



## **Zanetti Monday Missive 2023.05.15 Somebody's Been Reading Our Monday Missives**

**“What gives you the opportunities is other people doing dumb things.”**

**~ Warren Buffett (Investor)**

**“A bunch of bankers trying to get rich doesn't lead to good things.”**

**~ Charlie Munger (Investor)**

**“Everyone sort of lives with their rulers in the past and they don't look at coming change.”**

**~ Stanley Druckenmiller (Investor)**

**Happy Monday Everyone!**

I don't want to seem too bold, but I think Warren Buffett and Stanley Drunkenmiller (two of Wall Street's billionaire investing legends) have been reading our Monday Missives.

Why do I think that?

Because they've recently started saying some of the same things we've been saying for a while now.

Ok, so maybe they're not reading our Missives (but they might be 😊) – maybe it's just that they're using common sense and a bit of historical perspective.

Let's start with Stanley Drunkenmiller. He is a billionaire hedgefund manager who recently spoke at the Sohn Investment Conference and then gave a speech at the University of Southern California (USC).



(Stanley Drunkenmiller)

I like Drunkenmiller because he's a straight shooter. He's gone on record before as saying, "I don't know what's going on right now." That level of honesty is not common on Wall Street.

He recently said this is the hardest environment that he's seen in the last 45 years (that's how long he's been investing). He's a historian (another reason I like him) and he pointed out that throughout history it's clear that harsh economic times always follow asset bubbles.

Remember, folks, you read that here first!

He also said the current stock market bubble is the most severe bubble he's seen in modern history.

Another familiar refrain, no?

He also communicated his frustration with the Federal Reserve for being so hands-off during Covid, allowing inflation to skyrocket all while saying inflation was transitory. And now he's frustrated with the Fed for slamming on the brakes to try to reverse the mess they allowed to happen.

At the USC speech, he warned about America's debt problem – basically, the United States spends more than it makes. He too recognizes that we can't keep doing that forever. And that the longer we keep doing so, the worse the economic pain will be for all of us. Meanwhile, he is investing his cash in commodities as the best presenting the best opportunities out there.

Agreed, Mr. Drunkenmiller! Next time, we'd appreciate if you'd refer to our Monday Missives directly ;-)

Next, let's talk about Warren Buffett's recent comments at his annual shareholder meeting for Berkshire Hathaway – often referred to as the “Woodstock for Capitalists.”



(Berkshire Hathaway Annual Shareholder Conference)

Warren Buffett and his business partner, Charlie Munger, are both saying the current banking system is on shaky ground and likely in trouble.

They are also pointing out how if banks continue to fail, that will slow the economy down. They are predicting the businesses they own will be producing less cashflow in the coming future because of the recession that is coming.

Some of those businesses include: Toll Brothers Homes, BNSF Railroad, and Apple, to name a few.

Buffett and Munger are expecting the stock market to continue to fall, and are not expecting to be investing in many businesses until the oncoming recession runs itself out.

Hmmm... that sounds like a similar strategy doesn't it?

Ok, ok, enough about a few old rich guys quoting me and Greg :)

You can't build wealth by shaking in fear or burying your head in the sand. So, what do we do?

Well, the "buy the dip" strategy that has worked for the last 25 years is going to lose money in what we think is going to be one of the biggest bear markets we've seen. This is because each dip will be lower than the previous.

I don't think the Fed is going to lower rates anytime soon. In fact, we've all gotten used to interest rates that were near zero. That's helped us buy bigger homes or fancier cars.

They've also helped businesses reinvest into themselves and grow their stock prices to nose-bleed levels. That has driven this huge bubble in real estate and the stock market. I believe those years of low interest rates are behind us for the foreseeable future.

That alone will slow down the economy quite a bit. People will continue to move their investable cash away from the stock market and real estate and they will be looking for investments that will make them money.

And what will be making money? Well, in the near term, it will be the things that people still need to live:

- Food to eat
- Oil for their cars
- Gas for heat
- Copper for electricity
- Gold as a stable safe haven during economic uncertainty around the globe.

Sometimes it's nice to see the big guys lining up.

Your A-Man-Attacked-Me-With-Cheese-Cream-And-Milk-And-I-Thought-How-Dairy Financial Advisor,

Walt

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