What's Going Down?

Not much, except for interest rates, as the global economy continues to strike a bi-polar balance between current conditions that are getting worse, and future conditions that could be looking brighter depending on what happens in the next few days. The much anticipated *'Easy Money; The Sequel to the Sequel'* will be opening worldwide next week. Will it be as good as the original? the markets are certainly saying yes.

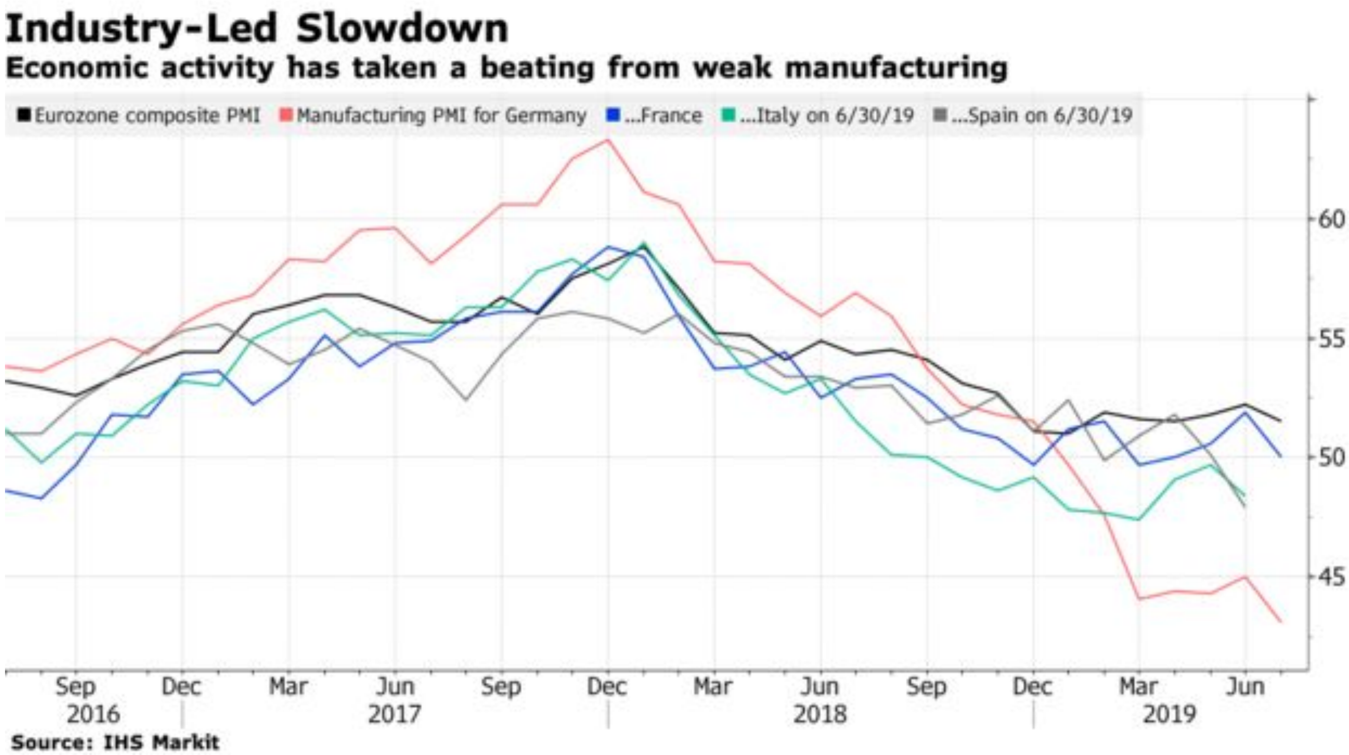
Coming in Hot!

Source: Bloomberg

The Economy

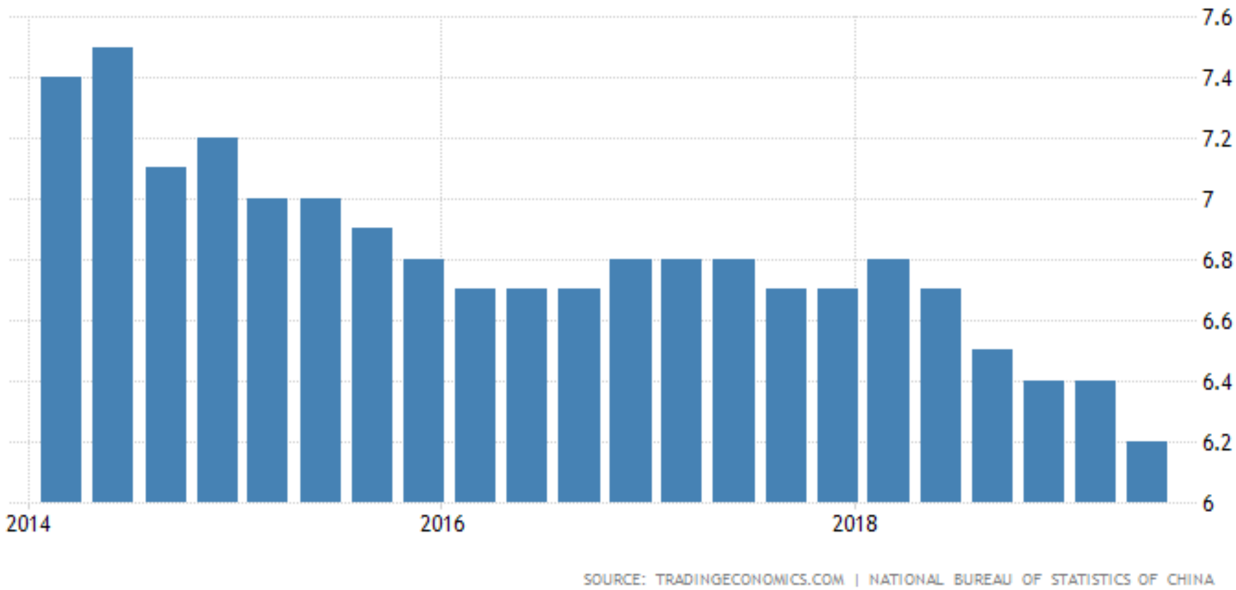
Super Mario, and his coalition to save the Euro, meet Monday to setup a September rate cut and lay out the plan for further quantitative easing. As Bloomberg points out, this falls on the seventh anniversary of Draghi's now famous 'whatever it takes speech'. They also prep the world for what to expect with their 'Decision Day Guide'. Unlike the United States, the EZ could most certainly use some help.

Throwing Lifelines



Last week we received confirmation that it's not just our European neighbors who are in need of some help as China just logged its slowest quarterly growth in 27 years. Keep in mind, their 'slowing growth' is still a solid 6.2%, well ahead of our 3% average.

Staircase Down



Some observers, present company included, think China has been juicing growth over the years by pulling out every stop imaginable, including the building of what the world has gotten to know as 'ghost cities'. These have been construction project forward, demand light.

Casperville

Source: ABC

Our very own Federal Reserve follows the ECB on Wednesday and what the world is expecting is at least 50 basis points of accommodation. This will be the first reduction in the overnight borrowing rate in a decade. *Bloomberg* ran a great article discussing how the Powell and are less data dependent and have instead embracing a new mind-set.

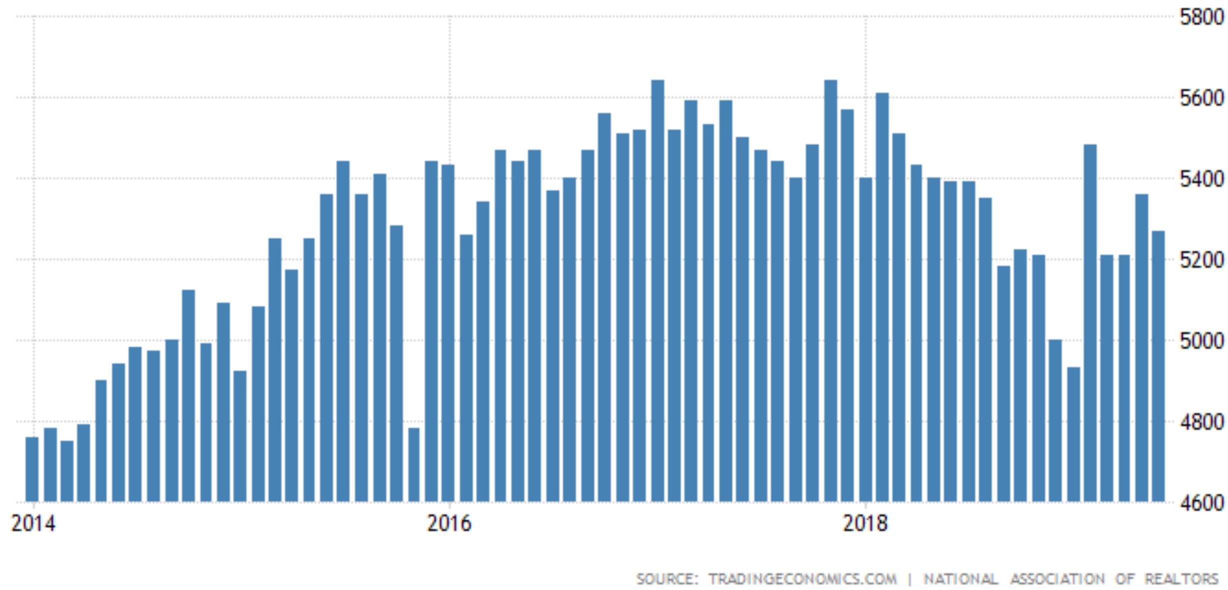
While everyone has their own opinion, a couple of financial news sources we don't often think about have chimed in questioning if the drop in rates is necessary. *The Washington Post* doesn't agree that it's a done deal, and the *New York Post* isn't convinced it's necessary, depending on how the Friday's GDP report is interpreted. Regardless of their view, the man sitting in the economic catbird seat, at least for now, is going to celebrate with an extra drink. Is twelve even a lot of Diet Cokes?

Plastic Straw? Hundred Percent!

Source: Mashed

The only real hard number of the week was the tally of homes already in existence that were sold in June. Housing continues to ride the drop in interest rates, though the impact is more muted than some would have hoped for after the strong spike in February of this year. *The Wall Street Journal* reports that while the overall number is stable, sales in the west coast and Silicon Valley have been on the decline.

Existing Home Sales



Mortgage interest rates are doing everything they possible can to help out, dropping to levels last seen two years ago. If the economy does soften, and the Fed does what we anticipate, the lows of mid-2016 will likely be revisited. So we've got that going for us, which is nice.

30-Year Mortgage Rates

Full Disclosure

When we recently asked one of our regular readers the other day what they think of *This Week in the Markets*, their response was 'it's macro heavy, and I'm really a bottom up micro guy'. Which we appreciated given the fact he had previously run serious money.

We too are bottoms up, with an eye on the top-down, and would far more rather spend our time talking about companies, products, earnings, and competitive forces. The challenge in this environment, is that so much of what is driving the markets these days is macro forces that trump what's going on under the surface.

In time, the narrative will revert back to something greater than monetary policy and the seeming gaming of the market by macro forces. For now, Stillwater will do it's best to cover what's important to both make you money and protect it.

The Markets

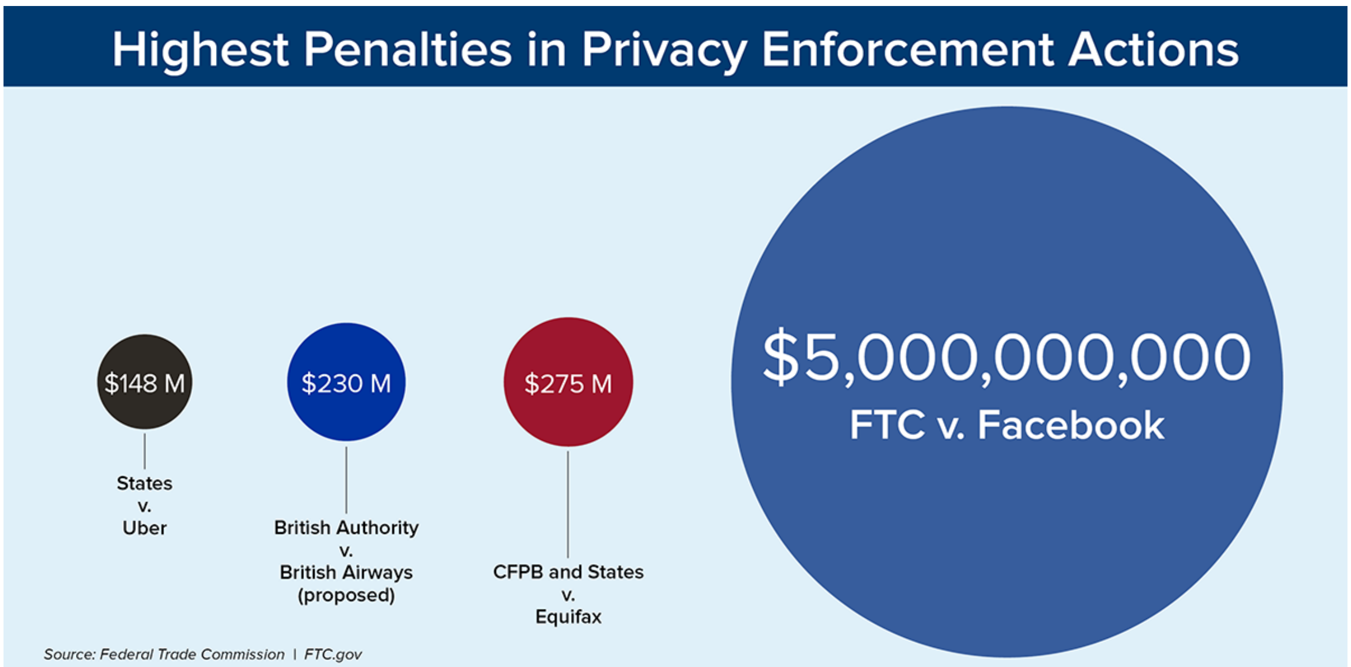
Aside from a few calls out there that the next move in equities was down, there wasn't much to watch in the markets this week. Every morning the futures were up, *CNBC* and *Bloomberg* went with 'stocks set to open higher on central bank optimism'. Every day they are down the headline reads 'stocks set to open lower on slowing global growth and weak earnings from'.

Up or Down?

Source: Ban Sar China

One interview that we came across this week across spoke to us, and its origins are from market gadfly Jim Cramer. In the intro to his Mad Money program he laments that the Trump administration is playing havoc with the markets. Not only do we agree, we see it every day. His point was well taken, as this is no longer a 'good for business' administration, it's a 'good for business' Trump likes' market. If you look at the actions being taken against the likes of Facebook and Google, it's hard to disagree.

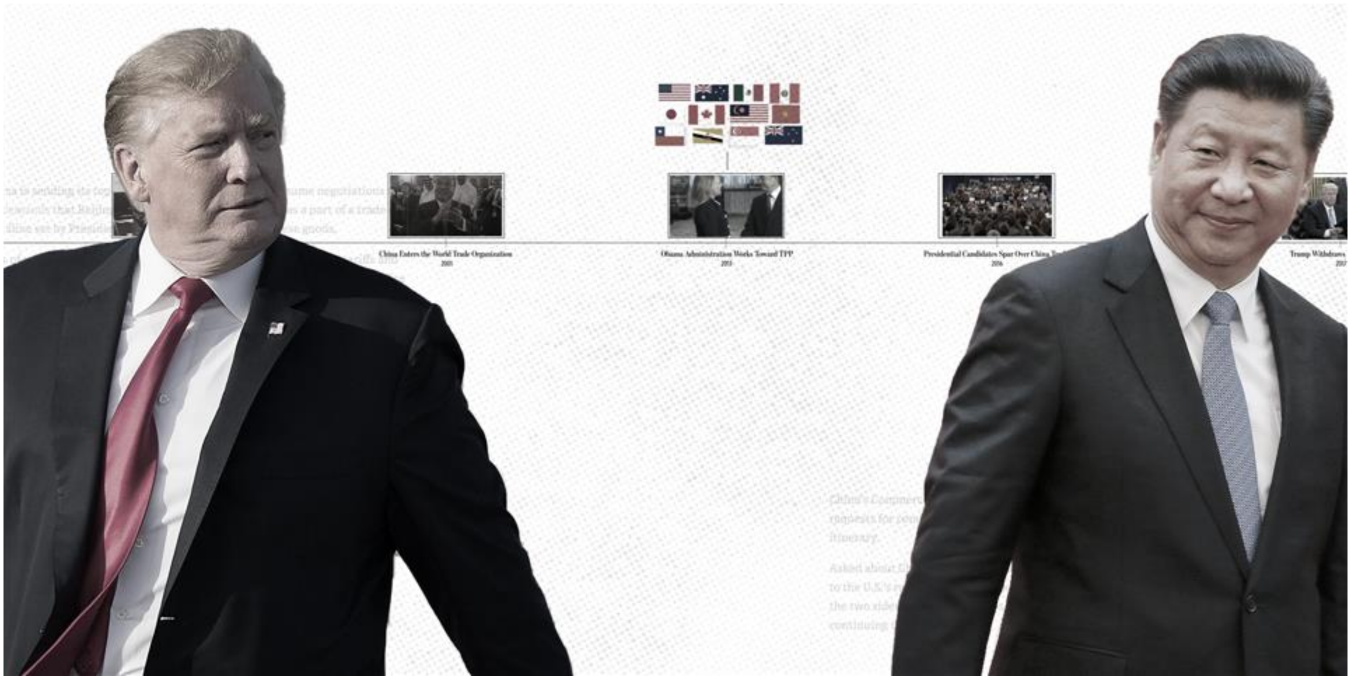
Billions, With a 'B' and an 'S'



Hedge Funds

Kyle Bass, who has seen his good days and his bad, with his good being making a billion from the credit meltdown of 2008, thinks rate cuts aren't as effective as they once were and a trade deal between the US and China 'can't be reached'. Importantly, even if they do, the latter hasn't followed through on an agreement since Clinton was in office.

Spread Widening



Source: The Wall Street Journal

While Kyle has seen some lean years ever since the GFC, his calls are worth listening to and are generally outside of consensus, and at times they can make you huge sums of money. He thinks we still experience softness into 2020, and the old playbook, well, is the old playbook. If we do soften, we will be headed for zero rates, but without the same outcome. Kyle made an appearance on *CNBC's* closing bell to articulate his thoughts.

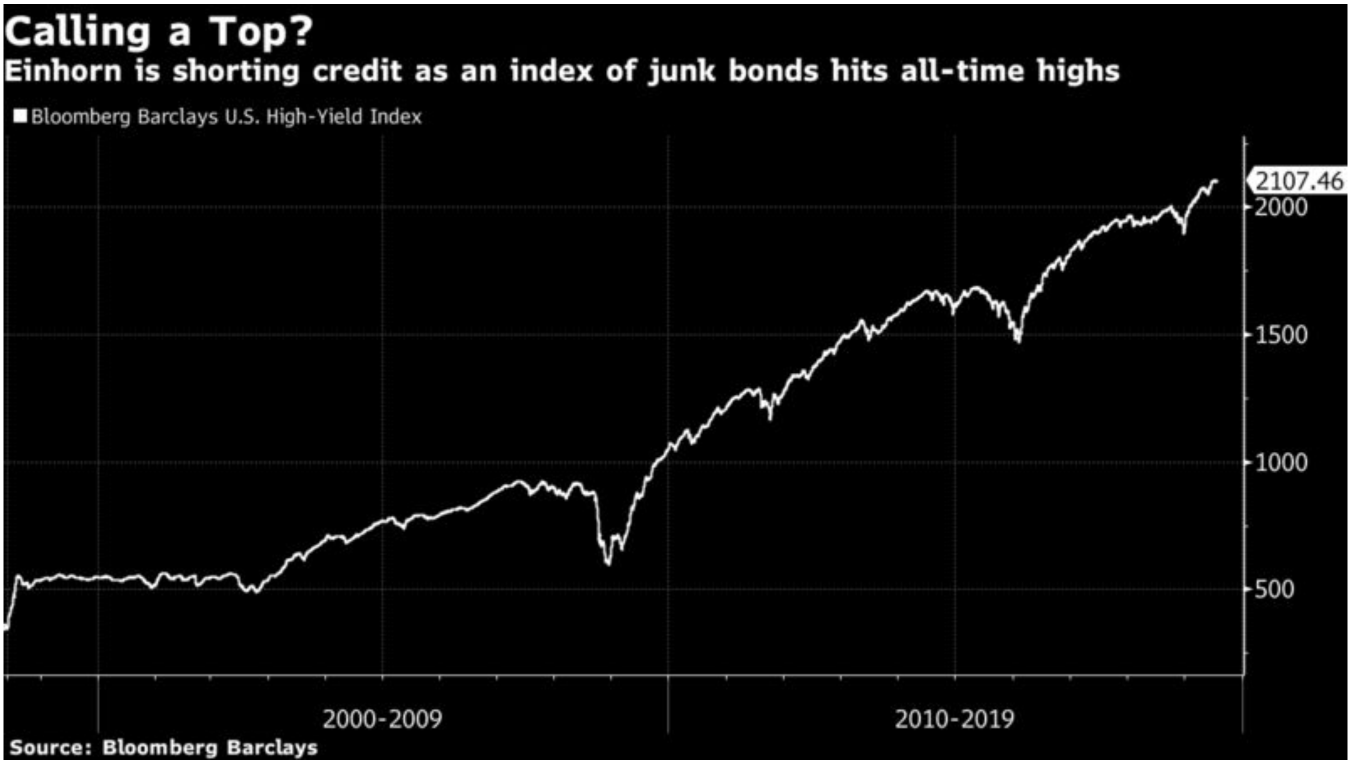
Bass was also instrumental in the making of *American Sniper*, the story of Navy SEAL Chris Kyle, the most prolific assassin our military has produced. *The Hollywood Reporter* tells the backstage story of how the films screenwriter met Chris at Barefoot Ranch, the Dallas property owned by Kyle Bass. In 2015 *The Wall Street Journal* reported on how the once solid friendship between Kyle and Chris' his wife went terribly wrong after his death in 2015. The 2,400-acre Barefoot Ranch wound up selling for $60 million in 2018.

Big, Even by Texas Standards

Source: Republic Ranches

Last year's hedge fund whipping boy, David Einhorn, is bearish on high-yield credit, and like us, bearish on Chewy. In his mid-year letter to shareholders he articulated his debt position by saying "Rating agencies have been complacent and allowed debt/Ebitda and debt/equity ratios to deteriorate without a corresponding reduction in credit ratings," As we've said about a lot of things, the market is flippin the bird to any talk of risk. This chart of high-yield provided by *Bloomberg* affirms that story.

Risk Ooohhhnnn!!!



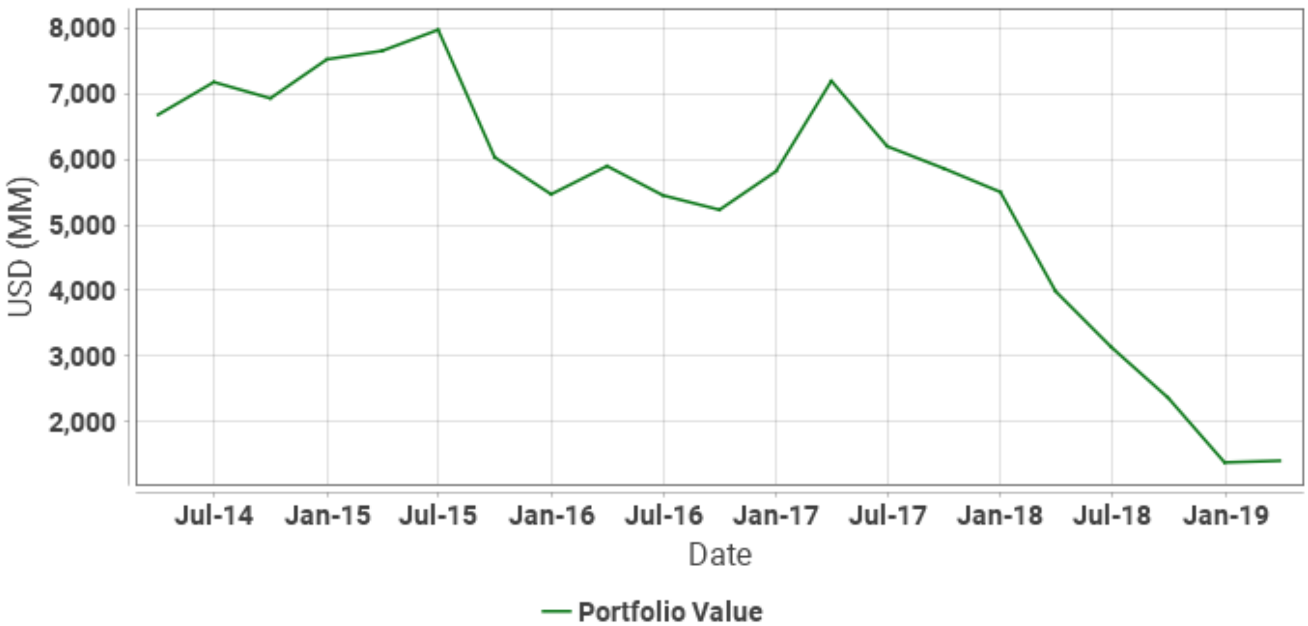
Einhorn also thinks Chewy is Pets.com…round two. Great minds think alike, as we wrote the same thing last week. Of course *Dealbreaker* thinks they stumped everyone six months ago and can claim ownership. How bout we all agree that the joke is so incredible easy, we all get to claim it, use it, or do whatever the damn well we want with it? Let's just see who makes money from it. Game on.

The Chewy We Like

Source: The Chewbacca Family

We mentioned that David Einhorn was last year's whipping boy for good reason. He not only lost big for clients, he lost really big, like 34% big. While he's had a nice 18% rebound this year, it's tough to cover up that kind of drawdown, and it certainly doesn't help our position that equity hedge funds still deserve a good seat at the asset allocation table. But we don't need to say anything as the market has spoken. Einhorn's Greenlight Capital is down to $2.5 billion in assets under management, down from a peak of $12 billion.

Easy Come, Easier Go.

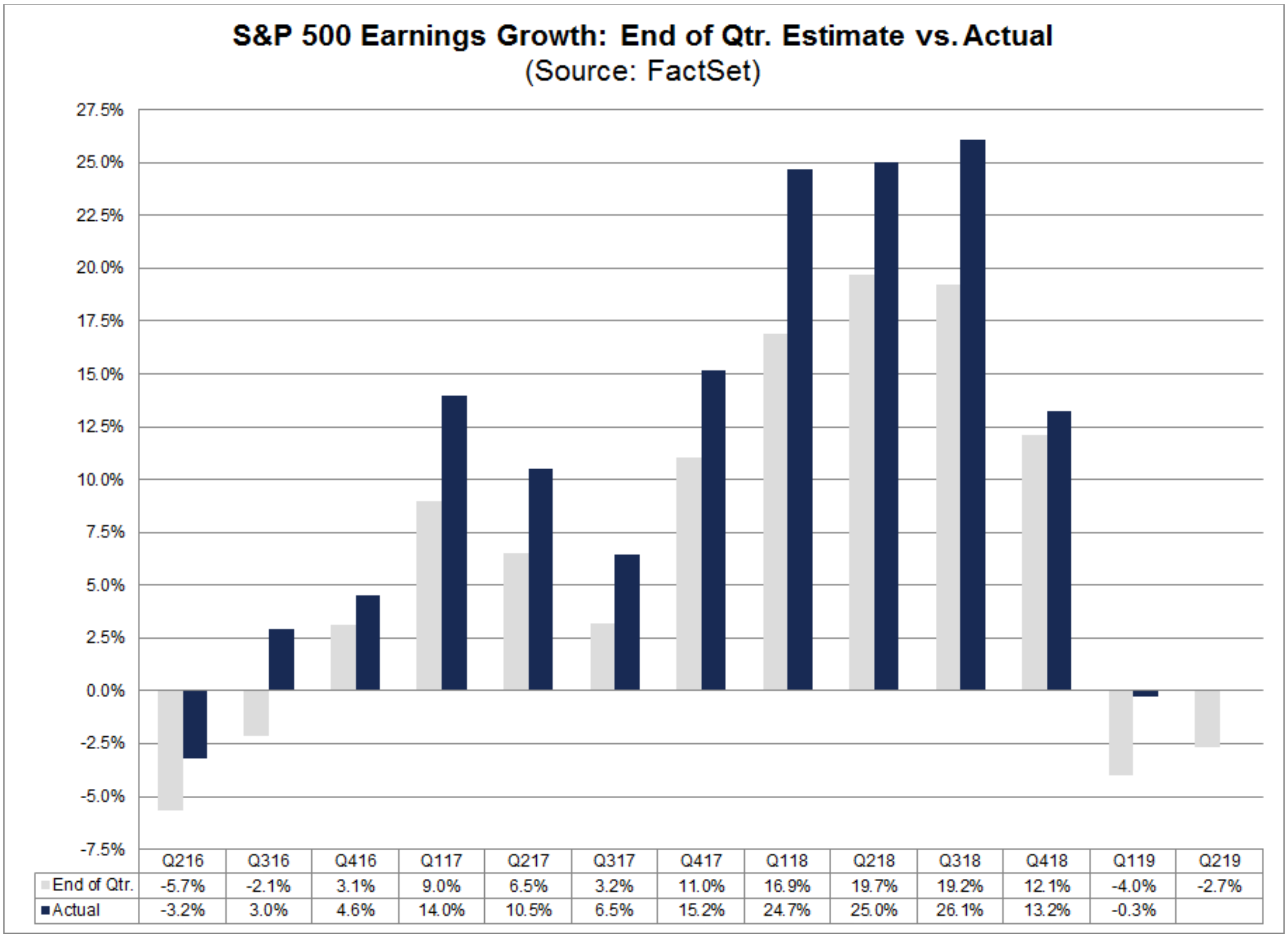


Source: FinTel

Earnings

This week brought us earnings from Amazon, Google, InBev, Ford, Facebook, and the list goes on. Our usual whip around the market would give you the Good, the Bad, and The Ugly, the travel schedule this week has us light on the bandwidth for a deep dive. That said, we aren't afraid to leave you with at least one thing to take away from this quarter's earnings season, it looks like Q2 of 2019 will not be going down as a negative quarter and might actually squeak out a slightly positive number. No guarantees, but FactSet is now telling us its possible.

Recessionary



Source: FactSet

Summer Real Estate

With summer in full simmer mode across the country, we decided to take a coast to coast look at what $1.5 million buy you in lake, river, or beachfront property. Enjoy the tour!

In deep South Florida, $1,575,000 can get you into 72 Bonefish Ave in Key Largo. For that you get 2,000 square feet, 3 bedrooms, 2.5 baths, a whole bunch of travertine marble, and a 75-foot dock.

Rum Drinks, Anyone?

Source: Zillow

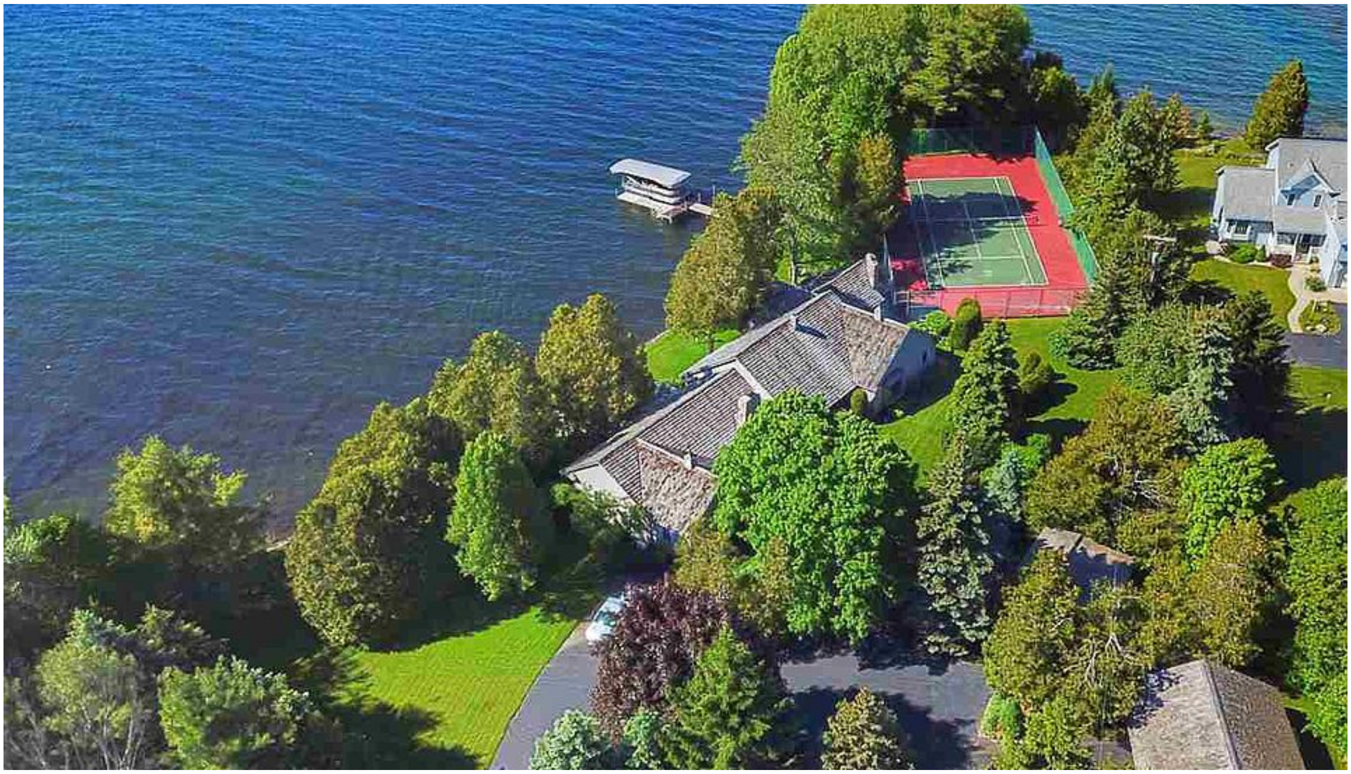
Up in our semi-home state of Montana, your lake house dollar goes a bit farther. Want proof? Look no further than the 4,000 square feet of lakefront you can get at 522 North Foys Lake Boulevard near Kalispell.

Glassy Water Included

Source: Zillow

Up in historic Suttons Bay, Michigan, a once in a lifetime chance to own 500 feet of lake front, with 4,000 square feet, 3 beds and 3 bath home, and one tennis court can be yours for $1,575,000. The address you get to call home is 403 South Shore Drive.

Sporty



Source: Zillow

Out in Malibu, your dollar gets you far less room, but an address coveted by many. This time it's 6 Paradise Cove Road, and the 2 bedroom, 2 bath, home that 'sits' there. One thing to know before you book a private showing, the homes in Paradise Cove are manufactured, or as they are more commonly referred to, mobile homes. But that never stopped Pamela Anderson from owning one.

Going Mobile

Source: Zillow

Back in Cummaquid, Massachusetts, the same amount of money will get you almost twice the home and an amazing view of the Atlantic Ocean. All 3,600 square feet, on 2.5 acres, can be found at 122 Cove Lane. Just watch out for when 'The Landlord' comes to check out his property.

High Tide

Source: Zillow

We end this tour of what $1.5 can get you in our 50th state, Hawaii. As one can imagine, there is plenty to choose from that can claim 'waterfront'. We found this semi-secluded gem on the north west shore of Oahu, in the town of Waialua. Listed at $1,454,000, the home boasts Pacific views from almost every corner of the 2,000 square feet of living space. Your new address? 689 Farrington Highway, Walalua, Hawaii.

Aloha

Source: Zillow

"This Week" Gets a Week Off

This Week in the Markets will be taking a one-week hiatus while the author and editor hits the back country of Wyoming in search of some hook jaw *Salmo Trutta*. Fortunately, there are still places on the map where wireless spectrum can't reach us. It won't last forever, but for now the edges of the map can still be where the grid ends. See you back here in a couple of weeks.

Mr. Brown Trout

Source: Maybe the Author?