

# 1492, 1789, 2020: Tales of Two Worlds?

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Christopher Columbus annotated his copy of Marco Polo's "*Travels*" with the words "*Mercaciones innumeras*" ("*an incalculable amount of trade*") before sailing not east but west seeking that sea-route to China and happening across a New World – the Americas – instead...



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*It was the best of times*

2020

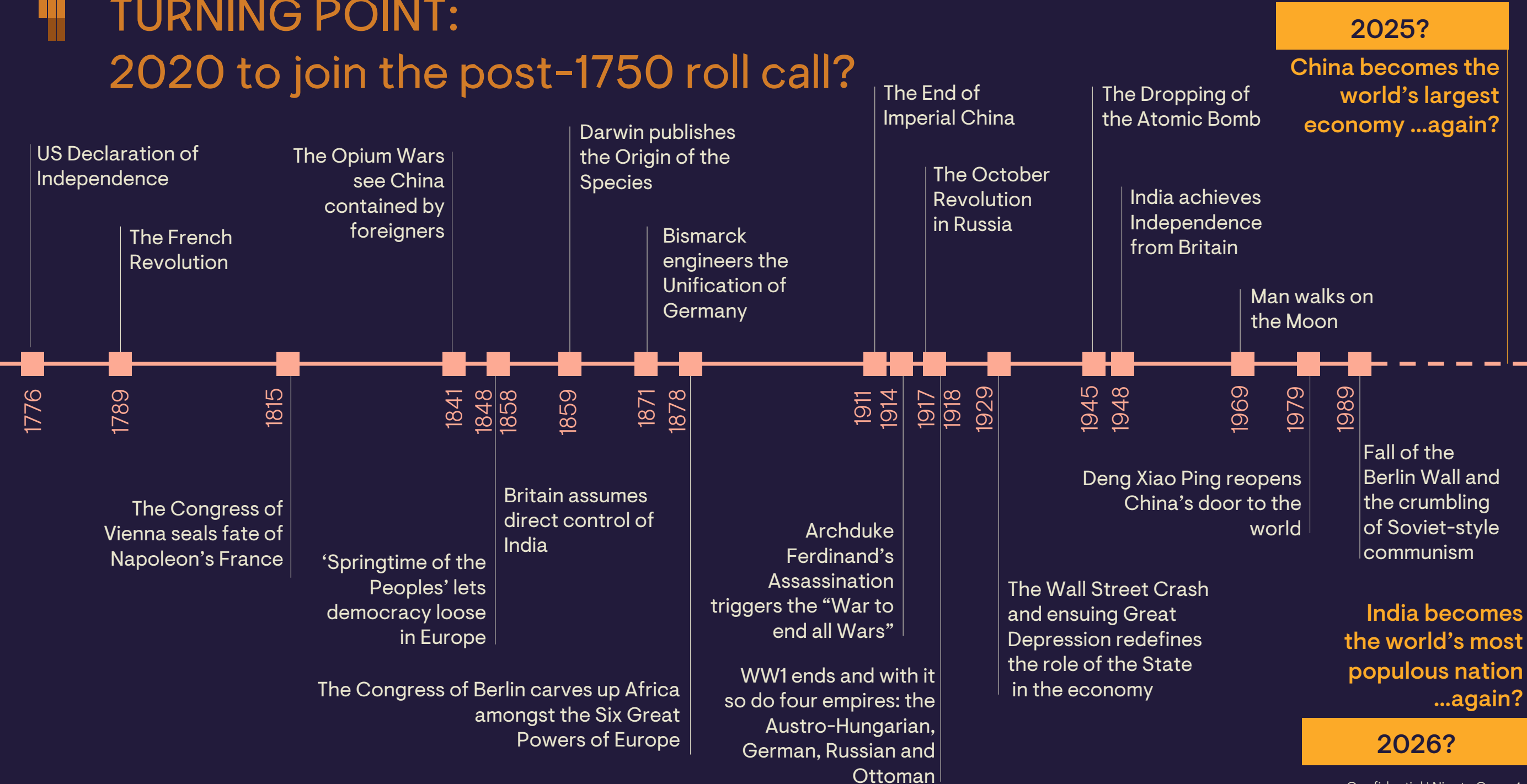
*Like most of the great turning points in history,  
it was obvious and yet no one saw it coming.*

— Mark Bowden

*It was the worst of times*



# TURNING POINT: 2020 to join the post-1750 roll call?



2025?

China becomes the world's largest economy ...again?

2026?

# TURNING POINT DEFINED



**1989**  
**Fall of the  
Berlin Wall**

The punctuation of the prevailing equilibrium

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The *'consilience'* or *'jumping together'* of various underlying trends with a single cross-fertilizing event often triggering their respective inflections simultaneously





# The Opening Lines of Charles Dickens' *'The Tale of Two Cities'*

It was the best of times,  
it was the worst of times,  
it was the age of wisdom,  
it was the age of foolishness,  
it was the epoch of belief,  
it was the epoch of incredulity,  
it was the season of light,  
it was the season of darkness,  
it was the spring of hope,  
it was the winter of despair,  
we had everything before us,  
we had nothing before us,  
we were all going direct to Heaven,  
we were all going direct the other way...



**Dickens was writing of a major turning point in world history,  
1789, the year of the French Revolution**



# A 'sonnet' capturing the themes of Ninety One's road map to 2030

It was the best of times,  
it was the worst of times,

} The state of the world entering 2020

it was the age of wisdom,  
it was the age of foolishness,

} How ballooning **debt** will eventually reveal MMT to be a false god

it was the epoch of belief,

} How **tech** divides the 'run aheads' from the 'left behinds'

it was the epoch of incredulity,

} How renewable energy may avert catastrophic **climate change**

it was the season of light,

it was the season of darkness,

} How **demographics** haunt the West but bless Asia

it was the spring of hope,

it was the winter of despair,

} How **Asia's economic rise** will challenge the West's primacy

we had everything before us,

we had nothing before us,

we were all going direct to Heaven,

we were all going direct the other way...

} The implications for portfolio construction and asset allocation



## Crystallization

*It was the best of times*

*“Pandemics  
fast forward  
history”*

Yuval Noah Harari

1. Pre-pandemic, the US's economic expansion was already boiling over...
2. ... as Western budget deficits grew faster than nominal GDPs...
3. ...driving Europe and Japan into the unorthodox arms of MMT...
4. ‘*Keynesianism-on-steroids*’ was already the Western norm...
5. ...where national **debt** mountains were being added to willy-nilly
6. Negative real and even nominal rates were poisoning the price of risk
7. China's GDP growth rate was slowing but replacing quantity with quality
8. The weight of rising consumption in **Asia** was being felt globally
9. Carbon was losing out to renewables as **climate** change fall-out grew
10. Digitalization was supercharging new **tech**... but also revealing its dark side
11. West vs. East **demographics** were defining their different economic futures
12. Liberal democracy was flailing: United States 52<sup>nd</sup> in the Freedom House Index

*It was the worst of times*



## ■ Nationalization

Compliant  
Central  
Banks...

ZIRP...

'Free'  
debt...

MMT...

*It was the age of wisdom*

1. State **debt** that subsidizes consumer demand grows sharply in the West
2. ...with **COVID** forcing the West to embrace MMT as *'there is no alternative'*
3. Negative real interest rates fool governments into believing *'debt is free'*...
4. ...even as zero-yielding government bonds poison the price of risk...
5. ...cause the zombification of industrial and service sector landscapes...
6. ...and force savers to retire on savings that yield almost no income...
7. *'If everyone does it then everyone can get away with it'* logic prevails...
8. ...but *'Everyone'* here refers to the West and Japan, largely excluding the East
9. Short-term wisdom will be revealed as longer-term foolishness
10. Eventually Western currencies will fall against Eastern ones...
11. ...risking imported inflation bleeding into Western price structures...
12. MMT will turn from saviour to villain, as illusory as a Magic Money Tree
13. *"Socialism for the rich, capitalism for the rest"*: Ruchir Sharma

*It was the age of foolishness*

## ■ Lift-off

New tech  
makes  
things  
better for  
humanity...

...but  
not for  
all humans...

*It was the epoch of belief*

1. 4<sup>th</sup> Industrial Revolution rhetoric creates breathless optimism in **tech** space...
2. Taming **COVID** may dramatically advance medical research... mRNA...
3. Yet breakthroughs can be both destructive and creative. Think Amazon...
4. Yes, e-Commerce is revolutionary though China arguably leads here
5. But employment in bricks-and-mortar retail is being crushed
6. Automation and AI now destroying both blue AND white-collar jobs...
7. ...with negative consequences in the political realm increasingly evident...
8. ...as the *'left-behinds'* join the *'never-caught-ups'* and populism festers
9. Tech's ultimate proof of worth is more productivity via higher median wages
10. Many breakthroughs coming via immigrants...
11. ...BioNTech by German Turks; Moderna by a Canadian Maltese
12. China R&D spend now the world's largest: they have had their Sputnik Moment

*It was the epoch of incredulity*

## Re-energised

*It was the season of light*

Climate  
emergency

Unlimited  
near 'free'  
energy...

Eclipse of  
carbon...

1. Necessity is the mother of invention: **climate** change supercharges creativity
2. Environmental degradation forcing mankind to address negative fall-out
3. Deforestation drove **COVID**-infected bats to seek refuge in human habitats
4. The true essence of the 4<sup>th</sup> Industrial Revolution is renewable energy
5. Green Hope is now being realized as Green Profitability
6. China leads in installed capacity, usage and manufacturing capabilities
7. Oil, coal and in due course even gas will be 'de-emphasized'
8. Whole industries being transformed, e.g. autos: China 60% of global EV sales
9. Hydrogen power is a very real prospect; nuclear fission distinctly possible
10. China has revolutionized long distance electricity distribution
11. Demand for key New Energy commodities is soaring

*It was the season of darkness*

## Life-cycle

*It was the spring of hope*

Elderly...

Lower  
growth...

Youthful...

Higher  
growth...

1. Aging **demographics** in the West weighs heavily on its economic outlook
2. Over 60's particularly impacted by **COVID**
3. Western pension systems – private and state – increasingly underfunded
4. Emergency monetary conditions have crushed interest rates...
5. ...meaning savings nest-eggs built on bonds are largely devoid of income
6. Health and medical R&D budgets increasingly directed towards the over 60s
7. Dependency ratios in the West rising, adding to the state's financing burden
8. The contrast with much younger Asia could not be more stark...
9. ...though Japanese Disease threatens China, Korea and Taiwan by 2030
10. Asia is entering its savings phase just as the West moves towards dissaving
11. Consequences for financial markets both East and West will be profound
12. At the margin, the East will now be both the source and application of capital

*It was the winter of despair*





## Re-Orientation

*We had everything before us*

Asia's  
future  
is bright...

...but the  
West's is  
besieged

1. The pandemic has hastened **Asia's** move centre-stage
2. ...with most of East Asia coping with **COVID** far better than the West...
3. ...meaning what would have happened by 2030 could happen by 2025
4. China 2035 aims to more than double its GDP per capita
5. Sputnik moment: China's R&D efforts redoubled after Huawei's exclusion
6. The rest of East Asia is centering itself upon China: RCEP trade zone
7. RCEP = 30% of global GDP 2020; 50% in 2030 (HSBC)
8. Asian consumption is driven by a fast rising, younger generation...
9. ...even as the West struggles with aging demographics...
10. ...political systems grappling with rights of the individual vs. the collective...
11. ...financial markets still reward financial engineering more than R&D spend...
12. ...and all this whilst Western surpluses available for redistribution are vanishing

*We had nothing before us*



## Crossroads

*We were all going direct to heaven*

Middle  
ground  
'fudge' is  
shrinking

Time  
for hard  
decisions

1. **COVID** is the catalyst crystallizing the five themes of our 2020s road-map
2. Global investment decision-making is at a **turning point**
3. Western investors need more globalized portfolios to meet targets
4. Home bias is an increasingly costly cop-out: risks do not match rewards
5. 'Zip' yield in the Age of ZIRP increasingly the norm in the West
6. 60/40 allocation models need to go global to work
7. Capital gain in the West only available at high price/high risk
8. Could currency replace fixed income as the "interest yielding" asset class?
9. For better returns, investors will need to take higher risks globally...
10. ...accessing Eastern growth driven by younger demographics
11. For this, currency management will become a key investment skill
12. Understanding comparative country risk will also be required
13. Avoiding China and the East Asian bloc will be an increasingly costly choice

*We were all going direct the other way*

■ 2030 is closer than you think

*It was the best of times*

1. A tough decade faces the West with the **COVID** hangover difficult to shake off
2. US-China relationship is being recalibrated so reconfiguring global power dynamics
3. In the West, MMT and ever higher **debt** will become normal...until currency crises hit...
4. ...after which higher Western inflation almost certain, maybe with disinflation in the East
5. Inequality exacerbated by **tech** triggers a backlash from the '*left behinds*'
6. The **demographic** vice: middle-aged caught between young techies and old retirees
7. Like pandemics, **climate** dictates its own agenda forcing mankind to take heed
8. Stock markets become a sea of liquidity full of sinking ships and surviving lifeboats...
9. WFH restructures the nature of society even redefining the role of cities
10. The focus of capital markets and currencies swings from West to East
11. China – indeed **Asia** – will become much weightier in capital market indices
12. The world will have to learn to '*speak Renminbi*', perhaps even digitally

*It was the worst of times*

# Room for optimism... but you must think globally

*“Nothing that we do, is done in vain. I believe, with all my soul, that we shall see triumph.”*

Charles Dickens, A Tale of Two Cities



The 1928 chance discovery of penicillin by Alexander Fleming was arguably the greatest medical advance of modern history



In 1492, Columbus sailed from Andalusia seeking the western sea route to Asia.  
In his diary, he wrote:

*“Following the light of the sun, we left the Old World.”*



**If Columbus departed today from San Francisco, sailing west towards Asia so seeking to fulfill his 1492 mission, he could write the same words...**

Any  
questions?





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