Edition 1

Welcome to the first edition of my new weekly publication, which I call The Old News Journal. As you know, I write about financial markets but I have long been a passionate student of history. I always enjoy when financial thinkers include history in their analytical framework, their thinking, and their writing and speeches. I will never forget the first time I heard about Russell Napier's "Library of Mistakes." I was energized by the idea and it helped me decide to take action, writing some historical pieces alongside my finance writing.

"At the Library of Mistakes we can see the beauty in mistakes"

"Mistakes can sometimes be serendipitous, but even when they are not, their study still has value as human progress is based upon learning from mistakes. The more we know about why smart people do stupid things, the fewer stupid things we might do. The Library of Mistakes provides a resource for the study of such mistakes as we fulfil our motto Mundum mutatu errore singillatim – changing the world one mistake at a time."

I chose to dig through old newspapers to find out what was going on during times of interest to me and other financial thinkers and to do so weekly, highlighting a couple interesting articles I found. I will not solely focus on mistakes, but I do find them most instructive. Whether it be 1929, 1999, 2008, or any time that ties our current experiences to the past, I will dig through the papers. President Trump has been compared to Hoover, FDR, Reagan, and some other folks in Europe that wore fancy uniforms. Well instead of just waiting for a couple interesting historical comparisons to fall into my lap, I figured why not see what was in the papers at those times. Today's markets have been compared to '29, '87, '99, and '08 amongst others, well what did the papers say back then compared to now?

There is nothing quite like seeing what a writer in Omaha or Reno or rural New York thought about an issue as it was happening. Our views of history today have largely been filtered through the intelligentsia and we miss out on what regular people felt during the moments history left its mark. That is why I decided to include a paper from a randomly generated state each week. I will use big city papers often but will always include a randomly generated town as well. That section will be titled "Forgotten Paper of the Week."

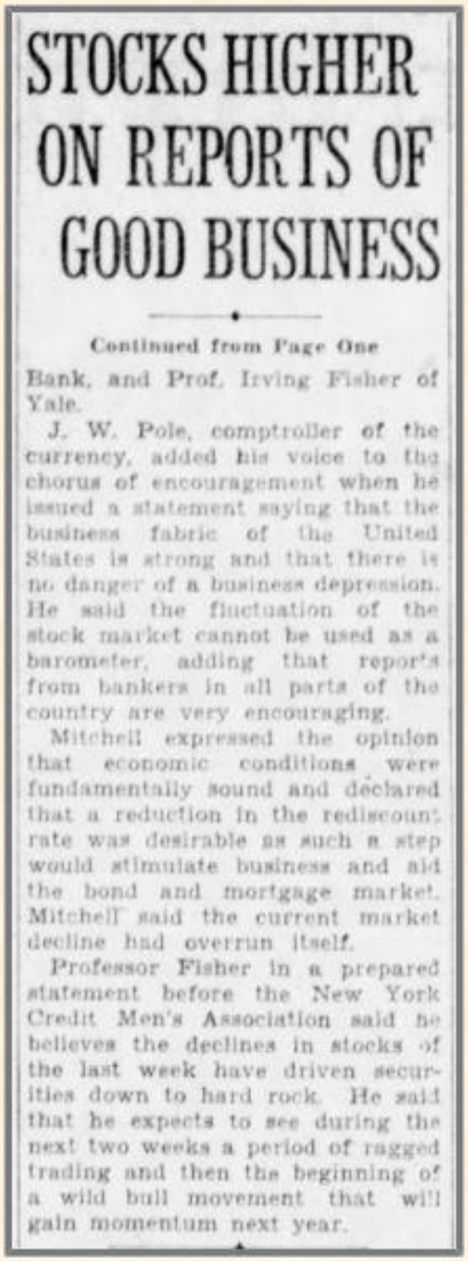
My goal is to write this publication weekly and hopefully tie in some relevant contemporary issues with what the fishwraps from yesteryear had to say. If you enjoy the markets and history, I think you will enjoy this journey. To add a little flavor to the publication I will include an ad of the week, because let me tell you, advertising was quite the spectacle back in the day. I will also include some good comics and pop culture when I stumble across something fun, looking for a central bank blunder or a prescient forecast. If any of my readers have any ideas for future editions, feel free to drop me a line at pineconemacro@gmail.com. If you enjoy the Old News Journal, share it with your friends.

Okay, on to the papers! This week I decided to take a look back at 1929 to see what was being said around the crash. There are many parallels between today and 1929 when we consider debt levels, market valuations, a business man (and Republican) as President, and we often read about undue optimism regarding the raging bull market in financial assets. That is what I will look at today and perhaps we will take a longer look at Hoover vis a vis Trump in a later edition. Hard not to since Hoover was big on public works, high wages, and tariffs. These weekly editions will be pretty brief so don't be surprised to see some revisits to many topics like today's.

Check out page 3 for our first article.

Democrat and Chronicle (Rochester, New York) · Wed, Oct 23, 1929

STOCKS HIGHER ON REPORTS OF GOOD BUSINESS



STOCKS HIGHER ON REPORTS OF GOOD BUSINESS

Continued from Page One

Bank, and Prof. Irving Fisher of Yale.

J. W. Pole, comptroller of the currency, added his voice to the chorus of encouragement when he issued a statement saying that the business fabric of the United States is strong and that there is no danger of a business depression. He said the fluctuation of the stock market cannot be used as a barometer, adding that reports from bankers in all parts of the country are very encouraging.

Mitchell expressed the opinion that economic conditions were fundamentally sound and declared that a reduction in the rediscount rate was desirable as such a step would stimulate business and aid the bond and mortgage market. Mitchell said the current market decline had overrun itself.

Professor Fisher in a prepared statement before the New York Credit Men's Association said he believes the declines in stocks of the last week have driven securities down to hard rock. He said that he expects to see during the next two weeks a period of ragged trading and then the beginning of a wild bull movement that will gain momentum next year.

This was printed the day before "Black Thursday" when the market dropped 11%. Irving Fisher is very well known for his "permanently high plateau" comment a few weeks earlier on Sept 3rd.

Fisher says "the fluctuation of the stock market cannot be used as a barometer" before crying for rate cuts (sound familiar?) and saying that the market decline had "overrun itself." Not quite, the worst was still to come.

This was a rough day for the market with stocks down 20 points (hell that does not even happen anymore) and although the collapse (and great depression) were yet to come, pleas for intervention were already being made. Some things never change.

Fisher on this day thought stocks had bottomed and said he expected "the beginning of a wild bull movement that will gain momentum next year." He truly believed that as was evidenced by his going broke soon after.

Today we see cheers of DOW 30,40, and 50 thousand and perhaps it will happen but if we start to see cracks forming like the market was showing on this day, assuredly we will witness the Fishers of our day calling for a wild bull and begging for rate cuts.

Continued

Wave of Sales Sweeps Market in Afternoon. General Electric Takes Pounding, While Ticker Falls Behind — Curb and Wheat Also Have Losses.

Another devastating wave of selling spread over the stock market today and broke stocks badly to record low levels for the year. Losses ranged up to nearly 20 points in such representative stocks as General Electric and American Telephone, while Radio, U. S. Steel and others were off as much as ten.

The tickers were again unable to keep up with the big liquidation and were far behind the trading on the floor. Prices on the tape were oftentimes 5 points above actual prices.

The depression spread to other exchanges. Wheat broke 4 cents a bushel to the lowest level of the year and cotton was hammered down.

Explanation Lacking.

Bankers and brokers were at a loss to explain the further break, for many big interests had supported the stocks on the break Monday, and leading bankers had expressed the opinion that the reaction had gone too far.

The reaction started slowly in the morning, when bears hammered International Combustion, Bethlehem Steel, Murray Body and other stocks which they believed were weakly held.

I simply found this “Explanation Lacking” title to be rather interesting. It seems that in today’s world of financial media, CNBC and the like always have an explanation for every tick in stocks regardless of direction. For instance OPEC and/or US production of oil are often given credit or blame for price movements daily, even when contradictory.

The Brooklyn Daily Eagle (Brooklyn, New York) Mon, October 28, 1929

STOCK DECLINE NO BAROMETER OF US BUSINESS

"Thus the public that has to a considerable extent determined the course of the stock market in the last few years is a public uninformed as to intelligent procedure in buying and selling securities. It was easily subjected to psychological reactions of an exaggerated sort, buying and selling en masse without any clear understanding of the reasons for doing so. Although there has always been an element of mob psychology in the actions of the investing public, this element has been increased manyfold by the changes of recent years.

"It is fair to presume that this new class of investor will have to be reckoned with in the future. Whatever irregularities and disorders are suffered in consequence will have to be counted as a part of the price of economic progress. There is, of course, a likelihood of improvement in this respect, with a gradual education of the public in business conditions and market behavior.

"The small investor is, then, to a large extent the victim of his own imagination. His attitude toward the market seems to have been based on the view that there was no limit to the process of increasing earnings, reinvesting the funds, and thus still further increasing earnings. But the country's business concerns obviously cannot go on indefinitely fulfilling the demands of the public imagination. 'Plowing back' earnings is a perfectly sound policy within limits, but business expansion must be kept in relationship to the market for consumers' goods.

I found this excerpt to be fascinating because the gentlemen highlighted mob psychology and the fact that investors had no idea what they were even investing in. I have been a critic of the Snap IPO this week and while it is just one IPO (and one that may prove me wrong), I know plenty of individual investors bought SNAP despite knowing nothing about the company's financials etc. There has been a lot of ink spilled this week about millennials buying the stock, but plenty of older investors who have millennial kids who use the app bought the hot new IPO as well.

Sadly the author foresaw a "likelihood of improvement, with a gradual education of the public in business conditions and market behavior." Sadly my friend, this improvement never happened. To prove my point, the pets.com (bubble) sock puppet is now used by a subprime auto lender (bubble) in its ads.

Want to see an add with the puppet:

https://www.youtube.com/watch?v=r8mzl2Gi1TY

Manias in financial assets are as old as time and I would suggest they will stay with us forever. As the writer notes correctly "The small investor is, then, to a large extent the victim of his own imagination."

Indeed.

Forgotten Paper of the Week – Greeley Colorado

Greeley Daily Tribune (Greeley, Colorado) · Fri, Oct 25, 1929

Below we look at what ran in the Greeley paper on Friday which was between Black Thursday and Black Monday right in the heart of the 1929 Wall Street Crash. Pictured below is a photo I keep in my office to remind myself about complacency. Much like Warren Buffett, I enjoy what he calls “instructive art.”

Stock Crash Was Inevitable and Will Benefit Business, Opinion of Petrikin; No Panic Danger

Government Agencies Withhold Statements

By CLINTON COFFIN,
Associated Press Staff Writer

Washington, Oct. 24.—In the face of today's astounding overturn in stock markets, government agencies in touch with banking and business followed developments closely but found necessity neither for action nor for public statement.

Two sessions of the Federal Reserve bank board were held, Secretary Mellon attending, and with participants in telephone communication with New York and other centers. The board adjourned, however, without altering re-discount rates or otherwise moving to deal with the situation. In the senate, the events occasioned renewed mention of proposals by Senator King, democrat, Utah, to investigate the credit influence on stock market affairs, but dealings with it were not expected before December at the regular session.

In some quarters, the board's action in adjourning without change of the re-discount rates was viewed as an indication that either the crisis was over, or that the government supervisors of banking credit consider the stock market situation as not impinging on the country's general business structure. Secretary Mellon withheld any statement, but a summary of treasury officials' views was particularly marked in separating the stock market from consideration in general business studies.

Stampede in Stock Market Thought Over

Federal Reserve System Serves To Stabilize Market, Says Greeley Banker; Some of Losses Imaginary, He points Out

"It was inevitable and in the long run it will be very beneficial. The sooner it occurred the better it was for the country and for legitimate business," J. M. B. Petrikin, president of the First National bank declared Friday morning when asked by a newspaperman what effect the crash on the New York stock market will have on general business.

"There is no danger of what used to be known as a money panic," said Mr. Petrikin. "The stabilizing influence of the federal reserve will look out for that," he asserted.

Stock Market Gambler's Game

"The stock market had become just a gamblers' game without regard for earning power or real values. Legitimate business was being severely penalized by the gambling operations," Mr. Petrikin asserted.

"Huge stock issues based on mergers were being advertised daily," said Mr. Petrikin. "Then there would be follow-up advertisements that the entire issues had been sold. This was not true in the sense that the issues had been distributed to actual investors. The stocks were being held by syndicates and were supported by brokers' loans. The syndicates expected to boost the price still further and make a big profit,' he added. "These operations had become a national scandal," the banker declared. "There just had to be a reaction," he said.

Mr. Petrikin said that the stock market decline may have some temporary psychological effect on the volume of sales of commodities. "There are no indications of any large surpluses of these commodities however. Merchants are carrying smaller stocks in proportion to their volume of sales than ever before." He said that the stock market decline will have little effect on farm product prices unless it interferes with industry to the extent that there is

Some of the key takeaways from the heart of the collapse in 1929 are the media's spin. As we can see in the main headline which ran on the front page of the Greeley Daily Tribune and many papers around the country includes "will benefit business."

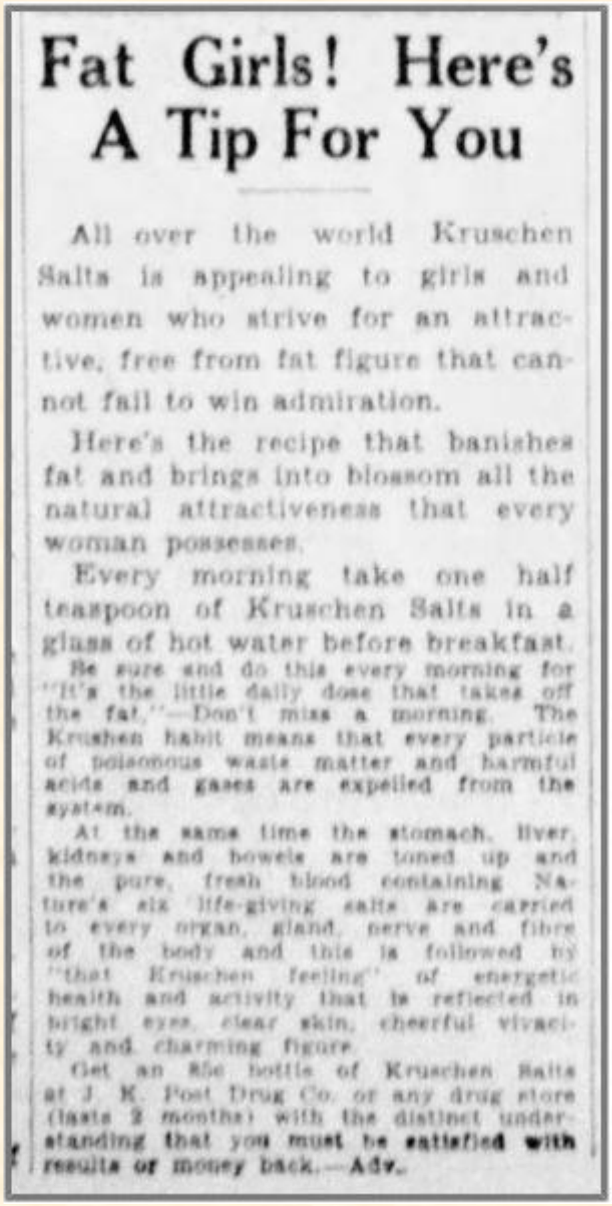
Also the headline further down reads "stampede in stock market thought over" which proved to be catastrophic if heeded. Stock on the following Monday (Black Monday) were down 12.82% followed by Black Tuesday where they fell another 11.73%. The positive headlines actually persisted throughout. It is always important to place the media's proclamations in proper context.

Even the local Greeley banker was there to calm everyone's fears just when they should have been taking action to sell. The banker, one J.M.B. Petrikin from the First National bank said (oh man this is just too good to be true) "The stabilizing influence of the federal reserve will look out for that" referring to "money panics." Ah yes, the 1929 Fed Put. The market would go on to crash and the nation would enter a brutal depression despite what one Greeley banker observed as a Fed Put.

Perhaps our current faith in the Fed's ability to protect us from the demonry of falling asset prices is misguided?

Ad of the Week

Democrat and Chronicle (Rochester, New York) · Wed, Oct 23, 1929



Fat Girls! Here's A Tip For You

All over the world Kruschen Salts is appealing to girls and women who strive for an attractive, free from fat figure that cannot fail to win admiration.

Here's the recipe that banishes fat and brings into blossom all the natural attractiveness that every woman possesses.

Every morning take one half teaspoon of Kruschen Salts in a glass of hot water before breakfast.

Be sure and do this every morning for "It's the little daily dose that takes off the fat."—Don't miss a morning. The Krushen habit means that every particle of poisonous waste matter and harmful acids and gases are expelled from the system.

At the same time the stomach, liver, kidneys and bowels are toned up and the pure, fresh blood containing Nature's six life-giving salts are carried to every organ, gland, nerve and fibre of the body and this is followed by "that Kruschen feeling" of energetic health and activity that is reflected in bright eyes, clear skin, cheerful vivacity and charming figure.

Get an 85c bottle of Kruschen Salts at J. K. Post Drug Co. or any drug store (lasts 2 months) with the distinct understanding that you must be satisfied with results or money back.—Adv.

Just wow.

That is all for the first edition of the Old News Journal. I hope you enjoyed this journey into 1929 and into Greeley Colorado this week. Who knows where next week will take us.

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