Media Worth Consuming – April 2019

Finance

No income, no asset loans are back in America. Inflated consumer credit scores are understating the risk American lenders are taking. Increasing credit card charge-offs point to US consumers being over indebted. US retailers have shut more stores in the first four months of 2019 than they did in the whole of 2018. Global trade growth has gone negative, now at its worst level in seven years. The major factors that have been a tailwind for corporate margins are at risk of reversion.

Studies have found that financial literacy courses make almost no difference to student financial decisions. Instead of taking out a student loan you can sell a share of your future income. 

Lenders are letting private equity firms get away with outrageous fees, distributions and covenant packages with US high yield debt covenants at their worst ever levels. Bain Capital’s boss sees private equity debt leverage and earnings adjustments as very high. The ultra-aggressive dividend recapitalisation of Staples surprised even high yield veterans. The trailing default rate for US leveraged loans has dropped to 1.1%, US banks have fought hard to be allowed to make riskier loans. Lenders are telling office owners no more leases with WeWork as the tenant.

The ECB knew Banco Popular was in deep trouble, but allowed it to sell investors €2.5 billion in new equity that was wiped out when it collapsed a year later. Deutsche Bank is considering setting up a bad bank, some are joking it should be called “Deutsche Bank”. Germany has filed charges against Financial Times journalists for reporting on the allegations of impropriety at Wirecard. Irish property prices have soared, creating a risk of another collapse.

Hedge fund DE Shaw is upping its fees to 3% management and 30% performance. An Asian hedge fund is offering to cover the first 10% of losses in exchange for a higher performance fee. Investing in the worst performing equity managers could be a legitimate strategy. The explanation for why emerging market shares don’t rise as quickly as emerging market GDP. Unlike equities, generating alpha in bonds is relatively easy and common. ETF managers are exploiting a tax loophole to eliminate capital gains tax obligations.

Trump’s nomination for the Federal Reserve allegedly has a history of promoting dubious penny stocks. The Fed was politicised and in need of a shake-up long before Trump came along. The Federal Reserve needs more critical thinking and less PhD’s as it is repeating the same mistakes on a larger scale that lead to the last crisis. Central banks are full of insolvent thinking and have broken capitalism by reducing productivity, increasing financial instability and increasing inequality. Janet Yellen knew she would create a bubble, but went ahead with extraordinary monetary policy anyway.

Jim Grant slams central banks for creating bubbles with ultra-low interest rates. Gordon Ramsay’s TV show demonstrates the stupidity of low interest rates. Plans to build Western Europe’s tallest building in a rural Danish town demonstrate the impact of negative interest rates. 13 charts showing the insanity of global monetary policy. There’s two parts to MMT; describing how things are and prescribing what to do.

Chinese retail investors keep buying wealth management products even after the government has banned implicit guarantees. They are also gobbling up municipal bonds with little regard for the risks. China’s companies are rushing to raise capital via rights issues, convertible bonds and IPOs. Djibouti owes China a small fortune for barely used infrastructure. The debt fuelled construction boom in Tianjin has stopped with 80% of its office space vacant. China’s
bad debt is a $300 billion value trap. A string of defaults in Shandong province raises concerns with cross-company guarantees. Chinese credit growth for March massively beat estimates, pointing to the government having provided more short term stimulus.

Argentina’s spike in its bond yields points to it being at high risk of default. IMF loans are being used to prop up Argentina’s currency, merely delaying the inevitable. BBVA has 16% of its risk weighted assets in Turkey. Italy is heading for another crisis, with a downgrade to sub-investment grade looking likely. Greece’s 5 year bond has a lower yield than the US equivalent. Greece is aiming to repay its IMF loan as soon as possible now that market rates are lower than the rate the IMF charges them.

Politics & Culture

History will see Julian Assange as another dissident attacked by government for exposing evil. The intellectual Dark Web is far more left wing than many think. The battle isn’t left versus right, it is statism versus individualism. Women have done far better under capitalism than socialism. Parental leave is best left to employees and employers to plan for, not the government. With no debt and high starting wages, doing a trade is looking pretty attractive compared to going to college.

Rather than fixing its homelessness problem, Seattle’s leadership is paying for PR to minimise it. After substantial industry lobbying, Congress is set to ban the IRS from offering free online tax filing. Rhode Island teachers unions are fighting against laws that would criminalise sex with students. Police in Arizona sent a SWAT team to forcibly remove children from their parents over a fever. A Danish woman is set to have her foster children removed for criticising Islamic violence. The Dallas district attorney won’t prosecute low level crimes, giving crooks a licence to steal and violate probation. Should drug addicted minors be subject to mandatory detox programs?

Unelected bureaucrats in the US and the UK are undermining the democratic will of the people. Trump is bad, but the elites running the government and media are worse. There’s a long list of Democrats and law enforcement officials facing investigation for their roles in the Russia collusion hoax. Obamacare has failed on its three key promises. Trump’s washing machine tariffs have cost $817,000 per job created. Blackstone’s CEO is great at running his business but terrible with public policy. China’s concentration camps, racism and restrictions on religion have parallels with Nazi Germany. The Chinese government is interfering with a local government in Australia over a sponsorship arrangement with an Australian newspaper. Muslim countries praise China for “providing care to its Muslim citizens”. Saudi Arabia has executed several men after they posted anti-government messages on social media. Google is facing widespread complaints of retaliating against employees that criticise company policies. In North Africa, the Middle East and Asia there are few countries where Christians aren’t persecuted. Secular humanism looks a lot like a religion.

Wake Forest University is excluding white people from meetings about diversity. The Mayor of Savannah, Georgia refused to allow non-black journalists entry to a meeting discussing the upcoming election. The University of Kansas is offering classes on “angry white male studies”. A conservative journalist was thrown out of a Bernie Sanders rally for no reason. The Melbourne café that asked men to pay 18% more than women has failed.

Economics & Work

Europe has greater economic problems than Japan. Iceland’s strong economic growth and rapid reduction in its debt to GDP ratio shows the benefits of austerity and avoiding bailouts. The $200 million package of incentives to keep
Graceland in Memphis is another awful example of corporate welfare. As the US government has spent more on universities, the cost of a degree has massively increased and the quality has declined.

American states with the “fairest” tax systems have the highest rates of poverty. Redistributing wealth doesn’t solve long term wealth inequality. The best way to increase wages is to grow the economy. Low taxes and stable money are the pathway to prosperity. Howard Mark’s latest memo claims to support capitalism but endorses crony capitalism. One obvious benefit of capitalism – the cost of food has plummeted in the last 100 years. Forget rent controls, shipping containers could be the affordable housing solution. Economists calculate the costs of drink driving equates to £22,800 per arrest for it.

Miscellaneous
A Chinese taxi alternative has posted complaints on billboards about Tesla’s high level of faults. Tesla has taken out a restraining order against another high profile critic whilst facing a wave of allegations of cheating its injured workers out of compensation. Tesla really doesn’t want you to buy its $35,000 base model.

How to turn a $1,000 painting into a $400 million masterpiece. How to become the world’s richest person through cryptocurrencies. If you want to grow your savings, start by shrinking your house. A profile of the Dave Ramsey, the man who popularised rapid debt clearance. A Florida millionaire has been charged with trying to defraud Kmart on $300 worth of everyday items. 30 bizarre stories in the “Florida man” meme.

A new superbug is spreading in hospitals and nursing homes around the world. Your gut needs more fibre, not more yoghurt. British soldiers use a picture of Jeremy Corbyn for target practice. A Lithuanian man is the sole passenger on 737 flight.

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