COIN TOSS PART 2 – IT CAME UP HEADS!!! = BONDS

Faithful readers will note that last week's missive (July 22nd) was called the ***coin toss*** as the economic evidence coupled with actions by Central Banks could be viewed as positive for stocks – ***TAILS*** **OR** negative for equities and good for bond holders – ***HEADS***. **I opined that only one side could be the eventual winner.**

Well HEADS it was: disappointment over only a ¼ point cut in the US Federal Funds Rate, and a Thursday announcement of new tariffs on another $300 billion of Chinese goods sent stock markets worldwide into a downward tizzy and a flood of money into bonds globally, sending interest rates plummeting. As an example, for the first time ever, German 30-year bonds went negative. Ponder that - you invest in the "safety" of a 30-year government bond and they charge you interest!!

It is not just German bonds. Japanese and French 10-year bonds are also negative and many other government bonds barely positive.

Let us not forget 2019 has been a strong up year, as the majority of stock markets shrugged off some major economic and political concerns, thus a drop was not totally unexpected. I think the sharp magnitude of it may have surprised many. So while US bonds had their best week in five years, common shares had one of their worst.

As I write (Monday), the declines have continued – China announcing it will devalue its currency added into the mix. Our Technical Strategist, after reviewing the chart patterns of the major indices, had been calling for a potential 5% – 10% drop in prices over the summer. This may be it!

Some of the worst culprits for the week were the NASDAQ 100, Germany and France, all down over 4%. The S&P500 fell some 3% and Canada's TSX dropped 1.57%. Not one global market or major sector was positive, however GOLD saw a gain of almost 2% as it seems to be regaining its *"Safe Haven"* status. The biggest loss of the week: Lean Hogs falling over 11% - only my most regular readers will get that reference.

What lies ahead for investors? I can do no better than quote Charmain Powell of the US FED who stated last week:

"The thing is, there isn't a lot of experience in responding to global trade tensions. So it is something we haven't faced before and that we are learning by doing."

The perception that the world's de facto central bank is flying by the seat of its pants can only serve to raise uncertainty further, so in my opinion "hold on tight - further volatility ahead!"