

BY RICHARD "JERRY" HAWORTH

For whom the bells toll...

No man is an Island, intire of it selfe; every man is a piece of the Continent, a part of the maine; if a Clod bee washed away by the Sea, Europe is the lesse, as well as if a Promontorie were, as well as if a Mannor of thy friends or of thine owne were; any man's death diminishes me, because I am involved in Mankinde; And therefore, never send to know for whom the bell tolls; It tolls for thee - John Donne ¹

What an amazing precipice upon which to be writing a monthly report.

I remember reading "1929" by Kenneth Galbraith where he wrote of a Thursday Friday weakness followed by a Monday collapse. It still intrigues me, but it makes perfect sense.

Investors, in the face of a very weak Thursday Friday market, have two days to contemplate their fears, which ultimately trigger a wave of consensus selling on the Monday.

As I sit here on Saturday, I fully expect the same on Monday.

Why?

No one has really had a chance to sell yet, the bear pressed the elevator button down to basement before the lift was full.

Irrational bullishness prevailed right up to the point of collapse.

Interest rates do not seem to be coming to the rescue, in fact they could amplify the losses, thereby losing their status as a diversifier, making any ensuing downturn more painful.

US policy seems to have become disconnected from the markets, especially equity markets in the short term.

Weekend margin calls could be HUGE!

It is no trivial matter what happens on Monday, even though we predominantly run longer term strategies for longer time horizons.

To understand why, I refer to the oft used avalanche analogy. A baby avalanche has started last week, it has real speed and real mass. If it continues to gather momentum, it's wrecking power becomes exponential, as does its ability to snowball further, thereby getting bigger, faster, and ultimately more destructive. Nobody really knows how fragile the snow base is below the avalanche, and this is now a critical factor.

How fragile is the portfolio positioning of pension funds and other institutions? Simply based on the conversations we've had regarding capital efficiency and the unwillingness to hold ANY cash; it seems that the institutional market could be highly fragile and therefore prone to forced selling.

So, whilst Trump was ringing the bells for the rest of the world, the message of Donne's poem came through loud and clear. The bells are ringing for humanity, not just non-USA countries who supposedly have been riding on the USA coattails for 80 years.

The bells are ringing for the demise of global cooperation.

The bear market bell has been wrung, for whom? For all of us.

¹ Devotions upon Emergent Occasions by John Donne

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