

Stillwater Capital - This Week in the Markets



The Top- Down

Equity markets came unspooled on Thursday after President Trump unveiled \$60 billion in tariffs targeting China.

While this move was telegraphed to the market, Trump's proclamation that this 'would be the first of many' trade actions, fueled newfound investor fears. So much so, that the VIX has spiked more than 20% six times in 2018, including a 27% rise yesterday.

Late Thursday, the Chinese responded with sanctions of their own. It was reported this morning that the government there also stepped in to support the equity market.

Outbound China Trade

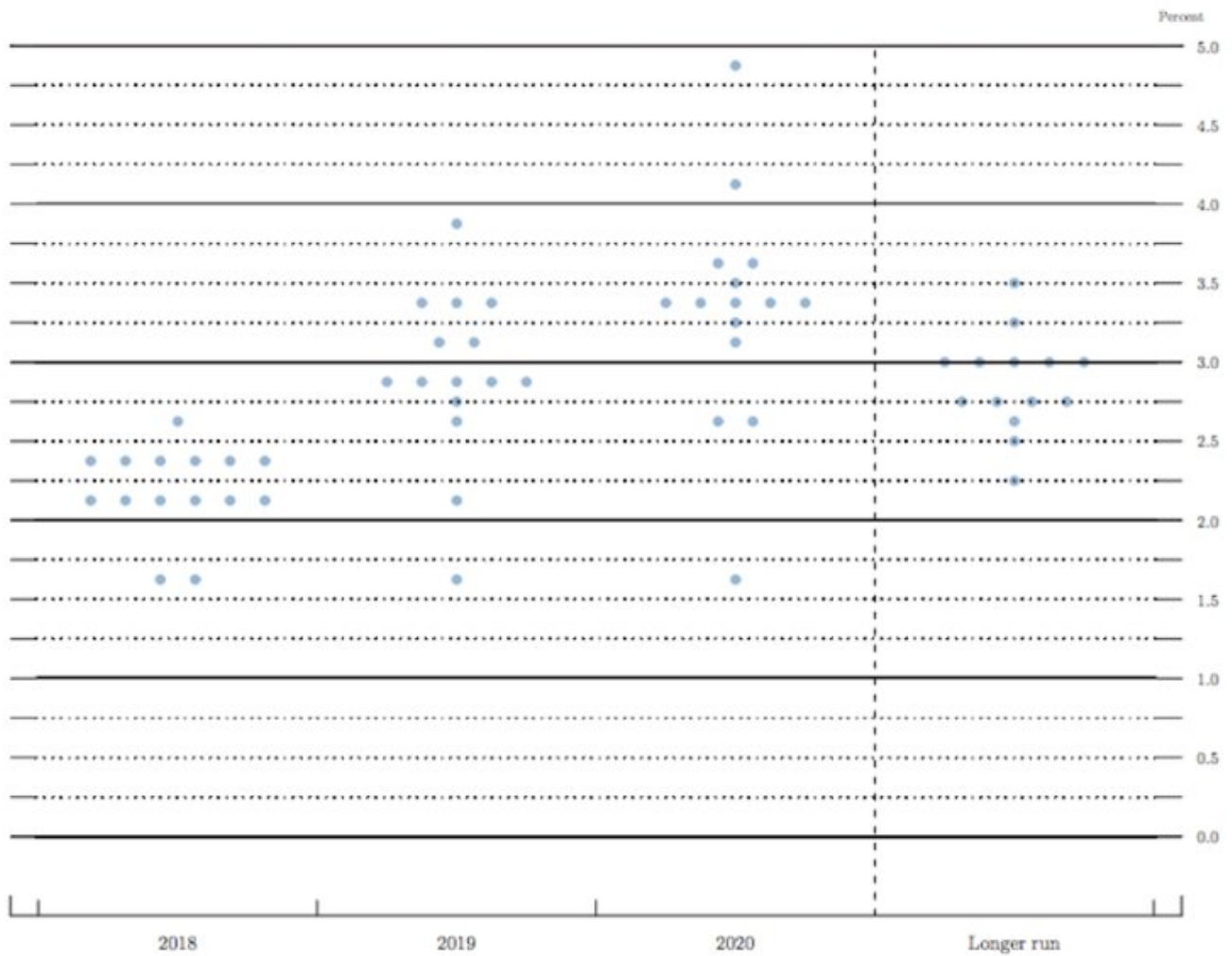


Source: Ship Lilly

On Wednesday, the newly installed Fed Chair Jerome ‘Jay’ Powell, presided over his first meeting of the Federal Open Market Committee. The FOMC decided to raise rates to a range of 1.50% to 1.75% , the sixth increase since the end of the financial crisis. The longer term target remains 3.00%

Bloomberg provides the highlights, while *CNBC* has the reaction from BlackRock’s head of global fixed income, Rick Reider, and former Dallas Fed President Richard Fischer

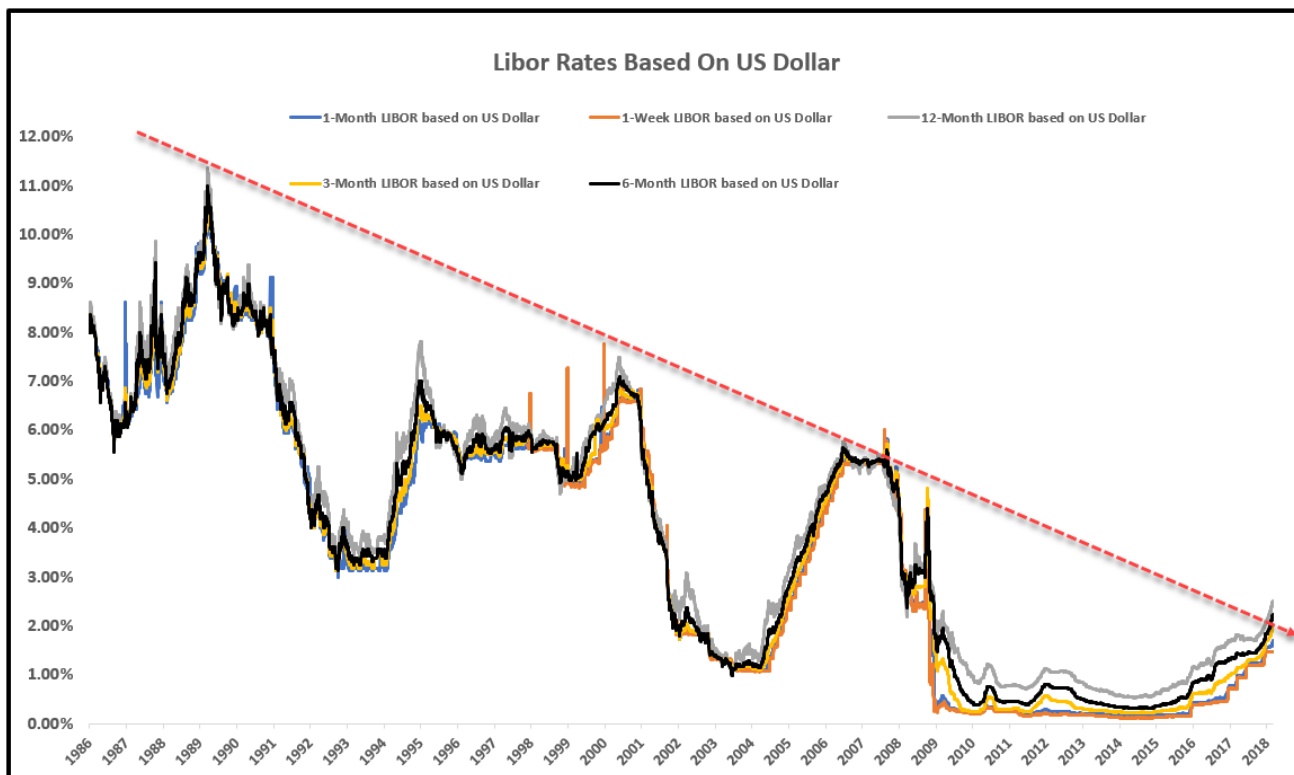
The Fed ‘Dot Plot’



Source: Business Insider

With the ten-year treasury yield backing off , it is soaring Libor rates that have grabbed the markets attention, going up for 20 straight days. Libor, the benchmark rate for \$350 trillion of debt and derivatives, is now at a level unseen since 2008.

Libor Rising



Source: YCharts, EPB Macro Research

The equity melt up that took place in 2017 may have peaked in January of this year, according to Morgan Stanley's chief equity strategist for institutional securities, Michael Wilson.

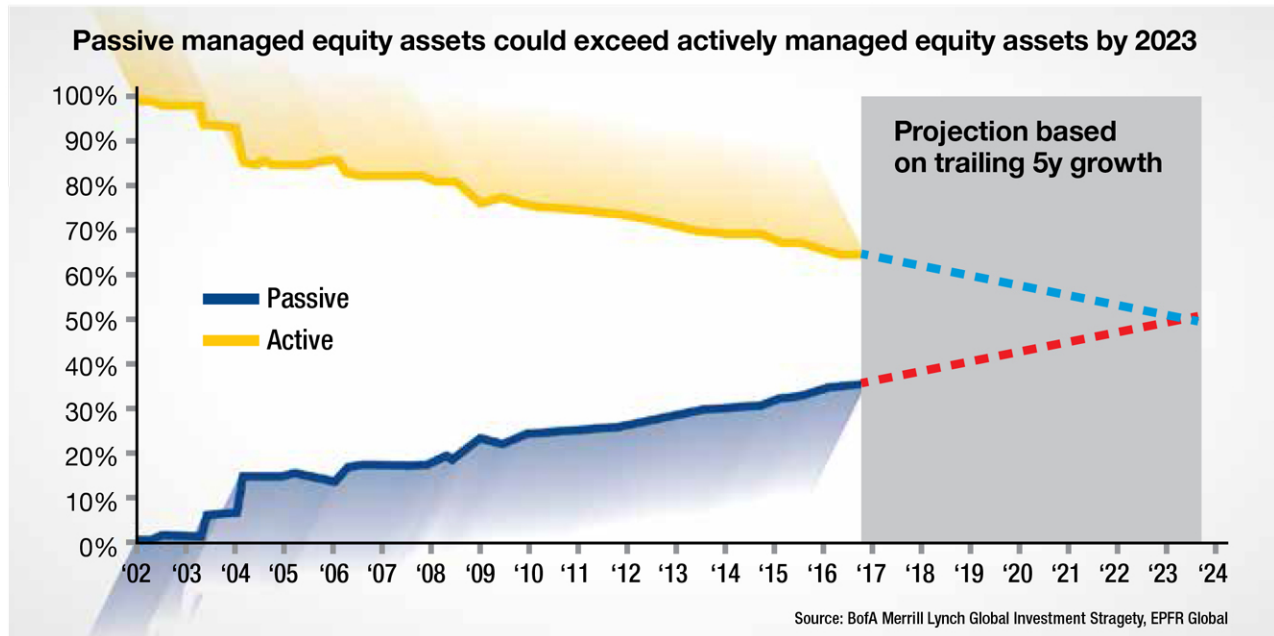
S&P 500



Source: MacroTrends

Stillwater View: The market's one way up move last year made it difficult for active stock pickers to sometimes validate their paychecks.. The prospect of a year with more volatility and non-correlated performance has the active camp chomping at the bit. While not a 'make or break' year, the active team could certainly use a win. Game on!

Passive vs. Active



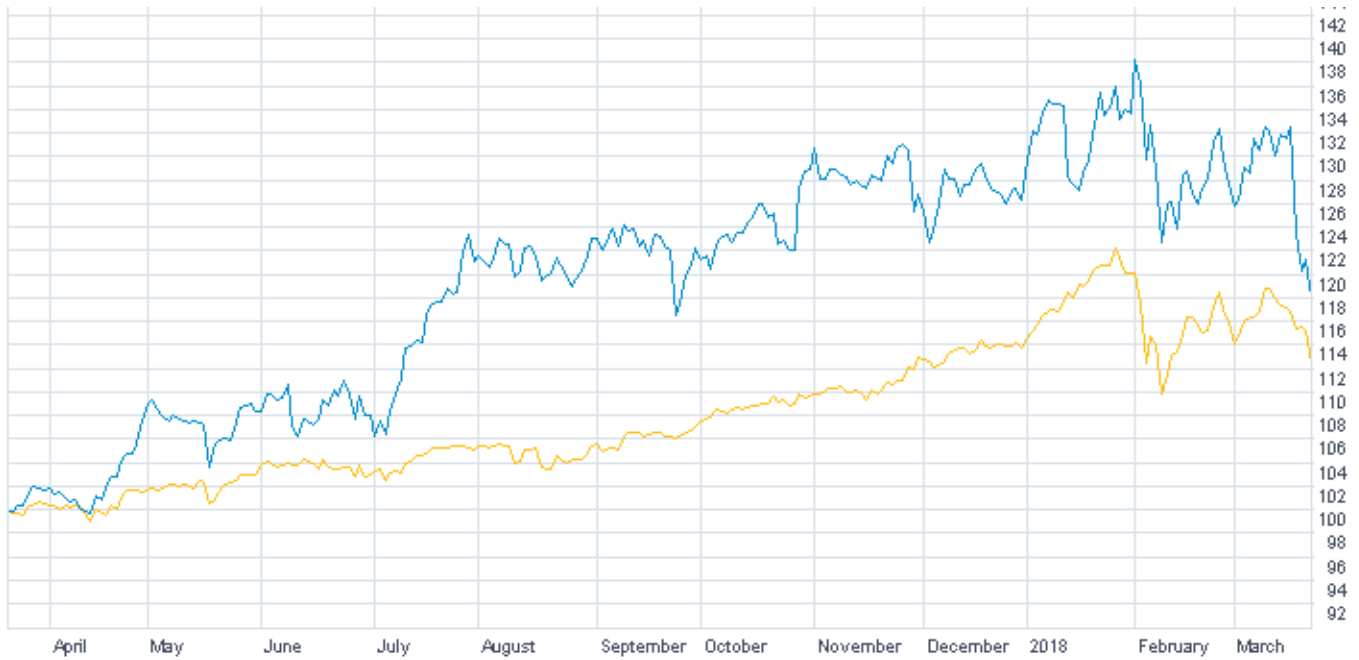
Source: Merrill Lynch

The Bottom-Up

This week, the market focus was squarely on Facebook and the revelation that ill-gotten user information was utilized by Cambridge Analytica to influence the 2018 presidential election in favor of Donald Trump.

Wall Street voted with its feet, turning over 25% of the FB float in three days, and quickly narrowing a year's worth of outperformance versus the broad market.

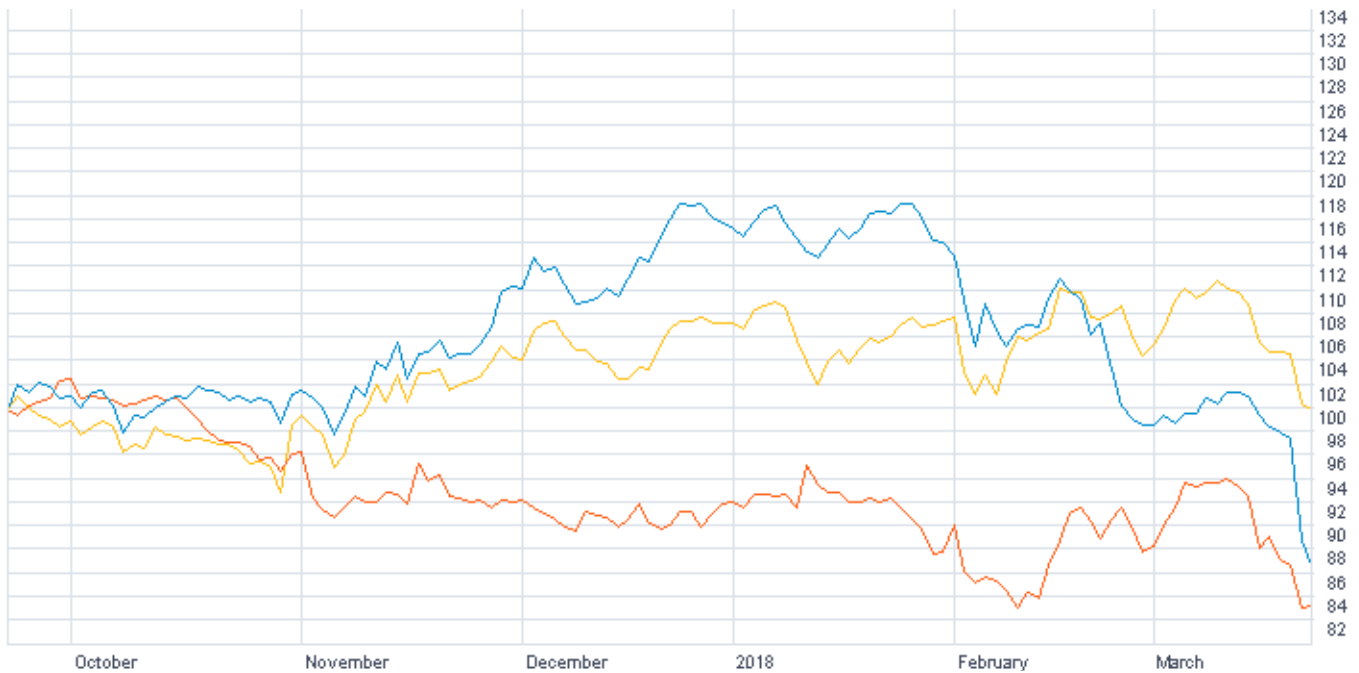
Facebook v. S&P 500



Source: Nasdaq

Cereal was the killer this week in the consumer staples sector, as higher transport and commodity costs cut into General Mills profits. Shares of the maker of Cheerios had the worst sell off in a decade after the revelation, bringing Kellogg and Post down with it.

General Mills, Kellogg, Post Holdings



Source: Nasdaq

This news could not come at a worse time, as General Mills is looking to sell shares in a secondary offering to fund the purchase of Blue Buffalo, a maker of natural pet foods. The company now needs to offer 22 million shares versus the original 19 it had anticipated.

Blue Bison ‘Wilderness’ Dog Food



Source: Blue Bison

Just when you thought the Toys ‘R’ Us saga was coming to an end, the founder of the Bratz doll empire is offering \$200 million starter cash for a \$800 million bid to save the company. The only catch is the other \$600 million is to be raised via crowdfunding.

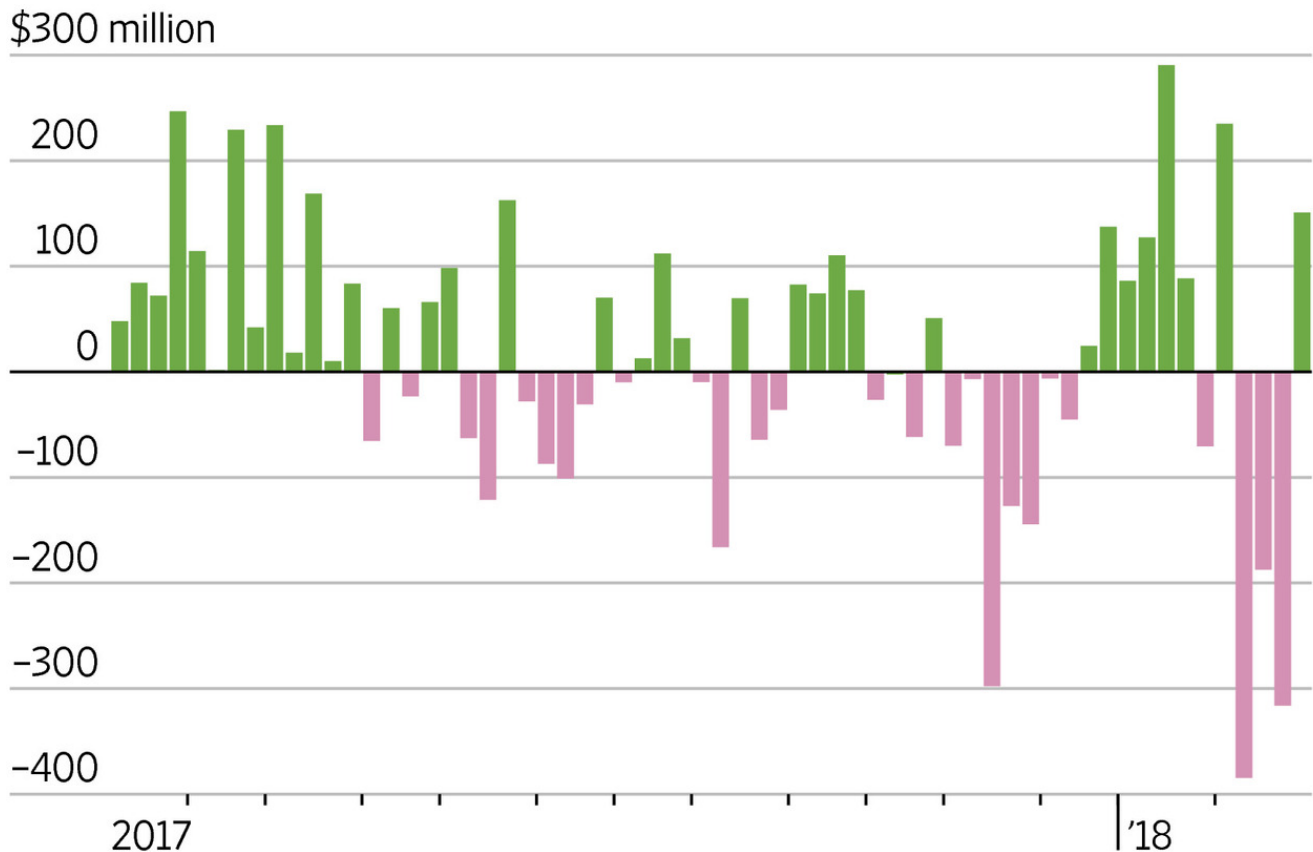
The Bratz That Built a Fortune



Source: Bratz

Master Limited Partnerships, the former mainstay for income investors looking to profit from toll roads of the energy highway, were dealt another blow last week when FERC decided that some older pipelines had to charge a reduced rate or open their wallet and upgrade their infrastructure.

Net Inflows Into MLPs



Source: The Wall Street Journal

Up & Down Wall Street

Wall Street icon and Blackstone co-founder, Pete Peterson, passed away at the age of 91. The son of a Greek immigrant, Georgios Petropoulos, Peterson was expelled from MIT in 1944 for alleged plagiarism. He would go on to a long and storied career that included stints as the CEO of Lehman Brothers and as Commerce Secretary under Richard Nixon.

Pete would become a billionaire after Blackstone's 2007 initial public offering. He would be one of the founders of the Concord Coalition and the Peterson Institute, a well-known think tank that promotes fiscal discipline, global free trade, and progressive tax policy.

Pete Peterson with David Rockefeller



Source: New York Times

Diversions

If you run into a friend who filled out a March Madness bracket and is claiming that it's not busted, consider them a liar of the highest degree.

Upset after upset rained down on the tournament last weekend, with the biggest being UMBC's take down of number one seed Virginia...by 20 points. *The Houston Chronicle* reports on how UMBC and a loveable nun pulling for Loyola-Chicago have saved the NCAA this year.

Never heard of UMBC? They are the Retrievers from the University of Maryland, Baltimore County. That's right, Virginia, that very proud 'Southern Ivy' went down to America's favorite dog. Makes some of those other teams that got the early bump feel just a little bit better.

Why Is This Dog Smiling?



Source: Cappers Picks

Stillwater View: Every dog has it's day. And these are some really cute dogs. Bow Wow!

Speaking of dogs, Jeff Bezos took his robotic pet hound named SpotMini for a walk at Amazon's annual robotics and machine learning event MARS in Palm Springs. He also enjoyed a game of beer pong with C-3PO.

Bezos and SpotMini



The Smithsonian Museum will be exhibiting art from the once bohemian Burning Man festival. The exhibit, "No Spectators: The Art of Burning Man" will run from March 30th to September 16th at museum Renwick Gallery.

'Cupcakes' at Burning Man 2018



Source: The San Francisco Chronicle

Netflix announced late yesterday that it was acquiring original material from the comedic geniuses at Monty Python. The library includes 'The Search for The Holy Grail', 'The Meaning of Life' and 'The Life of Brian'.

Searching for The Holy Grail



Source: BBC America

Stillwater View: 'Always look on the bright side of life!'

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