Global Deleveraging Cycle:

Implications for Investment Strategies

環球去槓杆週期探討：

投資策略的啟示

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The story began back in 1981 with a global recession brought on by high inflation and double-digit interest rates. North Americans were not spending – savings hit an all-time high of 13 percent of income. As interest rates fell, savings decreased, consumption increased and the economy began to grow.

Fast forward to 2006: After 25 years with only minor pauses in consumption, buying on credit had become a way of life for most people. The official savings rate hit an all-time-low of minus 6 percent, meaning that families were on average spending 106 percent of their incomes.

By the summer of 2007, problems began cropping up with the riskiest loans, known as subprime loans. This would later prove to be the straw that broke the camel's back, but most investors ignored or were unaware of it. By 2008, mortgage delinquencies rose to a level where banks became fearful of lending to one another.

To stimulate the economy, US interest rates were slashed to zero and the US government bought billions worth of shares of big corporations such as Citibank, General Electric, and General Motors, to bail them out. The contagion had, however, spread to European banks. England and Ireland, for example, had to inject billions into their banks. Governments around the world, from the US to Europe, Canada and China, embarked on massive stimulus packages to curtail their growing unemployment problems.

By the second half of 2009, investors started to believe that the recession had ended and increasingly switched their funds from their near-zero-interest savings accounts into stocks. By April 2010, the Toronto Stock Exchange had gained 62 percent from its 2009 low, its greatest yearly advance ever.

Governments soon realized that they did not have unlimited funds. Greece, with a budget deficit amounting to 13 percent of its GDP, found that investors were increasingly wary of holding its bonds, which plunged in value until bond-yields reached 1 percent. But Greece was unable to finance its massive deficit at this rate and the International Monetary Fund and the Eurozone intervened and offered the country a bridge-financing package that imposed tough terms such as massive tax increases and spending cuts for the Greeks.

Canada, on the other hand, has fared relatively well during this past recession. Real estate prices dipped briefly in early 2009, but have since rebounded to new-record highs. Foreclosures and bad loans have remained low. Consumer spending surged in the first quarter of 2010, registering more than 6 percent growth and doubling that of the US.

A report by the Certified General Accountants (CGA) Association of Canada shed light on the source of this spending. While consumer credit in Europe and the US contracted, Canada's credit debt has grown since the recession officially began.

In an interview with CTV news, Rock Lefebvre, Vice-President of Research and Standards at CGA, said, "We were a little bit surprised that throughout the recession, we continue to take on debt." The CGA survey also found that:

- Household debt in Canada reached $1.41 trillion in December 2009.
- Debt-to-income ratio stood at a new record high of 144.4 percent at the end of 2009.
- Borrowing through personal lines of credit increased 25 fold from 1989 to 2009.
- Canada ranked first in terms of its consumer-debt-to-financial-assets ratio among 20 Organisation for Economic Co-operation and Development countries examined.
- In 2008 and 2009, Canadians relied on borrowed funds to a much greater extent when purchasing cars and renovating their houses than in previous years. By the end of 2009, Canadians borrowed 75 cents for every dollar spent on new cars, up from 39 cents in mid-2008.

These findings indicate that the amount of outstanding consumer credit per each dollar of consumption of goods has increased significantly. This means households have been using more credit to either buy the same quantity of durable goods or purchase non-durable goods. The banking sector could suffer from a significant loss of assets arising from the troubled household sector.

The credit-dependence problem does not surface when a nation is accumulating debt, but it becomes quite evident when that stops. Every other nation has hit an economic wall while holding lower levels of household debt. Canada's strong Federal balance sheet has allowed the government to subsidize bank lending, thereby fostering further consumption and more debt accumulation.

Mark Carney, Governor of the Bank of Canada, has repeatedly warned Canadians about their high levels of debt: "Continuing high household debt levels in Canada could lead to a sharper-than-expected deceleration in household spending." Between 2010 and 2012, the central bank tightened mortgage-lending standards more than once in an attempt to slow the tide of increasing debt.

Investment Strategies

Rising interest rates would be crippling to an overly indebted household. The Bank of Canada kept its interest rate at 1 percent in March 2013 and further increases may likely be minimal. Investors could consider purchasing Canadian dividend-paying preferred stocks with yields in the 6-7 percent range.

Another option would be to buy US dollars by exchanging them for strong Canadian dollars.

While the strong economic data from Canada continues to impress global investors, the robust figures are primarily a result of debtinduced consumer spending. Since we are near the peak of Canadian household indebtedness, the Canadian economy will likely weaken significantly in the coming months.

European and US interest rates will likely stay extremely low for a long period of time. For this reason, consumer staples that pay solid dividends continue to look attractive. Investors may also continue to invest in US treasury bonds. A pullback in price would be an opportunity to add to holdings.

An old saying on Wall Street is, "Don't Fight the Fed." Now that the Bank of Canada is reducing liquidity from over-leveraged Canadian consumers, it is time to take proactive steps: the Canadian economy, stock market and currency could well disappoint investors.

環球經濟於1981年經歷衰退，引起高通脹以及利率雙位數。北美洲人不願意花費，而事實上，當時的儲蓄佔總收入高達百分之十三。隨後，因利率下跌，儲蓄減少，消費繼而增多，經濟方始見復甦。

從1981至2006這25年間，消費只出現過短暫的停滯，而信貸消費模式已經成為大眾的生活方式。官方儲蓄率見新低，達負百分之六，換句話說，家庭平均花費佔其收入的百分之一百零六。

在2007年夏季，高風險次級按揭貸款問題開始浮現。這期後被證實為引發金融海嘯的決定性因素，但當時大部份投資者卻不理會，又或未能意識到問題的存在。直到2008年，大量的按揭違約令銀行不願互相借貸 。

為了刺激經濟，美國利率被大量調低至接近零，而美國政府為拯救巨型企業，更大量買入花旗銀行、通用電器和通用汽車等企業的股份。與此同時，債務問題亦曼延至歐洲銀行。以英格蘭和愛爾蘭為例，各政府分別向其銀行體系注資數以十億元。美國、歐洲、加拿大以及中國政府紛紛推出一系列刺激性消費方案，以遏止失業問題加劇。

在2009年下半年，投資者開始對前景恢復信心，因而逐漸把資金由接近零利率的儲蓄戶口轉移到股票市場。從2009年的最低位至2010年4月份，多倫多證券交易所錄得百分之六十二的增長，是有史以來最大的年度升幅。

各國政府開始意識到政府資金有限的現實，以希臘政府為例，其赤字預算佔國民生產總值的百分之十三，投資者憂慮持有希臘政府債券，導致債券價格持續下跌直至債券收益率只剩百分之一。可是，希臘政府未能在此比率下支撐其龐大赤字，因此，國際貨幣基金和歐元區向希臘提供搭橋貸款援助，但要求希臘增加稅收以及減省開支作為貸款條件。

在這次經濟衰退中，加拿大受影響較為輕微，雖然房地產價格曾於2009年早期稍為回落，但往後卻一直上升至歷史高位。業權查封和問題貸款的情況一直維持在低水平，消費者消費在2010年首季上升百分之六，是高於美國兩倍的升幅。

加拿大註冊會計師協會的報告指出，正當歐洲與美國的消費信貸正在萎縮，加拿大的信貸債務卻由經濟衰退正式開始時持續增長。在加拿大電視的新聞訪問中，加拿大註冊會計師協會研究與準則副總裁Rock Lefebvre曾作出這樣的評價—「在整個經濟衰退當中，我們仍能持續承擔債務，令我們有些始料不及。」加拿大註冊會計師協會調查報告亦發現：

- 在2009年12月，加拿大的家庭債務已達到一萬四千一百億元
- 在2009年年底，收入負債率錄得新高，達百分之一百四十四
- 從1989年至2009年，以個人信用額度借貸的數字增加了二十五倍
- 在二十個被調查的經濟合作與發展組織成員國當中，加拿大的消費者債務對金融資產比率排名第一
- 在2008與2009年，加拿大人依靠貸款購買汽車和裝修房屋與以往比較顯著增加。在2009年年底，加拿大人在購買汽車上每花一元，當中七毫五分是來自借貸，與2008年中錄得的三毫九分比較明顯上升。

上述調查報局反映出，未償消費信貸對購買消費品比例大幅上升，意味著家庭使用大量信貸款項購買相同數量的耐用品，或以信貸款項來購買非耐用品。銀行體系有機會因家庭債務問題而招致資產上的損失。

當國家債務逐漸累積時，依賴信貸的問題不容易浮面，但當國家債務停止累積時，問題就變得較為明顯。持家庭債務較加拿大少的國家都碰上經濟停滯不前的問題。加拿大健全的聯邦資產負債表容許政府資助銀行借貸，因而進一步推動消費及債務累積。

加拿大央行行長Mark Carney多次警告加拿大的高負債，指出「持續高企的家庭債務水平可能引至家庭消費比預期更快減弱」。在2010年至2012年期間，加拿大多次收緊按揭信貸準則，以減慢債務的增長 。

投資策略

提高利率對過度借貸家庭會做成嚴重打擊。加拿大央行在3月將利率維持在百分之一， 再調高息率的機會並不高。投資者購買回報大約百分之六至百分之七的股利優先股份可算是好選擇。而另一個選擇則是購買美元，以美元兑換強健的加拿大元。但仍需注意，雖然加拿大的強勁經濟數據鼓舞環球投資者，但這些數據增長主要來自依賴借貸的消費，而加拿大的家庭債務已經接近頂峰，因此，加拿大的經濟在未來數月將會越見疲弱。

歐洲和美國的利率將長期處於極低水平，所以能支付穩定回報的主要消費產業股份仍然吸引，而基於同樣原因，投資者可考慮繼續持有美國國庫債券，一旦債券格價下跌時，可考慮增持。

在華爾街，「不要站在聯儲局的對立面」是老生常談。現時，加拿大央行正在從過度槓杆的加拿大消費者中減低資金流通性，這是適當時候採取前瞻性投資對策， 因為加拿大的經濟、股票市場以及貨幣很有可能為投資者帶來失望。