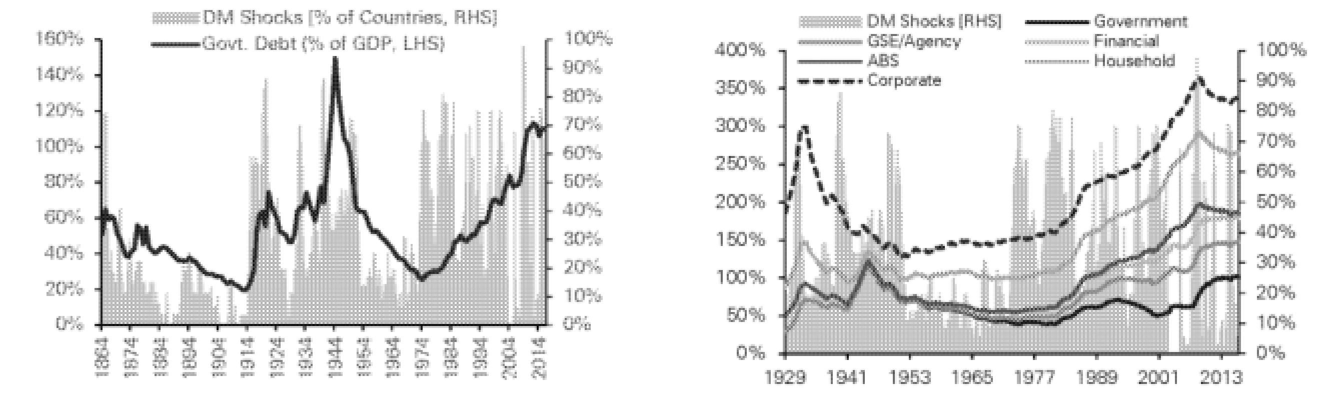
- Having said that, crises tend to have a large element of unpredictability. If they didn't then surely more would predict their imminent arrival. So while we highlight a lot of the main global vulnerabilities in this report, history would tell us that there is still a chance that when the next crisis comes its origin will take us by surprise to a certain degree. As will its timing. In the remainder of this executive summary we highlight the conditions that have encouraged crises through history and the main areas of worry as to why we may be vulnerable for another financial crisis relatively soon.
- Periods with a higher number of crises/shocks coincide with higher levels of debt….

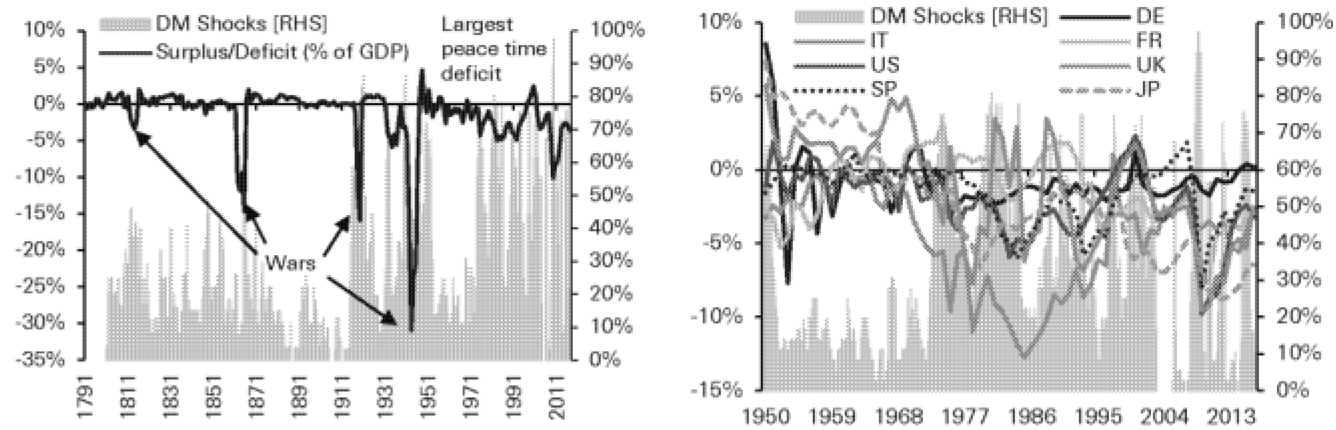
Figure 2: G7 Government Debt to GDP (left) and US Total Debt to GDP by sector (cumulatively stacked, right) – both graphs with DM Financial Shocks (% of countries) on RHS axis



Source: Deutsche Bank, Global Financial Data, Haver
Note: US Debt to GDP data is cumulative (corporate debt to GDP corresponds to total debt to GDP)

- …and with it higher budget deficits. G7 Government Debt was only previously higher with impact of WWII and before the early 1970s, persistent budget deficits only really existed in war time. Now a permanent feature.

Figure 3: US Budget Surplus/Deficit (% of GDP, left) and global budget deficits (% of GDP, right) – both graphs with DM Financial Shocks (% of countries) on RHS axis



Source: Deutsche Bank, Global Financial Data, Haver

- We think the final break with precious metal currency systems from the early 1970s (after centuries of adhering to such regimes) and to a fiat currency world has encouraged budget deficits, rising debts, huge credit creation, ultra loose monetary policy, global build-up of imbalances, financial deregulation and more unstable markets.