

Stillwater Capital - This Week in the Markets



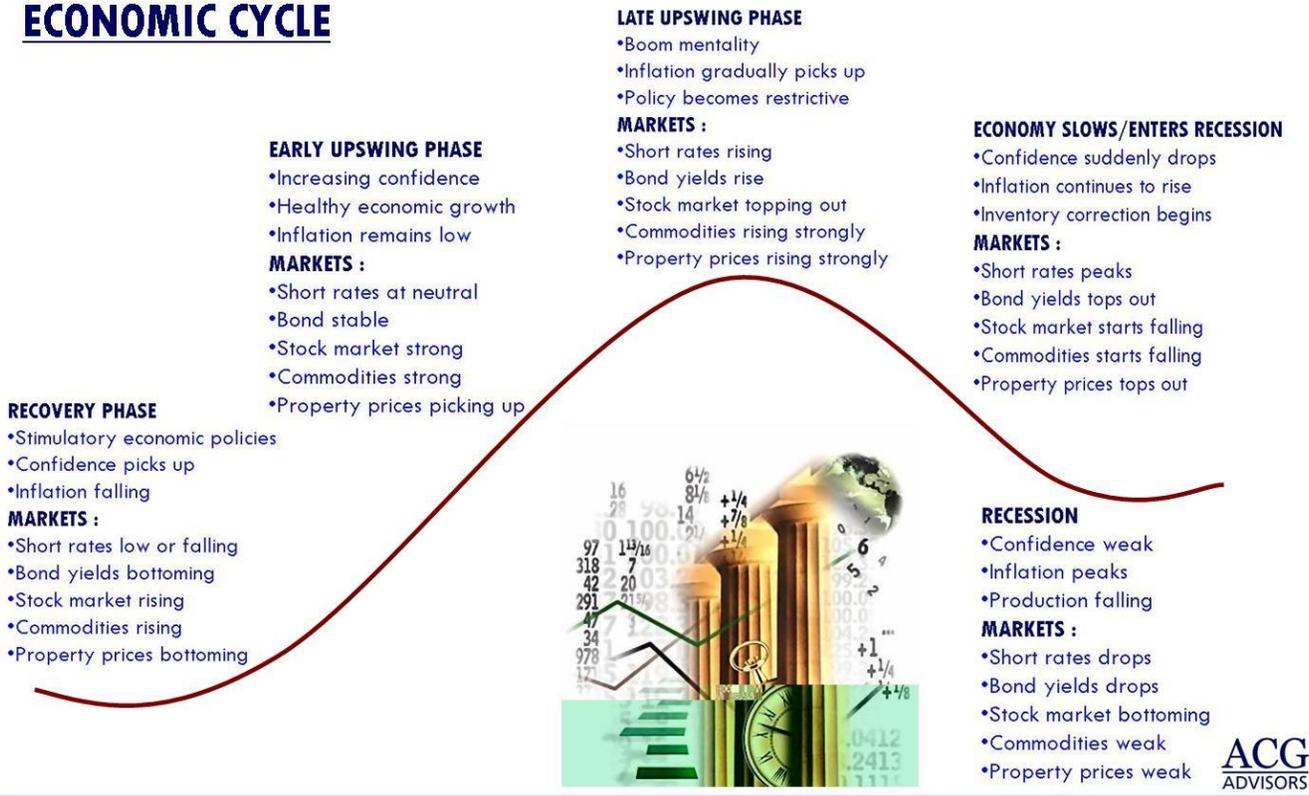
The Economic Top- Down

While it may have been a light week for economic releases, it was a heavy week for economic prognostication. The overriding theme being that if you had made your billions, you were both ringing the bell and calling this a business cycle that was getting very long in the tooth.

On Wednesday night, Steve Cohen told a crowd gathered at the 92nd street Y in Manhattan that the economy was late cycle and a bear market would be triggered within two years. Cohen also shared that “it was actually not hard” to raise \$5 billion for his newest hedge fund. Which is nice.

Economics 101

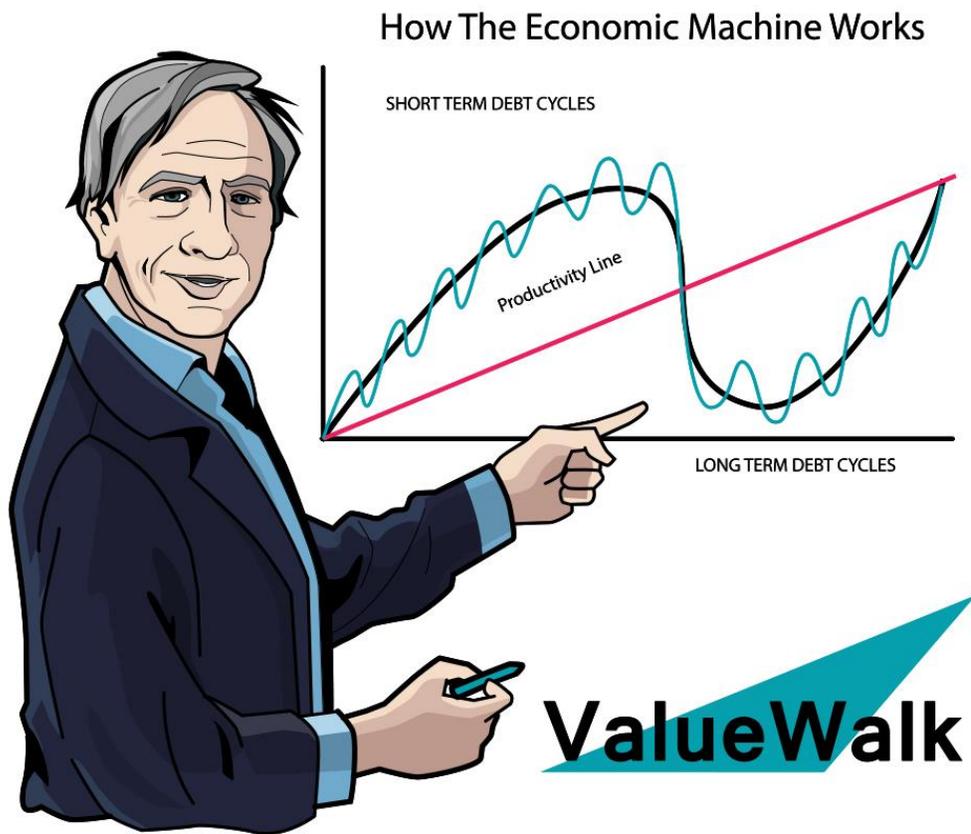
ECONOMIC CYCLE



Source: ACG Advisors

Bridgewater founder Ray Dalio made an appearance Thursday morning on *CNBC* and shared the opinion that he too believes we are late in the business cycle. He had an interesting view that the Fed will need to incorporate asset price inflation more than traditional measures to navigate this rate hiking cycle.

Dalio Doodles



Source: ValueWalk

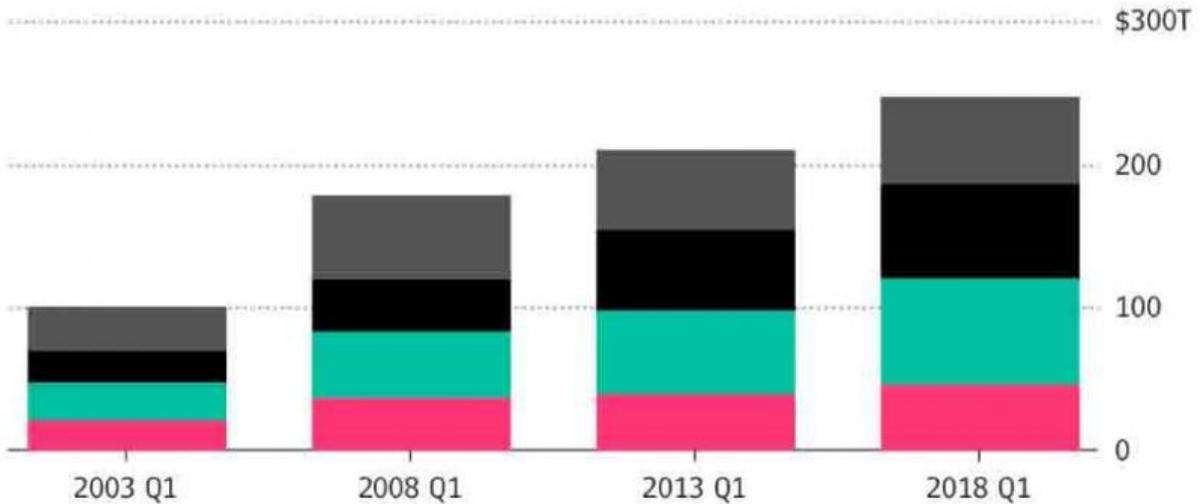
Appearing at the same economic forum in Greenwich, macro-trader Paul Tudor Jones warned that there is a [global debt bubble](#) whose bill is coming due.

Another Debt Super-Cycle

Debt Snowball

Global debt is up almost \$150 trillion over 15 years

■ Households ■ Non-financial corporate ■ Government ■ Financial



Source:: Institute of International Finance

Bloomberg

Meanwhile Stephen Ross, the founder of Related Companies and developer of the Hudson Yards project in New York City, gave a shot across the bow to those who think the housing market has a supply issue. In a *CNBC* interview, Ross shared his opinion that housing markets are overbuilt in most parts of this country.

Stockton, California



Source: Stockton City Limits

The Fundamental Bottom Up

As Bloomberg reported on Friday, market participants are getting exhausted by the ongoing "tape bombs" that are cratering equities, bonds, commodities, and currencies.

Beware Landmines

Blowups Everywhere

From oil to GE, banks to tech stocks, market stress is building



Source: Bloomberg

In developments that should concern investors and the SEC, market gadfly Jim Cramer claimed this week that “so many CEOs have (privately) told me about how quickly things have cooled.” He is also of the opinion that he knows more than the Fed.

What Lies Beneath?



Source: Wikipedia

This is troubling for a couple of reasons. First, if the slowdown is upon us, it will mark one of the most abrupt changes in recent history. Only last month, Fed Chair Powell opened up the world to the possibility that this time growth looks different. That tune changed rather quickly this week, when Jay said he is starting to see signs of weakness globally. This news concerned some and puzzled others.

Fed Chairman Jay Powell



Source: The New York Times

The second reason, and perhaps more troubling from the passing on of a material non-public information perspective, the Securities and Exchange Commission frowns heavily upon selective disclosure of news that the general public may be interested in hearing. Telling Jim Cramer that growth has hit a wall and not releasing that publicly would qualify as such an indiscretion.

Commission Offices in Washington D.C.



Source: Fortune

It was a relatively quiet week for earnings, aside from blowups out of Nvidia, IW Nordstrom, Dillard's, KB Home, and the death spiraling JCPenney. With Q3 out of the way, look for the "peak earnings" debate to pick up in earnest as we head into the year-end.

"Que Sera Sera"

Peak Cycle

S&P 500 profit growth set to slow down in coming quarters

Actual Forecast



Source: Bloomberg

Bloomberg

Source: Bloomberg

Our View: In theory, earnings peaked twice before during this up-cycle with growth running negative in 2015 and 2017, yet we still had another year or two of strong upward growth as the cycle once again picked up. Sing it with us, "Whatever will be will be. The futures not ours to see."

The New York Times opened up the bomb bay doors on Facebook and unloaded a scathing expose on how Mark Zuckerberg and Cheryl Sandberg "Deny, Delay, and Deflect" there way through crisis. The company shot back a defense of their practices, but the damage was done. According to many, morale continues to decline at the social network giant.

Seems Like Just Yesterday



Source: CNN

Our View: The opinion of Stillwater hasn't changed. Between Apple, Amazon, Netflix, Google and Facebook, the latter is the least important to your life and the most easy to walk away from.

Facebook vs. S&P 500



Source: Nasdaq

Oil Markets

Intrigue continues to swirl around the crude oil markets, as analysts and observers look to understand how the largest global commodity can crater 25% in 45 days' time, declining a historic 14 in a row. The broadest explanation is that this a problem of supply, not one of demand.

Cushing, Oklahoma



Source: Forbes

Another theory, one that Stillwater very much subscribes to, is the selloff derived much of its power from the unwind of the long crude oil, short natural gas trade. This pair had worked so well for so long that significant leverage was built up in the system, and when it came unwound, there was a “bid wanted” situation for crude oil, as can be seen from the spread blowout on Friday of last week.

Natural Gas vs. Crude Oil



Source: Nasdaq

Again Capital’s John Kilduff provided another sound explanation for what happened, weaving the disparate pieces together. His theory, and one that makes as much sense as any, is that president Trump drew the Saudis in to keep production high as Iranian sanctions quickly approached. Then on November 4th, the president gave importers of Iranian crude a six-month reprieve which caused an immediate market glut, compounding a downward move that had already begun. Trump meanwhile gets to boast that he broke the oil market to the benefit of the consumer.

Trump To Saudi Arabia...“Beep Beep”



Source: Media.com

Our View: One of the reasons we travel down the rabbit hole on trades like this, is to one, find a way to make money from it, and also simultaneously scratch the intellectual curiosity itch. If everything Kilduff explained is true, then the crude oil complex is a screaming buy. And if global growth is falling off the side of the table, then we have a whole other ball of wax.

The selloff put a dent in anyone leaning long crude going into November, present company included. But as the *Wall Street Journal* points out, this move took an even heavier toll on others. High on the list is Pierre Andurand, one of the last energy hedge funds standing. His \$1 billion in assets under management took a 20% hit this month and is now down 12% on the year. Barring a small miracle, Pierre and his staff will be working for only a management fee this year.

Mr. Andurand with Mr. Mayweather



Source: The Wall Street Journal

Thanksgiving Diversions

Every wonder why a melancholy mood can sneak in on Thanksgiving Day? If you are at all like me it's because at some point you are going to be forced to watch the Detroit Lions play football. The tradition started in 1934 when then owner G.A. Richards had NBC radio cover the game against the Chicago Bears, and the tradition stuck.

Depressing...Since 1934



Source: SB Nation

Our View: If Roger Goodell had any sense of the pain watching the Lions causes, he would make the game optional to broadcast and instead let America sit down for a rematch of two teams that played in last year's Super Bowl. Pretty good idea on my part, right?

Having just returned from a swing through the southeastern United States, Stillwater provides you with a few ideas to bring out the "Y'all" in "All Y'alls" next Thursday. A few years back Martha Stewart teamed up with New Orleans chef John Besh to create an upside down turkey with oyster dressing. Cooper Manning recently hosted Besh on the *The Manning Hour*. Meanwhile, *the spruce Eats* adds 15 more dishes for the holiday that look to be as fattening as most everything else that comes from the south.

Southern Feast



Source: Country Living Magazine

Celebrity chefs, move down the bench. There is a new Original Gangster in the house this year as Snoop Dogg provides some “Surprisingly Solid Tips For Thanksgiving” in his recently released “From Crook to Cook” cookbook, just in time for the holidays. Try not to start serving the Gin and Juice too early, as nobody wants to see Uncle Fred takes the “big nap” before dinner is served.

Gin n’ Juice...Laid Back



Source: The Wall Street Journal

Our View: Take time next week to slow down the speed of life, spend a little less time in front of the screen, and be grateful that we get the chance to gather with friends and family once again. Enjoy the holiday and remember to pace yourself. Thanksgiving Day is a marathon not a sprint.

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