

## Amazon, Bitcoin, & the Holiday Season - Transcript

**Tim Mullooly:** Welcome back to the Mullooly Asset Management Podcast. This is episode number 233. This is Tim Mullooly, and with me today is Tom Mullooly.

**Tom Mullooly:** Hello everyone.

**Tim Mullooly:** We have a couple of articles that we wanted to talk to you about. Tom, why don't you dive right in?

**Tom Mullooly:** The first one that caught our attention was Amazon and other retail stocks typically beat the market during Black Friday week. But how do we answer this, because there is no more Toys R Us?

**Tim Mullooly:** Right. Yeah. That's one competitor that they can't beat anymore.

**Tom Mullooly:** I was talking with some-

**Tim Mullooly:** Isn't Toys R Us coming back though?

**Tom Mullooly:** Yeah. Sure. Geoffrey's being reincarnated as a pelican this time. I don't know. I was talking with friends of ours over the weekend, and some of them were gearing up for some big Black Friday sales. And I said, "What's the point of Black Friday if there's no Toys R Us?" If you go to ... Well, you can't go to the Amazon store because there isn't any. Or they're starting to open up retail stores, but if you're going to Wal-Mart, first of all, you're going to be stamped by somebody looking for a free TV.

**Tim Mullooly:** Right.

**Tom Mullooly:** And if you go to Wal-Mart, or Target, or gosh, Costco, there's one aisle, one aisle in each of these places for toys. That's the whole point of Black Friday.

**Tim Mullooly:** It's kind of gotten lost over the years I guess.

**Tom Mullooly:** I don't understand it. I think the whole idea of Black Friday, Cyber Monday, this is all lost. If you don't order your stuff by December 17th, 18th, whatever it is, like a week before Christmas, you're not getting it.

**Tim Mullooly:** Every year it starts earlier and earlier. I saw a commercial yesterday that said Target's open at I think 5:00 on Thursday for Black Friday. Black Friday is now just more of a concept as opposed to a 24 hour period of time.

**Tom Mullooly:** I guess this is gravy colored Thursday because it's going to open after the Thanksgiving turkey's gone at 5:00, but before the Dallas football game at 8:00.

**Tim Mullooly:** Right. Getting back to the point in the article too, I mean they're talking about how Amazon and other retail stocks typically beat the market during Black Friday week, so technically we're recording this on Monday of Black Friday week, so this is really for day traders and short-term investors. But we're recording this on Monday after the markets closed, so you already missed out on 20% of the week that you could get your out performance for.

**Tom Mullooly:** Actually, 25% because there's no market on Friday.

**Tim Mullooly:** That's true.

**Tom Mullooly:** So there's on four sessions today and Friday will be a half of a day.

**Tim Mullooly:** Right.

**Tom Mullooly:** Market will close at probably 1:00 that day.

**Tim Mullooly:** Yeah. You hear every year you get towards the holiday season and these retail stocks and Amazon, you hear about the narrative that Amazon's going to crush these retailers. They're toast. They're not making money anymore, like they had a bad retail season. You've been hearing about that for, what? Like, five, six years not. It's not instant.

**Tom Mullooly:** I've heard it for over 30 years. All of these retailers really struggle throughout the year. They want to make all their money, or 50% of it at least, in these last four weeks of the year going into Christmas. It is their opportunity to make money.

**Tim Mullooly:** Everyone thinks that Amazon is going to just completely destroy all of these companies and any industry that they go into. And they'll change it, definitely. But it's not going to be as instantaneous as people think. It's going to take a long time for them to completely eliminate the need for other companies, if at all.

**Tom Mullooly:** I heard a bit on ... I was doing far too much leaf raking this weekend, and so I listened to 19 podcasts. And I heard someone say that online eCommerce is still only about 18% of all the commerce retail sales that we have, so we're still ... It's not even one fifth of all of the business. But people are just throwing in the towel. It's over.

**Tim Mullooly:** Yeah. It's a growing phenomenon. That's no question about it. But in the larger scheme of all commerce out there, not even close to a majority.

**Tom Mullooly:** I think people are taking this to an extreme. I don't think all the malls in New Jersey, we own the patent on malls on a highway in the state of New Jersey because if you drive down any highway, there's one. Hey wait, there's another one.

**Tim Mullooly:** Yeah.

**Tom Mullooly:** Wait. There's another one. And they all have Starbucks and they all have Barnes and Noble. There's actually a Barnes and Noble that's going to close. I don't understand that.

They could just sell coffee in there. People just hanging out reading books. But I don't think that idea of the malls as a business is going to go away tomorrow.

**Tim Mullooly:** Right. It's not an overnight thing.

**Tom Mullooly:** No. Even with all of the retail footage now that's going to be open with Sears closing so many locations. Interesting question came up the other night at dinner. Someone asked, "Is Sears just going to close?" There really is no answer. Toys R Us went into bankruptcy a couple of years ago, but they didn't actually ... They reemerged. Then they went into bankruptcy again. Companies can stay afloat. They can shrink in terms of their size. But they can stay afloat for a while, so Sears may hang around a little longer as a much, much smaller retailer. We don't know.

**Tim Mullooly:** Right.

**Tom Mullooly:** There may be a couple of these. They may get down from 400 to 40 locations and then after Christmas just kind of pull the plug. Or they may just pull the plug next week. The main word that you're looking for when you're reading these stories about companies going into bankruptcy is the word liquidation. Liquidation is, it's over.

**Tim Mullooly:** That's it.

**Tom Mullooly:** Yeah. We're pulling the plug on the life support. We are closing for good and we are not coming back. We're selling everything including everything down to the studs. Liquidation really is the word that you're looking for.

**Tim Mullooly:** Yeah.

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**Tim Mullooly:** A couple articles here that are holiday themed, I guess you could say, the popular conversation at the Thanksgiving table last year for a lot of people was bitcoin. This time last year was the bitcoin craze. Everybody was-

**Tom Mullooly:** It's hard to remember that.

**Tim Mullooly:** Right. That was just a year ago. That's insane.

**Tom Mullooly:** It is insane.

**Tim Mullooly:** But that seemed to be the popular topic for a lot of people. Should be buy bitcoin? Should we get in on this? It's crazy. There was an article on CNBC this morning talking

about how bitcoin dropped 9% below 5000. Now during the bitcoin craze of last year, it got up to almost 20,000.

**Tom Mullooly:** But wasn't this thing like \$5000 or \$6000 a year ago?

**Tim Mullooly:** Right. It's pretty much come full circle. You could be in some hot water with some relatives if you gave them a bitcoin tip at Thanksgiving last year because-

**Tom Mullooly:** Laughable, right.

**Tim Mullooly:** Odds are, depending on when they bought it, they're probably down a significant amount.

**Tom Mullooly:** Please open your dictionary and go to the word parabola to see what this has done in the last 12 months, and how it's gone from 5000 to 19,000 and change, back to where it was. 12 months, that's all it took.

**Tim Mullooly:** Right. Just a word to the wise, I don't know.

**Tom Mullooly:** It took Sears 90 years to do that.

**Tim Mullooly:** Yeah. There's probably some other hot stock tip. Maybe it's marijuana stocks that-

**Tom Mullooly:** Marijuana. We hit that at the same time.

**Tim Mullooly:** Yeah. They're the new craze this year. Maybe learn your lesson from last year and be hesitant as to who you take advice from, or information from when it comes to investing in some of these speculative things that you probably don't fully understand.

**Tom Mullooly:** There's a lot that still needs to be parsed out when it comes to things like bitcoin. There are some people out there that say there is absolutely no business use for bitcoin. I read that this morning. And others saying that, hey, we may find some great uses for this. But it's down the road. It's in the future.

Totally unrelated to this, but same kind of frenzy, it was almost 20 years ago how people were talking about companies that could do gene mapping, where you could actually get your DNA, and you could map out everything there is to know in your DNA. And it would take several months and several thousand dollars.

And there was actually no retail component of this. People couldn't use this. The police departments, the FBI could use this. Nations could do this. Now last night during the football game, there was a commercial for 23 and Me that you can do this thing for 50 bucks and get an answer in two hours. I don't if it's real or not.

You're Ethiopian. Did you know that?

**Tim Mullooly:** I did not. I doubt it as well.

**Tom Mullooly:** But it's amazing to see those DNA gene mapping kind of stocks. I know a few names, but I'm not going to say it because I don't want to appear that we're even recommending anything. We're not. But there was one stock in particular that went from \$4 in October of '99, six months later it was trading at \$271 a share, from \$4 to \$271, and back to \$4.

**Tim Mullooly:** Things with that kind of trajectory, just most cases, it's usually too good to be true. If you can get in on the way up and get out right when it peaks, good for you. But sometimes it pays to be skeptical, I guess. Question for you. How much money does it take for a person to be considered in the top 50% of people worldwide in terms of worth?

**Tom Mullooly:** Worldwide.

**Tim Mullooly:** Yes.

**Tom Mullooly:** To be in the top 50%, \$100,000.

**Tim Mullooly:** Think lower, surprisingly lower. This could take a while, so I'll just give you the answer. Just \$4,210 to your name leaves you better off than half of the people around the world, \$4,210.

**Tom Mullooly:** Wow.

**Tim Mullooly:** The median income net worth for people in the US alone is almost \$100,000, like what you said.

**Tom Mullooly:** Right.

**Tim Mullooly:** I don't know. For me, I saw that on CNBC today. And kind of going along with Thanksgiving and being grateful, it kind of just puts things in perspective. There are so many people out there around the world that have literally no money at all. Nothing.

**Tom Mullooly:** They have nothing. Right.

**Tim Mullooly:** \$4000 to people here in America is, they spend that in a month.

**Tom Mullooly:** Car insurance.

**Tim Mullooly:** Couple weeks. Those are your property taxes, depending on where you live in the country. I mean, to get to the 1% level, you have to have a net worth of \$871,320.

**Tom Mullooly:** You have to have a net worth.

**Tim Mullooly:** Right.

**Tom Mullooly:** This is something that, believe it or not, we still have to educate people when they come into the office. They're like, "Well, my house is worth 650 grand." And we're like, "Okay. How much do you owe on that?" "Oh, you want that too?"

**Tim Mullooly:** 600 grand. What's your net worth?

**Tom Mullooly:** Net. That's a net figure.

**Tim Mullooly:** Net is a key, key word there.

**Tom Mullooly:** Right.

**Tim Mullooly:** But yeah, just kind of an eye popping number, at least to me. Just \$4000 means you're better off than half of the people in the world. Just something to keep in mind coming up towards the holiday season. Be grateful.

**Tom Mullooly:** We live in a very advanced society here in the United States. Think about this. You're probably listening to this on an iPhone with ear buds.

**Tim Mullooly:** That alone right there is almost \$1000.

**Tom Mullooly:** Yeah. Right.

**Tim Mullooly:** There was an article in Forbes. And the title was, Why You Would Not Have Invested with Warren Buffett.

**Tom Mullooly:** Okay. Before we even get to that, I put on a small seminar for our parish last week to talk about estate planning. I got a lot of really good topics to discuss during the Q and Q period from Forbes. We used to get Forbes Magazine delivered all the time. And I was like, "You know, I should probably think about re-subscribing to this," so I spent an hour on their website this weekend looking for: How do I get a subscription to the Forbes website? There is no subscription.

**Tim Mullooly:** It's all free.

**Tom Mullooly:** Well, you have to allow the ads. If you have an ad blocker, you're immediately getting blocked. There's just no chance you're going to get in there. But holy cow, I would encourage people to allow the ads to ... If you're not using ad blocker, you may want to think about that.

**Tim Mullooly:** I don't use ad blocker, so that's why I look at Forbes. To be honest, I pick a lot of these headlines that we talk about in these episodes, and I find a good majority of them on Forbes. So if you're looking for thought provoking articles in terms of money and investing and personal finance, stuff like that, Forbes is a really good place to look.

**Tom Mullooly:** Very good.

**Tim Mullooly:** The article that I found on Forbes was about why you would not have invested with Warren Buffett.

**Tom Mullooly:** And so Brendan and I actually talked a little bit about this in the very last podcast, 232, in the sense that there was little to no compounding going on the first 20 years. Think about all these hedge funds where people pull the plug on them after two years. We didn't make any money. We're out. We want our money back.

**Tim Mullooly:** The point of the article pretty much was his way of investing, it was unconventional.

**Tom Mullooly:** No one would go for it even today.

**Tim Mullooly:** Right. For me, the takeaway was pretty much, looking in hindsight, it's, yeah of course I'd invest. It's Warren Buffett. But at the time, Warren Buffett wasn't Warren Buffett. He was just another investor. To say, it kind of brings up that point that people always say, "If you just put \$10,000 into Google when it IPO'd, you'd be a millionaire by now." It's like, yeah, you didn't know Google was Google before Google was Google.

**Tom Mullooly:** Right. Yeah.

**Tim Mullooly:** What did the word Google even mean before the website came out? You know?

**Tom Mullooly:** Even in the 1980s when I got into the business, the whole legend of Buffett, it was still percolating. It wasn't quite there yet. And every once in a while, I'd see an article or some kind of mention of Warren Buffett and I'm like, "He's pretty good. He's pretty smart," but nothing like the track record that he has now. Some of these ideas really had to take root, and they really had to grow. And so I hate to keep going back to these really basic analogies, but they work. If you planted a bush in your backyard, you wouldn't rip it up after three months, or four months, or even six months to see how the roots are taking. You wouldn't rip it out to see how it's growing. You've just got to leave it.

**Tim Mullooly:** Yep.

**Tom Mullooly:** It's either going to die, or it's going to work. You've just got to give it time to do its thing.

**Tim Mullooly:** Yeah. I think the Philadelphia 76ers say, "Trust the process."

**Tom Mullooly:** Trust the process.

**Tim Mullooly:** Joel Embiid says that. Kind of the same way Joel Embiid says that, Warren Buffett, trust the process.

**Tom Mullooly:** He's got a process. We've got a process. These things do work. They all seem to work over time, but you've got to stick with one process.

**Tim Mullooly:** Yeah. Kind of segueing nicely into having long-term plans, there was another article in Forbes talking about two ways, two most powerful ways to stay mentally sharp in retirement. Spoiler alert, the two ways to stay mentally sharp are exercise and to volunteer. And the author was saying how it's good starting points for a long-term wellness plan. And I figured if you have a long-term wellness plan, you should probably also have a long-term financial plan. And those things should work well together.

**Tom Mullooly:** They really should. But I will say they're part of a well-balanced financial plan does not include calling your advisor every day the market is down 400 points.

**Tim Mullooly:** Right.

**Tom Mullooly:** That's not part of the plan.

**Tim Mullooly:** That's not a long-term plan. That's your short-term over reaction.

**Tom Mullooly:** Freak out plan, yeah.

**Tim Mullooly:** Yeah. I think the better way would be to remember that you have a long-term plan and realize that the market being down 400 points today doesn't necessarily mean anything to your long-term wellness.

**Tom Mullooly:** If you look at what the market does over ... I'm going to short circuit myself and say, if you look at what the market does over two years, certainly over three or four years, and look at the average returns, doable. But as Brendan likes to say all the time, the returns are lumpy. They all come out, sometimes they come out all in one year. And then you have a year or two of nothing. So for all the volatility, we're recording this November 19th, for all the volatility that we have had just in the last three or four weeks, the market bottomed October 29th, so we've now had three weeks of back and forth, back and forth, back and forth. You know what the market's done in three weeks? Zero.

**Tim Mullooly:** Nothing.

**Tom Mullooly:** It's zero. It's exactly where it was a couple of days before we hit bottom.

**Tim Mullooly:** So if you went to sleep on October 29th, and woke up today, you'd be like, "Eh."

**Tom Mullooly:** Haven't missed much.

**Tim Mullooly:** Nothing happened.

**Tom Mullooly:** Right.

**Tim Mullooly:** But if you stared at your account every day, red, green, red, green, red, red, green, you'd drive yourself crazy.

**Tom Mullooly:** I think the bigger problem is that people tie their own self value, their opinion of themselves and their circumstances by what's happening on that screen. And that is the most screwed up way to live.

**Tim Mullooly:** Yeah. You're never going to feel good about that. I mean, that's putting yourself self-worth and how you feel about yourself on variables that you can't control. There are so many other things in life and in finance that you can control to make yourself have a higher self-esteem, or self-worth, or feel good about yourself. Keep the control in your hands. Don't put it in things that you can't control because you can't control what the stock market's going to do. You can control how you react to it. You can control how much emphasis you put on it. Put yourself in a better situation to not have to rely on whether the Dow Jones was up, was red or green today.

**Tom Mullooly:** I was going to say it's a human thing that we tend to extrapolate. But I also think it's an American thing in the sense that as Americans, we tend to jump to the seventh possible outcome of this, and it's going to be bad. We always think it's going to be a bad outcome. I can remember ... It's funny because it's so easy to talk about Trump when we talk about things like this, like how this is just going to end badly. But I remember vividly, now 35 years later everyone's lauding Ronald Reagan as the greatest things since sliced bread, but there were plenty, I mean plenty of people, who were rioting in the streets and saying they're going to start a war with Russia the minute he gets sworn into office. People were convinced of this, that we were going to war. Don't sign up for the draft. It was voluntary. Don't sign up for the ... Now they don't even have it. But don't sign up for the draft because actually, your number could get called up.

**Tim Mullooly:** Right.

**Tom Mullooly:** I was 17 in 1979 when he was running. And my dad was flipping out that I had signed up for selective service.

**Tim Mullooly:** Yeah. It's funny how things tend to repeat themselves like that. And people get worked up a lot of times for nothing.

**Tom Mullooly:** For no good reason.

**Tim Mullooly:** Yeah. I feel like in a lot of aspects of life, Americans are just very exaggerated versions of what's actually going on, and just make a bigger deal about little things in terms of the market, whether it was up or down 500 points today. You're not going to remember that 10 years from now. You're not even going to remember that a month from now.

**Tom Mullooly:** Right. I have to find it for the next podcast, but there's a very famous line from Thomas Jefferson about all the sleep I've lost worrying about all these things that never happened. With that in mind, I wish all of our listeners a very merry Thanksgiving.

**Tim Mullooly:** Yeah. That's going to wrap up episode 233 of the Mullooly Asset Management Podcast. Thanks for listening. See you next time.

