Panic [panik] NOUN : sudden uncontrollable fear or anxiety, often causing wildly unthinking behaviour.

Thus a common definition of the word which is without a doubt now stalking not only markets but many corners of peoples' lives. Poor old Pan for whom this mental state is named, the god of the wild, of shepherds and flocks, of mountain wilds, of rustic music and companion of the nymphs who is depicted with the hindquarters, legs, and horns of a goat. In the incomparable Chapter 7 of Kenneth Grahame's "The Wind in the Willows", titled "The Piper at the Gates of Dawn" – in my humble opinion one of the most beautifully written descriptions of nature in the English language – Pan is a gentle and benign presence.

But that is not what is going on out there. I sense real panic building up. You know there is panic when normally cool-headed and dispassionate analysts and strategists begin to lose their heads. The rout in the cryptosphere aside – more of that later – we were faced with the highly anticipated April US CPI report. Consensus had been for an annualised figure of 8.1%, down from March's 8.5% as a clear sign that the great inflationary spike was beginning to reverse. In the event, the figure released by the US Bureau of Labor Statistics was 8.3% annualised and 0.3% month over month. There was a howling and a wailing and a gnashing of teeth – the Dow lost 1.02% on the day, followed by the S&P500 at -1.65% and the Nasdaq at -3.18% - although despite the higher than expected result I was rather more sanguine. In the context, the 0.2% miss was nothing more than a rounding error on a blind guess. The biggest single vitiating factor in the index was air fares and, as opposed to food and energy, everybody has a reasonable choice not to get on a plane and therefore not to expose themselves to the rising cost.

Energy, on the other hand, remains tricky. At the time of writing WTI is being quoted at US$ 104.38 pbb although it closed at US$ 109.77 on Friday and at US$ 99.76 on Tuesday. How can one make sense or take entirely seriously inflation reports which are driven by lottery numbers?

We are quite clearly in the midst of an epochal paradigm shift, economically, financially and geo-politically and our poor little analysts are stuck with their finely tuned computer models which are, for lack of a better description, projectile vomiting nonsense. It is in times like these that I remind that wealth is not created by stock markets but by people getting up in the morning, spitting in their hands and going to work.

This week I am unusually writing on Thursday but only because early tomorrow I am off to the Big Smoke. One US reader recently queried the Big Smoke. For her benefit and for that of others, it's an arcane sobriquet for London. There I shall be having lunch with the course director at the Israeli university where I from time to time give seminars. There I speak to bright eyed and bushy tailed students of much of what I write about in this column. In truth they're mostly only marginally interested for all they want to do is to rush off in order to play the tech markets or become disruptor billionaires which they seem to think is as easy as falling off a log. Until this week they might even have been right.

The precipitous fall of the algorithmic stablecoin UST has really shaken up the crypto world and some crypto billionaires have found themselves impoverished faster and far more comprehensively that the Russian oligarchs. The case is simple. The mother and father of all stablecoins is Tether which, theoretically at least, is worth one dollar and is supposedly backed by one actual dollar's worth of deposit. UST on the other hand is algorithmic and draws its presumptive stability from its interrelationship with another crypto asset, LUNA. A Maurits Cornelis Escher staircase springs to mind. The blame for the attack on the algorithm which downed UST is being laid at the door of Blackrock and Citadel although I suppose big fictions can only be brought to boot by big guns. Atheists and agnostics would argue that billions believing in a God does not mean that one exists. And crypto agnostics and atheists feel the same way.

When Bill Hwang's Archegos family office, or arch egos as I called it at the time, imploded I drew on the biblical line "Mene mene tekel upharsin". Weighed on the scales and found wanting. Do Kwan's UST – T stands for Terra – is going the same way and we are now threatened with a 2001 dot.com like meltdown in crypto land. Much of the allure of investing in disruptors has been "Because I don't understand it, it must be very clever". The failure of Terra will be shaking the meme stock punters who have believed that every dip has to be bought and that if enough vigilantes can be found to stem against the nasty hedgies, that all will be well.

Please don't get me wrong. Out of the dot.com bust emerged some very fine companies but the charlatans who had leapt on board the racing train were found out and collectively taken to the woodshed along with those who had naively believed that everybody was about to get rich beyond their wildest dreams. We have just passed the 21st anniversary of the nadir of the dot.coms and, behold, history might quite possibly be in the process of repeating itself. Have BlackRock and Citadel together, assuming it was they who were the prime movers, just broken the camel's back? At the time of writing BTC is trading at a smidgen over US$ 27,000. On April 21st, 21 days ago, it was at 42,500.

Cathie Wood's Ark Innovation ETF has been something of a canary in the disruptor coal mine and it has I suppose just fallen off its perch. In a week its price – price, not value - has fallen from US$51.00 to close last night US$ 36.93, largely dragged down by its holding in Coinbase, the largest of the crypto exchanges. I am informed that Coinbase has 98 million customers and it apparently advised them yesterday that if it were to file for Chapter 11, they would lose all of their holdings which have been filed with the SEC under the heading of unsecured creditors and not as segregated clients' monies. The mere mention of bankruptcy smacks of self-immolation.

One of the many one-liners to which I referred yesterday is "The door market ENTRANCE is many times larger than the door market EXIT" and panics generally occur when too many are trying to pile out at the same time. This is when correlation goes to 1 and when price and value lose their link across all asset classes and assets therein. Amateurs and green horns rush out to buy the dips while old pros step back and calmly look for individually oversold, under-priced idiosyncratic opportunities.

On the subject of the rats leaving the sinking ship, I hear that Goldman Sachs has announced that it is withdrawing from sponsoring SPAC transactions. SPACs – special purpose acquisition companies – were nothing more than listed shell companies which raised money in order to, at some time in the future, buy something. In essence it was offering investors the opportunity to play directly in the private equity game. Again this was redolent of the dot.com bubble when shell companies were bought on the exchange, renamed something.com only for the share price to rocket before anybody had done anything, let alone told the market what it was that might be intending to do.

During the trial for his life in 1794, Georges Danton coined the phrase "The revolution, like Saturn, devours its own children". The same applies to low interest rates. Lowering rates to help the economy drives investors to take ever greater risks in search of returns and in the end most alpha, the holy grail of investing which is outperformance of the market, is demasked as being merely leveraged beta, pumped up generic market performance. As the application of leverage supercharges rallies, so it also accelerates sell-offs when it is withdrawn. Greed turns to fear and a stampede to the EXIT sets in. I am personally not as under-invested as I'd like to be – one is always too short on the way up and too long on the way down – but I am not having sleepless nights either. Phew! But I do wonder what last week's enthusiastic buyers of dips might today have to say for themselves?

So Goldman's are are pulling out of SPACs. They have confirmed that deals they are already committed to will be completed but that they will take on nothing new. In my book this is a seismic shift of the magnitude of the 2007 crisis in structured credit. Having been in the front line of stuffing clients with SPAC paper, the Vampire Squid is rushing off to wash its hands of what was not all that long ago the hottest act in town and to hide behind the sofa. Even David Solomon is panicking. Well, I guess as a former junk bond salesman at Drexel Burnham and at Bear Stearns, both firms now defunct after having been big in asset classes which went rotten, he might somehow be excused. I checked to see whether the late EF Hutton might also be on his CV but instead I found Irving Trust for which I had also worked. I suppose at some time when I was visiting we must have sat on the same trading floor at Irving's One Wall Street headquarters. I might even have met the guy and shaken his hand but I certainly have no memory of it. I doubt he has either.

Elsewhere the guessing as to what the Fed has in mind in terms of tightening monetary policy goes on. Markets have decided that the forecast of 10 increases in rates are overdone, that the prevailing economic backdrop will have to force the FOMC to abandon ambitious monetary policy and balance sheet reduction targets and that nothing is ever eaten as hot as it is cooked. The up pops Bill Dudley, formerly president of the New York Fed and now occasional contributor to Bloomberg opinion columns. He has stepped out of the shadows and suggested that there might be nothing in the way of rates going as high as 4% or even 6%. The gloves, so he appears to reckon, will have to come off if the Fed is to leap-frog its credibility gap and to get itself back ahead of the curve.

This is a pretty aggressive. Although myself of a more hawkish nature, I would take Dudley's opinions with a pinch of salt. He too was an acknowledged hawk when sitting as a member of the FOMC but now relieved of responsibility, he can be as controversial as he likes. From a strategist's perspective there's a clear case of an irresistible force meeting an immovable object and there's only one thing to do and that is to….panic!

Alas, for me at least it is that time of the week again and all that is left is for me to wish you and yours a happy and peaceful weekend ahead. By tomorrow, basic construction on the village's bright new and shiny children's play ground and exercise area to which you all have so generously contributed should have been completed. Time to come clean. The money raised in this year's appeal exceeded by some amount the cost of the exercise area but that is in fact good news. A number of issues had delayed construction of the kiddies' new play area – largely officialdom dragging its feet under the guise of Covid – so that by the time they were ready to roll inflation had got the expected pricing by the throat. This year's excess has been invaluable in bridging the gap so that by the time of the jubilee holiday, two weeks from now, both areas will be concurrently finished and ready to be formally handed over to the good people of Great Rollright. As they would say, without all of you none of this would have been possible.