



Death of the Frictionless World

Last week, I talked about why we are living through "Winter"—the final phase of a 90-year debt supercycle. We covered the two rules to survive: **keep your powder dry** and **follow the math**.

Today, we need to look at the huge real-world engine driving this shift.

For thirty years, the financial world played by one big, simple rule: money could move anywhere, goods were made super cheap overseas, and markets ran smoothly without much friction.

That era is over.

We have moved into a broken, high-friction global economy. Countries are no longer trying to make things as cheap as possible. Instead, they are worried about safety, making their own energy, and protecting their own borders.

When the rules of the world change, the rules of investing change with them.

Most people are still trying to invest like it is 2015. But if you want to protect your money over the next ten years, you have to understand the new rules of this changing world.

Three Huge Changes Wall Street Is Ignoring

While news commentators argue about tiny interest rate changes, three massive shifts are completely changing the game:

1. **Money Is Staying Close to Home:**

Governments are forcing companies to build factories at home instead of overseas. They are spending trillions of dollars on microchip plants, energy grids, and defense

systems. This requires massive amounts of real, physical materials like copper, steel, and oil.

2. Prices Are Not Going Back to Earth:

Making stuff overseas kept prices low for decades. Bringing all that manufacturing back home costs a lot of money. That means higher inflation is here to stay. Prices will not drop back down to the cheap levels of the past.

3. Real Stuff Rules Over Paper:

When everything is easy, people pay crazy prices for paper assets—like trendy tech stocks, debt, and Wall Street promises. But when the world gets rocky, real physical power wins: mines, energy pipelines, power plants, and real companies that make actual cash.

Why the Old Investment Playbook Is Broken

If prices stay high, the old ways of investing stop working:

- **Bonds Will Not Save You:** People used to buy government bonds to protect their money when stocks dropped. But when inflation goes up, both stocks and bonds can fall at the exact same time.
- **Overpriced Stocks Get Squeezed:** Companies that rely on cheap loans and high hype get crushed when interest rates stay high.
- **Blind Index Investing Is Dangerous:** Buying simple index funds means you are blindly buying whatever is biggest today. Right now, that means piling your money into a few overhyped stocks just because they are large, while ignoring the real physical assets that keep the world running. But hype does not pay the bills when times get tough. Moving forward, fundamental business strength and real, rock-solid cash flow will reward investors—not market stories.

The Two Rules to Survive What Comes Next

Surviving a changing world does not mean trying to guess tomorrow's news headlines. It means following two strict rules:

- **Keep Your Powder Dry:** Cash is not useless—cash is freedom. Holding cash protects you when markets panic. It lets you sit back, earn safe interest, and wait for great assets to go on sale.
- **Follow the Math, Not the Media:** Ignore political news, financial TV, and Wall Street hype. Focus on cold, hard numbers: real cash flow, low debt, and clear quantitative indicators.

The next decade will punish people who invest out of lazy habit. Protect your capital, keep your powder dry, and let the math make the decisions

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