

## NOTES ON THE INVESTMENT MEETING HELD IN GENEVA ON TUESDAY 7<sup>TH</sup> JULY 2015

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While Greece's troubles have monopolised the spotlight, the situation is not as dire as it was in 2010, as the country's debt has since moved from commercial banks to supranational institutions. While creditors still face haircuts and payment delays, the agitation will eventually subside.

More attention should be paid to the Federal Reserve's plan for interest rate lift-off. Although bears might argue that equity markets are peaking, the bullish view that the world economy is primed for expansion seems to be holding sway, bolstered by five key factors identified by economist Anatole Kaletsky.

First the US has weathered the economic storm through successful QE and appears healthy enough to start notching up interest rates. In contrast to a smaller public sector, the private sector has grown over the past five years, resulting in new jobs and initial signs of fresh investment. Other countries are following suit in the hope of achieving similar results.

Second Europe's large-scale QE, coupled with the effective fiscal consolidation undertaken by individual countries, has backstopped the euro and warded off contagion. The ECB's moves year to date were most likely made possible by the deepening Greek crisis.

Third falling oil prices have encouraged an uptick in economic activity that promises to continue. US fracking seems to have thrown a spanner in OPEC's works, with oil at \$60 per barrel probably here to stay.

Fourth the world's third largest economy, Japan, is improving after it acknowledged last year's consumption-tax blunder and unified fiscal and monetary policy in favour of expansion. Improved shareholder returns and governance policies are likely to further fuel stock-market growth.

Lastly China's economic slowdown gives reason to believe that full-scale monetary stimulus may be on the way, providing liquidity that could greatly benefit financial markets.

The Greek crisis will abate and the focus will shift to strengthening economies, with Japan showing enticing potential. Although the US has so far led the way, it may be opportune to broaden international portfolios as its upside has probably run dry.