

THE  
END  
IS NEAR

# The Predictions Session 2021


Embrace the Suck

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Mento LLC

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A fortune teller wearing a purple and gold costume with a turban-like headpiece is holding a crystal ball. Inside the crystal ball, there is a bright, fiery image. The background is a soft, out-of-focus purple and gold pattern.

# If you are here for good news, find another fortuneteller .....

- 2021 will be a year of struggles for supply chains, economies, security professionals and Nation States.
- This is the most negative forecast session I have ever compiled, and I really wasn't trying to do that, it just happened.
- Sorry.



# Cyber Is Much Worse Than Anyone Realizes

- in the spring, a pop-up message hit the screens of IT staff using a popular piece of software called “SolarWinds”
- Around 18,000 workers in companies and governments diligently downloaded the update for their offices.
- The download was booby-trapped, and none of these folks knew. SolarWinds itself didn't know either.

# The Solar Winds ... Came Blowing in ....

- After staying dormant for a couple of weeks, the powerful digital helper sprang to life inside thousands of computer networks in government, technology and telecom organizations across North America, Europe, Asia and the Middle East.
- For months the hackers, highly likely to be a national cyber-military team, could take their pick, spying on and stealing information, whizzing around thousands of different organisations.



# Pantsed by the Russian Kid .....

- The most high-profile victim so far, which was also probably the prime target, is the US government.
- Multiple office networks are reported to have been compromised including the treasury and commerce departments and Homeland Security.
- Governmental and private organizations around the world are now scrambling to disable the affected SolarWinds products from their systems.
- Researchers, who have named the hack **Sunburst**, say it could take years to fully comprehend one of the biggest ever cyber-attacks.

# "A Supply-Chain Attack"

**"Governments are unequipped to compete with Silicon Valley and develop their own complex software suites in-house, thus the dependence on external supply chains which are increasingly becoming a target for hackers. If a group of well-funded hackers can succeed in modifying just a bit of code somewhere and getting folks to install it as part of a legitimate software suite, *they are gaining insider access to organizations which may be otherwise impenetrable, such as governments.*"**

**Jackie Singh, lead cyber-security expert on the Joe Biden presidential campaign and founder of Spyglass Security.**

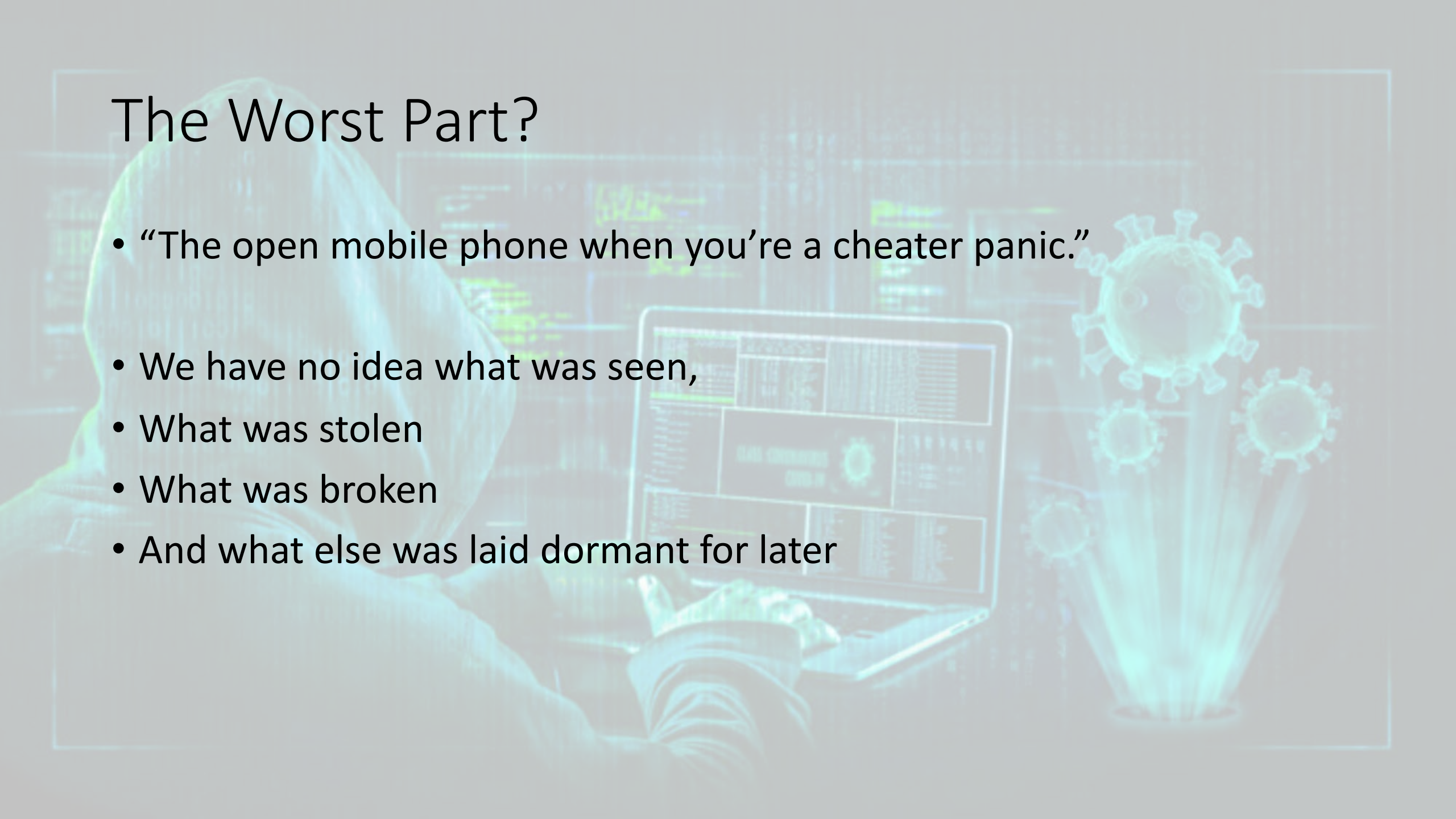


# State secrets compromised?

- According to Reuters, emails sent by officials at the Department of Homeland Security - which oversees border security and defense against hacking - were monitored by the hackers.
- The victims here are key to our national and personal economic well-being, and protection is essential to allow us to function safely in a digital world.
- Email is done from the same devices we use for personal comms.

# The Worst Part?

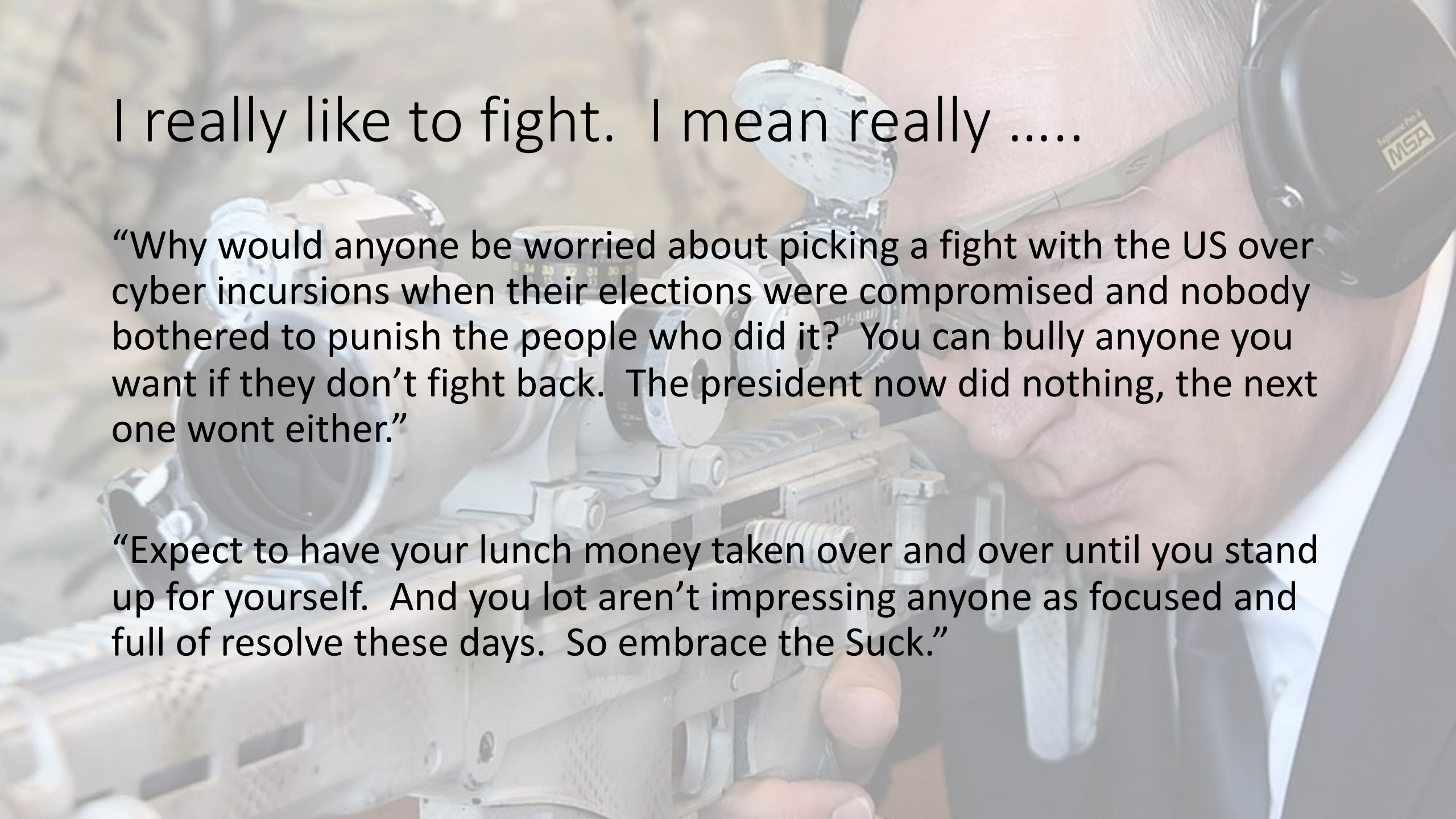
- “The open mobile phone when you’re a cheater panic.”
- We have no idea what was seen,
- What was stolen
- What was broken
- And what else was laid dormant for later





# This isn't just a government issues

- It is very likely that secrets of multinational companies were stolen – showing the ease an economy like ours can be toppled.
- Just imagine what was exposed?
  - *A Nation during a pandemic*
  - *Distributing a vaccine*
  - *In an election year*
  - *With a contested election*

A man in a suit and safety glasses is working on a machine. The background is a blurred industrial setting. The man is looking down at the machine, which has various components and a digital display showing numbers like 24, 23, 32, 31, 30, 29, 28, 27, 26, 25, 24, 23, 22, 21, 20, 19, 18, 17, 16, 15, 14, 13, 12, 11, 10, 9, 8, 7, 6, 5, 4, 3, 2, 1. The man is wearing a black safety glasses with the MSA logo on the side.

I really like to fight. I mean really .....

“Why would anyone be worried about picking a fight with the US over cyber incursions when their elections were compromised and nobody bothered to punish the people who did it? You can bully anyone you want if they don’t fight back. The president now did nothing, the next one wont either.”

“Expect to have your lunch money taken over and over until you stand up for yourself. And you lot aren’t impressing anyone as focused and full of resolve these days. So embrace the Suck.”



# Global Growth and China – A Backlash.

Global Growth will be 4%, as pent-up demand and new vaccines power a recovery from the 2020 global GDP growth of 1.2%.

China will have a solid 5.5% year, up from 2.8% in 2020. China will benefit from its bet on stockpiling oil reserves at cheap prices in 2020.

Covid-19 will accelerate a rebalancing of global supply chains away from China and toward Brazil, India, Mexico and Indonesia, Malaysia, Vietnam, Central America and Eastern Europe. This will cap China's growth potential in the years ahead.

# The US isn't in for an easy few years

- Unemployment: It is entirely realistic to assume a published unemployment rate in the low 6's through the first two quarters of 2021.
- We will see a return to the 2020 Q1 number of 3.5% by 2023.
- Until then, every sneeze, every hiccup and every misstep will be amplified – “the cheating spouse effect”



# Politics

- Left leaning politics will become more extreme in 2021.
- In the U.S. and U.K., the 2020 recession was felt as a financial disaster for part-time and hourly workers.
- Though leftists Jeremy Corbyn, in the U.K. in 2019, and Bernie Sanders in the U.S. in 2020, failed to get elected, their movements will have grown, the bitter fruit of the abysmal 2020 harvest.

# Inflation

- Inflation returns! With a virtually unlimited ability to print cash, and an election promise to spend trillions in new infrastructure the 2021 economy got its monetary jolt.
- But it also got an inflation not seen for two decades. And that became the business story of 2021.
- The real story is that US business is not prepared for inflation of this sort.





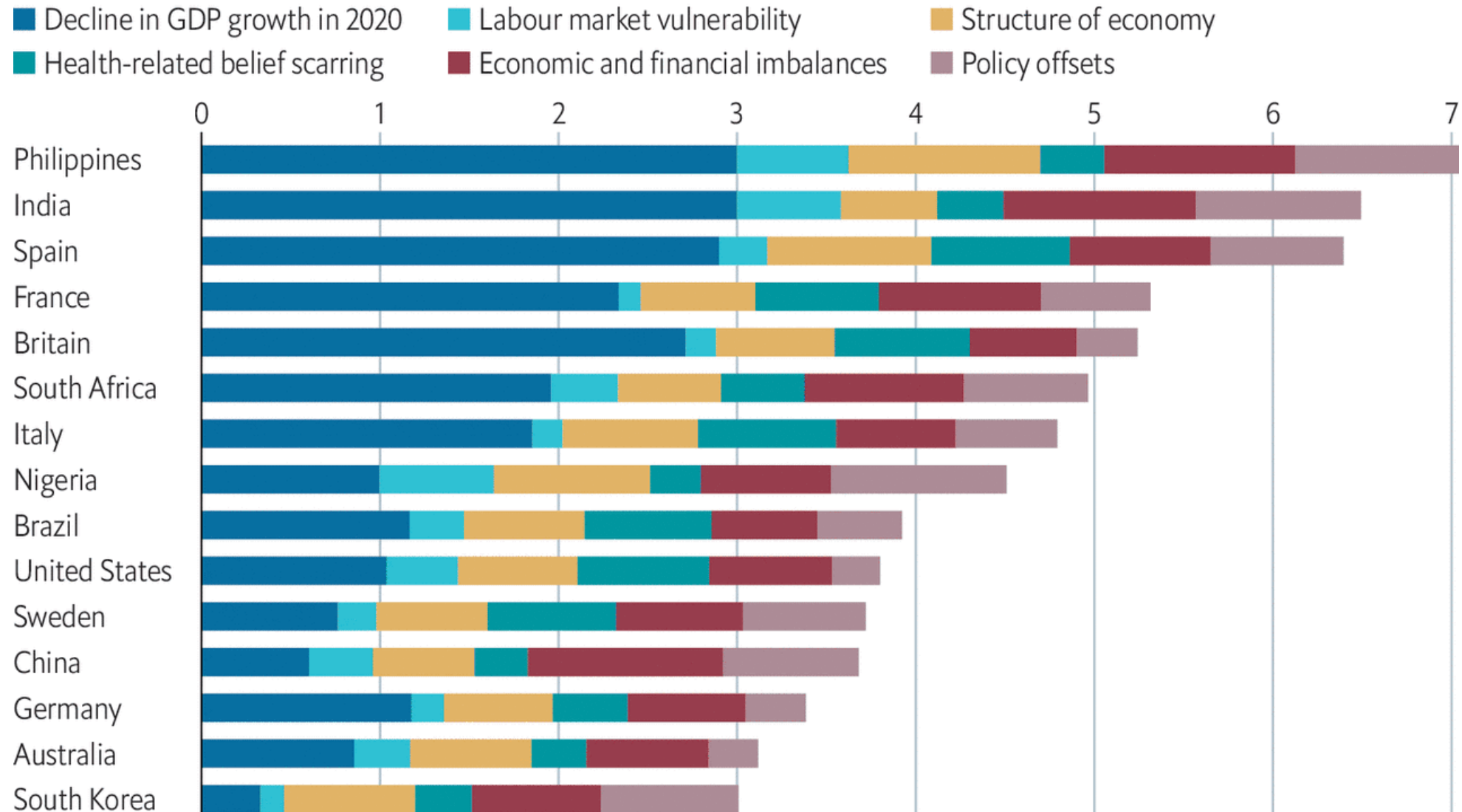
# US Economic recovery will be steady

- There is no indication that we are not in the end game of the worst part of a downturn.
- Weak dollars, cheap energy and a free hand in DC will do much to help us recover, but there will be a reckoning within the decade for these short-sighted principles.
- A likely significant increase in taxes will have devastating effects on Q3 and Q4 2021 markets.

Can You  
Stand the Rain

## Recovery positions

Long-covid-19 vulnerability scores, 10=maximum



Sources: Oxford Economics; Haver; IMF



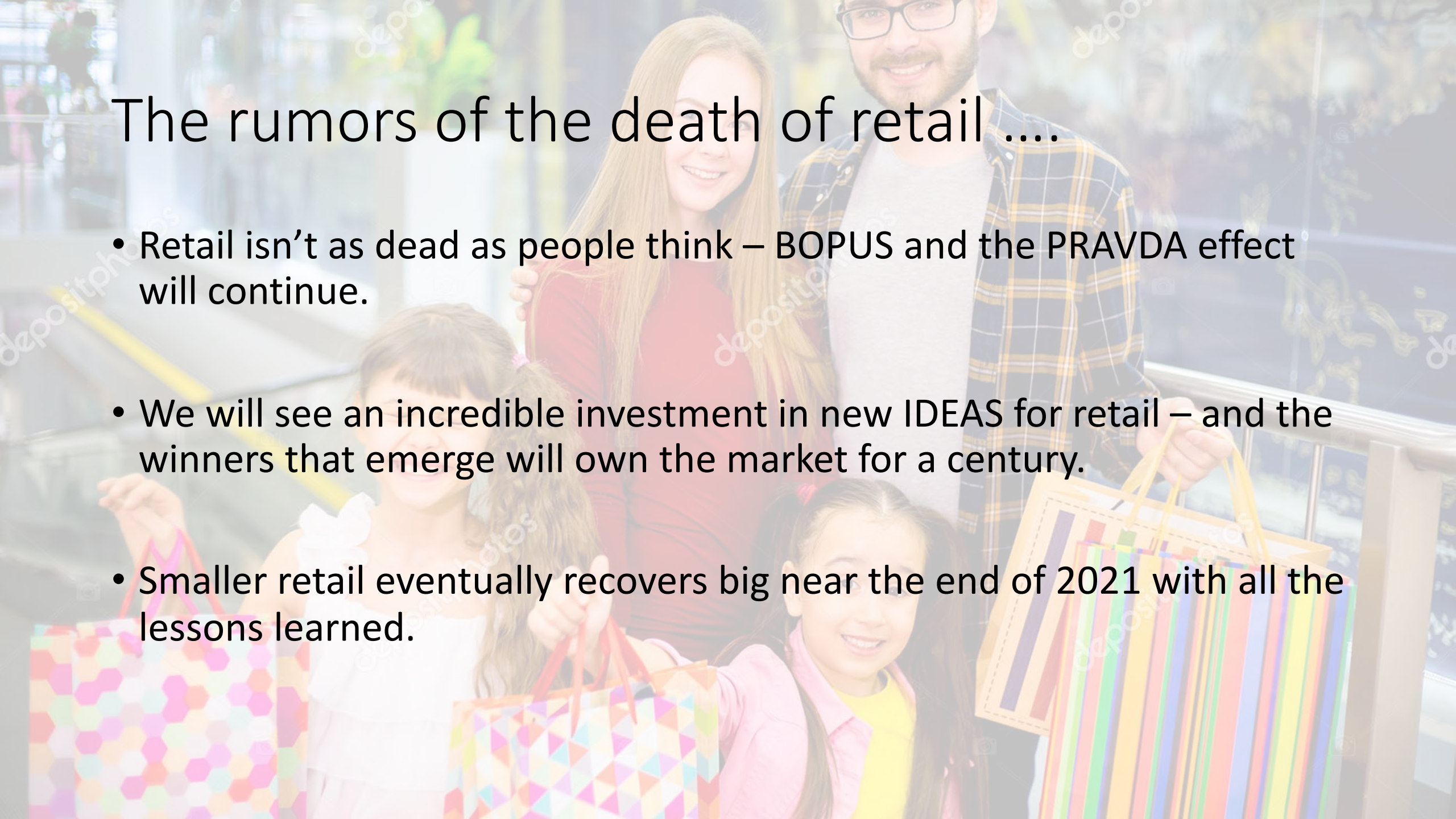
# Tech comes roaring back.

- Significant investments in automation at every level. From Fast food to Roombas – we will begin to rely on machines because we don't trust humans ....
- Pent up capitol for investments has returned home – and it will begin to flow as research grows beyond the vaccine.
- Security, speed, connectivity and scalability will run investment.



# The rumors of the death of retail ....

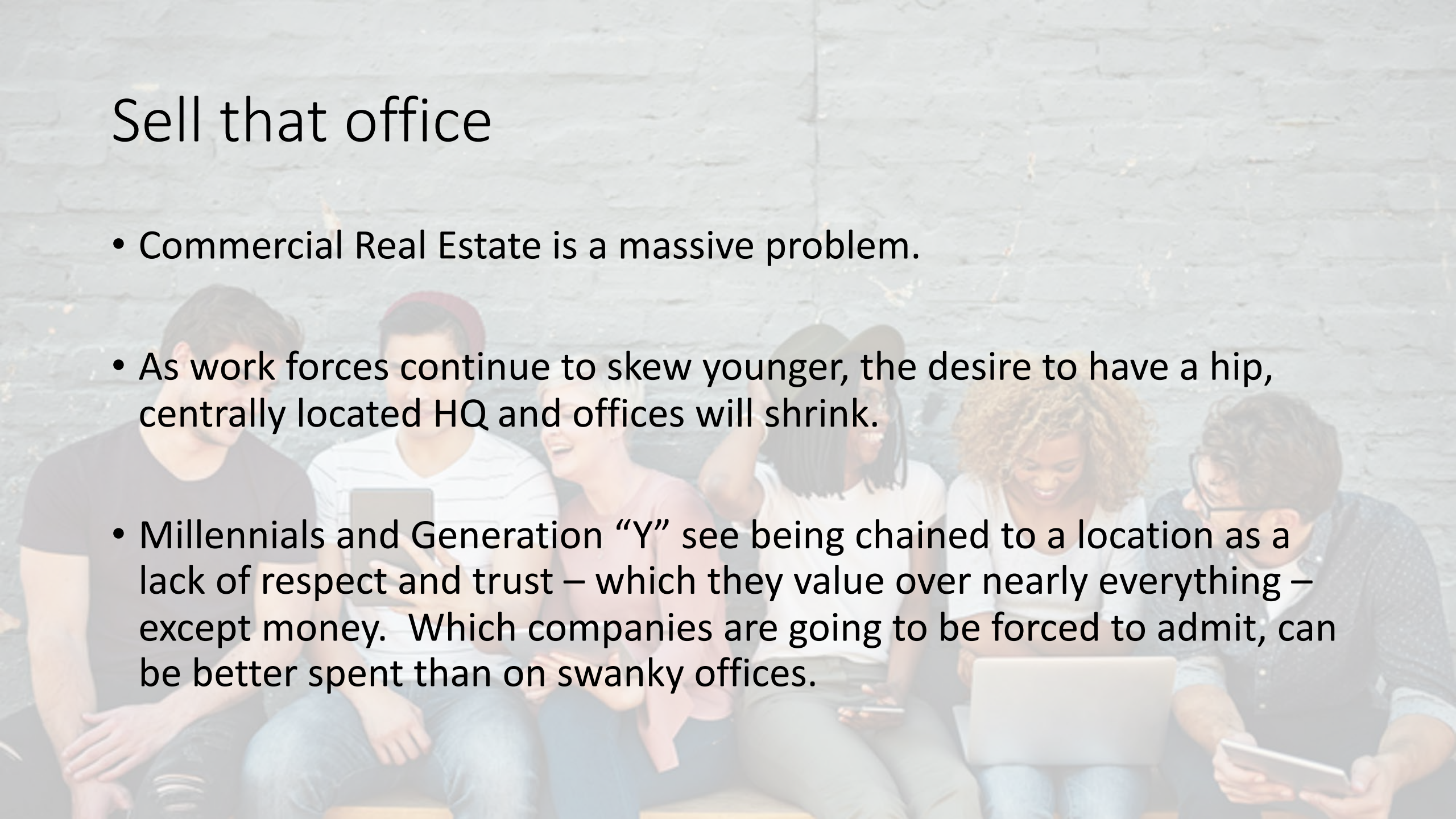
- Retail isn't as dead as people think – BOPUS and the PRAVDA effect will continue.
- We will see an incredible investment in new IDEAS for retail – and the winners that emerge will own the market for a century.
- Smaller retail eventually recovers big near the end of 2021 with all the lessons learned.





# Sell that office

- Commercial Real Estate is a massive problem.
- As work forces continue to skew younger, the desire to have a hip, centrally located HQ and offices will shrink.
- Millennials and Generation “Y” see being chained to a location as a lack of respect and trust – which they value over nearly everything – except money. Which companies are going to be forced to admit, can be better spent than on swanky offices.





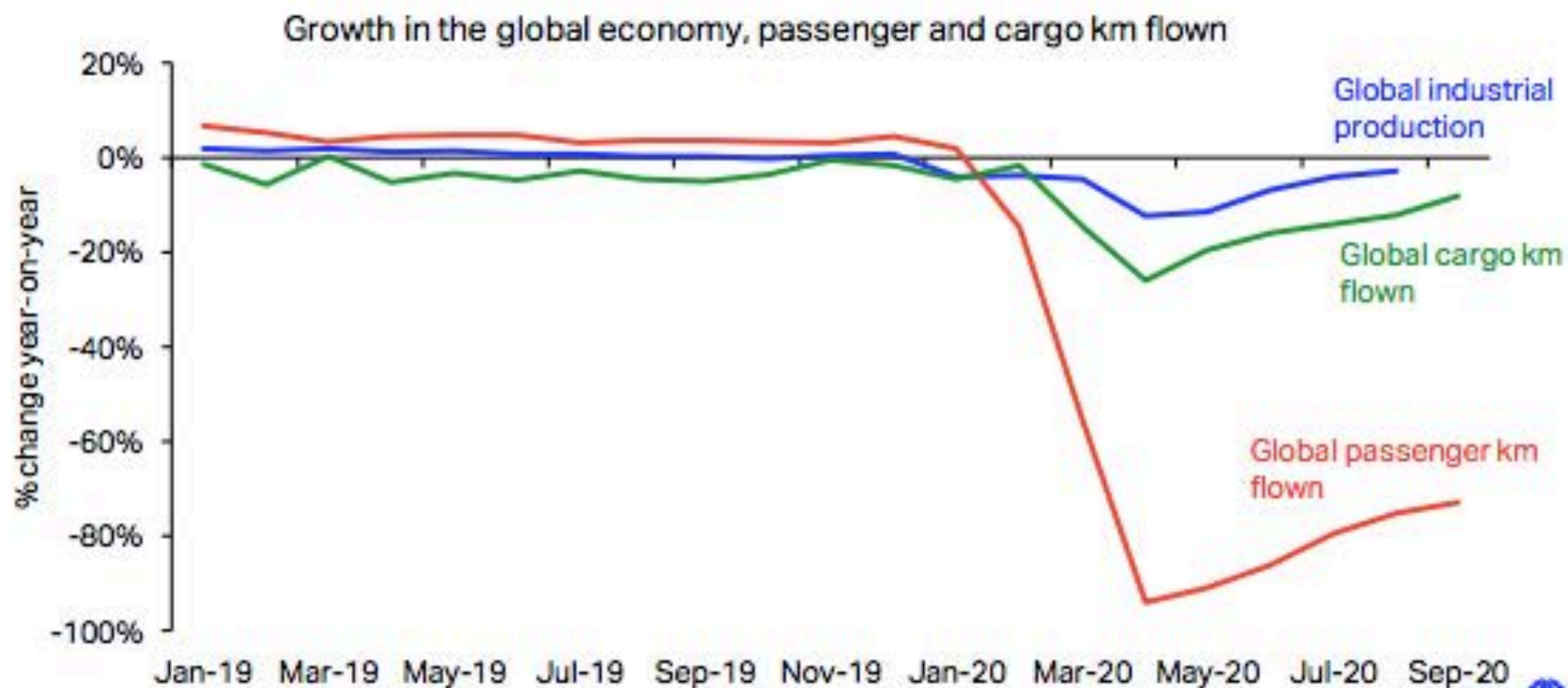
# Sell that office ....

- As of July, 52% of millennials were living in their parents' home, up from 47% in February, according to the Pew analysis of Census Bureau data, surpassing the previous high hit in 1940, when 48% of young adults lived with their parents.
- Younger people don't want to spend money on rent, mortgages, car payments or their own "infrastructure."
- **The new attitude of outliving your parents to inherit your first home, not buy it.**



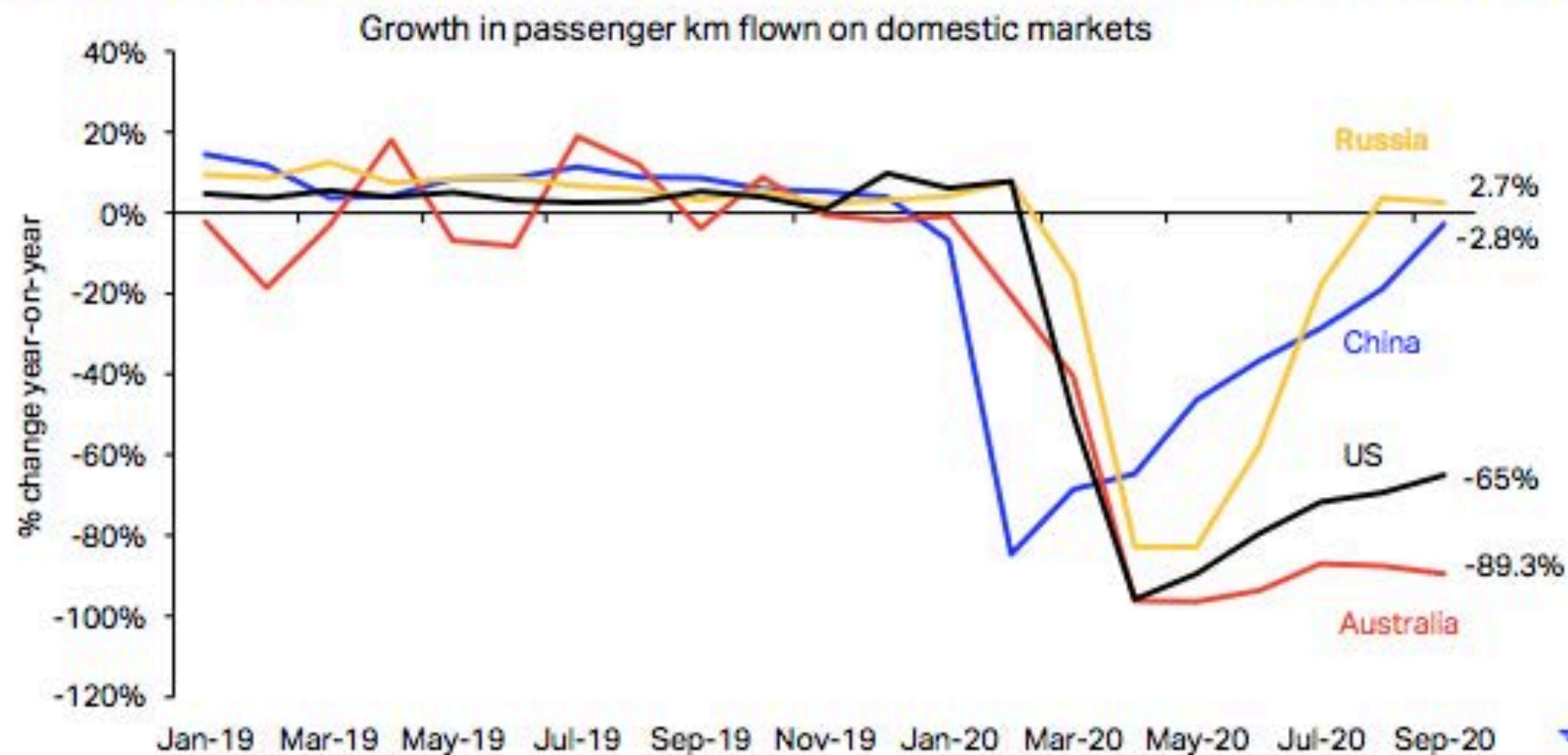
# Air travel recovery stalling but global economy stronger

## Recovering global economy boosting air cargo but not air travel



# Domestic air travel reviving but not in all markets

## China and Russia fully recovered, but limited progress in US & Australia





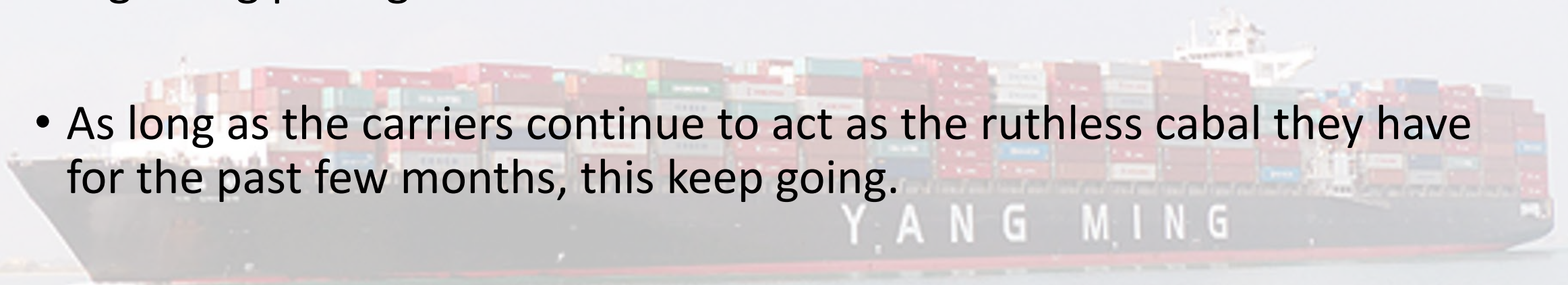
# Ocean Market

- Embrace the Suck .....Eat Your Cream Corn and Stop Crying
- There isn't a thing you can do when you have systematically given up all your control over the past three decades.
- December 2020 vs. December 2019, ocean freight rates from Shanghai to USWC tripled from average \$1,500/40hc levels to \$4,500+ levels. Ocean carriers published record profits in 2020 after so many years.



# Ocean Markets

- Everyone keeps saying "This can't last."
- I disagree – I have never in my life been more certain of anything regarding pricing.
- As long as the carriers continue to act as the ruthless cabal they have for the past few months, this keep going.
- It's Supply and Demand .... Check into it. Real interesting idea.

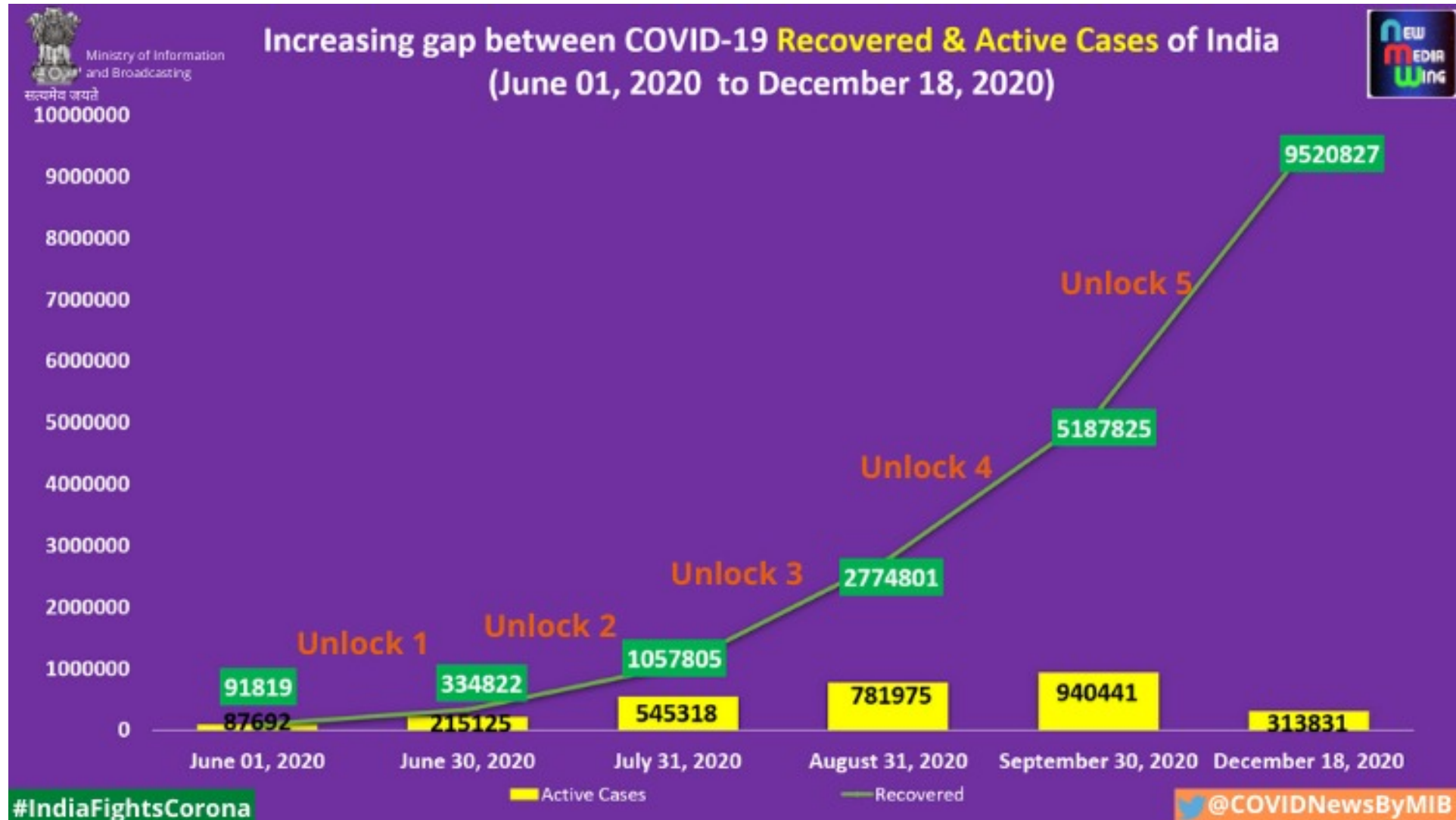




# Mexico .....

- Mexico's economy grew at the fastest pace in at least three decades in the third quarter, as a surge in manufacturing to meet U.S. demand helped claw back a portion of the output lost since last year.
- Gross domestic product rose 12.1% from the previous quarter, according to final data released by the national statistics institute Thursday. The expansion, the best in data going back to 1990, was slightly higher than the 12% growth both estimated by economists in a Bloomberg survey and also recorded in preliminary data published last month.

# Biggest Loser - India





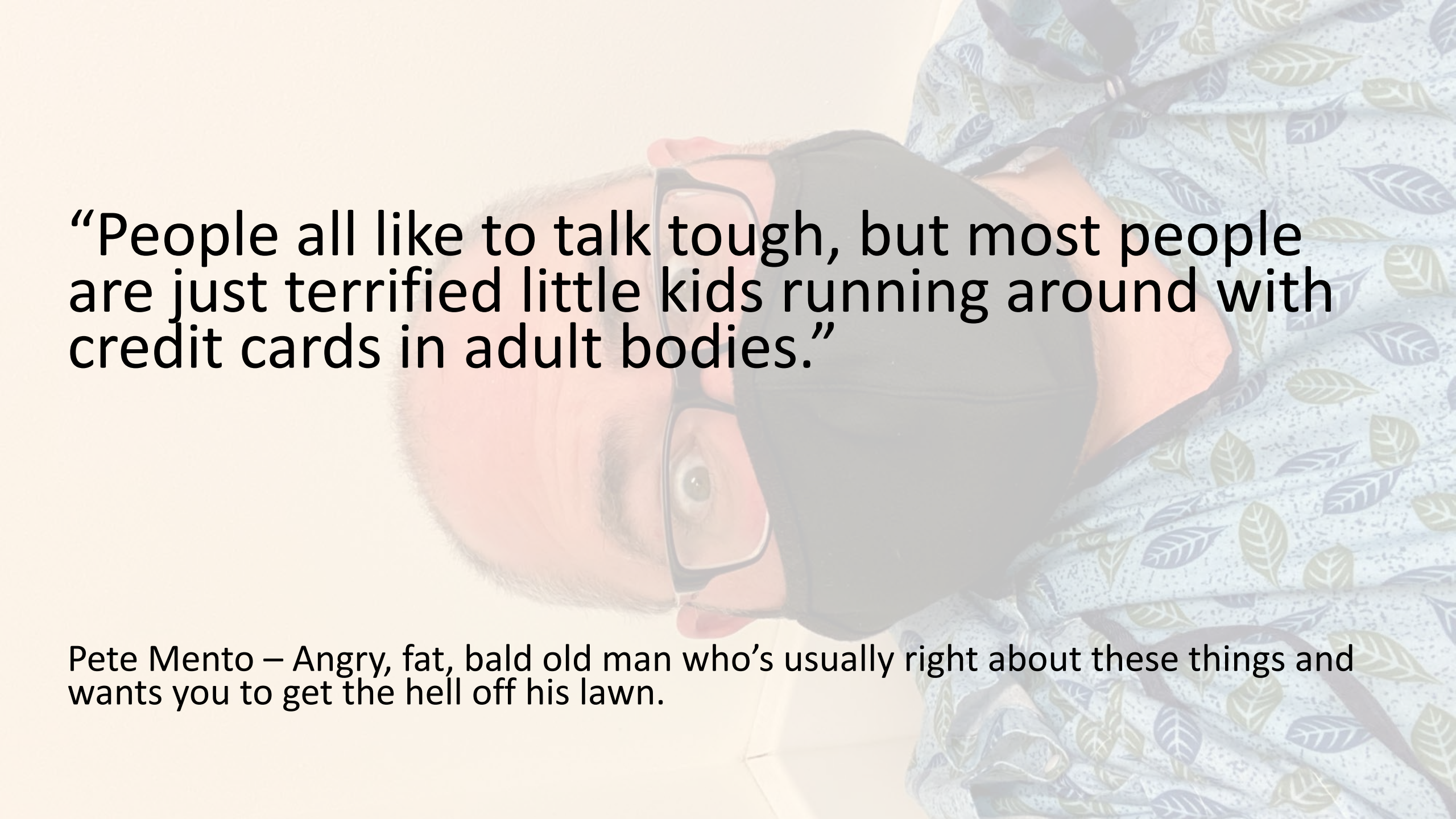
# The Vaccine and Indian Prosperity.

- India has recorded nearly 10 million Covid-19 cases, and more than 144,000 deaths from the disease so far.
- India wants to use their own vaccine.....
- Officials said 154,000 of the country's 223,000 nurses and midwives engaged in this program will be deployed to give Covid vaccines to people. It will be also inviting final year nursing students to volunteer.

# Once Quarantined, Twice Shy

- As soon as someone hops off a plane with the sniffles there will be a marked fear in the US.
- This is the most fragile recovery in US history.
- Made especially worse by everything being politicized now.
- How you react is too closely aligned with political beliefs.





“People all like to talk tough, but most people are just terrified little kids running around with credit cards in adult bodies.”

Pete Mento – Angry, fat, bald old man who’s usually right about these things and wants you to get the hell off his lawn.