The Endgame

Stan Druckenmiller

21st Annual Sohn Investment Conference
May 4, 2016
The best is behind us

Source: Haver
No more room to increase leverage

US Total Credit Market Debt % GDP

Source: Board of Governors of the Federal Reserve System
The Fed has borrowed from future consumption more than ever before

Deviations from standard Taylor Rules
And the peak in profits is past.
US Corporate debt was not used productively
Chinese “zombie lending” can’t stop
Without Chinese restructuring, the engine of global investment will not return.
“Dangerous Inaction” ??

Japan’s Fiscal and Monetary Balance sheets
Policymakers have no endgame, markets do.