



September 1<sup>st</sup>, 2017

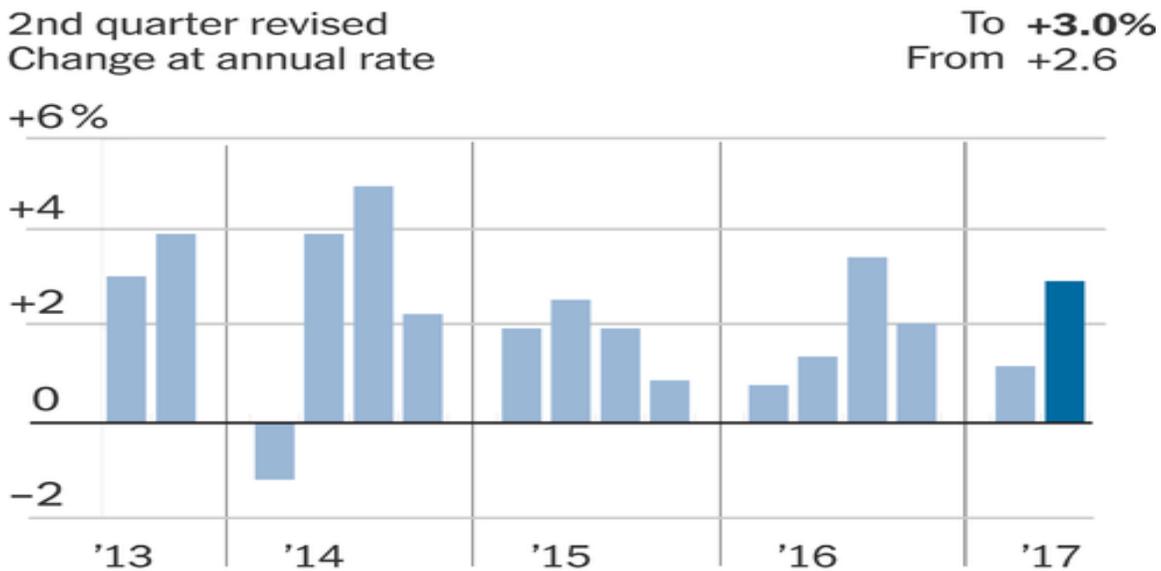
The Top-Down

North Korea once again crossed the line. This time launching a ballistic missile over the northern portion of Japan. The *Wall Street Journal* provided the market’s brief reaction in [six charts](#).

The U.S. economy went three for four this week with solid news on second quarter GDP, consumer confidence and home prices. The August payroll report was a little less than the market wanted.

The Labor Department payroll report was released this morning and the economy added 156,000 jobs in August. June and July were both revised lower. We are now averaging around 180,000 job gains per month. Bloomberg has the [full review](#) of where the jobs are.

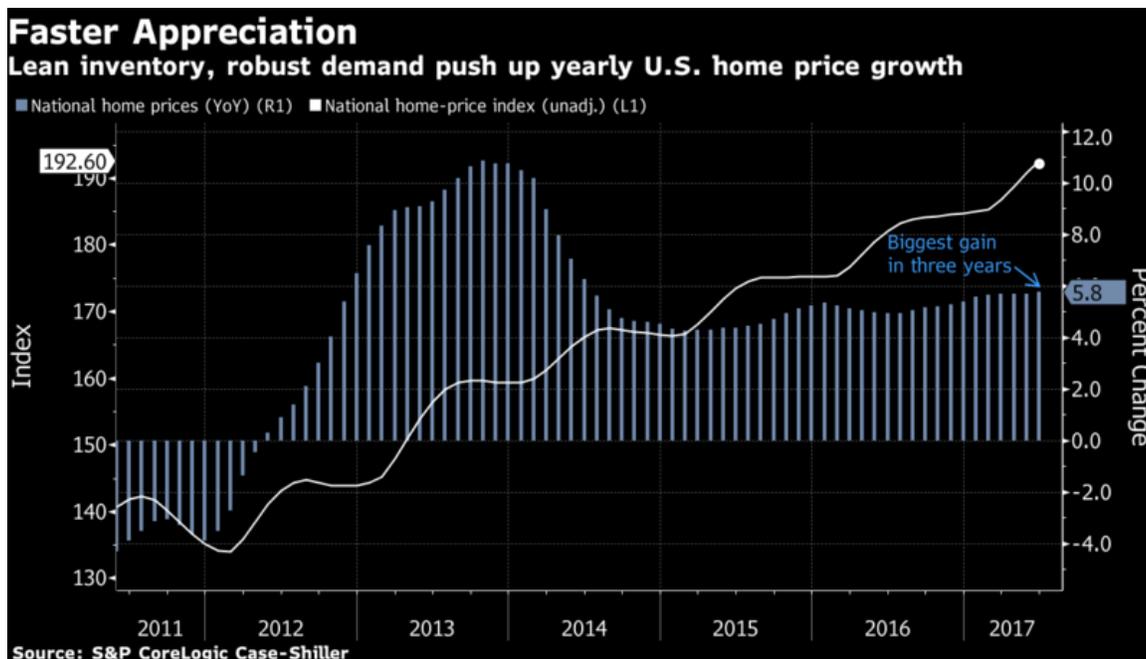
Second quarter GDP was [revised upwards](#) to 3%, coming in above the 2.7% rise economists were expecting. This is the [fastest rate of Q2 growth](#) since 2014.



[Consumer confidence](#) rose to the highest level since 2001.



Home prices [gained 5.7%](#) year-over-year as rates stay low, demand remains high, and inventories are tight.



*Stillwater View: The Fed has ample economic cover to raise rates and is on the clock to do so. Yellen's last move should be to leave the next head with some dry powder to work with.*

## The Bottom-Up

With Texas attempting to move into recovery mode, Wall Street has been busy looking for [headwinds and tailwinds](#) as refineries get back online and the massive rebuilding effort begins in earnest. The *New York Times* reports that the storm will [not derail the economy](#).

Wells Fargo announced that it had found an additional 1.4 million [fake accounts](#) or 67% more than were [originally reported](#). The brand damage continues at Wells as does the [talent drain](#). The \$143 million class action settlement [previously agreed to](#) may now be in jeopardy. Gretchen Morgenson reports that Congress is likely feeling [shortchanged](#) by last year's testimony from former CEO John Stumpf.

Market leadership is beginning to narrow as rolling corrections in energy, financials and retail are beginning to weigh down the broad indexes. [Market breadth](#) as measured by the number of stocks trading above their 50-day moving average has been falling fast.



*Stillwater View: When the broad market finally corrects look for CNBC to bring Art Cashin, head of floor operation at UBS, on set to repeat the trading cliché, “They have shot soldiers and are now going after the generals.”*

## Up and Down Wall Street

In what seems like a long dead practice in asset management Pimco is *raising* fees on the firm's \$92 billion [Income Fund](#) by 5 basis points to a new rate of 0.50% beginning October 2<sup>nd</sup>.

Wealth manager David Bahnsen is urging President Trump to pardon former Drexel junk bond king [Michael Milken](#) based on his view that his prosecution was the result of a “period of class envy run amok”.



Warren Buffett made the [rounds](#) this week after Berkshire converted warrants purchased in 2011 into 700 million shares of [Bank of America](#), for a paper gain of \$12 billion.

He provided his view that while the second quarter GDP print came in strong at 3%, the economy itself only felt like it was growing at 2%. Buffett also said that while stocks were less appealing due to valuation, they still beat investing in bonds. He has [bought stocks](#) in 14 of the past 15 presidential administrations. He missed Herbert Hoover's, as the SEC policy at the time was to deny 2 years olds the right to buy stocks.

Happy 87<sup>th</sup> birthday, Warren. You have [so many reasons](#) to celebrate. The [diet](#) that got him there.



### Diversions

The [44<sup>th</sup> Telluride Film Festival](#) takes place this weekend. The [Los Angeles times](#) previews this low-key mountain town affair.



The tennis world's eyes are on Flushing Meadows, New York this week as the [U.S. Open](#) continues. [Maria Sharapova](#) is proving resilient, advancing to the quarters at the age of 30 following a [nineteen-month absence](#) from the court. Highlights from the legendary 1979 Midnight Massacre featuring [John McEnroe and Ilie Nastase](#).



College football kicks off [this weekend](#) with the biggest game featuring [Alabama and Florida State](#). Kenny Chesney sets the soundtrack for the season with [“The Boys of Fall”](#). Other weekend notables, [Florida versus Michigan](#) and [UCLA taking on Texas A&M](#). The rest of the schedule will have you scratching your head and asking if this is indeed the “pre-season”.

*Stillwater View: Going out on a limb with these. The Alabama Crimson Tide will roll once again. USC will be the leaders out west. Michigan will finally turn the tables on Ohio State. And Notre Dame will be looking for a new head coach four games in. Diehards, check in for costumes and face painting is 9:00 am!*



For those making the trip to the stadium this weekend, Stillwater provides some of the greatest tailgating hits from Tim Love's [Lamb Lollipops](#), Rick Bayless' [queso sliders](#), and the Food Networks [Top 50 Tailgating Recipes](#).



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