

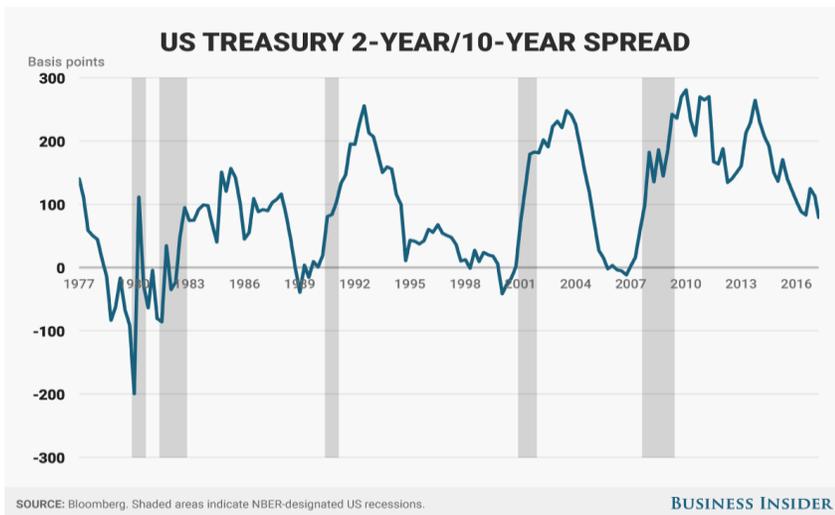


June 16th, 2017

The Top-Down

The Federal Reserve [raised rates](#) by a quarter of one percent to a target range of 1.00% to 1.25%. Even with slightly softer headline data, Fed President Yellen sees [wage inflation](#) ahead as normalization of rates and the balance sheet contraction continue on their path. Fed Day [commentary](#) from Bill Gross.

Stillwater View: With the economy nearing full employment, assets reflatd and the eight-year expansion showing its age, the Fed is re-racking the tool chest for the next contraction. Look for the [yield curve](#) to be of greater focus as the ten-year treasury makes new lows for the year.



On Tuesday, DoubleLine’s Jeff Gundlach counseled some to take down risk. His message was based on the market’s lack of volatility heading into summer. "If you're a trader or a speculator I think you should be raising cash today, literally today. If you're an investor you can easily sit through a seasonally weak period." Highlights of his [“Small Change”](#) presentation, compliments of Business Insider

For a full account of all economic data use [The Economic Calendar - Bloomberg](#)

The Bottom-Up

The big news this week was the continuation of a [rotation from growth into value](#) stocks as the fever broke on a relentless run for large capitalization technology. Within a matter of hours last Friday everything that you hadn't wanted to own this year caught a strong bid.

Wells Fargo's problems continue as a [class action lawsuit was filed](#) accusing the bank of [modifying mortgages](#) for borrowers who declared bankruptcy without going through the proper channels.

Stillwater View: Negative on Wells Fargo as the brand will take considerable time to rebuild.

[The Cheesecake Factory](#) added more evidence that casual dining is facing headwinds from [higher food costs](#) and an [over-retailed market](#). And the Amazon effect is now [bearing down](#) on traditional grocers as Kroger's same store sales slip into the negative. News broke this morning that the company is [buying Whole Foods](#). These cities have too many stores and [they're still building](#).

Stillwater View: The market is recognizing that expansion for expansions sake has limits and that secular challenges will last longer than most anticipate.

Up and Down Wall Street

The *Wall Street Journal* reports that PIMCO's [new bond king](#) is nothing like the original. Bloomberg profiles Minneapolis Fed President [Neel Kashkari](#).

Viking returns [\\$8 billion of investor money](#), sizing down to \$24 billion as Chief Investment Officer, Daniel Sundheim, exits the firm. The push into [artificial intelligence](#) continues as the hedge fund industry looks to evolve. And for all the hype about quant investing taking over, at the end of the day it comes down to [performance](#).

There is a [bear market in lunch with Warren Buffet](#) as the price for a date with the Oracle and seven of your closest friends plunged 22% year over year to \$2.8 million. All for a good cause, San Francisco's [GLIDE Foundation](#).

Diversions

The [Summer Solstice](#) rolls through on Wednesday. Not only the longest day of the year, but also one of the finest. The *Wall Street Journal's* [Off Duty 50 Guide to a Lazy Summer](#).

The [117th U.S. Open](#) is being played at [Erin Hills](#) this weekend. The Bleacher Report provides us with their [top 10](#) tournament shots of all time. Had Tom Watson hit his thin on the 17th in 1982 [these kids from Carmel High](#) would have found it and fished it out. Short film well worth watching.

The Stillwater Capital Top Five Father's Day gift ideas. Some *much* larger than others.

- 1) A vintage wristwatch of [notable distinction](#). Tough choice between the Rolex "Sea Dweller" and the "Steve McQueen"
- 2) A culinary experience with the family at a reputable [burger establishment](#). The [Billy Goat Tavern](#), [Pie n' Burger](#) and the [Alpine Inn](#) are all personal favorites.
- 3) A bucket list round at one of the finer [publicly available](#) golf courses. Pinehurst, Pebble Beach, Bandon, TPC Sawgrass, Mauna Kea or any combination thereof.
- 4) A classic American automobile. My allegiances are with the [Jeep Grand Wagoneer](#).
- 5) A walk on the beach, stroll down the fairway, hike to the peak, or a day on the ocean. Any simple journey that brings you together to celebrate this weekend.

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