

ZERO SUM GAME

Courage of Convictions

Some things we read and hear over the course of Life we instinctively know at first blush are right – the hard part is figuring out “how”. Makes sense and sounds easy, but “how”?

This was the case when I first read the great *Jesse Livermore*’s stricture, you must have “*The Courage of your Convictions*” in Markets. For *Jesse* he found learning to “*Sit Tight*” was the hardest thing to do. And indeed that is one of his greatest *Pearls of Wisdom* - if not *the* greatest.

Myself, finding the *Courage of my Convictions* was the hardest.

Zero Sum – The Logical Imperative

In any *Zero Sum Game*, when 99 % of the *Participants* are in any one Position, it is impossible that such is the Winning Position. That is not Opinion, but rather a Logical Imperative.

We keep hearing about the “*Bears*” – what “*Bears*” ? A thorough and in-depth analysis in Markets will reveal, that when you exclude “*Short Positions*” based on Hedging *Net Long* Positions (as will be explained later), 99 % of all Participant’s in all Markets are “*Net Long*”.

That means 99 % of all Participants across *World Markets* can only “*Win*” if prices continue to rise – and thus 99 % are in the “*Winning Position*” ? *Delusion cannot create an Impossible Reality*.

“AOM” – The Big ‘Tell’

We have been hearing more and more talk of the “*All One Market*”. We see the manifestations in Asset movements and fluctuations daily. *Participants* are only just starting to realize something is amiss.

This is “*The Big Tell*” that will lead to *Participants* finally understanding that *Diversification* is a fraud – akin to believing the *World is Flat*.

In the coming years, *Participant’s* will finally realize the *World of Capital is not Flat*. Not only will *Diversification* itself be discredited, but so too will all those who have advocated it, particularly in the vaunted *Halls of Academia* who have taught such.

Parenthetically, this will be a fitting catalyst and epitaph for the “*Disgust*” stage that will truly mark the bottom of one of the *Great Bull Markets* across asset classes ever recorded.

And here is why.

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One Position

Participants all believe – and in the elite *Halls of Higher Education* it is taught – that the *Instrument* determines outcome. Ergo, “*Diversification*” of the *Instruments* will smooth the outcome, as to the two fundamentals tenets of Capital: *Risk and Yield*.

This is all false. In reality only two Positions exist in all Capital: *Net Long or Net Short*.

And like Space and Time, Aggregate Capital can only occupy one of those Positions at a Time.

It is *Direction*, therefore, that determines outcome - not *Instrument*. This is the “*The Big Tell*” of “*All One Market*” that is leading to this being widely understood, and the shattering of beliefs that will mark the “*Disgust*” stage.

Like the brilliant *Sir Isaac Newton* with respect to Gravity, *Jesse* understood this – but couldn’t explain why.

Net Wealth Creation = Secular Mathematics

The so-called “*Debate*” continues to rage on *Inflation* or *Deflation*. But rather than being a dialogue, it is the blind arguing with the blind. It all comes down to *Occam’s Razor*:

Net Wealth Creation Worldwide is insufficient to service existing Debt/Obligations even at these low tier Interest Rates.

Deflation is therefore the only possible outcome now.

The Road to Perdition

From the high water mark of any *Participant’s Aggregate Capital* in the period of 2007-2010, between the period of 2014 and 2020, every methodology, strategy, and allocation will fail to prevent *Negative Net Yield*.

Negative Net Yield for Capital means that at some point during that latter period, *Participants* will be able to calculate, clearly and equivocally, that total ***Deflation of their Aggregate Capital exceeded all Net/Free Cash Flow*** during the same period. Thus they have *Worked for Nothing and have Paid to Lose*.

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The “Right” Position

As with all his words, *Jesse* simply and eloquently sums it all up: *When it comes to the Market, there is only one side: **The Right Side.***

The “Right” Position now is 90% Net Short.

We frequently see individuals on *Television* and the *Internet* who boast their 10-20-30 years “*Experience*” and “*Expertise*” in Markets. Unfortunately for them, and all who would listen and follow them, not a single one has ever been in the Market when the only way to win over a protracted period of time is by being *Net Short*. *And they all believe the World is Flat.*

To manage *Capital 90 % Net Short* requires a skill set not learnable from *the Existing Reservoir of Experience and Knowledge* that exists in Markets today. The sum of *Knowledge and Experience in Markets today is all on the “Long” Side*. The “*All one Market*” is telegraphing that this is a losing proposition in a *Zero Sum Game*.

Most Participant’s are simply “Renting Yield” – they will be paying it back in due course, with Interest. “Volatility” is not a mechanism to gauge fear as is widely believed, but rather is operating now as a Yield Extractor by which to collect that ‘Rent’.

Most importantly, to be 90 % *Net Short* requires the “*Courage of your Convictions*”. Anyone who uses *Technical Analysis* of any kind, any ‘*Indicator*’, any “*Black Box*”, any “*Theory*” (*Dow, EWI, Cycles*, etc.), does not have the “*Courage of their Convictions*”. Because if they truly did, they would understand that all of those are useless, and they wouldn’t need them. This is precisely why you see many “famous” *Participants* frequently changing from “*Bull*” to “*Bear*” – and lesser minions, seemingly changing month to month, and even week to week.

This is the greatest paradox in Markets: everyone is looking for and to, something or someone, to tell them what to do and when to do it – *but nothing can*. “*Smith*” never could and never will. Ole *Jesse* understood all of this so well.

There are only a handful of people in the World today who can manage *Capital 90% Net Short*. I am one of them, and my *Services* are available to the Highest Bidder.

