

BY RICHARD "JERRY" HAWORTH

Falling leaves on the money tree... autumnal nuances

*The falling leaves drift by the window
The autumn leaves of red and gold
I see your lips, the summer kisses
The sun-burned hands I used to hold*

*Since you went away the days grow long
And soon I'll hear old winter's song
But I miss you most of all my darling
When autumn leaves start to fall*

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As autumn arrives, leaves start to drop off the trees as they prepare for a long winter. So too, after 35 years of permanent summer, perhaps the reckoning has arrived for the central banks' money tree, that resplendent cornucopia of riches which bestowed upon all without consequence for the longest time.

The falling leaves are the falling bond prices as rates go up and away... high yield, low yield, any yield.

And alongside rising rates come the losses in the value of bonds. David Hay reckons the losses on the global bond market (\$300 trillion plus) could be as high as \$70 trillion!

ⁱⁱ "One of the most arresting I've seen lately is the amount of wealth that has vaporized over the last three years due to one of the worst bear markets ever to hit the fixed income domain. In case you haven't seen this — and I wouldn't blame you if you haven't, as it has received scant press — that number, on a global basis, is \$70 trillion"

In pure capitalism, interest rates are the bar over which investments must jump to continually justify their existence. Central banks for the longest time unnaturally lowered the bar to let any crazy scheme look justifiable and the longer nothing broke, they continued the status quo. Everyone was happy, including the Treasury, which could fund pretty much boondoggle at ultra-low rates.

The magnificent money tree surely must be planted in some sort of micro climate where permanent summer rains and the verdant soil keep it in full bloom?

It was... for many years... until now, as the risk chickens roost in the tree and the bond vigilantes, pitchforks in hand crest the hill.

People, politicians particularly, arrive from far and wide to see the money tree wilting and its leaves turning brown. Not to miss the opportunity they are pulling off its fruit as fast as they can, while they can.

So, you may well ask, why are the "Magnificent Seven" not getting a severe dose of reality and retreating to mere nosebleed levels? Like George Soros said "a bull market STARTS not ENDS when valuations depart from reality".

The “Magnificent Seven” are so far away from reality that fundamentals just don’t matter Until they do. When winters bell tolls it will toll for the S&P500 not just the S&P493.

It feels like we are witnessing the autumn of a bull market; still the odd balmy day, albeit a more insistent hint of winter approaching.

And winter is coming . . .

ⁱⁱⁱ “The question – the only question – that matters to those with the time horizons of humans and who are investing money in a serious manner (i.e., not worrying about meaningless things like beating benchmarks) is how to protect and grow capital as the world spins on its unsustainable debt-fuelled course to oblivion.”

NB: I love this sentence as it epitomising the dilemma investment professionals face.

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ⁱ Source: [LyricFind](#)

Songwriters: Jacques Prévert / Johnny Mercer / Joseph Kosma
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ⁱⁱ The Haymaker, Oct 9, 2023 https://haymaker.substack.com/p/making-hay-monday?utm_source=profile&utm_medium=reader2

ⁱⁱⁱ “This is Later”, The Credit Strategist – Michael Lewitt. <https://www.thecreditstrategist.com/p/this-is-later>