36 South Views

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The Golden Age of Volatility

Most of the important financial podcasters cannot prognosticate on where assets or markets are headed, now that we are in the Trump era. But they will say with relative certainty that there will be volatility.

I agree.

At no time in my career have I seen so many blatant signs of Ponzi scheme mentality and irrational bullishness. I'll leave the moniker "tulip bubble" for crypto, where the rhyming would make for a Bach masterpiece.

'AI ETFs that are two or three times levered' rhymes with 'CDO squared and CDO cubed'.

Yet volatility remains muted.

And demand for volatility is not going ballistic. I suppose the music hasn't stopped yet.

If that were not enough, institutional funds have been moving inexorably to illiquidity in the form of private equity, private credit, and the like.

Nobody is resilient. Everyone is fragile.

Bond markets are probably the most fragile, as the US sucks the world dry of capital to fund its "greatest show on earth" machine.

This does not bode well for those on the periphery, who will issue their bonds in US dollars in order to get demand. Down the line, this could be disastrous, as the dollar tends to strengthen in extended risk off periods.

As a lifelong supporter of long volatility investing, I should be cheering… but the everything bubble has gone on too long, and I sense that the next one could be worse than 2008. We are here for our investors; those who have sought to protect themselves. Still, I shudder at the thought of what lies ahead.