

A faint, light blue world map is centered in the background of the slide, showing the outlines of continents and oceans. The map is semi-transparent and serves as a backdrop for the text.

# **Shock, Awe, Myths and Confidence: The Unfolding Global Outlook**

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# ANATOMY OF CURRENT GLOBAL CREDIT CRISIS

- Sub-prime mortgages: Are these the problem?
- Mortgage-backed and asset-backed commercial paper
- Leverage
- Credit default swaps (Buffett: "Weapons of financial mass destruction")
- Credit crisis impacts on jobs, housing and confidence
- The global reach
- Will the various rescue packages work? Inflationary?
- Other monetary/fiscal policy tools

# OIL



- The fundamentals
- Speculation
- Medium/long term outlook

# U.S./GLOBAL RECESSION (DEPRESSION)?

- Is the rest of the world (mildly/largely) decoupled from the U.S.? Canada? Europe? Japan? China? India?
- Inflation/budget deficits in North America
- Greater slowdown certainty because of other “Imbalances”: zero saving rate; personal debt?
- Oil and food
- Structural rigidities in Europe and Japan
- Policy responses in North America and overseas



**INFLATION, INTEREST RATES  
AND BUDGET IMBALANCES:  
THE SKINNY**

**THE PROBLEM NOW IS ONE OF  
DEFLATION!**

# CURRENCY OUTLOOK

A world map is visible in the background, rendered in a lighter shade of blue against the dark blue background of the slide.

- U.S. dollar: Decline inevitable?
  - Safe-haven issue?
  - Currency intervention by overseas economies
- Canadian dollar: Importance of commodity prices

# HOW WILL THE OUTCOME OF U.S. ELECTIONS SHAPE THE OUTLOOK?

- Taxes, Spending
- Financial market regulation
- Energy
- Protectionism/Nationalism/Deglobalization



**Optimistic or Pessimistic Outlook: A  
Question of Confidence!!**