

**A DOUBLE
ISSUE REPORT**

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Market Update

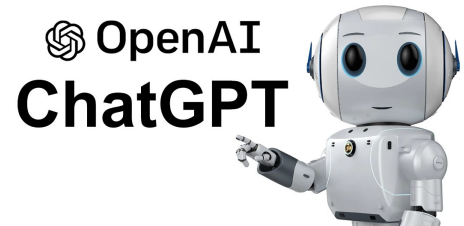
Last year both the stock market and the bond market had a terrible year. This is especially true for the NASDAQ index which lost approximately 33.1% in 2022. This index is heavily weighted towards big cap tech stocks. Why, you might ask. I believe the main reason is due to the Federal Reserve's late response to containing rapidly rising inflation. "The soaring inflation of the last couple of years — C.P.I. inflation peaked at 9.1 percent in June 2022 — was partly caused by the pandemic and the emergency rescue packages, both fiscal and monetary, aimed at alleviating the pandemic's economic effects."¹ "The remarkable thing is that, at the same time, the labor market remains strong. The unemployment rate in June was 3.6 percent, seasonally adjusted — an extremely low number on a historical basis and still within the range of 3.4 percent to 3.7 percent, where it has been anchored since March 2022."¹

The rapid rise of interest rates is due to the Fed playing catch up. Most financial experts expected a large downturn in housing and car sales which usually leads us into a recession. I believe what kept us out of recession is the incredible liquidity provided by the government due to Covid and strong employment which now many think we are seeing full employment. "During 2020, a total of \$10 trillion was injected into the economy, consisting of \$5 trillion in monetary stimulus and \$5 trillion in fiscal stimulus. This compounded on top of the "11 years of free money" and thus caused people to "do stupid things" in Druckenmiller's opinion."²



Open AI : ChatGPT

As we started the new year, many investors were cautious when cracks started showing up with some of the large banks and the asset class of commercial real estate (office buildings and shopping centers). On the other side we learned about an innovative new company that Microsoft was going to put another \$10 billion into called Open AI (ChatGPT). "When OpenAI launched the generative AI chatbot ChatGPT for public use on Nov. 30, the S&P 500 was worth \$5 trillion less than now, tech spending was deep in a post-pandemic hangover, and the economy appeared headed for recession or persistent high inflation."³ "Now the tech hangover is giving way to a new "gold rush," Wedbush Securities analyst Dan Ives argues. Ives thinks ChatGPT opened the door to another \$1 trillion in artificial intelligence-related spending over the coming decade that wasn't on Wall Street's radar."³ What is different about ChatGPT? Fareed Zakaria, CNN anchor, interviewed Geoffrey Hinton, an AI pioneer, and here is what he had to say:



Open AI : ChatGPT (Continued)

“ZAKARIA: And the fundamental reason for that, I think you've said, is that computers learn instantaneously and every computer in the world if it is connected, learns -- you know, gets to know everything, right? So explain that scale of computing power compared to the brain.

HINTON: OK. So if you learn something, and now you want to convey that to me, what you do is you produce sentences and I try and figure out how I should change the connection strings in my brain so that I would produce the same sentences. But there is not that much information in a sentence. So it's a very slow and painful business conveying what you know to somebody else.

But if you have two different digital computers that have exactly the same model of the world, and one of them sees one document and another one sees a different document, and each learn from the document they're seeing, and so if you have 10,000 computers like that, it's like you have 10,000 people all learning from different data and as soon as one person learns something, everybody knows it.

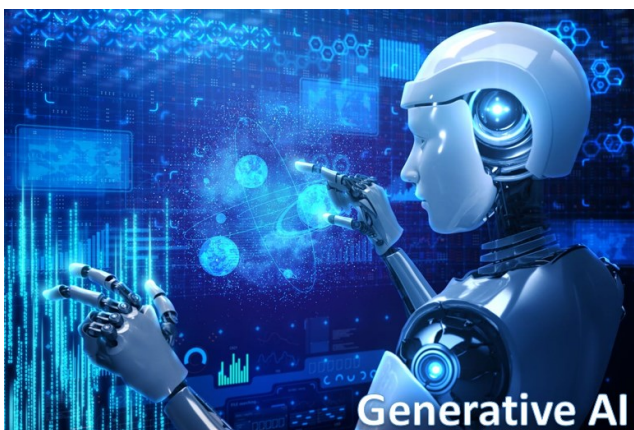
[10:25:18]

ZAKARIA: And everybody has intelligence that's strengthened by that averaging, by the -- right?

HINTON: Yes.

ZAKARIA: So it's something actually means theoretically that human beings could never get to that place?

HINTON: We could never see enough data. It would take us -- I don't know how long, but thousands and thousands of years to see as much data as GPT has seen. We just couldn't do it in a lifetime.”⁴

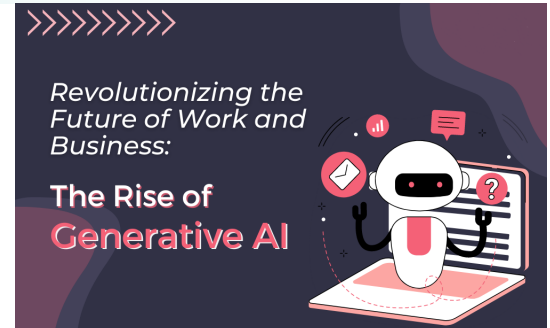


“Paul Tudor Jones told CNBC in a Monday interview that the massive adoption of ChatGPT has changed his outlook completely on inflation and the stock market within the past six months. That's because a "productivity boom" could be unleashed on the economy that helps drive inflation lower and the stock market higher.”⁵ “Part of Jones conviction in large language models like ChatGPT is the fact that its experienced the fastest adoption rate in history. The popular chatbot developed by OpenAI reached 100 million active users just two months after its launch.”⁵ Ironically, many high school and college students knew about ChatGPT before Wall Street, including my kids. This was a good company originally funded by Elon Musk.

ChatGPT allowed data from around the world to get digested into these super computers and in turn came out with an AI solution to one's questions. I believe up until this company, AI had not progressed to this level. Many investors were shocked that Microsoft had beaten Google, the previous leader in AI, to commercialize a useful tool that could potentially change the world.

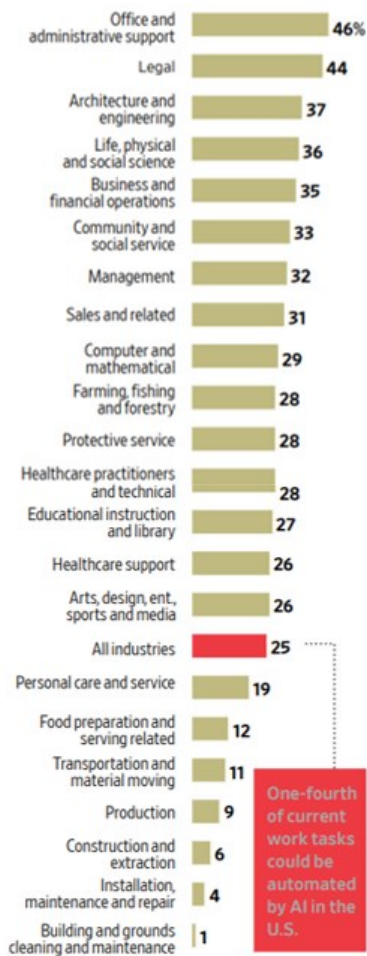
Generative Artificial Intelligence

Many people believe AI is currently in its infancy but has the potential to be bigger than a personal computer, smart phones, the internet, the cloud... “Generative AI is seen as potentially world-changing because it aims to automate something thought to be beyond reach: creative content.”³ “For his part, Ken Griffin addressed a popular prediction about generative A.I. these days: that it will make a ton of jobs, especially of the white-collar variety, obsolete. He said the threat of white-collar job culling is exaggerated, because ChatGPT and its ilk are still not accurate enough to do most professional work.”⁶



AI on the Job

Share of full-time-equivalent industry employment exposed to automation by AI in the U.S.



Source: Goldman Sachs Global Investment Research, March 2023⁸

There are many positives to this AI development but also has negatives as well. However, I believe the genie is out of the lamp. There have already been ramifications of the acceleration of this AI revolution including layoffs, disruption of business plans... simply there is a new gold rush going on. Just as every CEO in the Fortune 500 company is looking at its supply channel especially with the Covid experience coupled with the Russian invasion of Ukraine and the potential conflict between China and Taiwan. They must be concerned with how AI could affect their employees, company, industry, and falling behind the competition.

I am very optimistic on AI; however, unlike other tech revolutions in the past this may be different and will obviously affect employment for low skilled and waged jobs, but I believe it will have a major implication for white collars workers and possibly affect them more. According to Steve Rattner, if one looks at history, we can see that technology has played a major role in the elimination of 450,000 telephone operators in the 1950s. Today you see very few of these workers around. The U.S. also had 2 million typist, a job classification that doesn't even exist today. I believe one of the major reasons a lot of Hollywood actors, writers... are striking is because they fear AI will replace them.

These previous technology changes affected the repetitive and lower skilled and waged jobs. An article in The Wall Street Journal describes AI on the job and how it will affect them. "The report estimated that roughly two-thirds of current jobs in the U.S. and Europe are vulnerable to some degree of AI automation and projected that generative AI could replace up to one-fourth of current work tasks, from writing memos to analyzing data. The report estimates that up to 300 million global jobs could be automated through generative AI."⁷

Generative Artificial Intelligence (Continued)



I believe AI can also help with our government’s fight with inflation. AI could lead to more productivity and efficiency in our economy. “Almost 4,000 people who were laid off in May lost their jobs because of artificial intelligence, and it’s the first time AI has been listed in the monthly report from Challenger, Gray, and Christmas.”⁹ “IBM is already planning to pause hiring for non-customer-facing roles that can be automated. “I could easily see 30% of that getting replaced by A.I. and automation over a five-year period,” the tech company’s CEO Arvind Krishna said in a May 1 interview.”⁶

“In May, a British telecommunications company announced in an earnings presentation plans to cut about 55,000 jobs by 2030, many of which were previously planned cuts that would come with finishing certain construction projects. However, BT Group CEO Philip Jansen said the company will replace about 10,000 of those projected cuts over the next seven years with AI, as he said the company’s existing chatbot “Amy” can already answer many user questions, and will only improve with time.”⁹

“The chief executive of an Indian startup laid off 90% of his support staff after the firm built a chatbot powered by artificial intelligence that he says can handle customer queries much faster than his employees. Summit Shah, the founder and CEO of Dukaan, a Bangalore-based e-commerce company, said on Twitter Monday that the chatbot — built by one of the firm’s data scientists in two days — could respond to initial customer queries instantly, whereas his staff’s first responses were sent after an average of 1 minute and 44 seconds. The average time taken to resolve a customer’s issue also dropped by almost 98% when they interacted with the chatbot, he tweeted. Shah said the job cuts were “tough” but “necessary.”¹⁰ “A study by OpenAI arrives at a similar place, finding that 49% of today’s jobs could have half or more of their tasks accomplished with generative AI. The authors note, however, that complementary software, such as Casetext for lawyers, and human overseers are needed to catch factual mistakes and avert other issues.”³



I believe AI holds tremendous promise, particularly in the field of medicine and drug development. For instance, according to Barron’s Magazine “gene therapy, which involves transplanting normal genes into problem cells, may help address genetic disorders that cause approximately 7,000 diseases. Some of these diseases are rare, deadly, and have no cure.”¹¹ I believe it could dramatically lower the cost and speed up the development in drug discoveries. “Goldman Sachs economists estimate that 44% of legal work could be automated via generative AI.”³ “Engineering, architecture and even drug discovery are all fields where generative AI is already making an imprint.”³

Conclusion

In conclusion, AI has created an incredible rush to get into big cap tech stocks particularly involved with AI. This is after we had a disastrous market for these types of stocks in 2022. Well, the opposite is occurring in 2023. In the first six months of 2023, the NASDAQ was up approximately 31.73%. The big cap tech stocks accounted for a major part of many of the tech weighted and major indexes. “Its two biggest holdings— Apple and Microsoft—alone account for 14% of the index.”¹² I believe AI has led to a major accelerant and enthusiasm in the stock market in general. There is a lot to be excited about, but hopefully the enthusiasm will not lead to excesses.



We saw a lot of this excess in 2021 with cryptocurrencies. “A prime example he gives is Dogecoin, which ended up worth a staggering \$88.8 billion in 2021, despite ‘being invented as a joke.’ To put this craziness into perspective, automanufacturer Ford (F, Financial) has a market capitalization of \$50 billion and sold nearly 14 million cars in 2022.”² The government and many U.S. companies are trying to shift trade from China after being too heavily dependent upon them for many strategic and nonstrategic services and goods. We need to be more productive and efficient in this country and certainly AI will be part of that transition. “Generative AI could boost U.S. labor productivity growth by 1.5 percentage points per year for a decade, Goldman Sachs economists predict. That would double the lackluster 1.4% rate since 2005.”³

“Why are we interested in productivity? Improving productivity is essential to increasing living standards because it enables noninflationary wage hikes. During the late 1990s and into the early 2000s, there was a significant increase in productivity due to the widespread adoption of the Internet, personal computers and productivity applications such as Excel, Word and PowerPoint.”¹³ In addition, it may potentially lower costs while lessening the reliance on China. However, without immigration reform we may not have the work force to man the new jobs needed to advance and maintain this new AI revolution. One must remember this is not only a competitive situation among American companies but also countries as well. According to a new study by the University of Montana, “ChatGPT, an artificial intelligence chatbot, can match the top 1% of human thinkers.”¹⁴ “The AI responses were as creative as the responses from the most creative real people who took the test, according to researchers. In fact, ChatGPT outperformed a majority of students nationally.”¹⁴ “ChatGPT showed it could pass a freshman year at Harvard and achieve a 3.34 GPA, student says”.¹⁵

You can read the full article via this link: <https://www.businessinsider.com/chatgpt-harvard-passed-freshman-ai-education-gpt4-2023-7>

To sum it up, we live in exciting times which is one of the major reasons why the stock market has turned around since reaching a low last October 2022. Being the forefront of AI will help the United States maintain our economic powerhouse and provide a great place to live and hopefully help the stock market continue to advance.

Optimistically Yours,

Handwritten signature of Raymond F. Saleeby.

Raymond F. Saleeby
President

Footnotes

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Did You Know

Jamie Dimon warns of much bigger threats than recession, more banking turmoil, and downsides of working from home, Here are his best quotes from a new interview.

<https://markets.businessinsider.com/news/stocks/jpmorgan-jamie-dimon-recession-banking-crisis-wfh-china-president-legacy-2023-7>

The Evolution of Financial Advice

<https://awealthofcommonsense.com/2023/06/the-evolution-of-financial-advice/>

Elon Musk touched on Nvidia, Cybertruck, Warren Buffett, and the dangers of debt on Tesla's latest earnings call. Here's his 12 best quotes.

<https://markets.businessinsider.com/news/stocks/elon-musk-tesla-q2-earnings-cybertruck-fsd-nvidia-buffett-debt-2023-7>

Warren Buffett has touted AI's potential but warned it could be disruptive and dangerous. Here are his 7 best quotes about the budding technology.

<https://markets.businessinsider.com/news/stocks/warren-buffett-quotes-artificial-intelligence-ai-tech-jobs-disruption-dangers-2023-7>

EV tax credits: All the 2023, 2024 cars and trucks that get \$7,500

<https://www.investors.com/news/ev-tax-credits-all-the-2023-2024-electric-cars-and-trucks-that-get-7500/>

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Watch CNBC's full interview with Elon Musk biographer Walter Isaacson

<https://www.cnn.com/video/2023/07/17/watch-cnbc-full-interview-with-elon-musk-biographer-walter-isaacson.html>

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<https://www.wsj.com/articles/how-benjamin-franklin-helped-foil-early-american-money-counterfeiters-bf51f8c7>

Live better by building on the six pillars of health

https://finance.yahoo.com/news/live-better-building-six-pillars-140046840.html?fr=yhssrp_catchall

New blood tests offer possible early detection of Cancer and Alzheimer's

<https://www.wsj.com/articles/new-blood-new-test-detect-cancer-alzheimers-71f771fe>

15 Deadliest Cancers in the U.S.

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Meet the billionaire owner behind the Denver Nuggets' first-ever trip to the NBA finals

<https://www.forbes.com/sites/brettknight/2023/06/01/meet-the-billionaire-owner-behind-the-denver-nuggets-first-ever-trip-to-the-nba-finals/?sh=45a58415528d>

When Muhammad Ali nearly beat up 7'-1" Wilt Chamberlain on National TV – "This man don't have a chance against me"

<https://www.msn.com/en-us/sports/boxing/when-muhammad-ali-nearly-beat-up-7-1-wilt-chamberlain-on-national-tv-this-man-don-t-have-a-chance-against-me/ar-AA1dEI2n>

Albert Einstein wrote to the US pleading with the government to build an atomic bomb 80 years ago. Here's what he said.

<https://www.businessinsider.com/albert-einstein-wrote-letter-us-roosevelt-atomic-bomb-2019-8>

Did You Know (Continued)

The impossible story of the bomb

<https://www.theringer.com/movies/2023/7/19/23799791/oppenheimer-atomic-bomb-story-richard-rhodes>

Werner Heisenberg: How close were the Nazis to getting the atom bomb?

<https://www.msn.com/en-us/news/world/werner-heisenberg-how-close-were-the-nazis-to-getting-the-atom-bomb/ar-AA1ef5CY>

Elon Musk doesn't have a natural feel for empathy or emotions, says his biographer who's followed him for three years.

<https://www.businessinsider.com/elon-musk-lacks-natural-feel-empathy-emotion-biographer-tesla-twitter-2023-7>

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https://finance.yahoo.com/news/25-cities-highest-percentage-african-010249170.html?fr=yhssrp_catchall

Mick Jagger just turned 80 – here's how the Rolling Stones became the world's biggest live act

<https://africa.businessinsider.com/news/mick-jagger-just-turned-80-heres-how-the-rolling-stones-became-the-worlds-biggest/05wq132>

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