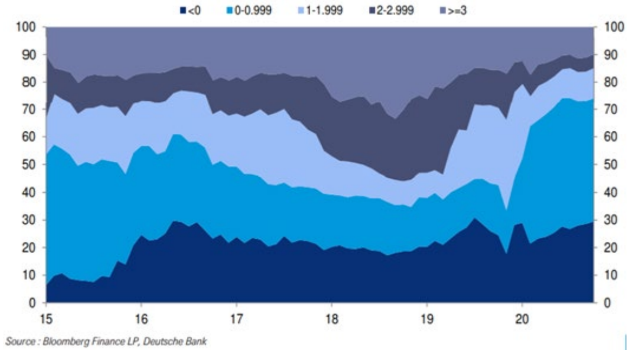
Fixed Income – Picture Worth a Thousand Basis Points

Almost $1 trillion in bonds saw their yields turn negative in November 2020, meaning 29% of the total supply of investment-grade bonds trade at sub-zero yields, according to data from Bloomberg. As the chart indicates, only about 10% of global bonds, including all corporate high yield bonds, trade with a yield above 3%, and just 5% of global bonds have yields between 2% and 2.99%. The surge in the graphic of light blue (0%-.99%), moving from approximately 10% of the global bond market to more than 40% of the bond today, represents yields on U.S. Government bonds. Just 15 years ago, investors holding 5-year U.S. Government bonds earned yields of approximately 5%. You almost have to own a bond in default to get that high of a yield today, as witnessed by the benchmark BAML High Yield index showing average junk bond yields of 3.48%.



Technical – New Perspective on Bitcoin

Most investors are aware of the surge in Bitcoin that led many to speculate that it is simply a bubble that will burst and teach risk-taking millennials about investing. Those investors might be shocked to learn that the chart of the NYSE FANG index (Facebook, Amazon, Netflix, Google) looks strikingly similar to Bitcoin over the last year. In fact, only the latest rise that moved Bitcoin from $10,000 to over $20,000 allowed Bitcoin to catch up to what the FANG stocks have done. The meteoric rise in both indices suggests speculation that is unsustainable in my opinion. Part of this is the result of the excess liquidity created by the Fed that encourages risk taking. Interestingly, the rise in Bitcoin is likely correlated to many investors losing confidence in the U.S. dollar as the reserve currency, because of how much debt is being added to the government's balance sheet.