

Hello Everyone,

Scientists have proven human beings have a difficult time grasping very large numbers. Billions, trillions, and quadrillions don't mean much to us.

Some try to make big numbers more comprehensible by saying things like:

*The height of a stack of 1,000,000,000,000 (one trillion) one-dollar bills measures 67,866 miles. This would reach more than one fourth the way from the earth to the moon.*

*The height of a stack of 100,000,000,000,000 (one hundred trillion) one-dollar bills measures 6,786,616 miles. This would reach from the earth to the moon and back 14 times.*

Today's missive will come at big numbers in a more philosophical way. I hope you find it edifying.

Signed, You're The-IMF-Estimates-The-Derivatives-Market-At-1.2-Quadrillion-Dollars Financial Advisor,

Greg

## **KKOB 07.20.2018 "What's Water?"**

**Bob:** So, Greg, I only saw the topic this morning, and it didn't make much sense. You want to talk about fish?

**Greg:** (laughing) Well, sort of. The late author and professor, David Foster Wallace, used to tell the story of two young fish swimming in the ocean. An old fish passed by going the opposite direction. He said, "Good morning fellas, how's the water?" A little while later, one of the younger fish turned to the other and said, ""What's water?"

So, Bob, being philosophical, what is this story all about?

**Bob:** I'm not exactly sure, but I'd guess it has something to do with not being aware of something that is all around you.

**Greg:** I agree. Sometimes things are so big, and so all encompassing, we don't see them. If you were to ask a theologian to interpret the story he

would say, “The water represents God. Evidence of God is all around us, yet we swim through life either ignoring Him, or being unaware of His existence.”

But, the subject of this report is finance. And in that vein, I would say the “water” of finance is debt. Most people don’t know this, but the dollar itself is based on debt. And, for that matter, so is every other currency in the world --yen, euros, yuan...all the same...all are issued as some form of debt.

Then, of course, we have government debt, corporate debt, auto, mortgage, student loan, & credit card debt....plus, trillions (!) in exotic derivatives debt.

The point is, the entire **global** monetary system is founded on debt. And, every investor is a little fishy swimming through this ocean. Yet, instead of focusing on our water, most investors are attracted to the seashells on the ocean floor like the consumer confidence number, (Ohhhooo, pretty) or the jobs report, or housing starts.

**Bob:** OK. I believe I see where you are going with this analogy; but let me make sure I’m tracking with you. Since, even our currency is based on debt, then **everything** we do with money is debt-based.

*Everything.*

Therefore, debt is our financial water. But, most of us are like the young fish asking, “What’s water?”

**Greg:** Right. Clearly, we all know how to swim, or function, in our monetary environment. But, the ramifications of trillions of dollars of debt are so enormous, our ability to grasp it eludes us. Thus, as an investor, it can be difficult to see either opportunity or danger in our greater surroundings.

**Bob:** OK, again, let me make sure I’m with you. So, you’re saying it is easier to focus on something small, rather than big. For example, we’ll focus on housing statistics because we can relate to it.

**Greg:** Exactly. And, your housing example is perfect. Ten years ago, we were all focused on loan origination numbers, home values, and so on... the seashells. Yet, the debt water around us (think bad subprime mortgage loans) was getting polluted. Once the water became so fouled

it couldn't provide oxygen, the seashells didn't matter.

On Wall Street, the same could have been said for dot com stocks, Enron, Sears, and dare I say, someday Tesla. With all these firms, despite great histories, or innovative ideas, or cutting-edge technologies, all saw debts swamp them. Failure seemed sudden....but, had investors been aware of the rising water pollution (again, bad-debt) they could have saved themselves a lot of pain. Instead, they said, "What's water?"

**Bob:** OK, I get that, but I want to circle back really quick... you said, even the dollar is debt-based. I don't really get that. If that's true, then all of us (even CD investors) are swimming in "dollar debt-water". But, no one ever talks about that. You're saying we should.

**Greg:** You're right. I am. And the dollar ocean is the biggest--and most important-- water of all. Anyway, let's pick up that thread on Monday. And, I believe, as your listeners grasp this concept, they will soon see amazing investment opportunities.

**Bob:** That was an interesting---and fun---report. Thanks. How do people reach you?

**Greg:** My number is 508-5550, 508-triple 5 zero.

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