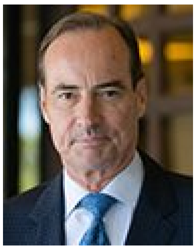
How Do We Stop the Insanity?



Nine years of QE…

Near zero interest rates…

When the effects of those started to fizzle out, we got tax cuts…

Now, the new spending bill will add $ 300 BILLION to the deficit.

This. Is. Insanity!

We're already running $ 500 billion deficits each year, and these are good times.

What's going to happen when times turn bad?

I'll tell you in my latest Facebook video…

Harry
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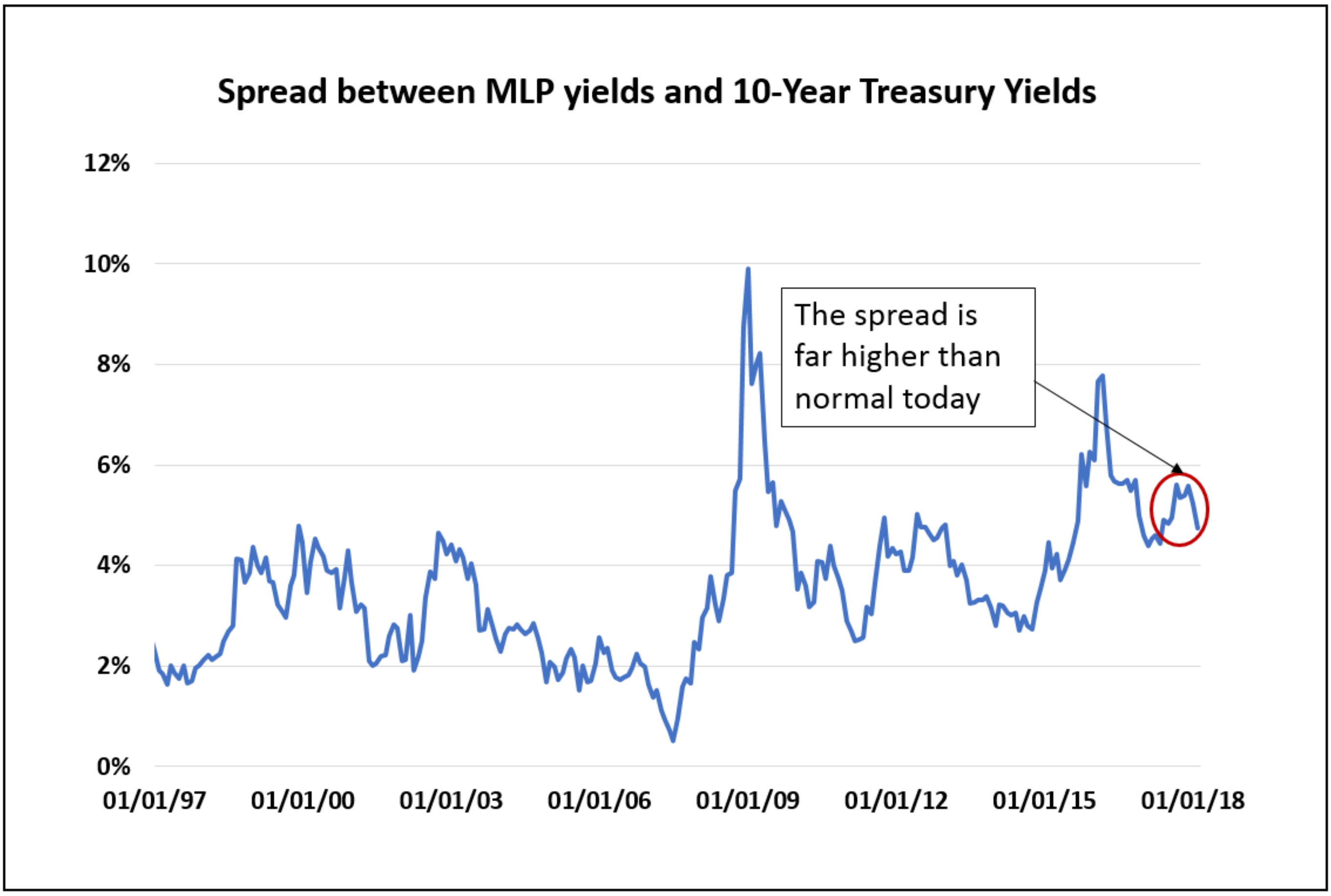
Chart of the Day



MLPs are a Steal Relative to Bonds

In case you haven't noticed, it's gotten ugly out there.

Volatility in the bond market has spilled over into the stock market, and the shares of anything "income oriented" have gotten absolutely slammed.

Real estate investment trusts (REITs) – long popular among income investors for their high yields – are down 7% in 2018, even while the S&P 500 is still up 3%. Mortgage REITs, business development companies, preferred stock, closed-end bond funds… all are sitting on losses year to date.

This is what you might expect in a bond-market correction.

When bond yields rise, bond prices fall… and so do the prices of virtually anything that pays a significant yield.

In the low-interest-rate world we’ve lived in since 2008, investors have been reaching for yield in the pockets of the stock market that most resemble bonds. So, as goes the bond market, so go the high-yield pockets of the stock market.

Harry expects bond yields to go a little higher before reversing again in what he calls the fixed-income trade of the decade. But already, we’re starting to see some pockets of real value.

Today, master limited partnerships (MLPs) – which tend to hold oil and gas pipelines with bond-like cash flows – are trading at some of their cheapest prices relative to bonds in history.

Prior to the 2008 meltdown, the MLP sector yielded about 5.5%, which was less than half a percent higher than the 10-year Treasury. That spread briefly shot up to greater than 10% during the meltdown and again briefly shot up to nearly 8% during the 2015 crude-oil rout. But for most of the asset class’s history, MLPs have traded at a spread of 2% to 4% over the 10-Year Treasury.

Well, that spread has now ballooned to over 5% again.

So, come what may in the bond market, MLPs are looking attractive.

Charles Sizemore

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