



OFF THE NEWS

Is China the Next Japan?

I. DEBT RATIO

“The ratio of debt to GDP was 157 percent at the end of 2007, 250 percent at the end of 2013, and 290 percent at the end of the second quarter of 2015.”

—Martin Wolf,
Financial Times

II. DEBT SERVICING

China has the world’s highest private debt levels, higher than Japan’s levels. China also has the highest debt service burden as a proportion of GDP. The costs of servicing Chinese private debts amount to roughly 20 percent of GDP. As late as 2009, that figure was 12 percent.

—Bank for International Settlements

III. RESERVE BLUES

“[China’s] reserves are down by almost \$700 billion from their peak, thanks to capital flight and sinking asset values. Determined money has long seeped out of China’s stockade; signs of a bigger leak emerged in the latter half of 2015. In December alone reserves fell by more than \$100 billion. Capital slipped abroad at an annualized pace of \$1 trillion in the second half of 2015.”

—*The Economist*

IV. MORE DEVALUATION COMING?

Capital outflows soared as overseas investors pulled out of emerging markets and Chinese companies in the final three months of the year rapidly paid off overseas loans amid a weakening renminbi.

—*Institute of International Finance*

V. MAYBE NOT

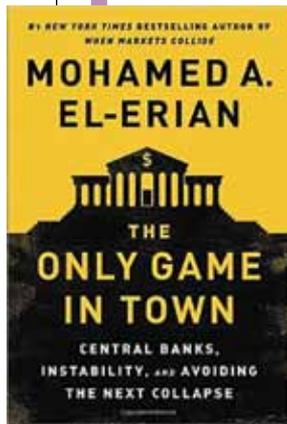
“After a decade of sharp appreciation, the renminbi is now closer to fair value.”

—Stephen Roach



TIE Bookshelf

Recent and notable works from some of our regular contributors.

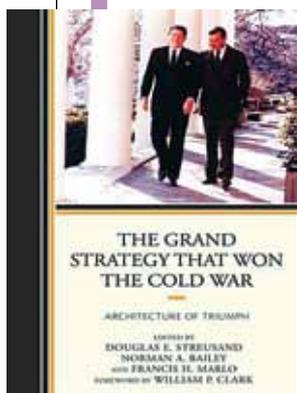


The Only Game in Town: Central Banks, Instability, and Avoiding the Next Collapse by Mohamed A. El-Erian, Random House (2016).

“This book is a must-read for anyone interested in the global economy. It’s a masterful account of how central banks became the only game in town after the global financial crisis, but also how other structural and fiscal policies are necessary to resolve key global

economic issues. El-Erian is the best thinker on the key global issues of our times.”

—Nouriel Roubini,
Roubini Global Economics and
Stern School of Business, NYU



The Grand Strategy That Won the Cold War: Architecture of Triumph by Douglas E. Streusand (editor, contributor), Norman A. Bailey (editor, contributor), and Francis H. Marlo (editor, contributor), Lexington Books (2016).

“[A]n excellent and outright indispensable book for understanding the literal strategy of President Ronald Reagan and his administration in attempt-

ing to peacefully take down the Soviet Union and win the Cold War.”

—Paul Kengor,
Grove City College

Ugly Omen?

I. A MARKET BUMMER

The Dow lost 5.2 percent between its opening on January 4 and January 8, the worst first four trading days since the 30-stock index was created in 1928. The S&P 500 for the same period was down 4.9 percent, its worst four-day opening in its history.

—Reuters

II. A BIGGER BUMMER

The *Stock Trader’s Almanac’s* “First Five Days” indicator suggests that in presidential election years, the market’s performance during the first five days of trading is a predictor of the market’s performance for the year. This indicator had been accurate in fourteen of the last sixteen such years.

—New York Times

The Cost of Creative Destruction

THE GOAL OF GREATER SAFETY

“We think that over the next twenty to twenty-five years [with the emergence of driverless cars], the number of accidents will fall by 80 percent. From a consumer perspective, this is a very good thing. You’ll see improved safety, fewer deaths.”

—Jerry Albright
KPMG

AND THE INCREDIBLE SHRINKING INSURANCE INDUSTRY

The insurance industry could shrink by as much as 60 percent by 2040 as a result of a drop in accident damage payouts and as premiums fall.

—KPMG study