

Hello Everyone,

"Fear cuts deeper than swords."

– George R.R. Martin, A Game of Thrones

I don't usually quote A Game of Thrones....mostly because I think I was the only person in America who didn't watch the series. But I liked the quote.

Today's missive is all over the map. Airline stocks. Old Russian experiments. Covid, water-wars, & hypersonic missiles. The common denominator for all these topics is, however, fear.

Fear is usually overrated. Most things we fear never materialize.

Signed, Your Remembers-The-Days-When-I-Feared-I-Didn't-Have-Enough-Words-In-My-Essay Financial Advisor,
Greg

KKOB 10.12.2020 Airline Stocks, Soviet Studies, and Water Wars

Bob: So, Greg, it is Columbus Day and the banks, and the bond markets are closed. Meanwhile, the stock market is open.

Greg: I know. It is kind of weird. But every year the stock market is closed for Good Friday while the banks are open.

Anyway, usually these mixed holidays are slow trading days.

So, today might be a good day to look at some odds and ends. And let's start with the airline stocks.

Bob, there is a growing sentiment that the airlines might be a buy. And it kind of makes sense.

The sector has taken a huge beating due to Covid. But what if the second wave fears are overblown? Plus, the holidays are

coming, and people are so eager to get out of their homes, millions are ready to fly almost anywhere.

Bob: I can see that. So, now might be the time to load up on Southwest Airlines or maybe American Airlines stock. Right?

Greg: Maybe. Let me give you some bullet points from the bears who are saying, *“We understand the logic; but be careful.”*

- What if there is a second wave and we get more lockdowns?
- What about the millions still out of work? Will they have money to fly?
- Next, what if the stimulus packages for the airlines (and individuals) don't materialize?
- Meanwhile, remember, the airlines borrowed heavily to stay afloat during Covid. They must pay back those loans. That debt burden will drag on profits for years.
- Plus, we still have millions of Covid-terrified people who will refuse to fly until there is a vaccine.
- Finally, like restaurants, can airlines make money flying at 50% capacity if passengers must social distance?

Anyway, you get the idea.

And, Bob, your listeners know that with investing it is always about the future. And weighing investment pros and cons in “Covid-world” has gotten much more complicated.

Bob: You're right. Covid has made everything harder. Plus, when you throw in an election--and all the uncertainties that come with it---I can see how it has affected people's psyches.

Greg: Psyche is a good word. There was a recent survey put out by AXA outlining what scares people the most. In the western nations (think US and Europe) pandemic and climate change now top the list. Cyber-warfare comes in third.

Two years ago, pandemic was tenth. So, that's a big change.

Anyway, according to AXA, 73% of us feel more vulnerable today than at any time in decades.

What was interesting though was pandemic fear was only 25% in China. Geopolitical conflict tops their list. They are most concerned about war with the US---- or with India.

Bob: And I can guess why. We get bombarded by the Covid numbers every day. And I know their news isn't covering Covid the way we are. Meanwhile, it is not hard to predict that the Chinese cover the tensions with the US far more intently.

Greg: Right. Decades ago, the Soviets did a study demonstrating if you could keep people terrified about something for two months (maybe even shorter), no amount of reasoned (or factual) information to the contrary would quell many people's fears.

And globally, fear-news is non-stop.

And, regardless of what people are fearful of, you can see how it is affecting investment outlooks. Bob, I've never seen so many contrary opinions about what the future holds.

Bob: Can we back up a minute? I should have asked about the conflict between India and China? I must admit, I haven't heard much about it.

Greg: Right. Our news outlets don't cover it much here. But over the past several months, there have been frequent (and violent) skirmishes near the disputed Pangong Lake region. Bob, the headwaters of four major rivers are there. So, to me, this is a dispute about water...which both countries covet.

Oh, and just last week, India was very vocal about testing their hypersonic missiles. I'm sure China was listening.

Bob: So, the Chinese get inundated with geopolitical fear-news. And we get 24/7 pandemic news. But the result is the same. Fear. And, to me, fear clouds judgment.

Greg: Always. which makes markets everywhere more fragile. Just ask the airlines.

Bob: Interesting report. How do people reach you?

Greg: My number is 250-3754. Or, go to my website at zanettifinancial.com.

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