

The Short Game

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Financial markets were stung by a multitude of forces in January. The slow rollout of the vaccine and the discovery of new coronavirus mutations could threaten the economic recovery during the second half of the year. A powerful combination of cheap money for borrowers and high equity valuations continues to accelerate demand for riskier assets. Concurrently, the dynamic duo of Jerome Powell and Janet Yellen seem willing to pump more monetary and fiscal stimulus into an uneven economy, further stoking the flames of inflation. Adding even more volatility to the markets, the savvy world of hedge funds has been disrupted by a massive short squeeze driven by novice retail investors. The democratization of the financial markets, launched by internet brokers and Wall Street social media groups, reminds investors that systemic risks can come from unexpected sources. More investors are participating in the Short Game, exerting further uncertainty and volatility into markets which already appear to be at an inflection point.



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