

Y2K: Crises represent a profit opportunity

There is a sense of panic in the air. We are getting closer and closer to 2000 and there is a general obsession about how it will impact our pocketbook. Will you be able to withdraw money from your bank? Will investors be able to trade stocks and pay for them? Will our payment system survive the cataclysm? What about food supplies? People are stocking canned food, water and hard cash. Some insist that gold is a good commodity to store, for use after the crisis.

Every time I give a talk to investors, the question on everybody's lips concerns **the impact of Y2K**. Some well known economists have been predicting a deep recession due to failing computers and chips.

What do I believe about the issue? I firmly believe that crises create opportunities. In the second half of 1997, when the Asian crisis erupted, Wall Street panicked and economists predicted a serious slowdown in 1998 with poor stock market performance. That fear was completely misplaced.

In 1997 I wrote extensively about how the Asian crisis was creating opportunities. I correctly suggested (contrary to the conventional wisdom) that the stock market and the US economy would benefit from the Asian debacle.

Again in 1998, when the Brazilian financial crisis was said to be taking down Latin America, I recommended buying stocks aggressively, contrary to the conventional wisdom.

Why did I believe that these two crises were good news for the financial markets? Because in a crisis monetary authorities do what they can and should do to avoid an economic and financial meltdown -- they print a lot of money. By doing so they make sure there is enough liquidity to keep the banking system and the economy viable. Of course, the stock market thrives when the central bank prints money.

Y2K is likely to create the same conditions. Monetary authorities around the world will print money aggressively to avoid problems that hinder the banking system. Good news for the market. **Let's enjoy Y2K.**

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