

Hello Everyone,

“There are two ways to be fooled. One is to believe what isn’t true; the other is to refuse to believe what is true.” Soren Kierkegaard

I think building contractors are having a hard time believing what is true. Just look at three-quarter inch plywood prices. Plywood!!

March 2020 \$37.98/sheet

February 2021 \$72.49/sheet

March 2021 \$83.49/sheet

April 2021 \$95.98/sheet

That is a 252% price increase. Yikes.

Today’s missive doesn’t look at inflation yet again. (I can hear you cheering out there.) It does, however, look at how money printing can manifest in consequences that central planners often cannot anticipate.

I hope it helps you see how investing is evolving.

Signed, Your The-Word-Ply-In-Plywood-Might-Mean-Plying-Money-Out-Of-Your-Wallet
Financial Advisor,

Greg

KKOB 2021.04.26 Video Game Money

Bob: So, Greg, the subjects you want to link today are money and video games, right?

Greg: Yes. In an odd way, a video game culture is now a very real part of Wall Street. To explain, let me start with a couple of data points to set the stage.

First from Doug Kass over at ***Seabreeze Partners***. He noted that inflows into stock funds since November exceeded the total inflows of ***the last 12 years***.

Let me rephrase that a little.

More money has gone into stocks over the past five months than had gone into stocks in the previous 12 years! And the numbers aren't insignificant. From November to now, \$569 billion flowed into stocks. Meanwhile, Bob, only \$452 billion went in from 2009 to 2021.

Bob: How can that be? I mean--- how does that happen? I mean, over a half a trillion bucks have gone into the stocks in only five months?! No wonder it is going up.

Greg: Right. And, to answer your question, let's look at some theories.

First there is the thought that "*money must go somewhere*". Bob, in January of 2020...so 16 short months ago...the US had just over \$4 trillion "cash-dollars" (for my readers, it is called M-1) swirling around the globe. Today, we have over \$18 trillion.

Think about that. We've added \$14 trillion to what we call our "money stock." Or, to put it another way, 78% of all the cash dollars ever printed in the history of the US were printed in the last 16 months.

Well, every dollar will find a home somewhere. And clearly both real estate and Wall Street have been beneficiaries of the electronic printing press.

Bob: But at what point does it all just become funny-money? I think most of our listeners know we can't just print money forever.

Greg: You're right. And your funny-money term is very close to the truth. Especially if you look at how the younger generations are treating it. To them, the newly printed money is being treated like currency in a video game.

Let me explain.

Bob, back in the olden days, investors had to buy stocks in what we called “round lots” of 100. In short, if you wanted shares of IBM, you had to buy 100 shares, or 200, or 500. But you couldn’t buy 132 shares without being charged what we called an odd lot fee. Thankfully, computer trading made that practice archaic and now people can buy as many shares as they want.

Well, technology has now made it possible to buy even fractions of shares. So, let’s say you want to buy Amazon stock. But you notice Amazon shares are now selling at over \$3300 per share. Thus, even one share could be too expensive for you. Well now--- and just using your phone--you can buy say $1/10^{\text{th}}$ of a share of Amazon for \$330.

Therefore, using fractional shares, anyone can buy, sell, and trade Amazon---- and feel like a player. Now the younger crowd can easily jump in, jump out, and jump in again. It feels like a video game.

And if the money is coming in free via the stimmy checks, why not? Play the stock market video game with funny-money. Let your thumbs fly across the screen. And if you win, cash out. If you lose, you just used the government’s free money anyway.

Bob: We always joked that Wall Street was a casino. Now it feels like it really is.

Greg: Right. But not like a casino at Isleta or Sandia. Think video poker. Or video blackjack. It’s all digits in the ether.

But what does that tell you about the younger generation’s view of money? They may not call it funny-money, but technology is allowing them to treat it so.

Bob: So, no one is analyzing stocks the old-fashioned way. Sales, profits, debt, growth rates...those are all out the window. It's like Vegas---it's just about the action.

Greg: Sure. The big question is...is it sustainable? And so far, so good. Nothing has happened. Today looks like Friday. And Friday looked like Thursday.

Bob: We have sure come a long way from Pong and Pac-Man. How do people reach you?

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

By accepting this material, you acknowledge, understand and accept the following:
This material has been prepared at your request by Zanetti Financial, LLC This material is subject to change without notice. This document is for information and illustrative purposes only. It is not, and should not, be regarded as "investment advice" or as a "recommendation" regarding a course of action, including without limitation as those terms are used in any applicable law or regulation. This information is provided with the understanding that with respect to the material provided herein (i) Zanetti Financial, LLC is not acting in a fiduciary or advisory capacity under any contract with you, or any applicable law or regulation, (ii) that you will make your own independent decision with respect to any course of action in connection herewith, as to whether such course of action is appropriate or proper based on your own judgment and your specific circumstances and objectives, (iii) that you are capable of understanding and assessing the merits of a course of action and evaluating investment risks independently, and (iv) to the extent you are acting with respect to an ERISA plan, you are deemed to represent to Zanetti Financial, LLC that you qualify and shall be treated as an independent fiduciary for purposes of applicable regulation. Zanetti Financial, LLC does not purport to and does not, in any fashion, provide tax, accounting, actuarial, recordkeeping, legal, broker/dealer or any related services. You should consult your advisors with respect to these areas and the material presented herein. You may not rely on the material contained herein. Zanetti Financial, LLC shall not have any liability for any damages of any kind whatsoever relating to this material. No part of this document may be reproduced in any manner, in whole or in part, without the written permission of Zanetti Financial, LLC except for your internal use. This material is being provided to you at no cost and any fees paid by you to Zanetti Financial, LLC are solely for the provision of investment management services pursuant to a written agreement. All of the foregoing statements apply regardless of (i) whether you now currently or may in the future become a client of Zanetti Financial, LLC and (ii) the terms contained in any applicable investment management agreement or similar contract between you and Zanetti Financial, LLC.