

CALM AND COMPOSED – YES, BUT...

Who would not be delighted to have an early warning system, preferably for themselves alone, so that they could anticipate the long expected but yet pending stock market downturn with deliberate, risk-mitigating divestments? We know that such a system does not exist, and most of the robo-advisors bursting with artificial intelligence will also fall into the next financial market trap. They may have all the data on previous crises, but none on the one to come, which will be unlike any of its predecessors. It will be the first of its kind, and we cannot even imagine its scope. Never before have interest rates in the world's major currencies been so low or even negative, never before have the central banks had such damp powder; and never before have there been so many robo-advisors stuffed with so-called artificial intelligence. The latter will, in all probability, generate precisely what they attempt as individuals to avoid: a particular hysteria whipped up by robo-emotions.

Financial market agnostics are aware that the trigger of the next crisis cannot be predicted, not even with artificial intelligence. Even in the midst of dramatic price fluctuations, they stand by their chosen strategy.

They say that the beat of a butterfly's wing can trigger a turnaround on the financial markets. In retrospect, we will be able to identify which of the millions and millions of butterflies was the culprit, and people will ultimately use this information to draw futile conclusions about the next crisis. "Agnostic investing" is my name for the position that takes all this into account, calm and composed, in the knowledge that prices will fluctuate, even dramatically, and yet stands by the selected strategy.

Among the guiding principles of agnostic investing, that is, the disbelief in some pseudo-superior financial market savoir, is my dictum: "Those who are unable to accept a 50% nominal loss on their positions overnight should not own shares." Or: "Shares are a fire hazard, but it is only because they are that one can earn an economically sound return with them."

At the same time, there is something about agnosticism – what agnostic would not like to, occasionally and as secretly as possible, question in some way their own detachment from the action? And so still attempt to outsmart the unpredictable markets? This is certainly true for me, and I don't mind admitting it. Lately, for example, I was considerably unsettled when, aware of the yield curve trend in the US dollar, I learned of a liquidity squeeze in the American money market in mid-September. The word was that the US Federal Reserve would have to inject massive amounts of liquidity into the banking system. In contrast to the 2008/09 financial crisis, however, the bank assets offered as security retained their value. Since I take a similarly agnostic to sceptical position on such credit quality euphemisms, I began to experience a vague premonition of a systemic collapse that is beyond our comprehension. Around this time, at the commemorative lecture for the great Swiss theoretical monetarist Karl Brunner (1916–1989), I met a large number of experts. To sum up our discussions: uncertainty and uneasy feelings abound.

No, I am not saying that this will be the fateful beat of a butterfly's wing. Nonetheless, the financial market agnostic Hummler is no longer perfectly calm and composed, and will not be, at least until the dollar yield curve is back to normal.

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KH, 30.09.2019

