# I-Bonds Will Rock The Financial Markets & Could Upend Politics

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**New Rates (for 6 months) on I-Bonds starting November 1, 2021 = 5.33% paid by US Treasury, Interest Compounds**
***https://seekingalpha.com/article/4460097-i-bond-yield-beats-all-other-safe-assets***

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|---|---|
| Rate on Bank Deposits Max | 0.5% |
| Rate on 10-year Treasuries | 1.7% |
| AA Rated Corporate Bond Yields | 2.0% |
| 10-Year Municipal Bonds | 1.23% |
| Leveraged Loans | 4.0% |
| High Yield Bonds | 4.0% |

**https://www.schwab.com/resource-center/insights/content/bank-loans-vs-high-yield-bonds-how-they-stack-up**

The Popular Press will soon be pointing out the obvious fact that any individual with a social security number including men, women, and children - can buy $10,00,000 per year in I-Bonds. I-Bonds are direct obligations of the US Treasury, which fortunately, in turn, is backed by the unlimited money printing capability of the Federal Reserve. So, getting out of lower yield assets, with the same or lower credit rating to get into higher yielding I-Bonds, which are a compounding asset, is a "no brainer".

**Personal Arbitrage of the Century!**

**Cash out Mortgage REFI Quote 2.115% 15-year 0 Points from Interfirst**
HIGH FICO to Borrow $300,000 on $400,000 appraised home.

Next, the Wall Street & Hedge Fund crowd (*who read our market letters*) backed up by Mortgage Origination firms looking to originate and sell more mortgages can see the following: Get a government guaranteed REFI mortgage at 2.1%, and invest the cash with the family in I-Bonds compounding at 5.3%+. Nice place to "Stash Cash" earning a 3% arbitrage profit while waiting for something better to invest in. A family of four could buy $40,000,000 in December, and another $40,000,000 next year!

When the world wakes up to this one, the effect will be effectively taking both the Fed Chairman & Secretary of the Treasury into a very uncomfortable space on interest rate policy.

*At first, instinct will be to immediately end the policy of issuing I-Bonds, because they expose what is going on and it is so embarrassing.*

## **Politics**

However, with a midterm election looming in a year, I fully expect that one of the political parties fielding candidates may come across this letter and immediately recognize a policy that will win millions of votes by doing the following:

**First:** Increase the amount anyone with a Social Security Number can buy in I-Bonds each year to $25,000,000 from $10,000.

**Second:** Allow the Social Security trust funds to convert all of their holdings into I-Bonds, if I-Bonds yield more than marketable Treasury Debt. *This will postpone Social Security's bankruptcy and raise the income level that is taxable by Social Security. Raising taxes on wages is always painful for politicians looking for voter donations.*

**Third:** Allow pensions & endowments to buy I-Bonds without limit. Pensions and endowments have been used as a dumping ground for risk since cash & fixed income yields huge negative real returns. This gives them a chance to stabilize until interest rates are allowed to have a positive real rate of return, and capitalism has been brought back as national policy. When interest rates offer positive real returns, pensions and endowments will have many investment options that are far better than just protecting purchasing power.

***These suggestions are simple & fair to individuals that need a secure retirement income. It's a bone to throw the average American. The measures would still allow the Fed to suppress market interest rates and print new money without limit to "goose the economy and employment" while subsidizing Wall Street and the Richest Americans. It's a "win win" for All Americans***