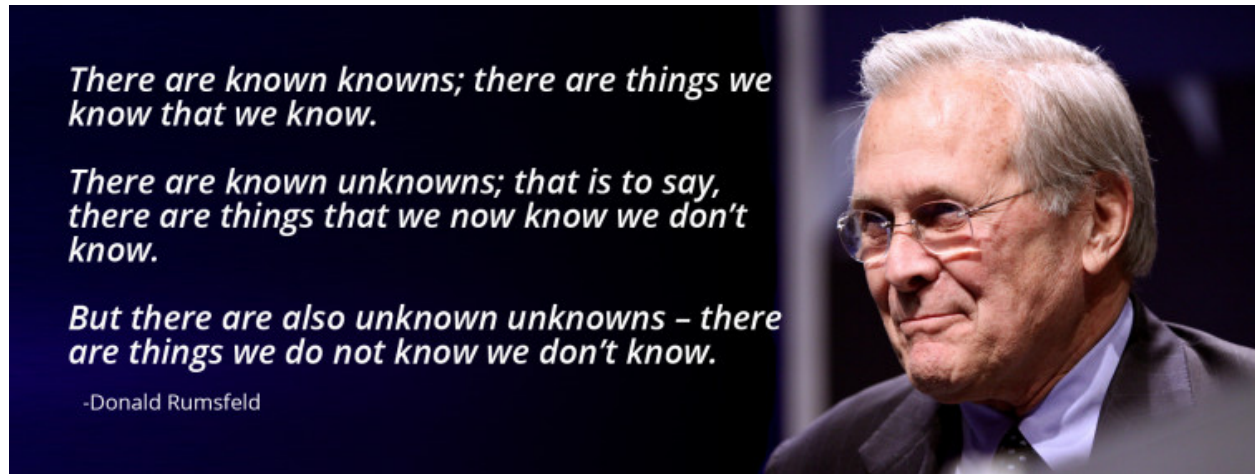


A World of Known Unknowns...

With the massive confusions and lack of clarity surrounding just about any of the ways, shapes, or forms we navigate ourselves out of the current mess, we are beginning to think the words of Donald Rumsfeld might be saying it all right now.

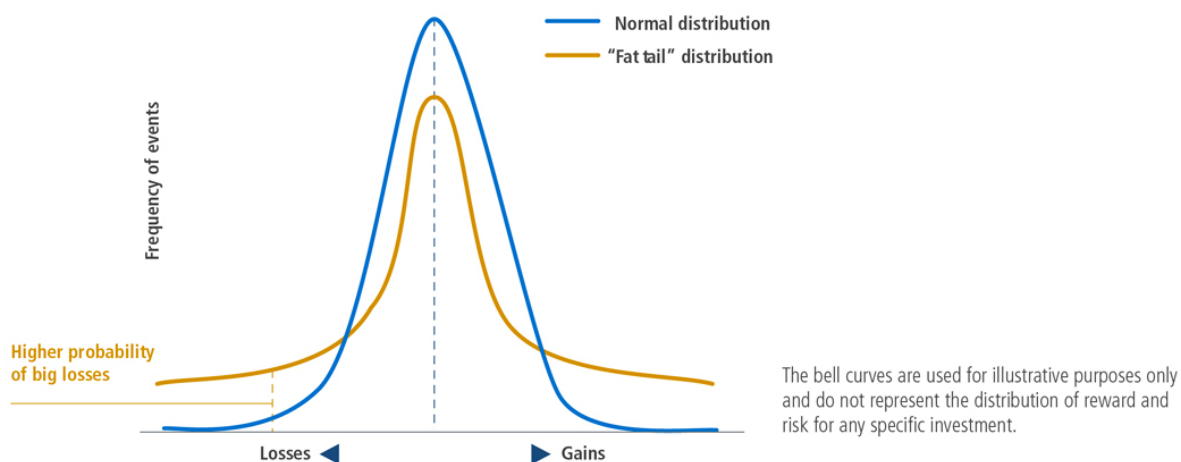


Never before, and probably never again, will the markets have to navigate the world going from a far right tail position, to one that is pushing three sigmas on the left side. Our call, and one that was echoed on Monday by Mohammad El-Erian, is that the 'sell everything' moment is over, and it's time to now go shopping for high grade equities that can weather whatever comes next. Merrill Lynch is saying similar things now that their contrarian indicator basket is saying it's time to put dry powder to work.

Living a Tail Risk Moment

FIGURE 1: MARKET TAILS MAY BE “FATTER” THAN NORMAL

Tail events are very rare in a normal curve, but market tails are in fact “fatter,” or more frequent, than many people realize.



The best analogy we can think of in terms of examples, for a less esoteric and real world manner, is when the probability screen pops up during a football game showing what the mathematical chances are of one team winning over the other. A better example still, is when one of the World Series of Pokers games is going on and player A is holding a next to impossible hand to beat. Then suddenly in a flip of a card, he is out, and player B takes home the chips. In this case, Mr. Manion goes home empty handed. This is the case this time, and the bull market was holding an unbeatable hand coming into mid-February.

‘You Never Count Your Money...’



The Economy

In tough news for the economy, and more importantly humanity and our fragile psyche right now, the man at the tip of the spear, Dr. Anthony Fauci, passed along the grim news that while curve flattening will happen eventually, it's not before a high end estimate that a quarter million Americans die. To give you an idea of how in the cross hairs this former basketball player who recently conducted a Q&A session with Steph Curry is right now, even his slight hand gestures are openly criticized and debated over their potential secret meaning.

'Bless Me...Please'

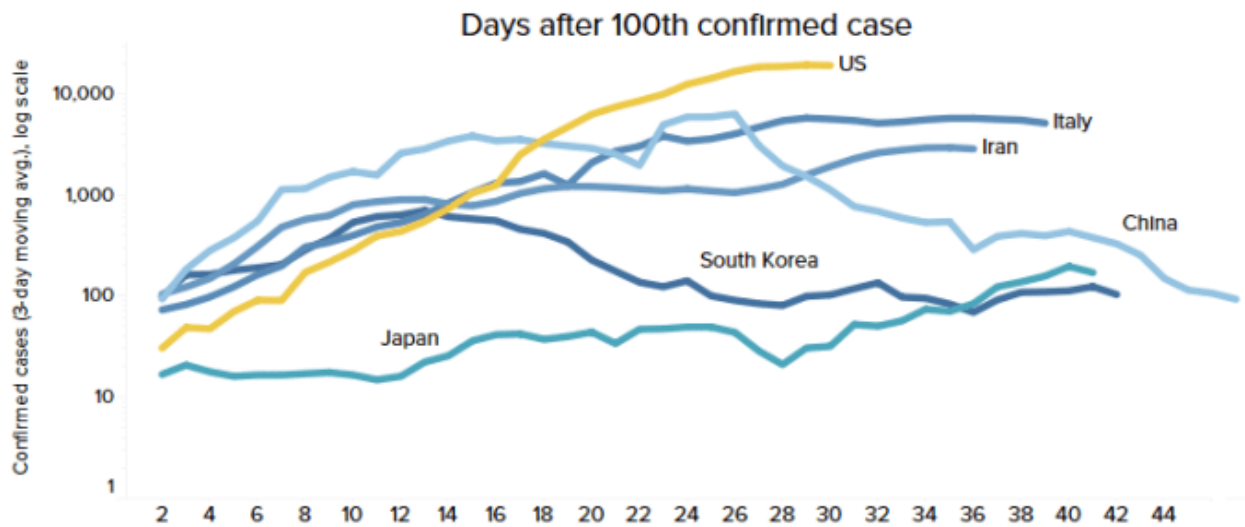


Several stories ran over the weekend that spoke to the fact that Covid-19 is no longer a problem on the coasts and that it has made its way into the core of the country. And with that, the ugly political blood sport of who is to blame begins. Veteran business journalist Trish Reagan, was last week's high profile casualty as she was told to pack her bags for calling the now dire situation an 'impeachment scam' on March 9th.

Not a 'Scam'

New confirmed coronavirus cases

Country comparison of confirmed cases by number of days after first 100th case, three-day moving average, log scale



SOURCE: CNBC analysis of data from Johns Hopkins University CSSE, selected countries, as of 7:30 pm March 29



Currently, New York is such a hotspot, that threats of quarantine are on the table, and other states in the region are attempting to ban those attempting to travel from the Empire State into their borders. The three state combination of Connecticut, New Jersey, and New York crossed over 1,100 deaths this weekend, half of the total for the entire United States. CNBC provided a series of photos from there, and around the world, showing what desertion looks like. Included is this stunning image of an empty 6th Avenue in Manhattan.

Sixth Avenue Heartbreak



We don't want to overuse the phrase 'what can we say that hasn't already been said', but honestly, that's how it feels right now. Case in point, late Sunday President Trump declared that the guidelines for social distancing were being extended from April 12th to April 30th. Trying to keep up with that kind of fluidity is a challenge, and every breathless analytical or news outlet is going to parse every development seven ways to Sunday, and twice on the weekend, as the saying goes.

Please Do

STAY-AT-HOME ORDER

Do's & Dont's to Help Stop the
Spread of COVID-19 (Coronavirus)

YOU CAN

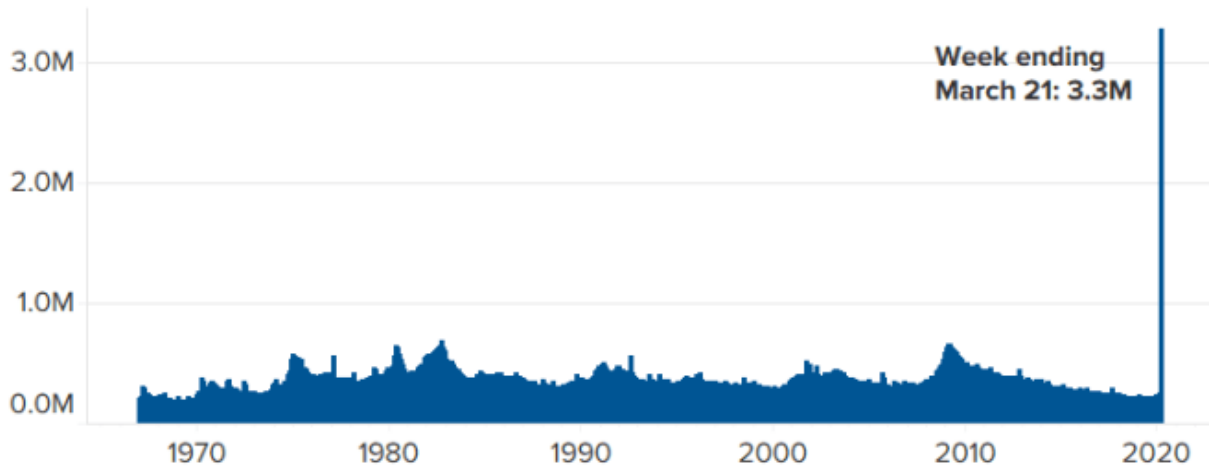
- Go to the grocery, convenience or warehouse store
- Go to the pharmacy to pick up medications and other health care necessities
- Visit a health care professional for medical services that cannot be provided virtually (call first)
- Go to a restaurant for take-out, delivery or drive-thru
- Care for/support a friend or family member
- Take a walk, ride your bike, hike, jog, and be in nature for exercise – just keep at least 6 feet between you and others
- Walk your pets and take them to veterinarian
- Help someone to get necessary supplies
- Receive deliveries from any business which delivers

One of the few things we know, is that the March employment report to be released this Friday, is going to be one for the record books, and not in a good way. Get ready for the ‘tsunami’ of bad readings on the economy that Treasury Secretary Mnuchin thinks are ‘not relevant right now’.

Bad Omen

Initial claims reach historic level

Weekly initial unemployment insurance claims



SOURCE: Department of Labor. Data is seasonally adjusted.



Eric Peters, the very astute founder of One River Asset Management and observer of markets and risk, wrote over the weekend, the one thing he does know is, ‘no one else knows’ when it comes to the multitude of potential outcomes and what the future looks like with a fresh deck of cards. We would counsel everyone who reads his piece on a weekly basis to subscribe to his ‘wknd notes’ by submitting their name, firm, title, and role to wkndnotes@oneriveram.com. Good luck out there.

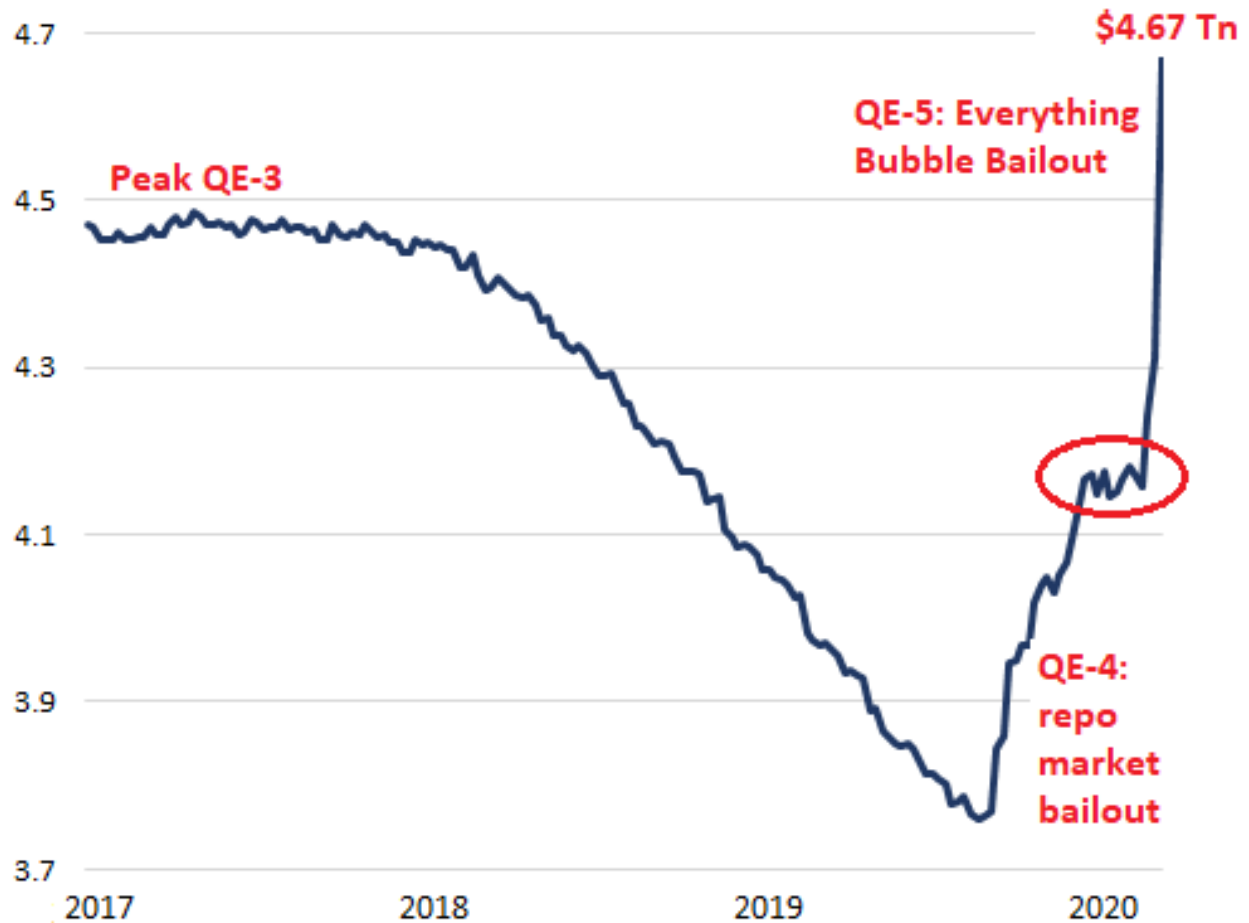
Markets

Looks like our non-consensus call that the Fed could start buying stocks in ETF form is starting to gain more credibility. Because if everything is going to be theoretically on the table, then equities need to be included. Turns out all the Fed needs is the approval of Congress to open the wallet and start buying the most common asset class in the world. Boston Fed Chair, Eric Rosengren, said as much a month ago, and now a future ten trillion dollar balance sheet is in a position to do so. If you think your member is going to stand in the way of that, I will happily take the other side.

Uncharted Territory

Total Assets on the Fed's Balance Sheet

Trillion \$, week ending Wednesday

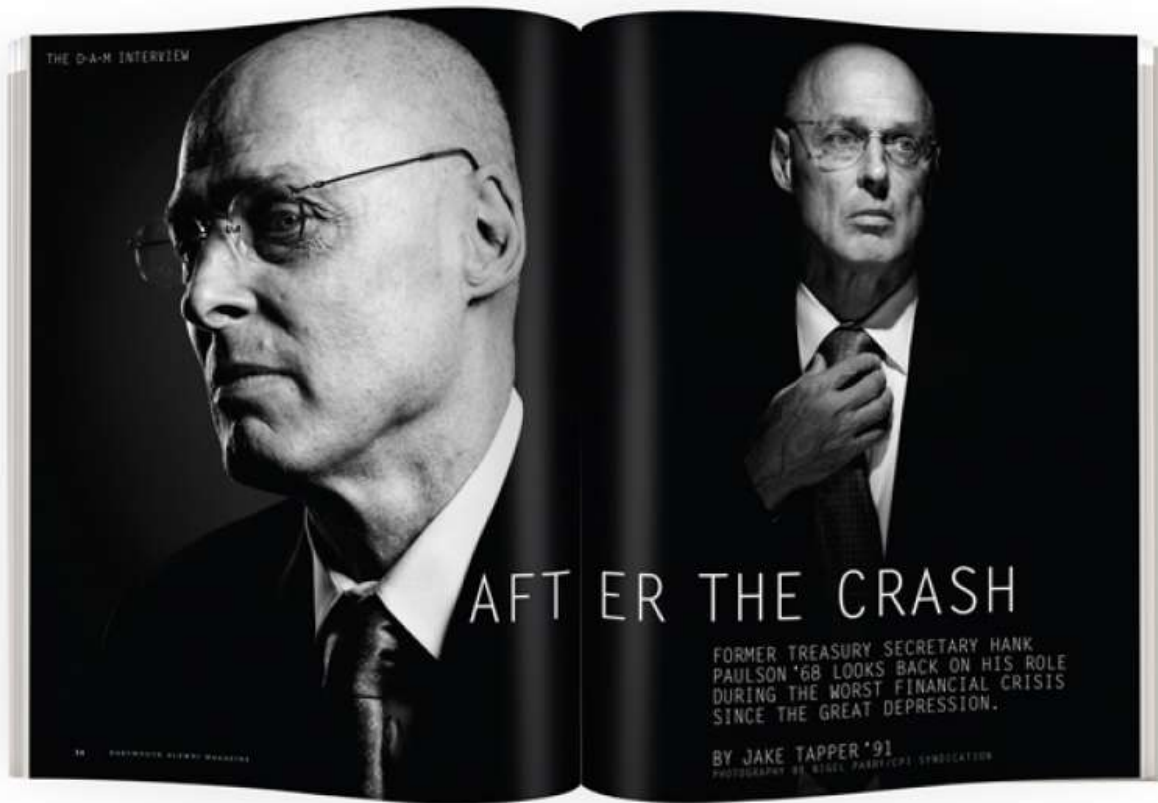


Source: Fed Board of Governors, St. Louis Fed

WOLFSTREET.com

The man in the cockpit when the world last seized up, Hank Paulson, is cautioning that the road ahead for Treasury and the Fed is not an easy one, as there will indeed be winners and losers. The biggest challenge to those two agencies is getting the money where it needs to go as quickly as possible. Paulson is a very credible source of opinion and in this downtime, taking the opportunity to read his On the Brink, is a worthy use of your time. It will also help normalize where we are today.

Witness to History



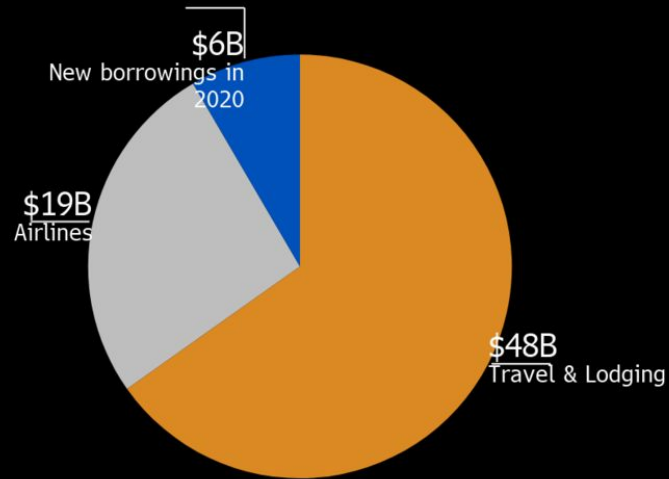
Corporate Liquidity

As has been the case since the crisis started, companies are hitting their credit facilities to have cash on hand to survive. Boeing's massive drawdown of \$13 billion from three weeks ago was a giant sign of things to come. Now it's the more stable businesses that are hitting their revolving credit facilities to weather the storm. This is not good news for banks as these are low profit loans, and borderline loss leaders, for lenders.

Toxic Borrowers

Available Funds

Airlines and travel industry have \$73 billion of borrowings to help beat virus impact



Source: Bloomberg

Note: All syndicated revolving credit facilities except for new borrowings which includes term loans

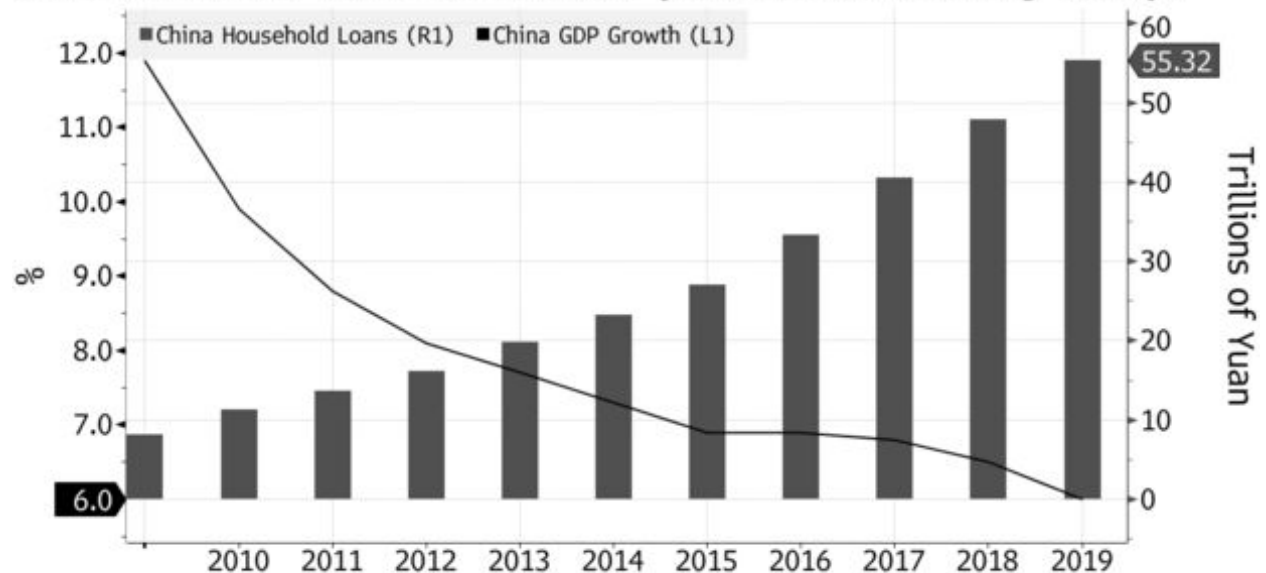
Bloomberg

If this at all concerns you, take a look at the following chart, as it tells a frightening story about the Chinese consumer, how much debt is on the books, slowing GDP growth, and as Bloomberg reports, the looming consumer default wave that is headed our way.

Crushing Debt

Stretched Households

China consumer loans come under pressure as economy slumps



Source: Bloomberg

Final observation before we try to take our mind, and hopefully yours, off the minute by minute prognostication about where we are in the cycle of this crisis, is to emphasize removing the noise and getting focused on the few things that matter right now.

High on that list, if not at the top of it, is the state of corporate credit spreads. While we are equity focused, this is the only reading we would want if given the choice of just one. If we can get this spike to settle back in, the market has a fighting chance of having already found a bottom. A move higher still, and there will be a further bull market for gold bars, canned beans, and bunkers in the Mojave Desert.

Spreads Blow Out



Diversions

As we are all doing the best we can, with what now looks like an even longer road ahead to normalcy. Stillwater will continue to push down the path of providing cinematic counsel to help pass the time, and perhaps remind everyone of better days. This week we focus on films from the sports world, as well as a boxing documentary that won Oscar gold. While we give you our favorite four, New York Magazine gives you a [complete list of fifty](#) that should help you last through April 30th.

Remember the Titans

This was a beautifully done film from 2000. It had a lesser known cast, with the one standout being Denzell Washington as Coach Herman Boone, who [passed away](#) late last year. This true story follows the path of a group of young men and their coaches who were trying to navigate desegregated Alexandria, Virginia in 1971. Being true to life, suspension of disbelief is not required, which for me is a relief. The film also provides one of the great quotes for sport and life, and that is 'leave no doubt'. As a Disney film, it can be [easily streamed](#).

The Titans



The Bad News Bears

It's hard to even begin to describe how connected those of us who played Little League baseball in the '70s and '80s are to this film. Every league, including Sunnyvale Southern where I played, had some version of these characters playing out in real life. To this day, you remember if you were a Tanner, Timmy Lupus, Kelly Leak, or the beautiful Morris Buttermaker. The [film can be streamed](#) using Hulu.

Beers for the Bears



Hot Dog, The Movie

Since we are living in surreal times, might as well throw you one of the more surreal sports movies of all time. And one not likely to land on anyone else's top fifty. With that, we introduce you to Hot Dog, the Movie. For those of us who grew up skiing Squaw Valley, this was more than a coming of age film, it was foundational to our love of the mountain. The pinnacle coming at the end when they ran the Chinese Downhill from the top of the Palisades to the Bar One at the base.

Twistin' Triple Anyone?

There's more to do in snow than ski.



HOTDOG

...THE MOVIE!

AN EDWARD S. FELDMAN PRODUCTION "HOT DOG...the movie" Starring DAVID NAUGHTON
PATRICK HOUSER TRACY N. SMITH JOHN PATRICK REGER FRANK KOPPALA and SHANNON TWEED ^{as} Sprink

Executive Producer CHRISTOPHER W. KNIGHT Co-Producer MIKE MARVIN Director of Photography PAUL G. RYAN Original Music by PETER BERNSTEIN
Screenplay by MIKE MARVIN Produced by EDWARD S. FELDMAN Directed by PETER MARKLE

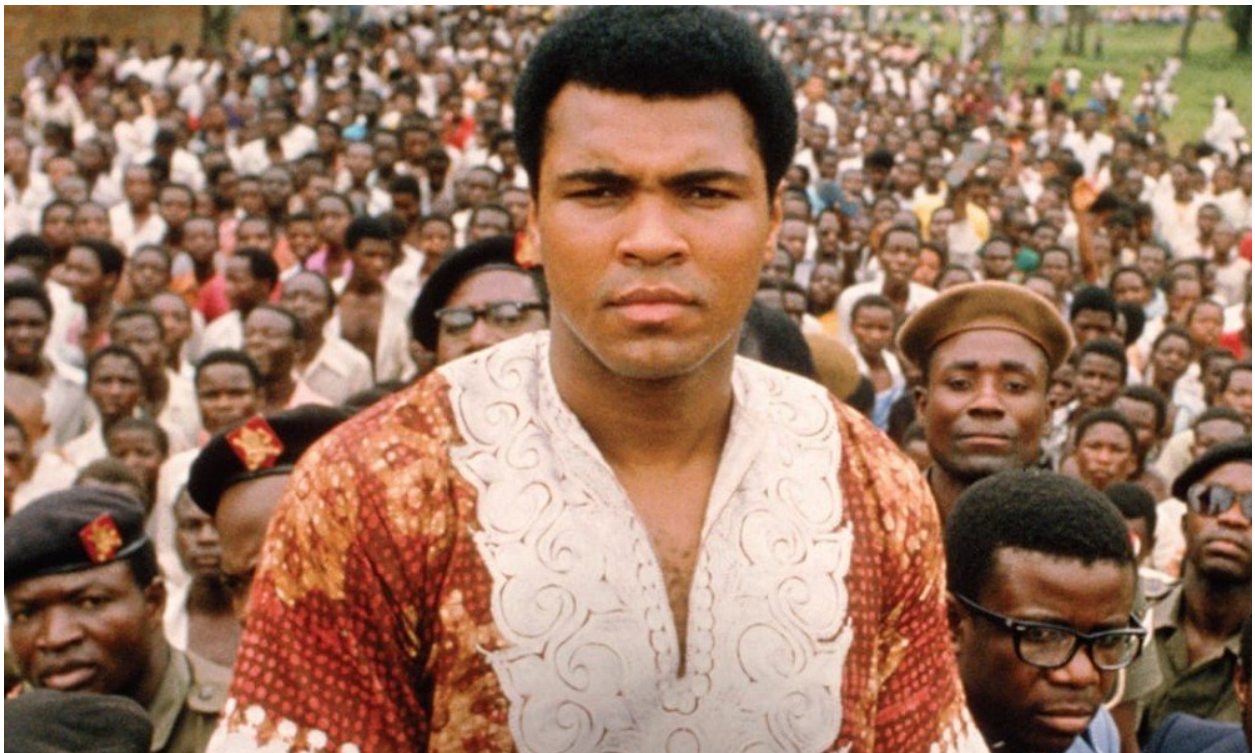


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When We Were Kings

This film chronicles the lead up and actual fight between Mohammed Ali and George Foreman in the African country of Zaire known as the 'Rumble in the Jungle'. Not only did it win Best Documentary Feature in 1997, it was also declared the greatest film ever made about Ali by Vice. There are also appearances by Norman Mailer, George Plimpton, and James Brown among others. All were witness to one of the greatest spectacles and upsets in sport. Twenty years after the film's release it was made into a musical.

Ali in Zaire



As we sign off and hunker down for another long week of rough headlines and volatile markets, remind yourself that there is a future out there where some form of normal exists. While it's not right now, it is indeed out there on the horizon. We've all been loaded up with negative triggers, my only counsel now is to load yourself up with thoughts of the positive, and get ready for better times ahead.