

The Hass Report

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The Greatest Bubble of All Time?



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Thinking and acting long-term is one of the few edges remaining in the markets. Bring up this idea and there will almost always be someone waiting to take the other side with the 'what about Japan?' argument.

Japan's two-and-half decade economic and market struggles make for some important lessons.

- From 1956 to 1986, land prices increased 5000% even though consumer prices only doubled in that time.
- In the 1980s, share prices increased 3x faster than corporate profits for Japanese corporations.
- By 1990, the total Japanese property market was valued at over 2,000 trillion yen (roughly 4x the real estate value of the entire United States).
- The grounds on the Imperial Palace were estimated to be worth more than the entire real estate value of California or Canada at the market peak.
- There were over 20 golf clubs that cost more than \$1 million to join.

Over the next decade, the Japanese stock market lost roughly 80% of its value (which is still far below that peak today).

As crazy as things got in the tech bubble, those peak valuations were still a little less than half the peak valuations in Japan. This was a bubble of massive scale in both stocks and real estate. A \$100,000 investment in Japanese large cap stocks in 1970 would have turned into \$5.7 million by 1989. In small cap Japanese stocks, that \$100,000 would have grown to \$18.3 million! Yet from 1990-2015 the same \$100,000 would have turned into \$90,400 and \$149,000, respectively.

Avoid Japan in the 70s and 80s and you would have been kicking yourself. Include them since then and you would be kicking yourself. Japan has surely been a cautionary tale since

1990 but you have to take into account how truly insane the markets went to get to that point. Here are some of the lessons investors have taken away from Japan's bubble deflating:

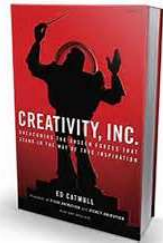
- **Never underestimate how far people can take the markets to the extremes.** This works in both directions. The pendulum swings back and forth but always seems to go further than most would assume is possible. Japan offers what many consider the largest bubble in history, but people have a habit of forgetting about these things and assuming they can't happen again.
- **Valuations matter.** Valuations don't work as a timing tool. If you tried to use them in Japan you probably would have gotten out of the market a decade before the peak.
- **Certainty rarely helps make good decisions.** People were certain that Japan was going to zoom by the U.S. and overtake it as the largest economy in the world. And at the time who could blame them?
- **Avoid home country bias.** If you lived in Japan and had all of your investments in Japanese stocks, you've not only lived through a few decades of poor investment returns but also a slow-growing economy.
- **Avoid investing all of your money in a single asset class.** Japanese government bonds returned over 6.1% per year from 1990-2015, far outpacing the stock market in that time.
- **Diversification, as always, is the key to avoiding a blow-up.** The entire point of diversification is to avoid having your entire portfolio in a Japan situation. The global stock market has done just fine since 1990 even when you include Japan in the results.

Source: Ben Carlson & Devil Take the Hindmost: a History of Financial Speculation

A Book an App & Website

Here is a summary of some of the principles From Ed Catmull's book **Creativity Inc.** Ed co-founded (with Steve Jobs and John Lasseter) Pixar Animation Studios, the Academy Award-winning studio behind Inside Out and Toy Story;

- Great teams are more important than great ideas
- Hire for potential, not the past
- Hire people who are smarter than you
- Address any lack of candor immediately
- Get to the bottom of why someone is disagreeing with you
- Find the cause of fear and root it out
- Rock the boat
- If there is more truth in the hallway than in the meeting room, you're in trouble
- Don't let anyone use information as a status symbol
- The first conclusion you draw is almost always wrong



Dragon Dictation - recognizes and transcribes your words at lightning speed, and gives you the flexibility to dictate for any situation. It allows truly hands-free text input, which is perfect for when you're on the go. Voice-to-text transcriptions that may be sent as SMS, Email, or pasted into any application using the clipboard. The app has a convenient editing feature that provides a list of suggested words.



Real Agriculture - is the most thorough resource for all issues impacting agriculture. The site is focused on getting opinions on the issues so that you not only get the news but the insight into what the news means to your business. Whether you are a farmer, employed in industry, or government, this is the go-to resource for agriculture in Canada.



real agriculture

Community



Canadian Blood Services
it's in you to give

The Canadian Blood Services is continually campaigning for blood as the demand is constant. Half of all Canadians will either need blood or know someone who will need blood at some point in their lives, yet only 4% of people donate. Recently, Melissa gave her 50th donation!

We are extremely proud of her dedication and have had to stock up on extra orange juice and cookies for around the office to keep her upright.



This Summer we were pleased to participate in the Sunnyside School playground construction in August. Shawn's four kids and Melissa's two boys have all attended the school over the years. This little country school has such a great sense of community which was evident by all the parent volunteers that came to put in their sweat equity to complete the project!



Signs around town...



On an electrician's truck:

“Let us remove your shorts.”

At a car dealership:

“The best way to get back on your feet
—miss a car payment.”

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