

Wednesday, June 7th 2017

Dear Chris,

Last week the high, grey stones and temple like facade of the 'Old Lady of Threadneedle Street' attracted worshippers, myself included, to hear a two day sermon on market liquidity. The words repeated the most often from the financial preachers were....'crisis...never again'.

Crisis is a loaded word; it conveys fear without substance. This current chant of 'crisis...never again' suggests an 'all in' mindset. Central banks have successfully tackled the inflation in goods and services but they have left asset inflation unattended. We all live in a world of both inflations but the central banks only measure one half, have declared 'mission accomplished' and have moved on.

So 'crisis' today means what? A 30% fall in equity markets, a 20% currency devaluation, a sustained rise in bond spreads, a hiccup in the payment system, or something else? 'Crisis' is now an overused word and it has lost its meaning. But there is no need to be afraid of any future crisis, it holds nothing more than the consequences of past actions.

For nearly a decade central banks have remained in 'crisis mode', with negative real rates and gargantuan bond

Chris Andrew

Clarmond Wealth

1 Holbein Place

London, SW1W 8NS



purchases. This has created tranquil, profitable and inflating asset markets - all achieved under the cloak of crisis. So what will be the ultimate consequence of this crisis mode behaviour?

Last week most priests expounded that market illiquidity would cause a sudden surge in volatility and subsequently cause spreads to spike and equity markets to fall. These events seem unlikely to me as central banks remain committed to their 'all in' mentality.

The real crisis will be one that proves to be immune to these continuing policies of the central banks, when they press the button and the elevator doesn't move. This will be a crisis where the outdated goal of controlling goods and services inflation has been achieved and yet our standard of living is not maintained. Our politics and populus have already sensed this imbalance of only counting one half of total inflation. The financial version shall arrive shortly at the 'Old Lady'.

Talk on Election night - Mustafa

