MACRO Voices
with hedge fund manager Erik Townsend

Bassman/Cudmore/Snider: Market Correction Review

April 19, 2018

Erik: Joining me next on the program is Harley Bassman, perhaps better known as the Convexity Maven. I should point out to our listeners that we are taping this segment on Tuesday afternoon, so our discussion will not reflect anything that happened in Wednesday and Thursday's markets.

Harley, I think the big question that's on everybody's mind is we know we've got at least a correction that's in play. We have now retested those lows that we saw about eight weeks ago. If it was a correction, it's probably time for the correction to be over – at least historically, it's about nine weeks, it's about time.

On the other hand, it could be that we're beginning a bear market. So the big question on everybody's mind is how will we know when the real bear market is on? And, conveniently, you've recently written a piece titled "How Will I Know?"

Tell us the overview. How do you know whether it's a correction or a bear market? And what do you see on the horizon?

Harley: Thank you for inviting me to the show. It's a pleasure to be here. I have a couple of big thoughts. And if you go to my website convexitymaven.com you can see some of my past commentaries.

You know, the Fed, the ECB, BOJ, China – they've pumped money into the system and kind of elevated everything. And, using financial repression, they've taken rates down and forced money into riskier assets.

And along with that, you've seen this increased correlation between interest rates and equities. So for the last nine years they've moved in opposite directions. Stocks up, bonds down, and vice versa. This is very different than what it was prior to 2008/2009 where they moved more or less randomly.

What you've seen over this time is people building up positions in risk parity, low volatility, passive investing, that takes advantage of the self-hedging nature of stocks and bonds. I think what's going to happen at some point is you're going to see stocks and bonds both decline. Interest rates go up, and stocks decline.

And when that happens, this leverage in the system, it's going to have to unwind. So that's what I'm watching for. And you could look for Bloomberg or other sources that basically show the correlation of interest rates to equities.

Erik: So the message is basically that it is going to be this signal that tells us when the game is on, so to speak – the increase in interest rates and Treasury yields. Is there a magic number? We had Julian Bridgen on the show recently – he said 3.05 is the magic number on the 10-year. Other people have said 3%. Some people have said even higher. I think you sent us a chart from Credit Suisse that says 3.5% is the magic number on the 10-year yield.

What, from your perspective, is the number on the 10-year that tells you oh, boy, we're in for trouble now?

Harley: I think 3.25% to 3.5%. Somewhere in there, both on a technical level and a fundamental level. Because it would require inflation to be over 2% to get the cash 10-year to be above 3%–3.25%–3.5%.

But, to circle back to your question, I think the issue is this. That convexity, which is a geeky term for second derivative, but what it really means is the payoff profile of an investment. So, if something is positively convexed, you make two or lose one, for the same risk up and down. Negatively convexed instruments, you lose three make one. So you lose more than you make.

Now, in exchange for taking trades like that, investments like that, you usually get a higher yield. And that's what you've seen happening is the Fed – this QE process of financial repression – has pushed people to reach for yield. And they've been reaching for yield by selling optionality, selling convexity, selling this unfavorable profile.

What I think is, since people are inherently not risk neutral, losing a dollar hurts more than the pleasure of making a dollar. That's just human nature. And therefore, since you have this negative risk preference, I think people are going to be really shocked if they start losing money at, not a crash, but just kind of they stop making it easily. And I think, once they start to unwind these positions because of their fearfulness, that could go and create problems.

When an instrument is negatively convexed, to rebalance it you have to go and move in a direction. So if you're short options and prices go down, you have to sell that asset to rebalance yourself. And by selling, you push the market down lower, which then, because of the convexity (it's not linear), it forces more selling. And that's how you get this feedback loop.

Risk parity might be the biggest culprit here. You have people who are long stocks – so, in my article I go through the idea of where maybe you're long $100 of stocks and $300 of bonds, and the idea, because bonds might move let's say 1/3 as much as stocks in the opposite direction, it's self-hedging.

But if both go down, then you've got to go and reduce that leverage. You can no longer have $300 or $400 of assets being supported by only $100 of cash equity value.

And I think people are not prepared for this. We've had basically nine years of – except for a few moves – mostly low volatility. So buying the backup has been how the trade has worked. And I think when we get to a point where that doesn't happen, that's when you get it.

And in my first piece, I said that I thought a 4% move could be enough in a single day to trigger this kind of hedging action. This fear consequence.

And if you look at my latest commentary, I have these charts side by side and, basically, once the S&P was down by about 4%, the VIX just exploded higher. It wasn't an exact trigger. I'll say better lucky than smart. It could have been 3.5%, it could have been 3%, it could have been 5%. But that's the general idea. And we got that.

And in the same way, I think that, once you see stocks and bonds no longer self-hedging themselves, you will see this unwind of leverage, which means people have to sell. Selling pushes prices down.

Erik: You know, this is what concerns me the most about your forecast. A lot of other people have said the same thing. A lot of conventional wisdom says: Okay, look, it's retail investors who are the ones who panic. Professionals don't panic. They don't do that. They're fully hedged.

Well, wait a minute. If you look at the 20-year buildup in these risk-parity strategies, where everybody assumed that the bond exposure was going to hedge the equity exposure – if what we find is that that correlation has reversed as you say, and both bonds and stocks sell off at the same time, it seems to me that that's a perfect setup for an institutional panic. And maybe it's a slower motion panic than a retail panic.

But do you think I'm exaggerating to use the word "panic" in conjunction with what could happen in institutional finance If we see both bonds and stocks selling off dramatically at the same time?

Harley: Respectfully, I think the word "panic" is a misnomer here. I'm not sure you have to go – a little panic, fear, emotion, catches headlines. Why can't it just be the natural reaction function of quantitative funds, quantitative managers, readjusting their portfolios to reflect the new correlations?

If you see the new correlation that stocks and bonds are no longer working in opposite directions, then these managers who are quant managers – and they might use a three-month or six-month moving average – they will readjust their portfolios. They're not going to panic. They'll just do what they're supposed to do, what they've been doing for the last nine years.

But, instead of buying more assets, which is what they've been doing because the hedged value of bonds to equities worked so well, they'll reduce assets. So if you have $400 million of assets and they go to $300 million of assets, you're going to sell $100 million of stuff. I don't call that panic. I just call that the reaction.

And I don't think that's going to be retail that drives this. Retail has been moving into passive funds – they don't have to go and make these decisions. It's the quant managers who will make it for them.

So I don't foresee a crash. I foresee some degree of a slow grind. It's your classic frog in the boiling water. You put the frog in the pot and it's cold water. You turn the temperature up, and by the time he realizes it, he's cooked. He never feels the hot water.

Erik: Well, you make an excellent point. I shouldn't use a word like "panic" because, you're right, that implies emotion. But, I guess what strikes me is if (as you say) we have simply a reaction function of people doing their jobs and adjusting their correlations – if suddenly what's happening is (as you say) everybody is selling assets across the board, both equities and fixed income, and they continue to do that, as you say, perhaps it's a slow grind.

But it sounds to me like it's a setup for a long, sustained period of asset devaluation in both equities and fixed income. And I guess what that makes me wonder, then, is – as much as the Fed claims that they're not in the business of rescuing financial markets – how long do you think that can go on before they change their story and try to do another QE round or something else to rescue the market?

Harley: I think it certainly depends upon how fast it is. If you get to the same place but you do it slowly versus quickly, it doesn't grab the headlines, it just slowly happens.

And if you want a date for when I think this is really going to start to become imperiled, it's going to be first quarter next year. In theory, with the desks and the minds on Wall Street, that should be when the Fed, the ECB, the Bank of Japan net-net-net – all three combined are draining reserves out of the system.

The move up had been all three going north. Once they're all selling, or at least not buying, that should be it. Because, remember, money is fungible. So if Japan is buying and the US is selling, it's net-net money is coming in. People in Japan or in Europe, they can buy dollars. The first quarter next year is when this happens.

And if you start to have, of course, a conjunction with this new budget, which is more supply of debt, that could make bonds go down and stocks go down, and there you'll have it. And then I think the natural course is these quant managers will have to go and readjust. And, of course, the risk is that, because of the underlying negative convexed profile of the market, it will be more difficult to unwind without actually pushing prices around.

Erik: Shortly after the last time we had you on the program, we had Chris Cole on, just after the vol complex blew up, and his reaction was he said: Look, folks, don't think it's over yet. What you saw was just the appetizer.

That was the explicit short-vol trade that blew up. But the main event is the implicit short-vol trade, which comes in the form of risk parity, vol control, and share buybacks. And he said he had no idea when it would happen. But he thought that the implicit short-vol blowup was really the main event that was going to be it.

Is what you just described starting in the first quarter of next year what he's talking about? Or is it something different.

Harley: Look, I love Chris Cole, he's one of the best guys out there for convexity options, and one of the best writers also. The idea of the VIX blowing up was always, I won't say easy, but kind of reasonable.

If you look at those profiles of the XIV and the other kinds of vol roll down strategies, they relied upon, basically, at some point, picking up pennies in front of a steamroller. Being short the VIX at 10, 11, 12 just can't be a career-enhancing trade.

And the people who were in those trades were mostly professionals, or at least faster money people. And, because of the leverage, once it started to go south they had to get out quickly. And the hedging action exacerbated it. To hedge out short VIX you had to go and sell the market. As you sold the market, the VIX went higher. There you go.

I think Chris is right about the implicit vol convexity of risk parity. I disagree about it being a speedy collapse. I think it will be more insidious, and you'll all of a sudden wake up and see yourself down 10–15% over time. I don't think it's going to be a panic.

Because I think these risk parity funds, they buy and sell programmatically – the idea of these computer programs is to take the human emotion out of the process. So they will readjust accordingly. It may require them to sell every day, but they're not going to look at the market and hit the bit. They're going to look at the recent correlations and adjust accordingly.

Erik: Now, you gave us a prediction for when this would start: first quarter of next year. Do you have any predictions for how long it would last? Is this a six-month thing or a six-year thing for it to play out?

Harley: I have some charts we used last time I was on the show. And one of my favorites – I'm a huge believer in demographics. Demographics is the iceberg. All we see is the top 10%, but the underlying baby boom generation pushing through lifecycle is the main driver.

And if you look at the workforce growth rate versus the 10-year rate, over the last 70 years it's – I won't say lockstep, but pretty close. Where I get my 3% and 3.25% and 3.5% is where 10-year rates start to actually break trend with the growth rate of labor. And I think what's going to soften the blow of bonds going down in price, up in yield, is just the mere fact that boomers need to sell stocks and buy bonds.

And if you go look at – and I had this in one of my write-ups recently – the 10-year move of mutual fund flows, there's been no money. Net-net-net. No money in equities. It's all gone into bonds. The buyers of equities have all been corporate stock buybacks. That's the net buyer. And I think that continues.

I think you still need baby boomers who are retiring, which is like 10,000 people a day, plus insurance companies and liability managers who need to go basically buy bonds to fund retirement pension plans – I think that all softens. You're not going to get like a 1980-84 bond blow-off. So it will happen but it will be slower.

Erik: Now, as we look to navigate this whole thing that you see on the horizon, one of the things that a lot of smart people are starting to sound warning bells about is a return of secular inflation. We've heard some pretty smart people like Hugh Hendry and Julian Brigden say, look, this is 1965, a major wave of inflation is coming.

On the other hand, people like Russell Napier, who's also very well respected, he just wrote a piece saying this is crazy talk. If you look at what's going on right now, the US FED is extinguishing US dollar supply while other central banks are creating additional supply of their currencies. It's crazy to expect inflation in the US dollar in this environment.

Which side of the fence are you on? And what do you see? Is there a risk of a return of secular inflation as the bond selloff is occurring, starting next year?

Harley: No I'm not, withstanding that I'm a U Chicago MBA who believes in the idea of printing whatever 10, 12, 15 trillion dollars of cash via the Western central banks like – you can't print money and not get inflation. But it's a matter of when.

And I think what you're going to see – the inflation of the '70s and '80s, if you look back, it was strictly a function of labor force, growth rate, the baby boomers becoming age 35 to 50. That's where you have maximum spending household formation. That's when the inflation occurred.

Since we pushed through that demographic, you should see inflation pick up again 2023–24–25. That is when you're going to see the millennials start to really forward into the workforce, and the boomers by then will have kind of petered out. And the demographic, I mean, it's baked in the cake, man. You can't go backwards and un-birth anybody. It's not Benjamin-Buttons-style. So we already know what the workforce demographic is.

The only interesting chink on this thing would be immigration policy. If that changed dramatically, then you could stymie labor force growth rate.

Erik: Talk to us about the US dollar. Some people have said: Look, it's bottoming here. Other people have said: Sell this bounce because it's about to crash.

What do you see on the horizon for the dollar as this whole story plays out over the next few years?

Harley: I don't see the dollar making a huge move one way or the other. It's still the reserve currency of the world. It's still where you've got to go. If people are willing to go and buy Swiss francs, for God's sake, because they have the reserve currency for safety, the US dollar certainly is an awful lot better than that by scale, size, everything else.

So as the world become a little more scary with what's happening in various places, people are still going to want to have US dollars. It's just a safe place to be. I guess people could argue that maybe bitcoin is where you go. But, as I've written about, I think that's ridiculous. Bitcoin is – I'm not going to zero, but, it's a place for gamblers. It's an alter currency.

Erik: Well, Harley, I have to agree with you on bitcoin, although that's a sensitive subject for some people. Before we close, I want to ask you one final question. As you look at what you see on the horizon, what general advice do you have for investors in terms of how to navigate this market?

Harley: For investors in general, my comment would be people get focused very much on entry-level. They want to buy the top or sell the top, buy the bottom, whatever it might be. They always try to time the market, try to day trade. I just don't believe in that. I think it's very difficult even for pros to do that.

I think sizing is much more important. Especially in a market that is going to be negatively convexed. Which means you could have very quick moves up and down, which could be nerve rattling.

If you want to be a long-term horizon investor, you should size your positions such that you can have a drawdown and not get forced out. And if you do that you'll be successful.

If you try and time the market, at some point you're going to get hurt. I mean, if you look at the VIX right now, it's back to 15. So I guess if you, in theory, had stayed short, you would have been okay. But you couldn't stay short; you got snuffed out.

People who were in levered positions, when they were forced to curtail that thrust, it was too big. And that was always, what you saw from all the commentators, was not per se – I mean, people might say that 12, 13 is too low on the VIX, but that was never the key selling point of why this was going to be a catastrophe. It was the size of the position. And the ability to unwind it was just not there.

So that would be my advice to people. It is sizing is more important.

Erik: Well, Harley, you are unlike our other guests because you're not selling anything. So we don't have anything to promote. But you are kind enough, despite the fact that you're kind of retired from your professional days of finance, you still write quite a bit and share it with people who are interested through your website convexitymaven.com. You also have a mailing list associated with that. Please tell people how they can sign up if they'd like to receive your free mailings.

Harley: They can send me an email at harley@bassman.net. And I'm also on Bloomberg; you can ping me there.

Erik: Well, Harley, I can't thank you enough for another fantastic interview. We really appreciate it. I'll be back with Patrick Ceresna and then Mark Cudmore as MacroVoices continues here at macrovoices.com.

Erik: Joining me next as our second featured guest is Mark Cudmore, who heads up the Bloomberg Markets Live blog in Asia.

Mark, last time we had you on the program was just before everything blew up. Very much to your credit, you had written a piece almost immediately after we last had you on the program saying: Hey, the one thing that could really derail this equity market rally would be the breakout of a trade war. Needless to say, that's one of the things that's happened here.

But I want to start with a really high-level big picture. What would you say is going on? Is this about the trade war? Is this about the vol complex blowing up? Is it about bond rates? What is it that brought this on? And do you think this is just a correction right now? Or do you think we're looking at the beginning of something much bigger?

Mark: I think we are just in the middle of a correction. And I think, overall, the structural story is still pretty positive. But this is a correction that may not be over yet. And you're asking what drove this.

I think one of the things that happened here is that this is a market that was probably overdue a correction after such an extraordinary 2017 rally with no volatility. And suddenly we had a load of factors at once that were very relevant. And there were some dynamics that genuinely changed.

As you mentioned, trade war is my big worry for markets. That's the kind of thing that I said could actually turn this into a proper bear market or recession. I'm still hopeful that we're going to avoid a full trade war. But, obviously, it's concerning how much tensions have been ratcheted up already so far. And that remains my big worry that this will end the cycle early.

On top of that, though, what really changed in January is we had the market get extraordinarily bullish. I mean, we already had seen great gains through all of 2017. And then suddenly in 2018, in January, the market went a little bit crazy to the top side.

So we suddenly had everyone get super-bullish at a time when we were seeing extraordinary tightening in US yields. The front-end tightening was the greatest we'd seen since the first half of 2008. And, obviously, we know how that year ended in the US.

And it was a real yield tightening as well. Because inflation really isn't accelerating as much as some people would have you believe. Yes, it is ticking up, but the yield tightening was extraordinary.

So we had a real sudden hit to liquidity at a time when people had really got stretched at the top side. That left the market particularly vulnerable for something negative to happen. And, of course, then we got the negative catalyst.

And there are now several different strands to this. The trade is certainly one part. But, as you mentioned, there's the tech story as well where there's been quite a few negative dynamics in the tech sector. And there's a worry that the tech sector might experience greater regulation and oversight in the years going forward. That means greater legal costs, greater compliance costs. It might even mean greater taxation.

And, since tech has been such an important part of the global bull market in equities, if tech is going to have a serious blow to earnings, well, that might undermine some other valuations.

But, all that said, despite the fact there's a lot of reasons to be still concerned in the short term, and to still expect a lot more volatility in the months ahead, I think that the structural story remains very good.

So we may not have bottomed out quite yet for the medium term. But we probably will go on to make new record highs in the next year. And that's because we still have those three background pillars that are always referred to.

Global growth is good. It's maybe not accelerating anymore. It may have peaked out. But global growth is still overall strong. Asia is still very strong. And in the G10 world, no one is particularly exciting but no one is doing terribly.

Earnings have obviously been great. Again, there's probably not going to be much upside from that going forward. But, certainly, earnings have been a very strong part of the story.

And finally, liquidity has taken a short-term blow in terms of the US yields tightening. But, overall, central banks are still pumping money into the system. Not the Fed. The Fed hasn't been pumping money into the system for four years now. But the PBOC, the ECB, they're both heading towards $6 trillion balance sheets. That's quite incredible, really.

And, as I said last time I was on, the Fed is actually the fourth biggest central bank in the world in terms of balance sheet already. And the others are accelerating away from us. So there's still liquidity coming into the system.

So those three pillars, overall, are positive. That's why I don't think we're at the end of the economic cycle. And that's why I think equities overall will make new record highs, probably later this year. Maybe next year. But that doesn't mean that the correction is over just yet, in terms of the short term.

Erik: Now, some people have talked about a very vulnerable point below the market still – down around 25, 35 on the S&P. I know that several people have written about that, some of them covered on Bloomberg. Do you think that there is a risk of an acceleration there if there is a stop loss, effectively, in the market at that level?

Mark: It's funny. Who would have thought that we might have had several acceleration points already? So I'm loathe to get too excited about one particular technical level on the downside. But, that said, I do think there's probably reason to think we do have a little bit more downside in the weeks and months ahead.

I think one of the things that the market has struggled with in the last couple of months is that, because we had so little volatility last year, they are now struggling to adapt to themes that take months to play out. And they want them to play out in the space of a day or two.

Trade negotiations is a perfect example where this is an ongoing dynamic that's going to ebb and flow. There's going to be positive elements, negative elements. It might, overall, turn out okay.

I do buy into the argument that neither side wants the full-scale trade war and, therefore, there will be some kind of compromise. But we can expect to be in positive points, where it looks like we're about to reach the end and then we'll suddenly get a negative turn again. So I think that story will play out for a long while.

And the tech story is another one that will continue to play out for a long while as well. So I think that people have been trying to play these themes too quickly.

And another thing that plays into that is, because we didn't have much volatility last year, a 2% move this year is suddenly causing panic. But this has become the new normal in terms of at least 1% moves will become the new normal. And, therefore, we need to not read so much into several-percent moves over a few days in one direction.

So, that said, I do think we'll probably see lower levels again in the S&P and global equities. I'm not super-high conviction if that would be my base case, that we will probably see lower levels in the month or two ahead. But, ultimately, there will be some point when you can turn around for the long-term climb higher again.

Erik: Since we're talking about trade concerns, why don't we come back to the US dollar itself. Now, last time we spoke, a lot of people were making very bold high-conviction calls.

Some of them dollar bulls saying: Okay, the bottom is in, we're about to bounce dramatically higher. Others saying: Dollar's about to crash, world is coming to an end.

Interestingly, ever since we last spoke, we've seen really nothing but a sideways consolidation pattern. The market is just trading sideways.

What do you make of the US dollar? And where do you see it going from here?

Mark: My view on the dollar hasn't changed that much. And that was the view that, overall, I'm a secular dollar bear and I think there's a long-term multi-year downtrend. But I did think in January that we were ripe for a proper bounce that might last for a few months. That bounce never came. And, as you said, in fact we're slightly weaker. But really we've gone nowhere.

Unfortunately (this is probably a bit boring), but I'm in the same view that, overall, I do believe in the long-term dollar downtrend. The dollar's dominance in global trade, in global exchange, is slowly eroding.

We've seen that in the SWIFT payments, where the dollar peaked out at 45% of global SWIFT payments. And now it's down to 38%. And it's a steady declining trend.

So overall we're just seeing the dollar becoming slightly less relevant as the US economy slowly loses its dominant share in the world economy. It's less than 25% of the world economy now. But that's a declining number as China and India in particular are seeing such extraordinary growth.

And, with the dollar amounting to almost 63% of global reserves, I think that mismatch will slowly close over time. So I believe in the long-term multi-year dollar weakness.

That said, I'm still waiting for this short-term bounce. And I think 2018 can bring a very powerful bounce. Part of the reason for that is that US growth is one of the strongest in the G10 this year. It wasn't last year, when people were bullish dollar and that went wrong.

And also, on the yield side – and this had to be real yields – in the US are extraordinarily positive, and very attractive. So I think that the real yields and growth arguments will be two of the key drivers.

And we might see the dollar see a powerful bounce of a few percent at some point in 2018. But ultimately it won't be a turn in trend. It's just going to be a bounce in the long-term downtrend.

Erik: Let's come to interest rates and Treasury yields next. The last time that you were on the program, we had a few people starting to come out saying: Okay, bond bear market is on. But they weren't that numerous. Now, since then, we've moved about 30 basis points higher on the 10-year yield and all of a sudden there's just a chorus of voices saying: Okay, that's it, it's over, the jig is up, it's all headed downhill from here.

Last we spoke, I think you were really not very much of a long-term bond bear. Has that changed at all? Have you been persuaded by the growing number of bears?

Mark: Not at all. I think it's roughly the same story. At the time that we spoke last, I said I expect the long end to stay in a volatile range. And, overall, that we'd see further curve flattening as we go through the cycle.

We have seen a little more curve flattening since then. We still have a lot more to go. I do expect that the curve will ultimately invert before the end of the cycle. And that's why I'm also not worried that the end of the cycle is that close. It's probably going to go to 2020 or so, based on historical precedent, in terms of the curve signal.

So I do think we've got about 45 basis points of flattening to go between the 2-years, 10-years. And I expect that to happen over the months ahead. But, again, this is not something that happens in the next few weeks. It's something that happens over a many-years process.

I do think that in the 10-years, when we last spoke I said we could see spikes up to 3%, and we've seen those kind of spikes. Maybe the range is even higher than I thought. At the time we were speaking I didn't state this, but I was kind of thinking that 3% is probably toward the top end of the range – maybe perhaps the top end of the range in 10-years. Probably more, maybe 3.2%.

But I think the overall dynamic is still there, that I expect 10-year yields to bounce around the range but not really go anywhere. I think the structural disinflationary pressures are just too large.

And that's coming from technology, from demographics, and also from the fact that we just still have this liquidity in the system. Which is I think just going to keep on chasing yields whenever they go too high. And we saw that in the US earlier this year.

Erik: Let's move on to commodities. A lot of people, who are the same people that are saying inflation is on the rise, are projecting a really big move up in commodities. Oil has certainly moved higher. I think a lot of that is geopolitical. Base metals have moved up a bit. But, across the board, I don't see massive changes.

What do you think in terms of the commodity outlook?

Mark: Well, when we last spoke in January, I said to you that one of the things that I really got wrong at the end of last year was that the move in oil was sustainable. That it could climb higher. And I'd been someone who thought that oil would never sustainably climb much higher again.

So, having got that wrong, I've avoided having too strong a view on oil in 2018 so far. But, looking at it, it does look like oil is quite comfortable up here. Obviously, there is very large speculative long positioning.

But the fact is they're getting paid for that position. The backwardation in the curve is massive, so there's a carry from holding that view. And I think it does look like oil can stay up here for a while. At some point, I do think that supply will pick up. We're seeing the US rig count pick up, and that might see oil come off a certain extent.

But, overall, the commodities outlook looks slightly brighter than I probably thought a couple of months ago. And that's why, perhaps, the yield range is maybe slightly higher than I was thinking. Because that might justify why we've got a spike up that goes a little bit farther than I was thinking.

But, overall, my commodities view hasn't changed too much. I'm still constructive on metals. And that's because I think the global growth story is still good. And, as I said back in January, because I'm not close enough to the metals market I refrain from any short-term tactical view.

But I'm overall constructive.

Oil – I'm kind of staying away from having a view, having gotten it wrong, but it does look like it's comfortable enough up here.

And I think food prices was one of these big stories. And another thing for why inflation will tend to keep on disappointing over the long term, is that food prices still have probably more downside in the multi-year spectrum in terms of just much more efficiencies coming through in the food sector.

But, that said, short-term, they look like they definitely bottomed out in January and there's probably a little bit more upside in the rest of 2018.

Erik: We talked about China last time. Chinese equities have moved lower and the momentum is still to the downside. What do you see for the Chinese currency, Chinese equities, and also the debt overhang that exists in China? A lot of people of course have predicted that eventually the unwind of China's credit excess is going to be ugly.

Mark: Yeah, I'm still constructive in the Chinese yuan – I've always been very positive on the Chinese yuan in the last year or so. And I still think it's a good story. I think, ultimately, it's a currency backed by strong growth. It's backed by a decent high yield. It tends to be a very low-volatility currency.

So, overall, I think the story is still good to the yuan. And I think it will continue to be managed in a way that makes it appealing whenever those high yields are there, in some ways to nearly be a carry currency in one way. And nearly a safe haven as well. So I think the yuan is good.

Chinese equities, as you mentioned, the momentum is still very negative. It's looking really, really terrible in the short term. It does worry me a bit, the dynamic that's going on there.

Is there something I'm missing? Is there suddenly a signal on Chinese growth that maybe we're overlooking? Certainly it worries me, as someone who went through the GFC and remembers that in 2007 it was Chinese equities that collapsed much before everything else and sent a signal that there was something going on.

I am wary of the negative momentum in Chinese equities. That said, valuations just seem incredibly low. Generally forward-looking P/E metrics across most of the major indices in China are looking below 12. It's looking really positive.

And, as I said, growth is very good. I think the government is handling the deleveraging process very smoothly. Maybe not as quickly as some people want, but certainly very smoothly. So I think the story is very good there.

And, finally, you mentioned the debt problem. And, as I said to you in January, this is not something that concerns me in the short term. Yes, there is a very, very large corporate debt bubble. Yes, it is still growing. Yes, it bears a long-term risk.

But it's only one part of the equation. And the whole part of the equation is very, very positive in China. China Inc. is very wealthy. China has the ability to deal with this problem. It doesn't mean that if this problem blows up there won't be financial market disruption.

But I think the people who get way too beared up on China are just focused too narrowly on just one facet of the equation, and that's the Chinese corporate debt bubble.

But they're ignoring the fact that the Chinese government is wealthy, the Chinese government is enacting some very clever reforms slowly at the margin. And also we have the fact that the private sector is doing very well and has a high savings rate. And the banking sector is doing well. And there's a lot of innovation in the companies there.

Erik: Let's move over to Europe. We've had several guests comment that they think Mario Draghi may be about to run out of bullets. What do you see on the horizon for Europe?

Mark: It's kind of as we discussed back in January. Europe, I think, it's a less exciting story. Euro was a great story to play last year, but it's kind of run out. As expected, Italy proved to be a red herring in terms of the politics there have been a mess. But it hasn't really mattered for the currency. And I just don't think the Euro is where there's an exciting story at the moment.

The one thing I'll say though – it's not all of Europe – Eastern Europe is becoming more interesting again. We're starting to see faster growth in some of the Eastern European countries. They have some problems in the short term, especially with some of the tensions around Russia and how that might spill over. And Turkey, of course, has some real geopolitical issues.

You're seeing countries, including Turkey, Poland, Romania, they're seeing growth over 4%. And I think Eastern Europe is becoming more interesting again. Because it's been kind of left over, forgotten.

But, overall, Europe to me is a less interesting play at the moment than either US or Asia.

Erik: Let's move on to emerging markets. The MSCI emerging markets index is about 4% weaker than last time we spoke. What do you see on the horizon for emerging markets?

Mark: It's very much in line with my broader equity views that I mentioned, in terms of my broader global outlook. I expect some more bounce out of the months ahead. And EM quite often can be higher beta (volitility).

And there's probably a lot of reason to think that, particularly some countries in the EM, really need a bit more of a correction. For example, Indian equities are still expensive.

But, overall, I am really, really super-bullish EM still longer term. I think that's where the real long-term juice is. And I don't know when we can return to tame the bullish theme for structural longer-term bull market, which I expect to happen in the second half of this year.

And I also still think that Asia is at the center of that fundamentally, structurally. It's where the growth is. It's where the demographics are. It's where some of the reform is happening. It's where some of the exciting things are happening on the corporate side. It's a lot of the times the valuations are very attractive, as you mentioned, in China.

But Hong Kong, there's a lot of Asian valuations are still exceptionally attractive. There are some countries that are a little bit overpriced still, and India is probably one of the best examples there. But it's got such a good macro story longer term.

So I think there's a lot of event risk about the China/Hong Kong story, which is maybe why valuations are low. The Hong Kong peg is certainly one thing that's causing concern at the moment – and, of course, the whole deleveraging reform in China. It does make people worry about some financial market disruption.

But, overall, the EM story is just exceptionally positive longer term. And Asia is very much at the forefront of that.

Erik: Let's go a little deeper on the Hong Kong peg. That's something that has absolutely fascinated me, as our listeners know. We've seen weakness in the Hong Kong dollar. The Hong Kong monetary authority is having difficulty defending their currency. It's at its extreme limit of the band that they've defined for the peg.

Why is this happening?

And the thing that just baffles me, Mark. I've wondered – it seems like there's so many good reasons to think that rate differentials ought to be causing flight of capital out of other currencies due to a carry trade into the US dollar.

And that seems to explain what's going on here. But why is it happening with the Hong Kong dollar? And not with Euros, say. I mean, the differential to US Treasuries over German Bunds, for example, is at least as appealing. Why is it just happening here?

Mark: I think there's a few dynamics here. I think one is that, because we have this currency peg it merely becomes a free trade to collect that carried differential, because you're not so worried about what's going to happen on the spot side.

So, because Hong Kong has let the divergence in US yields and Hong Kong yields widen a bit too much, that has become attractive for financial participants to play it out and collect that carry there.

So there definitely is this pressure on the Hong Kong dollar. And I think it's been greater pressure than people expected in terms of the amount of interventions per day has been quite large.

That said, Hong Kong has a massive war chest. And they can certainly rectify this if they want to. I think they're worried about the signaling. But I do think that ultimately they win. I do not fear the peg breaking.

1997 (I think it was) provides a great example of this – when you just do not take the other side of the hedge, because they will win and they will destroy you on this. And they're also ultimately probably backed by Beijing. And that may be the prompt for when we finally change this.

So, how does this play out? I must admit, I'm still trying to formulate some of my own views about this, at the moment. But I think they don't want to suddenly react too quickly on the rate side out of fear that might send a message of panic.

And, obviously, we do have the property bubble in Hong Kong. And they're worried about putting too much pressure on that by jumping up rates too quickly.

But I think at some point in the weeks ahead they're probably going to start leaving local rates rise. They might do that by issuing some front-end bills, but just basically withdrawing liquidity from the system so the front-end rates come a little bit higher. And that hopefully probably eases some of the pressure on the Hong Kong dollar peg.

This might play out over the next couple of weeks, months. It's not probably something that's going to happen in a day. And if that doesn't work, well, then I think we'll see some more drastic measures. But I think they'll be worried about the panic signal that might send.

What is interesting is there is a theory in the market: Why is there all this excess liquidity in Hong Kong? And one of the arguments is that there's all this money that's just come out of the Hong Kong stock market. Or stock markets generally.

And it's just sitting in cash, either coming from the mainland in China or coming from Hong Kong itself. And it's sitting in cash and hasn't got back into the equity market yet. And when you look at equity market valuations, it does make sense.

I mean, there's a massive discount for Hong Kong and Chinese equities that just looked too cheap relative to forward expected earnings compared to most of the rest of the world. And, really, there's all this money that's just waiting to get in.

And I think – while you've got this deleveraging drive in China that's sending a signal that maybe the equity market there won't be allowed to rise too quickly any time soon, or at least it won't be able to, given the pressure – I think that money is not incentivized to pile back into the market.

But, ultimately, this Hong Kong dollar peg is definitely a very interesting story. But I don't think it's likely to lead to a break of the peg or any kind of collapse.

Erik: Finally, let's come back to the United States. You've already described your views on the equity market. But let's tie it back to the US economic story.

What do you see on the horizon for growth and inflation? And how does that relate to markets?

Mark: US growth is good. I think we've probably seen the peak in terms of acceleration. I don't think it's going to run away. But I think it's solid. I think we're looking at heading towards about 2.8% growth this year. And I think inflation seems to be – I think consensus forecasts are verging around 2.5%.

I don't see that inflation is going to accelerate to the top floor. I'm not someone who is worried about that, which is why I'm not someone who is a long-term bond bear. I do think that we continue to see that, for a number of reasons, wage growth is not feeding through to the CPI basket. And, therefore, we're not getting that inflation pickup.

So I think that inflation probably is roughly stable around here, just a bit above 2% we've seen this year, which I think that the Fed will be very happy with. And I think, overall, it looks good. It goes to their arbitrary target. And, I think, growth about 2.8% looks a little bit disappointing, but I'm not sure we're going to have the positive surprises come through.

We did get the tax deal come through Trump last year. And that has provided a boost, mainly to corporate earnings. But it will feed through the economy as well. And we're seeing a little bit of a sign of that.

But I'm not sure we're going to get much more, even if we get this big commodity infrastructure plan. The numbers that have been talked about in the past, $1 trillion over a decade, really isn't that much. And it is much less than the US needs in terms of overhauling its infrastructure.

So the US growth story is perfectly solid. I don't think the word "near recession," I don't think the end of the cycle is near, and that's why I think it's going to be generally supportive for equity markets.

I just don't think there's going to be an exciting acceleration. And therefore, the juiciest part of the bull market trade for the last 8 years has been done. But there is still some more upside.

Erik: Finally, Mark, you are a prolific writer, and your blog posts are absolutely outstanding. Unfortunately, your best writing is restricted to Bloomberg Terminal subscribers. So, please, first tell that part of our audience who are fortunate enough to be on the Terminal where they can find your writings.

And, for our remaining audience, who are not so fortunate to be on the Bloomberg Terminal, is there any place to follow you? Are you on Twitter or anything? And where can they find out more about you?

Mark: Thanks. First of all, for Terminal users, MLIV GO brings you to the Markets Live blog. And that's where we have a whole team of ex-traders, strategists, senior editors – commenting on markets and giving short analysis, quick analysis on markets. That's the main place.

There's the macro view column NI MACROVIEW, and that gives daily editorials from an individual on a specific facet of the market.

They are probably the two main places to go to on the Terminal. I'm going to be really disappointing and say that, for the retail audience, I'm not even on Twitter. I avoid all social media. And, apart from Bloomberg TV, it's probably pretty hard to find my stuff.

Erik: Well, they'll have to look for you on Bloomberg TV or your next MacroVoices appearance. Mark, I can't thank you enough for a fantastic interview. Patrick Ceresna and I will be back as MacroVoices continues, right here at macrovoices.com.

Patrick: Erik, that was a great interview with Mark. We are now joined by Jeffrey Snider. Welcome Jeffrey.

Jeff: Hi. Thanks for having me again.

Patrick: No problem. We're going to get to this interview with Jeffrey in just a second, but I wanted to touch on this with you, Erik. Mark obviously turned bearish on the markets pretty quick along the top. Obviously, he does think that this is a market correction and that eventually we're still going to rally to new highs. But he still thinks that this is not over.

I thought that was really interesting, because there are more and more people that are in that camp, thinking that that was it. But, clearly, he's in that camp that there's one more leg in this.

What did you take away from the interview?

Erik: That's still my view too. I think there's plenty of room to push to new highs before it's ultimately over. Although I do think we're in a topping process.

What I found most interesting, though, maybe because it's near and dear to my own heart, was just how confident he was. He seemed to have no concern whatsoever about the Hong Kong Monetary Authority's ability to defend the peg.

I talked to a friend of mine in Hong Kong, an ex-Morgan Stanley banker, who had a similar view and just said: Hey, look, they've got plenty of money, they're going to defend the peg. That's one of the reasons that I've been keen, Jeff, to get you on the program. I want to come back to that subject in just a few minutes.

But, before we get to the Hong Kong dollar, let's stay on our general theme for the show, which is the stock market. We're at the end from a time perspective. It's about 10–12 weeks after the first big shock down. If it was a correction and it's going to correct to the upside, it ought to be correcting to the upside pretty soon.

Do you think this is a correction that's ending? Or do you think that we're at the beginning of something much worse that's got much further to go to the downside? Where do you see things headed in the stock market from here?

Jeff: Well, Erik, I think it's a little too soon to tell which way it goes from here. I think what we do notice is that the stock markets have been drawn into what was a liquidation, or an air pocket of sorts. And I think that explains a good deal of why it's been in this downward, sideways range for now.

As you pointed out, Erik, I think the market's been moving sideways or slightly lower for the last 12 weeks or so, which is kind of an unusual move – ending in a correction toward the normal V-shape that you normally see.

So I think it's an important distinction in that it suggests that the stock market, which had been pretty much invulnerable over the last couple of years, has been drawn into what I think is a wider monetary issue of global dollar liquidity.

Patrick: Now, Jeff, one of the reasons that we brought you back on the show is because right now everyone's buzzing about this Hong Kong dollar. But you've been writing about the Hong Kong dollar for over a year. And you're the one that put it on my radar about a month ago, before anyone was really even talking about it.

A month ago you wrote a piece where you were saying you didn't need the LIBOR-OIS spreads, or what was going on in the repo and collateral markets, or the cross-currency basis issues – all of this you just really didn't need to understand, only what was going on in the Hong Kong dollar.

I didn't fully even understand what you meant by that. And I'd love to understand why is it that the Hong Kong dollar, in your mind, was such an important thing to watch.

Jeff: First of all, it's not supposed to happen in Hong Kong. Hong Kong is, quite rightly, viewed as an ocean of stability. In any kind of monetary or global crisis, that's the place you put your money. Because Hong Kong has been, for a very long time, the place that you can depend upon. It's the utmost in terms of safety, stability, and predictability.

And so the very fact that the Hong Kong dollar had begun to fall immediately raised a bunch of warning flags. And then, when you start to think about why that might be, it ties into everything else we've been talking about, which is this dollar issue.

But what I think has happened is that, what we can tell by the Hong Kong dollar's movements, that almost exactly and perfectly mirror movements in the Chinese currency, is that the Hong Kong banks or financial system, or whoever in the city, have been borrowing in dollar markets on behalf of their Chinese counterparts.

Now, how those dollars go from Hong Kong into China isn't known. And I don't think we'll ever probably know. But we can reasonably assume that the Hong Kong firms have been more active in dollars for that purpose.

And, because they're more active in dollars, Hong Kong has become almost, as a proxy for China, far riskier than maybe it should be – or maybe it should be perceived. So the fall in the Hong Kong dollar starts to get our attention in terms of liquidity risk as well as an erosion, perhaps, of its perception of safety.

Erik: Jeff, I'm particularly curious to get your reactions. Mark Cudmore in this last interview told us he wasn't concerned at all about the Hong Kong Monetary Authority's ability to defend the currency. He says they've got plenty of money. I talked to another friend of mine, who's an ex-Morgan Stanley banker, who said basically the same thing.

Which is, just as you said a few minutes ago, Hong Kong has a famous reputation for being the center of stability. So it seems like they've got plenty of Hong Kong dollars to defend the currency with.

I know from talking to you off the air that you are not necessarily convinced that that's something that's safe to bet on. You think that people with exposure there should be concerned about the possibility of the peg actually failing and the Hong Kong Monetary Authority being unable to defend that peg.

First of all, do I understand that view correctly? And, if so, why do you think that when so many other people are saying there's nothing to worry about here?

Jeff: It's the same story we've heard for the last ten years, right? Essentially, what you're saying is we don't have to worry about it because the Monetary Authority has it all under control, they've got plenty of ammunition.

But I say, where have we heard that before? When haven't we heard that? It never seems to turn out that way.

I think that view is derived from a mistaken impression of what central banks or, in this case, a monetary authority can actually accomplish. And it doesn't ever appear to be what everybody thinks.

Start with the panic in 2008. That wasn't supposed to be possible. Yet it happened. Chinese currency wasn't supposed to devalue. You go back three years ago, before all that happened, we heard the same exact thing. The Chinese had the largest stockpile of reserves on the planet. There is no possible way that CNY could ever fall into a currency crisis. Yet it happened.

I don't want to call it laziness. I don't think it's derived from that. I think that's probably too strong a word. But people are just not curious enough about how the system actually works. And there is this tendency to defer to (especially to) monetary authorities whenever we get into these situations, without appreciating the fact that we are in this situation.

Why is the Hong Kong dollar falling at all? Their answers, to me, ring very hollow. And the fact that they're already being obliged to defend the peg, and doing so pretty heavily over the last week already, suggests that there's more to the story than just they have a bunch of reserves and can easily handle what's going on.

Patrick: Jeff, I have to ask. What we've heard over and over again is that this is about traders with the carry trade and the differences between the HIBOR and LIBOR rates. And traders are piling on this, and this is what's creating that imbalance and the pressure.

Do you see it that way? Is that where the pressure on the Hong Kong dollar is coming from?

Jeff: Actually, the HKMA has given us that explanation as well as another one, both of which, to me, as I said before, don't seem to make a whole lot of sense.

The other explanation – I'll just take that first – is that they say that, because Hong Kong is a place for stability and low risk, starting in 2008 and 2009 they experienced a tremendous amount of safety inflows. And so, quite naturally, they would expect, as the global economy recovers and we go back to normal, that those inflows would turn into outflows.

And, according to the HKMA, under this theory – they put out a press release to this effect last month – part of what's going on in the Hong Kong dollar, according to them, is the reverse of safety flows. I find that hard to believe, to begin with. But that's what they say.

The other part of it, as you guys point out, is this interest rate differential theory or a carry trade. And, again, I don't think that's what's going on either. This seems to be an issue of more than just Hong Kong. And we can bring in Japan as well.

But what we're talking about here, in terms of interest rate differentials, is why isn't it having an effect in other places in the same exact way? It seems to be an issue for Hong Kong, which used to be the place everybody believed was stable and predictable.

And the fact that the Hong Kong dollar has fallen as far as it has suggests that that's no longer the case, or it's no longer perceived to be the case. So that would be an issue, especially in terms of the carry trade.

Erik: So, if you don't think that's what it is, Jeff, what is it then? Clearly, we're seeing something with the Hong Kong dollar that's not happening elsewhere. We certainly don't see a massive flow of Euros buying US dollars because they are desperate to take advantage of the better yields on US Treasuries. It's Hong Kong specific.

So, if it's not a carry trade, what is it?

Jeff: Again, Hong Kong's unique situation in relationship to China – it's a separate system, but it's still a Chinese city. The Chinese government took over in the late '90s. It operates as almost an adjunct but separate arm of what the Chinese are doing or what the Chinese monetary authorities have done in the past.

And in that way, it allows almost a separate window into China in a way that doesn't seem as risky as it might be doing business directly with Chinese banks for example, in terms of dollar markets.

So what I think is going on isn't necessarily safety flows, especially with regard to China, because, if anything, the Chinese economy seems to be slowing, not picking up. And there's more financial risk in China, not less.

So, to me, it's a funding issue, a global funding issue whereby Hong Kong is being used as a monetary or dollar bypass for the Chinese system, which would put the spotlight on Hong Kong and Hong Kong alone. And I think that's why we're seeing such a severe reaction with the Hong Kong dollar as opposed to anywhere else.

Erik: Well, Jeff, you've been writing about the Hong Kong dollar, as we said earlier, for more than a year now. We've provided links in the Research Roundup email for our listeners to a couple of the most interesting recent ones. One from about a month ago titled "Just A Few More Pips."

There's another one titled "Can We Blame Japan For The Liquidations (and HKD)? Right Now It Sure Seems That Way."

But, Jeff, the third article, which is titled "Some First Principles Of A 'Dollar Short'" – I'd like to talk a little bit more about because you've talked to us about this subject in Eurodollar University and then again in our year-end show.

I think what has a lot of people confused is, when they hear about the dollar short, immediately what comes to mind is short sellers, people who are making a speculative bet on the dollar going down. And in order to implement that bet they're selling dollars or dollar index futures short.

You're not talking about that kind of speculative short selling. You mean something else by "the dollar short." Please elaborate.

Jeff: One of the problems that we get into with this idea of the Eurodollar system is that the language involved with it and some of the technical terms involved with it are confusing, often ambiguous. Often we use the terms in ways that they're not previously used. And so it does become very confusing.

And if you're running across it for the first time, I can completely sympathize and understand why you would have so much trouble. Because, when we're talking about a dollar short, we are not in any way talking about a bet on the direction of the dollar. That's not what we're talking about at all.

What we're really talking about, what we're really dealing with, is the way the system actually works.

And, in many ways, it is understandable in the traditional format. It's the difference between constantly rolling over short-term funding but holding long-term positions. In other words, your asset base is all longer-maturity stuff, but you have to fund that stuff on a daily basis. So there is a mismatch between funding and holding of assets.

And into that mismatch, because we're talking about across geographical boundaries, and in terms of different currencies often – When we talk about Chinese being dollar short we're talking about a Chinese banking system that requires dollar funding on a daily basis or a short-term basis for its dollar holdings that are longer-term in nature.

That's the short we're talking about, the potential mismatch between short-term liabilities and longer-term assets.

Erik: Well, Jeff, this is a fantastic article with excellent graphics that make it very clear with pictures what we're really talking about. I want to encourage our listeners to read it. Again, it's linked in your Research Roundup email.

Give us a quick summary of what the conclusions are, for anyone who might not have a chance to read the full article.

Jeff: Well, the conclusions are that the situation where the dollar system itself is under immense chronic strain because, essentially, Eurodollars – or the various formats of Eurodollars, whether it be derivative FX or anything else – and the global banking system that provides the capacity for those dollars to be created and redistributed throughout the globe – the global banking system doesn't want to do this business anymore because of its perceived riskiness.

And that's what brings us into focus upon China and Hong Kong. Going back to 2013, especially the perception of risk from Japanese banks who were the main point of redistribution of dollars into China, was that the Chinese were no longer a – I don't want to say riskless situation. But it was believed after the crisis that emerging markets, and China especially, were the place to put money, because the Chinese economy would always grow at pre-crisis rates, that there was no problem in the Chinese economy that couldn't be fixed by growth.

After and around 2013, however, we started to realize that China's economy was experiencing the same problems as everyone else's. And, therefore, it was just as risky – or maybe not just as risky, but the risk perceptions were changing with regard to dollar funding of Chinese banks.

So over the last several years, Japanese banks have started to withdraw from the dollar business, which has exposed China increasingly to these chronic and often acute shortages – which is essentially what happened in 2015 and 2016.

And the way in which the Chinese have tried to deal with their dollar problem, which has not gone away, is through different and various means of experimentation. They've tried several internal measures.

And I think that the last one that they reached for, early last year, was to use this Hong Kong bypass. In other words, to stand Hong Kong banks out to the Eurodollar markets in front of Chinese banks, because of their reputation for stability, creditworthiness, and lack of liquidity risk.

So the prognosis is, of course, unless the dollar system ever gets itself together, we're going to keep having these kinds of liquidity issues, liquidations, and all sorts of other risks including economic risks, until it's resolved one way or the other – which is what we talked about at the year-end show about the dollar system, the dollar squeeze, the dollar bear, or the dollar bull.

Erik: And, of course, Jeff, you have written extensively on this subject and many others in your blog at alhambrapartners.com . We discussed it, as you just mentioned, in the year-end show which we did with Luke Gromen and Mark Yusko. Listeners can find that by going to macrovoices.com and clicking on the Timeless Series button on the black menu bar at the top of our home page at macrovoices.com.

And, likewise, you'll also find Eurodollar University there, which is a series of programs we did with Jeff last year, really going through the history of the Eurodollar system. We are working, incidentally, with Jeff on Season Two of Eurodollar University, which will be coming to you later this year.

Jeff, I cannot thank you enough for another fantastic interview. Listeners, we need your help promoting the program. So please tell your friends and colleagues. Forward your Research Roundup emails. And, most importantly, register your free account at macrovoices.com because, the more registered users we have, the more able Patrick is to negotiate to get the very best feature interview guests.

The benefit to you is that you receive our free Research Roundup email each week, which never contains any advertising or marketing – it's a compilation of links to all the best content that we could find on the internet each week.

Patrick, tell them what's in this week's Research Roundup.

Patrick: This week you're going to find the transcript for all three interviews that we had. You'll also find the link to the chart book prepared by Harley Bassman. There's also the links to the Jeffrey Snider articles we referenced in the interview. There's an interesting article from Kevin Muir entitled "No Better Signal Than The Yield Curve."

You'll find this and so much more in this week's Research Roundup.

That does it for this week's episode. We appreciate all the feedback and support we get from our listeners. And we're always looking for suggestions on how we can make the program even better. For those of our listeners who write or blog about the markets and would like to share that content with our listeners, send us an email at researchroundup@macrovoices.com. Or tag it with #MVRR, our hashtag on Twitter, and we'll include it in our weekly distributions.

If you have not already, follow our main Twitter account, @macrovoices for all the most recent updates and releases. You can also follow Erik on Twitter @erikstownsend, and myself

@patrickceresna.

Oh behalf of Erik Townsend and myself, thank you for listening and we’ll see you all next week.