

Central bankers more confident than ever

"Most doctors – and even patients – know that when a course of drugs seems not to be working, you don't simply keep on doubling the dosage. This applies particularly when the patient, if no longer as sprightly as they used to be, is nevertheless doing more or less fine. The side effects of such a course are more likely to kill than to cure. Yet this is what central banks now seem intent on doing. They have too much invested in their models to consider changing them, in our view.

"If all goes well, this should produce more of the same: ever tighter spreads; ever more handwringing over a stagnating global economy; ever greater dysfunction in markets. That is indeed our forecast.

"And yet the more stretched all these relationships become, and the more extreme the central banks' policies, the greater is the tail risk, and the more nervous we become about investing in line with these forecasts."

- Matt King of Citigroup.

The scenic mountain resort of Jackson Hole in Wyoming played snowy host this weekend to the world's major central bankers, meeting in conclave to discuss their latest victories over the world economy. Thronged by adoring savers, the so-called *Ja'ss Holes* – the J is silent – were quick to point out that they were nowhere near running out of fatuous experiments with untested monetary policies or making it up as they go along. "We still have plenty of tools," remarked a spokesperson: "Janet Yellen, Mark Carney, Andy Haldane, Mario Draghi – does any remote, unelected bureaucracy anywhere in the world have a bigger set of tools?"

The theme of the meeting is "What, if anything, will be left when we have finished?"

Given the Fed's stated intention not to surprise financial markets, it is believed that the next 25 basis point rise in fed funds will come, as it did last year, in December – but as part of its forward guidance policy, the decision will be announced by means of a 'policy dove' that will be released at the end of the weekend, after a ritual of Native American dancing and hallucinogenic drug-taking, and sent circling around the world with its message of peace and extremely modest monetary tightening. In the event that the 'policy dove' is incapacitated or shot out of the sky, it will be replaced by a 'policy Elk' from the National Elk Refuge nearby.

Although official interest rates seem low, a spokesperson said that was only if you looked at them from the perspective of numbers. Viewed more holistically, from the vantage point of a numeric base system yet to be invented, or one that operates only through colour, rates could actually be regarded as quite high.

In any event, the US central bank would not find itself out of weaponry if a new recession caused by the US central bank were to hit.

The US Federal Reserve has already commissioned a fleet of B2 Stealth bombers to initiate the next stage of its economic policy, codenamed 'Obliterate hope'. The intention is to bypass the introduction of so-called 'helicopter money' and fast forward instead to the endgame of a long, vicious carpet-bombing of North America's major cities using napalm.

A spokesperson for the European Central Bank pointed out that 'Obliterate hope' had already been a key plank of ECB policy across the euro zone for some time, especially in periphery countries. Determined not to be outflanked by its US rival, the Frankfurt-based organisation indicated that it had its own plans for weaponising its existing QE programme, codenamed 'Project Bubo'. The ECB, in conjunction with the European Science Foundation, is believed to be planning to tackle the longstanding 'savings glut' by means of reintroducing Europe to the Black Death. Economists believe that such a step could be a key means of boosting productivity, among the survivors.

Speaking to reporters, Mark Carney for the Bank of England pointed out that by comparison with the efforts of the US and the EU, the next phase of UK central banking stimulus would have to reflect Great Britain's now more modest role in the world, post-Brexit. He acknowledged that a co-ordinated aerial bombardment of the UK's major cities "was certainly desirable", but that in these more straitened times we might have to settle for a posse of Team GB Olympians jogging from town to town and assaulting random businessmen with sockfuls of wet sand.

Central bankers acknowledge that they were slow off the mark dealing with the last property bubble, and they point out that they have gone beyond the call of duty to fuel the current one and ensure that its collapse will be even more spectacular, given that interest rates are forecast to be close to minus 280% by then. With years of monetary accommodation having inflated bond, equity and property prices to unsustainable levels, developed world economies are now beset by low productivity and weak levels of investment and impaired prospects for banks, insurance companies, pension funds, savers and investors.

Ms Yellen, however, piloting an experimental nuclear-powered leisure cruiser, the 'Permanent Liquidity', was proud to announce that she "saw no signs of problems ahead," shortly before steering her yacht into the Teton Glacier where it immediately

foundered with all hands. Observers suggested that its shattered debris would likely stay at the bottom of the Snake River “lower for longer”.

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