

# Money Never Sleeps

The Newsletter for the Informed Investor



Wealth Management  
Dominion Securities

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## The next 10 years: major trends

“We have a perception of these large companies that they must be creating a lot of jobs but in fact they have a small number of high-paying jobs, and everybody else is fighting over the scraps. America is on pace to be home to three million lords and 350 million serfs. Again, it’s never been easier to be a billionaire, but never been harder to be a millionaire.”

– Professor Scott Galloway, NYU Stern School of Business. As quoted in his 2017 best-seller “THE FOUR”

The U.S. markets have been greatly influenced by the “FAANG” stocks (Facebook, Amazon, Apple, Netflix, and Google.) These five technology companies best represent what is going on in the fast-paced world of technology and are a convergence of the internet, digitalization, streaming, and online shopping.

I had an opportunity at a recent RBC investment conference to hear Adam Cheyer (founder of SIRI which Apple purchased), Vanguard’s top economist Joe Davis, and Scott Galloway from NYU’s School of Business (and perhaps the number-one brand expert in the U.S.) talk about what they see in the future, what’s coming down the pipe, and the “future of work.”

I will try to cover as much as I can in this piece, but will barely scratch the surface. Much of what I heard was

both fascinating and scary at the same time. I thought I’d share with readers my take on them.

In no particular order:

### Adam Cheyer

- The cofounder of SIRI, perhaps the world’s first true Artificial Intelligence (AI). It was purchased by Apple in 2010 and he then founded VIV which was bought by Samsung.
- Artificial intelligence takes human ingenuity to solve real-life problems BUT it also incorporates a transfer of learning
- In finance, already seeing it in quantitative models
- In healthcare, early detection of cancers

- In genomics, more predictive DNA markers as now multimillion mutation calculations can be done in seconds
- In agriculture, MIT opened an “ag building food box,” perfecting every variable possible in much less time
- In retail, replacing the salespeople with online tracking of “preferences”
- We are on the precipice of another global paradigm shift which seems to occur every 10 years:
  - 1985 – The desktop computer/ Windows (by Microsoft)
  - 1995 – The internet (winner – Google)
  - 2005 – Mobile Phone (winner – Apple)
  - 2015 – Personal Assistant
  - 2025 – ?

### From RBC’s Karim Hamasni

- Blockchain today is where the Internet was in 1994 – it will become a viable payment system

From Vanguard’s Joe Davis –

- There is a large paradox going on:
  - Low inflation yet full employment
  - Low growth but high valuations
  - Low volatility but high uncertainty
  - ... and the force of technology can define them all
- Last year, a computer-simulated program went up against U.S. Top Gun fighter pilot (CI Lee) who has trained the best fighter pilots for the past 20 years – he beat the computer simulator for 20 years until last year ... when the computer “shot” him down ... in 20 seconds.
- A recent Oxford University study says that by 2025, 47% of jobs in the U.S. are going away, 69% in India, and 77% in China.

- It took the television (TV) 50 years to get to 50 million people, the radio 13 years, the Internet four years, the latest application 30 seconds

### From RBC’s Jim Allworth/ Mark Mahaney

- Google has had 30 consecutive quarters of 20% growth
- Amazon has grown revenues by 25% or more for 15 consecutive years

### From Scott Galloway, NYU’s School of Business

- Amazon opened its first cashier-less supermarket in January in Seattle. It features a row of electronic gates (similar to a subway station). When you leave the store, you are billed to an app you’ve downloaded to your phone after you’ve exited. Shoplifting virtually eliminated as well.
- Global internet penetration still growing:
  - 50% of the global population
  - 88% of the U.S.
  - 89% of the top five countries
  - 46% of the rest of world (but they represent 90% of the world’s population)
- Global advertising market:
  - Growing 50% a year online, but \$100 billion still spent on print advertising globally
  - Facebook and Google capture 60% of all online advertising
- Global e-commerce:
  - hit 10% of all global retail in 2017
  - Amazon now 40% of all U.S. e-commerce

### From various analysts and presentations

- Video and image platforms – average social networking is 2-5 hours a day
- Augmented and virtual reality are the next platforms

- Surge in live streaming – YouTube is now one billion hours viewed/day
- Explosion in online marketplaces – think AliBaba in China
- Artificial Intelligence (AI) expected to grow 50% per year the next 10 years
- Cyber security attacks are up 63%
- The Trump impact on regulatory environment still uncertain
- Internet earnings will grow 3x the S&P 500 earnings over next five years
- Amazon Web Services (AWS) will be bigger than their rival operation and have the world’s top mathematicians and engineers working on it

Obviously, there are a lot more moving parts than are listed above. One thing appears certain: the focus on technological advancements is not slowing down and the sustainable growth continues.

One more interesting thing to note. It’s April 1 as I wrote this and, as of March 30’s close, Facebook, Amazon, Google and Apple’s combined market capitalization was about \$2.8 trillion. And remember that’s after a couple of tough weeks for the tech sector. As of March 30’s close, the ENTIRE market capitalization of Canada’s TSX Index was \$2.3 trillion dollars. That’s not April Fools.

**29<sup>th</sup> Children's**  
HEALTH FOUNDATION  
**Golf Classic**

July 8 to 10, 2018  
Sunningdale Golf & Country Club

**RBC**  
Children's  
HEALTH FOUNDATION  
Golf Classic  
Invitational Tournament

**Sponsorship Opportunities**

**Children's**  
HEALTH FOUNDATION



## Notes

Now Brexit makes some sense:

Pythagoras' Theorem:  
24 words

Lord's Prayer:  
66 words

Archimedes' Principle:  
67 words

Ten Commandments:  
179 words

Gettysburg Address:  
286 words

U.S. Declaration of  
Independence: 1,300 words

EU regulations on the  
sale of CABBAGES:  
26,911 words

## Quotes

"Was it really necessary to tell her that if you spend money on things, you will end up with the things and not the money?"

– Entertainer Rihanna's former financial advisor responding to being fired after the singer nearly went broke

"The welfare state is the oldest con game in the world. First you take the people's money quietly and then you give some of it back to them flamboyantly."

– Thomas Sowell, American Economist

"The government has nothing to give to anybody that it doesn't first take from someone else."

– Henry Hazlitt, American business and economic journalist

# Around the globe

## Canada (buy)

- 2018 GDP of 1.75% expected
- Oil prices have stabilized, monetary policy remains stimulative
- Canadian economy now has the lowest unemployment rate in four decades
- Questions around competitiveness, NAFTA, debt levels

## U.S.A. (buy)

- Expected GDP growth of 2.25% (even though last two quarters >3%)
- U.S. fiscal stimulus provides tailwind to already solid economy
- Positives: weaker dollar, high level optimism, strong consumer spending
- Negatives are higher interest rates and creeping protectionism

## Europe (hold)

- Brexit remains a question but Eurozone economy continues to cruise
- However Euro has strengthened and bond yields have risen
- Expected GDP growth of 1.75%

## Asia (hold)

- Japan keeps chugging along, GDP 1.50%
- China/U.S. relations strained, and they are addressing their debt – GDP 6.25%
- South and North Korea talks will be closely watched
- Australia, Indonesia, mixed results

## Emerging Markets (hold)

- Better fundamentals, improved political environments, increased earnings all set stage for a decent 2017
- EM currencies trading at attractive levels, valuations at 25% discount
- Risks remain with effects of Trump administration policies

## A special welcome to all new clients who have joined us

Thank you especially to clients who have mentioned our name to people they know. As a sign of gratitude, four times a year we'll randomly select a client who has introduced our services to a friend for special acknowledgement via a nice dinner at one of the finer restaurants in London.

B.S., our winner this quarter!

## Please don't keep us a secret!

We are very happy and proud of the clients we serve in our practice and we are always open to serve more clients just like you. Should you be talking to someone who is unhappy with their current advisor, or would like a second opinion, we would be grateful if you passed on our numbers: 519-675-2011 or 1-800-265-5911. Thanks for keeping us in mind.



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