

## J. Michael Locke

### Musings

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#### **#257: Musing** **March 23, 2024**

March 15th marked the fourth anniversary of these musings. As many know, it started with some emailed advice to CEOs of companies where I was an investor/board member at the onset of Covid and then grew and expanded over time. Fun to look at the first email on March 15, 2020:

*You guys are all leading companies at this unprecedented time. Here are my 2 cents.*

*Watch your liquidity — run sensitivity models. Business (and society) is coming to a halt. You likely have no visibility. People are not focused on making buying decisions. Bookings will dry up. Halt any hiring.*

*I assume everyone has already moved to remote work. Keep people connected. Host synchronous sessions. Over communicate. Daily virtual huddles at the department level. My point is don't let team get "disconnected".*

*Lean in and help customers if you can. Call client CEOs and check in. Show you care.*

*Innovate! You are all leaders in technology. Society just became more tech centric (I had a virtual cocktail party last night with FaceTime). Now is a time to quickly adjust, innovate using technology and lead. Speed is key.*

*Watch your bandwidth. Networks are going to get stressed. Make sure you have enough.*

*Personally I think the health aspect is overblown and this is a bad storm that will blow over in 3-6 months.*

*Hope this unsolicited advice might be helpful.*

Obviously, I got the length of the health crisis wrong but otherwise feel good about what I recommended. I think it is a helpful practice to go back and relook at things. Good private equity firms go back to their "underwriting case" and see what they got right and wrong about an investment.

Japan is another reason for a "higher for longer" view of interest rates as it relates to long end of yield curve. Remember that the Fed more directly controls short term rates by setting the rate at which banks can borrow from it overnight but longer term rates are set by supply and demand in the market for things like 10 yr notes. Technically, the longer durations should represent the compilation of expectations on short term rates over time but that assumes no exogenous dynamics for buyers and sellers. Japan has made a comeback for the ages. After decades of negative interest rates (that's right, you were punished for saving and thus strongly encouraged to spend) and yield curve control, the government is letting the market take over. The Japanese equity market is rolling and its economy is

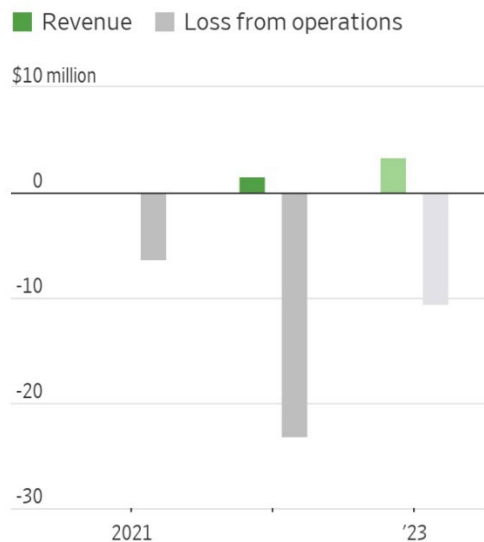
growing. The reason it is relevant for “higher longer” is that Japan is the largest overseas holder of US treasuries. As they have other options for their money, this reduces demand for treasuries (just like the Fed reduction of purchases) and will put upward pressure on rates counterbalancing the anticipated Fed reductions.

Mortgages also likely to stay higher for longer. The Fed was artificially keeping rates low by buying mortgage bonds which it is going to stop. I would not bank on mortgage rates coming down materially even as the Fed cuts short term rates. Fannie Mae just increased its prediction of where mortgage rates will be at year end from 5.9% to 6.4%.

How do you set a price target for Bitcoin? It has no inherent value.

Another example of inefficient markets is Trumps social media company — Truth Social. It merged with a SPAC at a \$5bn valuation. Here are the financials — I say it is worth nothing.

#### Financials for Truth Social's parent company



Notes: 2023 figures through end of September;  
2021 figures include no revenue and began in February, when company was launched.

Source: Trump Media & Technology Group

Technology and social media are creating the most “connected” generation but also the most lonely. True connection comes from physically being together and participating in institutions like church or school or athletics.

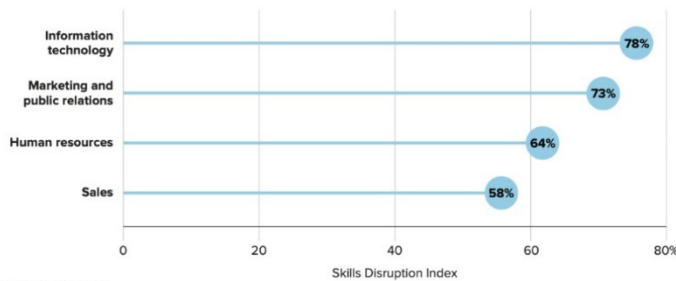
Dell announced that remote workers will not be eligible for promotion as another example of an employer trying to drive people back into the office. Interesting data from Chicago recruiting firm Hirewell on what they are seeing:

1. 2021 - 65% of the roles filled were remote
2. 2022 - 59% of the roles filled were remote
3. 2023 - 3/2024 - 33% of the roles filled were remote.

Crazy but one of the jobs most susceptible to elimination by Ai are tech workers. Look at this chart from

## The Most Popular College Majors Also Most Likely to Be Disrupted

Four common job families across businesses and industries with relatively high Skill Disruption Index values



Source: Emsi Burning Glass/BCC

A company released an AI software engineer. That is right, AI does the coding. *“As a consequence, anyone with access to Devin can now run their own software development outfit without knowing how to code a line on their own. All that is needed is a vision and an aptitude for product and project management.”* [what-devin-means-to-software-companies-and-why-every-ceo-should-care](#). Thanks Jake Bonifield.

Nvidia itself has teamed up with a startup to release an AI nurse which operates for \$9 an hour doing virtual visits.

Back to the loneliness noted above, there is a whole category called “AI companion apps.” It is a visual version of the movie Her.

Good quote from Morning Brew: *“Dell, the maker of computers for people who have to wear ties to work,”*

It will be interesting to see the new business models which emerge in the real estate agent world. As you likely read, a lawsuit has ended the mandated practice that buyers agents get 1/2 of the commission from sellers agent. Buyers will now have to figure out what “deal” they want with their agent (if they want an agent at all). I think Zillow and the ability of any buyer to find what is for sale has reduced the value of representation. Agents greater value now is around pricing and negotiating (vs marketing or finding) and not worth 3% of the price. Personally, I think real estate agents also have artificially benefited from rising house prices which led them to make more money for the same amount of work. Watch the fixed price models gain speed.

Growth creates opportunity. We are encouraging our children to move out of Illinois and head south where cities and states are growing. That opens up job opportunities, new entertainment options and better fiscal finances through growing tax revenue. Here is a table from the WSJ on top and bottom markets:



I hate self-promoters. Humbly do your job well and it will get noticed. Avoid working with people who tell you how good they are — sorry Kara Swisher.

I often write about the importance of active listening. If you are talking, you are not learning. Listening also signals to the other person how you care about what they have to say. Bill Clinton was famous for his focus on the individual he interacted with and how he left them feeling heard. This stands in contrast to Anthony Scaramucci's description of "windexing" at Davos where everyone is looking over your shoulder as you talk to them like you are a window. Interesting tidbit from Doug Smith: *"Researchers suggest that our minds can handle about 140 bits of information a second. Casual conversation requires about 40 bits of information a second. So when someone else is speaking to us, we basically have 100 bits of information that is free to do other things....we can use that to think about what will happen later in the day, reminisce about something that happened months ago.....if we take all of our 140 bits of information capability and really listen, it can have a profound effect on us and those with whom we interact. People want to be appreciated, perhaps more than anything."*

Watch the Don Lemon interview with Elon Musk. Captures the different perspectives on policy questions well.

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