



*Aside from the Bitcoin blowout, and the jobs report released this morning, it was a quiet week lacking in the recent top-down and bottom-up fireworks. This weeks edition of 'This Week in the Markets' has been sized accordingly.*

*This pause gives Stillwater Capital an opportunity to thank those of you who have contributed to the growth of this publication. We are proud to have engaged over five hundred readers in six short months. Your comments, questions and counsel are always appreciated. We look forward to continuing the production of 'This Week in the Markets' in the coming year.*

### **The Top-Down**

Blackstone's market seer and well-respected strategist Byron Wien, put the odds at 50/50 of a 10% correction coming along 'at any time'. Full disclosure, Wein has held out for a correction that was due for most of the second half of this year. Since we are running out of triggers he interjected the non-consensus idea that 'maybe the market just spontaneously begins to fade'.

### **Byron Wien**

# BARRON'S

The Dow Jones Business and Financial Weekly Vol. XCVI No. 21

barrons.com

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## SAGE ADVICE

At age 83, Wall Street legend **Byron Wien**, now a Blackstone strategist, is still trotting the globe. Here's what he sees ahead for stocks, bonds, and the economy. Why the country could survive a Trump presidency.



Source: Barron's

*Stillwater View: Byron Wien has been observing markets on Wall Street longer than most of us have been alive. He isn't known for selling you gold in brick form or bunkers in the desert. I'm beginning to think the 'just fade away' threat may be a realistic one for this market. Only in a world like this, where the market fears nothing, could nothing take it down.*

**Life Lessons from Blackstone's Byron Wien**

## LIFE LESSONS

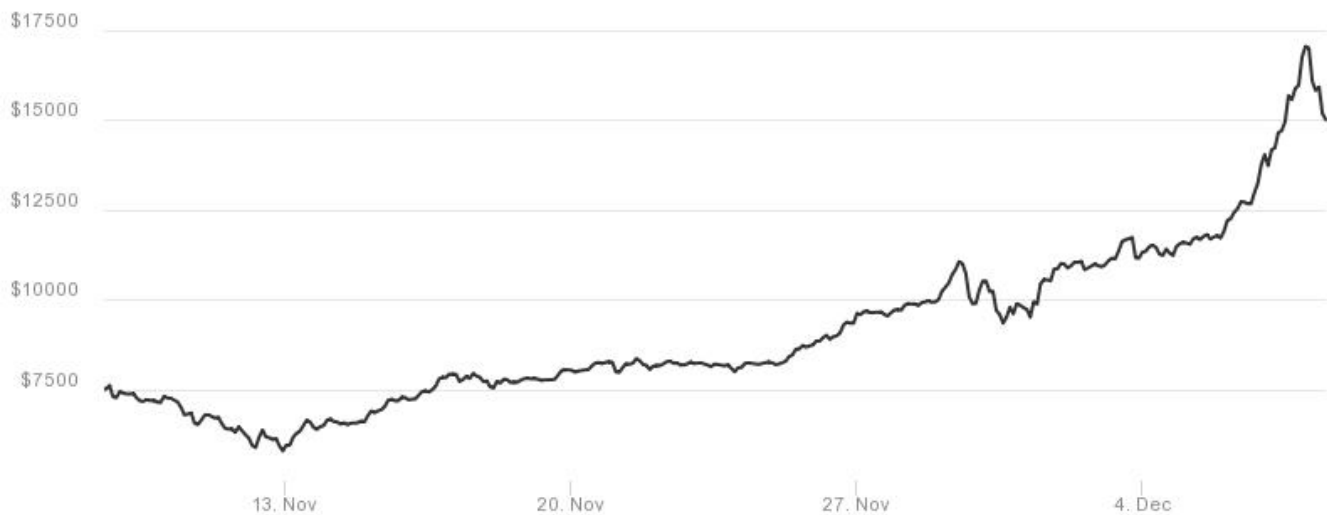
- **Network intensely.** Luck plays a big role in life, and there is no better way to increase your luck than by knowing as many people as possible.
- **When you meet someone new,** treat that person as a friend. Assume he or she is a winner and will become a positive force in your life.
- **Read all the time.** Have a point of view before you start a book or article and see if what you think is confirmed or refuted by the author.
- **Get enough sleep.** Seven hours will do until you're 60, eight from 60 to 70, nine thereafter, which might include eight hours at night and a one-hour nap.
- **Travel extensively.** Try to get everywhere before you wear out. Attempt to meet local interesting people where you travel and keep in contact with them throughout your life.
- **On philanthropy,** my approach is to try to relieve pain rather than spread joy.
- **The hard way** is always the right way. Never take shortcuts. Shortcuts can be construed as sloppiness, a career killer.
- **Don't try to be better** than your competitors; try to be different. There is always going to be someone smarter than you, but there may not be someone who is more imaginative.
- **When seeking a career** as you come out of school or making a job change, always take the job that looks like it will be the most enjoyable. If it pays the most, you're lucky. If it doesn't, take it anyway.
- **Never retire.** If you work forever, you can live forever.

Source: Barron's

It was a very quiet week for top-down economic news. The biggest release was this morning's November non-farm payrolls figure. With the economy continuing at a hot clip, the U.S. added 228,000 jobs last month. Slightly stronger than the Wall Street expected.

Bitcoin exploded yet again, rallying to over \$17,000 in a week. The cryptocurrency continues to attract a massive amount of attention as Wall Street takes sides. *Bloomberg* reported where some of the biggest names stand. *Business Insider* provides a step by step guide on how you can get in on the trade. *The New York Times* profiles San Francisco startup Coinbase, the dominant cryptocurrency trading site. And why this Thursday's wild trading resulted in a crash.

**Bitcoin – From \$6,000 to \$17,000 in a Month**

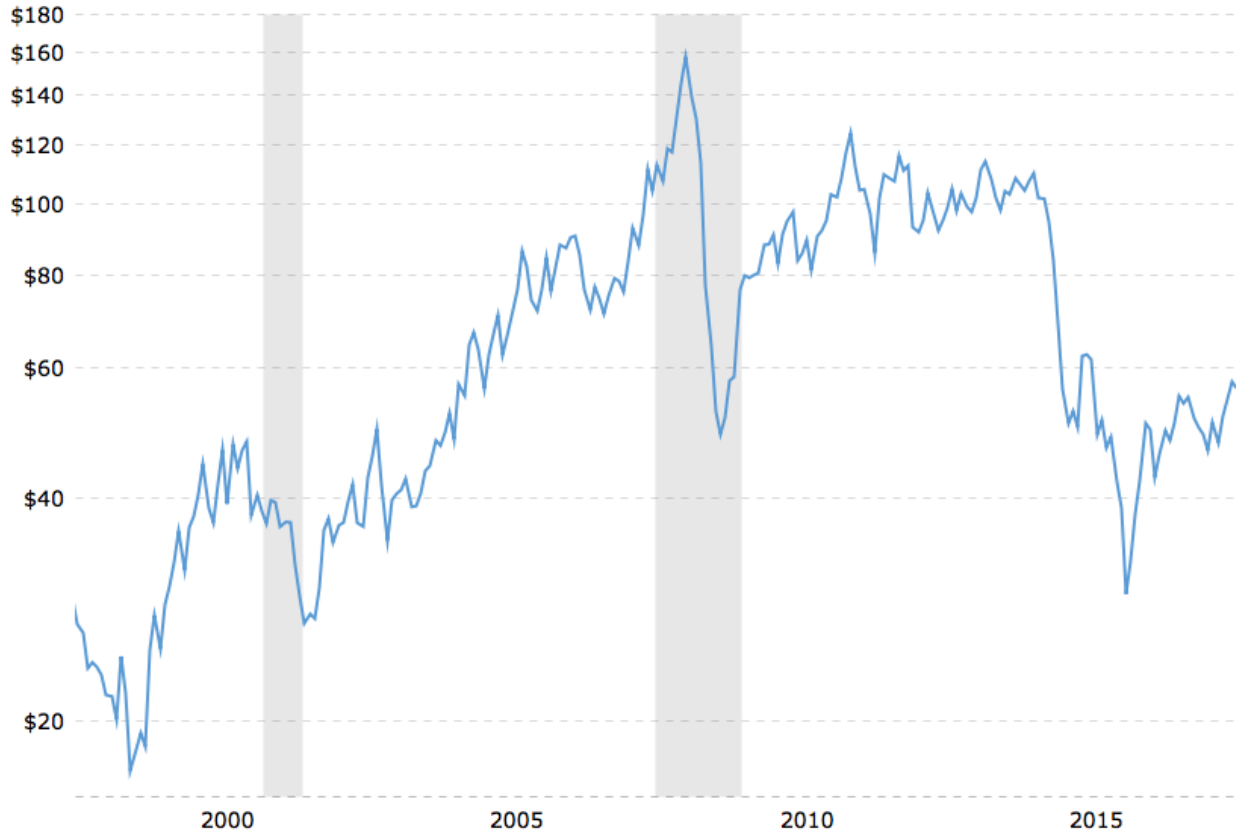


Source: Coindesk

On Wednesday, DoubleLine founder Jeff Gundlach hosted a call to discuss the firm's Total Return Bond Fund. Mr. Gundlach provided a thoughtful narrative and accompanying charts. He opined that nothing in the markets tell him we are headed for a recession anytime soon. He pointed to the fact that commodities have almost always been rallying into the inflection point where the economy peaks out.

*Stillwater View: The only challenge we make on the commodities observation is the changing nature of crude oil since the last peak in 2007. Back then we had just recently started to understand how much of the commodity we were sitting on with the invention of horizontal drilling. Crude spiked to \$160 when the global economy was also firing on all cylinders.*

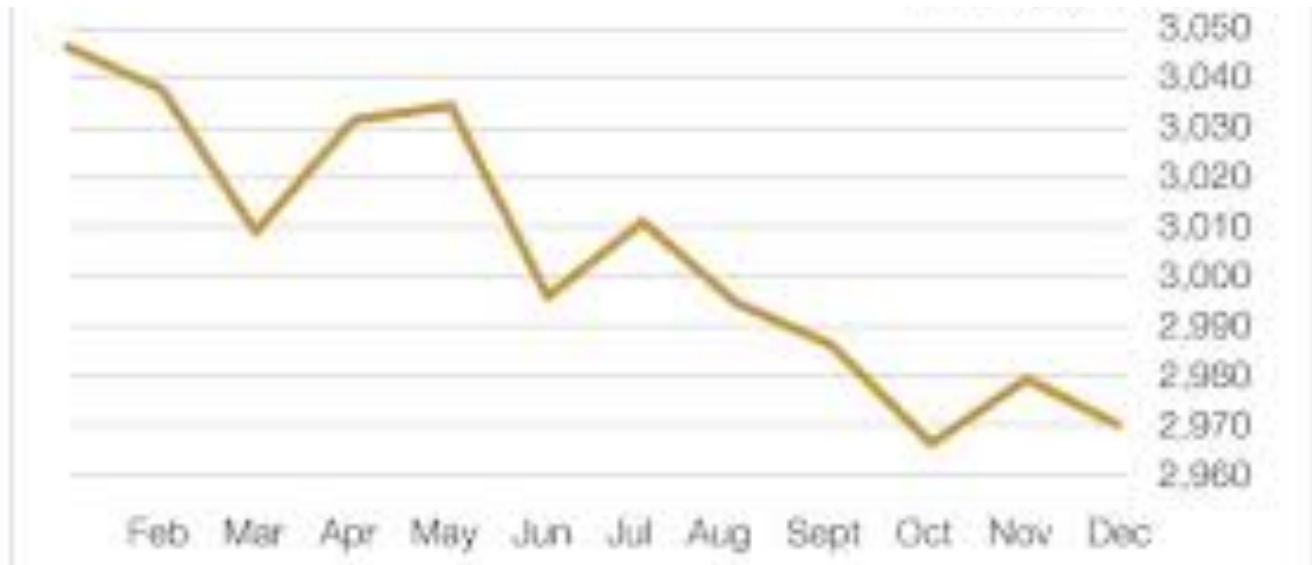
### **Brent Crude Price Per Barrel**



Source: Macrotrends

Today we are stuck with a \$60 ceiling and a lot of inventory ready to come on-line. Goldman Sachs raised their target price to \$80 this week on renewed hopes that OPEC members would stick to their plan to drain inventories and maintain prices.

### **Global Inventory of Crude Oil**

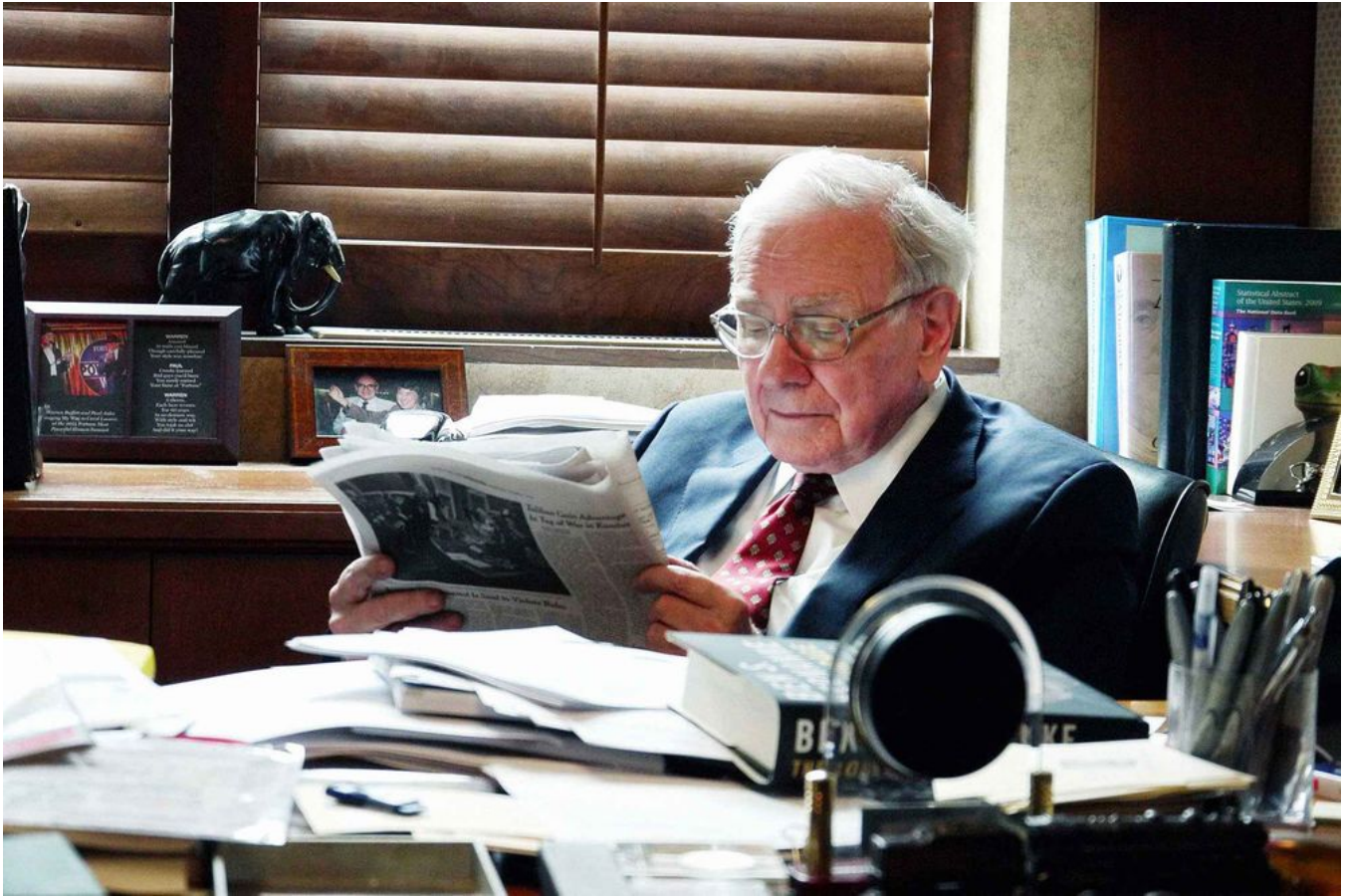


Source: Energy & Resource Digest

**The Bottom-Up**

As Warren Buffett creeps up in age speculation builds as to who will take over running Berkshire Hathaway. *BloombergNewsweek* ran a profile of those who could be next in line. The article hinted that 55-year-old Greg Abel, who currently runs the firm’s energy division, was a strong candidate for the top spot to replace the 87-year-old legend.

**The ‘Oracle’ at his Desk**



Source: HBO

*The Wall Street Journal* provided a look inside an exclusive gathering of twelve major shareholders in the oil & gas exploration and production industry. The meeting took place this September on the isle of Manhattan. The purpose was to come up with a plan to press shale oil fracking companies to focus greater attention on free cash flow, rather than production growth. As one participant said off the record, “this is an existential issue for us”.

*The Journal* pointed to the challenges Pioneer Natural Resources faced last year when they wound up losing \$556 million, spending \$1.24 for every \$1.00 they took in. An interesting position for a company sitting in position A in the EagleFord shale formation in West Texas. Analyst Jan Stuart at Cornerstone Macro remains skeptical that the industry can show discipline. “If we do get to \$60, it’s all guns blazing all over again. There is no such thing as a Texas wildcatter getting religion.”

### **Fracking Equipment Surrounds a Well Head**

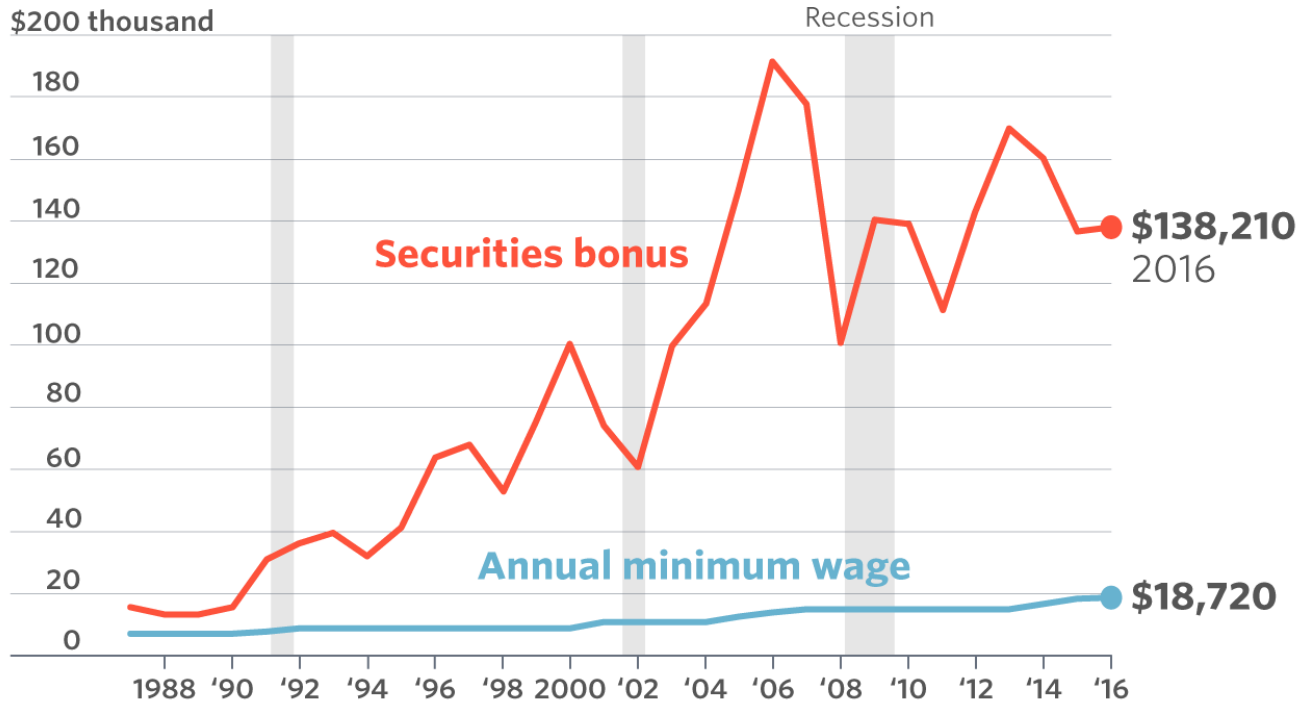


Source: Halliburton

### ***Up and Down Wall Street***

It's bonus time on Wall Street, so let's all hope they 'remember in December'. Good luck to everyone out there who has a one hour slot on the calendar with the boss next week.

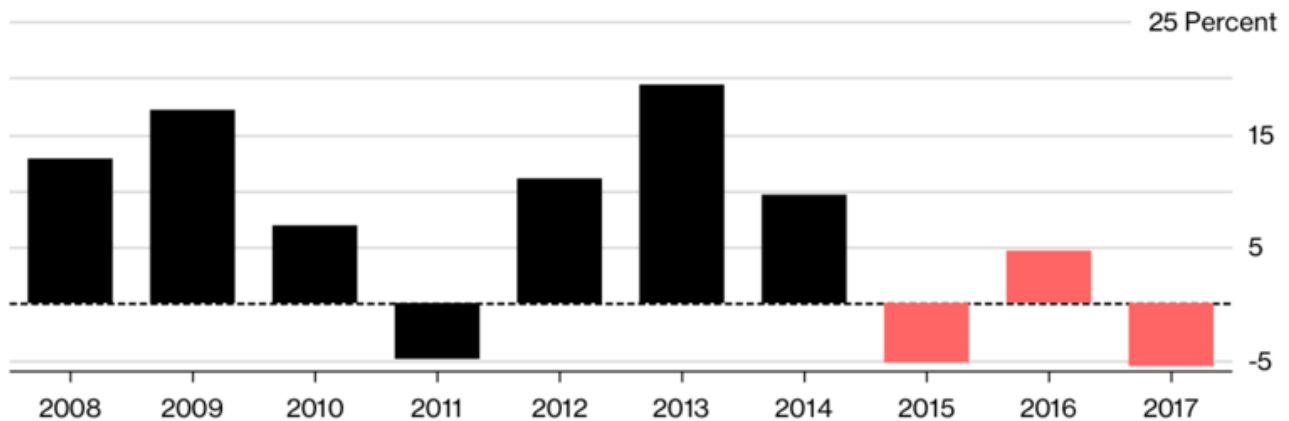
### **Working on Wall Street Still Beats Minimum Wage**



Source: MarketWatch

Hutchin Hill, the \$2.2 billion multi-strategy hedge fund founded by Neil Chriss, announced this week that it was shutting down after three years of disappointing returns. In a November 30<sup>th</sup> letter to investors, Mr. Chriss wrote “We fought hard, but did not deliver the performance that you expected from us.”

### Hutchin Hill Defined Alpha Fund



2017 performance through mid-November  
 Source: investor document

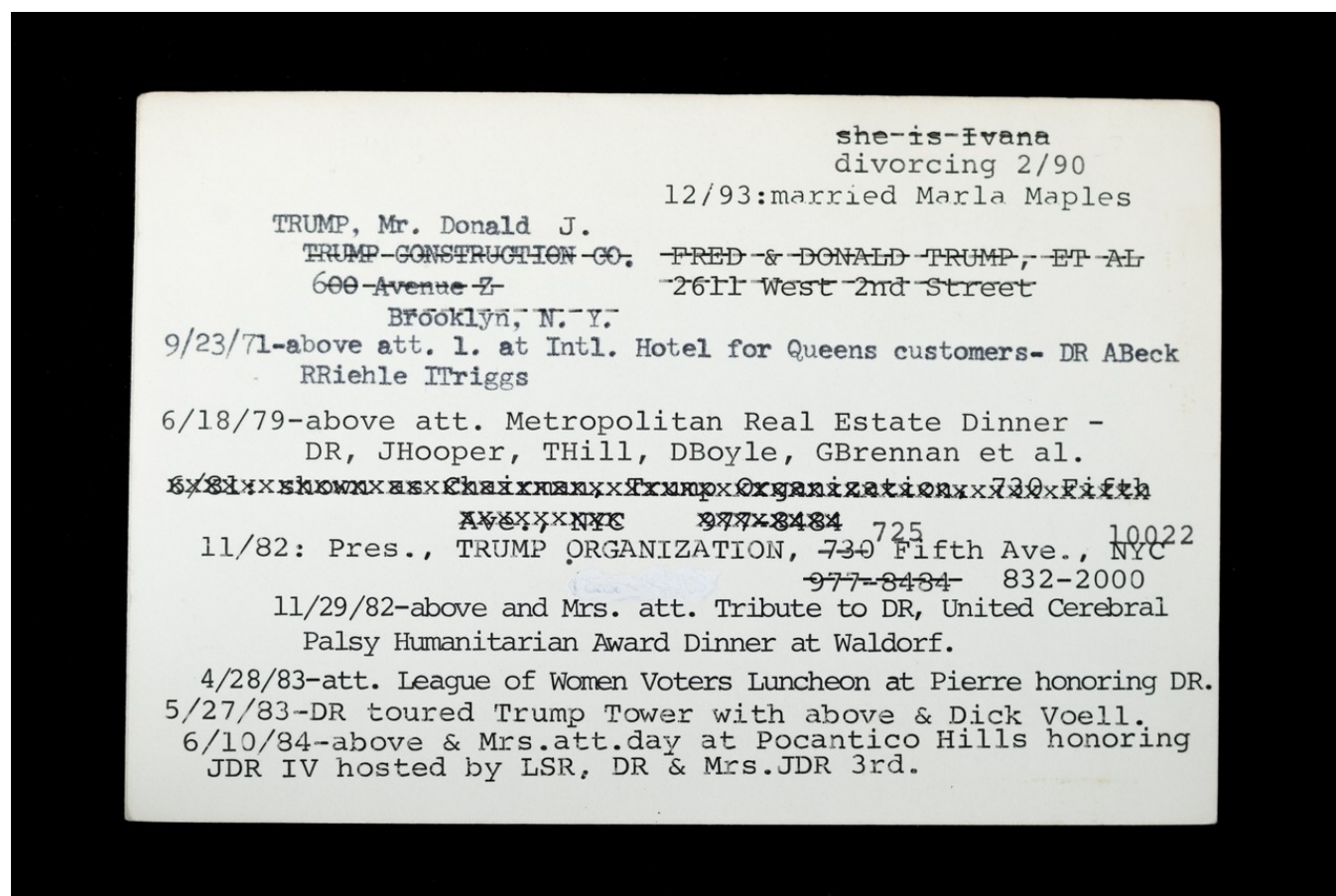
**Bloomberg**

Source: Bloomberg

David Rockefeller, the quintessential New York deal making banker, had what can only be described as one of the world's greatest Rolodex. The grandson of oil baron J.D. Rockefeller, he kept more than 200,000 3x5 cards containing contacts with over 100,000 people. *The Wall Street Journal* got the exclusive first look at the collection.

The *Journal's* impression: The Rockefeller Rolodex collection embodies the ultimate expression of communication in the analog age. It provides a unique time capsule of modern history, both idiosyncratic and revelatory.

### Donald Trump's Card in David Rockefeller's Collection



*Stillwater View: The contents of the cards are truly priceless. Mr. Rockefeller was a man ahead of his time. Always willing to 'log a call' in a pre-Salesforce world.*

### Diversions

T. Boone Pickens has listed his 65,000-acre Mesa Vista Ranch for \$250,000,000. The 89-year-old oil tycoon started with a purchase of 2,900 acres 46 years ago. It now covers over 100 square miles. The property is the most expensive private residence in the United States.

## The Lake House



Source: Town & Country

The college football bowls are set, and the Final Four that will vie for the title include Georgia, Clemson, Oklahoma and Alabama. As was noted by several loyal readers, the Pac-12 champion was not a candidate for a slot in the Rose Bowl. The winner, USC, will play Ohio State in the Cotton Bowl.

The game itself has moved from the original venue in downtown Dallas to AT&T Stadium in nearby Arlington. The Sporting News ranks all 40 bowls, including the Bad Boy Mowers Gasparilla Bowl

**Ticket to the 1979 'Chicken Soup' Cotton Bowl**



Source: The University of Notre Dame

In a world gone mad in terms of expensive gifts for the kids, Stillwater Capital provides some recommendations from a simpler time this holiday season. Chuck the Xbox out the window and put something old school straight in their mush!

- Blocks... wooden blocks. Even if the kid is 16!
- Silicon Valley, 'In the Chips' board game.
- Vintage 'Star Wars' Legos
- Shark fishing in the San Francisco Bay on the Wacky Jacky.
- The 'Magic Eight Ball'

**'In the Chips'**



Source: The Goligoski Family Collection

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