Wealthpin Pro

JULY 2023

Summer is in full swing. RV's are crisscrossing the country, carrying happy families to lakes, beaches, mountains and streams. Meanwhile, Wealthpin is here, poring over the latest Fed minutes, monitoring the volume oscillations in the market, and researching the latest macro happenings across the country — and the globe.

So, whether you're reading this under some sunny palm tree in Florida…

Or by flashlight, beneath the stars by the lakeside…

Let's hop right into it.

AN UNEASY BULL MARKET

In June, we entered another bull market. This came as a surprise to many of the bears out there who were crying that the mother of all recessions was coming.

Of course, you can argue that a bull market can technically occur during a recession. Since 1929, there have been 27 bear markets. Yet there's only been 15 recessions. While bear markets and recessions often coincide, they are by no means joined at the hip.

And far from being the Gammerdamerung (or, in English, end times) that the perma-bears were calling for, not only did the bear market not trigger a recession, but it was also a very run-of-the mill bear market.

Take a look at this chart, courtesy of Ben Carlson over at A Wealth of Common Sense.

Non-Recessionary Bear Markets: 1928-2023

Peak	Trough	% Decline	# of Days
2/6/1934	3/14/1935	-31.8%	401
10/25/1939	6/10/1940	-31.9%	229
11/9/1940	4/28/1942	-34.5%	535
5/29/1946	10/9/1946	-26.6%	133
2/9/1966	10/7/1966	-22.2%	240
8/25/1987	12/4/1987	-33.5%	101
7/16/1990	10/11/1990	-19.9%	87
7/17/1998	8/31/1998	-19.3%	45
4/29/2011	10/3/2011	-19.4%	157
9/20/2018	12/24/2018	-19.8%	95
1/3/2022	10/12/2022	-25.4%	282
Averages		**-25.9%**	**210**

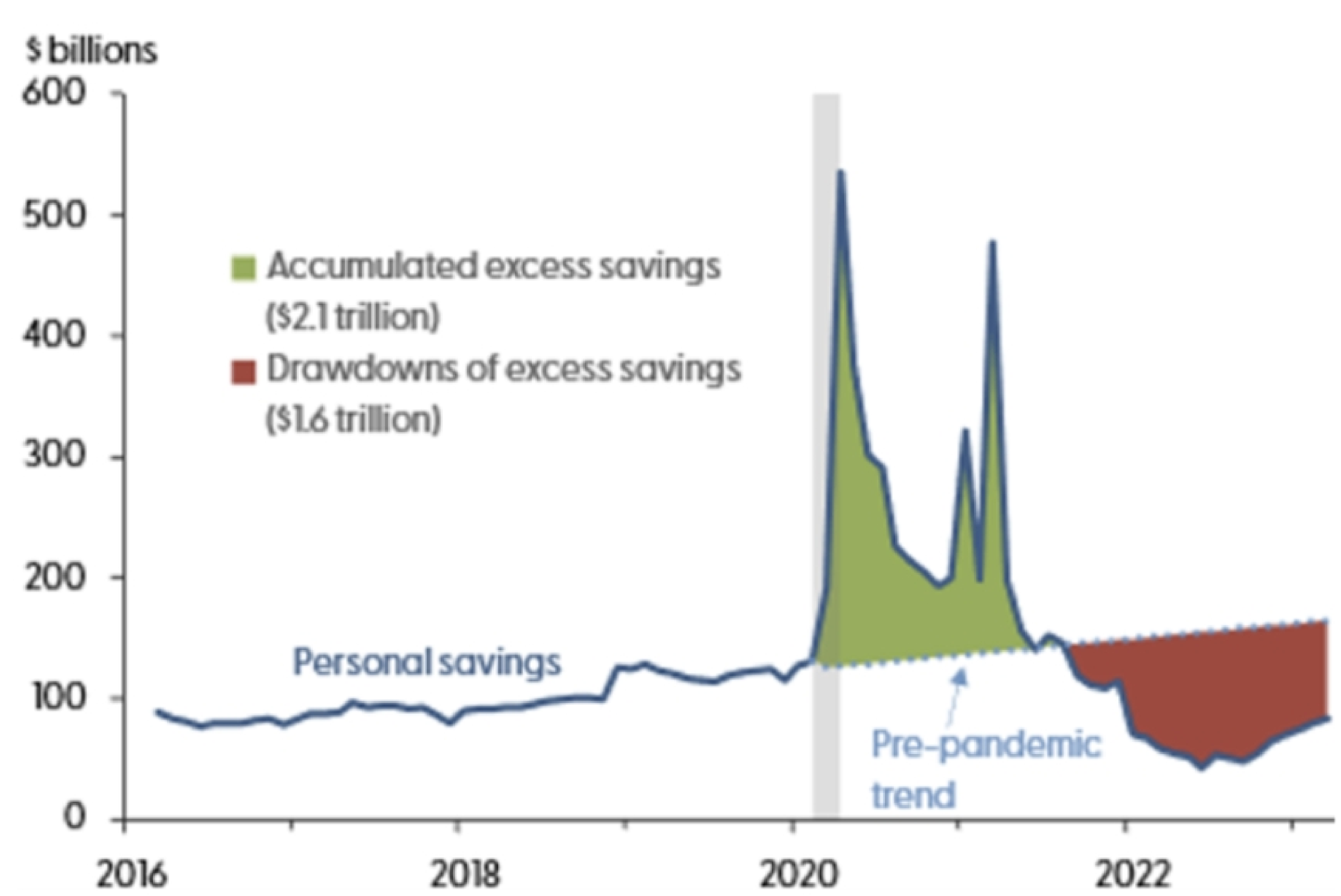
Data: Ycharts, my calculations

As you can see, in terms of drawdowns, this latest bear market was solidly average. It was slightly on the longer side, but far below some of the other non-recessionary bear markets.

There are likely a number of factors that allowed us to stay out of a recession, even as the markets dipped. For one, let's not underestimate the amount of savings that the American consumer built up during the pandemic.

Figure 2

Aggregate personal savings versus the pre-pandemic trend



Source: Bureau of Economic Analysis and authors' calculations.

This chart from the Federal Reserve Bank of San Francisco sums it up perfectly. Americans accumulated $2.1 trillion in excess savings during COVID-19. Now, since late 2021, $1.6 trillion of that has been spent. But that still leaves a ton of money in American bank accounts.

Some analysts have even posited that — shockingly — the lack of a meaningful recession could be the Boomers' fault. They point to the $75 trillion that Boomer's have accumulated in their nest eggs. Now, the Boomer's spending of said nest egg is saving the economy.

At least, that's the theory...

HERE'S WHAT I THINK:

I believe that a number of factors have all come together to keep us out of a recession. I do believe that pandemic-era savings were part of that. I also think that the housing market has offered significant padding to consumer's wallets.

Just three years ago, you could buy a house with 3% interest rates. Now, three years later, the average house's value has climbed 30%. For the majority of Americans, homes are the primary source of their net worth.

So it makes sense that when you're able to borrow at such a ridiculously low rate, plus get appreciation, plus get higher interest rates that allow you to park your cash and earn at least 5%...

Well, that puts the American consumer in a very advantageous position. And get this, 91% of U.S. homeowners have a mortgage rate below 5%, and 38% of households have their mortgage completely paid off.

Then you have the Baby Boomers, again. Prior to the Millenials, Boomers were the largest working generation ever. And now that they're retiring and spending down that $75 trillion nest egg, there is a huge gap in the labor market — a gap that can't be filled. They're simply isn't enough people to tak over the jobs that Boomers are retiring from.

The truth is, there are structural issues to the economy that I believe will make it hard to judge the market fluctuations as clearly as we are used to doing. Persistent labor shortages will keep unemployment low, even as it causes inflation to jump and the real purchasing power of the dollar to decline.

So, if your method of fighting inflation is to raise unemployment (which Jerome Powell has explicitly said he is going to do), well, you may be out of luck. This, combined with all the points I listed above, means that Federal Reserve will find it increasingly difficult to control an economy where the input variables are broken.

Jerome Powell

Which brings us to the next point — the latest Fed moves.

HIGHER FOR LONGER

The Fed just raised interest rates another 0.25% to 5.5%. That's the highest level in 22 years. Not just that, but in the press conference accompanying the rate increase, Jerome Powell went on record saying that he doesn't believe inflation will hit their 2% target until at least 2025.

Which means we're not going to ZIRP any time soon. So, what does this mean for the economy? I believe that the next few years will be a period of uneven growth, and uneven decline. Barring a major credit event by the U.S. government, the economy likely won't crater.

However, there will be pockets where the fiscal situation is worse, and pockets where it is better. Both for individuals and for companies. For instance, a breaking article from Yahoo Finance just reported that:

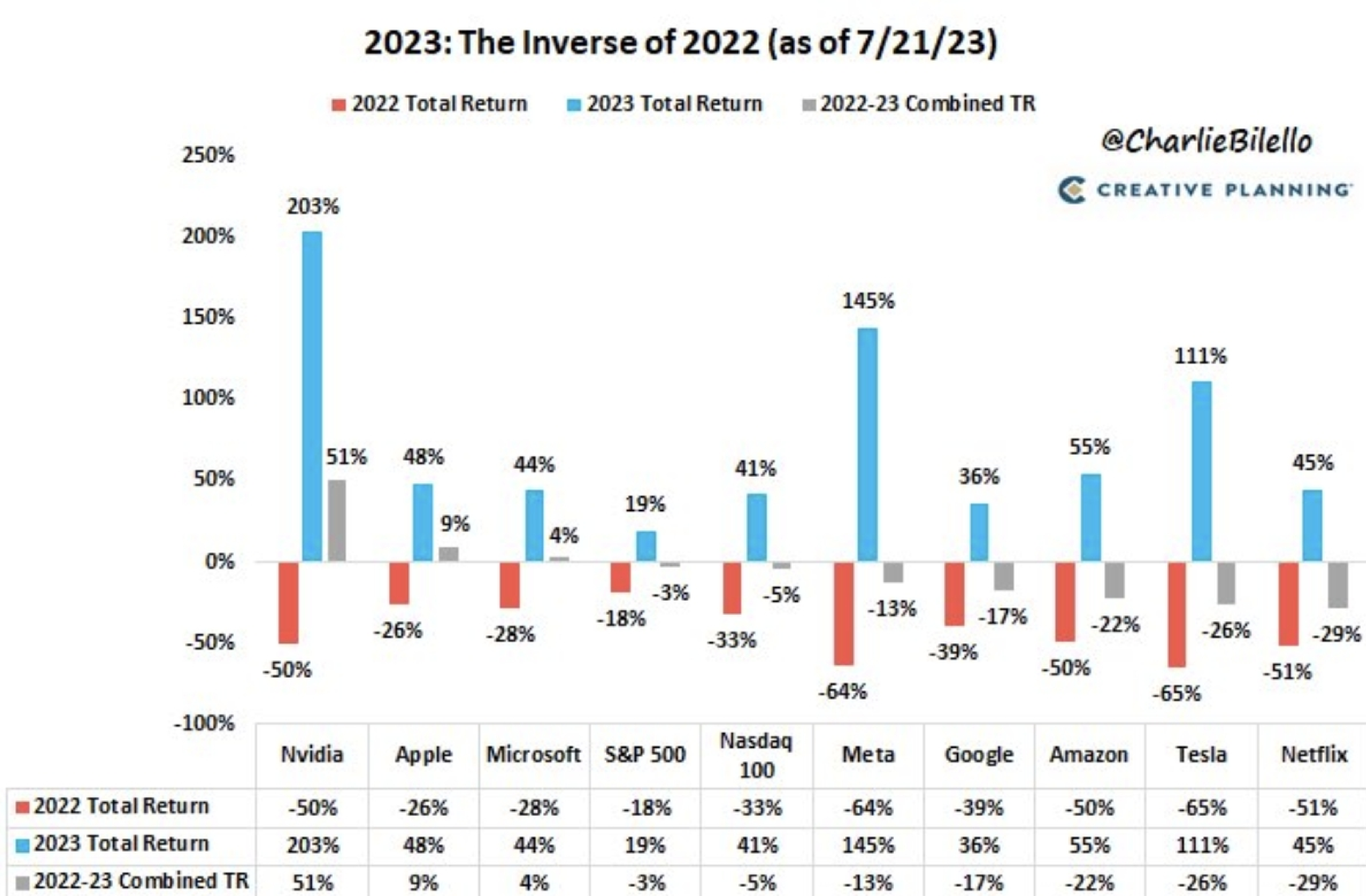
> *"The third-largest North American containerboard and box producer, Packaging Corp. of America, reported its Q2 results; these included a 9.8% box shipment decline, one of its most severe on record."*

Meanwhile, Yellow — one of the largest trucking freight operators in the world — is closing in on bankruptcy. Freight is a good indicator of overall economic demand. If demand is high for shipping, you can gather that consumers are buying more. If demand for freight shipping is low, then demand is low.

Beyond Yellow, overall freight rates are down, adding another point to the "low demand" column. That, combined with the packaging decline, is a good signal that something is amiss in the economy.

In other parts, business is booming. Take tech for instance.

This excellent graph from Charlie Billelo shows just how much the fortunes of tech have turned around this year.



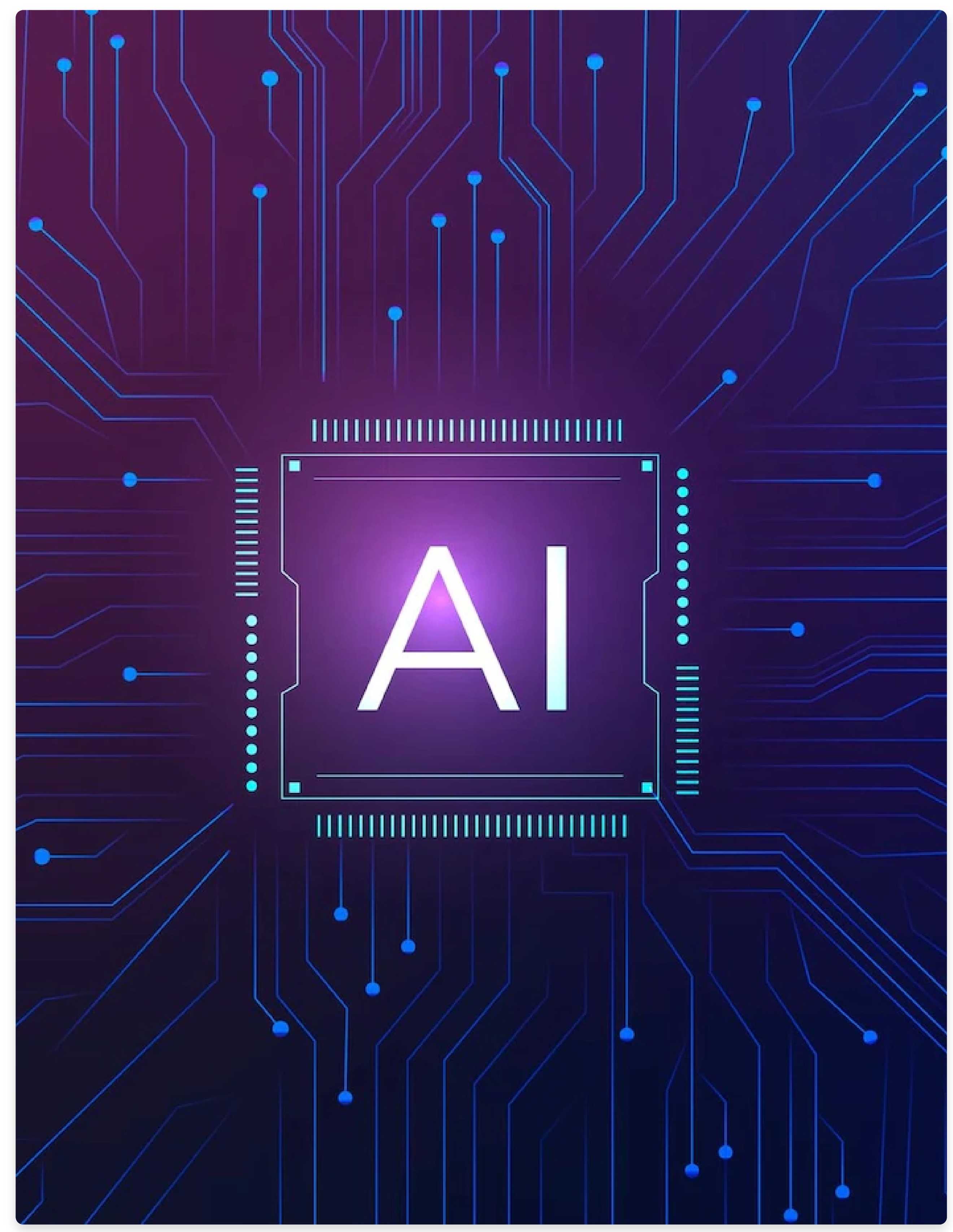
	Nvidia	Apple	Microsoft	S&P 500	Nasdaq 100	Meta	Google	Amazon	Tesla	Netflix
2022 Total Return	-50%	-26%	-28%	-18%	-33%	-64%	-39%	-50%	-65%	-51%
2023 Total Return	203%	48%	44%	19%	41%	145%	36%	55%	111%	45%
2022-23 Combined TR	51%	9%	4%	-3%	-5%	-13%	-17%	-22%	-26%	-29%

Last year was a tech-apocalypse. NVIDIA down 50%, Apple down 26%, Amazon down 50% ...

People thought we were living through another tech bubble. Yet now, to a name, all of the tech stocks have hit all time highs. So much for the bubble, right?

What's driving this turnaround? Well, for one, tech is just a good business model. Low overhead, scalable products, cheap input costs.

Now that the tech companies shored up their balance sheets with the spree of layoffs, they're set to make record profits. So, rather than weakening the tech sector, the mini tech recession probably strengthened it.

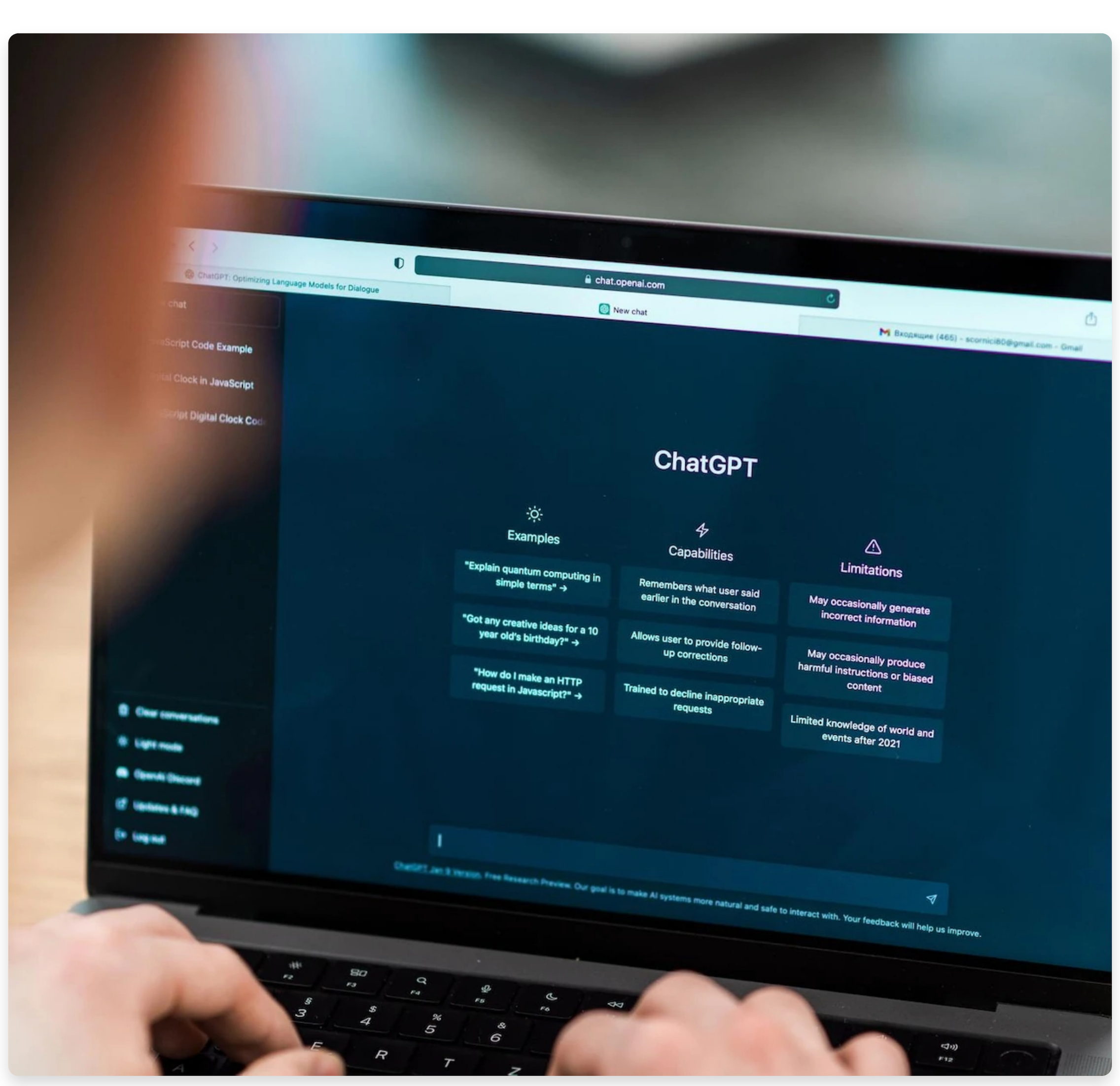


There's also something else though, that I believe is buoying the tech sector as a whole. A new paradigm shift, if you will, that is setting up a whole new generation of technological innovation.

Can you guess what I'm talking about?

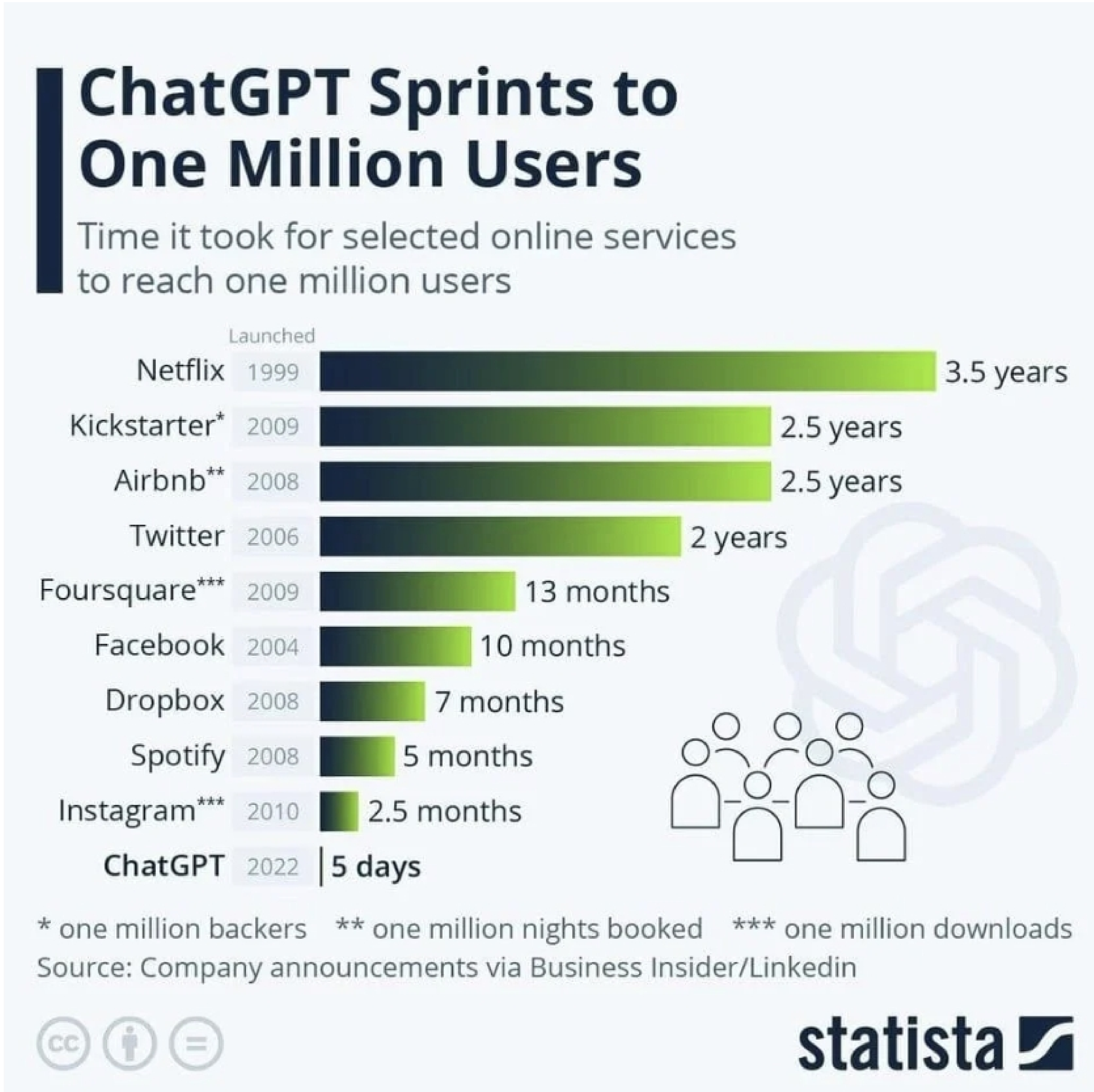
Artificial Intelligence.

THE AI REVOLUTION IS UPON US



I'll admit that we here at Wealthpin have played around with ChatGPT and a few other AI services. And we were blown away by the results. Considering that we're only in the first wave of AI tech (think web design circa 1999 level), the full implications of what AI will become is both somewhat terrifying and extremely exciting.

The numbers are mind-boggling. After launching in 2022, ChatGPT became the fastest-growing app ever.



It's predicted that AI could generate $15.7 trillion in new wealth by 2030. And all of the major tech players are racing to incorporate new AI innovations into their businesses.

Will AI be the next crypto, and reach sky-high heights before ultimately crumbling? It's possible, but I don't believe it's likely.

AI, unlike crypto, has legitimate use cases and products behind it. Things that are, you know, happening now, in the real world, rather than in some techno-libertarian's dreams.

And a lot of smart money agrees. Hundreds of billions if flowing into AI research. Even Warren Buffet — who's famously suspicious of tech — has put $166 billion into various companies that are pushing AI mainstream.

I think that — in terms of investment theses — AI is the lens that investors should be evaluating everything through right now. Now, I'm not saying that it's the only investment idea out there.Of course not, but I do think that tech — and particularly companies utilizing AI — will be some of the biggest gainers over the course of the next year.

So, that means the FAANG companies, as well as others like NVIDIA and AMD are smart bets. But for this month's recommendation, I would like to analyze another company, that I think could offer significantly more upside than the already multi-billion or trillion-dollar behemoths.

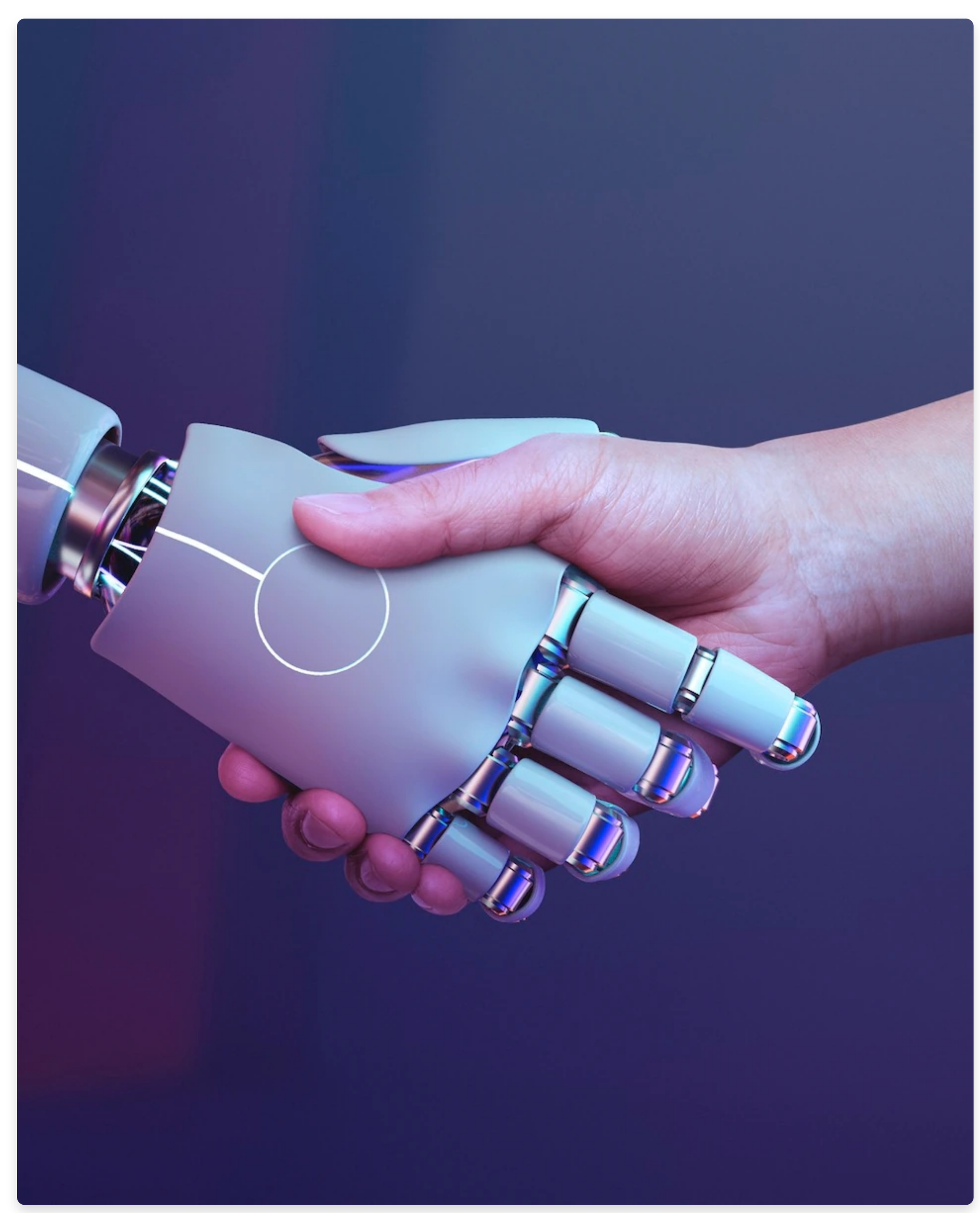
THE APPLE OF AI: HOW TO PROFIT FROM THE OS OF THE FUTURE

TRADE IDEA:
VERSES AI INC (OTCMKTS: VRSSF)

VERSES

PRICE AT PUBLICATION: $1.57

Today, we turn our focus to a company that is poised to redefine the landscape of artificial intelligence (AI) - Verses AI Inc. (OTCMKTS: VRSSF). This company is not just another player in the AI field; it is shaping up to be the backbone of the entire AI revolution, much like Apple did for the mobile technology era.



Just as Apple created a brand-new mobile operating system that empowered an entire generation of technology, Verses AI is on the cusp of creating the operating system that the world's best AI applications will be built on. This is why VRSSF is an excellent pick and shovels play for the AI revolution.

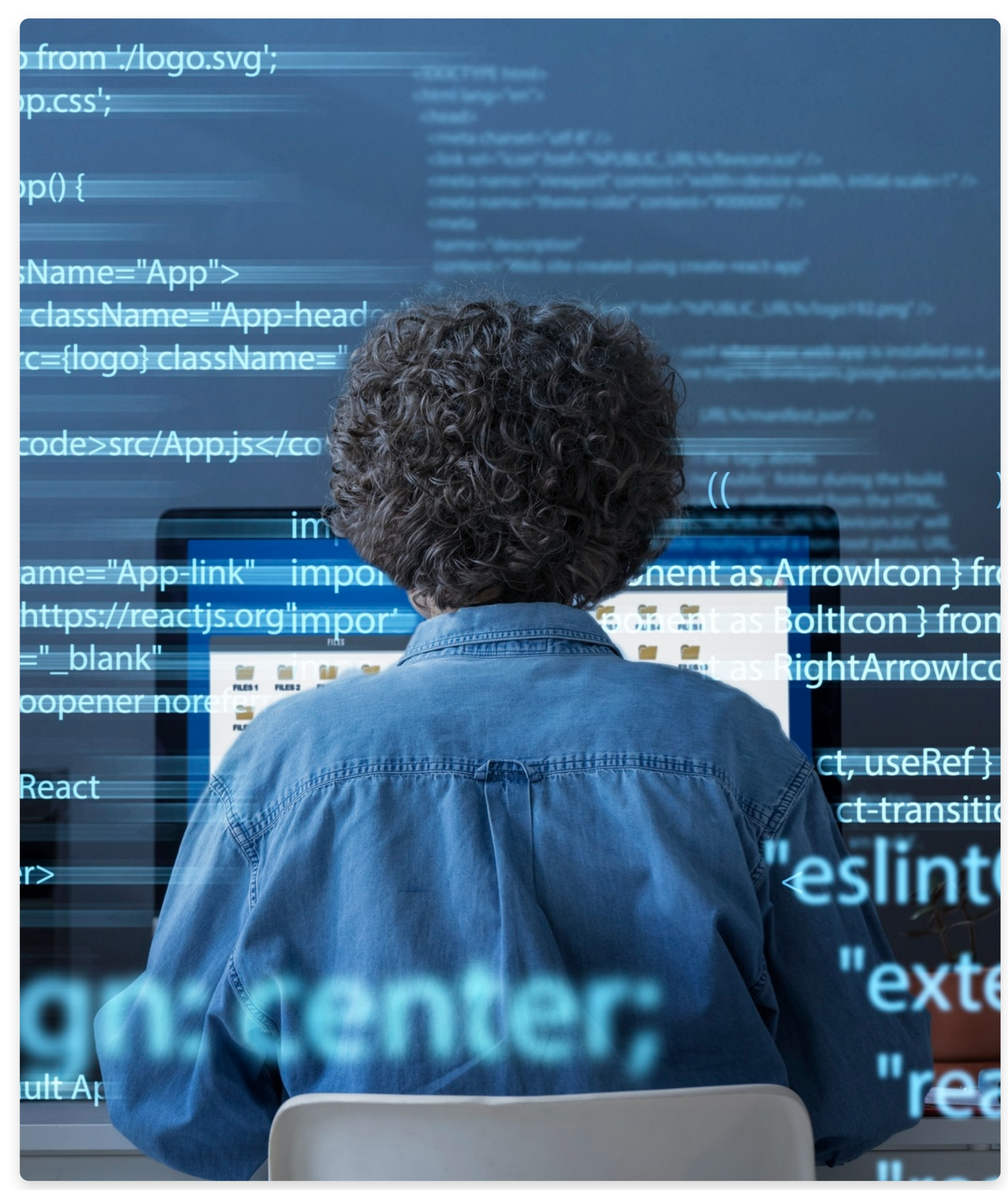
THE AI REVOLUTION AND VRSSF'S ROLE

The AI revolution is not just about creating intelligent machines. It's about creating a new ecosystem where AI can thrive and evolve. This is where VRSSF comes in. The company is developing an operating system that will serve as the foundation for AI applications, much like iOS did for mobile apps.

This operating system will provide the necessary infrastructure for AI applications to operate efficiently and effectively. It will offer a standardized platform where developers can build and deploy AI applications, thereby accelerating the development and adoption of AI technologies.

Verses AI's KOSMOS operating system is positioned to become the key infrastructure to build, run, and sell AI applications. This is akin to how Apple's iOS became the foundation for countless mobile applications, transforming how we interact with technology.

REVOLUTIONARY HSML TECHNOLOGY



At the heart of Verses AI's innovation is its Hyperspatial Modeling Language (HSML). This technology is a new language designed to model objects and activities in space, a significant leap from the traditional hypertext markup language (HTML) used for information on pages.

HSML is revolutionary because it enables the creation of AI applications that have both logical and physical understanding of the world. This includes understanding objects, rules, and activities, and the ability to learn, reason, and adapt.

THE IMPORTANCE OF KOSMS

Knowledge Objects for Spatial Models (KOSMs) are a crucial part of Verses AI's technology. KOSMs transform data into knowledge, connecting the dots in a way that traditional data analysis cannot.

KOSMs are important because they enable AI applications to have a deeper understanding of the world, allowing them to make more informed decisions and predictions. This technology has wide-ranging applications, from production and manufacturing to transport and personal finance.

Production & Manufacturing

Transportation

Personal Finance

A STELLAR TEAM

The team behind Verses AI is a group of deep technology veterans and scientists with decades of experience in AI, Neuroscience, Robotics, Enterprise Software, and Global Sales. The team includes CEO Gabriel Rene, an international bestselling author of "The Spatial Web," and Chief Scientist Karl Friston, a renowned neuroscientist whose work is considered key to true AI.

Gabriel Rene

CEO

Karl Friston

Chief Scientist

The team's past accomplishments and their collective expertise make Verses AI a compelling investment. Their deep understanding of the AI landscape and their ability to innovate and adapt to the rapidly evolving technology sector are key indicators of the company's potential for success.

CURRENT CONTRACTS AND REVENUE

Verses AI has secured significant contracts that demonstrate its value in the AI market. For instance, it has a $26.5M 10-year contract with NRI, a leading provider in the industry. Verses AI's AI-driven real-time spatial information and routing have increased productivity and enabled scalable automation for NRI.

The company also has a robust pipeline of potential clients, including Fortune 500 companies in supply chain, retail, manufacturing, and smart city sectors. This strong pipeline, coupled with its existing contracts, indicates a promising revenue stream for Verses AI.

CONCLUSION

Verses AI Inc represents a pioneering investment in the AI revolution. Its innovative technology, experienced team, and promising revenue stream make it an excellent investment opportunity. As the company continues to develop its groundbreaking HSML technology and KOSMs, it is poised to become a leader in the AI industry, much like Apple did in the mobile technology sector.

Investing in Verses AI is not just about investing in a single company, but in the future of AI and the countless applications that will be built on top of its revolutionary technology. That being said, AI is still extremely cutting edge, and Verses is a small company. Take caution if you choose to invest, and never invest more than you can afford to lose!

To your wealth,
Alex Reid
Founder, Wealthpin Pro