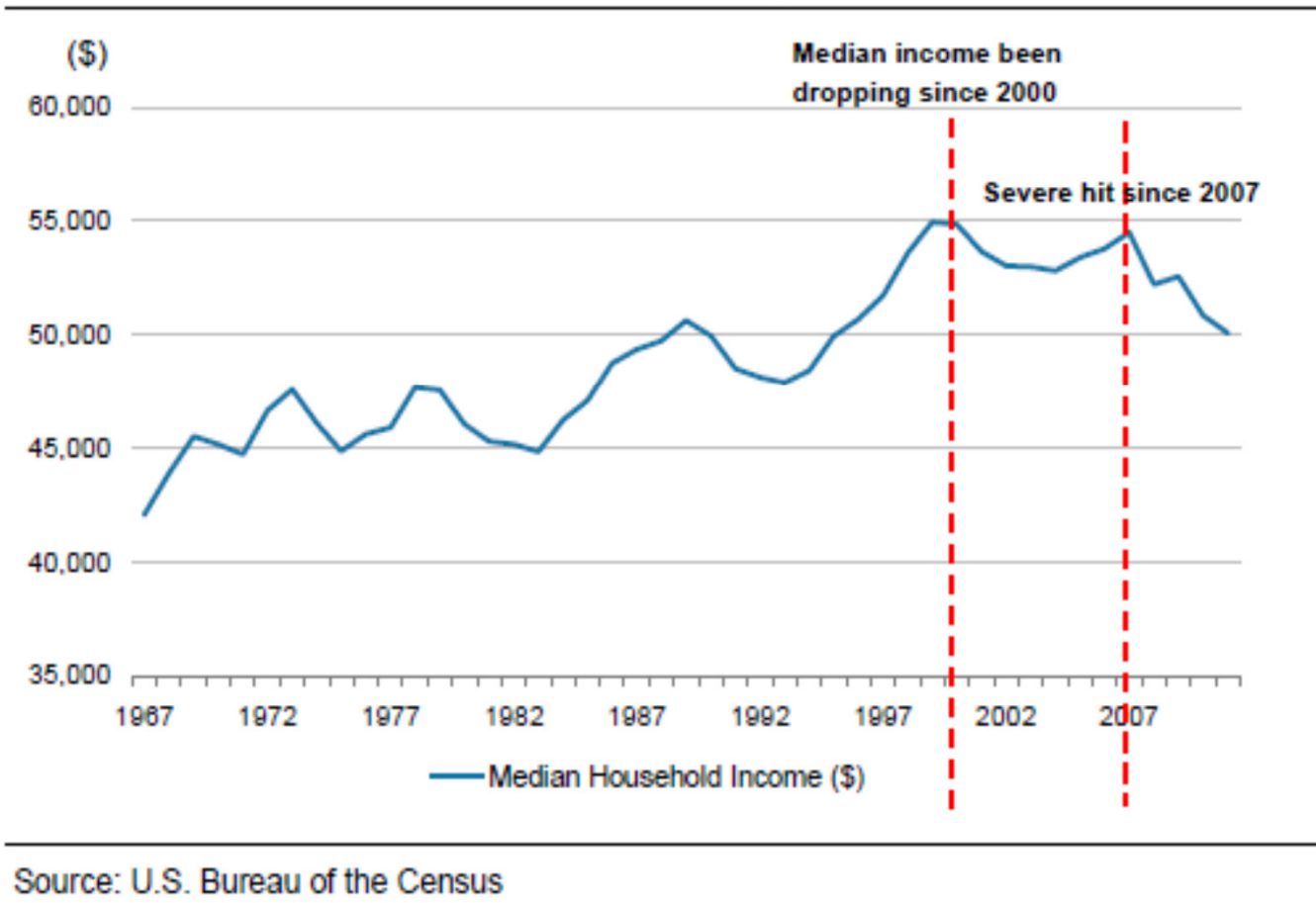
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.....is it sustainable ?

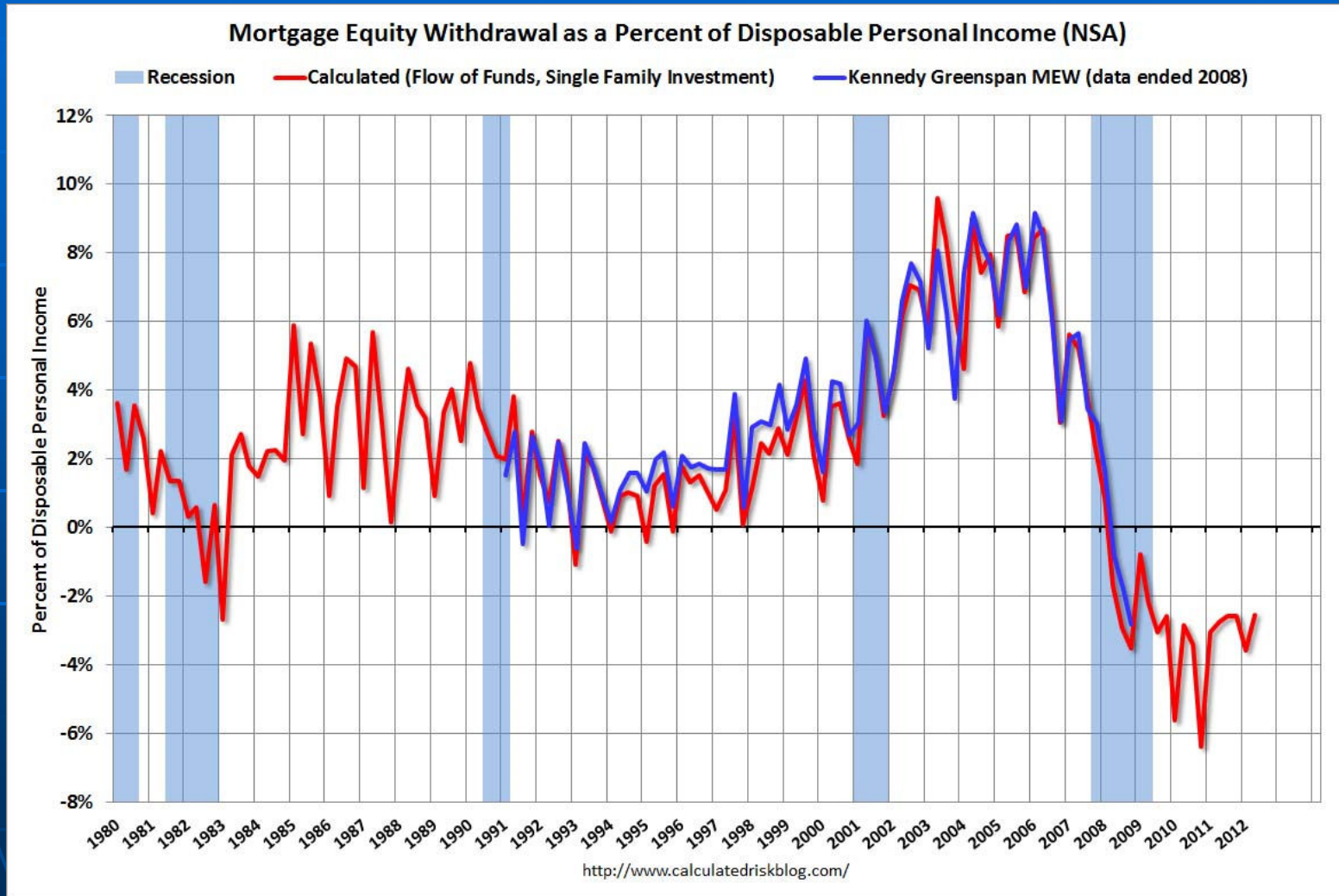
Rank ↕	Country ↕	HFCE (millions of US\$) ↕	% of GDP ↕	% of World's consumer market ↕	Year ↕
_	<i>World</i>	34,689,062	60%	100%	2009
1	 United States	10,026,400	71%	28.9036%	2009
n/a	 European Union			26.8531%	2009
2	 Japan	2,952,710	58%	8.5119%	2009
3	 Germany	1,960,230	59%	5.6509%	2009
4	 China	1,835,280	37%	5.2907%	2009
5	 Italy	1,545,900	58%	4.4564%	2009
6	 United Kingdom	1,415,350	65%	4.0801%	2009
7	 Brazil	1,266,270	60%	3.6503%	2009
8	 Spain	986,498	63%	2.8438%	2009
9	 France	828,547	57%	2.3885%	2009
10	 Canada	786,220	59%	2.2665%	2009
11	 India	737,936	57%	2.1273%	2009
12	 Russia	671,629	55%	1.9361%	2009

US Real Income is falling

U.S. median real household income (1967-2011): Median household income drops since 2000

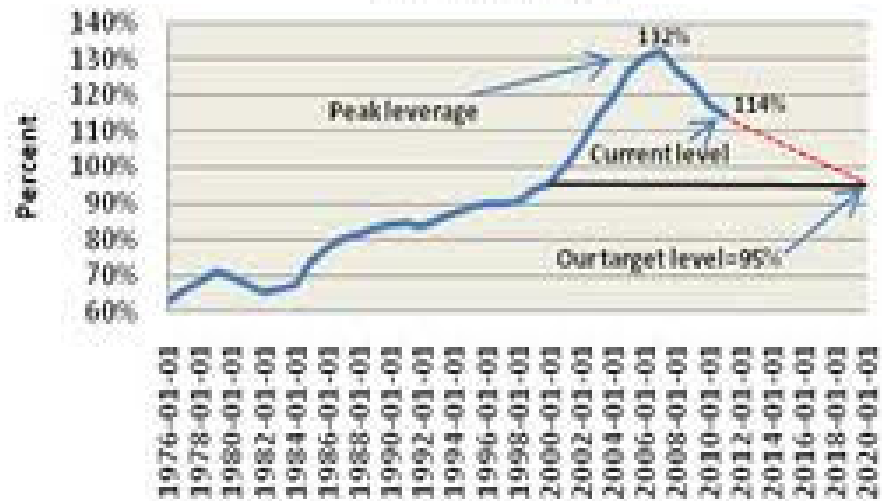


Equity Withdrawal



Deleveraging & Consumptions

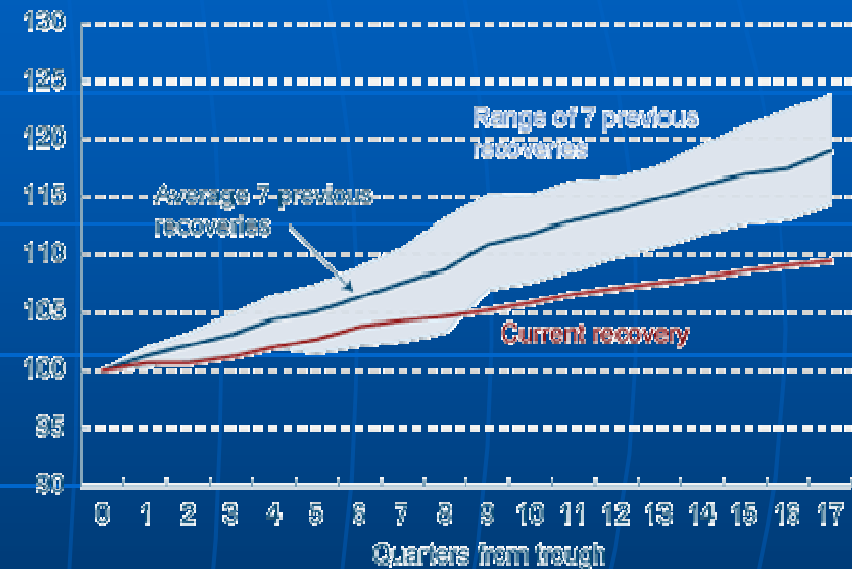
Exhibit 50 Total U.S. household liabilities as a share of disposable personal income



Source: Bureau of Economic Analysis; Federal Reserve Flow of Funds.

Personal Consumption Expenditures

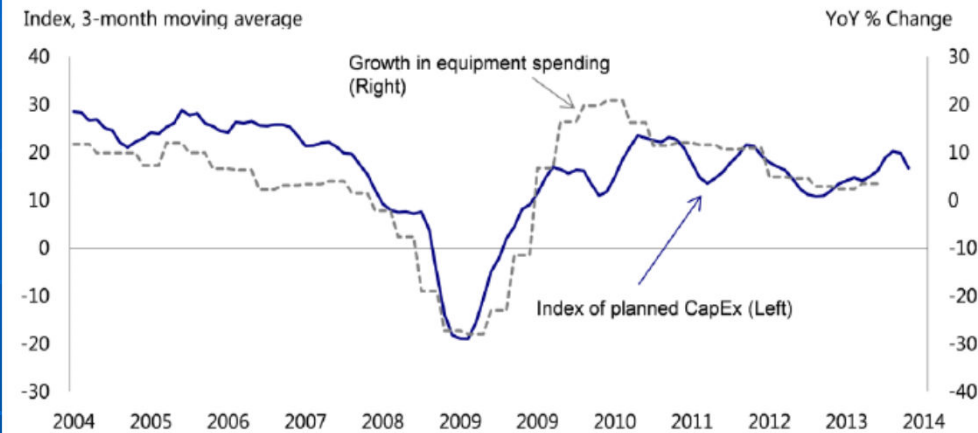
Index (trough=100)



Source: Bureau of Economic Analysis, Federal Reserve Bank of Cleveland calculations.

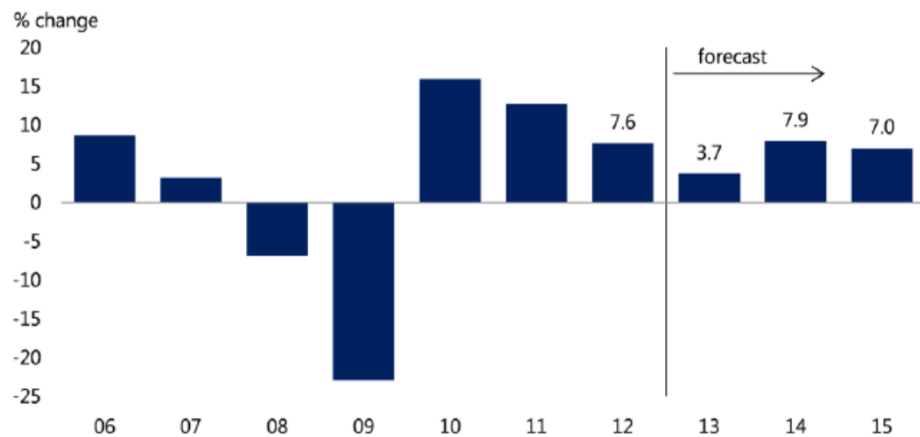
Capital Spending Plans

Exhibit 1: CapEx Plans vs. Equipment Spending



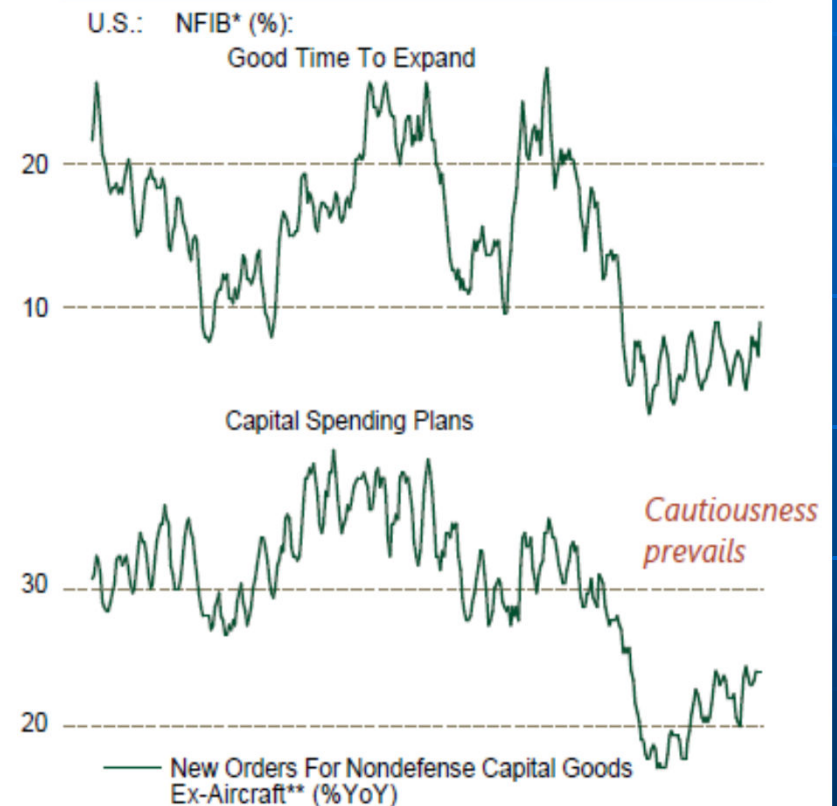
Source: Federal Reserve Banks of Richmond, Philadelphia, New York, Kansas City, and Dallas; Morgan Stanley Research

Exhibit 5: Annual Change in Real Equipment Spending

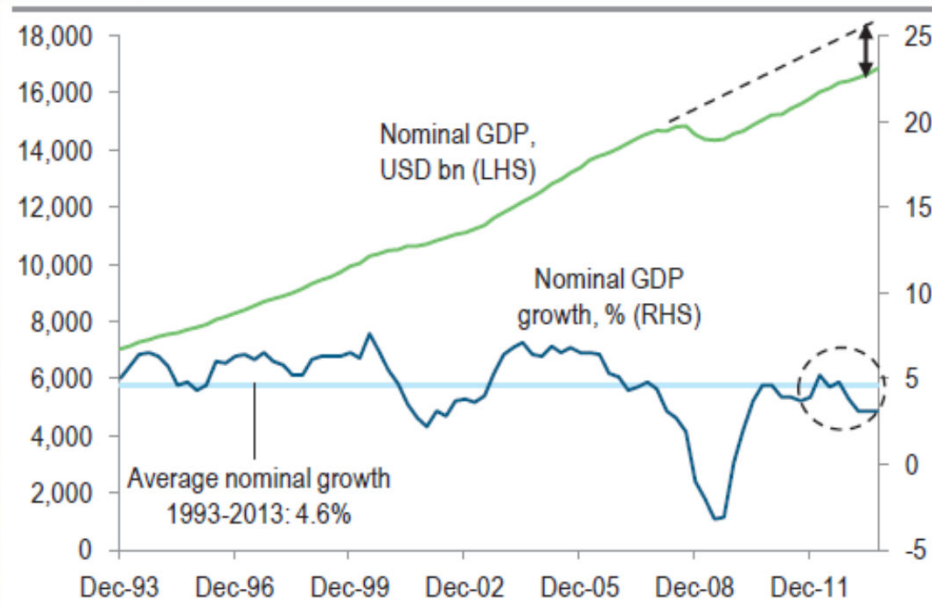


Source: Bureau of Economic Analysis, Morgan Stanley Research

Chart 4 U.S. Businesses Have Been Abnormally Cautious

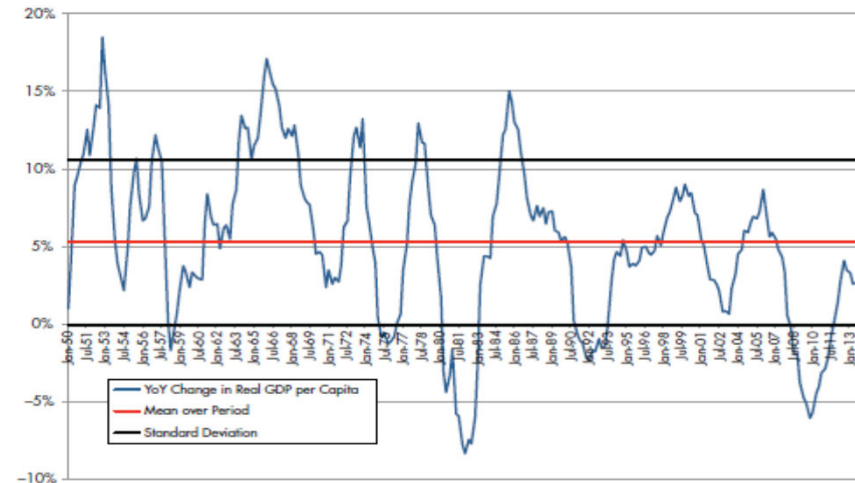


US Growth



Source: Bloomberg, Standard Chartered Research

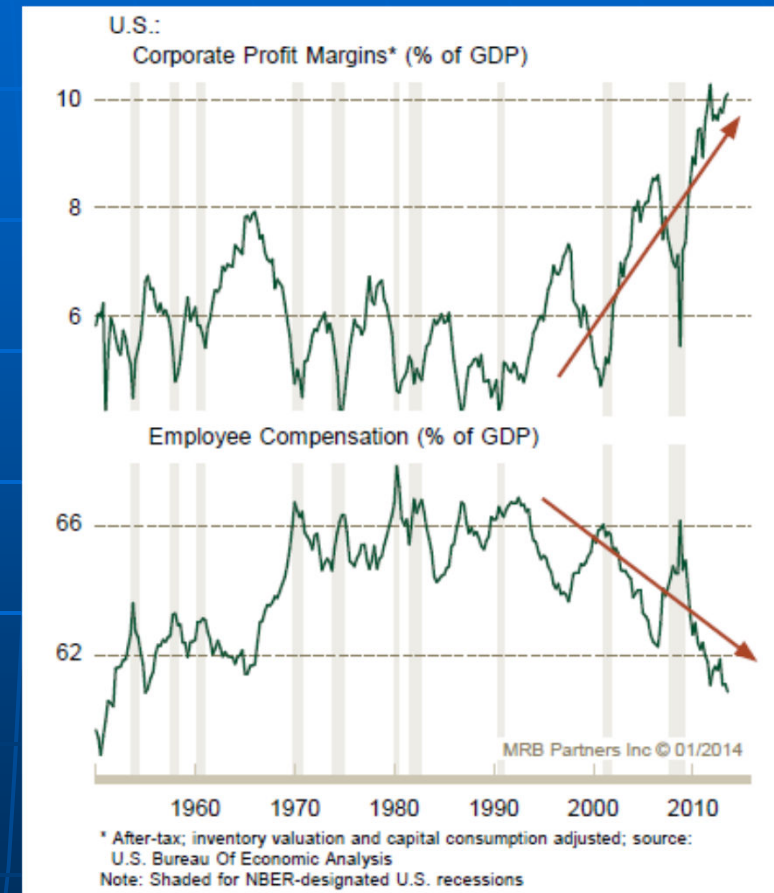
YEAR-OVER-YEAR CHANGE IN REAL GROSS DOMESTIC PRODUCT PER CAPITA



Note: GDP is in Q1 1990 dollars.

Source: US Department of Commerce, Bureau of Economic Analysis

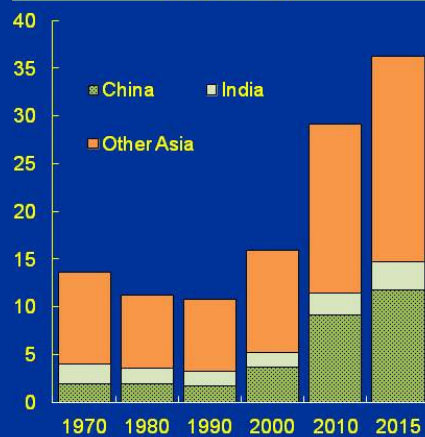
Corporate Profits to record high to GDP



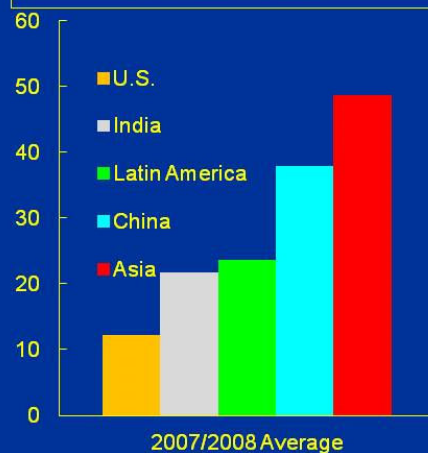
Asia Export to GDP not sustainable

Asia is on the rise, but it is still dependent on exports and vulnerable to shifts in external demand.

Asia's Share of World GDP
(In percent)

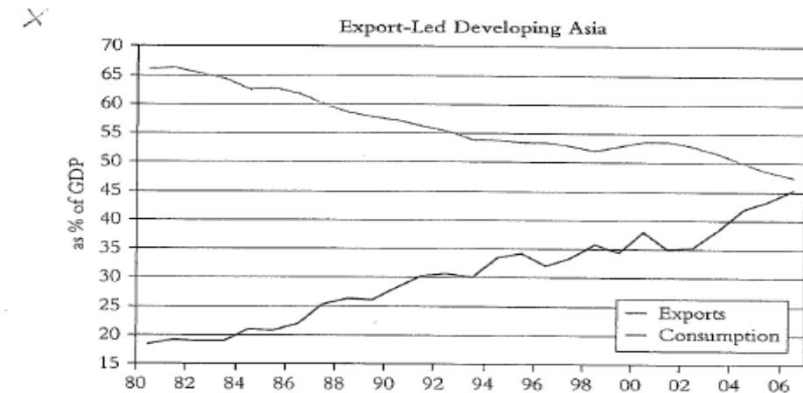


Exports of Goods and Services
(In percent of GDP)



* Other Asia includes industrial Asia, ASEAN-5 and other developing Asia.

9



Export Linkages to the United States

	Export Share of GDP	U.S. Share of Exports
China	36.6	21.0
Japan	14.8	22.5
Korea	36.7	13.3
Taiwan	59.0	14.4
ASEAN	72.7	13.6

Figure 1.3 The Myth of an Asian Decoupling

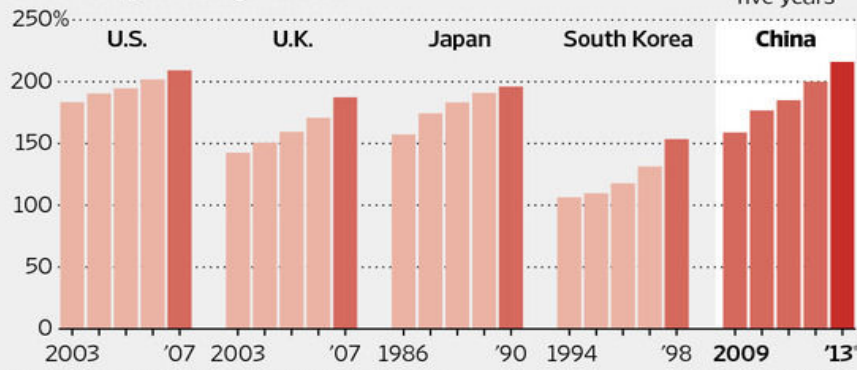
Source: International Monetary Fund, Asian Development Bank, Morgan Stanley Research.

China debt burden is rising

Rising Burden

Shadow banks have helped boost China's debt level at a pace that mimics the rise seen by other nations ahead of their financial crises.

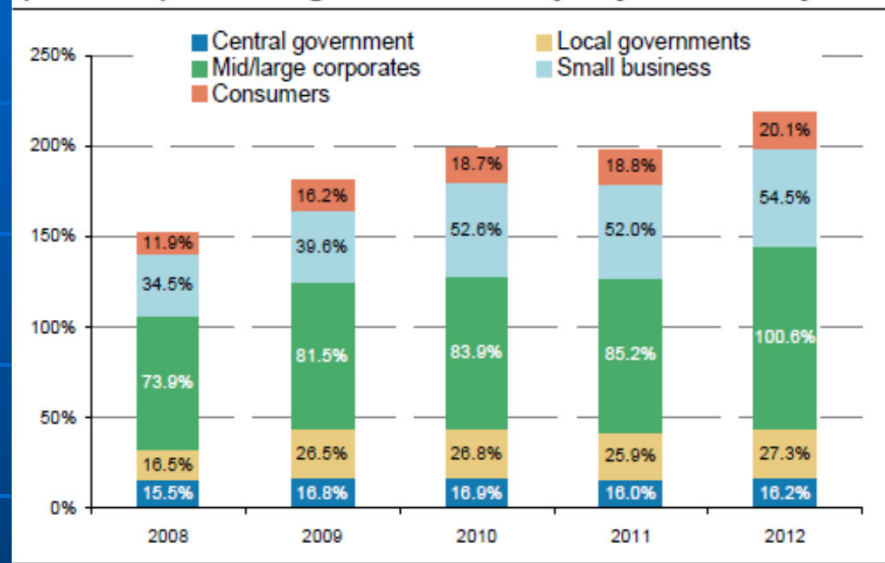
Debt as a percentage of GDP



Sources: People's Bank of China; IMF International Financial Statistics; Fitch Ratings

*Estimate
The Wall Street Journal

China's debt stock as a percentage of official GDP (2008-12): Leverage has risen rapidly in recent years



EU: Debt to GDP will continue to growth until 2016

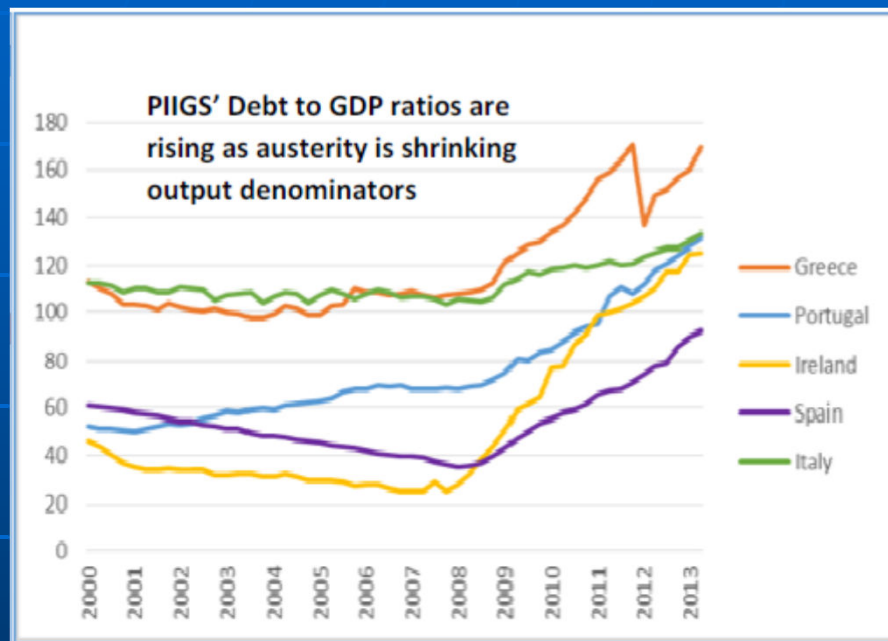


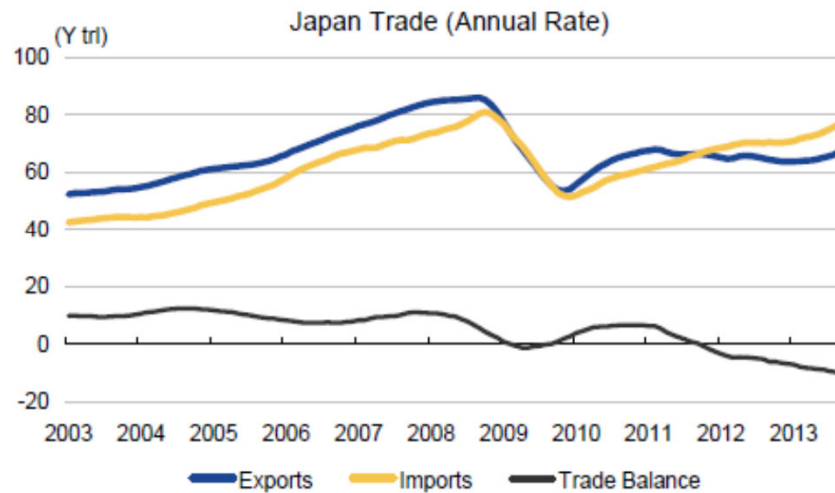
Figure 7: Fiscal stance by country (positive means fiscal tightening)

% of GDP	Fiscal stance		
	2013F	2014F	2015F
Germany	0.2	-0.1	0.3
France	0.9	0.9	0.3
Italy	0.5	0.2	-0.1
Spain	1.8	0.0	0.7
Netherlands	0.2	0.6	0.0
Belgium	0.5	0.2	-0.3
Austria	0.4	0.1	0.0
Finland	-0.1	-0.1	-0.2
Portugal	0.4	0.5	0.6
Greece	2.6	0.3	0.0
Ireland	1.1	1.7	2.4
Euro Area	0.7	0.3	0.2

Source: Deutsche Bank Research

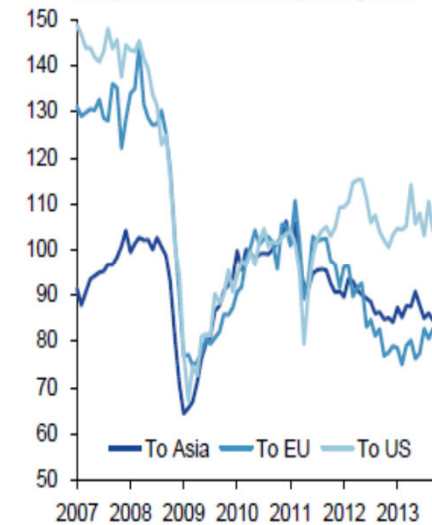
Japan: Competitive devaluation is not working

Exports, Imports, and the Trade Balance



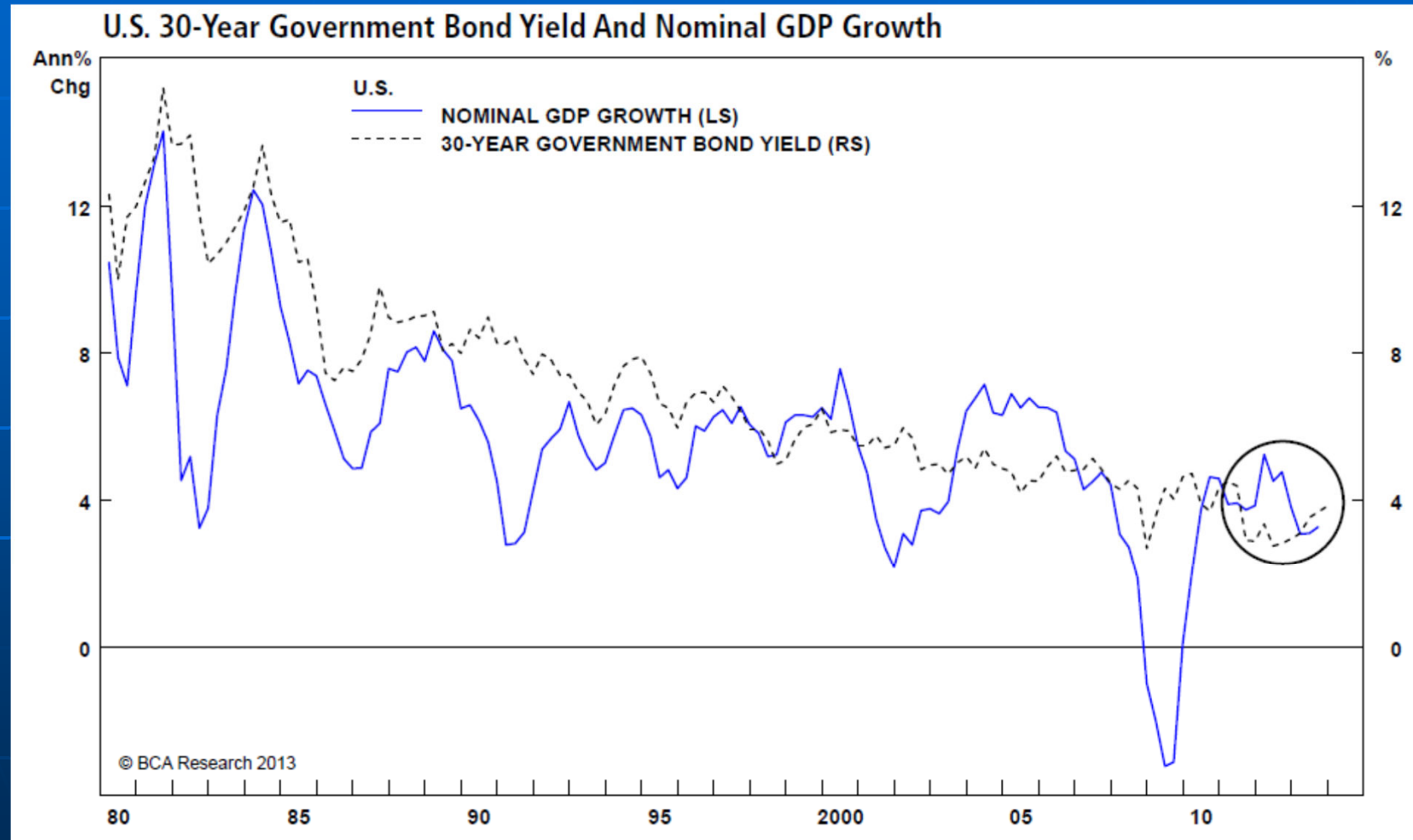
Source: Japan Ministry of Finance

Export Volume by Region



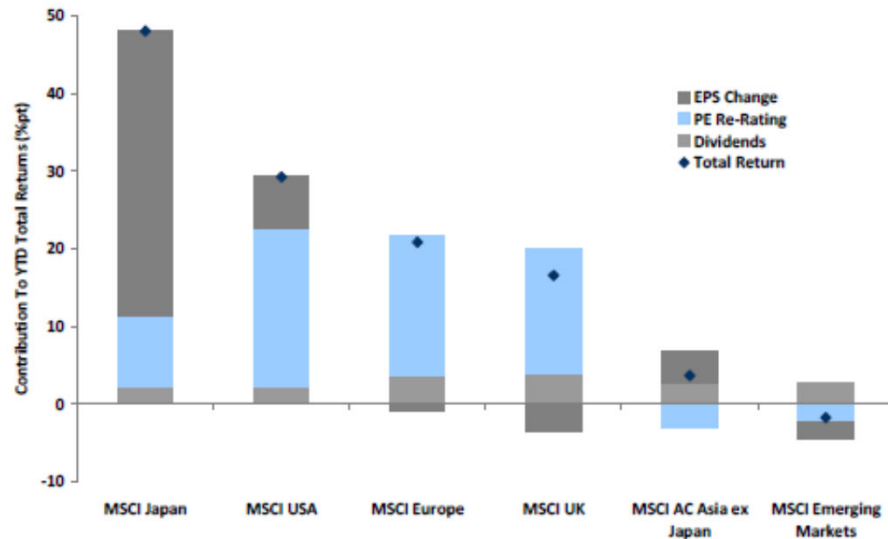
Source: Ministry of Finance, Morgan Stanley Research

Are the interest rates too low ??



Global Corporate Profits

Europe has been the biggest beneficiary of PE expansion in 2013



Source: MSCI, Morgan Stanley Research

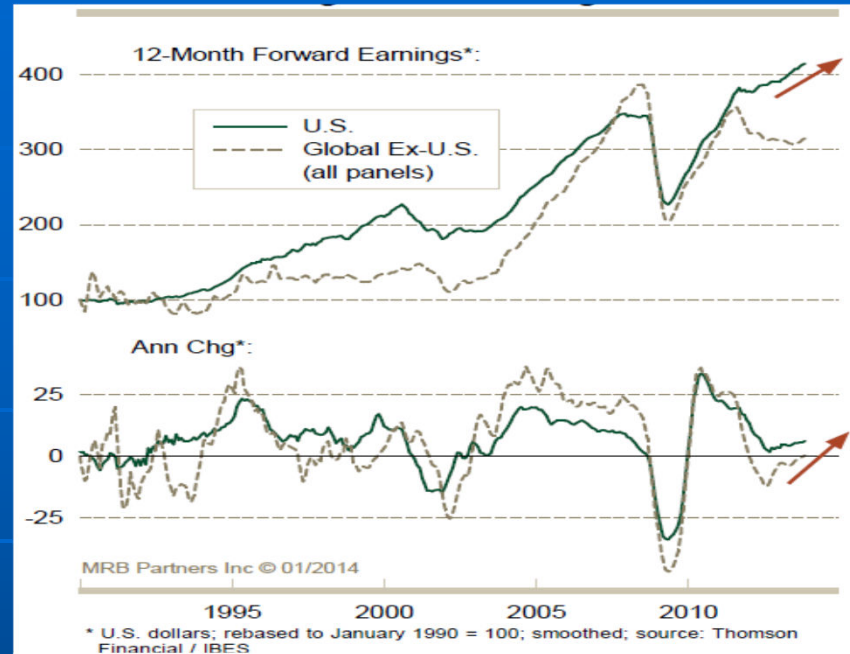
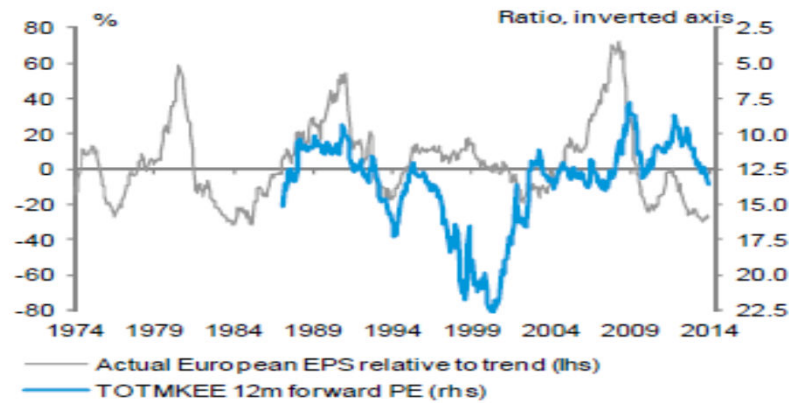
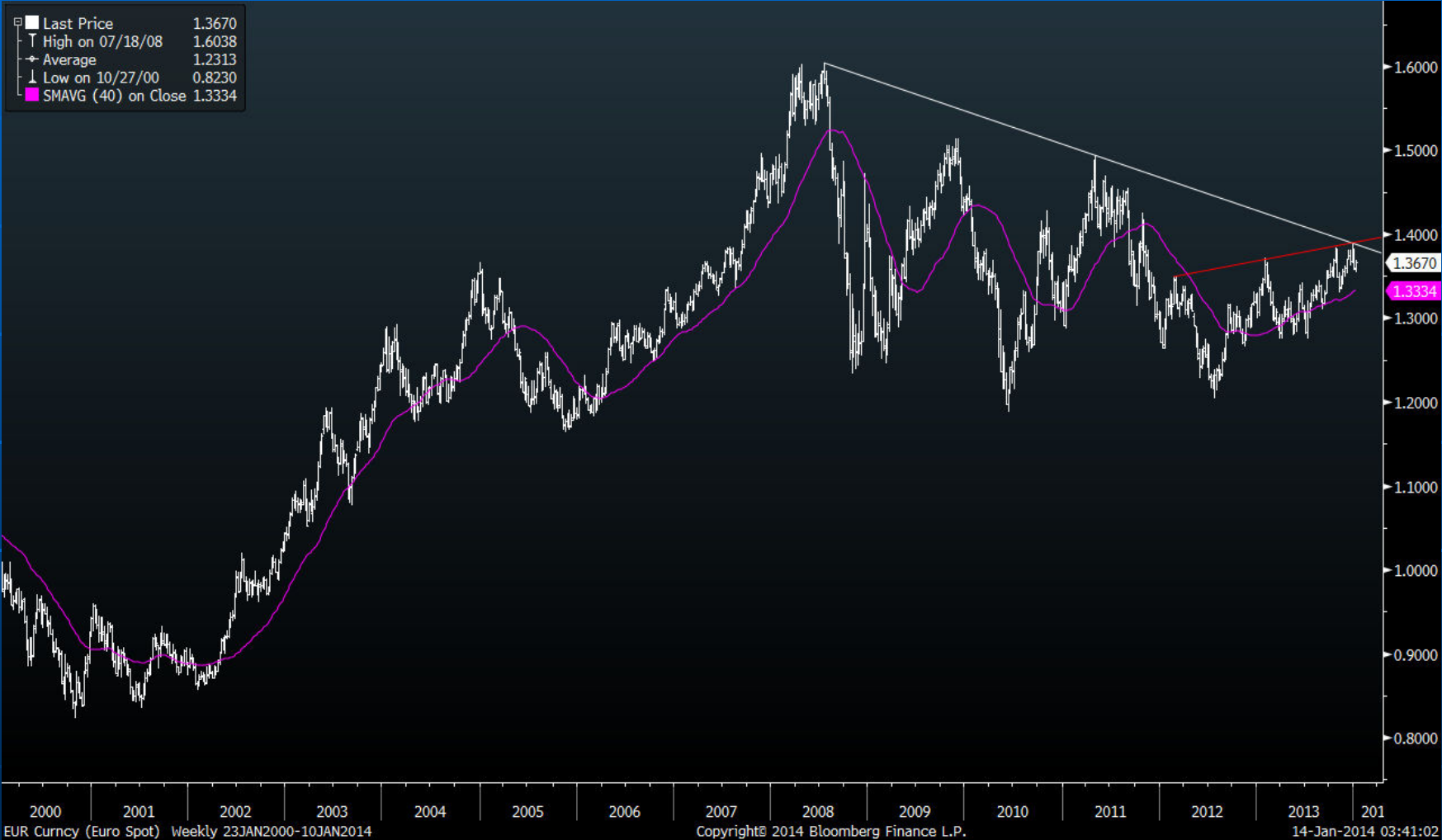


Figure 2: European earnings 30% below trend



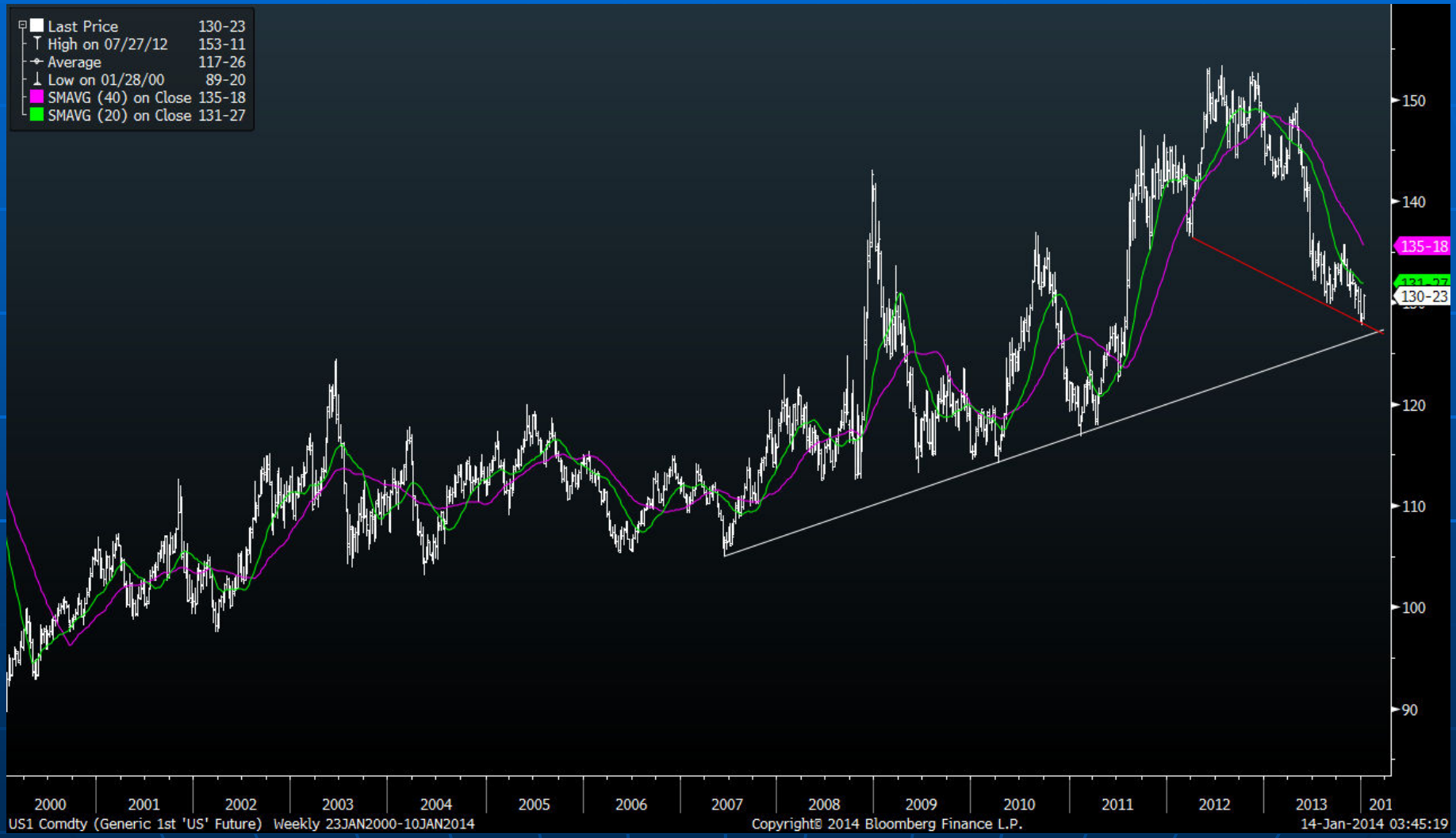
Source: Datastream, Deutsche Bank Research

EUR USD



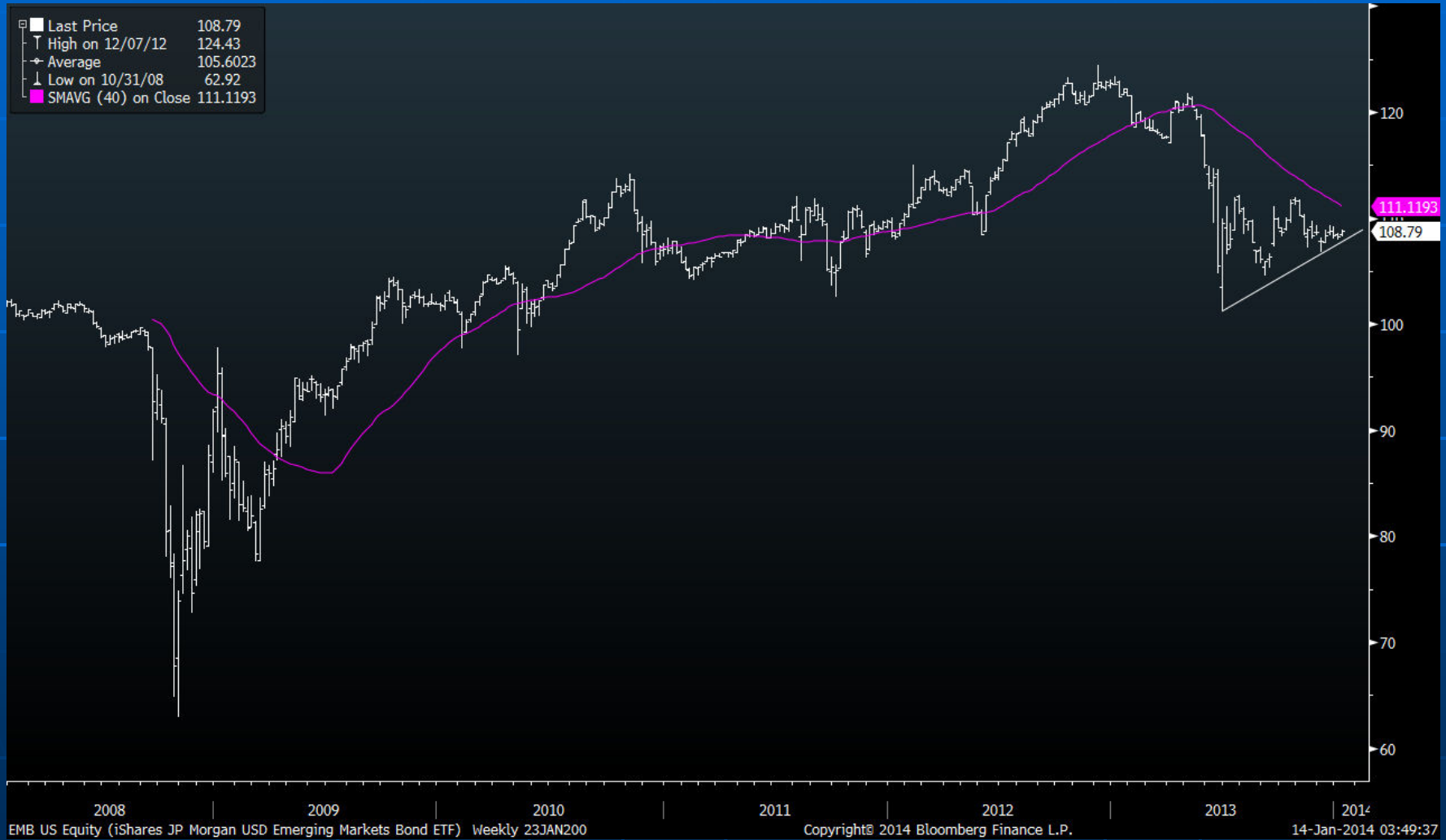
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EM USD Bonds



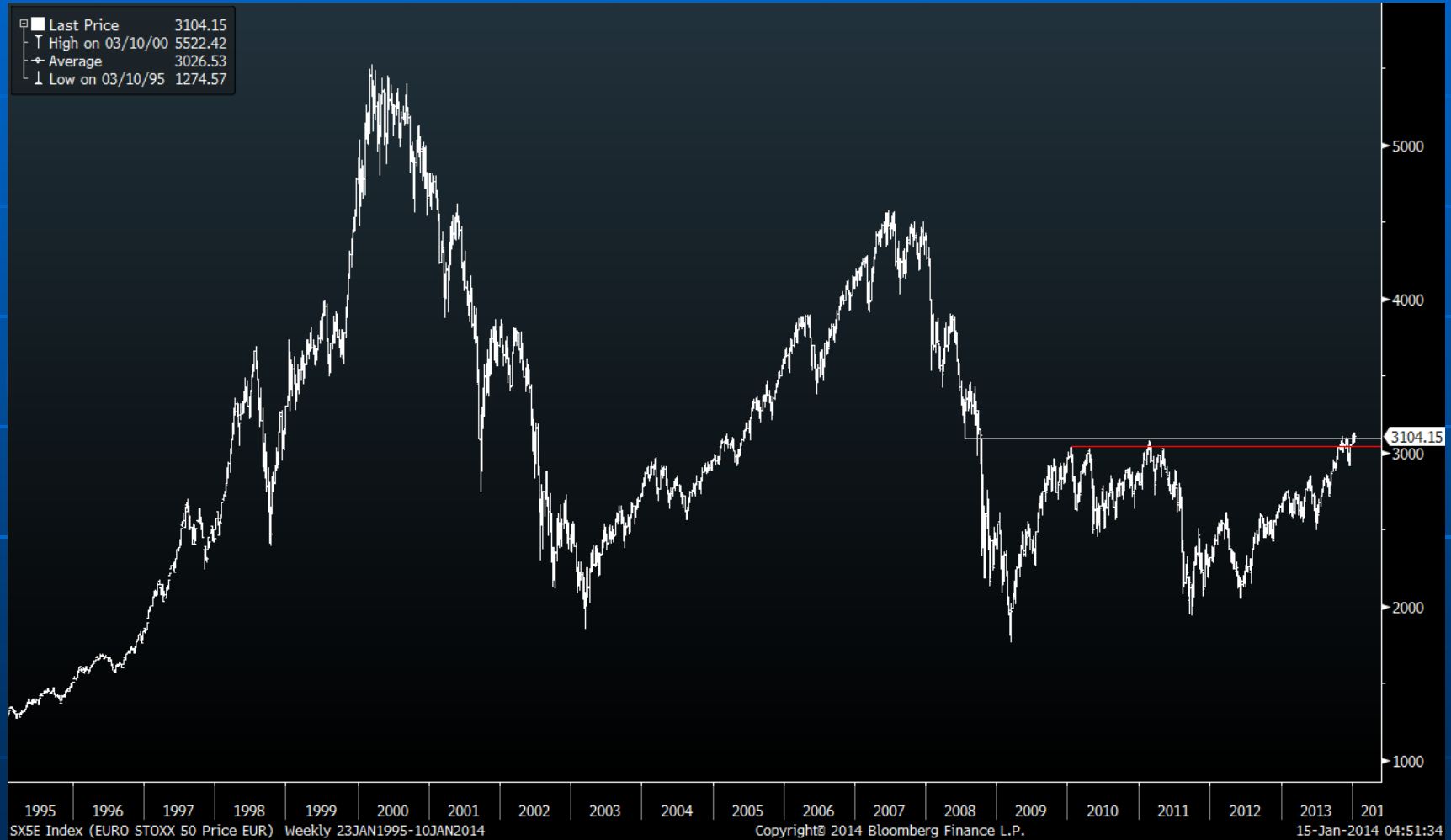
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