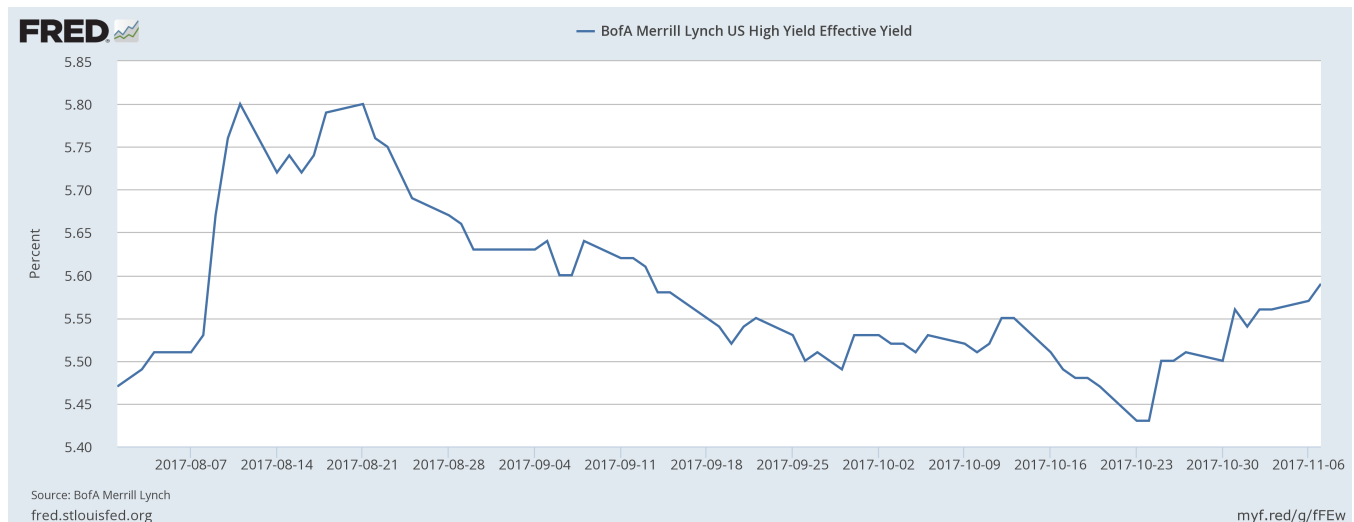




The Top-Down

The markets woke up to a very soft open on Thursday morning. The culprit being a clouded tax plan picture from the GOP, and the high-yield market feeling the need to add on by raising a red flag. Merrill Lynch viewed it as a ‘dress rehearsal’ for what could eventually be a bigger pullback. In an interview with *Bloomberg*, Oaktree’s Howard Marks once again called for caution as “prospective returns are the lowest they’ve ever been.”

High Yield Moving Higher



Source: Saint Louis Federal Reserve

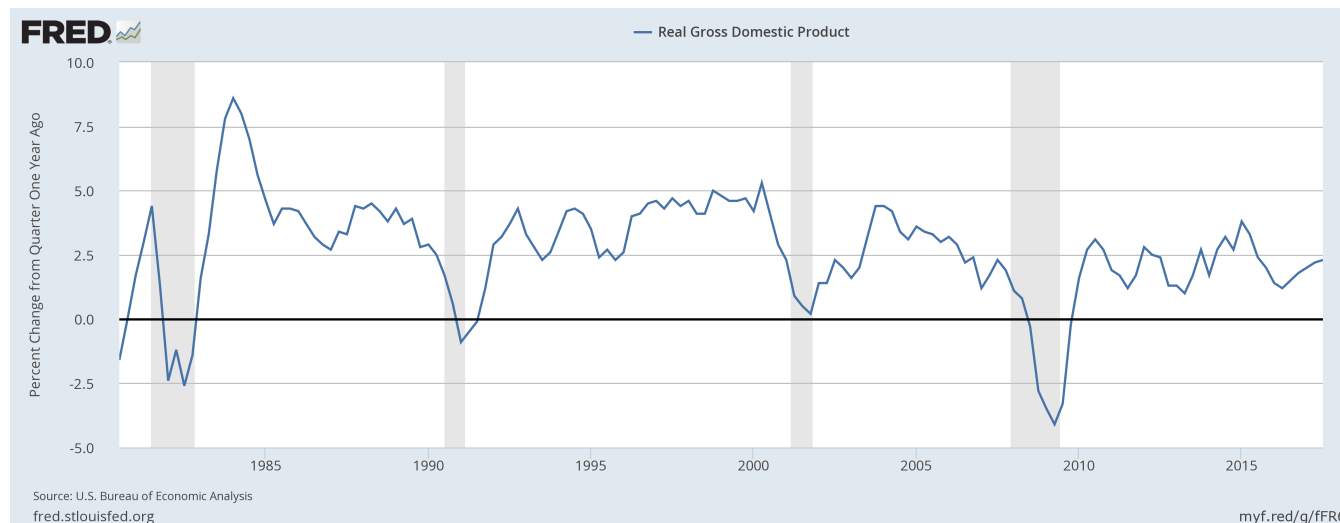
Stillwater View: Yield spreads are the EKG of the markets. While this move may prove to be a blip, it’s worth keeping an eye on.

The tax package that was delivered last week continues to get unpacked, and some of the pieces aren’t getting the reception the Republicans were anticipating. The *Los Angeles Times* reports this

tax-plan is by no means a friend to the residents of California. And *Bloomberg* profiles how people who live on the Upper Eastside could be the biggest losers of all if the plan is adopted.

White House economic advisor Gary Cohn appeared on John Harwood's "Speakeasy" program, selling the positive benefits of trickle down economics and why he anticipates there will be an increase in GDP growth 'well north' of the 3% baseline expected by the tax-plan.

Quarterly Domestic GDP Growth – 1980 to Present

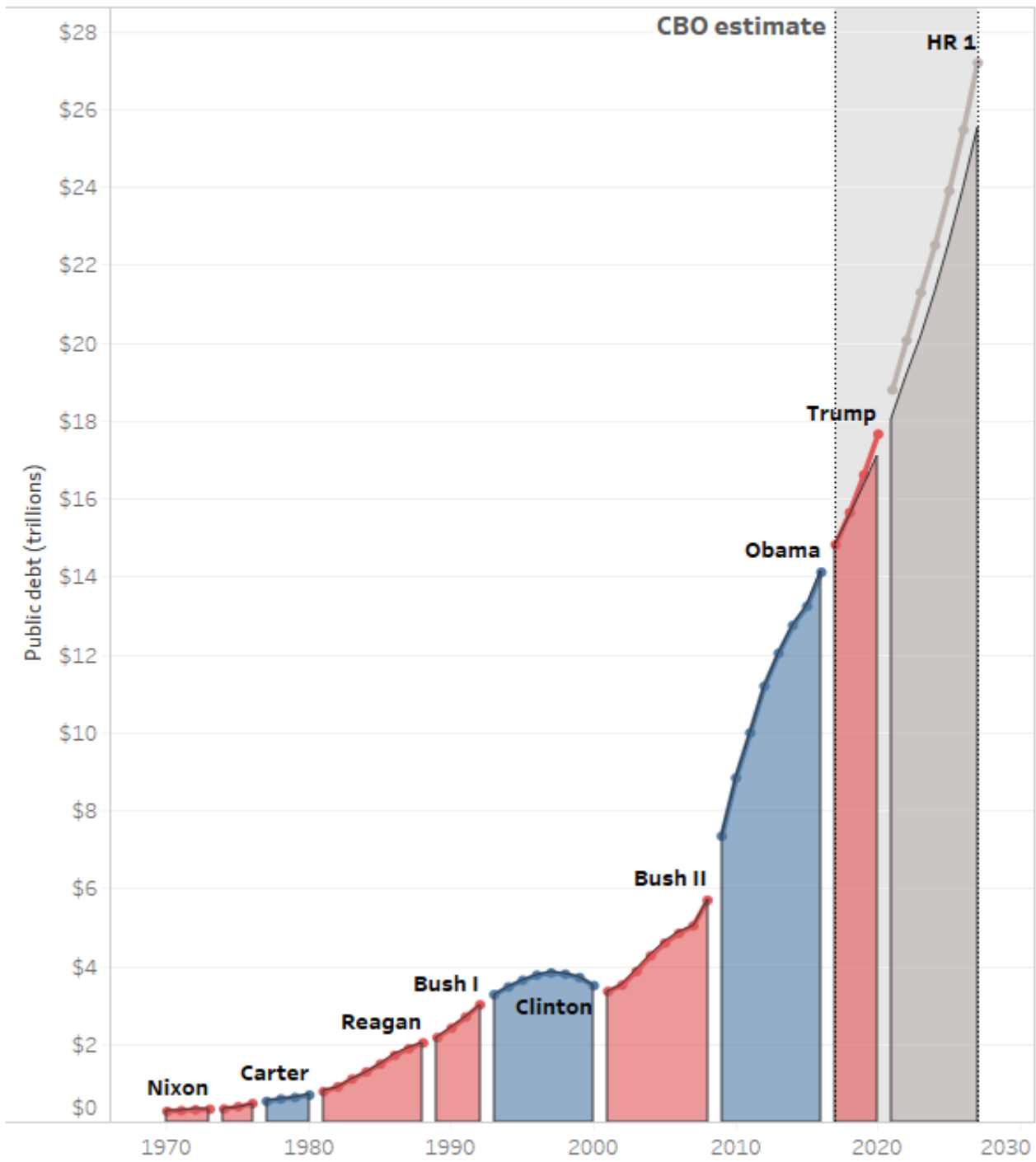


Source: The Saint Louis Federal Reserve

Stillwater View: Everything pencils when you get higher growth. Let the debate begin as to whether or not the tax plan brings it.

Former Fed Chairman Alan Greenspan thinks otherwise. In his opinion, the increased levels of debt associated will dampen these prospects. The Congressional Budget Office predicts a rise in the national debt of \$1.7 trillion, assuming the current baseline growth of 2.5% continues. The bond rating firm Fitch agrees.

Federal Debt Estimate from the Congressional Budget Office

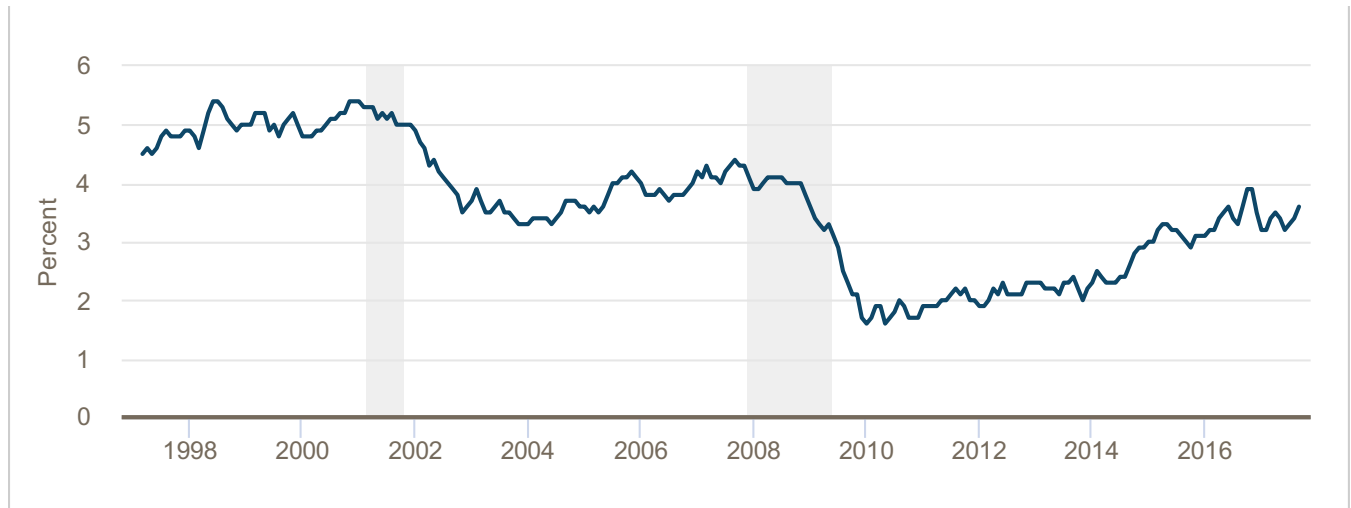


Source: Congressional Budget Office

On the corporate side, expectations continue to evolve. At one point Wall Street anticipated a retroactive cut in 2017, it now appears as if a two year phase in will be the most likely result. Even then, the question remains, how will corporations use their increased profitability.

We know that earnings will get a boost, but will there also be the commensurate increases in capital spending, hiring, and the elusive wage growth that continues to befuddle economists as we move closer to full employment?

Wage Growth Tracker



Source: The Federal Reserve Bank of Atlanta

Stillwater View: Coming out of the global financial crisis companies got very conservative with their income statements and balance sheets. Keeping the former lean while they rebuilt the latter. It's no wonder that wages have seen a longer and slower rebound. It remains a concern as to what corporations will do with the extra cash promised. When in doubt they will buy back stock and increase dividends just as they have in the past been doing.

Two weeks ago, Saudi Arabia showcased to the world its move away from 'petro-dependency'. The situation changed dramatically last Saturday, as Crown Prince Mohammed Bin Salman executed a power grab the likes of which the Kingdom has never seen. The evening of November 4th is being referred to as 'The Night of the Long Knives'.

Crown Prince Mohammed Bin Salman or 'MBS' in Street Parlance



Source: BBC

The Ritz-Carlton in Riyadh has been converted into the world's richest prison, as sheiks, princes and business leaders alike are being detained there until further notice.

Ritz-Carlton Riyadh



Source: BBC

New York Federal Reserve Chairman Bill Dudley, is stepping down from his post a year early. The *New York Times* reports he is not going into the good night quietly. Mr. Dudley has been the calm voice of reason since his appointment in 2018. He is well known for bringing the skills he honed as chief economist at Goldman Sachs to an economy emerging from the global financial crisis.

New York Fed President Bill Dudley



Source: The Wall Street Journal

Stillwater View: Mr. Dudley was the right man for the job. His economic and market knowledge served the banking and finance sectors well during his tenure. Godspeed in your travels, Bill.

The Bottom-Up

The Montana beef industry came out a winner from the improving United States relationship with China, as internet retailer JD.com announced that the company has entered into a three-year agreement to purchase \$200 million worth of cattle from the Treasure State. The deal was struck last month, and made public during President Trump's trip to Asia this week.

Cattle Yard in Miles City, Montana



Source: Billings Gazette

Snap Inc. had a very bad week when the company missed Wall Street expectations across every metric. The only silver lining was the announced investment of \$2 billion in open market stock purchase from Chinese internet giant Tencent. This represents a 12% stake in the company. But they didn't clean up the excess inventory of Snap Spectacles as the company announced that \$40 million worth of the glasses have been written off the books.

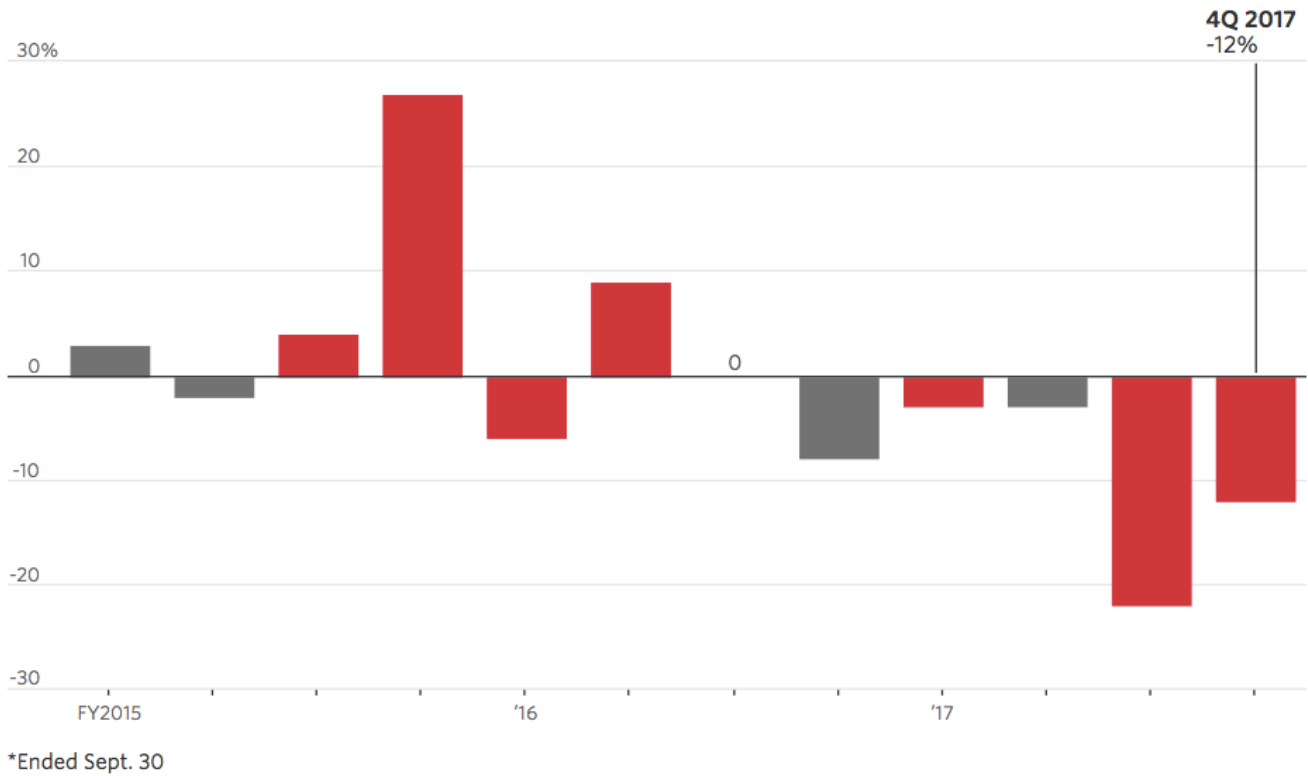
Snap Spectacles



Source: Snap Inc.

Disney reported earnings on Thursday afternoon, and they too missed estimates on the top and bottom line. The company also announced that they would be pricing their streaming service ‘substantially below’ Netflix. Operating income from broadcasting continues to be weak, dropping 12% from the previous year with ESPN being the main reason for the decline.

Operating Income for Disney’s Broadcast & Cable Networks



Source: Disney & The Wall Street Journal

Up and Down Wall Street

Former Lehman Brothers CEO Dick Fuld, continues to get back in the game as his Matrix Wealth Partners expands into private equity and short-selling . FusionIQ’s Barry Ritholtz reminds us how ‘The Gorilla’, as he was affectionately known, could have taken steps early on to avoid the 158 year old firm’s eventual bankruptcy.

Matrix Private Capital Group Founder Dick Fuld



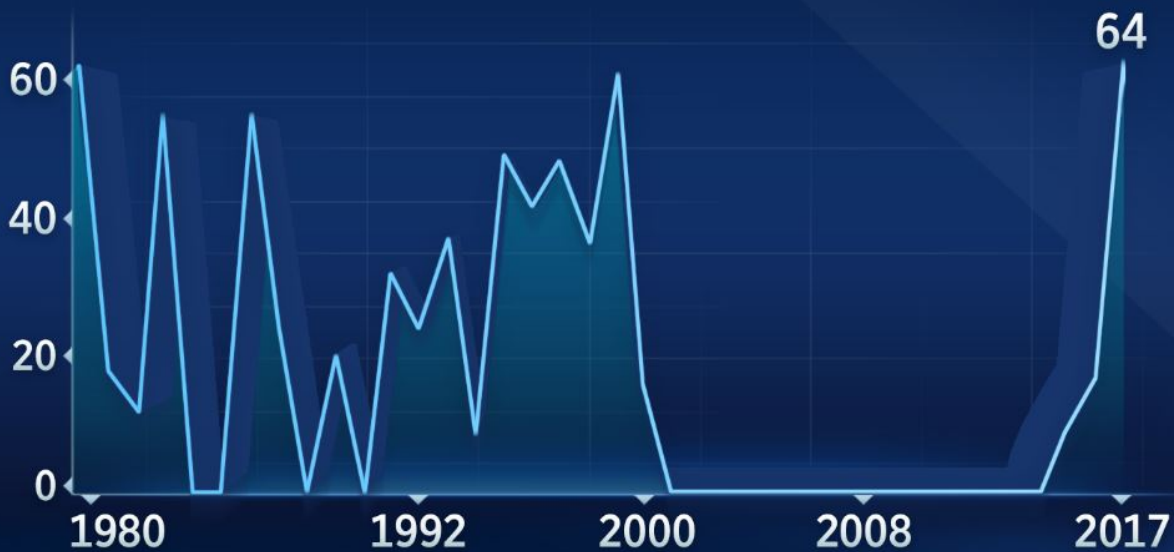
Source: Matrix PCG

Stillwater View: A representative from Stillwater will be calling Dick soon to see just how interested Matrix is to get into the business of short selling.

The heavily watched technology sector continued to rip higher through mid-week, only slowing down on the news that the Senate's tax plan wouldn't kick in for corporations until 2019. The index has now hit the highest record closes in its history.

The Power Ramp in the Nasdaq Continues

RECORD CLOSES FOR NASDAQ AS OF NOV 6

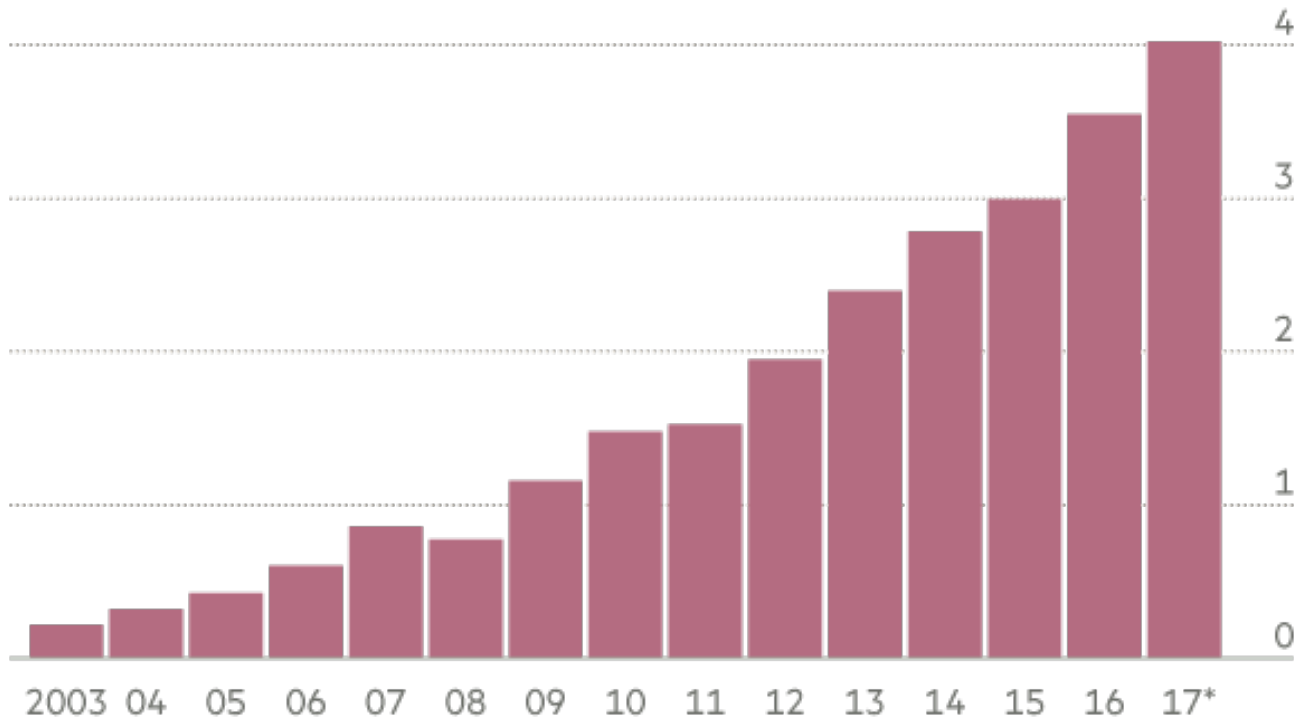


Source: CNBC & LPL Financial

Wells Fargo equity strategist Christopher Harvey hypothesizes that the shift in assets from active to passive is one of the key reasons this rally has been so smooth. He attributes this to the fact that there are fewer qualitative decision makers amongst us to press the sell button.

He further equates the influence that passive investing has had on equities to QE's impact on the Treasury market. In both cases inventory of securities has been taken out of the market, and as a result there are fewer natural sellers. And of course, there is an ETF that seeks to take advantage of the popularity of the entire ETF industry.

ETF Assets Top \$4 Trillion

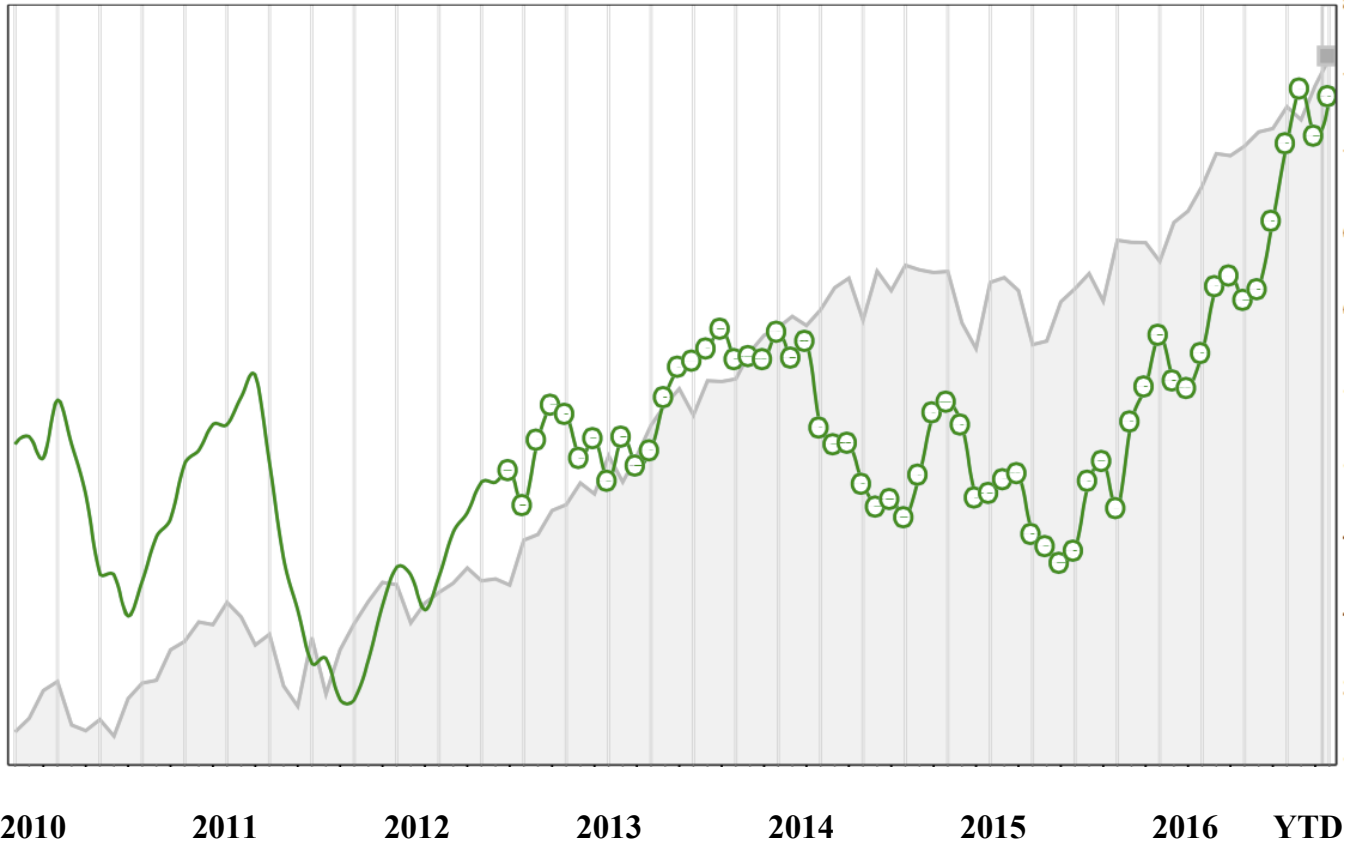


Source: The Financial Times

Stillwater View: While not wanting to be accused of lurking around the Grassy Knoll looking for conspiracies, there is most certainly something different happening in this market. Could be the quants or emotionless ETFs, but there is a force at play keeping volatility down that can not be easily explained.

During a quiet week for economic releases we stumbled across the TD Ameritrade Investor Movement Index (IMX). This measure shows the vigor amongst the retail investor currently buying and selling on the TD platform.

TD Ameritrade IMX Index vs. S&P 500



Diversions

United Airlines ‘Queen of the Skies’ closed out 47 years of flying this week when the airline’s last 747 took off from San Francisco en route to Hawaii. Smaller single aisle planes with better fuel efficiency have taken over. In related news, the world’s first commercial A380 will be scrapped if a new owner can’t be found. The biennial Dubai Airshow takes place next week as the fate of the superjumbo hangs in limbo.

The ‘Queen of the Skies’ Takes Off One Last Time from SFO



Source: Time

We have reached the mid-way point of the college football season, and the only prediction we got right was that the Crimson Tide would roll...again. Not our fault that this is most predictable thing in the sport at present. If they both keep winning, Alabama and Georgia will square off in the SEC Championship game on December 2nd.

Brian Kelly will not be looking for a new job after this season if he continues to win at Notre Dame. The third ranked Irish take on the number seven Miami Hurricanes this Saturday in a rematch of the legendary 'Catholics versus Convicts' game.

Pat Terrell Secures the Win for Notre Dame in 1988



Source: Sports on Earth

Stillwater View: It's been a great year for conference implosions as the Big-10 and Pac-12 have both blown themselves up in league play. And like the swallows to Capistrano, the Bruin faithful are asking 'when does basketball season start?'. Though it looks like a few of our guys might not be seeing this side of the Pacific anytime soon.

Gravelly voiced country rocker The White Buffalo, continues his 2017-2018 tour after a swing through California last month. His band will be playing the Pub Room in Billings, Montana on Saturday night. The tour supports the new album 'Darkest Darks' and its most popular track, "Avalon". Past hits include "How the West Was Won" and the soulful "Wish It Was True".

The White Buffalo



Stillwater View: If Wilco and Social Distortion had a musical child, it would be the White Buffalo. If you like either of those, you will love this guy.

Source: The Billings Gazette

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