

# FINANCIAL TIMES

## Bill Gross warns of slow growth and sluggish markets

One-time 'bond king' recommends dividend-paying stocks over negative-yielding debt

By Jennifer Ablan

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In his first investment outlook since retiring, Bill Gross again demonstrated his taste for obscure pop music references © Reuters

Bill Gross, the one-time “bond king” who co-founded Pimco in 1971 and built it into a \$2tn asset manager, is warning investors to brace for slow economic growth globally and an end to double-digit annual stock market gains.

In his first investment outlook since retiring in March, Mr Gross said on Tuesday that with trillions of dollars in debt offering negative yields, investors should be holding stocks that promise secure dividend payouts.

Mr Gross, 75, whose letters to investors are as famous for their quirky asides and analogies as for their economic and market analysis, employed a 1980s pop music reference to discuss the impact ultra-low interest rates have had on asset prices.

Financial markets, he said, “have been ‘Saved by Zero’ as the rock group The Fixx rather ironically sang way back in 1983”.

Low rates boost stock valuations relative to bonds while stimulating the economy. Mr Gross estimated that stock prices in 2019 have risen by roughly 15 per cent because real 10-year Treasury rates declined by 80 basis points during the year.

“Since 2009, perhaps one quarter of the 200 per cent rise in the US market can be attributed to the 200-basis point decline in real Treasury rates over the same period,” Mr Gross said. “Bull markets in equities are born by lower real rates and the historic run of the past decade has been fertilised by the journey to zero.”

Mr Gross said further upside in equity markets is limited, because central bankers were “becoming wise to the negative effects of rates at zero (or less) that literally rob small savers and larger financial institutions such as banks, insurance companies and pension funds of their ability to earn historically ‘guaranteed’ carry”.

In the absence of “substantial fiscal stimulation”, he said, the boost from negative interest rate yields may have reached an end after years of double-digit gains in equities, he said.

Mr Gross, who turned to investing after serving as a US naval officer, co-founded Pacific Investment Management Co in 1971, attaining rock-star status in investing circles as he attracted hundreds of billions of dollars in assets. His tenure at Pimco ended abruptly and acrimoniously in September 2014, when he was ousted.

Mr Gross then joined Janus Henderson Group in October 2014 but endured a rocky four years of performance.

Mr Gross, whose net worth Forbes magazine said on Monday had declined to \$1.5bn from \$2.5bn as recently as June 2018, featured his latest investment outlook on his new website, [www.williamhgross.com](http://www.williamhgross.com), where investors can view an archive of some of his market commentaries from the past 40 years.

“My best ones, in my opinion, were mentally framed during quiet moments in a shower or after a hard workout at the gym when endorphins open the brain to subconscious thoughts and feelings,” Mr Gross said.

“They are as much as an autobiography as I could have written, but framed in a monthly series of essays, compiled over four decades that show a maturation or perhaps a moulting of my life’s philosophy. They represent who I was, who I am and who I expect to become. I hope that in certain ways, they connect with your own experience.”

The website will also feature the philanthropic activities of The William, Jeff, and Jennifer Gross Family Foundation, which has more than \$390m in assets under management.