

The Age of Chaos

*Why the 2020s Will Be One of the Most
Dangerous, Most Chaotic, and Most
Opportunity-Filled Decades in History*

Brian Hunt, CEO of InvestorPlace

Copyright © InvestorPlace Media, LLC, 2023

All rights reserved. No part of this publication may be reproduced, distributed, or transmitted in any form or by any means, including photocopying, recording, or other electronic or mechanical methods, without the prior written permission of the publisher, except in the case of brief quotations embodied in critical reviews and certain other noncommercial uses permitted by copyright law.

Published by InvestorPlace Media, LLC
1125 N. Charles St.
Baltimore, MD 21201

TABLE OF CONTENTS

| | |
|--|-----|
| The Age of Chaos..... | 1 |
| Agent of Chaos No. 1..... | 7 |
| Agent of Chaos No. 2..... | 23 |
| Agent of Chaos No. 3..... | 41 |
| Tools, Mindsets and Strategies for Surviving and Thriving During the Age of Chaos | 49 |
| Survive and Thrive Strategy No. 1 | 58 |
| Survive and Thrive Strategy No. 2 | 68 |
| Survive and Thrive Strategy No. 3 | 78 |
| Survive and Thrive Strategy No. 4 | 83 |
| Survive and Thrive Strategy No. 5 | 101 |
| Final Thoughts..... | 114 |

The Age of Chaos

Why the 2020s will be one of the most dangerous, most exciting, most chaotic, and most opportunity-filled decades in U.S. history...

On May 2, 1982, a meteorologist named John Coleman launched a cable TV network that reported the weather... and *only* the weather.

More than 75 million U.S. households today receive Coleman's brainchild — which we now know as The Weather Channel. Its website and smartphone app are pinged millions of times per day by people wanting to know if they should wear a coat or not.

Because of its business model, The Weather Channel is financially incentivized to root for hurricanes, tornadoes, tropical storms, blizzards, and various forms of terrible weather.

During serious storms, Weather Channel viewership skyrockets.

After all, when it's going to be 70 and sunny, you need only check the weather once. When a 50-year blizzard is about to shut down New England, you need to know when it's going to hit... how fast the snow is falling... and when you're likely able to leave your house again. You tune into The Weather Channel to find out.

When a ferocious Category 5 hurricane is about to slam Florida, you're glued to The Weather Channel.

The Weather Channel doesn't advertise the fact that disasters are good for business, but that's the way the world works.

Some businesses thrive during rough weather. Some businesses do best when it's 70 and sunny.



When I think of what the 2020s will bring to the stock, bond, and commodity markets, I can't help but think of The Weather Channel.

Chaos is coming — and you and I can be The Weather Channel.

Here's the story...

We're Stepping Into a Strange New World

Shortly after Lewis Carroll published *Alice's Adventures in Wonderland* in 1865, it became a huge worldwide success. The book is credited with inventing "literary nonsense" and changing the world of children's literature.

Thanks to the strange interactions Alice has with characters like the White Rabbit and the Mad Hatter, the term "Alice in Wonderland" has become a popular term for describing bizarre or nonsensical situations.

Is there a better way to describe the financial markets of the past few years?

We've stepped into a strange new world...

- Meme stocks like GameStop Corp. (GME) soaring 25-fold in less than two months.
- Inflation exploding to 40-year highs.
- Joke cryptocurrencies like Dogecoin skyrocketing 22,000% and minting 18-year-old millionaires.
- Basic four-bedroom homes becoming the subject of intense bidding wars all across America.
- Electric vehicle maker Tesla growing to be worth more than the next nine big automakers combined (despite having a tiny fraction of their production capability and revenues).
- Major currencies such as the Japanese yen and the British pound crashing to multiyear lows.
- Pieces of digital art in the form of "NFTs" (non-fungible tokens) selling for tens of millions of dollars.



- European power prices soaring more than 10-fold from 2021 to late 2022.
- Leading technology firms soaring hundreds of percent in value... then crashing by more than 70%.

All across America, businesspeople and investors who learned their craft during the 1990s and 2000s feel like we've entered a bizarre, nonsensical Alice in Wonderland world of stocks, bonds, and cryptos.

I'd like to say this strange new era will end soon... **but I believe it's just getting started.**

You see, it's tempting to say COVID-19 is responsible for this strange new financial world.

The pandemic certainly created unprecedented shortages in labor, raw material, and finished goods. Russia's invasion of Ukraine disrupted the flow of commodities and finished products even more.

However, there is a much, larger explanation for what's going on than COVID-19 or Ukraine.

Thanks to the confluence of three monumental economic trends that are set to remake our world, *I believe the 2020s will be a period of extreme change and social strife.*

It will be an era that will seem like madness to billions of people.

We will exit this decade a different society than when we entered it.

We'll see historic transfers of wealth.

People who are rich now will be penniless when the decade is over.

People penniless now will possess huge fortunes.



Industries and economies will boom and bust at rates that will make people's heads spin.

Stock prices will soar and crash at light speed.

It won't make sense to most people.

But my hope is that it all makes total sense to you.

You'll expect it and you'll capitalize on it.

The 2020s will be one of the most dangerous, most exciting, most chaotic, most opportunity-filled periods in U.S. history.

And while a lot of things during the 2020s will feel bewildering and crazy to most people, I want you to know why they're not crazy. I want you to know exactly why they're happening... so you can be ready to capitalize on them.

Thanks to my foreknowledge of what is to come, I plan to make huge amounts of money during the 2020s. I hope you do, too.

In the pages that follow, I'll explain why we're entering a period I call **The Age of Chaos**... plus I'll share ideas that will help you survive and thrive during the coming years.

There are giant storm clouds on the horizon.

The next decade will be tumultuous and chaotic.

Depending on your mindset and your vantage point, that's either great news or horrible news.

At many times throughout the 2020s, it will feel like we've entered a bewildering, chaotic, nonsensical Alice in Wonderland.

But in this report, I aim to equip you with the understanding, the knowledge, and the tools you need to emerge from the 2020s a giant winner.



Buckle up. It's going to be a wild (and very profitable) ride.

The Great Confluence Will Bring Great Chaos

In geography, a confluence is the meeting of two or more bodies of water, typically rivers.

At confluences, one river meets another's. The velocity, temperature, and sediment content of each clash and mix.

The union of two rivers creates tremendous energy and change... and often incredible sights.

For example, the picture here is the confluence of the Rhône and Arve rivers in Geneva, Switzerland. The Arve's high silt content creates a striking contrast with the blue/green Rhône .

The term *confluence* has become synonymous with the combination of huge trends in the financial world.

During the 1990s, we saw a "confluence" of the internet, personal computers, and cellular phones. The result was revolutionary technologies, a transformation of society, and historic wealth creation.



As we enter the 2020s, three colossal "megatrends" are coming together in an epic confluence that will change the world forever. They will create ripple effects that echo for centuries.

The early stage of this historic confluence is responsible for many of the crazy financial developments I mentioned earlier: Dogecoin... GameStop... skyrocketing NFTs... insane home-price increases.



As these colossal trends slam into the world at the same time, we will see astonishing levels of stock market volatility.

The normal cycles of booms and busts we've seen over the past 100 years will speed up.

Some entrepreneurs and investors will make fast fortunes during “flash” bull markets... while others will lose fortunes during “flash” bear markets.

In this next section, I'll detail these three colossal megatrends that are converging and slamming into the world at the same time. (Then, later, I'll show you six different strategies you can use to survive and thrive during the chaos.)

If **The Age of Chaos** is a volatile brew, these are its ingredients...



Agent of Chaos No. 1

The Biggest and Fastest Technological Change We've Ever Seen

In February 2014, a small San Francisco-based company introduced a new communication tool that was part email, part instant messaging, and all worldwide hit.

The tool's official name is "Searchable Log of All Communication and Knowledge."

But most of us know it as "Slack."

Since the early days in 2014, Slack has become one of the world's most popular software programs. If you're one of the few people who haven't used it, just know that it combines the best of email and instant messaging.

Like email, Slack allows you to send messages to groups of people. But unlike email, Slack keeps easy-to-access archives of communication threads (called "channels"), which can be grouped according to teams, projects, and topics. A Slack user might have four different Slack channels he or she uses to advance four different projects.

Slack's innovative design streamlines communication between workers. For many people, Slack replaces email because it's a much quicker, easier, and less-convoluted way of communicating with people you work with.

People like quick, easy, and less convoluted... so much so that Slack's user base grew from 16,000 in 2014 to 12 million by 2019. Today, the platform is used by more than half of *Fortune* 100 companies.

Of course, on its march toward global enterprise ubiquity, Slack turned into a billion-dollar tech company.

By itself, that market value is not unusual. There are hundreds of billion-dollar companies in the world.



But... what's very unusual is the speed at which Slack turned into a billion-dollar tech "unicorn," as they call it in Silicon Valley.

As I said, Slack publicly launched its communications app in February 2014. In October of that same year, the company raised \$120 million at a \$1.1 billion valuation.

Slack turned into a billion-dollar tech company in just eight months.

Fifty years ago, this kind of light-speed business growth was unheard of. It typically took businesses more than a decade to reach a \$1 billion market valuation, and it often required the work of over 20,000 people.

But the time and resources it takes for hypergrowth businesses to scale has consistently shrunk in the digital era:

- In 1998, search giant Google hit a billion-dollar valuation in eight years.
- In 2004, social media platform Facebook reached unicorn status in just five years.
- In 2009, ride-hailing pioneer Uber did it in just three years.
- In 2012, virtual-reality startup Oculus hit a billion-dollar valuation in under two years.
- By 2014, Slack reached that same milestone in just eight months, with fewer than 100 employees.

It's like a countdown clock — from 8 to 5 to 3 to 2 — and it's only continued to speed up in recent years.

In 2017-'18, scooter-sharing company Bird went from wheels on the ground in Santa Monica, California, to billion-dollar valuation in nine months.

App developer APUS Group scored a billion-dollar valuation in just seven months in 2014.



Jet.com — an e-commerce startup — went from zero to a billion-dollar valuation in just four months in 2015.

Illumio. Rong360. BeiBei. Uptake. All of these companies belong on the increasingly long list of tech companies that have gone from \$0 to \$1 billion in less than a year.

As these tech upstarts take over huge parts of the economy and soar to massive market valuations, they often demolish established leaders.

Over the past 10 years, the force of creative destruction has been thrust into overdrive. I'm sure you've seen its effects with your own eyes.

You've probably noticed in recent years established businesses that appear sturdy and in control of their markets are suddenly getting destroyed by *technological upstarts*.

Amazon is the perfect example of this.

Amazon has transformed the way we shop.

In the process, it's driven dozens of old-school "brick and mortar" retailers into bankruptcy.

About 10 years ago, Uber debuted its popular "ride sharing" technology. In a short time, Uber demolished big parts of the "old" taxi industry.

Airbnb now offers more rooms than the Top 5 hotel brands, including Hilton, Marriott, and Hyatt, combined.

Launched in January 2001, the free online encyclopedia Wikipedia annihilated traditional encyclopedia companies. By 2012, Encyclopedia Britannica published its final volumes, after 244 years of circulation.

Spotify and iTunes have turned the music world upside down.

Google has taken over advertising.



Facebook, YouTube, Twitter, and Instagram have disrupted traditional media outlets.

Vast amounts of cheap online content has killed many newspapers that followed the “old” business model.

Since 2004, at least 1,800 American newspapers have ceased publication. The sector has shed 47% of its jobs during this time.

And these are just the examples you’ve probably noticed in your daily life.

Behind the scenes small tech upstarts are wreaking havoc on established businesses and industries across the board.

One small startup, for instance, just developed an artificial intelligence (AI)-based software program that can review and analyze legal contracts faster and with better accuracy than a human can.

It was recently pitted against 20 of the best lawyers in America — and won!

Similar disruptions are occurring right now in real estate... human resources... transportation... customer service... finance... sales... marketing... and more.

The driver of all this change — the force that has opened a large and growing chasm between the haves and the have nots — is technology.

A Giant Shift in How the World Works

Most people don’t realize it, but *technological disruption* is creating a gigantic shift in the way our economy works and how we build wealth.

The destruction of seemingly strong and dominant business by innovative tech upstarts is a story we’re seeing over and over and over in America.

In many cases, these businesses are family owned...

Employ tens of thousands of workers...



And are cornerstones of retirement accounts.

Meanwhile, technological disruption is enriching those who own and invest in these new technologies at a pace never seen before in human history.

It explains why Steve Ballmer, Bill Gates' No. 2 at Microsoft, became twice as rich in 2019 as he was at the beginning of 2017...

Why tech titans like Elon Musk, Mark Zuckerberg and Google founder Sergey Brin each grew their net worth by multiple BILLIONS of dollars in 2020.

And Amazon founder Jeff Bezos got \$87 billion richer.

While at the same time, huge swaths of America's cities are essentially slums... filled with millions and millions of poor, desperate, angry people.

On the one hand, America is a place of extraordinary wealth... a place where billionaires travel in private jets and buy \$10 million condos with a month's pay.

The system is working great for these people.

On the other hand, America is a land of extreme poverty and miserable people.

To these folks, the system is a disaster.

America is the land of "Haves" and "Have Nots."

Some have absurd abundance.

Some have nothing.

And the rate at which things change in favor of the rich versus the poor is only speeding up, not slowing down.

My colleagues and I call this phenomenon — the huge and rapidly growing divide caused by technological disruption — the "TechnoChasm."



This chasm between the rich and poor is already large... and it's only going to get larger.

Mind-Blowing Changes Are Coming

Over the next 10 years, we'll see the world change more rapidly than any other group of people in history.

The way we work, travel, bank, receive healthcare, and entertain ourselves will look completely different than they do now.

Large new industries will be created at a pace we've never seen before.

These new industries will demolish old industries at a pace we've never seen before.

And it's all because of ***exponential progress***.

This incredible force explains why some companies are growing so quickly, gobbling up market share, and making more money faster than ever before...

And why others are getting utterly demolished — going out of business — at the same incredible rate.

What is exponential progress, exactly?

Well... most people are familiar with the concept of linear progress.

In simple terms, linear progress works like this...

Imagine earning a dollar a day for 30 days...

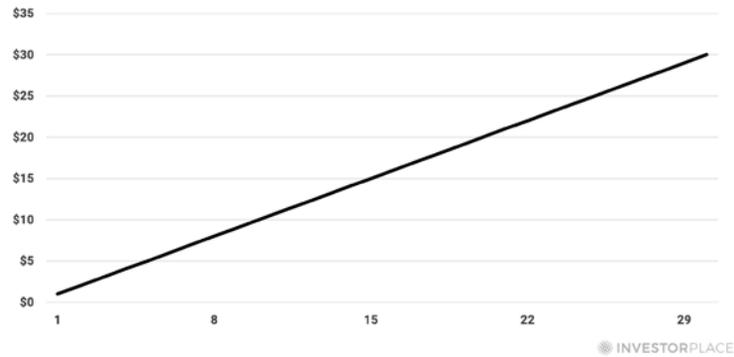
After one day, you have \$1.

After 10 days, you have \$10.

Thirty days... \$30.



Linear Growth



Pretty simple, right?

This linear growth is the kind of growth ingrained in the minds of most people...

But exponential growth — the kind taking place in technology labs and businesses RIGHT NOW — radically changes the equation...

And radically accelerates the pace of change we see in the world.

Exponential progress multiplies in power and scope with each step.

Now, instead of progressing in linear fashion...

Imagine doubling that dollar every day for 30 days.

You start with a dollar on Day 1.

On Day 2, it doubles. You have \$2.

Day 3 it doubles again... \$4.

Day 4, another double, \$8.

By the time you get to Day 10, you have \$512.

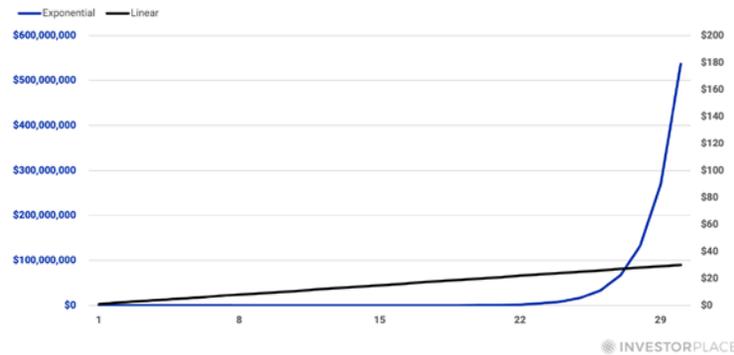
On the 20th day, you have \$524,288.



By Day 30, you have over \$536 million!

Do you see how powerful this is?

Linear Growth vs. Exponential Growth



Exponential progress “snowballs” and builds on itself.

The progress made in a step is DOUBLE the amount of progress made in the step that came before it.

The important thing to understand is that this is not a theoretical concept.

This is exactly the type of growth taking place in the real world, at tech companies right now.

That’s because technology builds off each innovation that came before it.

It ensures that each new step is larger than the previous one.

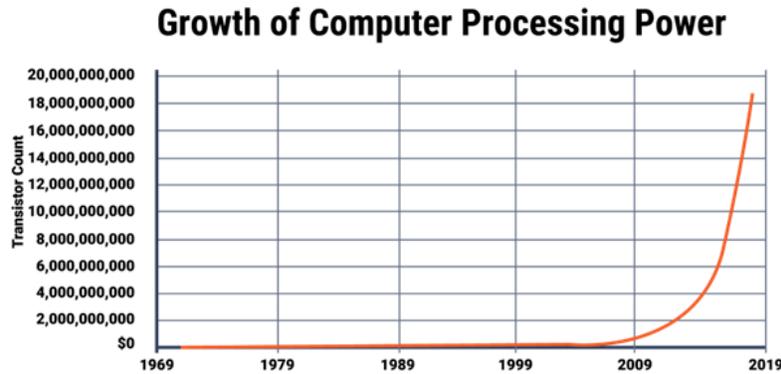
Gordon Moore, one of the founders of the semiconductor giant Intel, first recognized this phenomenon in the 1960s, when he noticed the number of transistors per square inch on integrated circuits seemed to double every 18 months.

He saw that computers DOUBLE in speed and capability... every 18 months.

He predicted that this trend would continue well into the foreseeable future.



And that's exactly what's happened.



Computer power and speed soared while their cost collapsed.

Here's what this incredible change looks like in the real world...

In the year 2000, it cost \$46 million to buy a computer that could perform 1 trillion operations per second. By 2016, you could buy a computer that performed eight times that many operations per second... for just \$400.

That's exponential progress.

In 1976, a digital camera weighed four pounds, cost \$10,000, and only had 0.01 megapixels.

Today's digital cameras have 1,000 times the megapixels... weigh 14 grams... and cost \$10.



They're a BILLION TIMES better.

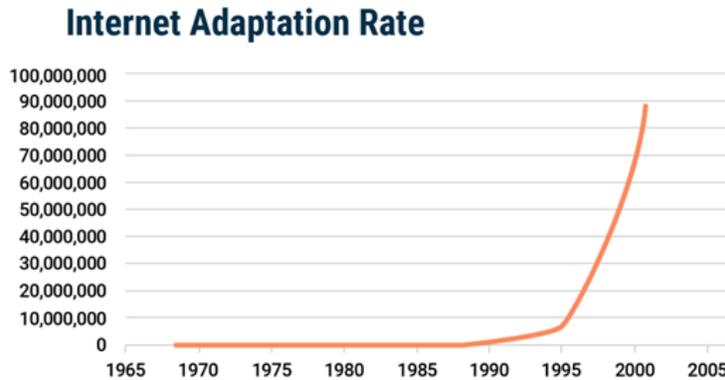
The first commercial GPS unit weighed 50 pounds and cost more than \$100,000 back in 1981.

Today, GPS comes on a 0.3-gram chip and costs less than \$5.



Exponential progress explains why the smartphone in your pocket is 1 million times faster than the computers that sent the first men to the moon...

And why internet adoption followed the same exponential rate of growth.



The fascinating thing is that most folks can't appreciate exponential growth as it's happening.

When a small number grows at an exponential rate, the first stages of growth aren't incredible.

They're hard to notice.

The growth shown on a chart does not soar upward during the early stages.

That's why this is so hard for most people to see!

It isn't until the later stages that the big gains are noticed.

Until it's too late.

The Time Is Now

The extraordinary growth happens at an "inflection point" in time... when the exponential growth begins to snowball and makes things change at stunning rates.



This is the “liftoff” point you see on the chart below:

Exponential Progress



Over the last four decades, advancements in computing power, data storage, communications gear, and other technologies have followed a trajectory like you see on the left side of the chart.

This is because they started at very low levels. But after many years of advancing at exponential rates, the technologies I just listed are entering the liftoff phase.

This rapid increase in the rate at which the world is changing has stunning business and investment ramifications.

The world around us is changing at never-before-seen speeds... the speed and capabilities of our computers are increasing at unfathomable rates...

And it's catching many people off guard.

As I said, this is creating a gigantic shift in the way our economy works and how we build wealth.

Today, the acceleration of our technological progress allows companies to operate with just a fraction of the number of employees businesses used to require.



Forty years ago, it took the work of tens of thousands of people to build a business worth \$50 billion.

Now, it takes fewer than 2,000 people.

Recall Slack's swift rise to unicorn status? It employed fewer than 1,700 people at the time.

Getting to a \$23 billion valuation with just 1,700 employees never used to happen!

Now, it happens all the time.

Back in 1989, Kodak had about 145,000 employees and was valued around \$16 billion...

But in 2017, Snapchat achieved a \$24 billion valuation and employed just 1,800 people.

Back in 1964, AT&T had more than 750,000 employees...

But in 2017, Google was a bigger and far richer company than AT&T with 92% fewer employees sharing the wealth.

Plus, people who invested in Google when it went public made about 17 times more in gains than those who invested in AT&T over the same time.

The best new companies of today simply don't need many people compared to companies from a decade or two ago.

The number of great jobs is decreasing while the pay for these employees who do get jobs is radically soaring! This is why the wealth gap gets wider and wider every single year.

The incredible rise in computing power, automation and robotics makes all these things possible.



As you read this the rules of business and building wealth are being rewritten in front of our very eyes.

Over the last few decades, it took on average about 20 years for the typical Fortune 500 company to reach a market capitalization of \$1 billion.

In 1998, Google reached \$1 billion in market cap in just eight years, which was considered incredible.

By 2004, Facebook had done it in just five years.

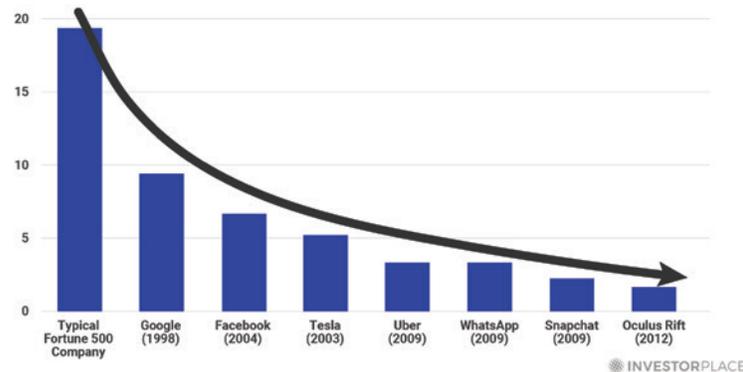
By 2009, Uber had done it in under three years.

In 2012, VR firm Oculus did it in under two years.

The chart below displays the amount of time it took for companies to hit a billion-dollar market cap.

As you can see, it's taking less and less time to generate incredible wealth.

Market Cap to a Billion



Investors are enjoying the benefits.

Never before have such small groups of people built such incredible wealth in such short time frames.



Early Facebook shareholders enjoyed as much as a 1,507% return on their investment in just a few years.

Tesla investors who bought before its initial public offering (IPO) have made more than 9,100% gains.

Early Google investors made over 5,000% gains.

By now, you can see how the amount of time it takes for massive change is getting “compressed.”

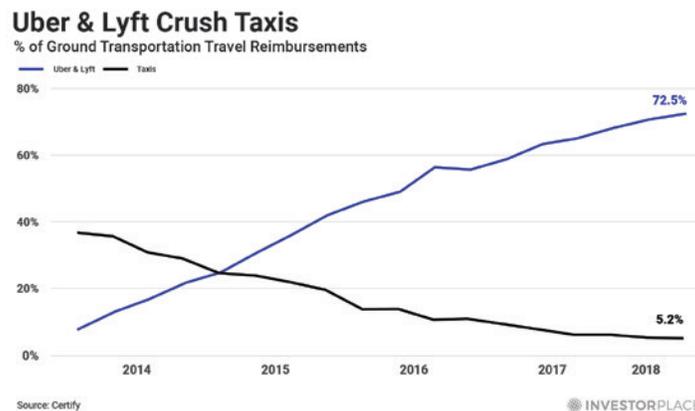
Industries are being transformed in a short time.

As I’ve shown you, the increasing rate of change in the world should terrify some people.

It will wreck family businesses, careers, and investment portfolios.

New industries are springing up at a rapid and ever-increasing pace... while old industries are being demolished at a rapid and ever-increasing pace.

As Uber and Lyft soared to billion-dollar valuations, the taxi industry was devastated. It lost millions in revenue.



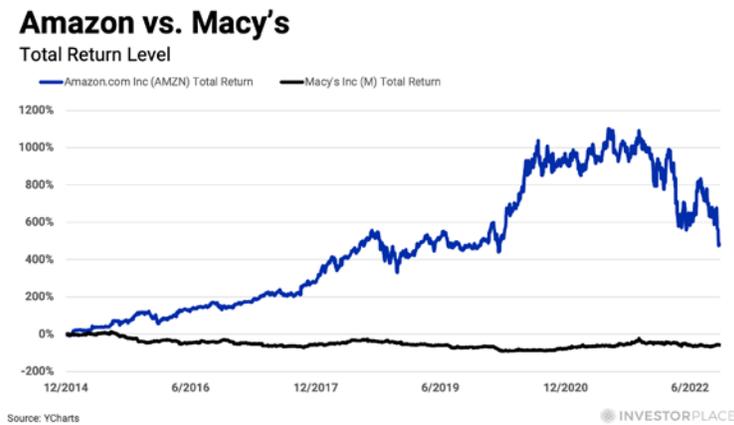
This is the Techno-chasm splitting apart before our very eyes.



As Apple's iPhone dominated the smartphone market, the losing competitor, Blackberry, saw its share price plummet more than 90%.

Those who invested in Apple saw life-changing rewards. Those on the wrong side got crushed.

Amazon's valuation now surpasses the \$1 TRILLION mark — and dozens of brick-and-mortar retailers continue to slide into bankruptcy...



Welcome to the *Techno*chasm.

And the rate of change is speeding up every year.

The rate of change we saw in the world 10 years ago is much faster than it was 20 years ago.

The rate of change we saw in the world five years ago is much faster than it was 10 years ago.

And yes, the rate of change we're seeing now is much faster than the rate of change we saw five years ago.

The destruction of certain industries is only going to get worse. Much worse. Meanwhile, the money being made by a select few is only going to be more dramatic.



Some of the technologies and industries poised to create vast wealth include genomics, personalized medicine, virtual reality, renewable energy, blockchain, quantum computing, artificial intelligence, autonomous vehicles, drones, and nanotechnology. I recommend you learn about and monitor them closely.

The incredible force of exponential progress and the incredible change it brings will be one of the defining economic forces of the 2020s. It will make some people extremely rich while devastating others. It will produce huge industry booms and huge industry busts.

In short, it will bring chaos that either enriches you or harms you, depending on your mindset and vantage point.

And the extreme disruption created by exponential progress will be amplified by the next colossal Agent of Chaos.

Here's the story...



Agent of Chaos No. 2

The Corruption of Our Money

If you follow the news at all, you probably know the U.S. government has been spending way beyond its means for years.

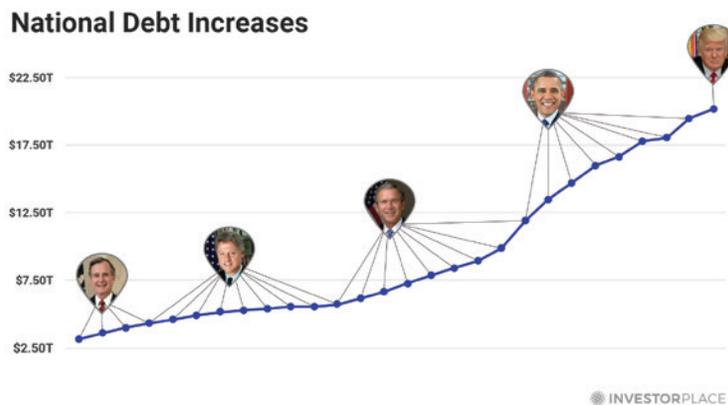
In 2019, the U.S. ran its first \$1 trillion budget deficit since 2012.

This figure was 26% larger than the budget deficit in 2018... and up a stunning 122% since 2015.

Those figures are just for the annual budget deficit... which is like the amount of money you make versus spend in a given year.

As for total debt?

At the end of 2019, our TOTAL national debt was \$23 trillion.



That's essentially a credit card bill of \$69,200 for every person in America.

Today, the U.S. government owes more money to more people than anyone else in the world.

At the start of 2020 — before COVID-19 hit — America's giant debt burden was a grave concern for most financially literate people.

As I write you in 2022 those concerns have TRIPLED.



In response to the COVID-19 economic shutdown, the U.S. government handed out TRILLIONS of dollars in direct payments to citizens and stimulus programs for businesses.

The result is the U.S. government budget deficit skyrocketed to \$3.1 trillion during 2020... more than triple the massive 2019 shortfall!

And it has set the stage for massive devaluation of the U.S. dollar...

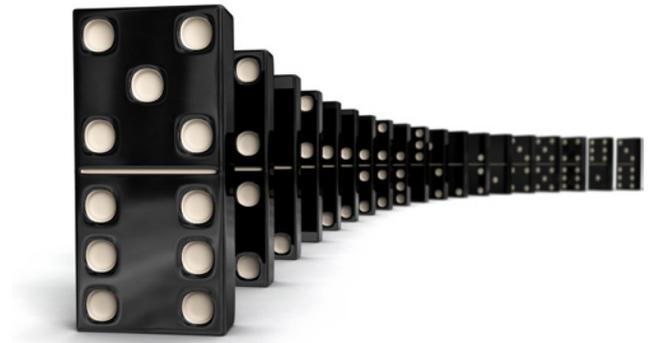
We're Spending More on This Than We Spent During World War II

To understand why the U.S. dollar is about to lose a lot of value over the next decade, you must understand our past.

I liken our current situation to a line of dominoes.

You know how it works...

One domino gets knocked over...
which knocks over another domino...
which knocks over another domino...
and so on.



You get a chain reaction.

We are smack in the middle of the most dangerous financial “chain reaction” in history... **a reaction that could destroy the savings of millions of people.**

Domino No. 1: Buildup of Debt

The first domino that got us to where we are today is the buildup of debt leading up to the Great Recession of 2008.

You probably remember what those days felt like...

Back then, real estate values were soaring every year.



It seemed like everybody was becoming a real estate flipper or a developer.

Big banks leveraged themselves 50-to-1 so they could play the real estate market.

Heck, *entire countries took on huge debts to speculate in real estate.*

Until finally, the whole rotten structure couldn't support another dollar of debt.

And then, that domino toppled over.

As the domino fell, portfolios of home loans collapsed.

The stock market plummeted 50%.

The real estate market crashed.

Big banks went under. Lehman Brothers became the biggest bankruptcy in U.S. history.

Millions of people lost their life savings.

Many people believed "The Greater Depression" was at hand.

And then, the crumbling financial system tapped the next domino...

Domino No. 2: Too Big to Fail

The U.S. government stepped in and saved the banks.

It spent nearly \$1 trillion bailing out General Motors, Chrysler, insurance companies, and the mortgage market.

Many other governments followed suit.



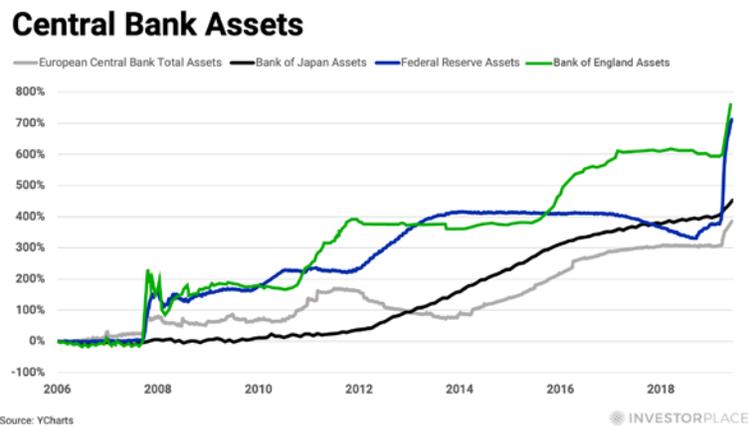
They launched one of the biggest bailout and stimulus packages the world has ever seen.

Altogether, the amount of bailout and stimulus from governments totaled over \$3 trillion...

...Much of it essentially printed out of thin air... and made available via microscopic interest rates.

From 2008 to the end of 2019, the size of central bank assets soared from \$6 trillion to more than \$20 trillion.

That's a more than threefold increase in our world's central bank money creation.



This ocean of new money and credit didn't create "regular" inflation as many people know it...

Instead, *central banks pumped it into the financial markets...* inflating the value of the stock and real estate markets by **trillions of dollars**.

The government bailouts also inflated the value of "zombie" companies.

Zombie companies are companies that are too indebted and unprofitable to stand on their own.



They need constant injections of debt and bailout money to survive.

They are often kept going for political purposes.

In a 2019 report, Bank of America estimated that zombie companies made up an incredible 13% of all companies in developed economies.

The inflated value of these zombie companies would have quickly gone to \$0 without all the “free money” from the government.

But... we can't deny that times felt good after the Great Recession was over...

The stock market soared more than 300% off its lows.

Popular stocks like Google, Amazon, Netflix, Facebook, and Microsoft hit all-time highs.

Real estate recovered and hit all-time highs in many areas.

Unemployment hit a 50-year low.

Yes, the “monetary heroin” felt good.

Unfortunately, the government's money printing and ultra-low interest rate policy had dire consequences.

It made a historic pileup of more debt!

And it tapped the next domino...



Domino No. 3: Corporate Debt Grows to Historical Levels

As a result of the government's money printing and ultra-low interest rates, U.S. corporations have gorged on debt. They have built up over \$10 trillion in debt.



The amount of U.S. corporate debt to the country's GDP hit an all-time record in 2020.

A record amount of this corporate debt is rated "junk," which means it is highly risky.

Worldwide, companies have issued \$13 trillion in debt.

That's twice what they owed in the financial crisis year of 2008.

The government stuck its snout into the debt trough as well. Total U.S. government debt as a percentage of GDP has soared to its highest level in generations.



Remember: *Our government owes more money to more people than anyone else in the world.*

When you take the \$23 trillion of debt we had before COVID-19...



...And add \$6 trillion more in debt we accumulated during the worst of COVID-19...

...And also add all the mind-boggling amount of spending the government has planned for the next decade...

...You get a debt burden no nation can ever hope to possibly pay with sound money.

Instead, we will pay it back with devalued, debased money created out of thin air. This will create inflation... and cause the value of the U.S. dollar to plunge in value.

We're watching it happen right now. Heading into the middle of 2022, inflation rates sit higher than they have in 40 years.

All roads lead to U.S. dollar debasement.

Amazingly, many people in America will loudly support the forces that will corrupt our currency...

The Big “Long Haul” Effects COVID-19 Will Have on Your Money

In the months following the COVID-19 outbreak, the press began running stories about “long haul” victims of the pandemic.

“Long-haulers” are people whose COVID symptoms last far longer than the typical two weeks. Some long-haulers have symptoms like fatigue, brain fog, and headaches for weeks, months, and, in some cases, over a year. Doctors are still trying to work out how long COVID will affect people.

In the financial world, I believe the long-haul result of COVID will be **persistent and long-lasting inflation.**

We'll see a “long-haul debasement” of our money at annual rates we haven't seen for decades. Just like long-haul COVID, nobody knows how this will work out. But it won't be good.



I believe the most important part of any inflation analysis — by a country mile — has nothing to do with statistics.

The most important part of my inflation analysis has to do with psychology.

There's a historic change in psychology happening in America that is a million times more important than any statistic you can find.

This historic change in psychology started long before COVID-19... but the pandemic massively accelerated it... supersized it... and will likely make it last for decades, to the detriment of our money.

Here's what's happening...

America Is Taking a Turn

America was founded in 1776 on a few core principles.

The Founders believed in the will of the people... not catering to the whims of tyrants and kings. They also honored property rights and free speech — and, of course, “limited” government.

People like George Washington and Thomas Jefferson believed the federal government should play a relatively small role in society. These beliefs charted the direction of the United States for hundreds of years.

The number of people that don't share those founding values is growing larger and larger every year. These people are strongly in favor of a huge increase in the size and scope of our government.

The number of people who support a large government presence in our lives has steadily grown since the 1970s. The big government bailouts during the 2008-'09 financial crisis we talked about earlier attracted more big-government believers.

I wish I could tell you the growing trend of fiscal irresponsibility is about to get better.



But it's about to get worse.

And it's thanks to the tectonic shift in the way Americans think about personal responsibility, the dignity of work, and treating their neighbors.

Building a good life in America during the 20th century was simple:

You worked hard.

You contributed to the success of the nation.

You saved money.

You paid a modest amount of taxes.

And the vast majority of your neighbors were in the same boat.

People like you were respected and valued.

However, I hardly have to tell you that's not the America we live in today.

Around 10 years ago, the content of our national character started changing. And not for the better if you ask me.

You see, around 2010, America experienced a tectonic shift in how we view success and govern our country.

Despite occurring with zero fanfare, this historic "paradigm shift" has put our country on an entirely different path than the one that made it the greatest, most prosperous country on Earth.

This paradigm shift has made it so that every day that goes by, American citizens that succeed through hard work and fiscal responsibility are valued less and less in our country.

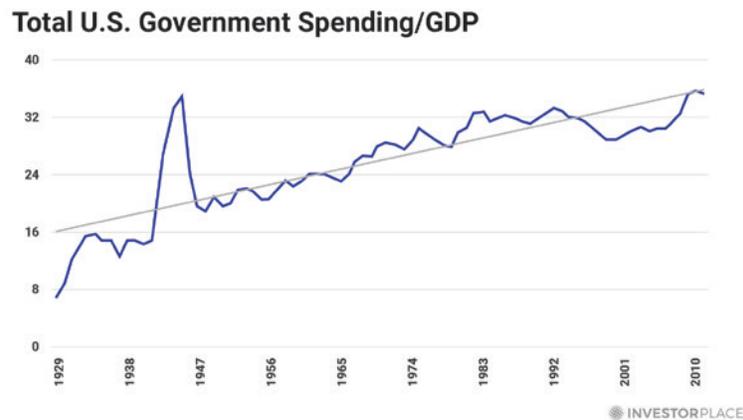
This critical part of our "national soul" is being gradually replaced with a desire for endless government benefits and an utter disregard for financial responsibility.



The dignity of work that means so much to so many people is being replaced with waiting for the next “stimmie” check... the next handout... the next government job... the next free home loan... the next free this or that.

You can see this “handout culture” at work by the rising share of government spending as a percentage of the overall U.S. economy.

The chart below goes back to 1929.



The government’s share of the economy is at an all-time high.

We’re slouching toward full-blown socialism and a government takeover of our economy.

We are slouching toward an era when the government’s share of our economy explodes higher... when few proposed new government spending programs are vetoed, no matter how harebrained they are.

And to satisfy the insatiable demand for more and more government benefits that millions upon millions of people now demand, our political leaders are borrowing and printing and spending money at rates we’ve never seen before.



More Than Half of Americans Don't "Pay" Taxes

This tectonic shift has everything to do with something called "net tax recipients."

A "net tax recipient" is someone who receives more money from the government than they pay in taxes.

For example, if you pay \$10,000 in taxes but receive \$15,000 in benefits from government programs like unemployment benefits, food stamps, and Social Security, then you're a net tax recipient.

For much of American history, the percentage of people who got more than they put in remained low... under 20%.

And it's no surprise.

Hard work, self-reliance, and free enterprise were essential parts of the American character.

Years ago, America didn't look favorably on someone sitting on the couch and waiting for the next unemployment check. But over the past 40 years, the percentage of people getting more in government benefits than they pay in has exploded.

Politicians discovered they could win more elections by promising more and more "free benefits." And the percentage of Americans who are net tax recipients has exploded as a result.

As we speak, **it's estimated that 61% of Americans were net tax recipients in 2020 according to a report from the Tax Policy Center.**

Well over half of the people in this country get more than they put in.

I believe in having a social safety net.

We're a wealthy country. We can and should help those in need.



But when I think about how our “social safety net” has turned into a “social featherbed,” I grow concerned.

When you think about the ramifications such a high ratio of “takers vs. makers” has for our country’s financial health and stability, you realize it’s a terrifying development.

When more than half of a country’s citizens receive more in benefits than they pay in, you’ve crossed a dangerous line.

That’s when the majority discovers it can vote itself more and more benefits... while paying for less and less of those benefits out of their own pockets.

When you reach this “point of no return,” the net tax recipient majority will always vote for politicians who promise more benefits... more spending... more freebies.

I believe history will show that COVID-19 turbocharged the desire for more and more government spending. It changed the game in terms of our **psychology**.

During the 2020 COVID outbreak, people couldn’t agree on much. They held different beliefs about masks, lockdowns, and vaccines.

But one thing lots of people did agree on is the need for massive government stimulus. Politicians and voters on both sides loudly supported the largest government stimulus programs in U.S. history.

In 2020 alone, the U.S. government spent an astonishing \$4 trillion+ on stimulus. The government didn’t have the money on hand to send out. It printed it out of thin air. And importantly — much of that money was sent directly to citizens.

Millions of people enthusiastically supported these “stimmie” payments.



That is a key part of our story: *Huge amounts of people on both sides of the political aisle supported the largest government-support programs in U.S. history.*

Few things are as addicting as “free money.”

And there’s nothing more permanent than a temporary government program.

In 2020, millions of Americans got a big taste of free money. They liked that taste. And since the money was sent out to “save American families” during a time of fear, that taste was enjoyed with a side order of patriotism.

As COVID-19 becomes less and less prevalent in our lives, we will see more and more calls to make regular government payments a permanent thing.

More programs. More free loans. More handouts. More spending. We’re addicted to it all. You can see it in the news: Virtually every gigantic new proposed “stimulus” program gets widespread support.

We are slouching toward full-blown socialism and a government takeover of our economy.

We are slouching toward an era where the government’s share of our economy explodes higher... where few proposed new government spending programs are vetoed, no matter how harebrained they are.

And to satisfy the insatiable demand for more and more government benefits that millions upon millions of people now demand, our political leaders are borrowing and printing and spending money at rates we’ve never seen before.

Even the Republicans — who fancy themselves as the “limited spending” party — are on board with this new way of thinking.

If you would have loudly supported massive government spending at a Republican convention in the 1980s, you would have been punched in the face. But today, Republicans and Democrats alike will cheer a loud supporter of massive government spending .



That is because of the huge change in **psychology** that COVID propelled.

We're in a Bizarro World where the virtues that allowed the United States to become the most prosperous country on Earth are now seen as strange relics. Down is up. Up is down.

Thanks to widespread support for financial irresponsibility — plus the more than \$50 trillion that the government owes in unfunded Social Security, Medicare, and Medicaid liabilities — we owe more money than any country in history.

Our debts and deficits hit new highs every month.

Our voracious appetite for more and more spending ensures the U.S. government cannot possibly pay its bills and debt in sound, honest money. It can only be paid with debased, devalued money.

This sea change in **psychology** and its inflationary legacy will be the “long haul” financial effects of COVID-19.

The Coming Spending Spree Could Destroy Your Savings

Inflation is a term that gets thrown around a lot.

You might have heard how Germany experienced a massive inflation after World War I... and its paper money became worthless.

Or, you might have heard how Venezuela recently experienced massive inflation... and its paper money became worthless.

But what exactly is inflation?

Inflation is the increase in the supply of money... which decreases the value of each “unit” of money. In America’s case, that unit is the dollar.

To quickly grasp the idea of inflation and how it works, imagine a country that has \$100 million in its monetary system. People and businesses use these dollars to pay each other for goods and services.



When people earn money, they park some of those dollars in banks.

Now... let's say the political leaders of this country decide to launch a big social welfare program and fight a war at the same time. The trouble is that the government doesn't have the money to spend on them. It has already budgeted all of its tax revenue for other things.

And for sake of simplicity, let's say the government can't borrow the money it needs for the welfare program and the war. Let's also say that it's politically unacceptable to raise taxes.

One option political leaders often choose — and they've done this for centuries - is to print new money to pay for the welfare program and the war.

They choose to "debase" the currency.

In this example, that's what the government decides to do. The government prints up \$20 million to pay for the social program. This increases the number of dollars in circulation by 20%.

Remember, we started with \$100 million, and they added \$20 million more, which is a 20% increase.

Many new dollars make their way into the economy, and so people start noticing that prices are increasing...

The price of a \$30,000 car works its way up to \$36,000 (a 20% increase).

The price of a \$5 sandwich works its way up to \$6 (a 20% increase).

Remember, neither the car nor the sandwich gets 20% better.

The value of the money simply falls... and causes the prices you see every day to increase.



If you hold lots of money in the bank during this inflation, you suffer a huge loss in purchasing power. Because inflation happens gradually, and without the uproar of a tax increase, it's a way for governments to silently tax the wealth of its citizens.

Debasement of existing paper money via printing new money is a way for governments to quietly clip small bits of value from your wallet... and then use the money to pay for things like social programs or wars.

A big problem savers have with the U.S. dollar and other paper currencies is that they are controlled by political leaders that have huge incentives to spend more than they take in... which massively devalues the money over time.

This problem goes back thousands of years... even back to Roman times... back when people used precious metals like gold and silver as money.

To ensure they could spend more and more money, Roman political leaders would mint more and more coins... while putting less and less precious metal — like silver — in the coins and more and more “base” metals — like bronze — in them.

They literally devalued their money.

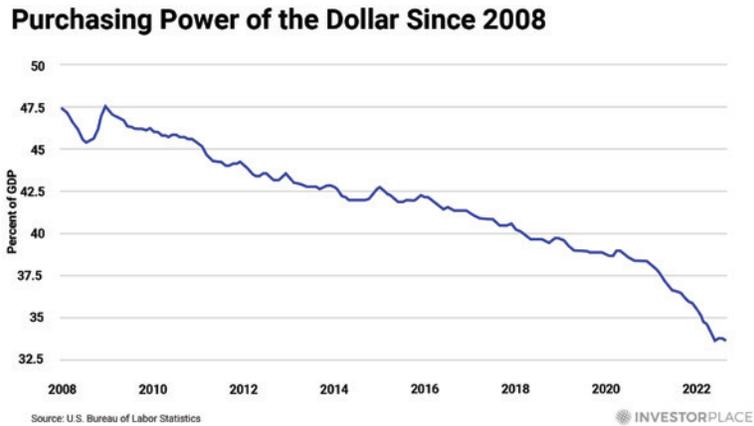
Modern-day politicians do the same thing.

Because of inflation, a dollar in 1982 is worth about 33 cents today.

But don't think it's a problem from just the 1980s...

The amount of devaluation just since 2008 is shocking. Since 2008, the purchasing power of the U.S. dollar has fallen by about 20%.





This is an incredible loss of your purchasing power.

And this isn't something that could happen in the future.

It's [happening now](#).

Why Currency Debasement Creates Volatility and Chaos

The negative effects of inflation go far beyond simply devaluing our savings. Inflation also has tremendous potential to cause volatility and chaos in our economy.

That's because [money isn't just a medium of exchange](#).

Prices aren't critical for just knowing what something costs.

Prices also make up a messaging system.

Prices send essential signals that allow our economy to function.

Prices let the baker know how much she has to pay for wheat and how much she can charge for bread.

Prices let the homebuilder know how much he has to pay for lumber and how much he should charge for a new house.



Prices let the employee know how much his time is worth on the open market.

Prices let us know if we should shift our spending habits.

For example, if the price of beef goes way up, we might buy more fish.

As a messaging system, prices are to the economy as the nervous system is to the body.

Prices carry information so things can get done.

And if the value of our money gets badly warped as a result of government money printing, our messaging system will get warped as well.

We'll get loads of bad data into our system. Bad data leads to people making loads of bad investments.

It leads to dumb borrowing. Dumb lending.

Think of it like a city's traffic lights.

If the information that runs the system gets corrupted, you'll have traffic jams and car accidents all over town.

As governments around the world debase their currencies, you can expect the further corruption of price signals in the economy... which will produce volatility and chaos.

This chaos will be further amplified by the third Agent of Chaos...



Agent of Chaos No. 3

The Great Unraveling

Why the Long Cycle of Cheap Stuff and Globalization Is About to Run in Reverse... and Make Everything You Buy More Expensive

“Made in China.”

You’ll find those three words stamped on billions upon billions of things in America.

Clothes. Toys. Furniture. Electronics.

This is because from 1989 to 2019, the United States got addicted to cheap stuff from China. We spent those three decades offshoring a huge amount of our manufacturing capacity to China... and helped it become the world’s largest manufacturer.

What a turn of events!

Most people don’t know that for much of the 20th century, China **wasn’t** a notable part of the global economy. It spent the century plagued by civil wars, Japanese invasions, and a disastrous experiment with communism.

But in the 1990s, China opened back up for business with the rest of the world. Its enormous population went to work in factories that sprung up all over the country. Thanks to its abundance of cheap labor, Chinese companies could produce these things for much less than their U.S. counterparts.

Because China could produce things like toys, medicine, clothes, and electronics so cheaply, many American companies went on an “offshoring” spree... and based their manufacturing capacity in China.



From 1989 to 2019, the United States willingly became dependent on China for the manufacture of all kinds of things.

Medicine... clothing... children's toys... textiles... electronics.

China was happy to encourage U.S. dependence on its manufacturing base.

Since China rejoined the global economy in the 1990s, it has been doing everything it can do get an edge over America. The Chinese government has subsidized many of its industries and allowed them to run at a loss so they could undercut and destroy American factories and vital industries.

After subsidized Chinese firms undercut their competitors and steal market share, the competitors eventually go bankrupt. It's a story we've seen play out in dozens of American industries over the past decade.

The Chinese government sees subsidies as one of the most powerful, most destructive tools in its arsenal. These subsidies can come in the form of free loans to businesses... the waiving of huge tax bills... free land... or deeply discounted electric power and raw materials.

These subsidies have made the U.S. dangerously reliant on China for many of our most critical products and raw materials.

Despite this danger, Washington chose to ignore how the supply of many things Americans deem necessary to everyday life could be interrupted or stopped because of war, pandemics, or souring U.S.-China relations.

For example, did you know that 80% of the antibiotics we consume in the U.S. comes from China?

Did you know that, for a long stretch, we couldn't make penicillin in the United States? Chinese producers sold it at such low prices that they drove out all the U.S. and European producers.

Now, we're hugely dependent on China for penicillin and other antibiotics, including those for superbugs.



Did you know that more than 50% of the drugs we take in the U.S. are made from ingredients that come from China? If China wanted to cut off the supply drugs and medicine it sends to the U.S., we'd quickly have a major health crisis here.

Despite these dangers, the United States chose "cheap" instead of "secure" for decades.

Then you have China's stranglehold hold on the markets for many vital raw materials...

The most dangerous of which is the production of critical materials called "rare earth metals."

Rare earth metals are vital to the production of solar panels, electric cars batteries, computers, missile guidance systems, radar, and satellites.

Rare earth metals are absolutely critical to the U.S. military.

They are a HIGHLY strategic resource — just as critical to our modern military as oil is... and the U.S. has to buy 80% of its rare earth metals from China!

In other words, China could easily cripple major parts of the U.S. military... simply by refusing to ship rare earth metals to us.

It's like two armies are lined up on a battlefield.

But before one side can fire its cannons, it has to go over and get on its knees and beg to buy fuses from the enemy.

Why Depending on China Was a Huge Strategic Blunder

The past two years have revealed to U.S. citizens that becoming so dependent on China was an enormous strategic blunder.



The COVID-19 pandemic revealed that our dependence on China and supply chains stretching around the world is a very dangerous situation for the United States.

At any time, a pandemic or the whims of Chinese leaders could choke off our only ready source of critical medicines, rare earth minerals, and other essential goods.

Our preference for cheap stuff from China has seriously undermined our economic security.

Thanks to COVID-19, millions of Americans are waking up to the fact that our dependence on Chinese manufacturing makes our country weak. It's a huge hole in any plan we have to be strong and self-reliant.

This is why we are about to see a huge "onshoring" boom.

We're about to see U.S. manufacturing capacity skyrocket.

We're about to greatly increase our ability to produce clothing, toys, electronics, cars, appliances, and hundreds of other things.

This big push to make the United States safe and secure comes with a tradeoff however.

It will require more than \$1 trillion of new investment... and the retooling of huge parts of our economy won't happen in two years.

More like 20 years.

This enormous capital expenditure will raise the price of everything... and act as an inflationary tailwind.

It will also create volatility and economic chaos as we unwind a massive system that took decades and trillions of dollars to build.

That's the tradeoff we make for making ourselves secure and self-reliant.



How Invasion of Ukraine Will Drive Inflation and Chaos Over the Next 20 Years

During the same time we were choosing “cheap stuff” over “secure economy,” Europe made a similar series of fateful decisions.

It chose to become dependent on crude oil and natural gas from Russia.

It's estimated that Europe gets 40% of its natural gas from Russia, which is a giant producer of the stuff.

Today, the European Union is the largest importer of natural gas in the world.

Europe could have relied more on domestic nuclear and coal energy, but over and over, its shortsighted leaders chose “cheap” and “green” over “secure.”

Never mind that Europe was counting on what is essentially a gangster state for a huge portion of its energy needs.

It was convenient and cheap to buy Russian energy rather than develop a diversified suite of domestic and foreign energy sources.

But Russia's invasion of Ukraine has shown this way of structuring an economy is very dangerous.

By becoming dependent on a murderous dictator for a big portion of its energy needs, Europe made a huge strategic blunder.

When Russian oil and gas went under sanctions in February 2022, European energy prices skyrocketed. It also tied Europe's hands and made its bargaining position with Russian President Vladimir Putin much weaker.

Just like the United States depending on Chinese manufacturing has proven to be foolish and dangerous, Europe depending on Russian gas has proven to be the same.



Now that Russia's invasion of Ukraine has made Europeans wake up and realize their blunder, we are about to see a massive and historic push by Europe to increase its energy security. The continent is set to spend more than a trillion dollars on energy security. It is sizing up to be one of the largest, most expensive spending trends in history.

Europe is going to spend that money on renewable energy, liquefied natural gas infrastructure, and nuclear energy.

It will adopt an "all of the above" mentality.

If it can provide Europe with energy and it's not from Russia, Europe will buy it.

Stopping its dependence on Russian energy is the smart move for Europe. It will make Europe more secure.

But just like the U.S. plan to become less dependent on China, this plan will cost more than \$1 trillion.

And the transition won't happen over two years. It will take 20 years.

Thanks to the massive "deglobalization" trend away from depending on countries like Russia and China for critical ingredients of the U.S. and EU economies, **the price of everything will go up.**

Two of the largest economies on the planet are about to choose "secure" over "cheap"... and that's going to be really expensive.

It will also create volatility and economic chaos as we unwind a massive system that took decades and trillions of dollars to build.

Summing Up...

By now, I hope you can see why I believe the next decade will bring extraordinary volatility and economic chaos.

It will be an era that will seem like madness to billions of people.



We will exit this decade a different society than when we entered it.

We'll see historic transfers of wealth.

People who are rich now will be penniless when the decade is over.

People penniless now will possess huge fortunes.

Industries and economies will boom and bust at rates that will make people's heads spin.

Stock prices will soar and crash at light speed.

Most of it won't make sense to most people.

But my hope is that it all makes total sense to you.

You'll expect it... and you'll capitalize on it.

The 2020s will be one of the most dangerous, most exciting, most chaotic, most opportunity-filled periods in U.S. history.

Depending on your mindset and your vantage point, that's either great news or horrible news.

Periods of great volatility — when markets go through huge ups and downs — are dangerous and uncomfortable for most investors.

When markets are going through huge ups and downs, investor emotion tends to fly off the charts.

Emotions are the enemy of good investing and trading. During volatile, emotional times, investors panic and sell near bottoms... and then panic and buy near tops.

Remember, markets are rational most of the time. They price most assets correctly most of the time. But when emotion levels go off the charts—like they do during volatile times — emotion overwhelms reason.



During volatile times, the **price** of assets decouples from the **value** of assets.

This, of course, means if you can keep your head while others are losing theirs, you can profit from big moves in the market.

This is why smart investors and traders are like The Weather Channel.

They thrive during times of bad weather. They know volatile times produce huge fluctuations in financial markets... that can be capitalized on.

In the next section, we'll cover the financial tools, mindsets, and strategies that can help you become a huge winner during **The Age of Chaos**.



Tools, Mindsets and Strategies for Surviving and Thriving During the Age of Chaos

How to Use Market Volatility to Your Advantage

Just like a good financial crisis breeds opportunity, times of extreme market volatility are great for short-term traders.

That's right. The volatile, chaotic markets that are terrible for novice investors *are fantastic for short-term traders.*

Periods like the 2007-'08 financial crisis, the 2000-'02 dot-com crash, and the 2020 COVID-19 crisis are like the Super Bowl for short-term traders.

During those kinds of chaotic times, traders can make the equivalent of 12 years of profits in just 12 months.

To great short-term traders, chaotic, volatile markets are times when the sky opens and starts raining gold.

You can build your whole career around these kinds of markets.

I know crashes and panics can be bad for a lot of people.

My heart goes out to them.

But I didn't make the rules.

I'd change them if I could.

But we can't change the rules and the fact is, crashes and panics create **incredible** trading opportunities.

That's when it starts raining gold.

How Can Something so Bad for Most, Be Good?

The key here is "short term."



Volatile markets and times of crisis are great for traders because they create huge moves in the markets that play out over the short term.

A move that might play out over 12 months in a calm market can play out over 12 days in a fast-moving, volatile market.

In a calm market, you might see the stock market move 15% in 12 months.

In a volatile market, you can see the stock market move 15% in 12 days.

Instead of seeing the price of crude oil change by 20% over a period of two years, a volatile market can create a move of that size in two months.

These big moves can be up or down... **but the key here for us to all understand is that they are large and they happen fast.**

While short-term trading may scare some people off, it shouldn't.

There are a number of examples in the real world.

For instance, some businesses make most of their money in bursts.

Take a beachfront restaurant on the East Coast... in a place where lots of people go for vacation. The beach restaurant makes most of its money during the summer... when lots of people go to the beach.

They can make a fortune during the busy season.

During the winter, that same restaurant might barely get by... or just shut down and reopen in the summer.

Or, take ski resorts.

They make money when it snows. During the summer, they shut 'em down.

It's just like that with short-term trading.



In volatile, fast-moving markets, huge moves both to the upside and the downside take place over a few months... and that's when traders make lots of money.

Again, making 30% over three years isn't all that exciting.

But making 30% in three weeks is another story.

One of the hallmarks of a volatile market are those kinds of moves.

I would even say that's one of the definitions of a volatile market: **a time when big moves happen over short time frames.**

It's really that simple. And it's great for traders.

The more people are in a panic... the more dislocations... the crazier and more out of whack the markets get... the more money traders make.

Let me give you some examples...

We all know the COVID-19 pandemic created extreme market volatility... extreme price dislocations... all over the world.

Because so much of the global economy shut down, there was a glut of oil.

Prices even went negative for a short time. It was a market panic.

As a result, oil stocks as a whole dropped an incredible 60% in less than three months.

Then, the market staged an incredible rebound. Oil stocks soared 45% off their lows... again, in less than three months.



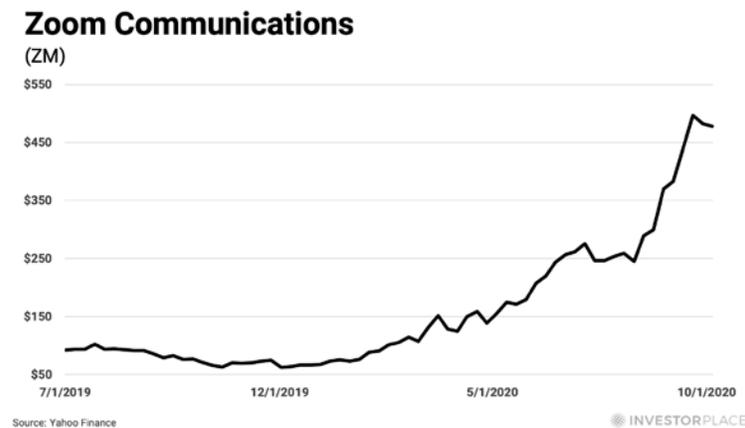


In a calm market, those kinds of moves can take years to play out.

But during the COVID crisis, **they played out in three months.**

Another incredible story from the pandemic is Zoom Video.

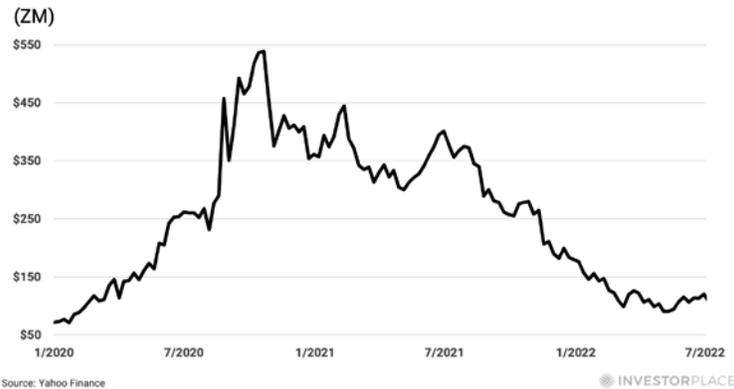
Thanks to the surge in video calls, Zoom enjoyed a big revenue boost. People got so emotional and excited over the Zoom story that they piled into the stock and sent it rocketing 221% in six months.



But because people bid up Zoom to absurd price levels relative to its revenue and profits, the shares crashed over 75% in less than a year.



Zoom Video Communications



These kinds of giant short-term moves are uncommon in calm markets.

But they are very common in volatile markets where emotions are running high.

Take another historic panic: the 2007-'08 financial crisis.

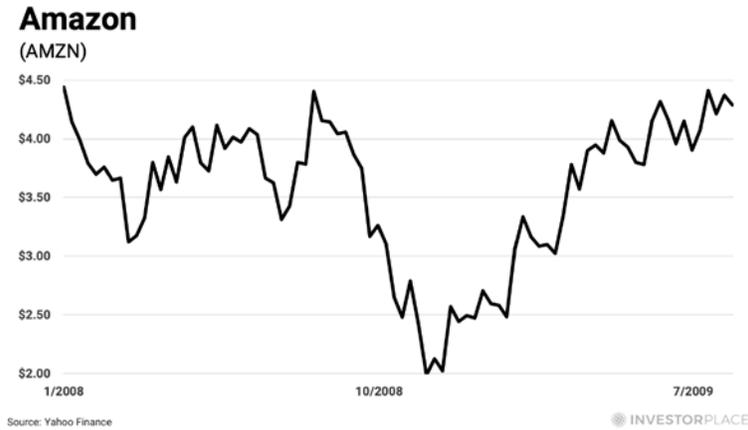
Back then, people were worried the next Great Depression was at hand. They sold their stocks with no regard to their underlying values.

They didn't even have the option to think about value. They had to raise cash to meet margin calls and other obligations. So, they sold first and asked questions later.

Panicked sellers sold Amazon all the way down to less than \$2 per share.



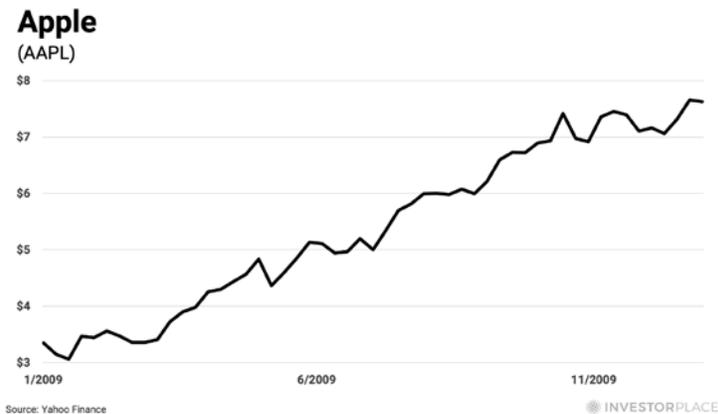
But as people returned to their senses a bit, Amazon skyrocketed more than 100% of its lows... in less than six months.



Apple was a similar story during the panic.

Investors dumped the stock in 2008. But then Apple hit bottom and soared 157% in less than a year.

Many people wait seven years to make that in stocks!



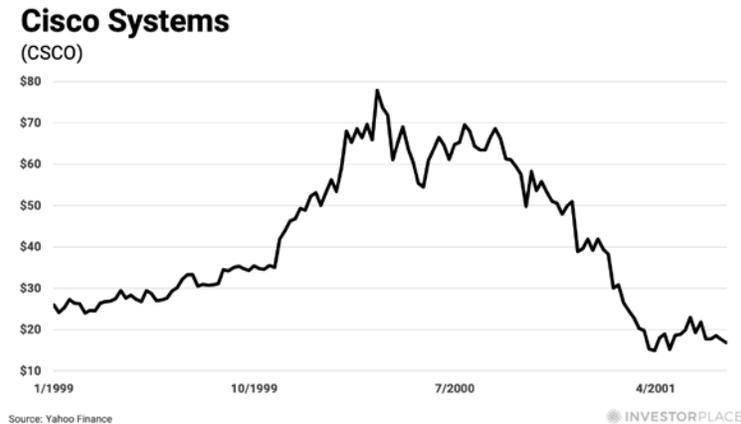
Then you have the total chaos of the dot-com crash during the early 2000s.

The big tech leader Cisco soared thousands of percent in the years leading up to the bust... and then crashed more than 70% in less than a year.



It was a massive move in a short time.

This kind of move can produce spectacular gains in a short time for traders betting on a drop.



Why would you wait five years to make 100% when you can make it in five months?

The Key to Short-Term Profits

A big key in all this comes down to investor emotion.

Times of extreme volatility — when markets go through huge ups and downs... when people are worried about the system holding together — are \ dangerous for most investors.

That's because when markets are going through huge ups and downs, investor emotion tends to fly off the charts.

Emotions are the enemy of good investing and trading.

During volatile, emotional times, investors panic and sell near bottoms... then panic and buy near tops.

Markets are rational most of the time. They price most assets correctly most of the time.



But when emotion levels go off the charts—like they do during volatile times (or during financial crises like we mentioned in the previous section) — **emotion overwhelms reason.**

During a crash, terrified investors sell first and ask questions later. They buy and sell assets with no regard for their underlying values or ability to produce cash flow.

During volatile times, the **price** of assets decouples from the **value** of assets.

This means, if you can keep your head while others are losing theirs, you can profit from big moves in the market.

When most investors hear about a crash or a panic in a market, their instinct is to sell. They avoid volatility.

To most investors, “volatility” is a bad word. It’s like a spicy pepper in your oatmeal.

You don’t want to see it in your sensible, conservative investment mix.

The talking heads on financial television complain about volatile markets. Mainstream headlines make it sound like volatility is a terrible thing.

Which brings up one of the greatest lessons you can ever learn about the financial markets.... one of the true keys to market mastery.

Great traders and investors love volatility.

In fact, I believe it’s a landmark moment in someone’s investment career when they realize that volatility can be harnessed... and can help you make a lot of money quickly.

When that realization happens, a world of huge opportunities opens.



If you know how to harness volatility and put it to work, you can make extraordinary returns in stocks. You can make returns in 10 months that most people wait 10 years to make.

So, how do you find these kinds of opportunities?

That's what we are going to cover in the following pages.

No doubt this decade will be tough to stomach at times. Almost three years in and we're already seeing The Age of Chaos grip the markets and world economy.

As investors, what can we do?

What we shouldn't do is sell everything and run for the hills.

Yes, in the short-term things are going to be tough. But there are still profits to be made in this market... and strategies you can employ to protect and grow your wealth.

In the following pages, we'll share five strategies you can employ to ensure your financial survival during the chaotic 2020s...



Survive and Thrive Strategy No. 1

Seek Out “Skyscraper” Trades

... and How to Make 100%+ Returns

By now, the trade is a stock market legend...

One of the greatest “scores” in American business history.

In 2009, at the depths of the Global Financial Crisis, a hedge fund manager named David Tepper did something that looked crazy.

As the world’s financial system was falling apart... as the mortgage market was in freefall... as bank after bank after bank went under...

Tepper started buying banks.

He “went long” the financial system.

As investors were running for the stock market’s exits, worried about a repeat of the Great Depression, Tepper scooped up truckloads of bank shares, which were badly beaten down and trading for fire-sale prices. Icons like Bank of America and Citigroup, for example, dropped more than 90% during the crisis.

On some days, it was like Tepper was the only buyer of bank shares on the planet. “I felt like I was alone,” Tepper told The Wall Street Journal in 2009. On some days, he said, “no one was even bidding.”

You know what happened next.

The world didn’t come to an end.

We didn’t enter the Second Great Depression.

The global economy recovered from one of the worst financial crises in U.S. history.



What you might not know is how much money David Tepper made by rushing into a burning building other investors were rushing out of.

As the crisis eased, financial stocks like Bank of America and Citigroup sprang back to life and soared hundreds of percent in value. As a result of his timely bet, Tepper and his investors made \$7 billion in 2009.

It's estimated that Tepper personally made a stunning \$2.5 billion... while enjoying one of the single greatest wins in stock market history.

Again... it's now the stuff of legend.

Tepper capitalized on a rare situation in the stock market that can return \$10, \$20, even \$50 for every \$1 invested. Typically, you only see this kind of situation once every decade or so.

Because this situation is so rare and its potential rewards are so high, smart investors are obsessive about seizing them when they appear.

If you take full advantage of these rare opportunities, you can achieve financial freedom relatively quickly... much like David Tepper did.

I call these opportunities "Skyscraper Trades."

In the following section, I'll show you why Skyscraper Trades are so rare and so powerful... and I'll detail how you can seize these huge opportunities.

How to Make 19 Times Your Money

Around the time Bank of America and its fellow banks were soaring hundreds of value and making Tepper billions, the big Las Vegas casino operator Wynn Resorts was in the midst of similar rebound.

Like Bank of America, Wynn Resorts was beaten up badly in 2008.

People worried the financial crisis would send Wynn and other casino operators into bankruptcy. Concerns were so great that Wynn fell from its 2008 high of \$74.50 per share to a 2009 low of \$9.51 per share... a drop of 87%.



As the financial crisis abated, Wynn Resorts' depressed shares shot higher like a coiled spring. Less than five years after the crisis, Wynn stock traded for \$181 per share... a 19-fold increase off its 2009 low.

You can see the big bounce off the low in the chart of Wynn's share price below:



The examples of Bank of America and Wynn Resorts contain an important lesson.

They show us that in order to know why Skyscraper Trades can soar in value AFTER you place them... you must know what has to happen BEFORE you place them.

Bank of America and Wynn Resorts (and many of their contemporaries) soared in 2009 because they were crushed in 2008.

Like it or not, financial panics, natural disasters, pandemics, and recessions are part of our lives. You can expect to live through at least eight periods of crisis during a long career as an investor. It's just the way the world works.

When companies that own valuable assets like brands, factories, patents, real estate, equipment, recipes, and intellectual property suffer massive, 80%+ share-price declines during a crisis, they often enter a unique financial state.

This unique state is often resolved in one of two wildly different outcomes.



In **Outcome No. 1**, the company has the necessary financial strength to weather the crisis. During the crisis, the company's revenue goes down, but it has enough cash on hand to survive and pay its expenses and creditors. It lives to fight another day.

Because the company's market value is so depressed, it skyrockets in value after the crisis passes. This is what happened to bank stocks after the financial crisis. Thanks to a recovering economy and government backing, bank stocks shot hundreds of percent higher off their depressed lows... making investors like David Tepper billions.

Remember, if an asset sells off 80% because of a temporary crisis, it has to soar fivefold to get back to normal.

If an asset sells off 90% because of a temporary crisis, it has to soar 10-fold to get back to normal.

The price trajectory of a stock that plummets 80% to 95% in value during a crisis and then bounces back hundreds of percent higher after the crisis subsides looks like the trajectory of a rubber ball that is dropped from the 100th floor of a skyscraper and then bounces hundreds of feet in the air.

That's why we call these "Skyscraper Trades." The upside force of the rally is so powerful because the downside force of the selloff is so powerful.

When a business like Wynn Resorts or Bank of America suffers a major selloff, you can bet that public sentiment toward that business will be terrible. Virtually no one will want to buy it. Most people are terrified by big share-price declines.

Mention the industry or business to someone at a cocktail party and they will recoil in disgust.

You won't see the business on a mainstream magazine cover, because publishers know having that beaten-down business on their covers would gross out readers and potential newsstand buyers.



It's around this time — when most folks can't stand the thought of buying the business — that it can start trading for less than its real, intrinsic value... for less than its replacement value.

For example, if most folks can't stand a particular real estate market, houses in that area might start changing hands for well below the cost it would take to build new ones. This is called "trading below replacement cost."

In this terrible set of conditions, you can often buy a business for a quarter or half of its book value. (Book value is the difference between that company's total assets and total liabilities. It is the total value of the company's assets that shareholders would receive if the company were to be liquidated.)

But if you step in and buy amid the pessimism for 50 cents on the dollar, you can double your money if just a tiny bit of optimism returns to the market and sends the business back up to its book value.

And keep in mind, it doesn't take great news to double the price of a cheap, hated stock. It just needs things to go from bad to less bad.

But a beaten-down stock doesn't always spring back to life.

This brings us to **Outcome No. 2.**

In Outcome No. 2, the company does not have the financial strength to weather the crisis. During the crisis, the company's revenue declines, and it doesn't have enough cash coming in or on hand to pay its expenses or its creditors. It goes bankrupt.

The company's depressed and cheap stock — often less than \$2 per share by then — goes to \$0.

Up hundreds of percent in value... or down to zero.

I told you they were wildly different scenarios!



To some folks, the thought of owning a stock that could soar 10-fold in value or begin the march to zero sounds crazy. But to top traders, it's an interesting bet.

That's because when a depressed stock has the potential to soar 10-fold in value or go to zero, what you have is a very attractive "asymmetric bet"...

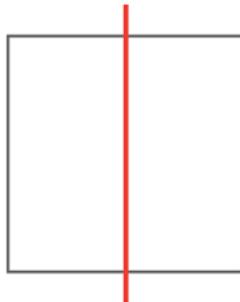
Asymmetric Bets: Risk a Little, Make a Lot

Among the world's best, most elite money managers, there is an obsession with "asymmetry."

You probably learned about the opposite of asymmetry — symmetry — in grade school.

When the parts of something have equal form and size, they are said to be symmetrical.

For example, cut a square in half, and the two parts are symmetrical.



In many areas of your life, symmetry is attractive.

The more symmetrical someone's face is, the more attractive they typically are. Symmetry can be pleasing in art and architecture.

But when it comes to the financial markets, experts avoid symmetry.



To put it bluntly, symmetry is for chumps. When it comes to making money in the financial markets, symmetry is the opposite of what we are looking for in our portfolios.

Expert investors and speculators seek asymmetry in virtually all the positions they take.

An asymmetric “bet” is when the potential upside of a position is much greater than its potential downside.

If you risk \$5,000 for the chance of making \$100,000, you make an asymmetrical bet.

If you risk \$5,000 for the chance of making \$5,000, you make a symmetrical bet.

Although this concept is common sense, the vast majority of investors fall into the trap of making symmetrical bets in the stock market.

Many investors routinely risk 100% of their money in the pursuit of 100% returns. Or even worse, they risk 100% of their money in the pursuit of 50% returns.

For example, many folks will buy a stock someone touts as having “100% upside,” and they’ll be willing to ride the stock to zero (a 100% loss) if things don’t pan out.

One hundred percent upside.

One hundred percent downside.

Symmetry.

Now, risking a dollar to make a dollar might sound fine to most folks. But master investors know there is a much, much better way to think about risk and reward... a much better way to tilt the odds in your favor.



An investment or trade with symmetrical risk/reward potential actually gives you horrible odds... the odds you'll find in casinos or in the bets drunken sports fans make between themselves.

Most people don't understand why those odds are so bad, and it kills them in the financial markets.

The world's best traders and investors almost never touch positions with symmetrical risk/reward profiles.

The world's best traders and investors look for opportunities where they can risk \$1 for the real chance of making \$5... \$10... even \$20.

Risk a little...

...in the pursuit of earning big rewards.

That's the power of asymmetric bets.

Sounds just like a potential Skyscraper Trade, right?

The beauty of a stock with a lot of upside potential is that you don't have to take a large position in order to make a lot of money.

In fact, when it comes to a beaten-down stocks that is on a knife edge of "glory" or "disaster," you most definitely should keep your position small.

These kinds of trades are not for the "rent money" and are best played with small amounts of capital you should be willing to never see again.

How to Find the Next Big Skyscraper Trades

The nature of Skyscraper Trades means the best time to find them is after a major crisis.

This can be a broad economic crisis, like the Global Financial Crisis or the CPVOD-19 pandemic. But it can also be a "localized" crisis in one country or one sector.



For example, during the 2000-'02 tech stock crash, shares of many high-quality technology firms fell by more than 70%. But by late 2002, the crash was over and things started getting “less bad” in the tech sector. The dominant fiber-optics gear maker, Corning, soared more than 20-fold off its 2002 lows in the years that followed.



Skyscraper opportunities also can arise because of a crisis inside one single company. For example, in 2016, the giant commodities trading firm Glencore was in crisis. Shares had dropped 75% from their 2015 high. Commodity prices were in a decline, and the company had a large debt load. There were real concerns the company’s common stock would become worthless.

However, in 2016, commodity prices climbed. Glencore’s management team cut debt, reduced spending, and cut its dividend. The commodity price rally and management’s moves allowed the business to recover. Shares soared more than fivefold off their lows.





Because Skyscraper Trade opportunities can result from broad economic crashes, industry crashes, company crashes, and individual country crashes, we here at InvestorPlace monitor all of these types of markets.

We're likely to see these types of events more frequently during The Age of Chaos.



Survive and Thrive Strategy No. 2

Be a “Connoisseur of Extremes”

And Why it’s Essential to Your Investment Success

Some people are connoisseurs of fine wine.

Some people are connoisseurs of good food.

But if you want to build wealth in the stock, bond, and commodity markets, you must become a “connoisseur of extremes.”

I believe this single concept will put you light years ahead of your fellow investors.

Below, I’ll explain this concept and how you can put it to work to drastically increase your net worth.

Extremes Create Opportunities

Most of the time, financial markets are in fairly normal, fairly unremarkable states. They don’t produce sensational headlines in the mainstream financial news.

You know what the sensational headlines look like: “Dow Has Worst Week Since Great Depression” and “Investors Lose Billions in Friday Market Crash.”

However, the world is an ever-changing place. You have financial booms, financial busts, wars, panics, amazing innovation, election surprises, interest-rate surprises, scandals, and dozens of other catalysts that can cause huge moves in the markets.

(Much of which we are experiencing now, all at the same time.)

By saying you should become a “connoisseur of extremes,” I’m saying you should always be searching for situations where huge price moves place financial markets in drastically different states than normal.



By locating these extreme states — and then betting on conditions returning in the direction of normal — you can consistently make low-risk profits in any type of asset class.

It's important to realize that extremes can occur in any asset class, from stocks to commodities to real estate to bonds to currencies.

Extremes can be fundamental in nature, like how cheap or expensive a stock market is. Another name for this is "valuation" extreme.

Like how overbought or oversold a market is, extremes can also be price action based. This is referred to as "technical analysis."

Extremes may appear in sentiment readings, like surveys that monitor investor pessimism and optimism.

Let's cover an extreme in fundamental readings.

Fundamental Extremes

A good example of a fundamental valuation extreme came in U.S. stocks in 1982. Back then, stocks became extremely cheap relative to their earnings power.

For U.S. stocks, the normal price-to-earnings (P/E) multiple over the past hundred years or so is 16.

The P/E ratio is the price of a company's shares divided by the company's earnings. The ratio shows investors how much they will pay for \$1 of earnings. A low P/E ratio (usually below 15) indicates a company is cheap or undervalued. A high ratio (usually over 18) shows that a company's shares may be expensive or overvalued.

In 1982, the economy and the market had been doing so poorly for so long that people simply gave up on stocks.



Since nobody wanted to own stocks, they became extremely cheap. The P/E multiple fell to around 8. It was one of the greatest times ever to buy U.S. stocks. The market rose 50% in just one year, and then doubled by 1986. It rose more than 10-fold over the next 17 years.

Fast forward about two decades and you'll find the opposite extreme. In 1999, optimism toward stocks was so high that the market reached a P/E ratio of 33. This was a ridiculous level of overvaluation.

Remember, the normal P/E ratio of the past 100 years is around 16. The extreme level of overvaluation made it a terrible time to buy stocks. The market crashed for several years after hitting that extreme.

When it comes to fundamentals, you need to study an asset's historical valuation and find out what's normal for that asset. When an asset gets very cheap relative to its historical valuation, we need to consider buying.

When an asset gets extremely expensive relative to its historical valuation, we want to consider avoiding it or even bet on it falling. This goes for oil stocks, tech stocks, real estate, and virtually all other assets.

We also see extremes that are technical in nature.

Technical Extremes

Before we get into particulars, let's define the term to prevent confusion:

Technical analysis is the study of price action and trading volume to help guide trading and investing decisions. Many people think technical analysis is about predicting the market, but it's not. It simply comes down to using price and volume data to gauge market action and help guide decisions. That's it.

There are dozens of technical indicators that measure a stock's oversold/overbought levels. One I've found useful is the "RSI," which stands for "relative strength index."



Using the RSI is nothing magical or predictive. It just offers an objective way to gauge the overbought/oversold nature of a stock.

We use these gauges to identify extremes in the market, and then to bet on the conditions being “relieved” by a reverse move in the other direction. When the pressure behind an extreme is released, the market tends to snap back like a rubber band stretched to its limit.

There are literally hundreds of technical indicators and chart patterns people use. I have a handful that work for me. However, what works for me or you or someone else isn't as important as knowing the overarching goal: Using this stuff to spot extremes.

For example, I often trade short-term moves in blue chip stocks, like Coca-Cola and McDonald's . These are elite businesses with tremendous competitive advantages and long histories of treating shareholders well.

Stable blue chips can go through rough patches, like any business. If they report a weak quarter, have a product recall, or suffer any other of a dozen serious-but-solvable problems, the market tends to overreact and hammer down shares. The stock price will reach a state we can term “oversold.” Oversold is when a stock has reached an extreme level of poor short-term price action.

It's around this time that I'll step in and trade the stock from the long side. World-class businesses have a way of rebounding from short-term setbacks. They almost always snap back from extremely oversold levels.

(We'll have more on RSI in Survive and Thrive Strategy No. 5.)

Now, let's cover another kind of extreme — sentiment extremes.



Sentiment Extremes

Let's define *sentiment* to prevent confusion. The study of market sentiment comes down to gauging the amount of pessimism or optimism toward a given asset. You can gauge the sentiment for just about any kind of asset, be it stocks, commodities, real estate, or currencies.

While some measures of sentiment can be precisely measured, others cannot. That makes gauging market sentiment more art than science.

Whatever gauges you use, the goal is the same: Find extreme levels of pessimism or optimism. You want to find situations where the majority of market participants are extremely bullish or bearish... and then bet against them. *You want to go against the crowd.*

When most folks can't stand the thought of owning a specific kind of investment, chances are good that it's cheap and is due for at least a short-term rebound.

On the other hand, when everyone loves an asset (when everyone loved dot-com stocks in 1999, for instance), chances are good that the asset is expensive and due for at least a short-term drop.

A few informal sentiment gauges — the kind that can't be precisely measured — are magazine covers and cocktail party chatter.

If a mainstream outlet like Time puts an asset on its cover accompanied by a glowing headline, chances are good that the asset is far too popular, far too expensive, and due for at least a short-term drop.

Magazines have to publish stories many people want to read. Plus, it's mostly journalists, not great investors, who write those stories.

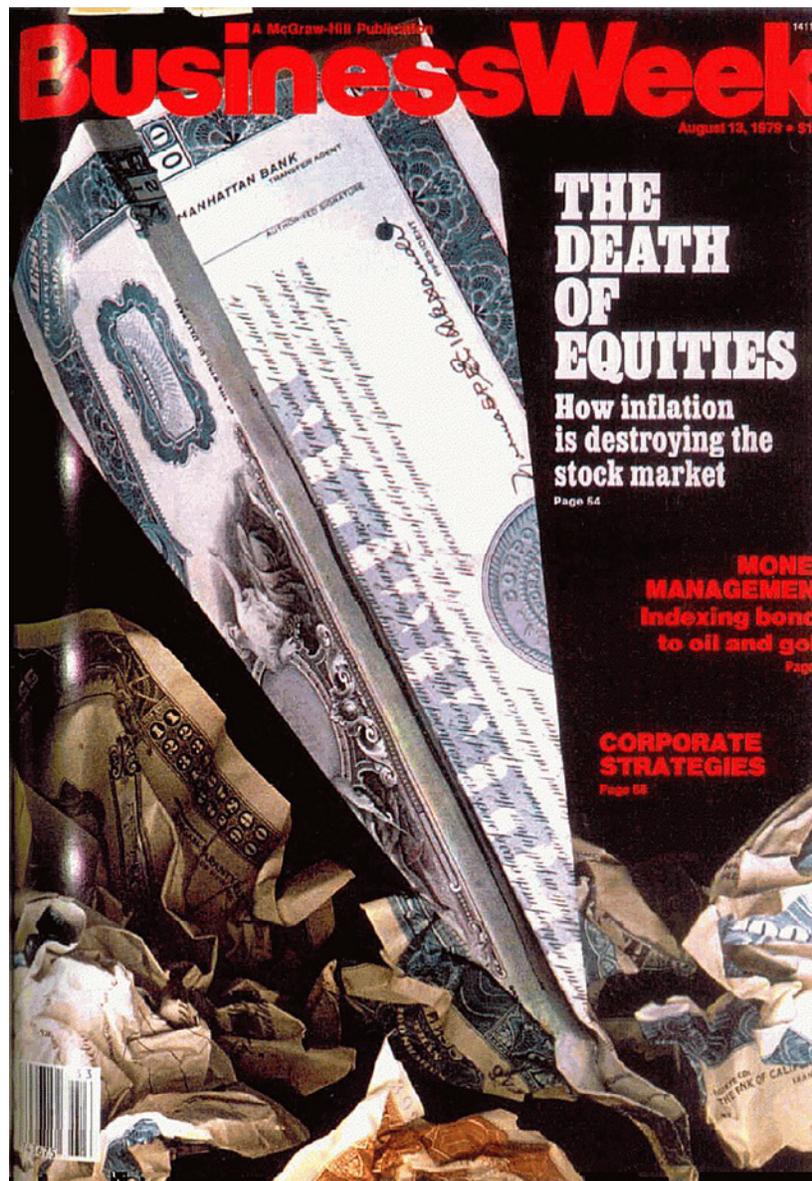
Back in 1999 and 2000, magazines usually had stocks on their covers — it was a danger sign.



In 2006, it was all about how to cash in on the real estate boom. That was also a danger sign.

It works the other way as well.

Back in 1979, near the bottom of the historic bear market in stocks, *BusinessWeek* ran a cover story about “The Death of Equities.” It was all about how stocks were a terrible investment. This cover came out just before the stock market took off on the huge boom I mentioned earlier.



Cocktail party chatter offers up similar insights. It's another way to get a feel for what the general public thinks about a given investment.

You can get a feel for this by talking to people at cocktail parties, family gatherings, holiday parties, and dinner parties. When people are excited about a given asset and buying as much as they can, it's a major warning sign. Think "Bitcoin" around late 2017, when everyone was raving about it. It's a sign the asset is too popular, too expensive, and due for a fall.

After all, if "everyone" is excited about an investment, and "everyone" has bought it, then who else is left to buy it at a higher price?

On the other hand, when most folks can't stand the thought of owning a given asset, chances are good that it's a good buy.

For example, back in 2003, I put a large portion of my net worth in gold. When I'd tell people that I owned a lot of gold, they'd look at me like I was crazy. You could say there was an extreme amount of disinterest in gold.

Gold went on to rise by many hundreds of percent off its 2003 levels.

How to Trade Extremes

It's important to note that being a "connoisseur of extremes" and trading them is about getting a powerful force of nature to work in your favor.

That force is called "reversion to the mean."

"Reversion to the mean" is a broad term used to describe the tendency for things in extreme, or abnormal states, to return to more normal states.

You see "reversion to the mean" all the time in sports, academics, business, trading, and dozens of other things.



Winning an NFL Super Bowl requires an extreme set of circumstances, for example. A pro football team must have a great coach and a great group of players. They have to play extremely well together for an extended period of time. The elite players must avoid injury. The team has to beat a series of excellent teams at the end of the season.

It's really hard to get all of the stars aligned and win a Super Bowl. That's why Super Bowl winners rarely win the championship again the next year. They tend to "revert to the mean" and not win.

To go back to the example of trading extremely oversold high-quality stocks, if a blue-chip stock like Coca-Cola is sold heavily day after day for several weeks, chances are good that its trading action will "revert to the mean" and cease being so extreme. Chances are good that it will stop falling and start rising.

Valuation extremes are often accompanied by technical and sentiment extremes.

That's why I believe studying and trading the market with "just" fundamentals or "just" technicals is a limiting mindset. Consider what happened with offshore drilling stocks in mid-2010, just after the terrible Gulf of Mexico oil well disaster.

After the disaster, investors dumped shares of offshore drilling stocks. They completely overreacted. It was like people believed we'd never be drilling for oil again and sentiment toward the sector was terrible. Even oil companies with little business exposure to Gulf of Mexico fell more than 30%.

This big decline left the whole sector in an extremely oversold state, also making the stocks very cheap. Great drilling businesses were sold down to valuations of around 5X earnings.

After the selloff, you had a sector that was extremely unpopular, extremely cheap, and extremely oversold from a technical standpoint.



So, I went long offshore drilling stocks via stock options and made big returns in a short amount of time. The stocks enjoyed a sharp “snapback” rally.

Again, this rally was preceded by “extreme” valuation, technical, and sentiment readings.

From time to time, every investor or trader is asked about their market approach. “Are you a fundamentalist or a technician?” is a very common question.

Fundamental investors and traders study things like balance sheets, economic output, and cash flows to develop ideas. Technical analysts study things like chart patterns, price action, and trading volume to develop ideas.

Both camps bicker plenty over who is using the “right” approach. I’ve seen a lot of fundamental guys accuse technical guys of being crazy. I’ve seen a lot of technical guys accuse fundamental guys of the same thing.

I believe all the bickering is a waste of time because I have an uncommon view on these things.

In my mind, there is no distinction between fundamental analysis and technical analysis. They’re intertwined and inseparable, like the Eastern idea of yin and yang.

Along with sentiment analysis, I see fundamentals and technicals as parts of an interconnected puzzle that is “The Market.”

A market’s fundamentals create the technicals and the sentiment, which in turn affect the fundamentals, creating new technicals and sentiment, further affecting the fundamentals, and so on. This self-reinforcing feedback loop is the basis of famed investor George Soros’ theory of reflexivity.

Simply, the theory of reflexivity is the idea that investors’ perception of the market’s condition affects the market, which in turn affects investors’ perception. It’s like a feedback loop between investors and the market.



So, when someone asks me if I trade using fundamentals or technicals, I reply, “Both. After all, they are the same thing.”

Whatever your approach, make sure it involves you becoming a “connoisseur of extremes.”



Survive and Thrive Strategy No. 3

Know the Two Sides to a Price

An enlightened way to view cash and market panics

Prices.

You can't make a move in today's world without seeing the price for something.

You've got prices for cars, homes, gas, food, insurance, medical care, appliances, and services. You've got prices for financial assets like stocks and bonds.

Most people view a price as having just one side. A stock's price is \$42, a home's price is \$350,000, a car's price is \$27,000. For most people, the thinking stops there.

Yet, there's a very different, very powerful way to view prices beyond them having just one side. And it's one of the great secrets of the financial markets.

Once you learn and start using this idea, you'll ascend to a higher level of understanding the market — and even a higher understanding of everyday life.

Those are bold statements, I know. So let me explain...

Every Price Has Two Sides

Rather than seeing a price as having just one side, an enlightened individual sees a price as having two sides. There is great power in knowing that "there are always two sides to a price."



Here's how "two sides to a price" works:

- On one side of a price, you have the asset, product, or service being measured.
- On the other side, you have your "measuring unit." (This is the currency you're measuring the other side with, like dollars, euros, Swiss francs, bitcoin, Japanese yen, or "hard money," gold.)

If you keep these two sides in mind, a whole new world of opportunities will open up to you. You'll start to view the stock, bond, and commodity markets in a much more useful way.

How to Look at Both Sides of Price

Both sides of a price can fluctuate wildly. They can boom and bust. They can enter long-term bull markets and long-term bear markets.

Most people panic during crashes and bear markets, but those who know that there are always two sides to a price think and act differently.

This is because they know a bear market in stocks is also a bull market in cash.

They know that when asset prices go down, their power to accumulate assets goes up.

For example, let's take a hypothetical company, Broward Breweries. With its suite of popular beers, Broward is one of the country's top beer makers. It has a large and loyal customer base.

Because of these qualities, Broward Breweries is a great business that rewards its shareholders. It has increased its dividend payment every year for the past 18 years. The annual dividend payment is \$2 per share. Broward's share price is \$50, so the dividend yield is 4%.



Now, let's say stocks enter a terrible bear market. During this bear market, Broward continues to sell beer. Its customers remain loyal, and the fundamentals of the business itself remain strong. Given this, Broward continues to pay its dividend, but since stocks are out of favor with investors, Broward's share price falls to \$25 per share.

In this example, one can say Broward's share price dropped by 50%. For most folks, the thinking stops there.

However, because we are enlightened investors, we go a step further...

We say the amount of this great business we can acquire with our investment dollar has increased, not by 50%, but instead by 100%!

To illustrate, let's say we wanted to spend \$5,000 on Broward's stock. At a share price of \$50, that would have bought us 100 shares. But after Broward's stock fell 50% to \$25, our same \$5,000 now buys us 200 shares.

That's 100% more than before, even though the stock itself only fell 50%!

Thanks to Broward's lower stock price, we can own a larger share of the business's assets — per dollar invested — than we could before.

We can also claim a larger share of Broward's dividend stream per dollar invested. The falling share price translates into us getting a much larger cash yield on our investment.

Buying Broward at \$25 per share instead of \$50 per share means we earn an 8% yield on our investment instead of a 4% yield.

This simple example shows how the mirror image of a bear market in stocks is a bull market in the value of your cash.

As asset prices go down, your ability to employ cash in the acquisition of assets goes up.

You can also see this idea at work in the real estate market.



Say there's a well-built single-family home in your neighborhood. It's capable of generating \$12,000 in annual rental income (before factoring in expenses like maintenance and insurance). Imagine it would sell on the current market for \$120,000, or 10X rent.

Now, let's say that housing in your area enters a bear market. That home declines in value and sells for \$90,000.

In this instance, we could say the home's value decreased by 25%. Or, we could say your dollars increased in value relative to the home. You can now buy the home that throws off \$12,000 in rental income for \$90,000 instead of \$120,000.

It was a bear market in housing, but also a bull market in your ability to acquire real estate with your cash.

Let's go to the commodity market for another example. We'll use copper, one of Earth's most useful natural resources. Copper is used in cars, homes, appliances, electronics, power lines, construction, and a thousand other things.

In 2007, copper traded for around \$3.50 per pound. During the 2008 financial crisis, it plunged 57% in value. By early 2009, it traded for around \$1.50 per pound.

By now, you know the other way to view this situation.

Copper's massive price decline meant you could accumulate even more of this useful natural resource with your investment dollars. In 2009, your investment dollar bought you a lot more copper than it did in 2007. (And by 2011, the dollar price of copper had recovered more than 150%.)

We'll go to the currency market for one last example.

The financial media often runs articles about big moves in the currency market. You might read how the Canadian dollar has dropped 10% in the past year, or how Russia's currency, the ruble, is crashing.



But when a currency crashes in price, another currency, like the dollar, soars in price relative to that currency.

That's exactly what happened in 2014 when Russia's economy struggled badly. The Russian ruble lost more than 50% of its value relative to the U.S. dollar, but you know there are two sides to this story.

On one side of the price, you had a currency crash. On the other side, you had a currency rally. During this rally, the dollar holder's ability to buy Russian assets skyrocketed. (By the way, this knowledge is useful for taking vacations.

Your buying power goes a lot further in a country that has experienced a big currency decline.)

"There are always two sides to a price."

When you know a bear market in stocks or commodities or real estate is also a bull market in cash, you'll be more comfortable keeping a large portion of your wealth in cash. You'll know the whole time that it's increasing in value and will eventually allow you to accumulate valuable assets at bargain prices.

Keep this in mind the next time a market crashes. You'll see what others don't. You'll start considering your cash as "returns in waiting."

You'll know your cash is enjoying a bull market in purchasing power, and you'll be ready to buy valuable assets at fire-sale prices.



Survive and Thrive Strategy No. 4

Learn to Appreciate a Good Financial Crisis

A financial crisis creates great opportunities

For the 210-year period from 1802 to 2012, investment returns in U.S. stocks averaged 6.7% per year.

The excellent returns in stocks came during a time marked by booms, depressions, world wars, stock crashes, amazing innovation, and financial panics.

At that rate of appreciation, you'd double your investment stake (aka "make a 100% return") in about 11 years... and you'd triple your stake (a 200% return) in about 17 years.

But thanks to a unique type of market event, there are times when entire groups of stocks climb 100% in a year... and 200% to 300% in two years.

These events lead to "warp speed" wealth generation for shareholders.

These unique events aren't just great for generating awesome short-term results. They create opportunities that lay the foundations of financial empires that last for generations.

When this kind of event occurs, the world's greatest investors see it as the "Super Bowl" of investing... something you work and train for your whole career... a time to build dynastic wealth and a legendary reputation.

As powerful as this kind of event is, the average joe runs away from it. That marks a critical distinction between naive investors and wise investors.

In fact, how someone views these events is a key defining difference between the rich and the poor. The poor are bewildered and angered by these events. The rich see them simply as how the world works... and as the creators of huge opportunities.



What is this event that creates “investment magic”?

A crisis.

A time of great fear, plummeting prices, uncertainty, upheaval, and panic.

A crisis can take many forms. But some traditional things that happen during a financial crisis include stock market crashes, bear markets, bank runs, mass loan defaults, huge bankruptcies, currency crashes, wars, and incredible swings in asset prices.

Every five to eight years, a major financial crisis erupts somewhere in the world. They can happen in individual countries and in specific industries. Or they can be global in scope (like the worldwide financial crisis of 2008).

To the poor, a crisis is something new and unexpected. This is because people with a poor mentality are reluctant to study and learn from history. Because they have no historical context, a crisis is utterly baffling to them. They act as if each one is the first crisis in human history.

This is why people with a poor mentality see a financial crisis as a time to panic or simply freeze up... a time to focus on a laundry list of boogeymen who should get the blame. Their familiar targets are speculators, corporate executives, and the government.

The rich, on the other hand, learn to appreciate a good crisis.

They certainly aren't surprised by them.

After all, even a quick and shallow study of history shows financial panics are a common part of life. It's just the nature of things.



For example, here's a short list of crisis events from recent history...

- The worldwide financial crisis of 2007-'09.
- The implosion of the U.S. auto sector in 2008.
- The Nasdaq bubble bursting and subsequent bear market from 2000 to 2002.
- The Greek government debt crisis in the aftermath of the 2008 global financial crisis (2010-'16).
- The implosion of Argentina's economy and subsequent depression from 1998 to 2002.
- The implosion of Russia's economy and currency in 1998.
- The Mexican economic and currency crisis of 1994.
- The U.S. savings and loan crisis of the late 1980s/early 1990s.

A study of the past 100 years reveals near-constant crisis. In addition to the events above, you have World War I, World War II, the Vietnam War, the 1970s energy crisis, the Great Depression, the 1987 stock crash, and the 1997 Asian financial crisis.

People are capable of great acts of kindness and intelligence, but we're also capable of great acts of stupidity, dishonesty, and villainy. These ingrained traits ensure crisis events will always be with us.

And while there's plenty of blame to go around during a crisis, the wise investors who are building their financial empire don't spend time and energy playing the blame game. **They're far too busy with far more important, far more useful things.**

They know a crisis is a unique event that creates unique opportunities.

Here's why...



It's About the Only Time You Can Get a Real Bargain

One of the major goals of an investor focused on asset accumulation (one of the most surefire ways to build a financial empire) is to buy assets for less than they are worth. This goes for businesses, resource deposits, real estate, bonds, and every other kind of asset.

The goal is to buy bargains.

However, finding real bargains is difficult... and you rarely get the opportunity to buy them.

This is because financial markets *correctly price most assets most of the time*. Most of the time, stocks, real estate, bonds, and commodities like gold and oil trade for about what they're worth.

The key words in that last sentence for empire builders are "most of the time."

Assets trade for what they are worth "most of the time"... not "all of the time.

And there are fortunes to be made from the difference between "most" of the time and "all" of the time.

People Aren't Always Rational — and Neither Are Markets

Mainstream financial books and professors say the market accurately prices assets all of the time. They say people always make rational financial decisions.

This is the basis for an idea universities began promoting in the 1960s. It's called the "efficient market hypothesis."

The efficient market hypothesis says the financial markets take their cues from rational people who always make rational decisions. So, all those rational people making all those rational decisions always produce rational asset prices.



It sounds clean and orderly. And for years, this was academic gospel. Anyone who said otherwise was attacked by an army of “scholars” who spouted lots of convincing statistics. These academics declared that market prices always reflect everything that is known about stocks and bonds. So, trying to “beat” the market was futile.

However, this popular theory is a load of BS.

The academics missed a critical aspect of human nature: People are irrational. People do crazy stuff from time to time. *Even rational people do crazy stuff from time to time.* It’s just human nature. We’re emotional creatures.

Take World War I, for example. You had the countries of Europe, filled with people who just wanted to enjoy life and mind their own business. And then, a small conflict erupted.

That small conflict could have been resolved quickly had rational minds prevailed. Unfortunately, irrational human nature took over.

This resulted in a huge war that killed more than 15 million people. It devastated some of the most powerful countries on Earth.

There were millions of men fighting in that war who had no idea who they were fighting or why. They were murdering each other because some king or bureaucrat told them it was the right thing to do. It was insanity.

Was that a rational decision?

Or... consider our tendency to self-destruct. Destroying your life with alcohol, drugs, or gambling isn’t rational. Punching a brick wall and breaking your hand isn’t rational. Staying with an abusive spouse isn’t rational. Yet, people do those things all the time. It’s part of who we are.



You shouldn't be surprised when you see people doing crazy, irrational things. Take note and protect your family, but don't be surprised. If you have a sense of humor and a safe place to stand, you might even get a laugh out of it. Laugh at the absurdity of life.

I want you to be a financial empire builder. And as an empire builder, expect this absurdity to constantly produce financial crises.

Crisis Creates Opportunity

A crisis creates massive empire-building opportunities because it introduces tremendous amounts of emotion into the financial markets.

A crisis creates panic. When people panic, they dump their ownership stakes in stocks, bonds, real estate, and commodities with little regard to their real values or ability to produce income. They sell first and ask questions later. This creates huge declines in asset prices and huge volatility.

For example...

- In 2008, the U.S. stock market fell 53%. Crippled by mortgage market losses, banking stocks fell more than 90%.
- From early 1998 to March 2000, the Nasdaq Composite climbed an incredible 219%. But when this bubble popped, the Nasdaq plummeted 78% over the next two and a half years.
- On June 18, 2014, the price of crude oil was \$106 a barrel. Just nine months later, the price had declined by 59% to hit \$43 per barrel. It eventually fell as much as 73% off its 2014 high. Many oil stocks lost over 75% of their value.
- From their 2000 low to their 2008 high, gold mining stocks, as measured by the Gold BUGS Index, climbed 1,300%. After hitting a peak in 2008, gold stocks crashed as much as 70%.

These examples are just from recent times. You also have the stock market crash that accompanied the start of the Great Depression. Stocks lost over



80% of their value. Then there's the 1987 stock market crash. Stocks lost 22.6% of their value in one day.

Remember, markets are rational most of the time. They price most assets correctly most of the time.

But when emotion levels go off the charts — like they did in the crashes we listed — emotion overwhelms reason.

During a crisis, the price of assets decouples from the value of assets.

This, of course, means if you can keep your head while others are losing theirs, you can buy assets at fire-sale prices. A crisis is about the only time you get the opportunity to do so.

And when you buy assets at bargain prices, you set yourself up for huge gains down the road...

For example, the wake of the 2008 credit crisis was a fantastic time to accumulate world-class assets... and to lay the foundation of a financial empire.

This period was marked by the bankruptcy of Lehman Brothers, which was the largest corporate bankruptcy in U.S. history. The housing market crashed. The stock market plummeted more than 50% in its worst year since the Great Depression. We were on the verge of a global economic meltdown.



But the world has a funny way of not ending. It turned out that late 2008 and early 2009 was an amazing time to buy businesses like Apple, Altria (the world’s largest cigarette maker), and Starbucks. Apple tripled in value off its 2009 bottom in less than two years. Altria doubled off its bottom in about two years. Starbucks more than tripled in value off its bottom in about two years.

Apple vs. Altria vs. Starbucks



Commercial real estate, as measured by the iShares U.S. Real Estate ETF, also more than doubled off its bottom in just two years. Freeport-McMoRan, one of the top mining firms in the world and owner of the top-shelf Grasberg copper deposit, more than tripled off its bottom.

All those assets were deeply depressed because of the mass, emotionally charged selling... because of the pessimism. [The crisis created extreme bargains.](#)

Most importantly, those bargains offered the opportunity to make “one decision” empire-building moves. When you buy top-shelf businesses, resource deposits, and properties at fire-sale prices, you often never have to sell them.

Remember, during a financial crisis, essential assets like factories, skyscrapers, mines, oil fields, farms, pipelines, and power plants don’t dry up and blow away. Their physical structures don’t change one bit.

Factories still make things people want to buy.



Farms still produce food people need to eat.

Homes remain structures we can live in.

During a crisis, the only thing that changes about these valuable, lasting assets is who owns them.

The financial markets are like a chess game. During a crisis, the ownership of essential assets moves from weak players to strong players.

For example, during the 2008 panic, the share price of manufacturer 3M fell from \$78 per share to \$45 per share, a huge 42% decline.

But here's the thing: 3M was (and still is) one of the world's elite manufacturing companies. It has a huge suite of valuable brands, intellectual property, distribution contracts, and production facilities.

In addition to its popular sticky notes, 3M makes adhesives, cleaning pads, insulation, and hundreds of other things. It has billions of dollars' worth of factories and brands.

3M is so good at what it does that it has increased its dividend paid to shareholders every year for more than 50 years. Fewer than 50 companies in the world can make that extraordinary claim of consistent profitability and shareholder yield.

During the crisis — when 3M stock fell 42% — 3M's factories didn't dry up and blow away. Its brand names didn't fall into a black hole. Nothing about 3M's business changed.

The only thing that changed was who owned the company.

During the crisis, panicked sellers dumped their ownership shares. But asset accumulators with an appreciation for value and quality scooped them up at bargain prices.



Four years after the crisis, 3M shares had more than doubled in value and reached all-time highs. The company continued raising its dividend as well. Investors who bought 3M shares during the crisis were earning an 8% (and growing) dividend in the years that followed.

An Enlightened View of the Market

When you buy a high-quality, super-stable income-producing collection of assets like 3M at fire-sale prices, you get what could be called an “enlightened” view of economic recessions and market declines.

While others worry, you can relax.

After all, if you’re earning a safe 8% yield on your share of a world-class collection of assets, do you care if the stock market drops 10% or 20% next year?

Do you care about a 10% decline in home prices or a 30% spike in oil prices?

Not really... unless you get entertainment value out that kind of news. But it certainly won’t affect that part of your empire. You can sleep soundly at night... and be comfortable knowing that no matter what the stock market does, folks are still going to be buying products from your businesses... and your businesses will continue paying big dividends.

You know the broad market could decline by 20% and you would still get your 8% yield. They could shut the market down for a year, and you’d still get your money.

That’s the peace of mind accumulating assets at bargain prices will give you.

And while we as empire builders are looking to own top-shelf assets for decades, it’s worth pointing out that buying during a crisis can lead to huge short-term wealth accumulation. When things are truly bad, you don’t need them to get “good” to make a lot of money quickly. You can make huge money as things go from “terrible” to “less terrible.”



The greatest speculator of all time, George Soros, has a brilliant way of looking at crisis situations. “The worse a situation becomes, the less it takes to turn it around, and the bigger the upside,” he has said.

And take Warren Buffett. He is one of the world’s greatest practitioners of accumulating assets during times of crisis. Buffett comes off as a grandfatherly “aw-shucks” type of guy, but he’s a master crisis hunter... a master of buying assets during times of despair.

In 1964, Buffett made an incredibly successful purchase of American Express after the blue-chip credit card firm was rocked by a crisis. American Express had extended a large amount of loans to a company that was busted for falsifying documents. Its share price fell nearly 50%. Afterward, Buffett bought the stock. He ended up making a fortune and owning more than 10% of one of the all-time greatest American businesses.

Buffett was also a very active buyer and lender during the 2008 credit crisis. He made a handful of spectacular investments during that time. Buffett is famous for saying he likes to invest in great companies that have been hit by a huge but solvable problem.

He looks to buy great companies after a crisis.

Humans are hardwired to seek the safety of crowds. Fifty thousand years ago, it’s how we survived. But when it comes to accumulating assets and building your empire, you won’t succeed by doing what everyone else is doing. And during a crisis, almost everyone panics and sells. We must fight the natural instinct to run away from the crisis... and instead run toward it.

Remember: During a financial crisis, assets like farms, buildings, factories, and railroads don’t vanish into thin air. Nothing about their physical nature changes at all. What changes is who owns those assets.

During times of panic, you can lean on the wisdom of master empire builders like Warren Buffett and Nathan Rothschild.



One of the best things Buffett ever said about how to succeed as an investor was:

***You want to be greedy when others are fearful,
and fearful when others are greedy.***

And the legendary financier Rothschild's recommendation was:

Buy when there is blood in the streets.

After all, the price you pay is of critical importance to the empire builder.

Here's why...

The Critical Importance of Price

It's a quirk of human nature that has amazed financial advisers and top investors for generations...

When the average guy wants to buy a new car, he'll spend hours studying his options. He'll carefully weigh the benefits and prices of each potential purchase. He'll pit sellers against each other and get them to compete for his business. He'll dig in his heels and haggle over car features and the price. He'll do the same with shoes, computers, and houses.

After all, when you buy things, you don't want to pay stupid prices. You want to pay good prices. You don't want to overpay and embarrass yourself by getting ripped off.

Yet... when people invest their life savings, the idea of paying a good price is often discarded. The average guy gets excited about a stock story he reads in a magazine... or hears how much his brother-in-law is making in a stock, and he just buys it. He doesn't pay any attention to the price he is paying or the value he is getting for his investment dollar.

It's a shame... because a good case can be made that the price you pay is the most important aspect of any asset purchase.



Like many investment concepts, it's helpful to think of it in terms of real estate...

Let's say there's a great house in your neighborhood. It's an attractive house with good, modern construction and new appliances. It could bring in \$24,000 per year in rent. This is the "gross" rental income... or the income you have before subtracting expenses.

If you could buy this house for just \$96,000, it would be a good deal. Since \$24,000 goes into \$96,000 four times, you could get back your purchase price in gross rental income in just four years. In this example, we'd say you're paying "four times gross rental income."

Now... let's say you pay \$480,000 for that house. Since \$24,000 goes into \$480,000 20 times, you would get back your purchase price in gross rental income in 20 years.

In this example, we'd say you're paying "20 times gross rental income." Paying \$480,000 is obviously not as good a deal as paying just \$96,000.

Remember, with this example, we're talking about buying the same house... and the same amount of rental income.

In one case, you're paying a good price. You're getting a good deal. You'll recoup your investment in gross rental income in just four years. Said another way, your "payback period" is four years.

In the other case, you're paying a lot more. You're not getting a good deal. It will take you 20 years just to recoup your investment. Your payback period is five times longer.

And it's all a factor of the price you pay.

Now, did anything about the actual house change? Were the bricks or windows or kitchen appliances somehow more or less valuable in either case?



Obviously not. The only thing that changed was the purchase price — one price led to a good deal, and the other led to a bad deal.

The house itself didn't matter. Price mattered.

This concept works the same way when you invest in any business, public or private.

Let's say a potato chip maker, Premium Snacks, generated \$2 million in profit last year.

If you buy Premium Snacks at a market value of \$12 million, you're paying six times earnings. If you buy Premium Snacks at a market value of \$40 million, you're paying 20 times earnings. If you buy Premium Snacks at a market value of \$100 million, you're paying 50 times earnings.

The market is made up of people. And remember, people act crazy from time to time. One month, the market might set the price of Premium Snacks at \$6 million. The next month, it might set the price of Premium Snacks at \$8 million or \$10 million.

We know that sounds like a wide range of prices, but you see these ranges in the stock market all the time. People are willing to pay different prices for different businesses at different times.

The amount people are willing to pay for a company's earnings is often called the price-to-earnings (P/E) ratio or price-to-earnings multiple. We talked about P/E when we were discussing fundamental extremes earlier.

In this example, it's a much, much better deal to buy shares of Premium Snacks when the market is valuing it at \$12 million — or at a P/E multiple of 6 — instead of buying shares when it is valued at \$100 million — or a P/E multiple of 50. You get more value for your investment dollar. You're buying shares in a cash-producing enterprise for a lot less.

Our goal as empire builders is buying assets at bargain prices... and avoid buying assets at bloated, expensive prices.



It's vitally important to know that buying a stake in a great business can turn out to be a terrible move if you pay the wrong price.

Let's go back to Premium Snacks. It has a good brand and good profit margins. It's steadily growing. And remember, it makes \$2 million in annual profit.

If you buy an ownership stake in Premium Snacks at a market value of \$200 million, you're paying 100 times earnings. This is an extremely expensive price. Your only shot at making money in this example is if someone else comes along and is willing to pay an even crazier price than you did.

While this "waiting for a greater fool" approach can work occasionally, it's generally a losing strategy. The typical investor will never be able to make it work.

What often happens is that the company keeps doing well, but the multiple that people are willing to pay returns to more normal levels.

In a case like this, the company can keep increasing its profits, but the share price will plummet. It can fall 50% or 75%.

We know this sounds extreme, but it's exactly what happened during and after the 1999-2000 market peak.

Back then, good companies with solid future prospects — like Walmart and Microsoft — traded for 50, 60, even 90 times earnings. People who purchased shares back then paid nosebleed prices. They had stock market bubble fever. They didn't focus on getting good value for their investment dollars.





Because many stocks with good business models were so overvalued, their share prices crashed in 2000-'02 and went nowhere for years. The underlying businesses were still sound. The businesses were still growing and producing profits. But the stock prices got so out of whack that investors who overpaid suffered horribly. It took a long time for the stocks to “work off” their extremely overvalued states.

For example, in 1999, Walmart traded for more than 50 times earnings. It spent more than a decade “working off” that overvaluation.

Folks who bought Walmart back in 1999 didn't make any money for more than a decade.

The company did fine... but shareholders who bought the stock at stupid-high prices suffered for a long time.

If you can buy a great business for 10 times earnings, it's a good deal. But if you pay 30 or 50 times earnings for it, you're bound to be disappointed.

This concept is so important we'll state it again:

If you overpay, you can buy a great company and make a terrible investment.



On the other hand, you can make money in a poor business if you pay a bargain price.

Let's say Superior Foods is barely profitable and has a market value of \$4 million. It makes just \$100,000 a year. Competitors like Premium Snacks are doing a better job of serving potential customers... so Superior's sales are declining.

But let's also say that the company sits on a valuable piece of real estate, which it owns free and clear. You know the piece of property could easily sell for \$3 million... maybe even \$4 million.

You could buy an ownership stake in Superior, knowing full well the business is in decline and could even stop making money. But if you buy shares while the market values the company at \$2 million, you could make great money if they close the business and sell the real estate for at least \$3 million.

In this example, you could make money in a bad business by paying a bargain price.

Again, it all comes down to the price you pay.

If you're buying a business with the aim of collecting dividends, the price you pay is a huge deal.

Let's go back to Premium Snacks. It's a great business that pays a stable dividend. It has raised its dividend every year for 23 consecutive years. Its current annual dividend is \$1 per share.

If you buy Premium at \$20 per share, your dividend yield will be 5%.

If you buy Premium at \$30 per share, your dividend yield will be 3.3%.

If you buy Premium at \$36 per share, your dividend yield will be 2.8%.

If you buy Premium at \$100 per share, your dividend yield will be just 1%.



As the price you pay goes up, the yield on your investment goes down.

Obviously, you want to pay lower prices and earn higher yields.

The situation is the same when buying bonds (aka “making loans”). Bonds pay fixed-income payments. But like stocks, the price of bonds can fluctuate.

For example, let’s say a bond is issued at a price of \$1,000 and pays 5% in annual interest. That’s \$50 in annual interest.

If investors lose faith in the company that issues the bond, the bond price could fall to \$700. But the bond’s annual interest payment would remain \$50 per year. In this case, the buyer of the bond who pays \$700 would earn about 7.1% in annual interest.

The amount of interest you earn on your capital is all a function of the price you pay.

The key takeaway is that we must view our stock, bond, real estate, and natural resource purchases just like we would view buying a house, car, phone, or groceries. Don’t be a sucker and overpay.

Price is what separates the good deals from the bad.

Make sure you get good value for your investment dollar. Hunt for bargains.

You wouldn’t pay \$50 for a gallon of milk, would you?

So why pay absurd prices for your investments?

Learn to appreciate a good crisis... and hunt for bargains.



Survive and Thrive Strategy No. 5

Make Money From the Hidden Order in all Markets

Buy low, sell high.

For as long as the stock market has existed, *“buy low, sell high”* has been the one thing everyone knows about it.

Even people who don't invest know the cliché. Millions of people who know nothing about investing at least know *“buy low, sell high.”*

It's a cliché born out of the fact that stocks move up and down.

They cycle through highs and lows.

In one famous (alleged) incident, when the legendary banker and investor J.P. Morgan was asked what the stock market would do next, he responded simply, *“It will fluctuate.”*

Truer words were never spoken. Stocks will go up. And they will go down.

Stocks go up and down because they are the creation of the human mind, which is a deeply emotional entity. As long as we are hostages to our greed, fear, overconfidence, nostalgia, anxiety, and excitement, stocks will fluctuate. They will go up and down... often for reasons that have more to do with our emotions than numbers on a balance sheet.

The great investor Benjamin Graham — known as the “dean” of stock analysis — famously wrote that investing in stocks is like partnering in a business with someone with split-personality disorder. This partner's emotional state goes through huge up-and-down cycles.

One day, your partner — whom Graham called “Mr. Market” — is deliriously happy and giddy about the future. The next day, Mr. Market is horribly depressed and sees nothing but bleakness on the horizon. (Much like the markets we've experienced the first half of 2022.)



On the days he is very happy, Mr. Market will only sell his share of the business for a sky-high price. On the days he is miserable, Mr. Market will sell his share of the business for peanuts.

Naturally, Graham said, investment success comes taking advantage of these fluctuations. Buy low and sell high.

Graham's teachings influenced his student Warren Buffett, who went on to become one of the most successful long-term investors in history. Over the past century, the media has marveled at the careers of long-term investors and their ability to take advantage of Mr. Market's up-and-down fluctuations.

Because so much attention is paid to long-term investors, few people realize the stock market's defining characteristic can be a source of **short-term** profits as well.

Stocks go up and down in long-term cycles.

But they also do that in short-term cycles.

In the pages that follow, I'll show you how I turn these cycles into money... and how you can do the same.

Why the Short Term Acts Like the Long Term

Do you remember fractals from geometry class?

A fractal is a shape that is part of a larger series of shapes.

One part of the fractal will look the same as other parts of the fractal, no matter if you zoom out or in. The whole set of shapes is said to display "self-similarity." The component parts resemble the whole.

You can find fractals all over the place.

Tree trunks and their branch systems are fractal.



Lightning bolts travel through the air in fractals.

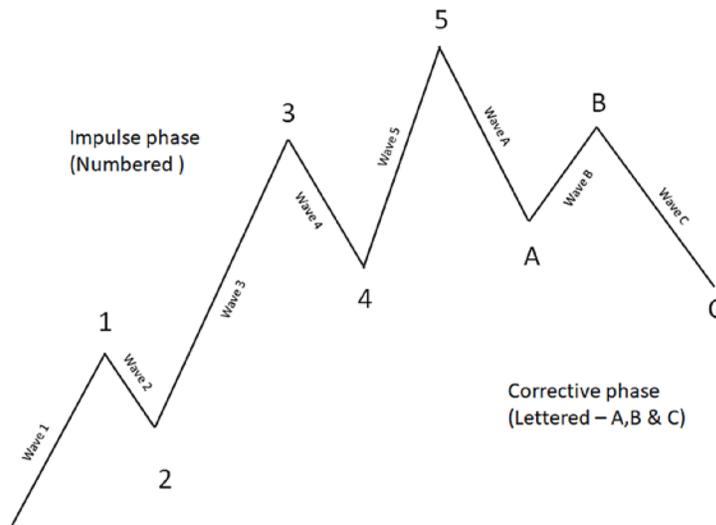


Plants can grow in fractals.

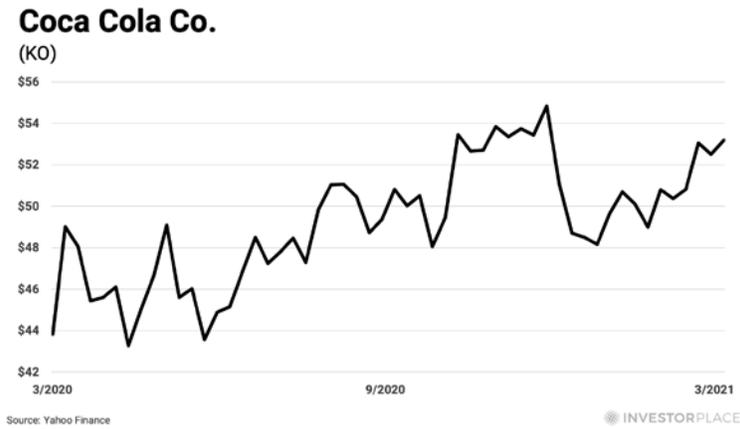


And importantly to your wealth, the stock market is a fractal.

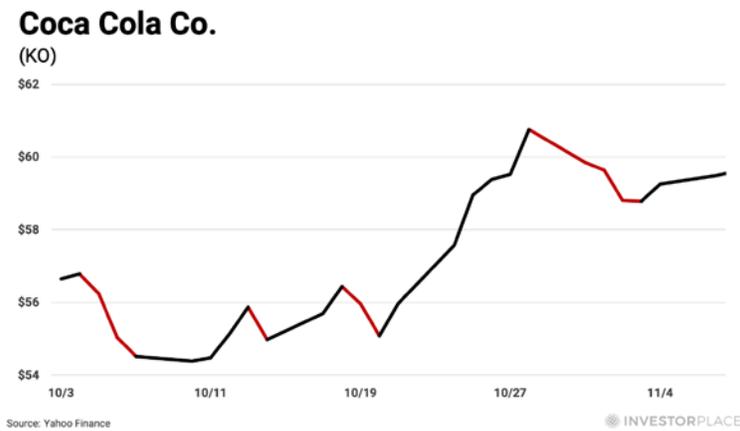
The chart below shows a stock's price movement over 10 years. But it could just as easily show the stock's movement over one year or one day. That's because stocks move up and down in long-term and short-term cycles.



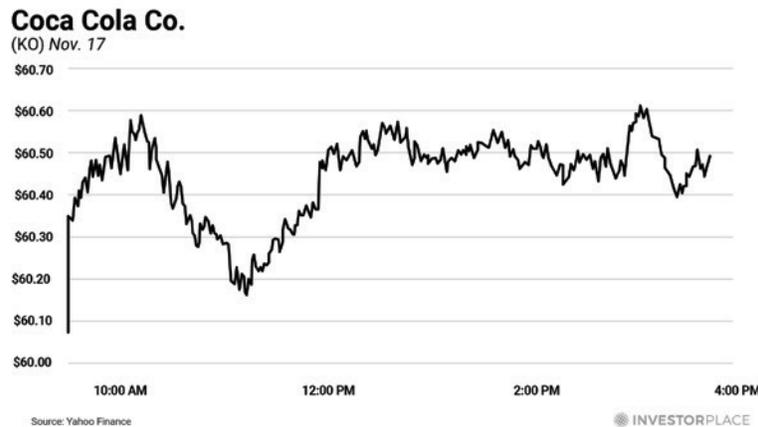
Or, take the one-year chart below that plots the share-price movement of Coca Cola. As you can see, shares bobbed up and down during the whole year.



Now take a look at this one-month chart of Coca Cola. As you can see, shares bobbed up and down during the whole month.



And finally, take a look at this one-day chart of Coca Cola. Shares bobbed up and down the whole day... in the same kind of cycling between up and down moves experienced over the one month and one year time frames.



No matter what stock or stock index you look at, you'll see how it cycles through ups and downs throughout all time frames.

Again: The stock market is fractal. Stock movements over all time frames resemble each other. No matter what stock or stock index you look at, you'll see how it cycles through ups and downs throughout all time frames.

Many things in our world move in cycles... the seasons... Earth's rotation causes cycles of day and night... the tides move in cycles.

We go through life in cycles (child, teenager, adult, old age). It only makes sense that the stock market moves in cycles, too.

When it comes to cycles, the fact that one part of the cycle will eventually give way to the next part of the cycle is as sure as death and taxes.

No matter how much you are enjoying a day, it's going to give way to night. No matter how much you're enjoying summer, it's going to give way to fall and winter.



Applied to the stock market, we must remember that **no matter how strong an up or down move is, at some point it will be followed by a move in the opposite direction.**

Just like day follows night and night follows day, up moves in the stock market follow down moves and down moves follow up moves. This is the case over the short term (one month), the medium term (one year), and the long term (one decade).

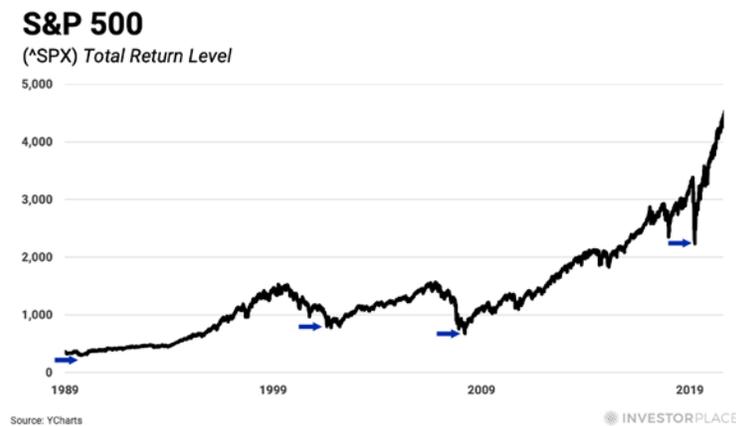
Once you understand that stocks move in cycles over many different time frames, the next logical thought is this: How can I make money from those moves?

Let's answer that question...

How to Buy Low and Sell High... Over the Short-Term

Recent history shows how since 1990, there have been a handful of spectacular times to buy stocks.

The chart below shows how buying stocks in 1991, 2003, 2009, and 2020 were great ideas. You can see how big rallies followed those buying opportunities.



It's no coincidence those opportunities to make money on the upside came after big moves to the downside.



The reason? You guessed it: Stocks fluctuate. They go up and down. As sure as day follows night, a stock market move in one direction will be followed by a move in the opposite direction.

Smart long-term investors like Warren Buffett know how this dynamic works and use it to their advantage. They buy low.

After major multiyear down moves, stocks often get cheap enough to trade for bargain prices.

For example, stocks got historically cheap in 2003 and 2008. Cheap valuations are often the “buy” signal for long-term investors.

And, knowing what we know about cycles, strong moves down are often followed by strong moves in the opposite direction — UP!

Over both long and short time periods, the market’s up and down cycles are often the subject of **mean reversion**.

Put simply, in the stock market, mean reversion is a concept that says after a financial instrument has experienced a huge move in one direction and is in an abnormal state, it is likely to “revert” to a more normal state.

Assets that are way out of whack in terms of price are likely to “snap back” in the opposite direction... much like a rubber band snaps back when stretched.

You can see that in the chart above after each market downturn. After the markets made a strong move lower, they snapped back and returned the gains they lost — and then some.



For example, by the year 2000, stocks had enjoyed years of huge rallies and become very expensive. Stocks sported valuations that were much, much higher than their normal levels. So, it was no wonder stocks “reverted to the mean” and experienced a major down move.



Or, take 2009. By early 2009, stocks had suffered a huge collapse as a result of the Great Recession. It was one of the worst bear markets in history... and it made stocks abnormally cheap.

So, it’s no wonder stocks staged a huge rally off their lows and reverted to the mean on the upside. The abnormal state of 2009 was made more normal by the huge rally that followed.



As you can see, the major selling opportunity in 2000 and the major buying opportunity in 2009 were both driven by valuations. Stocks were out-of-whack expensive in 2000. They were out-of-whack cheap in 2009.

But for traders looking to make money on the market's short-term fluctuations, valuation is a secondary factor.

Instead of being driven by changes in valuation, *short-term market fluctuations are driven by investor sentiment...* which drives the day-to-day and week-to-week money flows in and out of stocks.

We can lean on the wisdom of Benjamin Graham again here. He said in the short-run, the stock market is a voting machine. In the long run, the stock market is a weighing machine.

Graham meant that, in the short run, market prices often represent irrational popularity contests similar to voting in political elections. But over the long run, market prices represent real, meaningful changes in a company's economic value — similar to a weighing machine.

Since short-term fluctuations are driven more by investor sentiment and the natural short-term ebbs and flows of money in and out of stocks, I prefer to use a technical analysis-based approach to this kind of trading.

How to Find Some of the World's Best Moneymaking Opportunities

Technical analysis is often called "chart reading."

It's the study of past market prices and trading volume in order to get an edge in the market.

One of the most useful aspects of technical analysis tells us if an asset is due for a mean reversion move to the upside or the downside.



No upside move — no matter how strong — moves in a straight line. The move will have many corrections to the downside along the way. That's just how the market works.

Conversely, no downside move — no matter how strong — moves in a straight line. The move will have many corrections to the upside along the way.

Remember, stocks cycle through ups and downs. **That is simply the nature of the market.**

Because of these dynamics, I often say markets are like runners. They can't sprint flat out for miles at a time. They need to take breaks... or "breathers."

We can monitor the state of an asset and anticipate mean reversion moves (the "breathers") by using a technical analysis indicator called relative strength index, or RSI.

(We introduced you to this briefly when we talked about trading extremes in Survive and Thrive Strategy No. 2.)

RSI is an indicator that measures the magnitude of security's recent price changes. It allows us to see if a security has staged a huge move to the upside OR to the downside — and if that move might be due to stop and reverse, creating a trading opportunity.

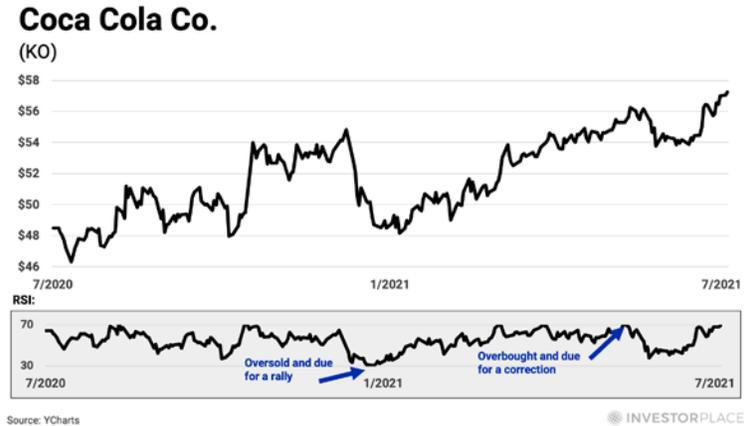
The RSI can have a reading from 0 to 100. Typically, values of 70 or above indicate that a security has staged a big rally, is becoming "overbought," and is stretched to the upside. This state leaves the security vulnerable to a big "snapback" move to the downside.

The mirror image of this "had a big rally and is due for a correction" condition is an RSI reading of below 30. This reading indicates a security has moved far to the downside, is deeply oversold, and may be primed for a "snapback" rally.

RSI is typically displayed in a special "pane" at the bottom of a stock chart. (Most brokerages and financial websites have RSI in their suite of indicators.)



For example, below is a one-year chart of Coca Cola and its RSI readings in a pane at the bottom.



As you can see, Coca Cola suffered a big selloff in early 2021, got oversold, and became “stretched” to the downside. Because stocks naturally cycle between up moves and down moves, it was natural to expect Coca Cola to stage a move in the opposite direction, to the upside. That upside move came in March and April, (I traded this move with options and made a quick \$1,540 profit.)

By June 2021, Coca Cola’s big rally eventually left the stock in a state of “overbought and stretched to the upside.” This state was corrected by a decline in June.

For another example of how RSI can help us pinpoint great trade setups, take a look below at the one-year chart of the Alerian MLP ETF, symbol AMLP. It’s an ETF of oil and gas pipeline companies.

In June 2021, AMLP hit a new yearly high after enjoying a strong spring rally. This rally was so strong that it took AMLP’s share price into “stretched” overbought territory. In June, AMLP’s RSI reading hit its highest point in a year. Since stocks naturally cycle between up moves and down moves, it was natural to expect AMLP to experience a correction to the downside.

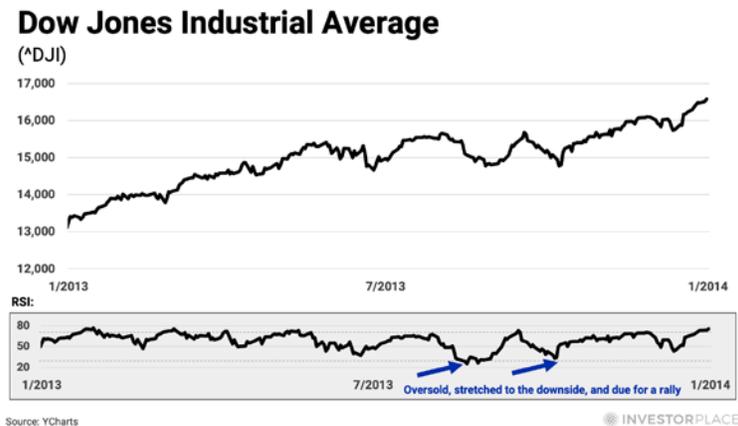


That’s exactly what happened. AMLP declined 12% in the weeks that followed. (I traded this move with options and made a quick \$9,400 profit.)



RSI works on the overall stock market as well.

Below is a chart that displays the benchmark Dow Jones Industrial Average during 2013. As you can see, the Dow suffered significant selloffs in August and September. Both times, the Dow rallied. Both times, RSI showed how the market was deeply oversold and due for a move in the opposite direction.



RSI can provide useful readings on all kinds of assets. It can work for stocks, ETFs, stock indices, commodities, currencies, and bonds. If people can buy and sell it, chances are good you can use RSI on it to spot overbought and oversold conditions.



I like to think of the RSI as showing how the market swings from up moves to down moves like the swings of a pendulum.

Sometimes, the pendulum is swinging toward rising prices. Then, after that swing exhausts itself, it swings toward falling prices. It goes back and forth, back and forth constantly. If you can consistently spot the point where the swings lose momentum and begin moving in the opposite direction, you can trade them with success for the rest of your life.

To be clear, the RSI is no magic bullet. It's no Holy Grail of trading that is right 100% of the time. Sometimes, overbought assets get even more overbought. Sometimes, oversold assets get even more oversold.

Successful trading and investing isn't about being right 100% of the time. It's about getting an edge that can put the odds in your favor and applying that edge as often as possible. (If you're looking for an indicator that is right 100% of the time, you should also look for the Tooth Fairy and real unicorns. You'll have the same amount of success.)



Final Thoughts...

Inflation is high. Energy prices are soaring. A global food crisis could be in the cards. The situation with Russia could get way worse. Interest rates are moving at warp speed. We're seeing early indications that the global economy is slowing. We're seeing the early stages of "deglobalization."

It's a mix of trends that could make for a highly volatile world. Already is!

When volatility is high and asset prices could fluctuate wildly up and down... **you want to be supremely flexible.**

You want the ability to go long or short crude oil... or semiconductor stocks... or biotech stocks... or bonds... or copper... or currencies.

You want to be able to capitalize on asset volatility. You want to be able to trade booms and busts. You want the ability to generate big returns even if the stock market moves sideways or down.

As we've covered in these pages, I believe the 2020s will be **The Age of Chaos.**

I believe the 2020s will be one of the most dangerous, most exciting, most chaotic, most opportunity-filled periods in U.S. history.

Thanks to the confluence of three colossal economic trends that are set to remake our world, I believe the 2020s will be a period of extreme change and social strife. It will be an era that will seem like madness to billions of people.

We will exit this decade a different society than when we entered it. We'll see historic transfers of wealth. People who are rich now will be penniless when the decade is over. Some people who are penniless now will acquire huge fortunes. We will see huge booms and busts.

Some people who are rich now will be penniless when the decade is over.

Some people who are penniless now will acquire huge fortunes.



Industries and economies will boom and bust at rates that will make people's heads spin. Stock prices will soar and crash at light speed.

Depending on your mindset and your vantage point, that's either great news or horrible news.

Periods of great volatility — when markets go through huge ups and downs — are dangerous and uncomfortable for most investors.

When markets are going through huge ups and downs, investor emotion flies off the charts.

Emotions are the enemy of good investing and trading. During volatile, emotional times, investors panic and sell near bottoms... then panic again and buy near tops.

Remember, markets are rational most of the time. They price most assets correctly most of the time. But when emotion levels go off the charts — like they do during volatile times — emotion overwhelms reason.

During volatile times, the price of assets decouples from the value of assets.

This means if you can keep your head while others are losing theirs, you can profit from big moves in the market.

The next decade could be very bumpy... but with preparation and planning, it could be a very fun and profitable ride as well.

Regards,



Brian Hunt
CEO, InvestorPlace

