

Uncharted Waters

When I studied finance, I was taught that if I put hard earned money in the bank, I would receive interest. Conversely, if I wanted to borrow money, there was a cost associated with doing so.

Many investors are overlooking just how much impact central bank's policy is having on the financial world and how much real interest rates penalize savers.

However, instead of seeing GDP increases and capex surges, which would indicate meaningful financial growth, we've simply seen a massive inflation of equity prices. In addition, it's sent investors looking for yield in dangerous places (i.e. high yield). Aristotle said "Patience is bitter, but its fruit is sweet," which is how we feel about holding cash right now.

Investors should take comfort in the fact that many of the world's best investors are also begrudgingly sitting on high cash levels.

(Tyler Hay)