



VICKERY CREEK
CAPITAL MANAGEMENT

Global Macro Overview: Spotlight on China, Japan, and Europe.

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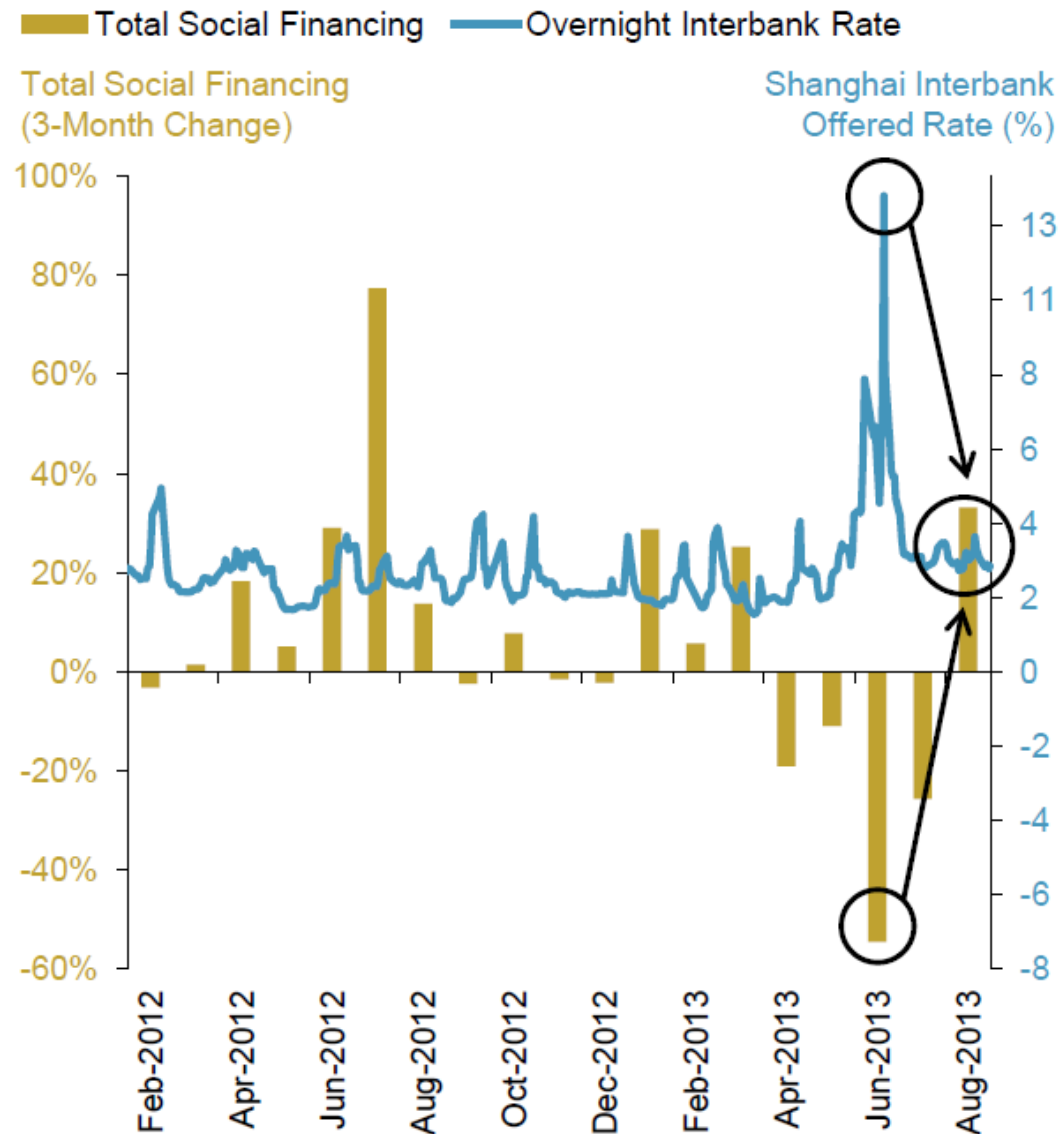


- *China*

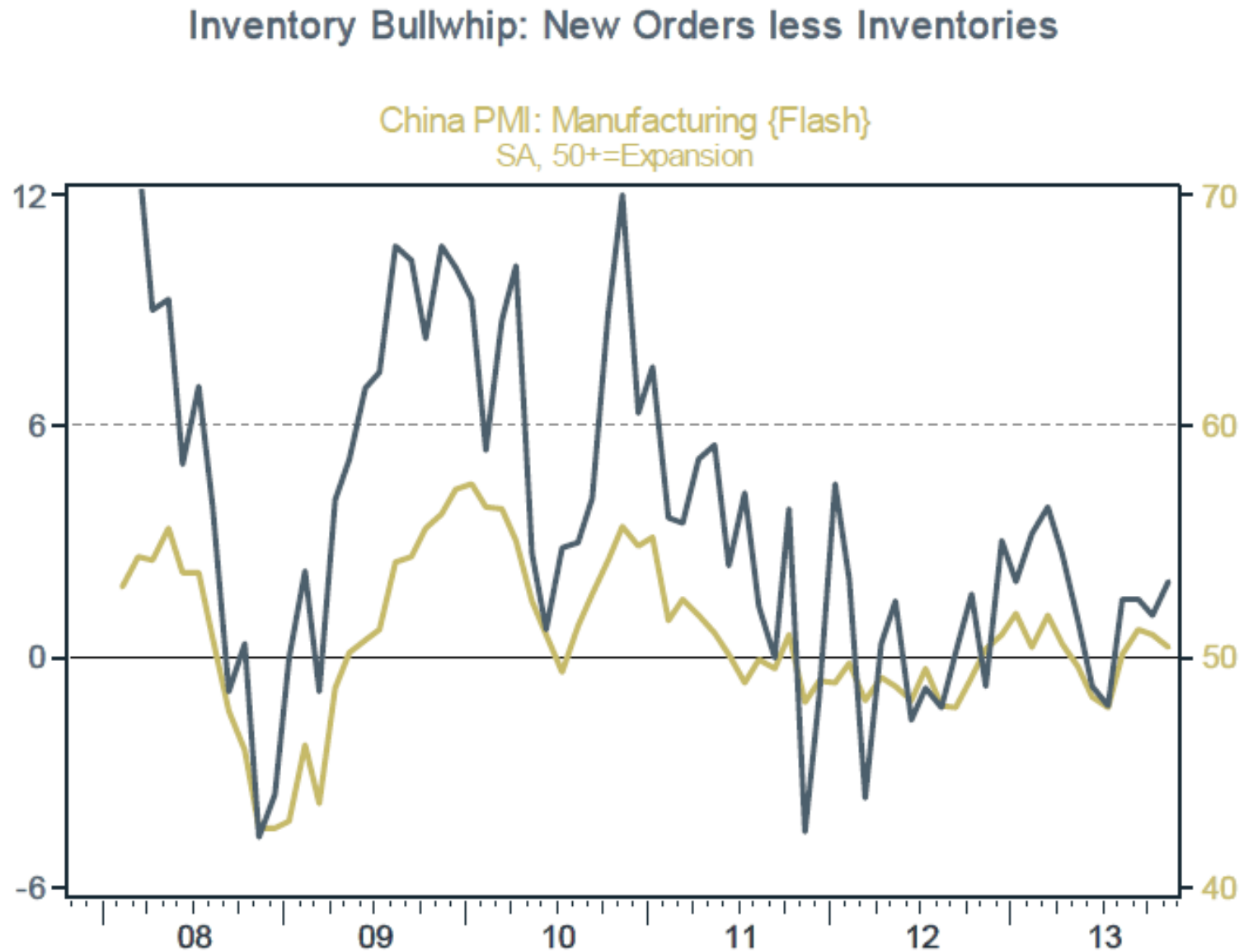
- Administration has improved liquidity and placed a renewed emphasis on growth.
- As a result, manufacturing and inventory cycles have turned mildly positive.
- Concerns remain about the strength of the recovery.
- Nevertheless, equity valuations remain quite low, providing a margin of safety.

Chinese credit conditions have improved dramatically since mid-2013, and there appears to be a renewed emphasis on economic growth...

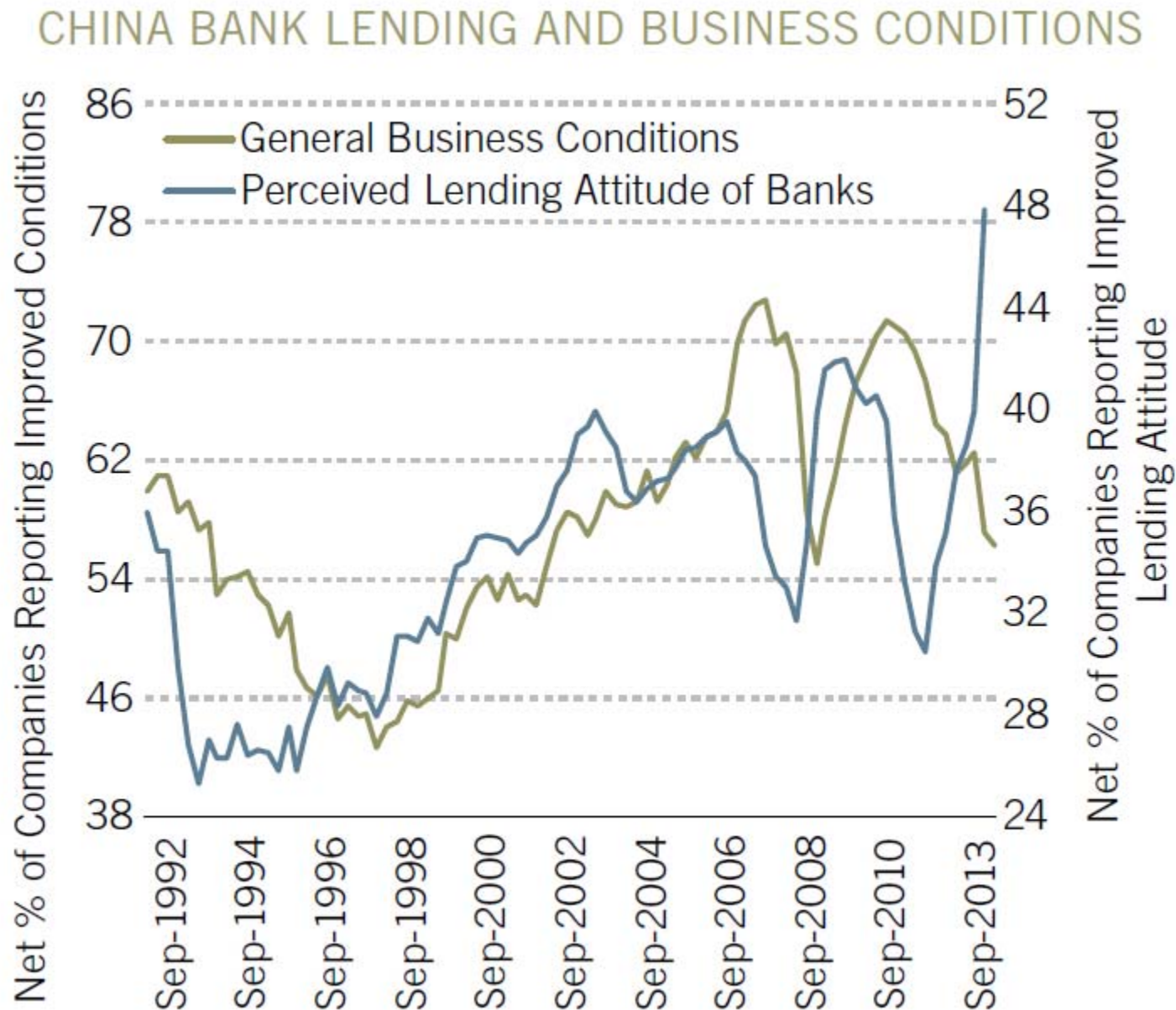
China Credit Conditions



...As a result, inventory and manufacturing cycles have turned modestly positive.



Nevertheless, concerns remain over the strength of the recovery...



...However, valuations remain relatively inexpensive, thereby providing a margin of safety.

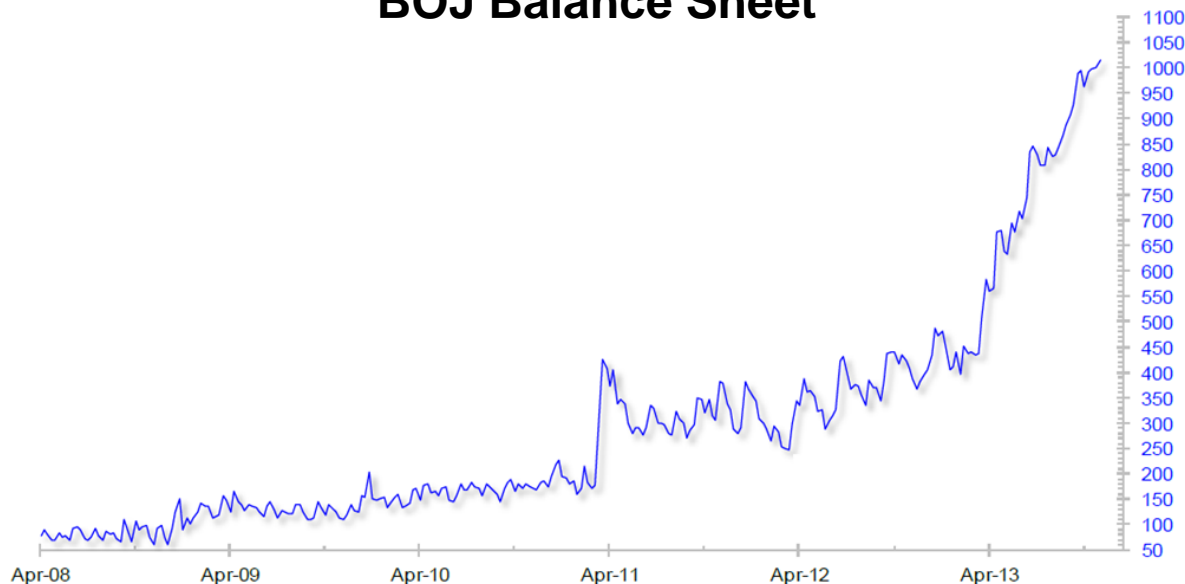


- *Japan*

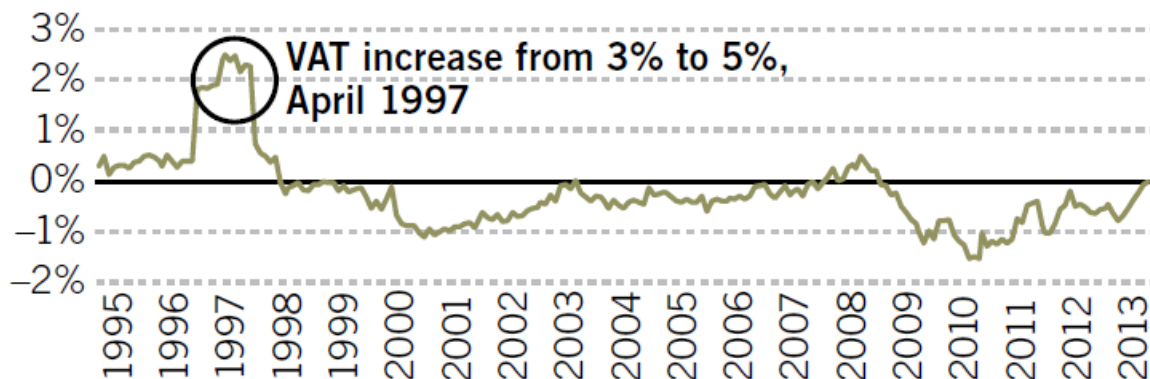
- Abe administration's aggressive monetary policies helping to increase inflation and weaken Yen...
- This has caused inventory, manufacturing, and profit cycles to turn positive.

Abe administration's "three arrows" of fiscal, monetary, and structural reform are helping to reverse trend of economic weakening and deflation.

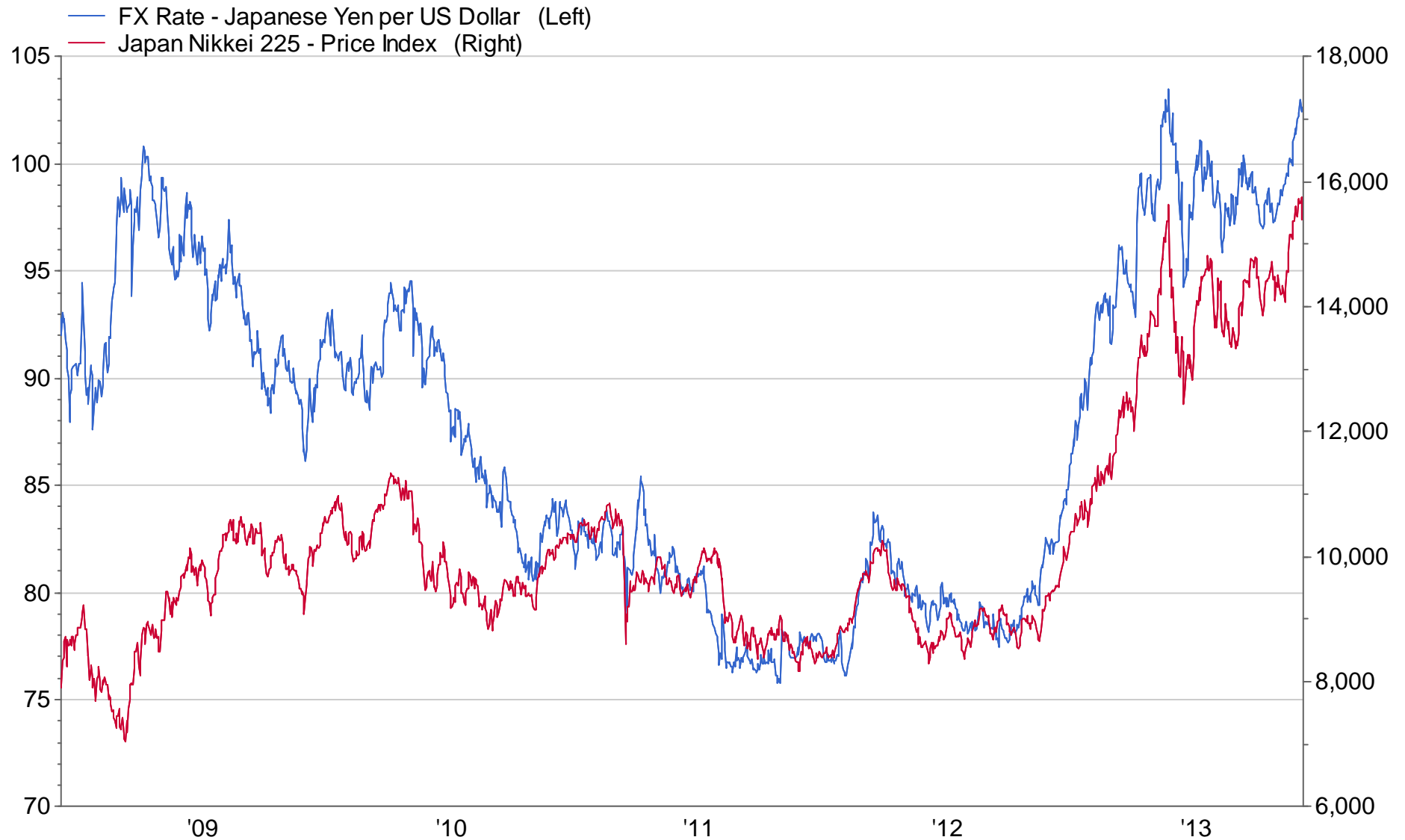
BOJ Balance Sheet



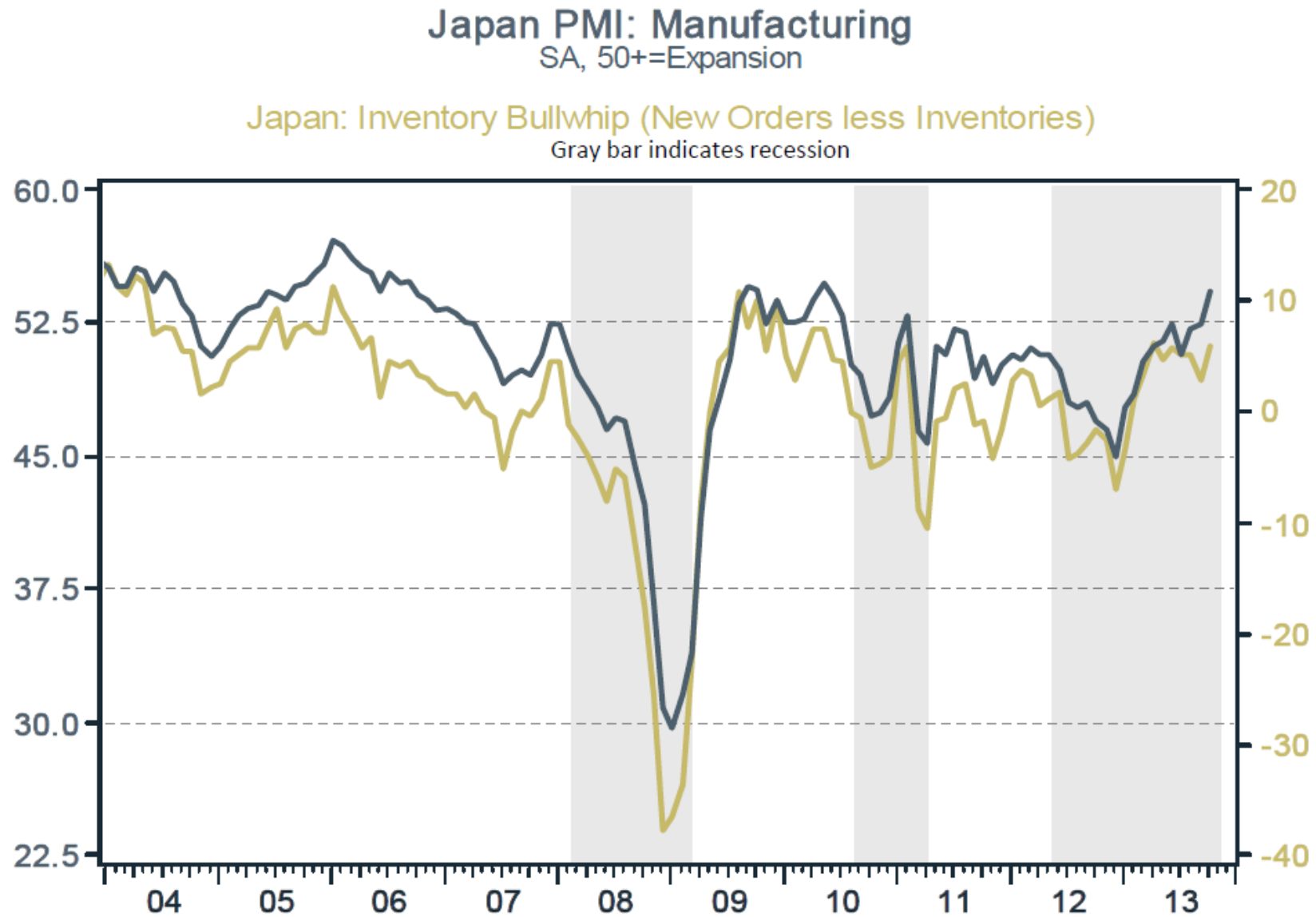
Japan Core CPI



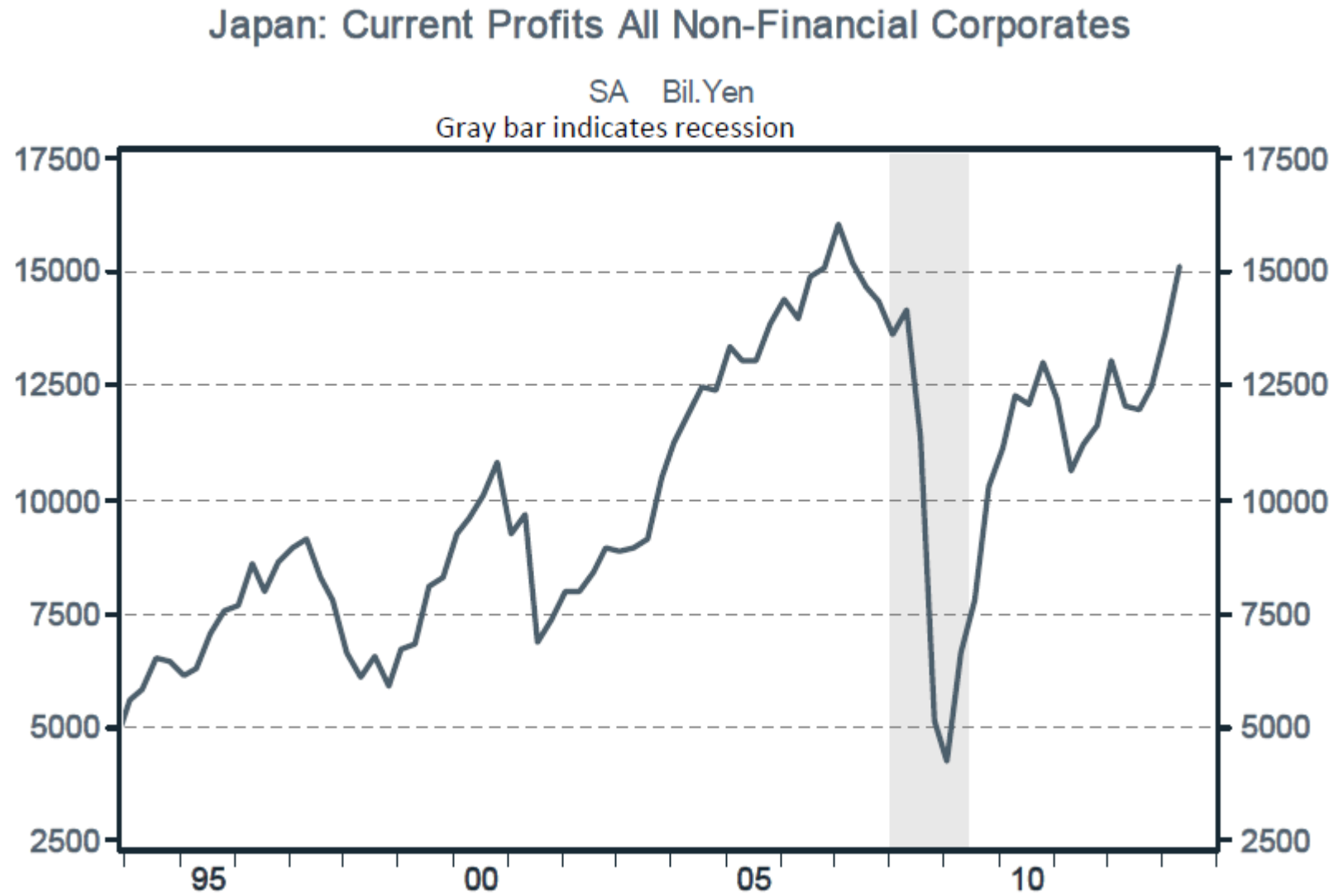
Weakening Yen as a result of monetary easing has no doubt been a boon for Japanese equities.



Manufacturing and inventory cycles have turned positive...



...Profit cycle is also constructive.

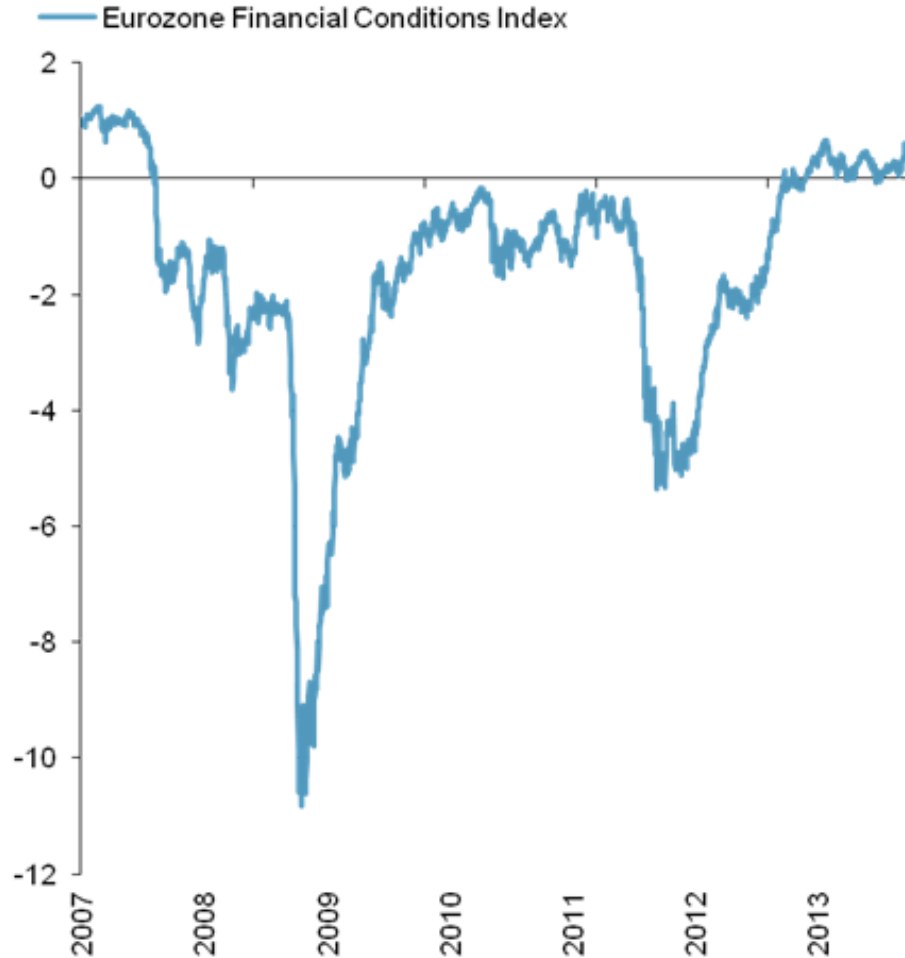


- *Europe*

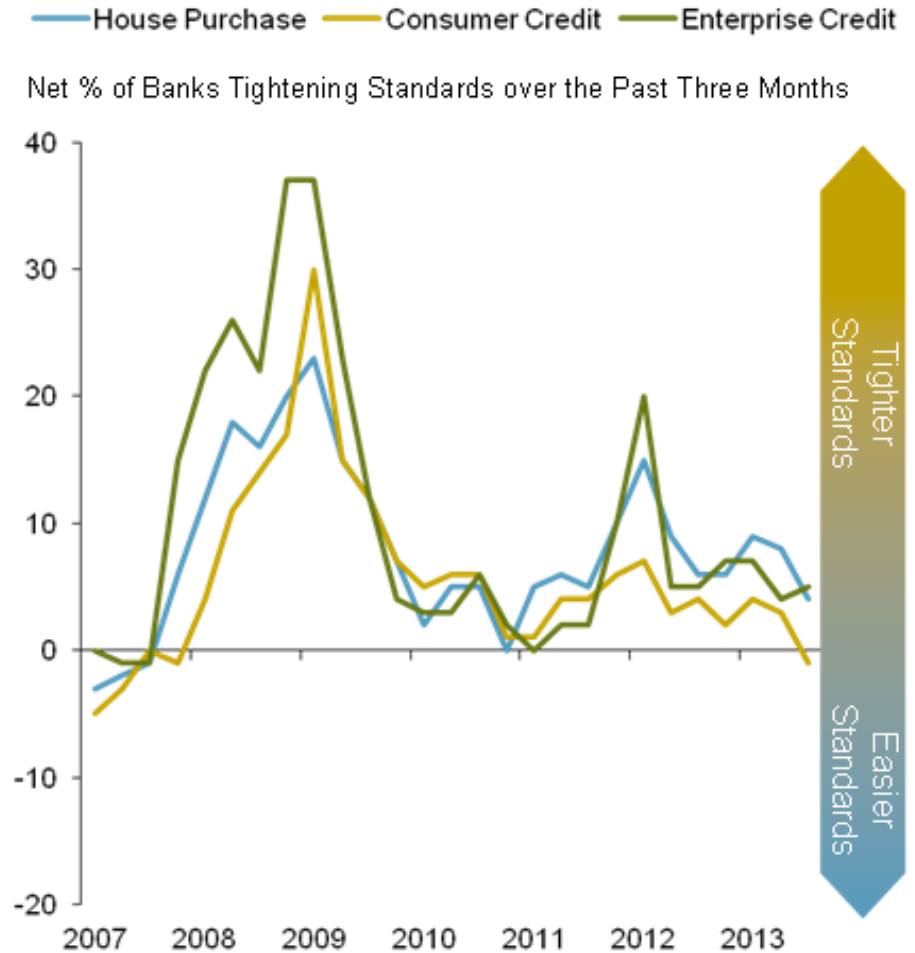
- Improved credit/ financial conditions.
- Manufacturing, inventory, and profit cycles have turned positive.
- Peripheral countries slowly starting to become more competitive.

European financial and credit conditions have improved dramatically.

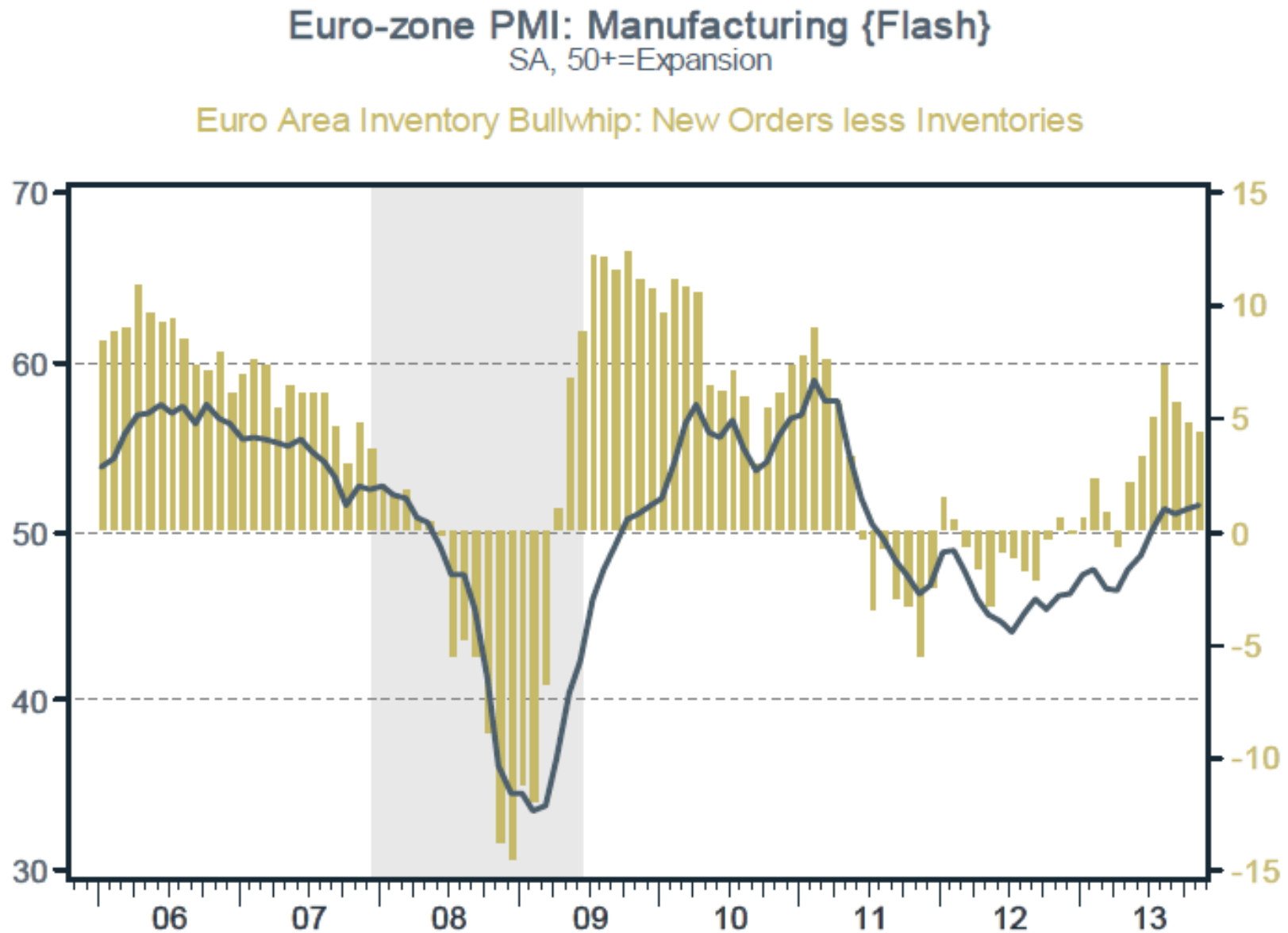
Eurozone Financial Conditions



Eurozone Bank Credit Standards



Manufacturing and inventory cycles have turned positive...

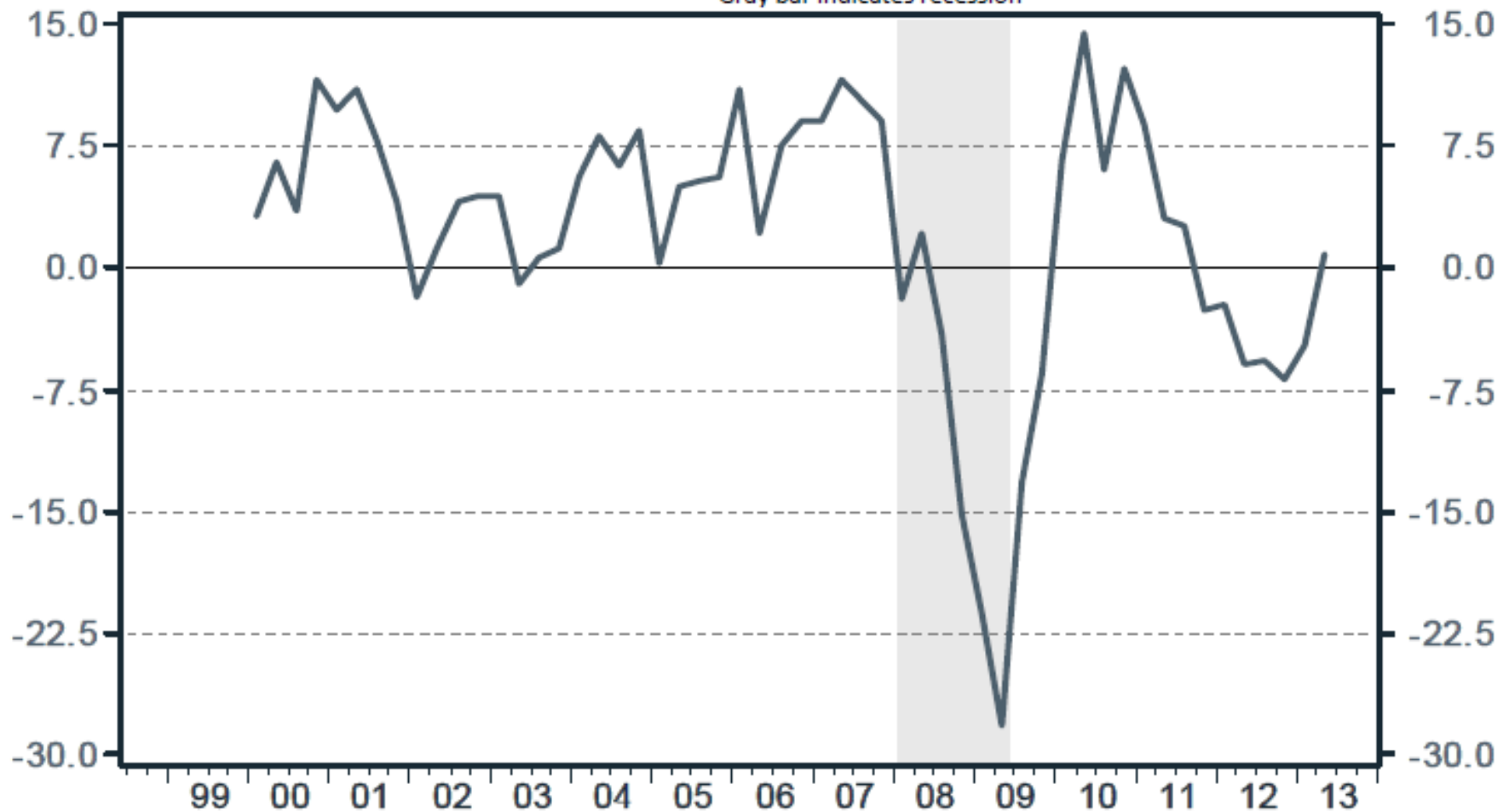


...Profit cycle is also improving.

Euro 17: Nonfin Corporations: Net Operating Income

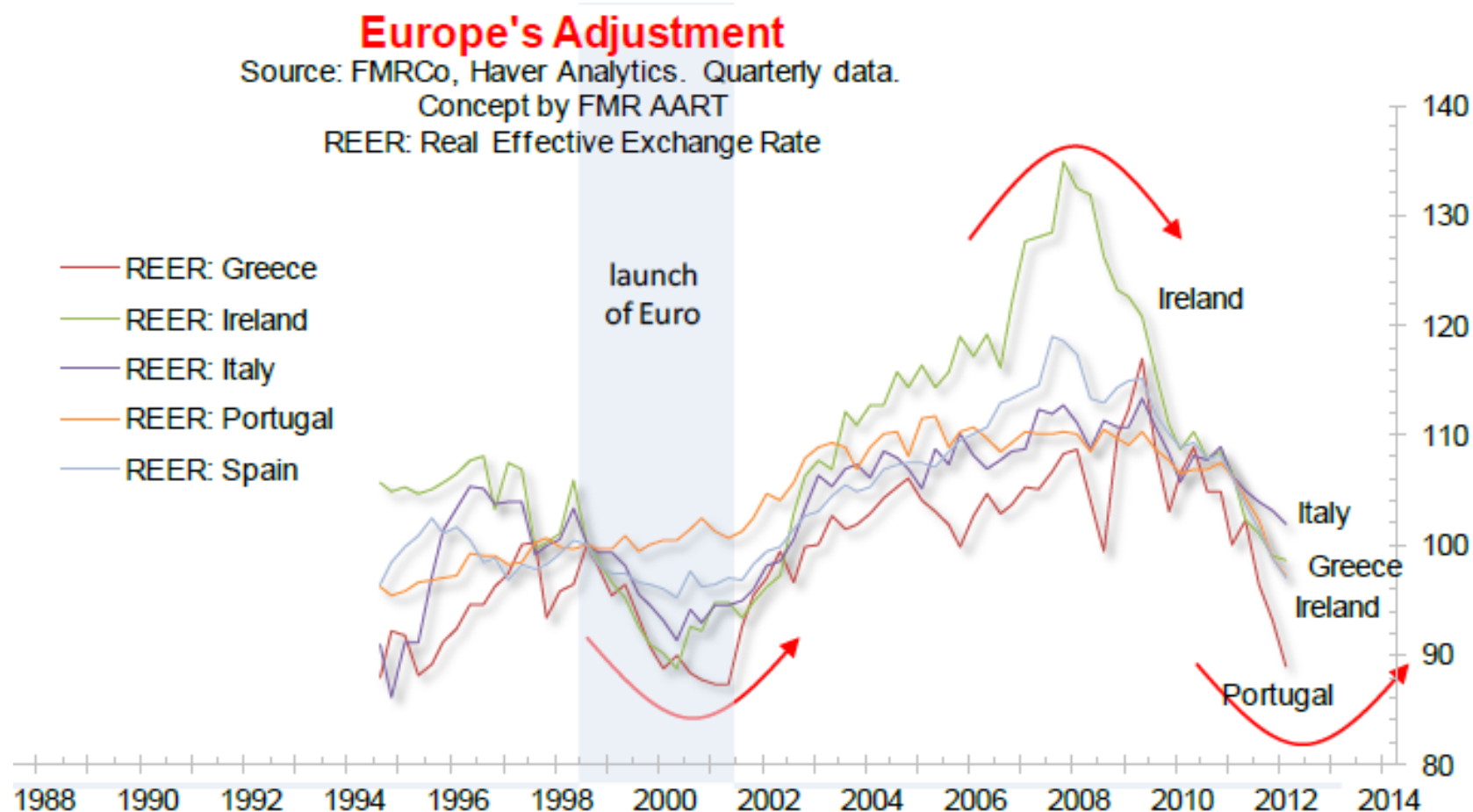
% Change - Year to Year NSA, Mil.EUR

Gray bar indicates recession



Adjustments to increase competitiveness of periphery countries are also well underway.

- Real effective exchange rates are trade-weighted averages of bilateral exchange rates adjusted by relative consumer prices.
- The rapid decrease in many countries' effective exchange rates suggests that adjustments are well underway in the periphery to make these countries more competitive.





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