

Cathie Wood: Next Big Risk is Deflation

Introduction

In this week's edition of *Evergreen Virtual Advisor* (EVA), we're featuring an interview with ARK Investment Management CEO, Cathie Wood. She has garnered increasing attention for her successes in recent years.

In this video, Cathie expounds on how people who are worried about inflation should actually be more concerned about a "deflationary boom". Ms. Wood also opines on how we're in an innovation era that's virtually unprecedented, and that the future for the US economy is brighter than many believe.

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- The bigger risk to the economy lies on the side of deflation than inflation. As Covid-19 caused supply chains to be thrown off, we've been through a period of inflation that investors are wrongly baking into the future.
- The underlying assumption out there is that we're in an inflationary period that was turbocharged by these supply disruptions during the pandemic. Of course, people who believe that will be focused primarily on monetary policy.
- We are not heading back to an extreme inflationary environment like we experienced decades ago.
- On the innovation and technology side of things, we are witnessing a period of advancement we haven't seen since the advent of the telephone, electricity, and automobile. Today, we have five groundbreaking platforms of innovation emerging at the same time: DNA sequencing, robotics, energy storage, artificial intelligence, and blockchain technology – all of which are substantially deflationary.
- Cathie's firm disagrees with people like Jeff Gundlach and Howard Marks – who are very concerned about a deflationary bust - and thinks that we're actually going to experience a deflationary boom.
- Innovation looks poised to balance out a lot of the economic issues that people are concerned about, but the traditional GDP numbers we're going to be seeing are going to be very low. So, growth will seem very scarce, though it should proliferate over time.
- There will be a lot of job displacement in the future, no doubt. But while many believe automation and artificial intelligence will play a big role in eliminating jobs, these technologies will actually increase overall efficiency and wealth. This boon will push GDP, not to \$28 trillion (which is the estimate), but closer to \$40 trillion by 2035.
- It is Cathie's job to focus on – in terms of innovation - where that extra \$12 trillion dollars will come from. And further, how they educate everyone so they are on the right side of change and the incredible opportunities that will arise.

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