

The Non-Consensus Outlook

NOTZ STUCKI – Five extraordinary speakers to estimate the outlook for 2012. Sharp and not very orthodox views.

Notz Stucki's fifth semi-annual conference gathered yesterday five very unusual characters. The credentials and, especially, the force and freshness of the speakers' discourses surprised the audience and provided plenty of food for thought on the economic outlook for the year.

A great enemy of state control - to which he grants little credit- Charles Gave, Chairman of Gavekal, deplored the recycling of American cash through Chinese surplus, instruments of interventionist over investment policies, and the smothering of European growth by the ever swelling public sector and cheap debt. Why not do without the euro, a lame system per se? The only who maintain today that its disappearance would be catastrophic are those same politicians who sold it as the ultimate panacea.

The presentation of chief economist of the Trafigura group and representative of the Galena funds, Alan Williamson, less passionate but very enlightening, turned out to be a mine of information about the world of commodities.

Hugh Hendry, CIO of Eclectica, a particularly picturesque character within the hedge fund world, is famous for the exceptional performance of his "China short" fund (+52% YTD at mid-December 2011, while the average of hedge funds was -4.37%). Also known for his rash opinions, he did not disappoint his audience with his presentation on the vicious and virtuous circles of the American quantitative easing. How could all this come to an end? By rejecting the austerity measures. Too many constraints lead to mutiny.

The credit specialists are few and their presentations often unattractive. No such thing with Andrew Jackson, CIO of Cairn Capital. It is true that not many managers feel so comfortable with Heisenberg and Noam Chomsky and that none has taken a precept of Yoda, spiritual leader of the Jedi, as a motto. Despite which Cairn Capital boasts 52 billion dollars of assets under management in their hedge funds, exclusively on credit products. Very critical of the traditional methods of credit management and their lack of real diversification, Andrew Jackson is not very optimistic on sovereign debt: "Greece will default, again and again". On the other hand, he is confident in the corporate sector, where defaults should be rare.

The analysis of the European banking sector of Eric Knight, CEO of Knight Vinke, was simply brilliant. Far less pessimistic than his alter-egos, he estimates that the sector is in a much better shape than public rumor has it. As long as you use the right instruments for the evaluation. Not very confident in the Tier 1 ratios, Knight Vinke has developed a "toolbox" of indicators to estimate the health of the financial sector. His conclusions? The risk of losses is negligible compared to the size of the sector

(approximately 55 trillion dollars). But beware of Germany, whose banks are very vulnerable. Therefore: “the Bund is a potential high risk asset”.

As a conclusion of this staggering –in a positive way- conference, Christian Stucki, co-founding partner with Beat Notz of the Notz Stucki group, made a short announcement to inform that the group has just opened a representative office in Bahrain. An information that confirms the recovery of the asset management group.