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Monetary Policy

QE infinity set the stage for ‘funky businesses out of the Bahamas’: Mussie Kidane, the Pictet North America Advisors chief investment officer said that 2022 had been a radical rupture from the previous era.

By Fergus Horsfall Posted 3 January, 2023 at 12:10



We have just seen the end of an extraordinary era in which monetary policy led to extreme speculation, according to Pictet North America Advisors chief investment officer Mussie Kidane (pictured).



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‘Zero or negative funding cost, abundant liquidity and unwavering central bank put were akin to giving license to leverage up and speculate on anything under the sun,’ said Kidane.

This set the stage for the likes of the cryptocurrency exchange FTX, the founder of which, Sam Bankman-Fried, was charged with fraud in December.

‘It’s no wonder that a crummy kid with funky businesses out of the Bahamas was able to lure investors to his crypto-nirvana and bluff his way into healing the world of its ills with gullible investors’ money. It was the wonderful Zirp [zero interest rate policy], QE [quantitative easing] infinity and Fomo [fear of missing out] world!’

This is perhaps even more notable than the poor performance experienced by major stock and bond indices last year.

‘What makes 2022 a peculiar year, in my view, is the radical rupture that it denotes vis-à-vis the previous decade or so,’ he said in a LinkedIn post at the end of the year.



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This year marks a clear shift from an investment era shaped in the threat of deflation prompted by the aftermath of the [global financial crisis] into an investment era designed to deal with rampant inflation exacerbated by Covid-related dislocations and the ensuing monetary and fiscal policy windfall, not to say folly.’

Kidane expects investors will be able to reflect on how 2009-2021 was an exceptional bonanza due to liquidity waves that lifted all boats.

Previously the global head of fund and manager research at Pictet, Kidane identified a clear gap between the stellar returns of the cheapest exchange-traded fund on the S&P 500 index over that period and the earnings per share of the companies on the index.

‘The staggering difference of circa 9% per annum is the multiples expansion or the premium that investors were willing to pay for those earnings. If you were wondering where the US\$20tn [CHF 18.8tn] that G4 central banks printed has gone, look no further!’

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