

China or Jayna?

Looks like it's going to be another week for the bulls to get paid, and the cautious to be left behind. This time, it's the Chinese state media to blame or thank, depending on which side of the ledger you are on. Believe it or not, the recent rapid rally higher is being driven as the government is telling the public to load up on stocks. The positive sentiment emanating from an editorial headline that says, nurturing a 'healthy' equity market is now important for the economy. The news sent China shares 6% higher, as a new 'put' is now in place. This drove our futures up over 1% for a strong start to the week.

All Smiles



Markets

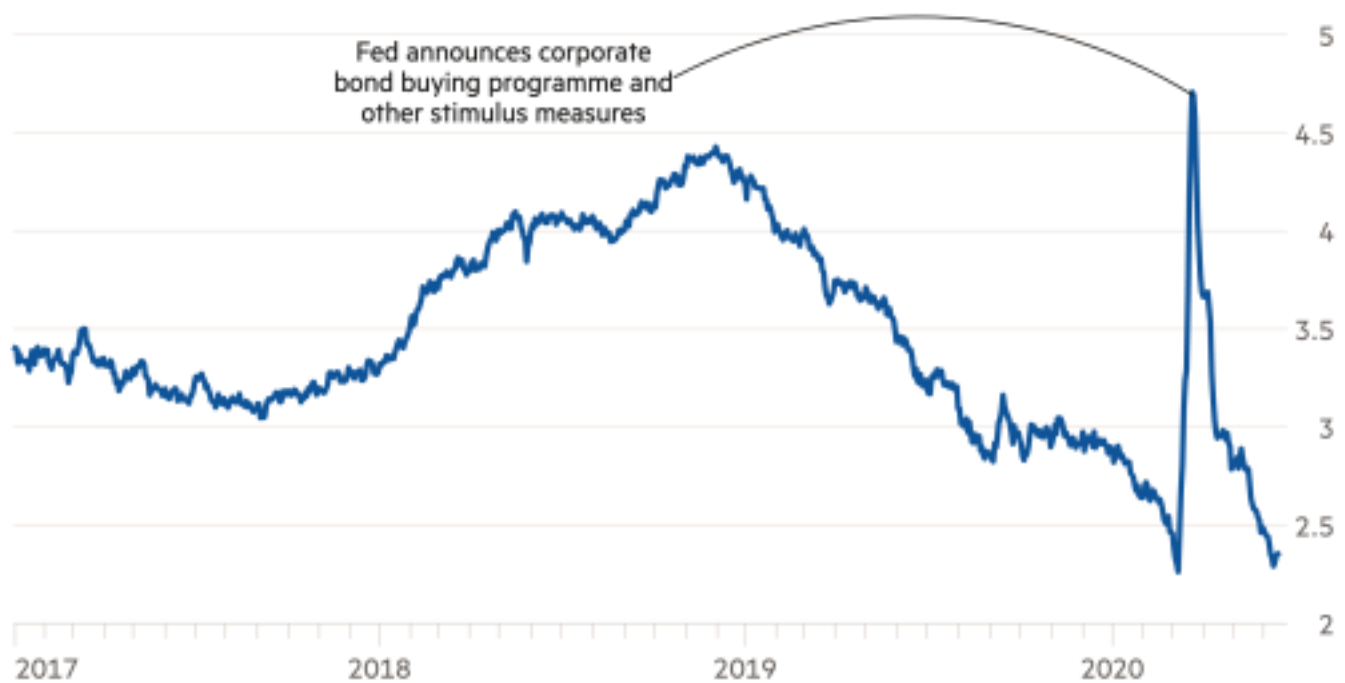
DoubleLine's founder Jefferey Gundlach, has been popping his head up, and once again calling out the Fed for traveling down a path into unchartered territory. During an interview with Yahoo Finance last week, he called out central bankers for violating their charter by buying individual corporate bonds. We agree, and think his point about the lack of real price

discovery has forever changed. If you have 30 minutes this week, it's an interview well worth watching.

Buy Em'

Corporate borrowing costs have tumbled over past three months

Yield on investment grade US corporate debt (%)



Source: ICE Data Services
© FT

Gundlach also pointed to the Atlanta Fed GDPNow forecast that shows just how bad second quarter growth is going to look. Even though consensus is getting better, there is still a projected 35% contraction in growth. For now, those in the V shaped recovery camp are winning the day, at least in terms of asset pricing. Listen through the full interview to get an idea of what the other side of that trade looks like.

GDP Not Now

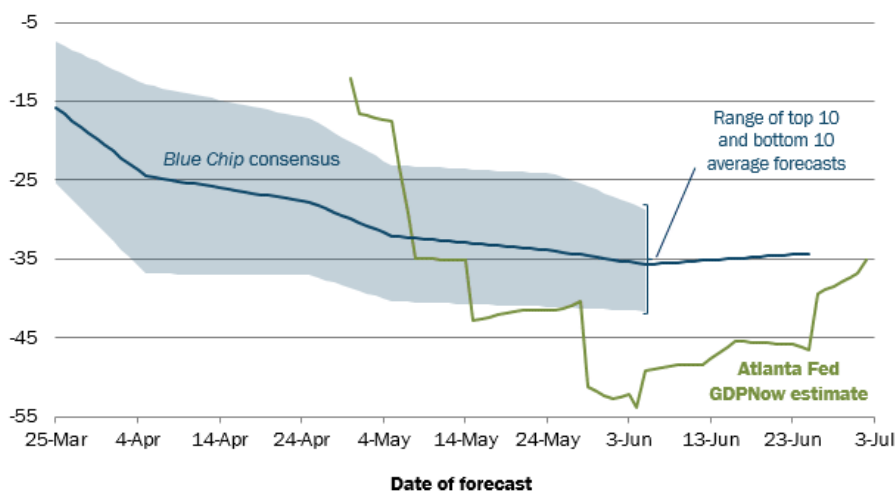


GDPNow™

GDPNow is not an official forecast of the Atlanta Fed. Rather, it is best viewed as a running estimate of real GDP growth based on available data for the current measured quarter. There are no subjective adjustments made to GDPNow—the estimate is based solely on the mathematical results of the model.

In particular, **it does not capture the impact of COVID-19** beyond its impact on GDP source data and relevant economic reports that have already been released. It does not anticipate the impact of COVID-19 on forthcoming economic reports beyond the standard internal dynamics of the model.

Evolution of Atlanta Fed GDPNow real GDP estimate for 2020: Q2
Quarterly percent change (SAAR)



Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts

Note: The top (bottom) 10 average forecast is an average of the highest (lowest) 10 forecasts in the Blue Chip survey.

Bubblicious

We have been observing markets and trying to make sense of the world since 1996. Over that time bull and bear markets have come and gone, with a few bubbles along the way. What we can fairly say is this go around has many of the telltale signs of past over exuberance and dislocation of asset values and economic reality. Which of course isn't a very popular place to be when the headlines are screaming otherwise, and day traders are flooding the markets. Bill Ackman described what he thinks is going on to Carlyle's David Rubenstein, as does Ray Dalio with a big picture look back at the elements that got us here.

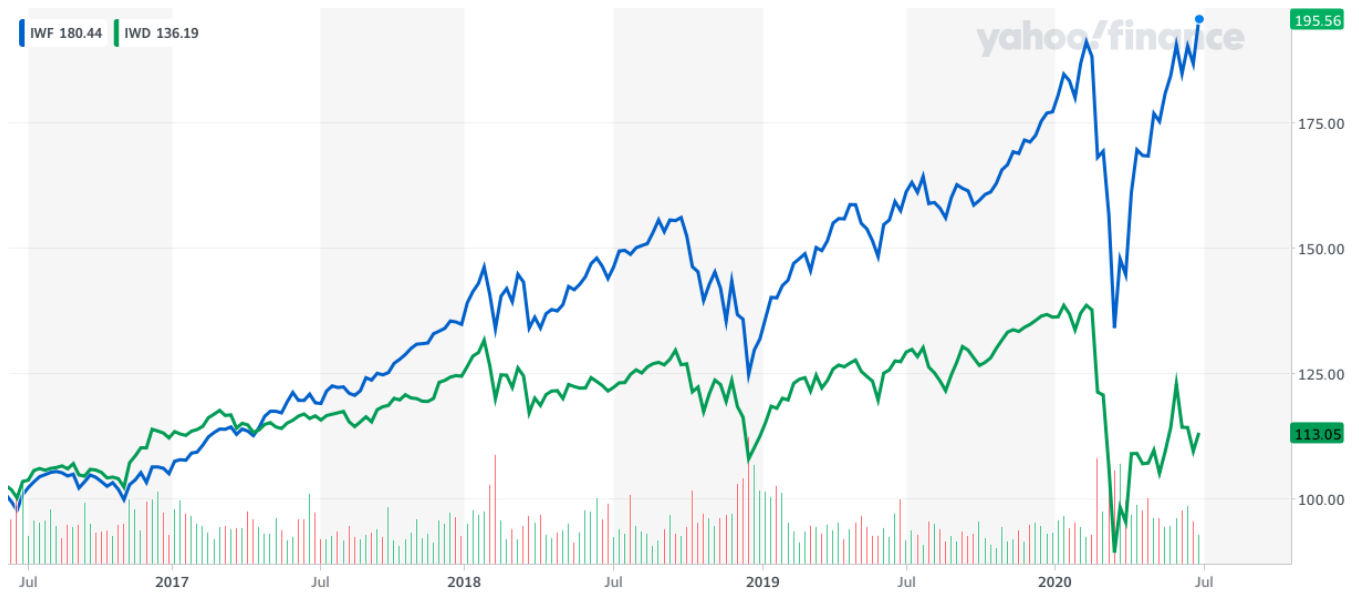
As Advertised



Hedge Funds

While still too early to tell how the past quarter wound up for most hedge funds, it's going to be hard for any that actually hedged to keep up with the 20% rise we see in the S&P 500. Ones that have been taking it on the volatility chin are Jim Simon's Renaissance Technology quant funds. The firm's market neutral strategy suffered a huge 20% loss in early June, something unthinkable for most strategies that pair off exposure. That said, when one side of the trade blows out against the other, someone is going to get hurt.

Growth vs. Value



Having won the battle, and the war, on Monday Elon Musk turned the knife on short sellers who have been eviscerated by the move higher in the shares of Tesla. In a Tweet, Musk said buyers of his newly available red 'short shorts' could 'Run like the wind or entertain like Liberace'.

Barely Covered Shorts



In a sign that the company founder is feeling no pain after a near tripling of the shares this year, the shorts are being offered at \$69.420, the latter portion being the fictional target price Musk was willing to theoretically take the company private at. It's also a ubiquitous term describing the chemical makeup of marijuana. In early June, the company saw a double downgrade of its shares from Goldman Sachs and Morgan Stanley on 'dizzying valuation'. Both are now down 20% on the recommendation.

Rip City



John Paulson, a man who made \$4 billion for himself in the 2008 Global Financial Crisis, has announced that he is closing up shop and turning the money he has left into a family office. While this should come as a shock to very few, it's once again a cautionary lesson that few who hit the motherload with single event trades are rarely ever able to repeat it over time. Paulson started with \$2 million in friends and family money in 1994. At its peak, the firm ran \$38 billion and is now at \$6 billion. Good news for John, most of that money is his. He was an early supporter of President Trump, and got handsomely paid for doing so.

Trump & Paulson



Diversions – The National Parks

No doubt about it, the world is in extreme flux right now, and if it were to be packaged in an ETF it would most certainly be triple levered. With that in mind, this week's Diversion's section takes you to places in our country worth the time and effort to get out and experience. They are our National Parks, and something that Ken Burns calls 'America's best idea'.

Yosemite National Park



First up, is one in our own backyard, Channel Islands National Park on the southern side of the Santa Barbara Channel. This five-island chain has remained relatively untouched over the past two hundred years, even though they sit only twenty to thirty miles from the populous mainland. Over time, the non-native species that once called them home have been removed and the ecosystem is back to where it was before modern man started taking over. For a really good understanding of the park, [scroll down the hyperlink](#) page and enjoy the educational video narrated by Carpinterian local Kevin Costner.

Anacapa Island



Lesser known than its dominating elder brother Zion, is the trio of Bryce Canyon, Capitol Reef, and Canyonlands which round together a solid excursion through some of Utah's red rock country. On top of the stunning topography, flora, and fauna, these parks are relatively easy to get to as they are all within striking distance of I-15 that runs north/south through the western states of California, Nevada, Arizona, Utah, and Idaho with plenty of stories out there that are waiting to be told.

Capitol Reef National Park



For a complete change of scenery, head east to our nation's capital, with stops at the Blue Ridge Mountains of Virginia and Shenandoah National Park. Having made a recent trip to Charlottesville, and the surrounding area, I can attest to the fact that these are unique mountains. What they lack in vertical climb, they make up for in the dense depth of the forests and the labyrinth of hiking trails. For those who prefer to see things from the comfortable confines of their car, the 100 mile Skyline Drive will take you the full length of park in a little over three hours.

Fall in Shenandoah



Finally, we take you to the far tip of Maine to Acadia National Park. Much like Grand Teton, modern Acadia was created when J.D. Rockefeller decided to act for the greater good and donate thousands of acres for the public's enjoyment. At 3.5 million visitors a year, the park is by no means undiscovered. That said, it's location on the Atlantic along with the 47,000 wooded acres of inland hills and mountains make for a special confluence of the land and sea.

Acadia National Park



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