Why Millennials Have No Right to Complain

June 3, 2016

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In 1992 I took a gap year from University.

I traveled all over Europe and the Middle East while making London my base.

There was no internet, no cell phones.

We would send home hand written letters.

The turnaround time to receive one back was about 3 weeks.

I guess that makes you selective in what you write, only the important stuff!

Said letter would go into a bright red Paddington Bear Post Box.

To be delivered by no less than the Royal Mail itself to a far flung corner of the British Empire called South Africa.

For perspective this was nary three years after the Berlin Wall came down!

Look, us 40 something guys most likely would have led VERY different lives with the knowledge our 30 something brethren have at their fingertips today.

I'm a big self-help devotee.

And the amount of self-help on the internet is fantastic (who to trust is admittedly a problem).

One interesting and growing trend (take note entrepreneurs) is self-help attributable to men that are trying to find their way back to being Real Men.

Unbeknownst to us 40 something guys – we were not exactly raised to be manly men.

Some of us are progeny of single mothers - nothing against single mom's in fact much respect.

Apparently we drank out of too many plastic containers.

And ate too much processed food which stripped us of our manhood aka. Testosterone.

In a world where all the above information is now freely available, where dating Apps have essentially eliminated the social stigma of living in the equivalent of a village and Airbnb obfuscates the need to own a home in one location anymore … you 30 something guys have got it good and get to avoid all the mistakes we made.

To be fair we did kinda messed it up for you guys with that whole 2008 financial crisis thingy but you'll figure it out … I'm sure Lending Club (down 61% YTD) and Lending Tree (down 20% YTD) may indeed revolutionize lending in a way Wall Street Pirates could not.

So be it.

I'm jealous of you guys.

All the mistakes we made, all the knowledge we had to scrape to learn is literally out there for you right now for Free.

Incidentally my Robo Advisor says I should be aggressively positioned in Equities right now …. just kidding!

I was recently speaking to an influential dealmaker.

Someone we would consider in the ‘flow’.

He shared with me an interesting tidbit I hadn’t realized before.

He said the Chinese are buying apartments in New York*for any price.*

I have been aware for some time from my sources in Australia that the same frenzied Chinese buying of units has been going on there.

And the spread widening between the onshore-offshore renminbi is indicating accelerated capital outflows from China.

Per my sources the theory is that Real Estate in Sydney or New York (or London) will never go to Zero whereas the debt situation in China may cause the currency to devalue significantly.

So who cares if Real Estate in trophy cities is overvalued?

I’d rather take a 50% loss (GS: hyperbole) as opposed to a 100% currency loss.

This dovetails nicely with Byron Wien’s 10 predictions for 2016:

"High-end residential real estate in New York and London has a sharp downturn. Russian and Chinese buyers disappear from the market in both places. Low oil prices cause caution among Middle East buyers. Many expensive condominiums remain unsold, putting developers under financial stress."

CPI continues to Surprise to the Upside

Regular readers will know we are not surprised by the continued strength in CPI (+0.4% mom in April) and 1.1% annualized.

While the constituents driving higher prices vary, one consistent has been owners equivalent rent which is interrelated with home prices which have been rising as new home sales continue to strengthen.

CPI numbers continue to come in above expectations and we have been intimating the Fed will not sit idly by - so as if by magic a Fed rate hike in June becomes a distinct reality.

Although not terribly surprised we note the yield curve is becoming as flat as a pancake [differential between 10 and 2yr rates continues to narrow … chart heads lower] :

If the economy is improving as the Fed surmises, why is the long end of the curve (which should be more inflation sensitive) not reacting by moving higher?

In our opinion either a torrent of money is coming onshore due to negative interest rates elsewhere or the (smart) fixed income market doubts growth is a) real or b) sustainable.

Current Position: We like $ Cash and special situations with identifiable catalysts!

Your roaming Chief Investment Officer

Greg

Thank you for reading my post. I regularly write about private market opportunities and trends. If you would like to read my regular posts feel free to also connect on LinkedIn, Twitter or via Atlanta Capital Group.

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