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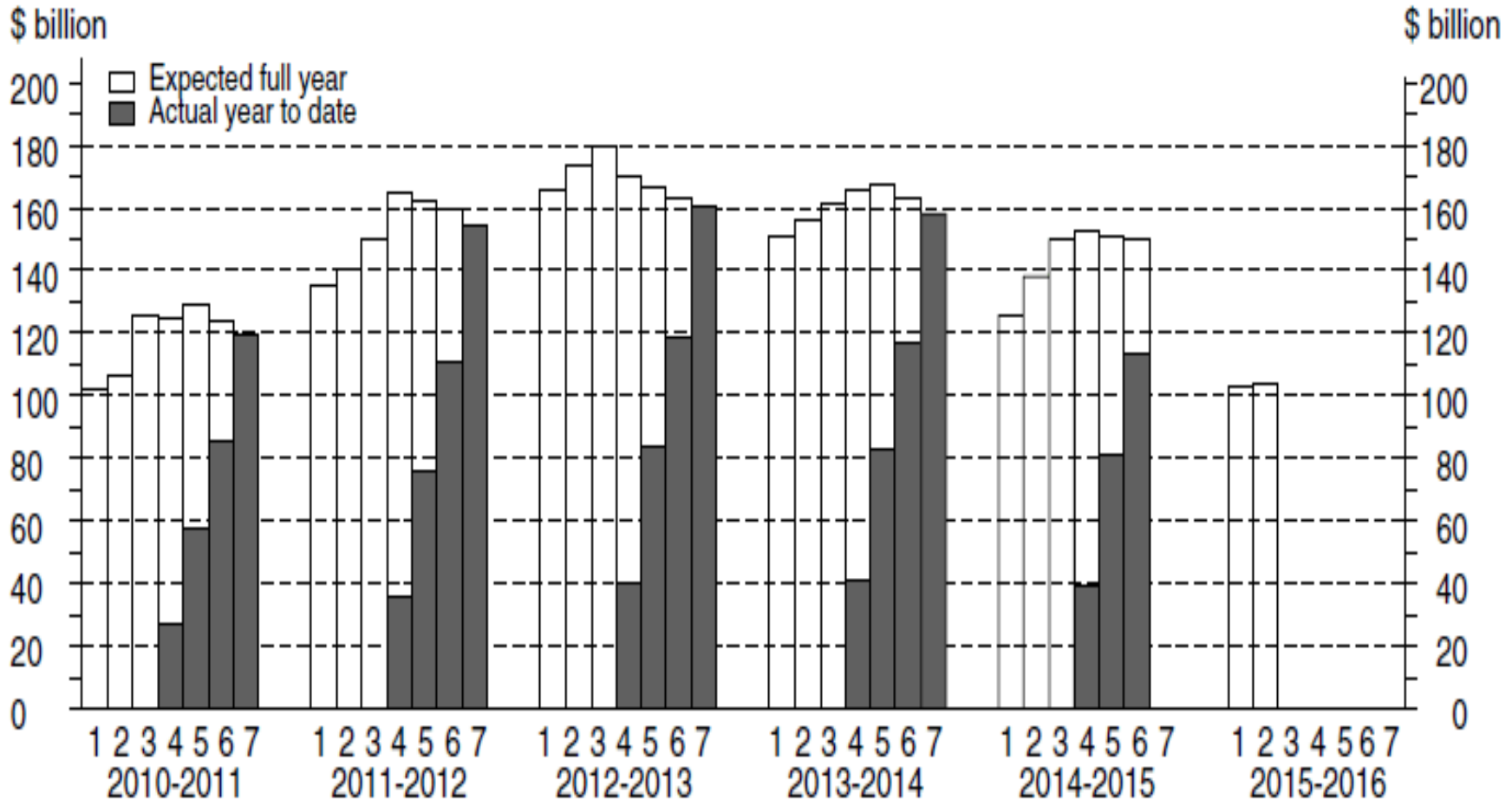


JORDAN ELISEO
Chief Economist

Australian Business Investment



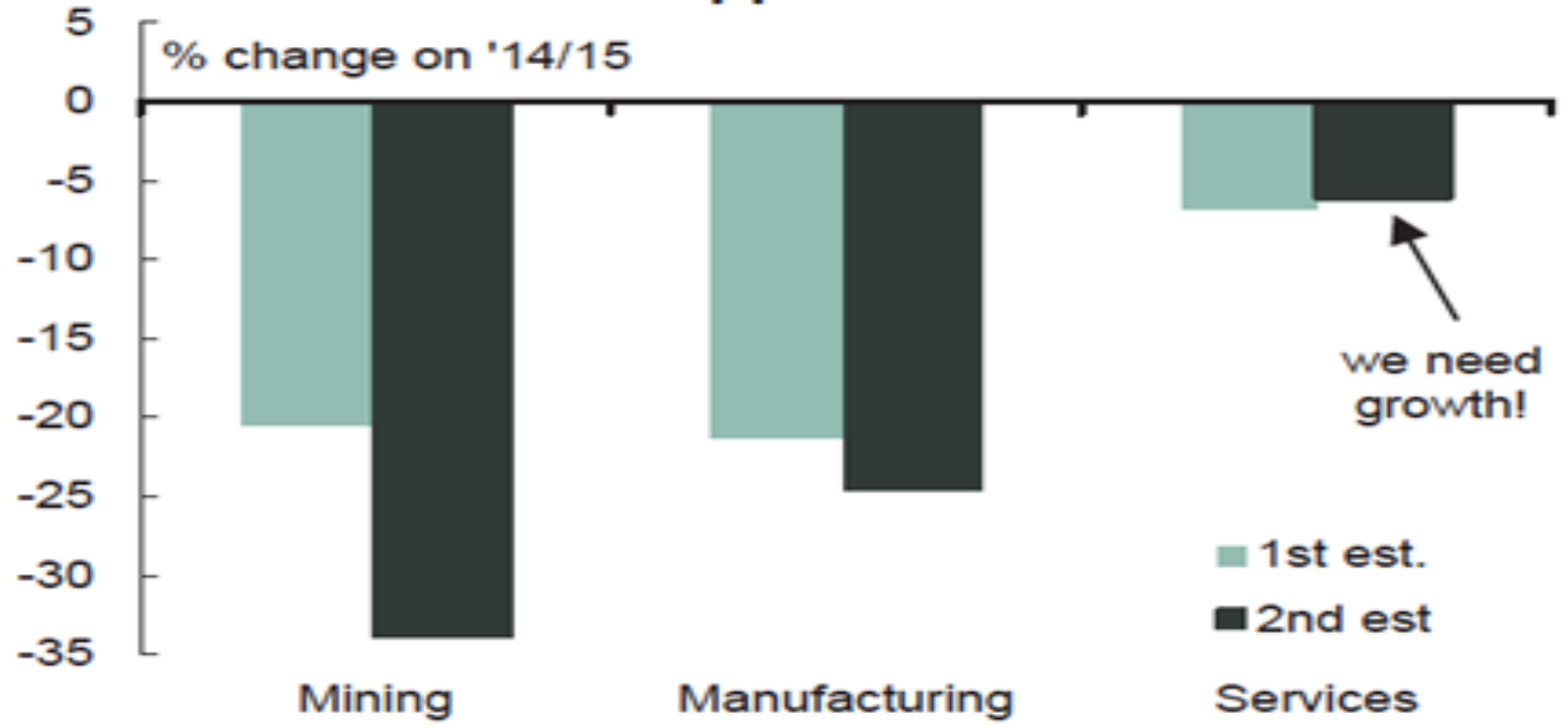
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Investment decline in all areas



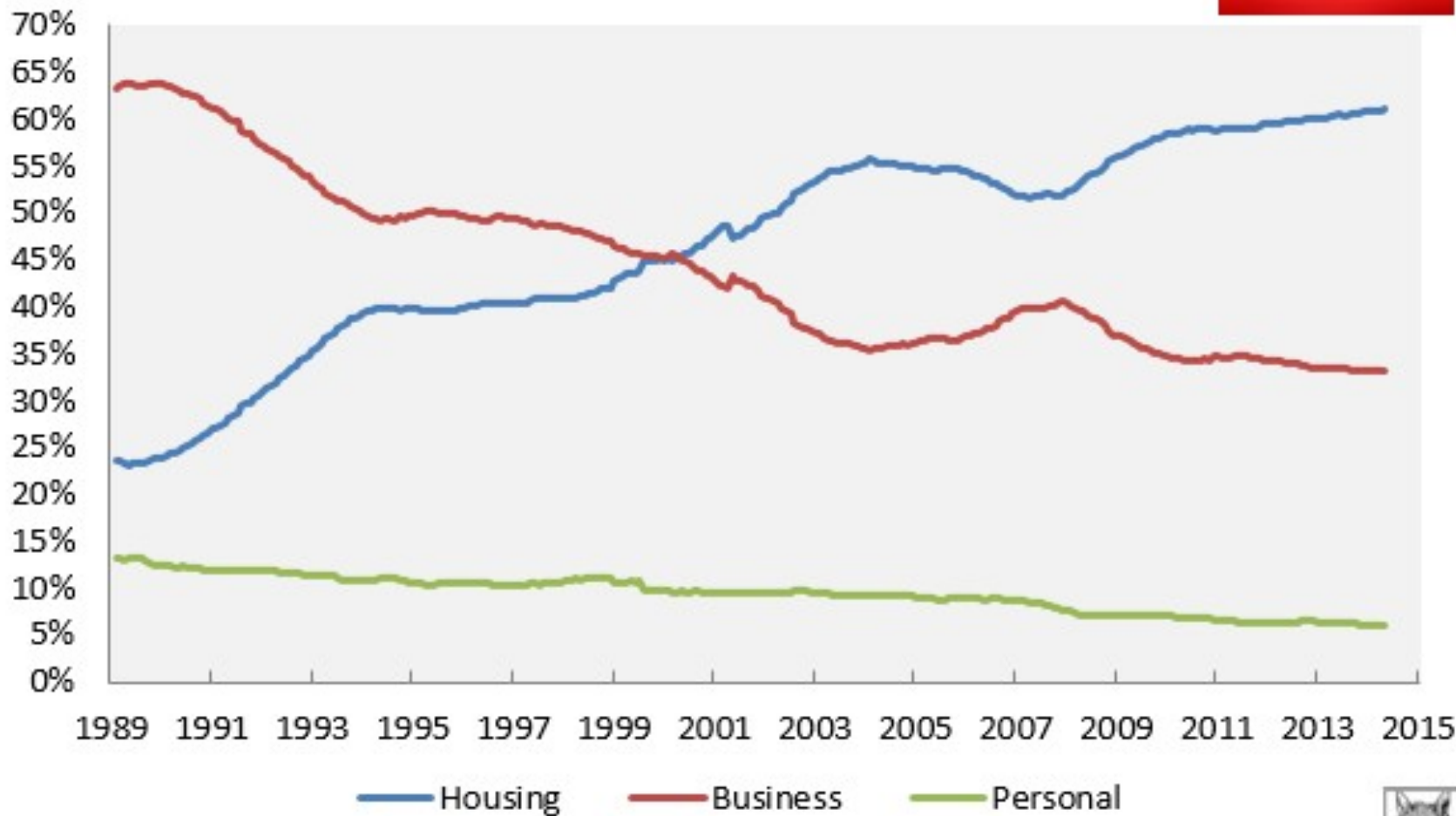
Australia: no upside to services investment for 2015-16 is a real disappointment



Source: ABS; TD Securities

Share of Outstanding Private Sector Credit

Source: Reserve Bank of Australia



Australian Budget



Table 1: Budget aggregates

| | Actual | Estimates | | | Projections | |
|---|--------------|--------------|--------------|--------------|--------------|-------------|
| | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
| Underlying cash balance (\$b)(b) | -48.5 | -41.1 | -35.1 | -25.8 | -14.4 | -6.9 |
| Per cent of GDP | -3.1 | -2.6 | -2.1 | -1.5 | -0.8 | -0.4 |
| Fiscal balance (\$b) | -43.7 | -39.4 | -33.0 | -23.4 | -9.2 | -3.2 |
| Per cent of GDP | -2.8 | -2.5 | -2.0 | -1.3 | -0.5 | -0.2 |

Table 2: Major economic parameters^(a)

| | Outcomes | Forecasts | | | Projections | |
|----------------------|----------|-----------|---------|---------|-------------|---------|
| | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
| Real GDP | 2.5 | 2 1/2 | 2 3/4 | 3 1/4 | 3 1/2 | 3 1/2 |
| Employment | 0.7 | 1 1/2 | 1 1/2 | 2 | 2 | 2 |
| Unemployment rate | 5.9 | 6 1/4 | 6 1/2 | 6 1/4 | 6 | 5 3/4 |
| Consumer price index | 3.0 | 1 3/4 | 2 1/2 | 2 1/2 | 2 1/2 | 2 1/2 |
| Wage price index | 2.5 | 2 1/2 | 2 1/2 | 2 3/4 | 2 3/4 | 3 1/4 |
| Nominal GDP | 4.0 | 1 1/2 | 3 1/4 | 5 1/2 | 5 1/4 | 5 1/2 |

**Forecast non-mining investment to grow by 2%, 4%, 7.5% in 2015-2017
Expecting to grow revenue by over 20% to \$489Bn by 2019**

Growth in the Wrong Areas



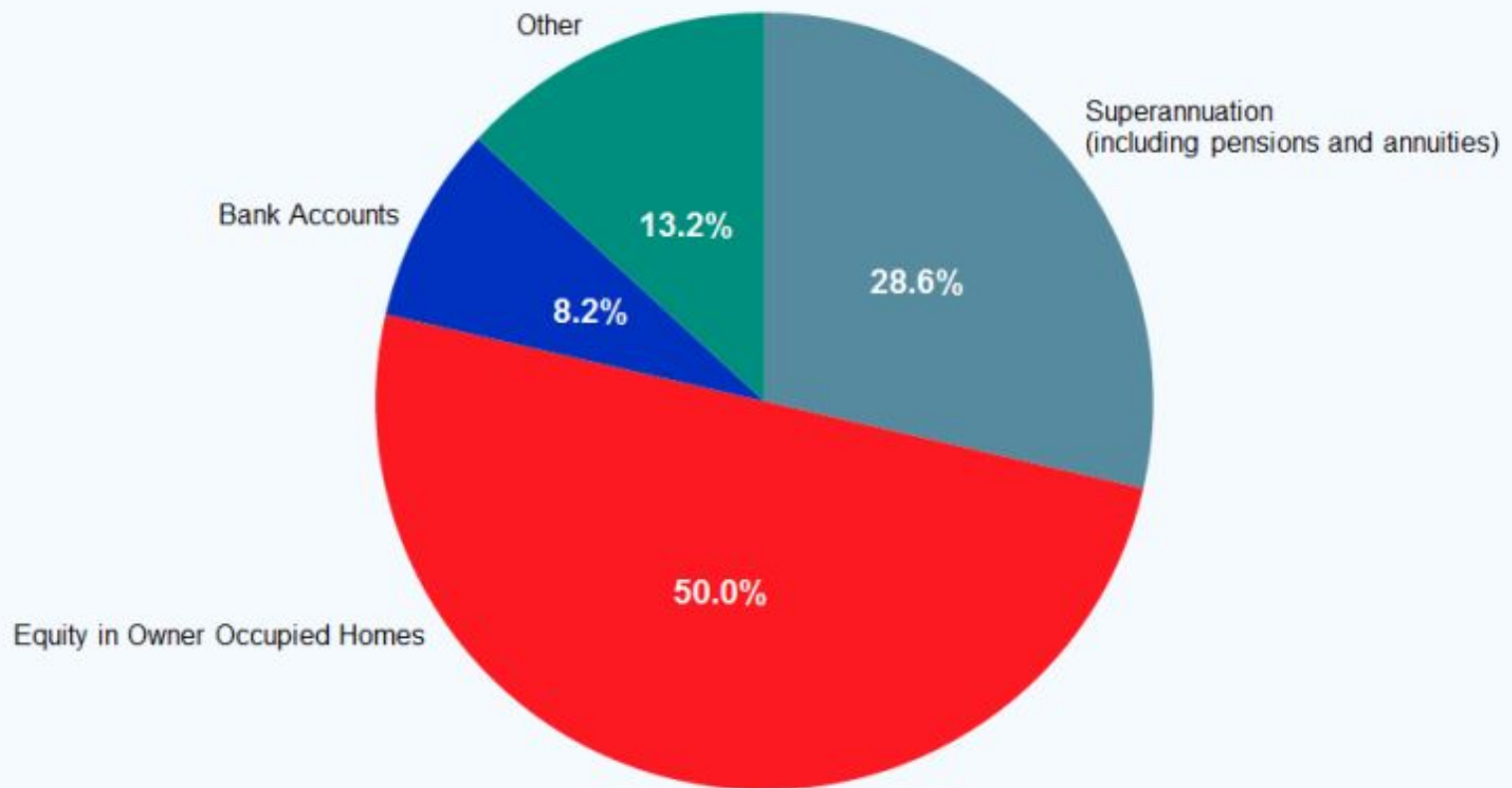
Table 3: Real growth in portfolio expenses

| | Nominal expenses 2015-16 Estimates (\$m) | Percentage of total expenses (%) | Real growth 2014-15 to 2018-19 (%)(c) |
|---|--|---|--|
| Agriculture | 1,710 | 0.4 | -11.7 |
| Attorney-General's | 4,298 | 1.0 | -13.6 |
| Communications | 2,164 | 0.5 | -14.1 |
| Defence (a) | 32,779 | 7.5 | 1.7 |
| Education and Training | 28,892 | 6.6 | 6.0 |
| Employment | 2,916 | 0.7 | 5.1 |
| Environment | 2,327 | 0.5 | 14.8 |
| Finance | 10,167 | 2.3 | -6.8 |
| Foreign Affairs and Trade | 6,001 | 1.4 | -15.2 |
| Health | 48,034 | 11.1 | 5.9 |
| Immigration and Border Protection | 4,784 | 1.1 | -39.9 |
| Industry and Science | 3,473 | 0.8 | -30.5 |
| Infrastructure and Regional Development | 4,960 | 1.1 | -11.2 |
| Parliament | 232 | 0.1 | -2.3 |
| Prime Minister and Cabinet | 2,380 | 0.5 | -13.4 |
| Social Services | 144,151 | 33.2 | 15.2 |
| Treasury (b) | 49,343 | 11.4 | -4.2 |
| Veterans' Affairs | 12,178 | 2.8 | -12.0 |

Australian 'Wealth'



Base: Australians 14+

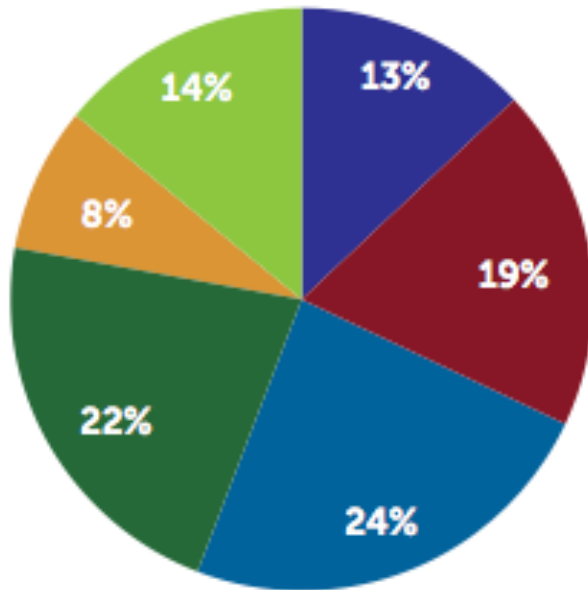


Total Net Household Wealth \$6.09t

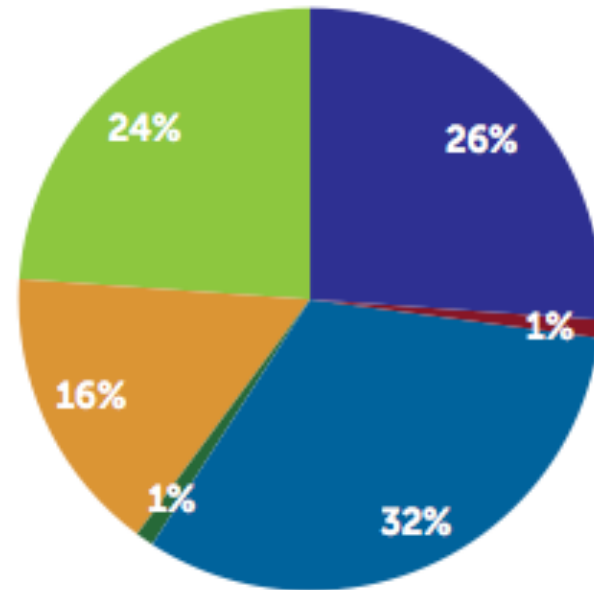
Superannuation System



LARGE SUPER FUND ASSET ALLOCATION



SMSF ALLOCATION



■ Cash ■ Fixed Income ■ Aus Equity ■ International Equity ■ Property ■ Other

Household Balance Sheets



Household Balance Sheets Stretched

Ratio of household debt to disposable income

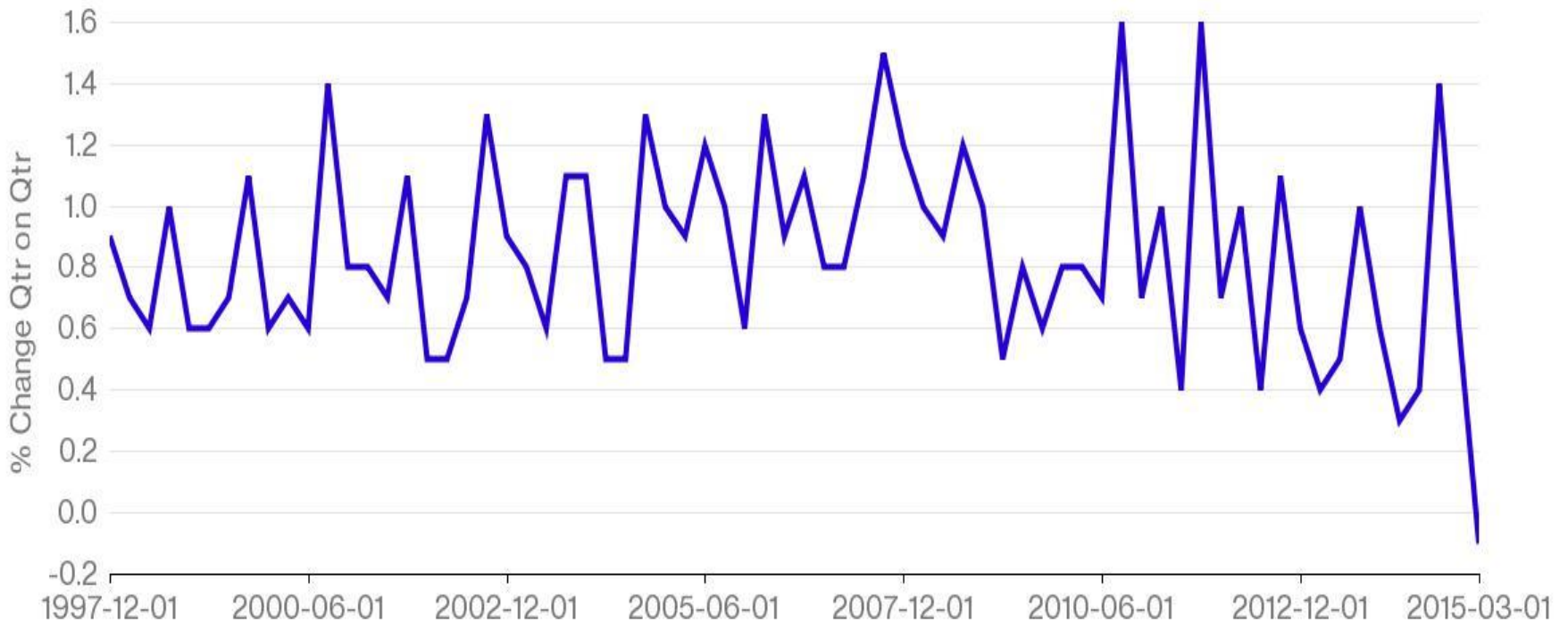


Source: Reserve Bank of Australia, Bloomberg

Wage Growth Negative



Hourly Pay Rates Including Bonuses

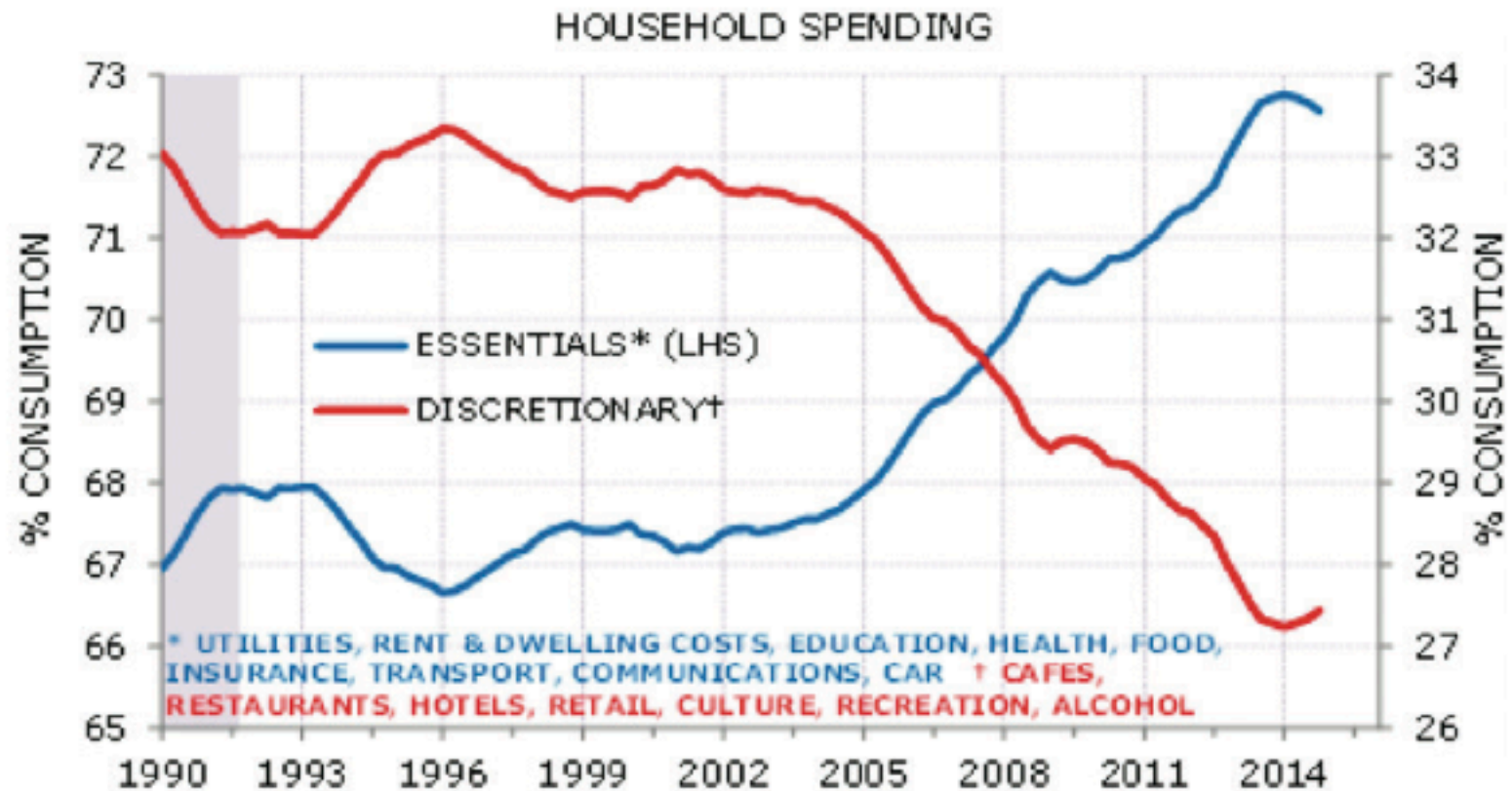


Source: Australian Bureau of Statistics

Australia: Essentially Expensive



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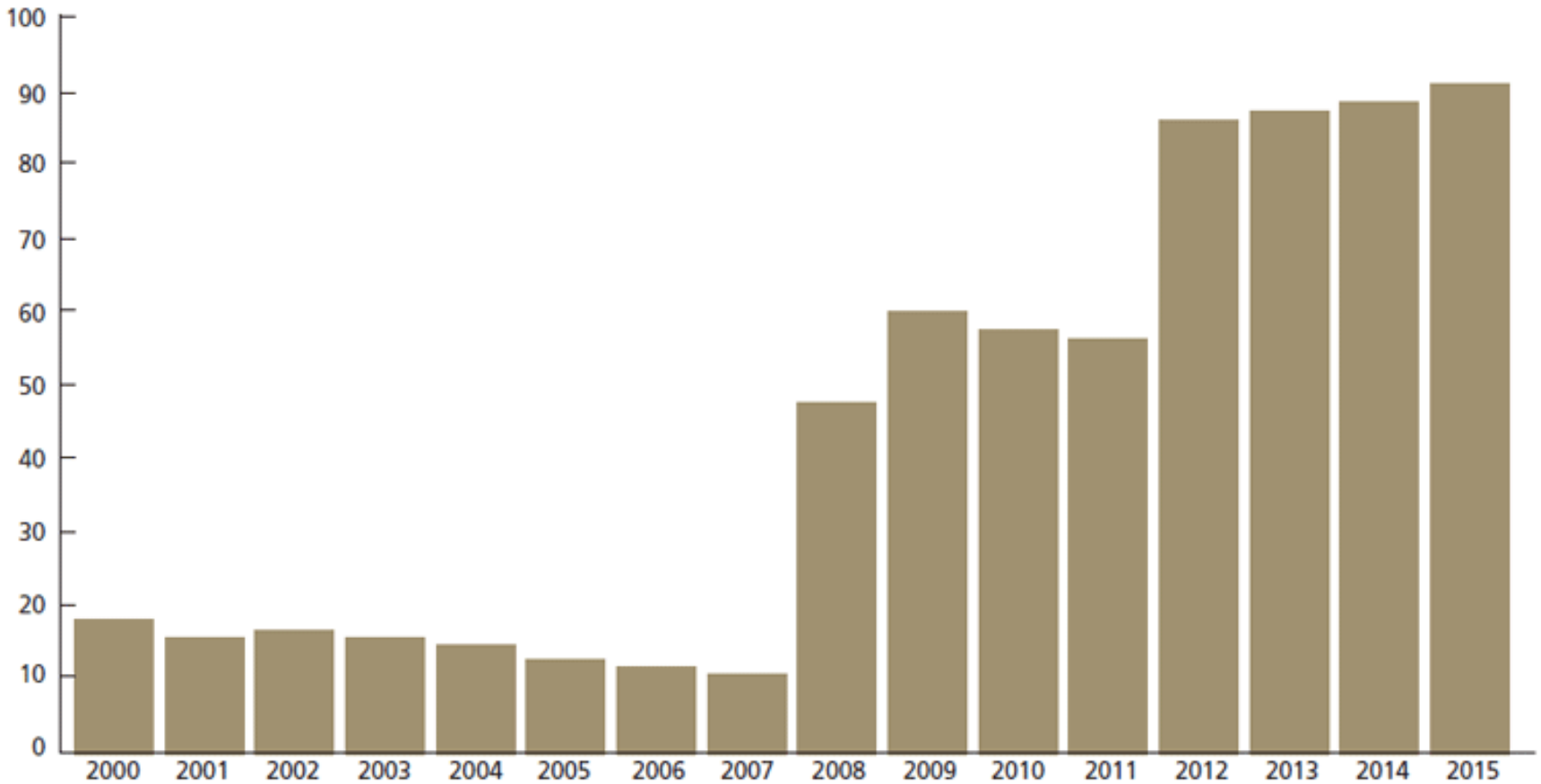


Source: Minack Advisors

500+ Rate Cuts Post Lehman



Chart 1: Global share of industrialised economies' GDP with policy rates near or below zero (2000-2015)



Sources: International Monetary Fund, Bloomberg, Haver Analytics, Gluskin Sheff

Peak Central Banking



“The biggest bubble out there is central bank credibility. If Draghi was a stock he'd be on a P/E of 200! Yellen's on 100. When that bubble pops, all hell will break loose again, and there you really just want to be in cash”

Gerard Minack - Minack Advisors
ex Morgan Stanley
Early 2015

"Nothing beats a little cash in a bear market, of course, and the oldest form of cash is gold."

James Grant
Early 2014

Sentiment



The Loathsome Truth About Gold And Why It Should Crash 40% More



Jordan Eliseo @JordanEliseo · 19h

Pretty decent headline if you like to buy assets unloved and when everyone is bagging it



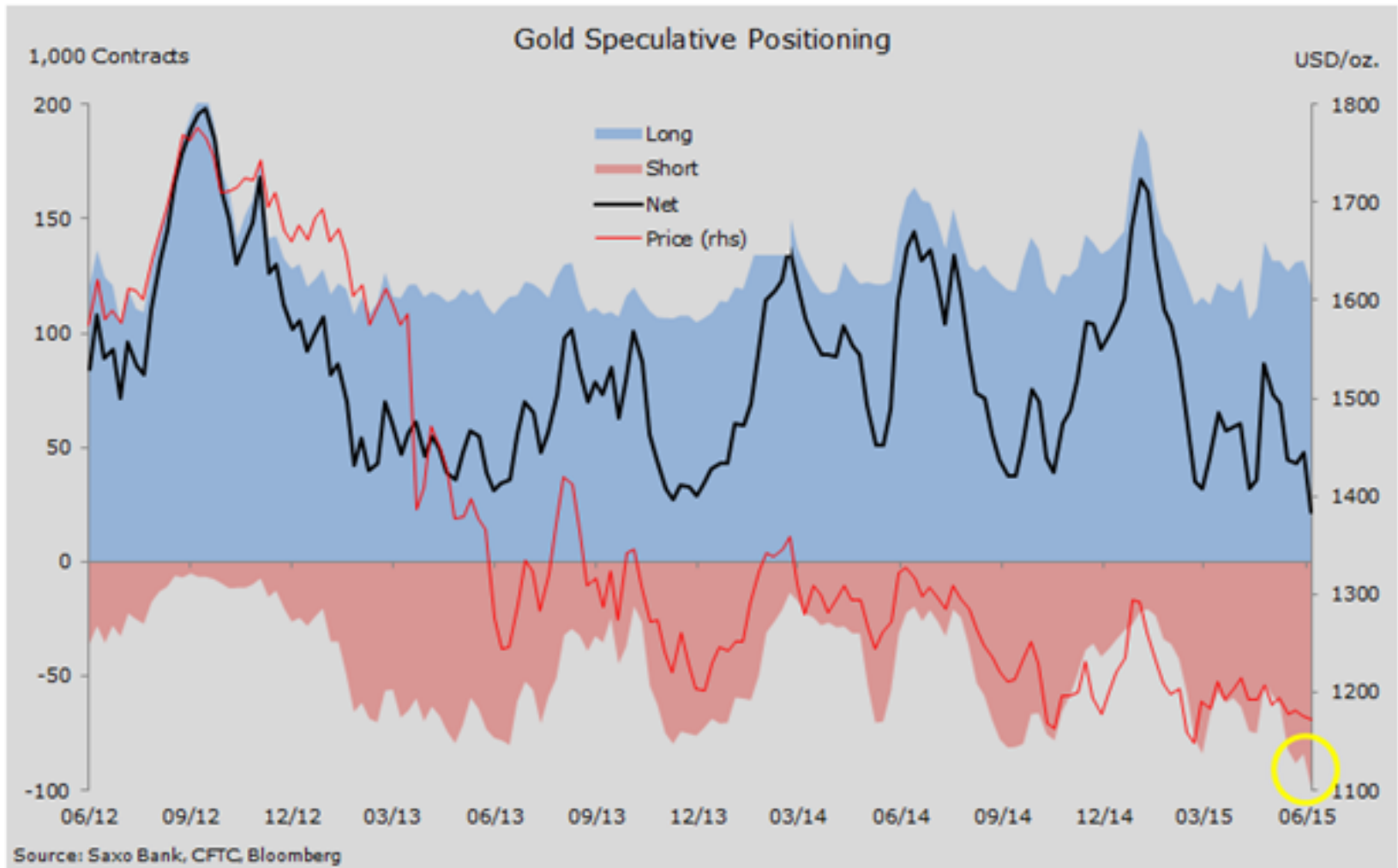
...and, prudent investors
at gold. And looking han
e is nothing else like gold

Jordan Eliseo retweeted

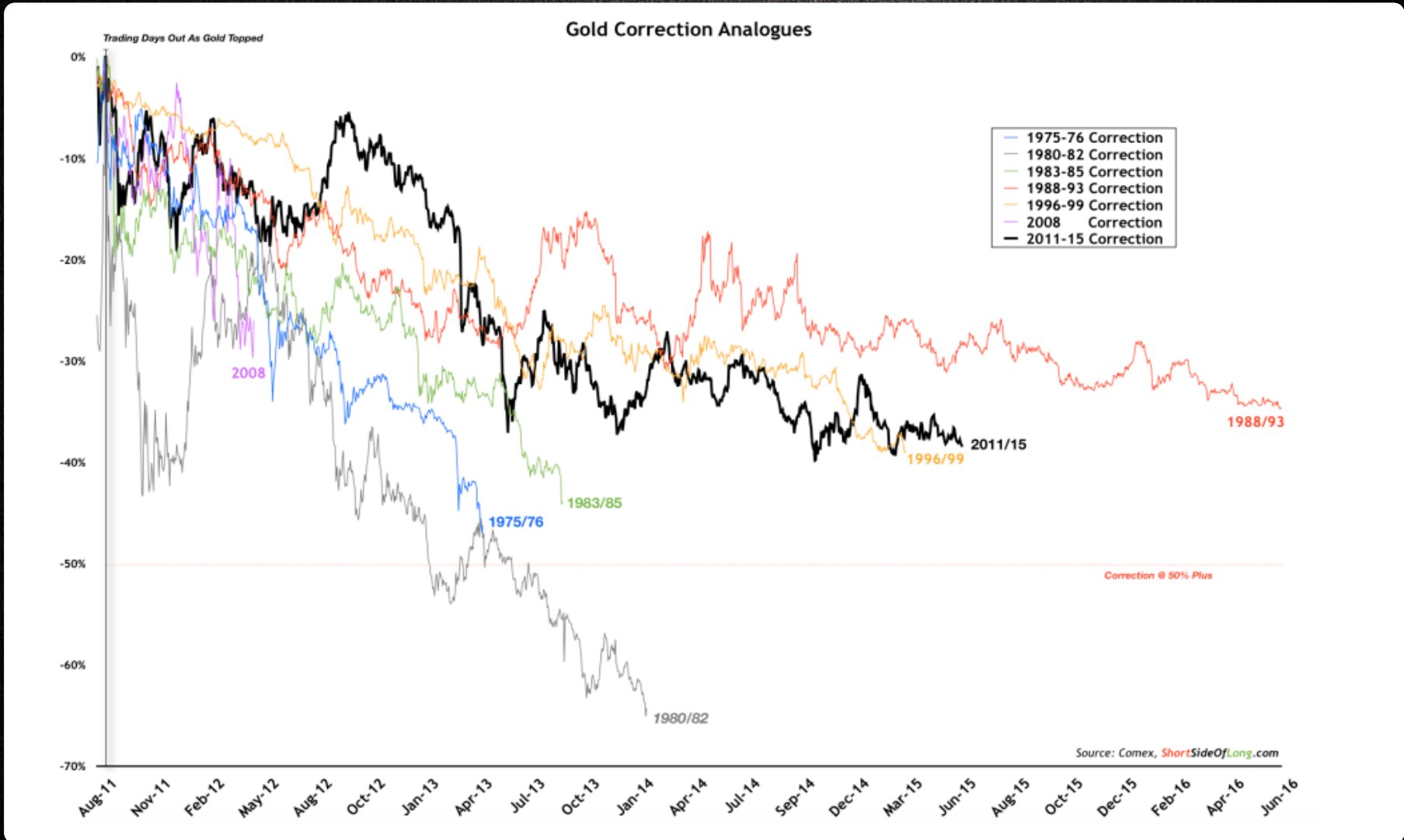
Economic Crisis Heads
274K Tweets about this

- ▶ *"We are betting on lower gold prices...our clients should have zero allocation in gold"* Bloomberg, November 3, 2014
- ▶ *"A final purge to \$700? What gold bulls' surrender might look like"*, Yahoo Finance, November 11, 2014
- ▶ *"I think gold is headed straight down. As pessimistic as sentiment has gotten, we think it becomes more pessimistic"*, CNBC Yahoo Finance, November 11, 2014
- ▶ *"Here's why gold could be headed to \$800"*, CNBC, November 21, 2014
- ▶ *"Should the US sell all of its gold?"* Bloomberg News, December 1, 2014

Net Positioning Interesting



Gold Bear is Getting Old!



Equities Bull Getting Old Too

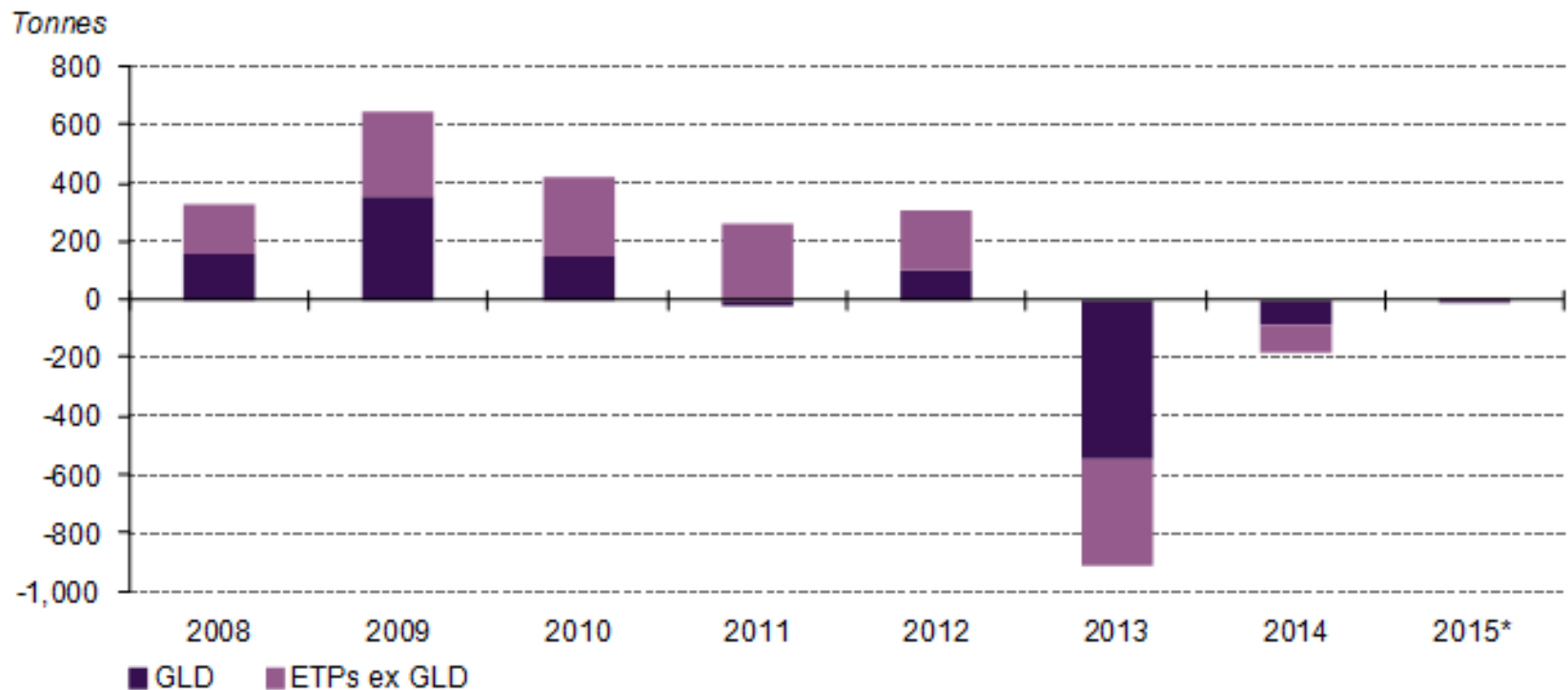


Rallies After Major Crisis

Lengths of the first major rally after:



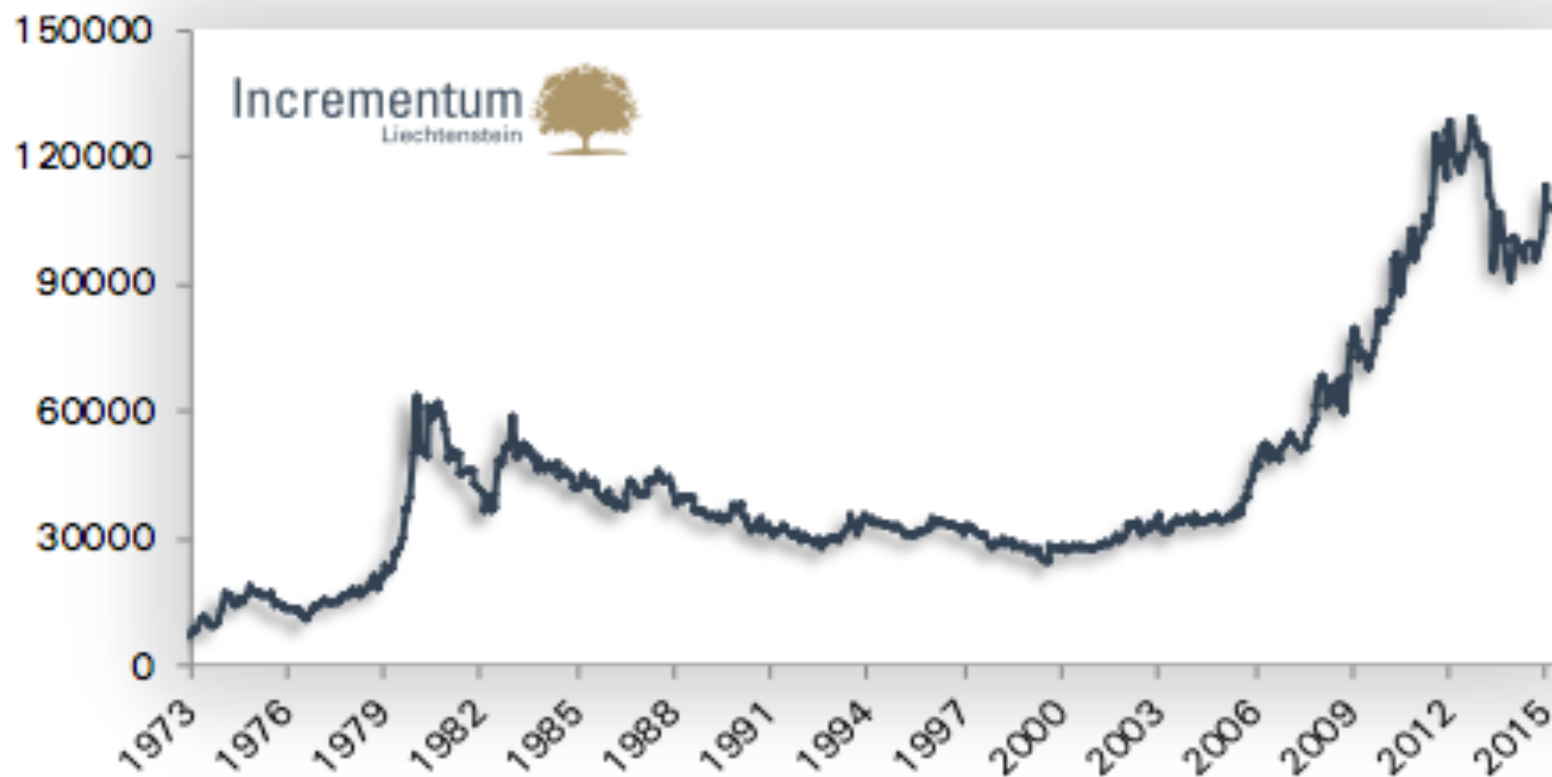
ETF Holdings Stabilized



Global Gold Price Rebounding

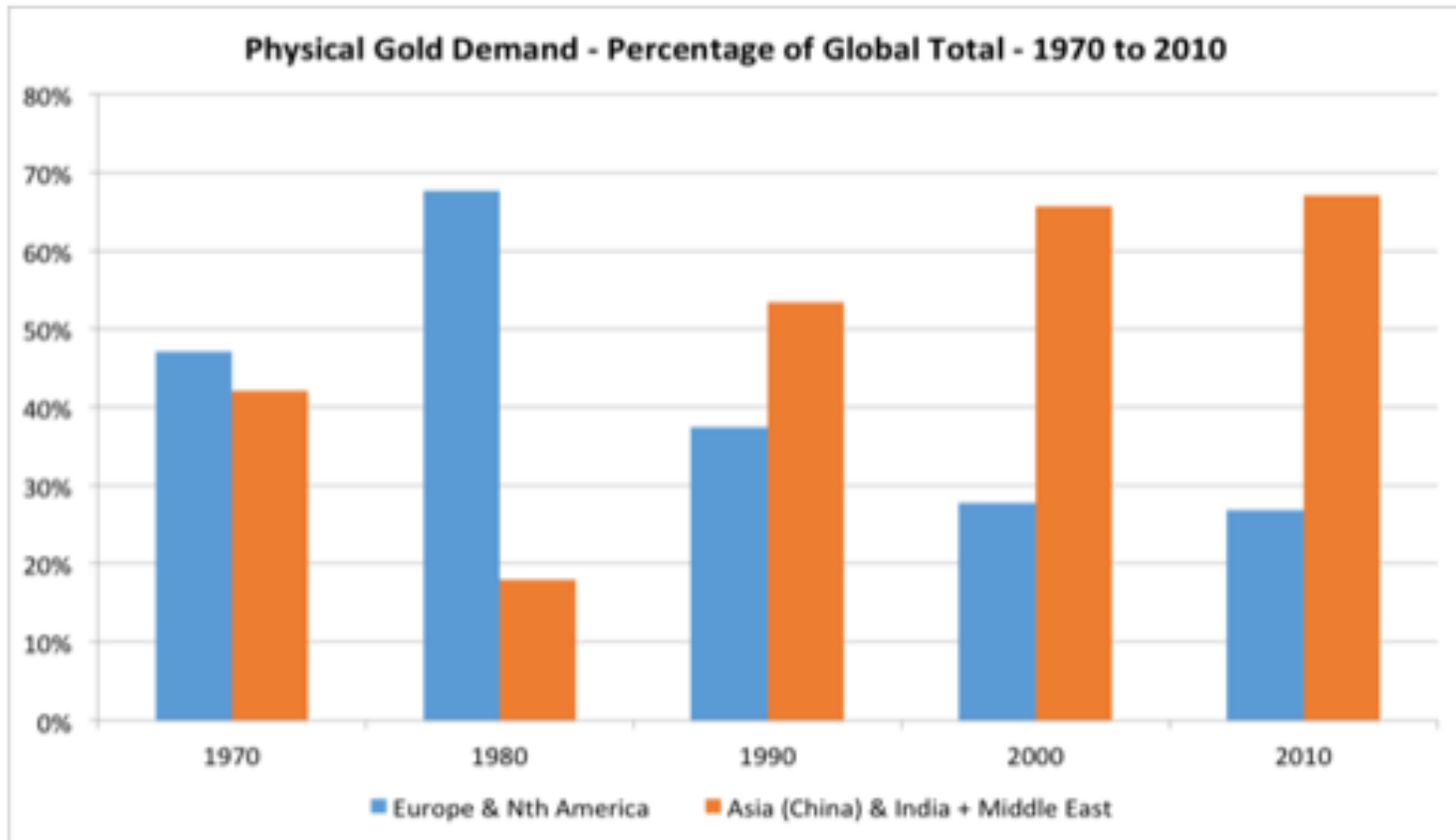


Global gold price back in an uptrend since autumn 2014



Sources: Federal Reserve St. Louis, Incrementum AG

Eastern Buying Will Continue



Source: World Gold Council, GFMS, Thomson Reuters, Bloomberg, 2011

The Global Asset Pool Today



Bonds and Debt Securities



Equities / Stock Market

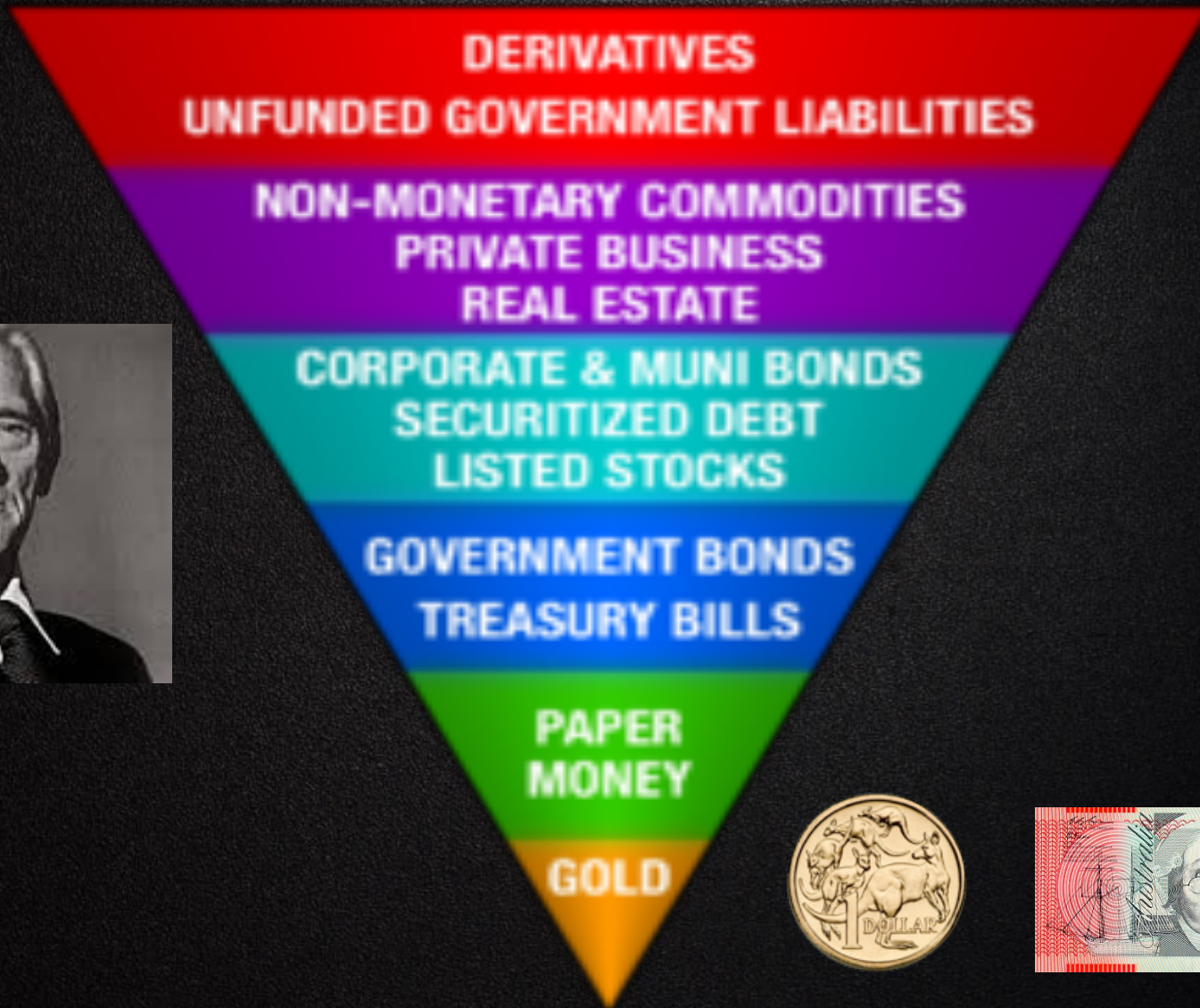


Cash & Alternatives



Source: World Gold Council, Credit Suisse

John Exter and his Pyramid



Dire Straits

Money for Nothing. Debt for Free.

<http://www.moneyfornothingdebtforfree.com.au>