



FRANKLIN TEMPLETON
INVESTMENTS

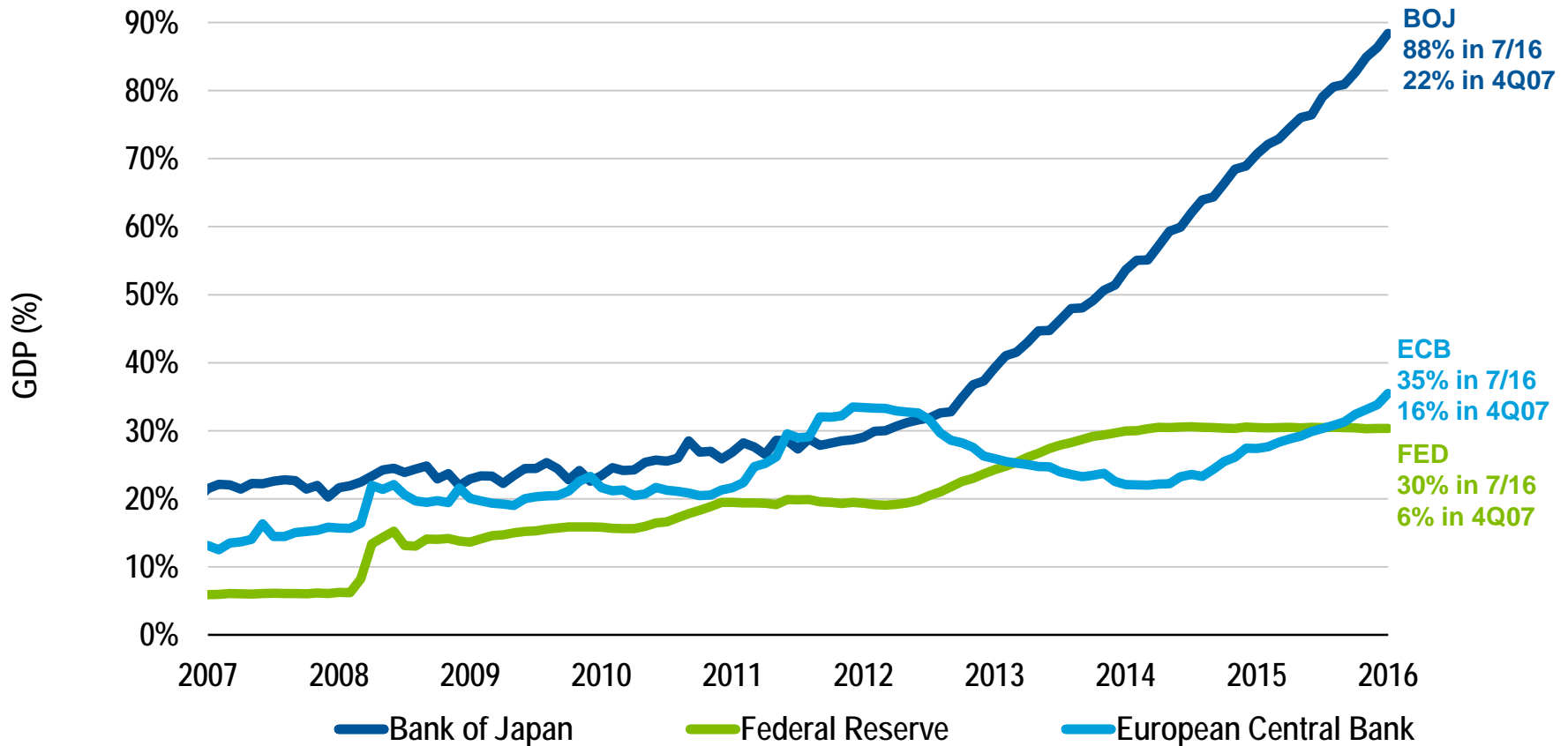
Global Macro Imbalances and Opportunities

Extraordinary Monetary Policy



Central Bank Assets

July 31, 2007–July 31, 2016



For illustrative and discussion purposes only.

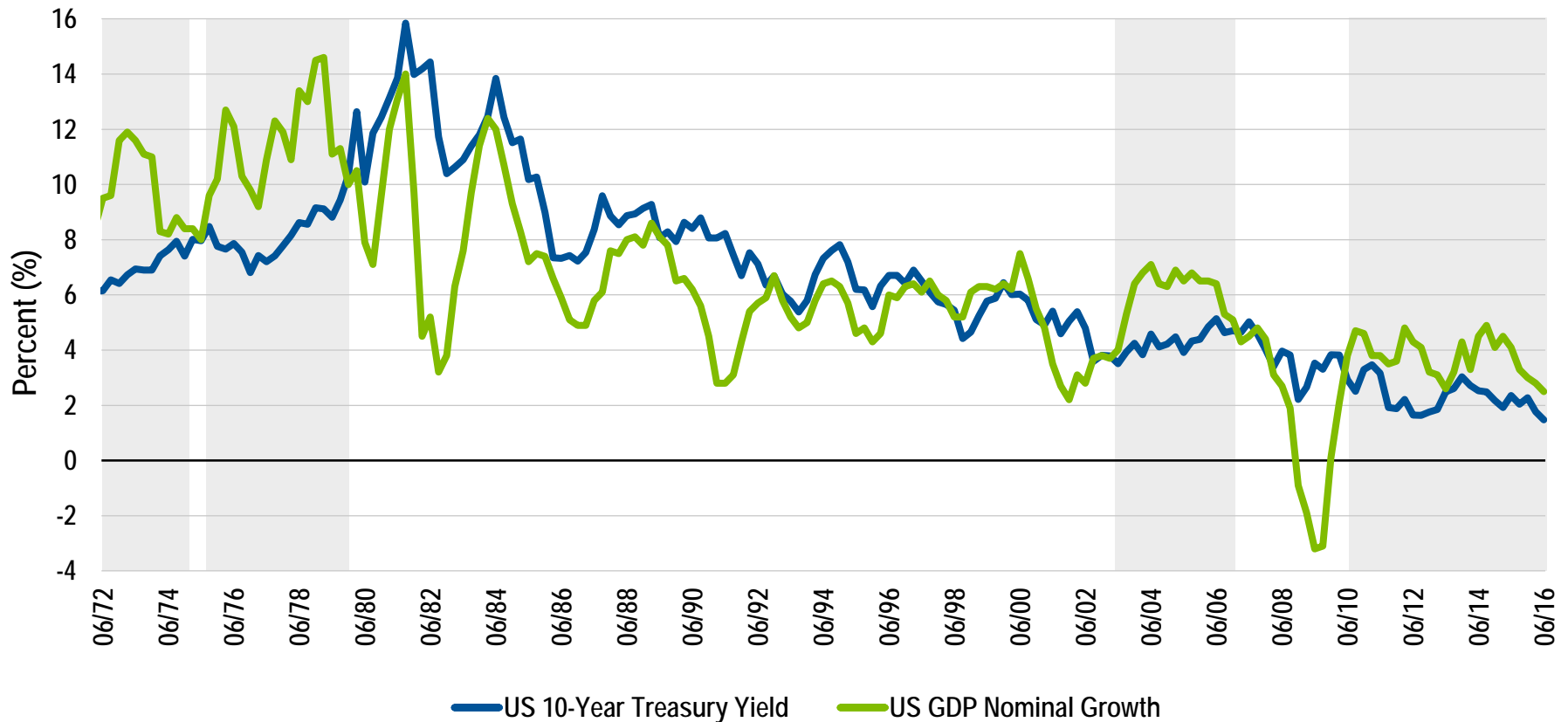
Sources: Federal Reserve, European Central Bank, and Bank of Japan, as of July 31, 2016. As a percent of 2008 GDP.

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U.S. Rates Appear Dangerously Suppressed The Last Time Ended with a Bubble



U.S. 10-Year Treasury Yield & Nominal GDP Growth June 30, 1972–June 30, 2016



For illustrative and discussion purposes only.

Sources: U.S. Department of Labor, Bureau of Economic Analysis, Bloomberg, as of 6/30/2016.

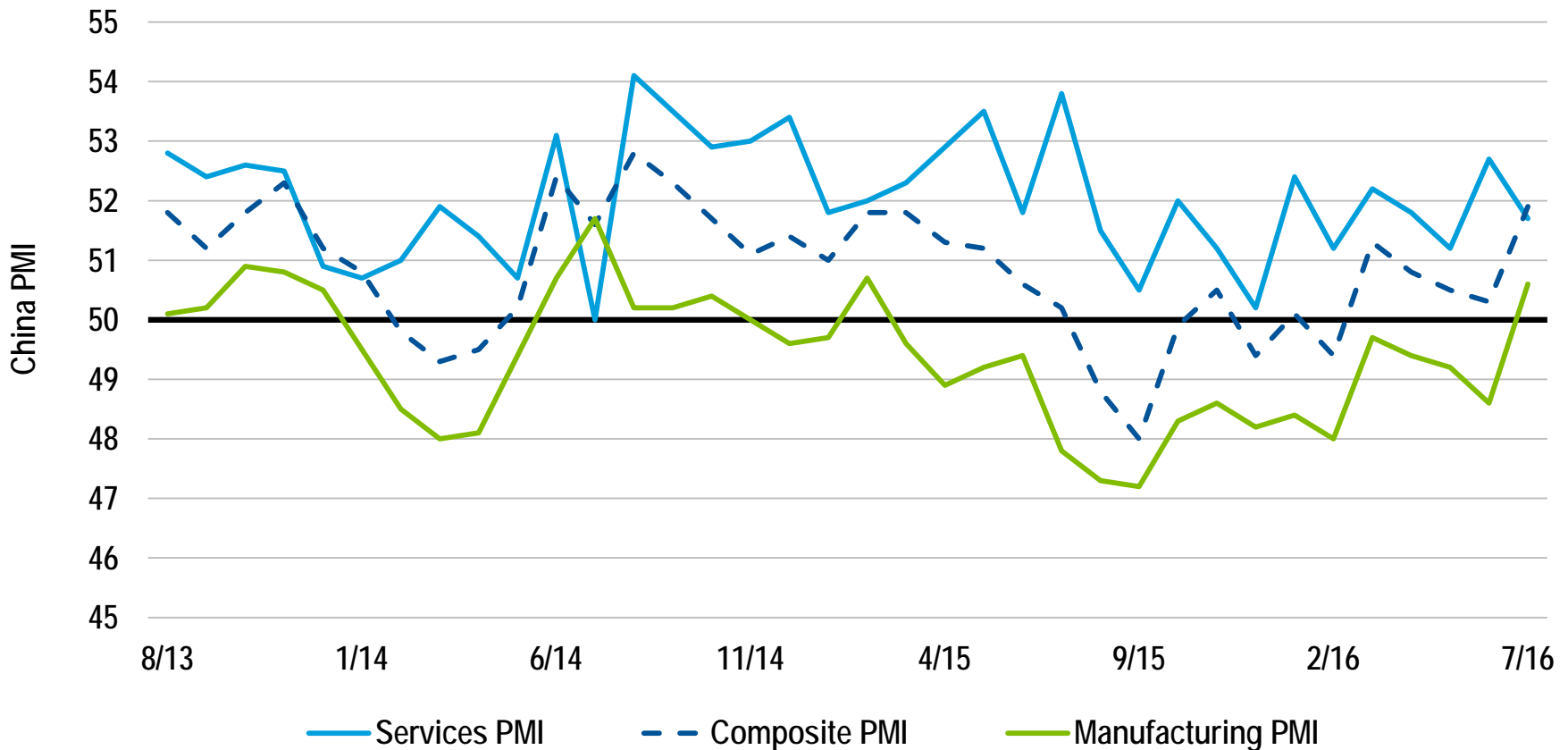
Nominal GDP Growth is shown in year-on-year terms. Shaded areas represent time periods during which 10-Year Treasury yields were below nominal GDP growth.

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A Two-Speed Economy—Manufacturing Sector Lagging Behind Service Sector

China Purchasing Manager Index

August 31, 2013–July 31, 2016



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Source: Caixin (Markit) Composite PMI Output, Seasonally Adjusted, China.

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Emerging Market Currencies Have Been Trading Below Crisis Levels



J.P. Morgan Emerging Markets Currency Index

As of July 31, 2016



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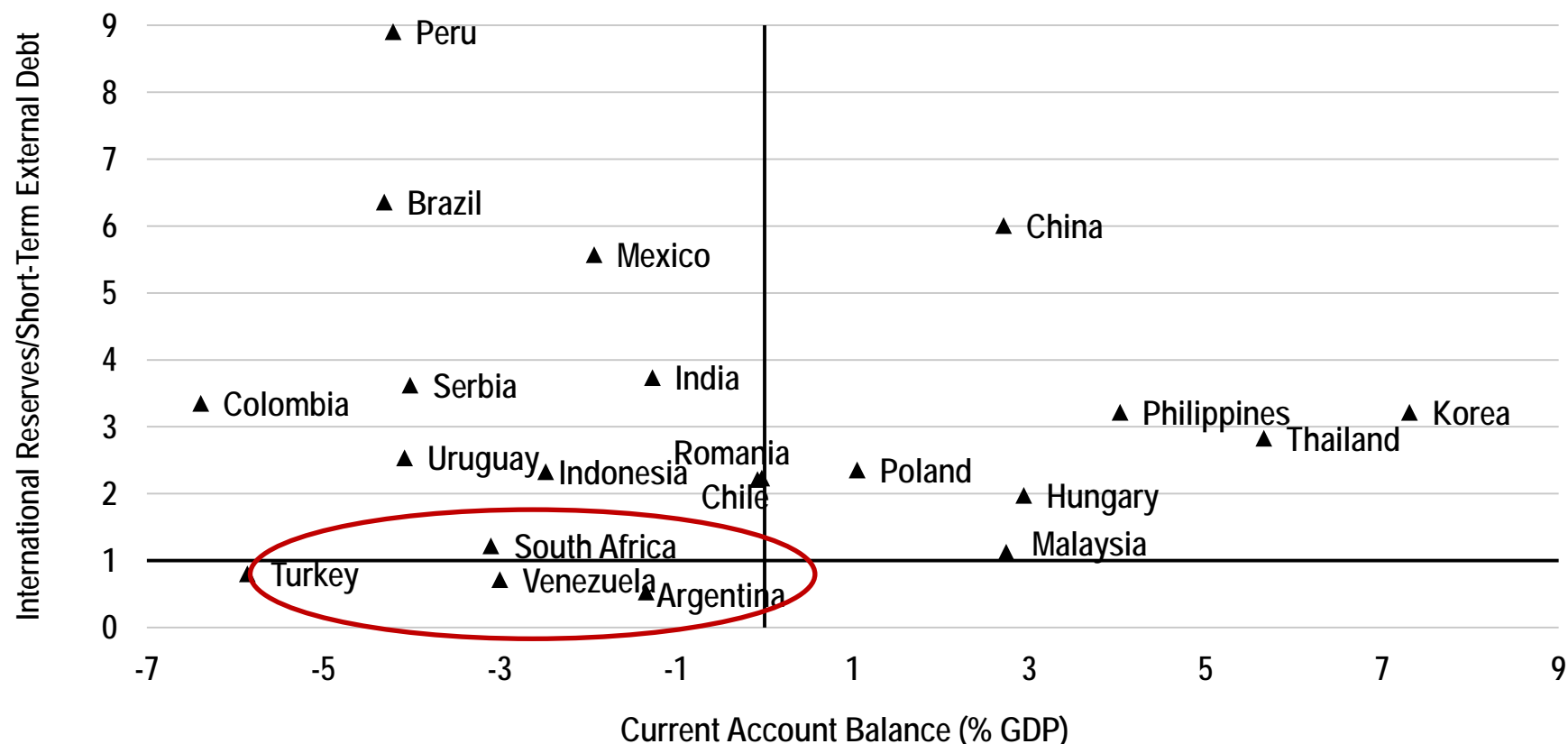
Source: J.P. Morgan Chase & Co., as of 7/31/2016. Important data provider notices and terms available at www.franklintempletondatasources.com.

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Exposure to External Shocks Varies Across Countries

Ratio of Foreign Reserves to Short-Term External Debt and Current Account Balance as % of GDP

As of March 31, 2015



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Sources: International Monetary Fund. Important data provider notices and terms available at www.franklintempletondatasources.com.

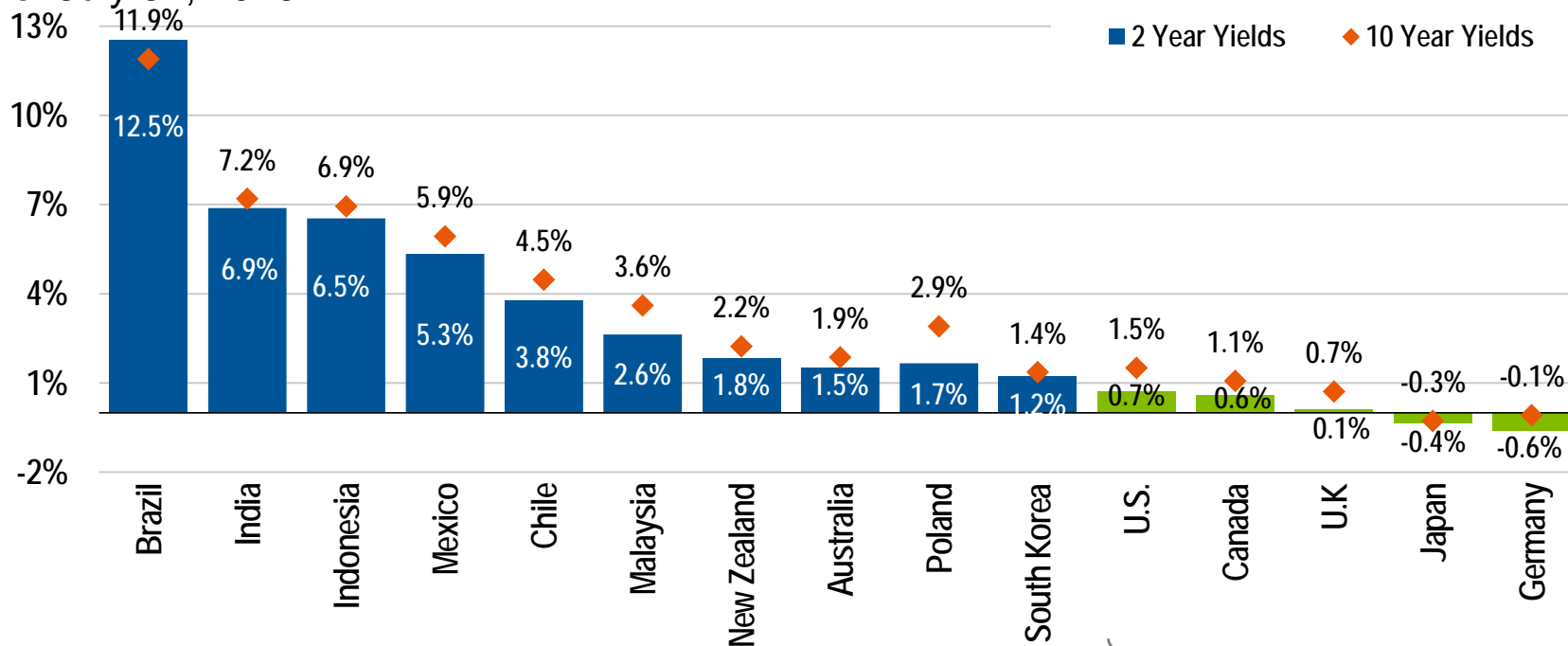
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Relatively High Yields Available Internationally



Government Bond Yields: 2-Year and 10-Year Yields

As of July 31, 2016



| As of 7/31/2016 | Average Duration | Yield to Maturity |
|--|------------------|-------------------|
| Templeton Global Bond Strategy | -0.26 year | 6.41% |
| JPM Global Government Bond Index | 8.09 years | 0.58% |
| Templeton Global Total Return Strategy | -0.06 year | 8.07% |
| Barclays Multiverse Index | 6.75 years | 1.43% |

Major Developed Economies

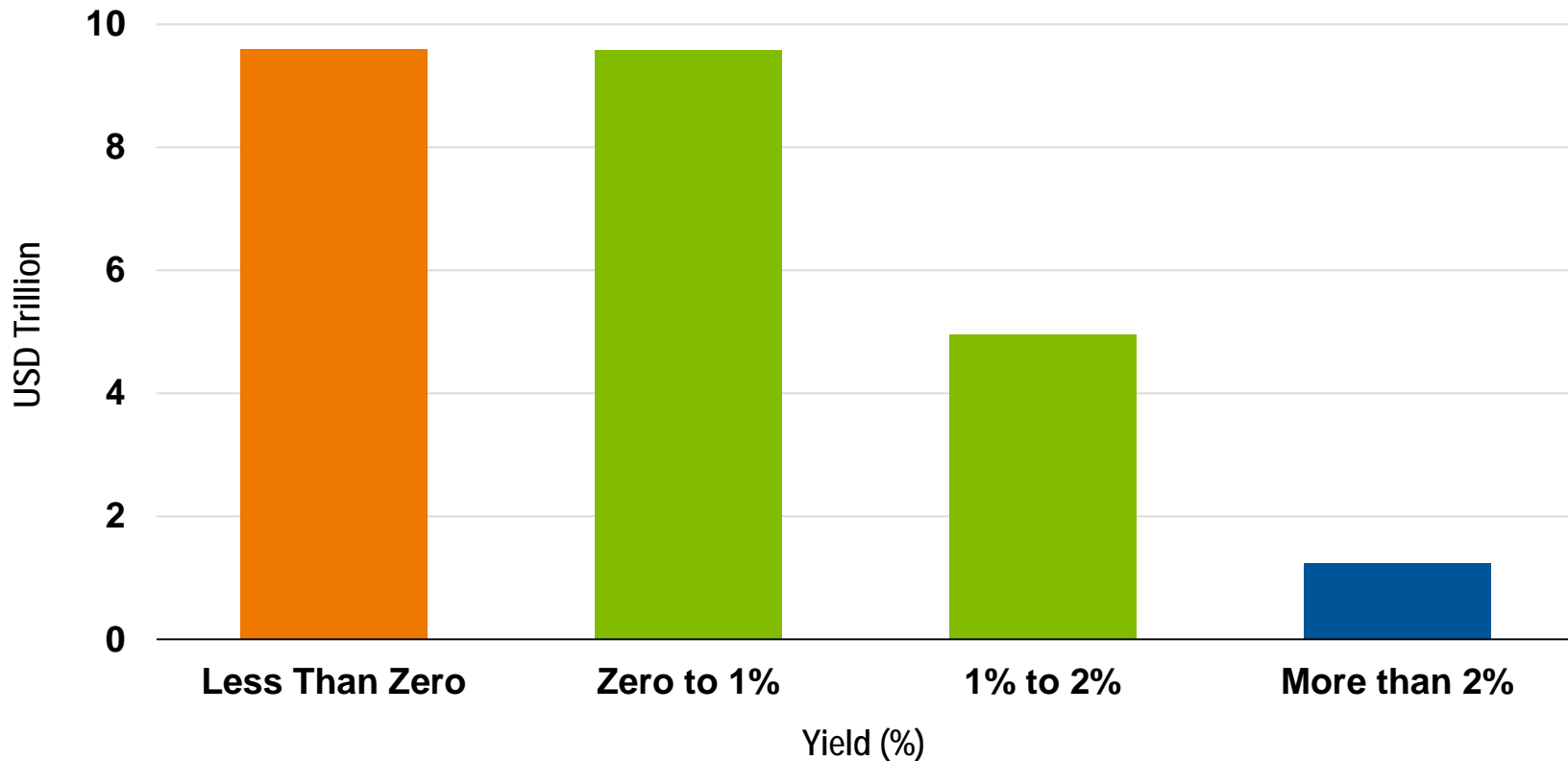
For illustrative and discussion purposes only. Past performance is not an indicator or a guarantee of future performance. Information is historical and may not reflect current or future portfolio characteristics. Source: Bloomberg, as of 7/31/2016. Important data provider notices and terms available at www.franklintempletondatasources.com. Average Duration reflects certain derivatives held in the portfolio (or their underlying reference assets). For Institutional Investor Use Only. Not for Public Distribution.

Almost \$10 Trillion of Negative-Yielding Sovereign Bonds and over \$19 Trillion under 1%



Bloomberg Global Developed Sovereign Bond Index: Market Value \$25.4 Trillion

As of August 12, 2016



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Source: Bloomberg, as of 8/12/2016. Important data provider notices and terms available at www.franklintempletondatasources.com.

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