Friday, January 26. 2007

I don't get the new "New Economy" (2.0)

Back in 1999 I was walking around in a mental fog because I was coming off of a multi-year bender and had recently stopped drinking, smoking and,uh, other related recreational vices. At the time I was worried I was going to die from boredom (turned out not to be the case at all. My life has been more exciting and fulfilling since I cleaned up than I ever could have imagined, but that's another story...)

So I decided to start daytrading. I took out a $1,000 cash advance on my VISA card and opened an E-trade account. By March 2000, it was worth over $9,000 and I thought Warren Buffet was a pussy. I keep that E-Trade account open to this day as a reminder. It's worth $200 now.

Anyway, at the time I remember walking around the warehouse district where my office was thinking about "the new economy". I just couldn't wrap my head around it. A lot of the companies trading on the stock market weren't making any money. A lot of the start-ups getting funded had no prospects of revenues. "Aha" I thought. "I guess what it's about now, is the stock price and investment flow". Companies didn't make money by selling stuff at a profit, I realized, they made money by raising it in the capital markets!

It was one of the many moments I stood on the precipice of a major epiphany, had I thought it through properly I probably could have done well, but once again, I missed the point. My mind couldn't make the critical leap to where it needed to get in order to profit handsomely ("Aha! We're in the middle of a bubble! START SHORTING STUFF") and knuckled under to the flawed, murky newspeak "I guess that's how things work now. This is a new paradigm for wealth building. The old rules don't apply at this new, permanently high plateau of the New Economy", and I went along with it. Silly me.

Well lightning does strike twice. Here we are and the DOW is reaching new highs daily while insider selling outpaced insider buying 55 to 1 last month (this ratio has been higher than 30 to 1 for over two years). The new Kook-aid (that was a typo for Kool-aid but I think I'll leave it), is "Web 2.0".

Companies like Slide.com are getting third round VC fundings of $20 Million and they are (as Michael Arrington politely calls it) "pre-revenue". It was interesting to find out about this shortly after yesterday's post about "remorasites". Slide is a remora to MySpace, and all it takes is one move from MySpace and Slide will get shafted for all that precious "mindshare".

Nowadays my biggest mental handicap is that I haven't had a decent night's sleep since becoming a parent nearly 11 months ago. But I don't need to be fully rested to realize we are in BUBBLE 2.0, echo bubble overdrive baby. Insiders are selling up a frenzy, most of the stock market's gains can be explained by inflation, no-revenue companies are getting close to 100 million dollar valuations and some VC's seem STUPIDER than MONKEYS.

Bearing in mind the old adage "The graveyards of Wall St. are littered with the bones of those who were too early", methinks it is a fine time to start thinking seriously about getting short, or at least well hedged.

Either that or it's time to learn ajax and start an aggregator with widgets that are tagable from social networks.

On mobiles.

Via RSS.

Can I have 20 million dollars now?

Posted by Mark Jeftovic in Venture Crapital at 15:51