

09:43 11 Sep 2019

## "The Fed is Clueless"

Video commentary for September 10th 2019

### Eoin Treacy's view

A link to today's video commentary is posted in the Subscribers Area.

Some of the topics covered include: Commodities beginning to show evidence of finding support. Gold remains under pressure as the total bonds with negative yields contracts. that is also pressuring bond proxies, stock markets steady ahead of the ECB meeting on Thursday, Brexit machinations intensify.

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## "The Fed is Clueless"

Thanks to a subscriber for this interview of Bob Rodriguez who has exhibits a thorough understanding of the market environment. It appears in Advisor Perspectives and may be of interest. Here is a section:

Negative yielding debt is a concept that could only be considered rational by an academic. Given 4,000 years of human history, I'll bet this is as faulty an idea as there ever has been and that it will be proven to be 100% hokum. Negative yields distort the entire capital asset pricing model. They undermine financial company profit models, pension fund liability assumptions, and seriously work to reduce the attractiveness of lending money and financial liquidity by eliminating the ability to do repo finance. But don't worry, since the central banks will save the day by buying corporate debt. Isn't that what the Japan's central bank did, as well as the ECB? And what have these policies achieved in terms of real economic growth? Very little! And now we have members of the Fed actually discussing and agreeing that a negative rate can be effective and appropriate. In other words, penetrating the zero-rate boundary will broaden their policy options. Again, the Fed is clueless and is working with inadequate and ineffectual sets of econometric models.

Negative rate policies distort the economic and financial market systems. The unintended consequences from these policies will be significant and harmful. To deploy capital successfully, the potential list of companies is most likely very limited. At the very minimum, potential target companies should have extremely strong balance sheets to weather the oncoming economic and financial market tsunami. They should also have strong market positions. My guess few companies, with this limited set of criteria, would be attractively priced. Thus, a high level of liquidity is necessary. Finally, escaping to long-term bonds is similar to investing in equities, since their effective durations have volatility characteristics like those of equities.

### Eoin Treacy's view

Stock markets are waiting with baited breath to hear what the ECB has planned on Thursday. The bond markets have priced in a flotilla of policy easing tools such as negative short-term interest rates, deeper negative deposit rates, a

tiered deposit rate to aid the banking sector and a fresh round of quantitative easing. The strong momentum push in bonds to a record total of negative yields priced in all of these initiatives.

### **Why 47,000 grocery workers in California may go on strike**

This article from CNN may be of interest to subscribers. Here is a section:

He makes \$21 an hour, but his wages have not risen in five years. He hopes a new contract will help him and his co-workers keep pace with California's cost of living increases. Prices in California are rising nearly twice as fast as the rest of the country, according to the Labor Department.

"We're on the front lines. We work in the stores. We're pulling in the money," Escarcega said. "We're not being taken care of so that's why we're here."

Escarcega said that going on a strike would be a "last resort" for employees, but that "everybody wants to speak up and get what we deserve."

Grocery workers often have more leverage in negotiations with employers than other retail workers because groceries are perishable and companies can ill-afford work slowdowns, experts say.

### **Eoin Treacy's view**

Minimum wages in California were \$10 in 2016 and have risen increments over the last few years. They are due to hit \$15 an hour in July next year. The predictable result of those increases is to cause people who were previously making above minimum wage to demand more money for the same job. It comes down to basic human psychology. No one wants to think of themselves as a minimum wage worker so when the lowest rate rises everyone wants to sustain their buffer to enhance their own feeling of self-worth. That might be considered the push side of the argument.

### **Northern Ireland-Only Backstop Mooted as Way to Pass Brexit Deal**

This article by Kitty Donaldson for Bloomberg may be of interest to subscribers. Here is a section:

Johnson, who will meet DUP leaders in London on Tuesday, no longer has a working majority after 21 Tory MPs were expelled over their support for the legislation blocking a no-deal Brexit. He'll have to rely on Labour votes to get a deal passed, even if he can convince the DUP to come back on board.

"The Tory Party has been entirely in hock to the DUP ever since they lost their majority," Boles said at the launch of the group on Tuesday, referring to the disastrous 2017 general election. The party "is no longer dependent on the DUP for a majority because it doesn't have a majority because it fired its majority last week."

## Eoin Treacy's view

Theresa May hamstrung the UK's negotiating position by being forced to go into coalition with the DUP following her failed grab for power in calling an early election. The clearest answer to the backstop argument is to draw the border down the middle of the Irish Sea instead of between Northern Ireland and the Republic of Ireland.

## Eoin's personal portfolio precious metal trading position profit taken September 5th 2019

### Eoin Treacy's view

One of the most commonly asked questions by subscribers is how to find details of my open traders. In an effort to make it easier I will simply repost the latest summary daily until there is a change. I'll change the title to the date of publication of new details so you will know when the information was provided.

## 2019: The 50th year of The Chart Seminar

### Eoin Treacy's view

The London Philharmonic Orchestra is holding a concert in David's memory on October 5th October at the Royal Festival Hall. There is a reception between 5.30 and 6.45 in the Foyle Pavilion, Level 3, Green Side and subscribers are well to join David's family there for light refreshments. Following the reception, we will move to the Beecham Bar, Blue Side, Level 5 for a short talk by Tim Walker, Chairman of the LPO.

If you wish to attend the concert as well, which includes a performance of Elgar's Cello Concerto by the Young Musician of the Year, it begins at 7.30 and you may book tickets (£67) by telephone on 020 7840 4242 quoting the code Fuller Concert.

Since this is the 50th year of The Chart Seminar we will be conducting the event on October 3rd and 4th to coincide with the memorial on the Saturday.

In the meantime, if you have any questions, would like to attend, or have a suggestion for another venue please feel to reach out to Sarah at [sarah@fullertreacymoney.com](mailto:sarah@fullertreacymoney.com).

The full rate for The Chart Seminar is £1799 + VAT. (Please note US, Australian and Asian delegates, as non-EU residents are not liable for VAT). Annual subscribers are offered a discounted rate of £850. Anyone booking more than one place can also avail of the £850 rate for the second and subsequent delegates.

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