Dr. Von Jacbos:

Dear audience, I have the pleasure to introduce Dr. Daniel Stelter. Mr. Stelter studied economics at the renowned St. Gallen University and received his doctorate in 1990. He started his career at the Boston Consulting Group where he amongst other was senior partner managing director and until 2013, member of the executive committee. Dr. Daniel Stelter is founder of the forum Beyond the obvious, which specializes in strategy and macroeconomics. He is an expert on economic and financial crises and advises international companies and investors on the challenges of the constantly changing global markets. The Frankfurter Allgemeine Zeitung ranks in 14th in its 2019 economist ranking of 100 leading economists in Germany with a greatest influence on media, politics and business. Daniel is a sought-after expert and talk shows, major business media and congresses. An expert who brushes against common trends with an unconventional view of opinion. My personal prelude to every week. Besides this, Mr. Stelter has established himself as a highly rewarded and well-known author of several nonfiction books with an unbiased view. While he is not guided by political pigeonholing holding, he focuses on the pressing issues of our time. His latest book, Coronomics after the Corona shock, fresh start from the crisis is again highly recommendable. And it refers also to the title of his keynote speech today, which is Coronomics impact on the transactional landscape. I am thrilled to hear and learn more about Coronomics. We are looking forward to the speech and Keynote. And I would invite you all dear audience to post any questions for a questionnaire session at the end or after the speech via the chat tool. Dr. Daniel Stelter. Dear Daniel, welcome the stage is yours. #00:06:35#

Dr. Daniel Stelter:

Thank you very much. Good morning everybody. I hope you can give me this working technically, and we also said, I am here in the UK. And the UK, I can tell you has even worse internet than Germany it is true. So, I am very happy to kick off as today's meeting. And thank you very much for the warm introduction and talking about Corona, and talking about Coronomics requires me to go back a bit in the past and talk to time forward. This time is for Corona. I would like to share with you some slides, on what would expect otherwise from a consult to do. So, would like to share with you some slides in order to lead you through my view of the word pre-Corona, and how Corona is actually speeding up things which are already in the making before Corona. And in order to answer the question in the end, you will see that my view is a lot summary, the coming decades will be significantly different from the past decades of huge opportunities, but really in my view, it is kicking off a change in the economic landscape which is so fundamental that it is going to be very different for us in the world that we used to the past 20 to 30 years. So, I have lots of topics.

1. Weak recovery after the financial crisis

As you can imagine, I would just like to remind all of us that after the financial crisis, we had a rather weak recovery. In your base in Germany, we say: „Ah, Germany is doing fine. We had a great economic success, no unemployment, everything was fine." Yes, it is true. But even as we will see, even Germany did not go back to the pre-crisis trend. What you see here is just a view on what would have been the economists, you know, what have been the trend continuing. And there is also financial crisis and then what is happening, and you can see on the left hand side, that is the US hardly the greatest economy ever. US did manage to get back to pre-crisis, Europe on the right-hand side is even worse to see, Europe has not managed after the financial crisis to go back to pre-crisis trend. In Italy, as you all know has major problems, before Corona you can see here that-, Italy actually after 20 years as a lower GDP than it had been here to resolve. So, all this pre-Corona, we can see the financial crisis was not overcome, but the financial crisis was extremely extended as you will see by monetary policy, but it was not fixed. And even Germany Europe's engine on the right hand side, you see that even Germany although we had the impression of doing good and also see his impression of low unemployment, even in Germany, we did not manage to get back to pre-crisis level. And this is despite of unprecedented central bank intervention. You know this, and I will be honored you read it every day, the central banks have stepped in 2009 and started buying up securities they lowered interest rates.

2. The historical development and role of interest rates in the US

And you see the expectation again, this specifically took a slide pre-crisis expectation was in 2019, 2020. This to come down. The US head has started already to lower its balance sheet, but as you will remember, even before Corona already in the autumn of 2019, the US had to intervene in monetary markets and money markets, in order to stabilize them as the balance sheet started to grow again. So, we had an unprecedented monetary stimulus and still we have not managed to overcome the great financial crisis. And we had this in spite of having the lowest interest rates for 5000 years, you see here as it faces as we data going back 5000 years saying: „Okay, what would be the interest rate." You can set you know-, 5000 years back interest rates were very high because actually, it was very risky to get a credit. It was not really, you know, we did not have any coins or whatever. So, it was risky, then we have a very long period of tape interest rates as you can see, in the 1800s, then we have sensitive called fiat money, paper money, we had a very high interest rates in the 80s, as some of you might remember, when the Fed was fighting inflation, and since then they have stopped all trade interest rates. Now, the lowest level and they are studies saying, well, we could expect in the second half of this century to have negative real interest rates on a global scale. To be clear, I do not believe in it, I always say when people say: „Interest rates are going to be low forever and fall forever." The more people say: „So, the highest probability of them being wrong." So, but we will come to it in my opinion. But this is all part of the picture end of 2019, we already had some issues.

3. Economic problems of cheap money

And then what we have to see is the cheap money, especially since the financial crisis is leading to economic problems. And one of the problems is the are-. So many companies. You know, so many companies who do not make enough money to pay the interest companies who have actually low variations in the market says: „Okay, they are not start-ups and not, you know, attractive but was, you know, we do not expect them to recover." And you see your data from the US. But you see that actually, as the US stock market, we are reaching 20% of the market being so called Zombies Companies. And in order to not speak too long this morning, I took out some slides on Europe. And Europe is not as you can imagine-. It was is very interesting actually, is that the study is showing what some these do, and actually what if the impact of Thomas on the economy. And the funny part is, as you-, all of you will immediately say: „Well, Zombies are bad because they are going to sell for liquidity and not for profits, which means they are really inflationary not inflationary, they create overcapacity in the market." So, you all of you will probably intuitively agree with me. Yes, some ways need to lower inflation. Of course, for instance he says: „No, that is not true." But studies say exactly what you would assume as true. Studies say: "The higher the share of Zombies the lower inflation rate." But you know what is happening. So, the central banks are giving money cheaply to commercial banks, commercial banks have too high debt levels of leverage, have problems with the quality of the assets, therefore, they cannot write down the loans to so many companies. So, they keep on giving these loans. And in the end, this leads to low inflation rates. As you have low inflation rates, the central banks and say: „Oh, we have so long inflation, we have to do more against inflation. So, we have money more, money more a lot cheaper." So, seven days, actually leading to the zombification of the economy, although it is going to lead to exactly the contrary of what they actually would like to achieve. And that is a very interesting phenomenon. And so, we have now in the world, especially in Europe, where banks, or in many companies, they are delivering high share of Zombies funding companies which are Zombies because they cannot afford writing that down. And all of this leads to zombification of the economy. And it is all it has nothing to do with Corona it had before Corona was, of course, now going to emplify. And another side aspect is we have for years already now

4. The problem of decreasing economic productivity

And you notice it is very simple. In an economy, the two drivers of balance. One for driver is how many people are working. And the second driver is what is the productivity of these people. So, we know there are fewer people working especially in the coming decades because of the shrinking workforce. And if you have lower productivity growth, even though zero productivity growth like Germany the past few years, this means, the pie does not get bigger. And as the pie does not get any bigger, we get huge conflicts because then we have distribution conflicts, and for those of you who are being in Germany, if you listen to the radio in the morning, it is always the rich get richer or the put-, it is a whole conflict is based here because we do not grow the pie and this is going to be a big issue going forward. Therefore, just one example, in autumn 2019, the IMF said: „Oh, we have urges to do something about the economy." The OECD said: „He has to do originally something was economy. Nothing to do with Corona. You know, some people might have heard something going on China, but no one book about corona. So, it was basically already before Corona, it was clear we have an issue. We did not deal with an enterprise.

5. And all this also based on the fact that we all had a fragile financial system.

You know this-, I know better, than everybody else that correlation is not causation. But it is very impressive if you look at the growth balance sheet on Central banks and to stock market valuations or US stocks. And actually, if you think through how **quantitative easing** works in the US, what if it is not as it works in US? Basically buys bonds, and the people who sold the bonds then they put some money somewhere and supporting the stock market. So the whole program of **quantitative easing actually was a program of bringing up evaluations** to stock markets. And if you do so creating a benefit sake and in doing so, driving the problem. The problem is the rich people do not consume as much as the poor people. So, in making the rich richer and I have no problem with the rich being richer major problem just economic wise, if you make a rich richer, you do not have the impact on consumption as if you give more money to people in their pocket. They say you cannot do today, by the way. And you could also say: „Well, you bring up bubbles, not as sharp as during the Recessions. And you see we had the **Dot-com bubble**, we all know, there was a fundamental change. Everyone was a fury. But do not forget about this, without cheap money it would not have been possible. Then, after 9/11, they wanted to get the economy rolling, cheap money, **blowing up the Housing bubble**.

6. Problem of asymmetric reaction of central banks

And then now actually, you could say, because everything bubble, also we already some tracks and supporters, we have the effects, it is the money is not reaching the real economy, but the financial economy in the past. Although, because of the central banks tend to have a so called **asymmetrical reaction**. It is not my writing. It is the wording of the Bank for International settlements. And they said: „Well, whenever there is a crisis, the central banks lower interest rates, banks lower to credit standards to keep the system rolling, but they never were able to raise interest rates up again." **We have a long-term downtrend in the interest rates.** And you could already say as you see, this attraction marketing is all pre-corona. You could see all once interest rate gets to the trend line, it gets the next crisis and this was visible last in order writing in the US money market, and then of course, Corona have been-, but even without Corona, we would have seen the correction is here in the markets. So, Well overall, with an asymmetrical reaction, we always make money cheaper, cheaper, cheaper, below credit standards, it is also explains why some people got rich in the past decade because if you look, for example, I would say it is a list of the richest Americans, you see many people who got rich by investments. So private equity, hedge funds and whatever, which is nothing else. And I know that many people from this area will be watching me speaking and but there is nothing else in the leverage game. So, you know, you can always refinance at a cheaper rate. Of course, it boots as a target, of course, it makes people rich … #00:18:05#.

7. Exploding dept levels

The prices leverage is of course, we have increasing debt levels. And also, I could continue this chart and end at 270, but we all know globally debt is growing up. And it is going not so much up anymore on the private Households sectors, because in many countries the private households are tapped. There is a ceiling or just sitting in the UK, I can tell you, the private houses have very high leverage. We see that corporations have taken on significant debt levels, keep in mind that in the US, for example, the triple B market was exploding so, compared to many years back, you know, it has more than doubled, it is a share of companies hitting the triple B rating, it is still a investment rate. But it is not really for investment grade. And already before grow Corona, it was clear that some companies just think about General Electric to hit officially triple B. But if we look into the data, if you really look into how, what they are doing, you could come up and say: „Well, it is not triplet me anymore." So, we had some leverage been going down. And we had a company that is incorporate the states in some regions, or some regions also taking on debt and continuing taking on debt. And therefore, Obama found that interesting.

8. Therefore, somehow, financial stability has deteriorated.

You know, Blue is always a crisis. And we remember the Great Depression, and so on and so on. **But you see, since 1990, we have a density, a density of financial crisis.** So, we have a world where the settlement leads to a lot of people who are speculators on credits, and in doing so gives a strong incentive to speculate even more, to work with higher leverage to lower your credits than us laying the foundation of x prizes which once again, is intervention. All this has nothing to do with Corona, but it was a problem writing before Corona.

9. Debt drives asset values and inequality

And just if you could think about on asset, and on asset, what you see basically going on. We all have heard about Thomas Piketty. Thomas Piketty is a French economist who travels the world and say we should tax the rich for 90%. And the government should get more, more, and he gets more and more popularity. And he only looks at the top part of this chart. This is data, he basically says: „Well, if you compare wealth to GDP, you see it is going up." So, let us take Italy in 1980, it was about three times GDP, you know, it is more than six times GDP. Look at Germany, it was two times, four times GDP. So, if the rich get richer. That is a problem. By the way, for the Germans here, keep in mind this chart, we will be talking about the Eurozone later on. You see that Italians and the French have much more private wealth than the Germans but this is another point. So, what is driving this? It is driven by that because you see here, leverage is going on. So, we have more debt. And of course, debt is a driver. But that is not understood by people like Piketty. He says that it is neutral. So, he says that was neutral. So, for him, if he has an asset is the value of 500. He deducts debt of 200 and says, okay, his net value is 300. In my view, it is a different one. **If you have an asset of 500, there is no debt available, the Net asset value is not 300**. You are based in Munich. Just look at real estate prices in Munich. Let us assume everyone in Europe has to-, in Munich has to pay for his flat of his house, the 50% equity. Would you still have the same prices? Of course not. Nobody would be able to pay 50 times and your rent for a house. And if you can put in 50% equity. **So, it is clear that credit drives asset values. And this is a leverage effect**. In my normal presentations, I will include this slide as a leverage effect as you will all know how leverage works. It is very simple. **The leverage effect drives up your returns if you employ debt. But in doing so, it drives up the values.**

10. Example for leverage effect of debt

Just imagine you buy a house and you pay not 20,000 euro per square meter, but 30,000-euro square meter. Not only this house has got more expensive but all the goods in the house has gotten more expensive. And also the rent in our street has been gotten more expensive and organs of the city have been working on expensive just because you set the new price.

11. Debt with less impact

And so, it is no-, one knows that we have all this debt going on, but the debt has less and less impact on the real economy. So, just say the Eurozone in the past, for whatever the Blue but you know, I think it was seven years back, one euro of new debt created 46 cents new GDP. Now it is almost 38. You see, we have taken more and more debt, but the debt is not ending up at a vehicle.

12. The mother of all recessions

And now comes Corona. This is how it looked in March, we know it was the worst downturn ever expected or experienced. You know, we know it was an asymmetrical shock, we had a shock of both sides, we had a shock on the supply side because supply chains did not work anymore, because products on trial income etcetera. But it was a huge demand shock and still a huge demand shock. And now, of course, if recovery was the first point is key, we had here The Mother of all recessions. **And it is clear, this has the potential of getting the world into another Great Depression,** why? Because of all the problems I said before the economy did not look good the are-, we had two high debt levels, we have mainly stipulated that investors, **we have not done our homework on issues like the Eurozone and whatsoever.** Therefore, it was a fragile economy and Corona hit it.

13. “All-in” of states & central banks (23:45)

When there was a triple cross action again, another chart from Larger bank, we had the largest bailouts of history if you-, this is in constant aura, you see never in the history of the world. We had such a reaction by the central banks everybody it is the largest bailouts in history in the g7, there have been lower year time back and you know, we had around, you could say 12, whatever trillions, I would say in reality, we talk about 20 trillions. So, 20 billionen in dollars given by governments and central banks worldwide to fight off and cracking pressure. And to be very clear, there was no alternative in doing so it was perfectly right to do it. **That really went all in.** And you see it here, it is an extraordinary financial stimulus. And we look for example, as the UK. **In UK the Central bank said, we do not make any money.** Do not bother anymore to go to the private banks to borrow money and you know, and then buying-, you know, the governments expensive reset instead of going because of private banking sector, you just do directly. So, the Bank of England is funding that the government directly. In the US, basically, it is happening in practice because whole supply of US Treasury bonds and treasury bills of the past months was brought up as settlements. And Central bank also said: „Okay, we buy our junk bonds in the US." So, they start buying up stuff for financial stability. I told you, we had a huge company-, a huge share companies, the triple B, or less. And therefore, it was correct to do so because you would have seen a wave of insolvency just because of difficulty for refinancing. So, we have seen several things going on in basically buying whatever is possible.

14. No wonder that stock markets go up (25:30)

And therefore, it is no wonder that the stock markets are? It is very clear. Because if you have, you know, money grows going up, it is very clear. What should the money do? You know, you see this US visit people speculating on these internet platforms. Because they got a check from the government because of the money and they could not use in a house. What did they do, then of getting rents they bought a Tesla and other stuff. So, it is fine. The question is, do they use it as a sustainable as a project for the financial market? But I would say it is not-, it is at least not if you do not get a true recovery. And this is a very open question. Because that is about the recovery. I would say we do not get a view because people always expect this. I always talk about the mirrored root square, because you know, we go down, and then you come up, but we do not go up fully. But then, we have an awesome come from 80% is going to be a long path forward. And to remember the start of our presentation, when I showed you that the economies of the West did not manage to get back to pre-crisis trend rows of the financial crisis, people now has the same. We have not returned to the pre-crisis trend rows and fortunately, of the past 10 years, so since the financial crisis, and they get into a world with even lower growth rates, **and this has huge implications on what governments are going to do.** And we will probably discuss at the end, **you will see that issues like the green yield and this kind of stuff are going to become very important, not because of climate change, but in order to fight a really big stagnation, we might be facing out of this shock**.

15. Eurozone fundamentally (27:15)

Before we come to this, just a quick view on the Eurozone because, it is all very important when we discuss what we have to see and to expect in the coming years. It is very clear that we are honest to ourselves where zero steps. So, sorry for missing, not correctly translating all of the slides I would have done.

16. A debt driven boom

You see basically what happened is Euro was raised and the Euro was introduced. Everyone go driven interest rates, as inflation rates were higher in some countries like Spain, Portugal, France and so on. Real industries are very low, but you do when money is for free? You take on the creditors, what do you buy, you buy real estate when you do-, because it is the best asset. But when real estate prices go up, everyone jumps on the bandwagon you start building, you have-, if you build more, you have to have more people working on construction. Therefore, you will have you know, you recruit people from the board and people come and move into your country, you have to build more etcetera. This is the spinner story of Spain basically they had a construction sector as big as a construction set of France. Okay, and Germany together, it is a high dose boom. So, then we go and of course, the crisis because not sustainable. And now we have the fact that basically we have two worlds in the Eurozone. We have the northern countries which are highly competitive, which export revenue, and we have the south west, now stock with two high majors, low productivity, and no way out. And i like this very much from JP Morgan, JP Morgan did a few years Pakistani, and looking into the European Union. And they came up and said: „Well, a hypothetical currency union of all the countries in the world, beginning with the letter M." So, the Ratio is Mexico, Mongolia, whatever comes in mind, would have been better economically than the Eurozone. **So, the Eurozone is actually diverging not converging.** If you look at the studies from the IMF, it is very clear that, in the first few years, **when the Euro was announced, until the introduction, there was a convergence**. Once the Euro was introduced, we had the first name of divergence because of the debt driven boom into … #00:29:34#. And some of you might still remember Sabine Christiansen on TV, when this talk about Germany being a segment of Europe and restructuring etcetera. This was due to the high exchange rates, the German Mark went to zero We had to regain competitiveness by each and every race, which was painful hearts fear of forms and was enough stuff. **Now the other side, there was a boom, there was a first divergence**. Then we did our homework. At the same time the bubble burst in this house. And then since then we had the other divergence. And you have seen it in the beginning, is on a level of economic activity that 20 years back. **And this is not only being sustainable.**

17. How to deal with too much debt? (30:15)

The problem we have in the world is too much debt. And what could we do about it? And I just would like to quickly summarize the ways before we come to the outlook into the discussion. We could do austerity, we could do. 1. **Austerity.** We could do it with Austerity. Can you save yourself out of debt? No, you can see it in Italy. They are actually you are always criticized easily. From a German perspective, the Italian government has run surely the biggest surplus the past 10 years. Primary surplus means service before interest rates. Much bigger than Germany, still it did not manage to get out of problem. Why? **Because the lack in economic growth.** What you can do as an individual, as a company to save infrastructure works, it does not work on the level of our economy and clearly not the whole region like Eurozone. 2. **Growing out,** well, would be nice. The problem is that due to our demographic situation, it is not going to work we will see in Europe now the beginning of a shrinking workforce. And just look at Japan, if you have freaking workforce, it is not possible to grow yourself on a problem. It is not going to work. And it is not to be expected. In addition, we saw as the productivity grows, if not sufficient, productivity growth is not going to be enough. **He will see lower growth rates structurally and therefore growing out of that is not going to work.** 3. **Back to Mesopotamia** is my code word for wealth tax and that restructuring because you were remind remember, in Mesopotamia, you know, we are writers who actually-, writing was invented to document credit contracts to what you see on the righthand side of the slide is a credit contract. So, what happens in and when you are going to credit it was noted when you paid make your credit loan, as a template and Mesopotamia they had the so-called Jubilee, every 33 years, that was idea every 33 years that all debt is going to be released. So basically, all templates got broke. And obviously the most popular therefore, the kings of Mesopotamia, started doing more often. And as you can imagine to do it more often interest rates go up, because you know, it is a credit towards, like his money earlier before it is lost. And if interest rates go up you all knows that you have a problem with steady faster, so at the end of the three years. But point here is: Just an idea, take the rich, or do that restructuring problems solve. This issue here is it is not very popular.

18. France' approach to deal with legacy debt in the Euro area (32:55)

But, just to give you an example, it discusses-, this is what France discussed in France that in French think tanks, supposedly advising the president and they said: „Well, we could have a decree, where we actually say the government becomes a partial the owner of all land interlinks, in France." In Germany we will say: „Okay, this is a Zwangshypthek, pre-Corona." It was 2017. So, it is not totally to be ruled out. But really, it is not very popular. And just to also show you some data in hear, if you look at the debt levels in Europe, it is very interesting. If you, for example, if you believe that the Germans have the lowest debt levels on true. You see, Italy, for example, the Italian private households, as the lowest debt level of all Eurozone is 41%. That is also one reason. By the way, Italians also are much richer than the Germans are lots of debt is 54, but you see it is not so. German companies said below debt levels, all pre crisis 59%. But you see who has higher debt levels. The Netherlands follow as a private sector is highly indebted, and which is also to do with tax reasons around-, about households. But you see also that if you look into the total debt level, France as an issue, they have got high debt level on the state level, and on a company level, not so much on the hospital sector, but at the company level. And also, **French banks are very active and therefore France has a biggest interest in getting into any kind of an agreement, whether that is on a European level or neutralized.**

19. Neutralizing debt levels and inflation could work to deal with too much dept

So, it could work to tax the rich, it might not be popular, I am not sure what is going to happen because it is very difficult to implement and as you see in the discussion and those for example the German politicians who are very keen on texting the wish in Germany higher, always opposing when you come up with the idea of say tax Italians more instead of getting their money via zeros or rescues anyone. Inflation obviously good work, please forgive me for using the picture of a bulldozer helicopter I know they do not fly, but you know the concept of automatic it is about helicopter money basically being an idea of coming and you see all the discussion of modern monetary theory which is nothing else and say: „Come on the government can spend as much as the likes." You see the idea around now there is a great deal of a miss-, but I am not-, like as already saying: „We have to fund the Green Deal." Which is nothing and also saying: „I will print money in order to pay for the Green deal." All of this is my own point of view down the road not tomorrow but down the road laying the foundation for high inflation risk. Just look for the time because I think it is too slow. So, inflation might be coming.

20. A bold proposal for the Euro - Fighting a debt crisis with more debt(36:00)

Before we come to the summary just a board proposal for the Euro because we had-, we have seen what is been going on in Brussels these days we had the European reconstruction fund, because you know events and it was a long time ago, you know, Mr Macron, has already said it years ago, he wants to have a color match of the coming borrowing credibility and fiscal convergence, which means transfer union. You see me for that actually, my view, **it is not really fair, because the fact that the private households need to be significantly mobile citizens in Germans.** And this has not to do with the distribution of the house which is integrated for Germany, but it has also to do-, mainly to do with the level of balance in total, because the Germans in overall do not have as much wealth. **And so I personally believe that it is not going to be sufficient to have a transfer union,** which actually also fits to the feedback from the IMF, the IMF did a study and says would a transfer union be enough to rescue the euro and the came up and said value government sensors are never big enough because it has to be private transfer capital, of capital and so forth. So, we are sure uses data you know, before it is a private wealth in Germany, if you see here on the left hand side you see Italy, Spain, France, they are far above German levels on the private wealth side.

21. No easy solution for the debt crisis - (37:00)

So, what could we do? We could have a recorder domain-, we could think about, you know, given the eurozone, we could think about these two issues. One is dealing with debt and one dealing with divergent competitiveness, as a summary is very simple. They might view it is only possible if you do a debt restructuring and a growth program, if it works. **Even better might be debt restructuring, and some euro exits. I doubt that the concept of Internal devaluations could have worked, and I doubt that the Transfer Union is going to** work. My proposal in my book is actually the follow I think. It is a bit too complicated. But I basically said **instead of writing a check for the future, you should pull existing debts from all these governments as especially also the German government, or the European level in a one time effort, and say, there will be all the lower debt levels, and we can restart, and we should refinance by the SNP**. I see the panelists selling and I know that I am a bit too long, the lessons come to my summary.

22. Coronomics - Implications (38:26)

(SHORTTERM)

For next two years, I would say we got some Tailwinds. We got the Monetary policy is going to be aggressive, aggressive; and aggressive. The government spending as well will be aggressive. We will probably if Mr. Biden gets elected, have a cease-fire in the trade conflict between the US and China, not an end of the war, but I think cease-fire an Orderly Brexit if we are lucky. So, the **headwinds** is a Second Corona wave. It is a recession which is difficult to overcome. The un-continuous global disequilibrium, and this Disorderly Brexit, which means to me, there are some opportunities for you to come because there will be ample liquidity. And there is going to be a mispricing of some assets, which could offer opportunities for transactions.

(MEDIUM TERM)

Medium term, I see additional spending programs, some forms of modern monetary theory of spending programs, helicopter money, the new green Deal, which is nothing else and a program of destroying existing assets. Because if you tell people you are going to use a car anymore, you destroy the assets. If you tell people you cannot use your oil, anything anymore, you just have an asset, combining it with demand program of giving people money to spend on something new. This is demand revenue that is going to be helpful for the economy. And he will see redistributive policies. Higher taxation, etc. On the other hand, we will have **headwinds**. We have debt problems continued, we have financial bubbles, we have as an issue of Central Bank policy and itself becoming less effective. The structural change to green technologies is not always good. It is going to be very expensive. As you can see, in Germany, this is busy power prices, and because socialistic tendencies. Over all, this means for me, **we will see a secular shift, we will see an end of 40 years of capitalism, winning against labour, of lower interest rates of low inflation, I will see also given the demographics, this is going to be the decade that we see a trend change towards inflation.**

(LONG TERM)

Long term, of course, we got some very good take over and I still believe innovation is great, I still believe since living standards of a lot is going to go up. And we will have lower birth rates on the crisis regions. And if you are lower birth rates, and the crisis will make the world more peaceful. **On the other hand,** the eurozone is not stabilized. I personally believe now that and probably 10 or 15 years and Netherlands might be the next candidate of exiting. The conflict between China and the US is not stabilized. The demographics Pension Crisis is not resolved, we still have migration, pressure and Europe. **And the question is, what will be the impact of ageing society on the demand, basically at less demand and therefore probably lower growth rates.** This leads me to the point that we might see a discussion around reset, which is an end to the current and monetary order where we have fiat money. I do not know what is coming, but I am pretty sure they will see an upheaval because the next five to 10 years, he will continue using the medicine we use in the past decades are not going to be successful enough. And therefore, it is going to cause. **All of this, in my view offers huge opportunities for M&A transactions. Short term, it is going to be mispricing of assets and, which is a fundamental change of the economy and there will be big winners and big losers, good for those who are able to pick them in advance**. Thank you very much.

Questions: (42:00)

Dr. von Jacobs:

Thank you so much Daniel Stelter, was a thrilling keynote speech as thrilling as your book which I again would love to recommend to the Audience Coronomics. And we have a few questions coming in, obviously. And as we all grasp your great insights into macroeconomics, the first question. As everybody is looking obviously for free advice, where do you see the darks and the Euro stocks closing end of this year? #00:42:06#

Dr. Daniel Stelter:

I have no clue. Well, I think there is no-, look, I am not a banker. Bankers have to say this, because it is marketing. And you know, if you want to remember me, I have to say something like 8000. Because if it is 8000 you will say: „Oh, it was a very negative remark." If I am lucky, and I am right, but I am lucky, well, if I am right, you will remember otherwise … #00:42:56# forget about, I have no clue and to be honest, and it is not my business, or my own money, I do not know, as the value of the money, it is the 31st of December this year, my goal is to have much-, more money returns in five years' time. And therefore, I do not do this. If you ask me really about count strategy and count … #00:43:16#, I am selling calls and buying puts, but that is speculation. I always recommend to everybody not to speculate, but rather have a stable portfolio approach. You know, this is gold, cash, real estate, stocks. And then rebalancing whatever once a year and makes us mostly cost efficient. Do not spend much money on your bank or your bank or your banker. #00:43:39#

Dr. von Jacobs:

Great. Thank you very much. The second question is, when and how will climate distressed assets as they are currently termed in both western and eastern US exasperate the woes post Corona? #00:43:56#

Dr. Daniel Stelter:

I am not sure if I understood the question to be honest, I would say, look, there is this discussion going on, and I know, I see something, and if I did not answer the question, please correct me. But I would say we have some principle issue; everyone is not moving green. We have some Central Bank saying: „Okay, we want to ban brown energy, we will not buy the bonds of shells, for example, because it is a proud company of a call or whatever. They only buy some green. Now, I could say well, first step is given the low interest levels definitely better. Down the road, I would say when everyone is only investing in green, and not any more Brown, I personally would mind Brown. But that is more the logic of saying, you know, life is tobacco stocks. If a bank of tobacco stocks, they are the best stocks in the US. If you bought them and you reinvested the dividends, because they are always low p level, the P – ratio, they always have good investment, because it was always very old and will be, you know, something because of cancer, etc. It is almost a good investment. … #00:45:01# this way. But if you do not invest now, anymore in drilling for example is happening, I could even imagine that fewest time all is going to be more expensive. Well, let us assume the change to renewables does not work as fast as politicians assume. Because you find out that the sun is not always shining, and the wind is not always blowing. And so, you need to back up. We do not have a backup right now for storage of energy of scale. Then you might find out there is a higher demand for additional resources. And if you do not mess them, then prices might grow up. So, I do not know what the other but the point is, you know, what, I would not rule out that from a speculators point of view, there might be some opportunities all the road in brown essence**.** #00:45:46#

Dr. von Jacobs:

Interesting. Talking about sort of the development of the European Union, what is your expectation regarding the Brexit impact on this fragile EU environment and the UK itself? #00:46:03#

Dr. Daniel Stelter:

Let us go to the UK itself. And always as an all calm before for sometimes I was spending time here. But we want to change my perspective is changing the UK but I would say in principle, those who said in the beginning, it is going to be disaster for the UK, I would say: „Well, might be short term." But we cannot if you take a prospectus 10 to 15 years, you have to see UK in theory, quote has to leave us to do better than Europe, because my view on Europe is-, I have to be-, I would say the me directly, I am a big fan of European Union. I am not so big-, such a big fan of the euro, but no we have it but I am a big fan of the European Union, but I feel that the European Union has not realized what a big loss as UK is. As a wireless for freedom, for free market, for a more-, capitalist approach. Because now my fear is that European Union is more on a way to manage the economy, their politician's beliefs and all better, how to save CO2 within the market. And those UK potentially has it but could have the potential of doing a fall in a different house of being more of a liberal economy, very close to Europe, and this could become very attractive in the future. So, but that is a relative effect. On short term, if you really get a hard Brexit, it is going to be very bad news decided one or more for the UK, but also for Europe, especially for Germany, because the UK is a very big export market, mainly for the automotive industry. And if you now have another crisis, I think the European Union is underestimating the economic damage this could have. #00:47:52#

Dr. von Jacobs:

And we will see what happens indeed, if Netherlands follows or other countries, difficult times-. #00:47:59#

Dr. Daniel Stelter:

Well, if you-. Netherlands, to be honest, and if you think about the Netherlands and in Austria, but I think the Austrians will always most probably stay with the Germans, but the Netherlands clearly, you know, they have a very strict perspective of balance transfers. And if the European Union is no not careful in how the money is used from the recovery fund, they run the risk of getting a backlash from the Netherlands. #00:48:23#

Dr. von Jacobs:

Right. And taking a bit wider view, looking at foreign investors, in particular maybe Chinese investors, how do you evaluate the threat of foreign investors buying European companies struggling because of the current crisis? Is that a threat? #00:42:06#

Dr. Daniel Stelter:

It is Threat. To be honest, I changed my mind here in the past decades of my career, you know, 20 years back, you would have asked me I would always said: „Free market, everyone can buy whoever, you know." Acquisition should be free, like so that is a breach or a second or whoever wants to buy a company. We are free, you know, the owners want to sell, why not? We serve everybody. Meanwhile, I think if you really look into what is going on and my view China is not-, they are not-, it is not a competitor. Because the same opportunities to do the same in China. I would say it is a strategic mistake if we allow certain assets to be sold to China. So, I am not an expert now in robotics, but if CUCA, I think CUCA is-, you know if you-, if there is a knowledge and competence is lost to China, it is an issue and therefore I am-, I think you should have here more strategic approach. Knowing that this is not aligned with this free market is my overall free market thinking but we will see the three blocks, China, the US and Europe and we will see more protectionism. And in this regard, we have to protect our core technologies and competencies. My fear is then that this protection ends up like with a solar power industry in Germany. You know, as a German taxpayer spend more than 80 billion in funding this industry and out with China. And I think that is not how it should work. #00:50:16#

Dr. von Jacobs:

In this context, yesterday it was announced announced that they want to set up a private equity fund with a name curiously best owner group, BOG. And raise 500 million euro from private investors, and in particular, the government. So, is this in terms of what you just said? Is this the right approach? Do we think that-. And I think they in particular, wants to save the, you know-, well, auto industry, the suppliers in particular, they think they want to promise, that is what I read, in 10 to 15% return, which is I think, quite demanding, obviously. So, is that then the right approach? I mean, is this the new-, are we heading for the new fund in Germany set up by 00:51:11#?

Dr. Daniel Stelter:

Okay, let us go back. First of all, I am a big, I am a big supporter of the idea. And actually, I proposed and I will propose in my next book, I will continue proposing it to give every German 25,000 euros in such a fund as in the presence of the government and the government to take on a credit on it. So, to be clear, this will be smart. And I personally would not invest in a fund managed. Because you have a conflict of interest. If you want to make money, this does not work. And I think it is the wrong approach. Because let us look at the automotive industry or let us go step back. We all agree we have got climate change. We all agree we have to fight climate change. And now let us say we all agree that CO2 is the issue. We just assume it is all right, we have to do with reducing. So, what do you do? You have to set a price for CO2. And then for the European Union has done in the past and whether you were these certificates. But the mistake for us, they did not include the transport sector and the certificates. You use th effect that they are unhappy with the CO2 level. And now as they start to interview, they say: „We have to have harder goals." We have to have, you know, we have to abolish the combustion engine and whatever. So, basically, you have an old policy, where we are forcing something on the industry, which takes more time and before them to do it in a faster time, the same time is saying all before driverless cars, and we should have smaller cars. So, just think it is true if you have a future house and a lot of cars on the streets than today. And we have instead of big cars, you have smaller cars, basically a battery on wheels. If this is this scenario where the German automotive industry is competitive? No. Because given our costs, we are too high, we cannot-, we do not make money with small cars, we make money with big cars. So, now, if you are an automotive industry, and someone tells you: „Your market is going to be half the size." And what you are building is not in use anymore, and you compete in the future of this country is like China, waiting to produce 50% of the world is electric vehicles, it is very clear that the future is not bright. So, what do you do? Is you reduce costs. You shift production to other areas, we have probably the revelation might be more positive, like NGOs. And because you can really see it is impossible. I doubt it is impossible to have the whole of Europe equipped with electric vehicles in 10 years' time. So, basically, you move capacity and you shut down capacity here. So, what is the point of asking the government who is causing this is the policies to give you money for funds to rescue companies, which cannot be rescued? you know, given this at least not as the same size and then promising 15% return. To me and just does not promote.

Again, I am not saying that the automotive industry is not closed until, they make huge mistakes. But it is-, keep in mind, people working in the public service in Germany, make an effort on average, 25 euros per hour, people working in restaurants that have like 15. People got into machinery industry; they make 32. People working in the automotive industry, they make 45 US per hour. It is in the best paid, you know, besides lawyers, and bankers are the best paid, you know, jobs in the industry. And now we are shrinking this industry. This has huge implications. And I think he has to have a much smarter strategy. And another technician, but for example, right now, an article of some people who just-, they took a Tesla, they took all the big battery heads in a small battery and installed a small engine on petrol powering the battery and electric engine and reducing CO2 emissions. It is an awesome company. This sounds to me very smart, has less co2 than the electric car, but the German politicians says: „No, we want to abolish combustion engine." So, you see, I am worried about politically implementation, I think is a wrong track. And if you do not know-, like I just have no bonus. I put all the money in this call. But really consider spending one euro on an EG METALL managed funds, rescuing a non-rescuable industry, and promising 15%. That is a scam. #00:55:37#

Dr. von Jacobs:

Yes, I thought it was a hoax when I read it. And I think these are fantastic words to end. Daniel**,** many thanks, indeed. Many thanks for being with us. Many thanks for the keynote. And it is a fantastic word. As I said, I think the-, indeed the public in Germany of these is a bad investor. The private investors do the right thing on the market-, free market conditions in competition and that is the right thing for our conference, private equity, and this leads us to the next panel, which we will prepare now, Daniel, many thanks for having a being with us. #00:56:12#