

## J. Michael Locke

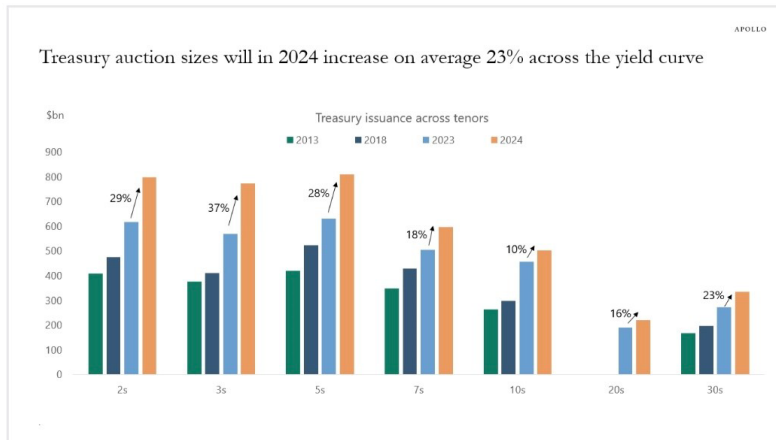
### Musings

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#### #243: Musing November 12, 2023

I haven't written in a couple of weeks. Little light on substantive thoughts right now.

Janet Yellen and Adam Neumann should hang out together. Neumann famously mismanaged WeWork mismatching short term rental revenue with long term leases and wasting money. WeWork has now filed for bankruptcy. I think Yellen has also grossly mismanaged the borrowing by treasury. They sold lots of short term notes when interest rates were low rather than locking in cheap money for the longer term. Now rates are higher (along with deficits) and the government has to borrow a lot of more money and refinance maturing debt at materially higher rates. Here is a graph of the amounts:



Source: SIFMA, TBAC, Haver Analytics, Apollo Chief Economist. Note: Estimates from September 2023 to December 2024 from the TBAC neutral issuance scenario. [Expand](#)

There was an auction of 30 year notes past week that really struggled with limited demand. We have a fiscal mess that our politicians refuse to address (along with immigration fiasco). #throwthemallout

On the positive side, the higher rates in the bond market mean it is likely the Fed is done raising rates. Bond traders did the last "tightening" by driving up the long term rates without any Fed action. The large amount of federal debt refinancing will keep bond rates high. Economic indicators like new hiring are decelerating. While consumption and GDP were strong last quarter, savings rate is down and individuals only have so much dry powder to spend. Used car prices falling. The soft landing where the economy slows down but does not go into a recession is looking possible. Equities looking more appealing.

Here is a good example of how statistics can be misleading — the Federal Reserve released data

showing the average net worth of Americans is now over \$1 million. That is the average. Remember stats class though, we have a lot of extremely rich billionaires who skew the data. The median net worth was \$193,000.

Stock market indices can also be really misleading. The S&P 500 is market-cap weighted so while it is up 13% through 9/30, it is really seven stocks that were up 55% while the other 493 were only up 3% through Q3. The seven stocks are Apple, Microsoft, Alphabet, Amazon, Nvidia, Tesla and Meta.

Goldman Sachs predicting strong GDP growth next year in large part because of AI. *“The foundation of the forecast is the finding that AI could ultimately automate around 25% of work tasks in advanced economies and 10-20% of tasks in emerging economies, Goldman Sachs Research economists Joseph Briggs and Devesh Kodnani.”*

I still believe in famous venture capitalist John Doerr’s “SoLoMo” which he identified over a decade ago. He saw the big trends around Social, Local and Mobile. Web consumption is primarily from a mobile device and it is incomprehensible for any business to have a website not optimized for mobile delivery. Google search allows “geofencing” where you only present your advertisements to people in a particular geographic area allowing precision targeting to folks near a business. Finally, the purchasers (and prospective employees) are all about getting feedback from other users in a social world --- they look at google ratings, ask their reddit forum or go on “X.” Traditional advertising, linear TV and desktop computing are all in structural decline.

Mobile has changed the fast-food business. Over 65% of the revenue of fast food restaurants is now drive-through / takeout.

So much for using key card swipe data to understand office usage. Those enjoying the remote side of hybrid work are now “gaming” the key card system with “coffee badging.” “Here’s how it works: Employees come to work and show face, maybe grab a coffee and talk among coworkers. Then, after a little while, they leave and therefore earn a theoretical badge for showing up.” <https://www.fox5ny.com/news/what-is-coffee-badging-meaning> (thanks Jennifer Walsh).

We need to get back some good old fashioned “tough” parenting. Great quote in WSJ *“Modern parenting – with its emphasis on cuddling and its lack of unstructured playtime – can also contribute to kid’s anxiety....”* *“these kids have been helicoptered, snowplowed and bubblewrapped”* says Michele Borba, and educational psychologist.

Famed investor Byron Wein passed away. He has published his 20 life lessons which I found interesting (I shortened some of them):

1. Concentrate on finding a big idea that will make an impact on the people you want to influence.
2. Network intensely. Luck plays a big role in life, and there is no better way to increase your luck than by knowing as many people as possible. Nurture your network by sending articles, books and emails to people to show you’re thinking about them.
3. When you meet someone new, treat that person as a friend. Assume he or she is a winner and will become a positive force in your life. Most people wait for others to prove their value. Give

them the benefit of the doubt from the start. Occasionally you will be disappointed, but your network will broaden rapidly if you follow this path.

4. Read all the time. Don't just do it because you're curious about something, read actively.
5. Get enough sleep. Seven hours will do until you're sixty, eight from sixty to seventy, nine thereafter, which might include eight hours at night and a one-hour afternoon nap.
6. Evolve. Try to think of your life in phases so you can avoid a burn-out. Do the numbers crunching in the early phase of your career. Try developing concepts later on. Stay at risk throughout the process.
7. Travel extensively. Try to get everywhere before you wear out. Attempt to meet local interesting people where you travel and keep in contact with them throughout your life. See them when you return to a place.
8. When meeting someone new, try to find out what formative experience occurred in their lives before they were 17. It is my belief that some important event in everyone's youth has an influence on everything that occurs afterwards.
9. On philanthropy, my approach is to try to relieve pain rather than spread joy. Music, theatre and art museums have many affluent supporters, give the best parties and can add to your social luster in a community. They don't need you. Social service, hospitals and educational institutions can make the world a better place and help the disadvantaged make their way toward the American dream.
10. Younger people are naturally insecure and tend to overplay their accomplishments. Most people don't become comfortable with who they are until they're in their 40's. By that time, they can underplay their achievements and become a nicer, more likeable person. Try to get to that point as soon as you can.
11. Take the time to give those who work for you a pat on the back when they do good work. Most people are so focused on the next challenge that they fail to thank the people who support them. It is important to do this. It motivates and inspires people and encourages them to perform at a higher level.
12. When someone extends a kindness to you write them a handwritten note, not an e-mail. Handwritten notes make an impact and are not quickly forgotten.
13. At the beginning of every year think of ways you can do your job better than you have ever done it before. Write them down and look at what you have set out for yourself when the year is over.
14. The hard way is always the right way. Never take shortcuts, except when driving home from the Hamptons. Shortcuts can be construed as sloppiness, a career killer.
15. Don't try to be better than your competitors, try to be different. There is always going to be someone smarter than you, but there may not be someone who is more imaginative.

16. When seeking a career as you come out of school or making a job change, always take the job that looks like it will be the most enjoyable. If it pays the most, you're lucky. If it doesn't, take it anyway, I took a severe pay cut to accept each of the two best jobs I've ever had, and they both turned out to be exceptionally rewarding financially.
17. There is a perfect job out there for everyone. Most people never find it. Keep looking. The goal of life is to be a happy person, and the right job is essential to that.
18. When your children are grown or if you have no children, always find someone younger to mentor. It is very satisfying to help someone steer through life's obstacles, and you'll be surprised at how much you will learn in the process.
19. Every year, try doing something you have never done before that is totally out of your comfort zone. It could be running a marathon, attending a conference that interests you on an off-beat subject that will be populated by people very different from your usual circle of associates and friends, or traveling to an obscure destination alone. This will add to the essential process of self-discovery.
20. Never retire. If you work forever, you can live forever. I know there is an abundance of biological evidence against this theory, but I'm going with it anyway.

Congratulations to my niece Maddie on her wedding and my nephew Chip on the birth of his son!

Thanks to our veterans and current service members.

jml