



Letting go of irrational fears

How humans develop views of the future

As humans, we craft our views of the future on the basis of our recent experiences. We're all products of our respective past journeys.

Let's apply this observation to the coming recession. Just how should we feel about, view . . . anticipate the burgeoning recession? Our human nature tells us to view it through the lens of past recessions. Over the last 20 years, we've had two: (1) 2007-2009 The Great Recession and (2) 2019-2020 The COVID-19 Recession. Both of these recessions were existential events . . . in the sense that they quite literally delivered the possibility for an "end-of-the-world" type outcome.

Wow! Let me explain.

2007-2009 The Great Recession - During the 4th quarter of 2008, both the domestic and the global financial systems were going into lockup, breakdown, and disassembly. We were careening towards a global financial meltdown. It was only as a result of heroic and unprecedented stimulus by central banks (Federal Reserves) and treasuries (national governments) from around the world, operating in full coordination, that we just barely avoided a depression every bit as bad (or worse than) the last one. Nevertheless, we still experienced great damage . . . the worst recession since The Great Depression of the 1930s.

2019-2020 The COVID-19 Recession - COVID-19 first hit in December of 2019. A global pandemic ensued. We didn't know what was going to happen, how many people would die, how fast, and whether any medical remedies could be developed (much less over what timeframe). But we did have solid history from which to draw perspective. During the last great pandemic, The Black Death (of the 14th century), quite literally between 40% and 50% of the entire human race died from the Yersinia pestis pathogen. In response to COVID, governments around the world reacted by turning off their respective economies and sending workers home . . . what came to be known as "social distancing." Once again, we avoided disaster . . . both as a result of dumb luck (the COVID-19 pathogen proved to be far less deadly than what could have been . . . and incredibly efficacious vaccines were developed and distributed in record time).

Why am I drilling down on the last two recessions?

Because they were incredibly rare and exceptional events. Because such severe downturns almost never occur. Because the normal person will never experience such challenges over their entire financial lives (or at most once).

If we make the mistake . . . of viewing the coming recession through the lens of the last 20 years (the last two rare and exceptional recessions), then we'll draw the wrong conclusions - thinking that the developing recession will be far worse than is plausible or reasonable.

Look . . . the last two recessions were not normal or typical. Instead, they were incredibly rare and exceptional in terms of the threats that they presented. Set them aside, and don't let them flavor or influence how you view the burgeoning recession.

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Instead, consider the next recession through the lens of what is normal, typical, and common place. Quite frankly, the average, vanilla, garden variety recession is pretty much irrelevant for any investor focused on a successful rewarding lifelong financial journey.

But . . . the story gets even better, we have two additional advantages.

Several additional advantages

Most Telegraphed

The developing recession is probably the single most telegraphed recession in all of history. If true, that's a really big deal. It means that markets, businesses, and consumers are better reflecting the coming recession and far fewer surprises are likely to develop.

Five New Industries

Recessions are only irrelevant (or at least easily overcome) because there's something to look forward to on the other side of the downturn. Today, we're likely to see (expected to benefit from) the robust development of five incredibly powerful and innovative new industries. Collectively, these new industries will deliver jobs, growth, and higher standards of living. They'll drive out-sized growth as we come out of the developing recession. The five new industries are:

Transportation - This is about transitioning from fossil fuels to "renewables." But it is even more importantly about who "owns" the vehicle and about autonomy (who or what is "driving" the vehicle). It's equally important to appreciate that this trend involves far more than just "cars," instead it includes vehicles of all types.



Energy - Yes, the world has begun the conversion from fossil fuels to renewables. I am neither agreeing nor disagreeing with this trend. But I am validating its reality and permanence. Nevertheless, far more important (and game changing) than which renewable source or sources will be adopted . . . is the development of energy storage. Energy storage is the seriously big story, and the opportunity.



Biotechnology - It's far more than vaccine development (despite the miraculous development of the incredibly efficacious mRNA COVID-19 vaccines in record time). The big story is another game changer . . . and is about how the world ramps up food production, reducing inputs while increasing output. The new agricultural revolution will displace conventional agriculture. It will embrace genetically altered organisms, large-scale controlled environment farms, and factory cultivation.



Digitization - The first and the biggest application will be in the area of digital finance. No, this is not about Crypto (that was just an unfortunate and temporary malady). Digital finance is a natural outgrowth of seven brilliant new technologies . . . all harmonizing together: (1) Artificial intelligence, (2) Social networks, (3) Machine learning, (4) Mobile applications, (5) Distributed ledger technology (blockchain), (6) Cloud computing, and (7) Big data analytics. In brief, this is about a new more beneficial way of conducting banking and all financial transactions.



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Artificial Intelligence - This is perhaps a less “well-rounded” development. But it remains unhelpful to deny its presence and development. A new industry is finally coming into its own, that of artificial intelligence weaponry. This is a big deal, and the forces at play will drive it both deep and far. Think Skynet.



Finally, a last word of hope and encouragement . . . we’re going into this recession with the strongest balance sheets (for both consumers and businesses) that we’ve seen in over 40 years. This will help to shorten the coming downturn and make it less severe.

Are you prepared, are you best positioned?

A successful lifelong financial journey requires looking across the valley associated with the coming recession and embracing the inevitable far more bountiful future.

Your financial advisor has a menu of possible investment solutions that are directly relevant to the dynamics mentioned above. But the solution that is most appropriate to your unique needs and circumstances can only grow out of a meaningful discussion with your advisor. Reach out to them, talk with your advisor.

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