

This can only end in tears

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The dangers arising from the foolhardiness of Trump continue to ripple around the world.

Many of these dangers represent imminent threats to vulnerable people, and the US Congress appears intent on ensuring that they suffer.

Other threats are less obvious, but they will also be dangerous. Take [this from an FT email](#) this morning:

Sales of risky European corporate debt surged to about €23bn last month according to JPMorgan data, their highest ever level.

Why is this happening? High-yield, or junk-rated, companies are benefiting from a fall in borrowing costs due to greater demand from investors, taking advantage of a capital flight out of American markets. Yields move inversely to prices. Many investors are shifting allocations away from the US due to President Donald Trump's erratic trade policy and rising government debt. Despite a strong rebound in the US stock market in the second quarter, a continued move away from dollar bonds has driven the currency to its weakest start to the year.

What this means: Even companies that previously struggled to tap the bond market now have access, given the "massive amount of cash to be invested", one JPMorgan analyst said. Issuers with troubled pasts, or those offering complex and subordinated instruments such as payment-in-kind bonds — where interest can be rolled up into the principal to be repaid on maturity — have also been eagerly welcomed by investors.

"Managers are desperate to invest," said one leveraged finance banker.

I tried to edit that down, but it made no sense to do so. The message is clear and unambiguous. Fund managers, who are being driven out of the dollar, have so much cash in their hands that they are throwing it at anything that is offered to markets, and are investing in what is quite literally junk (I suspect) in a great many cases.

These people are meant to be rational.

They are meant to be wise.

They are meant to be trustworthy.

They probably manage some of your pension, although you are not told about it.

And they are taking massive risks.

There is only one place where this can end, and that is in tears.