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They've Cancelled the Ball Game

Baseball is more than a sport, it is a cultural thing. And just when players and spectators are ready for the pleasantries of the "Seventh Inning Stretch", the game has been called. Not because of rain, but because malevolent forces have changed the umpires from those who love the sport to those who hate it. Leaving fans and players confused with nowhere to go. What's more, arbitrary changes in rules and regulations will be made even during a game. Beyond the metaphor, ordinary life and most businesses will suffer the passions of today's political furies.

Traditional protections against political power and ambition have been suddenly reduced. As seen lately, those who make the rules, need not observe them.

<https://japantoday.com/category/world/update-1-vacations-abroad-cost-canadian-politicians%27-jobs-amid-covid-19-travel-curbs>

<https://redstate.com/bradslager/2020/12/03/the-list-of-politicians-defying-their-own-lockdown-orders-is-extensive-and-growing-while-they-all-share-the-same-menu-item-n288632>

Of course, the metaphor describes the Democrat's mania to absolutely control every aspect of private and corporate life. As recently reported, petty socialists at the Nasdaq bureau are brazen enough to dictate board appointees.

<https://nypost.com/2020/12/01/nasdaq-seeks-to-make-boardroom-diversity-mandatory/>

With Constitutional constraints reduced, Leftist ambition will recognize no limits. And even ahead of time, political pundits will be unable to determine each week's explosion of political urgencies. It will be like large flocks of small birds whirling together in one direction and in an instant, another direction.

The sports intrusion metaphor can be applied to the World Series, Liverpool football fans in The Kop, the World Cup, as well as to Wimbledon, the Augusta and not to overlook Talladega. Every endeavor and even thinking will be subject to political scrutiny.

And if incorrect made Politically Correct.

With little relief in sight, financial history could be facing a serious reduction in wealth and prosperity. Careful capital will flow to where it will be respected and safe from state confiscation. And what will become of many aggressive bidders and hitherto successful companies?

They will be Venezueladed.

With financial markets increasingly at risk, it is worth looking back to when this phase of the great bull market began. Within the gloom going into the election on November 8, 2016, we got a “Springboard Buy”. That was on November 4th. And as the Street realized that Trump’s reforms were good for individuals and business the stock market soared. A move we soon called “Rational Exuberance”, having a little fun based upon Alan Greenspan’s “Irrational Exuberance” of December 1996.

In 2016, Mark Cuban exclaimed “Huge, Huge Losses For Stocks if Trump Wins”.

Recent irony is that Wall Street helped fund the Democrat Party and bought the stock bubble. Not to overlook bonds of doubtful parentage.

Fortunately, reforms brought corporate money back to safety and opportunity in the States and the financial boom was then accompanied by an economic boom. Unemployment reached record lows. And now both personal safety and opportunity are being deliberately trashed.

Over the past year, policymakers forced the greatest hit to employment, ever. And lockdowns have been impose again. Now the economy could fail.

Action

Our work in October concluded that the stock market could rally into the next natural high. And noted that many outstanding speculations had completed in the December-January time window. All that was needed to set a significant high would be technical excesses.

Which have been measurably recorded and it is worth adding that the wilder the speculation, the harder the correction.

For those who still believe in central bankers, there is a comparison to be made. We have used it before:

Central banks to financial markets are the same as tornados to trailer courts.

Adding to the risk, is that there will be more angry umpires on the field than players.

The rise in the stock markets reached our timing objective with enough excitement to conclude an important top is being made.

While Credit Spread action is still favorable, the Yield Curve has moved further, from an alert to now a warning. Beyond political risk, market forces could be setting up another lengthy post-bubble contraction.

Since December our advice has been to sell the rallies. Most sectors are now vulnerable.

Where can liquidity be parked? In High-Grade US corporate bonds in the 3 to 4-year term. T-Bill Rates could drop to zero. Gold’s real price could resume its rise.

Personally, this researcher is looking for a brand new ball game with competent umpires.

Exhibit 8: Goldman Sachs Housing Activity Tracker
 Housing sales and starts have surged



Source: Goldman Sachs Global Investment Research

Record debt and equity underwriting fees propel bank revenues

Investment banking underwriting and advisory fees by division (\$bn)



Source: Refinitiv
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