

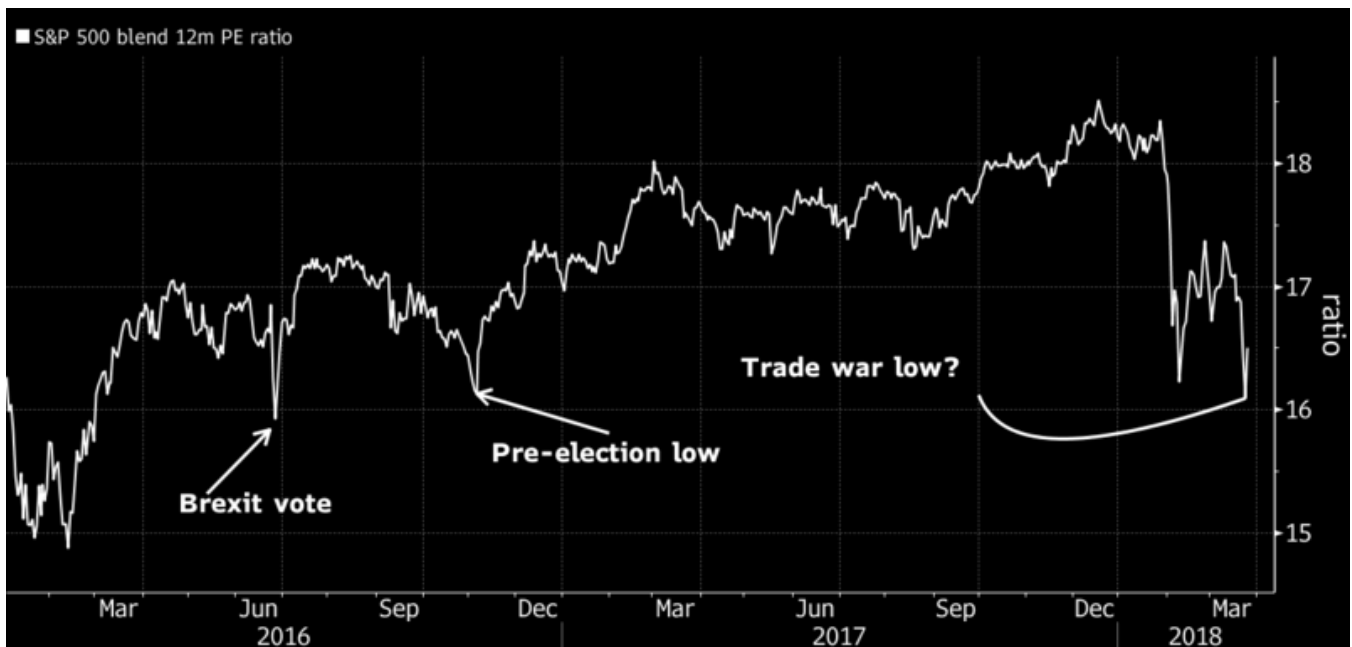
Stillwater Capital - This Week in the Markets



The Top- Down

The recent equity market selloffs reset valuations to levels that previously have created an opportunity to get long...or longer depending on your circumstances. A 16x earnings multiple on the S&P 500 has been the bottom twice in the last two years.

S&P 500 Valuation



Source: Bloomberg

Meanwhile, the 200 day moving average continues to be the line in the sand that the index refuses to cross.

S&P 500 & The 200 DMA



Source: Evercore ISI

Stillwater View: So far, so good, on keeping this bull market intact. Perhaps with fingers slightly more crossed. Taking everything into consideration, much of the forward looking good news was spent to get us to this place. The next chance to fuel up will come in two weeks when earnings begin to flow once again.

Fourth Quarter 2017 Earnings

THOMSON REUTERS S&P 500 2017Q4 EARNINGS DASHBOARD

Source: Thomson Reuters I/B/E/S

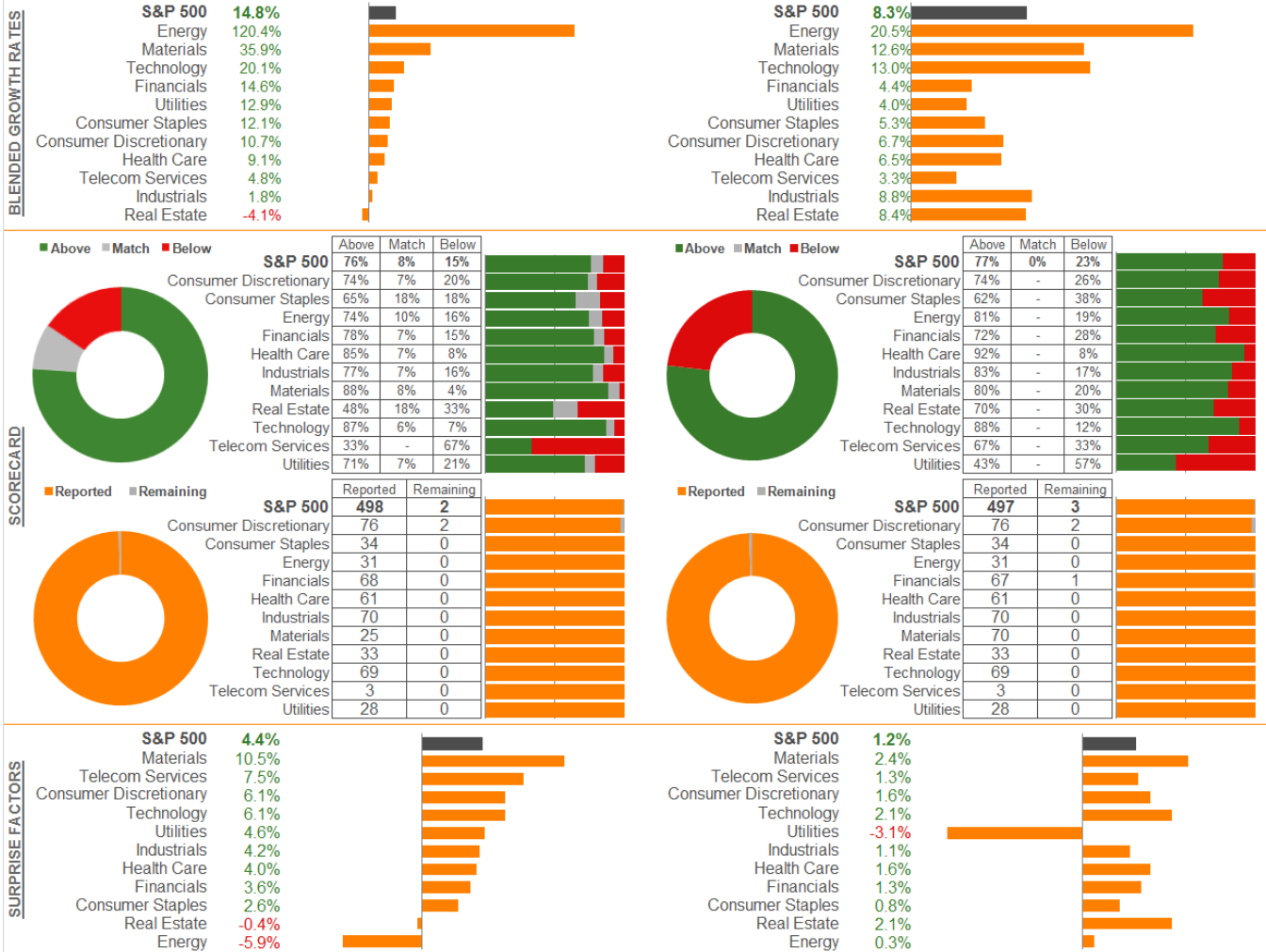
REPORTING ANALYST: DAVID AURELIO

March 26, 2018

FOR THE LATEST EARNINGS INSIGHT VISIT: <http://liperalpha.financial.thomsonreuters.com/>

S&P 500 2017Q4 EARNINGS

S&P 500 2017Q4 REVENUE



Source: Thomson Reuters

The Bottom-Up

Following on Facebook's headline grabbing Cambridge Analytica stumble, the FANG stocks were hit hard again this week. This time it was Amazon that led the group downward, while rumors circulated that President Trump was considering action against the company under the banner of antitrust. It doesn't help that Jeff Bezos owns the *Washington Post*, a publication that rarely has anything positive to say about our 'obsessed' Commander in Chief.

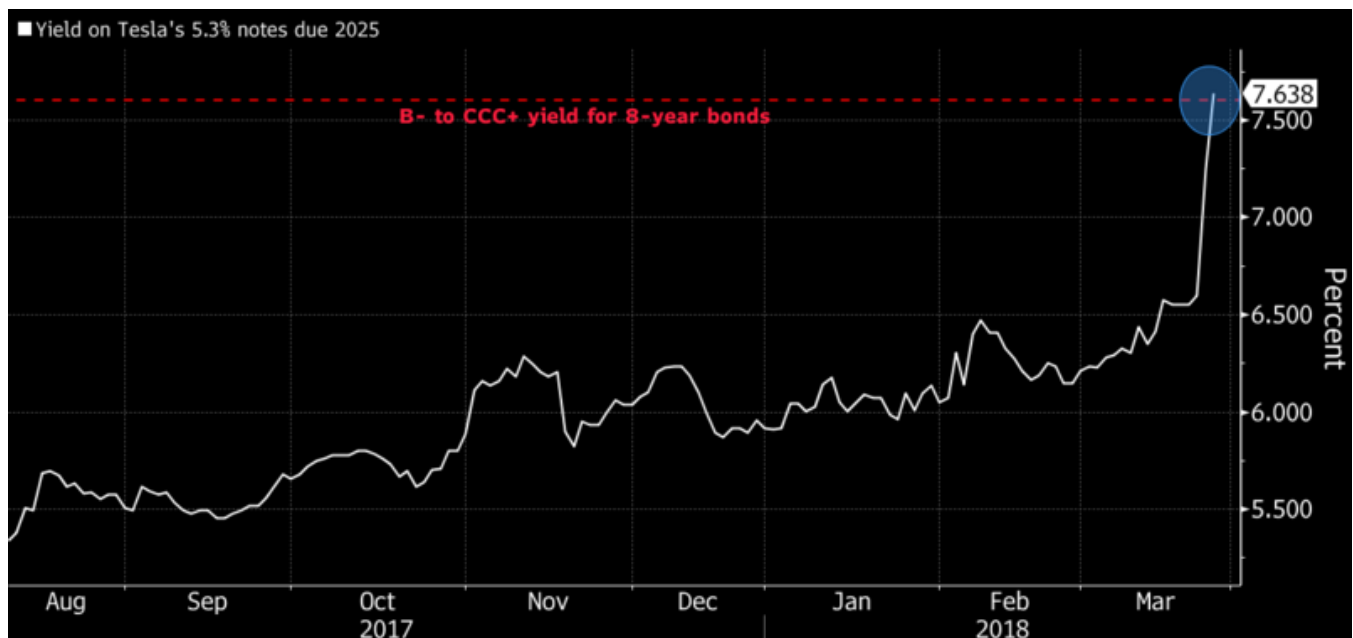
FB, AMZN, NFLX, GOOG



Source: Chicago Tribune

The equity and debt of Tesla Inc. sold off this week, when the company's credit rating was downgraded by Moody's on mounting leverage and production fears related to the Model S. The blowback on self-driving vehicles certainly isn't helping matters.

Tesla Debt – Yields Up, Price Down



Source: Bloomberg

Stillwater View: Tesla has been a favorite short position of Stillwater Capital for some time, and the news this week validated our concerns. While we think that Elon Musk is indeed a visionary, the capital structure and debt levels leave us, and the market, with something to be desired. As we have said consistently, own the car, not the stock.

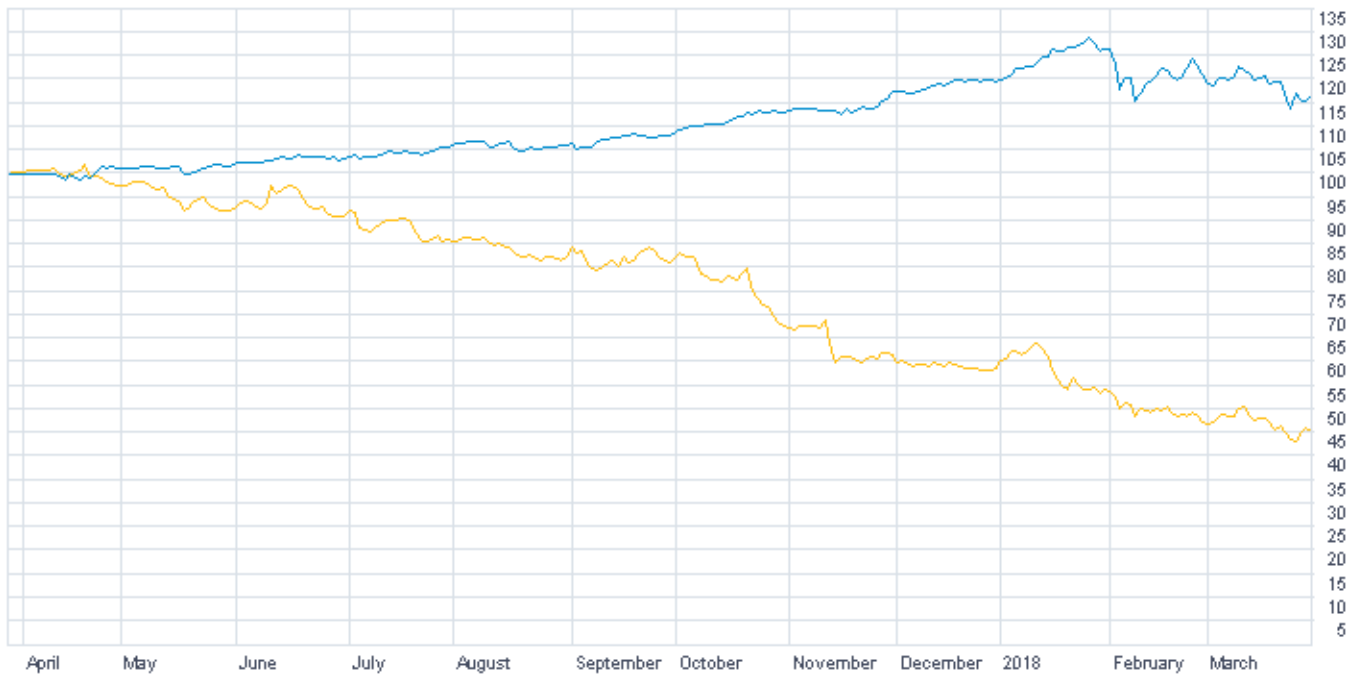
Tesla Model S



Source: Tesla

General Electric took home the prize for the worst performing Dow stock in the first quarter. The shares got a slight boost this week when rumors surfaced that Berkshire might be getting interested. RBC analyst Deane Dray wrote “In many ways, GE’s current situation fits the ideal Warren Buffett investment.”

The DJIA vs. General Electric



Source: Nasdaq

Stillwater View: The unwind of forty years of GE's amalgamation will long be the subject of business school curriculum. Assuming there are business schools still in business to teach it!

Austin based YETI Holdings, the eponymous maker of high end coolers, shelved plans to go public this week, claiming 'adverse market conditions' for deciding to stay in private hands. They had previously filed in 2016.

The YETI on Display



Source: Houston Chronicle

Stillwater View: Without access to the company's financials there is little use in guessing how the stock might have performed. Having said that, we are big fans of the products and even bigger fans of the adventure lifestyle 'stories' and 'anthem' videos the company distributes.

Stillwater favorites: "The Malloy Brothers", "John Shocklee | A Fairy Tale", and "The Kamchatka Steelhead Project".

Financial Planning Focus

'*This Week in the Markets*' is taking a break from our usual rundown of happenings '*Up and Down Wall Street*' and instead focusing on the wealth advisement and financial planning we provide and support.

Taking a step back to frame the subject, Stillwater Capital does a few things. To begin, we manage long only and hedged equity portfolios for advisors and their clients. Similar in structure to those that are offered in partnerships form, ours are managed in a separate client account at a flat fee. This is a clean and efficient way to give investors access to a powerful strategic solution.

Stillwater also helps registered investment advisors and their clients navigate the process of asset allocation, trading, and financial planning. While quieter than the weekly fireworks of the market, subjects like asset location, tax loss harvesting and financial planning are much more likely to have a meaningful impact on allowing you to live the lifestyle you want.

With that as a backdrop, I am pleased to announce an affiliation with Canter Wealth as portfolio manager and investment specialist. Canter Wealth is a registered investment advisor headquartered in La Jolla and is the extension of the Canter Companies into total wealth management. Our team is growing quickly as we build our presence in San Diego and beyond.



This follows on last year's partnering with Balboa Wealth Advisors as an asset manager for their financial planners and advisors. Both firms offer deep expertise and knowledge of financial planning and investments. Please reach out for an introduction or to become an investment partner of Stillwater Capital, LLC.

Diversions

The Final Four is upon us as San Antonio once again hosts the penultimate and final games of the NCAA tournament. On one side of the bracket you have top seeded Villanova and Kansas fighting to be the favorite in the championship game. On the other side there is Michigan versus America's favorite underdog, Loyola- Chicago.

Loyola-Chicago's Ever Faithful Sister Jean

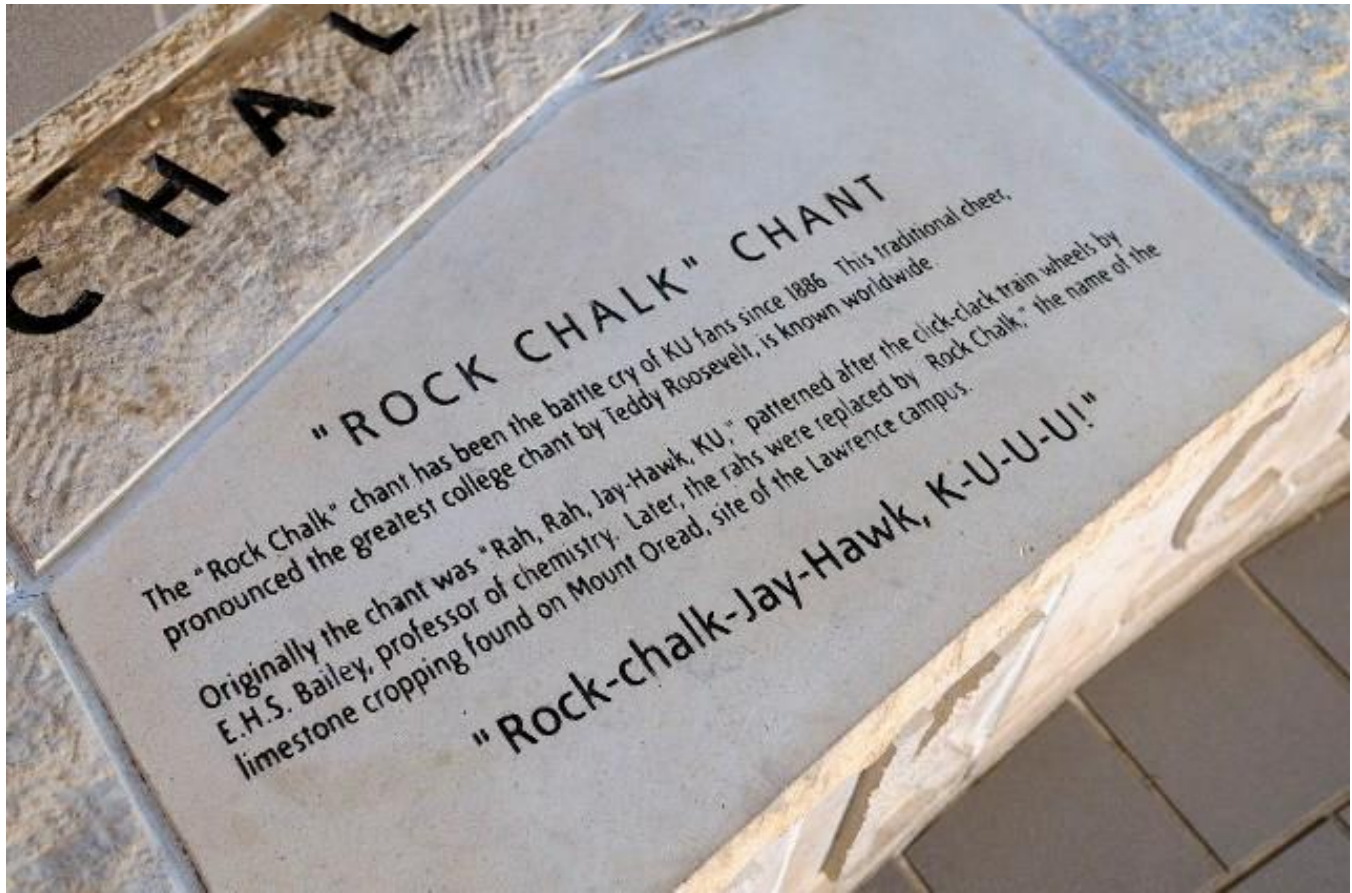


Source: Chicago Tribune

The Chicago Tribune provides a photo journey into the merchandising madness at Chicago-Loyola. Meanwhile, composer David Barrett provides the story of how ‘One Shining Moment’ became the anthem for March Madness. The ball is tipped....

Stillwater View: Sticking with our pre-tournament call, Rock Chalk Jayhawk!

Rock Chalk



Source: Kansas University

Call it Bruch, lunch or dinner, the Easter celebration meal is upon us and *Southern Living* provides you with every imaginable way to serve lamb. Looking for some Polynesian inspiration? Check out what Roy Yamaguchi has in store for guests at Roy's on Oahu.

Easter...Hawaiian Style



Source: Honolulu Star

Starting your Easter vigil on Saturday night in Chicago? Note that parishioners at Old St. Patrick's will need to wait until after the Loyola-Chicago v. Michigan game concludes to begin.

Old St. Pats



Source: Chicago Tribune

The fly fishing world lost a giant with the recent passing of Bernard 'Lefty' Kreh. Not only did 'Lefty' have one of the coolest names in the business, his skill on the cast was the stuff of legend.

Lefty Kreh



Source: Fly Fisherman Magazine

Stillwater View: Godspeed Lefty, your departure leaves this place far better than you found it.

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