

Sicav de Cristal – Kristallenfondsen 2019

9 October 2019

**A 2020 Vision of Global Markets
Here and There**

Presented by

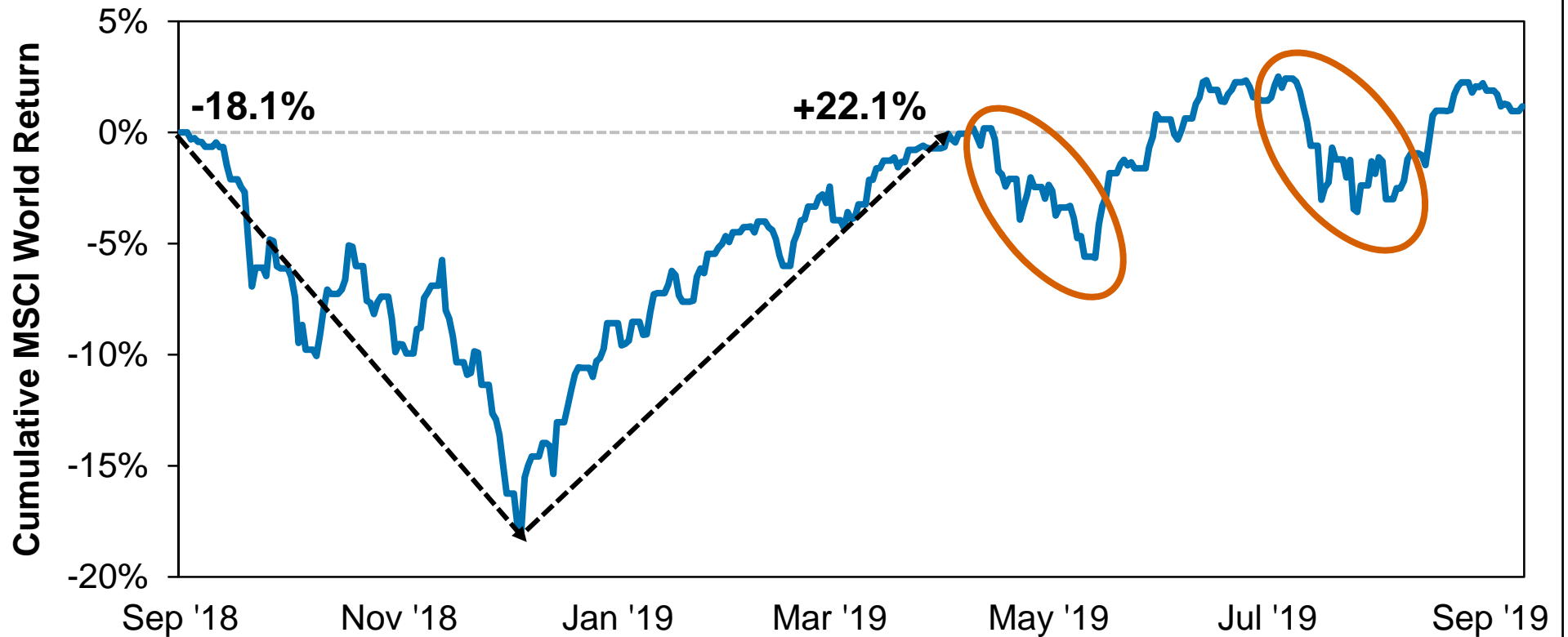
Ken Fisher

La Libre Belgique Columnist

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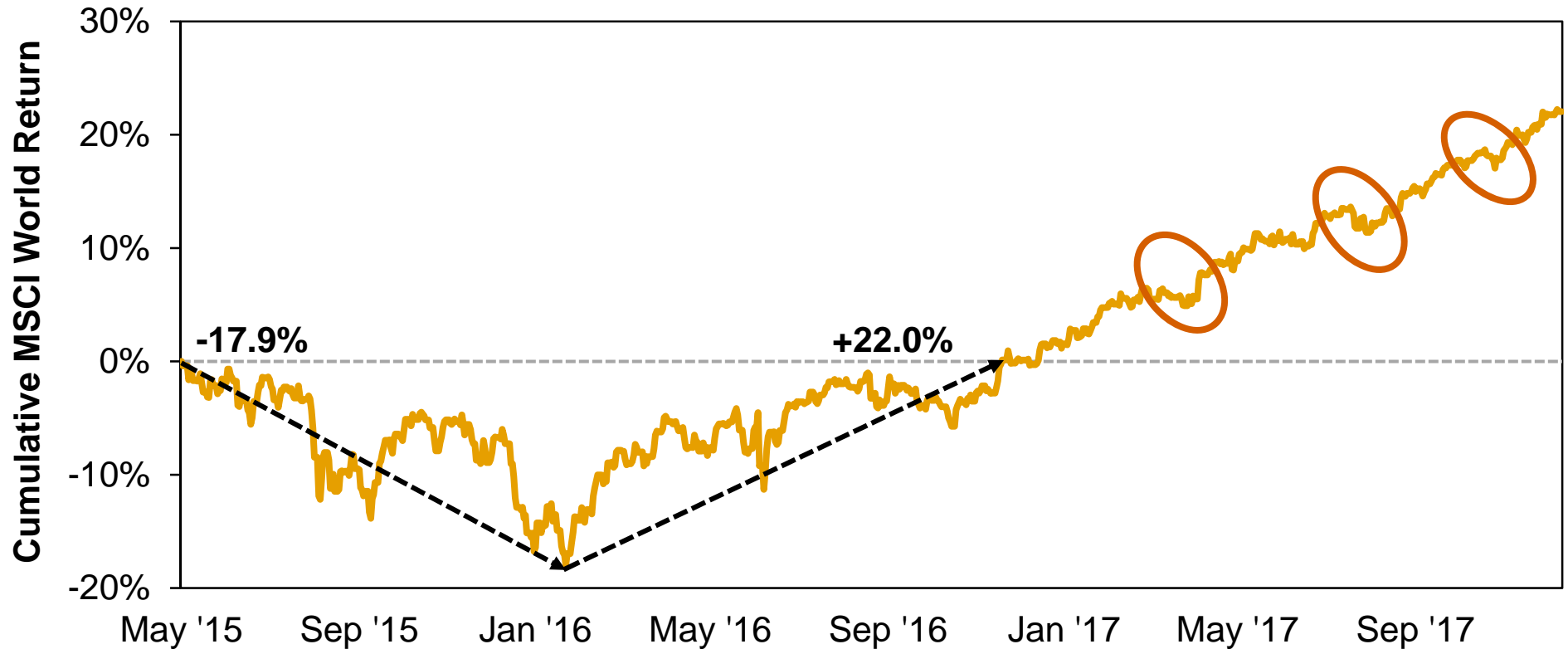
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V-Shaped Recovery



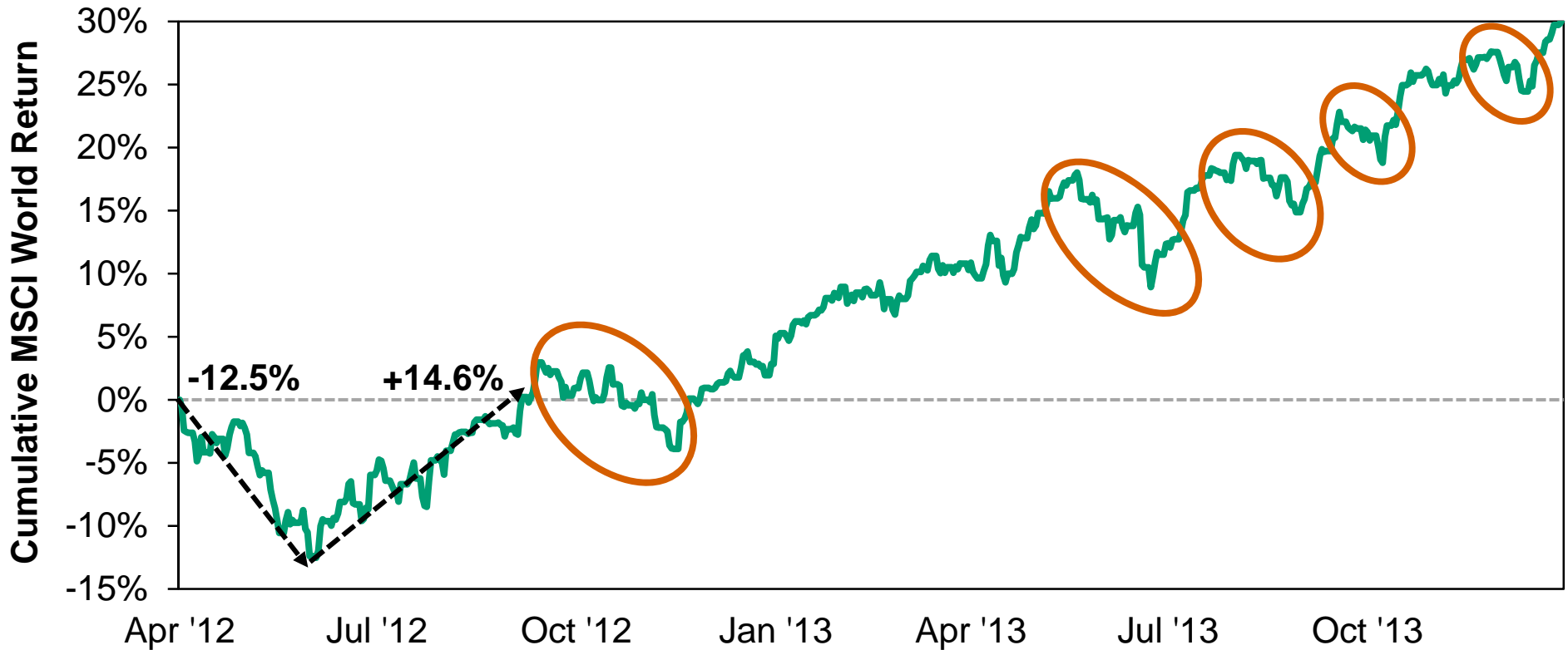
Source: FactSet, as of 10/1/2019. MSCI World Total Return Index, daily, 9/21/2018 – 9/30/2019.

2016 Correction Recovery—Not a Straight Line



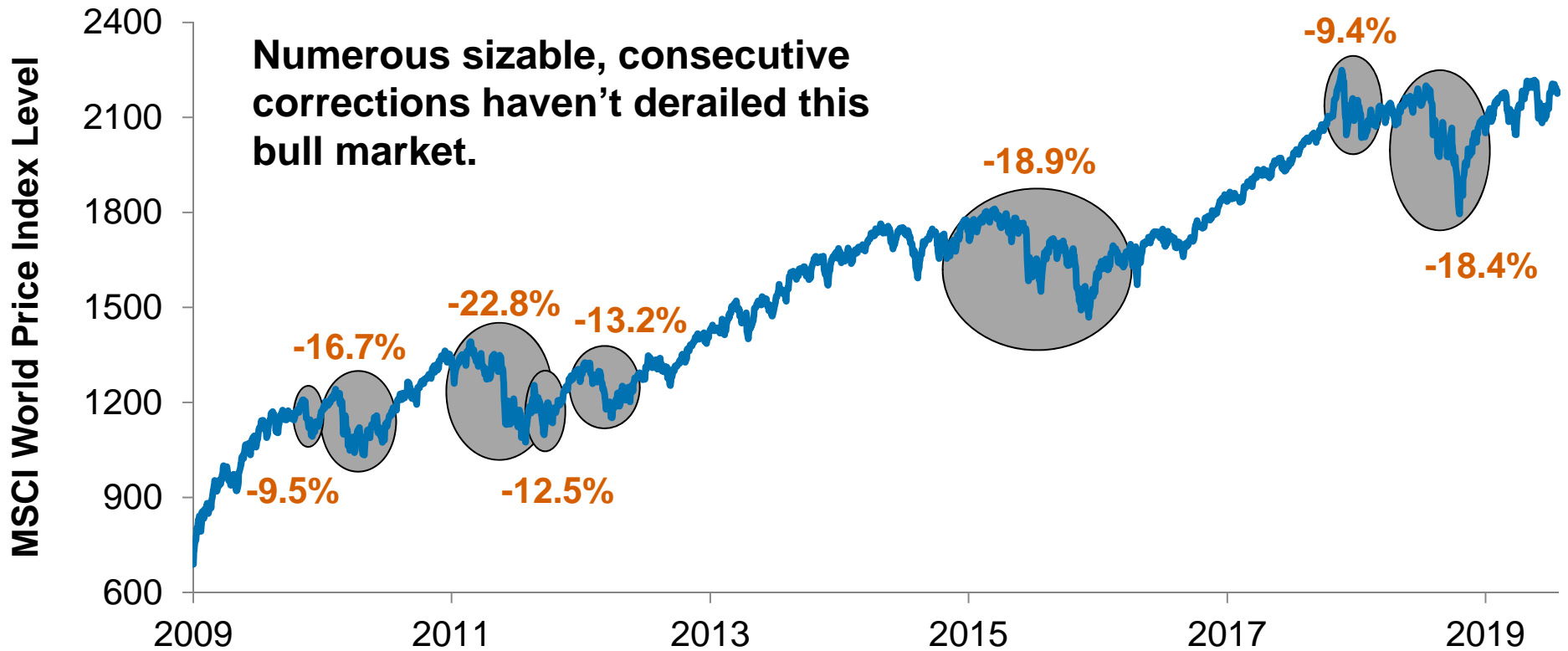
Source: FactSet, as of 9/4/2019. MSCI World Total Return Index, daily, 5/21/2015 – 12/31/2017.

2012 Correction Recovery—Not a Straight Line



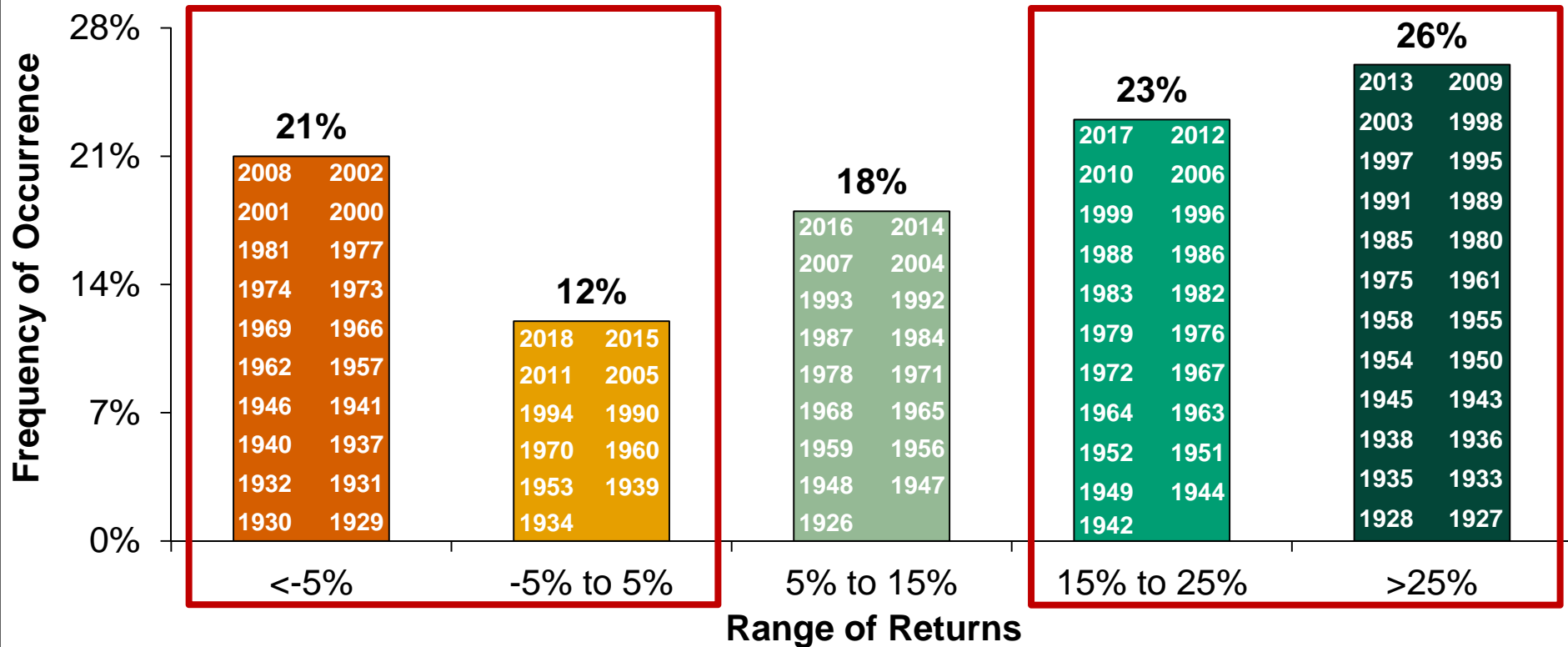
Source: FactSet, as of 8/22/2019. MSCI World Total Return Index, daily, 4/2/2012 – 12/31/2013.

Corrections During This Bull Have Been Common



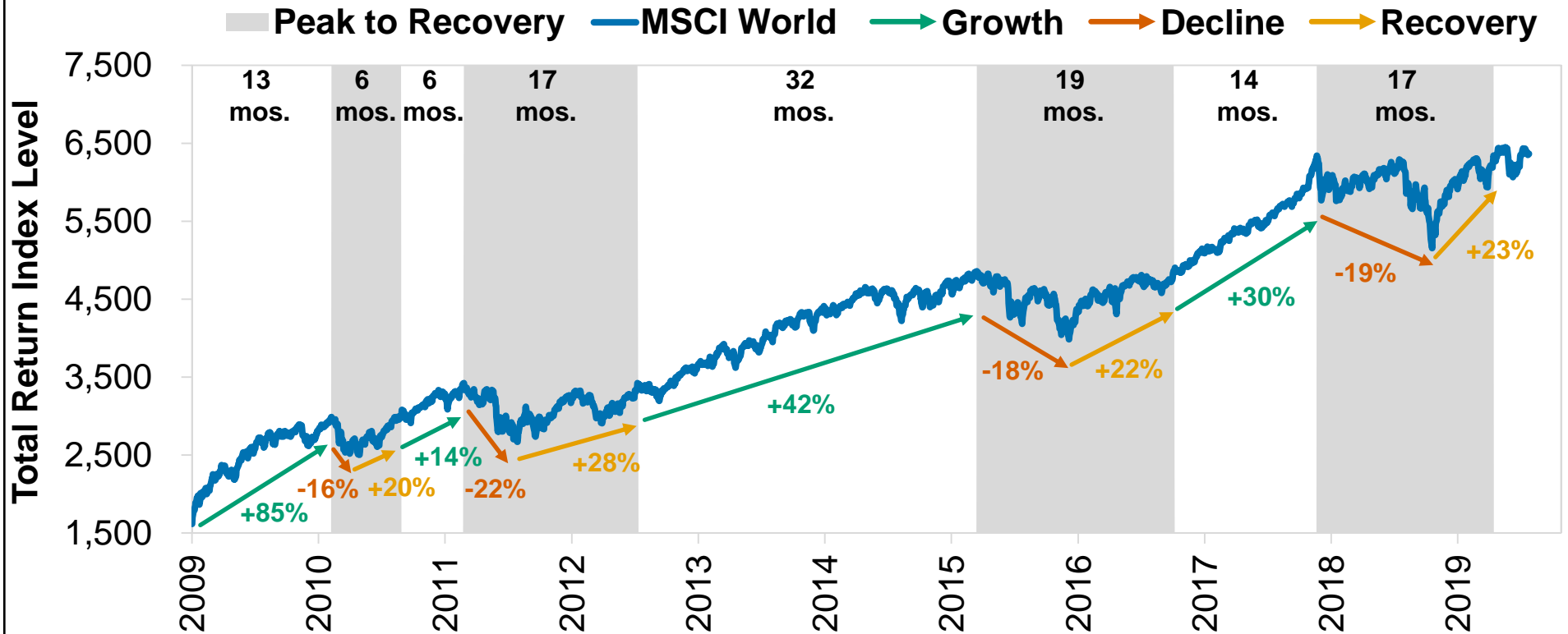
Source: FactSet, as of 10/1/2019. MSCI World Index price returns, daily, 3/9/2009 – 9/30/2019.

Average Returns Aren't Normal—Normal Returns Are Extreme



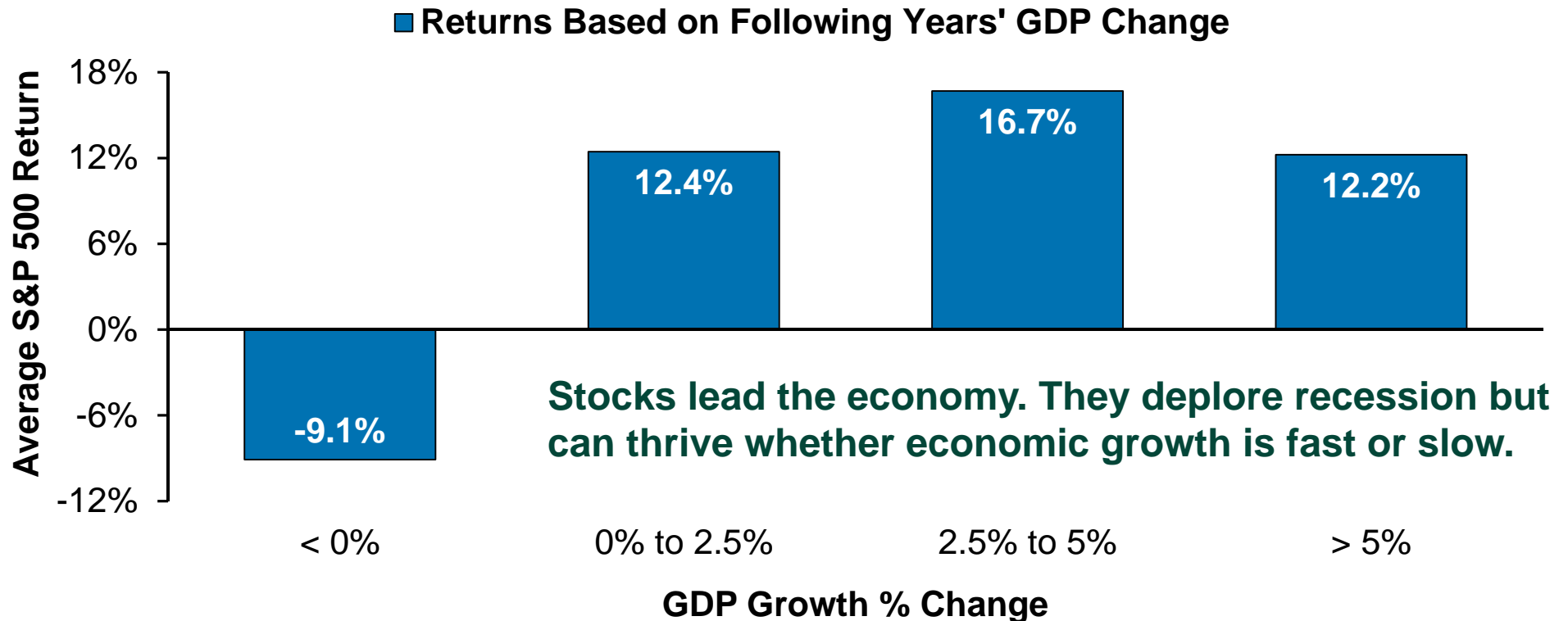
Source: Global Financial Data, FactSet, as of 1/3/2019. S&P 500 Total Return Index, 12/31/1925 – 12/31/2018

Current Bull Shows Strong Gains AFTER New Highs



Source: FactSet, as of 10/1/2019. MSCI World Total Return Index, daily, 3/9/2009 – 9/30/2019.

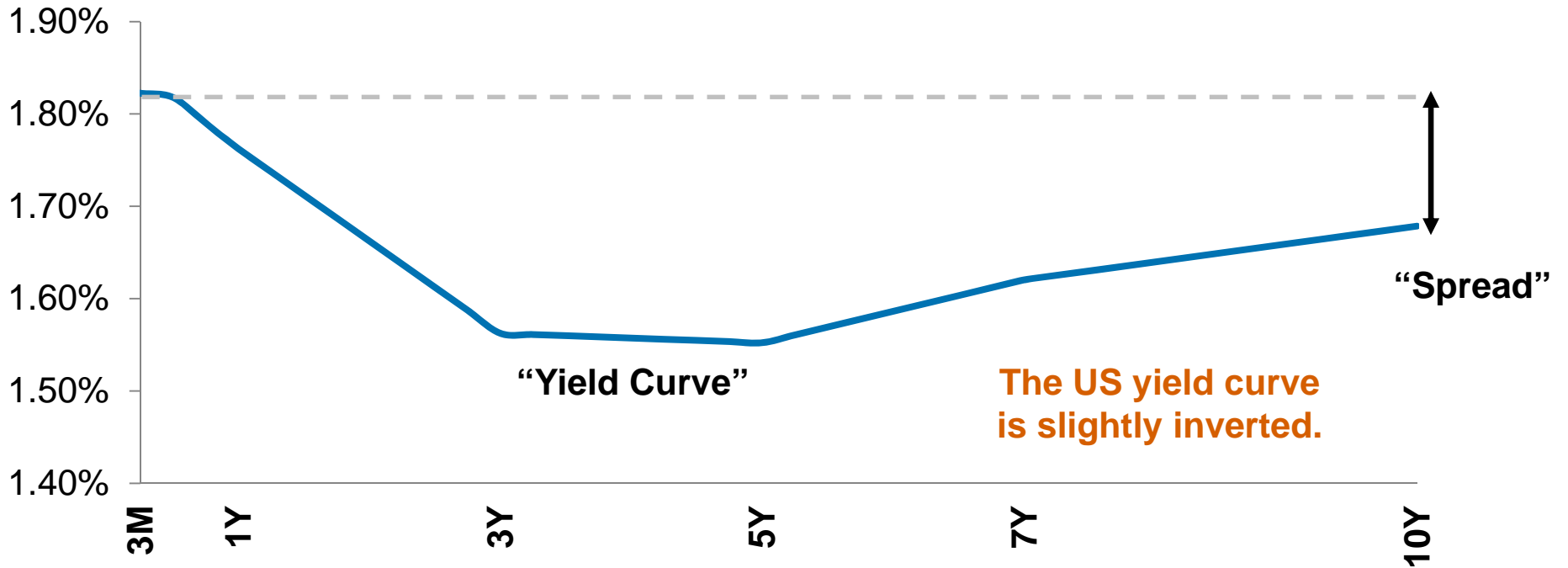
Any Economic Growth Is Good for Stocks



Source: FactSet, Global Financial Data, as of 3/19/2019. Real US GDP percent change and average returns within GDP growth increments for the S&P 500 Total Return Index, yearly, 1/1/1970 – 12/31/2018.

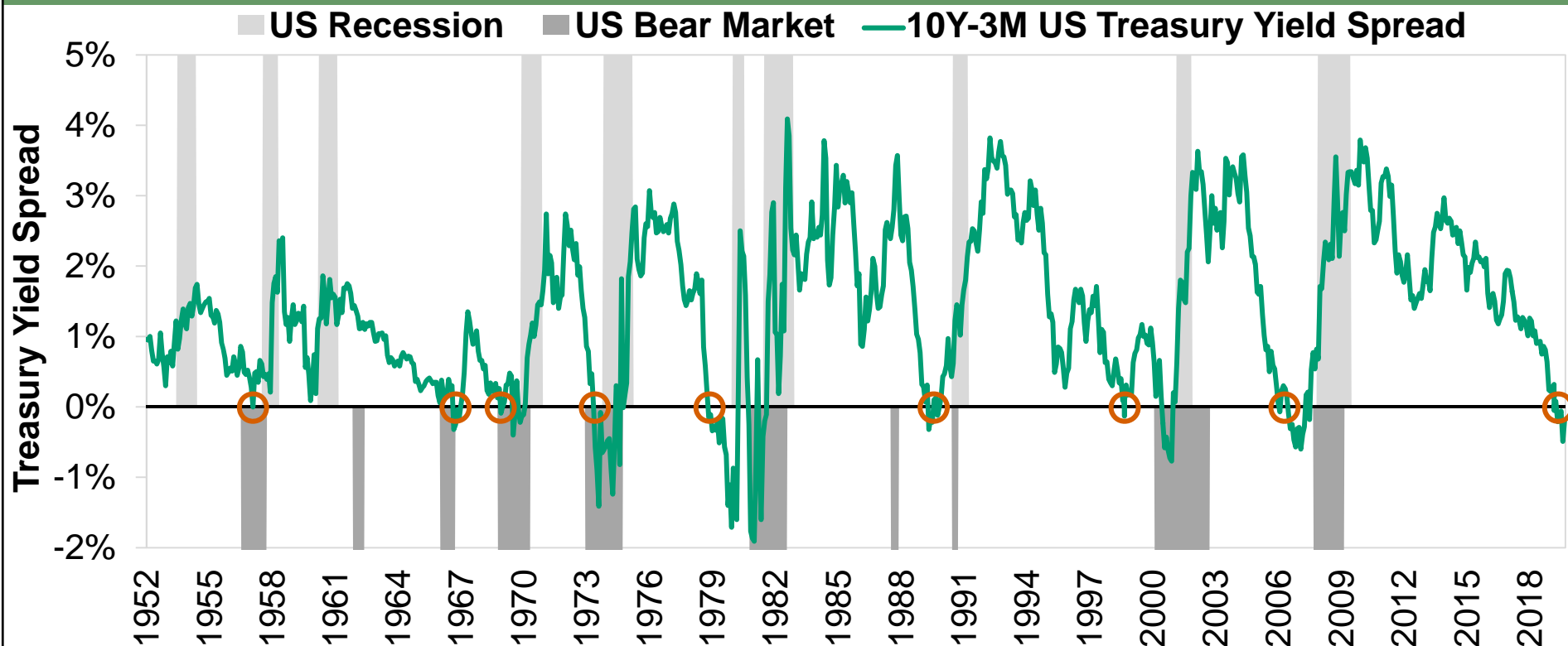
Current US Yield Curve

The yield curve comprises bond yields of different maturities, and the “spread” is the difference between short-term (3mo) and long-term (10yr) bond yields.



Source: FactSet, as of 10/1/2019. US yield curve, 9/30/2019.

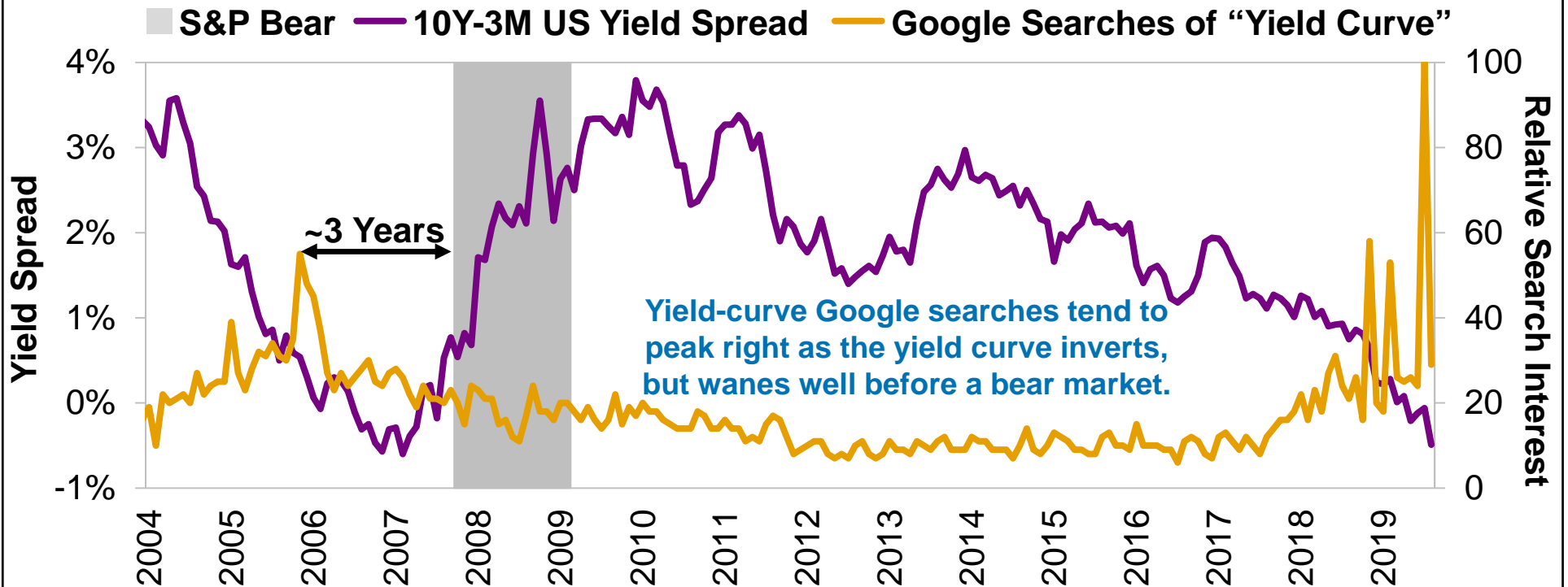
The Yield Curve Spread Is a Poor Timing Tool



Source: Global Financial Data, FactSet, as of 10/1/2019. US recessions, US bear markets and US 10-year bond minus 3-month Treasury yield spread, monthly, 1/1/1952 – 9/30/2019; with daily data for 9/1/1998 – 9/30/1998 and 3/1/2019 – 3/29/2019.

This time, the yield curve inversion really is different.

Yield Curve Interest Peaks Before Market



Source: FactSet, Google Trends, as of 9/17/2019. 10Y US Treasury Yield and 3M US Treasury Bill yield, daily, 1/1/2004 – 8/30/2019. Google searches for the term "Yield Curve" in the United States, 1/1/2004 – 8/30/2019. Google search interest number is search interest relative to highest point on the chart for the given region and time range—a value of 100 represents peak popularity for the searched term over the data time period.

Big Fear of a Tiny Negative Is Bullish

Now multiply for today's impact—still small.

Maximum Tariffs:	\$644B
Maximum Tax:	25%
Maximum Impact:	\$161B
Global Economy:	\$80T
2018 GDP Growth:	\$4T (5% growth)
Tariff impact:	4% of 2018 normal growth

“If you believe most proposed tariffs will ever be collected you must, in parallel, believe there isn't \$50 billion-plus of illegal heroin shipped into America annually. And that black markets don't exist. Then I have a bridge to sell you. This stuff is all holey.”

THIS ARTICLE WAS PUBLISHED ON USATODAY.COM ON AUGUST 05, 2018
AND IN THE PRINT EDITION OF USA TODAY ON AUGUST 06, 2018.

Trump tariffs: Why their impact is tiny and the tactics aren't all they seem



Ken Fisher

Virtually all economic commentary on tariffs, both pro and con, is wrong. Here is a simple trick to see through that noise. You can apply it to scads of topics. I call it “scaling.” You might call it fourth grade arithmetic, and it's scary how all our genius economic pundits seemingly missed elementary school.

Some folks love Trump's tariffs. Many more hate them. For the love of hate let's start there.

Envision the “worst case” scenario—that every single tariff even hinted at gets enacted. Then, for giggles and to gauge some supposed upcoming “trade war,” we'll triple that.

First, add 'em all up: Take \$11 billion worth of solar panels, washing machines and Canadian lumber. Include \$40 billion in steel and aluminum, then \$192 billion in autos, \$250 billion in Chinese goods. This includes everything that Trump enacted in 2018 or that is under any official investigation.

Chinese retaliation adds \$131 billion of goods to the global tariff pile. EU, Canadian and Mexican retaliation for \$20 billion of steel rounds it all out. The maximum potential of goods slapped with tariffs totals \$644 billion.

Critics correctly claim that tariffs are a tax—always. But they're only a tax.

These tariff tax rates range from 10 percent to 25 percent. Pretend it was all at 25 percent. Then, the potential annual global max tax is \$161 billion ($644 \times .25 = 161$).

Sound big? It's not. Try multiplication and division. Global GDP was \$80 trillion in January. It's growing about 5 percent in dollars this year (3 percent real growth plus 2 percent inflation).

So, 2018 global economic growth is about \$4 trillion ($80 \times 5 \text{ percent} = 4$). Our max \$161 billion tax, divided by \$4 trillion of growth, is merely 4 percent of 2018's normal growth. A negative? Yes. But, minuscule relative to normal growth! Way too tiny to cause recession—or even get lathered over. Pundits make mountains from molehills. Even if we triple that, it's only 12 percent of one year's growth.

Total tariff rates probably will average about 16 percent, far below 25 percent. Now we're down to 2.5 percent of one year's GDP growth.

But most tariffs won't be collected. They're too holey! For many products—and all commodities—producers can substitute or ship through third-party brokers cheaper. China's soybean tariffs? Brokers can sell to Turks, who flip the beans to China for a 1 percent brokerage fee. Or, China buys more from Brazilians, and Americans sell to Brazil's old customers.

If you believe most proposed tariffs will ever be collected you must, in parallel, believe there isn't \$50 billion-plus of illegal heroin shipped into America annually. And that black markets don't exist. Then I have a bridge to sell you. This stuff is all holey.

My April 15 column detailed Trump's Chinese tariffs and why they weren't about economics but really all about initiating talks on North Korean denuclearization. That worked pretty well. None of this is about economics. If it were, would these tariffs be so small?

Like most noise Trump makes, tariffs are his negotiating tactic via diversion. First he prodded China into prodding North Korea. Now he is cross-barring the E.U. toward eliminating tariffs altogether ... and going after Iran next. He uses tariffs like a wild man to force talks and make a very different deal. Then he tosses it to his voters. Will his diversions work? I have no clue.

But I know tariffs can be reversed. And these are insignificant economically, but gigantic symbolically. The tariff framework blinds and confuses our economic geniuses who forgot their fourth grade arithmetic.

My columns have showed many times that fear of a false factor is always bullish. Tariff terror is big fear of a tiny factor.

That's bullish too and another reason this bull market keeps rolling, and will.

Ken Fisher is the founder and executive chairman of Fisher Investments.

My April 15 column detailed Trump's

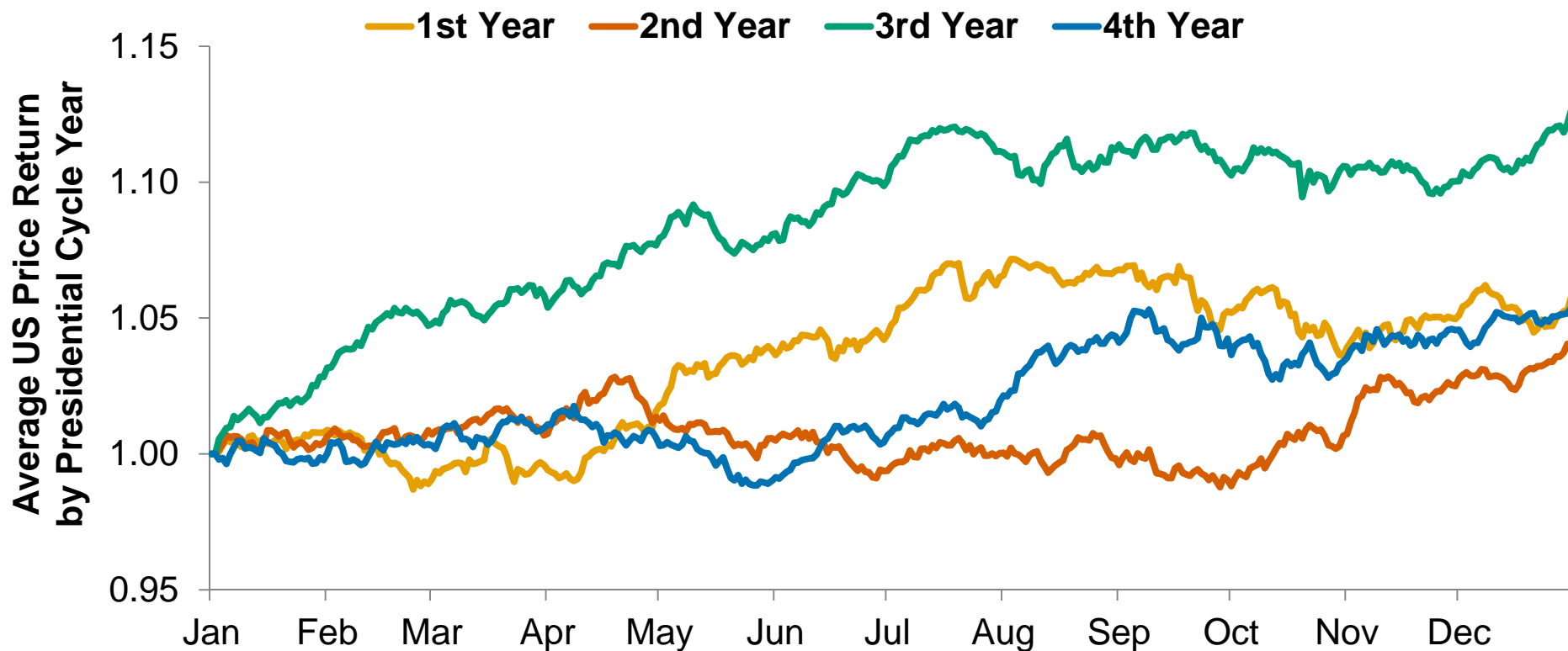
Source: USA Today, as of 8/5/2018. “Trump tariffs: Why their impact is tiny and the tactics aren't all they seem.”

Donald Trump and the Ten Democrats

**What is the likelihood
Trump is re-elected?**

What if he isn't?

Stock Markets and Presidential Cycles



Source: Global Financial Data, as of 3/8/2019. Average S&P 500 price returns, indexed to 1 on 1/1/1925, 1/1/1925 – 12/31/2018.

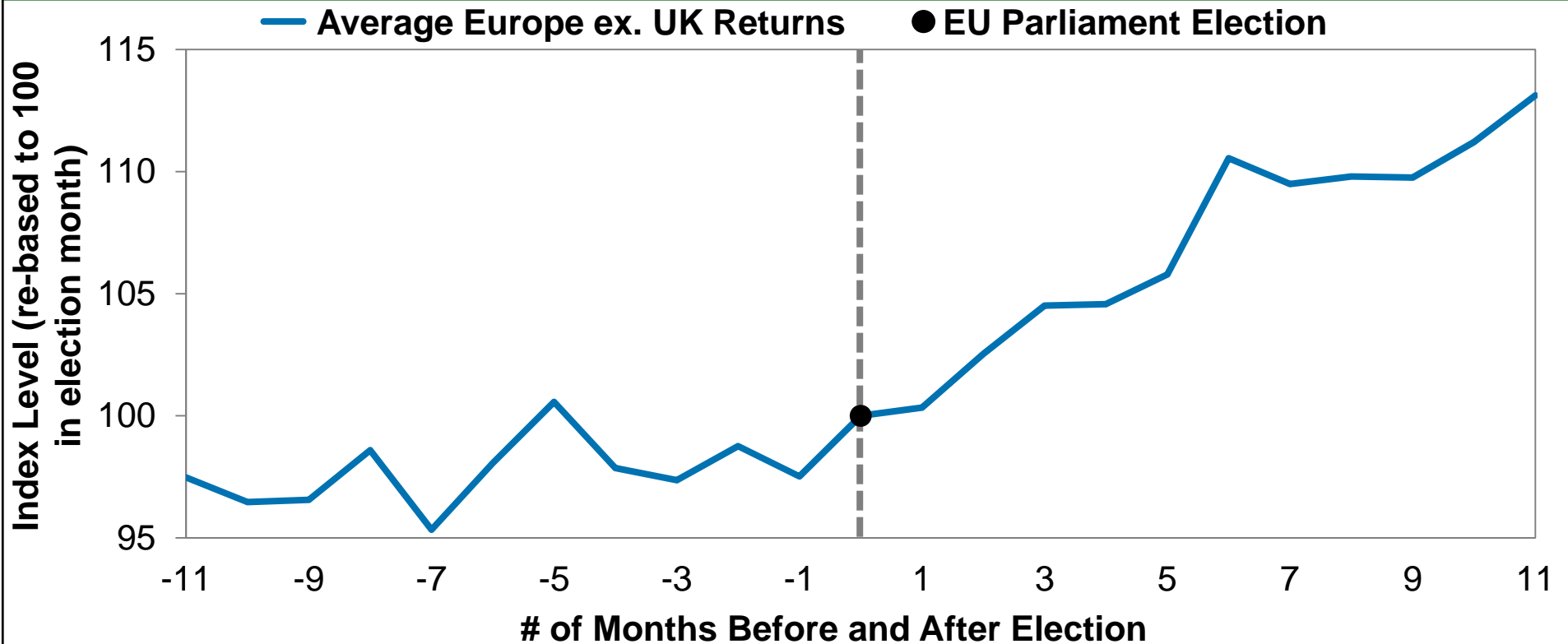
3rd and 4th Year Presidential Term Returns

President	Year	Third Year		Fourth Year		President	Year	Third Year		Fourth Year			
		1st Half	2nd Half	Year	1st Half			2nd Half	Year	1st Half	2nd Half		
Coolidge	1927	12.2%	22.2%	1928	10.9%	29.3%	Nixon / Ford	1975	41.9%	-3.3%	1976	17.8%	5.0%
Hoover	1931	-0.7%	-43.5%	1932	-43.1%	60.3%	Carter	1979	9.9%	7.7%	1980	8.7%	21.7%
FDR -- 1st	1935	10.0%	33.9%	1936	12.4%	18.1%	Reagan -- 1st	1983	22.2%	0.2%	1984	-5.0%	11.7%
FDR -- 2nd	1939	-15.9%	17.9%	1940	-17.7%	9.3%	Reagan -- 2nd	1987	27.4%	-17.4%	1988	12.7%	3.4%
FDR -- 3rd	1943	29.7%	-3.0%	1944	14.1%	4.9%	Bush	1991	14.3%	14.2%	1992	-0.7%	8.3%
FDR / Truman	1947	1.9%	3.3%	1948	12.5%	-6.6%	Clinton -- 1st	1995	20.2%	14.4%	1996	10.1%	11.7%
Truman	1951	6.4%	17.1%	1952	8.2%	9.5%	Clinton -- 2nd	1999	12.4%	7.7%	2000	-0.4%	-8.7%
Ike -- 1st	1955	16.4%	12.9%	1956	5.3%	1.3%	Bush, G.W. -- 1st	2003	11.8%	15.1%	2004	3.4%	7.2%
Ike -- 2nd	1959	7.6%	4.0%	1960	-3.3%	3.9%	Bush, G.W. -- 2nd	2007	7.0%	-1.4%	2008	-11.9%	-28.5%
Kennedy / Johnson	1963	11.7%	9.8%	1964	10.5%	5.3%	Obama - 1st	2011	6.0%	-3.7%	2012	9.5%	6.0%
Johnson	1967	14.7%	8.1%	1968	4.9%	5.9%	Obama - 2nd	2015	1.2%	0.2%	2016	3.8%	7.8%
Nixon	1971	9.9%	4.0%	1972	6.5%	11.7%	Trump	2019	18.5%	?	2020	?	?

President	Third Year		Fourth Year	
	1st Half	2nd Half	1st Half	2nd Half
Republicans	15.7%	0.7%	-0.7%	10.3%
Democrats	9.0%	9.4%	6.4%	7.1%
All (Avg.)	12.4%	5.2%	3.0%	8.6%
Positive Years (Avg.)	14.2%	11.3%	9.5%	12.1%
Negative Years (Avg.)	-8.3%	-12.0%	-11.7%	-14.6%
Percent Positive (Avg.)	91.7%	73.9%	69.6%	87.0%

Source: Global Financial Data, Factset, as of 8/26/2019. S&P 500 gross total returns, monthly, 1/1/1925 – 6/29/2019.

Gridlock Also Prevails in Europe



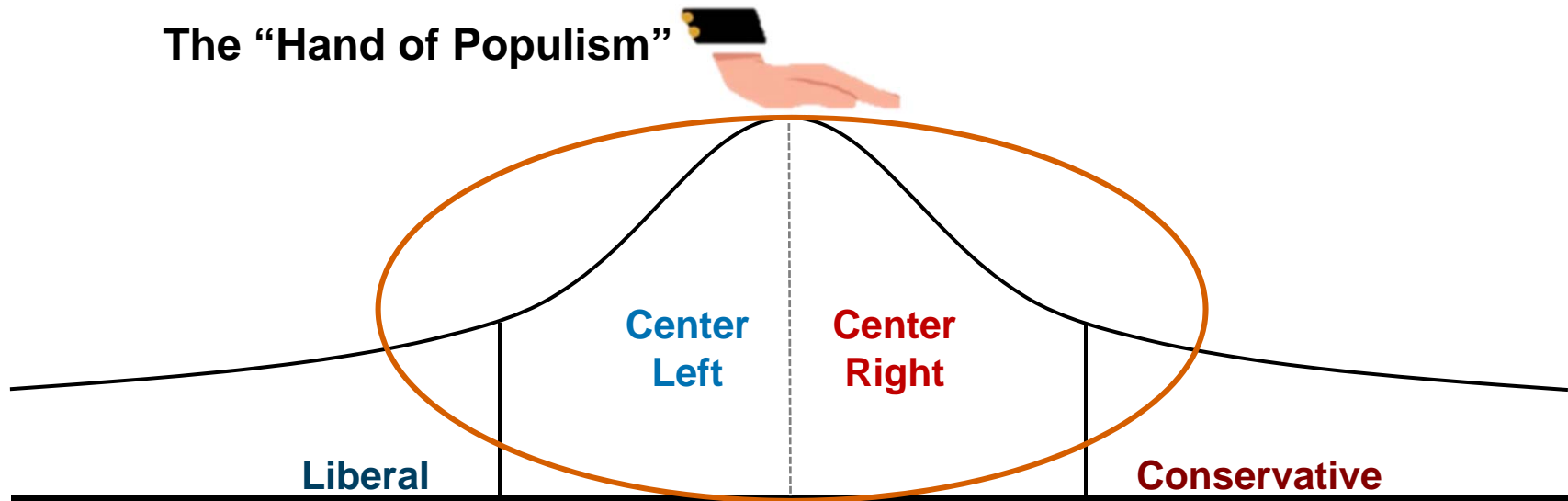
Source: FactSet, as of 4/3/2019. Average MSCI Europe ex. UK Price Index returns and EU Parliament election dates, monthly, 12/31/1969 – 4/30/2015.

New Parliamentary Form of Gridlock

Candidates used to appeal to the center...

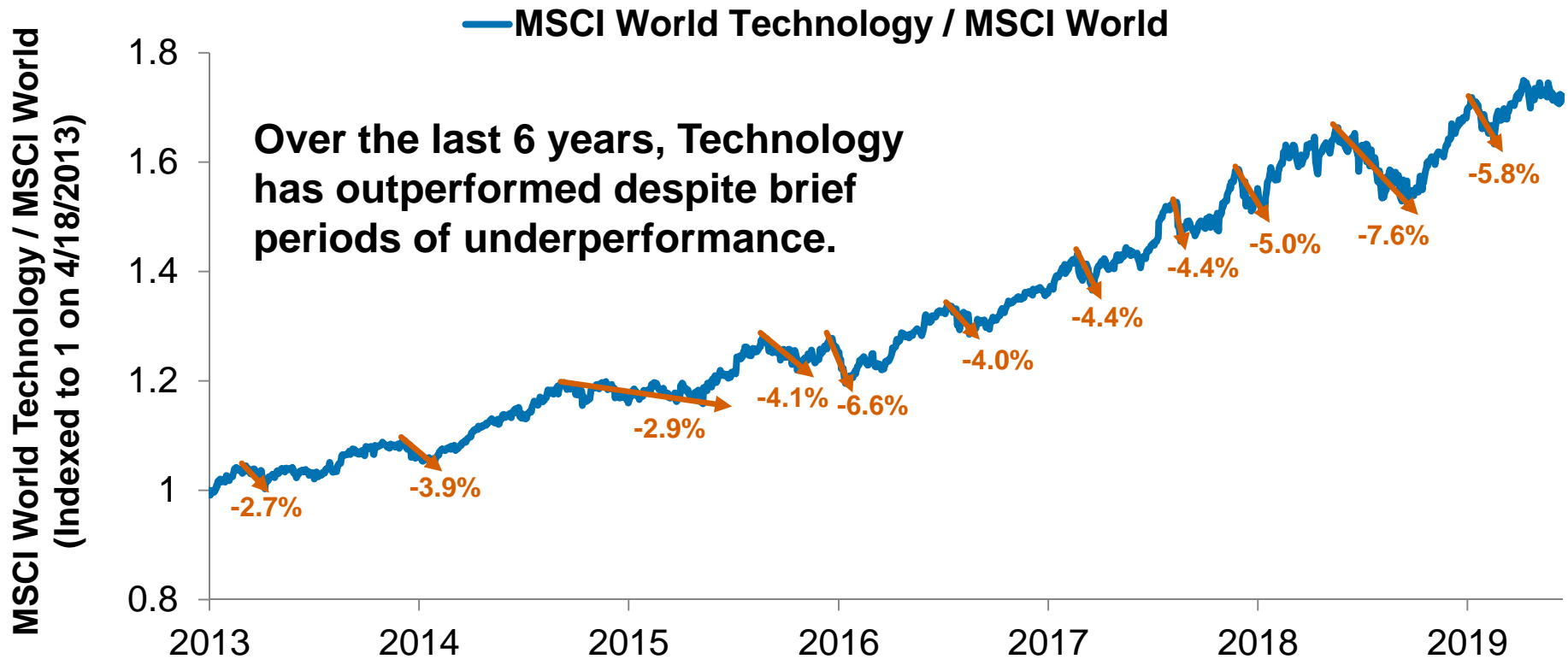
... but now you can't get a large coalition without bringing in the fringe.

The "Hand of Populism"



**If we don't
have gridlock,
will still have gridlock.**

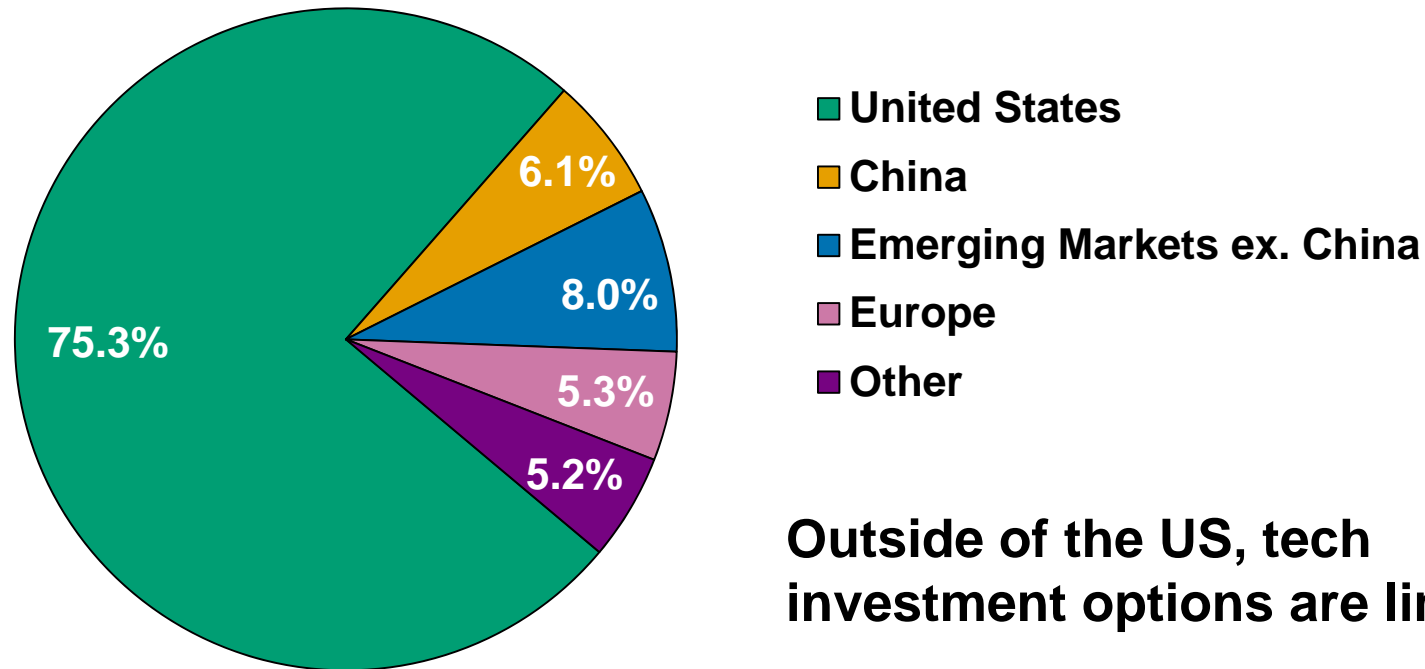
Tech's Rocky Road



Source: FactSet, as of 10/1/2019. MSCI World Information Technology and MSCI World Total Return Indexes, daily, 4/18/2013 – 9/30/2019.

The Tech Universe

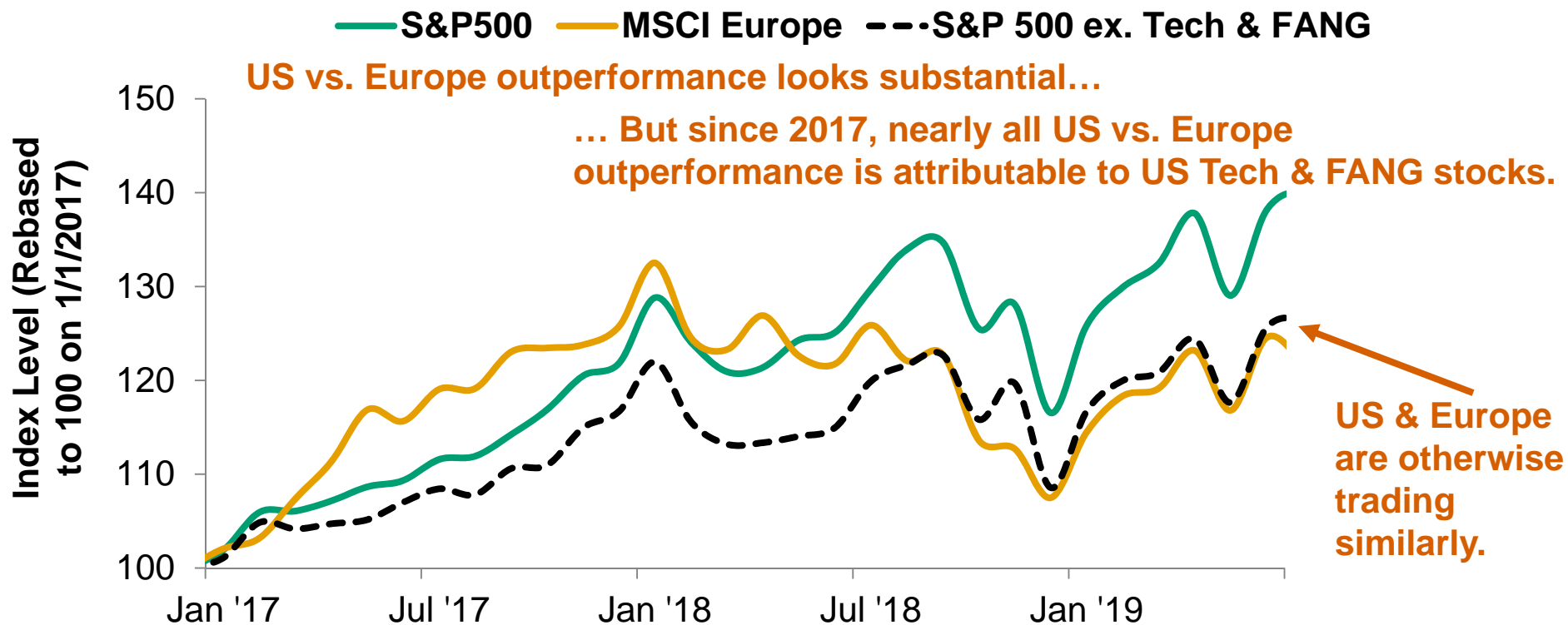
% Regional Exposure in Tech Universe



Outside of the US, tech investment options are limited.

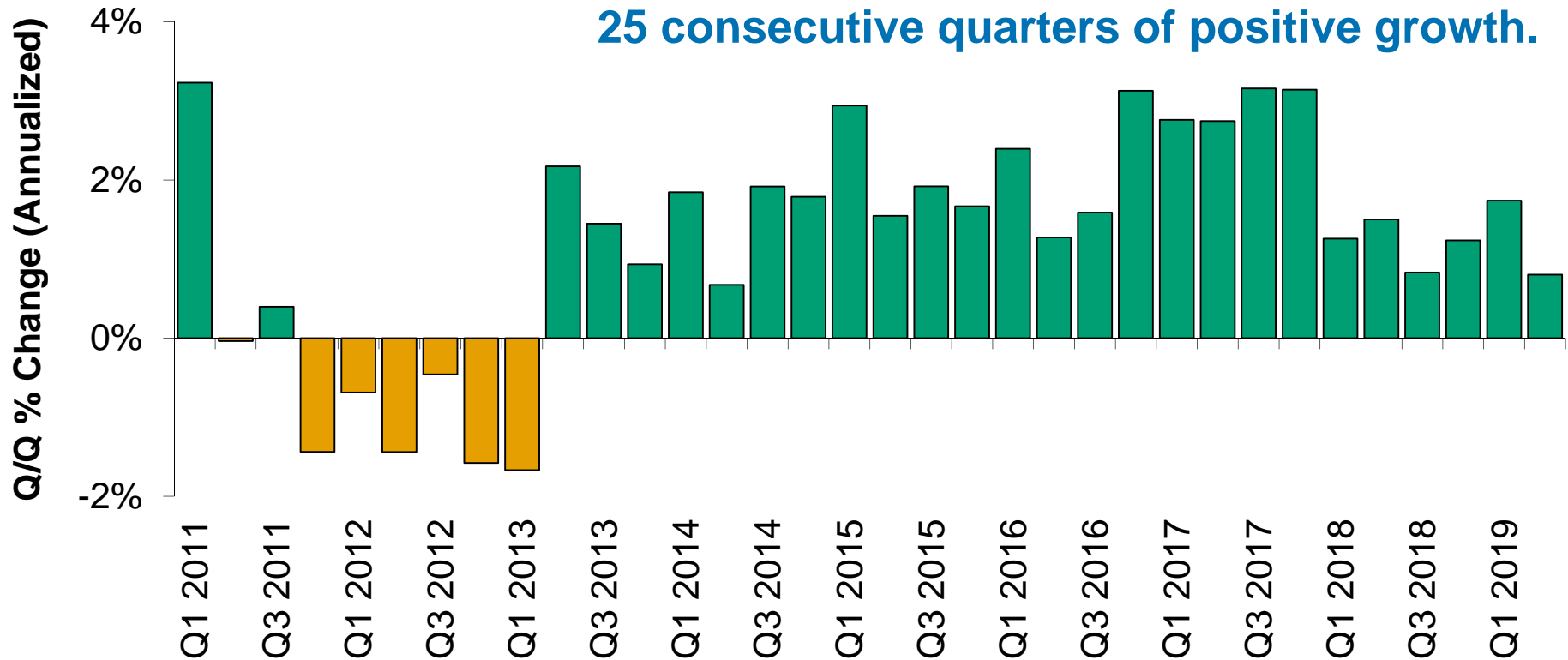
Source: FactSet, as of 10/1/2019. Geographical regional market cap exposure in the MSCI ACWI of the Information Technology sector, the Interactive Media & Services Industry from the Communication Services sector and the Internet & Direct Marketing Retail Industry from the Consumer Discretionary sector, 9/30/2019.

US Outperformance: A Technological Illusion



Source: FactSet, as of 10/1/2019. S&P 500, MSCI Europe and S&P 500 ex. Technology sector and FANG (Facebook, Amazon, Netflix and Google) stocks Total Return Indexes, quarterly, 1/1/2017 – 9/30/2019.

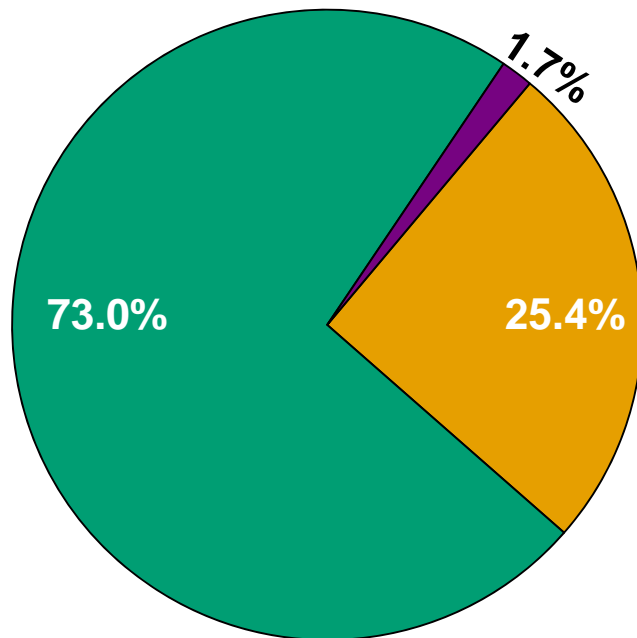
Eurozone GDP



Source: FactSet, as of 8/1/2019. Eurozone annualized real GDP, quarterly, 1/1/2011 – 6/28/2019.

European GDP by Sector

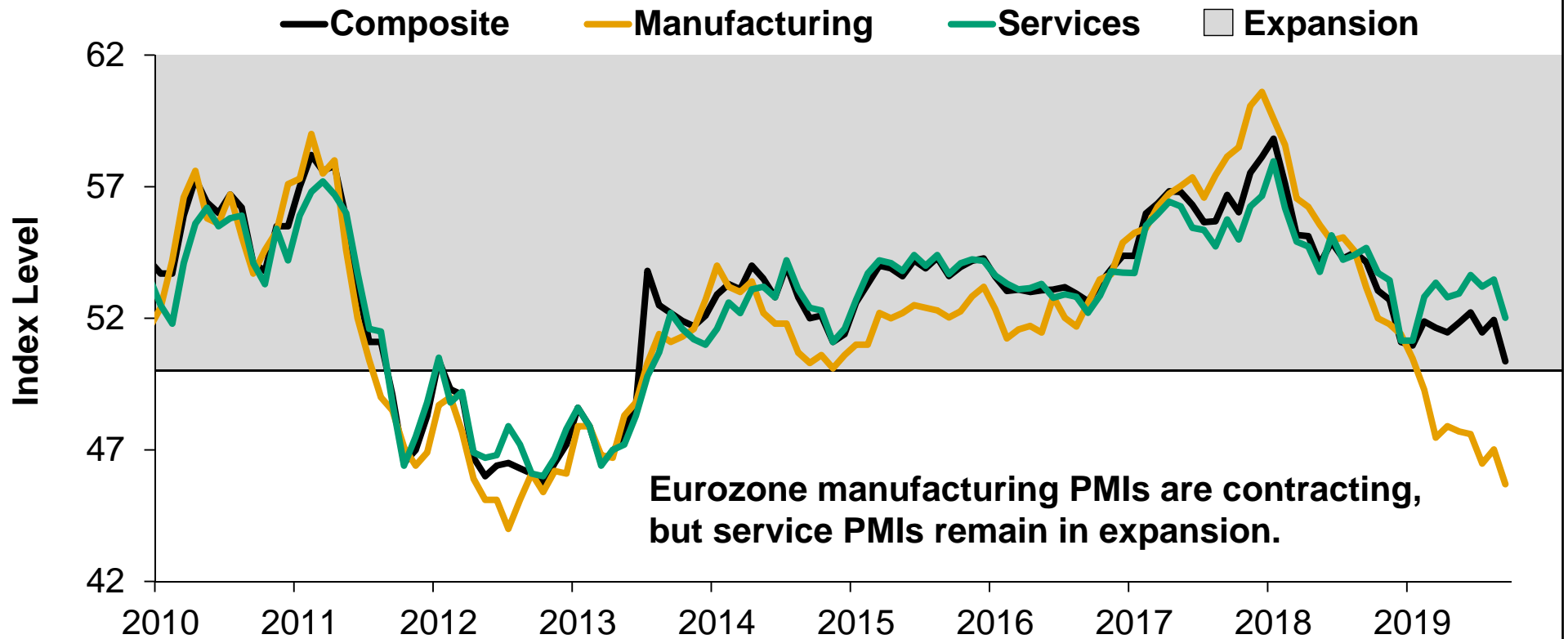
■ Services ■ Manufacturing ■ Agriculture, Fishing & Forestry



Manufacturing is garnering headlines, but services drive growth and make up the majority of Eurozone GDP.

Source: OECD, as of 8/8/2019. Value added as a % of GDP in the agricultural, fishing & forestry, services (including non-market services) and industrials (including construction) sectors within the Eurozone, 2018.

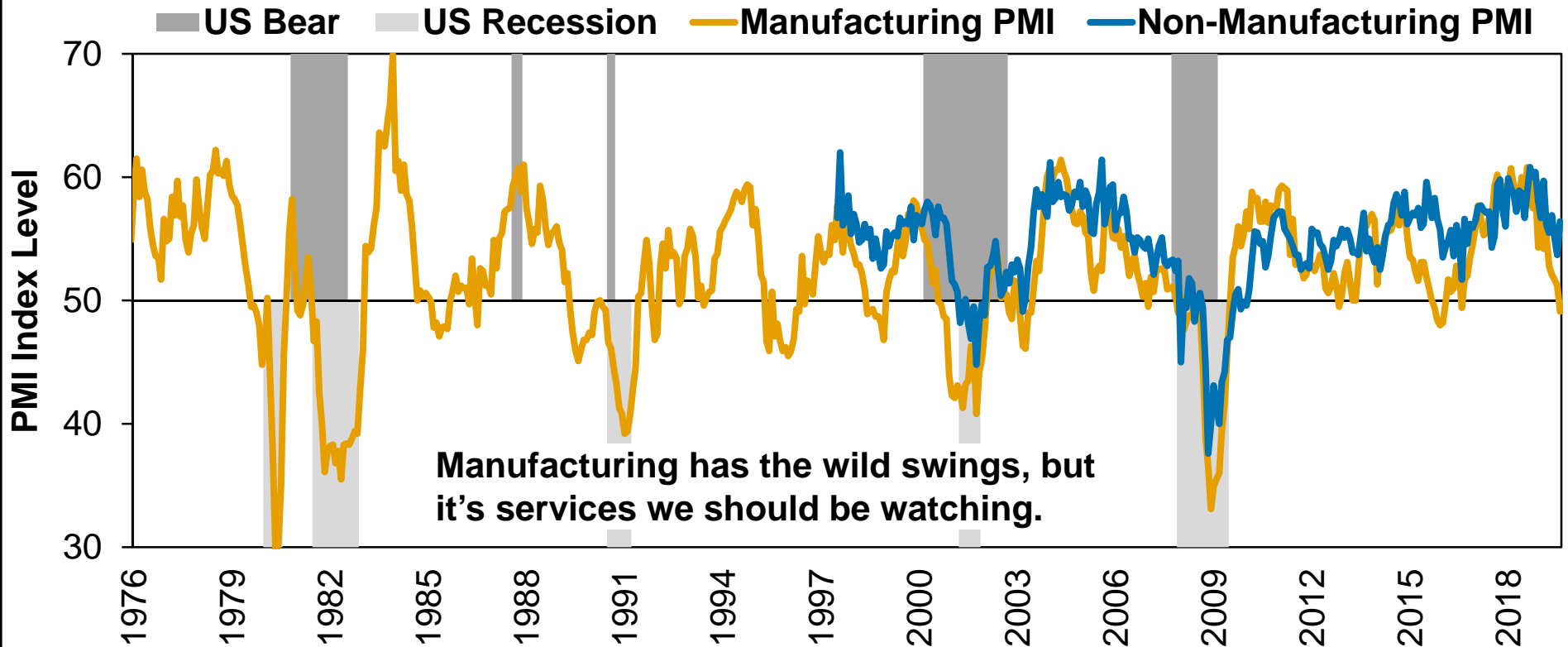
Eurozone PMIs



Eurozone manufacturing PMIs are contracting, but service PMIs remain in expansion.

Source: Bloomberg, FactSet, as of 10/1/2019. Eurozone manufacturing, services and composite Purchasing Managers' Indexes, monthly, 1/1/2010 – 9/30/2019.

US PMIs



Source: FactSet, as of 10/2/2019. US manufacturing and non-manufacturing PMIs, US bears and US recessions, monthly, 1/1/1976 – 8/30/2019.

**This presentation
can be found at:**

<https://www.fisherinvestments.com/fr-be/présentations>

Q&A

Disclosure

The foregoing information is based on a representative or model portfolio (rather than a composite or an average group of portfolios), including cash, unless otherwise denoted. The representative portfolio information is derived from an actual client portfolio and is selected based on a number of criteria including, but not limited to, tax status, size of cash flows, and presence of client-mandated restrictions to identify a portfolio that is managed with minimal deviations from the intended strategy. The model portfolio information is derived from a hypothetical, non-client portfolio designed to reflect the intended strategy with minimal deviations.

Other clients' portfolio characteristics may differ given the various investment restrictions, cash requirements and other circumstances that can apply to particular clients. Portfolio information is as of the dates indicated, and no assurances can be given that it has not changed or that it will not change in the future.

Any commentary regarding strategy or performance reflects our Global Total Return strategy that is benchmarked to the MSCI World Index. Some clients may have different benchmarks reflecting different objectives and circumstances.

The MSCI World Index measures the performance of selected stocks in 23 developed countries and is presented net of dividend withholding taxes and use the maximum rate applicable to non-resident institutional investors who do not benefit from double taxation treaties. The S&P 500 Composite Index is a capitalization-weighted, unmanaged index that measures 500 widely held US common stocks of leading companies in leading industries, representative of the broad US equity market. Past performance is no guarantee of future results.

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