‘This rally in stocks is a last hurrah!’ warns Guggenheim’s Minerd

By Mark DeCambre
Published: July 10, 2018 5:38 p.m. ET

Scott Minerd says investors shouldn’t ignore ‘risks and consequences of a #tradewar’

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Guggenheim Partners luminary Scott Minerd

The Dow Jones Industrial Average on Monday had its best day in about a month, but Scott Minerd of Guggenheim Partners says investors shouldn't be lulled into a false sense of security amid intensifying clashes over global trade.

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Concerns about global trade confrontations, notably between the U.S. and China, have apparently taken a back seat to healthy labor market reports and the hope of strong second-quarter corporate results later in the week. The Dow, S&P 500 and Nasdaq were all on track for a third straight daily gain. Indeed, the Dow **DJIA, +0.51%** closed up about 320 points Monday, with the S&P 500 **SPX, +0.29%** technology-and-internet laden Nasdaq Composite Index **COMP, +0.41%** and small-capitalization oriented Russell 2000 **RUT, +0.47%** all **enjoying a solid start to the first full week of trade in July**.

However, Minerd, chief investment officer for Guggenheim and one of the world's pre-eminent bond-fund managers, advised more than a dollop of caution should be employed by investors, who risk whistling through the proverbial graveyard. Via Twitter, the investment manager said: "Markets are crazy to ignore the risks and consequences of a #tradewar. This rally in #stocks is the last hurrah! Investors should sell now, speculators may do better in August"

#tradewar. This rally in #stocks is the last hurrah! Investors should sell now, speculators may do better in August.

1:21 PM - Jul 9, 2018

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In recent days Minerd also has pointed to the flattening of the yield curve, a line that plots yields across all debt maturities, particularly the two-year Treasury **TMUBMUSD02Y, +0.32%** and 10-year notes **TMUBMUSD10Y, +0.09%** Bond yields fall as prices rise. A flattening curve is a bad omen for Wall Street as it implies expectations for an economic slow down, hence increased buying at the long-end of the curve, narrowing the gap between longer and shorter-term notes.

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Most important, the inversion of the curve, when short rates exceed yields for their longer-term counterparts has been an accurate recession predictor, **preceding the last seven recessions**:

Scott Minerd
@ScottMinerd

Yield curve flattening is sending a strong signal of looming #recession.

7:09 PM - Jul 5, 2018

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Minerd is far from the only one suggesting that markets may be underestimating the potential for a clash between the U.S. and its trade partners across the globe to have harmful effects on global economies.

However, some worry that average investors may be underestimating the potential for a protracted China-U.S. spat to deliver a more significant and blow to the domestic suggesting that the impact of trade clashes will be de minimus don't fully account for the "risks associated with America's increasingly aggressive position on trade," **Ryan Vlastelica noted in an article last week**.

On top of that, Ray Dalio, the founder of the world's largest hedge fund on Friday appeared **in a tweet** to hint that **something pernicious** for market participants had begun.

To be sure, it is also not the only ominous call for Minerd. **Back in March**, he warned that as the economy approaches full employment, generating wage pressures, the Federal Reserve will ratchet up interest rates, slamming debt-bloated firms that added leverage during periods of ultralow rates.

A Guggenheim spokesman couldn't immediately make Minerd available for comment.

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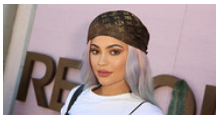

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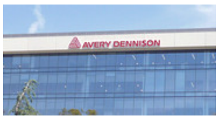

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