



## GORDON T LONG

### Advanced Technical Analysis



**Gordon T Long**  
Global Macro Research |  
Macro-Technical Analysis



**Technical Analysis**  
Market Road Maps | HPTZ  
Methodology



**SII**  
Global Macro Research |  
Market Road Maps

## **NOTE**

**Slides Are for discussion and educational purposes ONLY!**

**Do not Trade from Any of these Charts.**

**Gordon T Long is not giving investment advice nor should be construed as such**

**Always consult a professional investment advisor before making any investment decisions.**

The content of this slide should not be considered investment advice of any sort, nor should it be used to make investment decisions. Use of this slide is considered to be your explicit acceptance of the Disclosure Statement and the Terms of Use found on the first and last frames of this video

1-2008 FINANCIAL CRISIS

CHINESE CREDIT IMPULSE

2-EUBANKING CRISIS  
(PIGS, Cyprus)

3-TAPER TURMOIL  
(CREDIT FAILURE)

4-COVID-19  
(SHOCK)

# CAN CHINA RESCUE THE WORLD AGAIN?

Mid Price	-4.05
High on 11/30/09	21.49
Average	0.64
Low on 02/28/11	-9.35
SMAVG (3)	-2.65
SMAVG (6)	1.68
SMAVG (12)	5.05

SAVED THE LAST DECADE!



*"Expect the best. Prepare for the worst. Capitalize on what comes!"*

# AGENDA

## KEY MESSAGES

### WHAT'S WRONG IN CHINA?

END OF CHINESE DEBT SUPER CYCLE  
DEFLATION HAS ARRIVED  
A BALANCE SHEET RECESSION

THE BIGGEST THREAT TO GLOBAL LIQUIDITY  
NOW A DRAIN NOT A PUMP

THE GOVERNANCE FAILURE OF THE CCP  
UNSTABLE & UNSUSTAINABLE,  
SEVEN AREAS OF CRITICAL FAILURE

### CONCLUSION

SOCIAL UNREST WITHIN YOUTH  
CHINESE SOCIAL CREDIT SYSTEM

## Can China Rescue The World Again?



1-2008 FINANCIAL CRISIS

CHINESE CREDIT IMPULSE

2-EUBANKING CRISIS

(PIGS, Cyprus)

3-TAPERTURMOIL

(LIQUIDITY FAILURE)

4-COVID-19

(SHOCK)



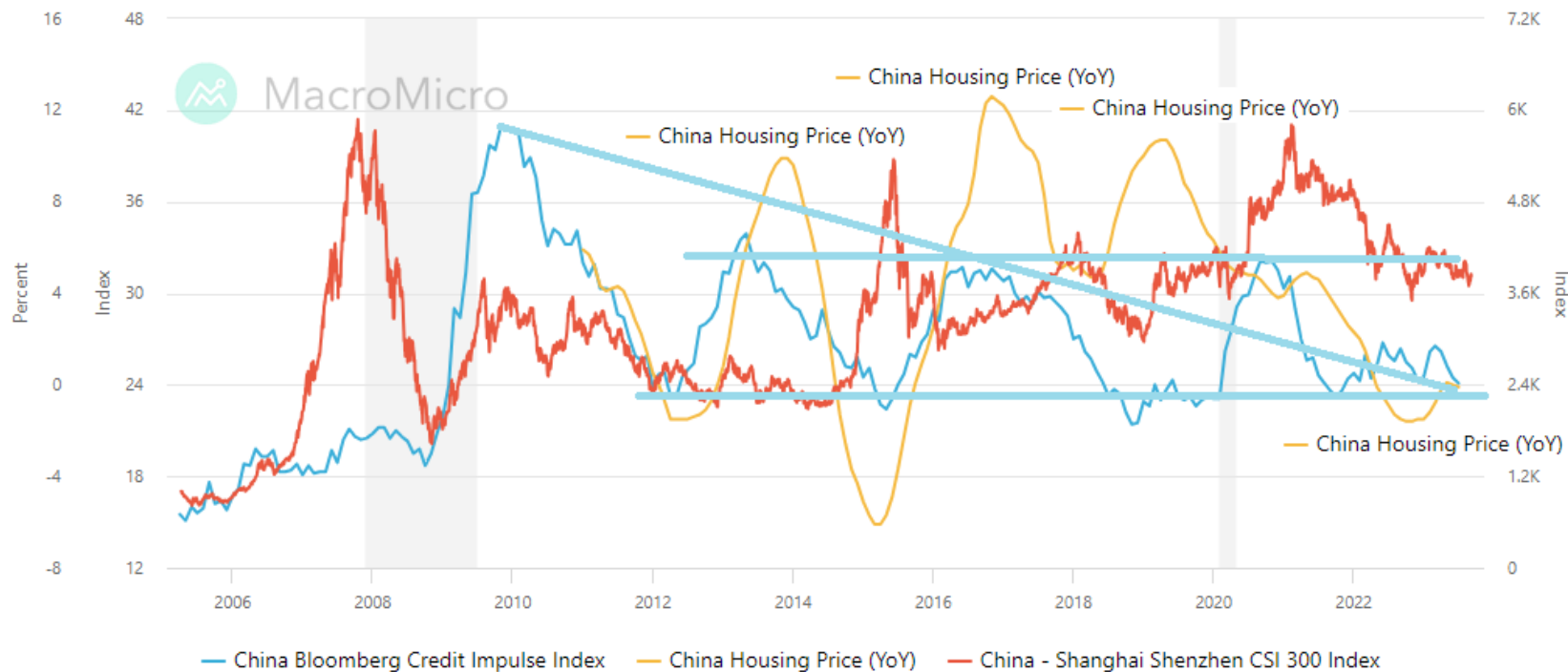
SAVED THE LAST DECADE!



2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022

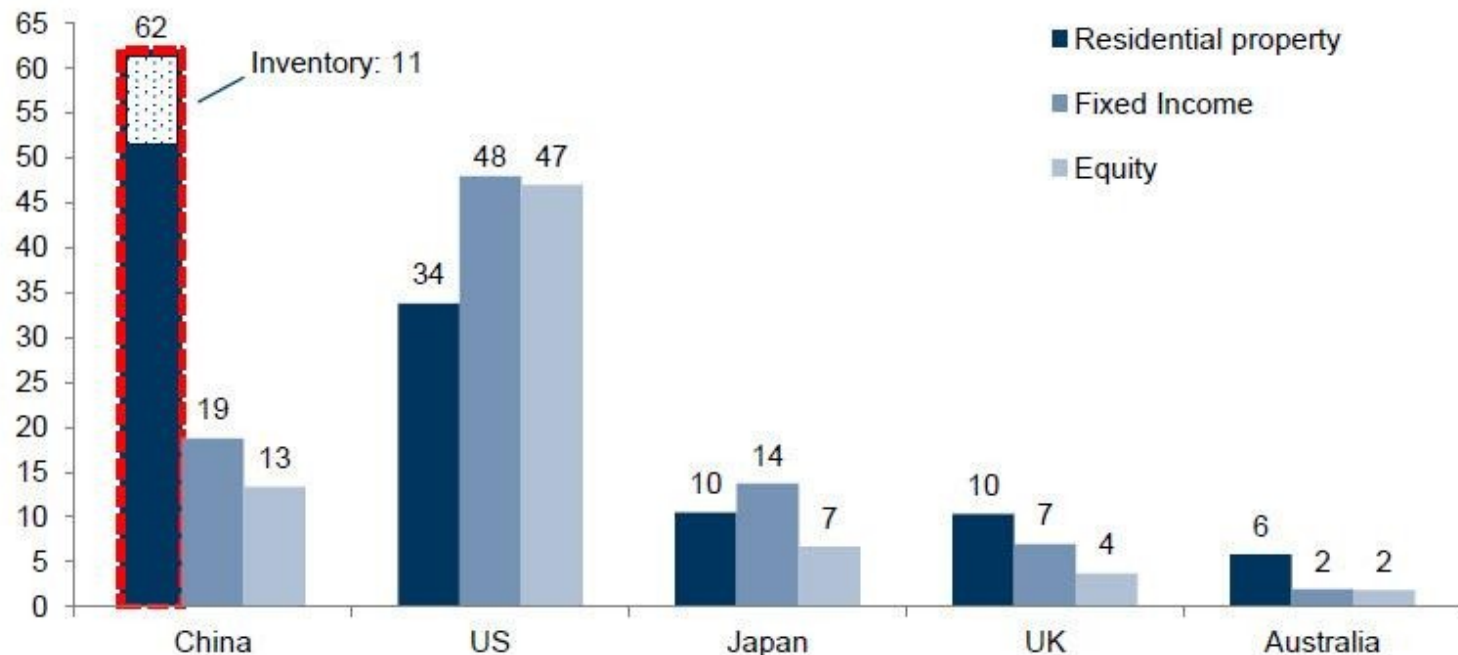
# China - Bloomberg Credit Impulse Index

MacroMicro.me



## The Chinese property market is likely the largest asset class in the world

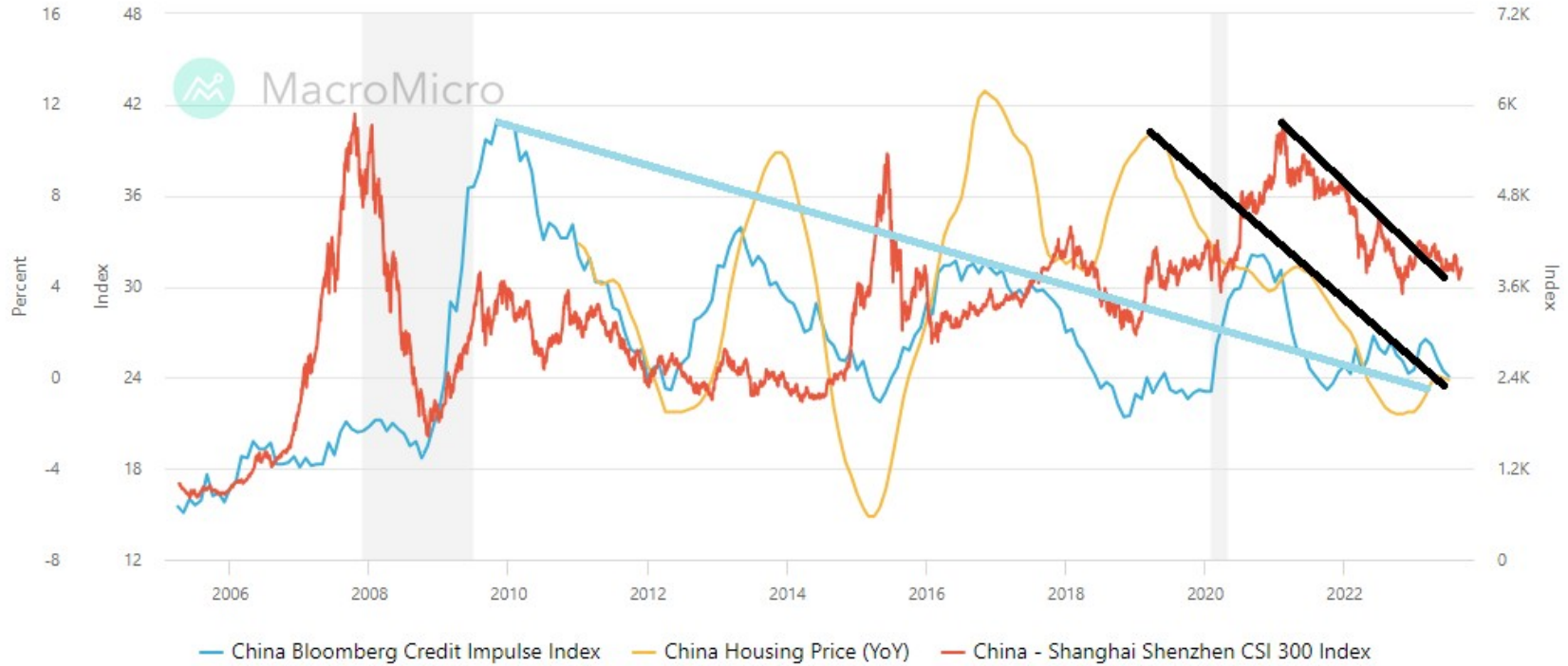
Total value, US \$tn



Source: WFE, CEIC, Japan Cabinet Office, Halifax, Goldman Sachs Global Investment Research.

# China - Bloomberg Credit Impulse Index

MacroMicro.me





# AGENDA

## KEY MESSAGES

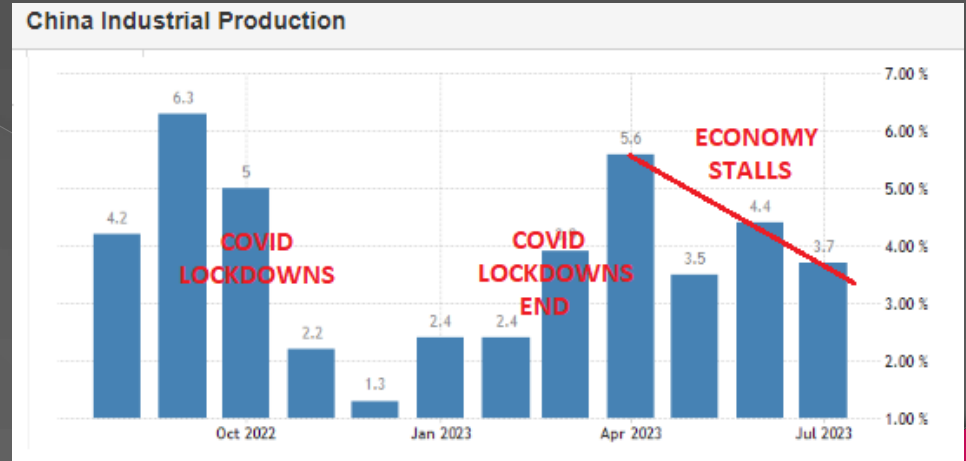
**WHAT'S WRONG IN CHINA?  
END OF CHINESE DEBT SUPER CYCLE  
DEFLATION HAS ARRIVED  
A BALANCE SHEET RECESSION**

**THE BIGGEST THREAT TO GLOBAL LIQUIDITY  
NOW A DRAIN NOT A PUMP**

**THE GOVERNANCE FAILURE OF THE CCP  
UNSTABLE & UNSUSTAINABLE,  
SEVEN AREAS OF CRITICAL FAILURE**

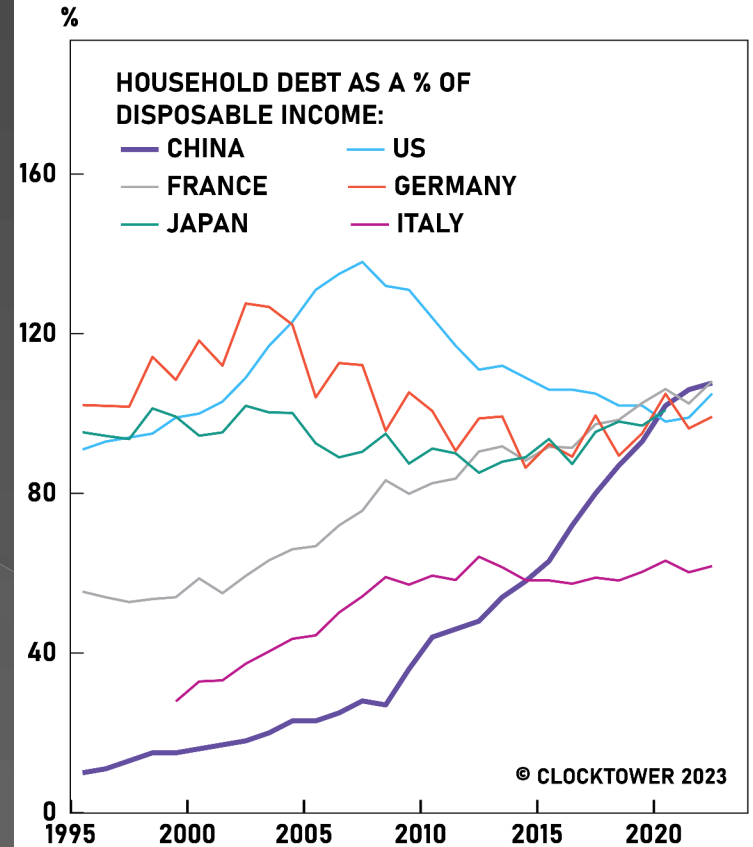
**CONCLUSION  
SOCIAL UNREST WITHIN YOUTH  
CHINESE SOCIAL CREDIT SYSTEM**

## Can China Rescue The World Again?



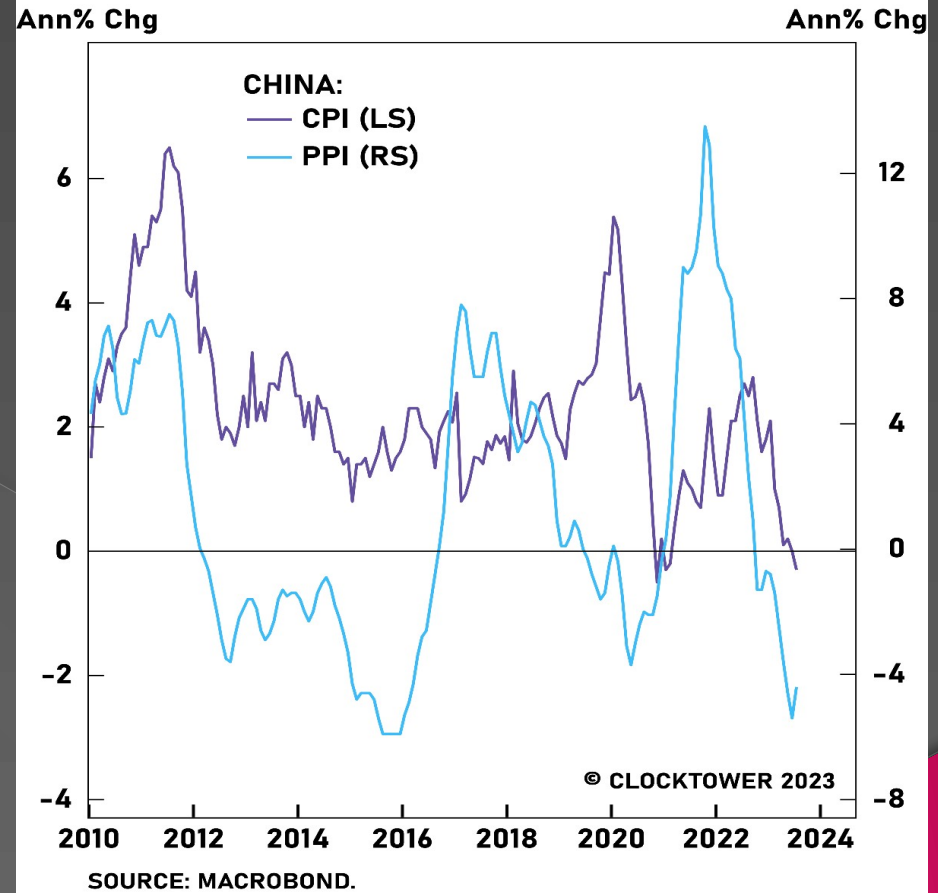
The chronic illness in China is the massive debt load in the corporate and household sectors.

China's household debt level relative to disposable income is the highest among the major economies!



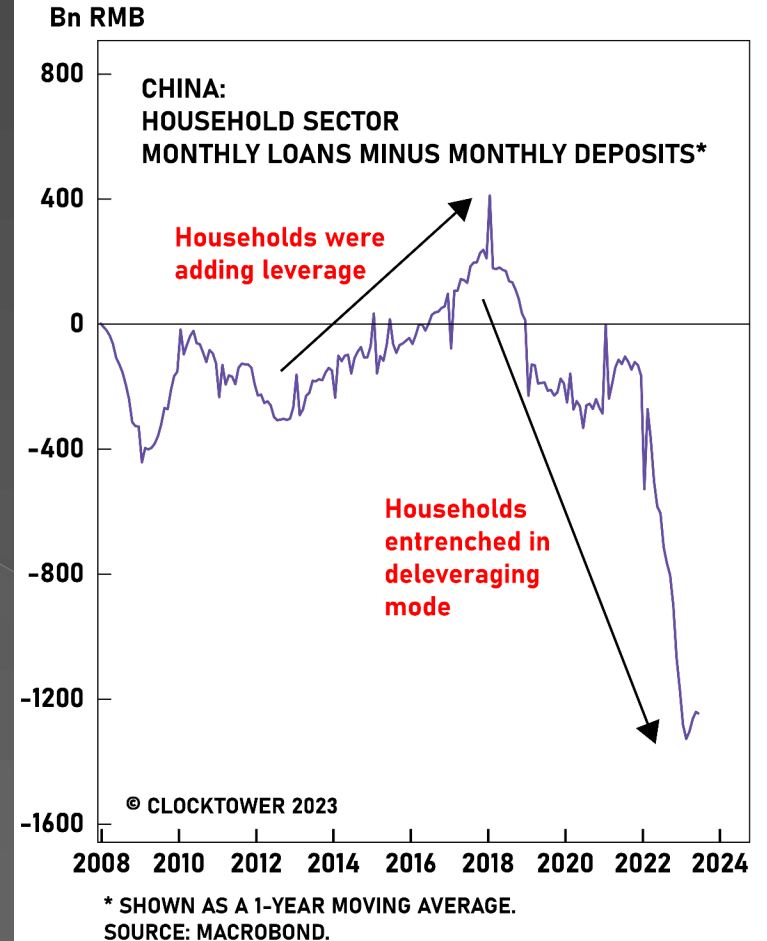
\* BASED ON URBAN DISPOSABLE INCOME FOR THE ENTIRE POPULATION. DATA MAY UNDERESTIMATE HOUSEHOLD LEVERAGE. SOURCE: WIND, CLOCKTOWER CALCULATIONS, MACROBOND.

# China is mired in a Deflationary Debt Spiral



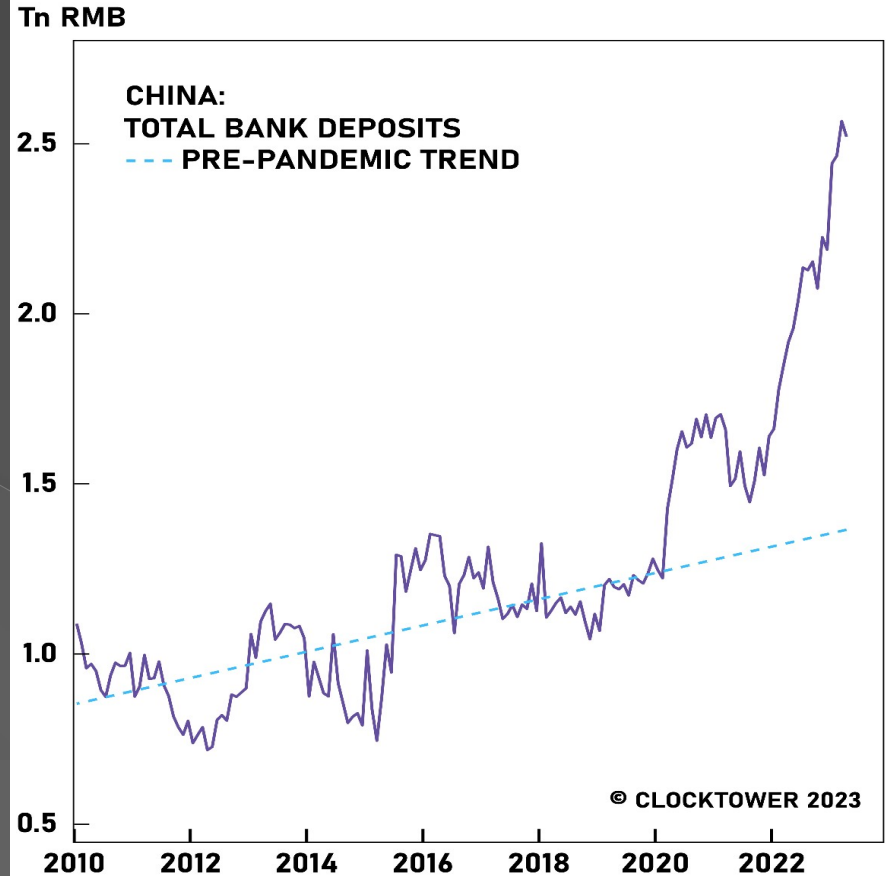
China's Households  
remain focused on deleveraging

...And a Balance Sheet Recession...



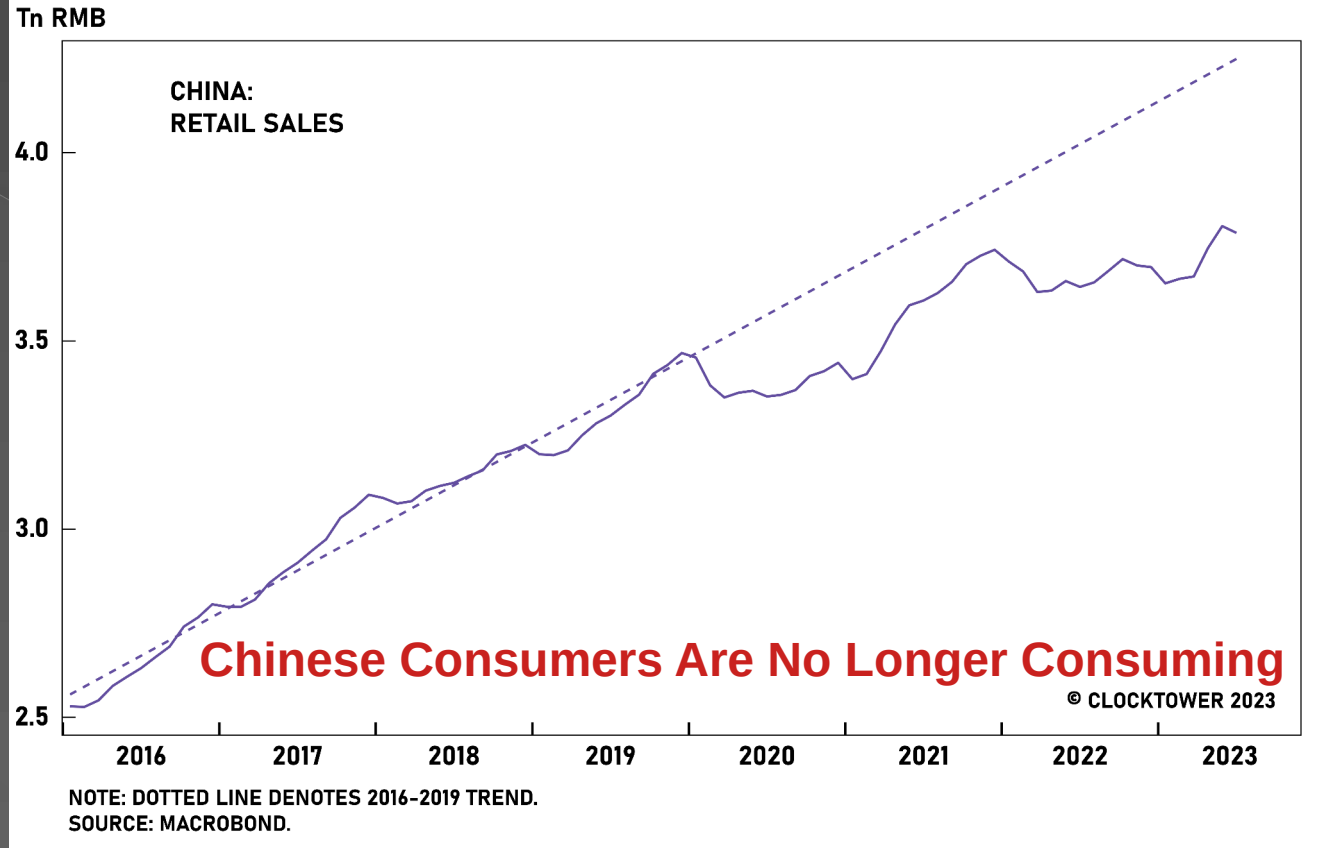
The surge in private-sector savings ....

...As the Private Sector  
Also Deleverages



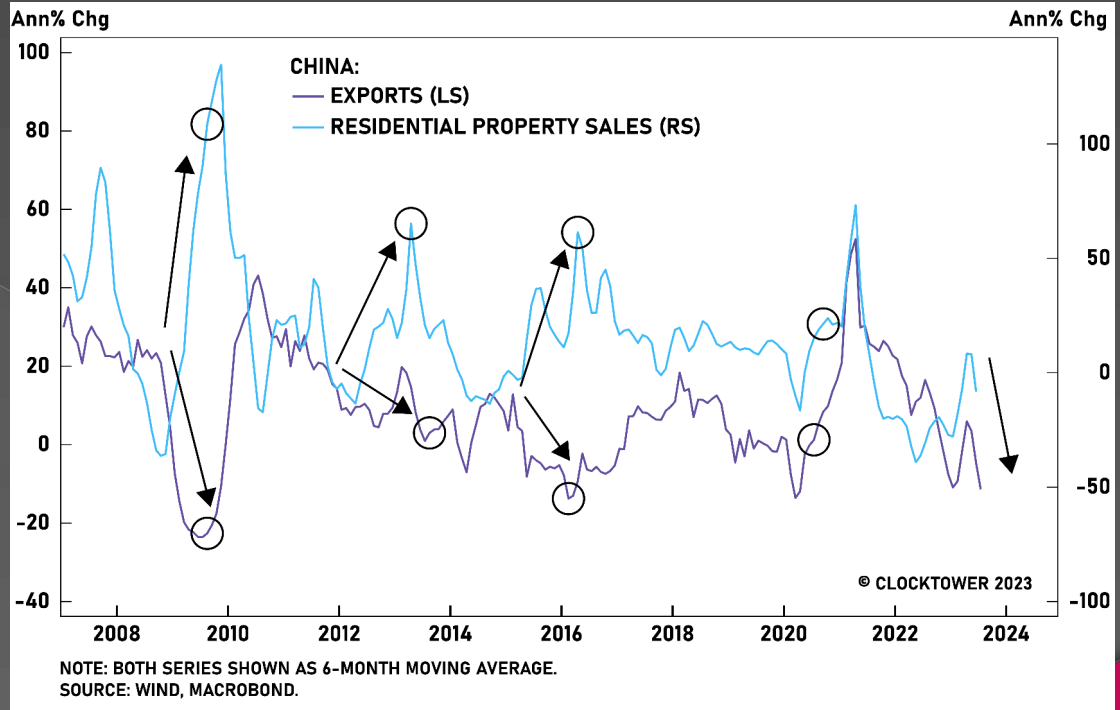
NOTE: DATA SHOWN AS A 12-MONTH MOVING AVERAGE.  
SOURCE: WIND, MACROBOND.

.... is a form of  
Structural  
Demand Loss!



Like the US prior to 2008, Chinese household leverage is concentrated in property.

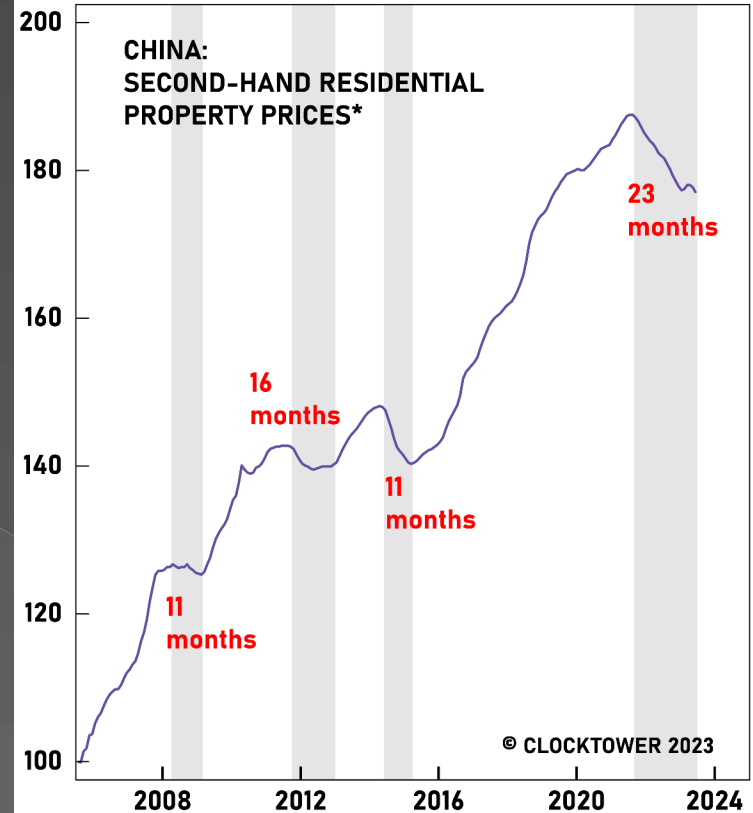
Every time that external demand lagged in the 2010s, Beijing's policymakers used the household credit lever, propping up the economy by stimulating real estate



Real Estate Was Used to Offset External Demand Weakness Throughout the Last Cycle

They have now decided to stop the debt super cycle ..... with predictable outcomes.

Property Prices Are Deflating ....



\* REBASED JULY 2005 = 100.

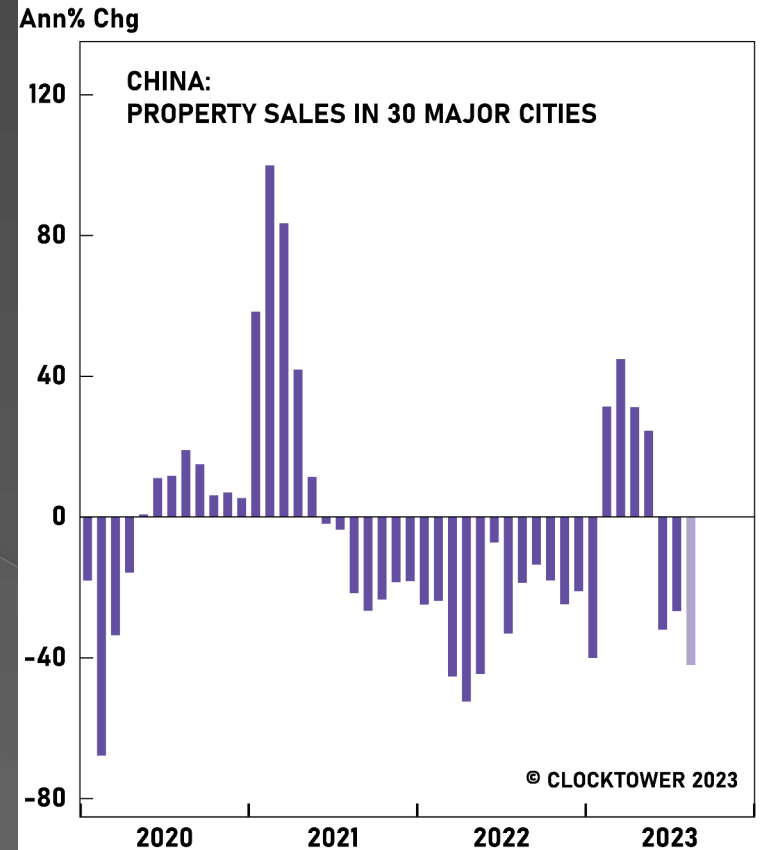
SHADING DENOTES PERIODS OF HOUSING PRICE DEPRECIATION.

SOURCE: WIND, MACROBOND.



.... while property sales are contracting .....

...As Sales Stagnate!

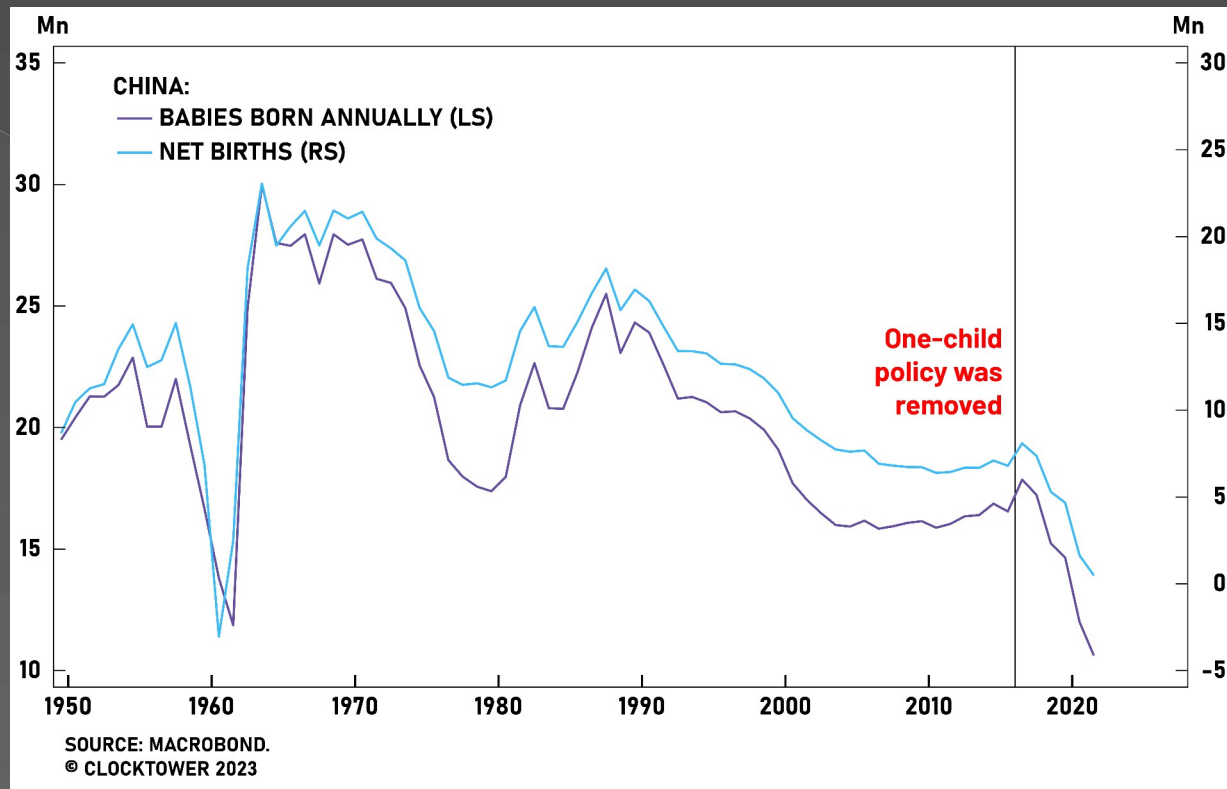


NOTE: AUGUST PRINT IS CALCULATED BASED ON DATA AS OF AUGUST 6.

SOURCE: WIND, MACROBOND.

While there are secular reasons for the flagging demand – such as negative effects from demographics ...

Demographics Are Not Helping



... the main culprit is the unwillingness of policymakers to deal with the private-sector balance-sheet recession.

In the West, the secular stagnation cycle post-2008 took nearly a decade to resolve. This was primarily because policymakers failed to heed the advice that fiscal stimulus was the only way to deal with private-sector deleveraging.

In both the US and Europe, policymakers stuck to monetary policy, eschewing the fiscal lever. Politics played a major role, with the rise of the Tea Party in the US and the austerity fetish in Europe delaying the fiscal response. Once populist outcomes began to mount – particularly in the monumental year of 2016 – the fiscal lever was re-engaged with gusto.



Should Investors Prepare for a Paradigm Shift?

# AGENDA

## KEY MESSAGES

### WHAT'S WRONG IN CHINA?

END OF CHINESE DEBT SUPER CYCLE  
DEFLATION HAS ARRIVED  
A BALANCE SHEET RECESSION

**THE BIGGEST THREAT TO GLOBAL LIQUIDITY  
NOW A DRAIN NOT A PUMP**

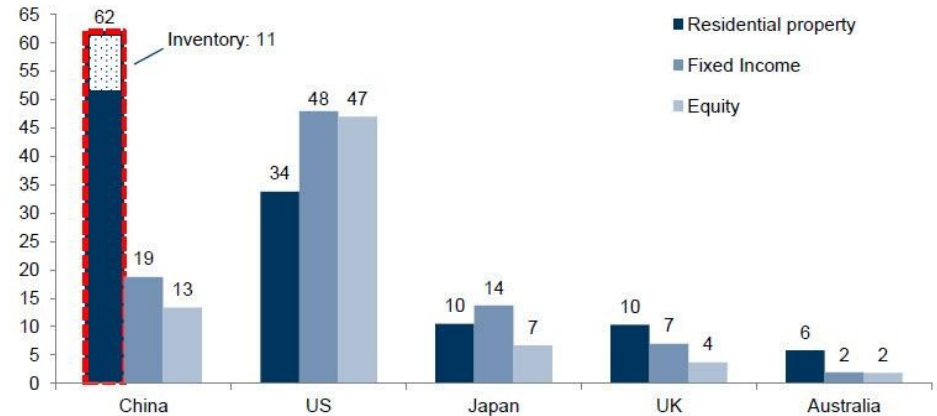
THE GOVERNANCE FAILURE OF THE CCP  
UNSTABLE & UNSUSTAINABLE,  
SEVEN AREAS OF CRITICAL FAILURE

### CONCLUSION

SOCIAL UNREST WITHIN YOUTH  
CHINESE SOCIAL CREDIT SYSTEM

## Can China Rescue The World Again?

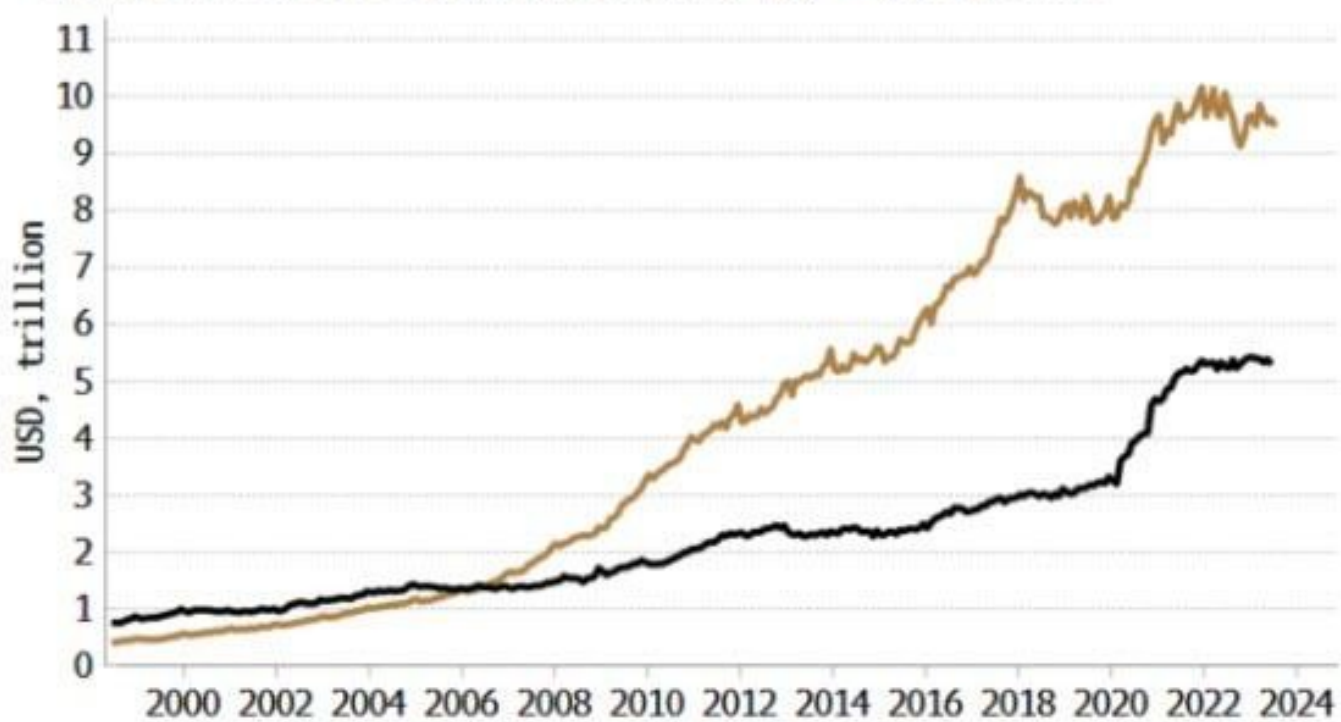
The Chinese property market is likely the largest asset class in the world  
Total value, US \$tn



Source: WFE, CEIC, Japan Cabinet Office, Halifax, Goldman Sachs Global Investment Research.

## China's Money Dominance

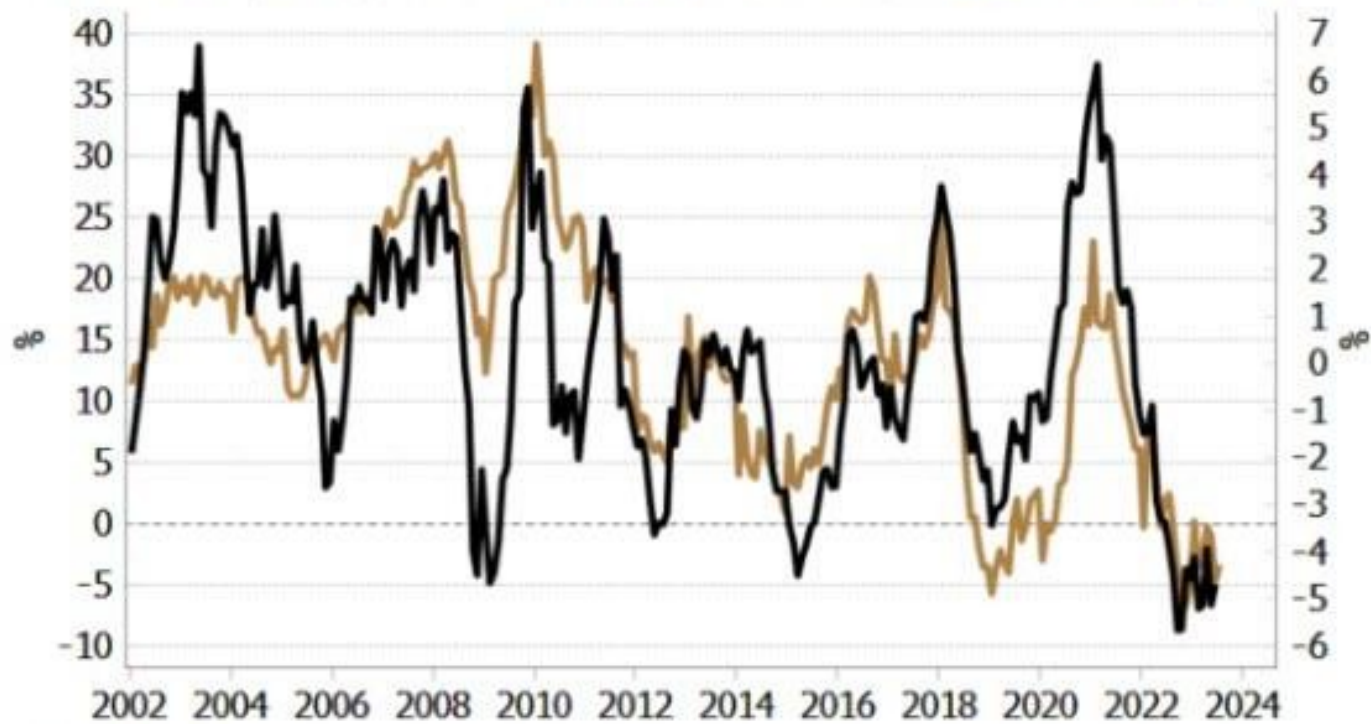
— M1 of Rest-of-World ex China (GDP weighted; USD) — China M1 (USD)



Source: Bloomberg; Macrobond

## China's Pivotal Role in Global Money

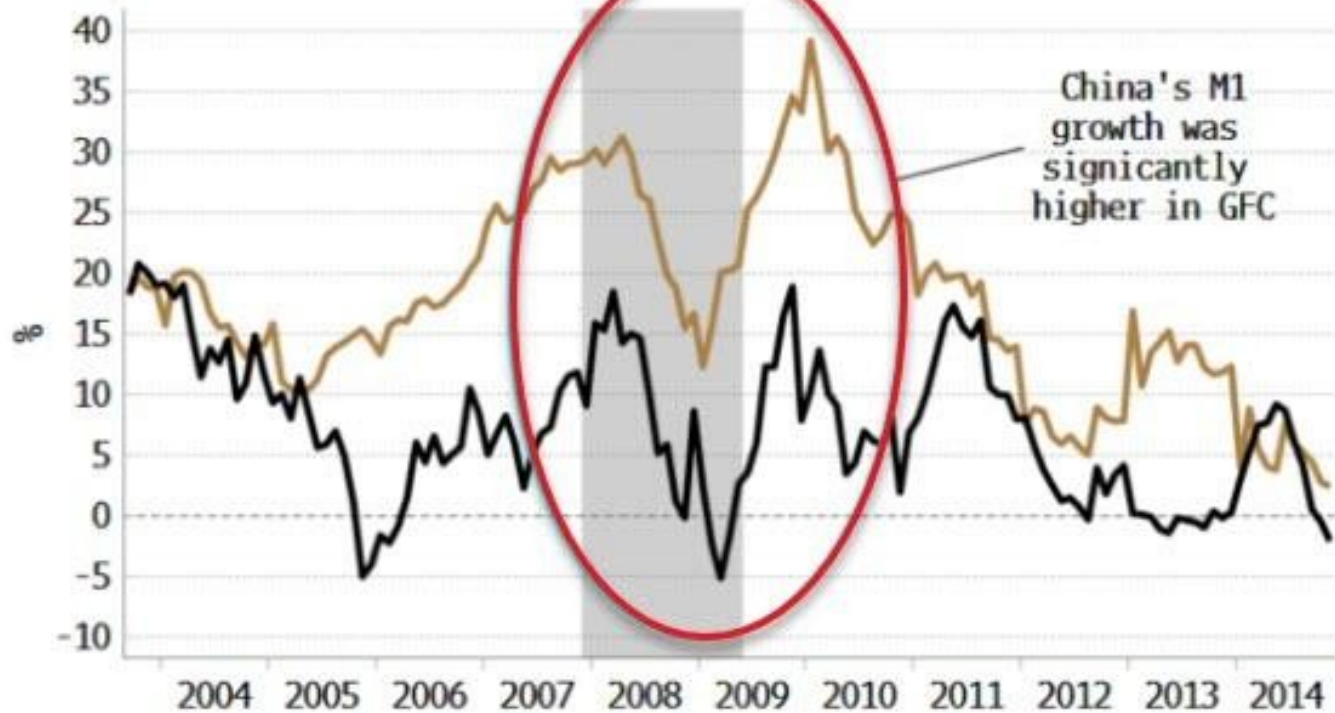
— First Principal Component of Global M1 Growth (YoY), rhs — China M1 YoY, lhs



Source: Bloomberg

## China Kept the World Liquid in the GFC

— M1 in Rest of World ex China YoY (USD) — China M1, YoY (USD)

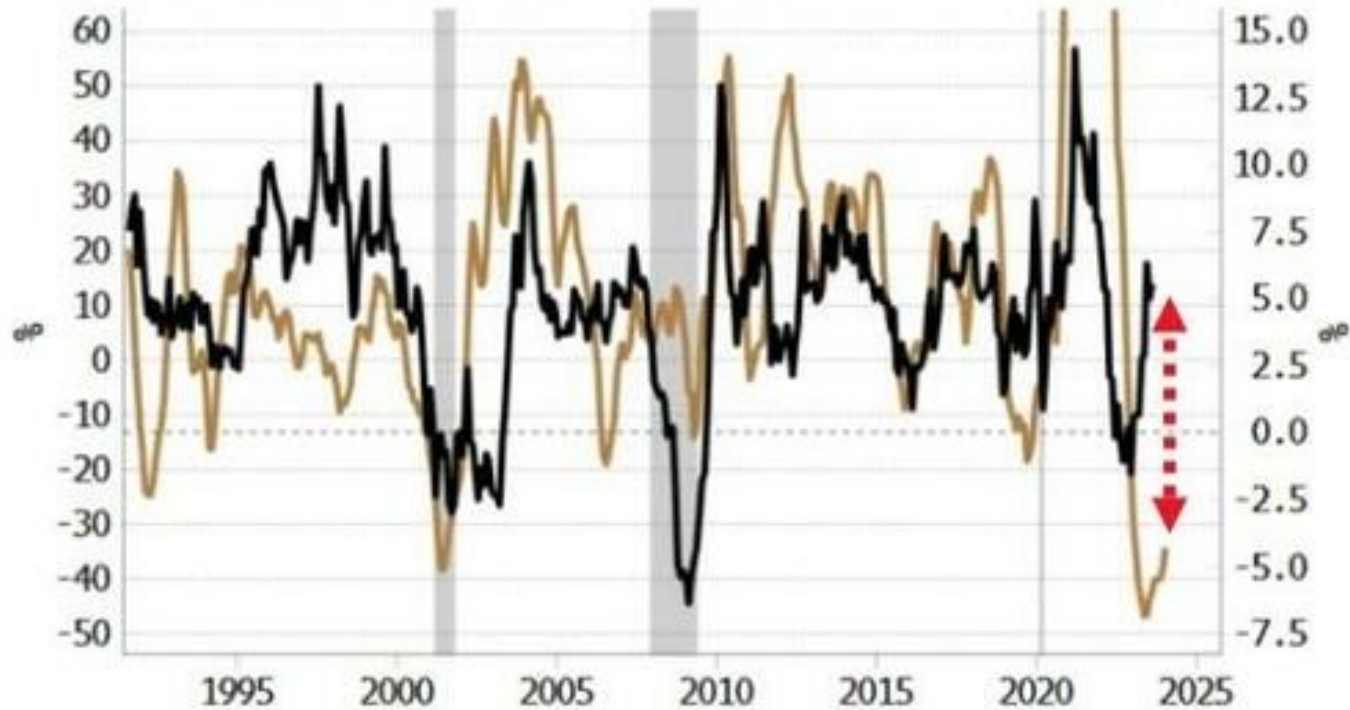


Source: Bloomberg; Macrobond



## Global Money Growth Leads Risk Assets

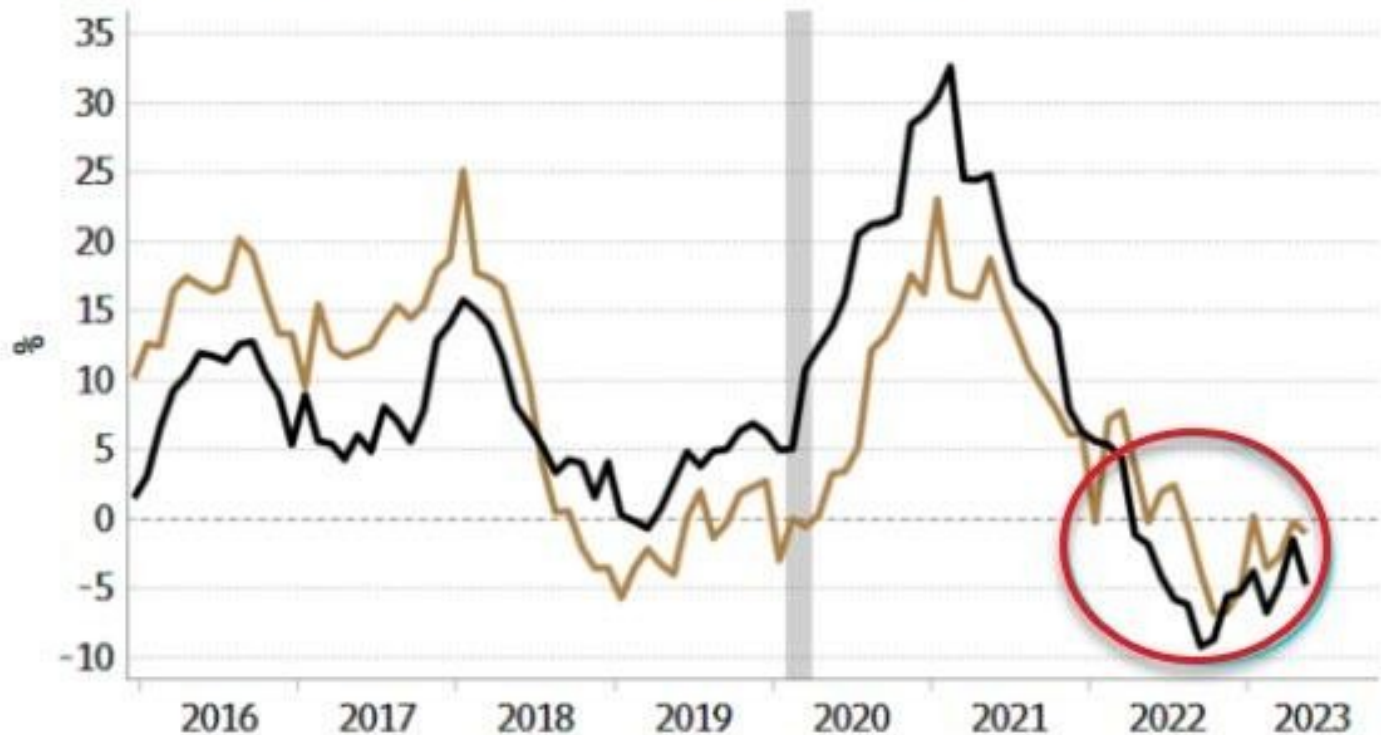
— MSCI US YoY, lhs — Global Real M1 in USD YoY (Pushed Forward 6 Months), rhs



Source: Bloomberg; Macrobond

## China Has Become a Headwind For Global Money

— M1 in Rest of World ex China YoY (USD) — China M1, YoY (USD)



Source: Bloomberg; Macrobond

# AGENDA

## KEY MESSAGES

### WHAT'S WRONG IN CHINA?

END OF CHINESE DEBT SUPER CYCLE  
DEFLATION HAS ARRIVED  
A BALANCE SHEET RECESSION

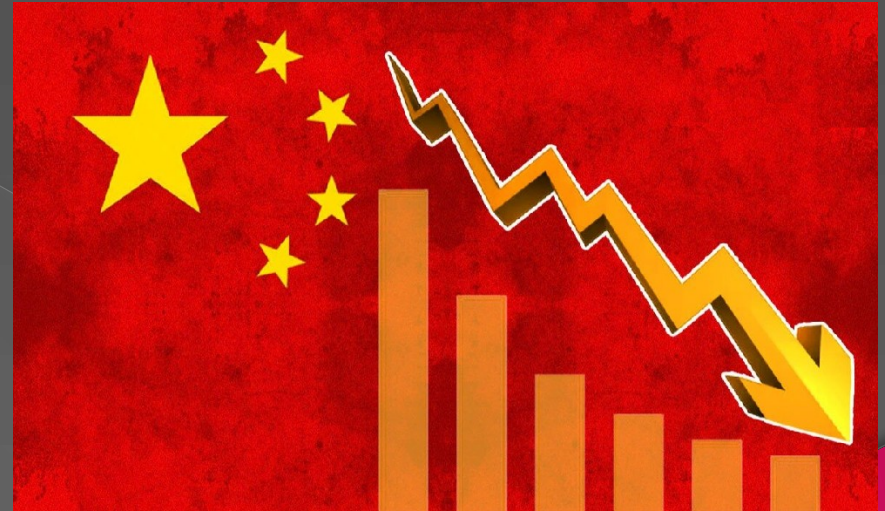
THE BIGGEST THREAT TO GLOBAL LIQUIDITY  
NOW A DRAIN NOT A PUMP

**THE GOVERNANCE FAILURE OF THE CCP  
UNSTABLE & UNSUSTAINABLE,  
SEVEN AREAS OF CRITICAL FAILURE**

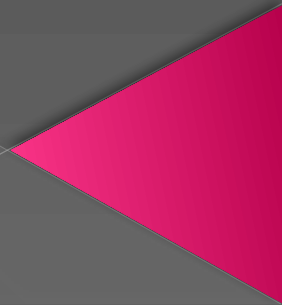
### CONCLUSION

SOCIAL UNREST WITHIN YOUTH  
CHINESE SOCIAL CREDIT SYSTEM

## Can China Rescue The World Again?



# 1. Excessive Overuse of Factors of Production



- 1. Excessive Overuse of Factors of Production**
  - 2. Inefficient Allocation of Economic Goods, Activity**
- 

- 1. Excessive Overuse of Factors of Production,**
- 2. Inefficient Allocation of Economic Goods, Activity,**
- 3. Stifling Innovation in Middle Class,**

1. Excessive Overuse of Factors of Production,
2. Inefficient Allocation of Economic Goods, Activity,
3. Stifling Innovation in Middle Class,
4. Lack of Enforcement of Regulations, Standards,

1. Excessive Overuse of Factors of Production,
2. Inefficient Allocation of Economic Goods, Activity,
3. Stifling Innovation in Middle Class,
4. Lack of Enforcement of Regulations, Standards,
5. A False Economy: Debt-based 'Growth' Is a Cancer on Economy,



1. Excessive Overuse of Factors of Production,
2. Inefficient Allocation of Economic Goods, Activity,
3. Stifling Innovation in Middle Class,
4. Lack of Enforcement of Regulations, Standards,
5. A False Economy: Debt-based 'Growth' Is a Cancer on Economy,
6. Rampant Pollution Making China Unlivable, Causing Social Unrest,

1. Excessive Overuse of Factors of Production,
2. Inefficient Allocation of Economic Goods, Activity,
3. Stifling Innovation in Middle Class,
4. Lack of Enforcement of Regulations, Standards,
5. A False Economy: Debt-based 'Growth' Is a Cancer on Economy,
6. Rampant Pollution Making China Unlivable, Causing Social Unrest,
7. Dystopian Depression Among Young Generation

# AGENDA

## KEY MESSAGES

WHAT'S WRONG IN CHINA?  
END OF CHINESE DEBT SUPER CYCLE  
DEFLATION HAS ARRIVED  
A BALANCE SHEET RECESSION

THE BIGGEST THREAT TO GLOBAL LIQUIDITY  
NOW A DRAIN NOT A PUMP

THE GOVERNANCE FAILURE OF THE CCP  
UNSTABLE & UNSUSTAINABLE,  
SEVEN AREAS OF CRITICAL FAILURE

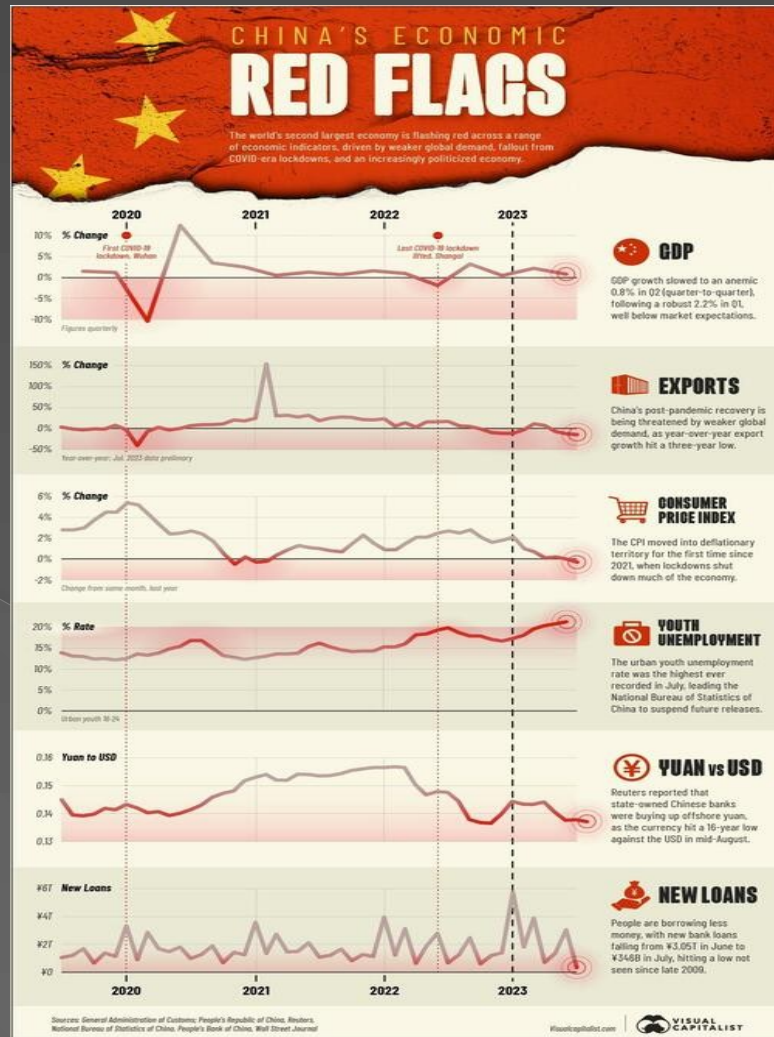
**CONCLUSION**  
**SOCIAL UNREST WITHIN YOUTH**  
**CHINESE SOCIAL CREDIT SYSTEM**

# Can China Rescue The World Again?



# LAYOFFS ARE INEVITABLE IN CHINA

- HOW WILL THE PEOPLE REACT?

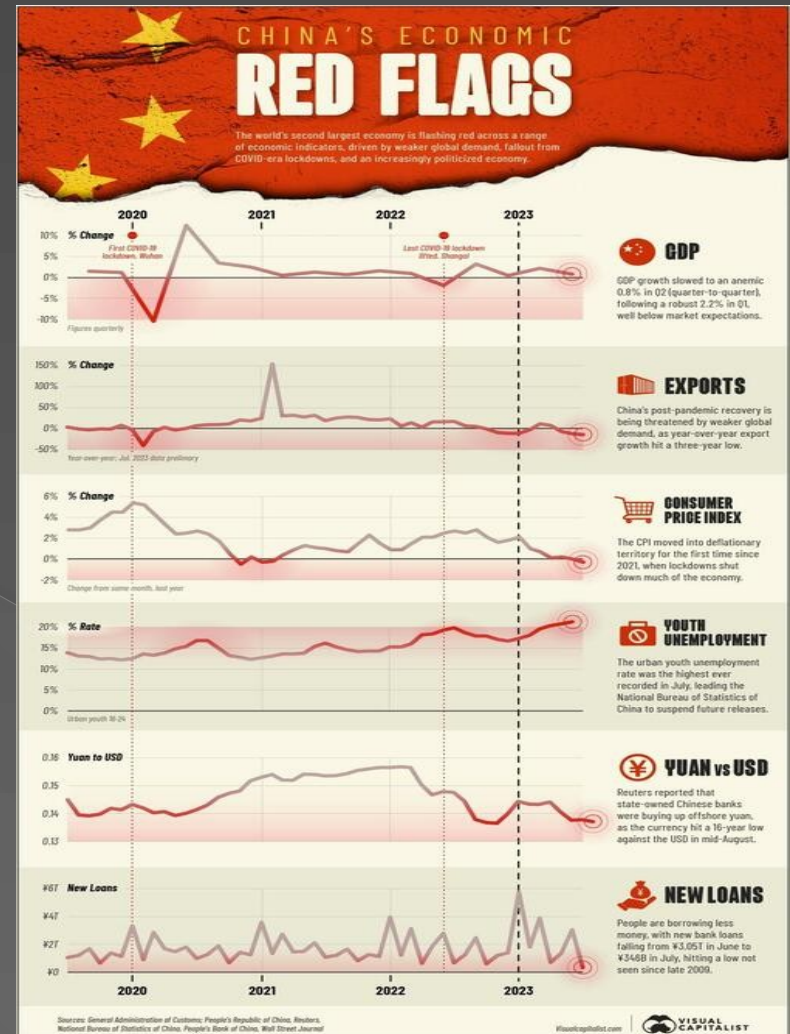


## LAYOFFS ARE INEVITABLE IN CHINA

- HOW WILL THE PEOPLE REACT?

## THE CONTROL OF THE CCP MAY SOON BE CALLED INTO QUESTION

- WILL THE “SOCIAL CREDIT” SYSTEM CONTROL THE PEOPLE?
- WILL THE CCP SURVIVE?
- EXPECT XI JINPING’S LEADERSHIP TO SOON COME UNDER INCREASED FIRE!



**ADMINISTRATIONS CHANGE – BUT THE PRINTING NEVER DOES ....**

**DON'T WORRY, THEY WILL PRINT THE MONEY!**

**EVERYONE IS NOW IN PLACE & READY!!**



## **NOTE**

**Slides Are for discussion and educational purposes ONLY!**

**Do not Trade from Any of these Charts.**

**Gordon T Long is not giving investment advice nor should be construed as such**

**Always consult a professional investment advisor before making any investment decisions.**

The content of this slide should not be considered investment advice of any sort, nor should it be used to make investment decisions. Use of this slide is considered to be your explicit acceptance of the Disclosure Statement and the Terms of Use found on the first and last frames of this video



MACRO ANALYTICS & TECHNICAL ANALYSIS

**MATASII**

STRATEGIC INVESTMENT INSIGHTS

# JOIN US AT [MATASII.COM](http://MATASII.COM) FOR MORE ON THIS TOPIC & MANY OTHERS

- Market Research
- Technical Analysis
- Strategic Investment Insights
- Macro Analytics
- Videos
- Tipping Points
- Synthesis & Analysis
- Watch Lists
- Real Time Charting
- Guest Interviews
- News Abstraction Process
- Feature Articles





# WE WELCOME YOUR COMMENTS!

WE READ ALL COMMENTS FOR  
FEEDBACK THAT WILL IMPROVE OUR  
RESEARCH ANALYSIS



WORLD CLASS MINDS FOLLOW THIS  
CHANNEL & WE VALUE HEARING  
FROM YOU!

IT IS THE ONLY PAYMENT WE ACCEPT  
FOR POSTING THIS FREE YOUTUBE  
CONTENT