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Wearing Shorts in an Economic Winter

by The Mogambo Guru

"You want me to take the other side of your short by going long, even though the market is down, and has been going down, and every freaking technical indicator that anyone has ever thought up says the market will continue going down? Hahahaha!"

I was thrilled to see that Tirez Resources Ltd. is "accepting submissions for its 'Golden Slogan' contest. The entrant who submits the best 'Golden Slogan' for Tirez will be awarded 5 ounces of gold. The Company is looking for creative minds to submit a short, concise slogan that reflects the company's success in establishing Mirdita as a potential gold-rich VMS district", whatever and wherever in the hell that is.

Regardless, the lure of winning about \$4,000 in gold for a few minutes of writing appeals to my Lazy Mogambo Nature (LMN), and soon I came up with the perfect slogan to win the contest. "We had a lot of success in establishing Mirdita as a potential gold-rich VMS district, whatever in the hell that is, because governments and central banks around the freaking world are creating so much money and credit so as to finance massive deficit-spending that it is now accelerated to terrifying degrees undreamt of heretofore, as unwieldy and pretentious as that is to say, and so inflation in consumer prices in response to this tsunami of new money will be equally as terrifying, while the deflations of the other asset bubbles as they go predictably bust from so much stupid leverage that losses are thus magnified 20 times, 30 times, 40 times or more, and that is why people go to gold, go running to gold, go stampeding to gold, screaming in fear at the economic destruction raging all around them, and then all this demand makes gold and gold mines suddenly worth a lot of money as people realize that government promises and central bank fiat currency ain't worth diddly-squat!"

After 10 or 15 seconds of "polishing" my timeless prose, I mailed off my winning entry, and then spent the rest of the afternoon throwing up, retching out of panic and fear, as my head was spinning, spinning, spinning after spending the morning writing about the cataclysm descending upon us and buttressing my argument by looking at my old graphs and charts - the workaday stuff to discern things economic - and I see, alas, that things no longer make any sense whatsoever. Everything overwhelmed by all that new money.

Naturally, I heap all the blame on the Federal Reserve and Congress, where it belongs, and to heroically cope with the paralyzing terror of such monetary and fiscal mayhem, I square my manly shoulders, sneak out the back door and quit work early, perchance to calm my brittle nerves by visiting someplace dark and cozy where a gentleman like me can get a drink - perhaps to entertain some scandalously under-clad hustling "hostess" honey young enough to be my granddaughter by buying her "champagne cocktails" while she tells me how handsome I am until my money runs out.

As I get down to my last few dollars, the initial buzz of the alcohol is gone, replaced by a drunken melancholy at our economic fate, made more bitter by seeing Amanda's fawning adoration turning cold as she notices my dwindling fortunes, and I realize that I really am stupid to be spending my time like this, just like my family always says.

Then, suddenly, I realize that I am not an evil, creepy old man, clumsily lusting after young ladies and making a fool of himself, but instead just plain stupid! Wonderful! Hahahaha!

Anyway, this revelation that we are all just stupid is almost attested to by David Tice of the Prudent Bear Funds, who writes, as concerns hedge funds, "It now seems silly that investors actually thought the multi-trillion [dollar] hedge fund industry could somehow post robust profits even in down markets", which I think is pretty incredible, indeed, as most stock and bond funds hardly keep up with inflation and taxes in a bull market, and most individual investors actually lose money over the long-term! Hahaha!

Mr. Tice is too smart to be drawn into some weird conversation with me, which will probably end with me screaming, "We're freaking doomed from all of this Federal Reserve creation of new money and credit! Buy gold!" and accusing everyone who disagrees with me of being stupid and out to get me.

Instead, he continues as if I wasn't even there, "Apparently, expectations were that savvy fund managers would quickly reverse course - liquidating long exposure and increasing shorts - if and when markets began to turn."

I see where he is going with this, as the essential flaw in this theory is that it assumes that the guys who are taking the other side of my shift in my portfolio from long to short are some stupid bunch of yahoos who will say, "You want me to take the other side of your short by going long, even though the market is down, and has been going down, and every freaking technical indicator that anyone has ever thought up says the market will continue going down? Hahahaha!"

Actually, this theory brings up a lot of old memories for me, back to when I was a fledgling executive, already in over my head, but using my boyish charm and rat-like nature to successfully blame others for all my failings.

Anyway, this one time I let some defective machine parts slip through and get delivered, and since I did not want one MORE damned thing to go wrong because things had been a Big Freaking Fiasco (BFF) since the day I freaking walked in here, I didn't say anything, figuring that the customers were a bunch of stupid yahoos who would never even notice.

It turns out (and you might want to write this down) that there are not that many stupid yahoos anywhere, either amongst the company's customer base or in the financial markets, as Mr. Tice seems to confirm when he says that "Not unpredictably, liquidity evaporated almost immediately as fear provoked selling from fearful investors, leveraged players facing margin calls, derivative traders dynamically hedging exposure, and others desperately trying to hedge market exposure."

But, since nobody trusts anybody since there is no reason to do so and every reason not to do so, then ain't nothing getting hedged, disproving yet another bit of stupid neo-Keynesian econometric claptrap upon which their whole preposterous theory depends, which, by this time, is so discredited as a theory that it is embarrassing that, as a country, we still believe such stupidity.

And that brings us to my usual admonition to buy gold, as it is nobody's liability and

everybody has always trusted it, and always will! Whee! This investing stuff is easy!