
Weekly Market Flash

The Roaring Twenties?

December 24, 2020

The human brain loves patterns, and it loves a good story to weave around the patterns it perceives. So here is a story that is gaining some currency among some of the more optimistic market pundits looking down the road at what may be in store for us in the coming decade.

War, Pestilence, Famine and...Flappers

At the beginning of the 1920s, a weary country had recently struggled its way through war, pandemic and recession. The 1918-19 influenza had killed hundreds of thousands of those who had survived the trenches of the First World War. The recession of 1920 was by many measures the most severe since the 1890s. But in 1921 the economy started to turn up. This happened just at a time when three of the most far-reaching inventions of all time – electricity, the internal combustion engine and telecommunications – were scaling up into realized commercial applications.

A surge of energy seemed to burst forth organically from all corners of the country. The Roaring Twenties were under way. Radios and telephones appeared in more and more homes, which were now connected to the emergent electrical grids that had sprung forth from the handiwork of Thomas Edison a half century earlier. In many ways the 1920s was the first decade of what we would recognize as modern consumerism. Department stores, mail order catalogs and even annoying advertising jingles all came into fruition during this fecund decade of flappers, risqué jazz clubs and shoeshine boys with hot stock tips.

Life After Covid

Fast forward to the present. We haven't dealt with a world war in our recent past (thankfully) but we certainly have been besieged by those other two horsemen of plague and recession. With the anticipated scaling up of the Covid vaccines to mass distribution, hopefully by early in the second half of the year, many observers are indeed discerning parallels between 2021 and 1921. Just as with the experience 100 years ago, this emergence from a health and economic crisis will converge with emergent technologies springing forth from innovations that have been percolating under the surface for some time. Among these are robotics and artificial intelligence, which have been spreading into an increasing array of business processes across virtually all industry sectors.

There is also energy storage, for example the carrying capacity of lithium batteries that power electric transportation. Advances in genetics deriving from DNA sequencing opens up new avenues for healthcare solutions to longstanding biological challenges. Blockchain technology has widespread potential to upend financial services in ways that go far beyond today's speculative realm of cryptocurrencies.

The commercial innovations that proceed from these innovative technology platforms will find ready segments of demand, from climate change solutions to advancements in physical and mental health to improved financial transparency. As with anything disruptive, they also come with plenty of risk. For investors, risk may come in the form of betting on the wrong horse. For society in general, risks may come from the misapplication of the technologies, from corrosive political appropriation of them, or from increased social inequality that may evolve organically from their encroachment into ever-greater spheres of life. There are no guarantees that any of the technologies will ultimately deliver net-positive benefits.

Will the 2020s resemble the 1920s? Well, there are always ways to spin a narrative and there is always an audience ready to be told that things happen for a reason (the human love affair with patterns). The reality is likely to be much more complex than that (though we would add that there can be discernable patterns in complexity itself). But we believe it will be a decade of changes and surprises, both good and bad.

To all of you and your loved ones, may this be a holiday of health, good cheer and the anticipation of happy and fulfilling times ahead.

Masood Vojdani
President & CEO

Katrina Lamb, CFA
Head of Investment Strategy & Research

Investment Advisory Services offered through MV Capital Management, Inc., a Registered Investment Advisor. MV Financial Group, Inc. and MV Capital Management, Inc. are independently owned and operated.

Please remember that past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product (including the investments and/or investment strategies recommended or undertaken by MV Capital Management, Inc.), or any non-investment related content, made reference to directly or indirectly in this newsletter will be profitable, equal any corresponding indicated historical performance level(s), be suitable for your portfolio or individual situation, or prove successful. Due to various factors, including changing market conditions and/or applicable laws, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion or information contained in this newsletter serves as the receipt of, or as a substitute for, personalized investment advice from MV Capital Management, Inc. To the extent that a reader has any questions regarding the applicability of any specific issue discussed above to his/her individual situation, he/she is encouraged to consult with the professional advisor of his/her choosing. MV Capital Management, Inc. is neither a law firm nor a certified public accounting firm and no portion of the newsletter content should be construed as legal or accounting advice. A copy of the MV Capital Management, Inc.'s current written disclosure statement discussing our advisory services and fees is available for review upon request.