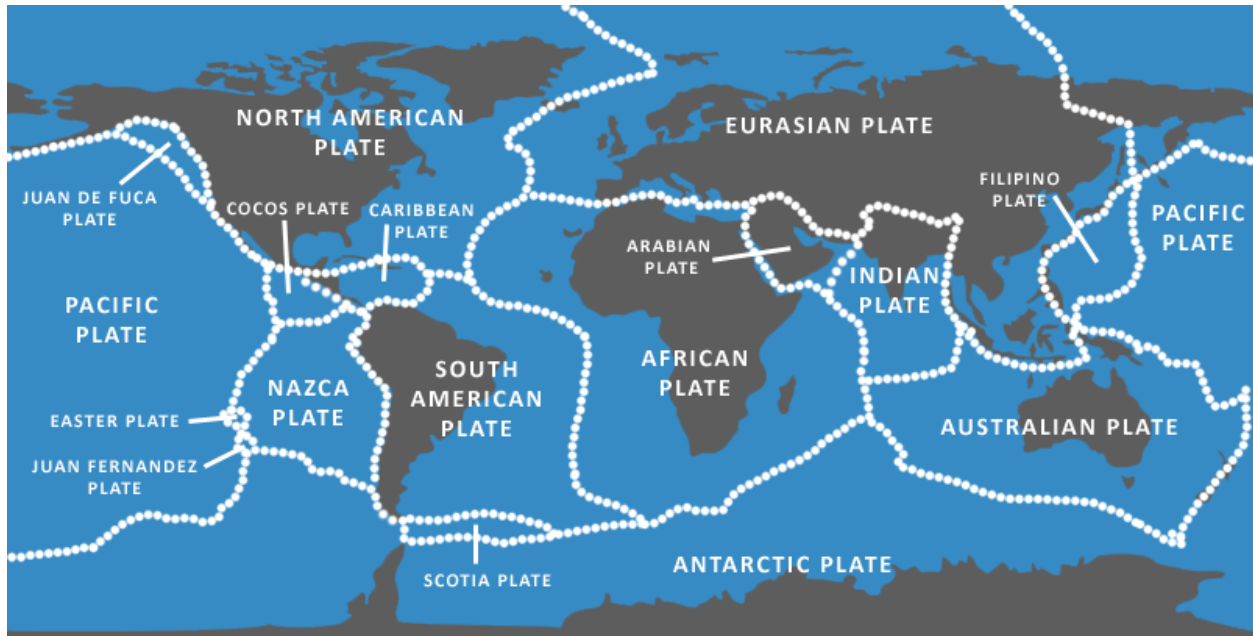


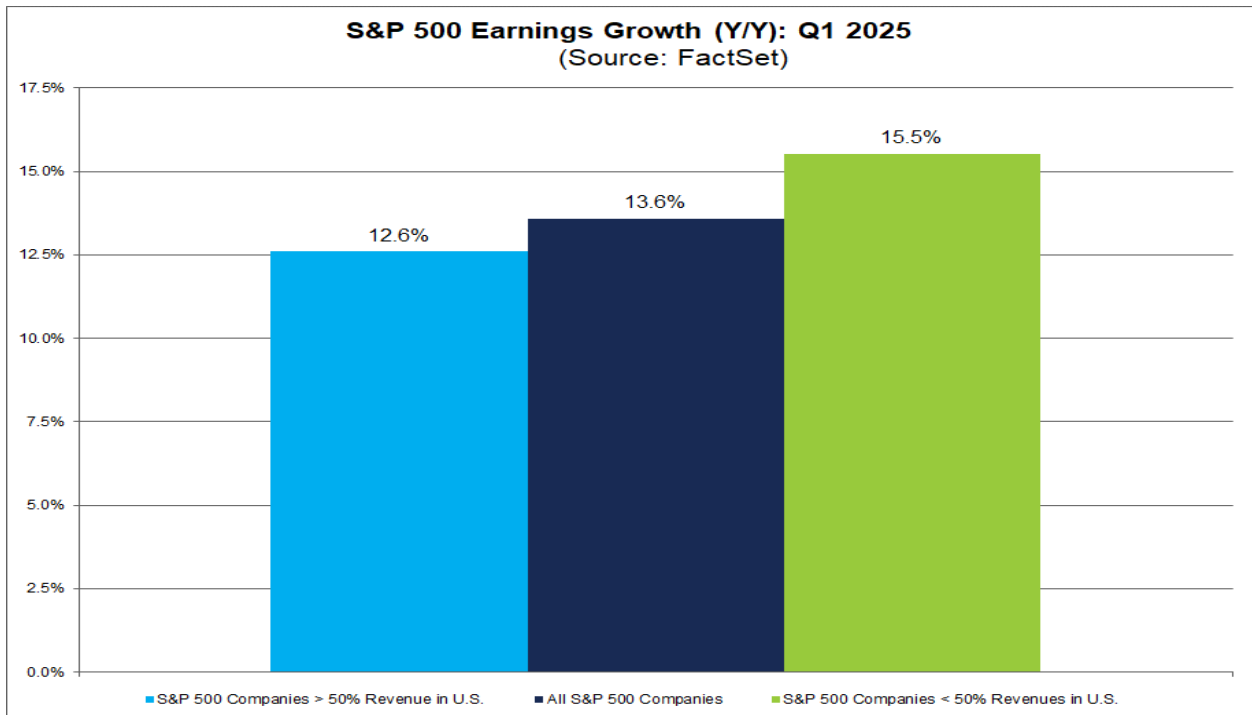
Onward from the good times of last weekend to the subject at hand. Markets, the economy, inflation, the Trump, the Fed...all of it. While a well pedigreed sage of Wall Street I am not, I've seen a thing or two. The 'collage theory' has served me well. And what I'm seeing now is shifting of the plates as we have known them. In my many years, I've never seen so many things that we thought to be true, not be. Or at the very least be replaced by new truths. Once these move, they aren't ever moving back.



Before we get diving into the plate movements, let's count some wins so as not to forget how good things are in the economy. Even with the volatility, the equity markets are still looking solid, at least as measured by the S&P 500. A little bouncing around of late, but up over 9% from six months ago is an above average return. One that doesn't say we are going over the falls.

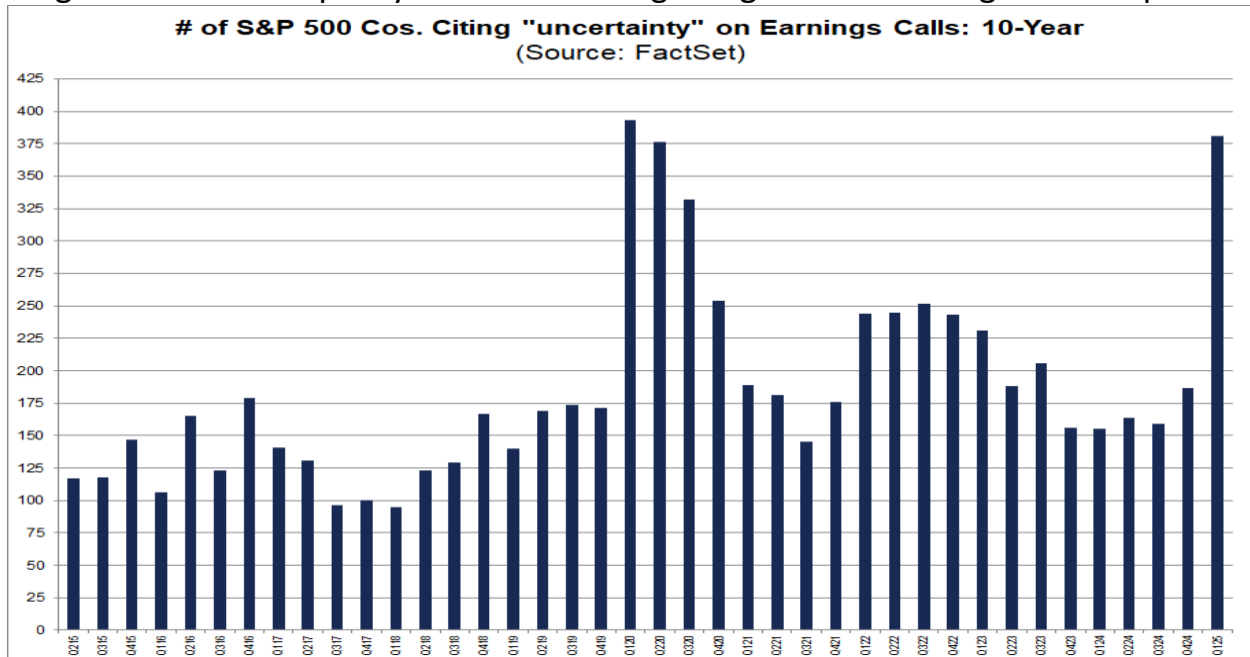


Another positive oar in the water that’s pulling in the tight direction is earnings grown. While it’s still fresh, year over year earnings for the S&P 500 grew between 12% and 15% depending on the continental source of revenue.

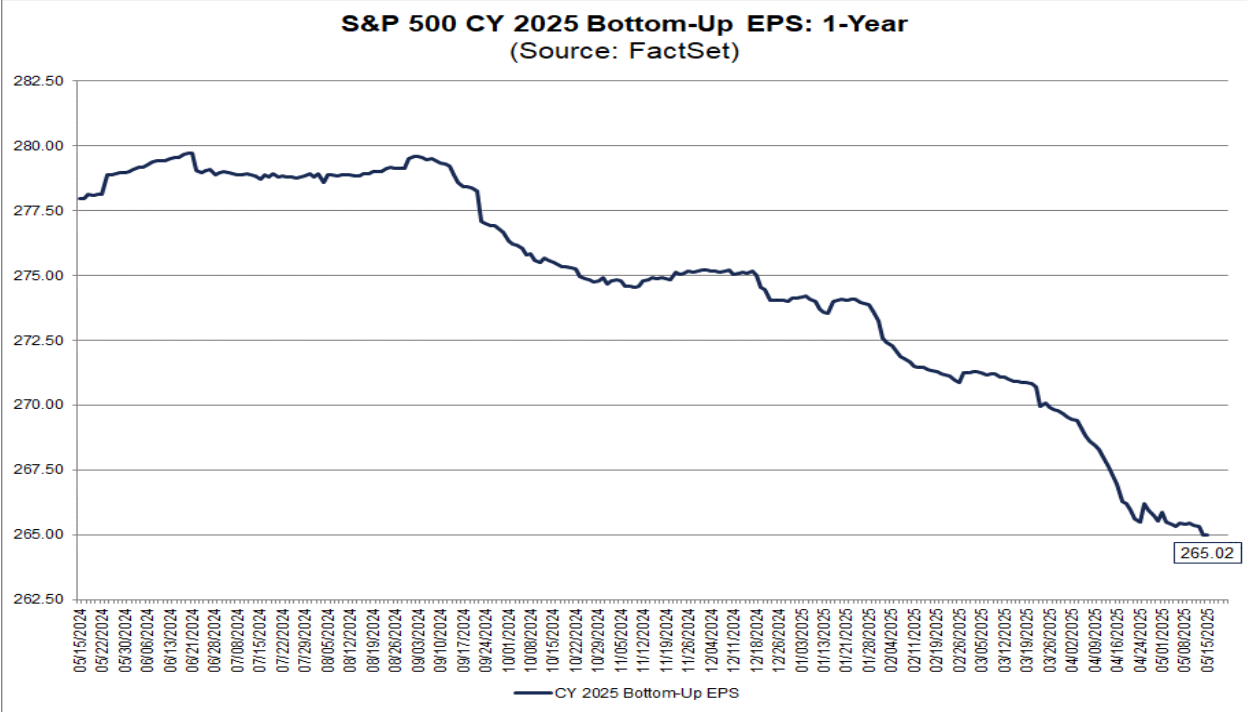


The flip side to that is 'uncertainty' is now front and center and jumped to a high not seen since Covid broke out. Put that in context. The world shut down on a dime and uncertainty went through the roof.

Trump takes charge and we go through the roof again. Last time this happened asset prices went bezerk for the next four years. Maybe that's what the market is banking on. Uncertainty leads to a slowdown. A slowdown leads to a 'lower for longer' interest rate policy. A lower for longer regime leads to higher asset prices.



How does this manifest for the outlook on earnings? The chart below tells you. S&P 500 earnings estimates for the year have been coming down, and that's what happens when uncertainty hits the tape. Estimates get more conservative, and for good reason.



Let's keep the fun train rolling through and look at unemployment. While off the lows of 3.5%, something with a four handle would be considered pretty damn good. In a very ironic way, both the bulls and the bears want a higher rate. For the ursine, it means their theories that we are headed into a recession are true. To the bovines, interest rates are headed lower for longer. And with 100% certainty lower rates means higher asset prices. The correlation is that strong.

U.S. unemployment rate

Jan. 2021–April 2025

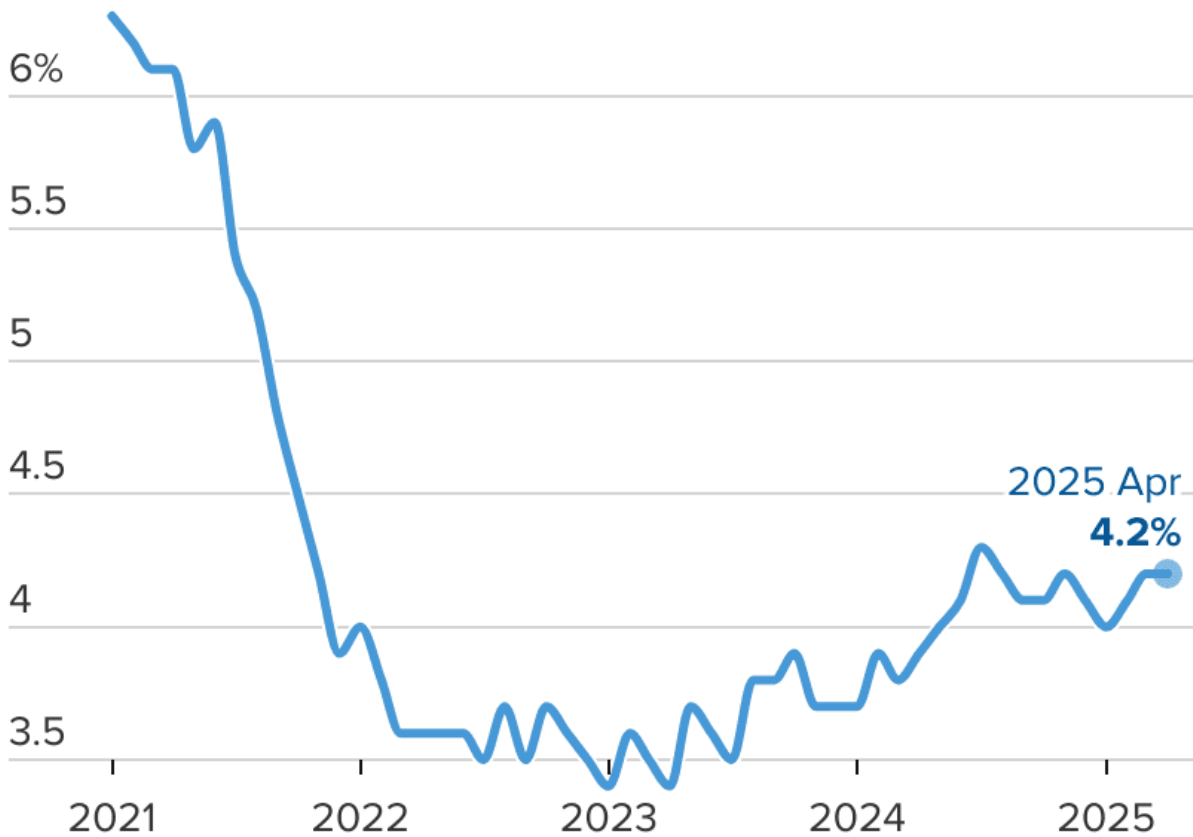


Chart: Gabriel Cortes / CNBC

Source: U.S. Bureau of Labor Statistics

Data as of May 2, 2025



With the good times headed out to sea, what we now have pulling into port is something that looks far more like the Black Pearl. And with it fire, and brimstone.



On the front of the boat sits interest rates, specifically the 30 year Treasury. This week it breached the 5% level and the DJIA dropped 900 points in a day. The reason given was that the budget Trump proposed, which looks like it will pass, is longer on spending than shorter on saving. Seems a bit of a stretch as the 30 year has danced around that level on and off for a while now.



In somewhat better news, the yield curve (the difference between borrowing short versus borrowing long) is moving even further away from inversion than it had been. Up until now, an inverted curve where it cost more to lend long has correlated with a recession has correlated six out of six times. That takes you back to 1980. If we don't enter a recession soon, it will have broken the streak and the

seventh occurrence will have eliminated the 1 to 1 correlation. I thought for sure it wouldn't. But I've been wrong before.



Every ship of mercenaries is due its own Captain Jack Sparrow, and mine this week was Jaime Dimon. The sage silver haired fox in charge of JP Morgan.



Why does Captain Dimon get a gold star? Because he called out publicly the trade, I think is most likely: an extended period of stagflation. This was the quote. It ain't much, but I don't need much. I'm anchored to this trade!

"I think the chance of inflation going up and stagflation is a little bit higher than other people think,"

The latter half, the inflation piece, is locked in and pervasive. The stag isn't there yet, and there has been little in the way of evidence that says it's coming anytime soon. But it's out there, lurking. If it does show up, it will be the first time in fifteen years. The Covid blip one doesn't count.



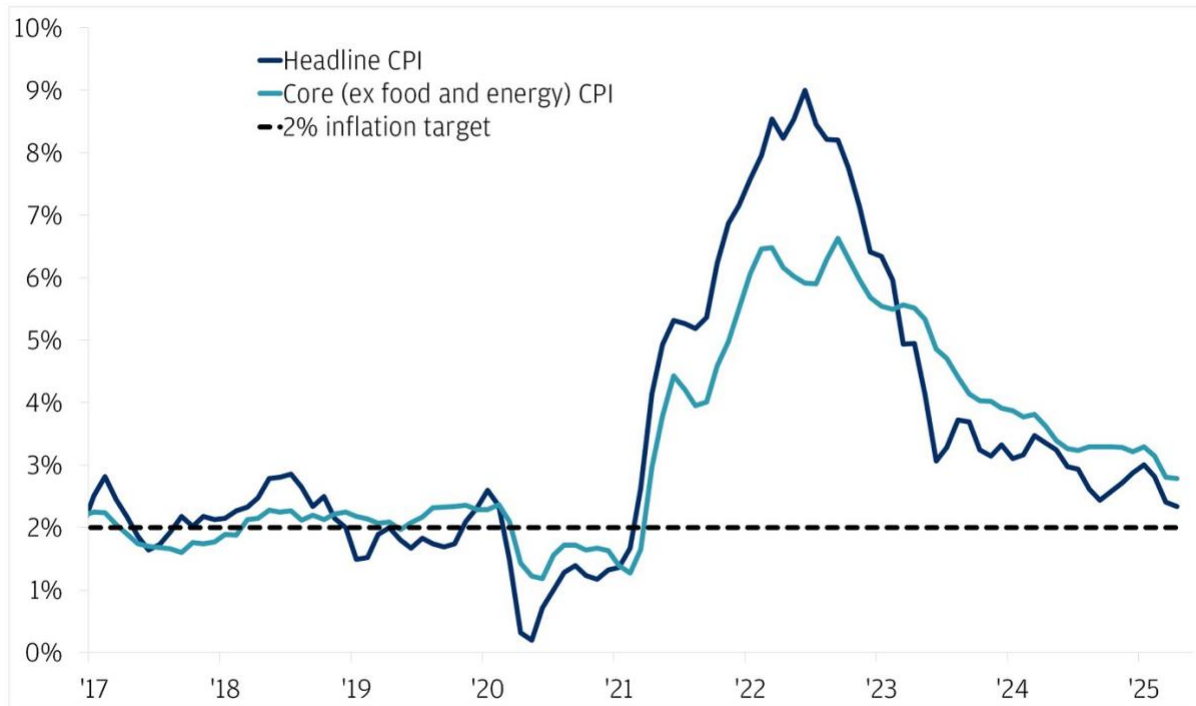
On that same subject I got another little gift from the central banker God's. My guy, Jerome Powell himself, said at an economic forum in D.C. that...

"The economic environment has changed significantly since 2020, and our review will reflect our assessment of those changes. Longer-term interest rates are a good deal higher now, driven largely by real rates given the stability of longer-term inflation expectations. Many estimates of the longer-run level of the policy rate have risen, including those in the Summary of Economic Projections."

That may not sound like much, but it's enough for me. We got problems right here in River City. If the myopians want to continue to follow that silly little number that is CPI, go ahead. Central bankers have gone to war with the indicator they have, not the indicator they need. Remember, inflation isn't going down. It's increasing at a slower pace than it had been. Which means very little when you are passing the pig that is the python through.

U.S. Consumer Price Inflation

% YoY



Sources: Haver Analytics. Data as of May 13, 2025.

From here on out the commentary is going to get a little esoteric, nay, out there. But I'm an out there kinda guy and it's a good story to tell.



High up in the Montana mountains is a little town named Cooke City. It dates back about 150 years and was founded on the gold mines.



Along with the town four miles away closer to Yellowstone, Silvergate, it's one of my favorite places on earth. Lot's of good fishing, interesting people, grizzly bears, grizzly bears chasing moose, and ghosts. But it has a rough side as well. One that was born somewhat out of Earnest Hemingway's time when he wrote there in the summer. Rugged individualism where the favorite quote for those who know is...

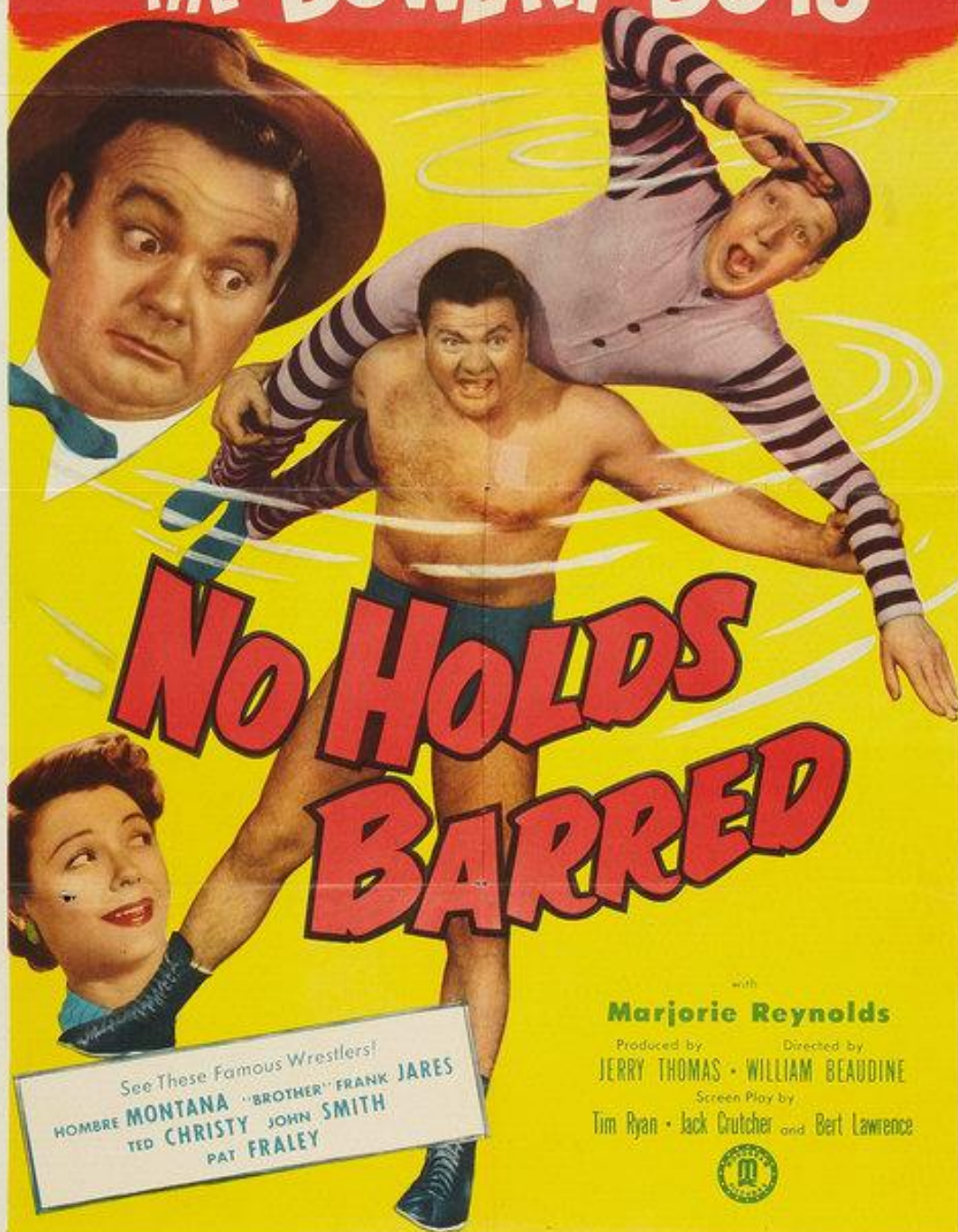
'Cooke City. Do crazy people come here, or does the town make people crazy.'

Up there at 9,000 feet things happen that to the locals equal about a 2 on the 'holy shit, I can't believe that happened' scale, where in other more gentrified places would be an 8 trending 10. Things like grizzly bears ripping up houses, drug dealing softball teams, adventure athletes of the most extreme kind, and everyday occurrences like the guy who ran the sawmill cutting his hand off. There is the Royal Wulff bar where my guy Chris Warren slings drinks as if Hemmingway still told stories by the giant rock fireplace.



Point to this goes back to the idea of a Cooke City 2 being a Regular Place 8 to 10. We say it all the time. The epiphany I had was that the world has drifted so much that norms are no longer norms, and every fight of any kind is a 'no holds barred' one.

LEO HUNTZ
GORCEY • HALL
with **THE BOWERY BOYS**



**No Holds
Barred**

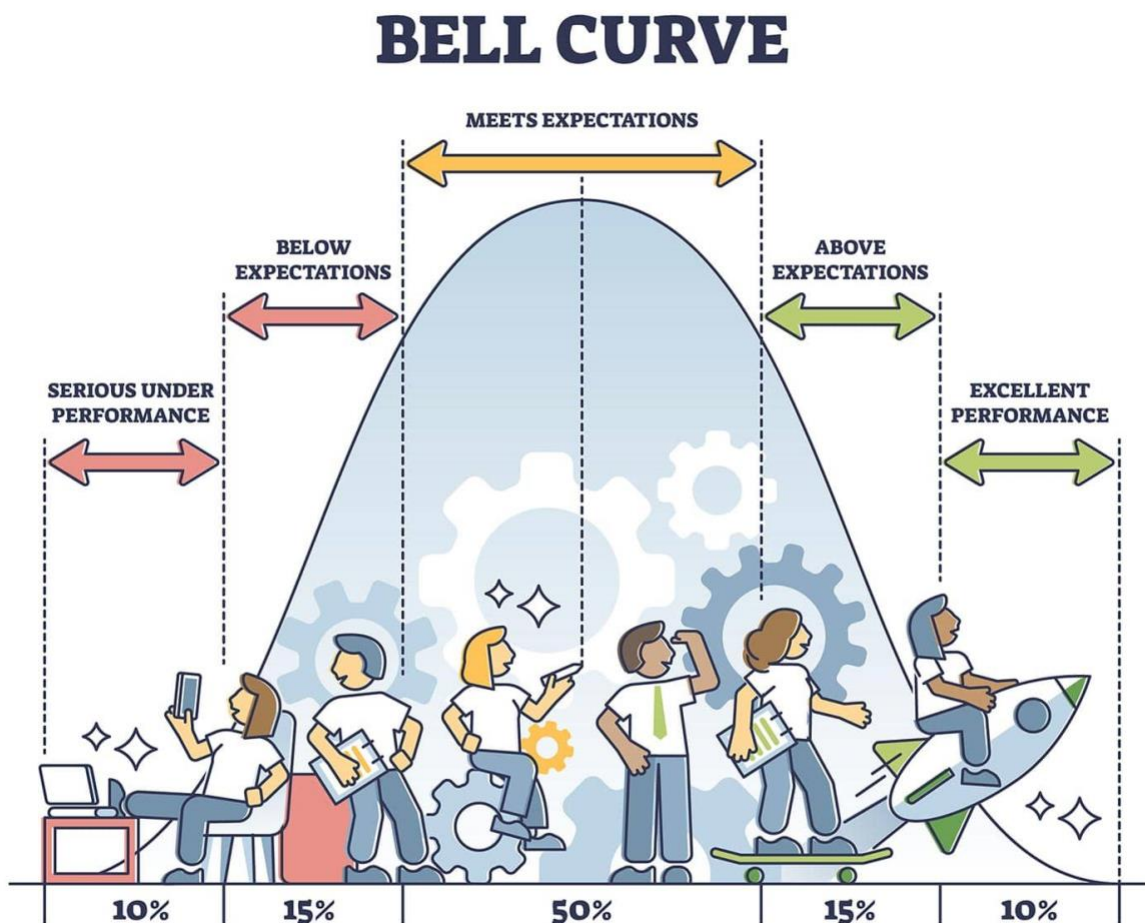
See These Famous Wrestlers!
HOMBRE MONTANA "BROTHER" FRANK JARES
TED CHRISTY JOHN SMITH
PAT FRALEY

with **Marjorie Reynolds**

Produced by JERRY THOMAS • WILLIAM BEAUDINE
Directed by
Screen Play by
Tim Ryan • Jack Crutcher and Bert Lawrence



The Cooke City 2 is now a 0, and the Regular Place 8 to 10 is now 6 to 8. Meaning, things we once say as way the hell out there on the spectrum, are now something that could happen on pretty much any day that ends in 'Y'. I was more ready than most given the fact that I had somehow seen it before. But still, I don't the whole of the populace is ready for anything like it. In general, we want what we want, and prefer it to be something we've seen and known. A middle right existence on the bell curve. And that has about a 65% chance of happening most of the time.



What are we to do now? Sadly, or not so sadly, I think part of it is to longer give an eff about what we knew to be true. Politicians are more worthless than we thought. The White House rivals a Barnum and Bayley's circus. The tide went out on central bankers and it turns out they were all swimming naked. I've even found

myself pulling for the Detroit Lions, and nothing about that was ever normal. I'm sorry for your sacrifice, Barry Sanders. You deserved better.



Where does this leave us? It's a whole new world out there and the tectonic plates of this globe are starting to shift. That doesn't come without risk, and sometimes they get hung up on each other. But an old 2 on the Richter scale now feels like a zero. And a 6 feels like a 4. We are now immune to things in the economy in life that used to sit in places we tried to avoid. This would have never happened today.

It's okay now to dance on the left tail further than we once did. It's okay as that's the new normal. But beware the FAFO reaper. Just because the landscape has changed, doesn't mean he isn't still ready to come out and regulate. Because while effing around might feel cool and fun at the time, there is still a distinct risk that you find out.



With that in the rearview, I say God bless you all. God bless great car racing at Monaco and Indy. God bless those who are out there at post. God bless fresh green grass in Montana. God bless that no matter what the freak show looks like these days, this country will survive. And most of all God bless the United States, and those who died to keep it free.

