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Hair Table

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RMB slump, China's economy to go?

I remember in 2010 when I fight in order to dissuade the United States and China currency war, in the "Wall Street Journal" published "the United States would lose a trade war with China," the article, I saw the reaction of the American audience, almost condemning one, at that time the yuan is simply hatred people cry; now the renminbi scenery, has become the world's major currencies strong, and the Western mainstream media almost unanimously declared that the yuan can rely on strong rapid internationalization of the Vega.

But the exchange rate of the renminbi will eventually face is not responsible power engineering, also related to China's economic boom to bust overnight. This is more than five years are familiar with the Fed's quantitative easing dollar weakened people should understand that devaluation in addition to reducing the trade deficit, there is a significant role, is to ease the financial system and the national economy a huge debt burden. Deleveraging is a very long and painful process, devaluation can greatly alleviate the suffering, and this is reflected in the debt burden to reduce the emphasis on reduction above.

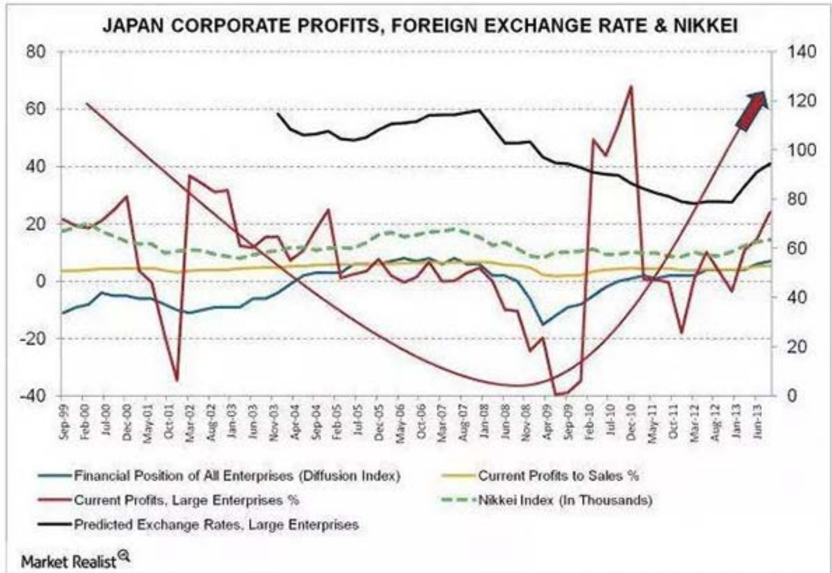
At the beginning of the article I would like to study much, Prime Minister Keqiang, Governor Ogawa assurances of my highest consideration. Because the extent and speed of the depreciation of view, this is simply the art of war in the blitz, unexpectedly, by surprise. RMB exchange rate policy as the Monkey King, has long been under pressure in the Fingers, who this Fingers untouchables. This Fingers are: the United States not to move, not to move in Europe, Japan not to move, South Korea not to move, rent income earners we let the country move. Xi team not only knocked down greatly this Fingers, simply to crack it.

I define a strategic devaluation is learning Chinese version of quantitative easing and greatly puts triggered, not because of macroeconomic fundamentals necrosis (trigger a hard landing). Fingers crack indications show that Chinese version of quantitative easing and learning greatly puts not groundless, The wind is rising, we are ready to follow the central bank will be able to dance, and do not work against the central bank.

Stock market

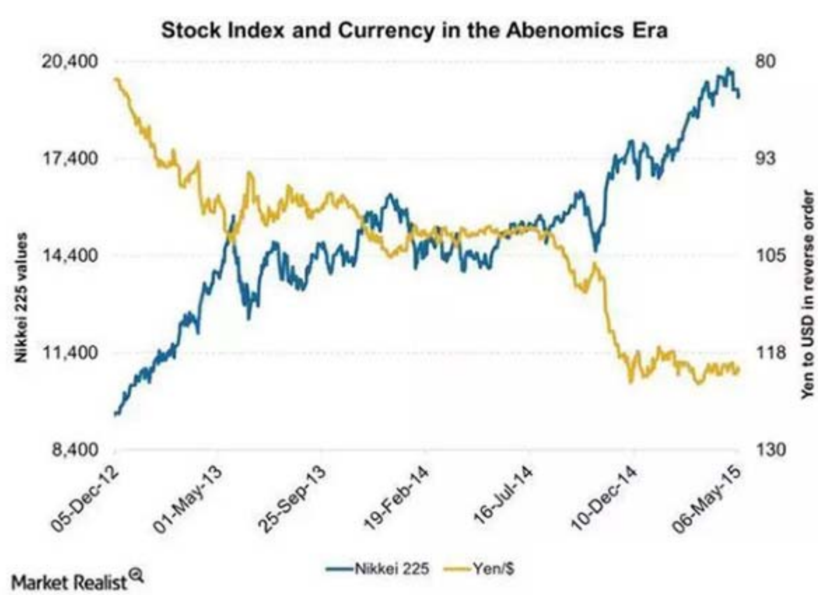
According to the experience of positive economics, super bull stock market (the long-term outlook, the author is not interested in short-term) are two of the most important variables: a drive down the long end of the interest rate, to achieve this the most effective way is unconventional large-scale asset purchase Plan (QE + practice greatly put), the second is to improve corporate balance sheets, the most important is an indicator of corporate profits.

We see a picture below:



Under abenomics (QE + Abe put) driven Kuangbian yen, Japanese companies profit margin bottom (after the 2008 financial crisis has been at the bottom) after rising rapidly. In a year, October 3, 2013 until the Japanese corporate profit margins exceeded 20 percent, not seen in the previous decade. I "IMF SDR please take your bloody chips" the article said, the RMB exchange rate depreciation on private production sector is a big positive, said is true.

Give everyone to see a map:



Abenomics to Japanese stocks advance a lasting bull market, which proves that the depreciation of quantitative easing by the central government puts trigger exchange rate (devaluation of different types, different effects), and between the super bull market, showing a strong positive correlation.

An annual export volume of over 20 billion yuan of industrialist friend sincere gratitude and said:

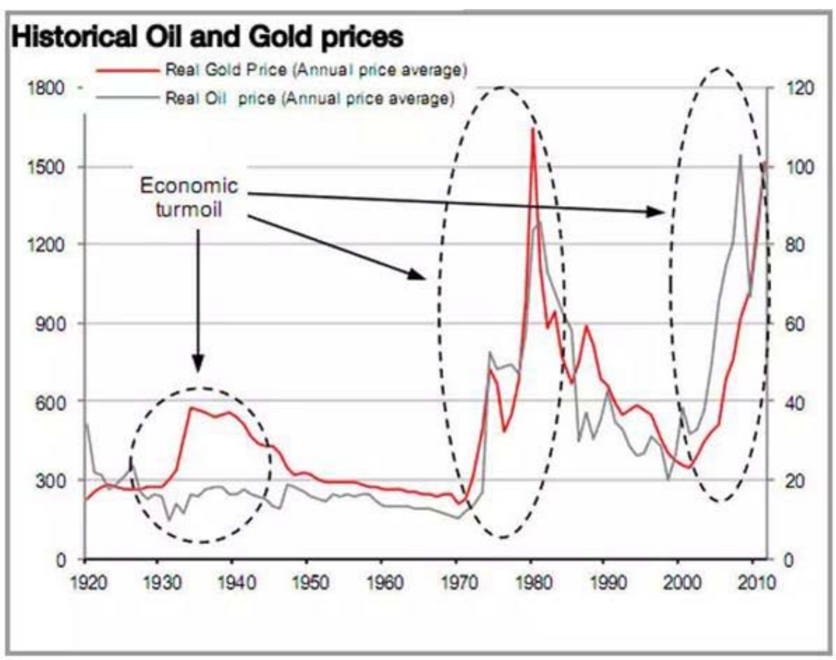
"In the past two years, the US dollar rose the yuan rise; then in the past eight years, the dollar jumped down the yuan, also rose sentence is going to cooperate fully with the dollar long-term to short China, until the real economy fully escape bankruptcy, it would be the greatest. Crime! thank Xi Total timely adjustments, I was ready to no longer stock, reassuring big industry, in order to live up to our Industrial practice always a painstaking. "

Here to talk gold

Almost a year ago I speak Chinese version of quantitative easing will push the gold price of RMB super bull market, as the price of gold in dollars, I'm too lazy to reason, because I did not engage in international capital arbitrage, no exchange rate risk cost, so the dollar soaring dollar and depress the price of gold is not my relationship. At that time no one believed, the results the last few days the yuan price of gold soaring dollar price of gold fell, confirmed my predictions, this is just the beginning of the bull market in gold price of RMB.

In addition, the fundamentals in terms of gold the most important driving factor is not inflation but real interest rates. According to Professor Campbell Harvey of Duke University study correlation of [gold] predicament, the real price of gold and ten-year inflation-indexed bonds, federal (TIPS) of the real rate of return of -0.82, which proves that the real interest rate can be explained 82 % of price fluctuations, the lower the real interest rate, the higher the price of gold. What does this mean? Chinese version of quantitative easing and learning much about the put option will last six years, the real interest rate of RMB will enter a long downtrend, the gold bull market will open a price of RMB 5 years or so.

We look at a map:



From the perspective of empirical economics, the price of gold and oil were highly correlated, once the gold price of RMB into the establishment of a super bull market in oil as the representative commodity price of RMB super bull market can not be far away. What we do not need bells and whistles to compete in commodity pricing to achieve the goal of price of RMB super bull market, pricing is a paper tiger, we just increase the Chinese version of quantitative easing and learning greatly puts a dose, has been added to our satisfaction.

What we are very concerned about the devaluation impact on housing prices is?

My answer is short-term negative and long-term help. Devaluation is mainly to help the private productive sector deleveraging. Before the exchange rate is mainly the maintenance of stability and arbitrage demand Rate monopoly, and now the exchange rate of the right to speak to the private productive sector. Private productive sector debt burden, and central to get real money to help them to leverage the price will have a significant exchange rate depreciation is the cheapest effective way, then the center can put up real money to engage in quantitative easing to stabilize the property market. It seems to be to give up the property market to defend the war, in fact, the property market has entered a tiebreaker Battle. Guiqi art of war, can not see the surface.

Xi team dare greatly blitzkrieg, crushing pressure in the exchange rate of the monkey god who Fingers, which is the previous government would have been unthinkable, although this era and dangerous, but the good news is that this era is building iron bottom. Chinese version of quantitative easing and learning greatly puts the rise will lead us together, to attack and conquer the peak Leilei super bull market!

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