

INSIGHT OR IGNORANCE? DON'S BLOG 2017.10.30

One can't help but notice that the world we thought we knew is falling apart everywhere one looks. Goodnight. I note an Astro's player mocked the look of an Asian's eyes and is suspended for five games of the 2018 baseball season. Snowflakes are everywhere. Monuments are coming down, roads are getting name changes, schools named after our founding fathers get new, more politically correct names; on and on. These seem like rather trivial items, but taken in totality it tells a very alarming story.

Last week my daughter and partner Polly Peters and I visited the son/grandson of a Holocaust survivor in New York City. A finer gentleman one could not find. He told us his family story, which was remarkable and brought a tear to one's eye. His father and mother came to America but didn't start to build a nest egg for themselves as they figured they would have to move again to escape harm's way. His father died early at age 46 and he raised his siblings and took care of his mother. He worked hard, did well, and became a success, both family-wise and financially. His final comment was what a great country we have. Although he did mention this: in hiring an assistant, he chose a man of inferior capability to many women that were interviewed—why? He was afraid if he touched their arm or complimented their attire and looks he would get sued. My friends, these illustrations are just a few examples of what has happened to our culture. In many, many ways we have progressed, but the victimization card is tearing us apart along with many other things.

Now, you might ask: what does all this have to do with the economy and financial markets? Really, a lot! Economies and markets do not move due to textbooks formulas and supply-demand curves, but people. People react to conditions. Sometimes rationally and sometimes irrationally. To date, as mentioned in recent blogs, the Fourth Turning unraveling has not affected the psyche of market participants. Since the election of Donald Trump, confidence in the stock market has hit all-time highs. See chart #1. Do I understand it? No. As Jerry would say, it's a bizarro world. Maybe better said, it's a Federal Reserve world.

The central bank of the European Union just recently announced they intend to buy financial assets well into 2018. Janet Yellen appears to be backing off of interest rate normalization,

at least for now. There seems to be no stomach for taking away the punch bowl. We no doubt have the greatest bubble of all time. It just can't end well; but then again, there seems to be no end in sight. Please note charts 2 & 3. Is everybody all in?

Chart 1



Chart 2

Mutual Fund Liquidity: Cash Is Trash!

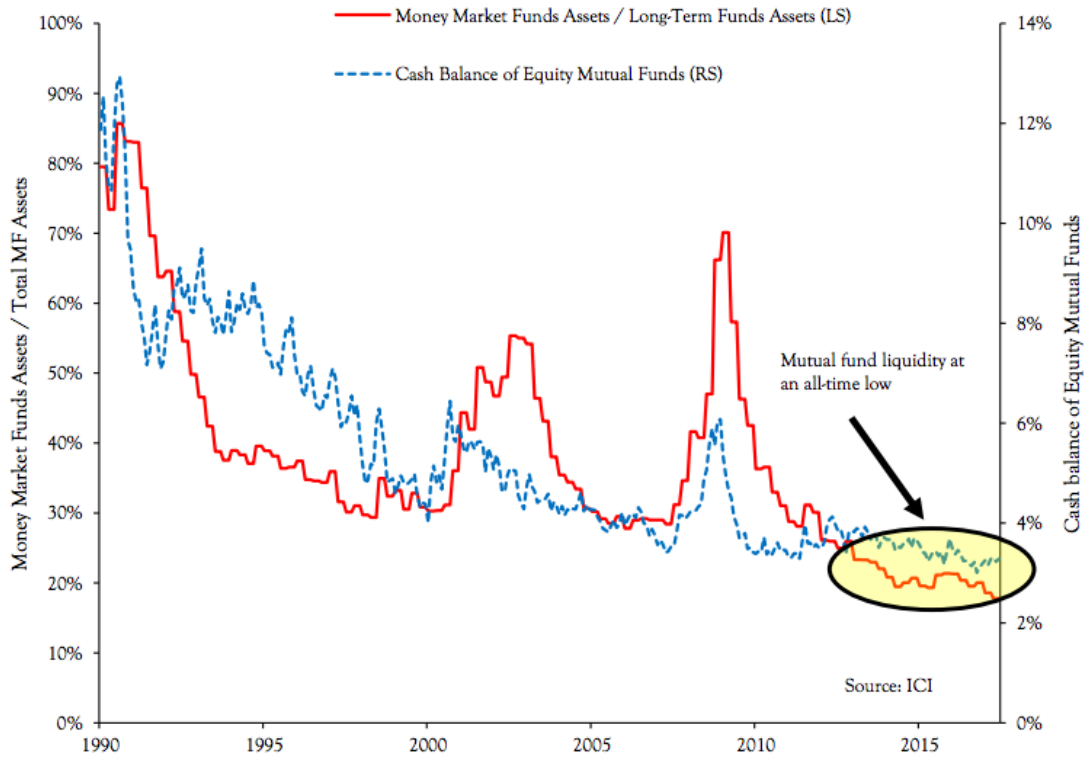
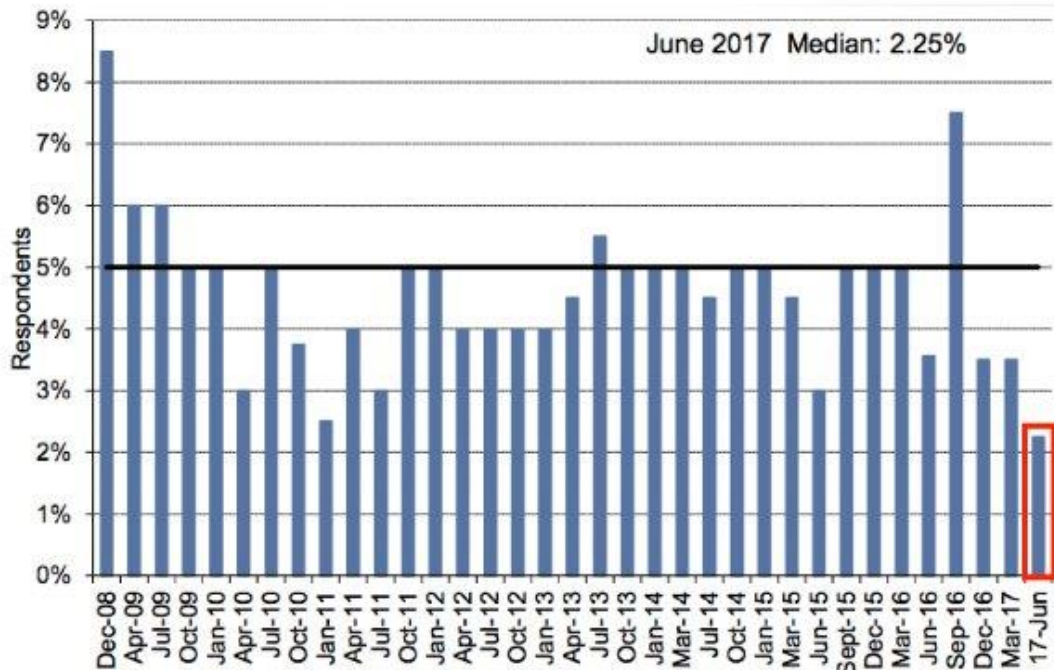


Chart 3

INSTITUTIONAL INVESTOR CASH HOLDINGS



Adapted from businessinsider.com