



FINANCIAL PREPAREDNESS

"One of life's most painful moments comes when we must admit that we didn't do our homework, that we are not prepared." ~ Merlin Olsen

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We're in Uncharted Waters

For decades now, I've felt like the pace of change has been accelerating. Not only has this made it increasingly difficult to remain abreast of what's happening, the changes themselves have become bigger and more impactful. For years now, I've been pointing out that never has man been surrounded by so many [complex systems](#), which are fragile and thus prone to sudden collapse. In recent days I've been thinking about how due to a number of current situations, we are now truly in uncharted waters where anything could happen.

Additionally, due to technology, scale and geopolitics, it seems like the current and future massive changes will be closer to winner-take-all and more enduring or even permanent. For example, a nation collapses or is conquered, or a country is the first to develop a new game-changing technology such as quantum computing, or becomes one of the world's only producers of a product (or suppliers of a resource) due to production efficiency or the possession of rare inputs.

Exhibit A is the wildly overvalued and over-concentrated U.S. stock market. The (10-year cyclically-adjusted) [Shiller price/earnings ratio](#) of 40.32 is the highest since the Dot Com bubble. By way of comparison, just before the devastating stock market crash in 1929, it was 31.48. [The top eight companies comprise over 37% of the S&P 500 index](#). Top

holding (7.75%) Nvidia has a market cap of \$4.72 trillion! So how does the most valuable company (by far) in the history of the world keep growing? Unlike say the blue whale, it's not subject to the normal physical limitations of size. You see, if you simply manipulate your reported earnings (current Beneish M-score of -1.4) using financial engineering à la Enron, the vast majority of investors will be so blinded by greed that they won't notice or care. But experienced and wise investors such as short seller Jim Chanos [are starting to ask pesky questions](#).

Second is the raging hot war between NATO and (nuclear-armed) Russia. Unlike the situation in Gaza, neither side has lost its appetite for war. Putin is a bully who wants to create a Russian empire during his lifetime, and has been selling his country's vast natural resources to finance his military conquests (his dissertation was about this subject). The EU's ruling elite would like to have access to those same natural resources.

The problem with Europe is that it is trying to do a handful of massive, expensive and hare-brained projects all at the same time, including wage a war against Russia; transition to (unreliable, insufficient and expensive) renewable energy; import tens of millions of immigrants who are not just foreign but hostile to the European way of life and are more likely to want to conquer than assimilate; continue to provide generous social welfare benefits (including to said immigrants); censor free speech; suppress or even ban politicians and political parties that are critical of the EU; and charge all of the above to its maxed out credit card. Creditors are beginning to realize just how insane this plan is. I predict that France will be the first European country to collapse, under the weight of excessive government spending, debt and immigrants.

While Russia plays the short game (due to Putin's time horizon), China has been playing the long game, quietly and methodically taking a wide range of actions that weaken the U.S. Like Sun Tzu, the CCP would much prefer to conquer the U.S. without firing a shot. These activities includes [spying](#); theft of technology, trade secrets and intellectual property; weaponizing viruses (thanks for the cash, Dr. Fauci!); the Belt and Road Initiative; exporting drugs like Fentanyl; a whole range of soft power influence activities ranging from TikTok to Confucius Institutes; [mass producing fake driver's licenses to facilitate voting fraud](#) in U.S. elections; setting up [a secret bioweapons lab in the U.S.](#); [setting up secret SIM farms in the U.S.](#) to crash cell phone networks; flying spy balloons (and possibly drones) over the U.S.; acquiring land near U.S. military bases; infiltrating tens of thousands of military-age men across America's open border for reasons unknown; probably installing latent viruses on computers that control U.S. infrastructure, etc.

Although such insidious sabotage generally goes unnoticed, like a house that collapses from termite damage, eventually it can result in a sudden, catastrophic change. America has ever had to face such a prolonged and intense sabotage campaign.

I'm sure the CCP would prefer the U.S. to be depleted militarily and financially by wars in Europe and the Middle East before it makes its move. The good news for the Chicoms is that America has never been more heavily indebted at every level of society, from federal government unfunded liabilities of over \$200 trillion to state and local government debt, mortgages, student loans, car loans, credit card debt, consumer debt, etc. Ditto for the

industrialized nations, which also face a rapidly approaching demographic crash due to very low birth rates.

Debt creates fragility, and when government policies are suddenly and dramatically changed (such as tariff and immigration policies under President Trump), it can easily result in bankruptcies and bad loans. This can create a self-reinforcing feedback loop as wary investors sell assets, resulting in capital losses, higher borrowing costs, tighter lending standards, job losses and a stagnant economy.

Government abuse of the printing press has prompted many Americans to seek a safe harbor in assets that are more scarce than the U.S. dollar, such as precious metals, cryptocurrencies, stocks and real estate. But that can also create asset price bubbles, which I think we're in now.

There are also troubling political developments: attempted assassinations, riots and the deployment of National Guard troops to American cities, blatant gerrymandering of Congressional districts, etc.

In conclusion, since we are in uncharted waters, anything could happen, so you need to prepare yourself psychologically, financially and logistically so you can not only survive but thrive coming out of the aftermath.

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