

# NEWS FROM THE PEAK

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## Purpose

In these periodic updates, it is my goal to share with you a brief overview of world events, some of the topics I am actively following, what new trends I am seeing and what concerns keep me up at night. I will always conclude with a fun long term idea that I think can have a dramatic world impact, but isn't ready for market yet. You can find past versions of this newsletter on our website.

## World In Review

As we come to the end of 2019, I see so much to be excited about...if it's possible to wade through the field of landmines that lay ahead. Our country has advances like stem cells being used to cure HIV, the first potential treatment for Alzheimer's and all the promises that come with a 5G revolution. Yet we are also facing a potential presidential impeachment, a divided America and continued global unrest. While these 'landmines' tend to make better headlines, it is important to remember how much progress is being made and how much our world is truly changing.



### Global Central Banks Continue Negative Interest Rate Policy & Further Cuts

We are now 5 years into the European Central Bank's negative interest rate experiment. In real numbers, if a bank lends \$1,000 in Germany today, it will get back \$964 in 10 years. I have a hard time seeing this as a sustainable practice and think we have yet to see the full effect of this far reaching policy. In a reversal of stance, the US Federal Reserve has now cut interest rates 3 times this year. One year ago, the expectation was for three increases in 2019.

### Brexit Madness 3.0

As Boris Johnson takes over negotiations from Theresa May, his "do or die" date of October 31st has again been extended. The EU has been surprisingly accommodating as they realize it is in everyone's best interest to have a plan they all agree on. At this point, anything remains possible from a hard Brexit in January to a complete re-vote. 2020 will provide more clarity, but not necessarily a final resolution.

### Trade War With China & Protests in Hong Kong

As the trade war and its associated posturing continue, tension is building between the two superpowers. Now affecting everything from agriculture and computer chips to the NBA, this tension is creating difficult decisions for US companies looking to continue business in China. With a 'deal' continuously on the horizon, we can hope for a speedy resolution...but I think it makes sense to prepare for this to continue longer than expected.

*"The measure of intelligence is the ability to change. Those who cannot change their minds cannot change anything"*

*~Albert Einstein*

### Iran Russia North Korea and Venezuela

Although beyond the scope of this newsletter, these countries seem to be doing their best to actively hinder global progress. From war, nuclear concerns and dictatorships, to an economic philosophy that has crippled an entire nation, these countries have all enacted policies that foster aggression and humanitarian atrocities. They are always on my radar as a potential source of the next global crisis.

# U.S Themes Going Into 2020

## 2019 - Year of the IPO

This year we have seen a wide variety of companies go public. A small cohort have seen great success such as Beyond Meat and Zoom, but for the most part we have seen spectacular failures. High profile companies like Uber, Lyft, Peloton, Slack and Chewy have suffered punishing drops since they first premiered. Unlike companies of a prior generation, these all grew to multi-billion dollar valuations with only private equity. The persistent drop in these stock prices on IPO tells me there is a very real disconnect in how private equity perceives value. While private, companies have been forgiven for losing money as long as they were showing significant growth, we are seeing that the public is much less forgiving of companies that do not have a clear route to profitability.

*“It is not the most intelligent nor the strongest species that survives, but the one that is best able to adapt to the changing environment it finds itself in...”*

*~Charles Darwin*

## Space Tourism Goes Mainstream

It looks like Richard Branson's Virgin Galactic will be first to market with public trips to space. They have 603 seats sold at \$250,000 and are currently expected to start commercial flights in 2020. Their spacecraft is dropped from an airplane, which then fires a rocket motor, accelerating to over three times the speed of sound as it climbs to the lower bounds of space. After a few minutes of weightlessness, it then glide back to earth, landing much like a traditional airplane. UBS published a report in March stating the space tourism market has the potential to reach \$3 billion a year within the next decade. Blue Origins is close on their heels.

## Regulatory Scrutiny of Internet Behemoths on the Rise

With the rise of companies like Google, Facebook and Amazon, many in Congress are voicing concern. With customer data becoming the truly valuable asset, there remains many questions as to the monetary rights of this data. I expect this to be in the forefront for the next several years as the details are discussed and debated.

## Natural Disasters Continue

From one of the biggest hurricanes ever recorded to another high profile fire season, natural disasters are occurring at an increasing rate and with great consequence. After the most recent fires in California, the CEO for PG&E expects it will take roughly a decade before widespread blackouts aren't necessary in the effected areas.

## 2020, An Election Year...

One thing I can say for certain regarding our upcoming election cycle is, expect uncertainty. Between a possible impeachment, a crowded democratic field and a truly polarized public, I anticipate an emotional year. I encourage everyone to remember, knee-jerk reactions often result in short sighted decision making and can often create opportunity for those who have the time to be patient.

## A New Age of Computing

With a typical computer, variables are assigned a value of 0 or 1. In comparison, a quantum computer allows for a variable to be both 0 and 1 at the same time. Without getting too technical, this allows for a much faster processing speed. In October of this year, Google built a quantum computer called Sycamore that is able to solve a problem in 200 seconds that would take the world's current fastest supercomputer 10,000 years to complete.

While this has the potential to improve any field requiring a high processing speed (those with exponential scaling), it is still unclear how many new industries and breakthroughs this will help foster. Encryption, A.I, self driving cars, the medical field, and machine learning are all clear beneficiaries.

