



## **Beggar Thy Neighbor, Beggar Thyself**

By Michael Lewitt, Editor, The HCM Market Letter

October 12, 2010

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*This essay is excerpted from the most recent version of the HCM Market Letter. To subscribe directly to this publication, please go [here](#).*



“Money may no longer be physically printed and distributed in the voluminous quantities of 1923. However, ‘quantitative easing’, that modern euphemism for surreptitious deficit financing in an electronic era, can no less become an assault on monetary discipline. Whatever the reason for a country’s deficit – necessity or profligacy, unwillingness to tax or blindness to expenditure – it is beguiling to suppose that if the day of reckoning is postponed economic recovery will come in time to prevent higher unemployment or deeper recession. What if it does not? It is alarming that some respected bankers and economists today, in the US as in Britain, are still able to commend ‘the printing press’ (in so many words!) as a fail-safe, a last resort. A country’s budget can indeed be balanced in that way, but at the cost, to whatever degree, of its citizens’ savings and pensions, their confidence and trust, their morals and their morale.”

Adam Ferguson (2010)

For those of our readers itching to vote Nancy Pelosi and her Democratic cohorts out of office on November 2, there is an episode from the Weimar years that can remind us just how severe the views condemning wealth and consumption can grow in periods of economic distress.

In the early 1920s, the Bavarian authorities were coming under severe pressure to quell the social unrest that rising inflation was causing. The Bavarian Prime Minister came up with the brilliant idea of submitting a bill to his parliament to render gluttony a crime. For purposes of this bill, a “glutton” was defined as “one who habitually devotes himself to pleasures of the table to such a degree that he might arouse discontent in view of the distressful condition of the population.” A first offense was punishable by imprisonment and/or a fine of up to 100,000 marks (about £75), and a second offense subjected the offender to imprisonment for up to five years, a fine of up to 200,000 marks, and the



deprivation of civil rights. Caterers and other coconspirators were also to be held to account, and foreign offenders were subject to expulsion from the country. The legislation was never enacted, but it was a sign of the times. Conspicuous consumption had fallen into disrepute in a period of runaway inflation and mass economic dislocation. While this proposal might seem absurd today, people in glass houses shouldn't throw stones – the modern legislative record is hardly something to write home about. At the very least, the anti-gluttony bill was indicative of the political upheavals and horrors that were about to be unleashed, not only on Germany but on the world.

Elections have consequences. As they say in Chicago, vote early and vote often on November 2!

The challenge remains, however, who to vote for. Neither the Republicans nor the Democrats have demonstrated their fitness to lead this country in a fiscally responsible manner. Many commentators are rooting for a Republican takeover of the House of Representatives in November in anticipation that such a victory would lead to political gridlock, which they view as preferable to the Obama administration's anti-business agenda. While *HCM* agrees that Mr. Obama's economic policies are failing, gridlock would be a sad state of affairs. The United States is facing imminent economic problems that cannot wait for solutions. We cannot afford two years of paralysis. The fact that we are seeing currency wars and political paralysis speaks to the severity of our ongoing crisis and the need for new leadership.

### **The race to the bottom**

Currency wars are an ugly spectacle to watch. While certain short-term benefits can be gained by such actions – cheapening a country's exports and therefore giving a quick boost to its economy – every devaluation ends in tears.

The world is now being treated to the spectacle of three of its largest currency blocks competing to reduce the value of their currencies. Even more striking is the fact that the central banks in charge of these suicidal operations are being forced to engage in non-conventional means to accomplish their goals because conventional mechanisms of monetary policy have broken down.

- The U.S. Federal Reserve is talking about engaging in a second round of quantitative easing. The media and others have termed this approach "QE2", a name that sounds like a cruise ship. That is probably appropriate since such an approach is likely to meet the same fate as the Titanic.
- The European Central Bank (ECB) was forced to bail out the peripheral members of the European Union with a €1 trillion rescue package that also included aspects of quantitative easing. In fact, European central banks recently purchased Irish government obligations after Irish interest rates rose to the highest levels since 2003.



- Japan has seen the Yen rise to levels that are crushing its exports and has engaged in direct intervention in the currency markets. On October 5, the Bank of Japan pledged to keep its benchmark interest rate at “virtually zero” until deflation has ended and cut the overnight call rate target to a range of 0 to 0.1 percent from 0.1 percent, a gesture whose microscopic size speaks to the lack of options available to a central bank incapable of thinking outside the box.

I take no pleasure in saying with a high degree of certainty that none of these efforts are going to yield the desired result. Currency interventions never work in the long term and rarely produce more than a fleeting short-term boost to an economy. The only way to manage currencies effectively is to manage the economies that employ them effectively. Currency imbalances are signs of underlying economic imbalances, and the current currency chaos is nothing more than a reflection of failed economic policies in the United States, Europe and Japan. It would be far more effective for each of these countries' central banks and governments to promote pro-growth, equity rather than debt-financed tax and economic policies rather than the current unsustainable debt-financed growth that has led them to their current precarious positions. Currency problems are just a symptom of underlying economic diseases, and these countries need to treat the diseases and not the symptoms if they want their economies to heal. There is little indication, however, that they are prepared to do so. The reasons for this failure are both political and intellectual.

Unless the laws of economics have been repealed, there can only be one outcome from the actions of the Federal Reserve and the ECB – weaker currencies and higher inflation. As for Japan, a weaker Yen and inflation are highly unlikely for reasons peculiar to that country. But nobody is going to get what they want from their efforts. A little inflation in the West would not be a problem, but we are not talking about a little inflation. The mountains of money that are being created will lead to high levels of inflation that will result in much higher interest rates, even slower economic growth, and social and political instability. This is what the incessant rise in the price of gold is telling us.

### **Quantitative easing**

The United States will not improve its economic policies until it gets new intellectual leadership at the Federal Reserve and in the White House. It is now abundantly clear that the reappointment of Ben Bernanke as Chairman of the Federal Reserve was a terrible mistake. Rather than a traditional Keynesian obsessed with a Depression that occurred almost a century ago in a completely different world and who believes that dropping money out of helicopters can solve all problems, President Obama should have elected a modern-day Paul Volcker prepared to take tough measures to purge the system of the excesses with which years of profligate spending and borrowing have burdened it. Instead, the U.S. has a central bank so fearful of even modest deflation that it is willing to ruin its balance sheet and debauch its currency through a program of quantitative easing that is not only unnecessary but highly unlikely to work.



Quantitative easing is precisely the wrong policy for the Federal Reserve to be following at this point in time.

- First, it is unlikely to work. As our friends at *The Bank Credit Analyst* have pointed out, the first bout of quantitative easing may well have contributed to a decline in Treasury rates. A second round, however, is unlikely to move these rates much lower from their already depressed levels. Moreover, adding an additional \$1 trillion of reserves to bank balance sheets when banks are already sitting on \$1 trillion of excess reserves seems unlikely to stimulate lending. Corporations are also sitting on a reported \$1.6 trillion in cash according to *The New York Times*<sup>1</sup> and they certainly aren't using it to increase hiring or otherwise stimulate strong economic growth. This is especially true when a significant amount of this cash is sitting offshore and would be subject to punitive taxes were it to be repatriated. The financial markets seem more than ready to lend money to qualified borrowers; the problem is that lower quality borrowers are having trouble accessing capital, and the remedy for that is stronger economic and employment growth.
- Second, even were QE2 to provide some sort of short-term boost to the economy, the benefits would likely be transitory while the long-term negative consequences would be long-lasting. Quantitative easing will only further swell the Federal Reserve's already bovine balance sheet and further debauch the dollar. HCM frankly finds it inexplicable that some economists such as Paul Krugman (see below) don't seem to be bothered by that prospect. Unless the laws of economics, which may not be precise but are both inexorable and unforgiving, have been repealed, there is going to be hell to pay for the damage being done to our currency by this policy.
- Third, fiscal policy and not monetary policy should be doing the heavy lifting when it comes to healing our economy. Rather than flooding the system with more liquidity, the authorities should be instituting meaningful economic reforms to create a pro-growth environment. This may seem like a quixotic quest in the current political environment, but there is frankly no alternative. If the American people permit Congress to continue on its current path, this country is going to face economic upheaval and social and political unrest that will make the Tea Party movement look like, well, a tea party.

The ill-advised nature of QE2 leads us to view the market's celebration of the Federal Reserve's Open Market Committee's September 21 statement with a jaundiced eye. But quite a celebration it was. The equity markets enjoyed their best September performance since 1939, although harkening back to that decade should hardly comfort anybody. But just in case markets didn't get the message directly from the Fed, hedge fund star David

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<sup>1</sup> *The New York Times*, October 4, 2010, "Easy Borrowing By Corporations Spurs Few Jobs," p. A1.



Tepper shouted it out during his appearance on CNBC's *Squawkbox* three days later. Mr. Tepper argued that either the economy will start growing on its own, in which case stock prices will rise, or the Federal Reserve will begin infusing the financial system with additional liquidity through purchases of Treasury securities, which will have a similar effect on stocks and other financial assets. Either way, according to Mr. Tepper, everyone wins (except the short sellers, of course.) Implicit in Mr. Tepper's analysis was the acknowledgement that the U.S. economy is not currently growing at a satisfactory pace and that continuation of the *status quo* would bode poorly for stock prices.

Mr. Tepper, as everyone with an interest in Wall Street knows, made a fortune in 2009 by believing the Federal Reserve when it said it was going to reflate the American economy. It didn't matter that the central bank was blowing up a balloon, and that all balloons are filled with empty air. The stock market followed the Fed and moved sharply higher. So it probably won't matter whether quantitative easing boosts the economy or not; it is likely to boost the stock market and other financial assets in the short term. After all, as *HCM* has noted many times, the market is not the economy, even though it plays one on television. Mr. Tepper carefully limited his market prediction to the short term, which was wise since the mere mention of Federal Reserve intervention seems to trigger higher stock prices without regard to the long-term effects of further bouts of the easy money that has created so much instability in the past. While licking his chops at the prospect of making more money for himself and his investors with the help of the Federal Reserve, Mr. Tepper didn't bother to mention that under the current policy regime, we are toast.

Mr. Tepper is a keen reader of the boom and bust cycle in which the markets remain firmly entrenched. Virtually nothing has changed as a result of the 2008 financial crisis in terms of monetary, fiscal or regulatory policy. All three remain highly pro-cyclical. The list of financial crises reaching back to the early 1980s (see Table 1 below) should serve as a roadmap of what we can expect in the future unless policy turns counter-cyclical. Current policy measures guarantee future volatility and below-trend growth globally as U.S., European and Japanese central banks engage in a race to the bottom to debase their currencies and corrupt their balance sheets.

**Table 1**  
**The Center Will Not Hold**

<b>1982</b>	<b>Oil and Gas Bust</b>
<b>1987</b>	<b>Stock Market Crash</b>
<b>1990</b>	<b>Drexel Burnham Lambert Bankruptcy</b>
<b>1991-2</b>	<b>Savings &amp; Loan Collapse</b>
<b>1994</b>	<b>Bond Market Debacle</b>
<b>1998</b>	<b>Long Term Capital Management Crisis/Russian Default</b>
<b>2001-2</b>	<b>Credit Crisis</b>
<b>2008</b>	<b>Financial Crisis</b>
<b>2011-2015</b>	<b>Next Crisis</b>



The Open Market Committee made it clear beyond a doubt in its September 21 statement that it views deflation<sup>2</sup> as the primary risk to its mandate of maintaining price stability without explaining how muted inflation or even modest deflation fits the definition of price *instability*. Regardless, there can be little doubt that the U.S. central bank will fight tooth and nail to prevent inflation from falling further from its current levels. This is music to the equity market's ears because the equity market only hears sounds that travel short distances. Other markets that possess greater auditory acuity, like the gold market, understand that this is a recipe for long-term disaster and are trading accordingly. As we wrote last month, the centre cannot hold. Not when men like Ben Bernanke and institutions like the United States Congress are in charge.

### **Just how weak is the economy?**

Economists continue to debate the strength of the economic recovery. Our friend David Rosenberg reminds us that steep recessions are normally followed by strong recoveries. Yet that has not been the case this time. Mr. Rosenberg points to the two most recent deep recessions. In 1973-75 we experienced a 3.2 percent real GDP decline followed by four quarters of a 6.2 percent recovery. In the early 1980s, we experienced a 2.7 percent peak-to-trough real GDP decline that was followed by four quarters of a 7.7 percent recovery. The 2008-9 recession (which has been declared officially over, which must certainly warm the hearts of the 17+ percent of the American population who are unemployed or underemployed and the record numbers of Americans who require nutrition assistance) saw a 4.1 percent decline in real GDP but has only seen a recovery of 3 percent in GDP. In other words, GDP is recovering at less than half the rate at which it recovered after earlier steep recessions.

On the other hand, Wells Capital Management's chief investment strategy Jim Paulsen argues that we are experiencing the strongest economic recovery in 25 years. He points out that despite the slowdown in 2Q10 GDP growth, real GDP growth in the first year of the recovery was 3 percent, compared with first year recovery gains in 1991 of 2.6 percent and 1.9 percent in 2001. He also notes that "persistent" job creation took 12 months to set in the early 1990s and 21 months after the 2001 recession. Finally, he notes that 205,000 jobs have been lost in the first 14 months of this recovery compared to 220,000 and 935,000 cumulative job losses at this point in 1991 and 2001, respectively.

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<sup>2</sup> Reportedly, the Federal Reserve's thinking is being influenced by a paper that was delivered at Jackson Hole this summer by James H. Stock and Mark W. Watson entitled "Modeling Inflation After the Crisis" (August 5, 2010) that demonstrated a strong correlation between the increase in unemployment and the fall in inflation during recessions. (I am indebted to David Gerstenhaber for pointing this out to me.) The Federal Reserve's inclination to engage in QE2 suggests that its concern about deflation is tied to a dim view of the employment situation.



Mr. Rosenberg and Mr. Paulsen are, of course, comparing apples and oranges. Mr. Rosenberg is comparing the recent recession to the deepest recessions in recent history while Mr. Paulsen is comparing it to the two most recent recessions. Mr. Rosenberg has been consistently on the mark with respect to his economic and market calls. Frankly, all that matters is what happens from here, and we see a lot of headwinds. Sovereign balance sheets are drowning in debt, which is leading to significant budget cutbacks in Europe and should lead to similar spending reductions in the United States (although there is no guarantee that our leaders will make such tough choices). This was not the case during past recessions. These reductions in government spending are likely to contribute to significantly slower economic growth globally and in the U.S. After all, also unlike earlier recessions, the U.S. is now operating in a networked global economy, where a slowdown in Europe or China can have a direct impact on growth at home. Accordingly, it is probably more useful to evaluate prospects for growth today in terms of the current economic environment than to compare today's recovery to past recoveries. It would seem that the obstacles to recovery today may be significantly larger than those faced by earlier policymakers and politicians. This is why resorting to outworn Keynesian policies is not only disappointing but dangerous.

### **More Keynesian Kool-Aid**

It is probably ill-advised for *HCM* to pick a fight with a Nobel-prize winning economics professor from Princeton University, but the latest essay by Paul Krugman (and Robin Wells) in *The New York Review of Books* ("The Way Out of the Slump," October 14, 2010) demands a response. Professor Krugman is well-known for his liberal political views as well as for his promotion of Keynesian remedies for the current economic downturn. In his recent essay, which reviews recent books by Richard Koo<sup>3</sup>, Raghuram Rajan<sup>4</sup> and the ever-present Nouriel Roubini and Stephen Mihm<sup>5</sup>, Professor Krugman admits that "[w]e're in the classic Keynesian liquidity trap, in which the economy is so awash in liquidity that adding more has no effect." So what does he propose we do? Why, add more liquidity, of course! A huge fan of quantitative easing, Professor Krugman suggests that the Federal Reserve not only purchase long-term government debt but also enter the market to purchase private debt. One has to wonder if there is any limit to what the good professor would have the Federal Reserve do to prevent short-term pain in the U.S. economy.

But even more noteworthy about Professor Krugman's proposed remedy is the shameless manner in which he admits that current monetary policy (and its extension) would promote inflation, a monetization of the debt, and a debauchment of the dollar. First, he writes that "one also wonders why they [Roubini and Mihm] think a fall in the dollar would be a bad thing, because it would in fact be a boon to US exporters and a stimulus to the economy." A Nobel Prize winning economist can't think of any negative effects of a falling dollar? He then turns his attention to Mr. Koo and writes: "we're also unclear why he doesn't regard

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<sup>3</sup> The Holy Grail of Economics: Lessons From Japan's Great Recession.

<sup>4</sup> Fault Lines: How Hidden Fractures Still Threaten the World Economy.

<sup>5</sup> Crisis Economics: A Crash Course in the Future of Finance.



significant inflation as a desirable way to reduce debt burdens, which are made worse by deflation.” Our Chinese and other creditors would be thrilled to hear that we have no qualms about monetizing the trillions of dollars of debt they have purchased from us. Our policies may not leave us any other choice if we intend to repay this debt, but one would think that a distinguished professor and Nobel Prize winner might at least acknowledge the immorality of such a concept. But none of this seems to bother Professor Krugman in the least.

Professor Krugman is correct when he writes that, in the wake of Lehman Brothers’ collapse, “we had entered a world in which the usual rules no longer applied,” but then goes on to describe what was basically a continuation of business as usual as the solution to our problems. He writes that “running huge budget deficits” (weren’t we doing this before the crisis?) was “an act of prudence, not folly,” and “large-scale purchases of debt by central banks were a virtue, not a sin.” He is correct that the Federal Reserve wasn’t engaged in quantitative easing prior to the crisis, but ignores the fact that the central bank’s low interest rate policies in the period leading up to the crisis were a major contributor to what occurred. He now accuses policymakers who are concerned about budget deficits and unwilling to open the Keynesian spigots of having “reverted to conventional modes of thought.” But weren’t these conventional modes of thought precisely the ones that contributed to the current crisis and applied in the early part of the crisis with limited success?

Professor Krugman confesses that “it’s hard to read current writing about the economic crisis without a sense of despair: economists don’t even seem interested in solving the problem of continuing mass unemployment.” *HCM* shares the professor’s despair, particularly when reading the professor’s proposals for solving our financial crisis. In the real world, there are actually a number of pragmatic proposals that would promote employment; unfortunately, they do not comply with Professor Krugman’s liberal view of the world. Reducing payroll taxes, delaying or eliminating the new obligations being imposed on employers by Obamacare, introducing investment tax credits for certain types of capital equipment, lowering taxes on repatriated (and already taxed) foreign earnings that are used to create jobs are just four ideas that would promote hiring much more directly than indiscriminately flooding the economy with money. It is not the lack of available funds that is impeding employment growth; it is the mountain of taxes and benefit costs that employers have to bear to hire additional workers that render it uneconomic in a sluggish economy.<sup>6</sup>

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<sup>6</sup> Mr. Pinata, Anthony Scaramucci, the Founder and Managing Partner of Skybridge Capital LLC, told President Obama on CNBC recently that it costs him more than \$90,000 to hire an employee earning a \$50,000 salary in New York City. Who can blame him for thinking twice before adding to his staff when two-thirds of what he pays an employee doesn’t even find its way into the employee’s pocket after taxes? In Florida, by the way, it costs much less to hire somebody and the weather is much better.



Having admitted that we are in a Keynesian liquidity trap, the good professor still clings to his mantra that “monetary expansion should be pursued through every route possible – yes, it’s uncertain how effective any given measure would be, but that’s no reason not to try.” And if we trash our currency and our central bank’s balance sheet in the process, we can just deal with that later. If this is the quality of thinking that is required to get a gig writing for *The New York Times*, where can I sign up?

### **ETFs – The next time bomb?**

Think about this: A new financial product is created whose value is based on the value of an underlying portfolio of other securities; this product becomes so popular that it comes to outgrow the volume of underlying reference securities in size and trading volume; and regulators do nothing to limit the growth of this product or consider the systemic ramifications of its growth. Sound familiar? No, we are not speaking about credit default swaps, although this description fits what occurred with those weapons of mass financial destruction that brought the financial system to its knees in 2008. We are speaking about ETFs, which have exploded in popularity and come to dominate (along with flash trading and algorithmic trading) the equity markets.

A plain vanilla ETF, for our lay readers, is a security that represents ownership in an underlying basket of stocks, bonds or commodities that are held in a segregated account for the benefit of the ETF holders. In addition to plain vanilla ETFs, there is a plethora of leveraged ETFs that provide holders with leveraged plays on specific sectors or asset classes. Plain vanilla ETFs, like credit default swaps, are useful products if properly utilized and regulated. Leveraged ETFs, as our friend Eric Oberg has exposed on *TheStreet.com*, are quite another story. But the problem with the collective ETF universe is that, like anything else on Wall Street, enough is never enough. There may now be as many ETFs as stocks, and it is impossible for there to be enough stocks to fill all of these ETFs. The problem is compounded as more exotic or sector specific ETFs are brought to market, such as country-specific ETFs in emerging markets where the underlying stock markets and individual stocks are far less liquid than the U.S. stock market.

This raises the question of what happens when all of the ETFs holding a specific stock decide to buy or sell at the same time. In the CDS market, we saw how the spawning of billions of dollars of these products tied to a single underlying bond obligation created the illusion of liquidity in the bond market and moved bond spreads tighter than justified by underlying credit fundamentals. Before credit crashed beginning in 2007, spreads on high yield bonds reached a ridiculously low level in the low 200s, which offered investors woefully inadequate compensation for the risks they were assuming in lending to highly leveraged companies. We also saw how speculators could drive the borrowing costs of individual companies to levels that rendered these companies unfinanceable and essentially insolvent (i.e. Bear Stearns, Lehman Brothers, and almost BP plc).



The dynamics of ETFs are different, but there is no way that the continued proliferation of ETFs can be a stabilizing force in the markets. First, the differential between liquidity at the ETF level and liquidity at the level of the underlying stocks owned by the ETF is a recipe for trouble. Second, the enormous amounts of capital that ETFs are attracting make it more difficult for companies to attract capital directly in the stock market. Just as CDS drew capital away from the corporate bond market and rendered it less liquid than it would otherwise be, ETFs are drawing capital away from individual stocks and making them less liquid. Coupled with flash and algorithmic trading, ETFs have completely changed the complexion of equity trading, and not for the better. Even the stocks with the largest capitalizations such as Exxon trade mostly in 100 share increments as a result of the ascendancy of the computers, negatively affecting liquidity.

What is most shocking about the untrammelled growth of ETFs is that the regulators are once again asleep at the switch. The world has seen this movie before and it ended badly. Credit default swaps were allowed to grow into a multi-trillion dollar market without any oversight. Now ETFs are being allowed to do the same without any consideration of their systemic effects. While prospectuses must be filed with the Securities and Exchange Commission, regulators are looking at the trees instead of the forest. It is irrational and irresponsible to permit an unlimited number of ETFs to form when each of them has to purchase individual stocks. The implications for market volatility and capital formation are immense. We are witnessing another enormous policy and regulatory failure unfolding before our eyes.

### **Investment recommendations**

Despite our view that it is terrible policy, the odds are extremely high that the Federal Reserve will begin engaging in QE2 before the end of the year. The question is how investors should position their portfolios in anticipation of this move. The most obvious thing they should do is invest in gold. *HCM* has been recommending gold for years, and we remain bullish on gold despite the fact that the rest of the world agrees with us. We view gold as the best way to invest in currencies in the sense that rather than try to figure out which paper currency is going to be devalued the most, it is much simpler for investors to purchase the one asset that will appreciate against all fiat currencies. There is no question that central bankers are doing everything possible to destroy paper currencies; hell, they are even being cheered on by Nobel Prize winners like Paul Krugman. The gold trade is obvious, but it is also the right trade.

It is undeniable that the S&P 500 is currently priced attractively compared to Treasury bonds. One-third of the S&P 500 pays dividends at a higher rate than the interest rate on the 10-year Treasury bond. There are a significant number of truly great global companies whose stocks are trading at or below the market multiple of 12x and also paying dividends of 3 percent or more. Investors prepared to buy and hold these stocks for a reasonably long period of time should not be afraid of the stock market or investing in these types of stocks.



Bank loans remain an attractive asset class despite their recovery from their 2008-9 crisis lows. New bank loans are issued today at 1-2 point discounts to par and floating rate yields of 6-7 percent, which is an attractive all-in return for secured paper. The floating rate feature is particularly important since interest rates will back up sooner or later and hurt unhedged fixed income investors holding long-term corporate bonds. High yield bonds yielding in the high single digits in sound credits are also attractive, particularly in an environment in which defaults are expected to be extremely low.

Treasuries are a short or, as one of our friends called them a long time ago, certificates of confiscation. Lending to the U.S. government for ten years at 2.5 percent is like playing Russian Roulette with a pistol in which all of the chambers are loaded. There is virtually no chance that you will not suffer significant mark-to-market losses at some point during the 10-year holding period. Moreover, if you hold to maturity, inflation will insure that you earn nothing in real terms (actually you will lose money in real terms). Our friend Doug Kass has called shorting Treasuries the trade of the decade, and we are loathe to disagree with him (at least on this!). Governments may be incompetent when it comes to effectively managing economies, but they are experts at creating inflation.

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## Disclosure Appendix

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The HCM Market Letter  
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