David Cervantes – Founder of Pinebrook Capital Management

Mainly discussed obesity. It’s a huge problem. Over 40% of people in U.S. are obese.

Obesity has a huge macro cost in terms of loss of productivity because of overall poor health. It causes debilitating diseases – like diabetes and cardiovascular disease. The Organization for Economic Co-operation and Development projects obesity will drag U.S. GDP down by 4% per year – through factors like rising medical costs, disability, and absenteeism in work.

GLP-1 weight loss drugs - like Wegovy from Novo Nordisk (NVO) – have already proven tremendously effective at promoting weight loss. That’s because weight loss drugs – slow the rate at which food passes through the digestive system and make you think your full.

At this point, Novo Nordisk has a monopoly with Wegovy. To the point that it can charge $900 to $1,200 per month. Eli Lily (LLY) is developing a competitor Mounjaro.

Cervantes says weight-loss results usually take place within a year.

Cervantes believes GLP-1 pills can have huge macro-economic effects because of the health benefits to the overall population. He says these pills cut heart attacks by 20%. And help prevent kidney failure.

He believes the increased efficiency to the population can create so much efficiency in health care and throughout the economy, it can help the U.S. fiscal position overtime and help prevent interest rates from soaring out of control.

He believes the pills have a $100 billion per year market potential.

Cervantes also believes that the drugs will have big side effects on companies selling unhealthy products. That’s because GLP-1 drugs cause people to eat less. He says Walmart (WMT) and Pepsico (PEP) say they are already noticing people buying less junk food.

He says insurance companies that embrace the technology will thrive – as the drugs become cheaper – they will prove more cost-effective than a kidney operation or hip replacement.

Besides weight loss, Cervantes says there are drugs are in the pipeline to treat other addictions - like alcohol.

As a way to profit, Cervantes suggests to short companies who will be disrupted from GLP-1 drugs.