INVESTMENT FOR WEALTH

General report

Comments for May 2014

Unschuld verloren!

Zu Beginn des Jahres schrieben wir: "2014, das Jahr in welchem die Zentralbanker Ihre « *Anmaßung von Unschuld* » verlieren werden… ». Diesbezüglich lohnt sich ein Einblick in den nachfolgenden Auszug aus einer Rede von Frau Janet Yellen, Vorsitzende der Amerikanischen Zentralbank, vor den Verantwortlichen des I.W.F.

If monetary policy is not to play a central role in addressing financial stability issues, this task must rely on macroprudential policies… If macroprudential tools are to play the primary role in the pursuit of financial stability, questions remain on which macroprudential tools are likely to be most effective, what the limits of such tools may be, and when, because of such limits, it may be appropriate to adjust monetary policy to 'get in the cracks' that persist in the macroprudential framework… At *this point, it should be clear that I think efforts to build resilience in the financial system are critical to minimizing the chance of financial instability and the potential damage from it.*

This focus on resilience differs from much of the public discussion, which often concerns whether some particular asset class is experiencing a 'bubble' and whether policymakers should attempt to pop the bubble. Because a resilient financial system can withstand unexpected developments, identification of bubbles is less critical… (1)

Demnach ist die FED nicht für das Entdecken und Entschärfen von Blasen zuständig. Im Gegenteil, Sie trägt keinerlei Verantwortung in Bezug auf die durch Ihre unkonventionellen monetären Eingriffe generierten Exzesse. Null, Nada, Zero! Sie, die Spekulanten haben unsere Deckung (unsere= seitens der FED), um mit Hebelwirkungen spekulieren zu dürfen, auf der Jagd nach Renditen, weil Wir (= die FED) die Zinsen weiterhin senken und gegebenenfalls um den Nullbereich halten werden, sollte es denn, wie gehabt, von Nöten sein. Wir stören uns nicht an den eventuellen, durch unsere Politik erzeugten Marktdistorsionen. Es ist gerechtfertigt, dass die FED das "Morale Hazard" zerstört.

Herr Dragi, Präsident der EZB, ging sogar noch einen deutlichen Schritt weiter. Nachdem er den Rubikon überquerte, mit dem Übergang von einer Z.I.R.P-Politik (zero interest rates), hin zu einer N.I.R.P-Politik (negative interest rates), sagte er am 3. Juli: *"The first line of defense against financial stability risk should be the macroprudential exercise," he said. "I don't think that people would agree with the raising of interest rates now."* Somit muss die EZB nicht mal mehr versuchen, Ihre monetäre Politik zu rechtfertigen. Die Mitglieder des Aufsichtsrates der EZB brauchen nur …."die Leute" …zu fragen, ob diese höhere Zinsen begrüßen würden.

Kein weiterer Anspruch auf Unabhängigkeit oder Immunität gegenüber politischem Druck! Der Versuch diese Behauptungen weiterhin aufrecht halten zu wollen, würde aus Ihnen erbärmliche "Clowns" machen, welche unumgänglich als Lügner enttarnt wären.

Nein, nein und nochmals nein, die Zentralbanker sind nicht unschuldig, sondern eher hauptverantwortlich. Wenn Ihr Interventionismus und Ihre Keynes gesteuerte Politik signifikante finanzielle Distorsionen, begleitet von wirtschaftlichen Verzerrungen zur Folge haben, sind Sie schuldig im Sinne der Anklage.

Post-Lehmann Krise gingen Sie sprichwörtlich "All In" in einem niemals zuvor gesehenen Maaß. Mann nannte es schlicht "unkonventionell".

Sie erschufen massive Vermögens-Illusionen, massive Wahrnehmungsverzerrungen von "moneyness" für alle Typen von Risikoanlagen, gleichzeitig endlose "Quellen" an (zu) billiger Liquidität und stimulierten somit zwangsläufig die Bildung gigantischer Blasen, durch alle Kategorien von Marktteilnehmern. Für Sie, haben Schulden und Hebelwirkungen keine Grenzen.

"Macro-Prudential" basierter Verwaltung ist Ihre vorhergesagte Verteidigungslinie gegen Blasenbildungen und finanzielle Unstabilität. Ein bloßer Rückblick in die Geschichte der Menschheit zeigt nur all zu deutlich, dass Regulatoren schon immer und überall schlafend am Steuer ertappt wurden. Sie kämpfen immer und überall den letzten Kampf, ...nach den Fakten.

Korrekte Zentralbankpolitik sollte in unseren Augen immer primär einer Finanzstabilität gelten, indem Blasenbildungen unterbunden werden, bevor Sie zum Problem der Allgemeinheit werden. Sie sollten einzig als "Lender Of Last Resort" auftreten und der

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"unsichtbaren Hand" freies Wirken, bei der Festlegung von Zinsen und Preisfindung für Wertanlagen, ermöglichen, nicht aber einer Zentralplanung mit versteckten Agenda unterliegen, welche sich der Ungleichheit und sozialen Gerechtigkeit widmen. Es ist wohl klar, das der "Piketty"-Hype (http://de.wikipedia.org/wiki/Piketty) , nicht vom Mars kam.

Im gleichen Kommentar zu Beginn des Jahres 2014, bemerkten wir außerdem, dass Überraschungen am Goldmarkt immer mal möglich seien, überwiegend solche, mit positiven Effekten. Mit einer aktuellen Performance leicht über 50% seit Beginn des neuen Jahres, ist unserem "iW Alternative Commodity & Gold Equity Fund", eine solche Überraschung gelungen. Wir bleiben davon überzeugt, dass noch weitaus bessere Jahre vor uns liegen, nämlich dann, wenn die Zentralbanker nicht nur Ihre Unschuld verloren haben werden, sondern auch noch Ihre Kontrolle über die Märkte (2).

Performances and trading

iW Alternativ SIF – Low Risk
The fund has increased by 11,2% in June, NAV 9.711,03 EUR.

iW Alternativ SIF – Commodities
The fund has increased by 32,2% in June, NAV 444,60 EUR.

iW Alternativ SIF – Real Value Growth
The fund has increased by 17,3% in June, NAV 72,56 EUR (I), NAV 71,19 EUR (P)

Best regards,
The fund manager

(1) full transcript of Yellen's speech

In my remarks, I will argue that monetary policy faces significant limitations as a tool to promote financial stability: Its effects on financial vulnerabilities, such as excessive leverage and maturity transformation, are not well understood and are less direct than a regulatory or supervisory approach; in addition, efforts to promote financial stability through adjustments in interest rates would increase the volatility of inflation and employment. As a result, I believe a macroprudential approach to supervision and regulation needs to play the primary role. Such an approach should focus on "through the cycle" standards that increase the resilience of the financial system to adverse shocks and on efforts to ensure that the regulatory umbrella will cover previously uncovered systemically important institutions and activities. These efforts should be complemented by the use of countercyclical macroprudential tools, a few of which I will describe. But experience with such tools remains limited, and we have much to learn to use these measures effectively.

I am also mindful of the potential for low interest rates to heighten the incentives of financial market participants to reach for yield and take on risk, and of the limits of macroprudential measures to address these and other financial stability concerns. Accordingly, there may be times when an adjustment in monetary policy may be appropriate to ameliorate emerging risks to financial stability. Because of this possibility, and because transparency enhances the effectiveness of monetary policy, it is crucial that policymakers communicate their views clearly on the risks to financial stability and how such risks influence the appropriate monetary policy stance. I will conclude by briefly laying out how financial stability concerns affect my current assessment of the appropriate stance of monetary policy…

When considering the connections between financial stability, price stability, and full employment, the discussion often focuses on the potential for conflicts among these objectives. Such situations are important, since it is only when conflicts arise that policymakers need to weigh the tradeoffs among multiple objectives. But it is important to note that, in many ways, the pursuit of financial stability is complementary to the goals of price stability and full employment. A smoothly operating financial system promotes the efficient allocation of saving and investment, facilitating economic growth and employment…

Despite these complementarities, monetary policy has powerful effects on risk taking. Indeed, the accommodative policy stance of recent years has supported the recovery, in part, by providing increased incentives for households and businesses to take on the risk of potentially productive investments. But such risk-taking can go too far, thereby contributing to fragility in the financial system. This possibility does not obviate the need for monetary policy to focus primarily on price stability and full employment--the costs to society in terms of deviations from price stability and full employment that would arise would likely be significant…

Although it was not recognized at the time, risks to financial stability within the United States escalated to a dangerous level in the mid-2000s. During that period, policymakers--myself included--were aware that homes seemed overvalued by a number of sensible metrics and that home prices might decline, although there was disagreement about how likely such a decline was and how large it might be. What was not appreciated was how serious the fallout from such a decline would be for the financial sector and the macroeconomy. Policymakers failed to anticipate that the reversal of the house price bubble would trigger the most significant financial crisis in the United States since the Great Depression because that reversal interacted with critical vulnerabilities in the financial system and in government regulation…

It is not uncommon to hear it suggested that the crisis could have been prevented or significantly mitigated by substantially tighter monetary policy in the mid-2000s. At the very least, however, such an approach would have been insufficient to address the full range of critical vulnerabilities I have just described. A tighter monetary policy would not have closed the gaps in the regulatory structure that allowed some SIFIs and markets to escape comprehensive supervision; a tighter monetary policy would not have shifted supervisory attention to a macroprudential perspective; and a tighter monetary policy would not have increased the transparency of exotic financial instruments or ameliorated deficiencies in risk measurement and risk management within the private sector…

A review of the empirical evidence suggests that the level of interest rates does influence house prices, leverage, and maturity transformation, but it is also clear that a tighter monetary policy would have been a very blunt tool: Substantially mitigating the emerging financial vulnerabilities through higher interest rates would have had sizable adverse effects in terms of higher unemployment. In particular, a range of studies conclude that tighter monetary policy during the mid-2000s might have contributed to a slower rate of house price appreciation. But the *magnitude of this effect would likely have been modest relative to the substantial momentum in these prices over the period; hence, a very significant tightening, with large increases in unemployment, would have been necessary to halt the housing bubble. Such a slowing in the housing market might have constrained the rise in household leverage, as mortgage debt growth would have been slower. But the job losses and higher interest payments associated with higher interest rates would have directly weakened households' ability to repay previous debts, suggesting that a sizable tightening may have mitigated vulnerabilities in household balance sheets only modestly…*

Furthermore, vulnerabilities from excessive leverage and reliance on short-term funding in the financial sector grew rapidly through the middle of 2007, well after monetary policy had already tightened significantly relative to the accommodative policy stance of 2003 and early 2004. In my assessment, macroprudential policies, such as regulatory limits on leverage and short-term funding, as well as stronger underwriting standards, represent far more direct and likely more effective methods to address these vulnerabilities…

If monetary policy is not to play a central role in addressing financial stability issues, this task must rely on macroprudential policies… If macroprudential tools are to play the primary role in the pursuit of financial stability, questions remain on which macroprudential tools are likely to be most effective, what the limits of such tools may be, and when, because of such limits, it may be appropriate to adjust monetary policy to 'get in the cracks' that persist in the macroprudential framework…

At this point, it should be clear that I think efforts to build resilience in the financial system are critical to minimizing the chance of financial instability and the potential damage from it. This focus on resilience differs from much of the public discussion, which often concerns whether some particular asset class is experiencing a 'bubble' and whether policymakers should attempt to pop the bubble. Because a resilient financial system can withstand unexpected developments, identification of bubbles is less critical…

First, it is critical for regulators to complete their efforts at implementing a macroprudential approach to enhance resilience within the financial system, which will minimize the likelihood that monetary policy will need to focus on financial stability issues rather than on price stability and full employment…

Second, policymakers must carefully monitor evolving risks to the financial system and be realistic about the ability of macroprudential tools to influence these developments…

In recent years, accommodative monetary policy has contributed to low interest rates, a flat yield curve, improved financial conditions more broadly, and a stronger labor market. These effects have contributed to balance sheet repair among households, improved financial conditions among businesses, and hence a strengthening in the health of the financial sector…

Taking all of these factors into consideration, I do not presently see a need for monetary policy to deviate from a primary focus on attaining price stability and maximum employment, in order to address financial stability concerns. That said, I do see pockets of increased risk-taking across the financial system, and an acceleration or broadening of these concerns could necessitate a more robust macroprudential approach…

Conclusion: In closing, the policy approach to promoting financial stability has changed dramatically in the wake of the global financial crisis. We have made considerable progress in implementing a macroprudential approach in the United States, and these changes have also had a significant effect on our monetary policy discussions. An important contributor to the progress made in the United States has been the lessons we learned from the experience gained by central banks and regulatory authorities all around the world…"

(2) for our readers one of the best critical articles we have recently read on actual central bank policy: The Delusion of Perpetual Motion by John P. Hussman http://www.hussmanfunds.com/wmc/wmc140630.htm