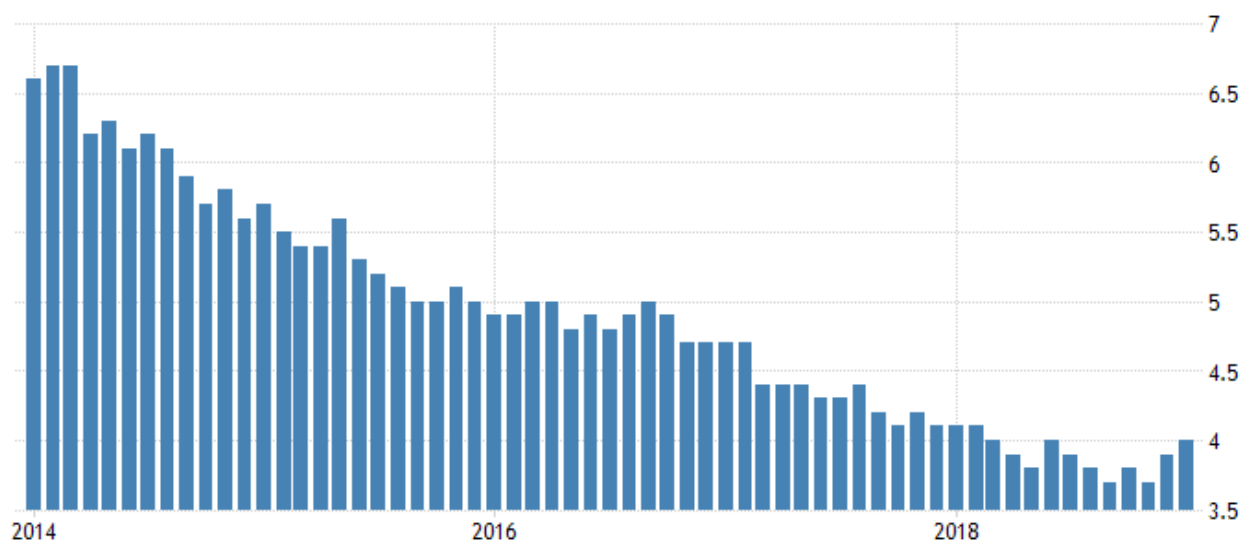


## *This Week In...*

### *Economics*

Once again, the economic calendar was light, and will continue to be until next Friday's employment report hits the tape. While you have to really be looking for trouble in the numbers, there has been a flattening out, and a potential reversal, of the unemployment rate trend. In and of itself, this is not a problem. When combined with the other indicators that are beginning to slip, it becomes one.

### **Nearing the end?**

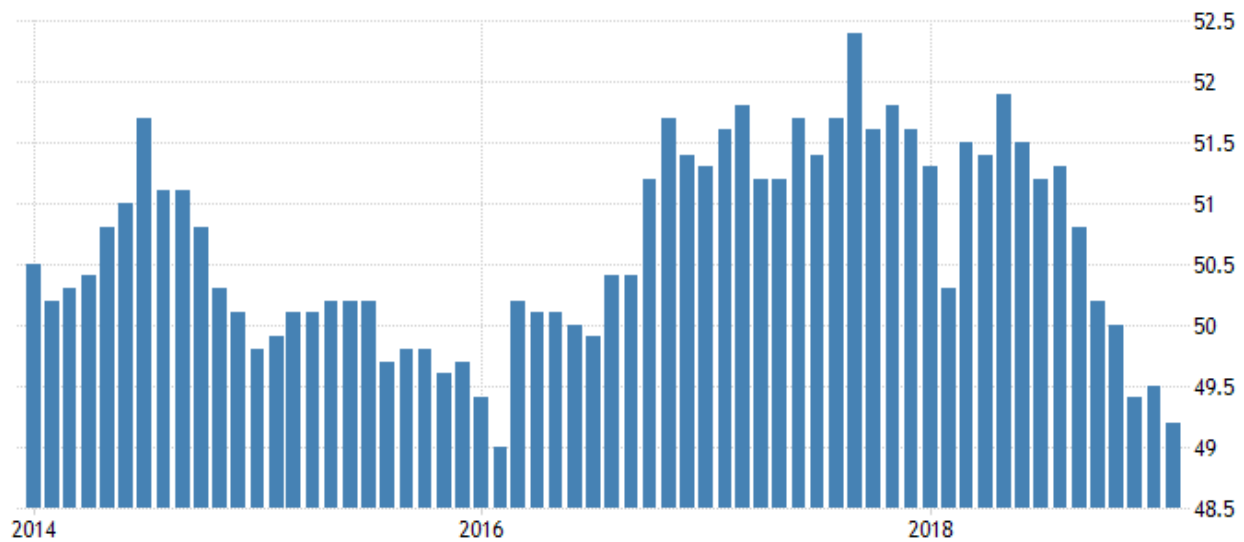


SOURCE: TRADINGECONOMICS.COM | U.S. BUREAU OF LABOR STATISTICS

Source: Trading Economics

One trend that is by no means on the right track is Chinese PMI. The purchasing managers index is a proxy for the health of the industrial economy. Of particular interest to the markets is the new orders component. Readings above 50 show economic expansion, readings below that marker, indicate economic contraction. For China, this trend has not been the countries friend.

### **China PMI**



SOURCE: TRADINGECONOMICS.COM | NATIONAL BUREAU OF STATISTICS OF CHINA

Source: Trading Economics

### ***Company News***

It was a relatively big week for news out of mall and catalogue retailers. First up is the continued contraction of the once ubiquitous Victoria Secret brand. On Thursday, Vickie’s parent company L Brands announced they would close 53 stores in 2019, up from the annual average of 15.

**Pink...the new pink.**



Source: Uptrend Points

All of which, including a general disdain for anything sold out of a mall, has made symbol LB nothing you wanted to own in the last five years.

### **Stylish Underperformance**

## Retail Rout

### L Brands sinks as Victoria's Secret sales drag



Source: Bloomberg

In other retailing news, the long struggling Gap has decided that enough is enough , and it's time to get serious about store closures and spinoffs. On Thursday, the San Francisco based company announced plans to close 230 stores as part of a two year plan to right-size the traditional mall based business.

After all is said and done, the Gap plans to have 40% of revenue generated online. As part of the reorganization, the company will spin off Old Navy into its own separate entity. The market liked the news, with the shares rallying 25% after it was announced.

**The Gap...only cheaper.**



Source: Despositphotos

## ***Buffett***

All the Warren Buffett lovers out there got to eat from the trough this week, when the Oracle of Omaha released the Berkshire Hathaway annual letter to shareholders. While the coverage was thick across the financial media, once again, nobody covered it quite as well as *CNBC's* Becky Quick.

If you have an hour this weekend, take the 60 minutes to listen to the interview with the man who over the past 50 years has been the standard for value investing. The number of investment firms that use “Just like Warren Buffett we look for...” is innumerable. Though even he says he can no longer beat the S&P 500. Here is the list of the holding companies top positions as of December 31<sup>st</sup>, 2018.

**Billions...with an “s”**

## Berkshire Hathaway's Top Holdings

| Company           | Ticker | Size of stake | Stake value      |
|-------------------|--------|---------------|------------------|
| Apple             | AAPL   | 252,478,000   | \$56,994,000,000 |
| Bank of America   | BAC    | 877,248,000   | \$25,843,000,000 |
| Wells Fargo       | WFC    | 442,361,000   | \$23,250,000,000 |
| Coca-Cola         | KO     | 400,000,000   | \$18,476,000,000 |
| Kraft Heinz       | KHC    | 325,634,000   | \$17,945,000,000 |
| American Express  | AXP    | 151,610,000   | \$16,145,000,000 |
| US Bancorp        | USB    | 124,923,000   | \$6,597,000,000  |
| Moody's           | MCO    | 24,669,000    | \$4,124,000,000  |
| Goldman Sachs     | GS     | 18,353,000    | \$4,115,000,000  |
| J.P. Morgan Chase | JPM    | 35,664,000    | \$4,024,000,000  |

Source: Insider Source

### ***Markets***

Bill Dudley, our favorite former Goldman chief economist and New York Fed president, made an appearance at the NABE conference and provided a sit down interview with Steve Leisman. The two key takeaways being first, he doesn't see a recession on the doorstep, and second, marketeers need to stop complaining every time the market goes down and treating the Fed as the "whipping boy" responsible for it.

Best quote, "The Fed does not care about the level of the stock market for its own sake." He went on to say that if it gets too bad, and has consequences for the real economy, then they care. So there you have, once again, there are no crybabies allowed in the casino.

### **Bill Dudley**



Source: Silveristhenew

Bill Gross, the bond markets Lion in Winter, stepped off the desk for the last time on Friday. This capped off a 50 year career in the fixed income world. Gross spoke about his Asperger's syndrome and how it impacted his ability to compartmentalize issues both personal and professional. He made a fascinating revelation about how he figured it out, partially through the observation of the future-former Mrs. Gross.

Bill started his career at Pacific Mutual Life, and would spin himself out in 1974 to start the Pacific Investment Management Company, PIMCO, across the street.

### **Pacific Life in Newport**



Source: You Are Here

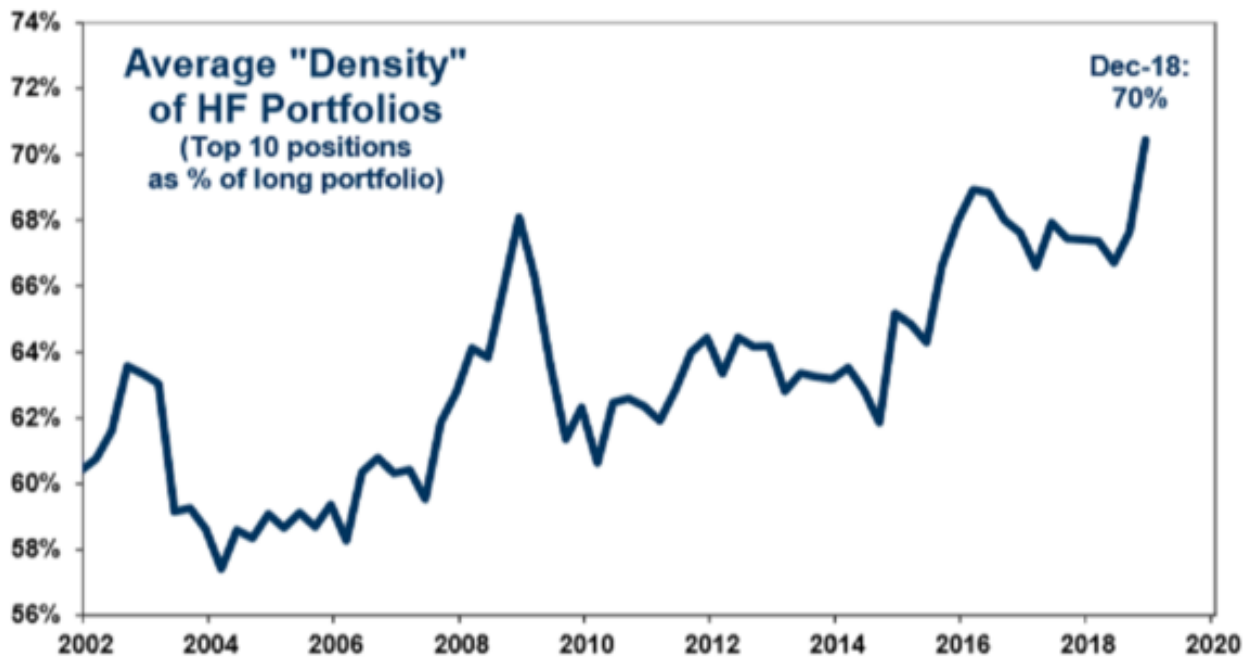
## ***Hedge Funds***

In news that should be a surprise to no one, hedge funds are relying on fewer and fewer stocks to generate performance. Not only do 70% of portfolios consist of only ten positions, those select few tend to be both massively well followed and heavily owned by everyone else on Wall Street. They include Amazon, Microsoft, Facebook, Alphabet, and Alibaba.

Our bubble thought, “Wow, you mean I can get those stocks in an illiquid partnership, with a 2% and 20% fee structure? Sweet! Where do I sign up?”

## **Concentration is King**

**Exhibit 13: Hedge fund density is historically elevated**  
holdings as of December 31, 2018



Source: FactSet, Goldman Sachs Global Investment Research

Source: Bloomberg

The Bloomberg article begins with an interview with Nuveen's Bob Doll, a longtime market observer and portfolio manager. On a personal note, I worked with Bob years ago, albeit for three whole months. Shortly after I was forced to surrendering over to him a four year track record for the firms long/short equity mutual fund. As stated earlier, there are no crybabies on in the casino, even when the baby in questions gets whacked in the professional head.

**True Story!**



Source: Everything Neon

### ***Diversions***

In news that *almost* can't be believed, Salesforce founder Marc Benioff may have purchased a Tiki doll for \$7 million that could only be worth \$5,000. The statue of Hawaiian war god Ku, was acquired at auction in 2017 by the billionaire. He later donated the carving to the Bishop Museum in Honolulu.

The whole story harkens back to the greatest Brady Bunch movie of all time, *The Brady Bunch's Hawaii* where Bobby finds the idol.

**Ku & Marc Benioff**



Source: Business Insider

As has been widely reported, the high end real estate market has taken a “pause’. Nothing says this more so than Michael Jackson’s Neverland Ranch in Santa Barbara County. Acquired by Tom Barrack and Colony Capital when the estate was re-structured, the original asking price was \$100 million. How much was knocked off? Oh, just a cool \$70 million. And no, that is not a typo. On the price adjustment the listing agent, Suzanne Perkins, said “Nothing has changed, just the price-dramatically so.” As the hip kids like to say, “ya think?”.

**Santa Ynez, California**



Source: Noozhawk

*Bloomberg Businessweek* ran a great piece yesterday titled *“One Pass to Ski Them All”*. In it, the author Kyle Stock tells the story of how a large number of independent resorts, strewn across the west, have been consolidated into the hands of two operators, Alterra and Vail Resorts. It also explains how multi-resort passes like the Ikon and Epic Pass came to be. There is also the Mountain Collective with a drool-worthy lineup of resorts like Aspen/Snowmass, Sun Valley, Jackson Hole, and Squaw Valley.

**Ski Them All**



Source: Bloomberg Businessweek