

focus

Every cloud has a (tech) silver lining



“Like it or not we live in interesting times. They are times of danger and uncertainty; but they are also the most creative of any time in the history of mankind” *Robert Kennedy*

**...advances in science
and the application
of new technology
provided solutions...**



54 years on, as we grapple with the first global pandemic in over a century, Robert Kennedy's words still seem as relevant as ever. It's easy to feel overwhelmed by negative headlines and doomsayer predictions, but history teaches us good times usually follow bad. And bad times have often been the catalyst for a step change in research, discovery, and innovation.

Past pessimists have predicted the world running out of food and energy ('peak oil') due to the uncontrolled growth in the global population. In both cases, advances in science and the application of new technology provided solutions so that today we have access to more food and sources of energy that we can consume.

A global pandemic is disruptive. So too are wars and conflict. But World War II accelerated the development of radar, coding, and nuclear fission – all critical in today's applications for navigation, meteorology, computing power, and energy. The Cold War during the 1950s and 1960s also saw the US and the Soviet Union compete to become the first to the moon, which revolutionised rocket propulsion technology and aeronautical engineering.

It's probably no coincidence that the 1918 Spanish Flu pandemic was followed by significant advances in healthcare, sanitation, and hygiene during the 1920s, culminating in the discovery of penicillin in 1928. Today, scientists and healthcare professionals all over the world are investigating a massive array of approaches to treat COVID-19, including the testing of a range of potential vaccines. Billions of dollars are being poured into possible solutions with a level of global cooperation in the sharing of resources and information rarely seen before. While optimism is high that an effective vaccine will be found, a side benefit of all this research could be new treatments for existing diseases as well as viruses in general.

The coordinated global response to the pandemic will also affect other areas in our lives. Remote working and living, nesting (home based activities), and technology to offset the impact of social distancing will continue to evolve. Today we have robots working on production lines, stacking shelves in warehouses, and loading trucks for distribution. And drones are now starting to deliver packages, allowing the trucks



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to remain on main roads rather than having to detour into more suburban areas — saving time as well as wear and tear on the environment.

The fourth industrial revolution

The first industrial revolution made life immeasurably easier for those who relied on the muscles of animals or humans. Machines and factories accelerated the production of food and industrial goods. Today's technology revolution, utilising ultra-fast connectivity combined with Artificial Intelligence (AI), will not just replace the physical challenges of our life, but will also allow machines to think for us. From applications in healthcare (radiology and surgery), self-driving vehicles, home appliances (temperature control, food ordering, lighting), entertainment (augmented reality), education, and continued improvements in the on-line shopping experience, technology is going to continue developing new solutions to enhance the way we live.

“Doubt is an uncomfortable condition, but certainty is a ridiculous one”

Voltaire

The application of this new technology is going to be the most dramatic of all. Voice recognition, such as Apple's Siri, has already provided an alternative to manual keyboard input. The next step, which is

being pursued by scientists around the world, is technology that allows people to control computers — and everything relying on them including cars, robots, surgical arms, and drones — by our thoughts alone.

Through these waves of innovation a world economy that was once dominated by agriculture is now transitioning to an economy based on knowledge. The required employment

skill-sets continues to change, and like all transitions there will be those who do well and those who miss out.

The risk for investors is chasing the 'next best thing'. Headlines often seduce us with the latest tech breakthroughs or progress reports on the testing of new ideas. The current market euphoria every time a COVID-19 vaccine candidate reports progress is a case in point. Technology is inherently disruptive

**...a good headline
doesn't necessarily
make a good investment...**



to existing business models. Start-up companies with expertise in new technology will challenge the old guard to up their game and this is usually beneficial to the overall economy. Tech breakthroughs are often accompanied by media hype and capital raisings. But failure rates can be high. The dot com bubble in the late 1990s included many companies that never made a profit.

The best approach is often just sticking to your long-term investment strategy. Good and bad news comes and goes as part of the investment cycle. But a good headline doesn't necessarily make a good investment. The old adage 'measure twice and cut once' can apply just as well to investments. Be informed and seek advice where necessary. Your Forsyth Barr Investment Adviser is available to help you navigate the opportunities change always provides.



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Understanding that sudden changes in financial markets can cause concern or indicate opportunity, your Forsyth Barr Investment Adviser is available to provide you with advice and assistance at any time.

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