

World Political Change & International Economies & Markets



BY FULTON SHEEN

UNDERSTANDING THE TIMES & BEING PREPARED

- The purpose of almost any kind of training or discipline, especially disaster preparation, is to enable you **to respond and not react** to the events going on around you
- We supposed to be men & women who understand the times... however no one of us can know everything...
- Matt 24 & 25 Jesus... tell us to be **watchful, ready and prepared....**
- The parable of the ten virgins...
- When Jesus is asked: **When – What – How...** He responds, Learn the lesson of fig tree...
- In the days of Noah...

THE TIMES THEY ARE A CHANGING

Come writers and critics, who prophesize with your pen
And keep your eyes wide, the chance won't come again
And don't speak too soon, for the wheel's still in spin
And there's no tellin' who, that it's naming,' For the loser now,
Will be later to win, for the times they are a-changin'²

Come senators, congressmen, please heed the call,
Don't stand in the doorway, don't block up the hall
For he that gets hurt, will be he who has stalled
There's a battle outside ragin, It'll soon shake your windows, And rattle
your walls, For the times they are a-changin'

The line it is drawn, the curse it is cast - The slow one now, will later be
fast - As the present now, will later be past - The order is rapidly fadin'.
And the first one now will later be last, For the times they are a-
changin'. – **Bob Dylan**

The Expected Didn't Happen

- Donald Trump wins, Hillary loses
- The UK voted to exit the EU & triggered Article 50
- The EU was supposed to expand, but it contracted
- The UK was supposed to contract, but it expanded
- EU elections weakened Brussels
- Russia was supposed to give back Crimea & be forced into submission by economic sanctions...
- Assad was to be defeated and the rebels were to be a democracy, but neither has happened
- The US withdrew from the UN climate control Agmt & Trump forced the rest of the G-20 nations to back down
- The investigation into Russian collusion has seemed to ensnare everyone except President Trump

FINANCIAL NEVER HAPPENED BEFORES

- Negative interest rates & sovereign bonds until 2016 & 2017 have never been issued before
- Central banks have never run out of govt bonds to buy
- Govts have never purchased corporate bonds & ETFs
- Back in 2008 almost no nations had a treaty to trade using their own currency, today most nations do
- There has only been one world bank since 1944 & now there are two...
- Cryptocurrency dominated world markets
- The petro dollar died & US resumed crude oil sales

NEGATIVE INTEREST RATES & YIELDS

Point of No Return

Government bonds across Europe increasingly trade at negative yields, indicating buyers who hold the debt to maturity will get back less than they paid.

Yields on benchmark sovereign bonds by maturity, annual percentage*

	Maturity, in months				Maturity, in years								
	ONE	THREE	SIX	NINE	ONE	TWO	THREE	FOUR	FIVE	SIX	SEVEN	10	30
Germany	-0.401%	-0.345%	-0.289%	-0.374%	-0.300%	-0.263%	-0.224%	-0.165%	-0.099%	-0.063%	-0.007%	0.164%	0.553%
Finland						-0.212%	-0.142%	-0.085%	-0.024%	0.010%		0.268%	0.597%
Netherlands	-0.212%	-0.226%	-0.246%			-0.187%	-0.152%	-0.074%	-0.033%	0.034%	0.101%	0.296%	0.680%
Austria					-0.210%	-0.190%	-0.165%	-0.102%	-0.041%	-0.012%	0.044%	0.258%	0.710%
Belgium	-0.166%	-0.191%	-0.190%	-0.203%	-0.195%	-0.186%	-0.148%	-0.079%	-0.011%	0.059%	0.157%	0.401%	0.986%
France	-0.188%	-0.189%	-0.187%	-0.191%	-0.188%	-0.174%	-0.133%	-0.065%	0.029%	0.070%	0.142%	0.404%	1.025%
Ireland					-0.075%	-0.100%	-0.057%		0.207%		0.415%	0.750%	1.413%
Spain	-0.026%	-0.020%	0.019%	0.034%	-0.116%	0.072%	0.162%	0.432%	0.584%	0.819%	0.950%	1.387%	2.278%
Italy	0.000%	-0.003%	0.008%	0.022%	0.032%	0.182%	0.255%	0.417%	0.614%	0.877%	0.995%	1.402%	2.306%
Portugal		0.006%	0.014%		0.027%	0.076%	0.346%	0.684%	0.940%	1.180%		2.006%	2.846%
Greece	8.815%	3.675%	3.450%		26.623%				18.719%			12.539%	9.463%

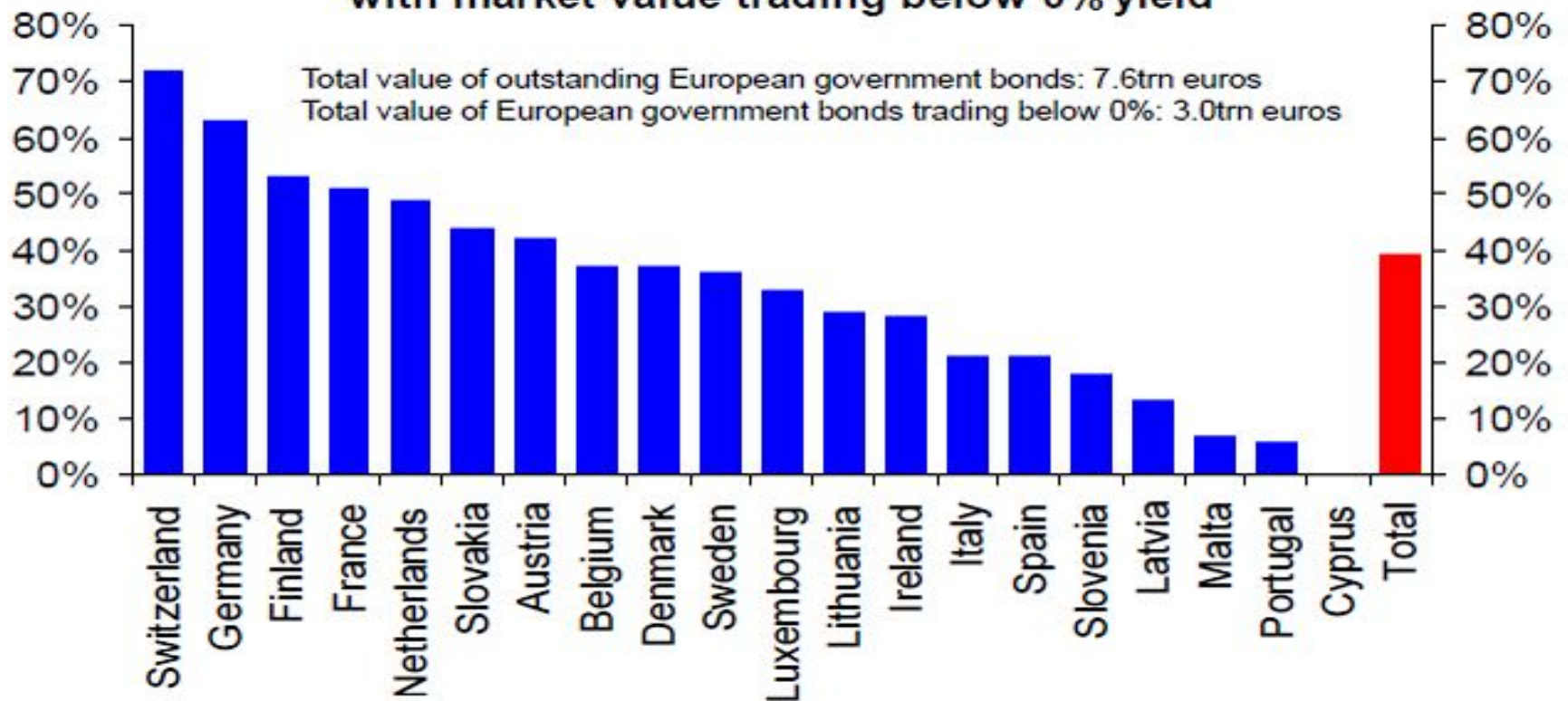
*Midyields as of April 22; countries don't necessarily have benchmark bonds of every maturity Source: Thomson Reuters

NEGATIVE INTEREST EU BONDS

Negative interest rates on 40% of outstanding European government bonds



Percentage of marketable government bonds with market value trading below 0% yield



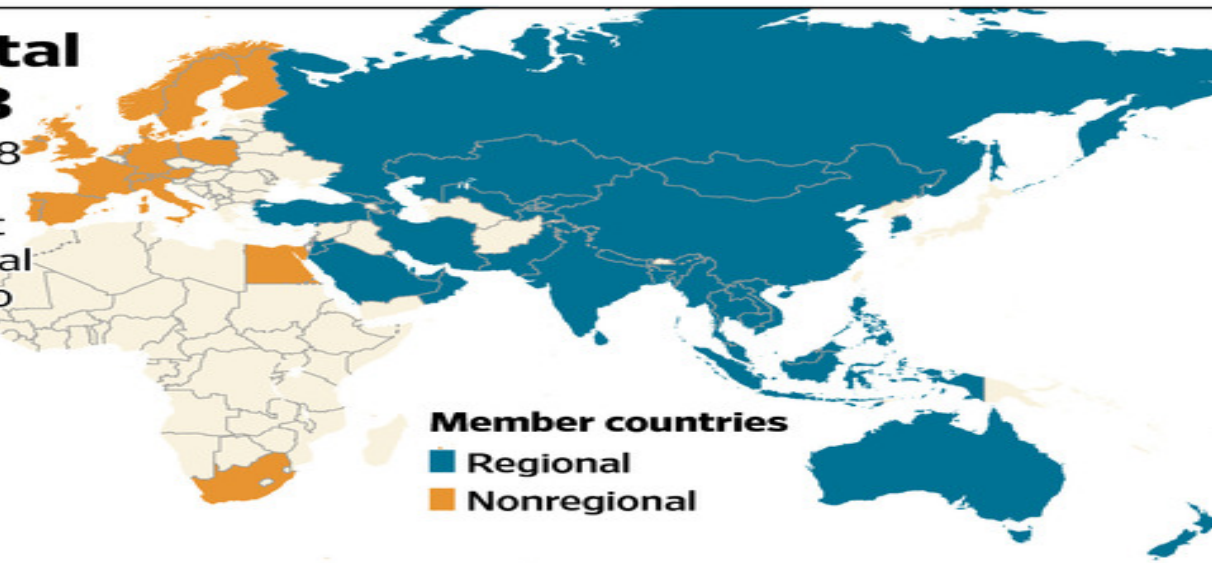
Source: Jack Di-Lizia, Bloomberg Finance LP, DB Research

New Asian Infrastructure Investment Bank (AIIB)

- For 70 yrs every wire in the world has gone through the World Bank in NY and the US has dominated & controlled both the WB and the IMF
- October of 2014: the Plan was finalized - on March 13th everything changed
- April 2015: China closed the enrollment window to join its new Asian Infrastructure Investment Bank (AIIB) as a founding member and the US was one of the only major nations not to join.
- In an editorial published in the Financial Times, former US Treasury Secretary Larry Summers summed it up plainly saying that “*this may be remembered as the moment the United States lost its role as the underwriter of the global economic system.*”
- On Jan 1, 2016 the AIIB became fully operational and is issuing loans

Authorized Capital Stock in the AIIB

China will contribute \$29.8 billion of the Asian Infrastructure Investment Bank's \$100 billion in initial capital, likely giving it veto power.



Member countries
■ Regional
■ Nonregional

Total: \$100 billion

Nonregional members

Regional members

\$25 billion

\$75 billion

Top-10 contributors

Germany	\$4.5 bil.	■
France	3.4	■
Brazil	3.2	■
U.K.	3.1	■
Italy	2.6	■
Spain	1.8	■
Netherlands	1.0	■
Poland	0.8	■
Switzerland	0.7	■
Egypt	0.7	■
Others*	3.4	■

Top-10 contributors

China	\$29.8 billion	■
India	8.4	■
Russia	6.5	■
South Korea	3.7	■
Australia	3.7	■
Indonesia	3.4	■
Turkey	2.6	■
Saudi Arabia	2.5	■
Iran	1.6	■
Thailand	1.4	■
Others†	11.4	■

*Sweden, South Africa, Norway, Austria, Denmark, Finland, Luxembourg, Portugal, Iceland, Malta

†United Arab Emirates, Pakistan, Philippines, Israel, Kazakhstan, Vietnam, Bangladesh, Qatar, Kuwait, New Zealand, Sri Lanka, Myanmar, Oman, Azerbaijan, Singapore, Uzbekistan, Jordan, Malaysia, Nepal, Cambodia, Georgia, Brunei, Laos, Mongolia, Tajikistan, Kyrgyzstan, Maldives

Source: staff reports

THE PROBLEM WITH NEVER HAPPENED BEFORES

The problem with things that have never happened before is that no one has any idea what the ramifications will be.

In other words, they have no idea what happens next

WHAT HAPPENED ECONOMICALLY 2017

Many things happened in 2017 that no one expected:

- The US economy & markets were not expected to do as well as they did & the Dow finished at 24,719
- President Trump's tax reform & deregulatory actions
- The UK outperformed the EU...
- The US & UK raised interest rates
- 10 most innovative countries; SK, Sweden, Singapore, Germany, Switzerland, Finland, Japan & France
- The Australian & Russian economies continue to perform well

WHATS HAPPENED POLITICALLY IN 2017

- Election Results in the Netherlands, France, Poland, Austria, Germany & May called snap elections...
- Catalonia voted for independence & Spain...
- The EU is arguing more & more with each other
- Negative interest rates & government debt continues
- Brexit decided the divorce settlement, but that's all
- International Unrest Majors: Syria, NK & Isis Minors: S. China Sea, Arctic drilling, Shiites v Sunnis...
- Iranian public unrest and the Saudis have new leader...
- Trump & Putin seem to irritate everyone , but each other

President Donald Trump

- He doesn't care about PC & engages the press head on
- Trump is unashamedly implementing his America 1st plan
- He raised trade tariffs and has threatened more
- He reduced govt regulation & passed tax reform and is still working on immigration
- He let govt shut down twice & Dems got the blame
- He went to the G-20 Conf & they blinked...
- He put the UN on notice things have changed and that they were taking names..., cut \$1B of funding and against overwhelming opposition recognized Jerusalem as the capitol...
- Why do the global elites react to him the way they do?

President Vladimir Putin

- He has an 80% approval rating in Russia...
- Sanctions have had little effect...
- Russia's economy is booming & the standard of living of Russian citizens is rising
- Russia has intervened in the war in Syria...
- Expanded drilling in the Arctic
- After 16 months of accusations there's still zero evidence that Trump colluded with Russia...
- Did Russia try to influence our elections...?
- The US & the rest of the world are trying to prevent Putin & Trump from getting together, but why?

In 1939 Winston Churchill described Russia as “a riddle wrapped in a mystery inside an enigma,” Not much has changed in 78 years

NATIONALISM v GLOBALISM

- The Media, DC & global elites have done everything they could to keep Trump & Putin apart, until the G-20
- Trump & Putin don't agree on most things, but they admire one another and neither one of them is apart of global good-ole-boy club...
- There is a world war going all over the globe and Brexit, Trumps election, EU elections are glaring examples of it
- People are pushing back & resisting globalization and a one world system...
- We are seeing the physical results, but many of us also know there is a spiritual dynamic being played out as well

Wars & Rumors of Wars

- President Trump is in a trade war with China as well as the rest of the world
- ISIS lost ground but continues to commit terrorist acts...
- The South China Sea island is claimed by 6 nations...
- Saudi Arabia is assembling other Sunni nations against; Shite Iran, Iraq & Syria...
- For the moment NK has stopped blowing things up and he and Trump will be meeting soon
- Erdogan gained dictatorial power in Turkey he bombed Syrian territory is being denounced by its enemies & allies
- The battle Nationalism v Globalism will continue to rage
- Another battle rising in how to deal with AI...



What's Currently Happened In 2018

- The US economy is producing more jobs, lower unemployment, lower corp. taxes & less reg. have produce a more attractive business climate at home & abroad and Bloomberg predicts US dominance of gas & oil markets for many years, thanks resumption of crude & shale sales
- Germany, France & Spain are expected to grow at 2%, but Italy, Greece & other EU nations it is uncertain
- NZ banned home purchases by non-citizens...
- The SEC declared crypto Exchanges & ICO securities
- Venezuela has defaulted and inflation in 1343%
- Chinese Premier is now Premier for life



Merkel appointed close ally Annegret Kramp-Karrenbauer as general secretary of her Christian Democratic Union party

Economically What May Happen In 2018

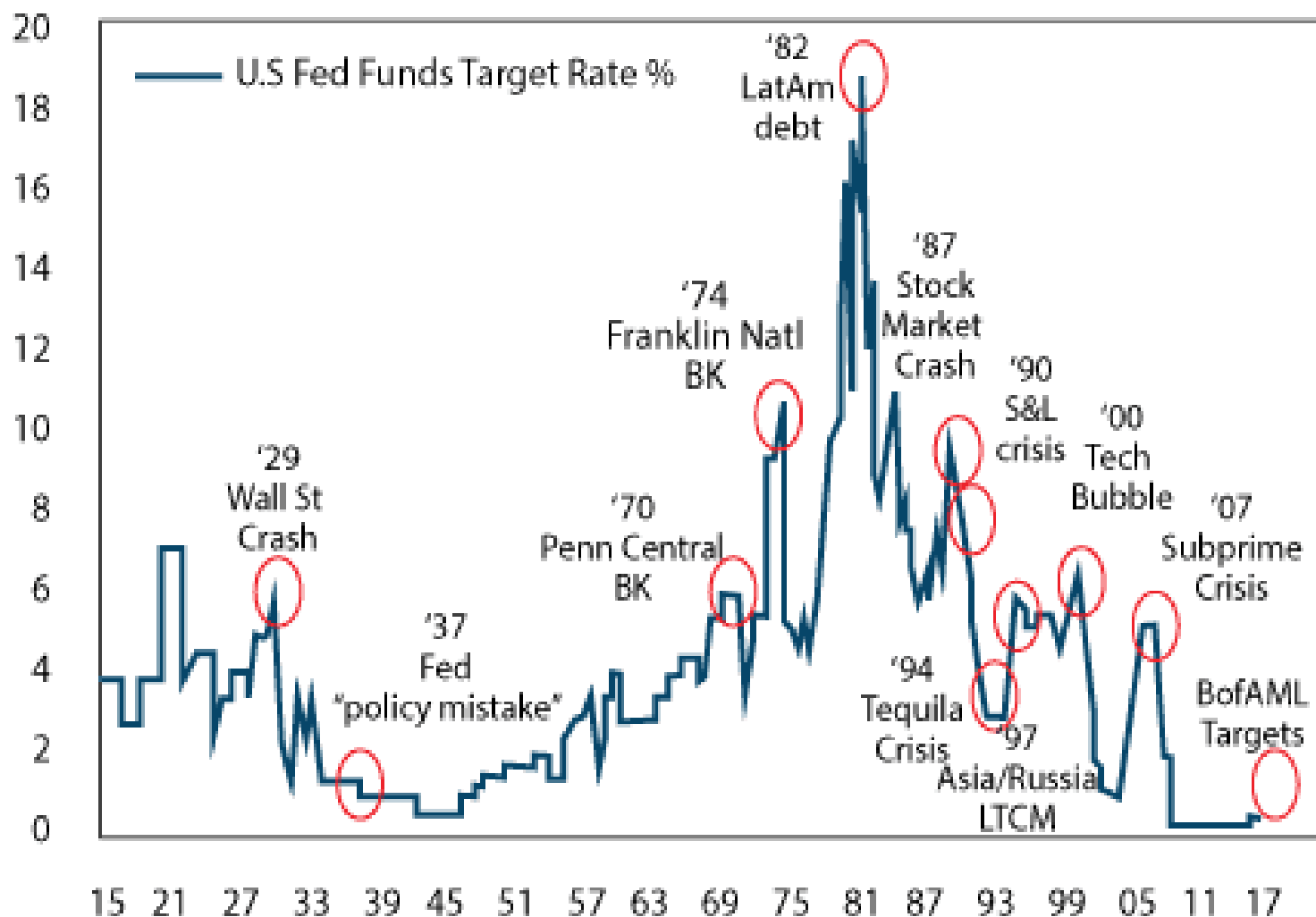
- The trade wars will intensify...
- EU & Japan will continue are continuing to buy bonds, print money and have neg. rates & sovereign debt
- IMF's expects world growth to be on the increase in 2018
- India's attempts to eliminate its cash economy has created turmoil & demonstration
- Sweden the most cashless nation is having problems...
- Illinois & CA continue to flirt with default...
- The Fed will raise interest rates, Aust. & UK already did
- Central banks talk of unwinding their portfolios...
- Most nations are increasing their debt levels, but HK...

Politically What May and/or Happen In 2018

- Brexit negotiations will most likely drag on...?
- Angela Merkel's stature & have weakened...
- Poland is ignoring EU court rulings and being treated as a rogue state by the EU
 - Hungary, the Czech Republic, Italy may...
- Italian Election's have created great uncertainty...
- Trump & Un are going to meet...
- Saudi Arabia & Iran are positioning for territorial conflict
- Turkey is attacking Syria & the Kurds ignoring...
- S. Africa is following the road to ruin like Zimbabwe
- International disputes & unrest will continue

Does the Fed know what it's doing?

Fed tightening usually ends with a financial "event."



Today's Society

Sure glad the hole isn't at our end.



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