

PRICE VALUE PARTNERS

Worst film ever

20th April 2020

“Childs: Temperature's up all over the camp. Won't last long though.

MacReady: Neither will we.

Childs: How will we make it?

MacReady: Maybe we shouldn't.”

- From John Carpenter's *The Thing*, screenplay by Bill Lancaster.

“Just put yourself into the mindset of any company.. Pick a great company that you've admired.. So I'll pick one that I've admired for a very long time, for good reason: Workday. That's a company that's basically 10x'd their market cap. in the six or seven years they've been public, trading at an incredible valuation – cheap, now.. this is not to pick on Workday, but it's a perfect example of what other companies will go through because I think this one of the best positioned companies.. They were – before all of this craziness – going to companies, the global 1,000, and basically saying: you need to upgrade two big parts of your legacy infrastructure – human resources management, and how you actually count all of the money you make, your general ledger.. The first product would compete against PeopleSoft, the second product competes against Oracle Financials.. Now you put yourself into Workday for a second and ask yourself: who are their customers today, April 1st 2020 ? Well, whatever segments of their revenue came from oil and gas just went to zero. Oil is at \$18 or \$19 a barrel.. there are a lot of very smart people that are telling you now that oil probably gets to \$15 if not \$10 a barrel.. some could go to zero. You've had the tar sands effectively trade to zero in Canada. You've had your first bankruptcy filing this morning when we woke up which was a multi-billion dollar company in the Bakken Shale in North Dakota.. So if you're an oil and gas company you're no longer thinking about your general ledger because you have no revenue, and you're no longer thinking about upgrading your HR software because you may not have any employees, right ? So that whole segment stops buying. If you're an airline company or a transportation and logistics company, that whole segment has stopped buying. If you're a hospitality business that whole segment has stopped buying. If you're in the banking sector that whole segment has stopped buying.. Now, this is for one of the best-run companies in the world..”

- Entrepreneur Chamath Palihapitiya [interviewed by Anthony Pompliano](#), April 2020.

As Chamath also points out in that interview with Anthony Pompliano, Covid-19 is clarifying the hierarchy of needs. It turns out, for example, that we don't need idiot journalists stirring the political pot for their own self-serving purposes. As many have suggested, if we had had today's craven mainstream media back in 1940, Britain would have surrendered to the Nazis without a shot being fired.

The Chinese Plague has also shown, quickly and starkly, how the 'developed' world achieved convenience at the cost of resilience. Now we have neither. In a rapidly deglobalizing world, the latter will likely come back before the former does.

Oaktree's Howard Marks is having a good crisis. Most of what we have today, he points out, is opinion:

Much of it tilts either optimistic or pessimistic. The gulf in between is massive: if you just read the optimistic pieces, you'd think the virus will soon be eradicated and the economy brought back to health, and if you just read the negative ones, you'd think we're all done for.

Marks is absolutely right to highlight the role of emotion in investment. Our 'plain vanilla' advice to any investor is what it always has been: properly diversify; stay defensive; favour real assets over paper. Where the proverbial hits the fan is in the part played by our 'fight or flight' response, which simply hasn't had enough years of evolutionary experience to cope with the complex demands of modern financial markets. 'Fight' today equates simply to a brutish denial of reality; 'flight' might get you out of markets but it will never tell you when, or even if, to get back in. As to the investment banks cheerfully suggesting to their clients that the low is now in; that kind of permabull nonsense strikes us as utterly delusional. This isn't a machismo contest. To succeed in the market environment of 2020, you first have to survive.

Covid-19 is also acting like a time machine. In the space of just a couple of months we have been forcibly accelerated to what feels like the endgame of a multi-decade debt crisis. Mario Draghi [showed his hand](#) at the end of March:

Much higher public debt levels will become a permanent feature of our economies and will be accompanied by private debt cancellation.

Statements of intent rarely come clearer than that.

And we are also now experiencing the haphazard rollout of MMT, globally, in real time. Those who are under no obligation to own debt in any form should be enjoying the last song at the party but already dancing pretty close to the door.

Longstanding readers will know that we like our films, so we are happy to conclude this week's brief note with a thread from Sarah Polley (@realSarahPolley on Twitter):

- 1) This is the worst movie I have ever seen.

- 2) Unsurprising that this movie doesn't work – the screenplay was a dog's breakfast.
- 3) So much heavy-handed foreshadowing. The apocalyptic footage from Wuhan, the super-villain American president, the whistle-blower dying, the Russia/China border closed while people still claimed it was just a flu, the warnings unheeded. Insulting to the audience's intelligence
- 4) And then – that most annoying of horror/disaster movie tropes – the hapless idiots walking into disaster after disaster, all of which the audience can see coming from a mile away.
- 5) The over the top details of world leaders and their wives falling ill, the far-fetched idea that industrialized countries wouldn't have proper protective gear for front line workers and ventilators. Pleeeeeease. This movie needed a script doctor.
- 6) This movie even tries to cram in a political agenda – an on-the-nose critique of what capitalism looks like at its worst. States competing for ventilators, the rich sheltering in lovely places while the poor are trapped or still at work in unsafe environments.
- 7) And the dystopian angle of this movie? The elderly have become so disposable that young people still get together and party? No matter how bad the world is, no one could believe we could ever get to that point.
- 8) I don't know who approved this script. I don't know who thought it was in shape to be released. People are just desperate for content I guess.
- 9) I don't often say this, or believe it, but this movie really needed to choose its genre. Horror movie? Political? Disaster? Screwball comedy? It's just trying to do too many things at the same time.
- 10) I also think it was a strange choice for this movie to not focus on the only potentially interesting main protagonist. That bat in China. Every other character is totally passive.
- 11) The way they are marketing this movie is even more laughable, though perhaps the closest thing to the truth. "At its heart, this movie is a love story."

Good luck, everybody.

Tim Price is co-manager of the [VT Price Value Portfolio](#) and author of 'Investing through the Looking Glass: a rational guide to irrational financial markets'. You can access a full archive of these weekly investment commentaries [here](#). You can listen to our regular 'State of the Markets' podcasts, with Paul Rodriguez of ThinkTrading.com, [here](#). Email us: info@pricevaluepartners.com.

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