

Hello Everyone,

Today's missive may seem a little melodramatic. But, before you dismiss it as hyperbole, consider this:

- Before 1900, human knowledge doubled every 100 years.
- By the end of WW II, knowledge was doubling every 25 years.
- Today, human knowledge doubles every 13 months.
- And, recently, IBM predicted with the development of quantum computing and "the Internet of things", human knowledge will double every 12 hours.

Yes, hours.

This is just a hunch----but I believe this (along with what I mention in the missive) will affect the investment world.

Signed, Your-I-Hope-As-Our-Knowledge-Increases-Our-Wisdom-Increases-As-Well Financial Advisor,

Greg

## **KKOB 02.11.2019 When the Facts Change**

**Bob:** So, Greg, last week you said the financial services industry was "unprepared" for the changes that are coming---- and that the phrase "*past performance is not indicative of future results*" would take on whole new meaning. OK. Please explain.

**Greg:** Well, my industry tacks on that phrase as legal cover---- and then we all tend to do what we just warned against. We pull up historical charts. The implication being past is prologue...or, what was is what will be.

And, look, I get it. No one can predict the future; and past records can help identify good managers. But, in the real world rarely are results duplicated even during stable times...much less during times of cycle change.

Anyway...

My premise is simple. The conditions that defined the last 30 years...and

in particular the last 10 years...will not be duplicated in the foreseeable future. In fact, the opposite will occur. Over the next decade, several monumental trends will converge to change not only the way we invest, but the way we see the world.

Some of it will be incredibly positive. Other parts will be very disruptive. And, though we all want the world to go on the way it has--- I don't see it. We are entering an era unlike any other...maybe in all of human history.

**Bob:** That's pretty dramatic. I think we can all sense that major changes are underway. But some specifics would help. What conditions and circumstances are changing?

**Greg:** OK. Here is a quick compare-and-contrast. Looking back first. Over the past 3 decades the following happened:

- The Soviet Union collapsed and the US emerged as the world's sole super power
- Next, we, along with every other developed country in the world took on trillions in debt---with, so far, seemingly no negative consequences.
- Finally, interest rates fell for 35 years--- and consumer inflation was remarkably low.

Each of those trends was favorable for certain investments and unfavorable for others.

So, looking ahead--- what is somewhat predictable?

- China and Russia will emerge as legitimate military, economic and political competitors...translation: we won't be the sole super power.
- We will hit a debt wall. Meaning---continuing to take on trillions in new debt will not be possible----for us or anyone else. In fact, we will be forced to erase debt.
- Rather than interest rates falling, rates will rise (albeit in a jagged manner) for probably decades to come.
- Meanwhile, I can see cancer being cured, new (and better) energy sources emerging and amazing new industries & technologies springing up.

So, this is not doom-and-gloom It is merely the recognition that

conditions are changing...and at a breathtaking pace. And, as the conditions change, it is reasonable to believe investments that were successful in one era may not be successful in another. Conversely, investments that were out of favor may find their day in the sun.

**Bob:** OK, so if the cycles are changing. When was the last time we were in an era like the one you see coming?

**Greg:** That's tough because no eras are exactly the same. But, for any of your listeners who are ***Downtown Abby*** fans, that era of 100 years ago saw the world turned upside down in 15-20 years. Culturally, socially, politically, militarily, technological...everything changed. And the change wasn't incremental. It was abrupt. Empires rose and fell seemingly overnight.

Bob, I believe in this next era, we will see even bigger changes—and compressed in an even a shorter period of time. And, just as our great-great and great grandparents adjusted, so shall we. And it will be the most adaptable who come through the best---and that applies to your investments.

So, my message this morning is to follow the advice of economist John Maynard Keynes who when asked why he changed his position said, *“When the facts change, I change.... What do you do, sir?”*

And, on that note, I am out of time.

**Bob:** Enjoyed it as usual. How do people reach you?

**Greg:** My number is 508-5550, 508 triple 5-zero. Or, go to my website [zanettifinancial.com](http://zanettifinancial.com)

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