

Dog Days

Yup, the dog days are here, and even more so than in past years. A little over halfway done, and the exhaustion level is certainly higher this year, and so are the markets for almost all asset classes. So, take a load off, sip a cup of coffee or glass of fermented grape juice, and enjoy this special Friday edition of Stillwater's This Week in the Markets, which includes an update on future programming that we think you will enjoy. Bow Wow.



New Commentary

We started writing This Week over three years ago and have published well over one hundred editions. Some have gone longer than others, but we pride ourselves on offering a reasonably deep look at the material we are covering. Starting in September, we are going to change up the offering and tighten up our weekly commentary, attempting to keep it to a five-minute read. But because there is plenty to cover, and the intellectually curious bonfire continues to burn, we are going to start producing a monthly publication that deep dives into industries, areas of geography, important trends, and other subjects we don't even know about yet. So be on the lookout mid-September for Stillwater's new Wall & Main, the name of which comes from the intersection of both.

A Curious Place to Be



We are going to start off with our traditional written format, and God willing, will expand with a podcast version and eventual video cast. The latter assumes that the world will open up again and there will be places to go and interviews to be had. This is going to be entertaining, and we look forward to taking you along for the ride.

Markets

Coming into the year, there was plenty of kitschy promotional plans involving having 2020 vision. The irony being that nobody had a clear view of what was going to take place. We are guilty of harping on the Fed and the seismic change in risk asset pricing they have propelled. So, this week we are taking a break and will defer to CNBC regular, Guy Adami, who on his Twitter feed made reference to a market that simply doesn't care. He went on to correlate what we are seeing in a ridicules resilient market with the famous "nasty a\$\$ honey badger who don't give a \$hit". The iconic YouTube video that introduced us to him is approaching 100 million views.

Nasty A\$\$ Indeed

HONEY BADGER

DON'T
CARE™

Ewwww!
What the hell
is that?!

Randall's Guide to Crazy, Nastyass Animals

The 2020 Election

In another sign of the strange times, the Democratic National Committee held their nominating convention this week virtually. Last night, Joe Biden accepted the nomination for presidency and now we can get rid of the phrase 'presumptive'. While Biden enjoys a respectable lead at the national level, his win is by no means in the bag. Our favorite guy who runs fixed income money, Jefferey Gundlach, went out on a limb this week and shared his opinion that Trump would win again. If he does, this will be the second time Gundlach went against public opinion polls and won.

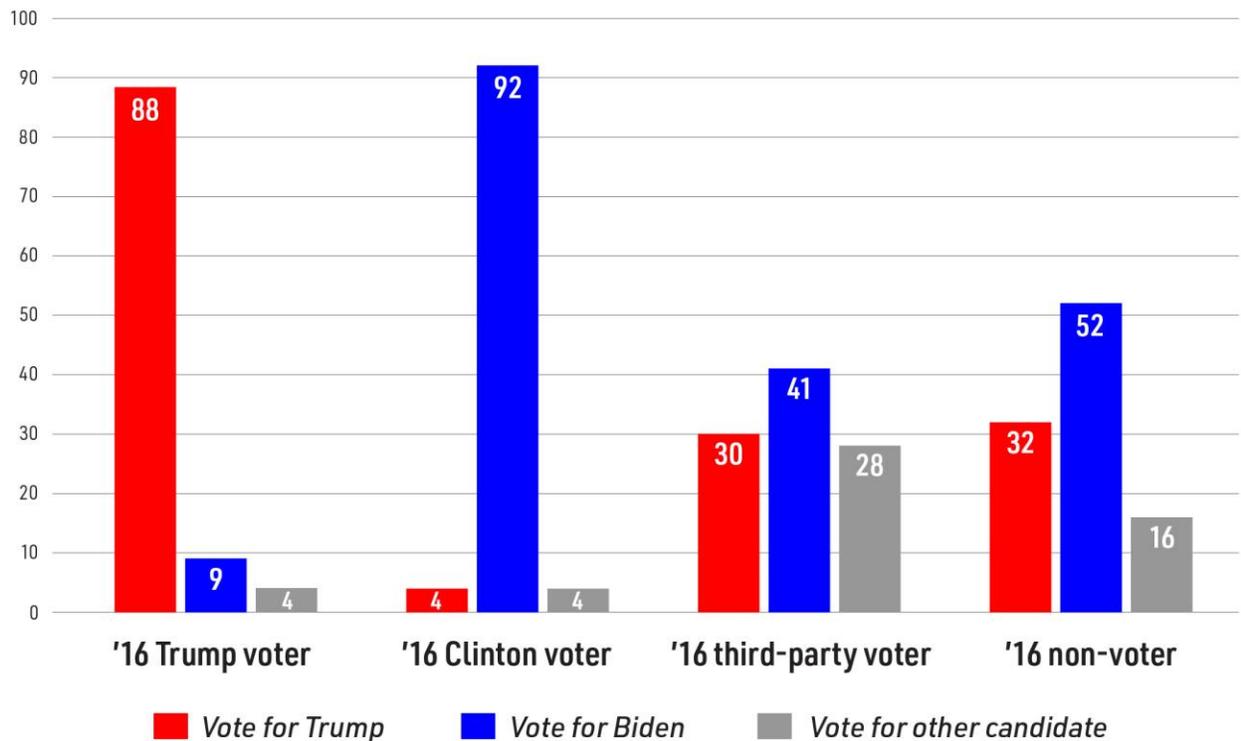
I Accept



There were a couple of reasons he made the call in the face of what looks like a tough hand for the guy currently living at 1600 Pennsylvania Avenue. First off, was the 'squishy' nature of the polls right now due to the toxic political environment. The second, and more important factor, is that Kamila Harris's charisma could take the shine off of Joe Biden, and this election would be more about whether or not America is ready for a female with a mixed-race background. This week, USC released a poll giving Sleepy Joe an 11 point lead.

Back for More

Presidential Election Preview: How Clinton, Trump Voters from 2016 Plan to Vote in 2020



A total of 1,510 eligible voters, who are adult members of the USC Dornsife Center for Economic and Social Research's Understanding America Study internet panel, participated from August 11 - 16, 2020. Margin of sampling error for this preliminary sample is +/- 3 percentage points. Tracking graphs will be updated every day. For full question text, methodology, and other information, visit <https://uasdata.usc.edu/index.php>

If I was a betting man, and to a certain extent I am, this one is going to go Biden's way, just not with the margin the current polls are showing. Part of this opinion is based simply on the fact that the 2016 election results cut against what the polls and common sense were saying. And as they say, once bitten twice shy. If the election puts Biden in the White House, expect pressure to the downside for stocks, as taxes are going to be headed higher at a time when the economy might not be able to handle it. Bottom-line, love him or hate him, Trump has been good for the market, even throughout the volatility.

S&P 500 Since Trump Elected



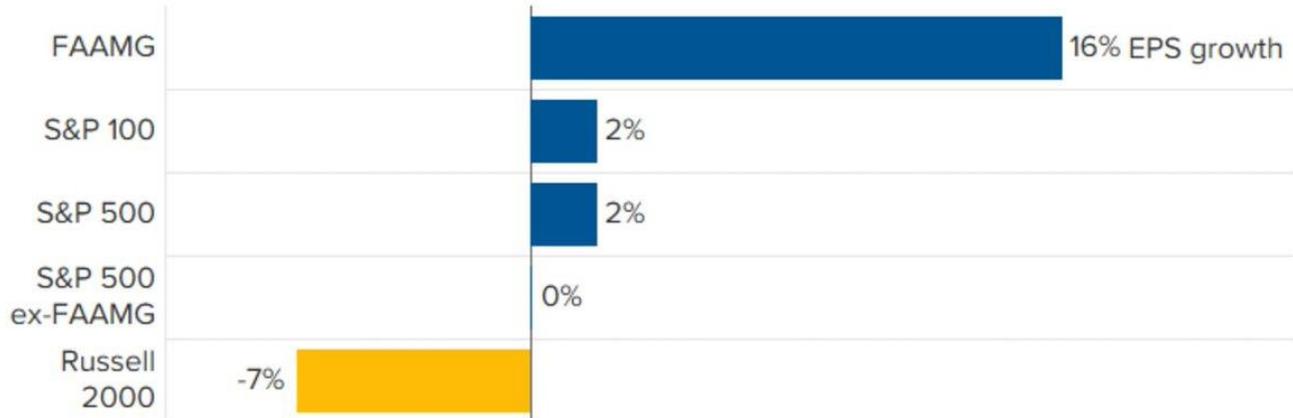
ESG Mirrored Smoke

While we love the business we are in, there is a whole lot of smoke and mirrors applied to investment products, pretty much across the board. This week, we were reminded of that when we were doing research for our upcoming Hedged ESG strategy. What we stumbled upon was the re-branding of the Nuveen Winslow Large-Cap Growth ESG mutual fund. This strategy used to be the firm's core large cap growth portfolio. But because nobody wants to pay for that readily available kind of thing, they slapped an ESG label on it and called it 'new and improved'. But in reality, this is nothing more than a whitewash of an index hugging fund where 30% of the portfolio is in four stocks: Apple, Microsoft, Amazon, and Facebook. But as we remind everyone, don't hate the player, hate the game.

The Only Game in Town

S&P earnings growth comes from five companies

Q4 2019 year-over-year EPS growth. FAAMG represents Facebook, Amazon, Apple, Microsoft and Alphabet.



SOURCE: Goldman Sachs Global Investment Research, FactSet. As of February 13, 2020.



Housing Market

You would need to be residing under a rock to not know that the housing market is as hot as West Texas in August. This week, we got affirmirmation when existing home sales popped 25% from a year ago. And no, that's not a typo, this was a record print. On top of that, home prices increased 9% for the same period. Bottom line, money is cheap, and the Fed is committed to keeping it that way. With that as your baseline, why wouldn't you lever up? Assuming of course you have confidence in your job and the economy. Add to that the urban exodus, and you have a serious boom on your hands.

Lower for (Much) Longer

Heating Up

Low rates help fuel record monthly gain in sales of previously owned U.S. homes



Source: National Association of Realtors

Hedge Funds

Distressed hedge fund Marble Ridge took the big dirt nap this week when it announced it was shutting down after a huge legal blowup involving the bankruptcy of defunct retailer Neiman Marcus. The billion-dollar fund is going out of business after the government found it interfered with asset sales related to the Chapter 11 filing. Neiman's wasn't the first, and won't be the last retailer to go BK during these unprecedented times as the flood continues.

Needless Markup



The Sporting Life

In case you hadn't noticed, life in sports has begun to look a little more normal these days, as the NBA, NHL, and MLB are all back in the swing of things. Hoops and hockey went straight to the playoffs, in a modified form. Most notable for the former was the creation of the 'bubble' at Disneyworld in Florida, where all players are in a quasi-quarantined environment. Good news for the league is that ratings have been through the roof so far, as the pent up need for a diversion from the pandemic and the election have people tuning in.

Living in the Bubble



For major league baseball, the sight of empty stands has been muted by the surprisingly successful use of cardboard cutout images of fans and even celebrities. Our favorite was Dodger Stadium and the inclusion of the quirky, yet semi-famous, Mike Brito, who for years sat behind home plate with a speed gun and panama hat.

Mary Hart with Mike Brito



And in case you missed it earlier this year, Dodger middle-relief pitcher Joe Kelly became instantly famous when he went head hunting for Astros in retaliation for the sign stealing scandal that marred the game and vacated a World Series championship for Houston. And now this iconic image has become a foundational part of the 'Free Joe Kelly' movement. Turns out Kelly was already a pretty funny guy, and also wasn't afraid to show off his salsa dance moves when he was with the St. Louis Cardinals.

"Nice swing...."



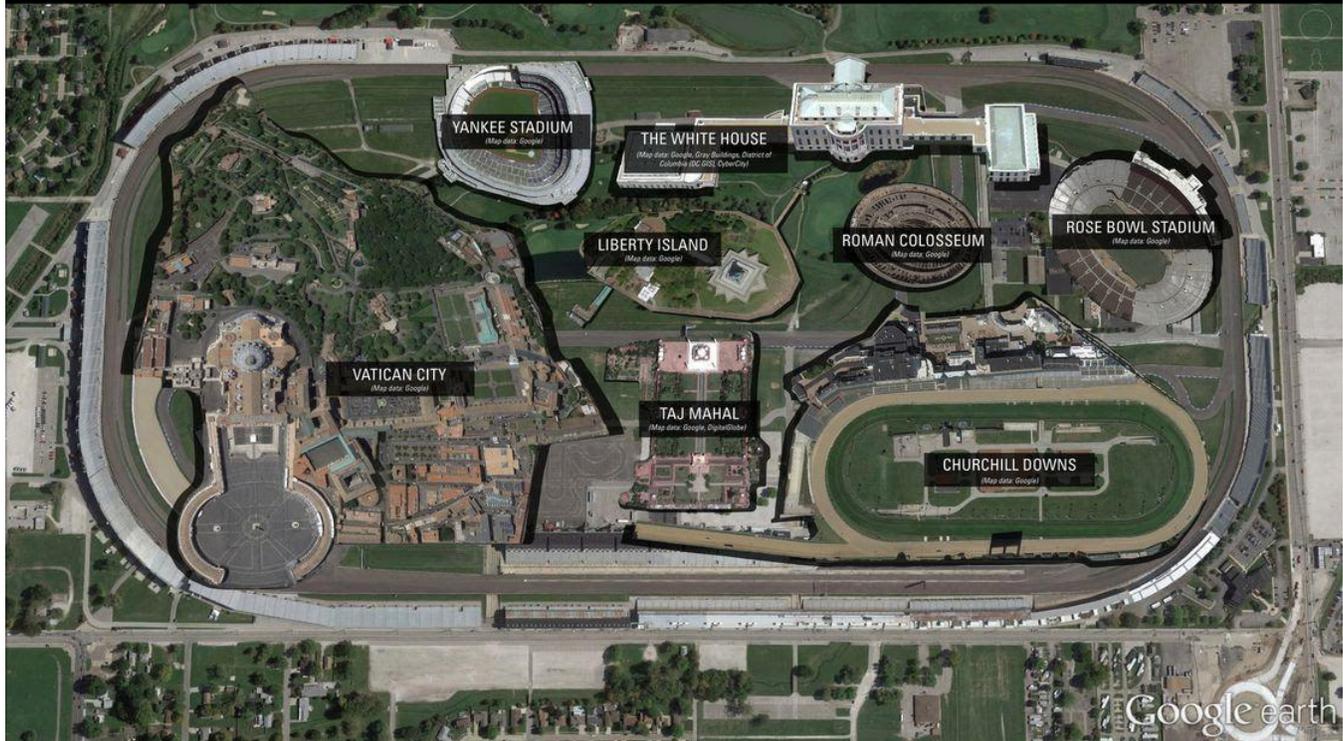
When Covid hit earlier this year, all kinds of sporting events were cancelled or postponed. This weekend we get a big one back when the Indy 500 rolls through the 'brickyard'. NBC Sports has the coverage with Mike Tirico and Danica Patrick on the call. To give you an idea of the enormity of the venue, Axios put together this image showing what you could fit inside the two-and-a-half-mile oval. Needless to say, a lot could go in there.

The Brickyard

INDIANAPOLIS MOTOR SPEEDWAY

HOW BIG IS THE 2.5-MILE OVAL? HERE'S WHAT FITS INSIDE.

THE RACING CAPITAL
OF THE WORLD



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