

# Can Market Euphoria Last?



Stockholm (HedgeNordic) - The U.S. ten-year Treasury yield has topped 1.7 percent, reaching its highest level in over a year amid signs of optimism in an economic comeback and heightened inflation fears. The rapid rise in bond yields may be spooking stock market participants. After all, the higher rates go, the lower the present value of the streams of future cash flows.

“Tech stocks whose share prices have been fueled by low interest rates have taken a beating in the past month, with popular investor Cathie Woods seeing her flagship Ark Innovation ETF drop as much as 30 percent from the top before a rebound caused the price to recover somewhat,” Anna Svahn (*pictured*), co-founder of multi-strategy, multi-asset hedge fund **Antiloop Hedge**, writes in a column on Omni Ekonomi. “Despite the fact that the warnings were many, it is still unclear when the stock market backs down. Is the party over now?”

Anna Svan runs a tactical asset allocation strategy called “Cygnus” as part of Antiloop Hedge’s multi-strategy approach. Svahn’s Cygnus strategy involves allocating capital between stocks, soft commodities, and precious metals based on fundamental and statistical analysis. “When the stock market becomes expensive in relation to commodities, I increase the allocation to commodities and vice versa,” Svahn tells Omni Ekonomi. “Since last autumn, I have been overweight in soft commodities, and I think we have just entered a secular commodity cycle, which means that there is a much bigger upside in that asset class than in, for example, equities in the coming years.”

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“I have heard the phrase “it’s different now” so many times in the last twelve months that I have stopped reacting - and responding,” Svahn writes in the Omni Ekonomi column. “The type of intoxication, like stock market euphoria, does not usually last that long,” she emphasizes. “However, it is impossible to predict what will happen next,” she continues. “Even though we know that euphoria does not usually last very long, it can feel like time and space do not exist when you are in the middle of it. It is, therefore, completely impossible to know if we have already passed the peak or if it will surprise us with new forces again.”

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“What we do know is that indebtedness today will be unsustainable with higher interest rates, which means that if this rises too much, a probable consequence is an interest rate cap - and that is, after all, something we have not seen before,” concludes Svahn.