

September 5, 2023

- *The only thing that you can safely predict about economies and financial markets is that they will change.* Sometimes things change for the worse, as we have witnessed in the recent past. However, most of the time, we see slow and steady growth. It is the excesses, up or down, that cause problems. Of course, sometimes the future does resemble the past.
- *Case in point: faced with a mounting challenge out of Asia, many in the United States suggest we are about to fall out of a leadership role globally and we need to start learning a foreign language.* While it might seem as though I am talking about China, I am referencing the rise and fall of “Japan, Inc.,” some 40 years ago.
- *I can distinctly remember challenging the premise with colleagues at the time, saying Capitalism is an American game, and while we taught other nations what they know about it, we didn’t teach them everything we know!* Everyone likes the upside of the business cycle, but when things started heading south, the Japanese miracle went south also...
- *Currently, many are making the same case for China displacing the United States as the dominant economic and military global power.* However, recent news out of East Asia shows potential cracks in the foundations of Chinese economic strength, specifically in the housing and technology sectors. There is also talk of de-dollarization, replacing the U.S Greenback with the Yuan. This is unlikely considering the lack of transparency and currency manipulation of the Yuan.
- *The bottom line is that while there is much to admire in Chinese culture, state-managed capitalism is not a recipe for long-term success as has been demonstrated time and again over the last hundred years.* The impending doom of the United States is somewhat exaggerated, in my opinion.
- *Not that we have no problems of our own. While I keep a wary eye out for a recession and we could see more improvement on the earnings front, there continue to be a few bright spots.* Inflation, while sticky, is on a downward course, suggesting the Federal Reserve may be closer to an end of tightening than the beginning. GDP continues to limp along at a sluggish rate, but still in positive territory. Jobs creation remains positive although the unemployment rate ticked up slightly in August.
- *I’m a little short on space for this letter and so I will simply leave you with a parting thought to ponder.* There is an unproven ancient Chinese curse that goes “May you live in interesting times.” I don’t know if it’s true, but these are interesting times indeed. Stay tuned!

- *Disclosures:*

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