

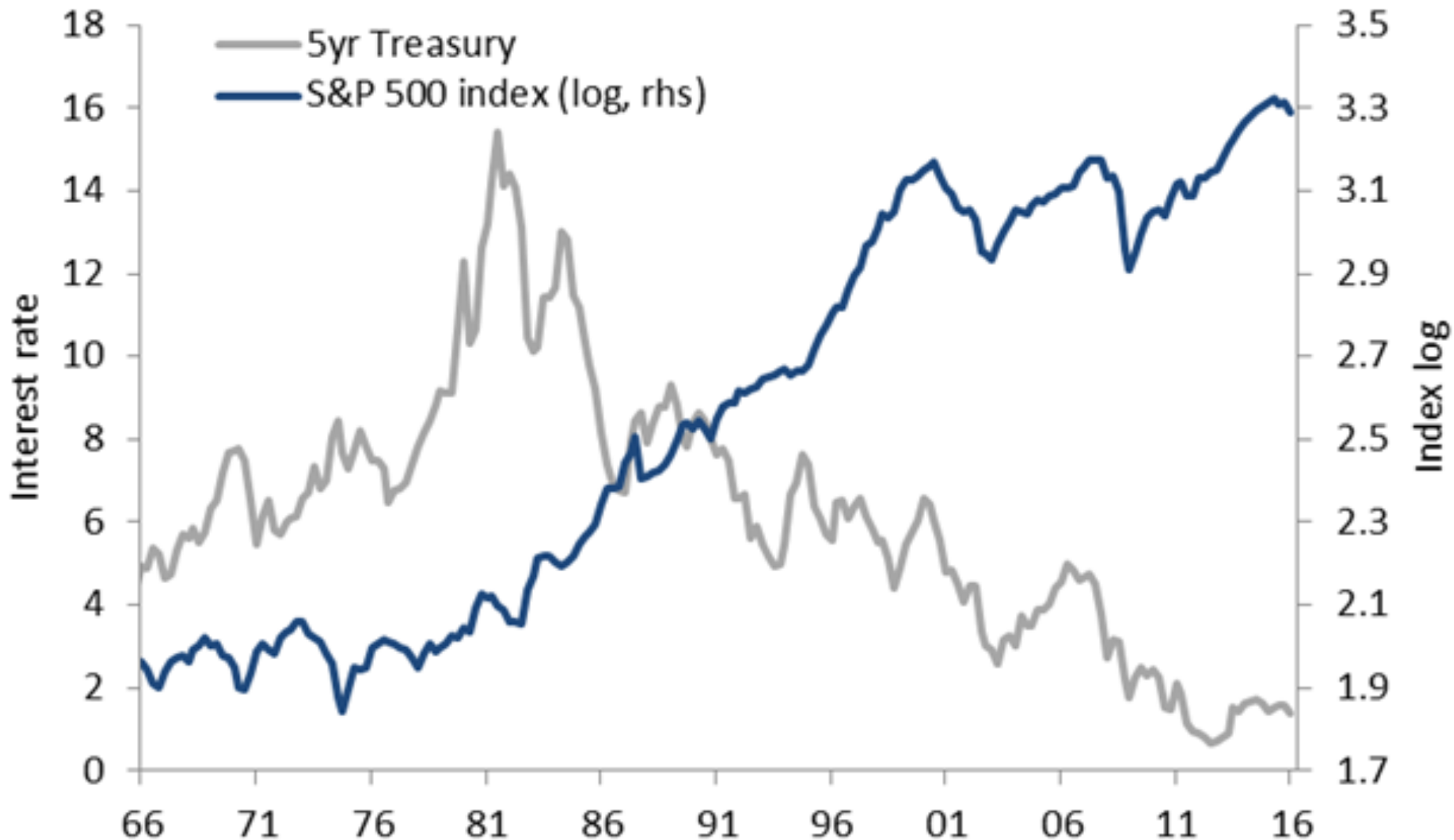
# ***The Endgame***

Stan Druckenmiller

***21<sup>st</sup> Annual Sohn Investment Conference***

May 4, 2016

# The best is behind us



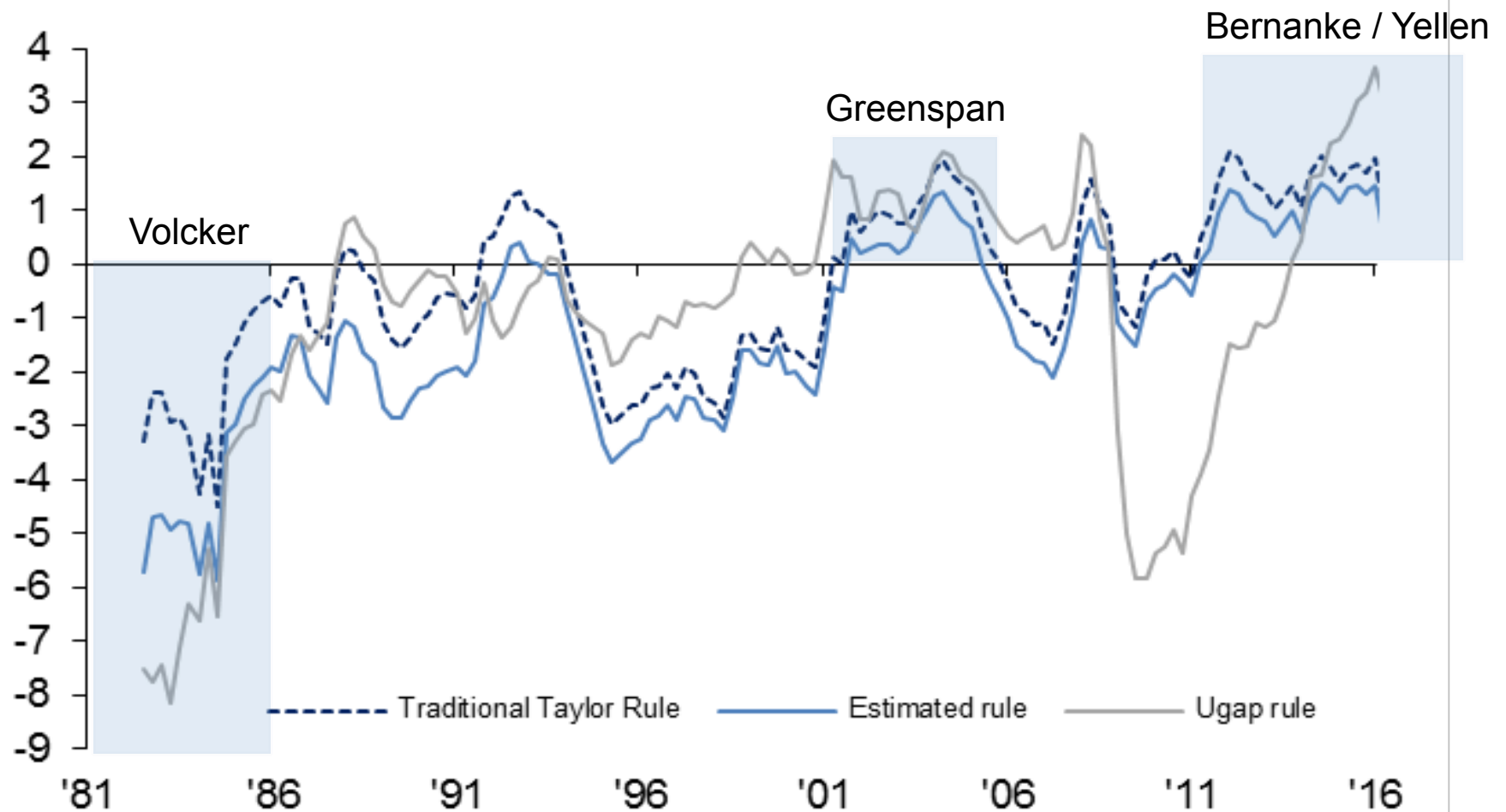
# No more room to increase leverage



Source: Board of Governors of the Federal Reserve System

# The Fed has borrowed from future consumption more than ever before

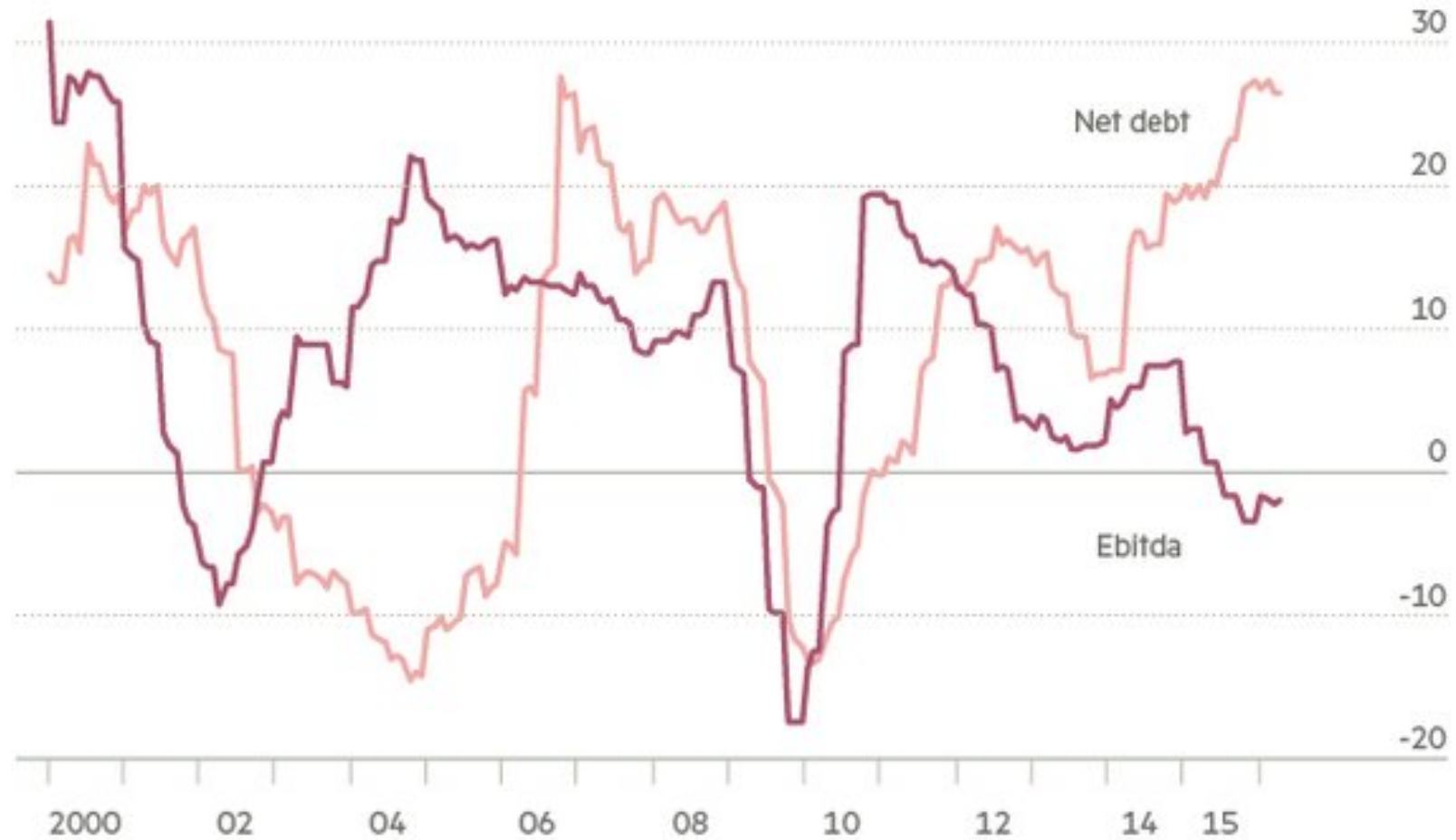
Deviations from standard Taylor Rules



# And the peak in profits is past.

## US non-financials

Year-on-year change in net debt versus operating cash flow (%)

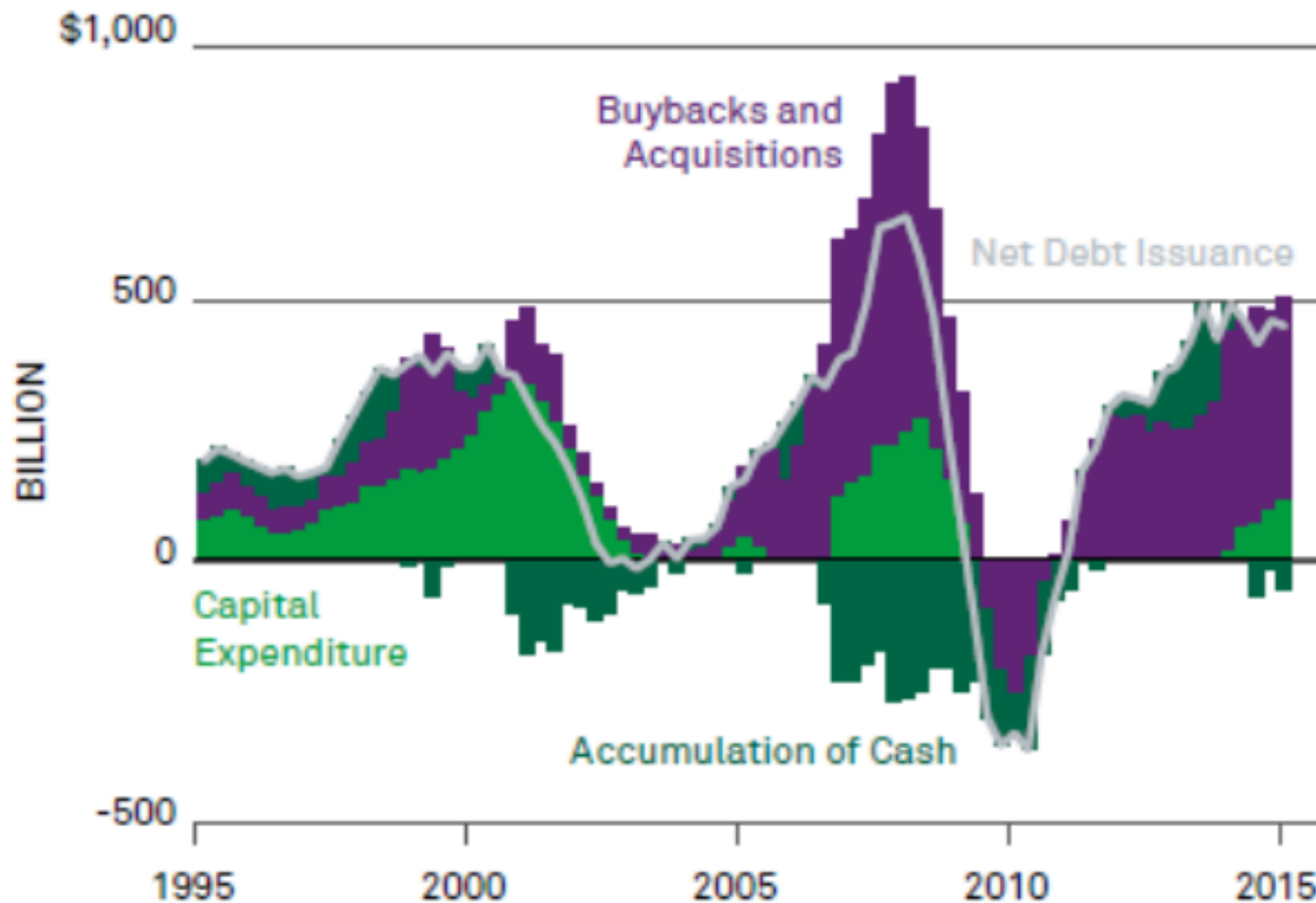


Source: Société Générale

FT

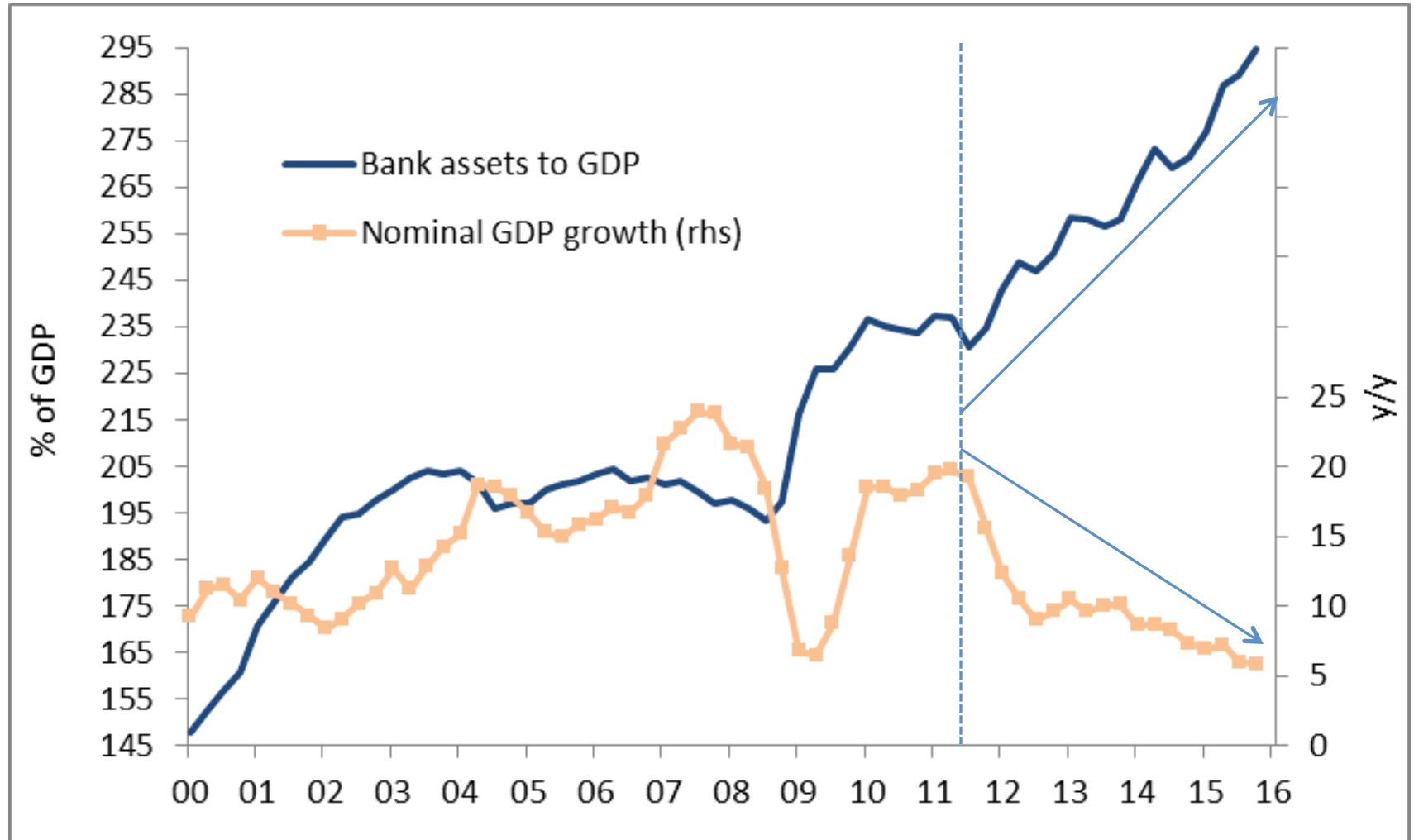
# US Corporate debt was not used productively

## U.S. Nonfinancial Firms Use of Debt, 1995-2015

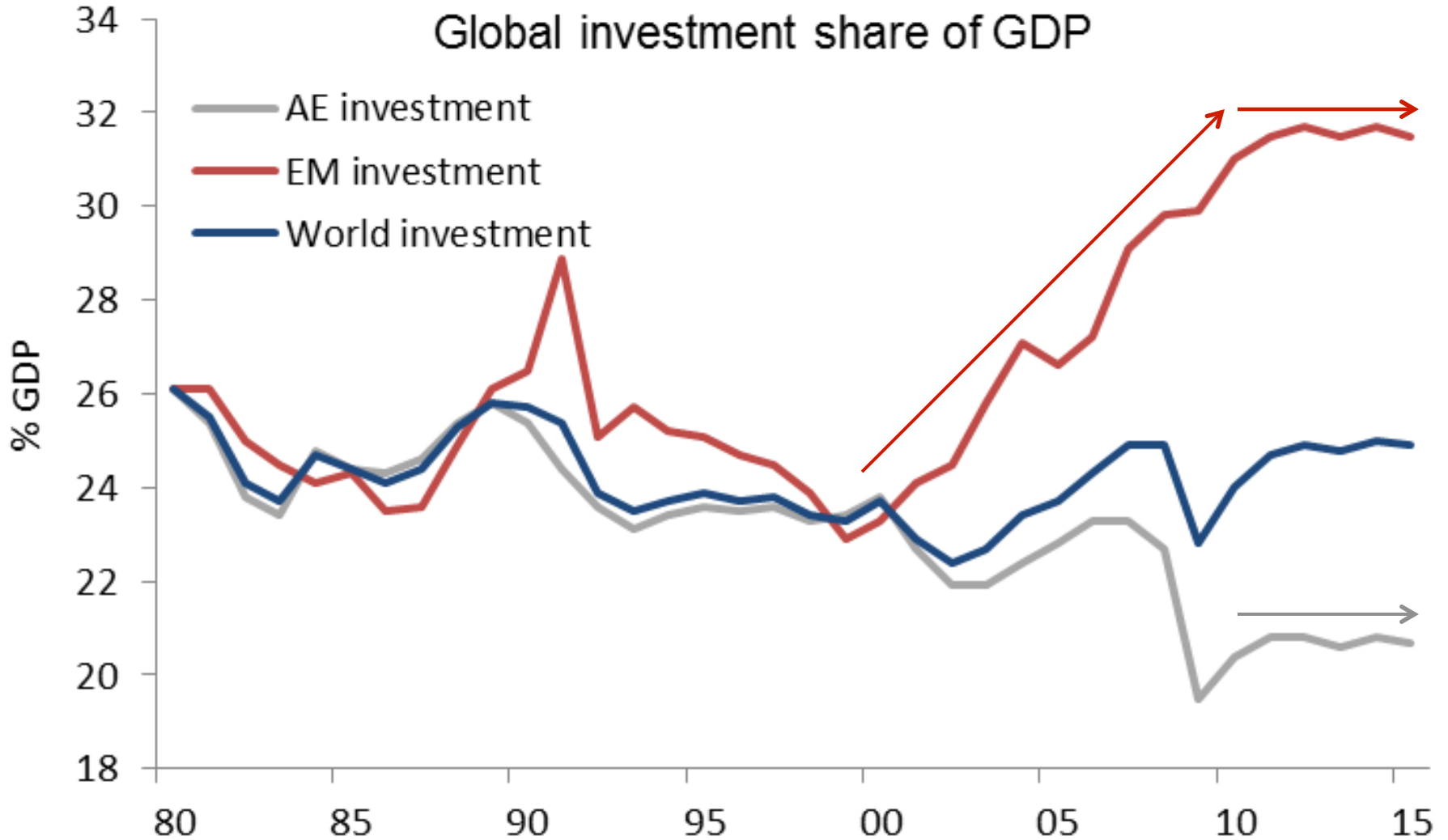


Sources: BlackRock Investment Institute, Federal Reserve and IMF.

# Chinese “zombie lending” can’t stop

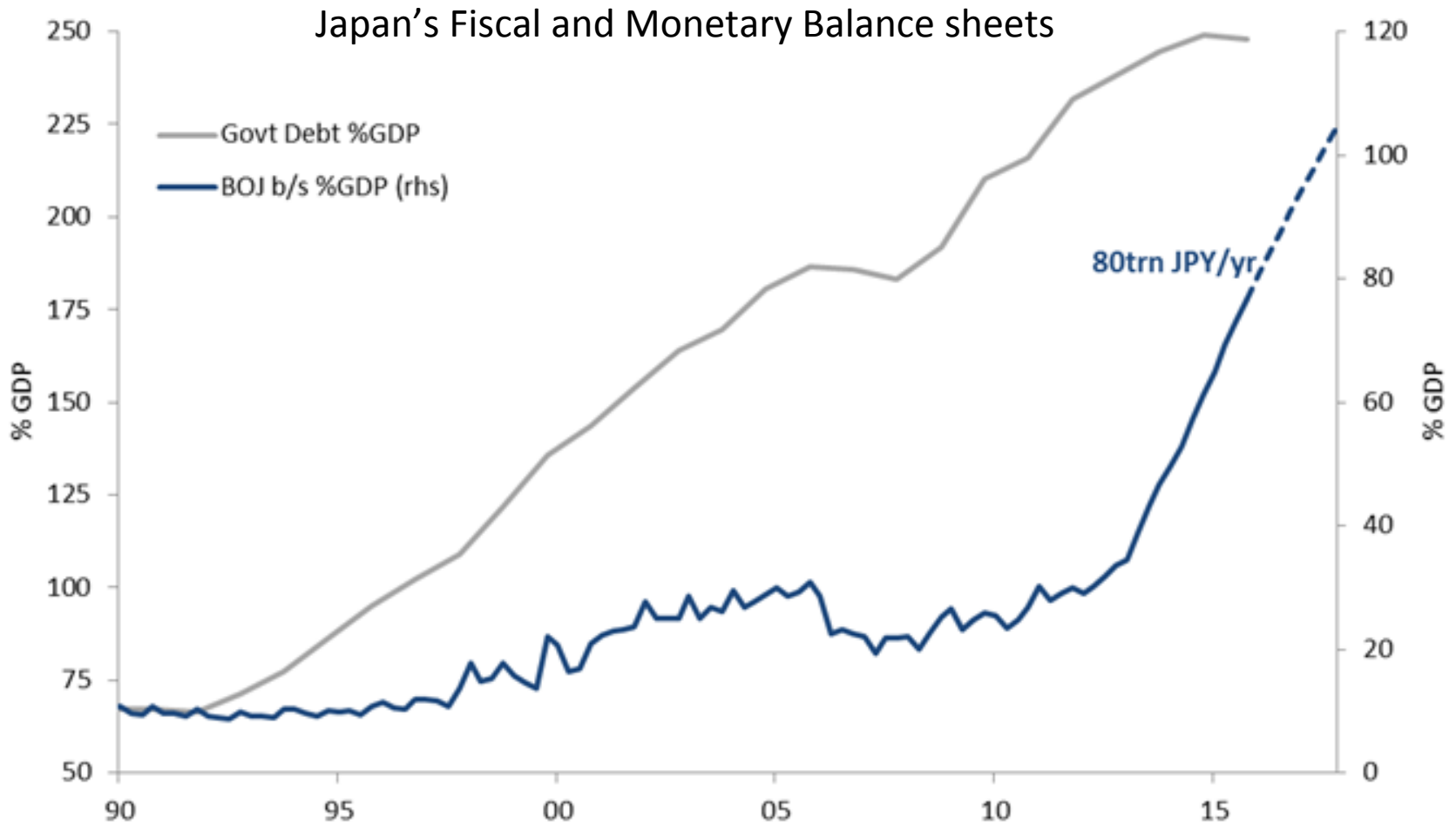


# Without Chinese restructuring, the engine of global investment will not return





# “Dangerous Inaction” ??



Policymakers have no  
 endgame, markets do.