



THINKING OUT LOUD

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The Coronavirus Wealth Transfer

A few weeks ago in mid-March during the early phase of the Coronavirus Pandemic, we were watching the afternoon market show “Making Money” on Fox Business channel. Stuart Varney (subbing for Charles Payne) was interviewing a Wall Street analyst about the day’s equity market sell-off.

What this obviously experienced Wall Streeter said was pretty amazing ... and in no small part he seemed to be a bellwether for the profound lack of common sense currently surrounding, and in some ways a catalyst for, the volatility of our markets. He said (and I’m paraphrasing):

“We are experiencing massing selling. There are no buyers.”

Think about that statement for a moment, then ask yourself “How do you sell something if there are no buyers?” Good question. The answer: You can’t.

You see, even in the midst of a massive session of selling, someone out there is buying all the shares being sold. So if you are a panicked investor in a big hurry to sell “before you lose it all”, you might want to ask why someone on the other end of the trade is in an equal hurry to buy. Unless you know what the buyer sees that the seller does not ... you may want to pause.

What we are presently experiencing is the next Great Wealth Transfer. When this market returns to a Dow Jones Industrial Average of 29,000 (and it will, as the market has NEVER failed to return to its pre-crash high, before moving on to a new high), all the shares sold as the market is crashing will be the same shares reaching new highs. Nothing will have changed about these shares EXCEPT WHO OWNS THEM.

During the last great apocalyptic selloff of 2008, this astute observation was written:

"The professional traders on Wall Street are not crying over the plunge in the Dow. They are rubbing their hands with glee, snatching up bargains created by panicking retirees. When the prices go back up, those who had much, now have even more. Millions of regular folk have instead seen significant chunks of their retirement savings vanish into the vapor. It is greed, not because the professional traders have stolen the money, but because they have shoved the retirees off of the boat using fear tactics, and then they have simply taken their place."

Phil Harris
“Land of the Screaming Meemies”
18 Oct. 2008

What are you willing to do to be the owner of your shares of the world’s great businesses when those shares reach their next all-time high? Someone will own those shares ... the only question is WHO.

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