

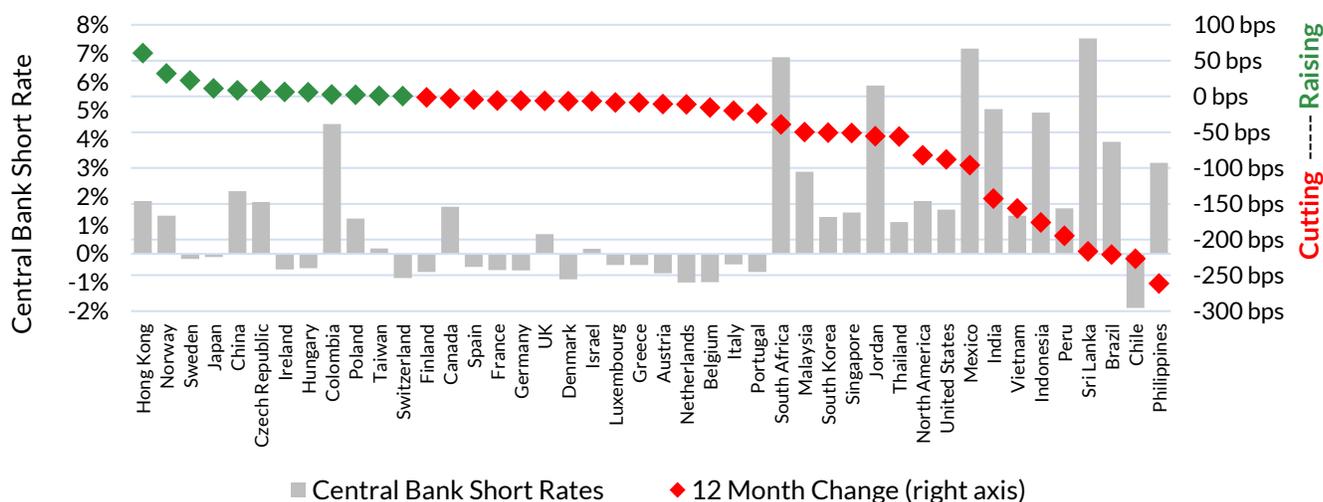


The Anxiety of FOMO

We dedicated an entire section of our 2020 Outlook to the idea that central banks are, in part, a reason for the run-up in both equities and fixed-income capital markets, a topic we reiterated in our January 24, 2020 note entitled, "[Is It Really Different This Time?](#)" In our 2020 Outlook, we also suggested that another contributor to the surge in capital markets was the fear of missing out, or "FOMO." Now, one month into 2020, we believe these two unsettling culprits are working together again.

In the chart below, we illustrate that over the last 12 months, 33 of the 44 central banks we track have lowered short-term lending rates (their version of our Fed Funds) by over 0.72% (or 72bps) on average. **In the last month alone, 17 central banks cut rates again.** However, the rub is that the average global short-term rate is currently only 1.4%, with 18 economies exhibiting [negative interest rates](#). So, from our purview, central bankers continue to prematurely cut rates and limit their runway for a time when it will actually be needed.

Central Bank Monetary Easing | Trailing 12 Month Trend



Source: [CNBC](#) and NEPCG

Most recently, to temper the impact on domestic growth resulting from the Novel Coronavirus epidemic, the People's Bank of China (or PBOC), not only cut rates to [loosen financial conditions](#) but have now walked back [tariffs](#). As a result, the global risk-on trade was back this week, driving equities higher here in the U.S. by about 4% from their lows. However, rather than witnessing an uptick in capital markets due to solid fundamentals and a global economic expansion, we fear much of this rebound is due to the anxiety of FOMO, and the injection of easy monetary and fiscal stimulus. **In the end, we believe investors really do not know what they are missing out on, and that is our concern.** We'd love to hear your thoughts.



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