

Hello Everyone,

“If they can get you asking the wrong questions, they don’t have to worry about answers.” **Thomas Pynchon, American Novelist**

There is trouble in bond land....no, not James Bond.

We all know interest rates are heading even lower. (I’ll get to that on Monday.) But, there is also the issue of the **quality of the bonds**...or, better said, the ability of company (or the government) to pay the bondholder back.

Of course, governments can print to pay bondholders back.

Corporations, must earn it though.

And weak corporations are starting to feel the strain of Covid19. No customers means no money to pay back what they promised. Stay tuned.

Oh, and none of you (who invested with me) have corporate bonds...especially junk (err High Yield) bonds.

With all that said, today’s missive drifts to the philosophical. I hope you like it.

Signed, Your Will-Never-Be-Mistaken-For-Socrates Financial-Advisor,

Greg

KKOB 03.06.2020 Carrots, Eggs, & Coffee Beans

Bob: Well, Greg, before the stock market started its dive, you told our listeners how coronavirus could:

- Disrupt supply chains
- Cause stresses in the banking system, and
- Force governments to “stimulate” economies with lower interest rates and more money printing.

So far, you look like Nostradamus.

Greg: Thanks, but it wasn’t that hard to predict. And many others foresaw it, too. Anyway, I’d like to wax a little philosophic this morning because I sense some investors are drifting toward fatalism—or even despair. I’m hearing, man-on-the-street

quotes like, *“The markets give and take away.”* Or, *“Oh, well, there is nothing I can do.”*

So, Bob, let me adapt a story by two authors, Jon Gordon & Damon West, to lend some perspective. And, I promise I'll tie it to investments. Is that OK?

Bob: Sure. The floor is yours. Whatever you want to say.

Greg: Thanks. Let's start with a question. Bob, what happens when you put a carrot into a pot of boiling water?

Bob: Well, obviously it get hot. It cooks. It gets soft.

Greg: Right. It's the same with some investors. When the environment gets hot, they get soft. They wilt. They give up. In short, they are weakened by the environment.

Now, let's take an egg. And, let's put it into a pot of boiling water. What happens?

Bob: That's easy. It gets hard. You'll get a hardboiled egg.

Greg: Right. The same thing can happen with investors. When things get tough, they get mean, angry, negative, and rigid. They become so hard, they can't adapt.

You don't want to be a carrot or an egg. Your decision-making processes will break down. And you will be of no use to yourself or anyone else.

Unfortunately, when things get hot, we often see our friends, family members, and especially our leaders, act like carrots and eggs.

Anyway, moving on. Let's do one last one.

Bob, I want you to take some coffee beans and put them into boiling water. What happens?

Bob: I don't know. I grind my coffee. :>)

But, I would guess, over time, the beans would break down and make coffee.

Greg: You're exactly right. What makes coffee different from carrots and eggs is coffee beans transform their environment. Basically, the bean gives of itself, and in doing so, boiling water is no longer boiling water. It's coffee.

And when that kind of thing happens in real life---when humans under pressure transform their environment---it is a miraculous thing.

So, what does this have to do with investing?

If it feels like the investment world is currently heating up...or even boiling...I'd say you're right. A confluence of things----that go way beyond just this virus----are starting bubble.

Hidden debt issues are coming to light. Flaws in the "just-in-time" supply chain are manifesting. Dishonest and corrupt political deals are being exposed. And, yes, all of this is leading to investor insecurity----and even fear.

Bob, your listeners can't control any of that. They can, however, decide if they will be mushy carrots, angry eggs, or well-adjusted, transformative coffee beans.

Bob: I want to be a coffee bean...and I'll bet most of our listeners do, too. So, how?

Greg: Well, you can choose to change your investment environment. And, this isn't a commercial to dump your current

financial advisor. What I'm saying is, step back, relook your portfolio. Be neither wimpy nor angry.

For example, you might survey the landscape and say:

- **Medically** ---opinions vary between this being the flu or the Black Plague.
- **Economically**-- supply chains have been disrupted and some longer term repair is needed.
- **Financially**--- banks will probably be forced to write down---let's say lots--- of bad loans. And...
- **Politically**--hyperbole will increase. Money printing and government programs will expand beyond all reason.

Then, based on this analysis, ask yourself how to best change your investment environment to adjust to the new reality. Does that make sense?

Bob: It does. It also explains the schizophrenia of the markets...you've got a lot of carrots, eggs, and coffee beans making decisions. No wonder it's so wild. Ok, we'll survey the damage again on Monday. How do people reach you?

Greg: You do have a way of summing things up. My number is 250-3754. Or go to my website at zanettifinancial.com

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