

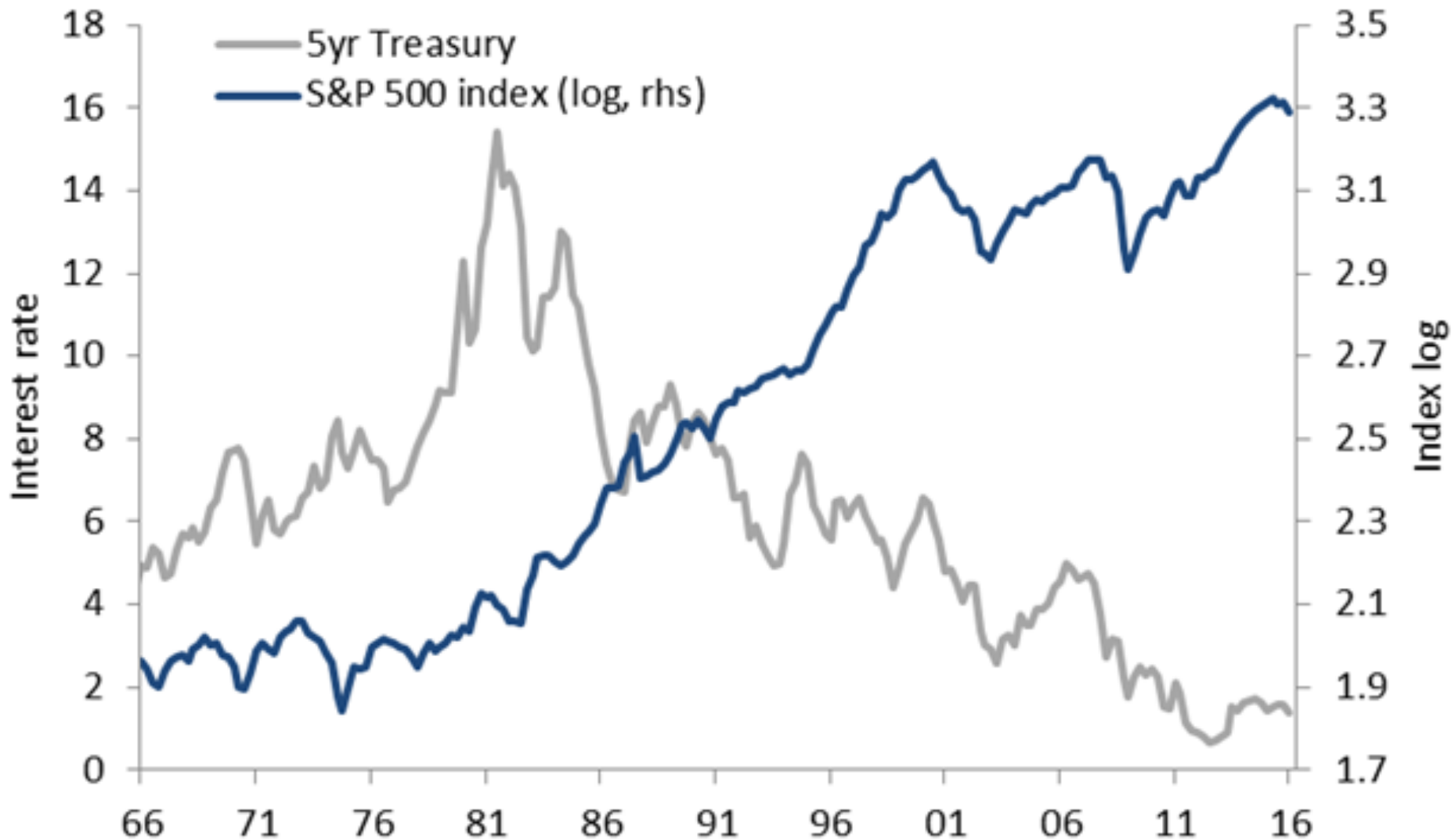
The Endgame

Stan Druckenmiller

21st Annual Sohn Investment Conference

May 4, 2016

The best is behind us



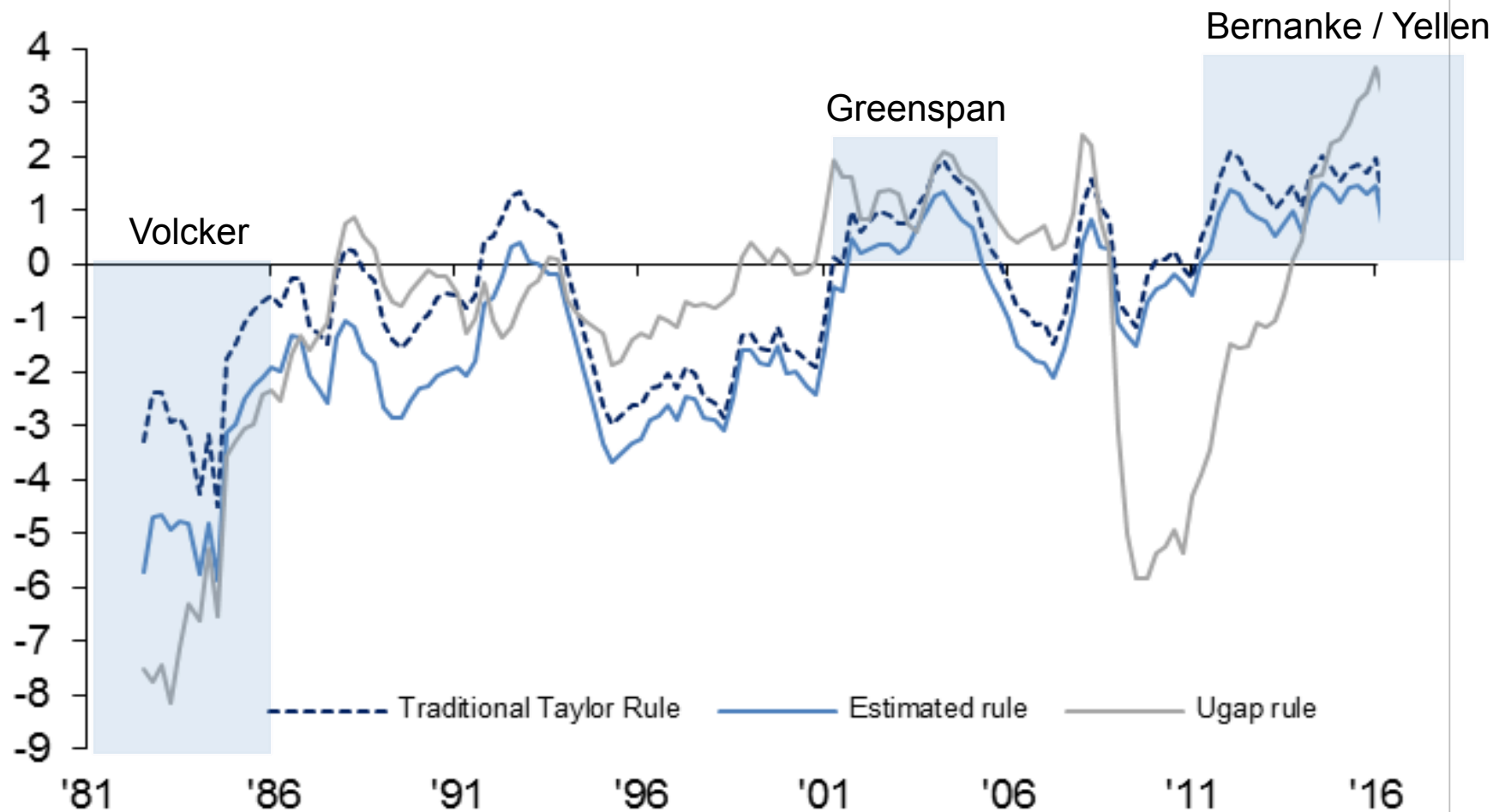
No more room to increase leverage



Source: Board of Governors of the Federal Reserve System

The Fed has borrowed from future consumption more than ever before

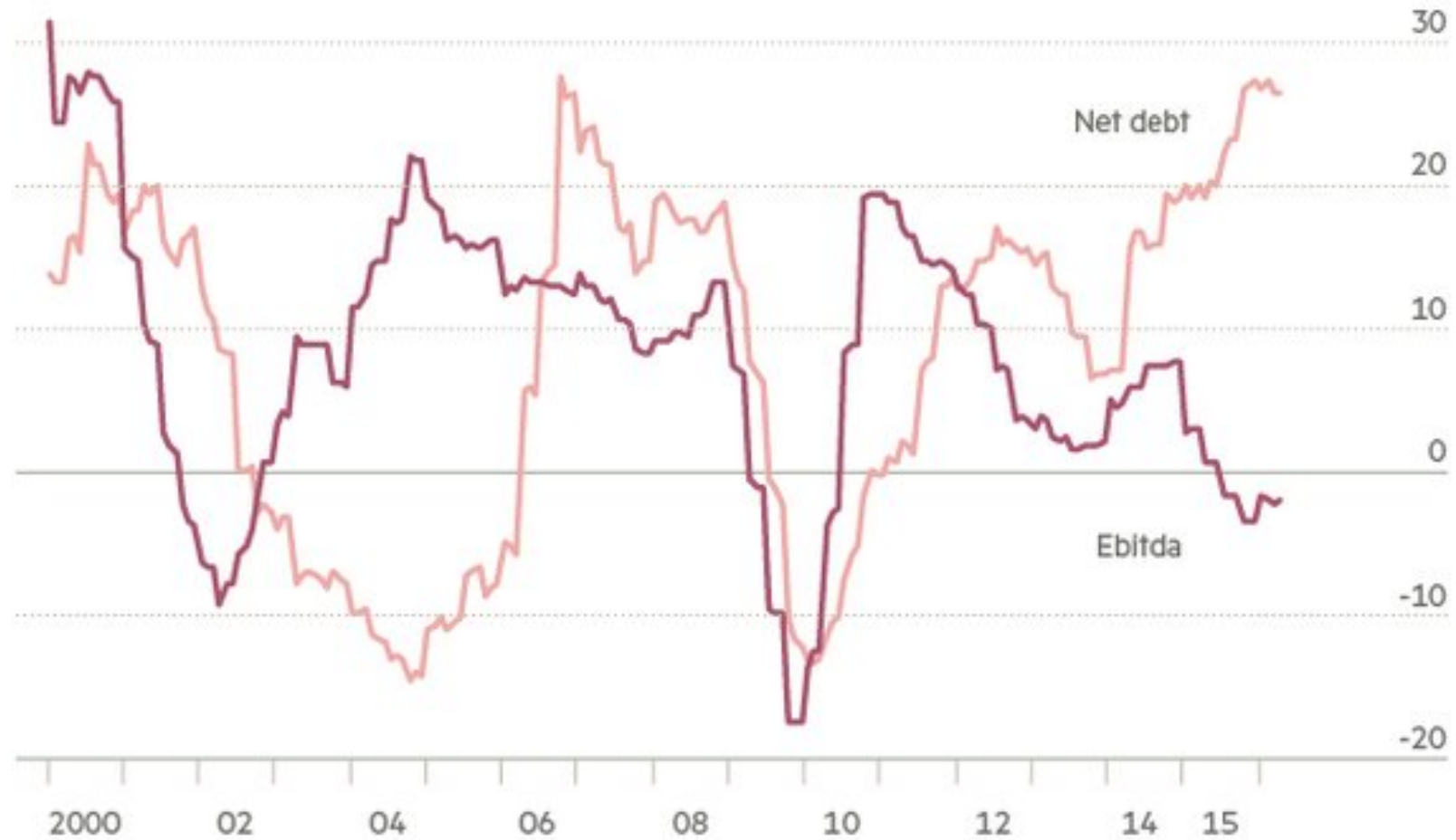
Deviations from standard Taylor Rules



And the peak in profits is past.

US non-financials

Year-on-year change in net debt versus operating cash flow (%)

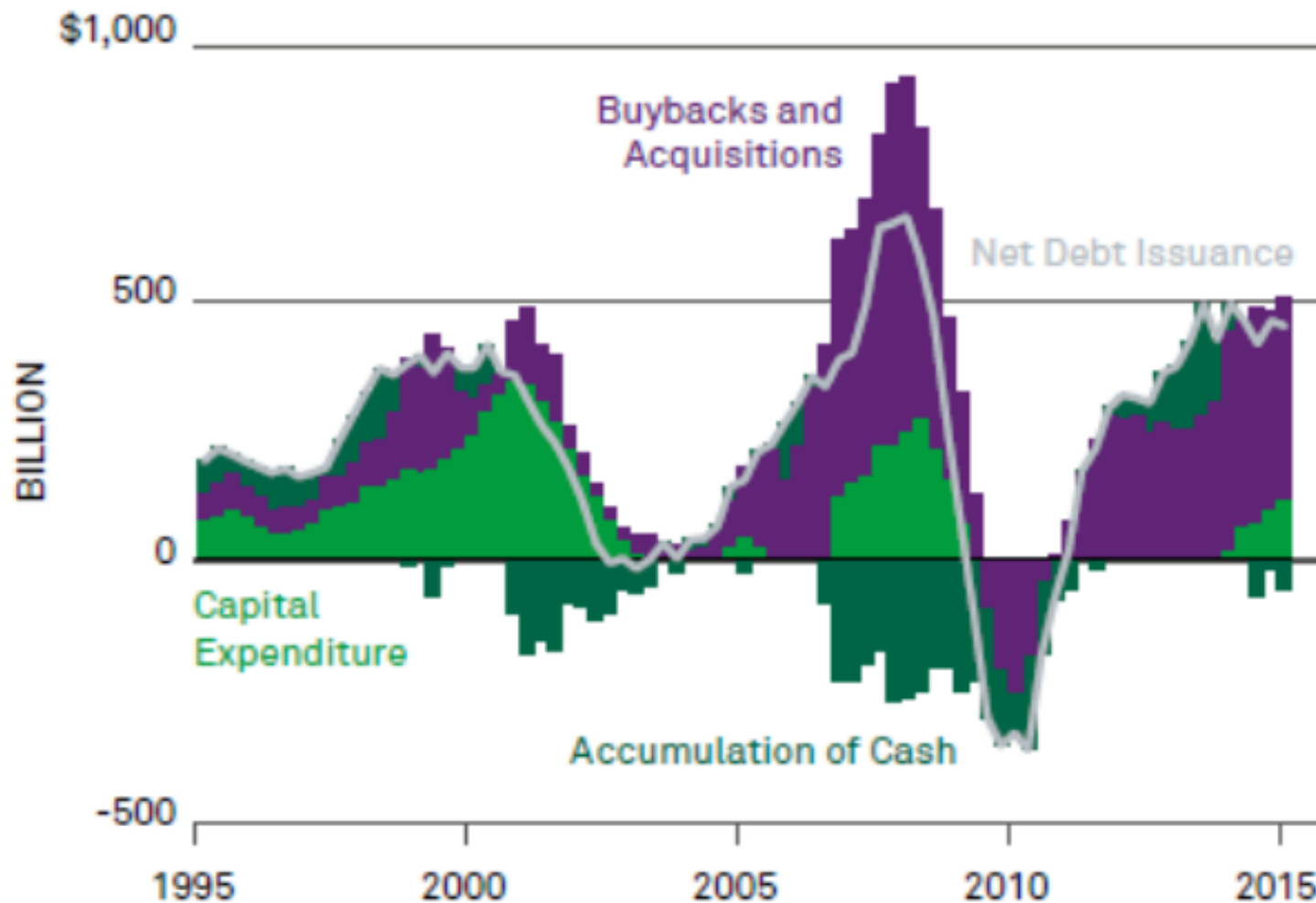


Source: Société Générale

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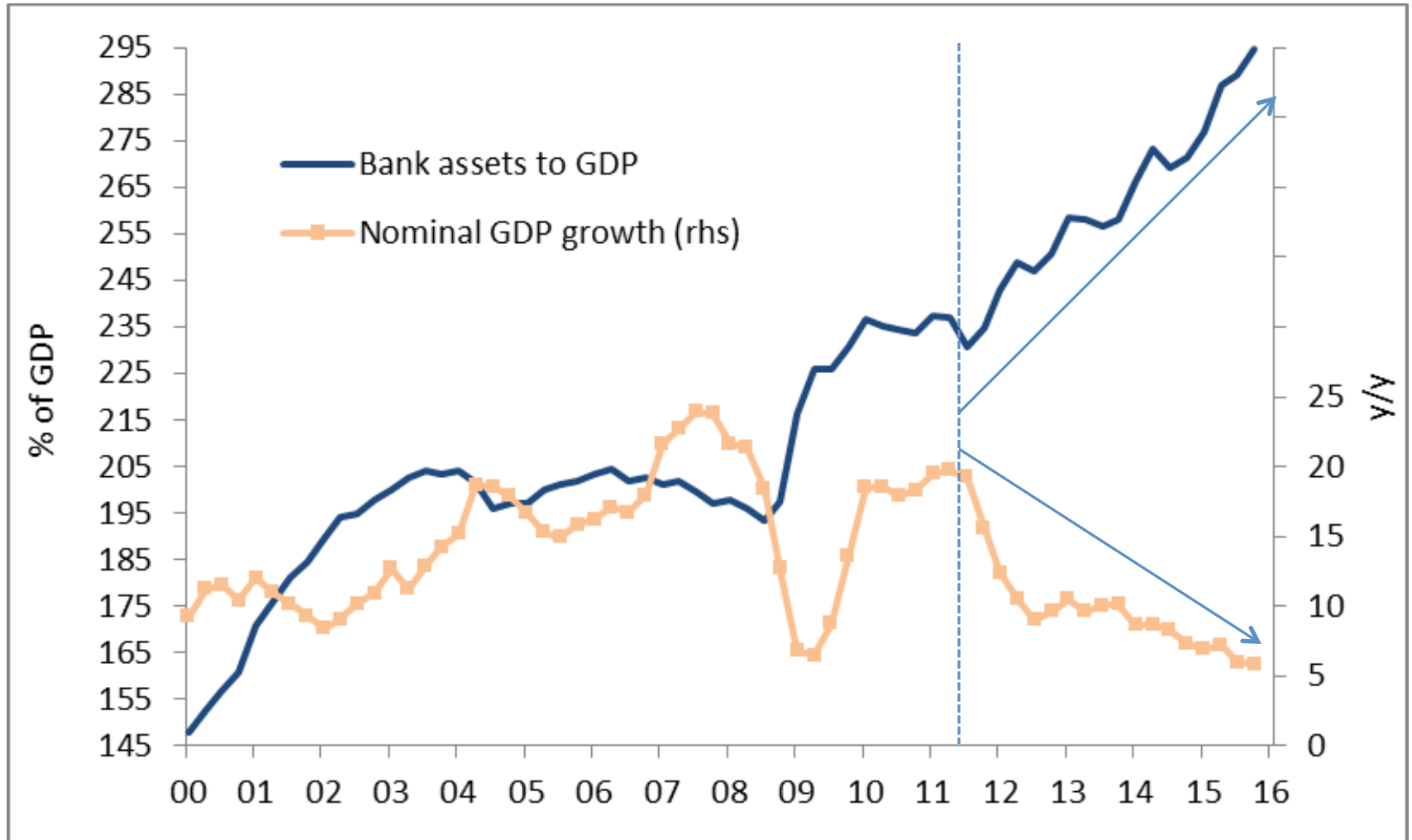
US Corporate debt was not used productively

U.S. Nonfinancial Firms Use of Debt, 1995-2015

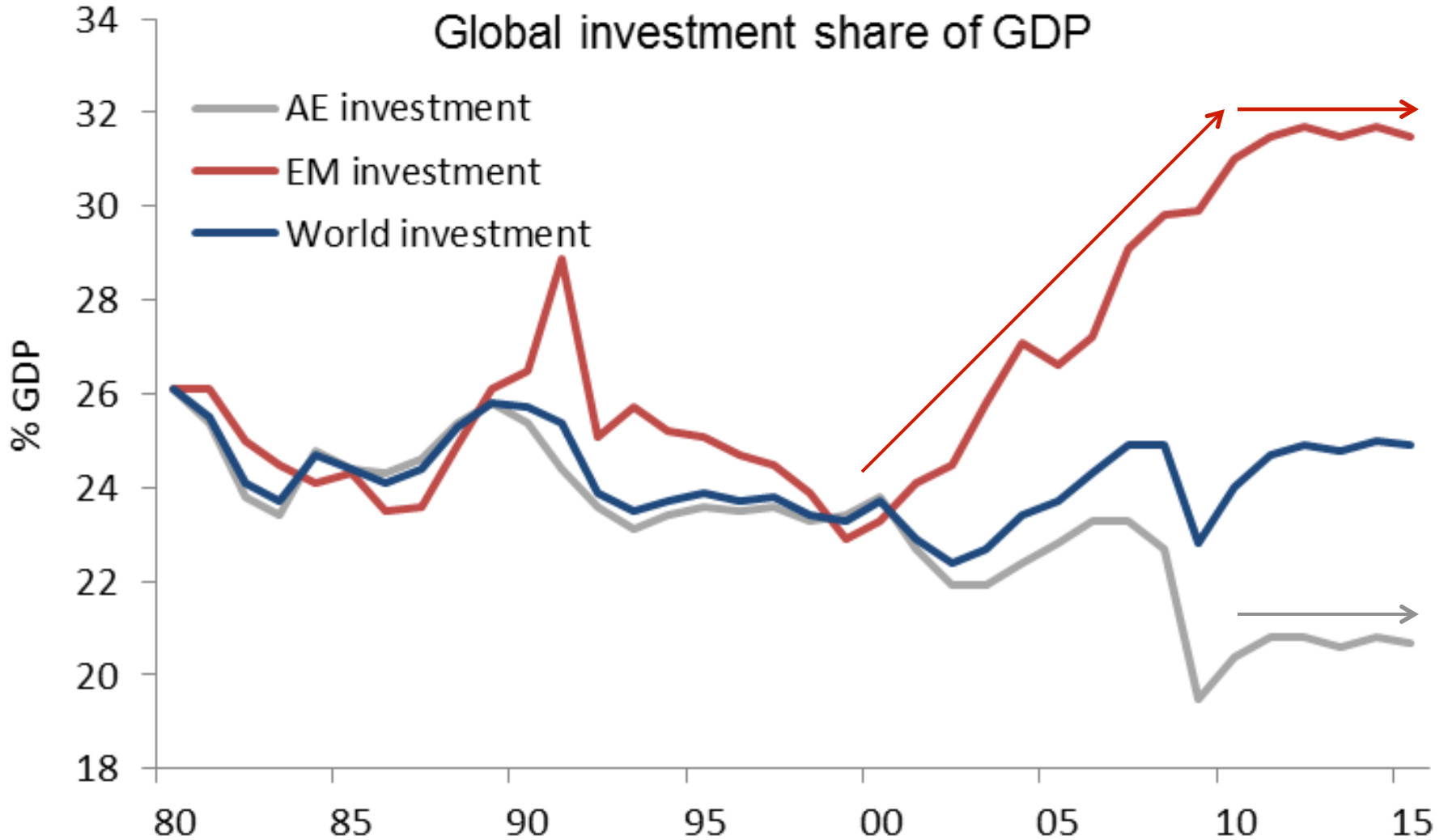


Sources: BlackRock Investment Institute, Federal Reserve and IMF.

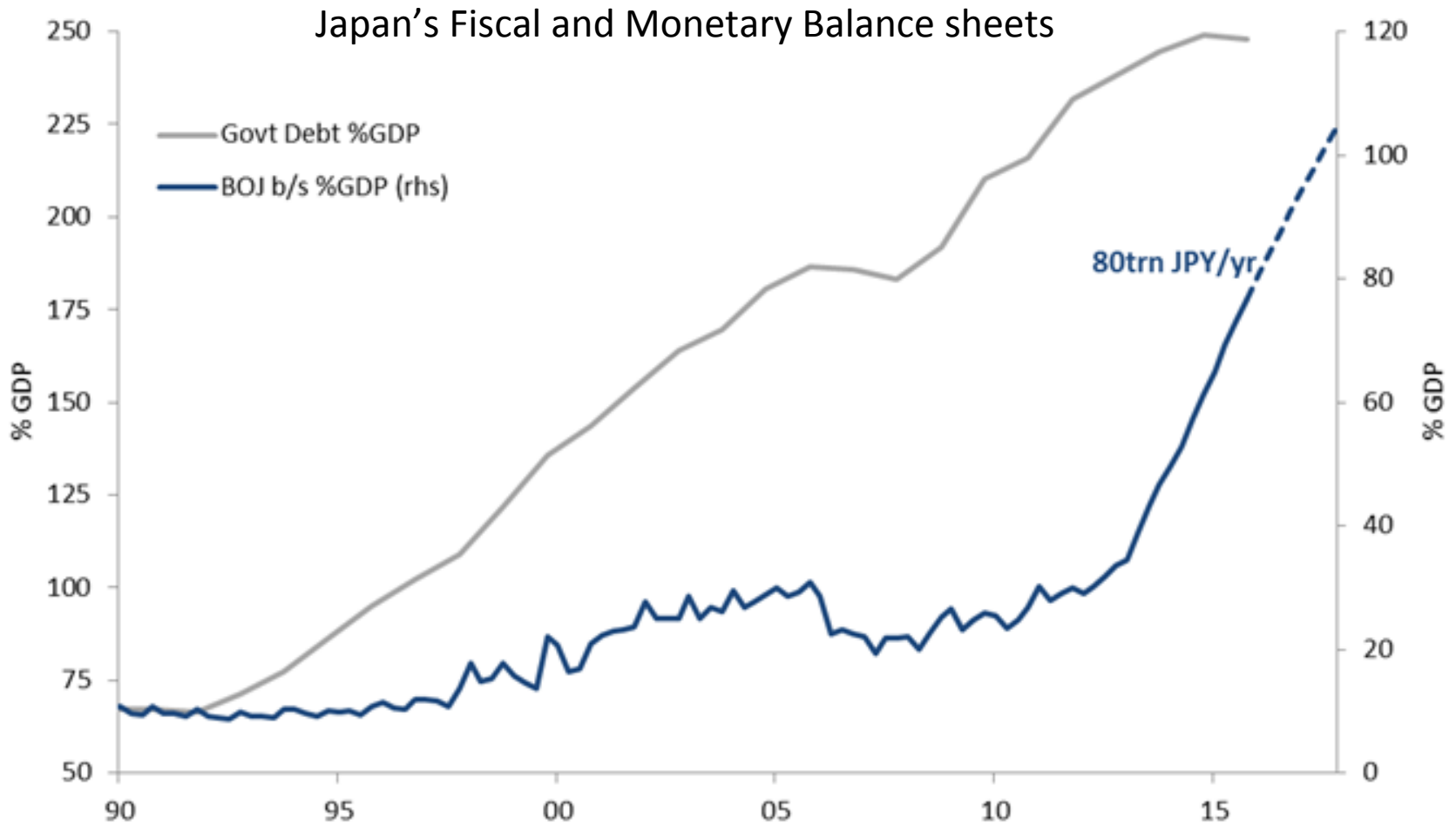
Chinese “zombie lending” can’t stop



Without Chinese restructuring, the engine of global investment will not return



“Dangerous Inaction” ??



Policymakers have no
 endgame, markets do.