PEREGRINE PRIVATE CAPITAL CORPORATION JUNE 16, 2015

"Bubble, Bubble, Toil and Trouble"

A slight corruption of Shakespeare's words ("Double, double toil and trouble" —*Macbeth*) but appropriate for where we find ourselves today. According to Star mutual fund manager, John Hussman, President of Hussman Investment Trust, "The Fed has now created the third financial bubble in 15 years." Referencing last decade's housing bubble he states, "This mistake will end just as tragically, both for the economy and financial markets." Hussman describes current stock valuations as "Obscene." He expects the Fed to keep interest rates low even as the market collapses.

Given investor's current deification of central bankers and the faith they place in the panacea of interest rates (Whatever the problem, interest rates can solve it. Inflation's too high, simply raise rates. The economy's too slow, simply lower interest rates) analogizing to Macbeth is appropriate.

Think of the 3 witches (Yellen, Draghi & Shinzo Abe) all alone in the deep, dark forest of central banking bureaucracy stirring their witches' brew of monetary policy. They throw all sorts of nasty, untried bits into it, from "lizard's leg" to the finger of a "birth-strangled babe" and "eye of newt and toe of frog," all in the hope of solving what ails their respective economies. Any takers?

Along come investors (Macbeth) who are so desperate for information and certainty about their future that they forget all about what is going on around them in their obsession with the three witches' predictions.

The catch here is these witches are crazy. They chant drivel that is meaningless to most of us. They cook up new economic models with seemingly random and arbitrary statistics (see previous article; "Lies, Damned Lies and Statistics"). So, can you trust them? Macbeth did and brought twice (double) the amount of trouble down upon himself that he otherwise would have had he just stuck to the present and the facts.

Wall Street has been the principal cheerleader for the Fed's insane 80 months (6½ years) of zero interest rates and quintupling (500% increase) of the money supply. When you sweep the table of traditional safe haven fixed income investments as the Fed has done and maximize liquidity, you create maximum booms and bubbles. Stick to the facts let the witches drink their own brew.

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