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## Some of the World's Richest Brace for a Major Stock Sell-Off

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### Comments of the Day

13 November 2019

### Video commentary for November 12th 2019

Eoin Treacy's view

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

Some of the topics discovered include: Autonomies flexing their muscles in new sectors, gold and oil steady, commodity currencies under pressure and Dollar steady, high yield energy and CLOs represent a risk.

### Share Information

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### Some of the World's Richest Brace for a Major Stock Sell-Off -

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

Wealthy people around the globe are hunkering down for a potentially turbulent 2020, according to UBS Global Wealth Management.

A majority of rich investors expect a significant drop in markets before the end of next year, and 25% of their average assets are currently in cash, according to a survey of more than 3,400 global respondents. The U.S.-China trade conflict is their top geopolitical concern, while the upcoming American presidential election is seen as another significant threat to portfolios.

And

Still, it seems that wealthy investor caution is strictly for the short-term. Almost 70% of respondents globally are optimistic about investment returns over the next 10 years.

"The challenge is that they seem to want to respond" to short-term uncertainty "by really shortening their time horizons and shifting to assets like cash that are safe," said Michael Crook, a managing director on the investment strategy team. Though with many of these people investing on a time horizon across decades and for future generations, that "seems

like a mismatch."

Eoin Treacy's view

The visceral experience of an almost 20% decline in the fourth quarter last year ensures people are eager to avoid a similar experience this year.

### **Email of the day on the outlook for the Pound and the UK**

I can never understand the irrationality of the markets (I know, I can hear David's words, "the markets don't care what you or I think" ringing in my ears!) but surely a decisive separation from the EU, if necessary on WTO terms would eliminate uncertainty and settle the issue for good. The notion of a Brexit with the UK still subservient to the EU's protectionist policies and antidemocratic dogma will fester among the majority of the British public causing it to flare up again repeatedly in the years ahead.

Eoin Treacy's view

Thank you for this note which I believe accurately encompasses the emotional response many of us feel at the creeping slide in ideological purity the solution to success of the Brexit referendum represents.

### **CLO Selloff Flashes Warning Sign to Junk Bond Market**

This article from the Wall Street Journal may be of interest to subscribers. Here is a section:

CLOs resemble the mortgage-backed bonds that imploded in 2008, but very few defaulted in the credit crisis, a key driver of their recent popularity. Prices for their shares and bonds, however, plummeted at the time, and holders who sold out took heavy losses.

Now some CLO bond prices are falling again. That is because the riskier loans the CLOs own are dropping in value as the companies that borrowed them start running out of cash. CLO bonds rated double-B, which are among the riskiest CLO securities, returned about 10% this year through June. But recent declines, especially last month, erased most of the gains, giving holders a roughly 1% return this year through October.

That contrasts sharply with high-yield bonds: Many of the same companies to which CLOs lend issue junk bonds, which returned about 12% this year through October, according to data from S&P Global Market Intelligence.

"If you think that double-B CLOs are giving a warning sign, that says something about high yield," said David Preston, head of CLO research at Wells Fargo & Co. "It's hard to see how both markets can be right."

Eoin Treacy's view

The energy sector is where the majority of spread expansion has taken place as higher cost, more leveraged, issuers have come under pressure. The relatively stable oil price at present is not high enough to rescue these issuers and the existential crisis gripping Chesapeake Energy is an example of the stress coming to bear on higher cost producers, particularly in a low natural gas price environment.

## Eoin's personal portfolio: precious metals long initiated

### 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.

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