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Musings

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More and more of the lending activity in corporate transactions is coming from “non-banks.” A big reason is the enormous regulatory burden (including capital ratios) put on regular commercial banks (which take deposits from American consumers). In contrast, the private credit market is heavily unregulated and gets money in ways other than deposits (usually investors). Moody’s is worried about this market. From Bloomberg *“There’s an aggressive form of competition building between the banks and nonbanks, particularly on leveraged lending terms. “This will likely cause pricing, terms and credit quality to erode, fueling systemic risks,” Moody’s Investors Service wrote in a note this week. A lack of transparency makes it hard to know exactly where trouble is brewing, Moody’s said. “Risks are rising as major lenders jockey for capital clout and returns. Alternative asset managers are turning to individual investors, introducing liquidity risk into the private fund market where it did not exist before,” according to the report, which also pointed to the vulnerabilities in “increased concentrations, conflicts of interest and lack of regulation.”*

Some financial advisors I respect are wary of the bond market. The government has to issue a lot of debt over coming months and it is unclear what level of buying interest will be there (fewer buyers means higher yields /lower prices). To quote Wally Sparks at Raymond James: “The biggest buyer of US Treasuries is now a seller” referencing that the Federal Reserve which was buying a bunch of US debt to keep rates low (like selling to your brother) is now unwinding its huge balance sheet and selling US debt. Yields are already moving up.

Along with the risk of rising rates, most expect the US consume to face some headwinds with the restarting of student loan payments which were put on hold through the pandemic. Not sure that was a good policy. Most borrowers just kept taking on more debt in different forms. I fear we have a whole generation that would not be welcome in the Lannister family.

During the Pandemic, Consumers With Student
Loans Added New Debt

Product	Percentage of Student Loan Borrowers Taking On New Product
Bank Card	53%
Auto Loan	36%
Retail Card	31%
Mortgage	15%
Unsecured Personal Loan	15%

Despite the higher rates, I hear the “deal world is back” with many companies and investors negotiating transactions.

A great operator once taught me the three 90s. According to him, 90% of a customers’ impression is based on the first 90 seconds and the first 90 feet. He was in the hotel business so very focused on the lobby and front desk but this also can apply to your receptionist or call center. One good operator I know even called his receptionist “the director of first impressions.” Details matter.

Good quote from my friend Chad Kail: “It used to be the big ate the small, now it is the fast eat the slow.”

I just don’t get the four day work week research. Multiple studies have shown workers can do all of their work in 32 hours instead of 40. How can that be? If there is that much inefficiency, get rid of the fluff, reduce staff and get 40 hours out of the remaining team and drop more to the bottom line. Bad management. From WSJ: *“Once a workers’ pipe dream, the four-day, 32-hour workweek is gaining ground as hundreds of employers try the schedules and businesses rethink the conventional ways of work. The United Auto Workers made the shorter week a demand in its contract talks with Detroit automakers. Lawmakers in California, Massachusetts and other states have introduced bills aimed at pushing more businesses to adopt a four-day schedule. Most proposals are long shots but signify the appeal in policy circles.”* [how-a-4-day-workweek-actually-works-from-the-companies-pulling-it-off](#)

One of the leaders of the Positive Psychology movement doesn’t agree with me. Yale Professor Laurie Santos sees employee happiness as very connected to time. *“focus on time affluence first, which is the subjective sense that you have free time. It’s not the actual amount of free time that you have. It’s your sense that you can meet a friend, take on a new project, or have temporal flexibility. It’s the opposite of time famine, where if you self-report being time-famished, your well-being takes as much of a hit as reporting you’re unemployed... I would engage the four-day workweek. It’s a real well-being driver we should consider to not only make people happier but more productive.”* [the-creator-of-yales-viral-happiness-class-has-a-solution-for-employee-satisfaction](#)

Businesses often solicit feedback after a purchase or stay. Too many don’t really want it nor pay attention to it. I have three different situations over two weeks old where I provided feedback and asked to be contacted. Crickets. Takes a suboptimal experience and turns the consumer into an active detractor (using NPS terms). Best way to get reaction is probably to criticize the provider openly on social media with a hashtag. Public criticism gets attention that private does not.

Good leaders develop a culture of “belief” among their team. *“Today, we have compelling evidence that interest precedes the development of talent,” writes psychology professor Adam Grant in his best-selling book Give and Take.* “It turns out that motivation is the reason that people develop talent in the first place.” Train yourself to see the good in others by asking yourself the following questions: What are they good at? How can I praise them for what they’re good at, sincerely and specifically? How can I help them leverage those strengths further? How can I help them improve their weaknesses through constructive feedback? *Remember, as a leader, you are in a unique position to inspire and motivate those you work with.”* [emotional-intelligence-deion-sanders-how-to-get-most-out-of-others](#)

Sad stat: “In 2019, 57% of us children lived with two parents; down from 80% in 1980.”

Learned one from George Fogel — “price proud.” Too many operators are afraid to raise price. If you are delivering a high quality product, be confident and price it accordingly.

So much for the hype around 5G. I don’t even notice a difference.

Good conflict resolution, relationship building tip from Betsy Morton. When listening, repeat what the other person said first ..”what I heard you to say was”

We are making good progress on fighting cancer. The overall cancer death rate has fallen by 33% from 1991 to 2020 according to the annual AACR Cancer Progress report. While lots of attention is spent on genes and the third-parties like 23 and me assessing risk, inherited genetic mutations drive only 10% of all cancer cases...most are from “somatic mutations” acquired during one’s life. It is estimated that 40 percent of all cancer cases in the us are attributable to preventable causes (think smoking). Live a healthy life and your cancer risk will go way down.

For those of you who enjoy these free musings, please consider a donation to the Cancer Research Foundation (where I am a board member). Any amount helps. <https://www.cancerresearchfdn.org/>

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