

# Lunch Meeting

Wednesday 12 December 2012

Presentation and Two Course Lunch, followed by IFMA AGM

12:00-14:00

Aperitif at 12:00; presentation and lunch from 12:30; AGM from 13:40

Swissôtel Metropole, Geneva

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**Speaker:** Philippe Coutaz, *Ph.D.*

**Subject:** The World Macro-Issue: Deleveraging

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*We all know by now that there is too much debt for the world economies to carry. The world economy at large needs to **deleverage**.*

*There are **three ways to deleverage** an economy:*

- (1) Austerity;*
- (2) Restructuring; and*
- (3) Monetisation.*

*Where are we up to in this deleveraging process in Japan, the USA and Europe?*

*Philippe Coutaz earned his Ph.D. in Economics from New York University (NYU).*

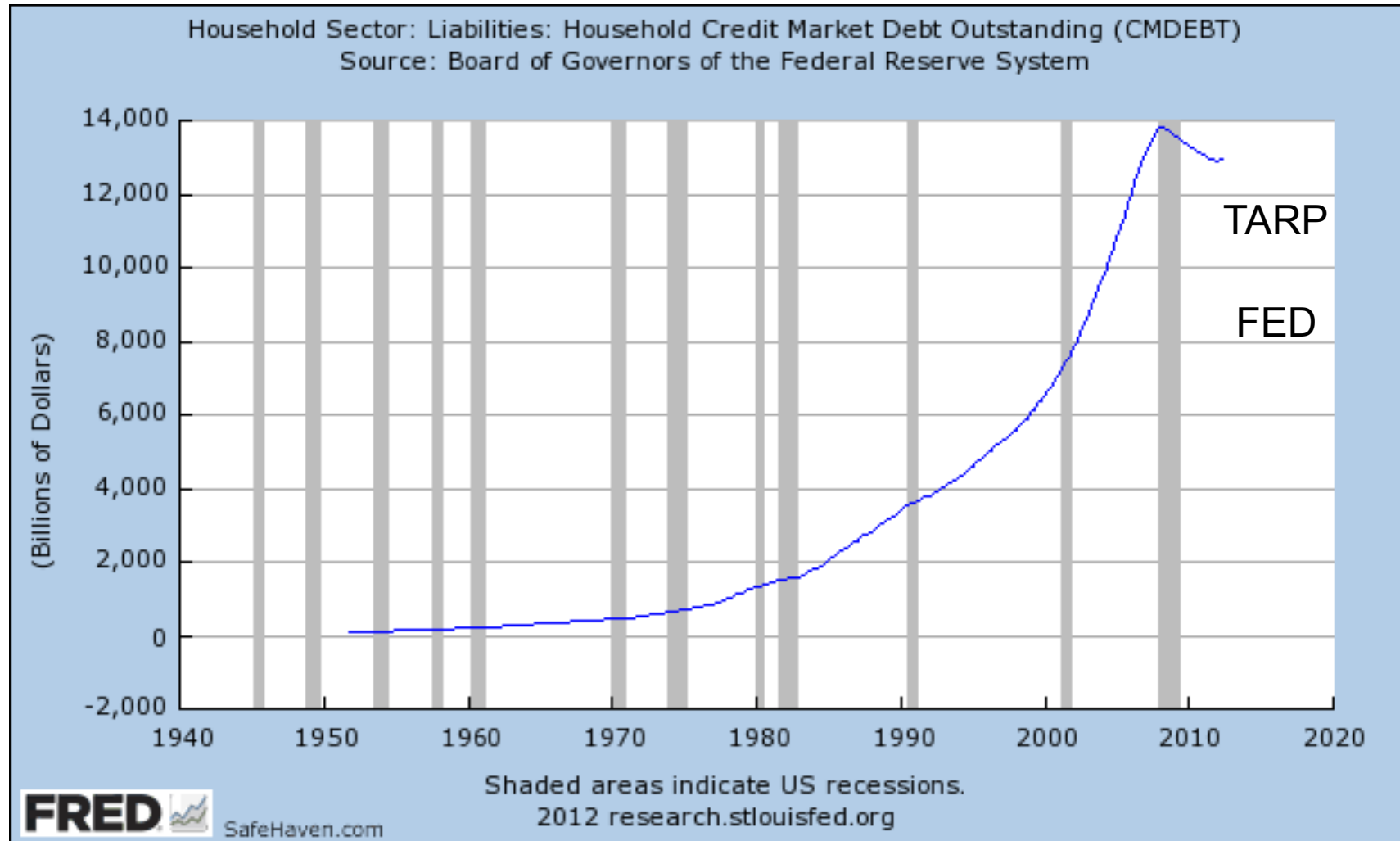
*He has been Chief Economist first and Chief Investment Officer thereafter in various Private Banks in Geneva.*

*He has spoken many times at IFMA events in the past.*

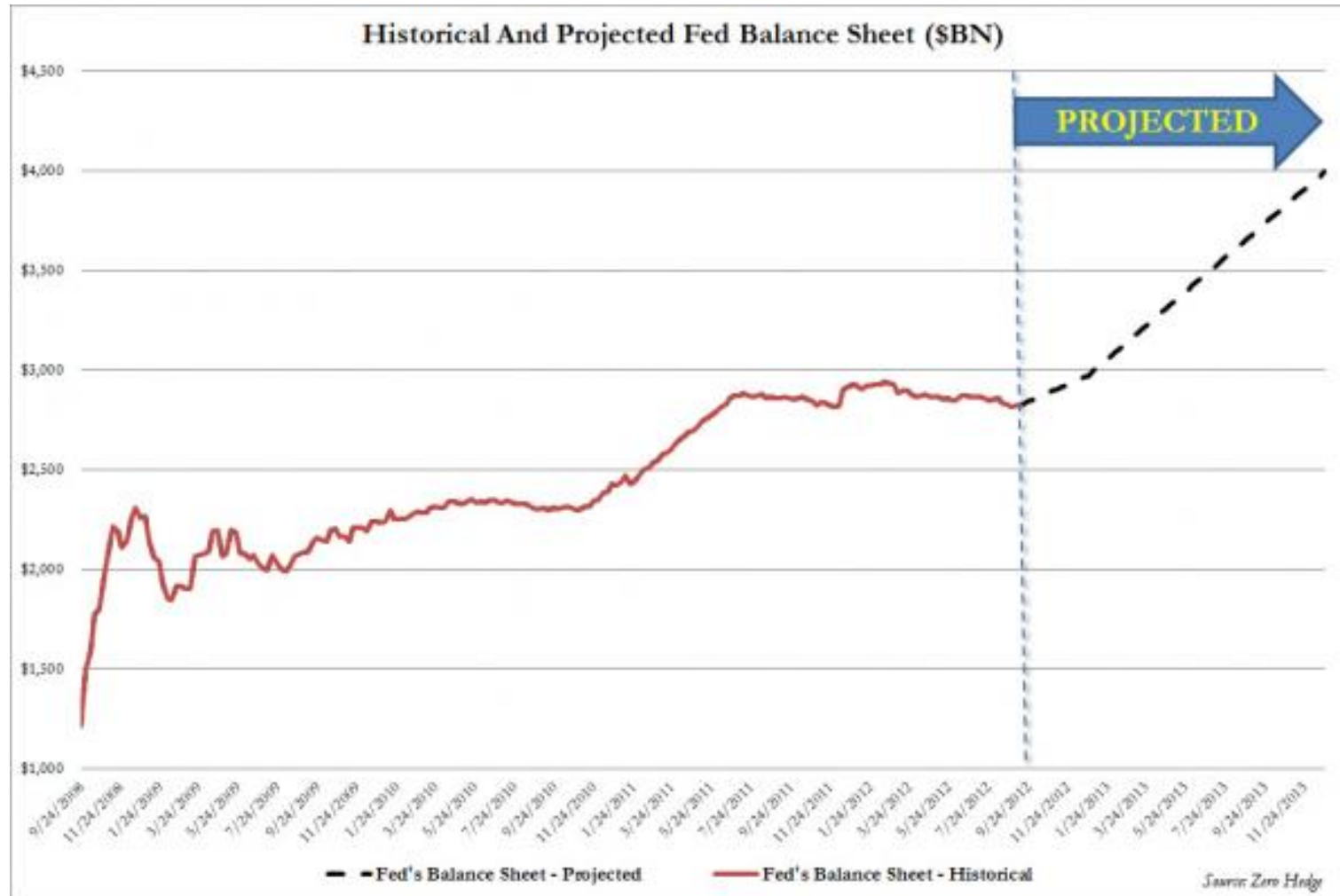
# Three Ways to De-Leverage

	1.AUSTERITY	2.RESTRUCTURING	3.MONETISATION
JAPAN	?	?	?
USA	?	?	?
EUROPE	?	?	?

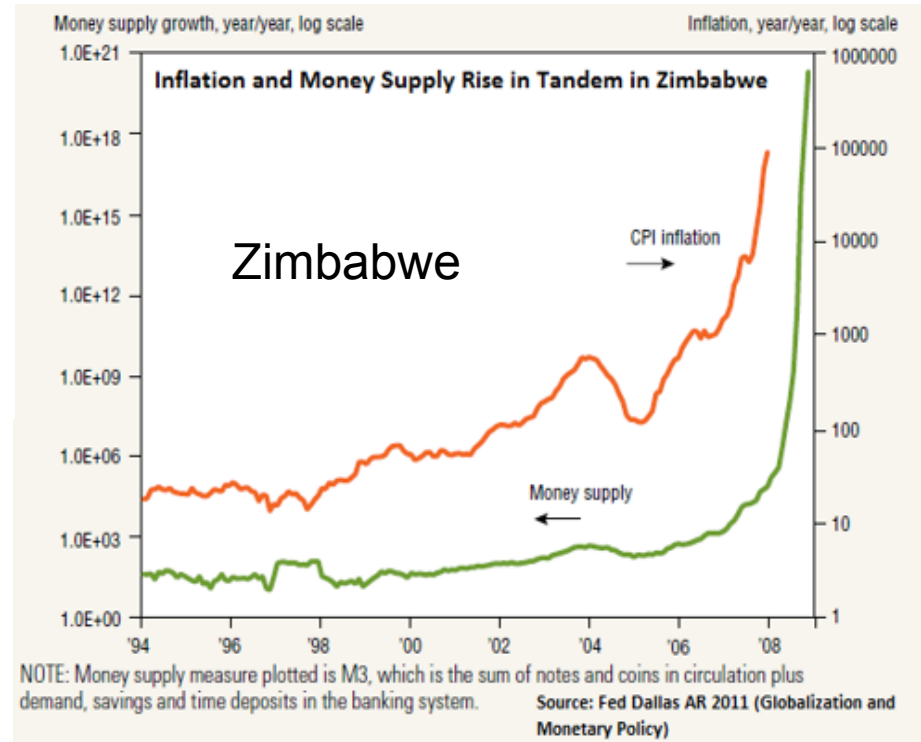
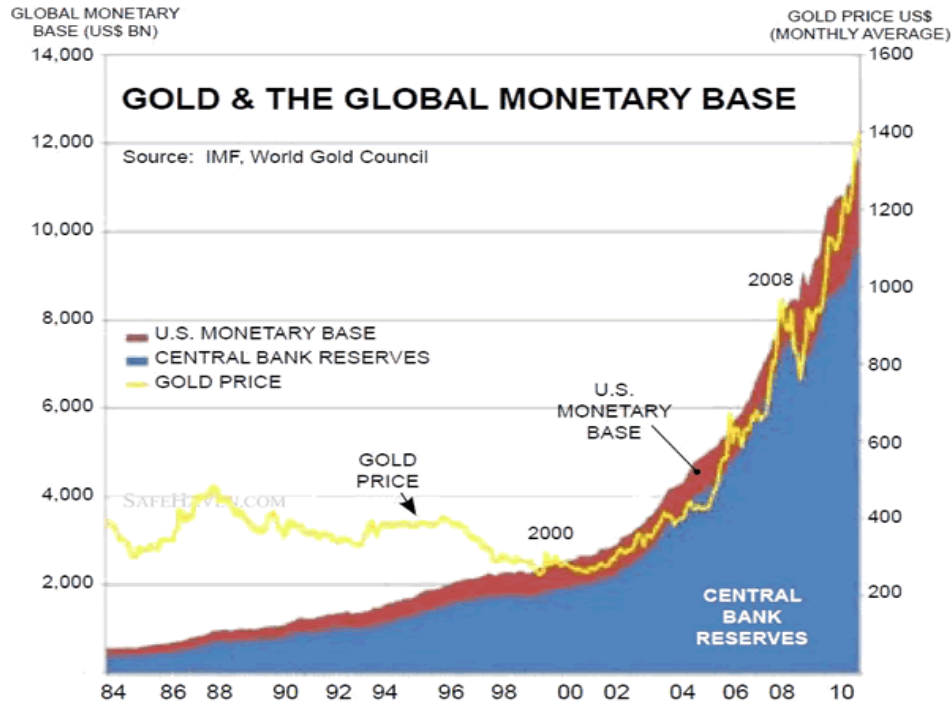
# U.S.A.



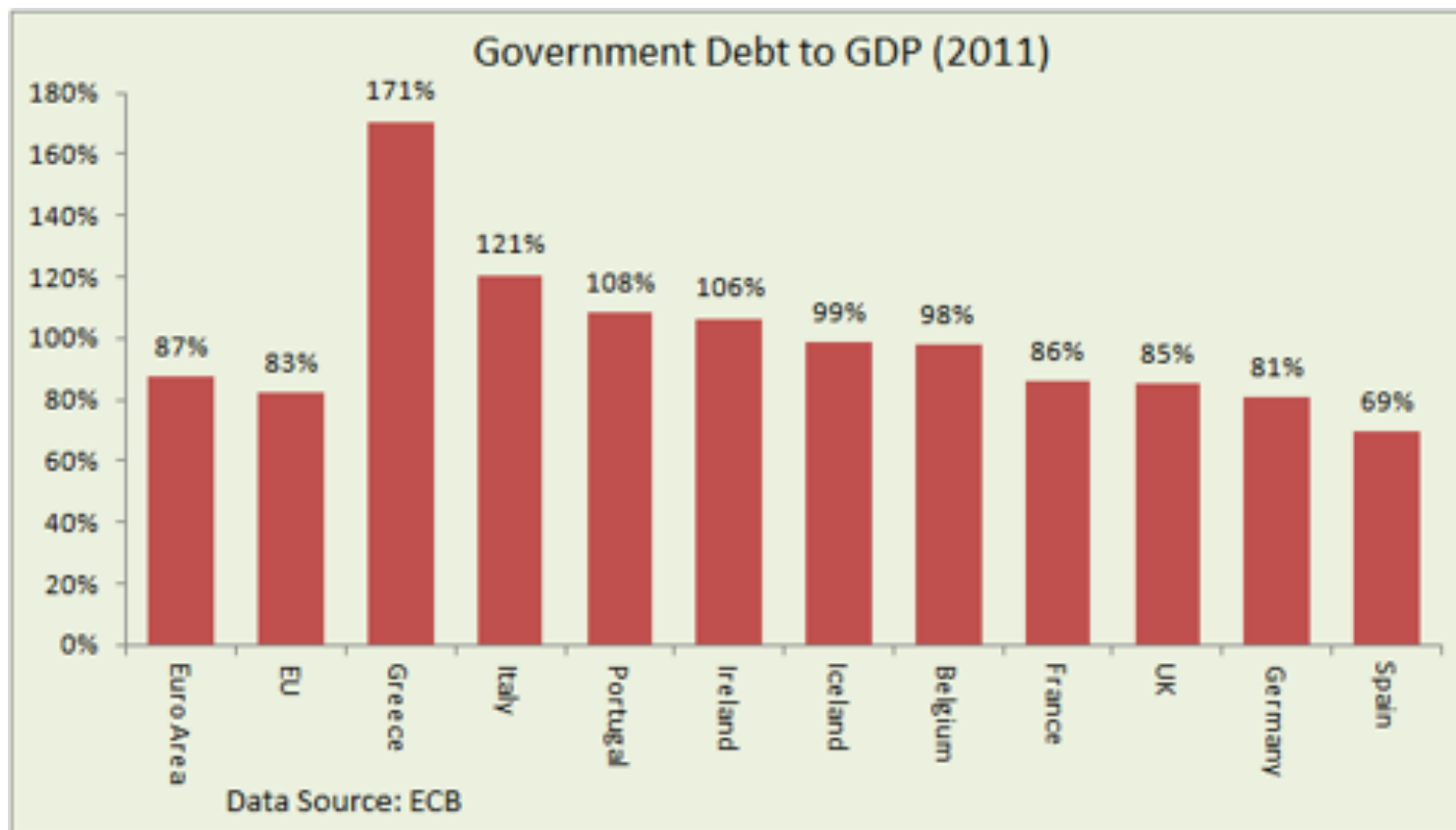
# FED MONETISATION



# The Big Risk



# E.U.



## Spain vs. Greece

### Recapitalisation Spain

- **€180 billion**
- 10.7% of the total **€1,700 billion**
- **“Fonds de défaillance”** à la TARP
- SAREB <----- **€180 billion**
  - Discounts: 63% (average) / 79% (Toxics)
  - EU help: **€100 billion**
- Risk: Liquidity /Spreads

### Restructuring Greece

Private sector: **€107 billion** has been cancelled

Public sector: Help of **€230 billion** from E.U. / IMF / ECB.

**Today**: Total debt is **€270 billion** (150% of GDP).

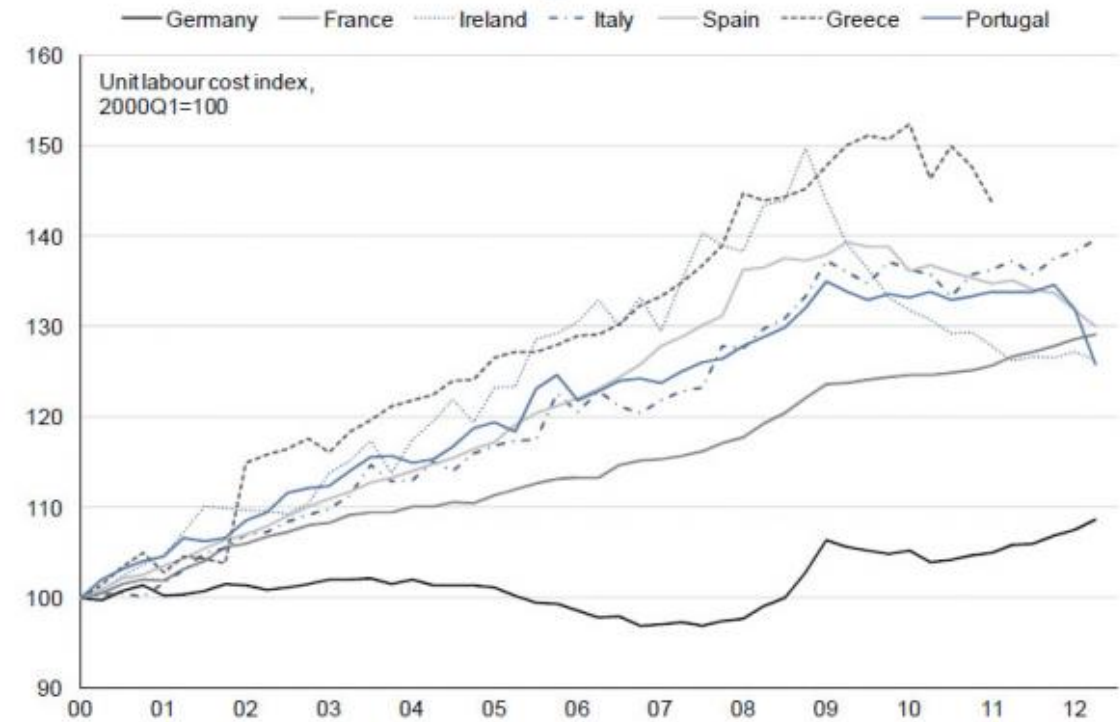
**Jubilee**: **€190 billion** is held by the Troïka (70%)

ECB		No
IMF	No	
Germany		Yes

# The Macro-Need for Austerity

$$X - M = f \left( \frac{\text{USD}}{\text{CHF}} \times \frac{W^{\text{us}}}{W^{\text{ch}}} \right)$$

Price competitiveness has diverged



Source: ECB.



## Japan Debt Disaster

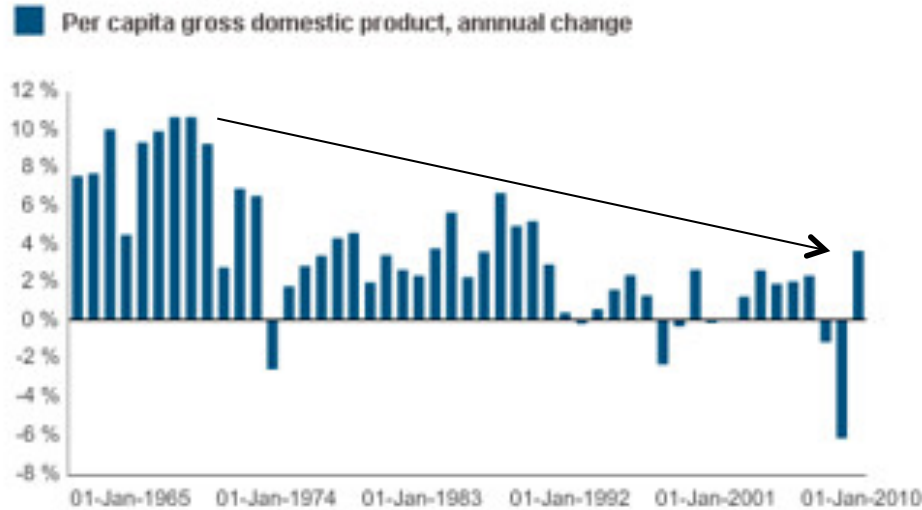
	Debts
Euro Zone	90%
United States	100%
<b>Japan</b>	<b>220%</b>

<u>REVENUES:</u>	90,334
Tax revenue:	42,346
Other revenue:	3,744
Government Bond Issues:	44,244
<u>EXPENDITURES:</u>	90,334
National Debt Service:	21,944
Social Security:	26,390
Other:	42,000

# Time is Up

## No More Growth

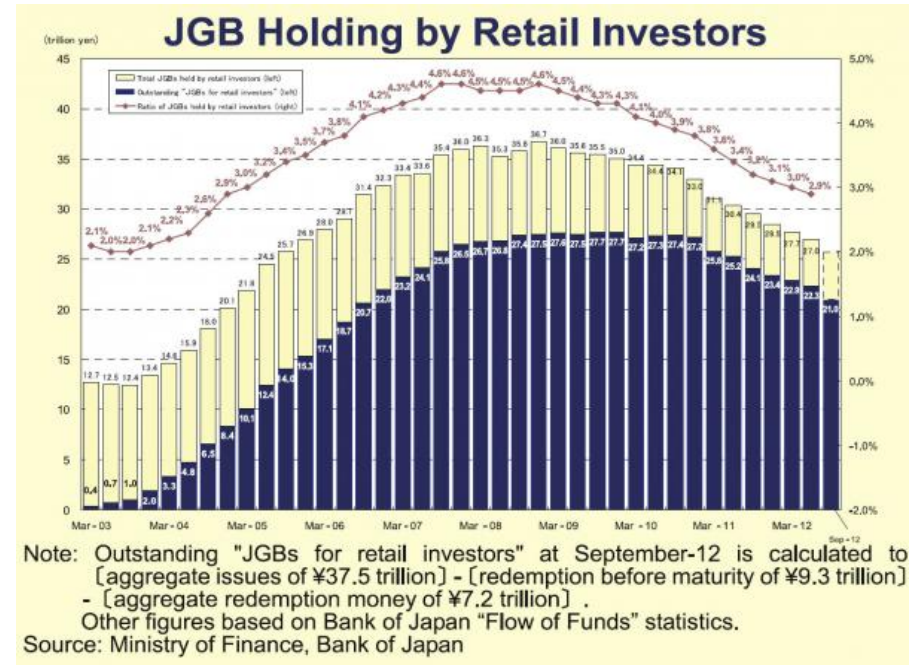
Japan's growth has slowed since '80s



Source : St. Louis Fed

= No More Tax Revenues

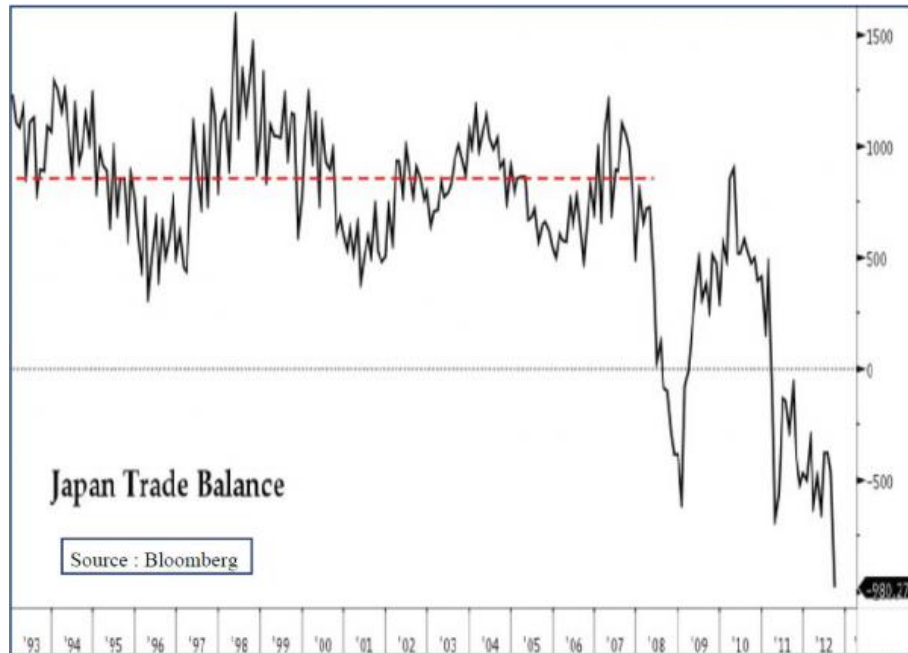
## No More Savings



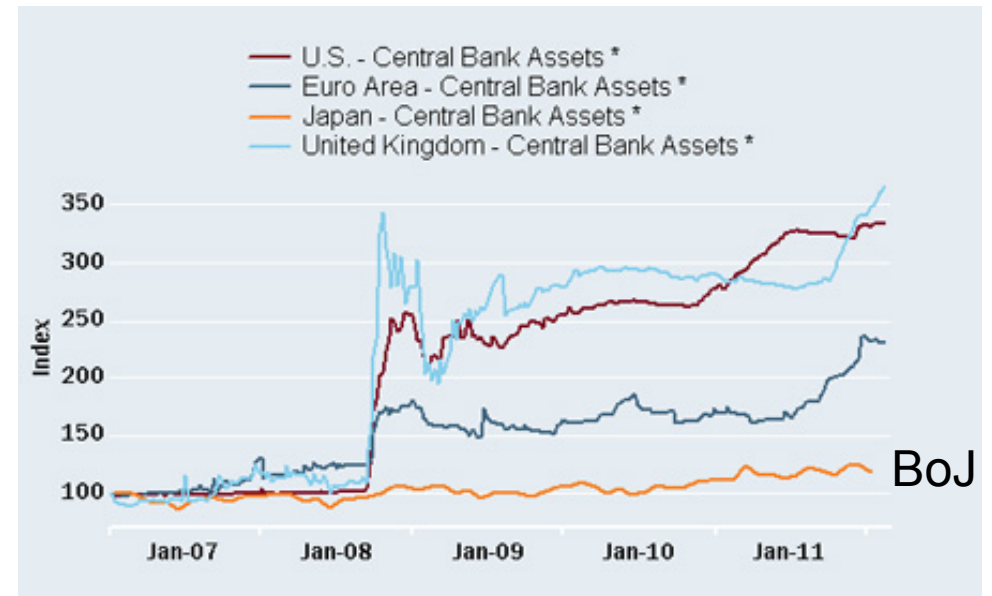
= No More Domestic Funding

# Failed Consumption & Failed Monetarism

## Trade Deficit



## Monetisation



# The Conclusion Matrix

	1. AUSTERITY	2. RESTRUCTURING	3. MONETISATION
JAPAN	✓✓✓		✓
USA		✓	✓✓✓
EUROPE	✓✓	✓✓	✓✓