Origin of great ideas

You have been still. Not busy. Immersed in some mundane. Been hours, in air-craft flying around a city then locked in a hotel room doing nothing of any consequence. Not agitated. Nothing to overwhelm you. Not even thoughts. Mind isn't empty, it never is. But thankfully -it is at ease.

A random neurone gets fat, vying for your attention. An idea or a thought is born. Invariably of no consequence, of listless past and uncertain future. You ignore it.

And suddenly lightning strikes- you hit a gold mine- a beautiful idea arrives. It does seem to relate with a book that you once read, perhaps many years ago, has a shade of today- a tweet of someone or what your friend just told you and has a feel of what you saw and experienced, sometime then or perhaps now. Whatever be the source- seems a fertile one to solve the problem- Of investing or of life! It's beautiful but not ready - just yet.

A few days later. You propose that idea to someone. What follows is a heated debate. Your friend refutes it, claims that his has a monopoly. Arguments at times seem frivolous, attacks turn personal and metaphors harassing. Both sides seem indulgent, not really interested in knowing the truth but simply claiming it.

That's fine. The best way to weigh the good of an idea is to roast it in arguments and see if it can survive. The funny thing is -It never does. Every idea morphs into new after each slugfest, at times get refuted and often times get reformed. Such is a process of minting beautiful ideas and casting them into brilliant ones.

Our mind is not just an idea mine but a foundry too. It assimilates thoughts, craft them into new ideas and then cast them by debating, into completely novel, unrooted, born of unrelated knowledge and experience, weighed by arguments, repurposed, brilliant solutions for the very problems that we longed to solve.

Great ideas of investing too will arrive, not exactly when you long for them, not in the lanes you search them for -of books and blogs, they will yield to you when you have absorbed the whole, looked at them from all sides, understood both facts and fictions, rowed the histories of things and thoughts and scanned the present, it's people and places. Having done it, by arguing with good friends, both aware and articulate and then, at times, when you are -still, drowning in listlessness, bored of mundane, a great idea will be born.

This must be the backdrop for formation of most ideas. One's own hypothesis, which comes into being by deep thinking, crafted into logic by putting it on paper and then being put to sword by testing it with your own posse.

And then, it is out in reality, by one making the investment and putting it to the test of time. Possibly the best way of beginning the investment journey.

Many of the half-baked ideas - business or investing - will die in this process and save one precious time. The ones which survive, will live to tell a tale.

How to get to your "view"

You heard him and her. Saw some charts. A few reports. Argued for and against. Now the question you ask yourself is: what do you really know?

You know that everything can be heard, but only the possible can be conceived, and only the plausible can be spoken. But to know what is right, you must write – as only that which is worthy of being written can be written – is the assumption innate to you and me.

At first glance, contradictions appear in your writing; later statements contradict what was initially claimed. Now you're compelled to turn to mathematics, God's own language. Through equations and numbers, only she can be the arbiter of the final truths.
Okay
But numbers don't emote. They don't talk to us so well. So we must do some charts now. The graph is a spoken language of algebra. How one red line tangles with a blue one over time or how the dancing amber line glides through. Here, the real narrative is born.

Now you must tell your narrative to others – to avoid the trap of your echo chamber. The dread of public error looms large, far more humiliating than private mistakes, but you can leverage this very fear as a necessary precondition to test any biases you may have. Publish your thoughts, and take a stand, but ensure it is concise. The price of conciseness is the risky assumptions you lay upon your readers, but there is no other way to respect the discerning one.

Having done all of it – if the truth reveals itself, make sure you condense it further, now your prose can transform into a potent sentence. A maxim that can go to your diary. Your notes app. The back of a napkin. It's your mantra now - another brick of your intellectual foundation.

PS

Ananda asked Buddha, as the aging master's life neared its end, 'What is the essence of all of your teachings'. Buddha, having spoken volumes in sermons for over 45 years, distilled all that he had said into one sentence: 'Appa Dipo Bhava'.

If he could do so, must we not? If he said so, must we not?

Key message: Investors are inundated with data begging the question of what is the true essence of what one sees. To find clarity, you must write and refine, acknowledging contradictions and iterating towards coherence. Testing biases, accepting risks, and distilling your insights into potent maxims, form the foundation of your investment strategy, and eventually, the strategy should have both clarity and brevity - because a clean portfolio can come only with a clear outlook.

Role of experience in investing: that which has to be felt and can't be read

Indulge in a thought experiment for a minute. Consider a girl who has been confined to a room since childhood. Never met anyone in her life. Her room, body, and food are all the same colour - black and white. She watches TV – black & white. Reads books – black & white.

She did, however, read a lot of literature and watched documentaries regarding colour perception. She understands how light waves strike the retina and how some impulses are sent to the brain's colour chamber, resulting in colour vision. She knows all of this too well. Really well. Don't forget – she is locked in that room forever. Then one day she gets released. Freed!

The big question is if she would learn something NEW about colour when she actually SEES colours.

Well, you know the answer. There are truths related to the conscious experience that cannot be acquired by the knowledge of facts. Or, there is some property of knowledge which can only be learnt by experience. This thought experiment highlights the limitations of language. No amount of reading can compensate for the whole experience. You can only learn by being present.

Back to markets. They aren't just about those red and green numbers on your screen. Not charts. Not just financial statements. Nor are they just about stories – of what happened then and why. Math & memory are not enough. Knowledge of history is not sufficient. Each setup is unique – which you can only fully know by being there.

Investing is one of the few crafts where 'been there-done that' is still the most effective approach to learning like driving, cooking, dancing or singing. This is because no amount of study or research can ever bring you near to what really happened. That acute pain you feel when your trade, idea or concept fails spectacularly forces you to investigate what went wrong and why. Trains you to halt losses or to adjust your position size. To assist you in distinguishing between tale and reality. Those in the know- smile at press tales attributing booms and busts to some gross causes. The historical narratives that describe what transpired in this or that catastrophe are even less complete. The swings happen for subtle reasons – hidden from the public and missing in interpretations. Miss being there – you will never know it. Of course – as in spirituality or cooking – having a master comes closest to being there. But how difficult is it to get one?

So,

Those whose skin still shines bright and whose jaws are still in shape may be making the same mistakes of previous generations. In this craft, shrunken lips, receding jaws, and greying eyelashes are the markers to look for, in a search of a guide. Be wary of those who haven't made a wager on either head or tail. The motivation to tell a good story isn't sufficient to tell an authentic one.

The new age, mobile investor may smirk. For s(he) has successfully beaten the experienced ones since covid. The experienced ones have time and again fallen prey to the valuation and excesses argument. The new-age click and trade 'investor' hasn't, even if s(he) has lost money in trading and options. At some point of time, it may/will show up. And then, the importance of the author's argument will come to the fore.

Fascination with climbing mountains: parallels with learning markets

Have you ever wondered why many of us are so fascinated with climbing mountains?

The mythical world of what lies on the other side- hidden from us- enchants us. Curiosity is a flame, it lights us up, and we long to see what lies beyond what our eyes can scan. Of course this isn't for certain and the very idea is speculative, but what is and is not.

Isn't it amazing that until that last step before you are at the top of it, the other side hides itself nearly fully, not a glimpse of it is revealed to you?

Akin to climbing a mountain, tradition wants you to toil hard, be pious and then only, promises to get you a meeting with HIM-, where a card will be handed over to you, of hell or heaven.

Ditto is a case in art and craft. i was ecstatic to realise that- Low flame– is the single biggest taste enhancer in cooking food. Many artists as well as meditators claim that the last step, only after 10s of thousands of hours of practice, one takes a dip in a blissful experience. Altogether new. A quantum jump. Unrelated. Satori.

Parallels you can draw in investing as well. 10s of years of market tracking, reading, small successes, mistakes and errors- and only then you arrive at the mountain peak, a place where reality reveals itself to you, clarity of thoughts emerges, ability to distinguish noise from substance arrives, one stops confusing woods for the trees. Investing remains amongst very few domains, that ages well. Like spices. Like craft. Like wine.

So boys and girls. Fascinated with getting markets right? - Don't make it time bound. Let some monsoons pass, let your experiences get baked in sunlight - dim & slow, let intellect stir. It shall arrive. In a decade or two, you will have a glimpse of it. Not at a mountain peak yet, but then you will hear the whistle and hustle from the other side. As you age, resolution will improve. And the whole thing is a joy, but not of a kind like listening to good music or watching a great play, but of a diff kind, of climbing a mountain, crossing a river or concentrating doing Anapanasati.

So you must keep climbing. Or if you are in love with oceans- just keep swimming!

PS
In Kashmir. Mountains looked snow white from far. On the other side, it's all red.

Pitfalls of using intuition (July22)

We are, when alone, are built to avoid any possible mistake instead of just highly probable ones. Spot a yellow stripe in bushes & we act as if it were a lion, see something curly lying on the ground- it's seen as a snake, hear a weird noise in the night and we think it is….

Probability of that yellow stripe being a lion and the curly rope a snake is infinitesimally small, but we are built to panic. To get alerted. To flight or fight.

But get 3 friends along and the behaviour changes. The fear gives into a longing for adventure, caution is thrown out of the widow, alert eyes give into dismissive laughter and gentle-us turn rash if not out rightly abusive. Add a few more men to the gang, a party of unruly & crazies emerge. That mob on the street, in a grip of some political or religious narrative turns wild. Ready to kill and get killed. Three are too many. More than that is a mob! Of course I am making up these numbers, but you get the point.

It may have been advantageous for our ancestors to lower our guards & become aggressive when they were with many. It perhaps didn't pay to be too cautious while hunting, nor to stay too gentle when their tribe was fighting its enemies.

And it's not too difficult to reason it, coz if there were any risk, one of our gang would have detected it and in any case, collectively we are strong enough to fight it off!

But then in many areas of modern life, it's not always wise to assume that the others are aware or even watchful of risks, nor it is evident that collective can deal with the danger better. Think markets for instance. It's a place to price an opportunity. What is expected of it is that many watchful eyes will calculate the risks well but what really happens is a drift. Large number of investors may be behaving like a passionate mob, driven by the propaganda or the stories that they tell themselves and dismissing the risks that seem obvious to some but inconvenient to the attractive narrative that fuels them.

Wisdom of crowd works when the act of forecasting has no influence on outcome, not when it's intertwined with it. Mob is likely to overbid for an asset in euphoric times, choose whacky leaders for emotive issues in distressful period and burn the shops of the other community just for the fun of it. There is no wisdom in it. Instead ask the mob to assess the weight of a buffalo and it will surprisingly get it right!

Our great-great granddad will not be able to relate with our lives - no hunting, no killing and not even dancing every night. Yet, we carry their intuition, as a gift of evolution. It barely works as Life and its complexities have changed dramatically. Most of the times it pays to be calm, thoughtful and watchful even when we are with many.

So don’t trust your intuition too much, not in markets at least. Strangely, it pays to be avoiding mob here, instead of following it.

Value of questioning

While talking to a very senior, someone whose intellect dwarfed mine, I was telling him about the anxiety I feel in not being able to come up with a good question to the Chat bots.

“Speaking to ChatGPT has become like having a voice assistant. but many times, I get anxious that my mind has run out of questions. I know it will answer, but what to ask?" I told him.

"Questions are the moat of a man now," I mused. "Since almost all answers are readily available."

"Who would it benefit?" he inquired about the utility of such chatbots, his question cutting to the heart of the matter.

"People like you” I replied. "Not the routine folks much. It will pave way for more inequality - I said.

"But what exactly does one need apart from the capability to ask questions?" he pressed on.

"Thereafter, all you need is inferences and abstractions”

“Why abstractions?” He asked

“To generalise the answers. Because what you will get from any system is a special situation answer. The real answer could be adjacent or tangential. So abstraction is must to get to actionable” I tried to answer.

He hmmmmmed. Not sure he was convinced.

Wisdom

"The long run is a misleading guide to current affairs. In the long run we all are dead" Keynes said.

"You must live in the present, launch yourself on every wave.... find your eternity in each moment," said Thoreau. Buddha too would have said something similar. "Drink your tea so slowly. As if it's the axis on which the earth revolves."

vs

"The stock market is designed to transfer money from the active investor to the patient investor" Buffet said.

"Long run planning doesn't deal with future decisions but with the future of present decisions" Drucker argued.

All these are great but conflicting pieces of advice. The conclusion isn't 'no one knows,' but rather that the player – which is you or me – has to know which advice will work in what setup.

Key message: Each piece of wisdom serves as a specific guide tailored to a particular circumstance or setup. They are like modules in a toolkit, effective in specific contexts but not in a general context.... also we have more agency than what we think we have.

Lessons from Dashvekalik Sutra: awareness

"Bhante, how should one move, talk, sleep, stand, and eat in order to be free of worldly misery?" * A monk asked Vardhman, who had attained enlightenment and was now known as Mahavir.

Mahavir said, "He must walk, talk, sleep, stand, and eat with alertness. Every activity with full awareness. This will rid him of all his suffering."

I saw it as a chance to inquire. 'Most venerable sir, how should one invest?' I asked**. Would he honestly answer this question? After all, investing was maybe a lowly pursuit of acquiring more money while he was preaching the renunciation of all material possessions all along. He sat up, put his bowl down, and gazed at me with incredible compassion. "You must also invest with full awareness. Being alert every moment," he said.

What did he mean by "awareness"? His idea was most likely to pay close attention to everything, including the emergence of mind and matter. Both of our own as well as of others. The master did not give a to-do list. There are ten commandments. There are no rights or duties. No code. Just the framework of being. Of being fully aware of himself.

People in the know of Indian spiritual tradition know the emphasis it places on the state of being to attain goodness. As investors, we all have a lot of conversations about investment philosophy, process, and framework. But is there anything to be said about a person's state of mind or of being a certain person in order to be a successful investor? Is there something to it that a few of the most celebrated investors in the world live a rather simple, uncluttered life? I don't know. But perhaps so.

But even in a restricted sense, Mahavir's advice is sound for investing. Being aware of what is going on around us is important because reality comes in so many different forms and shapes that unless every incremental bit is received and processed, pied pipers will have you convinced of one or more stories that sound plausible but aren't. His other views on the multifaceted nature of truth are almost like a probability theory of the simultaneous presence of several realities, born of distinct perceptions. On it - another day.

*Bhante = Respected sir

**Mahavir left us more than 2.5k years ago so I couldn't have literally talked to him. But the Dashwekalik Sutra, the most insightful of all scriptures in the Jain tradition, captures his conversation with his monks. It's a general-purpose framework. So yes, you too can ask any question of him, even today!

Key message: Pay close attention to every action, thought, and external influence. Ensure that each moment is met with alertness and mindfulness. Success is not just about strategies and processes but also about the investor's state of mind. Being fully aware helps navigate the complexities of the market, avoiding the traps and comprehending the multi-faceted nature of reality.

Investing is a mindfulness meditation

Diamond Sutra is one the most important text of Buddhist philosophy. This is about Buddha's disciples asking questions from him. And I am not straying. Yes, this is about investing, so bear with me for a min.

If you spend a few minutes keenly with the text, a strange feeling arrives. Every single chapter starts with detail of the smallest of the moves of Buddha. How Buddha picked up and put away his bowl, where he kept his cloak, how he sat with the body upright, washed his feet and then finally fixed his attention in front of him! When westerners were translating this text, they were surprised- why so much attention to detail for routine? But we from eastern tradition may not find it too difficult to understand, why Ananada, his disciple who was recollecting these conversations, was describing his moves in such great detail. Not just because he didn't want to take a risk of missing anything- thinking- missing anything of Buddha may be such a big miss. But more importantly, he was conveying that for Buddha, every detail mattered. There was nothing big or small. He was attentive to everything. He would put his left foot forward with full attention, eat every bite with attention, and talk with attention.

Every time I read this, I get ecstatic. I picture Buddha in front of me. So much elegance must have been when he walked in the city of Srawasti, how nothing moved his inner sphere. And how he burnt mindfulness bright every moment. There would have been nothing mechanical about Buddha. At some point, when Ananada inquired how our Man was able to sleep without moving one bit the whole night, he replied that he observed sleep too keenly, as it arrived, stayed and then left quietly. Every moment he saw his sleep, he said. And found no reason to move. Whole night.

Back to investing. Being mindful of the market, aware of its every twist and turn, observing every economic data with the most entire attention, without getting emotional about it, not reacting to it like our monkey mind would have us do it, but simply assimilating all of it. Listening to the ones we don’t agree with as keenly as we do with those who parrot us. Doing the same thing over and over again but not letting it turn mechanical. Everyday. Watching the market as if it were a mindfulness meditation. And then at times, before we act, acting as if it needed you to pour infinite attention and reason to do so. Writing too much on this- Buddha wouldn’t approve. I need to trust you to imagine this!

How does unknown future unfold and how to assess it?

People who think of long term as future that is cast in stone, unfolding along with an arrow of time, often overlook the possibilities of arbitrariness of outcomes, the birth of strange and the evolution of present that may be entirely different from past. At times right, but often wrong and rarely useful.

And the ones who think of future made up of only short terms are so obsessed with next quarter's result, the last month's inflation print or the comments from a powerful man last evening- without realizing that much of the near term data or the statements of people in positions of power is just a noise. Not just in essence of it but also in the manner its captured or in the motive of its display. These are Taleb' turkeys whose confidence grow until they are culled.

The trick to read future entails sitting at the Chaupal of time & space where future turns into past, space often progresses to the inevitable but at times morphs into strange, one that only random walk could explain. As varied possibilities take a certain shape he, the observer, indulges in continuous recalculation of facts and counterfactuals. Of ifs, what ifs and if nots. Thus he arrives at a different future at every different moment. Not necessarily, not certainly but probably.

How to deduce market problems: Facts, stories and heuristics

Complex systems, such as markets, are inherently un-computable since there have too many loops to count. Which doesn’t mean we’re totally at sea here- we do have the gift of statistical methods and mathematics, the science of data and the language of reason, to make sense of such systems. What we must avoid is to trust our heuristics.

A heuristic is our instant view of the how and what of things, a rule of thumb, a feel. It is born of our experience, of the movies we watched when we were kids and the songs we sung in our day, the culture we've been a part of, the political ideologies we supported, and probably a million other influences. Useful that it is to navigate the routine, relying on untrained heuristics for complex matters such as markets is likely to get you into serious trouble. Newtons and Schumpeters go bankrupt, for the same reasons that your uncles and aunts lose money in markets. They trust their 'feel'!

Next, we have facts, the shape and the evolution of historical data, not represented in natural languages but in honest-as-day statistics. Data gives us the most proximate view of reality, if it is presented and digested scientifically. There is never a sufficient data to conclude anything in markets, to the very answer that you seek, of risk on or off. Its promise is not to give us an algorithm that answers, but to 'merely' prove or disprove priors, with certain level of confidence.

And what gets us priors are reasoned opinions, narratives, stories. But opinions are diverse, and at times, contradictory. Are we staring at the end of the world due to soaring temperatures or it's another hoax? Is Russia fighting Ukraine a show of yet another example of strong country bullying a weak one or it's a change in the world order that will culminate in WW3 or Cold war 2.0. Surf up the internet and you will see both sides of views being presented eloquently. Which story should you believe in?

The mechanism to deduce what is right cannot be outsourced to the most popular story teller, nor can it be left upon one's heuristics to judge- instead it can only be accomplished by sheer, brutal reason. Listen to both sides. Thesis and anti-thesis, as Plato would call it, and synthesize your opinions by assigning probabilities to them. In the routine drag, we can't exist believing two opposite opinions on a subject. But in markets, that's the technique of winning, of assigning probabilities and updating them continuously.

Now back to heuristics. You should know that no amount of reasoned opinions and well represented facts are of any use unless you are able to regulate your greed and fear well. That requires training. Courage to act, to take risk or cut it, is a function of dopamine rush. Frontal lobe has little say in it.

The super architecture of investing framework imbibes all three, well-reasoned stories, statistically well represented facts and above all, rigorously trained heuristics. Let's begin!

Twitter research

What's your favourite mode of research? Byung-Chui Han, a Korean philosopher, asked me.

'Twitter feed. It's so stimulating. Each feed lets me into a land of contemplation,' I tried being cheeky.

'But Twitter doesn't allow you to be contemplative, as it demands hyper-attention. and prevents you from engaging in contemplative immersion. It wants you to scroll more. No idea is great enough to stop and think about. Invariably, by the time you get to the next great feed, the previous one has met with obscurity. Han responded.

'That's so counterintuitive. I think Twitter is a place where you are in the company of greats who are provoking you to think of things through different lenses' I disagreed with him.

‘To get a hang of things, you must immerse in them. Every time you read something, you must have a lot of time to regroup with yourself.

Twitter doesn’t incentivize this. There, you are effectively doing cognitive multitasking. Each great tweet penetrates you but rarely turns into a useful insight since the time for assimilation is never given to it.' Han replied.

I shut up. I am not fully convinced but I see his point. Most of us (the cognitive workers) are burned out because of overstimulation. The endless analyst reports, media feeds, pods - the inputs seem never sufficient enough! I wonder if input is really an advantage anymore.

Theburnoutsociety (Han's short book, a good read)

Key message: In a world of constant information flow, exemplified by platforms like Twitter, true contemplation and deep understanding are often sacrificed for hyper-attention and rapid

Long game

Harmony is long game of survival, though we are built to be violent in every game.

Survival is a long game for Individual' prosperity, but competition & extinctions are the long games of society' success.

Entropy is the long game of universe and extinction of a specie - a long game of evolution.

Even though it seems that life is a game for the maximization of the self, its long game is to play for the Nash Equilibrium. One that optimises for your group. Not just for the self.

So this teen asks me - "if it’s so, why play long games in a life- which itself is a short game?"

"Anxiety- an emotional function to optimise short games, dissipates once you pin your gaze at the long game. That's why" I tell him.

While haste is the only game in town today, patience is the really good long game!

Integrity is the long game of strategy, even though cutting corners is most optimal game in short term

"You have made up all of these, haven't you" his cynical expressions do the tell all.

"Ah, yes. Lest you consider these as commandments, common sense remains the only long game to live through life"

"Hmmm. That makes sense" He says.

Key message: Back managements which play long games. And countries which have played long games. Even though your investment horizon may be short – your investee must be weighted for long.

DIWALI: Lakshmi Puja

All the puja material is in. Idol of Lakshmi is being cleaned with some milky potion. In less than two hours, an elaborate puja will begin; a few songs will be sung in her praise. Who doesn't enjoy being praised, after all?

Wealth is her gift that should only be admired. Wise realise that restless and fickle goddess would abandon them if her gift is spent. The potential to spend is her power but not to spend is her puja. To realise her is to rejoice the wonders of life. To preserve her is to sustain the joy. She is the best in her company. Not in her favour.

And in that respect she differs from her elder sis Sarasvati who is the goddess of the cognition that one builds to navigate life, it’s tasks and it’s hazards.

Unlike Lakshmi whose Puja is in her admiration, Saraswati’ is in contemplation- in reading, listening, thinking and speculations. Lakshmi is the luck, the might, the Shakti, and the potential. Saraswati is the model that yields, protect and preserve her.

An investor can only hope that Lakshmi will be satisfied with his diligence and enterprise—his year-long puja of Saraswati—by combing through the charts and tables, processing data and theories, and reading notes until the moon is on the other side of the sky and often times, when birds start a new day when his hasn’t finished yet.

May you be a better investor! Let there be rituals of Saraswati for the whole year- so that when we sing songs of Lakshmi, Shri is pleased, this Diwali and the next.

Controversial take on Reading lots of Books:

Reading a book is illuminating. It certainly is a lot of fun. Indulgence. Entertainment. But the real task at hand is to scrutinise our own beliefs. To check if we have the right dials! Do books help there?

Many of our beliefs exist in isolation; they don't naturally cohere with other loops of thoughts. We often remain unaware of this dissonance because we don't force these different ideas to assimilate. When we do subject them to scrutiny, many of our conclusions reveal themselves to be conflicted.

So, 'read many books' is emphasized as a good method of scrutiny. And I know so many who take pride in the number of books they have read in the past 12 months! I was once one of them. Each book gives us more ideas, more beliefs, more solutions. it also helps me scrutinise my own beliefs. Just that this is not the most potent way to do it. At least for me.

Writing instead is a better method of scrutiny. Given our limited cognitive capacity to process complex ideas mentally, writing serves as a means to extend our thinking. It allows us to run more comprehensive mental programs, thereby better detecting and addressing incoherence.

Argument is even better way to integrate disparate beliefs, dislodge incoherent ones, and correct inconsistencies. Surround yourself with great people and argue - this remains the biggest kick for me.

Not arguing against reading. Arguing against the "religion of reading" that is touted as the end-all method to get to the truth. And giving writing and arguments their due, as is almost never given.

PS1
Taleb's tweeted a few days ago "Read a lot? Be very very selective and vigilant. Promiscuous reading destroys one's noise signal detector, causes atrophy of critical thinking skills" That gave me courage to write this!

PS2
Every time i am asked to evaluate a fund strategy i insist on meeting people who manage it. Reading their strategy is important. But meeting and arguing with them will reveal the truth of it. At least that's what i believe in :)

Totally speculative idea it is.

Moats

When distribution is a business' moat, it trumps both product and service. Consider BJP versus INC, Unilever's products versus lesser-known ones, Microsoft's bundled products like Teams versus Zoom, or Amul's eatables versus better options you've never heard of.

But what if anyone can distribute your product? Then better product wins. Jio vs Voda. Good performing fund vs bad one.

And if your products can't be differentiated, and distribution is a 'plug & play' one- the best service takes the crown. Think of insurance products, bank' CASA accounts, or even deposits!

But if even service is undifferentiated, the best 'story telling', you may call it brand... stands out. Asset gathering biz, movies, news.

And if product, distribution and service are all same-same and there is little to storify your widget- best price or lowest cost production wins. Most commodity businesses lie here.

What determines a win shapes who really WINS, the margins you achieve, who ultimately survives, the amount of debt you can handle, and how you are valued…. And so on.

RISK TAKING, FAILURES

This section will aid you in realising what risk truly is. It will inform you of how frequent the failures are. We all are fascinate with successes, but in real it's the failure that frequents us in both life, corporate as well as in markets.

On failures

While growing up in a small city, once or twice every year, rumours would spread of a rich man gone bust - bankrupt. The wow of witnessing the richest men face financial ruin was quite a thing. What followed were the conversations in town that would be about why and what of his mistakes made his fall inevitable. Lessons will be dispensed. A new layer of heuristics will be formed. Wisdom will shape.

Then I came to this metropolis. Met many successful people. Running business empires, wielding authority over billions of dollars of capital. The undertone of the conversations was different here. Rarely would a corner office miss an opportunity to talk and motivate their troops on how good firms turned great. Rehearsed speeches on what made Apple the Apple, Coke the Coke, and Nike the Nike. Only if we did what they did, success was assured. Deliberations on the failures of enterprises were deemed unworthy, for it was proclaimed, 'Let us find wisdom from those who have won'

PS1

You will be surprised – because I was – knowing the true origins behind Disney's animated movie stories. They are DARK. Real dark. In the Disney version of 'The Little Mermaid' you watch the princess who captures the heart of the prince and happily marries him. The real East European story is all tragic where the princess, in an attempt to overcome her anguish and save the prince, chooses to end her own life. The king in 'Sleeping Beauty', unlike in the movie, oppresses the princess. The original 'Pinocchio' lives in nothing but pain and anguish. Read our own Itihaas – without wearing the Bhakti spectacles - it's all tears, pain, war, murders, and deceit out there!

PS2

'Life is beautiful' is not the data set our tradition, myths, and fables trained our minds on. Not sure if we should train our children, investors, and employees on the 'pop version' of reality. Our minds, I think, should be trained to discern what not to do, in order to liberate ourselves from the clutches of unfavorable consequences. Because unfavorable ones are what you get in default mode.

Key message: The overlooked truth that lies in the dark origins of corporate giants is not much different from the grim fables behind Disney's fairytales. True learning emerges not from glorifying success but from understanding and avoiding the pitfalls. Life's beauty is not molded in success tales but in navigating and overcoming inevitable adversities.

Risk taking, failures and growth

Picture a man, a father, with his son on a beach. He is obsessed with the idea of risk - its lurking presence around every corner. Each wave rolling onto the shore holds the potential to engulf his young son.

What is a loving parent to do, but be there at every moment? Firm hand guiding through the unpredictable sands of life or constantly dictating safety manuals as the school bus rolls away. Even the simplest act of crossing a road becomes an urgent sermon, a plea for careful steps.

Looking back, he recognizes the stark contrast to his own father's parenting style. Learning to drive? Here are the keys, figure it out. Time to swim? Get splashed, feel the water, learn to float. Late nights slipped into early mornings without any panicked phone calls. How different were his ways - he ruminates!

He is aware, all too keenly, of his hovering presence. He knows he's trying to bubble wrap the world for his child, to smother the very idea of risk. One could argue he's far from being wise, and could potentially harm the resilience and autonomy his kid needs to grow. But isn't it a common dance that every parent gets entangled in; to nurture, to protect, and then finally, to let go?

In most of the developed societies, such as in the United States, you confront a risk-embracing breed. No one stops you from throttling a jet-ski on lakes or stepping into the wilderness where coyotes lurk and bears lumber.

And that gets reflected in financial markets regulations too - It allows SPACs to fund moon shots, facilitate lightly regulated terrains, and remain un-interfering in areas that charter excessive risk. Explain the risk well- but trust the individual to underwrite risk! No babysitting. Fewer STOP signs.

In contrast, our society provides a more hand-holding approach. Too many STOP signs. Restraints. The default option is to disallow risk-taking. The effect? A society obsessed with parents ensuring child safety without realizing a trade-off involved in making the place too sterile, too safe.

So what now? Let the boy figure out what is right for himself. The highway to growth is laden with a lot of risk-taking & failures. For a child or an economy, both fathers and regulators must note: Guidelines - yes, STOP signs -fewer.

Key message: Aware of his overprotectiveness, every father grapples with the balance between shielding his child and fostering resilience; a common parental dilemma. His society's hand-holding approach, marked by numerous STOP signs, prioritizes safety but at the cost of stifling risk-taking and growth. Nurturing a child, much like regulating an economy, shows the best results when restrictions are offset by more trust in individual capability, paving the way for true development.

Syaad Vaad

Betaal: Vikram, is the Indian economy doing well or not?

Vikram: Hmm… it depends on what you mean by “doing well” and the data you use to assess it.

Betaal: No, give me a simple answer. Is it A or B? Doing well or not?

Vikram: Haha, well, listen, Betaal. It could be either A or B. Or it might be that it's neither A nor B. It could be both A and B. Also, it could be A or B but in an indescribable way.

Betaal: Vikram, don't play games with me. It is either A or B.

Vikram: That's the Aristotelian framework of logic. But since you seem to ask me questions about markets, that logic almost never works.

Betaal: So, basically, you are saying there is no truth? No definitive answer to anything?

Vikram: Yes, there is no single truth. The economy could be doing well or badly, and it could be doing both simultaneously, depending on the time, people, and quality in question.

Betaal: That certainly is of no help. One must know what it is to decide on what to do. Isn't it?

Vikram: yea. Perhaps. You may want to take a view with certain constraints. Like - economy could be doing well, but likely only resurrecting from Covid woes, as such we haven't done too well but relative to rest of the EM world - we haven't done too badly. Our rich quintile has done very well but the median guy hasn't done too well ….

Betaal interrupted. I can only tell you that I am interested in this question since you know that I am also trading equities these days :)

Vikram: Oh, then! The economy is likely doing well. But there are a few caveats. It could still be so that…

Betaal got bored and flew back to his tree. Vikram shouldn't speak was the condition after all. But he was actually wondering if Vikram was right. Or could it be that he right as well as wrong, or…

PS1: Vikram was likely trained by a Jain monk and had a strong influence of Mahavir' SyaadVaad. So, almost certainly, he was using that framework.

PS2: There are only two foundational 'logic frameworks' in the world: the Aristotelian framework, which gives birth to mathematics, and Mahavir's, which leads to mysticism.

Only latter works for complex systems. For economy as well as markets. It's sad that no one talks about Mahavir in our fin/eco books.

Risk is an uncertain result with known probability:

I tried to convince him.

"If you roll a die, the outcome reveals very little about the probability distribution. Therefore, we may never conclude what we originally thought about the turn of events in this unique case was right or wrong."

"But, in any case, now that we know what has happened, where is a case of an argument? We were wrong." Bholu, unmoved by my reasoning, presented his line of thinking. Something seemed so obvious, and I was overthinking it, he thought.

I tried still. “Risk is an uncertain result with a known probability. So, if a die is rolled several times, one can predict how many times a particular outcome will occur. But having an outcome of one kind on a specific roll doesn’t negate the probabilities of outcomes that didn’t materialize. Even though a six showed up, the probability of a one or five was just as much.”

Bholu didn’t let me finish; unsettled and resolute to not put up with any more nonsense, he said, “Too theoretical. This probability, etc., is a story that one weaves to escape from responsibility. You flipped a coin. Both of us know it's tails. You were wrong because you bet on heads. That should end the argument.”

And that ended the argument. We hurriedly sipped our coffee and returned to our routines.

Key message: Individual results may not reflect the full probability distribution. They also don't invalidate the probabilities of other potential outcomes. Recognizing this distinction helps in understanding risk and avoiding the fallacy of equating a single outcome with a comprehensive evaluation of probabilities. The importance of a probabilistic perspective is not adjunct to a coin toss.

Understanding reaction function of markets: Seeing them as biological complexes

A man, of 40 something, in an adjacent hotel room, was all fine until a few hours ago. Cool & fresh breeze of mountains has its spell- he too was ecstatic there. And then, all of a sudden, he collapsed. In less than an hour, he was in an OT, gasping for breath and struggling with a bad prognosis.

Why, I asked, perplexed for the turn of event, he seemed perfect after all. High diabetes had corroded him within, his organs sustained it only until they couldn’t, doc told me.

Idea isn’t to inform you about the fragility of life. You may know that better. But do you notice similarities with why markets don’t fall for long, though for similar reasons, they break -all of a sudden, all at once.

I see markets as biological complexes. They are made of us only- of our reason and feelings! They seem schizophrenic as life itself, once they seem so bubbly even in the wake of imminent danger, almost showing finger to any distress, weak data or evolving risk, and strangely, all of a sudden they begin to care for risk which seem farfetched, collapse even for a hint of a small weakness and remain unresponsive to any good news.

Striking similarities with our body- isn’t it? -which remains functional, but only until a tipping point is reached, when scarred liver, diminished kidneys or clogged veins can’t take it anymore. An attack of a mild virus- and it’s all over!

Markets work fine as our bodies do, most of the times. They remain buoyant, take lots of risk on the chin, absorbing in the faith that human ingenuity and the secular growth project will undo the near term damage. Too often, it attracts its participants to commit to excesses, ignoring the obvious challenges. This routinely gets flushed out by markets, as our immune system does to small little diseases.

But then, at times, the assumptions of secular growth or human ingenuity may turn false- as was the case for much of the history until 200 years ago and has been a case with many failed economies even in our times.

Therefore.

What really lies ahead remains in the domain of unknowable. Have we run out of cheap fuel (high EROE), is our climate likely to get too hot to grow adequate food (soil erosion/erratic downpours) or Gordon thesis is really underway (great stagnation in productivity growth) or all of these are false and what is true is the same-same of second half of 20th century to date.

If you are betting on a rerun of past 70-80 years, born of the set up listed above, you are likely right but the likely hood of this being wrong isn't as inconsequential as you believe it to be.

So? Be sceptic. Be reasonable. Don't buy into secular expansion unless evidence presents itself again and again. If nothing else, believe that there are cycles. Booms give into busts and vice Versa. That's a better trick to play markets with- as long run is for historians, you only have one life line here.

Failing a dream of an entrepreneur

An old acquaintance of mine, extremely passionate, unbelievably hard-working and truly visionary- had a coffee shop. Every time I met him- he mesmerized me - always sitting at the edge of the seat, he would lean a little forward, and with animated body language and a missionary zeal to accomplish something grand, he would begin to narrate stories. Lucidly, with infinite conviction, he would share his dream of having his coffee shop in every nook and corner of the country. So convinced he was of his ideas and so elegant in proposing them, every time I met him, I wondered where his childlike enthusiasm came from. Those were the days he would oblige bankers by accepting their money. At times, I saw many branch managers queuing up to meet him and outcompete with each other to offer him more than what he wanted.

An arrow of time advanced. He grew. So his franchise. He had many more shops now. He faced a few challenges in the interim. Coffee beans prices shot up and our city folks turned out to be far more price sensitive. It wasn't his fault that real estate in our cities had become expensive. Yet, he was resolute. He mixed different coffee beans, got his food menu improved, made the outlet aesthetically grander, trained his workers better, and added good extension businesses such as setting up vending machines in workplaces. By this time –many bankers had started to ask -If it was so good- why isn't it in numbers? There is a reason why the hatred for bankers is both universal and historic. Bankers feel like friends when you don't need them and foe at the slightest hint of fortune reversal. In any case, he borrowed more money. Now at a much higher rate. He didn't care. When his dream come true- everything will be fine- he thought.

Some more time lapsed. The cost of over-expanding was evident; now he was selling a lot of coffee, and his customers were happy but he wasn't still making a lot of money. He was forced to sell his properties, divest his stake in his coffee business, and shut a few shops. But the ship had sailed. It was late.

The last time I met him, he was still very charming but a little circumspect. One could notice his vulnerabilities – in his body language. It was as if he too had started to notice his grand claims of the past hadn't materialized. He would quickly reason, rather correctly that – 'Boss- Rome wasn't built in a day. But bankers had made up their minds.
Then…

PS
As many ideas pour in on the 75th birthday of our nation – I hope that we become more tolerant of failures. Entrepreneurs are not arbitragers. Their success isn't inevitable. Their bets are outsized. Their dreams are too big. A system that promotes certainty of success rarely succeeds as a whole, as it demotes risk-taking – a must for real advancement.

Success is rare

This Diwali in my hometown, as always, was a delightful blend of old friends and the chit-chat on who did what and said what.

It's quite remarkable how life unfolds; in our younger years, we're fixated on what lies ahead, but as time passes, all we care about is our glorious past!

Anyways.

It's been about three decades, and it's intriguing to see the diverse lives and outcomes of our group of 90-odd classmates.

Two of us became uber-rich businessmen, one became a successful secretary (IAS officer), and another ventured into politics, becoming an MLA.

And the rest? Well, the majority is stuck in everyday struggles, far from any spotlight; leading run-of-the-mill lives!

Two things stood out in our conversations:

1. Success is rarer than what most of us believed back then. Most failures and mediocrities appear personal until we have a gaze at societal data.

2. The markers of success we once thought infallible have shown little correlation with the realities we've observed.

The IAS officer wasn’t the most brilliant of us, the boy who became MLA wasn’t even articulate, and one of the successful businessmen had no backing of his family - nor did he seem enterprising then. And the most sincere of us had a tragic end…

PS

If you had a chance to bet money on the future successes of our classmates, what would have been a wise strategy back then?

In that answer lies the answer of building portfolios. Just 4% of the firms* make 100% of the returns over the long run. 96% collectively make zero return!

*26k of total listed firms in the US over the past 100 years.

Key message: There is no guaranteed way of predicting success in investment just like there is no guaranteed way of predicting the futures of your peers. Things may not always turn out the way they should be. But even more importantly - success is rarer than what most of us think of it to be.

Creative destruction

Creative destruction is a process that constantly kills the old in order to make room for the new. Incumbents' wealth is eroded by competition, neglect, or lulls. Through this lens, you must see today's corporate winners, leaders, and politicians.

Many of the financiers you respect will no longer exist in two decades; today's IT titans may have become footnotes; and your city's most admired residential district will not be fancied by the nouveau-riche. The brands you adore will have been buried. The inevitable rise of some nations will be no more. Not certainly. But likely.

If you are a member of society's elite, affluent, or renowned, you must adapt and evolve because Schumpeter's gale is perpetual; there is never a calm there. If you can't compete, you must fold. And if you are a fund manager, you must....

And don't worry; it will most likely be a better world for most of us. The grief of destruction will never overpower the ecstasy of fresh creation. A song of a new beginning will be born anew amid the startling quiet of doom, as Bacchan wrote in his poem, Nee'd ka Nirman. Phir Phir.....

PS
As a large company entered the financial services market, all of this sprang to mind.

Key message: Creative destruction perpetually replaces the old with the new, eroding the wealth and status of incumbents through competition and change. Today's corporate giants, admired districts, and beloved brands may fade into obscurity, underscoring the necessity for continual adaptation and evolution. Understanding and embracing this dynamic is crucial for anyone in positions of influence, including fund managers, to thrive amid constant transformation.

Cake or death: The distribution of good

Seen Eddy Izzard' cake or death sketch?
It kind of goes like this…Grim reaper' office is distributing gifts. People queue up. An offer is made to them- Cake or death? First few choose & walk away with cakes. But as you will expect, he soon runs out of cakes. The others are still offered the same choice. But what they get is ..

That's the thing. When 'cake or death' choice is offered - what seems like a choice to you is actually a distribution of outcomes. A few will get cakes and a few others deaths. Distribution is fixed at population level.

One more thing. Good is always in short supply. So a better cake will have even fewer winners. And many more losers.

Market too is a GR. Only few will get cake here.

PS

If cakes are too few - is grim reaper being evil in offering this as choice? shouldn't he change the offer saying only 10% will get cakes. I recall that sales & marketing dept always wanted a consistent messaging. Perhaps GR too is listening to them for maximum foot falls☺

Death of a Hero

The death of a hero is the death of his courage. In the process of him becoming a man, his courage must die as he encounters his limitations and meets his enemy—his older self.

He becomes acutely aware of his limitations, having courageously fought the Ravan and, unlike the myth, lost handsomely. After this humiliation, he becomes much humbler, realizing that facing the bullets of the enemy isn't going to cut it—doing so, quite unlike in the film, leads to death, not survival like Arjun. He realizes that, regardless of his valor, the other side may simply be better.

Victory, he figures, is not predisposed to the one who wants it but to the better side.

PS

Watching Agnipath 100th time perhaps. And the lesson is reverse of what most of us feel after watching it.

Don't be Arjun. In markets or otherwise.

Was RJ our Vijay? - Lessons from his investing life:

Watching eulogies pour for RJ, you will be mistaken to dismiss them as tributes to just other rich men's grandeur. This isn't orchestrated. Millions are truly mourning because they have lost their Hero. There are lessons here – but before it, a quick dive into what made him a Hero of many.

The cult of RJs isn't like that of Warren Buffett – one who is too intelligent, calculative and cold. He is in some sense – the reverse of WB. It seems as if he purposefully subverted the plot of WB – at least the exteriors of it. Whiskey replaced coke and lavishes displaced the austerity. Measured and folksy arguments were replaced by whimsical rhetoric. But what came straight to you was that he was an authentic person. In him – we found our hero.

Are you too a fan of the 90s Agnipath? If you remember, when Vijay claims that fate alone would determine the victor, not the bullets, and then provokes his enemies to open fire on him. We are overwhelmed as he isn't even calculating the odds of death. This is the Peak-Vijay, The Hero of a large majority of people born in the 60s & 70s. He may appear reckless but only our generation knows how puffed up we feel, seeing Vijay so certain, so authentic and so confident.

RJ delivered Vijay to us. Very well aware of his craft and truckloads of patience, growing up with the characters of Sharabi, Sholay and Shakti along with Agnipath may have made him realise that he could be that Vijay. He thought big. Saw future. Unwavering and unhinged. Not frightened of taking large bets, going wrong or poisons hollowing him. Lived a life of magnificence, mocking everyone who is curating it in service of maximising its length.

Like in a true Agnipath fashion, when a victory is pretty much secured, Kancha Cheena would be dead soon and the village, freed from his tyranny, we are presented with the inevitable. Vijay instinctively dives into a set-up that has low odds of survival, yet again. This makes us guilt-ridden as our hero is dying for the very reasons we hailed him.

So we are mourning RJ because a Vijay died. A man so courageous – had to be crucified, not by us but by the principles that we found so endearing. With all the risks that he had taken –his untimely death seemed certain, but we weep nonetheless.

Now the cold part. The learnings from RJ's life are precisely opposite to what he preached and how he lived. The fact that he transformed a few thousand bucks into a few billion dollars – suggests how skewed the returns are, and how certain-few greats take a very large part of the returns off the market. That makes market returns shallower for most. So the learning is to be extremely circumspect.

Another paradoxical lesson from his story is to be a calculative, slow and probabilistic thinker. So while we hail him as our hero and worship him for being so courageous, if we aren't endowed with the frames he was gifted with, what awaits us is the same– the messy calculations and dredged trade-offs.

Key message: This obituary I wrote when Rakesh Jhunjunwala died. I thought the lessons that we must learn from his life is not in what he did, but what he shouldn't have done. I have often compared him with Vijay – my favourite character from movie Agnipath. He too – like a true hero fought hard but with 'all in' attitude, placing courage over caution, the end game was one which wasn't good for him. Or was it not good? We will never know!

Cost of victory

Krishna, gazing upon the barren battlefield of Mahabharata, must have pondered. Only a handful had survived the conflict. It was devastation all over the place! Could he have thought—yes, Dharma prevailed, but at what price?

Bhilwara. A small city I come from. Forty years ago, it was green, its soil fertile, its waters sweet, its sky starlit. Then, the textile industry boomed. The city flourished. Hundreds of factories and processing houses emerged. Now, its soil is tainted, its water, venomous. Wealth abounds, my dad wonders if the price paid was too much!

Of course, there are no definitive answers, only perspectives. The cost of most victories is underestimated…
…. most victories are Pyrrhic, as Taleb would say.

most under-priced risks are the risks which are known to be non-existent.

"… so what do you think is the RISK market may be completely unaware of? An anchor asked me today in post policy call.

"Ummm.. may be, not sure, but I guess, the Banking' profit trajectory" I said.

"So NPA cycle again" he asked.

"…No no. Not at all. Just that we may be mispricing a fact that banking is a regulated utility. And Licensee' profit is only available until licensor is okay with it" I said.

I was so thinking after hearing RBI Guv talk of KFS. MF/wealth guys know what it means, how it begins and where it ends!

Anyways- there is never ever a no- risk in any risk.

A No- List

A small kid. Not even 3-year-old. Runs toward the stairs. An extra step and he will fall off. His mom screams. The kid looks back and detects her terrified and petrified expression, gets the message loud and clear – Danger, therefore NO!

NO is a shield that will safeguard him - over and over again.

NO is a wall that a kid must not climb. A line that Sita must not cross. A weapon that Assad must not use. A vow that a partner mustn't break. A firm that you must not work for. A war that Putin must not wage but a commitment west must not walk away from.

NO isn't lowly in the decision metric. Only after many NOs, when we are presented with a small set of choices, the work of Yes begins. NO, therefore, is a prequel to Yes, a forefather of success. It saves us from malinvestment of time in things, jobs and relationships, secures us from both awkward and dangerous situations and preserves us with energy that can later be deployed which will yield desirable results. For every Yes's failure, the degrees of freedom are reduced not voluntarily but forcefully. No preserves a possibility of yes – if better data arrives. But yes – once committed to, turns tyrannical if gone wrong.

If you are a successful businessman, preserving past success is as much your responsibility as securing new ones. The outsized bets and carefree risk-taking that got you wins will not help you safeguard your past victories. Most failed firms in India are stories of promoters not saying NO to outrageous investments or stupid new ideas that some consultants or overzealous employees proposed. The learning is – if you are running a business, set up a framework of NOs. That you won't start a new business if you don't have a moat to run it, you won't take debt that cannot be serviced in the worst of the times, you won't squeeze employees and short-change customers, and you won't do anything illegal ever. Above all – you won't think that having money is capital.

Want to be a good investor? Start with what you won't do. Anything that hasn't had history's blessings, and what doesn't blossom on the tree of reason, must be rejected. The road less travelled is mostly a bad road to travel for investors. A speculator must avoid anything outside of his expertise, that he is not sure of, and that he has no greater understanding of it relative to the large majority of others.

While we all make a list of NOs, they will differ as we all differ in skills and motives, as I say NO to SIP or dollar cost averaging, you may instead say no to Timing the markets.
Any rejection will have some type-2 error. Bear with it, because it's worth it. When choices are infinite, the value of judgement tends to zero.

Key message: Binding constraints – of the things that you won't do is important part of building of your investment framework. I discuss many NOs in this essay but you and your team or family must give a lot of time to deliberate of things that you won't do in your life or portfolios.

NATURE OF TRUTH AND THE WAY OF BEING

These essays speculate on various aspects of knowledge. These will train you to think of knowledge as something beyond information. Will help you search where it resides, preserve it.

Truth is hard

"Markets will self-regulate"

…. and you get that guy, selfie in hand with a celebrity, dishing out treasure cookies that most Rams and Shyams will believe in.

"Regulators clamps down on speculation"

… but then, the market will necessarily demand a clear signal of a point when it's devoid of being speculative and is closer to its intrinsic value.

Truth is hard. It's dialectal.

The inverted U yield curve of compute

"We seem to be missing ideas. Let's hire a few more analysts. That will improve our catchment area" he said.

"Our problem isn't boundless investment terrain. But a nuance craft of figuring relative value. Not sure having more people solve it" I retorted.

"Bandwidth solves all the problems. If 10 analysts aren't good enough, have 20?" He was quick.

"Pouring more compute doesn't necessarily yield superior outcome. The 'yield curve' of compute is perhaps inverted U."

Silence, there was. So I added.

"As such, marshal half the country to play against Vishwanathan Anand, would the outcome be any different? Even the Buffett runs just 8-10 member team to run such a huge portfolio"

His eyebrows raised, disbelief etched across his face. An inverted U? Really? But buffet example clinched the argument.

PS
'Anything Buffets' ends all arguments in almost all investing firms. Such is the spell of that man from Omaha!

Where does the knowledge reside- in people or processes?

In the 1960s, The Nth Country experiment showed that three PHDs without any prior knowledge could design a working atom bomb. All of it with the publicly available info.

The Romans developed a durable concrete that has puzzled modern researchers for decades, as they have yet to recreate it successfully. For over 3,000 years, the mysterious Iron Pillar near Qutub Minar in Delhi has stood with little corroding, and its secret remains unknown.

One is thus faced with the profound question of where the fountain of knowledge truly lies. Why do societies develop remarkable advancements only to forget them later? Why have our own discoveries in trigonometry, algebra, and astronomy been forgotten by us? Forgetting history is one thing, but forgetting Ayurveda, Astronomy, water management systems etc seems especially striking.

And it's not just a meta question. Ponder the quandary faced by a CEO:

• A seemingly talented individual is brought into the fold, believed to possess invaluable expertise. Yet, as years pass, his contributions prove mediocre, leading to the conclusion that individual talent may not be the driving force behind success.

• Then a skilled employee is lost, tragedies unfold, and the business falters. In response, the finest available talent is recruited, but alas, improvement remains elusive. Only that guy was really something?

The answer to this enigma may remain shrouded in mystery, but it is evident that knowledge is not the property of an organization. I think - it lies in the 'air – out there', awaiting the deft hand of capable minds to pluck it from obscurity. True knowledge cannot be diffused like a commodity as every CEO wishes it to be; instead, it is a living entity that survives only through the continuity of great minds training the next generation of rookies, working together to solve real-life problems.

So that's another #rule of #investing in a firm. Finding out if there is excellence in there, is easy. But figuring out if it has a tradition and tricks to pass it on to the next generation makes a firm investible. And that needs deeper dives.

Investing: Is it a computation problem or an approximation one?

"What you do is merely a computation problem. Like peeling an onion; layer by layer until there's nothing left. Given enough data, the whole process becomes completely reductive." Said a young lad from a premier technology institute in our country. I know him well.

"Well, well, well. I disagree! Our real job is approximation. To deduce from limited data. You see when we are graced with sufficient amounts of data, we gain very little from each additional unit of it. Don't forget that acquiring data is costly!"

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For nearly an hour, the argument persisted, neither side yielding an inch.

Key message: Computation or approximation, we may never know the solution to investing. Perhaps because there isn't one but many. The key is: to understand the importance of both, leveraging the strength of each in a union, not a battle.

A chit-chat between the points on normal distribution

A Point on the far left* of a "normal distribution" felt downbeat, questioning its neighbouring ..Point...

"why me? I too could have been on the right side of the tail or at least near median"

The neighbouring Point, who had read Ram Charit Manas, remarked- Hoi Soi Jo Raam Rachi Rakha. It's all God' design!

Yet another Point had a different deterministic take on it. He proposed Karmic theory "Your fate was determined by your past deeds. Newton's third law is in motion if you don't understand Karmic theory"

"Wonder if I should have joined a "better distribution" He quipped.

"This distribution is fine. You just ended up at one wrong end of it." a wise Point who was listening to all of the conversation said.

Disheartened, the sulking point mused, "What's the point if results are so random?"

"Outcome is random to you. But not for the population which always receives statistical good" Wise point answered. "Distribution's promise is to deliver good to the population not to each part of it"

"But, if it's good for population then why not me. Why am i excluded from benefits" He lamented the same Why Me question.

"Distribution offers statistical good… but doesn't promise individual good" wise Point counselled.

PS
All 'why me' questions are faulty and ill-conceived!

*this is an imagined conversation amongst 'points' on a Gaussian/Normal distribution

... the point on the extreme left, signifies the lowest return or the worst outcome!

Logical fallacies

Logical fallacies start with a truth but make a leap to a conclusion that isn't a given.

It's a false bridge between two ideas, making the argument seem sound when it's actually not.

Consider the statements of some in our business of thinking and managing money (recollecting - paraphrasing)

1. Ray Dalio: he thinks China is a great economy - thus - a great market to invest in. US politics is too fragmented - thus - its markets are un-investible.

2. Grantham: his claim is that investors are an all-in risk in the US market, the Fed has been too loose for too long, and corporate margins are too high- thus- EMs and commodities are relatively more investible.

3. Howard marks: he thinks rates have adjusted higher for longer… it's a sea change - thus - it's a great opportunity to buy high yield.

4. Peter Zeihan: he points to China's demographic challenges and debt, and its oil and food dependence on the rest of the world - thus - predicts an impending collapse, a view he's maintained since 2010.

5. Cathie Woods: she argues that we are in the midst of four major tech breakthroughs (CRISPR, AI, batteries, automation) - thus- the economy could grow by 50% pa.

6. My friend, a CEO of a large fund (wrote last week to his investors): we will be 5-10-20 trillion-dollar economy - thus - it will mean investors will make significantly more returns.

This 'thus' is a problem.

He works so hard - thus - he must be good. He is so insightful - thus- he must be competent.

The black economy is a reason why Indian taxes are low - thus - India's growth is slower.

GST will integrate the Indian market - thus - India's GDP will grow 1-3% faster.

Seen our roads and airports recently? - thus - India must be…

So on. And so on.

Key Message: The 'thus' is the problem. Logical fallacies arise when we make leaps from seemingly sound premises to conclusions that aren't guaranteed. It's a false bridge, creating the illusion of sound arguments in investing and economic forecasting. Thus, beware of the THUS.
consumption. While the immediate stimulation of diverse ideas is enticing, prioritize depth and contemplative immersion over the distraction of continuous, fragmented information streams.

KNOW THYSELF AND OTHERS

These essays are about kinds of people we are. Optimist, pessimist. Clear viewed, probabilistic. Then there are a few essays on knowing others. The ever-bulls and bears. Propagandists. And even amongst the ones you think are authentic –there are differences amongst them in the way they look at the world.

Hes and Shes in the market.

HE who thinks of life as linear. Predictable. Deducible. Newtonian.

And his friend SHE, thinks of life moving in circle. “Straight lines don’t exist. Everything is curvy. Everything moves in a circle” in her view.

He sees market having preconceived destination- albeit with few bumps here and there which can be ignored.

She sees market being uncertain. Nothing is cast in stone. Even in very long run.

He sees risk as volatility.
She sees risk as uncertainty.

He is very confident.
She is always circumspect.

We truly are of two kinds! Aren’t we?

Optimists vs Pessimists: learnings from other sides

If you are an optimist who sees improvement in everything and is confident in your own abilities, what you need is a discipline of stopping losses and limiting your positions in the markets, as you are likely to oversize bets and get flushed out by markets when shit hits the roof, which happens more frequently than you have provided for. Learn about Soros, Taleb, and Druken Miller. Return to history lectures. It never ends. The Shraman tradition will serve as a guide.

And if you are pessimistic, constantly believing that the world is going to hell, train your heuristics to assume that there is a positive drift most of the time and develop a system to dial in risk when there is blood on the streets. Remember that suffering in markets is a chance to capitalize on, not a state to relish for a cheap thrill. Read Buffett and Munger, or listen to Jhunjhunvala! Bhakti tradition will be helpful.

True reality is a distribution with a central tendency of sometimes slowly ascending and progressing into the greater good and, at other times, unexpectedly descending into the abyss. Neither pessimists nor optimists are correct. Their lenses exaggerate, good or bad. Knowing your inner nature will help you adjust your lenses. There is no option for this!
#philosophy

Key message: Understanding and adjusting your biases is key to successful investing. Optimists need to practice discipline by limiting positions and stopping losses to avoid being wiped out in downturns. Pessimists should recognize the market's and economies' inherent positive trends and develop strategies to capitalize on long-term growth. Embrace philosophical traditions that align with your disposition to guide your investment strategy.

Public vs Private money manager

She is a fund manager in public markets (Bonds, Equities). To her, It is all about being alert to all-news, price everything at margin, think of asset pricing as risk premium vis a vis each other. She is always trained to think second order. Not just on what it is but also vs what it could have been or what others are thinking of what it is. She is likely trained by a "Keynesian beauty contest" reflex – of what will everyone think of what everyone thinks. The good of a trade lies in its pricing. Everything is a good trade at the right risk premium. She thinks risk and return of an asset are always priced relative to where other assets are. She is likely operating off right hemisphere* of brain - gauging market as a map instead of detailed plot. Abstracting. Fluid position sizing. Jungian.

He is a private market fund manager (PE, Private credit, VC). For him –its about detail. He must focus and ignore the noise of the market. He is built to think that markets are mean reverting – schizophrenic entities. For him- the good of trade is intrinsic to an asset instead of pricing of it. Bad trades are bad – irrespective of price. He thinks that the risk and return are local to an asset. He doesn't entertain the idea that a $10 rise in crude or a significant drop in dollar will mean anything to his cash flow backed trade or the luxury property in an island or his investing in a good idea of an entrepreneur. He likely works off the left hemisphere*. Detailing. Structuring. Newtonian.

Of course, these are broad brushes. Most likely, both sides have both hemispheres functioning and no toolkit is predisposed to just one category of investors.

And yet— Are they different people? One set from Mars and the other set from Venus? :) One Newtonian and other Jungian?

*hemisphere characterisation is from Ian Gilchrist' the master and his emissary. Just for fun :)

Key message: Many practitioners don't realise how different the reflexes are – of the fund managers in private and public markets. Former deals with detail, structure and micro whereas latter deals a lot more with abstraction, liquidity and macro.

MACRO VS MICRO

Macro guy: Watch the broad market - in there, lies the direction of every unit or constituent of the market.

Micro guy: Oh come on! It's an illusion that aggregate has an independent behaviour. Broad market is simply a sum of parts.

Macro guy: Not really. Aggregate market has an INDEPENDENT BEHAVIOUR. One such operative system that produces this behaviour -is the mechanism of relative pricing. But there may be many others.

Micro guy: But relative to what? Isn't one component having to be cheap to drive other cheaper. That means the components can explain the whole.

Macro: There are many relative price mechanisms at work in markets apart from relative price of one stock vs another. It could be about stock vs bond, or about Indian stock vs US stock...and so on.

Micro: So you are bringing another market to contextualise stocks. Fair.

Macro: Not just the others markets. The market operates within a socio-politico-economic substrate of our civilisation and is linked to everything.

Micro: Well okay. But your point that its behaviour is independent one - is a stretch. It's simply sum of parts. That bit you will give it to me?

Macro: I think market (like any complex system) has an emergent property. Though it appears that the changes in its constituents make the changes in market - in reality the causality is reverse. In some sense it's a KANTIAN WHOLE.

PS
"An organized self-constructing being, having the property that the parts exist for and by means of the whole". is the idea of Kantian Whole.

The whole explains the behaviour of its constituents. Not otherwise.

It is not the cog that explains the wheel, but the wheel that explains the cog.

Lots of Bhakti tradition of ours argue similarly. You hear Kabir, Meera etc echo this idea. Seems really incomprehensible- but lots of super-modern science has begun to accept it that even at cellular level, there is the whole of cell that is instructing DNAs etc to deliver goods. It's not bottom up - as Dawkins and other such New-Darwinists talk of.

Key message: Macro frameworks are so distinct from micro ones. The former is about evaluate the whole of market's landscape – not just one asset class independently but the variety of them. Macro framework's key output is risk premiums of one asset vs another. But more interestingly- the aggregate of the constituents, called market has an independent behaviour – one that can be explained as sum of all parts. I think, as it is in all complex systems, market is an emergent phenomenon. Having unique identity independent of its parts.

Numeric vs Abstractionist

Long ago, I worked with a very competent fund manager. Meticulous and diligent. His cabin was usually locked. He was continuously huffing and puffing about some fresh statistic that flashed across his Bloomberg screen - the latest quarterly number of the company in which he wanted to or had invested—always feeling overwhelmed. He had little time for tangential chats and despised such conversations that were devoid of numbers. 'Ideas are worthless. Numbers are king,' he used to say.

One late evening - when he was updating his Excel sheet in his cabin - I mustered confidence to question, 'Why concern so much about each quarterly figure with so much zeal and jest?' And the managerial musings. "Don't you find them dull and a little useless"?

'What else is our job?' he was terse.

'Much of the discussion about the future is about ideas, isn't it? Data is important but the abstraction of it is as important' I quipped.

'How do you accomplish that? The only thing that can be relied on in the market are management comments on quarterly performance. I'm not a fan of hypothetical big-picture trends, philosophical debates, or concepts. There is no point in an idea that resides outside of numbers being reported by firms.'

'I concur. However, what one housing financing provider says differs from another. From one large bank to another. To be sure, there will be some differences. but a quarterly remark may not be useful in keeping our models up to date,' I said.

'Many short-term decisions result in long-term consequences. That's why we must keep a vigil over every small detail. Don't we hear the same thing in our performance reviews? Why is our performance evaluated every month, and sometimes even every week?' he said.

‘But do you agree with this?’ I asked.

‘Do I have a choice?’ he retorted. Now the conversation had taken a juicy turn. Just then, data on US joblessness flashed on his Bloomberg screen. He was ecstatic about it for some reason. He didn’t seem much interested in taking the conversation forward. So I left the office.

"Well, I still think that the universe, markets, and many other complex systems have too many parts to count. Most objects act and look similar even when the [data] numbers are increased after a point. More numbers do not add value to the judgment," I would have said.

PS1

There is no way we can secure infinite resolution for anything. Constraints of time and energy apply everywhere. Instead, we consider it from the standpoint of limits, i.e., when there are too many parts to count, there comes a point where extra data does not increase the resolution. At that time, the effort spent grabbing more data was pointless. As such, most of us are adept at deducing patterns from large enough data without demanding all of it.

PS2
He is still a successful, competent fund manager :)

Key message: Numbers must be balanced with the abstraction and interpretation of those numbers into ideas and patterns. Recognizing that complex systems often have too many parts to count. Knowing when extra data becomes redundant. Effective investment strategies should blend quantitative analysis with qualitative insights. Acknowledge the constraints of time and energy and the need to deduce patterns.

Superstitions

Every year, during an annual medical check-up, I see myself chanting Mantra while tests are being performed. For Ultrasound, the ritual that works for me is to recite Navkar Mantra 108 times, for bloodwork – the Gayatri mantra works. Since I believe that it works. Therefore, it works. In this case, I seriously don't care how it works. Life is an emergent phenomenon. No one knows what plan she has for you. She seems like a bell curve from distance but people on the receiving end of it see her as a grim reaper. One has to provide for something extraordinary to comprehend her. No model works – at times. One thing which makes life liveable is the existence of superstitions. The crazy things that we all do and believe in, knowing fully well that they are – at least – not in the domain of reason.

No empirical study seems to prove that avoiding a black cat, reciting any Mantra or visit to the temple seems to improve the outcome. Yet it's okay to do it- because you believe that it works. Superstitions are the aesthetics of life, the utility of them is in their usefulness even though they come from the land of no-reason!

Ditto in markets. Every time you invest – it's okay to go to a temple and ask Hanuman- rather shamelessly that your stocks should double. It's okay to perform Yagya if losses are mounting. To make promises that you would go to Vaishno Devi if you earn good returns this year. And superstitions are agnostic to your faith. You may be a devout Hindu but the Christian rituals may work for you. So stay open to all possibilities -Carry charm, avoid a black cat, wear that lucky T-shirt on special days, skip one tile while walking in your office and skip a meal to bribe the goddess of luck. All are perfect things to do- as long as you believe that they work.

The idea of going to the Hanuman temple is simply an acknowledgement that I have little control over beyond what I could do and I need a partner in the loss. That I am aware that the world is infinitely complex and I can't torture my mind anymore before deciding on a punt. Give a proper offering to your favourite GOD, and make an arrangement to pass over your investment loss happily to the Gods weeping in heaven as you lose your fortune here. It's his loss also after all! And if you win – don't forget to fulfil the promise, walk down to the temple bare feet, and give some food to pigeons on the coming Sunday morning.

Superstition- is both an acknowledgement of the error in the formula and a cure for fear of the wilderness. An acceptance that anything can happen. Life is too hard without superstitions. In the streets of science, it's been given another name – Placebo.

Actionable: Markets are too volatile for human minds to be at peace with. Positions there will create lots of stress and anxiety, which is harmful to both physical health and market discipline. One of the reasons why many investors freak out at the wrong time is that they simply lose faith in markets and fear the consequences of losing more money. It is okay to build some mechanism to comfort our minds- it could be any object of faith. A God that you trust in or a sacrifice that you think can save you.

Constraints

Population growth is constrained by the cost of raising a kid. A global economy is constrained by the supply of energy, India's is constrained by crude so far and, also China's hereafter. The stability of the market is constrained by how long it's been so. Public debt is constrained by private savings.

A firm's survival is constrained by its culture of resets and reforms – that which drives it to change when the environment changes. Its profit is constrained by its competition. Aggregate profits of 'all firms' are constrained by policies including the ones related to some minimum level of unemployment.

A bear market in bonds is constrained by a growth slowdown and a bull market is by growth acceleration. Equity flows are constrained by demographics. The good of markets that make great returns in the long term is constrained by the fact that we all are dead in the long run.

Survival of civilisation is constrained by its access to drinkable water, its growth by its access to energy, its external security by its geography and internal peace by its politics. A family's unity is constrained by the gross sacrifice of its people. Though people in general are constrained by facticity, you & I – are constrained by luck.

Sheer luck.

Our knowledge is constrained by what we read or the long-form podcasts we listen to, our actions by whom we admire, our feelings by what we experience and happiness by what we think of it. Fame is constrained by familiarity and power by the will of people.

PS
A small city is constrained by how long it takes to get to a big city, and, as i 'wait & wait forever' on the congested roads of Mumbai today, I think a big city is constrained by how long it takes for its people to reach their offices.

Bholu ~the data miner

Once there was a Bholu. He lived off a data mine. He was hardworking, committed. Mining data from fields afar. Of all kinds, of blue and brown, of the variety you would not get anywhere else and of the kinds that no one else ever paid attention to. It was easy to be overwhelmed by Tanks of data that he brought home- day after day.

And to be sure, it was a difficult job. It required both infinite passion and patience. His neighbours were impressed as well as envy and his family members' hopeful that one day all of this data would come to fruition. Data was new oil, after all. In the hope of riches, they cheered him!

Years passed. He still lived a wretched life. Why did all the 'oil' he had collected didn't do any good to him? The tragedy was that Bholu only collected data but knew nothing of the consequence of it. He wasn't testing priors, nor was he speculating on the truth of being, instead was simply mining data, with zeal and zest, making beautiful tables and charts!

PS1
He called last night. 'My time has not yet come either; some are born posthumously' said he.
He has left data mining, is in his village now, doing 'data farming' instead!

PS2
Data without prior is a map in the hands of one who doesn't know where to go. Saturated it may with infinite resolution, but what good is it, except fulfilling one' wanderlust!

Joker vs Thanos

He is muscular and purple skinned, a conservative, who works by the rules, is clinical in approach. His goal is to balance the universe by eliminating half of its life. Likely Malthusian. Belongs to the club of Rome. Thinks there is limit to growth. He thinks of things as zero-sum.

He is Thanos.

Thanos' counterpart has no framework. Or you could say that chaos is his framework. Unpredictable, anarchic and chaotic. He thinks things have no substance. He is extremely emotional - but in perverse manner. Their pain is his pleasure!

He is Joker.

Both are too confident of themselves. Thanos underestimates everyone else – after all he is endowed with superhuman strength and intellect. Joker subverts the argument of strength – thinking of it as stupid, miss-directed, and prone to chaos. Also, both the frameworks are born of personal trauma. Thanos desire is to prevent suffering at cosmic scale and joker's is to expose fragility of the social order.

Thanos: “80% of the firms must die for the remaining 20% to benefit. My job is to actively remove the 80% of such firms from my portfolio”

Joker: “there is no way to know which firm will die. It’s all random. Firms which will survive – will do so because of externalities”

Thanos is an active fund manager. Joker puts all his money in index.

PS
Batman is not the opposite of Joker. It’s Thanos.

Bayesian vs frequentist: Two ways to look at probabilities

According to the Buddhist worldview, nothing is independent. What fructifies is the result of numerous elements coming together in that short, fleeting moment. Everything is dependent on everything else. Nothing is of the essence. In some ways, Buddha was unusual in disregarding anything fundamental, essential, or vital.

The primary Hindu or Jain perspective of 'essence,' on the other hand, contends that there is something independent of everything else. A sword cannot cut it, no fire can burn it, and it cannot be wet or wilted by wind - he argued on the battlefield!

Buddhist concepts are Bayesian in nature. The majority of other traditions are frequentist.

In markets too, you will find people who believe that there is something of the essence in each asset class that has the inherent character of delivering certain returns, or, to be precise, risk premiums, independent of everything else. Such folks are frequentists who believe that everything oscillates around the mean. One of their arguments could be that stocks are likely to deliver 4-5% over bonds, which is an unconditional truth. Not that they dismiss the volatility of the outcome. Just that they assume that all the external factors are noises – at times cancelling each other or else, fading with time.

Then there are others who consider probability to be more Bayesian and believe that the outcome of an asset class could vary based on the prior conditions. They too begin with an understanding of historic risk premiums but then speculate on what relevant factors could influence the returns of the markets in the near or medium term and reassess the potential outcome based on the state of such factors. E.g., assume one has prior knowledge that energy will get costlier in the future. As a result, the market perspective based on the Bayesian framework will be as follows: given that energy will be costlier, to the tune of 1-2% of current GDP, market returns will diverge from the historical mean to such and such a degree. Alternatively, a simplified form of Bayesian thought will be that if you buy stocks at a 25% discount to historic valuations, likely returns over the next decade will be near 2% higher.

The Bayesian framework is more complex, but it requires significantly less faith in unknown forces. Whereas frequentists argue that the conclusion may be independent of the exteriors or circumstances, plus, we may never know all of the specifics.

No one knows what is right. It is a question of faith. Your life – you decide. If you are a frequentist and believe in mean reversion, life is simpler for you. However, you may overlook transitions from bad to good or vice versa. If you are Bayesian, you may end up overcomplicating things. Furthermore, there is a significant learning curve there. Isn't this also the distinction between Bhakti (frequentist) and meditation (Bayesian)?

Key message: Frequentists believe in inherent, stable qualities of asset classes, leading to predictable returns based on historical averages. Bayesians consider prior conditions and evolving factors, making market predictions more adaptable but complex. Choosing between these perspectives depends on one's belief system: the frequentist's faith in mean reversion and simplicity, or the Bayesian's adaptive complexity.

Sing if that's your talent

Sing if that's your talent, rather than aspiring to manage a media firm. Let actors focus on acting, not on running production companies. Good cook? Please delight your patrons. There is no point spreading thinly across the complexities of operating an eatery.

Writers better write, bowlers better bowl, and carpenters are better off making great furniture, leaving publishing, captaincy, and contracting to others. To the ones who know 'that' craft:

Society flourishes when we hone our crafts. And we are also happy doing exactly that.

But what if your skill lies in spotting opportunities and you have the personality to attract great cooks, singers, or fund managers, along with the skills to have oversight over many other things: accounting, risk, raising capital, and whatnot? Then your true craft is running a business. How do you know if that's your craft? You know, if you know that, you know it!

Do you think you are a good fund manager or analyst? Don't bother about climbing up the ladder to an executive position in your firm. Stay there! Society will reward you for just that. And as much or much more!

I have known someone intimately who declined to become a leader at a major financial firm to stay on his pitch. Only time will tell if he was right, but if history is a guide, the decision should be "in the money" over the long run!

PS

Sitting at an airport, a gentleman proclaimed that 'the particular firm' would likely benefit because its CEO has an "investment background."

For what I understood of this business, I could say the same for those who had a background in selling chocolates!

Key message: The essence of success lies in honing your specific talent rather than diluting your efforts by trying to manage multiple roles, filling in shoes that were never destined to be yours. Whether you're a singer, actor, cook, writer, bowler, or investor, focus on what you do best and let specialists handle the rest. Society flourishes and individuals find happiness when they excel in their unique crafts.

Detecting B*ll-Sh*tters:

He was pompous but also had a great flair. A gift of glibness and also a great personality to carry it through. Confidence he exhumed, so much so that it removed any possibility of suspicion in his grand tales.

And boy, he knew who's who in the world. Policymakers, politicians, and promoters. People were mesmerized by talking to him. A million dreams he would evoke every time anyone had a chance to be with him. He had amassed a great fortune exploiting markets. Risk-taking, ever-confident, and supercharged.

He had stories to tell about this or that firm that he had bought at 100 percent of the current price. At times, he would tell us about his portfolio. Each security that sat there prettily had long matured, putting on an enormous weight of performance. Only if we could participate in his next journey of 100 baggers. The question was: What was he buying right now? Could he tell?

But, after some time of being around him, a disturbing fact began to emerge. Many people had lost a lot of money acting on his advice. The unique thing about his stock recommendations was that most people would experience a month or quarter's upside but a terrible fall after that. Yet, most people would blame their own luck for the battering. No one dared think of the Messiah as being wrong. Ever.

And you know him. Yes, you too! Everyone knows him. He is there – in every city, in every WhatsApp group, in every domain – on your favorite TV show as well as on your timeline. Confident, courageous, successful, and glib. When he is in politics, on either side of the ideologies, he would claim 'Mera Bharat Mahan', 'India shining', and 'Vishvaguru'. In business, he would deliver you Robo taxies and AGI as of yesterday or claim his payment app as a bank killer. In schools, he would have stories of how many girls or boys admired him, and even teachers secretly admired him. In the business of spirituality, he would promise enlightenment, exactly of the sort that he got, as long as you pay him to re-engineer your inner sphere or if you are gullible, a rather cheap theatre of a miracle will be performed. In markets, his stocks won't just rally; they will rocket!

PS
We, as humans, have a mechanism to smell bullshit. We deploy tools such as detecting under-confident body language and hyperbolic claims, using our own experience with the person or product, and fact-checking. This tool kit generally works. But there are some astute men, yes, mostly men, who subvert all of this so well—not just because they are pleasing, confident, and experts at claiming their grandeur, but also because they have riches and networks to substantiate their hyperbolic claims. And they are so successful, perhaps because of what they say, not because of what they can do. Most great tragedies, on a personal or social scale, have been inflicted upon us by such great men!

Key message: Those who exude confidence and charm, in a flurry of allure, peril, and charismatism, make grandiose claims and evoke dreams of success. These individuals can cause substantial harm. The tendency of people to overlook or rationalize their losses due to the deceiver's persuasive persona highlights the vulnerability of human judgment to charm and confidence. Use scepticism and fact-checking to avoid being misled by their superficial allure and purported successes

TOOL KIT OF A MASTER PROPAGANDIST

1. Through the art of omission, unveils selective data, concealing truths that deviate from his magical story.
2. Show nominal figures, never deflating by contextual realities. Never indexing. The purpose is to either show the past or present as 'very lowly'.
3. Data should never be weighed, that which doesn't fit should be either ignored or hidden in appendixes.
4. With calculated precision, manipulate the inception of the data series, forging a distorted chronology that magnifies the desired effect.

5. What must be told is that which is likely to gain maximum eyeballs. Truth telling isn't the motive here. Serving what is desired by the audience is.
6. And yes - the most important thing he knows is the conclusion - even before doing any analytical work. The best is to get 100 charts made by the team and pick the suitable ones.

PS

He isn't a lowlife like my old friend Bholu. He is a shrewd salesman.

Key message: I want you to know the framework that the propagandists deploy – in all walks of life. In politics economics or markets. The motive of a propagandist is to get you to be his troop. An instrument to his good. Truth-telling is never an objective.

Celebrating Nifty's all time high: Know your TV heroes

In order to celebrate Nifty rising to near all-time highs, an award function was organized last night. This wasn't supposed to be made public – but I can't resist – so here are some snippets.

The inaugural category was "India's Permanent Bull." A mild-mannered head of the investing firm was recognized for craftily weaving an unshakeable bullish stance into the fabric of patriotism and being on TV forever. An outspoken oldie - a famous bear - said that markets are an unending roller coaster. What use was there in being an eternal bull? Amidst all the noise, RJ vociferously declared that the award could not go to anyone other than him. His unwavering stand, free from political biases, and free from ifs and buts, appeared justifiably logical for this award. Him being a regular resident of the Divine's home, was a plus.

The next category, "The King of Creativity," sparked quite a debate. A CIO claimed his creativity was unrivalled, as he had vouched for a 15% return regardless of circumstances. It smelled of subversion – but his entry was admitted as he was seen being creative to secure the same outcome – year after year - irrespective of circumstances. A rather quiet economist contended that she was the most creative, forwarding her latest report to the jury via WhatsApp. The jury found her arguments about her country's imminent investment surge convincingly creative. Well, mostly because the same chart deck was presented in her 2018 report as well. In any case, the award found its way to a likable, mild, articulate strategist who ingeniously spun the same old data into a captivating tale of India's complete transformation – and had captured the imagination of the 'nation' (Read chatterati from Noida)

The "Bear of the Year" award was yet another hot topic. The majority of entries for this category came from non-sell-side economists. Weren't there any non-economist bears out there? – the jury asked. The room was filled with silence. Being bearish, it seemed, was a risky proposition these days. Rumour had it that the current government wasn't particularly fond of such people. Ultimately, the award was split between an economist from a news agency and a former government economist. But, a new-age brokerage firm's voice was recognized for being bearish since 11k of Nifty. As such, the jury lamented that India didn't have great voices such as Jeremy Grantham, Rosenberg, or even economists such as Roubini who have been doom-sayers since time immemorial. A business media person was recognized for being one – but the entries were for only practitioners.

The "U-turn" award for those who practiced the polar opposite of what they preached was one of the night's most intriguing categories. Entries were scarce, but a well-known manager who had transitioned from bullish exuberance to exiting his famous bets emerged as the unanimous choice. There were more awards. But the plane is taking off…

Key message: Award titles for key role players as Nifty neared all-time highs: "India's Permanent Bull," "The King of Creativity," "Bear of the Year," "U-turn" and more. Each award sparked debate. Each debate brought forth new perspectives. There is not one definition for a reputed individual in such a marker but an abstract harmony of those who make the magic happen. And while you read this essay, don't attempt to put names to descriptions - they are all real, but understand how different pathways and frameworks get to the same outcome.

Different skills

He was a skilled carpenter. Every move he made was precise, flawless. Often, I'd ask him where to place something, and he'd simply smile and say, 'That's a question for your architect.

I recently visited Delwara, a small village near Udaipur, to revisit my childhood years. The temples there are breath-taking. When I mentioned their beauty to an old local, he simply shrugged it off as ordinary.

I once worked with an analyst who was meticulous in mining data and crafting presentations. Yet, whenever I asked if a risk was worth taking, he would just give me a blank stare, as if that was beyond his syllabus.

Ever wonder why tourists marvel at the architectural beauty of your city's temples more than the locals? Why the carpenter couldn't advise on furniture placement or general aesthetics? Why that analyst seemed stumped by questions of dialing-the-risk? It is because people in know of things "nearly fully" rarely come up with the JUMP that is required to "see" it fully?

PS

Data analysis is demanding. It engulfs you. You need to collect data, organize it, decipher it, and then present it. Each step consumes significant time and energy.

Taking risks is different. It's somewhat surface-level, built upon analysed data, seeking patterns... Those deeply immersed in data at times struggle to step back and see these broader patterns... to take that JUMP!

Can an analyst become a risk-taker? Carpenter an architect? YES. YES. Just that these are distinct skills.

Key message: Know this that risk taking and analysis are different skills. Even though many in the industry don't differentiate these two skills, and invariably a good analyst wants to be a portfolio manager – we must note that this is a journey and there is no obvious adjacency between two of these roles.