

Paul Tudor Jones says US heading toward fiscal collapse without drastic spending cuts

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Billionaire hedge fund manager Paul Tudor Jones has issued a stark warning about the US government's fiscal health, expressing concern over the growing federal deficit and the promised spending increases by both current presidential candidates. In an interview with CNBC, Jones cautioned that the bond market might soon push the government to address these fiscal issues post-election. "We'll be broke fast if we don't get serious about managing our spending," Jones said. As the founder of Tudor Investment, Jones highlighted the potential for a significant bond market sell-off driven by mounting government debt, which could, in turn, lead to rising interest rates. He indicated that he would avoid owning fixed income and planned to short the longer end of the bond market. Jones also raised the possibility of a "Minsky moment" for US debt markets—a sudden and dramatic drop in asset prices—triggered by a realisation that the current fiscal path

may be unsustainable. The US fiscal deficit for the 2024 fiscal year has surged to over \$1.8 trillion, marking an 8% rise compared to 2023, according to the Treasury Department. The government compensates for this shortfall by selling Treasury bonds, a process closely monitored by traders. Meanwhile, rising interest rates have increased the cost of servicing the debt, further fueling concerns among economists and market watchers. Jones criticised the budget policies of both former President Donald Trump and current President Joe Biden, stating that they have worsened the deficit. He suggested that Trump and Vice President Kamala Harris are ill-equipped to handle the fiscal challenges ahead. His concerns about inflation remain, particularly if Trump secures another term in office. To address the growing deficit, Jones suggested that the government may need to take significant steps, such as allowing Trump-era tax cuts to expire or dramatically reducing the federal workforce. Jones, who gained widespread recognition after accurately predicting the 1987 stock market crash, has run his hedge fund for over four decades and remains a highly influential figure in the investment world.