



Ray Dalio Screams: The Stock Market Is Rigged!

Description

Ray Dalio is one of the best investors ever. The data doesn't lie.

His funds have “produced more net gains in absolute U.S. dollars than any other hedge fund, surpassing the legendary George Soros’ investment vehicles,” says one report.

His latest remarks should strike [fear](#) in every investor.

The market is rigged

In a recent [interview](#) with *Bloomberg*, Dalio outlined what he really thinks about the stock market in 2020.

“Today the economy and the markets are driven by the central banks and the coordination with the central government,” he said. “We’re in a situation now where they’re the market makers...including the value of money.”

Dalio warned that the entire concept of free markets is now dead. “Capital markets are not free markets allocating resources in the traditional ways,” he stressed. “They have a political agenda, not an economic agenda.”

It's not hard to see how markets are overinflated. Just look at **Air Canada** ([TSX:AC](#)). The company has \$9 billion in liquidity and lost nearly \$2.5 billion over the last 180 days alone. The daily burn rate is likely above \$10 million. Bankruptcy is a serious consideration, yet the market cap remains above \$5 billion!

Follow Dalio's advice

Dalio isn't the only one concerned.

Jeremy Grantham, head of GMO Asset Management, is an expert at spotting bubbles. He foresaw the

property bubble in Japan, the dot-com bubble in the 1990s, and the financial crisis of 2008. He's often a year or two early, but investors that trusted his opinion weren't too concerned, as they avoided losses of 50% to 90%.

What does Grantham have to say about the current environment?

"Everything is uncertain, perhaps to a unique degree," he begins, after noting that the current economy is in the worst 10%, or even bottom 1% in history.

"The market's P/E level typically reflects current conditions. Markets have historically loved fat margins, low inflation, stability and, by inference, low levels of uncertainty. This is apparently one of the most impressive mismatches in history," he concludes.

Dalio and Grantham are clearly concerned about the market's frothiness. Grantham is pointing out the historical mismatch. Dalio is placing the blame on government intervention.

What should you do?

This doesn't mean that you should sell all of your stocks. Long-term investors will win the game, not short-term reactionaries. But it should be noted that the rules of the past may not always apply. "We're not going to go back to normal," Dalio told *CNBC* in May.

"Think of the virus as like a tsunami that comes in," Dalio said. "And if it goes away completely and we never see it again, it still will produce damage, the financial damage...incomes that are lost, balance sheets that are hurt, restructurings that need to take place. So that will impede the recovery."

Take a close look at your portfolio and financial life. Where are your personal risk points? How vulnerable are you to another stock market collapse?

No one knows the future, but there's never been a better time to calculate, analyze, and take action on your areas of excess risk.

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