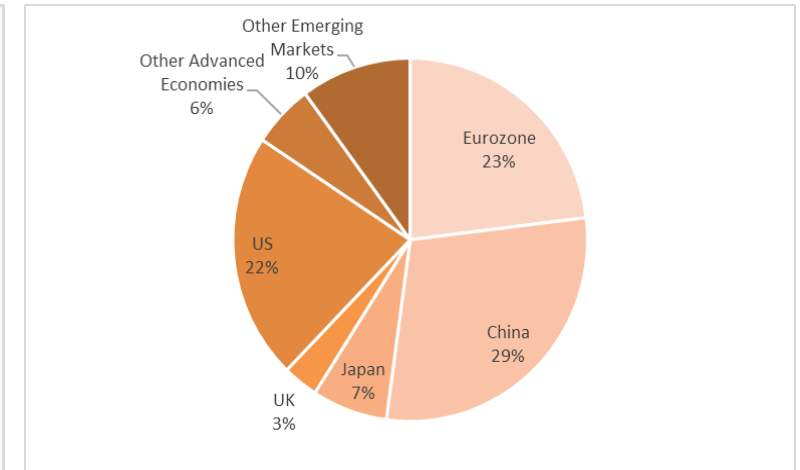
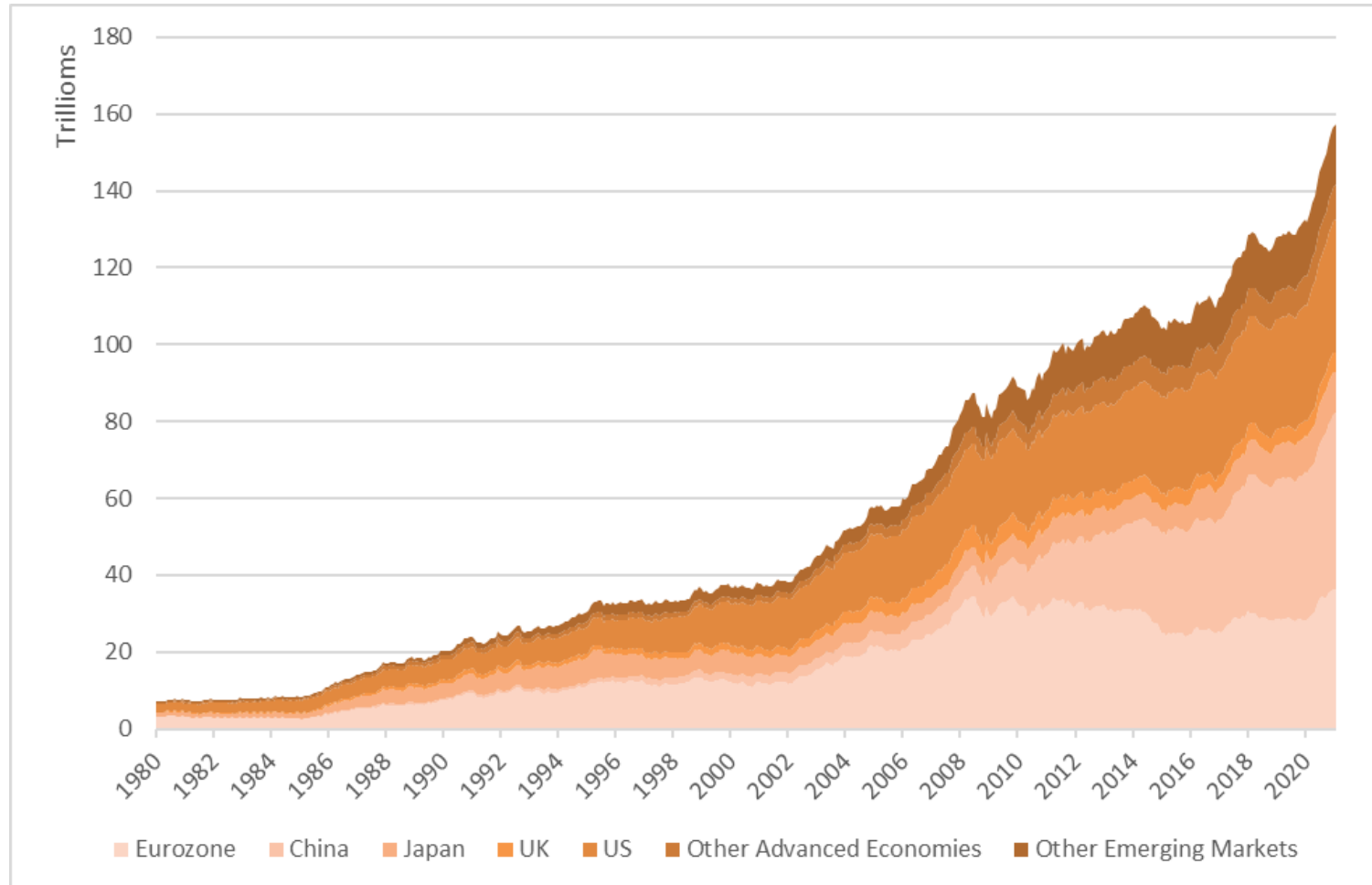




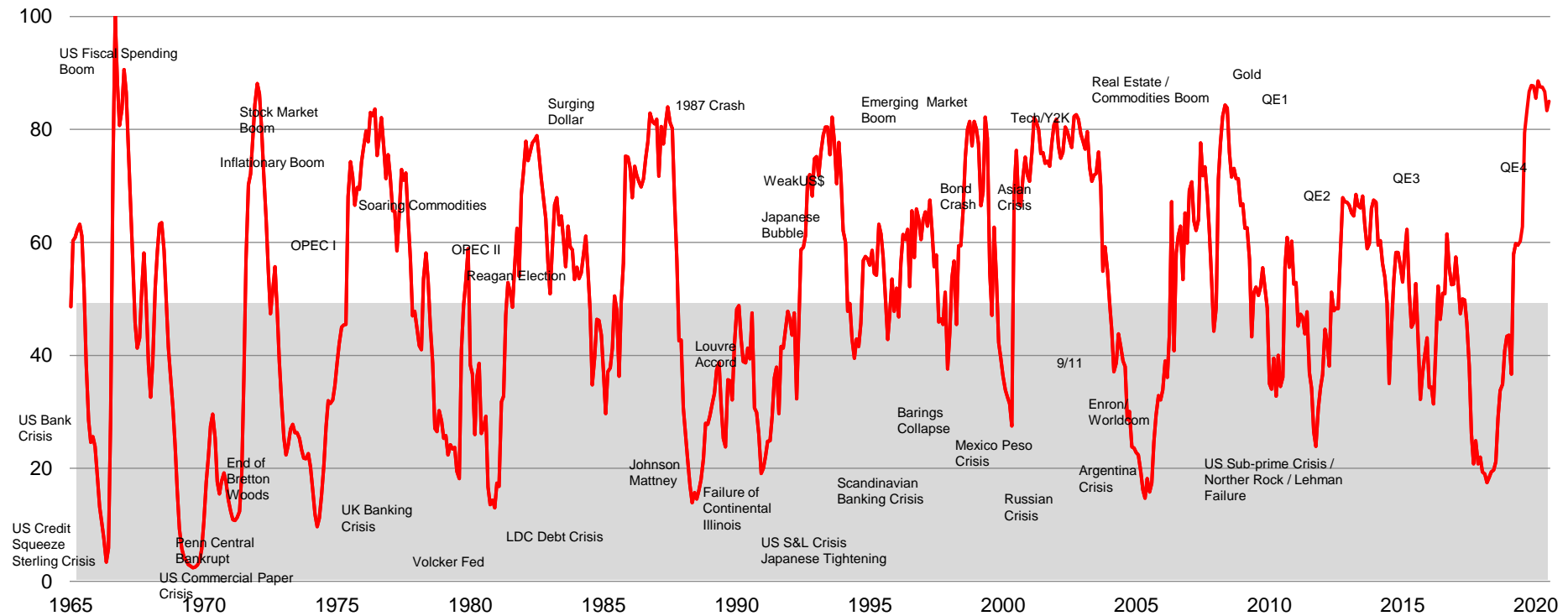
Global Liquidity: China (29%) Has Already Over-taken USA (22%)





Global Liquidity Index (GLI™) just off peak at 85.0 ('normal' range 0-100)

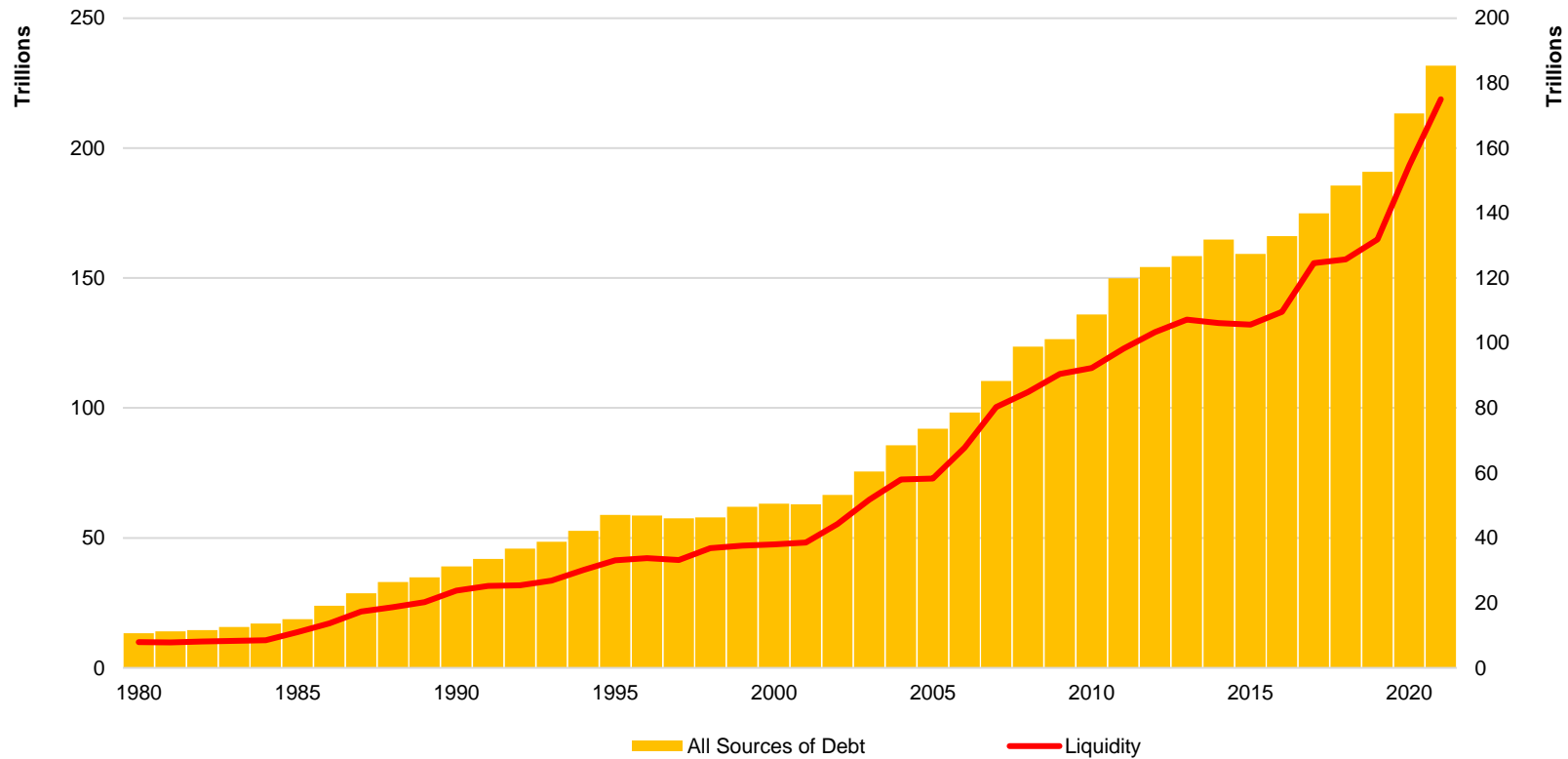
- Index (range 0-100) measures momentum of liquidity. Grey region identifies sub-par Liquidity growth





World Debt (ex-Financials) and Global Liquidity

- The remarkable rise in both World Debt and Global Liquidity continues apace*



Source
CrossBorder Capital, US Federal Reserve, People's Bank of China, ECB, Bank of Japan, Bank of England, IMF

China's Aim: to challenge the supremacy of the US Dollar largely by controlling the international flows of **liquidity** and **capital**
China already dominates World industry. She now needs to build up her financial muscle

*...we should promote the Renminbi to be the **primary currency of Asia**, just as the US dollar first became the currency of North America and then the currency of the World ...*

*Every globalisation was initiated by a **rising empire** ...As a rising super power, the 'One Belt, One Road' strategy is the beginning of China's own globalization ... it is a **counter-measure to the US** strategy of shifting focus to the East.*

Excerpts from a speech by Major-General Qiao Liang, Chinese PLA, April 2015

World Key Currency

“...what makes for an international currency seemed obvious in the second half of the twentieth century, when the dollar dominated international transactions and only the USA possessed these attributes in abundance, and in some cases at all.

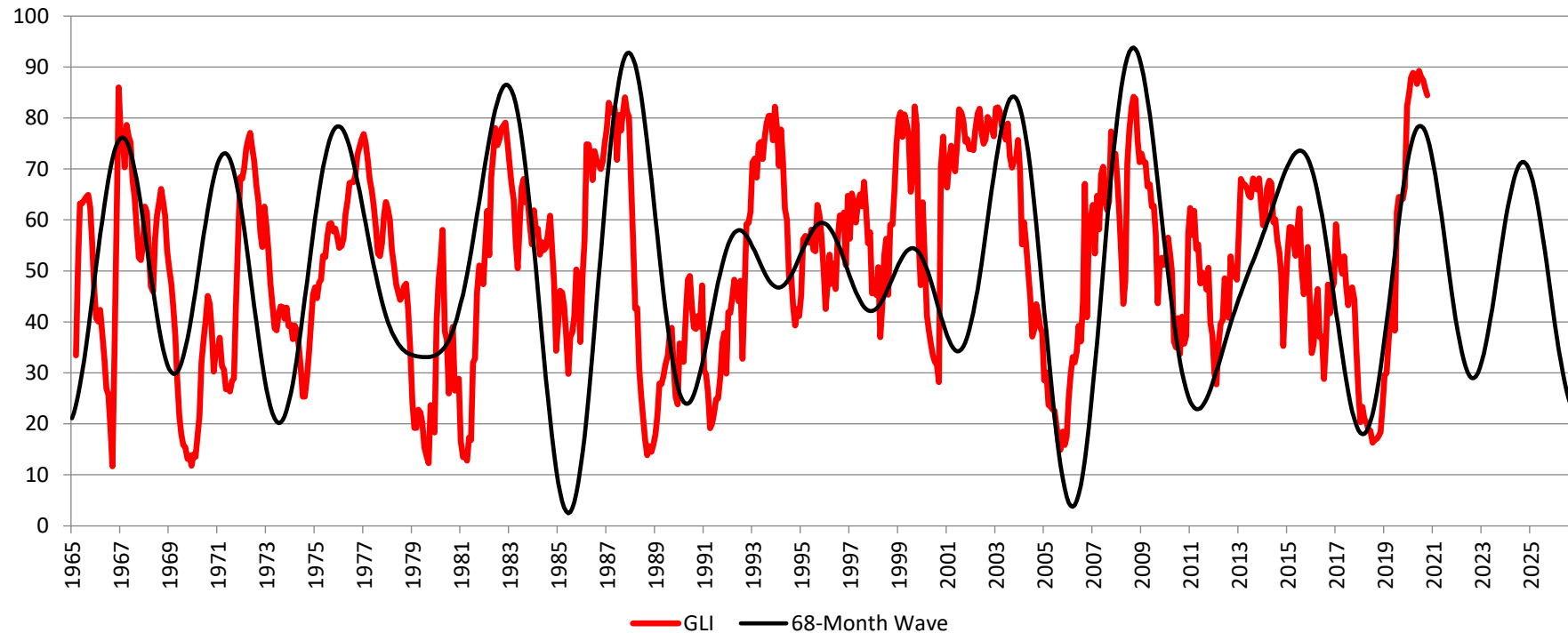
“Today in the twenty-first century, the answers are less obvious. America no longer accounts for as large a share of global GDP ... The US has been overtaken by China as the World’s largest exporter. China has negotiated currency swap arrangements with foreign central banks and designated official RMB clearing banks ... It is prepared to challenge the US in the geopolitical sphere, through foreign investments by its SOEs in Africa and by the AIIB in East, South, and Central Asia and by building islands in the South China Sea. Last but not least, the 2007–2008 GFC centred on the United States and understandably raised questions about the stability and liquidity of US financial markets.” Barry Eichengreen, Professor of Economics, U of C Berkeley, CA,2020

	US Dollar	Chinese Yuan	Euro	Yen
Economic Size	√	√	√	?
Fiscal Stability	?	√	?	√
Financial Liquidity	√	x	√	x
Military & Diplomatic Power	√	?	x	x



Global Liquidity Cycle & Long-Term Pattern (AI-based)

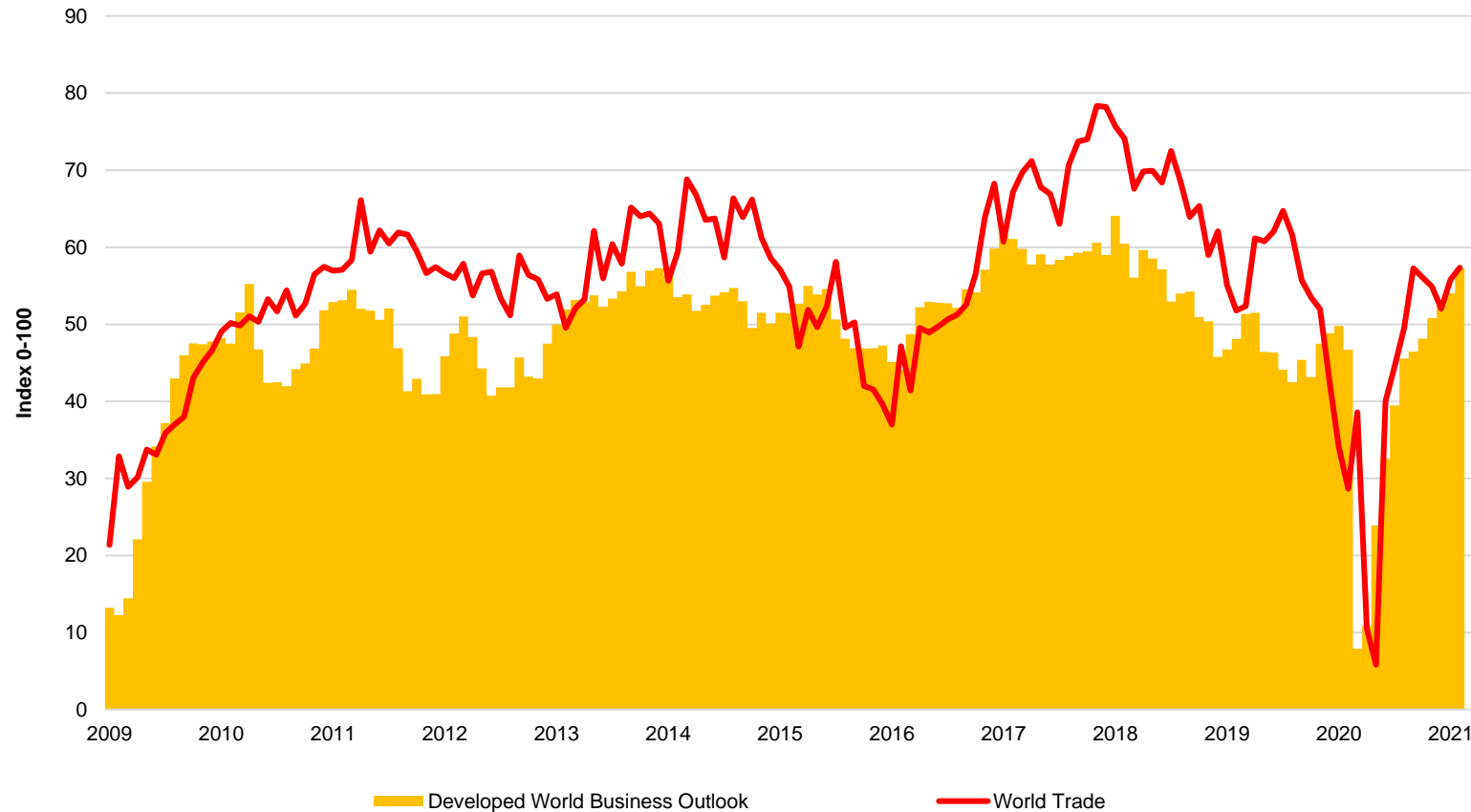
- *Next trough September 2022, but sub-par from late-2021*





The V-shaped Rebound – Business Confidence and World Trade

- *Business surveys and shipping activity both confirm sharp rebound*

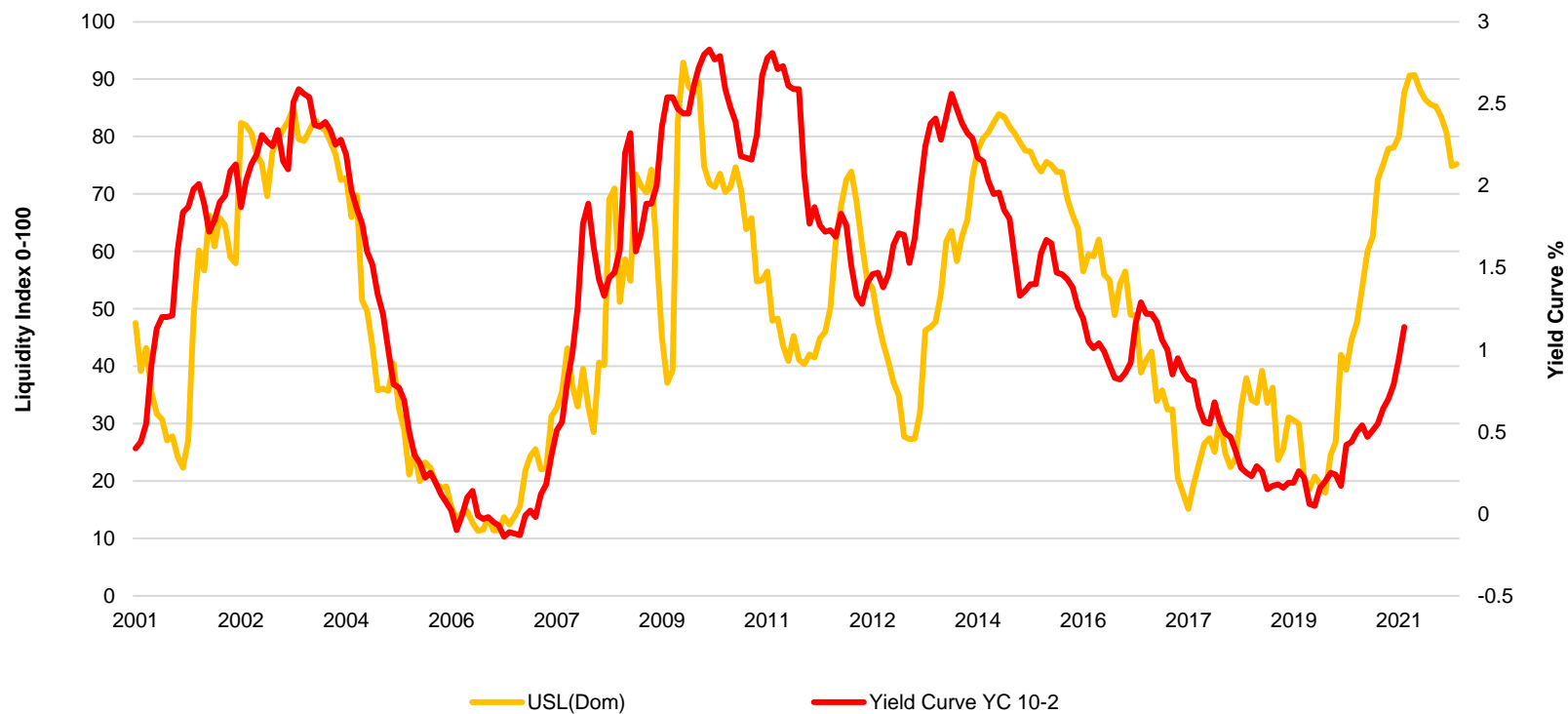


Source
CrossBorder Capital, US Federal Reserve, People's Bank of China, ECB, Bank of Japan, Bank of England, IMF



US Treasury 10-2 Yield Curve and US Liquidity (Advanced 9 Months)

- *Yield curve and term premia move pro-cyclically with liquidity*

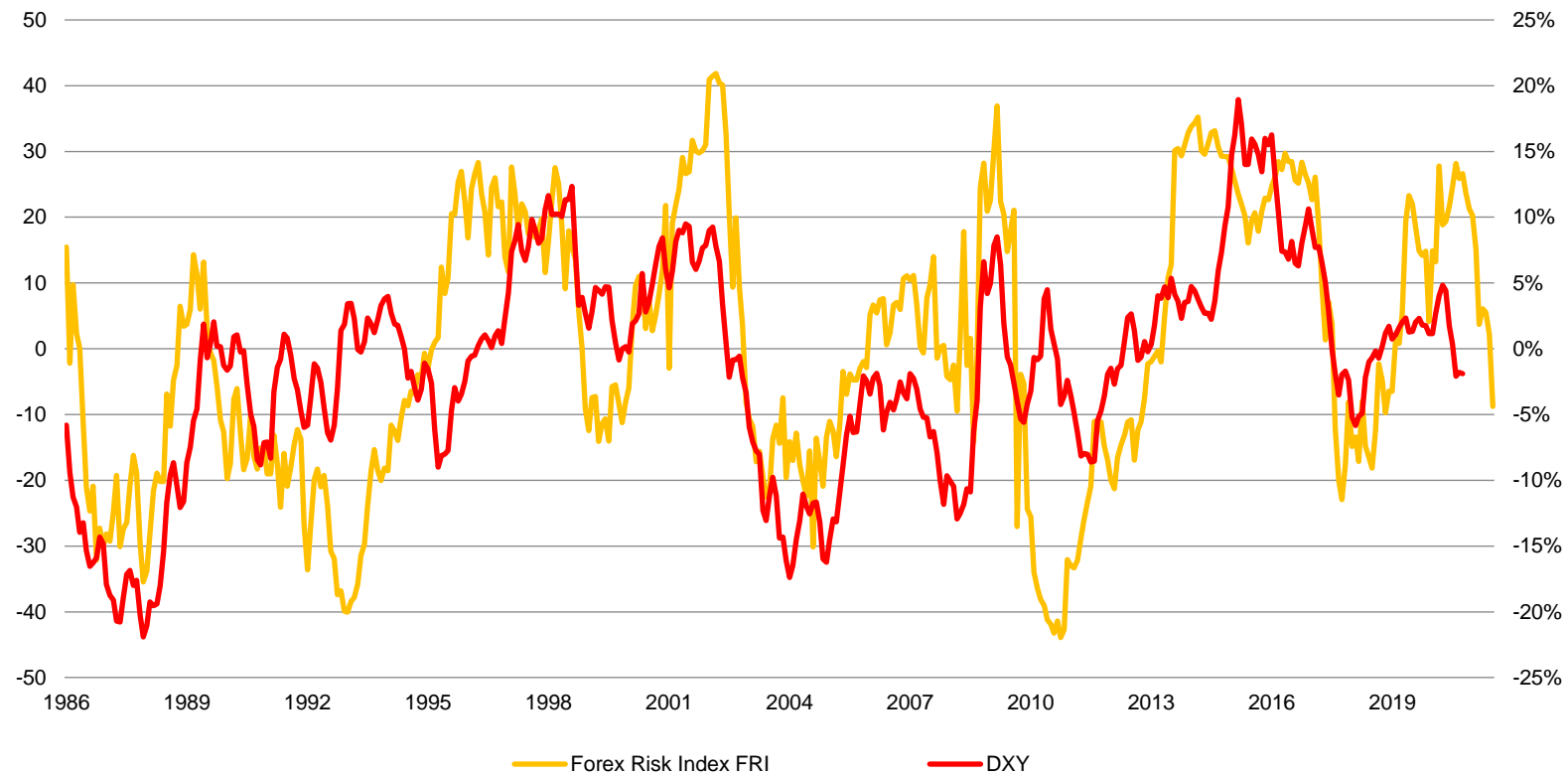


Source
CrossBorder Capital, US Federal Reserve



What Matters for the US Dollar?

- *US Private Sector Cash Generation Versus Federal Reserve Liquidity*

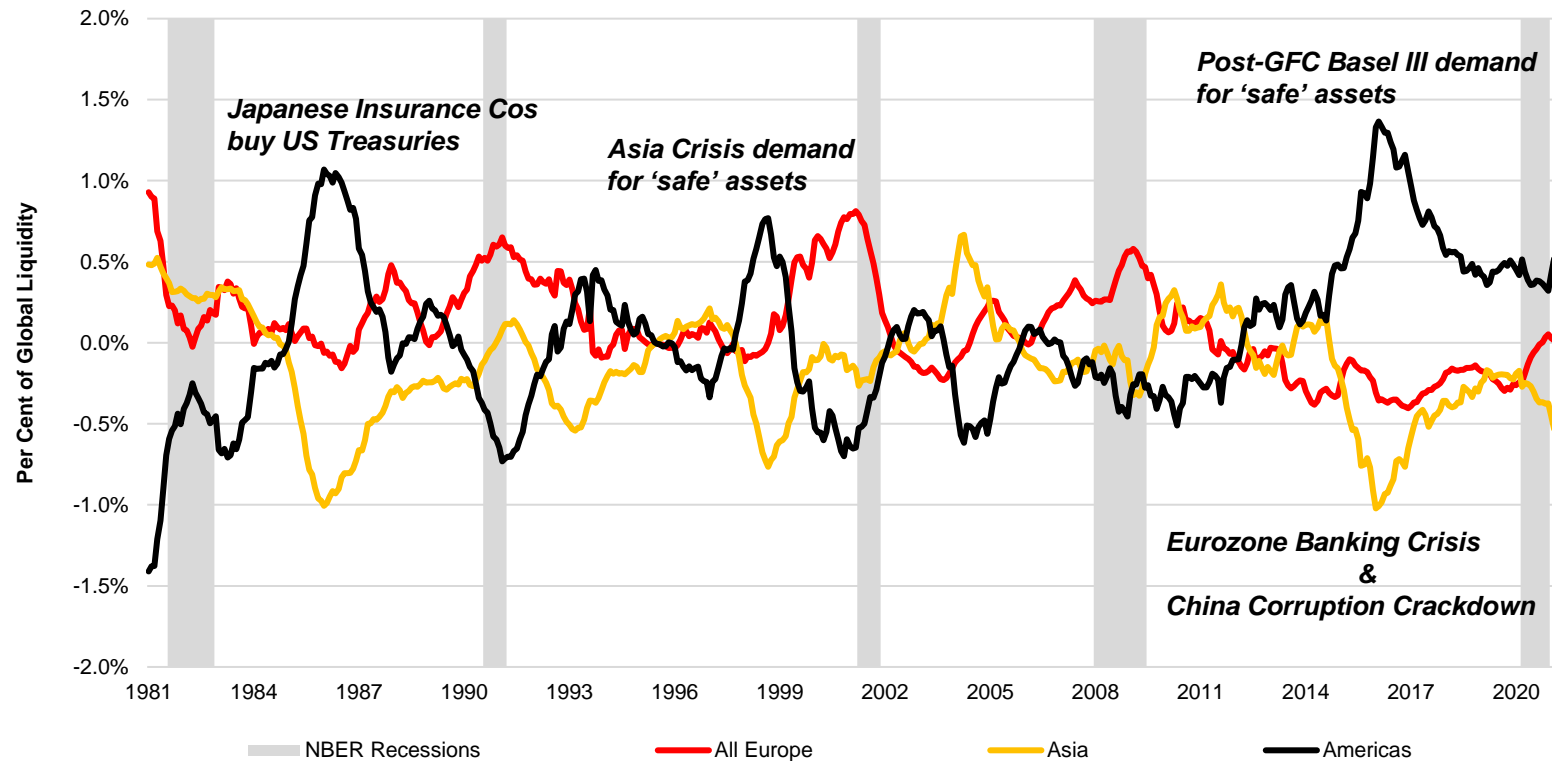


Source
CrossBorder Capital, US Federal Reserve



Regional Capital Flows

- *US\$ benefitted from several 'one-off' factors in past decade*

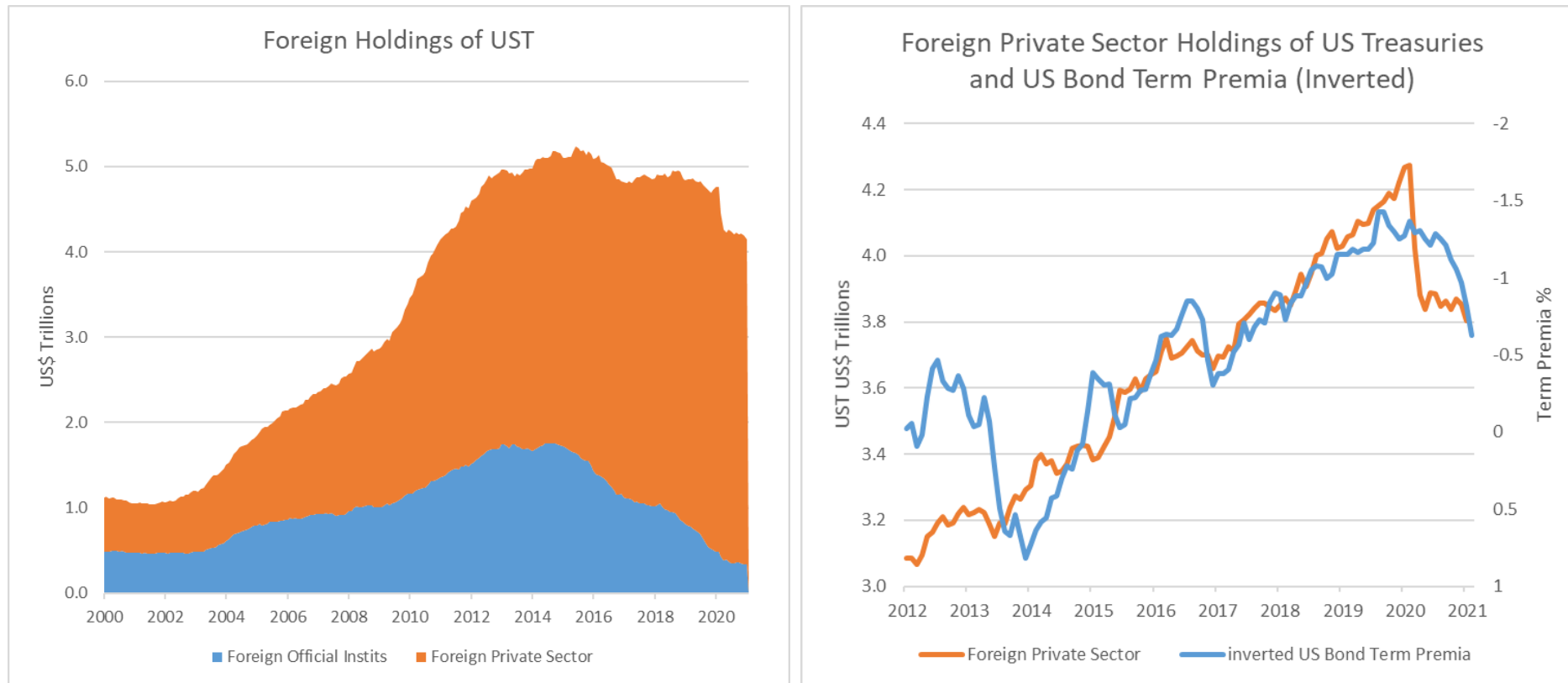


Source
CrossBorder Capital, US Federal Reserve, People's Bank of China, ECB, Bank of Japan, Bank of England, IMF, NBER



Foreign Purchases of US Treasuries & Term Premia 2012-21

- *Foreign capital is leaving Treasuries & adding pressure to term premia*



Source
US Treasury, CrossBorder Capital



Ratio of World Investors' Equity Holdings to Global Liquidity

- *World stock markets appear well-supported by Global Liquidity*

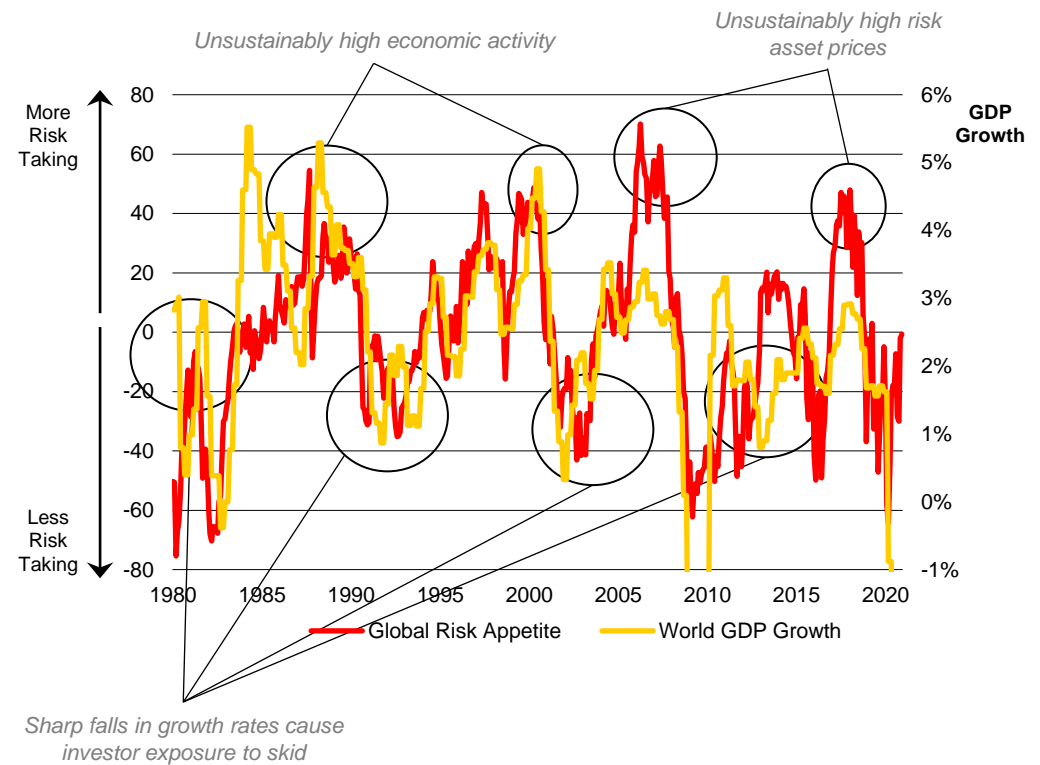
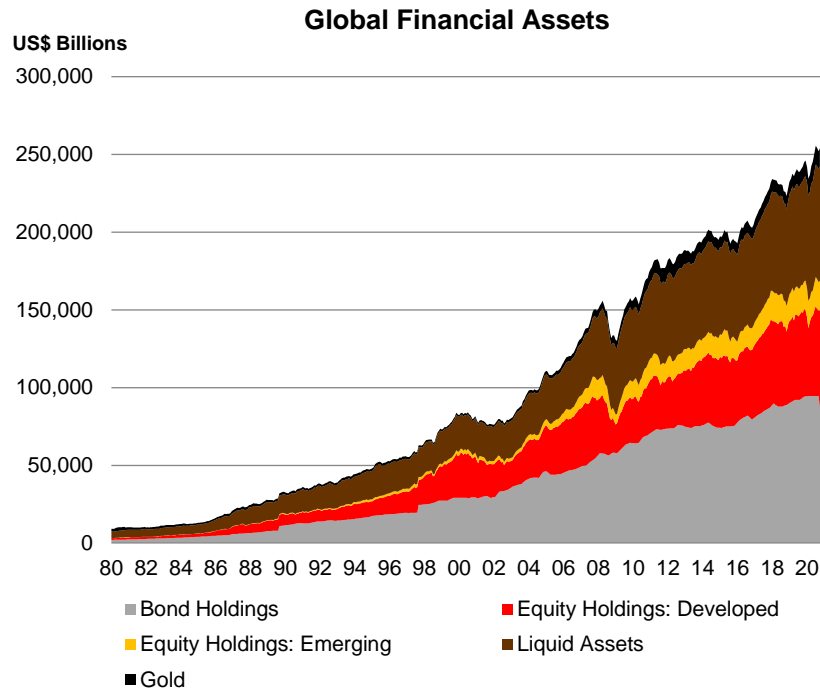


Source
CrossBorder Capital, US Federal Reserve, People's Bank of China, ECB, Bank of Japan, Bank of England, IMF



Global Risk Appetite - Investors' Exposure to Risk Assets

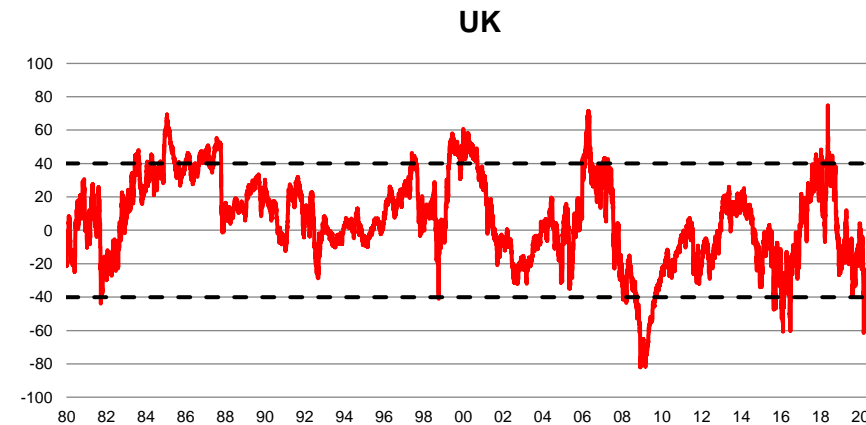
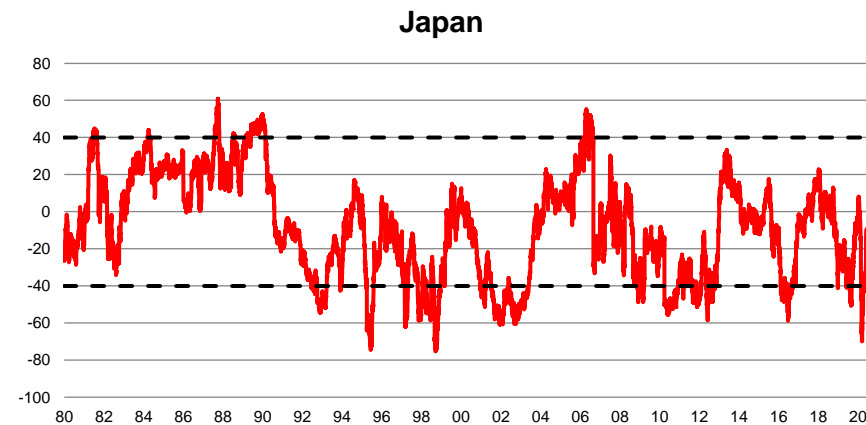
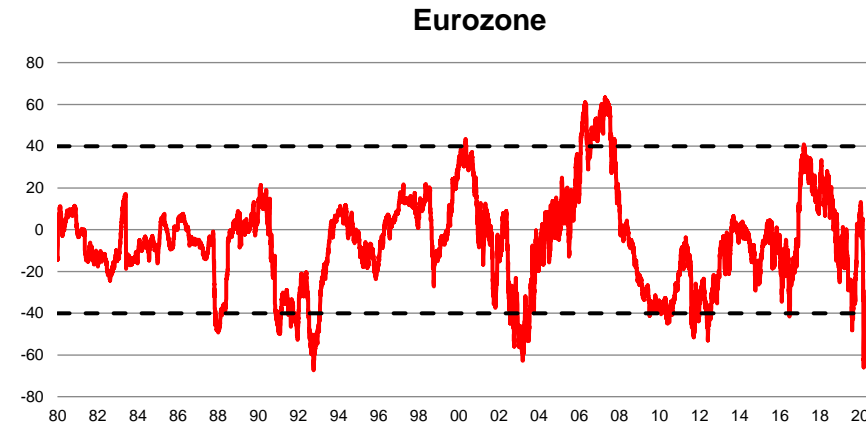
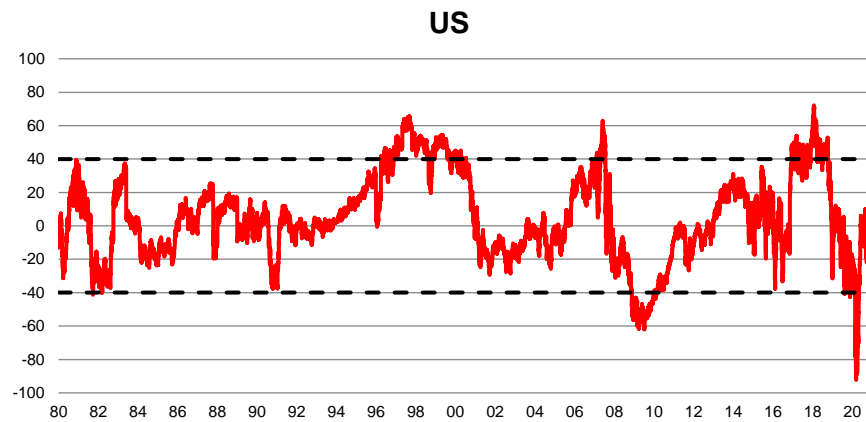
- Levels of risk exposure of World investors now well-below long run averages but off their lows





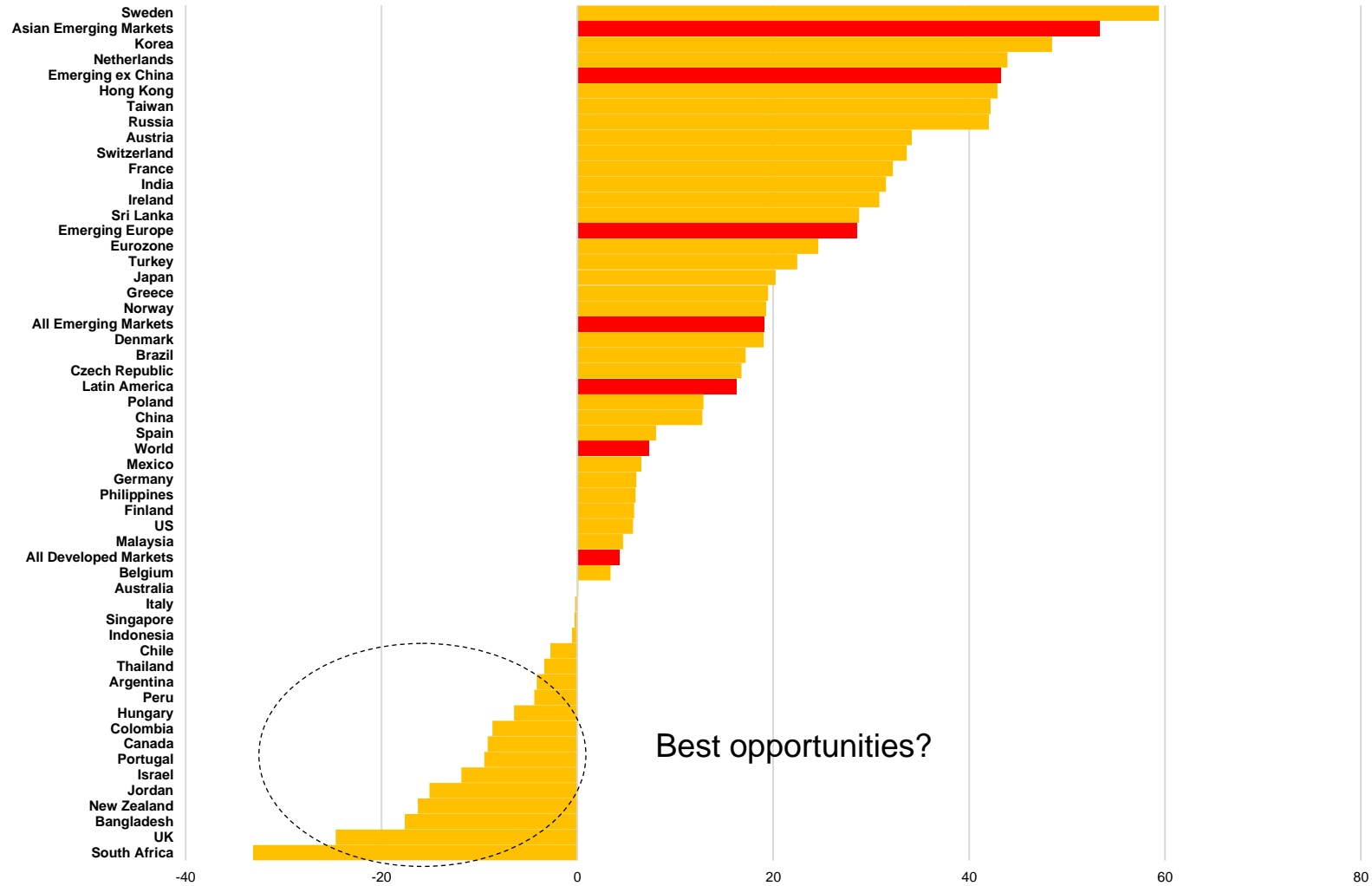
Risk Exposure – Major Markets

- Risk appetite peaked in 2018. It bounced off a Q1 2020 low to more 'normal' readings. UK still low





Ranking of World Equity Markets by Risk Exposure of Investors – High to Low April 2021 (Regions Highlighted)



Source: CrossBorder Capital, US Federal Reserve, People's Bank of China, ECB, Bank of Japan, Bank of England, IMF