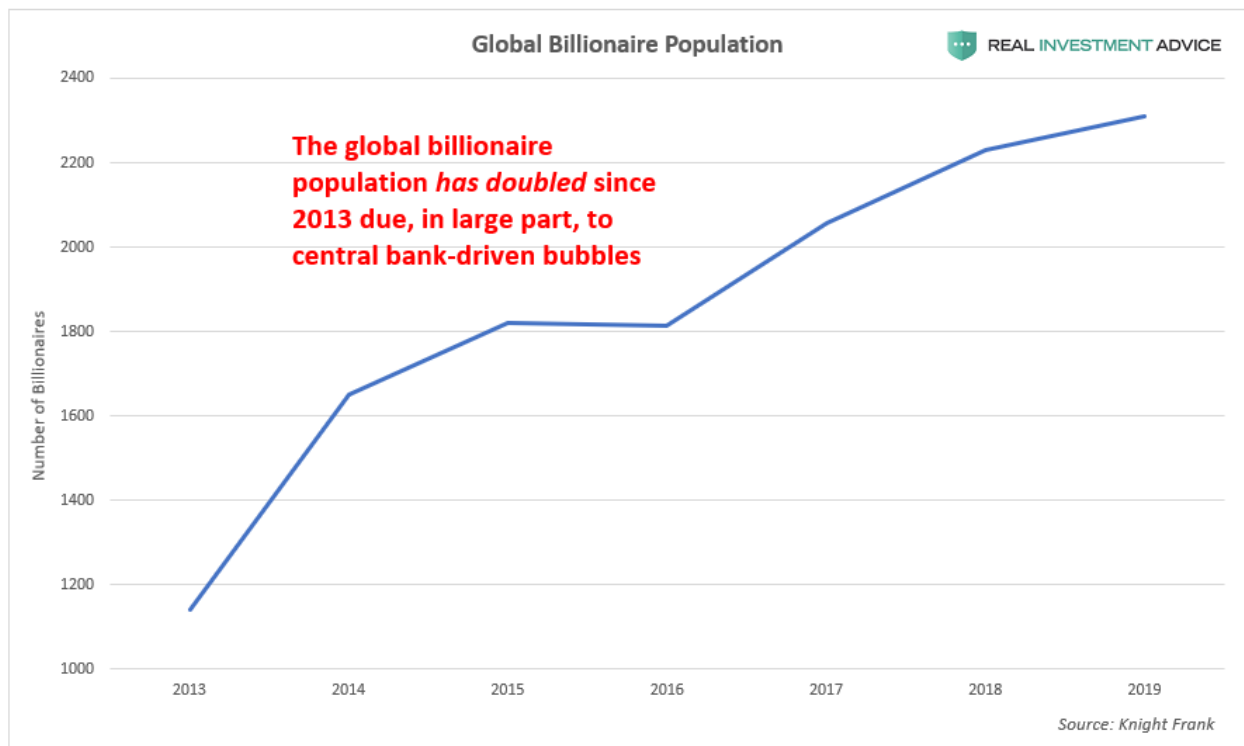
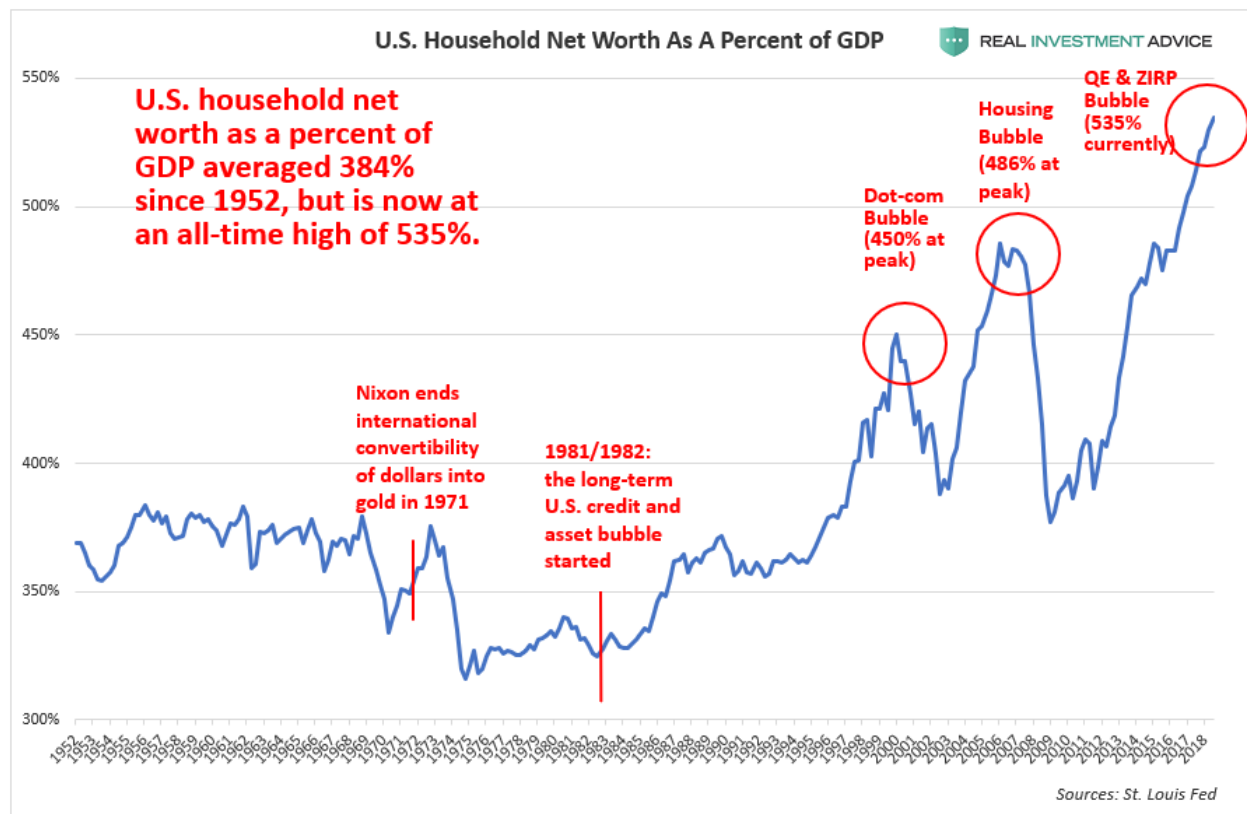


Knight Frank's latest annual [Wealth Report](#) just came out and is full of interesting data. What stood out to me, in particular, is the statistic that showed that the global billionaire population has approximately doubled since 2013, so I decided to chart it. In 2013, there were 1,140 billionaires around the world, there were 2,229 billionaires in 2018, and an expected 2,311 billionaires in 2019.



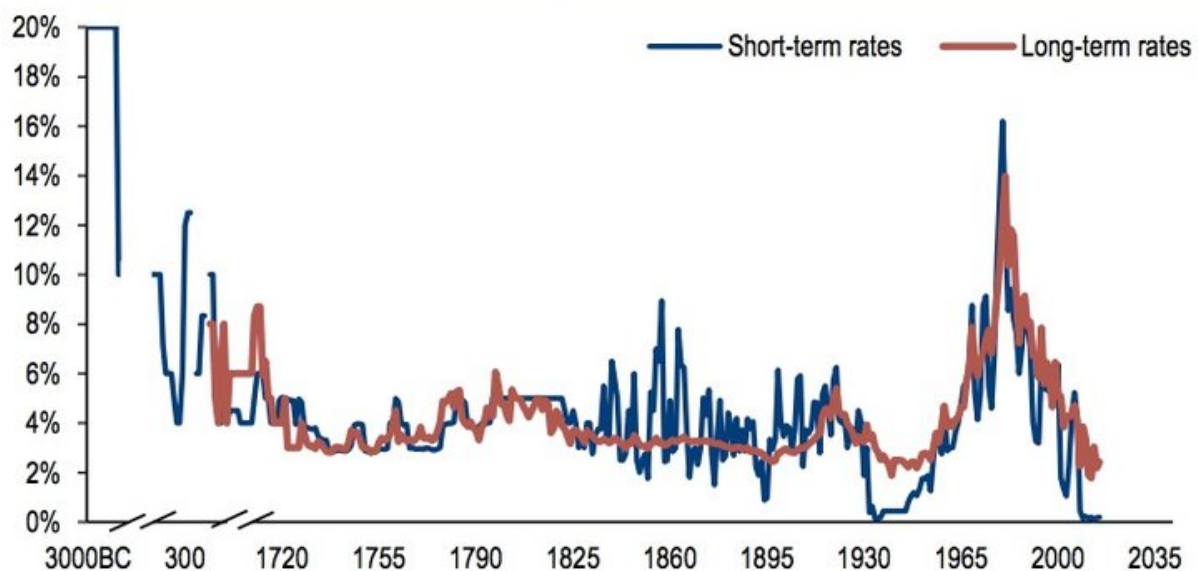
Though many people take these statistics at face value and think "the world is growing richer! There is so much wealth being created!," I am very concerned due to my belief that this wealth surge is the result of a gigantic global credit and asset bubble that has been inflated by central banks in the past decade. I explained my views in a recent piece called "[Asset Bubbles Are Making Davos Billionaires Richer](#)."

One example of this phenomenon is how U.S. household wealth recently hit a record of 535% of the GDP, while the historic average since 1952 is just 384%. When household wealth reaches an extreme relative to the underlying economy or GDP (as it did in the prior two bubbles), a sharp correction is inevitable. Though I used the U.S. as an example, similar trends are occurring around the world due to record low interest rates and massive amounts of liquidity created by central banks in the past decade.



Global interest rates have been at 5,000 year lows for much of the past decade, which is one of the main contributors to the global asset bubble that has created so many new billionaires (low interest rates lead to higher asset prices).

Chart 1: The lowest interest rates in 5000 years



Sources: Bank of England, Global Financial Data, Homer and Sylla "A History of Interest Rates"

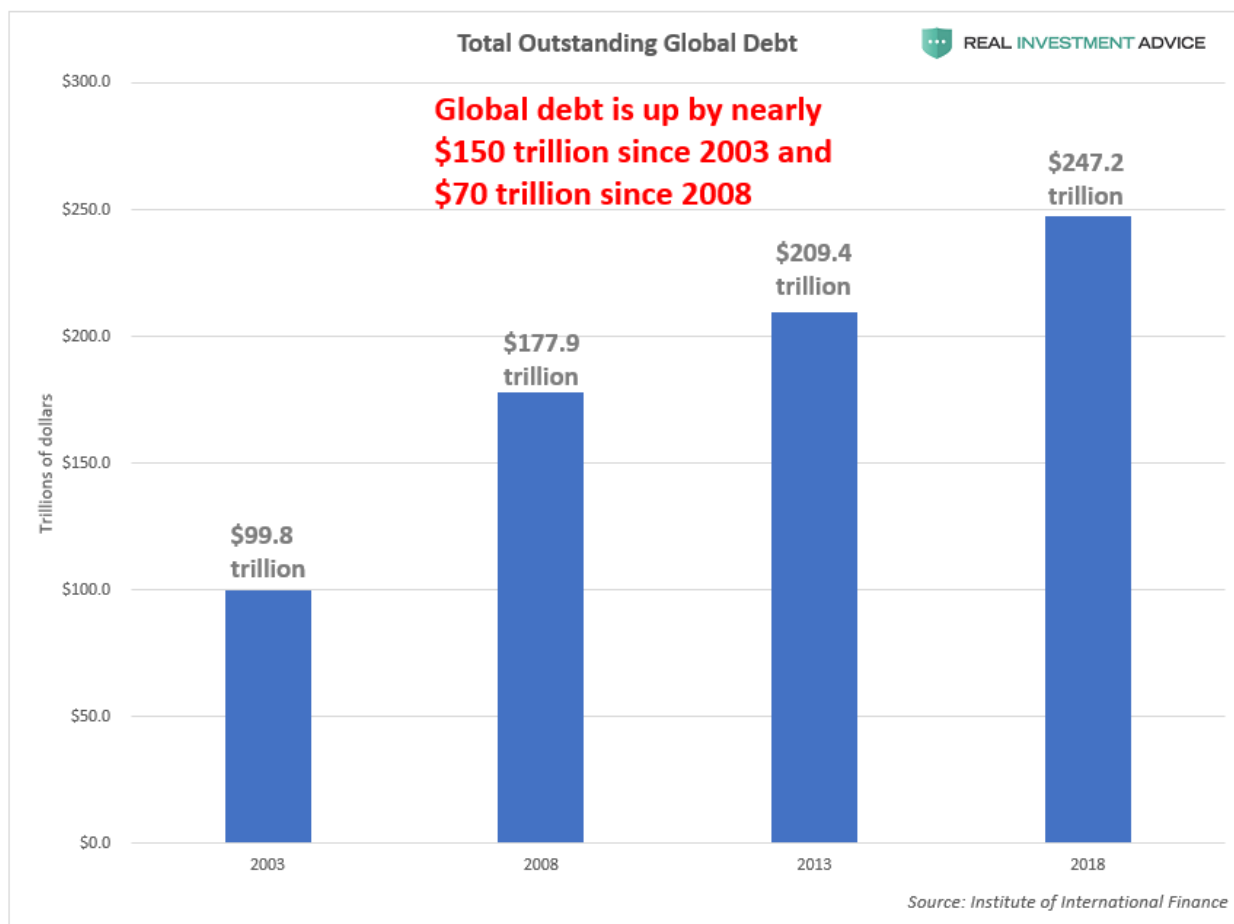
Notes: the intervals on the x-axis change through time up to 1700 - see page 3 for methodology.

Real Investment Report

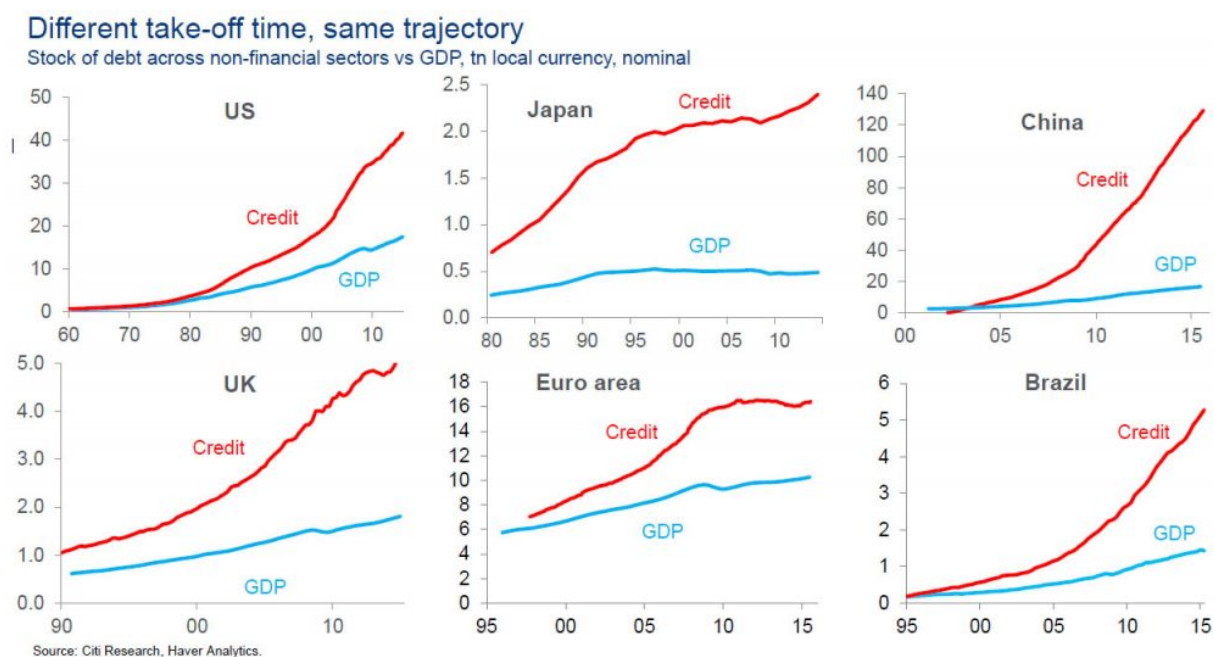
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Enabled by ultra-low interest rates, **global debt has surged by nearly \$150 trillion since 2003 and \$70 trillion since 2008**. As bad as the 2008 global financial crisis was, the next crisis will hit the global economy even harder simply due to the fact that an additional \$70+ trillion in debt has been added.

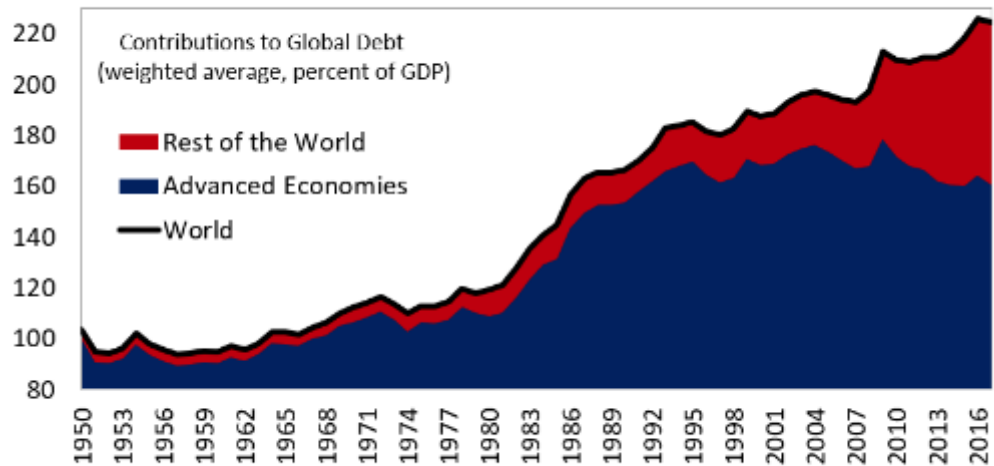


In most major economies, debt has been growing at a faster rate than the underlying GDP:



The debt binge of the past several decades caused global debt as a percentage of GDP to reach an all-time high of 225% in recent years (see black line):

Global Debt (% of GDP)



Source: Global Debt Database, IMF

To summarize, the global wealth boom is not a healthy phenomenon because it's a side effect of a "money bubble" created by central banks that are flooding the world with liquidity in a desperate attempt to prop up the global economy. While this trend may continue for a while longer, fiat (or "paper") currencies are going to bear the brunt of the incessant debasement, which means that central banks will no longer be able to boost the global economy and asset prices. At that point, the value of assets owned by the ultra-rich (stocks, bonds, etc.) will fall significantly in real terms, which will reverse the wealth boom of the past decade.

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