



2020 Is Nearly Here: How to Invest for the Coming Decade

Description

Less than 90 days remain until the end of the year. As with any other year, 2020 will bring a slew of risks *and* opportunities. If you don't understand what's working in the market and what's not, you'll have a tough time making big money in the year ahead.

Over the past decade, we've learned a lot about which companies and industries are loved by the market. We've also seen plenty examples of failure. While picking individual stocks is always the hardest step, knowing where to look can [greatly increase](#) your chances of success. Fortunately, there are two models that can make all the difference.

If you want to know how to invest in the coming decade, pay close attention to these two business models.

What doesn't work

If you want to avoid disappointment, stay away from companies dealing in strict commodities, especially fossil fuels. While riches have been made off the backs of oil and gas, over the long term, they've been difficult bets. For fossil fuel companies, the challenges will continue to mount at rapid speed.

If you want to understand how difficult resource investing has become, consider the fate of **Exxon Mobil Corporation** ([NYSE:XOM](#)). From 1979 to 2007, Exxon stock rose by more than 2,000%. Cash flow increased tremendously, allowing it to repurchase billions in stock and pay billions in dividends. For decades, the story tracked.

But what's happened since 2007? That year, Exxon stock peaked at \$88 per share. Today, it's fallen to just \$67 per share. After 12 long years of waiting, Exxon investors accumulated a *negative* total return. That's incredible considering Exxon is widely considered the best capital allocator in the industry. It has more resources, knowledge, and access than any other publicly traded oil company, yet even it can't create positive shareholder returns.

Pure commodity companies like Exxon simply don't control their own future. Recently, the \$1.1 trillion sovereign wealth fund of Norway sold all of its exploration and production stocks as it believes oil prices will remain depressed, or even fall, over the long term. With the rise of renewables, climate regulation, and energy efficiency efforts, the future will only grow more difficult for these companies.

What works

Resource companies don't control their own futures, but stocks like **Shopify Inc** ([TSX:SHOP](#))([NYSE:SHOP](#)) do. That's because they're creating platforms that enable entire industries to exist. Shopify is taking advantage of an opportunity that should last for decades, and the best part is that it faces no difficult regulatory hurdles or efforts to reduce its influence.

Shopify is essentially the new **Microsoft Corporation**. From 1987 to 2007, shares of Microsoft grew by an astounding 30,000%. That's more than *ten times* the return of Exxon. And while Exxon shareholders lost money from 2007 to today, Microsoft investors *quadrupled* their money. Finding businesses like Microsoft will be key to the next decade, and Shopify fits the bill.

Microsoft's special sauce is that it's a platform company. That is, it created a piece of software that enabled an entire ecosystem to be built on top of it. If you're using a Windows computer (88% of global computer users are) then you can see what I'm talking about. Every application you're currently using relies on Windows to function. Without Windows, your computer is useless.

The same goes with Shopify. Shopify pioneered the modern e-commerce movement. All of its users rely on Shopify for tools like payment processing and inventory tracking. Without Shopify, all these mission-critical tools go away. It's incredibly difficult to switch away from Windows, and it's also incredibly difficult to switch away from Shopify.

If you want to succeed in the decade to come, look for platform companies. The next Shopify is already on the market today, but it's up to you to capitalize.

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Date

2025/06/28

Date Created

2019/10/07

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