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KATY BAR THE DOOR: Take precautions, trouble ahead

This phrase 'Katy bar the door' is used mostly in southern USA, but it's not certain that it originated there.

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The first known use of Katie bar the door in print that I know of is the US newspaper The Louisiana Democrat, October 1872:_

The Custom House Packet, with the Custom House colored band, U.S. Marshal Packard, in command, with the old flag triumphantly kissing the breeze of old Red, the band playing "Katie, Bar The Door," and with waving rags touched the wharf and proceeded to land her precious cargo.

That snippet doesn't make the meaning clear. For that we need a slightly later US newspaper entry - The Democrat, October 1879:
To sum it all up, my advice to anyone thinking of going there would be "don't," unless they have a pocketful of the "rhino" which they can afford to lose. I saw it was "Katy bar the door" with me unless I skipped, and I lost no time in skipping.

One suggestion as to the origin of the phrase is that it comes from the traditional Scottish folk-song 'Get Up and Bar the Door'. This was published by the Scottish song collector and editor David Herd, in his collection Ancient and Modern Scottish Songs, Heroic Ballads, etc., 1776. The basis of the song is the stubbornness of a husband and wife who disagree about who should lock the door to their house and make a pact that whoever speaks first should do it, thereby allowing 'two gentlemen' to enter the house uninvited:

It fell about the Martinmas time,
And a gay time it was then,
When our good wife got puddings to make,
And she's boild them in the pan.

Then up and started our goodwife,
Gied three skips on the floor:
"Goodman, you've spoken the foremost word,

Get up and bar the door."_

The points against this being the phrase's origin are that it doesn't mention Katie and it isn't American, although the latter point could be explained by the emigration of many Scots to the USA at the end of the 19th century. It does, however, correspond with the meaning of the phrase, that is, it links the failure to bar the door with impending trouble.

Another suggestion is that the phrase originates with the story of Catherine Douglas and her attempt to save the Scottish King James I.
He was attacked by discontented subjects in Perth in 1437. The room James was in had a door with a missing locking bar.
The story goes that Catherine Douglas tries to save him by barring the door with her arm. Her arm was broken and the mob murdered the King. The 'lass that barred the door' - Catherine Douglas, was henceforth known as Catherine Barlass.

The story, although in it is the full Sir Walter Scott romantic history style, is quite well documented from contemporary records and the descendants of Catherine Douglas still use the Barlass name.
The event was commemorated in Dante Gabriel Rossetti's poem The King's Tragedy, 1881. The full poem is 173 stanzas, but this selection shows the possible links with Katy bar the door:

Then the Queen cried, "Catherine, keep the door, _
And I to this will suffice!" _
At her word I rose all dazed to my feet, _
And my heart was fire and ice.
Like iron felt my arm, as through _
The staple I made it pass:-
Alack! it was flesh and bone - no more! 570
'Twas Catherine Douglas sprang to the door, _
But I fell back Kate Barlass._

All this talk of Katy and doors reminds me of this scene from **"Young Frankenstein"**:

Candle

Going into a record 10th year of an economic expansion, the longest U.S. Stock "Bull Market" in history (116 months) and the upcoming Presidential election; it would be logical to proceed with caution in 2020. Lo and behold, the world economy immediately was put "Up for Grabs" with the deadly U.S. drone strike of Iran's top general (Qassem Suleimani) and the world waiting for Iranian retaliation. The most obvious effect of Mideast turmoil would be a dramatic increase in the price of oil. (Will it go back to a $100/barrel?) with the closing of the Straits of Hormuz Hormuz, expected attacks on Mideast oil fields, and the possibility of the ever-present fuse of war being lit. For those who did not experience the **"Oil Shocks"** of the 1970's 1970's, the following piece is an excellent reminder of the economic damage that can come of a major Middle East crisis (You may love your big SUV but maybe not so much at $5/gallon for petrol!)

At the end of September last year, Brent crude oil briefly traded at a three-year high of around $85 a barrel. By the end of December, the price had dropped by about $30 a barrel.

Crude prices have risen steadily since the December bottom, and Brent crude closed at nearly $74 a barrel on Wednesday. The Trump administration’s decision announced last week to eliminate waivers on buying oil from Iran figured into the most recent uptick, but there are other factors that threaten a rise to $100 for a barrel of Brent.

According to a new briefing from U.K.-based Oxford Economics, the elimination of U.S. waivers to buyers of Iranian crude raises the risk that Middle East tensions could drive crude prices to the $100-a-barrel mark. The Oxford analysts then ran a simulation to determine the effect of $100 oil on the global economy. The result is not pretty.

Source: Oxford Economics/Haver Analytics

As the analysts noted, in the short term, dwindling supply from Iran can be replaced by rising production from Saudi Arabia, Russia and the United States. During the fourth quarter of last year, Saudi Arabia and Russia agreed to raise production by about 500,000 barrels a day. U.S. production rose from around 11.1 million barrels a day at the end of September to around 11.7 million barrels by the end of December. Last week, the U.S. Energy Information Administration reported U.S. production had reached 12.2 million barrels a day, 1.6 million barrels above production at the same time in 2018. Over the next five years, the United States is expected to lead the world in crude production growth.

The Oxford simulation assumed that the current state of the global oil market is similar to historical periods when Middle East tensions were elevated. That tension alone adds $2.50 a month to the price of oil. An unexpected shock to supply — for example, a sudden steep drop in supply from Nigeria — could push the price of crude to $100.

By the end of 2019, assuming no reduction in Middle East tensions, that alone could add $22.50 a barrel to the price of crude, lifting the price to around $96.50 a barrel. Even a moderately sized shock could easily push the price to or above $100.

The impact on the global economy, according to Oxford, is a decline of 0.6% in global gross domestic product from 2.6% growth in the first quarter of this year to 2.5% at the end of 2020. Inflation would rise by 1.5

points above a baseline estimate to average 4% year-over-year growth in 2020.

The countries hardest hit by a rise to $100 would be emerging economies that import oil. Oxford notes especially the Philippines (a 1.2% drop below 2020 GDP), Argentina and Turkey (a drop of 0.9%) and Indonesia (a drop of 0.8%).

The main beneficiaries of $100 oil are Saudi Arabia, Russia and the United Arab Emirates. The United States, though it is one of the world's largest producers, actually sees a decline in GDP growth largely due to its still high demand for imported crude.

Source: Oxford Economics/Haver Analytics

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Keep in mind that as the Saudis and Russians curtail production, the world's spare capacity rises. The oil doesn't just disappear; it's merely taken out of production. As the global economy slows down, demand for crude typically slows as well. At that point, the Saudis have to decide whether to keep those spare barrels in the ground and, perhaps, lose more market share or pump more oil and put downward pressure on the price.

On top of that, electric cars are coming and any barrels left in the ground may be worth a lot less in 10 years than they are today. Bloomberg New Energy Finance (BNEF) forecasts that by 2022, car buyers will have some 289 different electric models to choose from. By 2040, one-third of the global car fleet (559 million vehicles) will be electric according to BNEF, and 55% of new cars sold that year will be electric.
Oil

Chart 3: Slowing global growth and rising inflation as oil reaches $100pb

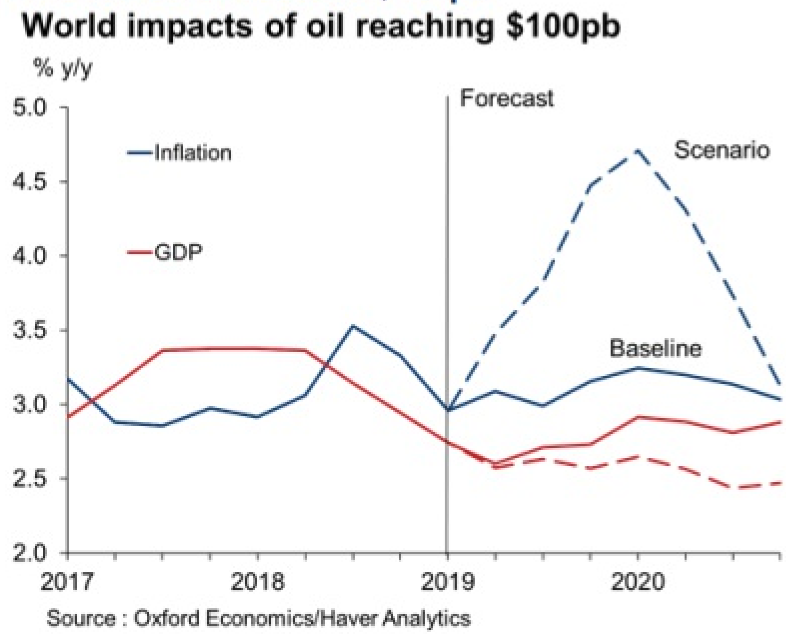
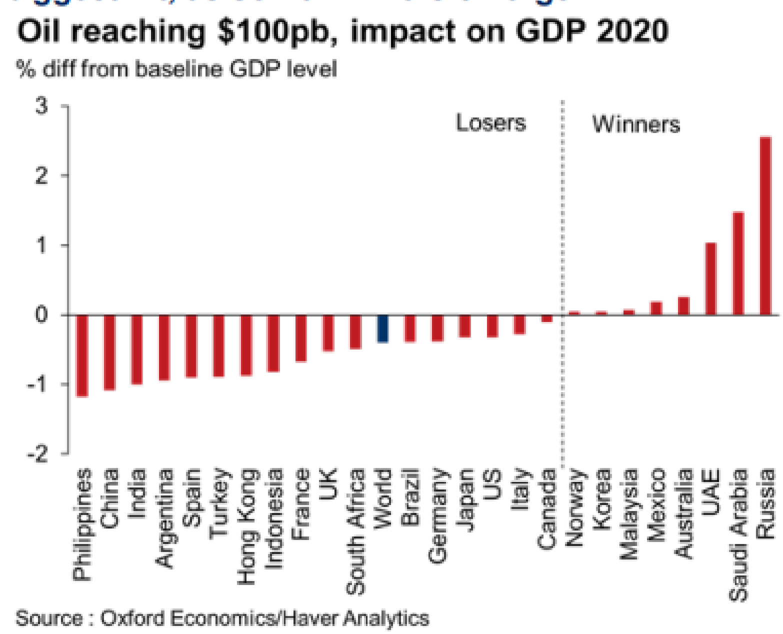


Chart 4: Large oil importing EMs would take the biggest hit, as some winners emerge



"Look, it's like I told you yesterday, if you want to invest in mutual funds you've got to start thinking long-term."

Ultimately, a retirement plan participant's actions **SHOULD NOT** be guided by the vagaries of the price of a barrel of oil or Middle Eastern armed conflict. Your investments in a 401(k)/403(b)/457 plan are being made with the long term in mind.

Per BTN Research-(1.6.2020), the S&P 500 Index has gained an AVERAGE 10.6% per year (total return) over the last 50 years (1970-2019). The taxable bond market (Bloomberg Barclays US Aggregate Bond Index) has gained an AVERAGE 5.9% total return) per year over the last 30 years (1990-2019).

So, there certainly will be "Ups and Downs" in both those markets, but the odds our on your side for a positive outcome over the years. Nevertheless, as one approaches their "golden years," one should become more "risk adverse" and pay attention to "protection of principal." We, at The Prizant Group understand our role as investment advisors to plan participants of varying ages and risk tolerance. Our goal is to listen and advise based on our knowledge and experience but never forget that the true decision maker is the participant. As we never want our clients to end up like Daniel Day Lewis in the memorable "There Will Be Blood" scene.

Blood

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