

JORDI'S JOURNAL

Timely thoughts & musings on the financial markets



JUGGLING AND RABBIT HOLE LEARNING TO THE MERGE

By Jordi Visser, President & CIO

"A change in perspective, in physical location, quite simply forces mindfulness. It forces us to reconsider the world, to look at things from a different angle. And sometimes that change in perspective can be the spark that makes a difficult decision manageable, or that engenders creativity where none existed before."

Maria Konnikova, Mastermind: How to Think Like Sherlock Holmes

Over the years, I have read many books on the brain and learning. One of my favorites was Mastermind: How to Think Like Sherlock Holmes by Maria Konnikova. I recently found myself going through the app Blinkist to inspire holiday gift book ideas and was reminded of how much I enjoyed this one. While going through the summary, it referenced a study on the benefits of juggling for the brain. This triggered an idea. Rather than gift the book, I decided to give each of my four children and myself juggling balls and a juggling book. I attached to the gift a non-fungible token (NFT)-inspired utility function of play-to-earn, which is driving the fast-growing blockchain gaming world. If my children could send me



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digital proof in the form of a video of them juggling for one minute, they would receive a monetary prize. After two long years of too much time being unexpectedly stuck in the house, I wanted to give the gift of learning a new skill and with it, some neuroplasticity. Neuroplasticity is the ability of the brain to change and reorganize itself. Learning something new changes the brain just like doing an exercise you have never done engages new muscles. If you are interested in starting a learning journey on the power of neuroplasticity and the benefits it has for your brain and overall life, start with the Ted Talk by Jill Bolte Taylor. I had the privilege of meeting Jill in Hong Kong about a decade ago, which ignited my neuroplasticity rabbit hole learning journey.

As we exit another year dominated by Covid, we all hope to return to a more normal 2022. I think the one thing I will guarantee is that by the end of 2022, we will all be forced to learn more about a growing world that has its own language. Before we go further on that thought, normally in December and January, all the talk in the financial markets is on an outlook for the coming year. However, given the uncertainty of the last two years, it seems pointless to predict next year. But here is my quick macro forecast for 2022: I expect stocks to be up again, although less than the last two years with longer periods of corrections throughout the year. I think the labor shortage will remain a major theme in 2022 and will help offset the sting of stubbornly higher inflation. In fact, I think inflation will settle down to a more manageable range. I believe the Fed will raise rates in 2022 in a controlled manner spurred by lower inflation and slower growth. Bonds will remain un-investible following their negative performance in 2021 as negative real rates continue to force investors out on the risk curve looking for alternatives. Oil and commodities will continue to go higher. Bitcoin and Ethereum will continue to outperform all assets.

“As we age and plasticity declines, it becomes increasingly difficult for us to change in response to the world, even if we want to. We find familiar types of stimulation pleasurable; we seek out like-minded individuals to associate with,



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and research shows we tend to ignore or forget, or attempt to discredit, information that does not match our beliefs or perception of the world because it is very distressing and difficult to think and perceive in unfamiliar ways.”

Norman Doidge, A Brain That Changes Itself

With my macro forecast out of the way, let's get back to learning something new. Last year, the focus of my [December 2020 paper](#) was on Bitcoin becoming an asset in 2021. One of the most interesting parts of 2021 for me was explaining to intelligent people in finance why I believe they should have between one and five percent of their net worth in Bitcoin and Ethereum. It is difficult for an individual who is not in the crypto world to embrace this concept. Receiving investment committee approval is even more challenging. What I believe to be the failure of the traditional financial world to see the future will likely have implications beyond investment returns. It has also added fuel to the efforts of blockchain companies to recruit talented professionals. This talent drain is only going to increase and will also impact young professionals starting their careers who don't want to work for old-guard firms keeping their heads in the sand.

With a recent holiday juggling experience with my kids and on my own, I realized my crypto investment conversations were like watching a

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person attempt to juggle. They want to pick it up but are not willing to put in the time to learn because they fear looking stupid. I find this is one of the beautiful parts of crypto; it's portrayed to sound so stupid that it leads people to believe it must be a bubble. The older you are, the harder it seems to be to accept it. However, much of that reluctance stems from the lack of desire to put in the time to learn the new asset class and ecosystem. For the last 15 years, "adapt or die" has been a phrase we all know to describe the digital world merging with the physical world. Now after more than a decade of having a smartphone, we spend most of our time in the digital world, particularly after being in lockdown from the physical world. So why the trepidation to dig deeper into the crypto world?

For me, as 2021 ended, I forced myself to go down a deep rabbit hole of learning over the final four months. These four months were like a curiosity-filled theme ride that changed my Bayesian view for the future of investing and asset allocation. After years of writing papers and giving speeches on exponential innovation impacting the traditional world, the themes I gathered over these last four months had a major impact on that vision. Connecting these newly learned dots back into the world we are all familiar with has been fascinating. As I have mentioned on the November episode of our recently launched podcast, [In Search of Green Marbles](#), I only recently started to understand why Web 3.0 was so important. Before the last four months of 2021, I had not heard of this "New Age" of the internet. Since the day I graduated from Manhattan College and joined Morgan Stanley, I have never stopped trying to learn new concepts and approaches. These have helped fuel my obsession with trying to predict the future. My father instilled within me an insatiable Bayesian approach to gathering, filtering, and interpreting information to connect back to the physical world and probabilistically create a distribution of potential outcomes across any discipline. This has ranged from sports, mystery shows, and movies, hiring and managing people, and, eventually, the macro world of investing. Predicting the future is something we all do daily. In the linear world, predicting the future gives you a cushion of a few years to see if you're right. With exponential change, however,

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developments move too fast. Web 3.0 is a perfect example - It's accelerating at a blazing speed.

Entering 2021, the Blockchain ecosystem and its explosion were not part of my Bayesian forecasting. I thought the crypto world was in the very early stages of another adapt or die moment. Web 2.0's slow adoption gave the world time to adapt. Amazon's market cap went from approximately \$60 billion at the end of 2009 to about \$500 billion in 2017. The blockchain ecosystem, driven by NFTs, has moved much more rapidly. Bitcoin is the gold of the crypto economy and Ethereum is the oil or power of the crypto economy. 2021 was the year of Ethereum. Bitcoin was up 60% this year while Ethereum was up 400%. Compared to Amazon's growth, the market cap for Ethereum first hit \$60 billion in November of 2020. It hit \$500 billion less than one year later in November 2021 (vs Amazon's 7+ years) and finished the year near \$450 billion.

This acceleration in Ethereum was driven by the boom in NFTs. It started in March with Mike Winkelmann, the artist known as Beeple, selling his digital art, *Everydays - The First 5000 Days*, at a Christie's auction for \$69.3 million to one buyer. That record for an NFT was broken later in the year with a \$91.8 million sale of an NFT entitled *Merge* by the artist Pak. This sale was to over 28,000 collectors. This led to the below statement by Thierry Ehrmann, CEO and Founder of Artmarket.com and its Artprice department after it was completed in December.

"Blockchain and NFTs have at last made it possible to design properly effective forms of securitization on the art market. Non-fungible tokens open up endless possibilities for the acquisition of shares in a work, as Pak has demonstrated with this extraordinary sale. This represents a veritable paradigm shift for the art market".

The growth in NFT volume was explosive with Q3 up 700% vs Q2. Outside of art, NFTs will likely have a similar impact in the music, tv, and movie industries, democratizing investments to everyone interested in these areas.



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NFTs will impact gaming (spend a day on Axie Infinity alone and remember the exponential growth of Fortnite), sports, and real estate next year. It brings the globe together into a community with tremendous power for disruption. If I were to write about all the areas I believe will be disrupted, this paper would be a book and by the time I was finished the information would be dated.

“The human mind defines things in relation to one another—without light, the notion of darkness would be unintelligible”

Josh Waitzkin, *The Art of Learning*

This is why I strongly recommend to people interested in expanding their knowledge to take a rabbit hole learning approach. This is one of the powers of the digital world. One can learn at a much more rapid pace. Any book on the crypto world is dated by the time it reaches your bookshelf because crypto moves very fast. That is why I say reading books is a waste of time - you gain knowledge, but you are trapped. In addition, the information's relevance is dependent on the speed of the topic. A rabbit hole learning approach allows you to jump and learn in various forms of medium that's more exciting. It allows for a broad consumption of real-time information and to experientially retain that knowledge by connecting the dots to the world you already know. It is only when the change happens slowly that you have time to “adapt or die.” This change driven by NFTs is a tsunami moving at light speed, so “learn or be lost” is a more appropriate phrase. Unlike the speed of Web 2.0, which was driven by a patch of 47 square miles in Northern California, this is being fueled by the entire globe. Covid served as an accelerator by trapping people in their own homes. The capital and talent from the physical world are leaping into the blockchain world daily across all industries. All you need to do to see this is search for “NFT” on google and pick your favorite company, musician, athlete, sports team, or any other topic and there will be endless information. 2021 provided a debate on whether crypto is an asset; now the conversation is on the growth of the digital economy ecosystem. To reference Pak's art, the Merge with the physical economy is here. As I said on our podcast,



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[In Search of Green Marbles](#), in its latest Global Wealth Report, the Boston Consulting Group listed the total financial and real assets of the world at about \$485 trillion. The total size of the crypto assets closed the year less than \$3 trillion. Everyone in the investing world needs to increase the probability of that gap narrowing significantly after 2021. Think of the crypto world as a sports team that is about to win 10 titles in a row. Each year you will see more and more crypto jerseys, the games will be sold out and they will be on TV every day. They will be front-page news all year, so I suggest that you pick up those juggling balls and fire up your brain's neuroplasticity because the physical world as we know it is going to change rapidly. My guess is that these changes will show up in many forms sooner than we all think, so prepare your brain now.

And by the way, if you do buy juggling balls, don't bother with the book. It was a waste of time. Just start.

All the best in 2022!



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More than a market neutral pioneer, Weiss invests in people, partnerships, and a purposeful future. Our mission is to make our expertise in alternatives universally accessible. Jordi Visser is the President and Chief Investment Officer of Weiss Multi-Strategy Advisers LLC, the market-neutral pioneer of the asset management industry. Jordi has over 30 years of experience in the investment and finance industry. At Weiss, Jordi oversees the portfolio managers and is responsible for the overall risk aggregation. Additionally, he is the architect and a portfolio manager for the Weiss Alternative Multi-Strategy Fund (Ticker: WEISX), a strategy that reflects the Firm's market-neutral approach and the desire to make its expertise in alternatives universally accessible.

Jordi is the host of the video series, "Real-Time with Jordi Visser" and a lead contributor to the Firm's podcast, "In Search of Green Marbles". Prior to joining Weiss, Jordi was the founding Managing Partner of Anchor Point Asset Management, a global macro hedge fund, and a former Managing Director at Morgan Stanley where he held various senior management roles. Jordi has been featured as a guest speaker on various popular podcasts and media outlets. Jordi is a magna cum laude graduate of Manhattan College and a Board Member of the School of Business at Manhattan College.

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