**Marko Papic – What if the World Is Not Ending?**

Marco wants to answer the question: why should we be positive about anything with so much bad stuff happening?

It looks bad out there. Global conflict is growing. So why be optimistic?

Marco follows geopolitics indifferently. It’s not his area to follow human tragedy. He focuses on the economy and markets.

So what are the implications of today’s world on the markets?

Marco shows a political cartoon of Germany, Russia and England disputing the ownership of Africa. It comes from a period of high colonialism in the late 19th Century…

The cartoon originated during U.K.’s “Pax Britannia” that started after the Napoleonic war.

At the time, the rest of the world had to accept U.K. hegemony. Then they start industrializing to keep up with to global economy.

The stability of British hegemony led to its downfall, though. In 1870-1890, war was cropping up everywhere. The world was multipolar, and Britain couldn’t contend with its competitor nations.

Was this a bad time to invest? Conflict was everywhere, and some of the world was basically “up for grabs”. WWWI would follow. But it was a great time to invest.

Almost every invention we care about came out between 1871 and 1920.

Productivity growth has collapsed in the U.S. from this period to the 1970’s. And since then, it’s fallen further. The apps and gadgets that promised to change the world have not met their promise.

Marco is not bullish on tech. iPhone has changed humanity less than the train, the plane, the telegraph, and so on…

So what’s the difference? *Conflict.*

Conflict forces governments to invest in true innovation. In a time of peace, we build stuff like apps. In a time of conflict, we build real life-changing technology.

The world is becoming multipolar again. This is a state where no one is really in charge. U.S. is still the most powerful… but the rest of the world is starting to have their say, too.

But the important thing isn’t the conflict itself. It’s the capital investment that comes as a result.

Uncertainty causes governments to rebuild supply chains and bring things onshore. That’s what matters.

If factories pop up all over the world, goods and commodity prices will rise. This will make it hard to keep inflation under control.

China was a major part of the U.S. supply chain for decades because it made economic sense. Today, the country is being sideline. This will build U.S. resilience… but lower U.S. efficiency. It will take major resources to pull it off.

Expect prices to inflate due to geopolitical conflict in the multipolar world. There will be a plethora of conflicts. But what matters is that insecurity creates a need to rebuild.

The American workforce and manufacturing know-how needs to come up to speed which will lower efficiency…

So as in investor, believe there will be higher prices, and higher commodity costs in the coming years.

Again, this will force governments to invest in low-profit margin technological businesses. But this is what geopolitical competition takes. Marco depressed expects sectors like industrials and energy will roar back as the coming decade plays out.

Marco transitions into a discussion of current wars.

The Ukraine War has objectively raised our geopolitical risk. But the thing is, if a conflict enters stasis, the market stops caring about it. The market stopped caring about Ukraine September of last year.

Marco contends that Kyiv’s offensive has failed. But the war is locked in stasis. Russian support for the war is falling. Conscription is off the table there. But there’s not going to be a peace settlement. It’s just going to be there forever… just like the Korean war. (Which ended in Armistice.)

So what’s the ultimate result? Russia will destabilize. The current government will pay a price… and that will destabilize the country. It could resemble the Yeltsin years… or Mad Max.

During Yeltsin, Russian oil production fell in half. And we don’t want Russian commodity production to halve…

It may feel like comeuppance. But we need those resources to contend with China. This is a recipe for higher commodity prices.

So who would win in a U.S./China conflict? And what if China invades Taiwan?

Chinese debt is high and internal demand is vanishing. So global demand is key to its economy. But a balance sheet recession looks likely there…

Based on economic strength, it’s unlikely they’ll make a military campaign anytime soon.

U.S. looks reasonably well-positioned. There has been no recession. And Marco credits that to all the cash America spent fighting COVID. The COVID stimulus cash is still in the picture.

On top of that, Americans stopped using variable interest rates in 2008. So the rising Fed Funds rate is a non-issue for homeowners.

This has a powerful effect on psychology. It makes folks confident and keeps inflation high. So Americans are still flush with cash, still spending, and still pushing up inflation rates.

Marco contends that as a result, bonds will continue to sell off…

Despite all the geopolitical risk in the world, this “risk-off” asset is falling… and they look likely to continue underperforming.

So even if you’re tempted to buy bonds at their current yield, Marco thinks it’s too soon. They should only be bought tactically… but don’t deserve a large position today.

Folks are not looking for safety, despite the panicky narrative today.