DEER PARK ROAD

Founders' Commentary

Rubber Ducky

Just imagine a bathtub filled with water and a rubber ducky sitting on top. You are observing the water and rubber ducky through a camera floating on the water. Someone comes along and opens the drain (you don't see this). You keep watching the rubber ducky but it doesn't appear to do anything. But at some point, it will get near the bottom and you will start to see the telltale swirl meaning the end is near.

Okay, what's that got to do with investing? Think of the water as the economy, with various economic indicators going down the drain. But everyone is looking at the equity markets- our rubber ducky. At some point, it will all come down and the Fed will have to reverse gear - lowering rates.

Alternatively, do we get a return of rising inflation first? If so, this begs the question of what would cause inflation to return. Maybe the Fed, in its obsession to keep equity markets strong, ends up pumping up the market creating strong consumer demand which fuels inflation. If this comes to pass, one has to wonder if Jay Powell is looking to replace Arthur Burns as the worst Fed Chair in modern times.