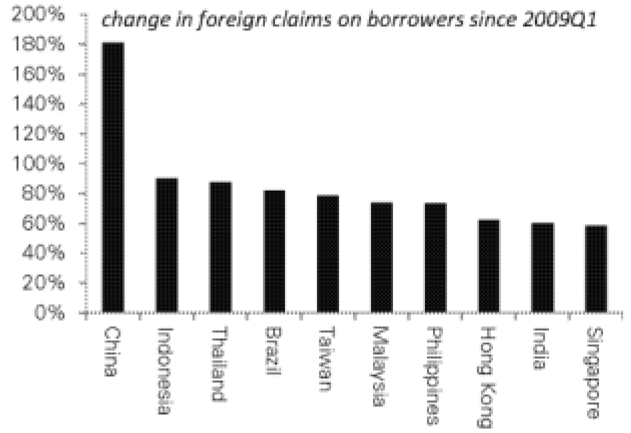
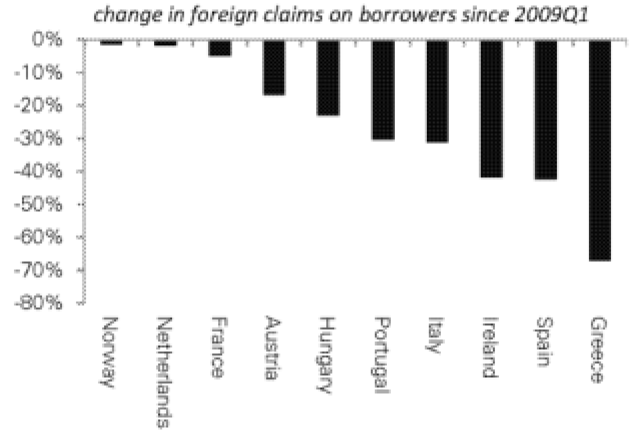
Figure 13: Top Ten Change In Cross-Border Bank Lending



Source: Deutsche Bank, BIS. I exclude countries that do not have liquid currencies

Figure 14: Bottom Ten Change In Cross-Border Lending

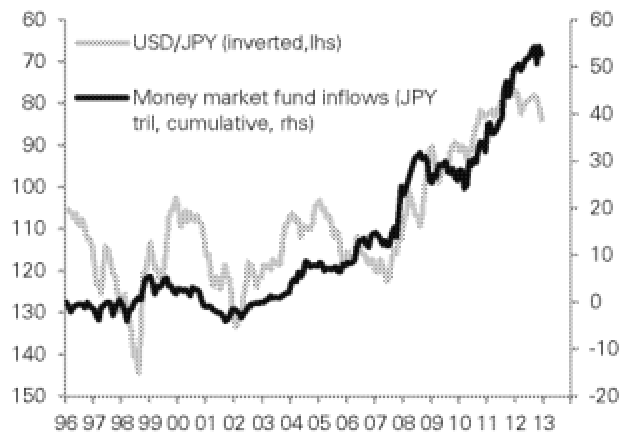


Source: Deutsche Bank, BIS

excess liquidity. The investment rate in China has grown annually since 2008, and is currently the second highest in the world, after the tiny African island nation of Sao Tome and Principe. This investment has been funded by non-traditional credit expansion (see Figure 11. Moreover, when looking at cross-border bank lending since 2008, the most rapid growth in the world has been to Chinese borrowers (see Figure 12). After that, other Asian countries and Brazil have seen the biggest increase in borrowing (see Figure 13). The biggest drops have been seen to European borrowers (see Figure 14). Other markets that have benefited from easy G3 liquidity and Chinese growth has been EM local bonds, "safe-haven" markets such as Japan (see Figure 15) and property in prime locations around the world, like central London (see Figure 16).

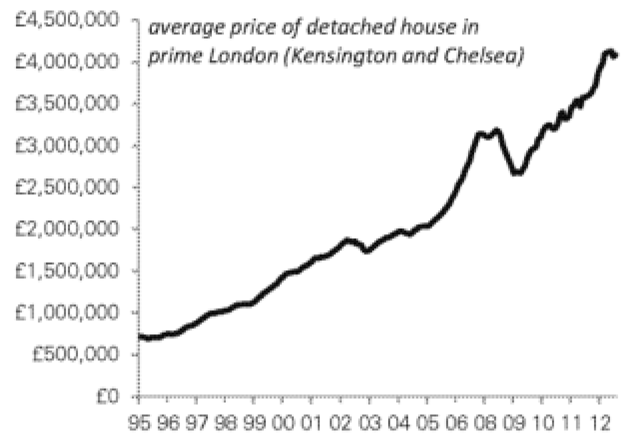
A new market regime would therefore likely see a reversal of many of these trends or at the very least a moderation in their pace. From a currency perspective, it adds to the case that Asia-Pac currencies, such as SGD and AUD, have likely seen their peak against the dollar, with risks skewed to the downside.

Figure 15: Surge In Foreign Buying Of Japanese Funds



Source: Deutsche Bank, EcoWin

Figure 16: Prime London Has Benefited From Post-2008 Regime



Source: Deutsche Bank, UK Land Registry