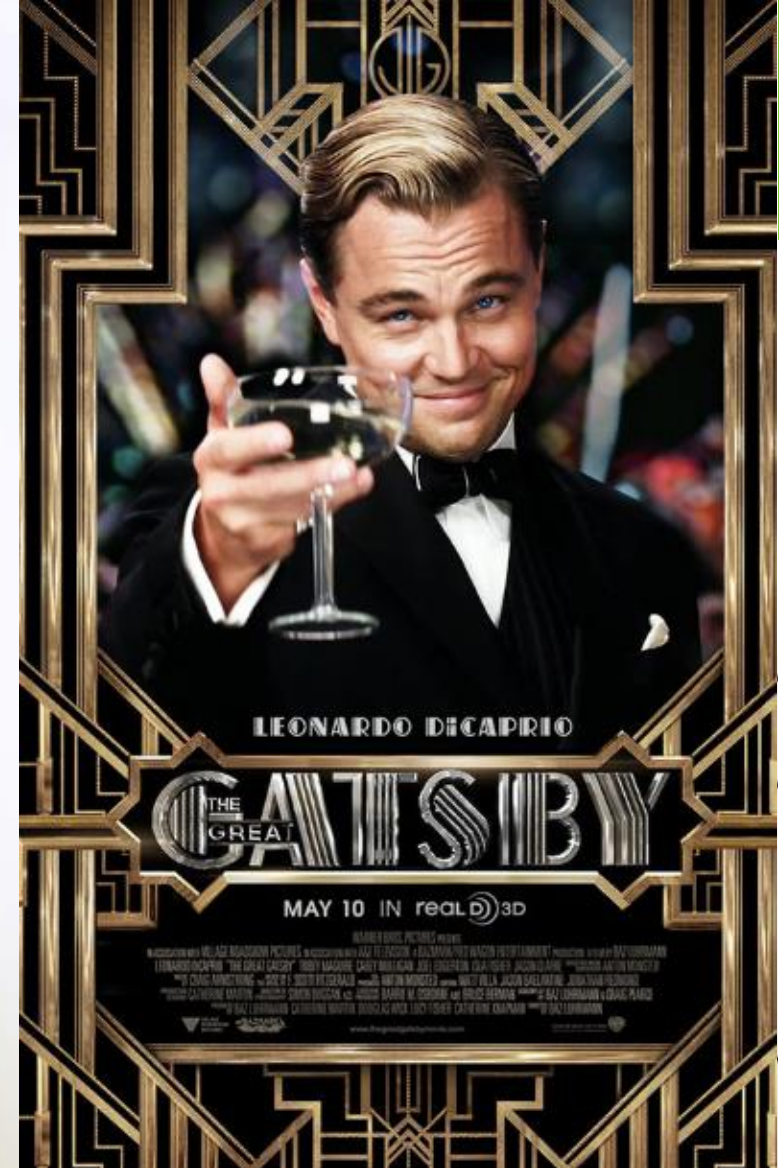


When, how and where
the next crisis will start?

Kārlis Danēvičs,
SEB banka, CRO



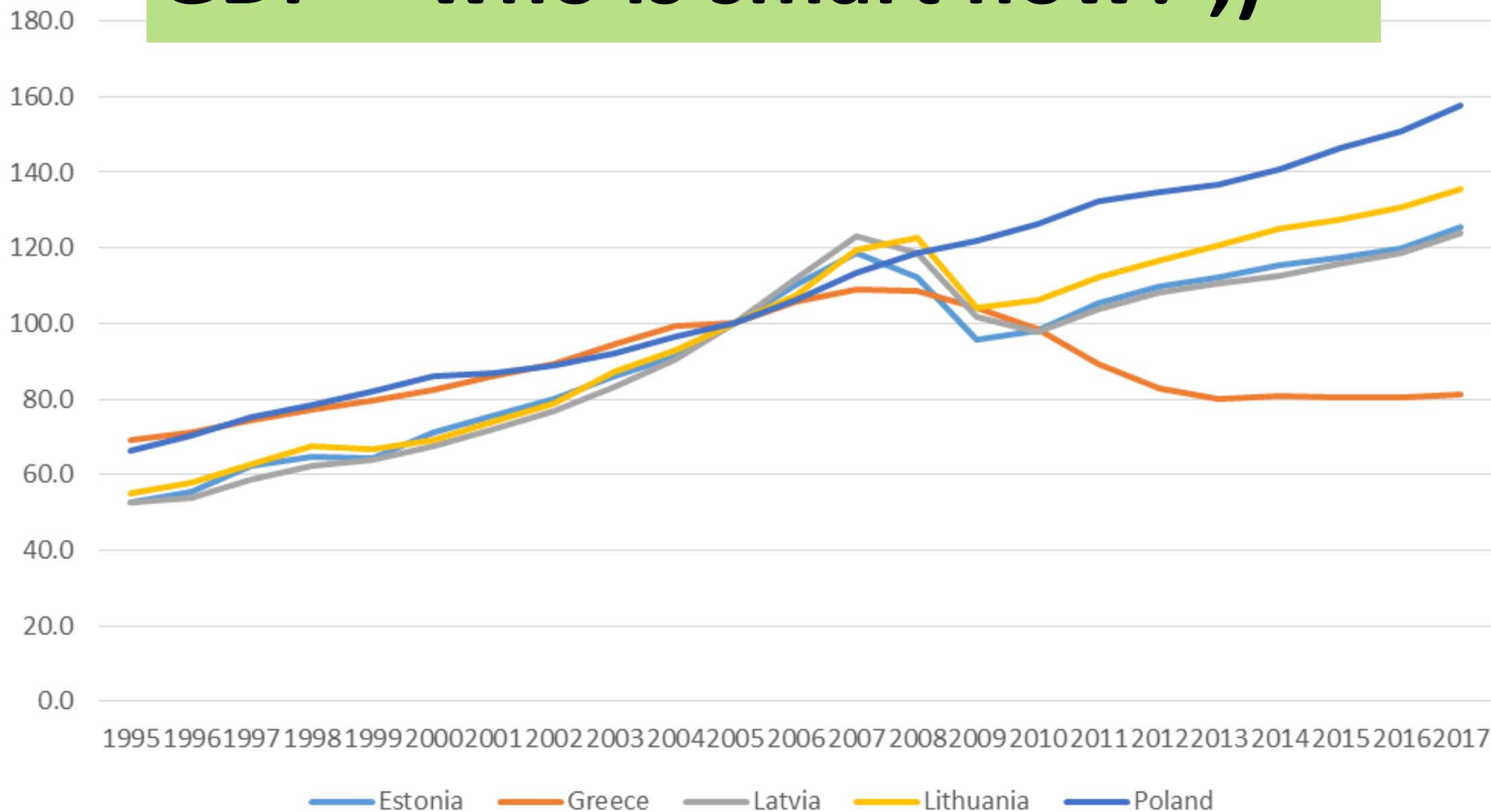
Bears sound smart,
but it is bulls that
make all the
money



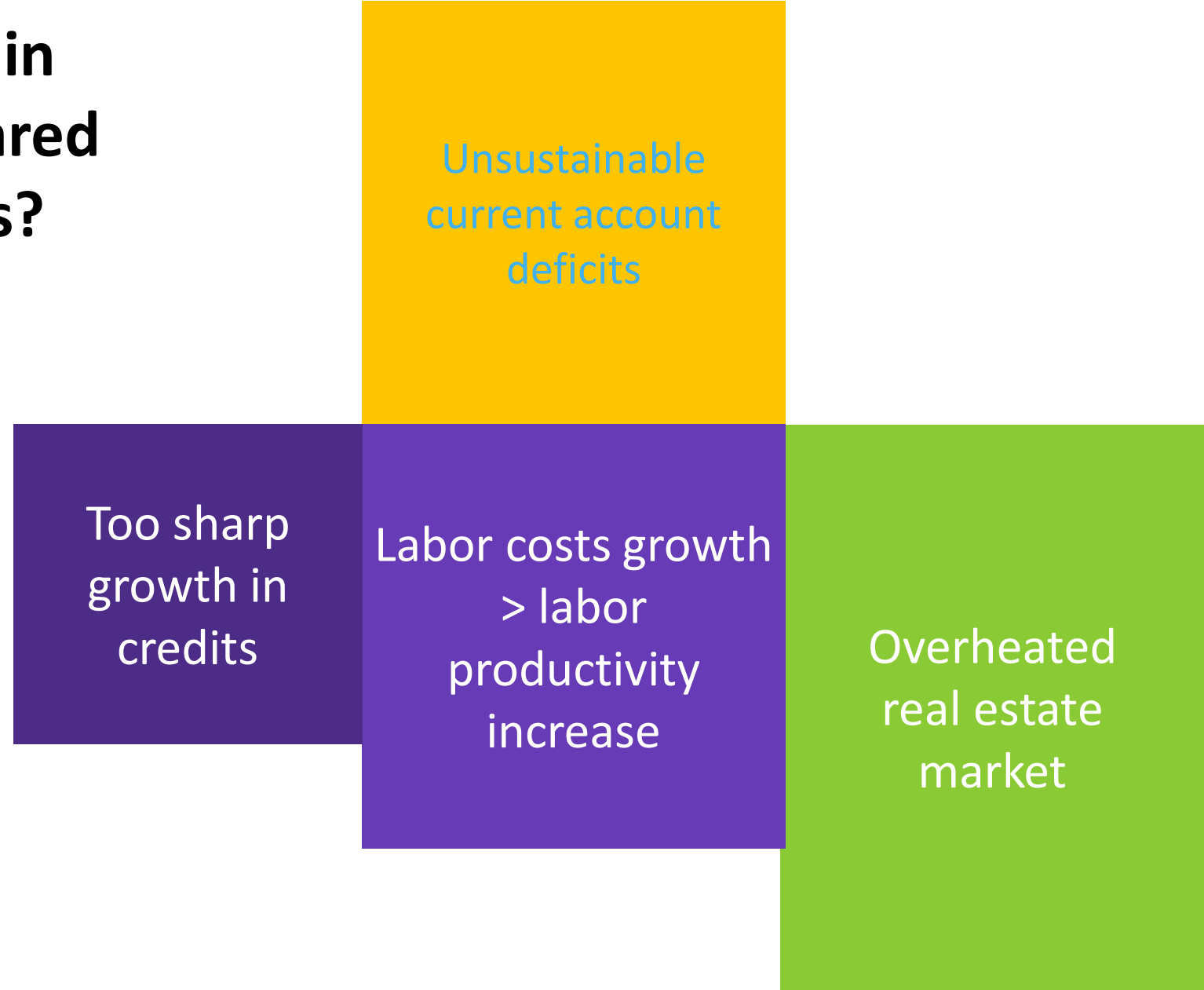
The brightest flame burns quickest



GDP – who is smart now? ;)



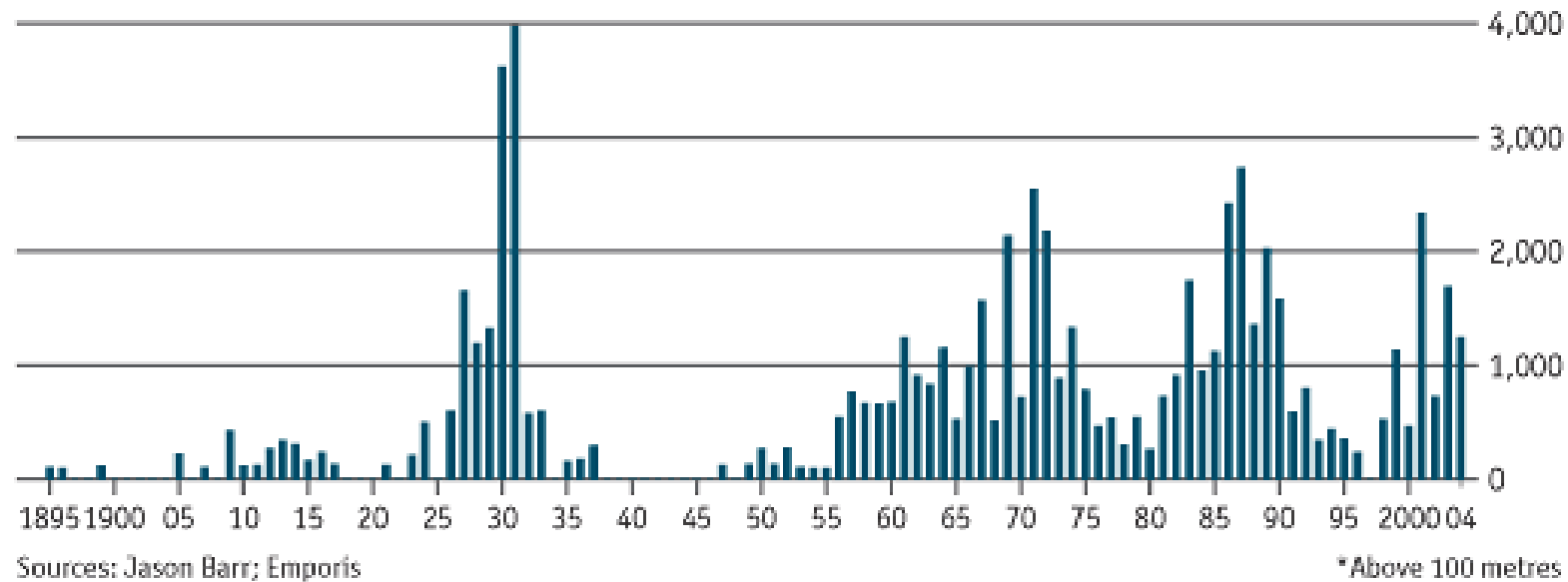
Which factors led to the deeper crises in 2008-2009 compared to other countries?



NYC – bubble trouble

Creative construction

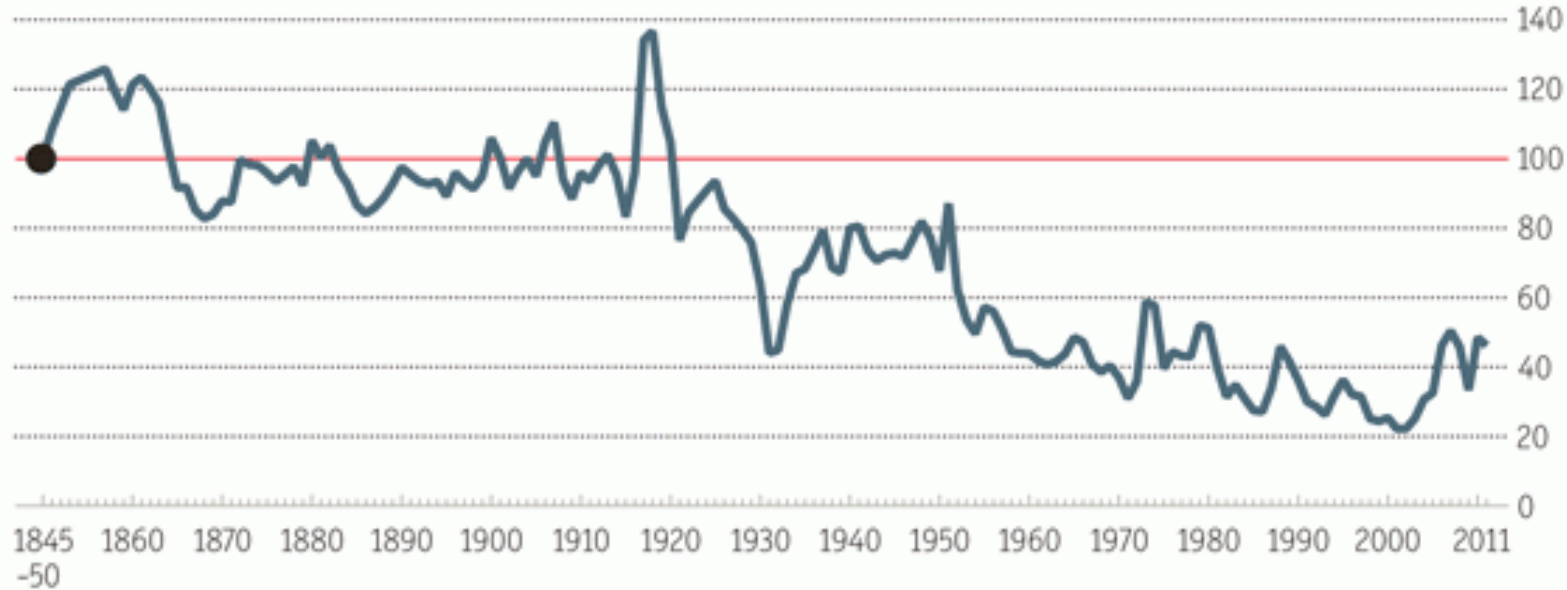
Total height of newly-built skyscrapers* in New York City, metres



Prices of commodities

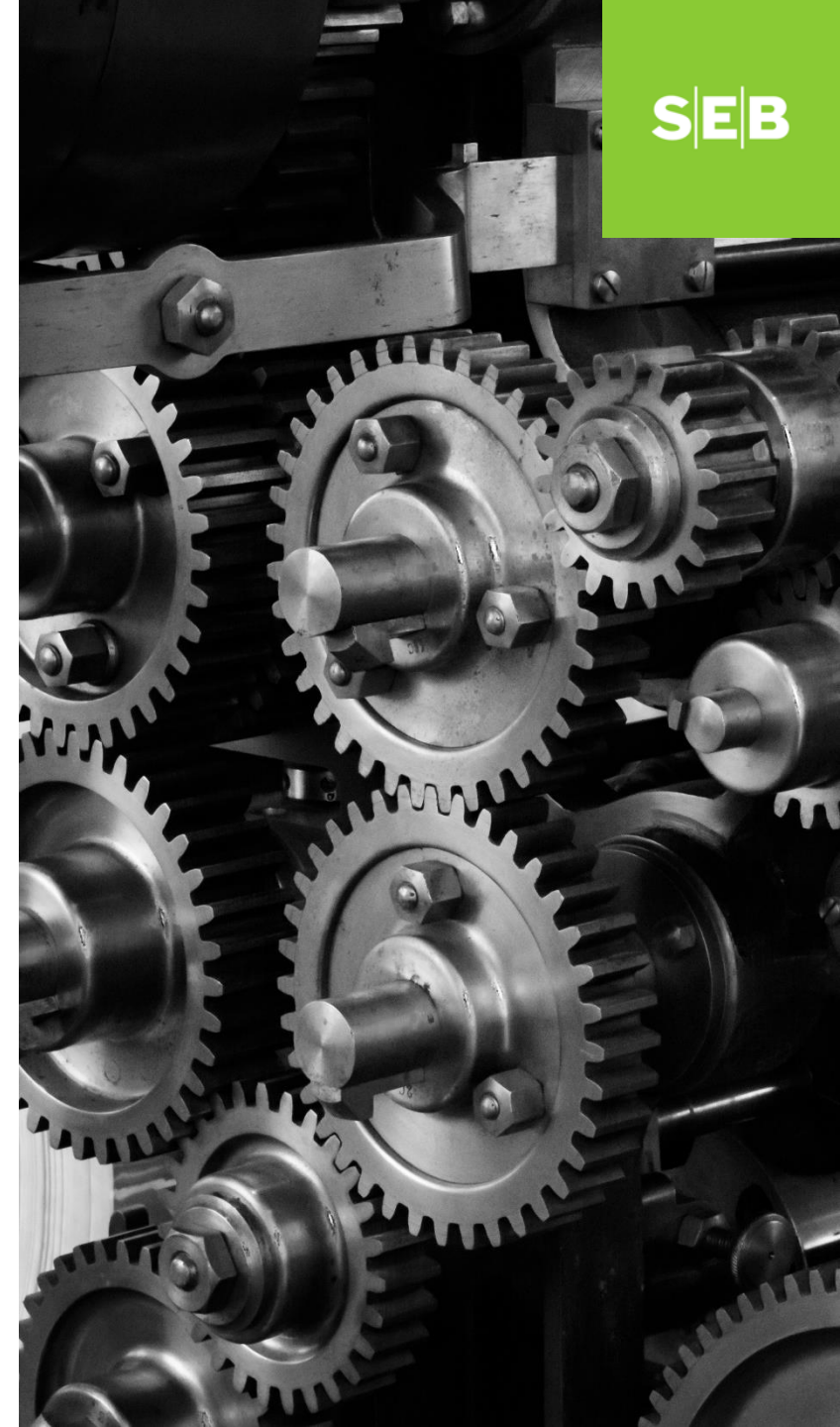
Metal detector

The Economist industrial commodity-price index, real* \$ terms, 1845-50=100



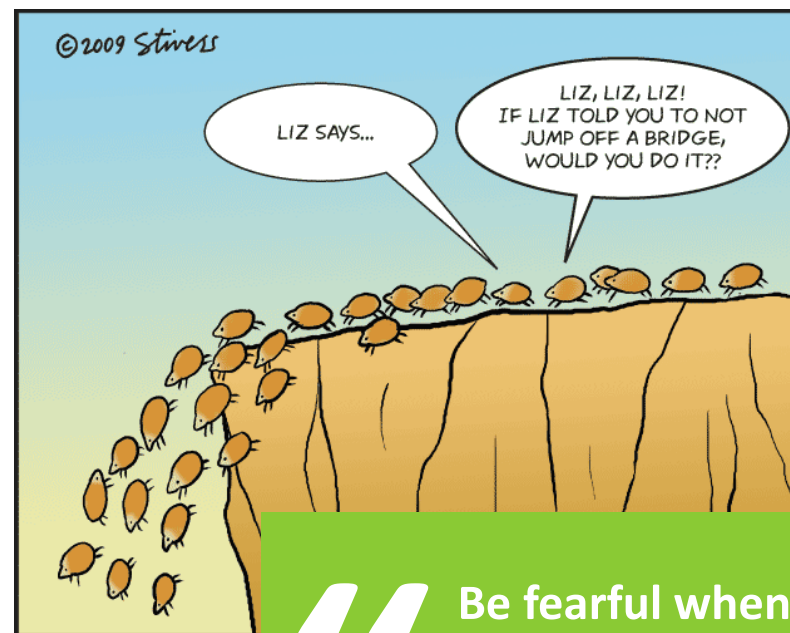
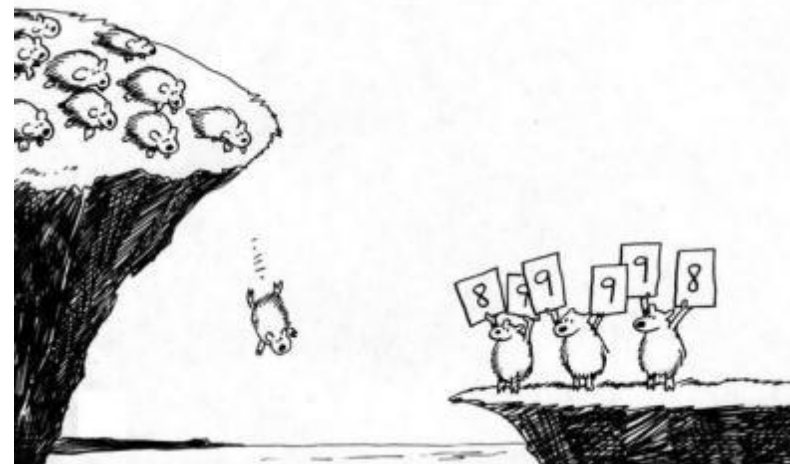
Sources: *The Economist*; Thomson Reuters

*Adjusted by US GDP deflator



Spot lemmings...

Wikipedia: “Lemmings can swim and may choose to cross a body of water in search of a new habitat. In such cases, many may drown if the body of water is so wide as to stretch their physical capability to the limit. Because of their association with this odd behavior, lemming suicide is a frequently used metaphor in reference to **people who go along unquestioningly with popular opinion, with potentially dangerous or fatal consequences.**”



Be fearful when others are brave
and be brave when others are
fearful.

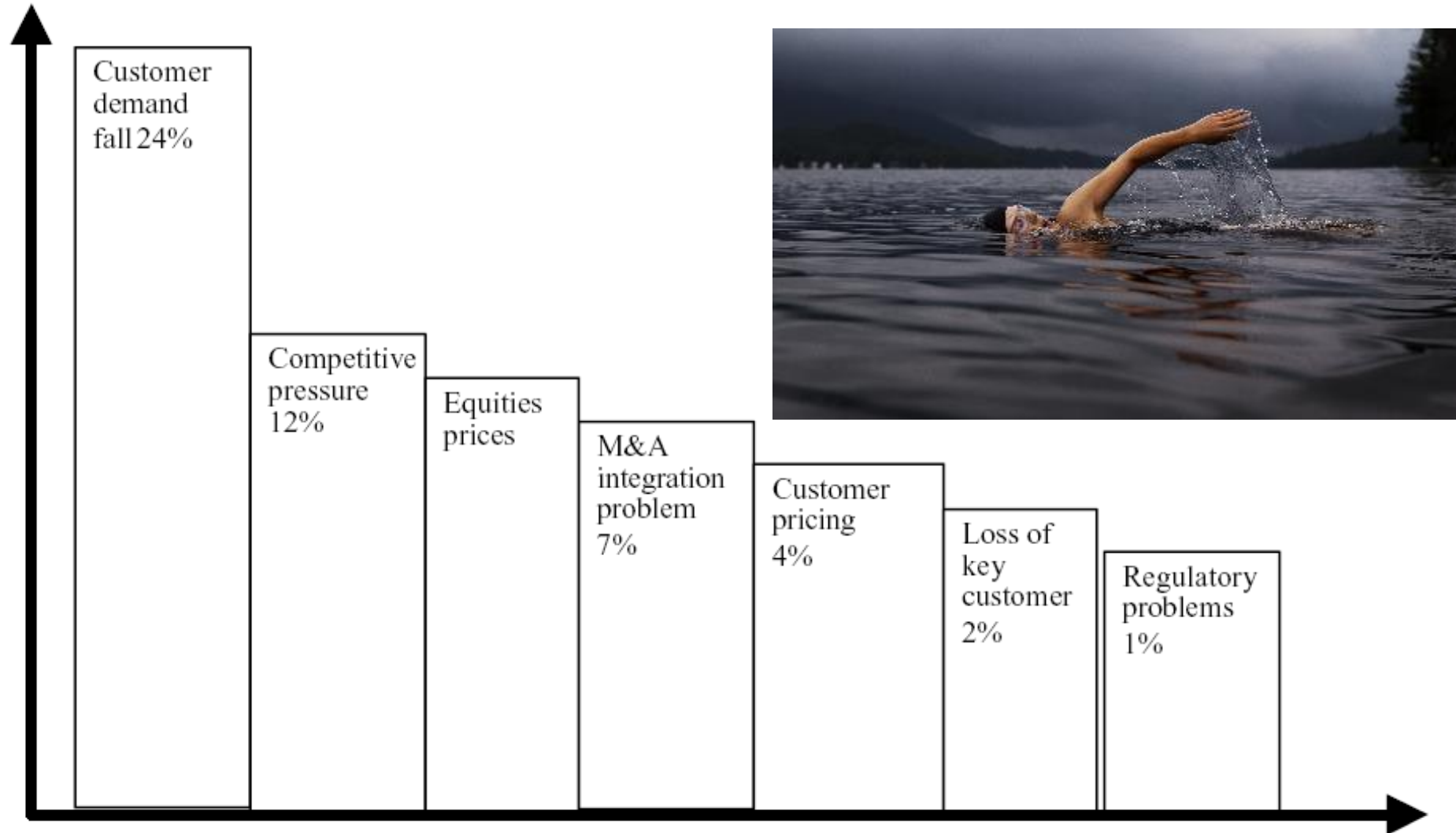
Warren Buffet

The most common and the biggest mistake in destroying wealth!!!

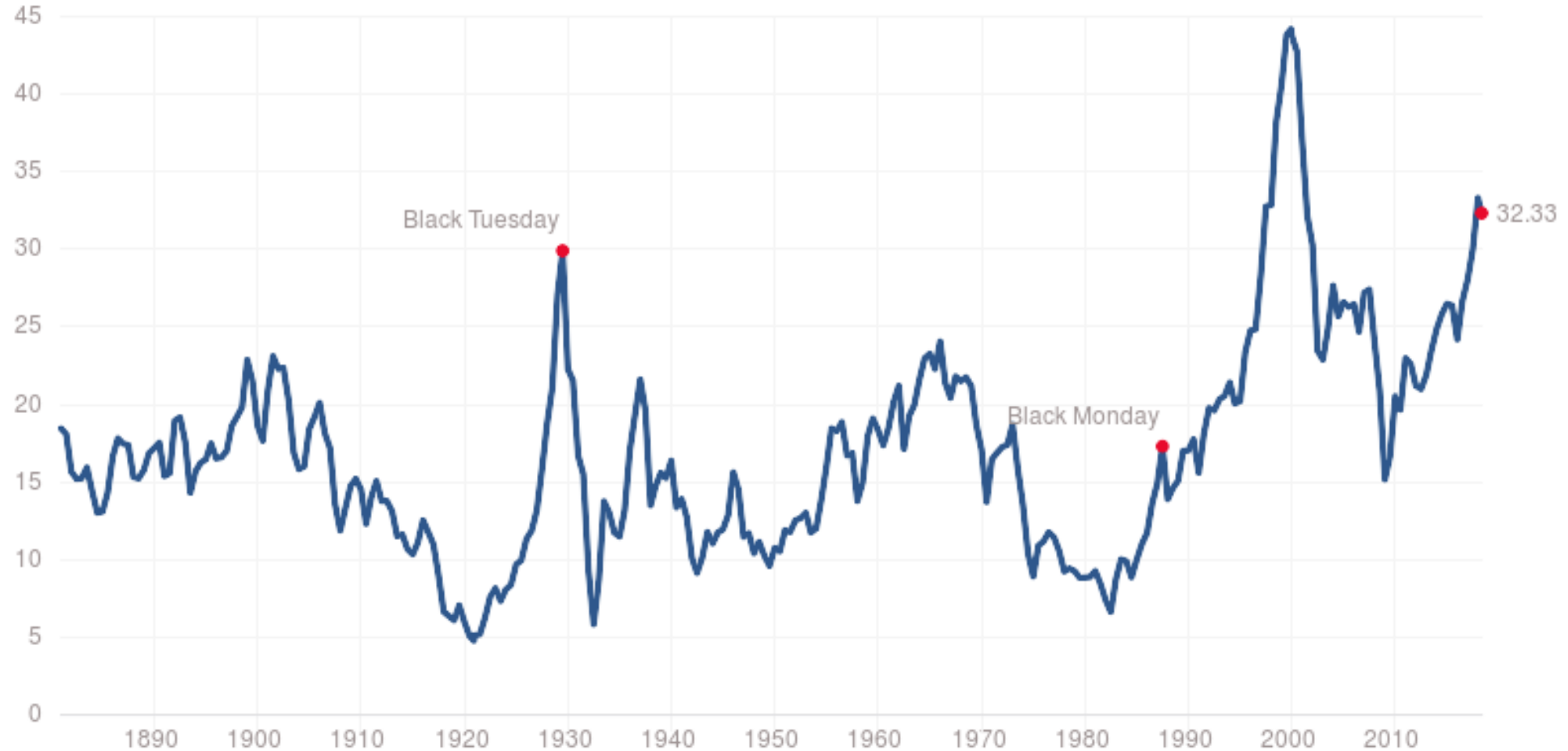
- ***“The four most expensive words in the English language are, ‘This time it's different.’ “***



Primary cause of decrease in company's value (Fortune 1'000)



P/E – R. Shiller, Yale University



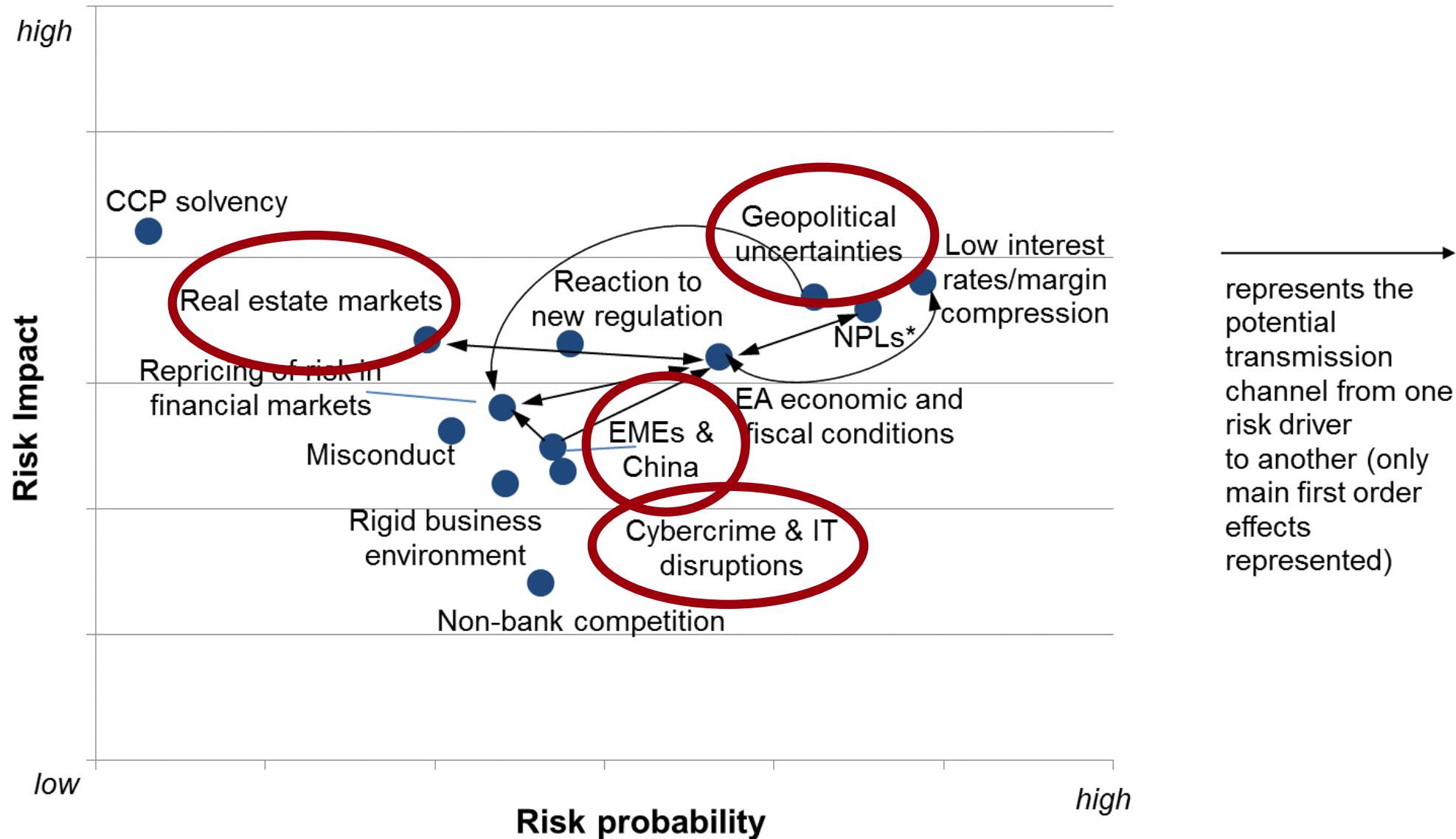
Jamie Dimon



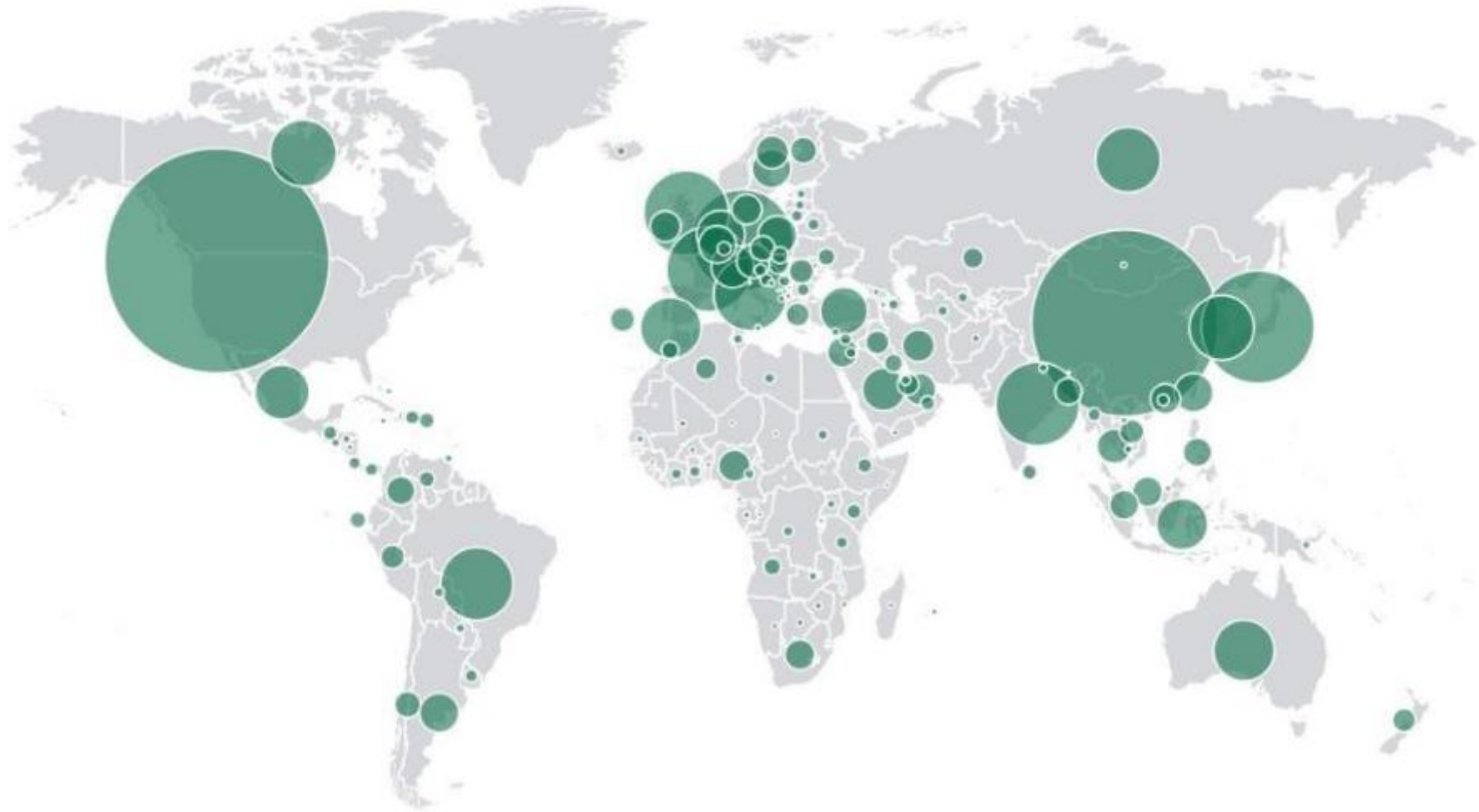
«Every 5-year period
something really nasty
happens.»

PS: If it has not happened in
5 years, then it will be even
worse.

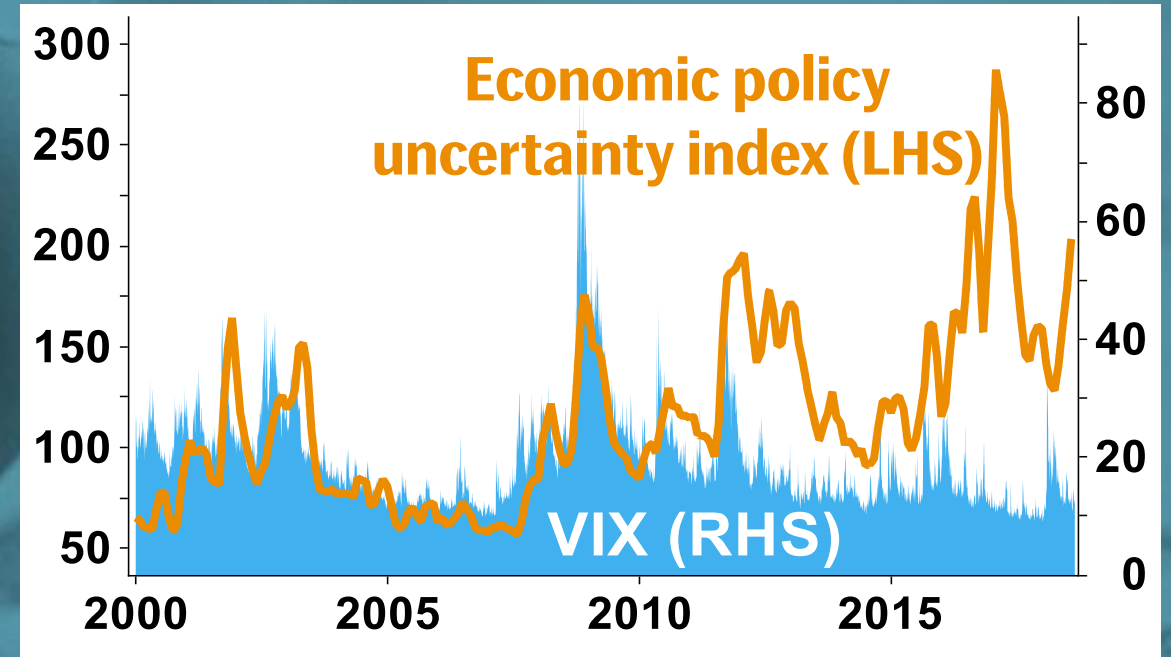
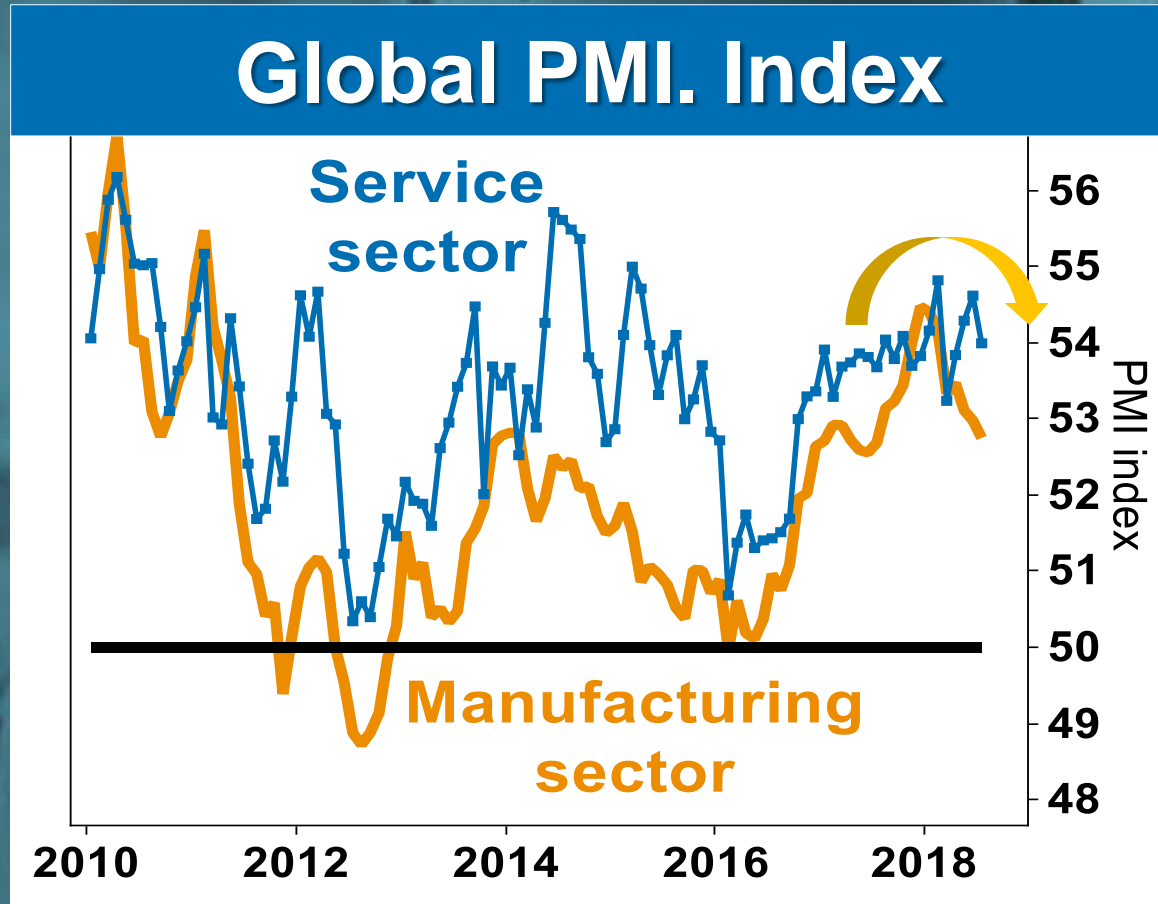
European Central Bank – risk map



The real map – size matters



Globally: Economic cycle has passed its peak



GDP	2017	2018	2019	2020
%	3.8	4.0	3.9	3.8

Emerging markets: Good times, but rising risk

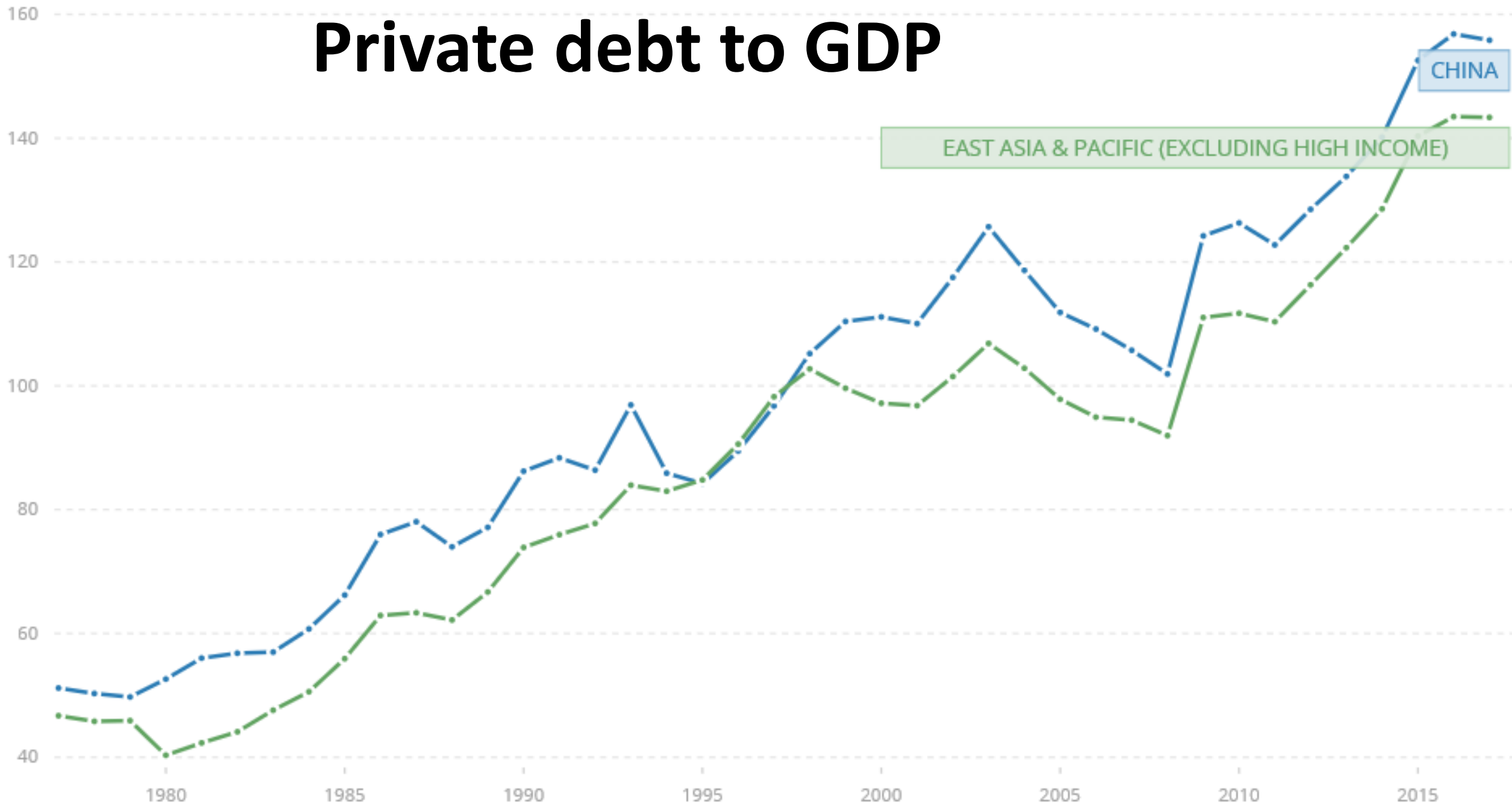
Trade war, Chinese deceleration and stronger USD

GDP, %	2017	2018	2019	2020
Brazil	1.0	1.5	2.9	3.0
Russia	1.5	1.7	1.7	2.0
India	6.4	7.5	7.8	7.8
China	6.9	6.6	6.3	6.0
EM total	4.8	5.1	5.1	5.1

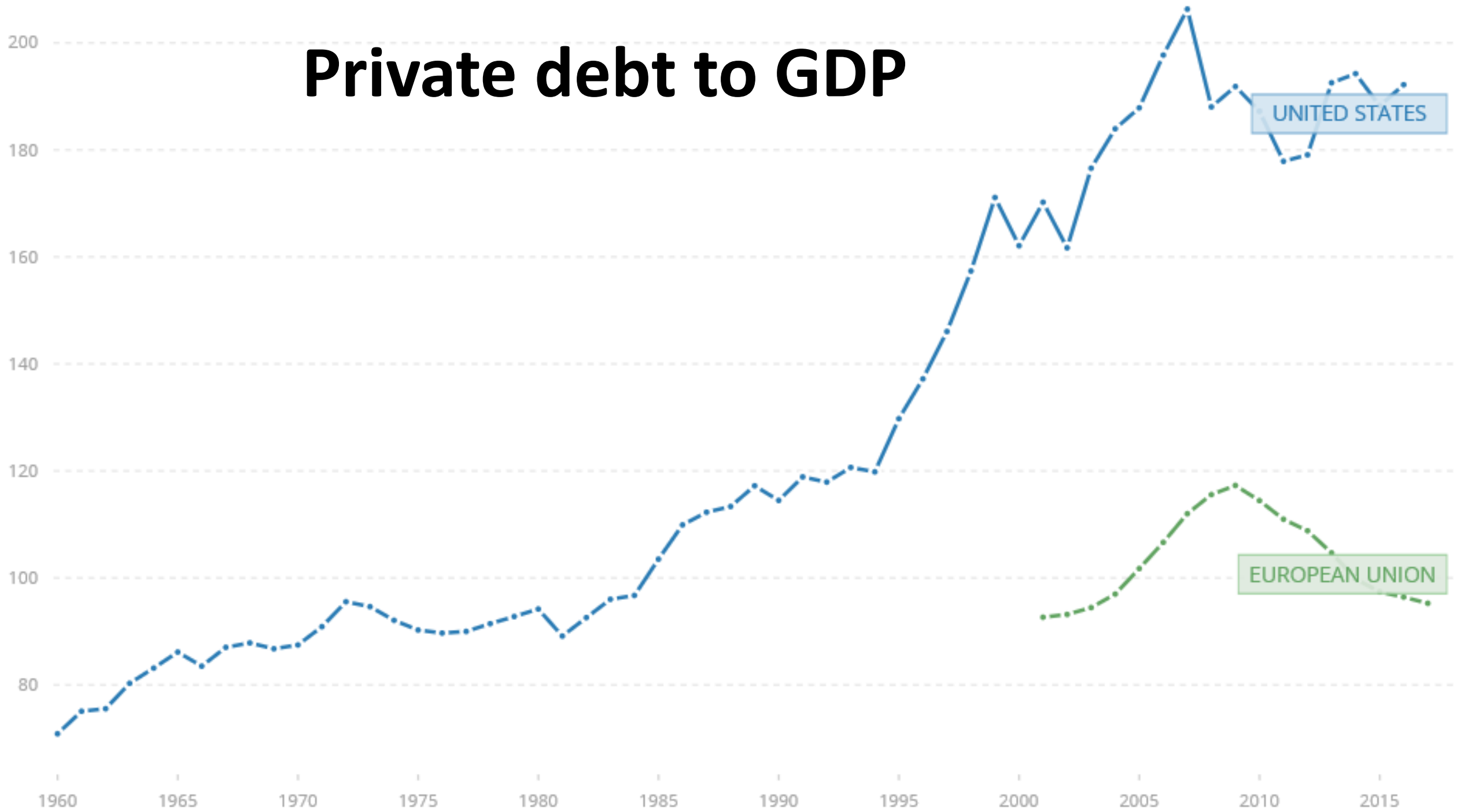
Oil prices	2017	2018	2019	2020
Brent, \$	55	73	85	85

- **Brazil**: Hoping for reforms after October election
- **Russia**: Weak recovery & sanction threats depress RUB
- **India**: Accelerating growth, but weakened rupee
- **China**: Growth prioritised over deleveraging & environment

Private debt to GDP



Private debt to GDP





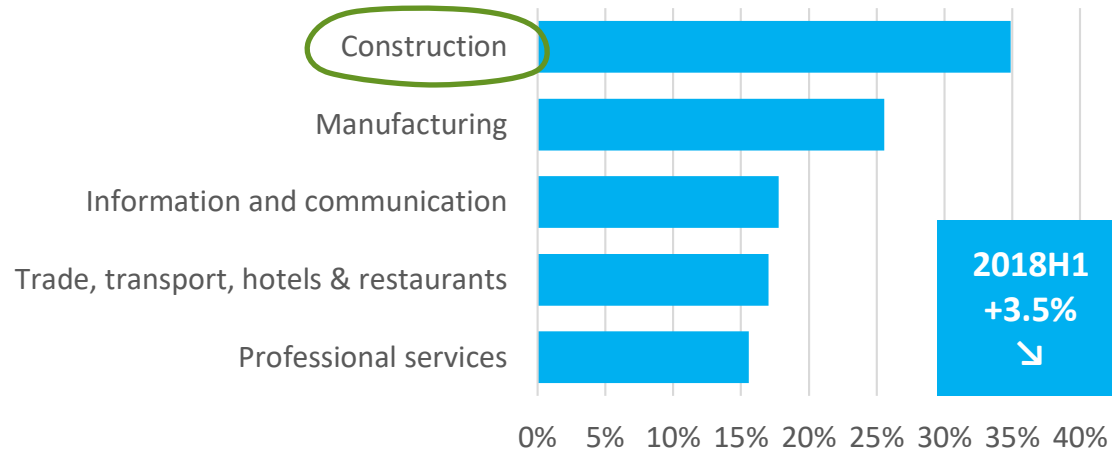
«Never underestimate the power of stupid people in large groups»



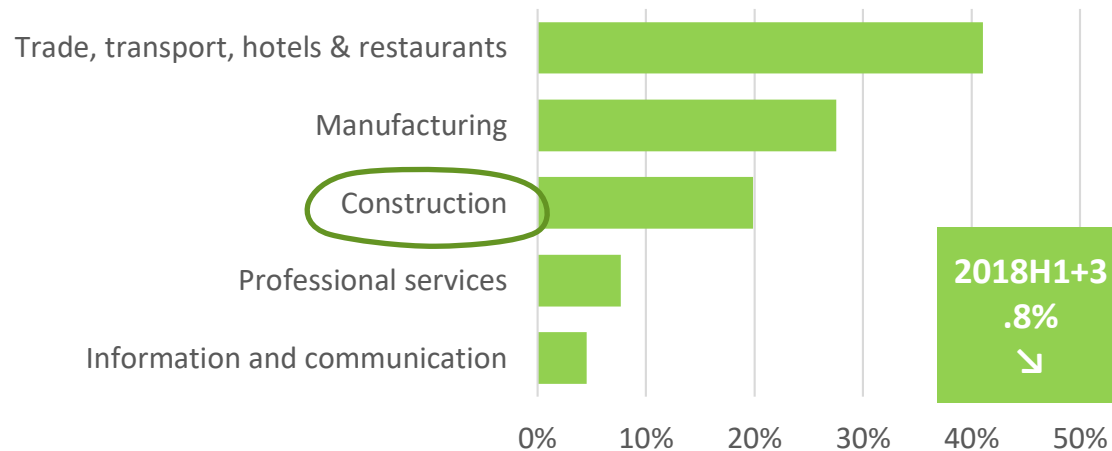
What is driving the GDP growth?

Sector's contribution to the total growth of value added in H1 2018, %.

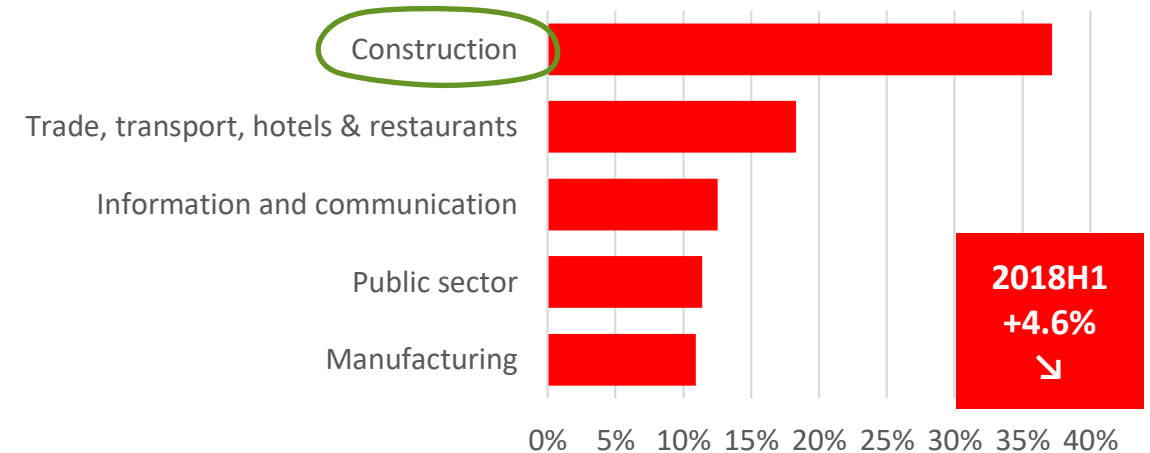
Estonia



Lithuania

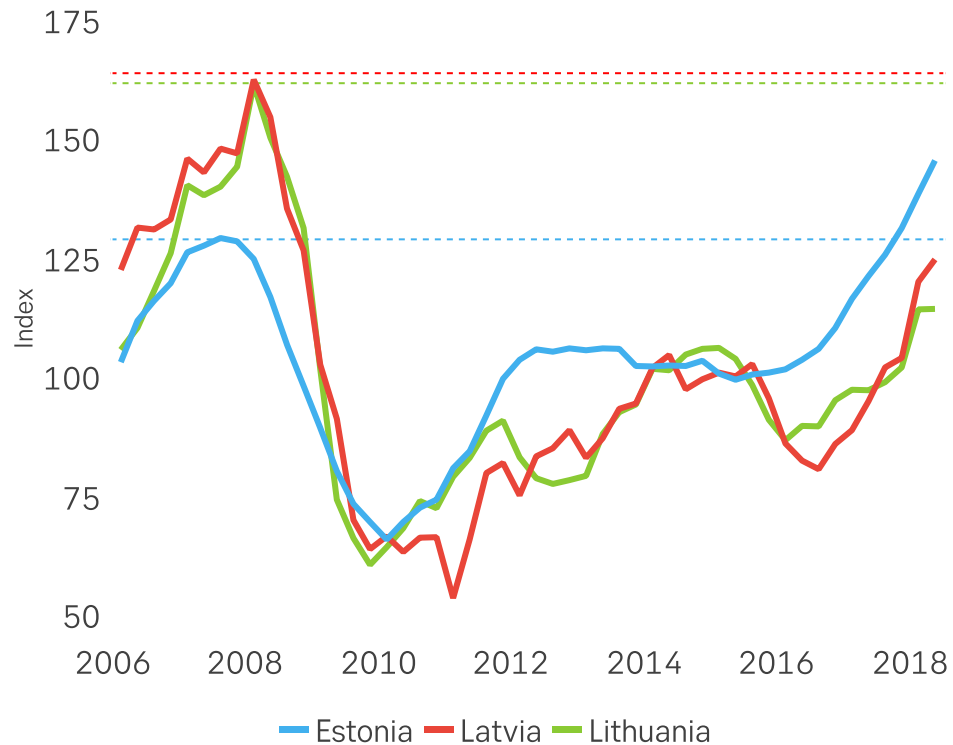


Latvia

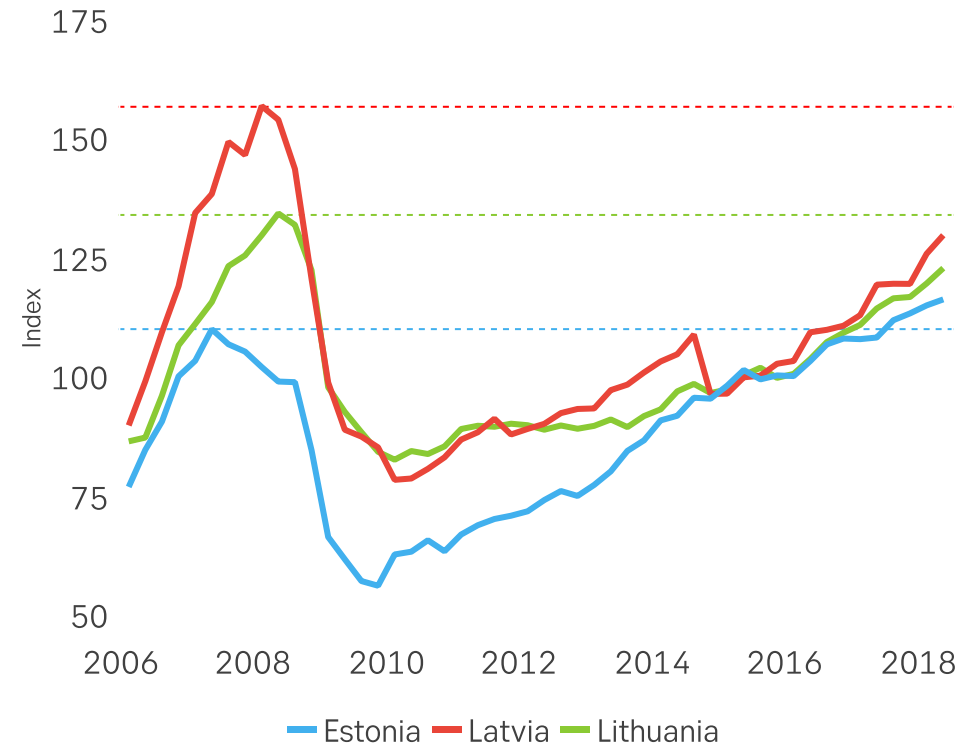


Warm temperatures in the real estate market

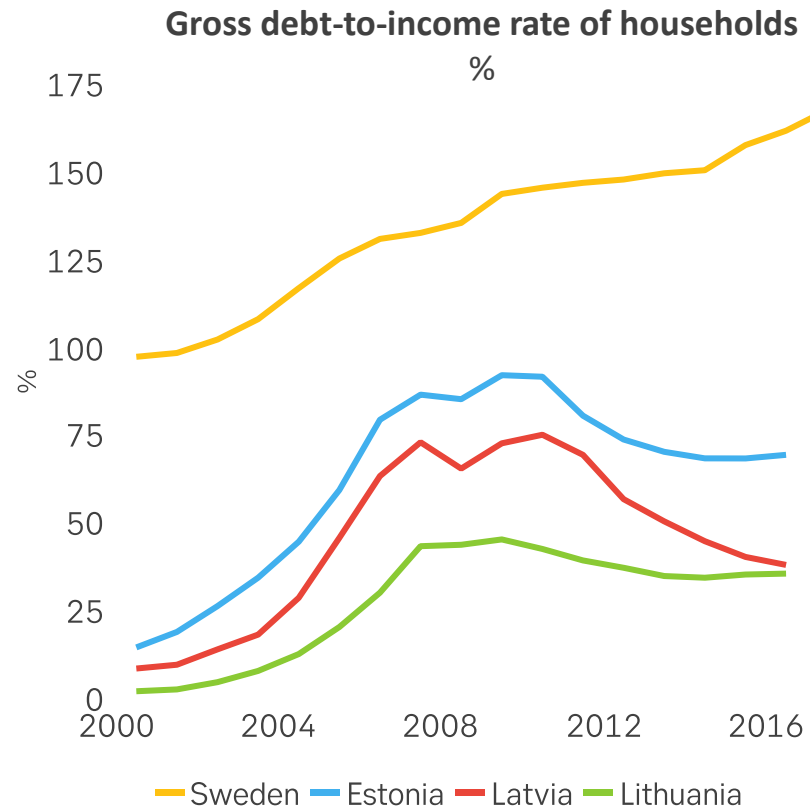
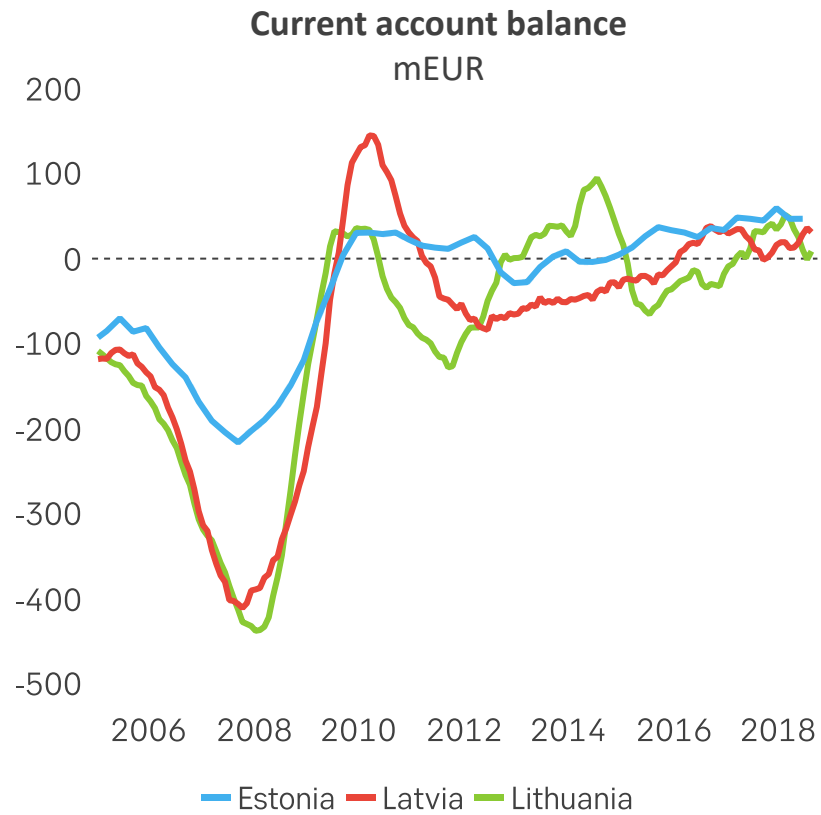
Construction volume index
2015 = 100



House price index
2015 = 100



Growth is balanced

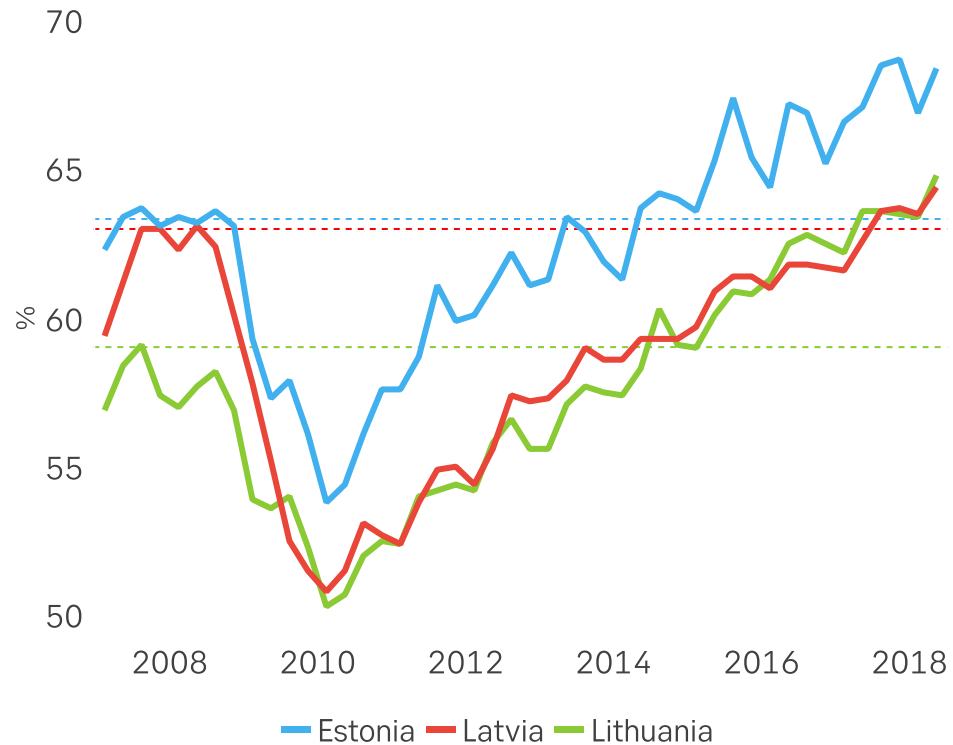


Labour markets are tight

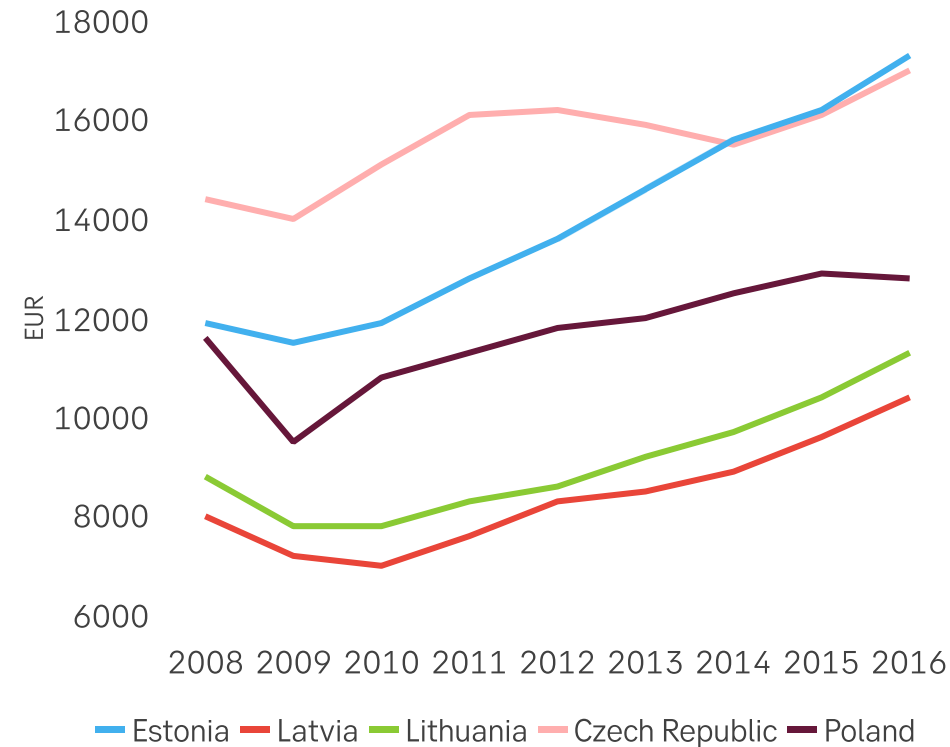
And what it could mean for the competitiveness

SEB

Employment rate
Age group 15 to 74, %



Labour costs in manufacturing
EUR



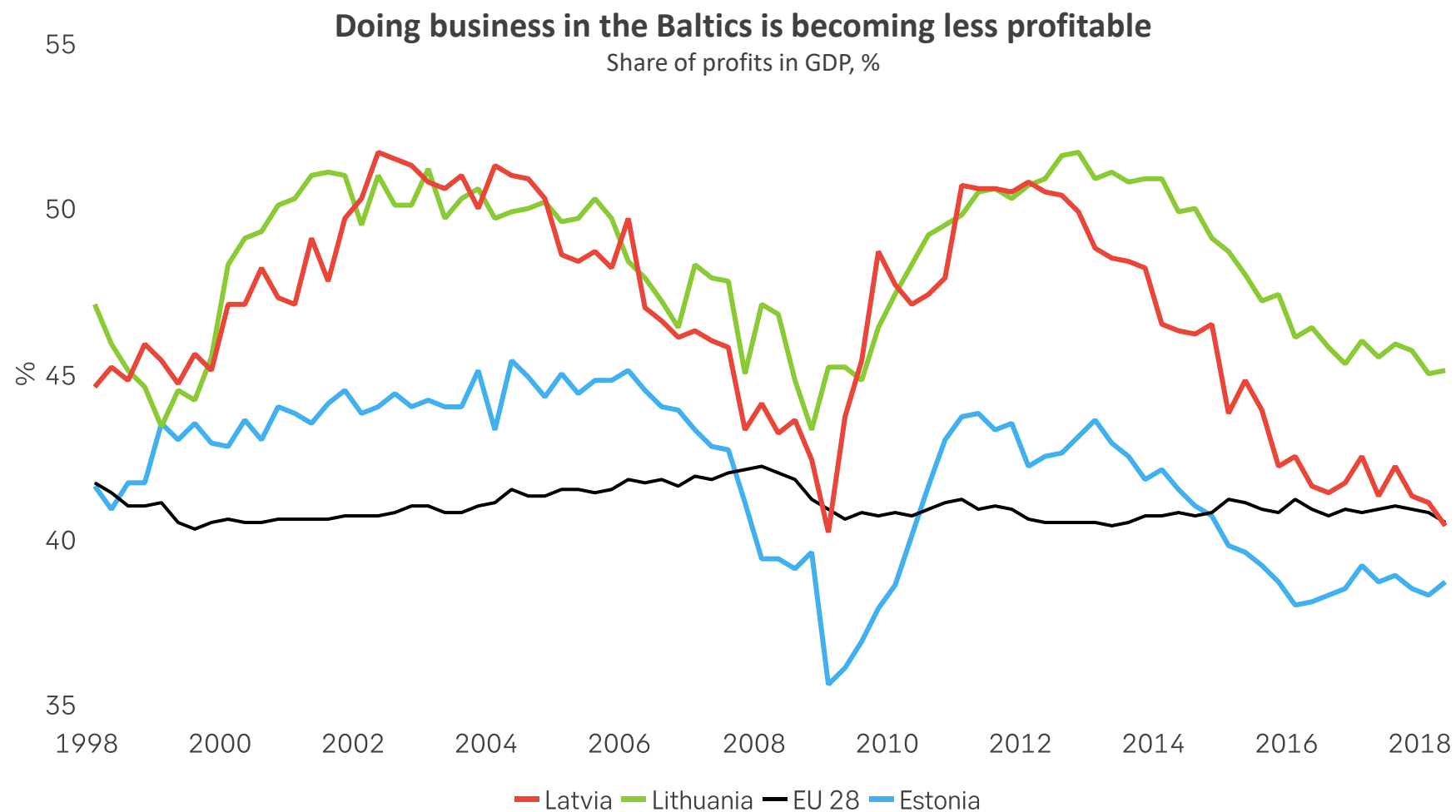
Average salary and its
growth in Q2 2018
EUR, %

1321€
↘ 6.3%

1004€
→ 8.4%

927€
↗ 10.5%

Profitability in a decline



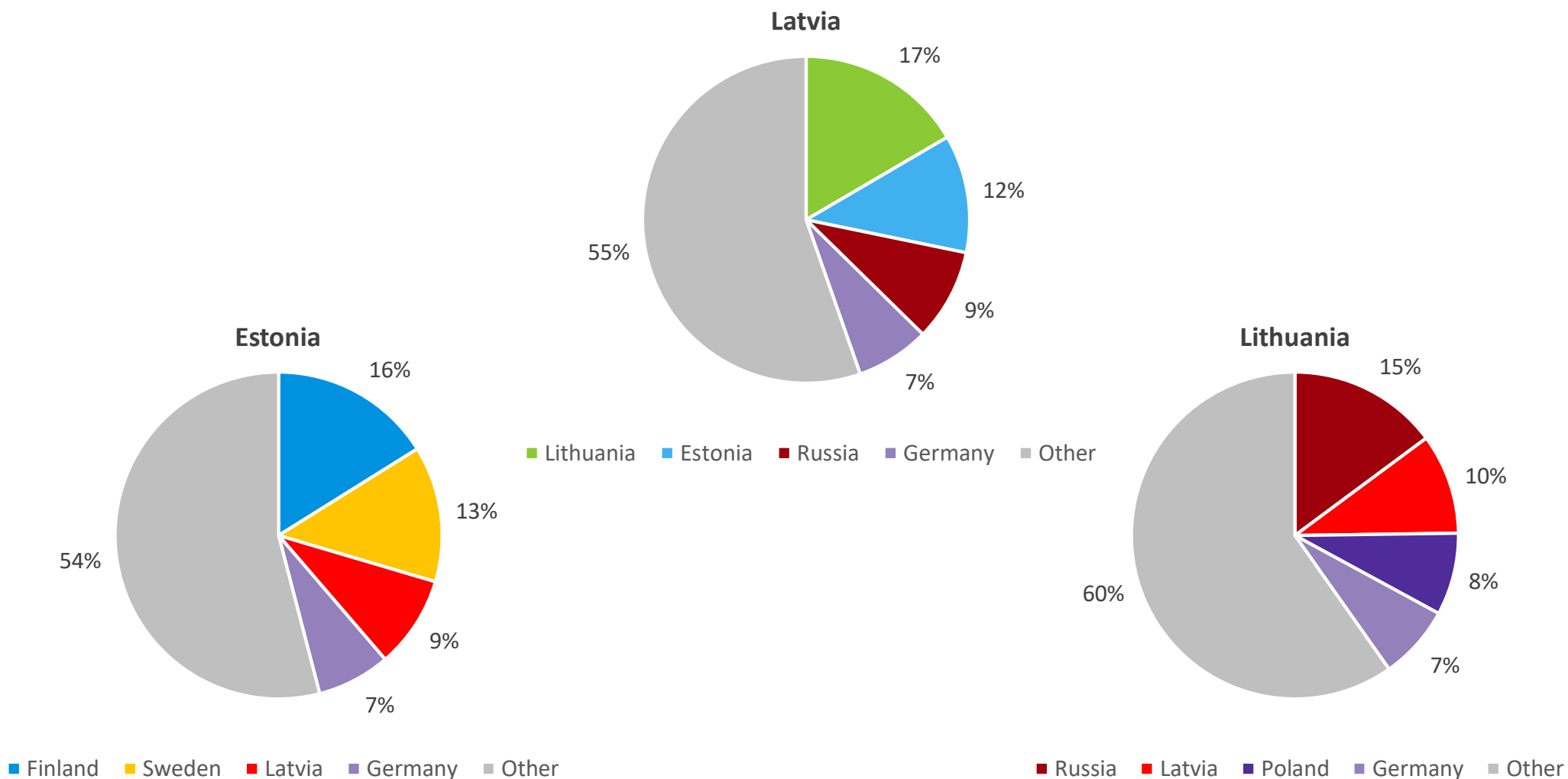
High dependency on exports defines the future

Share of exports
in GDP in 2017

77%

61%

81%



Experience taught me a few things:

- One is to listen to your gut, no matter how good something sounds on paper.
- The second is that you're generally better off sticking with what you know.
- And the third is that sometimes your best investments are the ones you don't make.



A close-up photograph of a hand holding a stack of 100 Euro banknotes. The banknotes are white with green and yellow accents, and the number '100' is visible. The hand is positioned over a wooden surface.

Thanks!

