

## ***This Week...***

It was a quiet week across the board on Wall Street, with the majority of S&P 500 company earnings out of the way and a near vacant economic calendar. With that as a backdrop, Stillwater's *This Week in the Markets* is lighter than usual, but lucky for you, our FSA isn't. The FSA (Financial Service Announcement) is a take-off of the PSA (Public Service Announcement), and is designed to remind everyone to take time in the first few months of the year to review both your portfolio and financial goals with your advisor. Aren't working with one yet? Shoot us an e-mail and we can help you find one.

## **Make Your Green Greener**

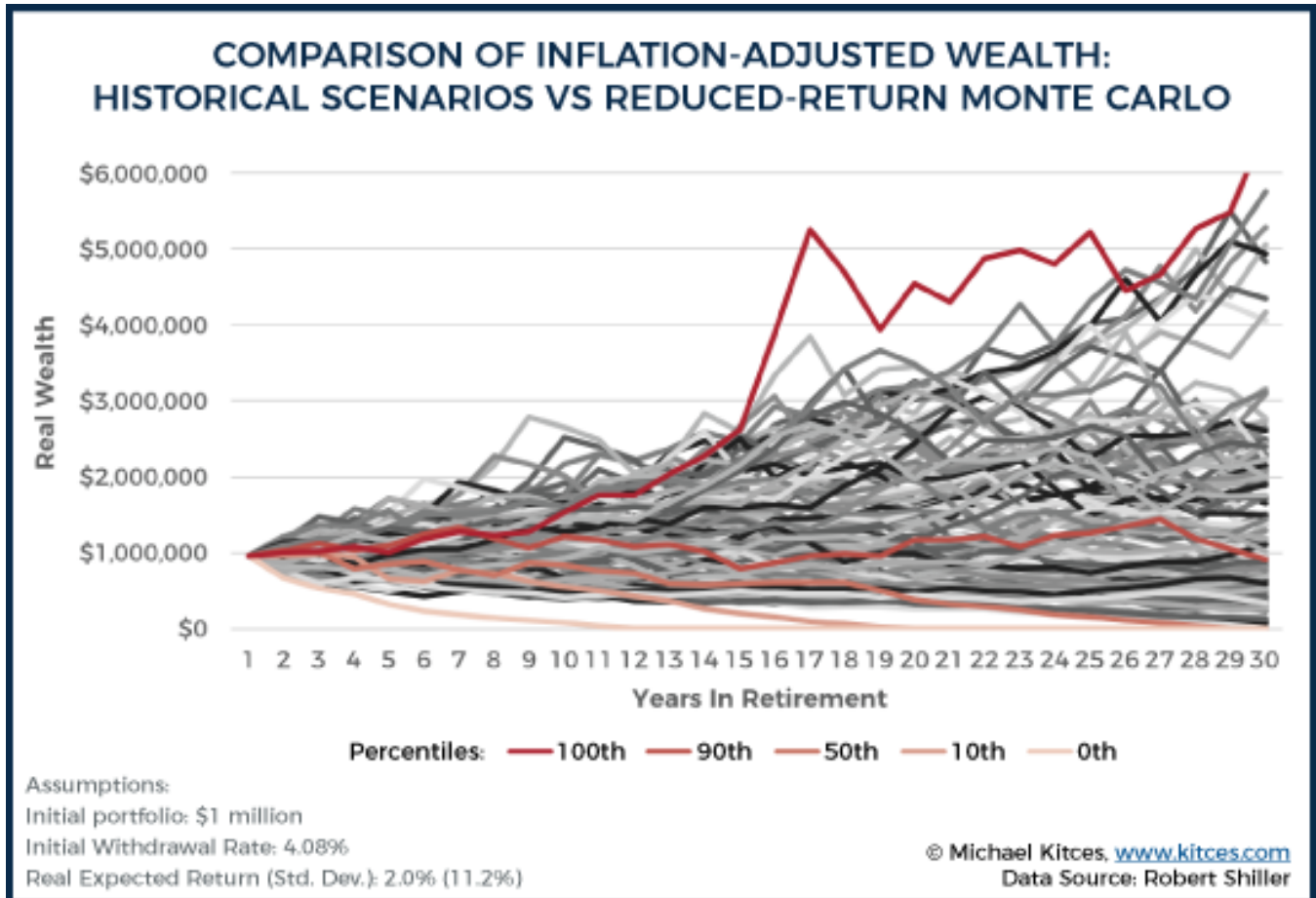


Source: Money Magazine

A few years ago, Vanguard conducted a study determining that investors who work with a trained advisor average a 3% higher return than those who try to invest themselves. With the prospect of lower returns for the next few years, a professional who can

navigate these waters will make all the difference in the world. The chances for success, as shown in this messy looking Monte Carlo simulation, increase dramatically over the long term with just a few added percentage points of return compounded over time.

### Just Compound Baby!

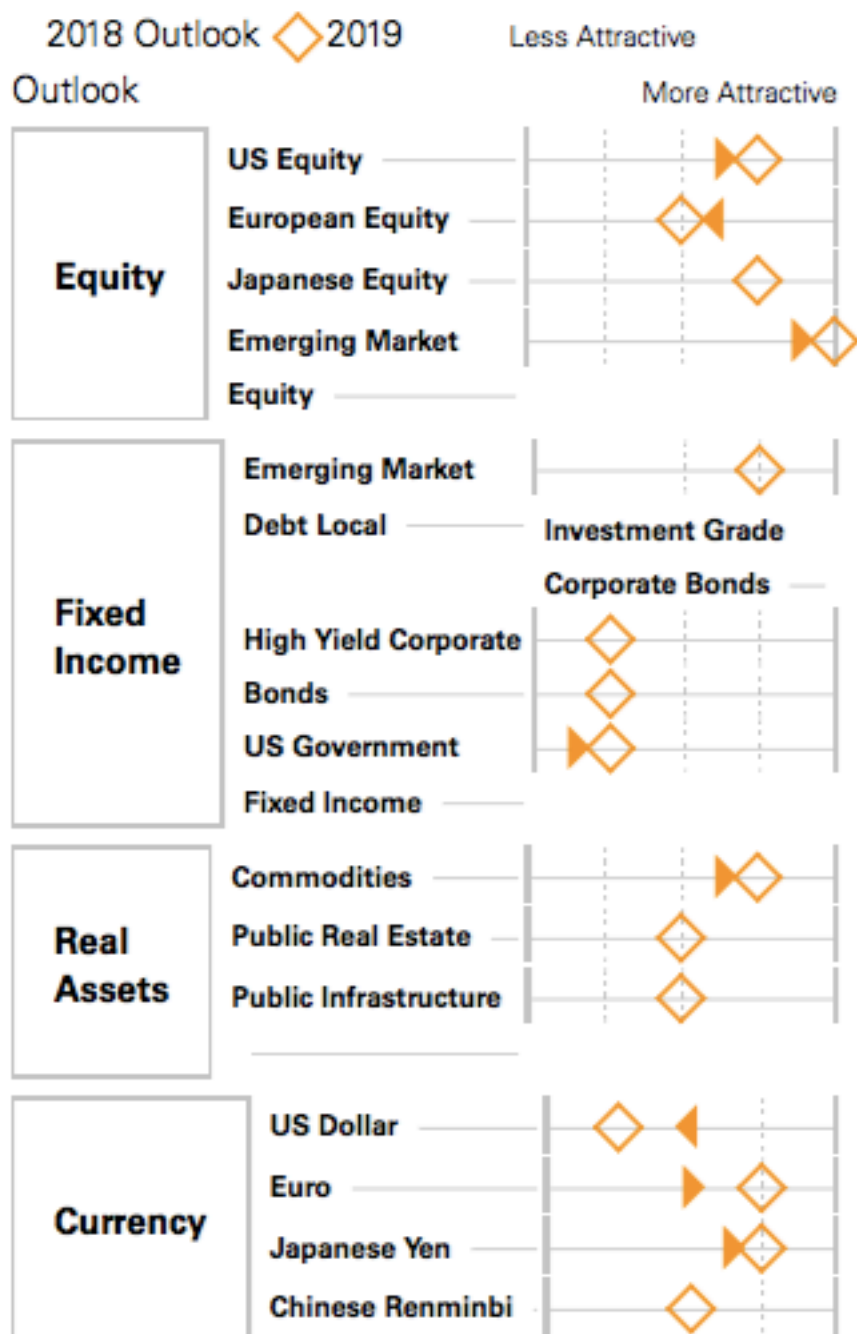


Source: Robert Shiller

### ***Economics***

Aside from a market dustup, caused by Larry Kudlow's Thursday comments that China and United States are still far apart, it was a week devoid of market moving data. That being said, Kudlow's comments did take some of the shine off a year of spectacular returns. Goldman Sachs is of the opinion that the best of 2019 is now behind us. For those who are looking to dive a little deeper into Goldman's projections for the next 11 months, we've included a link to the firm's investment outlook for the year ahead.

## Attractiveness of Returns



Source: GSAM as December 2018.

Source: Goldman Sachs Investment Institute

## *Companies*

Big news from the world of banking, as two regional's with a southern and mid-Atlantic base, BB&T and SunTrust, decided that bigger was better with the former buying the latter at a 10% premium to where it had been trading the day prior.

## **New Name TBD**



Source: The Insurance Journal

The merger came as little surprise to some analysts on the Street. The move highlights the ongoing challenges that big financial institutions are facing, with every margin of profit getting squeezed, there is a growing need to adopt the religion that 'there is safety in numbers'.

Santa Barbara success story, Sonos, was reminded again this week that public markets can be unforgiving, as the company lost 15% in market value after reporting slower sell through, higher than expected inventory build, and that the CFO of seven years was moving on to the next phase of his life.

## **Surround Sound**



The bear market in the cereal aisle continues, as Kellogg announced increased headwinds, and a slowdown in Europe, as the culprit for weaker earnings and a challenging outlook. Stillwater has been short various names in the packaged foods business, Kellogg included, on shifting consumer trends that have brands like Fruit Loops and Raisin Bran taking a back seat to healthier alternatives. Earlier this year, the Wall Street Journal ran a piece that highlighted how some companies in the staples sector are no longer the safe havens they once were.

## Et Tu, Tony?



Source: Producer.com

## ***Markets***

As mentioned earlier, it was a slow news week, as they like to say in the journalism business. In light of that, we are going to announce Stillwater's First Annual 'Canned Answer' list. That's right, five things that every financial news media outlet and marginal Wall Street analyst will be dragging out, and the same thin reasons for why we went up one day, and down the next.

On the bullish side, 'today the market went up because...'

- I. earnings are better than expected earnings.
- II. the Federal Reserve is on hold.
- III. 2018's slump was the 'pause the refreshes'.
- IV. the economy continues to power on.
- V. the moon is in equinox.

## **'Charging Bull'**



Source: MarketWatch

For the bears, 'today the market went down because...'

- I. a trade war won't go away.
- II. the slowdown in earnings is worse than expected.
- III. we are fast approaching a recession.
- IV. Wealthy investors are scared of 'tax-a-palooza' in 2020.
- V. the moon is in equinox.

### David 'Perma-Bear' Tice

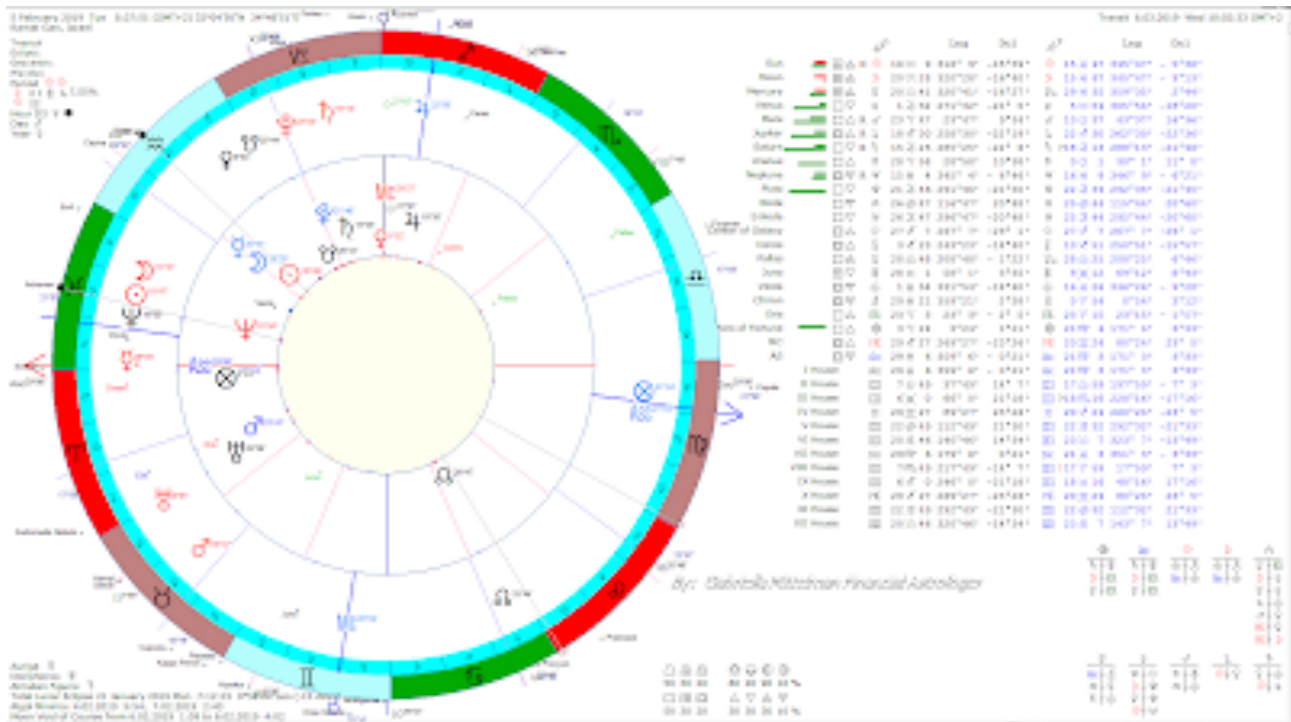


Source: The Financial Post

We mention the equinox only half-jokingly. Back in the day at Mark Strome's hedge fund, a group of us were lined up down one row of the desk. The author was seated next to one of the best options traders on Wall Street. The guy was beyond smart and rarely lost. One of his most endearing qualities was his interest in, for mostly entertainment value, the monthly astrologers reports on the

markets. Even he, as the ultimate pessimist, thought there might be some value in the work.

## New Moon Aquarius



Source: Astrology and Markets

## Wall Street

In news that was not terribly un-known, the one time bond king Bill Gross, announced this week that he was hanging it up after a forty year run. As a reminder of how ‘easy come and easy go’ this beautiful business is, Gross’ \$300 billion unconstrained bond fund lost billions in assets following his unceremonious departure in 2016. A big slug of those assets found their way to TCW, the \$200 billion asset manager in Los Angeles.

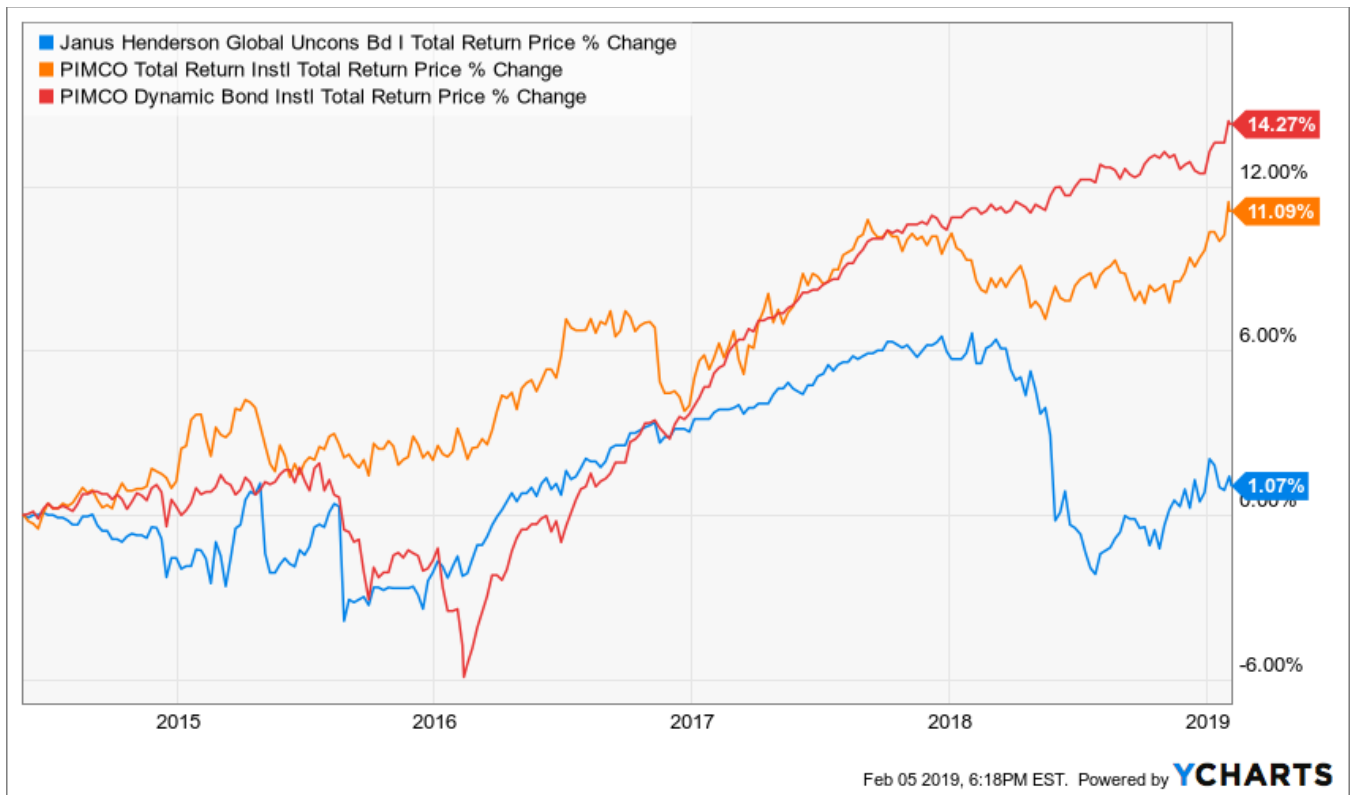
## Gross and His Untied Tie



Source: SF Gate

And while nobody wants to go out on the bottom, sadly, that's what it looks like the man once anointed as the 'Bond King' plans to do.

**Janus v. PIMCO**



Source: YCharts

In another sad sign of the times for those who appreciate some of the old school ways to make a buck on Wall Street, Goldman Sachs is cutting back on the firm's commodities trading arm. Goldman got into the business in 1981 when it purchased J. Aron, and aside from top-notch trading, they also picked up Lloyd Blankfein and Gary Cohn. Years later they would rise to the number one and number two position at the fabled investment bank.

## Goldman's One & Two



Source: CNBC

### ***Diversions – The Crosby Clambake***

The PGA tour's west coast swing continues this weekend with a stop at the legendary golf links of Pebble Beach. The annual pro-am has had a couple of different names over the years, the most nostalgic was the Crosby Clambake. The host was, as the name suggests, the crooner Bing Crosby. The tournament was first played in Rancho Santa Fe before it moved north to the Monterey Peninsula.

**No.1 at the Cypress Point Club**

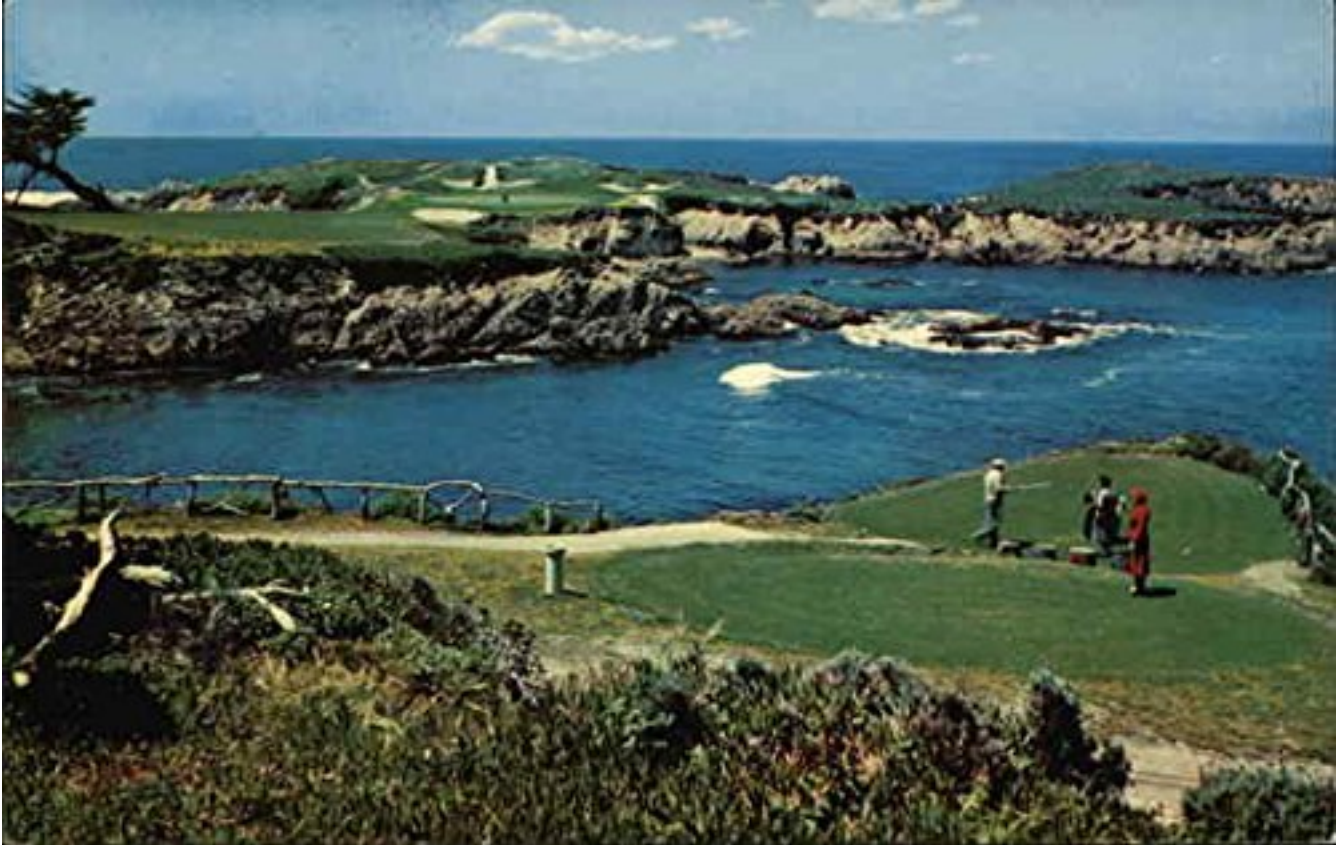


Source: Monterey Herald

The tournament became a television hit in the 1970's and 1980's as everyone from entertainers, athletes, and politicians began to make the event something they very much wanted under their belt. One of the most famous of those was the actor Jack Lemmon.

Mr. Lemmon was notable for several reasons, one of which was his longstanding tradition of not making the cut. But that didn't deter him from trying. His most dangerous effort to play into the weekend came on the 16th hole at Cypress during the 1987 tournament. A hole that George Plimpton once called the most difficult in golf.

**Better Carry the Water!**



Source: Amazon

With his ball resting uncomfortably close to a 70 foot cliff, Lemon would need the help of Clint Eastwood, Peter Jacobsen, and Greg Norman to form, what forever would be known as the 'Human Chain' to strike the ball. Good news for Lemmon, the ball made its way onto the green.

**Lemmon, Eastwood, Jacobsen, Norman**



Source: Monterey County Now

One of the great stories we have ever seen about the sport and the majestic nature of Pebble Beach, is the one that told the dedication two Carmel High School students who made it their mission to reduce the impact of errant golf shots that sent balls into the pacific. This truly is an amazing story, if you haven't yet watched it yet, take a few minutes this weekend to do so.

**'Titleist One?'**



Source: ABC30.com

We leave you with this, over the years people have asked where the Stillwater in Stillwater Capital comes from. To be truthful, it comes from a few places. Some metaphorical, like the desire to have our clients experience still water while the market us turbulent underneath. We also have certain places on earth that make us pretty happy and evoke good memories. One of those is Stillwater Cove, off the links at Pebble. May you enjoy the still water, whatever that physically or metaphorically means to you as well.

**Stillwater Cove**

