

Market Nihilism: Price Discovery in a World Where Nothing Matters | Ben Hunt & Grant Williams

February 14th, 2020

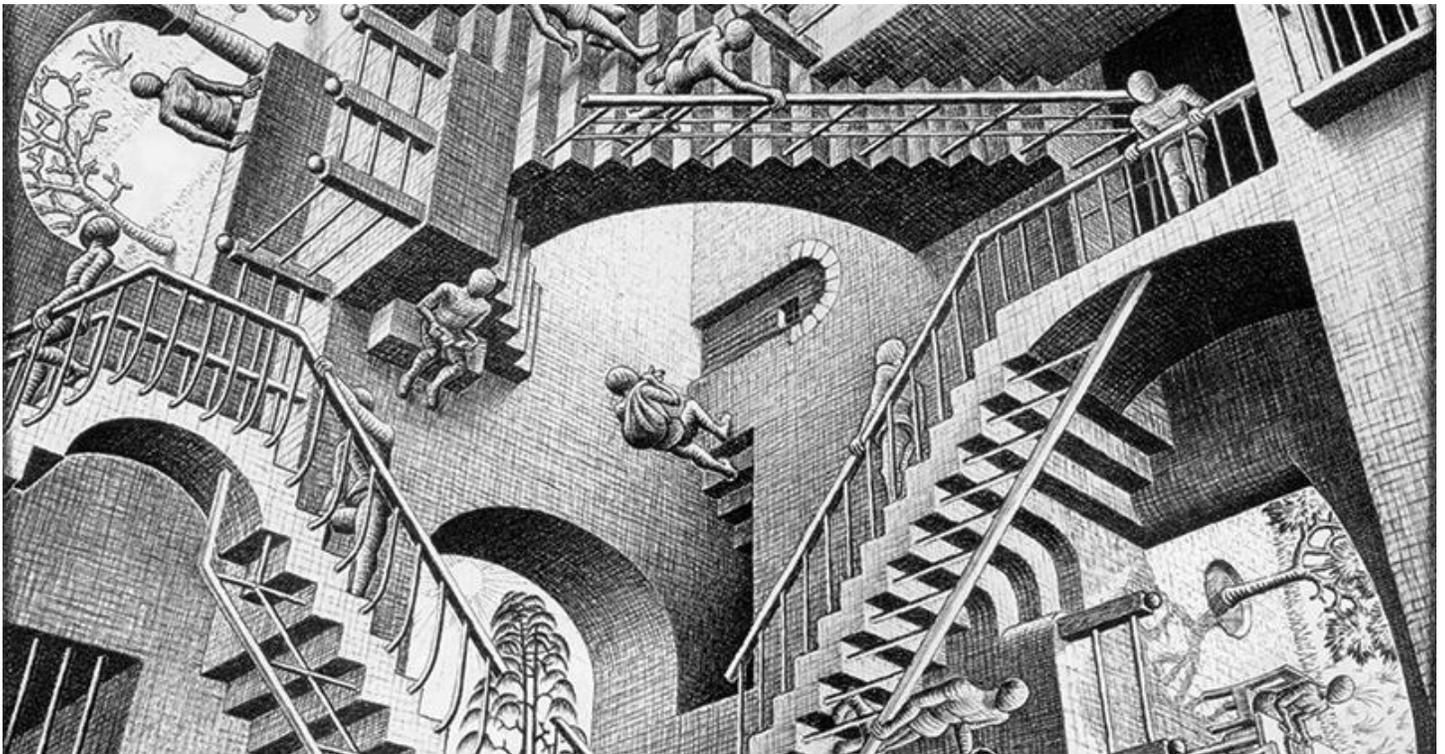
INTRODUCTION

Grant Williams has held senior positions at a number of investment banks and brokers in locations as diverse as London, Tokyo, New York, Hong Kong, Sydney and Singapore over his 30-year career. Grant is portfolio and strategy advisor to Vulpes Investment Management in Singapore and also one of the founders of Real Vision Television — an online, on-demand finance channel showcasing the brightest minds in finance. A regular speaker at investment conferences across the globe, Grant blends history and humor with keen financial insight to produce unique presentations which have been enthusiastically received by audiences everywhere.

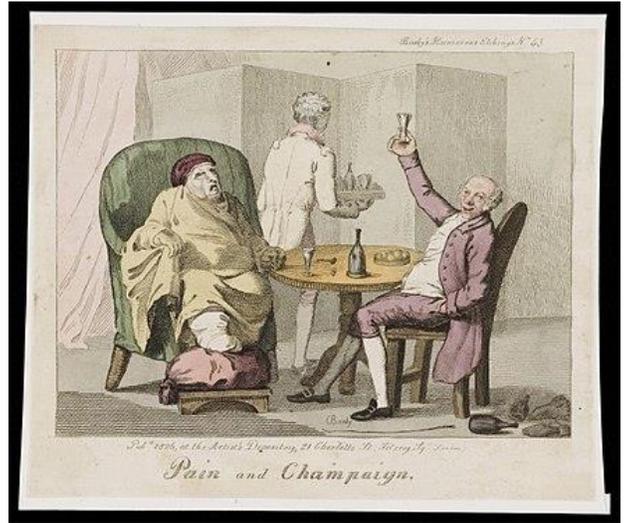
Ben Hunt is the CIO at Second Foundation Partners, a consultant for large institutional investors, and the author of Epsilon Theory, a newsletter and website that examines markets through the lenses of game theory, history and nature. Over 100,000 professional investors and allocators across 200 countries read Epsilon Theory for its fresh perspective and novel insights into market dynamics. In prior positions, Ben has managed a billion-dollar hedge fund and served as Chief Strategist for a \$13 billion-dollar asset manager. He has a Ph.D. from Harvard University, was a tenured Political Science professor, and has co-founded three technology companies. Ben spends lots of time on a family owned farm, which inspires many original ideas on the parallels between human and animal behavior.

WHY DO I CARE?

With the exception of some of the more conflict-oriented episodes that I've pre-booked for the first quarter of 2020 (something I have elaborated on in my [intro to Michael Lind](#) and [on twitter](#)), my schedule has remained pretty open. I've tried to be as flexible as possible so as to make room for more current content. More recently, I've been trying (unsuccessfully) to find a credible, open-



mindful, non-conspiratorial guest to come on the program for a conversation about the novel coronavirus (COVID-19). It hasn't been easy. Most of the qualified people are busy working with the NIH, CDC, WHO, etc., and those who have the time seem to be often pontificating and making definitive sounding statements without much substance to back them up. It's a sign of the times. Before the 2008 crisis, wild, outlandish conspiracies were afforded very little attention and/or credibility. This is not to suggest that the mainstream narratives are to be readily believed, but I do think we must hold everyone accountable to the same journalistic standards when combating the "fake news media."



As a result of my failed "COVID-19 mission," I was left with a fortuitous opening that today's guests have graciously offered to fill. I actually had it in my head to have Ben and Grant on together, but I didn't know they would be in town until a few days ago. I reached out to Grant to see if he would be interested in the idea of doing a show with Ben, and he told me that the two of them already had plans to meet up today in NYC. So, here we are!

Ben has made a name for himself in the #FINTWIT space with [Epsilon Theory](#), where he scrutinizes the world through the lens of the mainstream media's persistent but ever-evolving narratives. Though some of his opinions on the MSM and the paternal state can be interpreted by his detractors as "conspiratorial," I find his takes very reminiscent of the pre-2013 financial blogosphere. In this sense, his irritability and skepticism match my own from my days producing capital account, and reading his takes often makes me wonder if I haven't strayed too far into the camp of the normies, synonymizing the NYTimes with fact and [ZeroHedge](#) with fiction.

Grant, on the other hand, is one of those people who just seems to have been born happy. Sure, he's no fool, but I don't think I've ever seen the man appear remotely melancholic. He's a bon



vivant—a natural optimist who’s “pay it forward” life ethos and uninhibited generosity has clearly worked in his favor over the long-term. His creative work, including his latest podcast “[Are You Not Entertained?](#)” has all the charm and soul that I’ve come to expect from a Grant Williams project.

Both men—Grant and Ben—are veterans of the financial industry. One might even argue that they are its “survivors.” [Grant interviewed Ben](#) at his Connecticut farm in 2018 for Real Vision, and I can only assume that the two know each other fairly well at this point. Of course, both have been on my show, which is going to make today’s episode extra fun and extemporaneous.

THERE GOES GRAVITY

Both Ben and Grant have written and commented on various aspects of this distorted financial universe that we all seem to be inhabiting. [Grant covered it recently in a newsletter he published called “A Whole New Ballgame,”](#) where he used Steph Curry and the three point line in basketball as a metaphor for how someone or something can change the fundamental paradigm of a sport or market so much so that every other participant has no choice but to adjust him/herself to the new reality. [Ben discusses this in the context of his narrative machine,](#) where reality and perception seem to be indiscernible or where even the notion of objective reality is irrelevant.

Impossible Things — The Queen in Lewis Carroll’s “Alice in Wonderland,” famously says that she’s “believed as many as six impossible things before breakfast.” **Q:** [What are the impossible things that people believe today?](#) **Q:** [What have the two of you been most focused on?](#)

Fake is the New Real — For years, the contrarian position was not to believe the media, but rather, to rely upon alternative outlets like blogs and insurgent media for the real facts and analysis. **Q:** [Could it be that we have now moved so far away from trusting the consensus narrative that more people believe even more outrageously fake news?](#) ***Case in point: COVID-19

“Alice laughed. ‘There’s no use trying,’ she said. ‘One can’t believe impossible things.’

‘I daresay you haven’t had much practice,’ said the Queen. ‘When I was your age, I always did it for half-an-hour a day. Why, sometimes I’ve believed as many as six impossible things before breakfast. There goes the shawl again!’ — Lewis Carroll



New Market Nihilism — In the last major bull market of the late 1990's there was a compelling narrative in place to explain the celestial valuations and astronomical prices of an entire category of companies and stocks. We were living in a “new paradigm economy,” everyone said. The same was true of the 1920's where the term “new era” was bandied about. **Q:** What is the narrative that explains the bull market today? **Q:** Is today's market less euphoric and more nihilistic? **Q:** When have we ever seen this before, where prices are rising in an environment of nihilism?



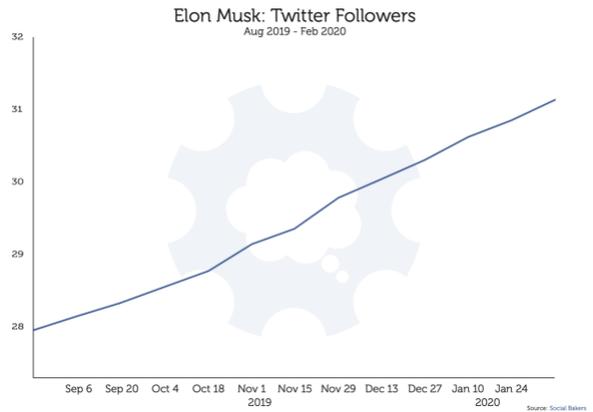
CAPITALISM WITHOUT CAPITAL

“How much is Tesla, the electric carmaker, worth?” This is the question with which Grant Williams opens the first paragraph of his monthly newsletter “Things that Make you Go Hmmm...” And “hmmm...” is the reaction of many (if not most) investors, but that hasn't stopped them from driving the price of \$TSLA to astronomical new heights (to “plaid” as Grant suggested). The company's market cap reached a stunning \$170bln, albeit briefly, when the shares hit an intra-day high of \$968.99. I was in the hospital on that day, visiting a family member, when we both stopped to remark at the absurdity of what was transpiring. The closest analogue I can think of is the mania seen in Bitcoin towards the end of 2017, when the price of a single megabyte of data storage on the world's most expensive ledger almost touched \$20,000. **Q:** What do both of these assets have in common? They are disproportionately owned by millennials who believe that the real economy, stocks, and the government are all “scams” and that humanity is going to hell in a handbasket if we don't make the rapid switch to renewables and become an inter-planetary species before the end of the decade. In pursuit of this dream, millennial investors have led the way, not only by providing the “oomph” for Bitcoin and Tesla, but also, by elevating the likes of WeWork, Uber, Netflix, and a slew of cannabis companies—often through the easy-to-use Robinhood mobile app.



\$TSLA vs. \$TSLAQ — It has been a BRUTAL time for speculators who have been short Tesla. The recent price appreciation of the most hyped car company of the era has left many of them licking their wounds (assuming they still have tongues left with which to lick them—that’s how badly they’ve been burned).

Q: Can the bull case for Tesla be found in a government engineered bailout justified by the imperative of 21st century mercantilism and MMT? **Q:** Are “boomer” bears using the wrong slides in their view-masters while trying to value this company?



Robinhood & the Millennial Investor — Grant links readers to a couple of videos in his latest newsletter that were painfully difficult to watch. I got through less than 2min of the first one (some millennial investor living in Florida) and managed to watch a bit more of the second. I really don’t know what to make of all of this. It’s all so bizarre, but I wonder if stuff like this has always been going on and that it’s just that we can more readily access it because of YouTube and social media. **Q:** Who’s buying Tesla and why? **Q:** How much of this is being driven by the ease with which millennials can buy and sell stocks? **Q:** How does this compare to innovations in 1990’s like E-Trade? ***Grant can tell us about his forays into Reddit and the Robinhood message boards.

Weaponization of Twitter — Lawrence Fossi asked, in a post on Seeking Alpha in the summer of 2017 if Donald Trump and Elon Musk were separated at birth, because they operated in such similar fashions. Grant made a similar case in his most recent newsletter. His commentary reminded me of Andrew Marantz’s examination of right-wing trolls in his book “Antisocial,” **Q:** When did we begin to see the “weaponization” of twitter and is everyone (Elon included) just taking Trump’s lead at this point?

Mechanics of the Pump — Stock pumps have been with us in one form or another since the dawn of humanity, but modern implementations of the strategy have incorporated a far more direct mechanism than anything we have seen before. I’m speaking specifically of the use of twitter and social media to drive interest and excitement almost instantaneously. **Q:** What are the mechanics of “the pump” in today’s world?



#FINTWIT & “The Blog” — Blogs played a critical role in disseminating countercultural ideas in the aftermath of the financial crisis of 2008. However, as time has gone on, it seems that this role has been taken up more firmly by twitter. Both of you are prominent members of this community. **Q:** Can you tell me how you think the informational landscape has changed in the year since the crisis and how twitter fits into that ecosystem? **Q:** How do people come together around contrarian ideas today?

Bitcoin — I’ve devoted a lot of time, attention, and thought to Bitcoin both on and off the air. I’ve found elements of the value proposition compelling, but ultimately, the Ponzi-scheme nature of the asset (it is a more mobile form of gold with a high carry but without the over 2,000 years of history as a monetary metal) has dissuaded me from investing in it with any level of conviction. Actually, that isn’t entirely accurate. The distasteful nature of its most strident exponents is what has turned me off from the digital currency. I can’t stand their idolatry of money. They are like doomsday preppers except without the bunker, the food, or the guns. Although their technological acumen ranges from the inane to the brilliant, they all seem to be operating with the same set of Austrian Economics plug-ins from the \$.99 cents store.

Q: What are your views on Bitcoin’s culture? **Q:** What do you think of this intersection of goldbugery, doomsday prep, anarchy, and Austrian economics as a unifying ideology? **Q:** What are your views on the capacity for something like this to work as a mechanism for revolution? **Q:** What do you think of the “boomer” meme?

WeWork — This is another company that I’ve devoted some amount of time to covering, particularly after the departure of its now disgraced CEO Adam Neumann. **Q:** Have you guys still been following developments at the company and what do you think will come of this unicorn?

CIRCUS 2020

The outcome of the democratic primaries, as well as the general election, could (and should) have an impact on the stock market. That said, nothing seems to have an impact on markets these days except the policy of central bankers. Literally, nothing exogenous to markets seems to change the tilt of stocks to the upside. Why should the election be any different?

Political Stock — **Q:** Should we expect the 2020 election to move stocks when nothing else has?

The Democratic Field — **Q:** What are your thoughts on the candidates? **Q:** Do you have any thoughts about the ideological bent of the modern democratic party and how representative its views are of the broader electorate? *****Purity Spiral**

It’s the Economy Stupid — **Q:** Do you think that any of these candidates can beat Trump if the economy and markets are doing as well or better in November as they are today? **Q:** Can Trump survive reelection without a thriving economy?

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I have purchased 3 contracts today. Can someone kindly help to explain why do 'Contracts' and 'Total Return' values displaying as negative?

Tell me what to do Finance & Business



Market Value	Credit	Today's Return	Total Return	Expiry Date	Contracts	TSLA Break Even Price	Average Credit per Share
-\$36,000.00	\$33,960.00	-\$2,040.00 (-4.91%)	-\$2,040.00 (-4.91%)	2/28	-3	\$1,000.00	\$113.20

name_nt_important 65 points • 4 days ago
What does this negative value mean. Do I need to pay this amount?

Market Value : -\$40,425.00

Credit\$ 33,960.00

Today's Return: **-\$6,465.00** (-19.04%)

Total Return: **-\$6,465.00** (-19.04%)

CardinalNumber Former moderator 177 points • 4 days ago

It means you're losing money.

name_nt_important 62 points • 4 days ago
How do I stop losing. Can I just cancel or sell it now (before market close)?

crucible1623 557 points • 4 days ago
Call RH customer service tell them you want to start over. They will refund everything.