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Above the Fold

The Potential Dangers of Viral Investments

In recent years, we've seen the rise (and fall) of a plethora of new investments such as meme stocks, cryptocurrencies, NFTs (non-fungible tokens) and others. With these new vehicles came fresh promotional schemes, where social media and other platforms were leveraged to create investment frenzies that drove values, in some cases, to nosebleed levels in record time. In many situations, prices of these hyped investments were highly volatile. Others came crashing down, triggered by the similar "digital mania" that drove them higher in the first place. As the old idiom goes, easy come, easy go … but that doesn't have to be the case.

The reality is that some of these “viral” investments are viable, and may offer true long-term returns that may exceed the returns of traditional securities like stocks, exchange traded funds and bonds. But as the wild 17%+ intraday swings in Bitcoin’s price on Tuesday demonstrated, investors may need to approach these trades with a different attitude. Just as we diversify a typical portfolio with more traditional assets, riskier trades should comprise a small portion of your total investable assets. Be prepared (mentally and monetarily) for abnormal changes in value (volatility), and establish a realistic exit strategy before entering any trade. While it may be tempting, especially for new investors, to go “all-in” on a viral investment, remember that these investments are risky and one wrong move could wipe out a brokerage account.

Three Things

1. *Toyota Joins Battery-Making Race* – Following a growing peer trend, Japan’s Toyota will invest roughly $13.6 billion in battery technology and production over the next 10 years. The company plans to operate 10 battery production lines by 2025, scaling up to 70 plants globally. Chief Technology Officer Masahiko Maeda said the company could produce as much as 200Gwh (gigawatt hours). By comparison, Volkswagen plans to produce 240 Gwh in Europe alone.
2. *Ford Nabbs Key Tech Head From Apple* – Apple’s VP of special projects and de facto chief of its automotive division (Project Titan), Doug Field, has been hired away by Ford. Ford will appoint Field as its chief advanced technology and embedded systems officer. Field is expected to elevate Ford’s vehicle connectivity, which allows for software updates over the air. The move is yet another stumble for Apple’s car project, which has seen a series of strategic and personnel shifts in recent years.
3. *Flippers Will Do Anything for Inventory, and Wall Street Is Loving It* – The competition for fixer-upper homes is fierce. Would-be buyers have paid Wall Street lenders tons of money in high-interest loans so they can win bidding wars with cash-like liquidity. But it’s not just local realtors and handymen who are looking for your home; mortgage trusts, hedge funds, pensions, private-equity firms, investment banks and even insurance companies all want in on the flipping game. The only problem is that there’s little inventory available. A mere 2.7% of home sales in first quarter 2021 were flips, the lowest in 21 years since data started being collected. Investors are hoping the end of the eviction and foreclosure moratoriums will bring more flipping opportunities.

Did You Know?

Who Bought the First Ford?

Ford’s first auto sale was a two-cylinder “Model A” that had a top speed of 30 mph. It was purchased by Dr. Ernest Pfennig in 1903 for a grand total of $850, equivalent to roughly $26,400 today. Currently, the average cost of a new Ford vehicle is $50,412.

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