Greenwich
Economic
Forum

2018 MEDIA GUIDE

Introduction:

The Greenwich Economic Forum has quickly become one of the leading centers of influence for global finance. With a particular emphasis on hedge funds and other alternative investment funds, we convene global influencers for an intimate 2-day summit in beautiful Greenwich, Connecticut (USA).

Bruce McGuire & Jim Aiello

GEF 2018 AT A GLANCE

CEO'S:

38

INSTITUTIONAL INVESTORS

80 (Expanding to 100 in 2019)
$4 Trillion in AUM

INFLUENCERS (in order of appearance):

Ray Dalio, Bridgewater Associates
Dmitry Balyasny, Balyasny Asset Managemnt
Afsaneh Beschloss, RockCreek
Paul Tudor Jones, Tudor Investments
Mark Anson Commonfund
Leslie Picker, CNBC
Akon
Kip De Veers, Ares Capital Management
William Michaelcheck, Mariner Investment Group
Pablo E. Calderini, Graham Capital Management
Ian Morris, Blackstone
Peter Alexander, Z-Ben Advisors
Mark Burgess, HESTA (Australia)
George Walker, Neuberger Berman
Bob Diamond, Atlas Merchant Capital (former CEO, Barclays)
Josh Wolfe, Lux Capital
Annie Lamont, Oak HC/FT
Tim Armstrong, Verizon Communications
Josh Baumgarten, Angelo Gordon & Co
Bryan Kelly, AQR
Matthew Granade, Point72
Justin Hall-Tipping, MI3
Ari Paul, BlockTower Capital
Devin Banerjee, LinkedIn
J. Christopher Kojima, Goldman, Sachs & Co.
Matthew Nord, Apollo Asset Management
Michelle Seitz, Russell Investments
Troy Gayeski, SkyBridge

INFLUENCIAL FIRMS (in attendance):

Albourne
Angelo Gordon & Co
Apollo Asset Management
AQR
Ares Capital Management
Balyasny Asset Managemnt
Bank of America Merrill Lynch
Barrons
Bessemer Trust
Blackstone
BlockTower Capital
Bloomberg
BNP Paribas
Bridgewater Associates
Cambridge Associates
Carlyle Group
China Investment Corp.
China Merchants Securities
CNBC
CommonFund
Eurasia Group
Eurex
Gabelli & Co.
Goldman, Sachs & Co.
Graham Capital Management
HESTA
IBM Retirement Funds
Institutional Investor
JP Morgan
Kingdon Capital Management
LinkedIn
Lux Capital
Man Group
Mariner Investment Group
MassPrim
McKinsey & Co.
MI3
Morgan Stanley
NASDAQ
New York State Common Retirement Fund
Neuberger Berman
Oak HC/FT
OMERS
Ontario Teachers Retirement Fund
Point72

Prosek Partners
RockCreek
Russell Investments
SkyBridge
The Economist
The Financial Times
The New Yorker
The Wall Street Journal
Tudor Investments
UBS
World Economic Forum

NATIONAL COVERAGE

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2. **Barron's Syndication – Nasdaq**| There's a Credit Bubble, says Paul Tudor Jones. He's Not Sure It Means "Run for the Exits" (11/16) – https://bit.ly/2Tj6gE4
3. **Barron's**| Billionaire Paul Tudor Jones Wants to "Modernize" Capitalism (11/16) – http://bit.ly/2qQ3KrV
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15. **CNBC Broadcast**| #CNBC Transcript: Bridgewater Associates Founder, Co-Chair and Co-Chief Investment Officer Ray Dalio Speaks with CNBC's Andrew Ross Sorkin Today (11/15) https://cnb.cx/2FsrOLA
16. **CNBC LIVE**| Akon Nov. 15, 2018 – http://bit.ly/2qPDo9l (11/15) – https://cnb.cx/2FqK9sr
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33. **Forex Live**| ICYMI - Paul Tudor Jones on stocks, bonds, credit, real estate (says all overpriced!) (11/16) - https://bit.ly/2Q1x7FB
34. **FT** | Top hedge fund analysts face 10% pay hit as industry struggles (11/26) - https://on.ft.com/2E1Zhe3
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58. **Yahoo! Finance**| Tudor Jones Says Trump Tax Cut May Cause Debt Bubble to Pop (11/16) - https://yhoo.it/2TiM6Kh
59. **YouTube: Financial Education** | Ray Dalio warns stock market investors – http://bit.ly/2Fx5IHQ
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INTERNATIONAL COVERAGE

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74. **Sina Finance (China)** | https://finance.sina.com.cn/stock/usstock/c/2018-11-21/doc-ihnyuqhi5751245.shtml https://finance.sina.com.cn/stock/usstock/c/2018-11-21/doc-ihnyuqhi5743801.shtml

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Hedge fund titan Ray Dalio says the world is counting on stocks going up and that will mean trouble in a bear market

Hedge fund magnate Ray Dalio warned investors on Thursday the next bear market could be very painful since most are not prepared for it.

“The world by and large is leveraged long,” Dalio, who runs the largest hedge fund in the world, said in a panel at the Greenwich Economic Forum in Connecticut. “When there is a downturn, I don’t think there’s much to protect investors.”

Dalio did not call for a sharp downturn or the start of a bear market, but added: “Any investor should have a strategic asset allocation mix. In other words, what will be the neutral portfolio in an overall period of time and then figure out where there is alpha. That will distinguish the winners and the losers” when the next bear market arrives.

Stocks are in their longest bull market since World War II. Since the bottom of the financial crisis, the S&P 500 has more than tripled. The market’s jump in that time has been propelled in part by historically low interest rates from the Federal Reserve.

These low rates have created an incentive “to borrow money and buy stocks,” Dalio said. “That’s what caused the market to go up.”

However, the Fed is currently in the process of raising rates. The central bank has hiked rates three times this year and is forecast to hike once more in December.

Dalio’s comments come amid heightened volatility in the U.S. stock market. The S&P 500 fell into a correction in October before rebounding. The recent sharp moves come as investors worry about higher interest rates, global trade as well as a possible slowdown in the global economy.

“You have to create differentiation without much beta being built into the portfolio,” he added. “That will be the opportunity to distinguish those who were able to extract alpha and those who weren’t.”

Dalio founded Bridgewater Associates, the largest hedge fund in the world, back in 1975. Through the end of 2017, the fund managed about $160 billion in assets.

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US and China conflict goes way beyond trade, says Ray Dalio, founder of world's largest hedge fund

The dispute between the U.S. and China over trade deficits and surpluses is rather trivial compared to the broader philosophical differences between the world's two biggest economic superpowers, Bridgewater Associates founder Ray Dalio told CNBC on Thursday.

"The trade war, I think, can be worked out," the billionaire investor Dalio said in a "Squawk Box" interview on CNBC. But he argued the conflict goes "way beyond the trade war."

Dalio, co-CIO and co-chairman at Bridgewater, said the two nations' polar opposite methods of governing is the broader, more difficult issue to reconcile. "It goes back to Confucius in 500 B.C.," he said.

"It's basically a top-down versus a bottom-up type of approach," said Dalio, whose China unit of Bridgewater last month launched its first onshore Chinese investment fund.

"When you look at the 2025 plan in China, the government believes that they should have a plan for making China great" and will coordinate all aspects of public and private enterprise to achieve their goals, he said. "That type of activity is objectionable to the United States" in its free market economy.

The China 2025 plan is a state-backed industrial policy that's provoked alarm in the West, and is core to Washington's complaints about Beijing's technological ambitions.

Dalio appeared on CNBC from the Greenwich Economic Forum in Connecticut where he later spoke to the elite gathering of investment thought leaders.

On stage, he expanded on his thoughts on the U.S.-China rivalry.

"History has shown there's a concept called the 'Thucydides Trap,'" he said. "The idea is that, when you have an emerging country that's a competitive country, competing with an existing power, there is a risk of conflict."

"In the last 500 years, 16 times that's happened. And in 12 of those times, there's war," said Dalio, in a cautionary tone, while reiterating his belief that the narrow trade dispute between the U.S. and China can be worked out.

A step towards a trade deal could start with a meeting between President Donald Trump and Chinese President Xi Jinping around the summit of the Group of 20 leaders later this month in Argentina.

Alleging a myriad of unfair trade practices, Trump initiated tariffs in March to pressure China to change its ways.

In September, the White House imposed its latest round of levies focused on $200 billion of Chinese products. In response, China put tariffs on $60 billion of U.S. goods.

Trump has also threatened additional tariffs of $267 billion, which would basically cover the rest of all Chinese imports into the U.S.

BARRON'S

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Do Hedge Funds Need a New Measure of Success?

The hedge fund industry should move away from unhelpful relative benchmarks and build a new metric that better informs investors, according to **Afsaneh Beschloss**, the founder and chief executive officer of investment manager the **Rock Creek Group**.

Hedge funds need to "have another discussion about what is the objective and what is the benchmark," she said at the **Greenwich Economic Forum** in Connecticut, and come up with a metric that is "some sort of absolute return." That way, she said, "if you were using hedge funds for a university endowment or children's education or a pension payment there be some absolute return to pay your pensioners, not just a return relative to HFRI, which does not mean very much."

HFRI stands for Hedge Fund Research Indices, and it is an industry benchmark. By that measure, hedge funds have had a rough year, with the HFRI Asset Weighted Composite Index declining 1%, the worst performance for the first 10 months of the year since 2011, HFR data show. The hedge-fund industry objects strongly to any comparisons to the basic stock market, whether it is the S&P 500 or the Dow Jones Industrial Average, even for equity-focused strategies. Their argument: Hedge funds are supposed to be uncorrelated and are supposed to hedge, goals that will mute their relative performance in a market rally and make any comparison meaningless.

But, as Beschloss points out, comparing hedge funds against an index of some of their peers is also pretty meaningless. Clients need to know whether a fund can meet their objectives over a stated time frame, not how it performed against another fund in, say, October. As she notes, the client base includes retired firefighters relying on a fixed income, or university endowments working to fund the future of their education programs. They often have fixed costs they must pay out, and a hedge fund's relative outperformance of losing less money than everyone else does not help them.

Investors want some sort of actual number, Beschloss said, one that is comprised of "alpha"—returns uncorrelated to whatever the broader market is doing—and "beta"—returns generated by whatever the market is doing. For the beta component, she said investors should know how much they're paying for it, because there is "no point" in paying hedge-fund fees for market risk, but it is "certainly worth paying a lot for alpha, not just based on market movement."

BARRON'S

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Hedge Fund's Investing Chief: Trade Tensions Hit Corporate Confidence

Trade uncertainty is making U.S. companies increasingly cautious, according to the chief investment officer of the hedge fund Balyasny Asset Management.

The best indicator Dmitry Balyasny said he watches to inform the firm's positioning in the market is "bottom-up information" from speaking to businesses. The firm's fundamental equities teams, a couple of hundred people, have thousands of conversations with companies they cover on a regular basis, he said at the Greenwich Economic Forum in Connecticut.

"Over this last earnings period, you can hear the tone changing on earnings calls," he said. "There's definitely a lot more caution than there was before. Part of that is classic late-cycle stuff," with rising rates, investors chasing a market rally, increasing leverage on some balance sheets, and, for companies, a tough comparison against last year's corporate results, which had the temporary benefit of the tax cut.

Now, he said, the main worry for corporations is trade and tariffs, actual or threatened. President Donald Trump has been sparring with global leaders and threatening tariffs on a plethora of products. Companies are re-examining how they create their products, as steps spanning borders along the way may now cost more.

"The thing recently causing confidence issues is the trade tariffs," he said. "It's debatable how much companies are front-loading their orders to get ahead of potential increases next year if that doesn't get resolved. Uncertainty of having to re-engineer supply chains, not sure how long it's going to take to play out, how it's going to work, does affect corporate confidence."

The company, founded in 2001, oversees more than $8 billion.

Uncertainty about trade is "starting to bleed into a little bit less capex, as opposed to a year ago when we thought you were going to get a lot more capex," Balyasny said. "That's what the markets are struggling with, layered in with high rates and all the other issues."

Ray Dalio, founder of the hedge-fund firm Bridgewater Associates, said a resolution could be slow to arrive. "The issue of conflict and how we approach that conflict is gong to be an important issue, not just geopolitically, but it will go back to issues like supply lines," he said. If both the U.S. and China feel competitive, their intertwined economies and businesses might become a "vulnerability."

"That's an issue that's with us for a long time."

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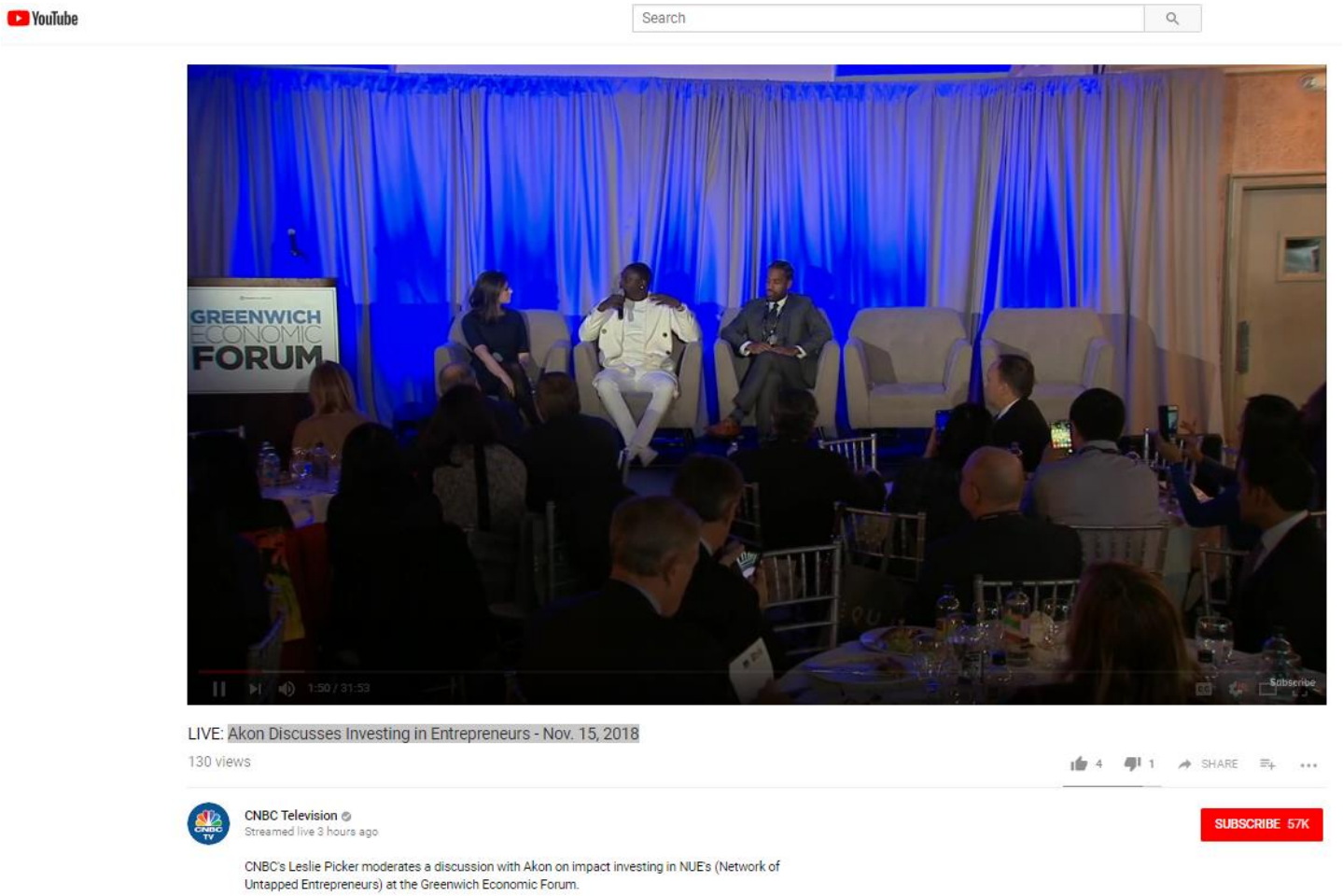
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CNBC's Leslie Picker moderates a discussion with Akon on impact investing in NUE's (Network of Untapped Entrepreneurs) at the Greenwich Economic Forum.

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Paul Tudor Jones says we're in a global debt bubble and headed for some 'scary moments'

Billionaire investor Paul Tudor Jones said Thursday that the world has loaded on too much debt which could bring trouble across asset classes.

"From a 50,000-feet viewpoint, we're probably in a global debt bubble," Jones said at the Greenwich Economic Forum in Connecticut. "Global debt to GDP is at an all-time high."

"This is going to be a very challenging time for policymakers moving forward," he said.

Jones is famous for making big macro calls. One of his biggest predictions came when he correctly called the 1987 crash. His hedge fund, Tudor Investment, reportedly manages $7 billion in assets.

The hedge fund manager believes it is in the corporate bond market where the first signs of trouble will emerge. Data from S&P Global released earlier this year showed U.S. corporate debt hitting an all-time high, totaling $6.3 trillion. Global debt also hit a record high earlier in 2018, reaching $247 trillion.

"I think this time it's going to be corporate credit and I think the breakdowns are something that we have to pay attention to in the last day or two," he said. "And they're really scary because, one thing about this credit bubble [is] we've had liquidity absolutely dry up in so many markets."

"There probably will be some really scary moments with corporate credit," he added.

Tax cut mistake?

Jones also said the Trump administration's corporate tax cut from late last year could hurt investors down the road by causing the economy to overheat and the Federal Reserve to keep raising rates.

"Clearly the tax cut and the economic activity that has come from it has caused the Fed to raise rates," he said. "That tax cut was promised before the Fed began hiking, President Trump was running for office, and rates were zero. Do you really think we would've had that kind of a tax cut if we knew where rates were going to be? I doubt we would have."

The Fed has raised rates three times this year, with one more hike expected before year-end. Rapidly rising rates can sometimes spook equity investors because they make it more expensive for companies to borrow money and fund buybacks and expansion.

"Zero rates and negative rates encourage excess lending. That's of course why we're in such a perilous time," he said adding stocks are probably in the 70thpercentile of overvaluation.

U.S. stocks reached an all-time high earlier this year, but briefly fell into a correction in October. Investors have been fretting over higher interest rates as well as a potential slowdown in the global economy.

Bloomberg

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Tudor Jones Says Trump Tax Cut May Cause Debt Bubble to Pop

The hike in interest rates triggered by faster growth from U.S. tax cuts may cause the bubble in credit to pop, billionaire hedge fund manager Paul Tudor Jones said.

“We’re going to stress test our whole corporate credit market for the first time,” Jones said Thursday at the Greenwich Economic Forum in Greenwich, Connecticut. “From a markets perspective, it’s going to be interesting. There probably will be some really scary moments in corporate credit.”

Jones, who heads the $7 billion Tudor Investment Corp., said zero and negative interest rates have encouraged excess lending, putting the markets in a perilous condition. He said today’s levels of leverage could be systemically threatening even if policy makers respond appropriately.

“The end of the 10-year run is going to be a really challenging time for policy makers going forward,” he said.

Stocks, bonds, currencies and real estate are all overvalued, he said.

Tudor’s main fund rose 9 percent this year through October, according to an investor document.

The hedge fund manager said the next trade will be a “front-end rates trade” of figuring out when policy makers will cease interest rate hikes. Even though growth may slow through next year, stocks may not take an immediate hit. In other periods when the Federal Reserve paused in its rate increases, stocks reached previous or new highs.

“It doesn’t necessarily mean we have to enter a bear market yet,” he said. "But who the hell knows.”

Jones, whose hedge fund has for years struggled to generate profits and keep investors, said earlier this year that he doesn’t have many macro trades on because the reward and risk have diminished at this point in time.

Newsmax FINANCE

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Billionaire investor Dalio: Fed rate hikes 'hurting asset prices'

Dalio, the founder of Bridgewater Associates, the world's largest hedge fund, made those remarks **in an interview with CNBC** Thursday morning.

"We're in a situation right now that the Fed will have to look at asset prices before they look at economic activity," he said. "It's a difficult position."

Through Wednesday, the S&P 500 **SPX, +1.06%** was down 7.3% since the end of the third quarter, leaving it with a 1.1% year-to-date gain. The Dow Jones Industrial Average **DJIA, +0.83%** **DJIA, +0.83%** was off 5.2% in the quarter to date. A selloff in tech shares has left the Nasdaq Composite **COMP, +1.72%** off more than 11% in the third quarter. Stocks **reversed an early decline to end higher** Thursday afternoon.

The Fed is widely expected to deliver its fourth rate increase of 2018 in December, lifting the fed-funds rate to a range of 2.25% to 2.5%, and to continue raising rates in 2019. President Donald Trump has repeatedly criticized the Fed, charging that it has been overly aggressive in raising rates. Some economists and market bears have argued that fears the Fed will overshoot on tightening have contributed to this fall's market weakness and raises the risk of triggering an economic slowdown as early as next year.

The Fed's defenders, however, argue that underlying data remains strong and that with the economy at full employment and inflation at the central bank's target, policy makers have little choice but to continue a gradual tightening. In addition, heavy fiscal stimulus in the form of deficit-widening tax cuts and additional government spending also speak to pressure on the Fed to continue slowly tightening policy.

Federal Reserve Chairman Jerome Powell, in a public conversation with Dallas Fed President Robert Kaplan, sounded **committed to the gradual interest-rate-hike path** he's previously communicated, but did twice note that the global economy was slowing — a phenomenon he described as "concerning."

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Billionaire Paul Tudor Jones Wants to "Modernize" Capitalism

Paul Tudor Jones II had a question for the audience at the Greenwich Economic Forum in Connecticut.

"How many believe in the capitalist system?" he asked the room. He scanned the raised hands. "Virtually everybody this room," he observed, maybe overstating it. He went on: If you asked millennials, as Gallup did, you'd find that only 34% say they consider themselves capitalists. "There's about 15% who don't know; 51% actually say, 'I'm opposed to it.' We have to modernize capitalism. We have to change the way that we do it."

Jones, the founder of hedge fund Tudor Investment and one of the industry's pioneers, echoed comments made earlier this month by fellow billionaire hedge fund founder Ray Dalio. At the Summit conference in Los Angeles, Dalio said capitalism is "basically not working for the majority of people."
Like Dalio, Jones highlighted yawning inequality in the U.S.

"Wealth disparity is the single most threatening social problem we face as a country," Jones said on Thursday. In that way, he said, "the U.S. unfortunately leaves the rest of developed world," and "you can kind of see the fissures that come from that."

"Certainly, I don't think we've had this kind of divisiveness since the '70s, which dates me, but I remember it very clearly," said Jones, whose net worth Forbes estimates at $4.5 billion.

He has done something about it: In 2013, he co-founded JUST Capital to rank corporations on how "just" they are, as measured by metrics like: Do they pay a living wage? What kind of products do they make? How do they treat customers? Through Goldman Sachs, JUST has an exchange-traded fund to invest in the highest-ranking ones: Goldman Sachs JUST U.S. Large Cap Equity (ticker: JUST), which tracks the JUST U.S. Large Cap Diversified Index

The ETF, which launched in June, has lost money so far. But the index has returned 3.1% from Jan. 1 through Wednesday—almost one percentage point more than the Russell 1000. As Jones put it, there's a business case for doing good: "If you think about it, if I hire great people and pay them" and treat customers well, "that's a pretty damn good business."

"It can't just be shareholder profits," he said. "That's a break with the old Milton Friedman way of thinking of it, but I think it's the only way our society is going to survive in long run."

In a 1970 article titled "The Social Responsibility of Business Is to Increase Its Profits," published in the New York Times Magazine, Friedman wrote that "the doctrine of 'social responsibility' involves the acceptance of the socialist view that political mechanisms, not market mechanisms, are the appropriate way to determine the allocation of scarce resources to alternative uses."

But in recent years, the increased interest among investors in so-called ESG investing—with parameters around environmental, social, and governance issues—has focused more on a company's role in the society in which it operates, implying a responsibility not to destroy the shared environment for profit, for example.

This interest is particularly acute among so-called millennials, born in 1981 through 1996, and younger generations. Born in the economically buoyant late 1980s and 1990s, millennials and Generation Yers have watched vast wealth

accrue for those who already had it, a polarity that was only exacerbated during and after the financial crisis, as inequality has widened to its highest level since 1928.

At the same time, more millennials believe that human activity has contributed to climate change. A Pew survey of Republicans this year found that more millennial Republicans than older ones say the federal government isn't doing enough to protect the environment.

At the Greenwich Economic Forum, the Blackstone Group's Ian Morris pointed to increasing industry concentration as one factor helping to depress wage growth. "That's giving companies a lot more power, particularly the superstar ones," he said, "and it means you get a great wage at a top company, but there's a long tail of low medium wages. That brings up antitrust issues."

He also noted, outside of the finance and technology sectors, an increasing incidence of noncompete agreements, so "even if you work at a hairdresser or sandwich shop, it's harder to go across the street." That, too, limits workers' ability to negotiate their wages higher.

That lines up with multiple critiques of the system in books just published and forthcoming: Jonathan Tepper and Denise Hearn's *The Myth of Capitalism* argues that the current U.S. system is so dominated by monopolies that it isn't true capitalism. Columbia Law School professor Tim Wu's *The Curse of Bigness,* published on Nov. 13, argues that the handful of corporate giants that dominate global industries are creating ripple effects in politics and policy, to potentially deleterious effect.

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There's a Credit Bubble, says Paul Tudor Jones. He's Not Sure It Means "Run for the Exits"

There's a bubble in corporate credit, according to one of the fathers of the hedge fund industry, but he has no idea what to do about it.

"We're probably in a global credit bubble, global debt bubble," **Paul Tudor Jones II**, the founder of hedge fund **Tudor Investment Corp**. and one of the industry's pioneers, said at the **Greenwich Economic Forum** in Connecticut today. The ratio of debt in the world relative to gross domestic product is at an all time high, he said, but "the reason no one talks about it or gets alarmed is you could have said that virtually every year for the past century.

"I don't know whether we're supposed to run for the exits. But we are at a point in time that's really challenging to that paradigm of ever-growing debt relative to the carrying capacity."

Since the United Nations Monetary and Financial Conference in Bretton Woods, New Hampshire, in 1944, debt levels have expanded because of an "economic circle of trust," he says, "built upon central banks that began to coordinate with each other." That persisted through the financial crisis. But those foundations are "cracking."

Central-bank policies have been diverging in recent years. After threatening to rise for the better part of the last decade, the yield on U.S. Treasuries have actually climbed in 2018, helped along by the Federal Reserve boosting its benchmark rates. The benchmark 10-year yield is above 3%, from 2.4% at the start of the year.

Jones said valuations for stocks, real estate, and corporate credit are all too high.

"We've had liquidity absolutely dry up in so many markets," he said. Corporate credit trading liquidity is about 15-20% what it was at the turn of the century due to "regulatory changes and the move toward passive funds," he said. "You hollowed out the risk taking ability of the market. So we're going to probably, on this run, stress test our whole corporate credit market, for the first time. From a market perspective, it's going to be interesting....There probably will be some really scary moments in corporate credit."

He forecast that credit investors will get stuck in trades, especially in distressed debt, "because the market's shut off." But, he added, even though "valuations [in 2007] were very similar to where they are right now," that isn't a blueprint and it doesn't mean a correction is imminent. Other times when the Fed stopped hiking rates, stocks continued to march higher.

"Stocks are intriguing because even though we're going to have challenging economic times, probably," he said, with slower growth going into next year, "it doesn't necessarily mean we have to enter a bear market yet. But every time is different."

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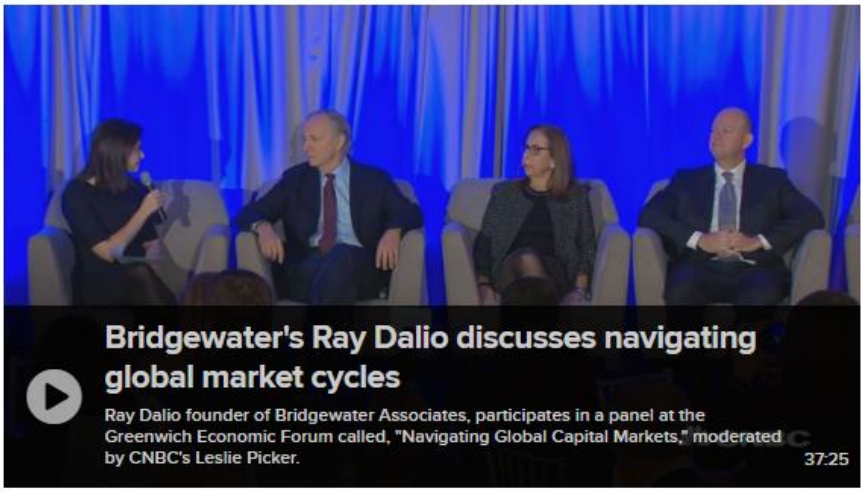
Bridgewater's Ray Dalio discusses navigating global market cycles



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11:06 AM ET Thu, 15 Nov 2018

Ray Dalio founder of Bridgewater Associates, participates in a panel at the Greenwich Economic Forum called, "Navigating Global Capital Markets," moderated by CNBC's Leslie Picker.

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Billionaire investor Ray Dalio: Fed raised rates to a point where it's hurting asset prices

Hedge fund billionaire Ray Dalio argued Thursday that the Federal Reserve has raised rates to a point where they're hurting asset prices.

The central bank needs to start looking at monetary policy's impact on asset prices before economic conditions, Dalio said, adding he would err on the side of caution on rate hikes.

The Fed has already raised rates three times this year, and one more is expected in December.

"We've raised interest rates to a level that it's hurting asset prices," the founder of Bridgewater Associates said in an interview with CNBC's "Squawk Box. " "We're in a situation right now that the Fed will have to look at asset prices before they look at economic activity. It's a difficult position."

On Wednesday, Federal Reserve Chairman Jerome Powell expressed confidence in economic strength, and said markets will have to get used to the idea that the central bank could raise rates at any time starting in 2019.

Last month, Powell said the cost of borrowing money was a long way from so-called neutral, sparking concerns about a more aggressive Fed tightening that led to October being the worst month for the S&P 500 since September 2011.

President Donald Trump has repeatedly express frustration with the central bank's move to raise rates, arguing the Fed could disrupt the U.S. economic recovery.

In the CNBC interview, Dalio laughed off the notion that the Fed needs to raise rates so it would have room to make cuts if the economy were to take a major downturn. "That sounds like pretty bad logic to me," he said.

Dalio also said the U.S. is late in the business cycle, perhaps the seventh or eighth inning, and assets are "fully priced." Bridgewater Associates is the world's biggest hedge fund, with about $160 billion in assets under management.

In June, it was revealed that Bridgewater was becoming a partnership, giving top executives there more power in running the fund. While Dalio remains co-CIO and co-chairman, he gave up his co-CEO role in March 2017.

Dalio, who started Bridgewater in his two-bedroom apartment in New York City in 1975, now has an estimated net worth of $18.1 billion, according to Forbes.

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LIVE: Bridgewater's Ray Dalio Speaks About Global Capital Markets - Nov. 15, 2018

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Live from the Greenwich Economic Forum. CNBC's Leslie Picker discusses, "Navigating Global Capital Markets in a World of Transition," with Ray Dalio Founder, Bridgewater Associates, Dmitry Balyasny CEO, Balyasny Asset Management and Afsaneh Beschloss, Founder, Chief Executive

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Hedge fund titan Ray Dalio says the world is counting on stocks going up and that will mean trouble in a bear market

Hedge fund magnate Ray Dalio warned investors on Thursday the next bear market could be very painful since most are not prepared for it.

“The world by and large is leveraged long,” Dalio, who runs the largest hedge fund in the world, said in a panel at the Greenwich Economic Forum in Connecticut. “When there is a downturn, I don’t think there’s much to protect investors.”

Dalio did not call for a sharp downturn or the start of a bear market, but added: “Any investor should have a strategic asset allocation mix. In other words, what will be the neutral portfolio in an overall period of time and then figure out where there is alpha. That will distinguish the winners and the losers” when the next bear market arrives.

Stocks are in their longest bull market since World War II. Since the bottom of the financial crisis, the S&P 500 has more than tripled. The market’s jump in that time has been propelled in part by historically low interest rates from the Federal Reserve.

These low rates have created an incentive “to borrow money and buy stocks,” Dalio said. “That’s what caused the market to go up.”

However, the Fed is currently in the process of raising rates. The central bank has hiked rates three times this year and is forecast to hike once more in December.

Dalio’s comments come amid heightened volatility in the U.S. stock market. The S&P 500 fell into a correction in October before rebounding. The recent sharp moves come as investors worry about higher interest rates, global trade as well as a possible slowdown in the global economy.

“You have to create differentiation without much beta being built into the portfolio,” he added. “That will be the opportunity to distinguish those who were able to extract alpha and those who weren’t.”

Dalio founded Bridgewater Associates, the largest hedge fund in the world, back in 1975. Through the end of 2017, the fund managed about $160 billion in assets.

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Tudor Jones Says Trump Tax Cut May Cause Debt Bubble to Pop

The hike in interest rates triggered by faster growth from U.S. tax cuts may cause the bubble in credit to pop, billionaire hedge fund manager Paul Tudor Jones said.

“We’re going to stress test our whole corporate credit market for the first time,” Jones said Thursday at the Greenwich Economic Forum in Greenwich, Connecticut. “From a markets perspective, it’s going to be interesting. There probably will be some really scary moments in corporate credit.”

Jones, who heads the $7 billion Tudor Investment Corp., said zero and negative interest rates have encouraged excess lending, putting the markets in a perilous condition. He said today’s levels of leverage could be systemically threatening even if policy makers respond appropriately.

“The end of the 10-year run is going to be a really challenging time for policy makers going forward,” he said.

Stocks, bonds, currencies and real estate are all overvalued, he said.

Tudor’s main fund rose 9 percent this year through October, according to an investor document.

The hedge fund manager said the next trade will be a “front-end rates trade” of figuring out when policy makers will cease interest rate hikes. Even though growth may slow through next year, stocks may not take an immediate hit. In other periods when the Federal Reserve paused in its rate increases, stocks reached previous or new highs.

“It doesn’t necessarily mean we have to enter a bear market yet,” he said. "But who the hell knows.”

Jones, whose hedge fund has for years struggled to generate profits and keep investors, said earlier this year that he doesn’t have many macro trades on because the reward and risk have diminished at this point in time.

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Billionaire Paul Tudor Jones Wants to "Modernize" Capitalism

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Dalio, Jones headline new Greenwich investment conference

At a new investment conference Thursday in Greenwich that aims to rival the top finance events worldwide, the head of one of Connecticut's largest hedge funds said business leaders need to look beyond bottom lines to respond to an increasingly fragmented society.

"If you're going to have true social change, it has to come with a different mindset than we have today regarding the way companies are managed and who they're managed for," said Paul Tudor Jones II, the billionaire founder of the Stamford-based Tudor Investment Corp., and the anti-poverty nonprofit Robin Hood Foundation, at the Delamar Greenwich Harbor hotel. "Hopefully, (we will) upgrade and modernize the way companies conduct their business. It can't just be about shareholders and profits."

Jones spoke during the first morning of the inaugural Greenwich Economic Forum conference, a two-day gathering that has convened several hundred leaders in finance and public policy to discuss the global risk environment. The event also aims to burnish the reputation of the state, and particularly Greenwich, as a financial center. By some measures, Connecticut ranks as the third-largest hedge fund hub in the country, after New York and California.

"Many of you in here this room are accustomed to jetting off to Davos (Switzerland) for the World Economic Forum, going to L.A., for the Milken Institute," said Bruce McGuire, president of the Connecticut Hedge Fund Association and a conference co-founder. "Our vision is to join that illustrious grouping and to create an annual event where the world comes to visit us."

The CTHFA, Greenwich town government and state Department of Economic and Community Development are hosting the conference.

Among other Connecticut hedge fund managers in attendance, Ray Dalio, founder of the world's largest hedge fund, Westport-based Bridgewater Associates, assessed the global debt cycle.

"Everyone wants assets to go up, everyone wants the economy stronger. And you want to provide demand. And demand is produced by providing credit," Dalio said. "By lowering interest rates and pushing money out into the economy through quantitative easing and so on, you push asset prices. So if you have a downturn, there's not as much ability for that downturn to be dealt with effectively with monetary policy."

Jones touched on similar issues in his comments. A global "debt bubble" has probably emerged, he said.

"I don't know whether we're supposed to run for the exits, but we are at a point in time that I think is really challenging to that paradigm of ever-growing debt relative to the carrying capacity," Jones said.

China's role in the global economy also figured prominently in many of the discussions.

"The New China has an energy to it," Dalio said. "They have changed what the environment is. The old Communist environment, and state control, is no longer the case."

Other events scheduled at the forum included panels on institutional investing, central banks, private-market investing, China's financial markets, venture-capital investing, lending, portfolio management, artificial intelligence and alternative investing.

While financial services' employment in Connecticut has not recovered to pre-recession levels, the sector still stands as one of the state's largest. Last month, nearly 130,000 people in Connecticut worked in financial activities, up 1.6 percent from a year ago, according to the state Department of Labor.

The state is a major investor in Bridgewater and Greenwich-based AQR Capital Management. Through the First Five Plus program, Bridgewater and AQR are, respectively, eligible for up to $52 million in loans, grants and tax credits and up to $35 million in loans and grants, depending on the firms meeting certain job targets.

As of May 31, Bridgewater employed about 1,625 in the state, while AQR's Connecticut contingent totaled 770, according to state data.

"The investment industry — and particularly hedge funds — has been such an enormous part of our economy for so long," Catherine Smith, the state's economic development commissioner, said at the conference.

Among major changes at local firms, Tudor Investment earlier this year signed a lease to take about 25,000 square feet in the office complex at 200 Elm St., in downtown Stamford. The firm had previously been based on King Street in Greenwich, on the town's line with Westchester County, N.Y.

A few miles away, in Stamford's Waterside section, Point 72 Asset Management has moved this year from family-office operations into hedge fund management. For two years, until the end of last year, the firm had been barred by federal authorities from taking outside funds because of 2013 insider-trading violations at founder Steven Cohen's previous firm, SAC Capital Advisors.

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The Finance 202: Elizabeth Warren: Regulators are ignoring a major economic threat

Sen. Elizabeth Warren is sounding the alarm about a danger she says could set off another financial crisis if regulators don't police it.

The pileup of lending to companies that are carrying high debt loads poses a gathering threat to the economy, the Massachusetts Democrat and likely 2020 presidential contender argued in a Thursday hearing and in letters to regulators. The problem, as she sees it, is that underwriting standards for the loans have grown too loose in a market that tops $1 trillion, much as they did for subprime mortgages before the meltdown a decade ago.

"I'm not sure that I see much distinction between what you're doing now and the Fed was doing pre-2008, and I think that's deeply worrisome," Warren told Randal Quarles, the Federal Reserve's vice chairman for supervision, at a Senate Banking Committee hearing. **"I'm very concerned that the Fed dropped the ball before and may be dropping it one more time on this."**

Quarles said the volume of the loans isn't as relevant as "the structures that these loans are being held in," and the central bank is "looking very closely" at the matter. **But he resisted Warren's suggestion that the Fed should come down harder on those making the loans**, as they did as recently as five years ago. "It's not a rule," he said. "To enforce guidance is inappropriate." Instead, he said, the Fed is holding banks "to standards of safety and soundness."

Warren, as she noted, is not alone in her rising concern.

Among others, **Former Fed chair Janet Yellen recently argued the United States needs to confront a "huge deterioration" in corporate lending standards**, **especially to firms with weaker credit ratings.** "I am worried about the systemic risks associated with these loans," Yellen told the Financial Times in a recent interview. Yellen said the lessons of the last crash could be lost as banks push to roll back the rules that followed it. "There are a lot of weaknesses in the system, and instead of looking to remedy those weaknesses I feel things have turned in a very deregulatory direction."

In an earlier interview with Bloomberg, she called on regulators to speak out. "They should make it clear to the public and the Congress there are things they are concerned about and they don't have the tools to fix it," she said.

And the phenomenon drew a warning from Todd Vermilyea, the Fed's head of risk surveillance and data. He told bankers at a recent conference in New York their lending looks increasingly dangerous. "There may be a material loosening of terms and weaknesses in risk management," he said. "Some institutions could be taking on risk without the appropriate mitigating controls." But Quarles's comments Thursday, from higher up the Fed's org chart, indicate the central bank won't be coordinating a crackdown.

The Trump administration's broader deregulatory push has accelerated the development. As Bloomberg explained last month:

"On leveraged lending, the industry got an assist last year when regulators had to step back from the 2013 guidelines, which had driven a number of transactions to nonbank lenders. At the prodding of Republicans in Congress, the

Government Accountability Office reviewed the guidance and determined that the Fed and other agencies had overstepped their authority and needed congressional approval for it to be a rule.

"Following the decision, Comptroller of the Currency Joseph Otting said banks could do as much leveraged lending as they wanted provided they had sufficient capital to offset the risks, and it doesn't impair their soundness. Just last week, Otting said the banking industry had 'really kind of stayed on the rails' and that private-equity firms were doing the riskiest leveraged lending."

So far, defaults on the loans remain minimal — a testament to the ease with which the companies that have taken them are keeping up with their payments amid humming economic conditions. The picture could change if the economy hits a skid. Or, per hedge fund billionaire Paul Tudor Jones, rising interest rates could do the trick. "We're going to stress test our whole corporate credit market for the first time," Jones saidThursday at the Greenwich Economic Forum. "From a markets perspective, it's going to be interesting. There probably will be some really scary moments in corporate credit."

In addition to the hearing, Warren also laid out her case in a letter to Federal Reserve Chairman Jerome Powell, Treasury Secretary Steven Mnuchin, Securities and Exchange Commission Chairman Jay Clayton, Federal Deposit Insurance Corporation Chairman Jelena McWilliams, and Otting — and asked for responses by Dec. 11.

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The pileup of lending to companies that are carrying high debt loads poses a gathering threat to the economy, the Massachusetts Democrat and likely 2020 presidential contender argued in a Thursday hearing and in letters to regulators. The problem, as she sees it, is that underwriting standards for the loans have grown too loose in a market that tops $1 trillion, much as they did for subprime mortgages before the meltdown a decade ago.

"I'm not sure that I see much distinction between what you're doing now and the Fed was doing pre-2008, and I think that's deeply worrisome," Warren told Randal Quarles, the Federal Reserve's vice chairman for supervision, at a Senate Banking Committee hearing. **"I'm very concerned that the Fed dropped the ball before and may be dropping it one more time on this."**

Quarles said the volume of the loans isn't as relevant as "the structures that these loans are being held in," and the central bank is "looking very closely" at the matter. **But he resisted Warren's suggestion that the Fed should come down harder on those making the loans**, as they did as recently as five years ago. "It's not a rule," he said. "To enforce guidance is inappropriate." Instead, he said, the Fed is holding banks "to standards of safety and soundness."

Warren, as she noted, is not alone in her rising concern.

Among others, **Former Fed chair Janet Yellen recently argued the United States needs to confront a "huge deterioration" in corporate lending standards**, **especially to firms with weaker credit ratings.** "I am worried about the systemic risks associated with these loans," Yellen told the Financial Times in a recent interview. Yellen said the lessons of the last crash could be lost as banks push to roll back the rules that followed it. "There are a lot of weaknesses in the system, and instead of looking to remedy those weaknesses I feel things have turned in a very deregulatory direction."

In an earlier interview with Bloomberg, she called on regulators to speak out. "They should make it clear to the public and the Congress there are things they are concerned about and they don't have the tools to fix it," she said.

And the phenomenon drew a warning from Todd Vermilyea, the Fed's head of risk surveillance and data. He told bankers at a recent conference in New York their lending looks increasingly dangerous. "There may be a material loosening of terms and weaknesses in risk management," he said. "Some institutions could be taking on risk without the appropriate mitigating controls." But Quarles's comments Thursday, from higher up the Fed's org chart, indicate the central bank won't be coordinating a crackdown.

The Trump administration's broader deregulatory push has accelerated the development. As Bloomberg explained last month:

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Government Accountability Office reviewed the guidance and determined that the Fed and other agencies had overstepped their authority and needed congressional approval for it to be a rule.

"Following the decision, Comptroller of the Currency Joseph Otting said banks could do as much leveraged lending as they wanted provided they had sufficient capital to offset the risks, and it doesn't impair their soundness. Just last week, Otting said the banking industry had 'really kind of stayed on the rails' and that private-equity firms were doing the riskiest leveraged lending."

So far, defaults on the loans remain minimal — a testament to the ease with which the companies that have taken them are keeping up with their payments amid humming economic conditions. The picture could change if the economy hits a skid. Or, per hedge fund billionaire Paul Tudor Jones, rising interest rates could do the trick. "We're going to stress test our whole corporate credit market for the first time," Jones saidThursday at the Greenwich Economic Forum. "From a markets perspective, it's going to be interesting. There probably will be some really scary moments in corporate credit."

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CNBC Exclusive: CNBC Transcript: Bridgewater Associates Founder, Co-Chair and Co-Chief Investment Officer Ray Dalio Speaks with CNBC's Andrew Ross Sorkin Today

WHEN: Today, Thursday, November 15, 2018

WHERE: CNBC's "Squawk Box "

The following is the unofficial transcript of a CNBC interview with Bridgewater Associates Founder, Co-Chairman and Co-Chief Investment Officer Ray Dalio and CNBC's Andrew Ross Sorkin on CNBC's "Squawk Box," (M-F 6AM – 9AM) today, Thursday, November 15th. The following is a link to video of the interview on CNBC.com: https://www.cnbc.com/video/2018/11/15/watch-cnbcs-full-interview-with-bridgewater-associates-ray-dalio.html.

All references must be sourced to CNBC.

ANDREW ROSS SORKIN: Welcome back to "Squawk Box" this morning. Take a quick look at futures. We're now in the red this morning. The Dow looks like it would open off about 20 points. Nasdaq would be up to – just marginally about 2.5 points and S&P 500 off by 4 points. Things have swung around. We want to get right now to our first "Squawk Box" newsmaker of the hour, joining us from the Greenwich Economic Forum: Ray Dalio is here, founder of hedge fund Bridgewater Associates. Good morning, ray, thanks for joining us.

RAY DALIO: Good morning and welcome to Greenwich, Connecticut.

SORKIN: Thank you for that. We want to get your sense of where we are in what seems like a very complicated market these days. We have a lot of volatility. We have questions about tariffs and trade, of course and interest rates. You've always put the markets in the context of the economic machine. So where are we within that machine?

DALIO: Well, you know, there's the short-term debt cycle, long-term debt cycle and productivity. We're in the late stages, maybe the seventh, the eighth inning of the business cycle, right? We're in the part of the cycle where there's been a lot of monetary easing. Central banks bought $15 trillion worth of assets, pushed them up a lot. We had the benefit of a corporate tax cut, all of that stimulation, and as a result, we're in the late part of cycle where there's a tightening of monetary policy. And you know, so it's kind of the late part of the cycle with assets fully priced. And in terms of the longer-term debt cycle, we're at a point where interest rates are comparatively low, the capacity of central banks to ease monetary policy is limited, United States is limited, and other counties it's limited. So that's where we ar. We're in a position also where we have the emerging power China competing with the United States, an established power, as an effective power competitor. That's very much like the late 1930s. So that's where I think we are.

SORKIN: Let me just go back a second. The 1930s are a complicated time. But specifically, on the issue of the fed and interest rates in terms of where we are in the cycle, there is a debate, as you know, about whether interest rates should get hiked and how strong the economy really is or isn't. What do you think?

DALIO: Right now, the Fed expects to raise it one more time this year. And probably three – two or three times next year. I think there's a problem in terms of asset prices. I think that rate of increase would not be able to be made because we've raised interest rates to a level where it's hurting asset prices. We have now, a flat yield curve. We have -- in other words, the -- you can now get in a two to five-year note, you can get about 3%. And you have no price, no material price risk. So, we're in a situation right now that the Fed, I think, will have to look at asset prices before they look at economic activity. It's a difficult position because that stimulation that they have, in the form of those tax cuts, is a big stimulation into the capacity limitations as we have low slack. So that the economy itself will pressure them to raise rates. I think probably too much. I think we have a supply/demand problem for bonds that will particularly come next year and the year after. In other words, because of that tax cut and the deficits, we'll have to

sell a lot more bonds and United States itself can't absorb that quantity of bonds. So we're going to have to sell those bonds to investors in other countries. You look at the portfolio of those, and they have a lot of those that are sort of overweight in that bond. So I think there's a supply/demand imbalance and a difficult position for the Federal Reserve. It's a risky situation.

SORKIN: Just to put a fine point on it though, it sounds like you're recommending if you're Jay Powell, you might slow down, similarly to what the President suggested?

DALIO: Yes. I would look at what is discounted in the curve. And realize that that's discounted in all asset prices. It's discounted in bonds. It's discounted in equities. It's discounted in real estate equities, private equities -- that rate of change in there. And I would keep it certainly not faster than that, and I would probably keep it probably less than that. I think the -- you know, the risks of asymmetric on the downside, because if we have a little bit overshoot in the inflation rate, you're going to be in a position where it's not going to be a problem. Who cares if you have 2.5% or something, it's not going to run out of control. But if you have a downturn, first in asset prices and then you have a downturn in the economy, it's an asymmetric risk. It's a serious risk. We have an economic polarity in populism which is an issue. If you have a downturn, I think the conflict is going to be greater, I think that's a big issue. And I think also, the tools are not as effective on the downside, so I would err on the side of easier monetary policy -- on the curve.

SORKIN: Let me ask you a question: if you're concerned about asset prices, one of your peers, Dan Loeb recently just wrote, "we have delevered our portfolio, reduced our tech exposure meaningfully and grown our short book. We expect to be net sellers over the next few months if markets rally." As an investor out there right now, how cautious are you?

DALIO: Well, as I said I think we're in the -- we've gotten a lot of the good news behind us and I think assets are fully priced and I think there is asymmetric risk. Like I said, I won't talk about our positions, but I think -- I think the upside position is not as strong and relative to the risk.

JOE KERNEN: Ray, that made never made much sense to me, but you said we have the tools to address a downturn. Some people think we need to raise rates to get to a point where we can cut them if we need to cut them. Does that make any sense to you -- ?

DALIO: That sounds like pretty bad logic to me.

KERNEN: You know what they're saying. If you're up there at six, you can keep cutting. But when you're all the way down near zero, you don't have a lot of cuts that you can make in case there's a downturn. But --

DALIO: Yeah, but –

KERNEN: -- to go all the way down is crazy.

DALIO: Yeah, but look -- I'm telling you what's built into the curve, what's built into all of the markets is the existing interest rates.

KERNEN: Right.

DALIO: So you raise that way if that's not good. I think the Federal Reserve should use more macro prudential policies. In other words, there are parts right now, there are some bubbles emerging. But macro prudential policies, what that means, if there's a regulatory authority that can deal with certain bubbles as they're emerging to be more targeted, than using interest rates as a whole.

SORKIN: And, Ray, talking about bubbles, do you worry about high-yield bonds? We were having a conversation earlier today actually about General Electric, a Connecticut-based company whose debt has come under a lot of pressure of late.

KERNEN: Boston based.

SORKIN: Now Boston based, yeah.

DALIO: the -- a lot of the high-yield debt market has gone into leveraged loans and CLO. And so, as a result, it's off balance sheet -- I mean, it's private. And there are parts of that market more than the particular high yield debt market; although if I was to take double "b," some triple "b" types of debt, I think that it's more than fully priced.

BECKY QUICK: But, Ray, I'm wondering if you can shed a little light on what might happen to the junk market if GE heads towards junk status. I mean, it's kind of trading there based on the credit default swaps at this point. It's headed that direction. If that were

to happen, you're talking about ge becoming 10% of a $1.2 trillion market. And that seems like an awful lot to absorb. What kind of aftershocks would that potentially have?

DALIO: BECAUSE -- I think GE's problems are well recognized in the market.

QUICK: Right.

DALIO: And probably reflecting those. Because there's a lot of index funds or ETFs where the investor experiencing a sting looks at that asset as a number of assets, you could have more contagion to the other markets, as they say I don't want that kind of fund and then even less stress funds would experience some sort of contagion. So, yeah, there is that kind of risk.

SORKIN: Ray, I wanted to ask you about China. I know you just announced a new fund that's actually going to be based in China and you've spent a lot of time there. Obviously we are in the middle of what some have already called a trade war, given the tariffs. Just speak to what you think about the potential trade war and how you think it will ultimately shake out.

DALIO: I think -- the trade war I think can be worked out, trade balances I think from a Chinese perspective, American perspective. But it goes way beyond the trade war, you know? There is this now competition, real competition, for -- in the world, in supremacy. This is the first time since the '30s that we've had an emerging country that is a comparable power, really, to the United States. And there are issues there. So, those issues have to do with property rights, they have to do with access competition, they have -- they're geopolitical. There are a number of things. I think that the trade issues can honestly be dealt with. But it is, you know, it's a broader issue that will be with us for a long time. And I think what most fundamentally it has to do is a different approach to life. A different approach to how they think governments should work. As one of the Chinese leaders described, it's basically a top-down, versus a bottom-up type of approach, you know. If you were to look at let's say gaming, by way of example, playing games, video games and you go in China, they will have a point of view as to what their kids should watch on video games. That exemplifies this. So they will control -- it can't be a certain amount of hours and it can't be these types of games and so on. And so that would be a top-down decision. In the United States, we would not want the government – the system is a bottom-up. So, it really goes back to Confucius, in 500 B.C., it's a very different approach. And that is -- so, when you look at the 2025 plan in China, the government believes that they should have a plan for making China great. And they work that plan. And then they'll have coordination between the parts. So, yes, the military will cooperate with the tech companies and so on. That kind of activity is objectionable to the United States because that is viewed as something that is different. So, that kind of identity issue, or those types of rivalries, will be with us for a long time, even though the trade issue itself I think can be dealt with.

SORKIN: Ray, before we let you go, I want to talk about a perhaps more local issue than this global issue, which is where you're based right now. And the conference that you're attending. And I know there's a number of big speakers, including yourself later today. This is the Greenwich Economic Forum. But there's a big question right now about hedge funds and Connecticut. The state of Connecticut. Taxes in Connecticut. Whether it's actually the right place for firms like yours to be based, given the tax rates there. How are you thinking about that, given that some of your peers have left the state?

DALIO: Well, you see what Greenwich, Connecticut is. I mean, it's a fabulous town right outside of New York City. So easy access to the city. Fabulous community. And then its vitality, it's great intellectually, it's very stimulating. There's a culture here that is great, community, all of those things. And then there's this issue of the state issues. I think that the state is going to approach this in a very effective way. We'll see. You know, there's a new government and so we'll see how. But the approach that even New York took, in terms of Long Island City and the bringing in, creating a tax-free economic zone. For example, you could take Bridgeport, and you could take New Haven, and you could take Hartford, Connecticut, and make those tax-free economic zones and bring in vitality to the state. I think that it's really going to be a test of the cleverness. And it's an issue that they're going to have to deal with one way or another. It could be very harmful to the state. It's a risky issue because the polarity between the high-income areas and the other parts of the state, which are really suffering, cannot be touched it's a challenge.

KERNEN: Before you pull up states and move down to zero income tax Florida with Tepper, you might wait for the recounts. Just, I don't know -- wait a couple of weeks before you decide.

SORKIN: He's not deciding. He's staying there.

KERNEN: No, I know.

SORKIN: By the way, what do you think of your peers that have moved to Florida?

KERNEN: The joke's on them, maybe.

DALIO: Well, I think the tax issue is an issue of consideration and the worst case scenario is a bad scenario for, not just Connecticut, but some of the Northeast -- New Jersey is a good example, and New York, different parts. And i think that model has to be department with by bringing in a lot more revenue, by creating, you know, a different approach. But I -- it's understandable. It's not just -- it's the whole area. Wherever you have taxes. San Francisco is dealing with the same thing with -- like Nevada. It's a national issue.

QUICK: Ray, we only have a few seconds but very quickly, what you're talking about, creating these zones it coming under protest from people in New York City right now.

DALIO: I'm sorry, I didn't get that. Say it again, please?

QUICK: People are protesting the tax giveaways to these wealthy companies, like you mentioned for Long Island City.

DALIO: No, no, yeah, I'm saying, I think if you take -- I don't think you can cut taxes. You have to raise tax revenue.

SORKIN: Right.

DALIO: The issue of raising tax revenue is -- it's much the same as if we're looking at amazon going to Long Island City.

SORKIN: Right.

DALIO: Is that going to be a net benefit? Or is that not going to be a net benefit? And you got to take a sharp pencil. If you take a free economic zone, I've seen this happen in a lot of places, and the impact of companies who are not there coming into a tax-free economic zone brings net revenue. And we need net revenue. Because you can't cut expenses. It's not humane. And you can't raise taxes. Because if you raise taxes people are going to leave more. So you have to have something like that.

SORKIN: Ray, we want to thank you. It's a pleasure. You have to get to a panel. We have some breaking news to get to as well. We want to -- we appreciate your time. Thank you as always. And we look forward to seeing you again very soon. I think in Davos, hopefully.

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Dalio on Turkey, Argentina, and the Next Economic Downturn

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Culture Can Determine Performance, Hedge-Fund Expert Says

A money-management firm's culture can be a predictor of fund returns, as those that are too ego-driven lose sight of their mission, according to Michelle McCloskey, president of the Americas for Man Group.
With over a decade of analyzing and investing in hedge funds—she was just inducted into the InvestHedge Hall of Fame—McCloskey has had plenty of time to observe fund missteps and figure out what works.

"If an organization is too narrowly defined around a single personality or if that personality is able to assume too much control and does not entertain challenge, I've seen many, many times where folks running money get into a situation where they do not accept the idea that they could be wrong," she said at the Greenwich Economic Forum in Connecticut on Thursday.

That's often "the moment where you have the worst trouble in the markets," she said.
Money managers do better when they remain open-minded and even-keeled, she said, keeping in mind their priorities and the priorities of their investors. Having a diverse group of people around with different opinions who will push back on bad ideas is vital as well.
"Accepting the idea that challenge should be part of the organization does actually improve the bottom line," she said.
Asset managers often suffer from star-system problems, when one trader or investor puts up above-average numbers and the business builds up around him. (It is almost always a him, despite evidence that women money managers perform at least as well, if not better).

But when those star system collapses, it's very destabilizing. For more, see Bill Gross's exit from Pacific Investment Management Co., or Pimco, and Jeffrey Gundlach's departure from TCW Group.
"Culture makes a huge difference, particularly in the asset-management firms, because it's super important, for those of us who are trusted with institutional and endowment assets to understand the responsibility we have," McCloskey said. "This is not about ego-feeding or the cult of personality. It's the fact we're fiduciaries for really important pools of money. It's really important to assess the culture of the firm you might be entrusting money to."

If a firm is too egotistical, she said, "Eventually that group is likely to lose sight of the importance of the assets they're actually running."
To establish and keep a culture, she said, managers must set clear guidelines and expectations, and, critically, respect employees as adults, giving them the flexibility to work in the most effective way.
But they have to follow through. "One of the worst things a management team can do is talk about the way they want the culture to be, but then go and do something different," she said. "If you're going to state something actively, then you have to actually live that."

That means respecting the difference between something written, metaphorically, in pen versus something written in pencil, she said. "If you make a `pen' statement and then you don't do it, everything falls apart."

That extends to hiring. New people must complement a firm's culture and mission, and if someone gets through who is destructive to that, who works against the culture, she said, "you sometimes have to make the decision to remove those people, quickly, for the safety and health of the team."
Getting rid of those who don't fit is as important as hiring the best candidates, she said, because "a bad seed can really take [down] the rest of the team."
That mars outcomes for investors, too.

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Vi er mest sannsynlig i en global gjeldsboble

– Global gjeld i forhold til BNP er på en ny all-time high, mener milliardærinvestor Paul Tudor Jones.
Milliardærinvestor Paul Tudor Jones sa torsdag at internasjonale markeder har for mye gjeld, som vil dra med seg problemer for alle aktivaklasser.

– Fra et 50.000-fots perspektiv er vi mest sannsynlig i en global gjeldsboble, sa Jones på Greenwich Economic Forum i Connecticut.

– Global gjeld i forhold til BNP er på en ny all-time high, sa Jones.

– Dette kommer til å være en svært utfordrende tid for politiske beslutningstakere.

Jones er kjent for å forutsett store makroøkonomiske hendelser. En av hans største spådommer kom da han forutså børskrakket i 1987. Investorens hedge fond, Tudor Investment, forvalter for om lag 7 milliarder dollar, i overkant av 59 milliarder kroner.

Investoren mener at selskapsobligasjonsmarkedet er der vi vil se de første tegnene på problemer.

– Jeg tror at det kommer til å være selskapsobligasjoner, og jeg tror at kollapsen er noe vi må ta hensyn til de siste to dagene, sa han, og nevnte at «det er veldig skummelt ettersom denne gjeldsboblen skjer i en tid med helt innskrumpet likviditet i så mange markeder.»

– Det vil nok være noen virkelig skumle øyeblikk i markedene, la han til.

Les også : De norske aksjene i USA og Canada

Feil med skattekutt
Jones sa også at Trump-administrasjonens skattelettelse fra slutten av fjoråret kan skade investorer på lang sikt ettersom det vil forårsake at markedet overoppheter, som igjen tvinger sentralbanken til å øke styringsrenten.

– Det er klart at skattekutt og den økonomiske aktiviteten det har forårsaket har ført til at Fed har økt rentene, sa Jones.

– Skattelettelsen ble lovet før sentralbanken begynte å øke renten, og før Trump sa han ville bli president. Renten var null. Tror du virkelig at vi ville hatt en slik skattelettelse hvis vi visste hvor renten ville gjøre av seg? Det tviler jeg på, fortsatte Jones.

Den amerikanske sentralbanken har hevet styringsrenten tre ganger i år, og det ventes en heving til før årsskiftet. Å øke renten over kort tid har til tider bekymret investorer ettersom det gjør det dyrere for bedrifter å låne penger, samt finansiere tilbakekjøp og ekspansjon.

– Negativ styringsrente oppfordrer overdreven belåning. Det er åpenbart hvorfor vi er i en så farlig tid, avsluttet Jones, som la til at han mener dagens aksjer er svært overvurderte.

Amerikanske aksjer nådde all-time high tidligere i år, men falt etter oktober-korreksjonen. Investorer viser stadig at de er bekymret over økende renter, samtidig som flere venter avtagende økonomisk vekst i globale markeder.

Link here

桥水基金：股市将迎急剧滑坡 已增持黄金和美国钢铁

据CNBC报道，被誉为“对冲基金教父”的桥水联合基金(Bridgewater Associates)创始人瑞-达利欧(Ray Dalio)周四向投资者发出警告称，下一次熊市可能是非常痛苦的，原因是大多数人都还没有为其做好准备。

达利欧在参加康涅狄格州格林威治经济论坛(Greenwich Economic Forum)的一次小组讨论会时说道，“总体来说，整个世界都在杠杆做多。那么当市场滑坡时，我认为投资者得不到多少保护。”

达利欧未声称一次急剧的市场滑坡或是熊市将会到来，但他补充道：“任何投资者都应该拥有一种战略性的资产配置组合。换而言之，投资者应该在一个整体时间段里拥有中性的投资组合，然后再找出优秀的资产。(当下一次形势来临时)这将令赢家和输家泾渭分明地显现出来。”

达利欧发表这番言论的背景是，美国股市的波动率正在上升。标普500指数在10月份一度陷入回调区域，随后则有所反弹。最近以来股市急剧震荡的原因是，投资者对利率上升、贸易问题以及全球经济增长速度可能放缓等形势感到担心。

而就在此前一天，市场注意到桥水基金Q3持仓，其坚定看多黄金，而且大举增持美国钢铁。

据彭博周三报道，最新披露的13-F监管文件显示，三季度，亿万富翁雷·达里奥旗下桥水基金——全球最大对冲基金——仍然维持其在全球最大黄金ETF-SPDR黄金信托基金(NYSE:GLD)中的持股，为390万股，同时对全球第二大黄金ETF-iShares Gold Trust(NYSE:IAU)的持股也维持不变，为1130万股。

除了黄金ETF之外，桥水基金还在三季度增持了巴里克黄金(NYSE:ABX)、弗兰科- 内华达公司(TO:FNV)、纽曼矿业(NYSE:NEM)、金罗斯黄金(NYSE:KGC)等矿业公司的股份。

同时，桥水削减了其在黄金生产商Yamana Gold Inc (NYSE:AUY)、Eldorado Gold Corp (NYSE:EGO)中持有的股份。

监管文件还显示，截至9月底，桥水持有美国钢铁(NYSE:X)109万股股票，增持了近58.6万股，成为其投资组合中的第四大持仓。桥水还增持了美国最大的钢铁制造商纽柯钢铁(NYSE:NUE)的股份。

延伸阅读>>>

做空成“拥挤交易” 黄金反弹条件已“就位”！

美元指数“牛气冲天” 黄金将渐入“寒冬”

2019年注定混乱？各大投行买家纷纷看涨黄金资产

（文章来源：凤凰网）

Link here

MAY LA TSIPRAS DEL REGNO UNITO!

Alla fine avevo ragione, è bastata una rapida lettura delle quasi 600 pagine dell'accordo capestro con l'Europa per vedere sei componenti del governo May dare le dimissioni, una vicenda già nota, più o meno quello che è successo con Tsipras in Grecia, probabilmente basta qualche giorno in una stanza con un "mediatore" europeo e all'improvviso tutti cambiano idea, chissà perché…

In realtà i componenti sono sei, compreso il segretario alla Brexit Dominic Raab, uno degli architetti dell'accordo, uno considerato moderato, probabilmente anche in questo caso è intervenuta all'ultimo momento la famigerata manina!

Sembra che il numero della fronda all'interno del partito conservatore, sia cresciuto a 80, 80 deputati pronti a votare contro l'accordo, così come gli alleati del Partito unionista democratico e i partiti di opposizione.

Il leader del partito laburista Jeremy Corbyn, ha dichiarato che il suo partito voterà contro l'accordo proposto. "Il governo deve ritirare questo accordo mezzo cotto", ha detto alla Camera dei Comuni.

In realtà secondo il Financial Times, questo accordo non conclude nulla, potenzialmente mantiene il Regno Unito in una posizione indefinita perennemente, deve continuare a pagare il tributo all'Europa, ma non ha alcun diritto di voto, non c'è alcun accordo reale sulla questione Irlanda e alla fine qualunque controversia verrà decisa ancora dalla Corte di giustizia europea.

Ho davvero il sospetto che la May non abbia nemmeno letto il testo, o qualcuno le ha fatto il lavaggio del cervello come a Tsipras in una notte!

Nono aggiungiamo altro, nel fine settimana a 360 gradi con Machiavelli su tutto quello che serve per osservare attentamente l'orizzonte da qui a fine anno, Powell incomincia ad essere nervoso…

Nessun progresso con la Cina all'orizzonte, lo ha dichiarato Lighthizer e subito dopo Ross…

Ci sono segnali di stress nel mercato coorporate ma soprattutto high yield, abbiamo davanti alcuni momenti davvero interessanti, grazie alla stupidità dei banchieri centrali e della politica in genere…

"Per la prima volta metteremo a dura prova il nostro mercato del credito aziendale", ha affermato Jones giovedì al Greenwich Economic Forum di Greenwich, nel Connecticut. "Dal punto di vista dei mercati, sarà interessante. Ci saranno probabilmente momenti da paura nel credito aziendale ".

Altman, dal mondo high yield segnali di crisi globale in arrivo. Meglio …
Occhio a dove stiamo andando. Dal mercato internazionale dei leveraged loan e dei bond high yield arrivano segnali di allerta preoccupanti, perché il monte di debito delle aziende è arrivato a livelli record, spinto ultimamente soprattutto dalla crescita delle emissioni e dei finanziamenti verso aziende con rating di credito molto basso. Il tutto mentre i tassi di default sono ai minimi storici e negli Usa non si vede una recessione da otto anni.

E’ il messaggio che la scorsa settimana ha dato, in un incontro a porte chiuse nella sede milanese dello studio legale internazionale Orrick, Edward Altman, il docente Usa della NYU Stern School of Business che ha inventato il noto Z-Score, il primo modello di valutazione standardizzata del merito creditizio aziendale.

Secondo Altman, guardando a quanto accaduto nei decenni precedenti, tutto fa immaginare che si stia avvicinando una crisi finanziaria importante, certo non domani mattina, ma forse nel giro di un anno o due. Ogni recessione, ha sottolineato Altman, è sempre stata preceduta da un minimo dei tassi di default, da un massimo dei tassi di recupero, da bassi rendimenti e spread compressi, da un’importante disponibilità di capitali disposti a investire nel debito di aziende a basso merito di credito senza prevedere adeguate garanzie, pur di spuntare rendimenti più elevati. Tutte situazioni che oggi si ritrovano sui mercati, con qualche eccezione particolare, come per l’Italia in questi ultimi mesi, ma tant’è. Il concetto generale è quello che vale e se scoppia il bubbone negli Usa o in Cina, non si salva nessuno.

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Dalio: następny rynek niedźwiedzia może być bardzo bolesny

Większość inwestorów nie jest przygotowana na rynek niedźwiedzia, dlatego może być bardzo dotkliwy, ostrzega Ray Dalio, szef największego na świecie funduszu hedgingowego.

- Świat ogólnie lewaruje kupno. Kiedy nastąpi odwrócenie trendu nie ma zbyt wiele, co mogłoby ochronić inwestorów – powiedział Dalio podczas Greenwich Economic Forum w Connecticut.

Szef Bridgewater Associates nie twierdzi jednak, że nastąpi gwałtowny spadek cen, czy że zaczyna się rynek niedźwiedzia. Zwraca jedynie uwagę, że rynek akcji doświadcza najdłuższego rynku byka od II Wojny Światowej, do którego przyczyniły się w jakimś stopniu rekordowo niskie stopy Fed.

- Te niskie stopy stworzyły zachętę do pożyczania pieniędzy i kupowania akcji. To była przyczyna, że rynek szedł w górę – powiedział Dalio.

Link here

Dalio: następny rynek niedźwiedzia może być bardzo bolesny

原标题：桥水达利欧:下轮熊市会非常痛苦 因为多数人没做准备
金融界美股讯 对冲基金巨头瑞-达利欧（Ray Dalio）周四警告投资者，下一轮熊市可能会非常痛苦，因为多数人都没有做好准备。
达利欧在康涅狄格州格林尼治经济论坛（Greenwich Economic Forum）的一个小组讨论中表示：“全球总体上都是杠杆做多的。当经济下滑时，我认为没有什么可以保护投资者。”达利欧管理着全球最大的对冲基金。
达利欧没有表示股市将大幅下滑或熊市即将开始，但他补充称：“任何投资者都应该拥有战略资产配置组合。换句话说，在整个时间段内中性投资组合将是什么，然后想明白阿尔法在哪里。这将在下一次熊市到来时区分赢家和输家。”
股市正处于二战以来最长的牛市。自金融危机触底以来，标准普尔500指数已上涨逾两倍。在此期间，市场的大幅上涨在一定程度上是由美联储处于历史低位的利率推动的。
达利欧说，这些低利率刺激了人们“借钱买股票”。“这就是导致市场上涨的原因。”
不过，美联储目前正在加息。美联储今年已三次加息，预计将在12月再次加息。
达利欧发表上述评论时，正处美国股市的波动加剧之际。标准普尔500指数在10月份出现回调，随后反弹。同时，最近的剧烈波动恰逢投资者担心利率上升、全球贸易以及全球经济可能放缓之际。
他补充称：“你必须创造差异化，而不需要在投资组合中加入太多“贝塔”。这将是区分那些能够和不能提取“阿尔法”的人的机会。”
达利欧早在1975年就创立了全球最大的对冲基金桥水基金。截至2017年底，该基金管理着约1600亿美元的资产。
来源:金融界网站返回搜狐，查看更多
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Link here

Tudor Jones Says Trump Tax Cut May Cause Debt Bubble to Pop

(Bloomberg) -- The hike in interest rates triggered by faster growth from U.S. tax cuts may cause the bubble in credit to pop, billionaire hedge fund manager Paul Tudor Jones said.

“We’re going to stress test our whole corporate credit market for the first time,” Jones said Thursday at the Greenwich Economic Forum in Greenwich, Connecticut. “From a markets perspective, it’s going to be interesting. There probably will be some really scary moments in corporate credit.”

Jones, who heads the $7 billion Tudor Investment Corp., said zero and negative interest rates have encouraged excess lending, putting the markets in a perilous condition. He said today’s levels of leverage could be systemically threatening even if policy makers respond appropriately.

Concerns about earnings peaking, trade wars, oil prices and rising rates have been knocking credit markets, with global high yield bonds suffering their worst October since 2008 and continuing to sell off this month. Investment grade U.S. corporate debt is posting its worst year-to-date performance in a decade, falling about 4 percent through Nov. 15, according to the Bloomberg Barclays index.

“The end of the 10-year run is going to be a really challenging time for policy makers going forward,” he said.

Stocks, bonds, currencies and real estate are all overvalued, he said.

Tudor’s main fund rose 9 percent this year through October, according to an investor document.

The hedge fund manager said the next trade will be a “front-end rates trade” of figuring out when policy makers will cease interest rate hikes. Even though growth may slow through next year, stocks may not take an immediate hit. In other periods when the Federal Reserve paused in its rate increases, stocks reached previous or new highs.

While the central bank is widely expected to raise rates for the fourth time this year in December, Federal Reserve Chairman Jerome Powell earlier this week laid out a scenario for a pause sometime next year by highlighting potential headwinds to the U.S. economy. The median forecast of policy makers in September was for three increases of a quarter percentage point each in 2019.

“It doesn’t necessarily mean we have to enter a bear market yet,” he said. "But who the hell knows.”

Jones, whose hedge fund has for years struggled to generate profits and keep investors, said earlier this year that he doesn’t have many macro trades on because the reward and risk have diminished at this point in time.

USAGOLD

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Paul Tudor Jones says we're in a global debt bubble and headed for some 'scary moments'

"Billionaire investor Paul Tudor Jones said Thursday that the world has loaded on too much debt which could bring trouble across asset classes. 'From a 50,000-feet viewpoint, we're probably in a global debt bubble,' Jones said at the Greenwich Economic Forum in Connecticut. "Global debt to GDP is at an all-time high.' 'This is going to be a very challenging time for policymakers moving forward,' he said."

USAGOLD note: Sounds like Jones is calling this the beginning of the end. . .that word "global" before the words "debt bubble" is a bit scary particularly coming from Paul Tudor Jones who has a reputation for consistently making the big calls. This might be the biggest one yet. . . . .

Link here

ICYMI - Paul Tudor Jones on stocks, bonds, credit, real estate (says all overpriced!)

A heads up for remarks from hedge fund big wig Paul Tudor Jones. He was speaking at the Greenwich Economic Forum in Greenwich, Connecticut.

These have been out over the past 24 hours or so, so not breaking

- "We're going to stress test our whole corporate credit market for the first time"
- "From a markets perspective, it's going to be interesting. There probably will be some really scary moments in corporate credit."

Says there has been excessive lending while we have had zero and negative interest rates, the leverage could be a systemic risk.

I guess no one will be surprised by such comments, but there is more at these links if you want:

- Market Watch
- FT (gated)
- Bloomberg

ps. I don't read this as PTJ saying we are all doomed, he is just outlining risks. Though if you'd like to go off and run around like a headless chook don't le t me stop you.

Link here

Most Investors 'Leveraged Long,' This Will Sting in a Bear Market

Investors are still banking on stocks rising following the nearly decade running bear market, meaning they could be in for a rude awakening during the next economic downturn, according to one industry vet.

In a panel discussion at the Greenwich Economic Forum in Connecticut, hedge fund manager Ray Dalio warned that the next bear market, which many on the Street say is just around the corner, could be more painful than usual, as outlined by CNBC.

Hedge Fund Manager Recommends 'Strategic Asset Allocation Mix'
"The world, by and large, is leveraged long," said Dalio, who runs Bridgewater Associates, the largest hedge fund in the world with over $160 billion in assets through the end of 2017. "When there is a downturn, I don't think there's much to protect investors."

While Dalio did not forecast a sharp market downturn or the beginning of a recession, he did recommend that investors employ a "strategic asset allocation mix."

"In other words, what will be the neutral portfolio in an overall period of time and then figure out where there is alpha. That will distinguish the winners and the losers" when the next down cycle hits, said the money manager.

Rising Rates to Weigh on Market
What characterized the most recent 10-year-market rally, in which the S&P 500 climbed over 200%, was historically low-interest rates from the Federal Reserve. As tightening monetary policy looms, the market has experienced a level of heightened volatility in 2018. Dalio noted that low rates allowed people to borrow money at a lower cost, and then buy stocks with the capital, causing the market to go up.

Now, however, the central bank is in the process of hiking rates, with three rate increases this year likely to be followed by one more in December.

The S&P 500 is down 7.4% from its 52-week high, while the Nasdaq Composite Index has declined 11.4% and the Dow Jones Industrial Average (DJIA) index has sunk 6.1% from their 52-week peaks.

Fears regarding rising rates have coupled with industry-specific headwinds, broader geopolitical concerns, trade tensions and forecasts of a potential deceleration in the global economy.

"You have to create differentiation without much beta being built into the portfolio," said Dalio. "That will be the opportunity to distinguish those who were able to extract alpha and those who weren't."

THE HOUR

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Bridgewater's Dalio breaks down 'principles' at Greenwich conference

The head of the world's largest hedge fund did not build his firm with a grand plan for domination. Instead, he started by compiling a record of his decisions.

Ray Dalio, founder and chief investment officer of Westport-based Bridgewater Associates, discussed during a keynote speech Friday at the inaugural Greenwich Economic Forum conference his process for developing the fundamentals that underpin his company's operations. Those "principles" are also the subject of a bestselling book of the same name that has helped vault Dalio into the ranks of the most prominent management experts in financial services

"When you're in your particular situation, if you take the time and think about how you're making decisions, almost like a diary, and you write down your recipe for making that particular type of decision, so that's your principle, then over a period of time, you can clarify that with people you work with and critique it," Dalio told a packed room at the Delamar Greenwich Harbor hotel.

Failures spark the greatest insights, said Dalio, who founded Bridgewater in 1975. He cited as a formative experience an episode in the early 1980s in which he inaccurately assessed market indicators. He warned in a clip from a TV interview the time, which he played for the audience, that "there's such a reduced level of liquidity that you can't return to an era of stagflation."

"I could not have been more wrong; that was just about the exact bottom of the stock market … and I lost money," Dalio told the audience.

The assessment meant Dalio would have to lay off the handful of employees working at his nascent firm and borrow a few thousand dollars from his father to make ends meet.

"That was obviously very painful for me, but it turned out to be one of the most valuable experiences that ever happened to me because it changed my approach to decision-making. It made me think 'How do I know I'm right?'" Dalio said.

The principles that Dalio developed now support what he described as an “idea meritocracy” at Bridgewater. Cultivating such a workplace culture depends on honest interactions among employees and embracing thoughtful disagreement, Dalio said.

“Somebody is going to be wrong, and how do you know that wrong person isn’t you?” he said. “It’s logical that you want to work that through, but most people have these emotional reactions to disagreement. So you have to understand the art of thoughtful disagreement.”

Bridgewater’s performance reflects its values, its founder said. The firm manages about $160 billion for approximately 350 institutional clients including public and corporate pension funds, university endowments and charitable foundations.

“This meritocratic way and things I’m mentioning were really the keys of our success,” Dalio said. “You all are still going to have to decide how you’re going to deal with each other. … I want an idea meritocracy that is in pursuit of meaningful work and meaningful relationships through radical truthfulness and radical transparency.”

Bridgewater has automated many of Dalio’s tenets by turning them into algorithms.

“Converting written words into algorithms is extremely powerful, whether that’s in the markets or any other kinds of decision-making,” he said. “You’ve got to write the principles down and then put them into systemized decisions.”

Bridgewater has received strong backing from state officials. It has qualified for up to $52 million in tax credits, loans and grants through the Department of Economic and Community Development’s First Five Plus program.

The firm employs about 1,625 in Connecticut, according to state data. Its main offices at 1 Glendinning Place in Westport stand in a bucolic section of the town, near its border with Weston.

Dalio, a Greenwich resident, said his firm encourages feedback from all of its staff. He pointed to a 24-year-old colleague giving him low marks for his contributions in a meeting.

“The simple act of saying ‘How do I know I’m right?’ and not being unduly attached to one’s opinion, creates an enormous possibility,” Dalio said. “That is the path. Any success I’ve had has been more due to my knowing how to deal with my not-knowing than anything I know. Because there’s so much more not knowing than anything I know.”

FINANCE & COMMERCE

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Tudor Jones: tax cut may pop debt bubble

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ThinkAdvisor

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Paul Tudor Jones Says Corporate Credit Market Is Latest Danger

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Harbor hotel.

Failures spark the greatest insights, said Dalio, who founded Bridgewater in 1975. He cited as a formative experience an episode in the early 1980s in which he inaccurately assessed market indicators. He warned in a clip from a TV interview at the time, which he played for the audience, that "there's such a reduced level of liquidity that you can't return to an era of stagflation."

"I could not have been more wrong; that was just about the exact bottom of the stock market … and I lost money," Dalio told the audience.

The assessment meant Dalio would have to lay off the handful of employees working at his nascent firm and borrow a few thousand dollars from his father to make ends meet.

"That was obviously very painful for me, but it turned out to be one of the most valuable experiences that ever happened to me because it changed my approach to decision-making. It made me think 'How do I know I'm right?'" Dalio said.

The principles that Dalio developed now support what he described as an "idea meritocracy" at Bridgewater. Cultivating such a workplace culture depends on honest interactions among employees and embracing thoughtful disagreement, Dalio said.

"Somebody is going to be wrong, and how do you know that wrong person isn't you?" he said. "It's logical that you want to work that through, but most people have these emotional reactions to disagreement. So you have to understand the art of thoughtful disagreement."

Bridgewater's performance reflects its values, its founder said. The firm manages about $160 billion for approximately 350 institutional clients including public and corporate pension funds, university endowments and charitable foundations.

“This meritocratic way and things I’m mentioning were really the keys of our success,” Dalio said. “You all are still going to have to decide how you’re going to deal with each other. … I want an idea meritocracy that is in pursuit of meaningful work and meaningful relationships through radical truthfulness and radical transparency.”

Bridgewater has automated many of Dalio’s tenets by turning them into algorithms.

“Converting written words into algorithms is extremely powerful, whether that’s in the markets or any other kinds of decision-making,” he said. “You’ve got to write the principles down and then put them into systemized decisions.”

Bridgewater has received strong backing from state officials. It has qualified for up to $52 million in tax credits, loans and grants through the Department of Economic and Community Development’s First Five Plus program.

The firm employs about 1,625 in Connecticut, according to state data. Its main offices at 1 Glendinning Place in Westport stand in a bucolic section of the town, near its border with Weston.

Dalio, a Greenwich resident, said his firm encourages feedback from all of its staff. He pointed to a 24-year-old colleague giving him low marks for his contributions in a meeting.

“The simple act of saying ‘How do I know I’m right?’ and not being unduly attached to one’s opinion, creates an enormous possibility,” Dalio said. “That is the path. Any success I’ve had has been more due to my knowing how to deal with my not-knowing than anything I know. Because there’s so much more not knowing than anything I know.”

Link here

Ray Dalio Sees Investors Ill-Prepared to Weather Next Bear Market

Bridgewater superstar says a strategic asset mix will 'distinguish the winners and losers' in the next slump.

Ray Dalio, founder of the world's largest hedge fund, is fearful for stock investors, as most are not equipped to handle the next bear market.

In a panel at Connecticut's Greenwich Economic Forum broadcast by CNBC, the Bridgewater Associates chief said that since the world is "leveraged long," he doesn't "think there's much to protect investors."

He advised contrarians to brace themselves by having a strategic asset mix in their portfolios, maintaining a neutral balance in a downturn, and staying in good shape for the rebound. "That will distinguish the winners and losers," he said.

Dalio, who noted that the US is in the seventh or eighth inning of the current cycle, said that the current bull market was driven by the Federal Reserve's low interest rates, which are now being undone as the Fed has raised rates three times in 2018.

"Everybody's sort of leveraged long," he said of the now "asymmetric" risks. "If you have a downturn, there's not that much ability for that downturn to be dealt with effectively with monetary policy."

A fourth interest hike is expected in December, pointed out Charley Ripley, a senior investment strategist at Allianz Investment Management.

"A December rate hike appears to be a likely event at this point, but the outlook ahead is very different as the market and the Fed have differing views on how many rate hikes are in the cards for next year," Ripley told CNBC earlier this month.

The markets have experienced increased volatility throughout the year, most recently in October, when the S&P 500 almost saw a correction before November's plodding rebound.

Afsaneh Beschloss, CEO of the $13.5 billion Rock Creek Group, who also spoke at the Greenwich panel, said rates will continue to go up 25 basis points along with wage boosts in the next 12 months.

"Those two things will potentially lead to a stagflation scenario later on in the cycle," she said.

Bridgewater has about $160 billion in assets under management.

Financial News

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Scaramucci's SkyBridge has a big short on high-yield bonds

The hedge fund investment group founded by high-profile financier and short-lived Trump spokesman Anthony Scaramucci is hedging against a potential US recession

Anthony Scaramucci, SkyBridge Capital founder and former White House Communications Director — Getty Images

By Mary Childs
November 19, 2018 Updated: 5:02 p.m. GMT

SkyBridge Capital is betting against US corporate credit to protect against whatever recession might be coming.

The biggest risk to the market is China, "and how disruptive that can be" to emerging markets, SkyBridge partner and senior portfolio manager Troy Gayeski told the Greenwich Economic Forum on Friday. But to find the biggest danger spots elsewhere, he said, investors should look for the areas that have "built up the most leverage since the crisis," he said.

Link here

Milliardær forutså krakket i 1987. Nå advarer han om skremmende øyeblikk

(Hegnar.no/Dagbladet): - Fra et markedsperspektiv kommer det til å bli veldig interessant. Det kommer sannsynligvis til å bli noen veldig skremmende øyeblikk i markedene.

Ordene tilhører den amerikanske milliardæren Paul Tudor Jones. Han er forvalter av hedgefondet Tudor Investment, som er på rundt sju milliarder dollar, eller 59 milliarder kroner.

Da han torsdag talte på Greenwich Economic Forum i Connecticut, USA, var budskapet hans at både obligasjoner og aksjer er overpriset, skriver Marketwatch.

Ser varsellamper blinke

Det er all grunn til å lytte til hva Jones sier:

Milliardæren er kjent for å ha forutsett store makroøkonomiske hendelser tidligere. Hans aller største spådom tjente han store penger på da han forutså børskrakket i 1987, følge Marketwatch.

På bare en dag falt Dow Jones-indeksen hele 23 prosent, som er det største børsfallet i prosent for indeksen noensinne.

Nå ser han varsellampene blinke igjen.

- Dette kommer til å være en svært utfordrende tid for politiske beslutningstakere. Global gjeld i forhold til BNP er på en ny all-time high, sier Jones.

- Større risiko

Han får støtte av Harald Magnus Andreassen, sjeføkonom i Sparebank 1 Markets.

- Jeg tror han har rett i at det er risiko, og større risiko enn på mange år, sier Andreassen til Dagbladet.

Han synes ikke at det er så rart, etter en tiårig, global konjunkturoppgang og en arbeidsledighet i rike land som ikke har vært lavere siden 1980.

Artikkelen fortsetter under annonsen

Bolsamanía Web Financial Group
19.11.2018 | Actualizado a las 22:21

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Los legendarios Ray Dalio y Paul Tudor Jones ven al mercado en peligro

Dos inversores legendarios, Ray Dalio y Paul Tudor Jones, han lanzado mensajes de alerta sobre la situación actual de los mercados. Sus análisis son diferentes, pero en ambos se constata que su previsión para los próximos meses y años no es precisamente positiva.

Ray Dalio, fundador de Bridgewater Associates, el mayor fondo de cobertura del mundo, ha comentado que Estados Unidos se encuentra “en la última parte del ciclo económico” y que las acciones de Wall Street están “totalmente en precio”.

Además, en una entrevista con CNCB, ha destacado el ascenso de China en la escena geopolítica internacional, lo que está provocando “un choque con EEUU”. En su opinión, la época actual puede compararse con "el final de los años 30 del pasado siglo", la etapa anterior a la Segunda Guerra Mundial. Un análisis que también han realizado otros destacados dirigentes, como la directora gerente del Fondo Monetario Internacional, Christine Lagarde.

Respecto a las subidas de tipos que está realizando la Reserva Federal, considera que “hay un problema en relación al precio de los activos”, ya que los intereses se encuentran en un nivel en el que “están dañando a las acciones”, porque la rentabilidad del bono americano a 10 años ha superado el 3%.

“La Fed debería mirar al precio de los activos antes que a la actividad económica a la hora de seguir subiendo tipos”, ha señalado Dalio. También ha destacado que EEUU deberá emitir mucha deuda en el futuro que deberá ser comprada por inversores internacionales, lo cual deja al banco central “en una posición difícil”.

Por último, ha señalado que “las posiciones largas” en el mercado no están justificadas con el “riesgo actual”, ya que “lo mejor” para las bolsas “ha quedado atrás”.

BURBUJA DE DEUDA

Por su parte, Paul Tudor Jones, millonario inversor que gestiona Tudor Investment, ha comentado que “desde un punto de vista de 50.000 pies, probablemente estemos en una burbuja de deuda global”.

Durante el Greenwich Economic Forum, ha añadido que “la deuda global en relación al PIB mundial se encuentra en máximos de todos los tiempos”, por lo que anticipa una época “muy difícil para los políticos” y para los bancos centrales.

Tudor Jones, famoso por haber anticipado el crash de 1987, considera que el mercado de bonos corporativos puede ser el primero en sufrir problemas. “Creo que esta vez el problema empezará en el crédito empresarial y es algo temible porque la liquidez se está secando en muchos mercados”. Por ello, anticipa “algunos movimientos aterradores en el crédito corporativo”.

En su opinión, la rebaja de impuestos realizada por la Administración Trump no ha sido positiva, ya que está provocando un recalentamiento de la economía, que a su vez ha obligado a la Fed a seguir subiendo los intereses durante 2018.

Aunque al mismo tiempo ha comentado que ha sido la política de tipos al 0% la que ha provocado “un exceso de crédito, lo que explica que ahora estemos en este momento tan peligroso”. En su opinión, las acciones están en un percentil del 70% en lo que se refiere a su sobrevaloración.

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泡沫要破裂？成功预言1987年股灾的传奇投资人：市场正走向可怕时刻

FX168财经报社(香港)讯 美国股市今年早些时候创下历史新高，但在10月份短暂回调。投资者一直担心利率上升以及全球经济可能放缓。

构建盈利交易系统，跟“亏损”说拜拜！

日前，对冲基金界的投资传奇、亿万富翁投资者Paul Tudor Jones警告称，美联储持续加息可能会导致美国债市的泡沫破裂。

他指出，世界债务负担过重，可能给各种资产带来麻烦。

Jones在康涅狄格州格林威治经济论坛(Greenwich Economic Forum)上表示：“从5万英尺的高空俯瞰，我们可能正处于全球债务泡沫之中。全球债务与GDP之比处于历史高位。”

他表示：“对于政策制定者来说，这将是一个非常具有挑战性的时期。”

Jones以宏观预测而知名。他曾成功预言1987年股灾。据报道，他的对冲基金Tudor Investment管理着70亿美元的资产。

这位对冲基金经理认为，公司债券市场是麻烦将至的第一个迹象。

S&P Global今年稍早公布的数据显示，美国企业债务触及纪录高位，总计6.3万亿美元。全球债务在2018年初也触及历史新高，达到247万亿美元。

他说：“我认为这一次危机将是企业信贷先爆出，过去几天的迹象值得关注。本轮信用泡沫之所以可怕，是因为流动性在太多市场已枯竭。”

“企业信贷可能会出现一些可怕的时刻，”他补充说。

Jones还表示，特朗普政府去年末开始的企业减税政策可能会导致经济过热，并导致美联储继续加息，从而对投资者造成伤害。

“很明显，减税和由此产生的经济活动导致美联储加息。减税是在美联储开始加息、特朗普总统竞选总统、利率为零之前承诺的，如果我们知道加息是这样的路径，可能就不会设计当初的减税了，”他说道。

美联储今年已三次加息，预计年底前还会再加息一次。迅速上升的利率会让股市投资者感到恐慌，因为它们会导致企业借入资金、回购和扩张融资的成本更高。

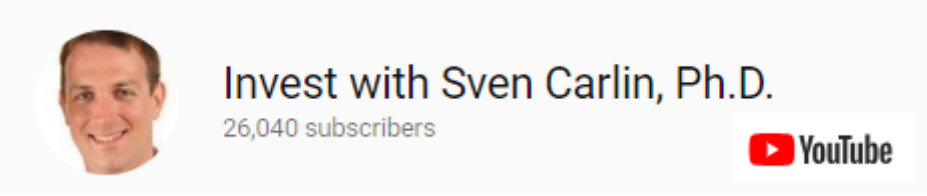
他依旧预计12月美联储会按计划加息，但从那次FOMC会议起会“开始对未来的加息规划闪烁其词”。

他补充称，之前的零利率和负利率助长了过度放贷，令市场处在今日这样一个危险的位置。

与此同时，美股“大空头”、经济学家兼作家Harry Dent本周撰文指出，未来几周市场恐出现急剧、深度的崩盘。下图表明，从2018年2月到9月，“聪明钱”一直没有买进，他们可能会带头抛售，这将是一种不祥之兆，并增加股市在未来暴跌40%左右的可能性。

此外，全球最大对冲基金桥水（Bridgewater）的创始人Ray Dalio对美联储加息发出最新警告，称“利率已经上调到了会伤害资产价格的水平”，美国经济面临繁荣减速的局面。

Ray Dalio表示，当前的股价走势表明美国处于商业期末端，但许多投资者还没有做好准备，若股市泡沫因加息而被戳破，那么下一个熊市将会很“痛苦”。



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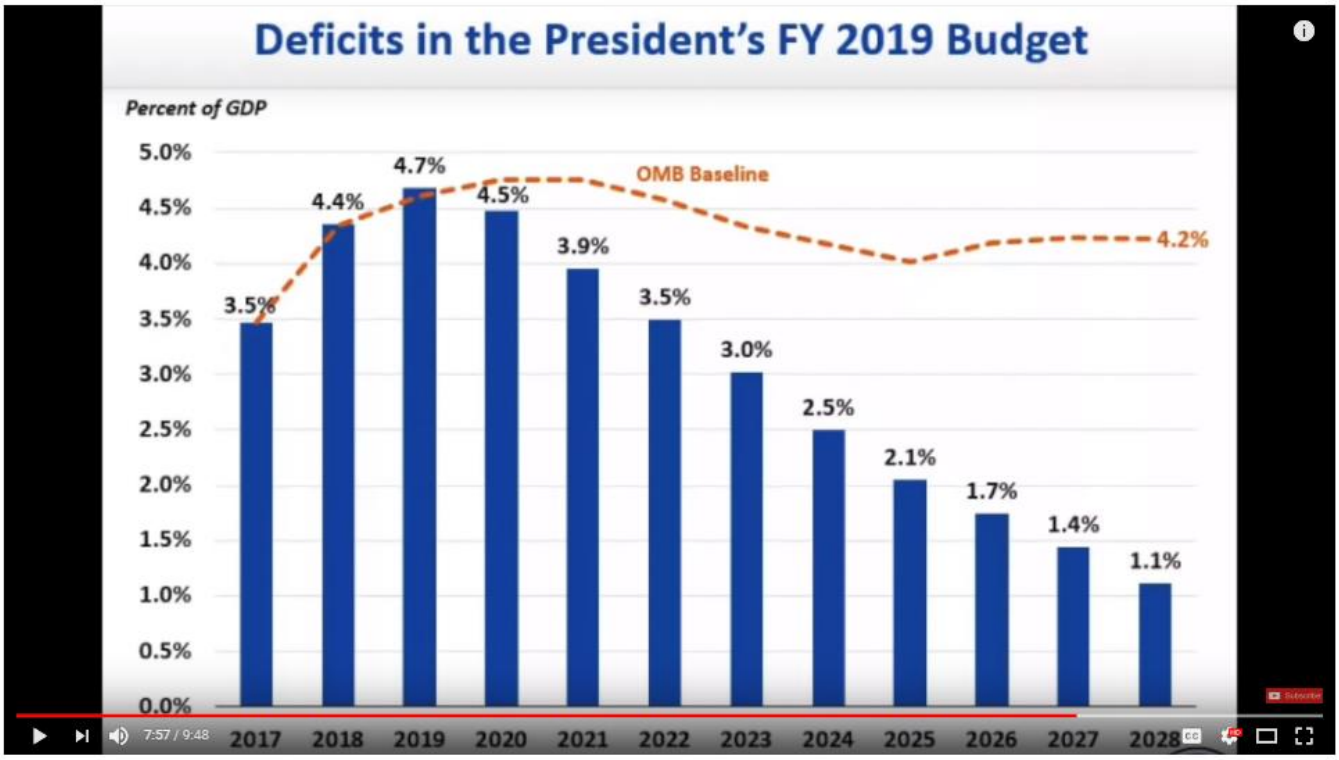

RAY DALIO WARNS STOCK MARKET INVESTORS - EXPECT A STOCK MARKET CRASH

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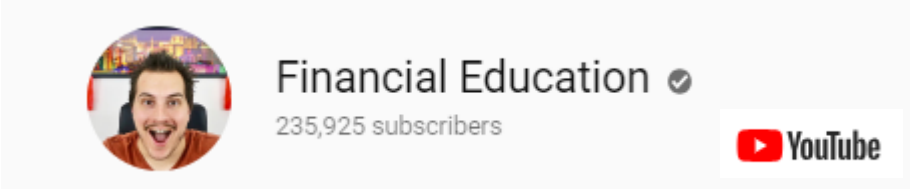
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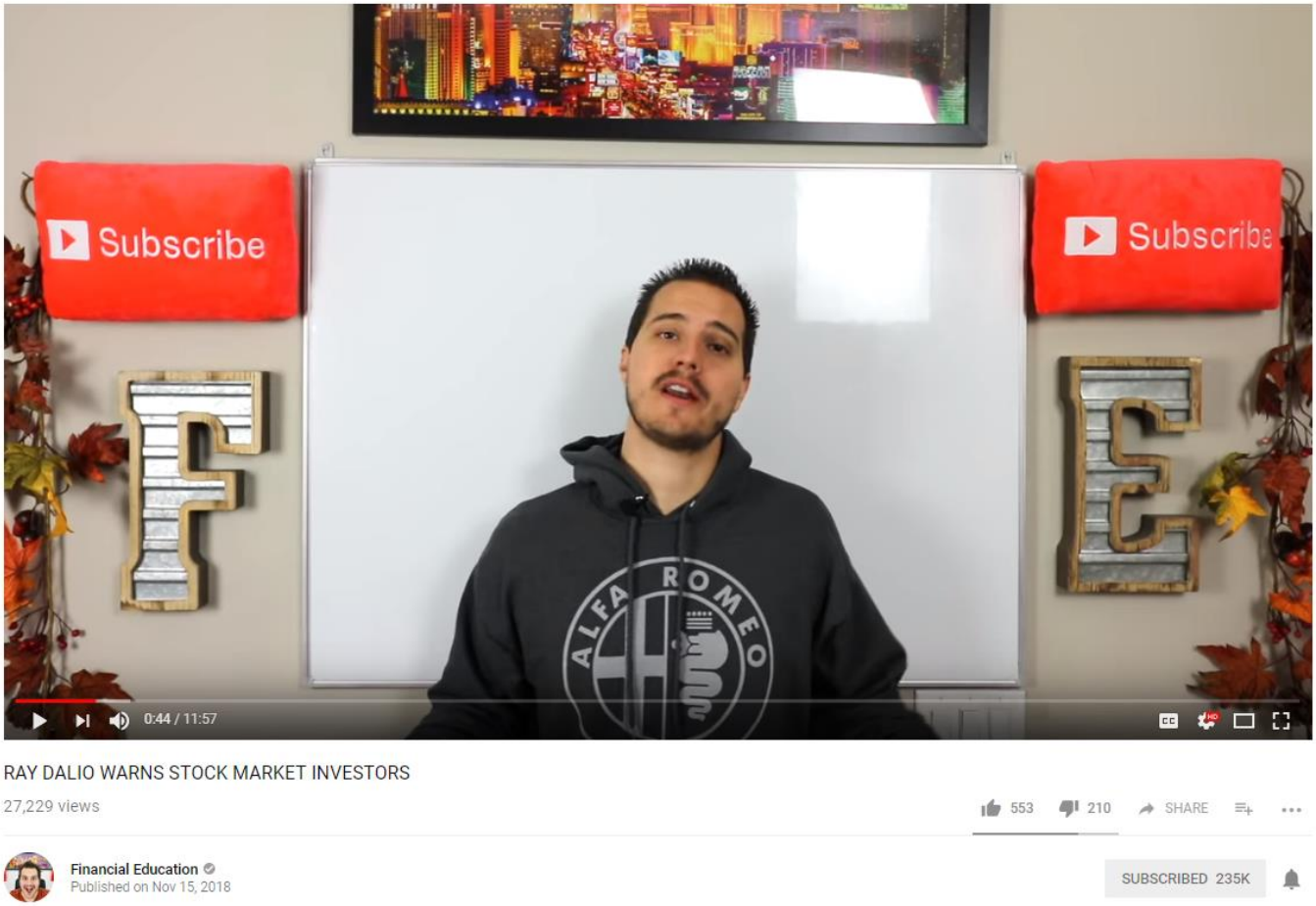
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Paul Tudor Jones Is Expecting A Bear Market, Yet Buying These Stocks

Billionaire Paul Tudor Jones runs a $7 billion hedge fund, called Tudor Investment Corp. The fund has been fighting for years to bring the profits to its investors, and the current year is bringing a little bit of optimism, as it has gained 9% through October. In this article, we'll take a look at Paul Tudor Jones' top stock pick in the third quarter.

Before we proceed with the most important new holdings in Tudor Investment Corp's equity portfolio, let's take a look at what he said about the US tax cuts at the recent Greenwich Economic Forum in Greenwich, Connecticut. Jones holds the opinion that US tax cuts may cause the bubble in credit to pop. He predicted that "We're going to stress test our whole corporate credit market for the first time." Let's remind you that, although Jones' hedge fund hadn't had luck with its performance in recent years, Jones has been right with his forecasts, as he had predicted "Black Monday" stock market crash back in 1987. Hence, when it comes to corporate credit we can probably expect some tough times.

According to Jones, thanks to zero and negative interest rates, there has been too much lending, and current levels of leverage may be alarming. Credit markets have been affected by various factors such as trade wars, oil prices, etc. with global high yield bonds being hit the most, going through its worst period since the market crash in 2008. Jones said that stocks, bonds, currencies and real estate are all overpriced, and that "the next trade will be a "front-end rates trade" of figuring out when policy makers will cease interest rate hikes."

Let's take a look at what Jones thought were the safest bets, what are his top stock pick for the third quarter 2018.

1. Hanger Inc (NYSE:HNGR)

The most valuable new position the fund added to its equity portfolio was in Hanger Inc (NYSE:HNGR) whose 916,840 shares worth $19.10 million it acquired during the Q3. Hanger Inc (NYSE:HNGR) is a company that provides orthotic and prosthetic patient care, offering a plethora of special professional services to people in need of orthotic. Although the company is not among the most popular stocks in the third quarter (check out the list of 30 most popular stocks among hedge funds now), the number of bullish investors has gone up to 17 investors, from one in the second quarter. Year to date, the company's stock is up by 22%.

2. Alteryx Inc (NYSE:AYX)

The fund purchased 234,511 Alteryx' shares, that were valued $13.42 million on September 30. Alteryx Inc (NYSE:AYX) is a software company that offers a professional platform for data science and self-service analytics. The company has attracted more investors from Insider Monkey's database, with 26 hedge funds long the stock, versus 18 in the previous quarter. Over the past six months, the company gained 89.82%.

3. Tapestry Inc (NYSE:TPR)

In Tapestry Inc (NYSE: TPR) the fund established a position that was worth $10.68 million at the end of the third quarter, and counted 212,360 shares. This is a New York City-based luxury fashion holding company. It is a parent company of big brands such as Stuart Weitzman and Kate Spade New York. Over the last 5 years, the company's stock price lost 22.54%. Tapestry Inc (NYSE:TPR) is also seeing an increased interest from smart money investors from our database, as the number of long positions in it increased by eight to 33 investors.

4. Tiffany & Co. (NYSE:TIF)

Tudor Investment Corp acquired 78,629 outstanding shares of Tiffany & Co. (NYSE: TIF), in that manner, establishing a position that was worth 10.14 million on September 30. Tiffany & Co. is a renowned American luxury jewelry retailer with its headquarters in the Big Apple. Aside from jewelry, the company also sells fragrances, personal accessories, some leather goods, and similar luxury style products. Over the past 12 months, the company gained 14%. The number of hedge funds from our table bullish on this stock remained the same as in the previous quarter, with 43 investors long it on September 30.

5. Monster Beverage Corp (NASDAQ:MNST)

The fund thought of Monster Beverage Corp (NASDAQ:MNST) as a good investment opportunity, hence it purchased its 102,180 shares worth $5.96 million during the third quarter. Monster Beverage Corporation is a world known beverage company that produces various popular energy drinks, such as Monster Energy and Burn. Hedge funds from Insider Monkey's system are becoming more bullish on it with 32 investors long the stock on September 30, up by 5 from the previous quarter. Year to date, the company is down by 11.81%.

Disclosure: None. This article is originally published at Insider Monkey.

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Disclosure: None. This article is originally published at Insider Monkey.

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Paul Tudor Jones Is Expecting A Bear Market, Yet Buying These Stocks

Paul Tudor Jones panel at the Greenwich Economic Forum conference on November 15th 2018

Stay tuned for Dalio, Balyasny, and Bescholss

Also see more Q3 and Q4 hedge fund letter and conference coverage here

Please note this is not a verbatim transcript (although it is close to one) but rather our best efforts - we updated a bit on 11/18 at 4:02PM EST

I think is the probably the single, most threatening social problem that we faced clearly in the United States, unfortunately leads the rest of the world, rest of the developed world in terms of that. And you can kind of see the fissures that come from this??

I think we saw in the last election, and so but I remember very clearly. So just briefly, Social Capital is a foundation, it's trying to change corporate behavior from one company to corporate practices with a plan for the American public. And we do that by polling every year, I think over the past five years, we've also been close to 80,000 Americans, polling every year and asking the American public what they think corporate just behavior is. And then we take that and then we rank the 1,000 largest public companies in the United States based on that concept of justice from 1 to 1,000, from the best to least.

And the interesting thing is that just behaviors defined by the American public, there was actually a great story here because just behavior also is a way to increase profitability. So, you take 1,000 companies, and we do it by sectors, and you take the top half of each of those sectors, on average those companies earn 7% reward on return on equity, they pay something like 75% fewer funds, they emit 9% less greenhouse gases. They on average hire 20% more per year. There's so many wonderful things about justice.

And so, this past May we actually launched an ETF based on that model, that take the top 500 companies out of 1,000, rank on justice and with Goldman Sachs they launched an ETF inaudible. And there's a really good story there too. Just one thing I forgot, if you're going to have something change in this country, and we always think of philanthropy public service, what the public government does, we're missing the point. It actually has to start with our companies. And we've got to change our mindset because our philanthropy is 400 billion. So, the private sector's almost 50 times the size of it. If you're going to have true social change it has to come with a different mindset than we have today on the way companies are managed and who they're managed for.

How many people in here consider themselves capitalists and believe in the capitalist system, raise their hand. Well, virtually everybody in this room.

So, if you ask that same question to millennials, what do you think the answer is? It's less than 50%, 40 … no, 34% say they consider themselves capitalists. And there's about 50 who don't know, 51 actually, they are opposed to it. So, we have to modernize the capitalism, we have to change the way that we do it.

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Ray Dalio sigue pensando que el final del ciclo está cerca

Ray Dalio ha vuelto a ser noticia a raíz de las declaraciones realizadas en el Greenwich Economic Forum (Connecticut) el pasado día 15 de noviembre. El fundador de Bridgewater Associates, el hedge fund más grande del mundo con unos 160.000 millones de dólares bajo gestión, ha advertido a los inversores que el próximo mercado bajista podría ser muy doloroso, teniendo en cuenta que la mayoría de los inversores no están preparados para ello. Señala que el mundo en general está muy apalancado al alza y que cuando haya un giro a la baja, no cree que haya mucha protección para los inversores.

Los mercados bursátiles se encuentran actualmente en el ciclo alcista más largo desde la Segunda Guerra Mundial. Desde el suelo del actual mercado alcista alcanzado en marzo del año 2009, el S&P 500 se ha multiplicado por más de tres y el Nasdaq Composite por más de seis, gracias en parte a los bajos tipos de interés existentes.

En relación con la situación de los tipos de interés, el gestor ha sido muy contundente al afirmar que "hemos subido los tipos de interés hasta un nivel que está dañando el precio de los activos. Ahora estamos en una situación en que la Reserva Federal tendrá que mirar a los precios de los activos antes de mirar a la actividad económica. Es una posición difícil". Como sabemos, la FED ya ha subido los tipos de interés en tres ocasiones a lo largo de este año (actualmente se encuentran en el rango 2,00% – 2,25%) y se prevé una subida adicional durante el mes de diciembre.

Jerome Powell, presidente de la Reserva Federal, señaló hace escasas semanas que estamos muy lejos de lo que se puede considerar un nivel neutral en los tipos de interés, lo cual generó inquietud entre los inversores ya que fue interpretado por los mismos como una señal de que el ajuste monetario por parte de la FED será más agresivo de lo previsto. Más recientemente, el propio Powell ha mostrado su confianza en la fortaleza de la economía estadounidense y ha advertido que "los mercados se tendrán que ir acostumbrando a que la FED puede subir tipos en cualquier momento del próximo año". Una de las voces discordantes más relevantes ha sido la del Presidente de Estados Unidos, que repetidamente ha mostrado su rechazo a las subidas de tipos de interés que está llevando a cabo la FED, argumentando que podrían dañar la recuperación económica.

Pero en opinión de Dalio, los bajos tipos de interés han creado un incentivo para pedir prestado dinero y comprar acciones, lo que ha causado la subida del mercado.

Interesantes y a la vez preocupantes declaraciones las que nos deja Ray Dalio, que se unen a las realizadas recientemente por David Tepper, Stan Druckenmiller o Robert Shiller. Además, se producen en un momento en que la volatilidad ha regresado con fuerza al mercado, donde se empiezan a ver caídas muy significativas de compañías con mucho peso en los índices como Apple, Facebook o Amazon y muchos inversores están empezando a considerar seriamente la idea que ya hayamos visto los máximos bursátiles del actual ciclo alcista.

Otros artículos relacionados publicados por el equipo de inBestia:

Ray Dalio frente a las Grandes Crisis de Deuda: la próxima será más difícil de gestionar (Jorge Alarcón)

Bob Prince (Bridgewater Associates) advierte del riesgo de nuevas caídas bursátiles (Gestores y Gestoras)

Stan Druckenmiller: "Vamos a tener una crisis financiera más grande que la anterior" (Jorge Alarcón)

Robert Shiller vaticina malos tiempos a largo plazo para la renta variable (Jorge Alarcón)

David Tepper se vuelve defensivo ante el posible recrudecimiento de la guerra comercial y el fin de ciclo (Jorge Alarcón)

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Ray Dalio sull'economia mondiale chiama lo short

«Ahò, divertiamoci che è sabato!» Non so se si dice ancora così, ma ai bei tempi questo era il mantra di noi cioffani a fine settimana.

Bene, allora visto che è sabato e che siamo tra "cioffani", propongo l'analisi di Ray Dalio, il fondatore di Bridgewater Associates, che, per chi ancora non lo sapesse, è la più grande azienda di hedge fund del mondo.

DIVERTIAMOCI!

Su micidial le analisi di Ray Dalio non sono mai mancate – abbiamo persino dedicato un'intera serie al suo velebre video sul funzionamento della macchina economica – e spesso le sintesi che abbiamo proposto sono state copiancollate da altri e più blasonati siti (ovviamente senza chiedercelo). Meglio così, vuol dire che abbiamo individuato il trader più credibile sul mercato mondiale.

Giovedì scorso, il magnate americano ha avvertito gli investitori che il prossimo mercato ribassista potrebbe essere molto doloroso dal momento che la gran parte degli investitori retail non è preparato a questa evenienza.

"Il mondo finanziario in generale sta tirando la carretta da molto tempo", ha detto Dalio in una discussione al Greenwich Economic Forum nel Connecticut. "Quando c'è una recessione, non penso che ci sia molto da proteggere per gli investitori".

Dalio non ha individuato i tempi di una brusca flessione o l'inizio di un mercato ribassista, ma ha aggiunto:

"Ogni investitore dovrebbe avere un mix di asset strategico, ovvero dovrebbe aver costruito un portafoglio neutrale in un periodo complessivo, e poi capire in esso qual è l'elemento che farà vincere o perdere, e ciò vale in particolare quando arriverà il prossimo mercato orso".

Le azioni di Borsa si trovano nel mercato rialzista più lungo dalla seconda guerra mondiale. Considerando il punto più basso della crisi finanziaria, l'indice S&P500 è più che triplicato. Il balzo del mercato in quel periodo è stato favorito dai tassi di interesse storicamente più bassi della Federal Reserve.

Questi bassi tassi hanno creato l'incentivo "a prendere in prestito denaro e comprare azioni", ha detto Dalio. "Questo è ciò che ha fatto salire il mercato".

Tuttavia, la Fed è attualmente in procinto di aumentare i tassi. La banca centrale ha aumentato i tassi tre volte quest'anno e si prevede un'escursione di nuovo a dicembre.

I commenti di Dalio arrivano proprio nel momento in cui aumenta la volatilità nel mercato azionario statunitense. L'S&P500 è caduto in una correzione in ottobre, prima di rimbalzare. Le recenti forti scosse giungono quando gli investitori si preoccupano dei più alti tassi di interesse e del commercio globale, nonché di un possibile rallentamento dell'economia globale.

"Devi differenziare – dice Dalio nella sau analisi – senza che molta beta sia integrata nel portafoglio. Quella sarà l'occasione per distinguere coloro che sono stati in grado di estrarre alfa e quelli che non lo sono stati."

Semplificando, secondo il gestore americano, dobbiamo verificare quali e quanti titoli abbiamo in portafoglio che si muovono in modo simile al mercato (beta è un valore in finanza che rappresenta il comportamento di un titolo o di un portafoglio in relazione alla volatilità del suo indice ai riferimento o in parole più semplici, la variazione di un titolo rispetto alla variazione del mercato. Per definizione il mercato ha un Beta pari a 1. Gli etf, ad esempio, seguono l'andamento del mercato con beta pari a 1 (semplifico, mi perdoneranno gli addetti ai lavori).

Secondo Dalio, in questa fase è necessario alleggerire le proprie posizioni su titoli finanziari che replicano o tendono a replicare gli indici mondiali e valorizzare invece quegli investimenti, o prodotti finanziari che storicamente esprimono attitudine a cambiare di valore indipendentemente dall'andamento del mercato generale.

Ma qui ora non ci interessa esaltare o deprimere le nostre capacità di individuare gli "alfa" ed i "beta". Ray Dalio con questa analisi mostra di essere pessimista sull'andamento delle borse. Ed è uno che non solo se ne intende, ma che addirittura condiziona il mercato, dato il grande peso dei suoi fondi speculativi.

财经

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达利欧:从失败中建立原则是做出正确决策的关键力量

新浪财经讯美国东部时间11月19日，世界著名对冲基金公司桥水基金（(BridgewaterAssociates)创始人瑞-达利欧（RayDalio）上周出席了首届格林威治经济论坛(GreenwichEconomicForum)并发表演讲。在演讲中，达利欧谈到了应该如何做出好决策帮助公司运营。他表示，善于总结错误、思考过程、并因此提升自己做决策的能力，可以有效地建立工作和生活中的各种“原则”。这些原则也让达利欧跻身金融服务业最杰出的管理专家之列。

达利欧在1975年创立了桥水基金。在演讲中，他提到了上世纪80年代初的一段经历。当时他对市场指标的评估并不准确，在为观众播放的一段电视采访片段中，他曾向市场发出警告：“资产流动性水平如此之低，使人们无法再回到滞胀的时代。”这个错误使他对公司的运营方向产生偏差，不得不以裁掉员工做为代价，带来了巨大的金钱损失。达利欧表示：“这对我来说显然很痛苦，但这是我最有价值的经历之一，因为它改变了我的决策方式。这让我开始思考‘我怎么知道我是对的?’”

于此，达利欧发现了一种独特的帮助自己做出决策的方法：在某种情境下，如果去花时间思考自己做出决定的方式，并且记录下来，长期下来这种如日记一般的方式会帮助自己形成做出决定的模式，并进而形成原则。通过“设定目标 - 失败 - 建立原则 - 提升 - 设定更多目标”的方式，会形成认知事物的循环过程，帮助人们从失败中吸取经验。

达利欧表示，这些原则可以判断和分辨与自己共事的人，也帮助他建立了桥水基金“精英理念”(ideameritocracy)的企业文化，既员工之间要形成坦诚和开放的交流环境，并且坦然拥抱来自他人的不同想法。“我想要的是一个‘精英管理’的理念，通过彻底的诚实和透明来追求有意义的工作和关系。”

如今，桥水基金已经把达利欧的许多“原则”转化为计算机算法，实现了团队决策的自动化。员工通过一个叫做“点阵搜集器”(dotcollector)的软件可以自动为其他员工的发言打分并写出评价。通过软件，员工也会接收到其他人对自己的打分和评价。通过这种方式会有助于团队做出客观并且诚实的决策，也会帮助公司了解员工性格，并形成最佳的团队配置。

达利欧表示：“将书面文字转化为算法的功能非常强大，无论是在市场上还是在任何其他决策过程中都是如此。你必须把原则写下来，然后把它们放到系统化的决策中。”

桥水基金鼓励所有员工反馈出自己的意见。一位24岁的年轻同事在一次会议上对达利欧的发言打出了低分。对自身决策的质疑使人在做决定的时候不过分执着于自己的观点，从而创造出巨大的可能性。达利欧最后总结道：“我所取得的任何成就都缘于知道如何处理我的无知，而不是我的所知。因为我不知道的比知道的要多得多。”

桥水基金目前为大约350家机构管理着约1600亿美元的资产。据LCH投资（LCHInvestments）统计，2017年底全球20大对冲基金管理资金总规模和业绩表现中，桥水位居第一。近几十年来，其创始人达利欧多次成功预测出全球经济和市场的巨大变动，最著名的一次，就是预测了2008年的金融危机。瑞达利欧也被《时代》杂志评为世界最具影响力百人之一。（新浪财经北美站刘硕发自纽约）

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BARRON'S

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SkyBridge Capital's Big Short Is High-Yield Bonds

Anthony Scaramucci is the founder of SkyBridge Capital. **Christopher Goodney/Bloomberg**

Text size

SkyBridge Capital is betting against U.S. corporate credit to protect against whatever recession might be coming.

The biggest risk to the market is China, "and how disruptive that can be" to emerging markets, SkyBridge partner and senior portfolio manager Troy Gayeski told the Greenwich Economic Forum on Friday. But to find the biggest danger spots elsewhere, he said, investors should look for the areas that have "built up the most leverage since the crisis," he said.

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FINANCIAL TIMES

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Top hedge fund analysts face 10% pay hit as industry struggles

Senior investment professionals at hedge funds are projected to take a hit to their pay of more 10 per cent this year as the industry struggles through one of its worst periods since the financial crisis.

Average pay for senior analysts — generally the top investment-side role below portfolio manager — will fall from $651,500 in 2017 to $589,000 this year, according to CompIQ, a compensation advisory firm.

The hit is to bonuses, which are set to fall from about $467,000 to $384,000, while base pay will rise from $185,000 to $205,000.

Hedge funds, which were already having a lacklustre year, were caught off-guard by market volatility that began in October. The Hedge Fund Research index, which tracks their strategies, was down about 3 per cent last month, its worst monthly decline since September 2011.

Every major hedge fund strategy tracked by HFR — equity, event-driven, macro, and relative value — declined last month. Only a quarter of hedge funds were in positive territory for the month, according to HFR

“Whatever hedge funds say, they’re actually pretty correlated with the markets,” said Adam Zoia, chief executive of CompIQ. “They pretty much go in sync, despite the fact that they’re supposed to be hedged.”

The company, a division of industry search firm Glocap, calculates its pay estimates based on information from clients, a survey of the industry and their own tracking of more than 200 hedge funds.

Hedge funds are now on track for their worst year in seven years. The industry is down 2.6 per cent for the year to the end of October, according to data from eVestment.

As of mid-November, equity long-short funds have dipped 3 per cent, quant market-neutral strategies were down 2 per cent and trend-following funds were down 1.5 per cent, according to Credit Suisse.

In 2011, the average hedge fund return was negative 4.1 per cent. The worst year on record for funds remains 2008, the height of the financial crisis, when they were down 15.8 per cent for the year.

This year, firms including Greenlight Capital, Jabre Capital and Lansdowne have been hit particularly hard and all have funds in negative territory.

Hedge funds have always claimed they are not correlated to the broader markets and are the safest option during a downturn, using this as a defence in recent years as they were slammed for underperforming much cheaper, passive index products.

But with markets growing increasingly volatile, many managers have been caught off-guard.

Equity hedge funds, which fell 4.3 per cent in October, according to HFR, were exposed for having piled into crowded trades, especially in the tech sector.

Goldman Sachs, in research published last week, found “near-record concentration in funds’ largest positions exacerbated the headwind from popular stock underperformance”.

The bank’s Hedge Fund VIP basket, which tracks 50 stocks that are most common among the 10 largest holdings of discretionary hedge funds, has lagged behind the S&P 500 by 725 basis points since mid-June. So far this quarter, hedge funds’ top picks are down 1.5 per cent, while the S&P 500 is up 2.4 per cent, the bank said.

The list’s top five stocks are Microsoft, Amazon, Facebook, Google and Alibaba, while Aetna, Visa, NXP Semiconductors, PayPal and Twenty-First Century Fox round out the top 10.

The poor performance has led some hedge fund managers to predict a contraction in the industry, which would be the first since the financial crisis.

Dmitry Balyasny, founder of Balyasny Asset Management, who reportedly closed one of his own funds last month, said “more and more people are fighting with each other” every day in the $3tn hedge fund industry for a smaller piece of the pie.

“The industry is going through this period where it’s a consolidation and I think it’s just going to accelerate where you constantly have to run faster, be smarter, innovate . . . in order to be able to compete and win as the overall industry consolidates and you fight for a smaller pie,” Mr Balyasny recently told a crowd of hedge fund managers at the Greenwich Economic Forum in Connecticut.

Even before the October bloodbath, investors pulled $39.1bn from hedge funds in September, the highest monthly withdrawal in more than five years, according to data provider BarclayHedge.

Afsaneh Beschloss, founder and chief executive of RockCreek Capital, a fund that invests in hedge funds, said she foresees the industry reverting to its origins. This is when firms were smaller and more reliant on money from founders and high net worth individuals, family offices, endowments and foundations rather than institutional investors doling out tens and hundreds of millions of dollars at a time.

“Everything goes in cycles, and for everything you get paid you have to produce value, so we might be moving a little bit closer to the original idea of hedge funds,” she said.

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Akon talks hedge funds, crypto and politics at Greenwich Forum

He's launched his own cryptocurrency, set up a programme to light up communities in Africa, now R&B singer Akon has hinted he may look at creating a hedge fund strategy.

Well, of sorts. The Senegalese-American star (*pictured, centre*) told the inaugural Greenwich Economic Forum last week that he was looking at possible ways of utilising quant techniques to help identify and invest in under-the-radar entrepreneurs.

He has been investing a lot of his own money as an angel investor in start-up ventures across the country through a programme called Nue (Network of Untapped Entrepreneurs), although no further details about the potential hedge fund venture were discussed.

Akon was speaking to gathered delegates, which included hedge fund managers, investors, state government officials and corporations, about his various investments, notably his venture into crypto with a brand-new coin aptly named 'Akoin'.

Akoin, which had a private launch earlier this summer, will be used as part of a larger project called Akoin Ecosystem.

The initiative will bring tools to budding entrepreneurs, focusing on Africa but eventually implementing a global approach.

The Akoin platform is around 80% completed, according to Akon, and due to go live in Q1 2019.

In 2014, Akon launched Akon Lighting Africa, a programme designed to support the development of low-cost accessible energy solutions for the continent where around 600 million people still do not have access to electricity.

To date, the organisation has installed 100,000 solar lamps and 1,200 solar micro-grids.

During an hour-long fireside chat, the singer also expressed interest in running for president against Donald Trump in 2020, saying he is strongly considering a presidential run.

"I'm highly considering [running]," he said. "I have been really contemplating it, more so to disrupt the vote. Because I feel in many ways America isn't the country that I fought to be in."

Other speakers at the conference included Ray Dalio, Paul Tudor Jones and Dmitry Balyasny, who also participated in the two-day conference, which took place against a snowy backdrop at the Dalamar Hotel in Connecticut.

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5 Ways To Prepare For Hard Times In 2019

I have no doubt there will be a massive bear market within 15 months from today. After a decade of bullish fever, I expect the coming bear market to be devastating for unprepared investors.

I am not the only one who thinks the bear will soon awaken.

Major hedge fund managers like Ray Dalio and Tudor Jones are sending out warning missives about the pending bear.

Dalio told the Greenwich Economic Forum, "The world, by and large, is leveraged long. When there is a downturn, I don't think there's much to protect investors."

At the same conference, Jones theorized that he expects the credit bubble to pop in response to the recent tax cuts.

Jones said: "The ratio of debt in the world relative to the gross domestic product is at an all-time high, but the reason no one talks about it or gets alarmed is you could have said that virtually every year for the past century. I don't know whether we're supposed to run for the exits. However, we are at a point in time that's really challenging to that paradigm of ever-growing debt relative to the carrying capacity."

He added: "Since the United Nations Monetary and Financial Conference in Bretton Woods, New Hampshire, in 1944, debt levels have expanded because of an economic circle of trust. That persisted through the financial crisis. However, those foundations are cracking."

When these dire macro predictions are combined with the uncertain nature of the current political climate, climbing interest rates and questionable international trade picture, a very bearish portrait emerges.

The worst scenario of all for long-term investors would be a slow but steady descent punctuated by short, sharp moves in both directions. This type of market can be devastating for all but the most agile of investors. The long-term buy the dip crowd will continue to buy the dips, but then see their capital slowly dissipate as the market grinds lower. The buy and hold folks will merely watch from the sidelines as the money is gradually yet systematically drained from their retirement accounts. More active investors will attempt to average into the decline with each step in the process leading to additional losses when the market fails to turn around long term.

In other words, I expect a challenging market environment for most investors within the next 15 months.

Sure, it will be incredible times for short-term, risk-embracing traders with the sharp, short moves inevitably playable. However, for those not glued to their screens or with evolving algorithmic automated trading systems, I fret for their future.

So just what can the average stock market investor do to prepare for this likely inevitability?

Here are five ways to prepare:

1. Lighten The Load
Now is the perfect time to take profits on your long-term gains. Inspect your stock portfolio and consider selling those names that have soared in value.

I like to use a rating system based on percentage gains over the last 1, 2 or 5 years depending on your market perspective. Rank your stocks per the profits from the highest increases to the lowest. Cull the top 3-5 top winners depending on your diversification.

2. Raise Cash
Culling the top performers is an ideal way to raise cash for the market bargains guaranteed to emerge after a prolonged bear market. The only way to take advantage of these bargains is to have a cash stash ready to deploy when the time is right.

While it can be argued that holding cash is a negative due to diminishing buying power thanks to inflation, it remains the only way to quickly pounce on discounted stocks after a wash out.

3. Consider LEAPS
Buying put LEAPS on the major stock market indexes is a smart way to mitigate losses in the event of a bear market. LEAPS are long-term options with expirations up to three years in the future.

4. Own Precious Metals
Precious metals like gold and silver generally outperform during bearish stock market cycles. I am far from a gold bug, and anyone who is familiar with my writings knows I am usually very bearish on precious metals. However, the one time gold may shine in your portfolio is during prolonged bear markets.

5. Try Covered Call Funds
Covered calls are an excellent way to protect your profits in the event of a market downturn. However, due to the short-term nature of regular call options, semi-active trading is required to keep the calls alive from expiration to expiration. If you have a well-diversified stock portfolio, this can be difficult to manage.

Covered call funds are the solution since they are professionally managed. Funds like PowerShares S&P BuyWrite Portfolio (PBP) and Glenmede Secure Options Portfolio (GTSOX) make sense for the long-term investor.

Risks To Consider : *The stock market may just keep going higher for years. There is no rule that states that the bear market must start within 15 months. All we can do is make an educated guess as to what to expect. Always be aware that anything can happen and in the stock market it is often the least expected thing* .

Action To Take : Consider one or more of the above ideas to help weather the coming hard times.

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Action To Take : Consider one or more of the above ideas to help weather the coming hard times.

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US Net Pension Liabilities Top $1 Trillion

Ratio of liabilities to personal income rises to 3.6%, according to Fitch Ratings.

A "lackluster performance" by pension assets, combined with increases in the present value of future benefits, has pushed net pension liabilities beyond $1 trillion in fiscal 2017, from $892 billion the previous year, according to a report from Fitch Ratings.

The report also identified seven states with "long-term liability burdens" that are more than 20% of personal income, led by Illinois, which had liabilities that are 29% of personal income. Another eight states carry what Fitch considers moderate long-term liability burdens that are between 10% and 20% of personal income. On the opposite end of the spectrum Nebraska had the lowest liability burden at 1.5% of personal income.

"States like Illinois, Kentucky, and New Jersey are feeling the effect of insufficient contributions in the form of severely underfunded pensions and rising budgetary demands for pension contributions," Douglas Offerman, a senior director at Fitch Ratings, said in a release.

Fitch said the ratio of net pension liabilities to personal income rose to 3.6% for the entire US in fiscal 2017.

According to the report, discount rate changes are also having a noticeable effect on state pensions, with 80 state-reported plans lowering their discount rates from the previous year.

"Many of the net pension liabilities that states have comprise pension obligations for non-state employees," said Offerman, "usually local teachers, legally carried and directly funded by the state."

Fitch said it recalculates state-reported pension liabilities based on a 6% discount rate for plans using a higher discount rate, adding that the pension liability burden of individual states, combined with bonded debt, varies widely.

The report also found that despite rising net pension liabilities, the median level of tax-supported debt relative to personal income remained virtually unchanged at 2.3% of personal income for fiscal 2017.

"States in general remain selective debt issuers and tend to do so primarily as capital needs arise," said Offerman. "As a result, most states will continue to see only gradual shifts in their debt burdens from year to year."

Il Sole 24 ORE
FINANZA & MERCATI

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Alla Davos Usa gli hedge fund lanciano l'allarme: «È la fine di un ciclo»

NEW YORK. **I guru degli hedge fund** sono abituati a sfoggiare atteggiamenti flemmatici, a volte quasi filosofici, più del panico. Ma oggi le loro parole non nascondono incognite e nervosismo, che imperversano su mercati scossi da perdite e oscillazioni e che hanno visto Wall Street azzerare i guadagni dell'anno. Il monito più pressante, tanto sulle valutazioni delle azioni quanto sul debito, arriva da **Paul Tudor Jones, la Cassandra del crack del 1987, che cita anche il rischio-Italia**. Ma non è il solo a lanciare avvertimenti. **Ray Dalio** ammette l'esistenza di «rischi asimmetrici», d'un rapporto peggiorato tra pericoli e possibili guadagni; teme scosse «geopolitiche» e «conflitti interni» esemplificati dall'emergere dei populismi. E si domanda apertamente «dove siano i massimi».

Afsaneh Beschloss, fondatrice di RockCreek, gestore per fondazioni e altre istituzioni dopo un passato tra Carlyle Group e Banca Mondiale, vede poco promettenti orizzonti di «stagnazione negli stadi avanzati del ciclo economico». **Dmitri Balyasny**, dell'omonima Balyasny Asset Management, sottolinea i possibili e gravi «traumi a catene di fornitori» legati alle tensioni commerciali. E un grande gestore che preferisce rimanere anonimo riassume gli interrogativi chiedendosi quando scoccherà la prossima crisi e recessione, quanto sarà grave e quanto inasprirà i rapporti sociali.

Sono queste le voci, le parole non dettate dal panico ma da una preoccupazione razionale e sovente dettata dall'esperienza, che si sono susseguite e hanno trovato eco, nei giorni scorsi, al primo convegno del suo genere organizzato nella capitale informale degli hedge americani, Greenwich. Un appuntamento un po' pomposamente, e con qualche ironia, ribattezzato come la Davos dei fondi hedge - il **Greenwich Economic Forum**. Dentro il Delamar Hotel, che dà sulla costa oceanica, alcune centinaia di invitati si sono accalcati in un'atmosfera informale quanto intensa, tra sessioni plenarie e incontri a porte chiuse, per due giornate ad ascoltare il verbo di profeti accreditati, da Ray Dalio appunto a Paul Tudor Jones fino a **Bob Diamond**, l'ex ad di Barclays. In tutto si sono ritrovati quasi una quarantina di Ceo, fondi statunitensi affiancati da influenti invitati europei - dal Man Group a Ubs - con una spruzzata di family offices, di private equity, di investitori istituzionali e fondi comuni. E una delegazione cinese, quasi a rimarcare una distanza anche d'immagine dal protezionismo facile e guerresco di Donald Trump.

Il 64enne Tudor Jones modula il suo allarme nel corso di una conversazione a lui interamente dedicata. «Esiste una bolla nella valutazione degli asset? Probabilmente, anzitutto sul credito globale, sul debito, con il livello in rapporto al Pil ai massimi». Su equity, credito, immobiliare e altro «esistono oggi correlati livelli di sopravvalutazione», risultato di banche centrali «che hanno tenuto i tassi di interesse reali molto bassi». E che dire di nodi quali quelli posti dall'Italia? «I livelli del debito si gonfiano, insostenibili» è il suo giudizio. A suo avviso, a conti fatti, «ci saranno momenti molto brutti nel corporate credit e effetti sul mercato azionario». La parola chiave è «pericolo», dato l'avvicinarsi della «fine di un ciclo decennale» di crescita che dovrebbe arrivare a un capolinea e metterà alla prova le scelte della Federal Reserve. Per questo sta conducendo veri e propri stress test sul suo portafoglio in particolare del debito, con l'intento di renderlo a prova di bufere all'orizzonte. Tudor Jones ne sa certo qualcosa di stress: anche se in anni più recenti la sua performance non è sempre stata brillante, nell'ormai leggendario 19 ottobre del 1987 pronosticò e guadagnò su un crollo del 23% nell'indice Dow Jones avvenuto in una sola seduta, una caduta tuttora record. Il suo fondo lo aveva creato otto sette anni prima.

Quel gestore anonimo già citato vede esplicitamente un parallelo proprio con il 1987: «Siamo in una situazione che mi ricorda quella di allora. Abbiamo un problema complessivo di valutazioni, che questa volta sono state trainate da Qe e dai bassi costi dell'indebitamento. I tassi d'interesse salgono. Ci sono tensioni commerciali, con la Cina piuttosto che con

l'Europa. La recessione trentun anni or sono tardò ancora tre anni. Ma siamo comunque in fase tarda del ciclo, anche se non sappiamo esattamente quanto tarda».

Sul rischio Italia - e di conseguenza Europa - per i mercati ritorna **Pablo Calderini**, chief investment officer di Graham Capital Management. Ricorda un «Pil pro-capite senza crescita in vent'anni» nella penisola e vede pressioni ancora crescenti per un'uscita del Paese dall'euro, dato il suo forte settore industriale che «darebbe senso a una svalutazione». Ancora, sui rischi presenti nel Vecchio Continente: Bob Diamond, ceo di Atlas Merchant Capital, vede gli Usa avvantaggiati nel gestirli grazie allo sviluppo mercati privati, alla «profondità dei capital markets americani» rispetto a quelli europei.

Ian Morris, senior managing partner di Blackstone, si focalizza sulle sfide irrisolte per le Banche centrali e la Fed soprattutto. «Sapranno pilotare un soft landing? È difficile, anche se la Fed è la banca centrale con la maggior credibilità al mondo». Gli esempi del più recente passato vedono sia soft che hard landing, i primi a metà degli anni Ottanta e Novanta. Ma questa volta Morris solleva lo spettro di un più brusco «boom-bust», che finisca in stagnazione e deflazione. La Fed avrebbe bisogno di altri cinque anni per normalizzare il suo portafoglio e avere davvero armi a sua disposizione. **William Michealcheck**, fondatore di Mariner Investment Group, evidenzia la divergenza che adesso regna tra le banche centrali, con solo la Fed che ha potuto avviare una normalizzazione, e che può rendere più arduo un coordinamento in caso di necessità. La Bce in particolare «ha davanti a sé una serie di interrogativi, da Brexit all'Italia e al suo portafoglio». Ciò detto, vede la situazione dell'equity negli Usa come «insostenibile» e si aspetta un «cammino accidentato» nei prossimi tre o anche quattro anni, con «forte volatilità».

Spetta a Dalio e Tudor Jones lanciare anche uno sguardo a questioni di più lungo periodo - e non unicamente di mercato. Dalio vede «in particolare emergere **un rischio politico, confitti interni, populismo, quale maggior preoccupazione in una crisi futura**».

Il protezionismo e Pechino? «I problemi con la Cina vanno ben oltre le questioni commerciali. La Cina è diventata un caso di successo, un concorrente globale. Con differenze di valori, approcci, l'America valorizza l'individuo, i diritti di proprietà; in Cina la famiglia, la comunità, il Paese. Da qui nascono la nuova Via della Seta e il piano al 2025. Ma sono ottimista sull'outlook della Cina, sulla sua espansione, c'è energia e imprenditorialità, eccitazione; un brutto anno in Cina ha comunque una crescita doppia rispetto a qui». Su un altro tema scottante, le rivoluzioni hi-tech nella finanza che qualcuno vede come responsabili di posa trasparenza e nuovi rischi, non è reticente sui pro e contro: «**Gli algoritmi, il trading con l'intelligenza artificiale, sono termini spesso usati con scarsa cognizione di causa**. Il problema è da dove vengono gli algoritmi. Noi mettiamo nero su bianco principi, criteri per le decisioni e poi trasformiamo questo in algoritmi. Il trading con algoritmi, il *machine learning*, può essere uno strumento molto pericoloso se chi lo usa non lo capisce a fondo. Può invece essere un beneficio se usato in modo appropriato».

Paul Tudor Jones si proietta piuttosto sulla necessità di una nuova responsabilità sociale della finanza. Parla del suo indice basato su «comportamenti equi», che può garantire rendimenti migliori della media. Che utilizza criteri di giustizia nel mondo corporate, quali stipendi dignitosi, qualità dei prodotti, trattamento positivo dei consumatori, fattori insomma capaci di stimolare cambiamenti sociali. **Goldman Sachs** ha varato quest'anno un Just Etf basato sulla ricerca della fondazione di Tudor Jones, battezzata Just Capital. «Questa è la nostra missione - spiega Jones - Migliorare e ammodernare il modo in cui le aziende fanno business, che non può essere solo basato sul profitto e sugli affari. La società non può prosperare in questo modo».

Wall Street Italia

Link here

Fondi hedge gettano la spugna: "è la fine di un ciclo"

Dopo aver chiuso il mese di ottobre in negativo con una performance da dimenticare, la peggiore da gennaio del 2016, oggi i guru degli **hedge fund** non nascondono il loro nervosismo e i timori in merito alla direzione che intraprenderanno i mercati.

Da Ray Dalio a **Paul Tudor Jones,** intervenuti alla Davos dei fondi hedge – il Greenwich Economic Forum – tutti vedono rischi all'orizzonte e lanciano avvertimenti.

*Esiste una bolla nella **valutazione degli asset**? Probabilmente, anzitutto sul credito globale, sul debito, con il livello in rapporto al Pil ai massimi. Su equity, credito, immobiliare e altro esistono oggi correlati livelli di sopravvalutazione, risultato di banche centrali che hanno tenuto i tassi di interesse reali molto bassi.*

Queste le parole di **Paul Tudor Jones** secondo cui il mondo si è caricato di un debito eccessivo che potrebbe creare problemi a mercati e investimenti. Parlando di debito eccessivo il riferimento ovvio è all'Italia.

*I **livelli del debito** si gonfiano, insostenibili (…) ci saranno momenti molto brutti nel corporate credit e effetti sul mercato azionario.*

Sul rischio Italia e poi in Ue per i mercati parla anche **Pablo Calderini,** chief investment officer di Graham Capital Management che vede in Italia un Pil pro-capite senza crescita in vent'anni. William Michealcheck, fondatore di Mariner Investment Group, evidenzia la divergenza oggi esistente tra le banche centrali: da una parte difatti la Fed che ha potuto avviare una normalizzazione, mentre la Bce ha davanti a sé una serie di interrogativi, da Brexit all'Italia e al suo portafoglio.

Dello stesso avviso anche **Ray Dalio,** fondatore di Bridgewater Associates secondo cui vi sono una serie di problematiche che minacciano l'economia, tra cui le tensioni geopolitiche e il crescente populismo.

*Emerge un **rischio politico**, confitti interni, populismo, quale maggior preoccupazione in una crisi futura.*

Ricevi aggiornamenti su **Hedge Fund** Lasciaci la tua e-mail:

Link here

Double Debt Problem

The selloff in GE is not an isolated event. More investment grade credits to follow. The slide and collapse in investment grade debt has begun… (and later) Don't be fooled by bond prices holding up, because trading volumes are down. There are fewer bids in the market, and the dispersion of bids is wider. It is time to jog—not walk—to the exits of credit and liquidity risk.

- Scott Minerd, Guggenheim Partners Chief Investment Officer

From a 50,000-feet viewpoint, we're probably in a global debt bubble…Global debt to GDP is at an all-time high…This is going to be a very challenging time for policymakers moving forward.

- Paul Tudor Jones at the Greenwich Economic Forum in Connecticut, November 15, 2018

Last week, I talked about Ray Dalio's new book on debt cycles. He describes how debt is inherently cyclical, because it enables *more* spending now that must be offset by *less* spending later.

Ray's book helped me refine my description of The Great Reset. It's a critical refinement, too. After reading the book, ***I realized it is entirely possible we will have another debt crisis before what I think of as The Great Reset.*** I firmly believe the latter is still coming, but there may be another "mere" credit crisis beforehand.

Understated Problem

In last week's letter, we began reviewing Ray's book called *Principles for Navigating Big Debt Crises* in which he examines those debt cycles and what we can do about them. The book is a must-read resource for anybody who wants to understand the economic and financial world we are living in ***and what increasingly looks like another debt crisis around the corner***. I read it on my recent trip to Frankfurt, and I highly recommend you do the same. (That link is for Amazon, but you can also get a free PDF copy here. I read it on my Kindle so I could highlight and save notes.)

I referred to the section I bolded below, promising a deeper dive, which we will do today. I've included some preceding text and chart for context.

The chart below shows the debt and debt service burden (both principal and interest) in the US since 1910. You will note how the interest payments remain flat or go down even when the debt goes up, so that the rise in debt service costs is not as great as the rise in debt. That is because the central bank (in this case, the Federal Reserve) lowers interest rates to keep the debt-financed expansion going until they can't do it any more (because the interest rate hits 0 percent). When that happens, the deleveraging begins.

While the chart gives a good general picture, I should make clear that it is inadequate in two respects: 1) it doesn't convey the differences between the various entities that make up these total numbers, which are very important to understand, and 2) it just shows what is called debt, so it doesn't reflect liabilities such as

pension and health care obligations, which are much larger. Having this more granular perspective is very important in gauging a country's vulnerabilities, though for the most part such issues are beyond the scope of this book.

Close to the beginning of the book, Ray tells us that his debt cycle descriptions are just that: a description of past debt cycles. He excludes government liabilities like pensions and healthcare that, which while not technically "debt," look and act just like it to those who are planning on it. People assume those payments will appear. If they don't, then some sort of deleveraging, default, or liquidation process must occur. It will be painful to everyone.

Ray clearly knows about the government debt problem but compartmentalizes for the sake of analysis. The book looks specifically at private-sector debt and how it interacts with the economic cycle. Government debt is a different problem with different characteristics. But as we all know, it's still debt, as most of us think of debt: an obligation that must be paid in the future... and it is definitely still a problem.

The fact that government pensions and obligations are not on the balance sheet doesn't change the fact that millions of people around the world expect to get them. Those future payments are part of their retirement planning, every bit as much as a 401(k) or other savings. For most people, at least in the United States, it is almost all their retirement planning. Without those payments already-bleak retirement prospects would look even worse. So it's hard to overstate their importance.

Endless Guarantees

Let's review how big this problem is.

The US government on-budget deficit was $100.5 billion in October. It was $63.2 billion in the same month a year earlier. There are always revenue timing issues comparing any previous months, but that's the wrong direction. I see little hope it will reverse. There is no appetite in Congress or the public for lower spending. Nor will we see the kind of tax-policy changes that would generate more revenue. (I still think my VAT idea is the best answer, but I'm way out on a limb there.)

Federal debt has grown with little complaint (except from a few of us curmudgeons) because it was mostly painless over the last decade. Interest rates and inflation were historically low, and the Federal Reserve was buying Treasury bonds by the truckload. Those helpful factors are now changing. Last year, interest on the federal debt was $263 billion, or 1.4% of GDP. The Congressional Budget Office expects it will rise to $915 billion by 2028, or 3.1% of GDP.

Let's stop right there for a minute. You can review the CBO's budget outlook here. The interesting numbers start about page 43, and then the actual projected deficits at page 84. The total projected 2028 deficit (on and off budget) is $1.5 trillion. Take that number with a grain of salt; they were only projecting the total debt for this year (2018) to increase $779 billion, when it actually rose $1.2 trillion including off-budget items. The CBO also assumes no recessions, wars, or other crises in the next 10 years.

And yet they still project, even with optimistic assumptions, that interest on the debt will overtake defense spending plus other "discretionary" expenses. It is quite likely that fiscal 2019 will see a $1.5 trillion deficit (assuming no recession), and that if (when) we have a recession, total debt will increase at least $2 trillion a year. Considering that we are already at $23 trillion of total debt, it is very likely that by the mid-2020s we will have $30 trillion worth of debt and already see that $915 billion interest expense they were projecting for the end of the decade.

And that's not all. Look back at my June 29, 2018 "Unfunded Promises" letter for some staggering numbers on the various non-debt obligations that our political heroes have placed on "We the People" beyond Social Security and Medicare. They've made lots of other guarantees, explicitly or not.

For example, consider the Pension Benefit Guaranty Corporation, which stands behind thousands of private defined-benefit retirement plans. The plans pay premiums but not enough to cover the number of failures we could see in a severe recession and debt crisis, much less the Great Reset.

If we learned anything from 2008, it is this: Congress *will* open the national wallet in a crisis, even if it means creating new guarantees out of thin air. They did it with TARP, the Troubled Asset Relief Program. No such program was anywhere on the radar until the big banks wobbled. If, say, some large state pension plans can't meet their obligations, will Congress face similar pressure to fund the gap? You bet it will, and I have little doubt what will happen.

Now, if you are a Keynesian you might think that's ok. The government is supposed to stimulate the economy through troubled times. But Lord Keynes also advised us to run surpluses in growth periods, so we could afford the stimulus. We haven't, except briefly two decades ago. So even if the Keynesian path works, we are already way off of it.

As bad as all this is, however, I think Ray Dalio is right to analyze it separately from the more "normal" debt crises. That was the most important revelation for me in reading his book. We have two different problems that may or may not overlap.

Comorbid Crises

Physicians have an unpleasant-sounding term called "comorbidity." It is as bad as it sounds. It is when two separate health conditions affect a patient simultaneously. They might be related but are medically distinct problems. Heart disease and diabetes often go together, for example. Evaluating them separately is important in making treatment decisions.

Such is the case with our debt disease.

- We have a big problem with private-sector debt, with many overleveraged corporations likely to default if the economy weakens.
- We have *another* big problem in government debt and unfunded liabilities, with politicians making commitments the taxpayers can't keep.

Both problems are serious. To some degree they overlap, because the government draws its funding (whether taxes or borrowing) from the same population and wealth pool as private borrowers. But they are distinct problems we should analyze separately.

There may be at least a little bit of good news in this. Since these are distinct problems, maybe they won't explode at the same time. That would make each one more manageable.

We saw this in 2008, in fact. Subprime mortgages and related derivatives led to contagion in commercial paper. As terrible and frightening as it was, the Federal Reserve was there as a backstop. So was the US Treasury. We had a lot to worry about, but I don't recall anyone seriously thinking the government would collapse. (Whether it did the right things is a different question.)

Will the same happen next time? We should all hope so. I'm skeptical because federal debt is now roughly twice as big a percentage of GDP as it was in 2008. The Fed's balance sheet is considerably larger, too. They have less room to maneuver, but maybe they'll find some new tools.

Nevertheless, at some point the government will hit a debt wall and probably drag private debt down, too. That will lead to what I think of as actually the Great Reset. But we could have one (or more) smaller debt crises first.

The Great Reset will occur when global government debt grows so large that merely rolling it over becomes a problem. It will crowd out private lending, forcing interest rates higher, which is definitely not good for economic growth. Or else the government resorts to "unusual actions." In either case, a private debt crisis at the same time could be *really* painful…

At some point, the private market will just not be able to fund such massive debt increases. Then we'll have a "crisis" and the government will resort to "unusual actions." Like Congress authorizing the Federal Reserve to buy Treasury debt.

That's not crazy. The Bank of Japan is doing it right now. The BOJ has well over 140% of Japanese GDP on its balance sheet. It is now, like the Swiss National Bank and the ECB, buying equities and private debt in order to push money into the economy, with seemingly no consequences.

And so maybe that's what the US will do. But once politicians and voters realize they can tap the central banks, will there be any motive to balance the budget? Maybe not, unless monetizing the debt creates yet another crisis.

One of the debt crises that Dalio describes in detail is the German Weimar Republic and the hyperinflation of that period. Germany was monetizing the government debt that they assumed from World War I. I'd like to ask Dalio whether he chose that particular debt crisis as a warning about what happens when governments play around with printing money.

It is very difficult to predict the path The Great Reset will take. We can't know what the political environment will be as technology begins to eat into the employment rate. Will increasing productivity reduce consumer prices or will inflation rise? If it's the latter, will the Fed react by raising rates and trigger a Volcker-style recession? Will Congress order the Fed to monetize the debt? Like I said, 2008 clearly showed that Congress and the executive branch will do almost anything in the midst of a panic to avoid accepting pain.

But in economic jargon, that yawning government debt chasm will have to be "rationalized." Retirees and others receiving government benefits will expect to keep receiving them. There is no political will to reduce those benefits. The money will be found; the question is where? Hint: not under the sofa cushions.

When you begin to "wargame" the problem, the options are both limited and severe. Japan's experience of Japan, even though it is apples and oranges to the US and Europe, will be so enticing. Just authorize the central bank to print money. When the world's two main currencies begin to monetize debt at a significant rate—more than the small percentage of GDP that occurred in 2008–2009—and when that world is in a global recession, which is by definition deflationary, what will the consequences be?

The answer is we don't really know. We only have economic theory as a guide, and we know how theory works in a crisis. I will admit that I have trouble imagining that whatever happens will be less than painful, no matter which theory you adhere to.

Dealing with too much debt, even debt of the “merely” promised kind, always involves some kind of pain to someone, and more likely to everyone, leaving nobody happy.

But that’s a story for another letter. To be continued…

Houston, Puerto Rico, Cleveland, and Boca Raton

I have a quick last-minute trip to Houston for one night next week, then back to Dallas for more meetings. Shane and I will be going to Puerto Rico in early December, then to Cleveland for a complete checkup with Dr. Mike Roizen at the Cleveland Clinic along with my friends Mike West and Pat Cox. I can envision some very interesting dinners. Then in late January, I go to Boca Raton to speak at an investment conference.

Quick anecdote from my time in Frankfurt. I spoke for fund manager Lupus Alpha to approximately 250 pension fund managers, representing most of Germany’s retirement monies. I asked for a show of hands on whether they liked being part of the European Union. Almost everyone raised their hands. I then asked if they thought participating in the euro was a good thing. Probably 80% raised their hands. When asked who doesn’t like the euro, maybe 10% of the hands went up.

Then the money question. I asked if they would be willing to take Italy’s debt and all the debt of every eurozone member and put it on the European Central Bank balance sheet, with caveats about controlling national budgets. Fewer than 20% of the hands went up.

I then engaged the audience further, saying, the last two questions were essentially the same. If you want to keep the euro, you’ll have to do something about the imbalances between the countries and debts. No monetary union in history has ever survived without becoming a fiscal union as well. Even reminding them that failure to do this might cause the euro to break up and bring back the Deutschmark didn’t seem to change many opinions. I reminded them that a Deutschmark would mean a serious recession/depression in Germany as it would raise the price of all German exports by at least 50%. Mercedes and BMWs are expensive enough for Germany’s customers, let alone at a 50% price hike.

This audience should have easily accepted the argument for putting all European debt on the ECB balance sheet. Imagine if I asked the typical German voter, especially those in rural areas. That tells me Europe could have a bumpier future than I thought.

My mind is still reeling with the implications of that impromptu survey. That’s going to be a letter someday. I invite comments from my European counterparts about what they think of that process in their own countries.

It’s time to hit the send button. I hope your Thanksgiving week was as great as mine, as I had all my kids over and many of my grandkids. I made prime rib, mushrooms, and all the fixings, accompanied by smoked turkey… and I even made a banana nut cake. (He does macroeconomics and bakes too!)

I always enjoy the season as it is a good time to get together with friends. And I always enjoy spending time with you in this letter. Thanks for taking the time to be with me.

Your really thinking about the future analyst,

Link here

Mercati al capolinea? I guru della finanza sono pessimisti

23 novembre 2018 - (Teleborsa) – Sale l'attesa per la riapertura di Wall Street dopo la pausa del Thanksgiving Day. Oggi, 23 novembre, la Borsa più grande del mondo tratterà solo mezza giornata e pertanto sono attesi volumi al di sotto della media, ma dopo iltracollo di martedì 20 novembre – cui è seguito undiscreto rimbalzo prima della pausa – sono in molti a chiedersi dove andranno i mercati. Perché quella del 20 novembre non è stata una semplice una giornata "no": il Dow Jones e l'S&P500 hanno infatti annullato tutti i guadagni messi a segno da inizio anno, complice anche l'allarme lanciato da Jeffrey Gundlach, fondatore della società di gestione Doubleline Capital. Gundlach ha affermato che le azioni sono ancora troppo costose aggiungendo che non è ancora scattato la fase ribassista vera e propria.

Si tratta solo dell'ultimo allarme lanciato da un investitore professionista. Scorrendo dichiarazioni e relazione fatte dai guru dei fondi hedge in occasione del Greenwich Economic Forum ci si rende conto di come il *panic selling* possa essere tutt'altro che lontano.

Durante il convegno svoltosi a Greenwich (Connecticut) il 15-16 novembre, ribattezzato la "Davos degli hedge fund", sono emerse diverse problematiche. L'investitore Paul Tudor Jones ha detto che il mondo si è caricato di un debito eccessivoche potrebbe creare problemi a mercati e investimenti. "Probabilmente il credito aziendale vivrà momenti davvero spaventosi", ha sentenziato. E detto da lui, chi aveva previsto il crack del 1987, suona come un campanello d'allarme. Soprattutto perché tra i Paesi ad elevato debito Jones ha citato anche l'Italia.

Il fondatore della Tudor Investment Corporation ha poi detto che il taglio delle tasse alle aziendevoluto da Trump alla fine del 2017 potrebbe alla lunga danneggiare gli investitori causando un surriscaldamento dell'economia cui la Federal Reserve dovrà porre rimedio con un aumento dei tassi.

Non dorme sonni tranquilli neanche Ray Dalio, fondatore di Bridgewater Associates: ritiene infatti che vi siano una serie di problematiche che minacciano l'economia, tra cui le tensioni geopolitiche e il crescente populismo.

Dalio non sa dire quando avverrà l'inversione di rotta del ciclo economico, ma "abbassando i tassi di interesse si aumentano i prezzi degli asset, quindi in caso di recessione la politica monetaria può fare ben poco. Questo rende i rischi asimmetrici", ha spiegato.

L'unica nota positiva? La Cina, dove Bridgewater ha iniziato a vendere prodotti di investimento grazie all'ottenimento di una licenza da parte di Pechino. "La Cina ha avuto un enorme successo e continua a stare sulla cresta dell'onda grazie ad una sua energia interna" ha spiegato.

Mary Childs @mdc · 7h

"How many beleive in capitalism?" Paul Tudor Jones asked the room at the **#greenwicheconomicforum** yesterday. Hands went up. Well, millennials dont, he said. "We have to modernize capitalism. We have to change the way we do it."

Billionaire Paul Tudor Jones Wants to "Modernize" Capitalism

"Wealth disparity is the single most threatening social problem we face as a country," the hedge fund pioneer said.

barrons.com

7 3 21

Katia Porzecanski @KatiaPorzo · 6h

Faster growth from U.S. tax cuts may cause the bubble in credit to pop, says billionaire hedge fund manager Paul Tudor Jones at the **#greenwicheconomicforum**

Paul Tudor Jones Says Trump Tax Cut May Cause Debt Bubble to Pop

The hike in interest rates triggered by faster growth from U.S. tax cuts may cause the bubble in credit to pop, billionaire hedge fund manager Paul Tu...

bloomberg.com

3 4

Mary Childs @mdc · Nov 15

hi from a hedge fund conference in Connecticut #stillrevolutionary **#greenwicheconomicforum** #GEF2018 does anyone want this hat

22 27 173

Mary Childs @mdc · Nov 15

everyone getting that step n repeat with @akon after his panel at **#GreenwichEconomicForum** #stillrevolutionary

1 9

Meghan Morris @MeghanEMorris · Nov 15

I'm not in the **#greenwicheconomicforum** room for the first all-male panel of the day (six men talking institutional investors' perspectives, closed to media) - but not to fear, there are two more manels today.

2

Meghan Morris @MeghanEMorris · Nov 15

Good morning from **#greenwicheconomicforum**. I'm typically up here to cycle but decided to wear a blazer instead of Lycra - you're welcome.

1

Carl Quintanilla @carlquintanilla · Nov 15

Full Tudor Jones bite: ".. there probably will be some really scary moments with corporate credit .."

#greenwicheconomicforum

> We're going to probably this run stress test of our whole corporate credit market for the first time and it's going to be really, really — from a market perspective — its going to be interesting. there's definitely going to be, not definitely, there probably will be some really scary moments with corporate credit and my guess is we'll see some instances where the stock market's responding to really negative elements of certain holders of credit that can't get out and/or bars into distress because the market shut off to them

2 3 7

Institutional Investor @iimag · Nov 15

Paul Tudor Jones: Credit Will Cause the Next Crisis **#GEF2018** spr.ly/6011E8bVU

1 4 4

akonxone • Follow

akonxone AKON and his partner Robert Smith interviewed by CNBC's Leslie Picker about his NUE Initiative and AKoin.

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📷 @patrynize

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#akon #gef2018 #greenwicheconomicforum #ct #nueinitiatve #cnbc #lesliepicker #akoin #cryptocurrency #entrepreneur #delamar #delamarhotel #marketsgroup

15 HOURS AGO

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Institutional Investor @iimag · 23h

More from **#GEF2018** Ray Dalio Is Worried About Markets — but Bullish on China spr.ly/6013E85DS

4

NAVY CAPITAL @navycapital · 13h

iimag: Paul Tudor Jones: Credit Will Cause the Next Crisis **#GEF2018** spr.ly/6011E8bVU

Amanda Cantrell @amandakcantrell · Nov 15

"Inflation in hedge fund compensation is coming down," quips Dmitry Balyasny at the **#GreenwichEconomicForum** first panel of the day. (Music to allocators' ears?)

1 3

Opalesque @Opalesque · Nov 15

Paul Tudor Jones at **#greenwicheconomicforum** : Next crisis will probably come from corporate credit. Also concerned on wealth inequality in the US which he tackles with JUST, an outperforming ETF based on socially responsible investing

Peregrine Comms @PeregrineComms · 5h

Great to see rapper, entrepreneur and philanthropist, @Akon, at the **#GreenwichEconomicForum** yesterday!

1

Paul Schott @paulschott · Nov 15

First panel, on global capital markets, kicks off. @RayDalio, second from left, discusses debt cycle. Says risk-return for equity market has shifted. **#GreenwichEconomicForum** #GEF

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Think Greenwich @thinkgreenwich · 15m

Dalio, Jones headline Greenwich Economic Forum stamfordadvocate.com/business/artic... ... via @StamAdvocate @tesei_peter #thinkgreenwich **#greenwicheconomicforum** @forum_greenwich

Dalio, Jones headline new Greenwich investment conference

At a new investment conference Thursday in Greenwich that aims to rival the top finance events worldwide, the head of one of Connecticut's largest

stamfordadvocate.com