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Interest Rates Have "One Too Many"

by The Mogambo Guru

"Apparently, the horrifying news of negative interest rates does not register with these morons; the bartender went back to talking to the pretty girl at the end of the bar, and the other barfly customers were flipping those little beer-stained cardboard coasters at me saying, 'Shut up!'"

The bartender bent down real close to my face so that I could not miss him, and since that is never a good sign, I decided that I would let him get a good whiff of my breath to show him the folly of his ways.

So I brightly said, "Hi!"

He immediately backed up a couple of feet and said to me, "This is the last time I am going to tell you about keeping your voice down, and to stop insulting the customers and Democrats by calling them idiots. The idiots who are not customers or Democrats are complaining about being insulted by the association."

I instantly laughed out loud at the joke, although being funny is very uncharacteristic of him, as he is mostly "all business", throwing me out of the bar long, long before I am so sloppy drunk that other bartenders finally throw me out, too.

So I said, "My apologies to the idiots for lumping them with Democrats, who are so stupid and corrupt that they actually think that government exists to 'help' people by giving them money or services!! Hahaha! And don't get me started on the stupidity and corruption that has bid up the prices of short-term Treasury debt so that it yields exactly zero! Zero! Hahaha!"

At this, the bartender walks away, muttering something under his breath that sounded like "Oh, hell. Here he goes with that economic crap again."

Turning to the other customers, I say, my words slurring slightly, "Putting words into the mouth of Bill Bonner at The Daily Reckoning, he says 'The Mogambo is right; you're all morons!' Hahaha!!"

The bartender started walking towards me with his eyes narrowing to slits and his hands clenching into fists, so I hurriedly say, "Okay, okay! Sorry about that! Obviously, Mr., Bonner did not say that, but he almost did when he wrote that 'investors imagine that U.S. government debt, and the currency in which it is denominated, will be good forever. At the present nominal rate of return on T-notes, an investor would have to wait 50 years to earn back his investment. At the real rate - adjusted for the current rate of consumer price inflation - people will ice skate in Hell first. The real rate of return on T-notes is negative.'"

Apparently, the horrifying news of negative interest rates does not register with these morons; the bartender went back to talking to the pretty girl at the end of the bar, and the other barfly customers were flipping those little beer-stained cardboard coasters at me saying, "Shut up!"

So I shout back, "No, YOU shut up" and they shout back at me "No, YOU shut up!", and then I shout back at them, louder than before "No, YOU shut up, shut up, shut up!"

It was about the tenth time that they screamed "No, YOU shut up!" at me that I decided to, you know, shut up, and I said, "Okay, I'll shut up, but only so that you can listen to Mr. Bonner, who has generously gone on to inform you that bond prices are going to fall into the toilet because bond prices are so insanely high right now, and that it makes the imputed yield insanely low, and if you think that the nation's houses losing value at 18% a year is bad, wait until a few zillions of dollars of debt loses half its value in a few months, weeks, days, hours or even minutes!"

Working backward through time like that made me dizzy and dreading impact, so I calmed myself down by reading to them directly from Mr. Bonner's piece. "The supply of U.S. government debt," he writes, "is soaring; surely, you might imagine that it would go down in price. Sometime in the future, interest rates are bound to go up. When they do, investors in Treasury bonds are going to be disappointed. But when that disappointment will come, we don't know."

Disappointment! I marvel at his cool understatement! But at least he is trying to be helpful by alerting you to get the hell out of government bonds at your earliest opportunity, and you would think that Barron's, if they truly were trying to be likewise helpful, would have used the front of their magazine to use the quote from their own "Gold Performance" chart, which is that "February Comex gold finished at \$897.50 last week, up 5.5% for the year - its eighth consecutive annual gain", whereas bullion itself gained, too, according to Doug Noland at PrudentBear.com, who writes that "Gold added 0.7% this week to \$875 ('08 gain 5.7%)".

And then Barron's could tidily sum things up with, "Gold went up versus stocks, non-government bonds, housing and damned near everything else, which all took a clobbering! Go gold!"

Or they could have quoted their own Alan Abelson, in his Up & Down Wall Street column, who noted that, while most everything is down, "The lucky quartet that bucked this sorry tend to post gains included cocoa, sugar, gold and, most interestingly, hogs."

Or they could have even quoted The Mogambo, who said, "Buy gold, or you're a freaking moron who is ignorant of history, and who doesn't understand economics even basic math, and I hate you all for your stupidity and treachery!"

At which my daughter says, "You forgot to mention to also buy silver and oil! So who's the moron now, old man?"

Okay, you take care of buying the gold, silver and oil, and I'll take care of the smart-aleck kid.