J. Michael Locke
# Musings

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#244: Musing
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Happy Thanksgiving. I hope everyone is surrounded by family and friends and sharing gratitude.

I am thankful that the Fed appears to have pulled off the soft landing. Continued deceleration of inflation (partially a result of the data formulation on "housing" which relies on an obscure owner-equivalent rent calculation which is lagging by definition) while economy still doing ok. There will be no more hikes from Fed IMO. They have benefitted from the structural dynamics of the labor market where we don't have enough births to keep working population growing. Here is a crazy chart showing the percentage of the population in prime working years.

Share of 18-64 Age Group in Total Population

Source: Haver Analytics
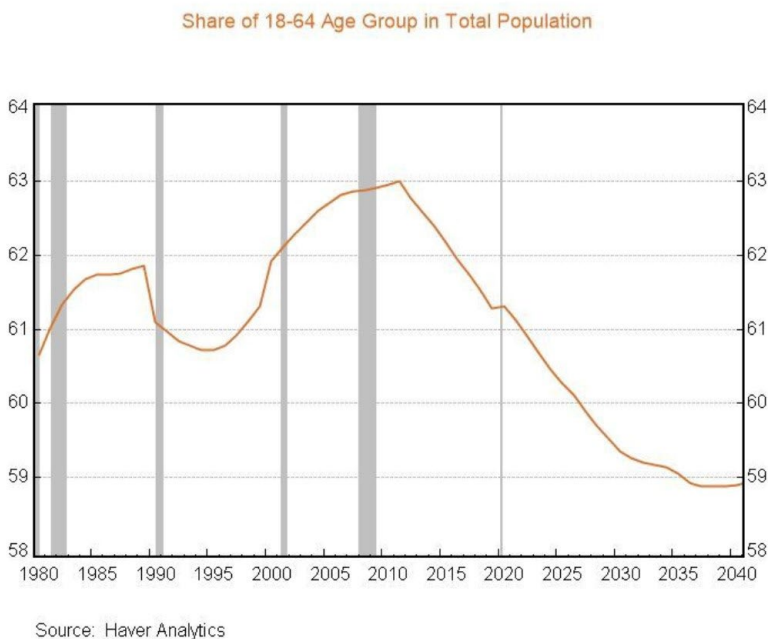
While I don't think there will be any more rate hikes, I also don't anticipate long term rates going back down materially. I am in the "higher longer" crowd. To quote one money manager: "we just got used to the cocaine the Fed was dropping on the market for so long."

The US is thankful that China is in real trouble economically. You can't have economic growth without population growth (you can in short-term through productivity increases but those can't be main driver for long).   China and India are approximately equal at 1.4 billion people but India is growing while China is shrinking. According to the former head of World Bank David Malpass, China population will go from today's 1.4 billion down to 800 million over the next 80 years. The one-child rule (no longer in effect) is

going to go down as one of the worst economic policies in history. Add on top of that, the desire by multi-national companies to hedge their supply chain risk coming out of Covid and the future is not bright. Short China and go long India and Vietnam.

Apple is thankful for Google. In the DOJ antitrust case against Google, it got disclosed that they pay Apple 36% of their search revenue coming out of Safari in return for being the default search engine. That has been $10 billion a year. Crazy amount of money. Shows the power of "default" because user can change the search engine in their browser but almost no one does. This is why "trials" are such an effective customer acquisition approach. As a "provider" you want the default to be continuation (auto renewal etc.) while as a consumer you want the subscription to end if not actively renewed.

I am not thankful for team members who express "victimhood" where they blame others or the context for not getting the job done. At the end of the day, you have to accomplish your assignments. Good executives manage the risks and contingencies and delivery quality work. Similarly, I strongly dislike self-promotion where an executive praises themselve. The best people simply delivery great results consistently and let the results speak for themselves.

Great executives also know their details. It isn't just about motivating a good team, you have to dig in and be on top of details. This sets the cultural tone. The CFO should know the per square foot cost of the office headquarters, the head of sales should know the dollar value of the pipeline and the head of HR should know the annualized voluntary turnover last quarter without having to look it up. Don't let someone take "moving up the org chart" to mean they don't have to know details.

Companies are increasingly "political" in a way I do not agree with. Still, "political purchasing" does not seem to have strong impact and endurance. Besides the Bud Light situation, hard to point at situations where politics hurt a company. Liberals still eat at Chick Fil A and buy at Hobby Lobby and conservatives still go on a Disney cruise. Will be interesting if today's partisan polarization gains more traction in corporate America.

I am thankful for McDonald's Diet Coke. I always thought my wife was crazy saying that the fountain Diet Coke at McDonald's was materially better than from elsewhere. Turns out she is right. I never knew so much could go into making a making a Diet Coke. *"While most fast food restaurants have their Coca-Cola syrup delivered to them in plastic bags, McDonald's gets their syrup specially delivered in stainless steel tanks. The special tanks keep the syrup fresh and protect it from light, temperature, air, and anything else that might take away from its delicious flavor. Sadly, the plastic bags do no such thing….McDonald's filtration system is top tier. McDonald's filters its water before they add it to the soda fountain, so it guarantees your Coke will always taste fresh—even if the water that they start with isn't great quality….Soda fountains at other restaurants and in gas stations are set to flash chill the sodas as they're dispensed. So, they come out cool, but never cold. Not McDonald's, though. McDonald's pre-chills their syrup before placing it in the machine. So while other fast food restaurants are leaving their soda syrup bags out in the kitchen, McDonald's syrup is getting chilly and ready for your cup….Plus, McDonald's sets their machines for a syrup-to-water ratio that accounts for melting ice. Which means there's a little more syrup than most other fast-food restaurants. This ensures that your Coke won't water down and that it's just as good on sip number one as it is on sip number 21."* why-mcdonalds-coke-tastes-better

Finally, I am thankful to all of you (most of who I know personally). These musings are a compilation of

what I learn from others. Apparently, these relationships might also help my longevity. From the WSJ, *"Loneliness and social isolation were linked to an increased risk of death from any cause, according to new research. That includes missing out on seeing loved ones, not having weekly group activities like a book club, or just often feeling lonely."* Relationships matter….invest in them. Another reason why the Covid shutdown appears to have been such bad policy in retrospect.

Hope everyone has a big gathering of family and friends for the holiday. Happy Thanksgiving.

jml