

Reaching for Yield in the Bond Market

By [The Mogambo Guru](#)

10/15/10 Tampa, Florida – My wife is on the intercom and asking about whether or not I am coming out of the cocoon-like safety of the Mogambo Screaming Heebie-Jeebies Bunker (MSHJB) to have lunch, or maybe get a shower, or say hello to her and the kids, or pick up my mail, and maybe just stop acting So Damn Weird (SDW) for a pleasant change.

I explode into the intercom “So Damned Weird (SDW)? You think I’m acting So Damned Weird (SDW)?” I scream back. “Everything everywhere is So Damn Weird (SDW), so how is it freaking possible to NOT be So Damn Weird (SDW), SDW, SDW, SDW?”

My voice rising, I continue, “For instance, the bond market has become such an insane bubble that bond buyers have bid prices up so high (audience yells out ‘How high?’) that the yield is less than 2%!”

I could tell by the confused silence at the other end of the Bunker To Outside World (BTOW) intercom that she needed some explanation. So I helpfully went on, “Bond buyers are making a taxable Two Miserable Percent (TMP), while inflation, as measured by the GDP deflator, is 1.9%! Inflation as measured by John Williams at shadowstats.com is running somewhere in the 8%-plus range, and *The Economist* magazine is measuring a blistering 23.8% inflation in ‘all dollar items,’ with a terrifying 20% inflation in the price of food! Yikes!”

I listened for a response, but it soon became apparent that she had hung up the intercom, probably going back into the house, yammering to the kids about how “Daddy is still acting weird and won’t come out of that stupid bunker of his” and all the rest of her lies.

This means to me that she, like buyers of bonds, must stand around with blank looks on their stupid faces, disgustingly drooling down their chins and onto their shirts and/or straight jacket, seemingly hypnotized at the piddly 2% gross yield on their investment, before being lessened by fees, expenses and taxes to finally result in earning, maybe, a lousy 1% nominal net on their money, while they are simultaneously losing 8% of the purchasing power of ALL their money because of 8% inflation!

It was not until I rudely shouted out, “Nice investing there, bond buying morons!” that Agora Financial’s *5-Minute Forecast* came to rescue bond buyers from being diced and sliced by both my Sharp Mogambo Criticism (SMC) and my constant insinuations that there is a lot of incest, mental illness, stupidity, alcoholism and drug addiction in the ranks of bond buyers.

Agora reaches between us, pushes us apart, whereupon we retreat to neutral corners, and says to us both “And so it goes in a zero interest rate environment, when savers are punished and thus forced to reach for yield.”

“Forced to reach for yield?” I stammer. “What a polite way of putting it! Reach for yield!”

This indicates a difference in writing style between polite professionals like The 5, versus weird guys like me who have a lot of obvious mental problems, all made worse from all the stress of watching the Federal Reserve continually create more and more money, especially so that the federal government can borrow this money and spend it, all with the horrific, terrifying result of roaring inflation in prices.

I would have phrased it somewhat differently.

I would have said, “When the Federal Reserve is actively destroying the USA by creating so incredibly much money, for so long, so that idiotic bond buyers are finally reduced to realizing a laughable after-tax 1% yield – if that! – from their investment in bonds, while suffering an 8% loss of buying power of all the money they have, and the value of everything they have, because of inflation, are these bond buying people half-witted lowlife morons or what?”

Fortunately, the woeful travails of bond buyers and the morons buying common equities soon leave me disinterested and bored, as I invest according to the Mogambo Investment Theory (MIT), which is to simply buy gold, silver and oil, which will trump them all.

And with the Federal Reserve acting like it does, and the federal government acting like it does, profiting from inflation in prices by simply buying gold, silver and oil is so easy that I cannot stop myself from delightedly exclaiming, “Whee! This investing stuff is easy!”