

GCCs and BBRPs

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Because I really am, personally, the Ultra-Famous Mogambo (UFM) who thinks he's famous, who thinks he knows everything about everything economic, and is quite arrogant about it in an unpleasant, sneering way, people think they can ask me questions about things I know nothing about, yet get a correct answer. Weird.

Sometimes, though, they luck out by asking me a question where I, for some unknown reason, actually know the answer!

Like, just this morning at breakfast, when my wife asked me "Okay, UFM who thinks he's so hot, do you know that you are supposed to eat with your damned mouth closed so it doesn't disgust the other people around you?", and I correctly answered "Yes."

I am suddenly and proudly hitting one-for-one when my son immediately asked me the question "And did you know that, besides eating like a pig with your mouth open, you are insane about how the Federal Reserve and the other central banks of the world are creating so much excess money that it will destroy the world with inflation and ruination, just like it has destroyed every other currency and economy in the history of the world that had a government so abysmally stupid that it actually allows the Federal Reserve to do this kind of suicidal crap?"

I gotta tell ya, I was impressed! Astonished! So, I said to him "Yes and yes! Very, very good, my darling son!" His face beamed in self-satisfaction. I was the proud father at last!

Of course, the cynical, suspicious part of me wanted to ask him "Did you just extemporize that because you really understand it, or did you memorize it so as to impress me for some nefarious reason, you sneaky little bastard?"

On the other hand, I get questions that I can't answer, such as those about technical analysis, and I admit that I am no longer a trader, zooming in and out of investment positions, long or short, to make a profit.

Now showing so little interest in it, and handicapped by being naturally stupid, I am, admittedly, not up-to-speed on any of these newfangled analyses, using calculus on obscure derived equations and running in a computer language that I do not understand.

Or even recognize what in the hell they are talking about, for that matter! Hahaha!

My current blah attitude towards charting the markets is because I discovered that it is virtually impossible to consistently make money, or make any money at all, trading any

market, especially using just yesterday's price and volume data, as per the usual technical analysis.

It was a memorable lesson that I learned The Hard Way (THW), which seems to be the only way I ever learn anything, usually with painful, deep emotional scars, a seething, angry bitterness, an unhealthy fixation on revenge with muttering under my breath, and (in this case) tax-loss carry-forwards.

The revelation (to me, anyway) was made obvious when, one day, I suddenly said "Hey! Where did all my money go?" and realized, in a moment of transcendent enlightenment, that traders, like me, have no chance. Alas.

The market-makers, and the exchanges themselves, are allowed to make a guaranteed profit (with government assistance, if need be!). Governments make "profits" with taxes and fees. A lot of middlemen make a profit just passing things along.

And the buy-and-hold investors make a profit when they are on the right side of a long trend, although they, too, will be, alas, wiped out in The Long Run (TLR) by the inflation in consumer prices and the deflation in asset prices caused by such insanity in expanding the money supply.

Then, there, standing alone and frightened, abandoned out in the cold wilderness, feeling helpless and angry at being lied to, manipulated and cheated, are the only people left to pay all of these people. The traders. Me. Maybe you.

I realized that since investing is, in the macro sense, a zero-sum game, traders' nominal losses will exactly equal the nominal gains made by all those other people, and the profits made by many more people, too, when considering all the people I did not even count, such as, oh, I dunno, back-office people. Consultants. Advisors. Banks. Crooks. The usual opportunists who swarm wherever money is located. You know; other people. Lots of them.

But sometimes the enticement to trade seems too much to resist. The bond market, for instance!

Bonds, thanks to all the money being pumped out by the Federal Reserve et al, are now priced at astronomical price levels to produce yields that are at ludicrous, laughable, historical lows! It's just So Freaking Obvious (SFO) that THIS ain't a-gonna last!

I can see that you are suspicious of my analysis, so I will postpone asking you for \$5,000,000 in start-up money, in cash, in small unmarked, non-sequential bills, to, you know, kind of "get the ball rolling", and instead provide you with an illuminating example of why I am entranced by the idea of shorting bonds.

Suppose that interest rates are 6%. The theoretical market price for a \$1,000 bond paying 6% is therefore \$1,000.

So what is the theoretical price of a \$1,000 bond with a 6% coupon when interest rates are 0.1%, which is close to zero (the result of massive, monstrous monetary inflation running at an astronomical 9% of GDP while actual, non-manipulated consumer-price inflation is running at over 10%, which is the very, VERY weird and scary situation today, meaning that bonds are ridiculously mis-priced)?

The bond is worth, almost unbelievably, \$60,000. Big difference, huh?

So what is the theoretical price for that same \$1,000 bond yielding 6% when interest rates are at 10%? A paltry \$600.

With my usual aplomb and Supreme Mogambo Arrogance (SMA), I am 100% certain that I am perfectly, absolutely correct that price inflation will soar because of all of this over-creation of money and credit by the damnable banks.

I am likewise 100% certain, with quarts of SMA oozing from every pore of my body, that interest rates will soar, too, and thus the prices of the bonds will collapse as their yields are forced higher to make them more attractive to reluctant bond buyers who will be horrified to see roaring price inflation everywhere.

If bonds behave classically, as they usually do (until now) and things go exactly to plan, as they usually don't, traders should now sell-short a bond, getting the whopping \$60,000, paying out that meager \$60 per year interest payment, and then a year later, when interest rates have soared to 10% -- and probably more! -- like they should, acting in response to the horrible monetary and price inflations all around him or her, the trader would close the short position by buying the bond for \$600, making gross nominal profit of \$59,400, less expenses. Nice work!

On the other hand, this entails a lot of risk, which I hate because I am a gutless little coward who remembers, with each precious dollar laid out, how I had to earn each and every dollar of that money by slaving as a lowly lickspittle piece of employee crap whose bosses were all morons for not recognizing my obvious genius, and (judging by my annual employee evaluations) for expecting too much of me in the first place, morons.

At least things got better when I got to be a lowly lickspittle piece of self-employed crap, where things were a lot better because I was never again suffered daily stress because of threats to fire me just because of being barely qualified, my obvious incompetence or my lazy, worthless attitude, which I think comes from my natural stupidity.

And the risk with bonds is very, very real, too, as the Federal Reserve has repeatedly demonstrated the power, and they repeatedly demonstrated the odious inclination, to keep pounding interest rates down and down by creating more and more money and credit, regardless of the inflation in consumer prices it caused!

In the movie, if there is one, this is where the camera cuts to a close-up of my face as I, Macauley Culkin-like, slap my own cheek in disbelief, my mouth and eyes open wide and my eyebrows rise in terrible surprise, and I say "Un-freaking-believable!" or "We're Freaking Doomed (WFD)!", I haven't decided which.

And actually, unbelievably, despicably and tragically, the Federal Reserve, under the dysfunctional thrall of the satanic Ben Bernanke, is trying, for the first time in history, to literally create inflation in prices to achieve some "target "rate of price inflation of more than 2% a year! Gaaahhhh!

No wonder I say "Un-freaking-believable!" or "We're Freaking Doomed (WFD)!", I haven't decided which!

And where does the money go? To buy the flood of new Treasury bonds, of course! And so bond prices go up and up, simply by the Federal Reserve creating a LOT of new money which the despicable and treacherous Obama administration desperately needs for its suicidal deficit-spending madness), driving bond prices up and the yield down.

In which case a short-seller of a bond would get financially slaughtered as each halving of the interest rate, under the deluge of a flood of money, doubles the market price of the shorted bond. Yikes!

And there is no telling (as in thick, choking smoke is blinding you, everything is burning in a searing fire, and people are running around in flames, screaming into your disoriented ears) what will happen if the Federal Reserve, as is rumored, actually achieves negative interest rates! Wow!

So, assuming that you are, like me, a Gutless Cringing Coward (GCC), you prefer investments that succeed over the long-term, like gold and silver, as evidenced by 4,500 years (or more!) of history, instead of investments that have always failed, which is mostly everything else over the long-haul, but especially things such as government promises of real, inflation-adjusted repayment of a loan (a BIG loser!), and partial ownership of, or be owed money by, some dumb-ass, highly-indebted mis-managed company totally dependent upon dumb-ass, highly-indebted people who have no jobs and are underwater on their mortgages watching food and energy prices continually going up and up, faster and faster, all to finance a huge excess of inflated final demand for goods and/or services.

If you are a GCC who also is, like me, just in it for the money and you are looking for Big Beautiful Real Profits (BBRP) without doing any work, doing any thinking or taking any risk, then I suggest that you merely get into your car, take a drive to some place that sells gold and silver, and buy some of each.

Then, do the same thing next week. Then the week after that. Over and over, week after week.

So what could be (by virtue of 4,500 years of history) more obvious? And what (by virtue of taking a pleasant drive with the radio playing and honking the horn at pretty girls) could be so easy?

And so what can one say except "Whee! This investing stuff is easy! And obvious! Whee again!"?