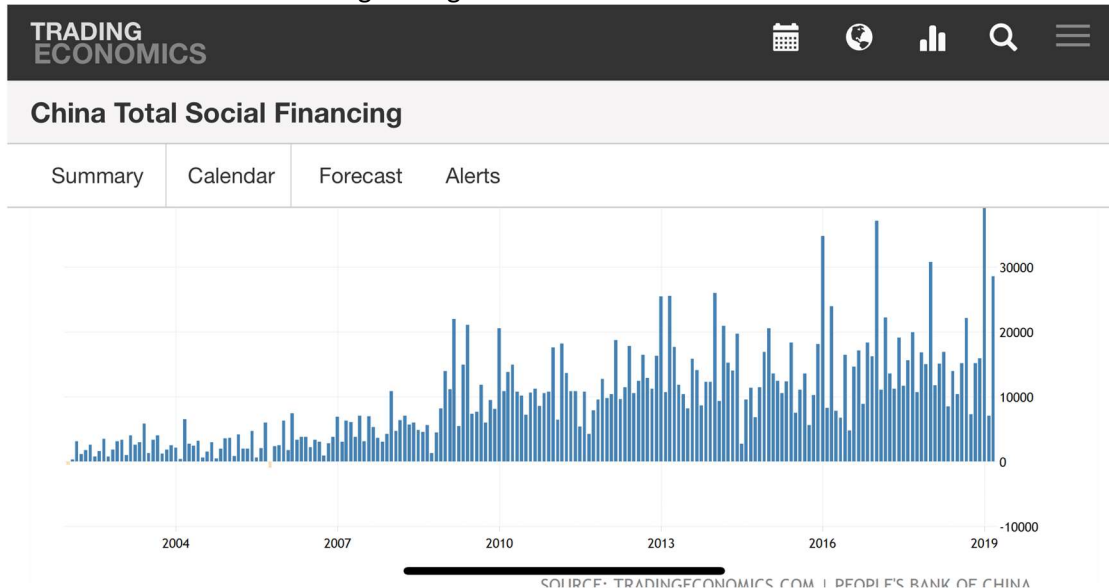


Excellent analysis by Eoin Treacy.

Especially on liquidity identifying 3 key contributors to global liquidity - Fed balance sheet, US gov't deficit, Chinese gov't deficit with the Chinese gov't deficit largest single swing factor accounting for more than entire global net increase in liquidity (-\$200bn?) over last quarter? or year?

However I wonder if he isn't missing 2 things



1. The largest single contributor BOC balance sheet? But no one knows what this is? Only that BOC facilitated around \$20-30tr in assets over last 10y when all other global central banks combined only added \$16tr. Why because official Chinese debt (measured by total social finance [TSF]) jumped from around \$7tr to around \$40tr over 10y

2. Money multiplier of major banking systems. We know velocity of circulation continued to fall in US, EU and Japan as credit expanded at around 7% pa and Fed and private bank assets accumulated. But instead of increasing inflation measured by CPI it inflated asset prices as velocity of circulation fell. The point is falling velocity of money is almost synonymous with falling bank money multiplier. So private banks were not hypothecating and lending but accumulating assets and rebuilding their own balance sheets. At least they were not lending to industry and consumers but mainly to other financial institutions.

The exception again was China where a big part of that \$33tr+ expansion in TSF was increase in private and SOE bank money multipliers - over and above BOC asset creation of perhaps \$20tr (??) - as they created billions of "wealth management products" for bank customers seeking higher returns which yielded 8% when their own underlying property assets were often yielding 0% (property was empty).

But this property was inflating in asset price at 10% per year because the banks were lending against and investing in property. Deja vu? A la Japon? Some reckon around 1/5-1/4 of all property is empty in China. And they are still building more at 7-10% pa.

So my point is that I wonder if Eoin missed out BOC asset growth - and Chinese money multiplier growth. I think both were largest contributors to global asset growth 2009-19.

BUT both Chinese credit (BOC) and private bank lending growth appear to be slowing as Li Keqiang - presumably with Xi Jing Ping's reluctant blessing - appears to be putting brakes on Chinese credit again.