

Pier Asset Management

The Year Ahead

January, 2021

The current state of the consumer is best summarized in [this article by Morgan House](#). Broadly speaking: savings are WAY up, debt responsibility is down, and income has been volatile.

However, digging in, he identifies two economies within one. The job market has fully recovered for those earning \$28+/hr, while it is as bad as the 1930's for those earning less than \$16/hr. Yet spending is down 5% for the highest quartile of Americans, while it's up 2.5% for the lowest quartile.

One assumes it is our job to predict what will happen next. More importantly, it's our job to position ourselves for what may happen next.

One certainty is the pent up demand for entertainment. Travel, restaurants, date nights, parties, weddings, sports, live music. These are desperately missing from my life. The "great unraveling" will occur as the vaccine kicks in and the entertainment economy re-opens. Middle and upper income savings will be utilized, debt will become even more accessible, and income disparity will be reorganized again.

For Pier, this means consumer and small business balance sheet volatility. We thrive on volatility. We watch for opportunities as a liquidity provider, buying and financing loan portfolios where nobody else is there to do so. We control terms, pricing, and timing by filling that void. We keep duration short and cash accessible as we await further volatility.

We look forward to the year ahead.

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