Funding the Future

This is nuts

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As FT Alphaville noted yesterday:

In case you were wondering, the Strait of Hormuz is still closed. The US economy is propped up by an AI buzz that is increasingly fuelled by vast off-balance-sheet exposures. The Fed is possibly going to raise interest rates. China's economy is still slowing. Yields everywhere are climbing, and Japan is suffering a bond crisis. Private credit is stressed. Virtually every measure of leverage is engorged. Asian geopolitics is messy and getting messier. Europe is Europe, and the UK is being particularly British.

And as they want to show, US investment funds appear to have record-low cash levels at present, record-high levels of exposure to the US equity markets, and without apparent exception, everyone is betting that the euphoric rise in those markets will continue.

The belief is that this time everything is different.

And as the article points out, that's nuts.

This cannot continue. A system put into this state will break. That is not speculation. It is a statement of fact. That only question is when. And as even FT Alphaville thinks, soon has to be the answer to that.

My sense that we are living through the equivalent of the summer of 1939 at this moment, waiting for the storm to break, grows by the day.