

Stimulus or Life Support?

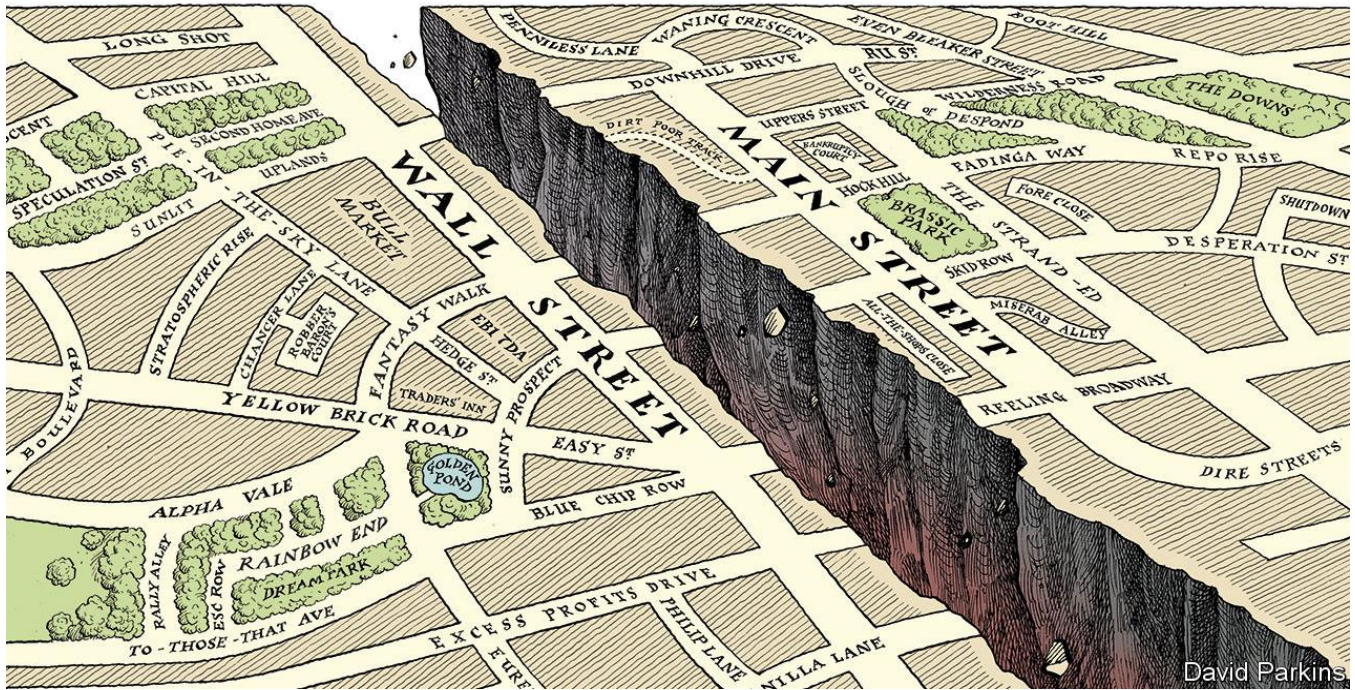
The markets spent another week playing the stimulus waiting game as Pelosi and Trump are in rare alignment, and Mitch McConnell is the one standing in the way. Or is it Speaker Pelosi looking to punt? We would call it a parlor game, but the political and economic stakes are too high to be any sort of game.

Old Time Deal?



While rumors persist as to the reason, one being that McConnell is convinced Trump will lose and doesn't want to spend bullets he will later need. There are other reasonable thinkers who opine that Pelosi is going to hold off until after the election to find out how big she actually can go on the bill. Either way, it's high theater. We just wonder if the dough coming from Washington is 'stimulus' or 'life support', or both, depending on which side of the divide you are on.

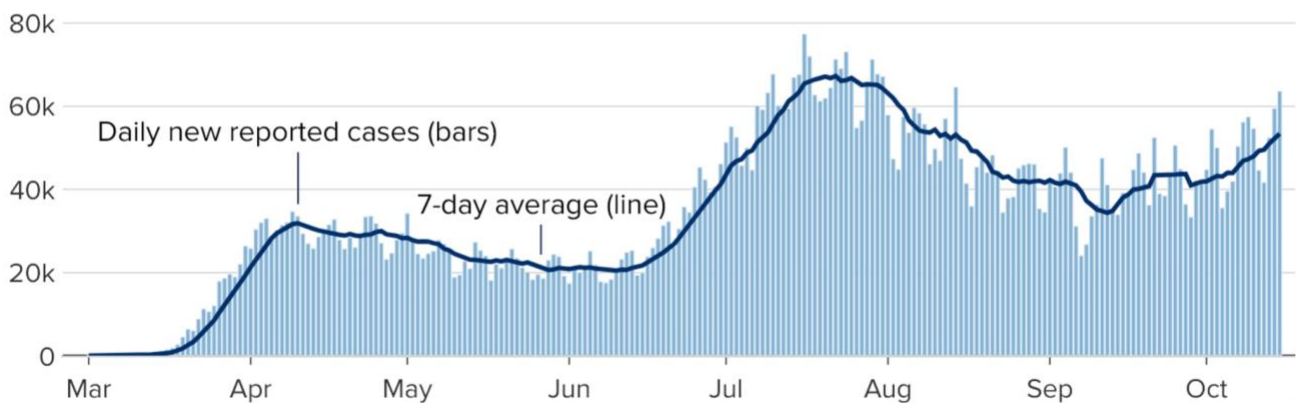
Fissured Economy



Call it what you want, but if the trends in the infection rate continue to point to a third wave of the pandemic, the United States and the rest of the world are going to need every penny they can find as the threat of a modified economic lockdown remains on the table.

Riding the Waves

Daily new coronavirus cases in the U.S.



SOURCE: Johns Hopkins University. Data through October 15, 2020.



Election Impact

Next Tuesday we will be participating in CalALT's election 2020 preview along with Barry Knapp of Ironsides Macroeconomics, and Chris Stanton of Sunrise Capital. The moderator of the event will be Sunrise CEO, Jason Gerlach. Connect [via this link](#) to register for the event. If our preview session was any indication, those tuning in will come away with some very non-consensus thoughts on where we are headed politically and monetarily.

CalALTs 2020 Election Preview



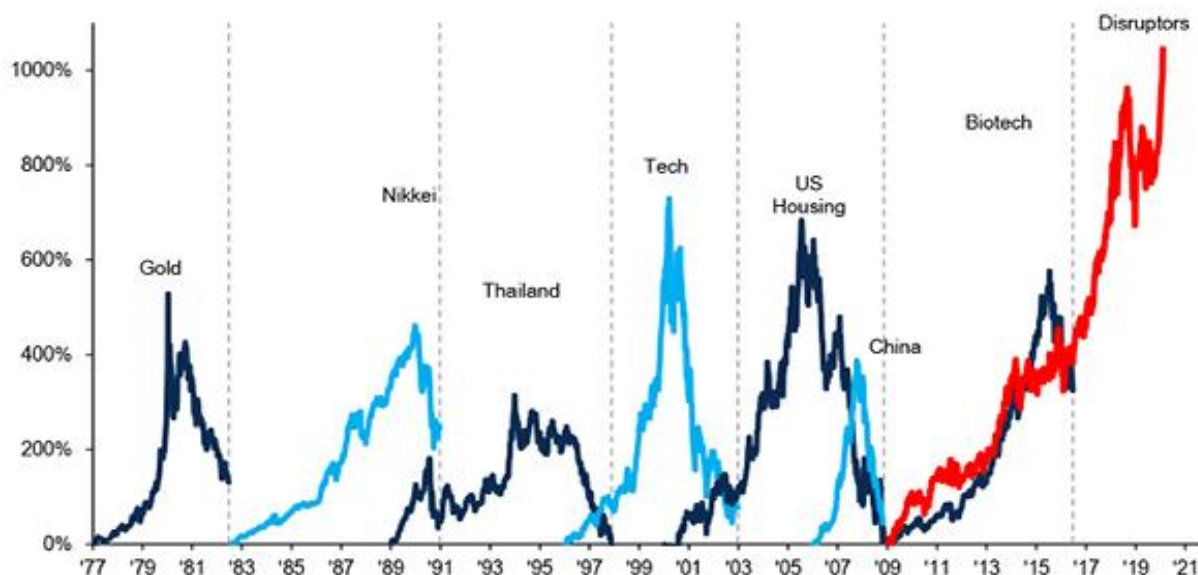
| | |
|---|---|
| WHAT | ELECTION 2020 SERIES - PART 1 WHAT TO EXPECT LEADING UP TO NOVEMBER 3RD |
| WHEN | TUESDAY, OCTOBER 27 1:30 PM - 2:30 PM VIRTUAL MEETING |
| WHO | <div>Bryan Goligoski Founder & CIO Stillwater Capital, LLC</div> <div>Barry Knapp Managing Director Ironsides Macroeconomics</div> <div>Jason Gerlach CEO & Managing Partner Sunrise Capital Partners</div> <div>Christopher Stanton Partner & CIO Sunrise Capital Partners</div> |
| Join us for our 2-part election series providing an insight into what to expect for the alternatives industry, pre and post the 2020 election. For Part 1, we'll be joined by Barry Knapp, Managing Director, Ironsides Macroeconomics; Christopher Stanton, Partner & CIO, Sunrise Capital Partners; and Bryan Goligoski, Founder & CIO, Stillwater Capital, LLC, as they discuss their predictions leading up to November 3rd. The discussion will be moderated by Jason Gerlach, CEO & Managing Partner, Sunrise Capital Partners. | |

A Little Bubbly

The Fed is starting to at least acknowledge that the devil they don't know could come back to bite them in the monetary ass. Schroders pointed out as much this week, adding that for savers that need cash dividends, they will need to double their allocation to even begin to earn enough on their principal to keep up. Scott Miner at Guggenheim talked about the same thing last month.

Lesson Learned?

History of Asset Bubbles Past 40 Years



Source: BofA Global Investment Strategy, Bloomberg. Note: Gold (XAU Curncy), Japanese Equities (NKY Index), Thai Equities (SET Index), Tech (NDX Index), US Housing (S5HOME Index), Commodities (SHCOMP Index), Disruptors (DJECOM Index + NYFANG Index constituents, equal weighted)

For Goldman Sachs CEO, Lloyd Blankfein sees 'bubble elements' himself. It's tough to get a sense of any outrage, as markets are running on a 'if it feels good, do it' mantra right now. In the meantime, the case for the 'K' shaped recovery gets stronger, as asset prices bubble up for those that own them, and jobs and wage growth are stuck in neutral at best. That being the case, the image below isn't that far out of proportion. Just read the article from BuzzFeed that goes down the 'I'm screwed' rabbit hole with those who have nothing right now.

Uneven is an Understatement

Special



Sign of the Times

What if we told you there was a social media company that lost \$200 million in the third quarter, even as top-line revenue surged, and shareholders still have zero say in what management does? Would you think the stock would go up, or down? In the case of Snap Inc., the answer was the former to the tune of a \$20 billion increase in market capitalization overnight.

Wall Street Love



That's right, a \$200 million loss and the market re-values the company by a third higher. While we would say that is an amazing display, this is 2020 and nothing should possibly surprise anyone. Turns out, one mankind's dumpster fire of a year is another man's opportunity to make a life changing amount of money. Nothing quite like a four bagger in six months. Welcome back 1999, we've missed you.

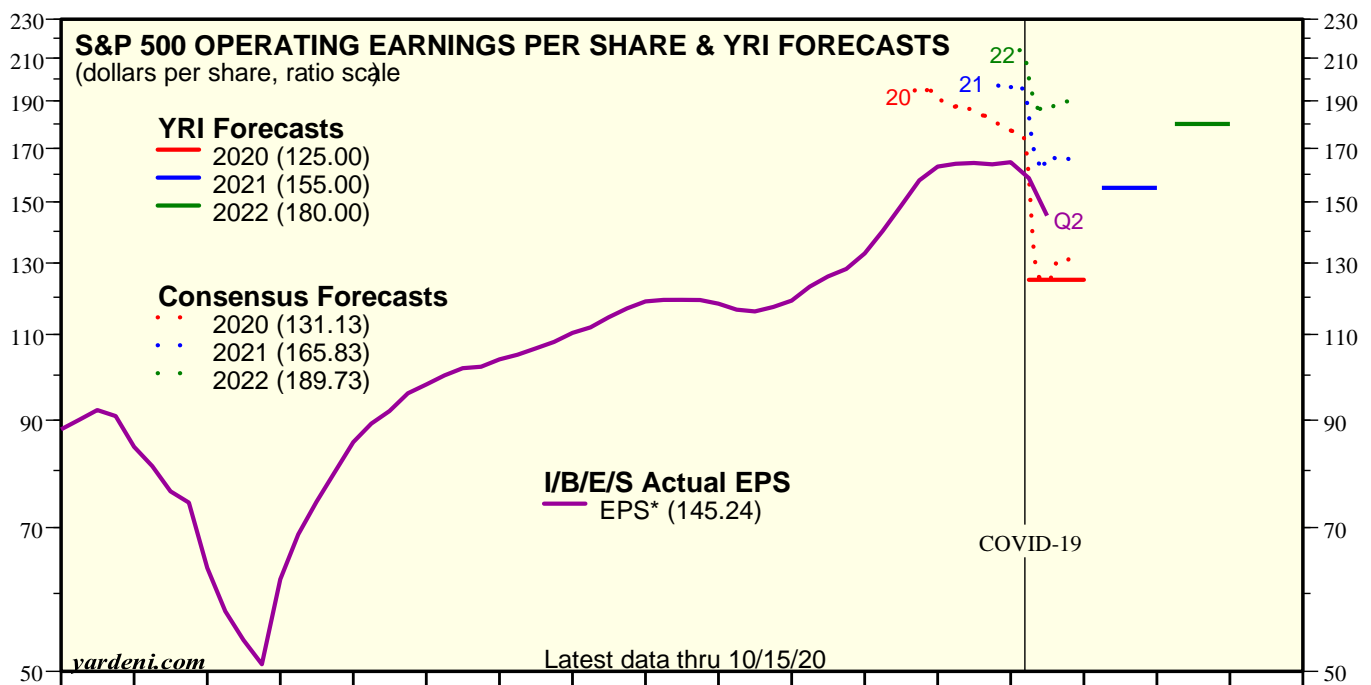
Snap Inc.



Earnings

All sectors of the economy are projected to show another down earnings quarter, as Covid runs roughshod through the income statement of corporations. That has the S&P 500 looking like it will see a full 20% decline for 2020 to \$130 in earnings. And while 2021 earnings are projected to rebound 25% back to the \$160 level, that's still roughly the same as what was earned in 2018 and 2019. If you want to look out further, we won't actually get back to any real earnings growth until 2022. The following chart from Yardeni research helps paint what that picture looks like, and the firm does a great job of articulating what is really going on between the economy and markets.

Long Time Coming



Eye on Accounting

For the longest time, tangible assets were something that was coveted on the balance sheet of corporations as in the worst case of a liquidation there were actual 'things' that could be sold and the proceeds passed on the equity holders after debts were paid. Fast forward to today, and we are living in a polar opposite world where it's those things you can't see that matter most.

Intangible Assets



Patents



Trade Marks



Design Rights



Copyrights



**Trade
Secrets**



**Organizational
Knowledge**



**Proprietary
Software Code**



**Brand &
Reputation**



**Critical Suppliers
& Customers**



**Research &
Development**



**Strategy &
Market Intelligence**



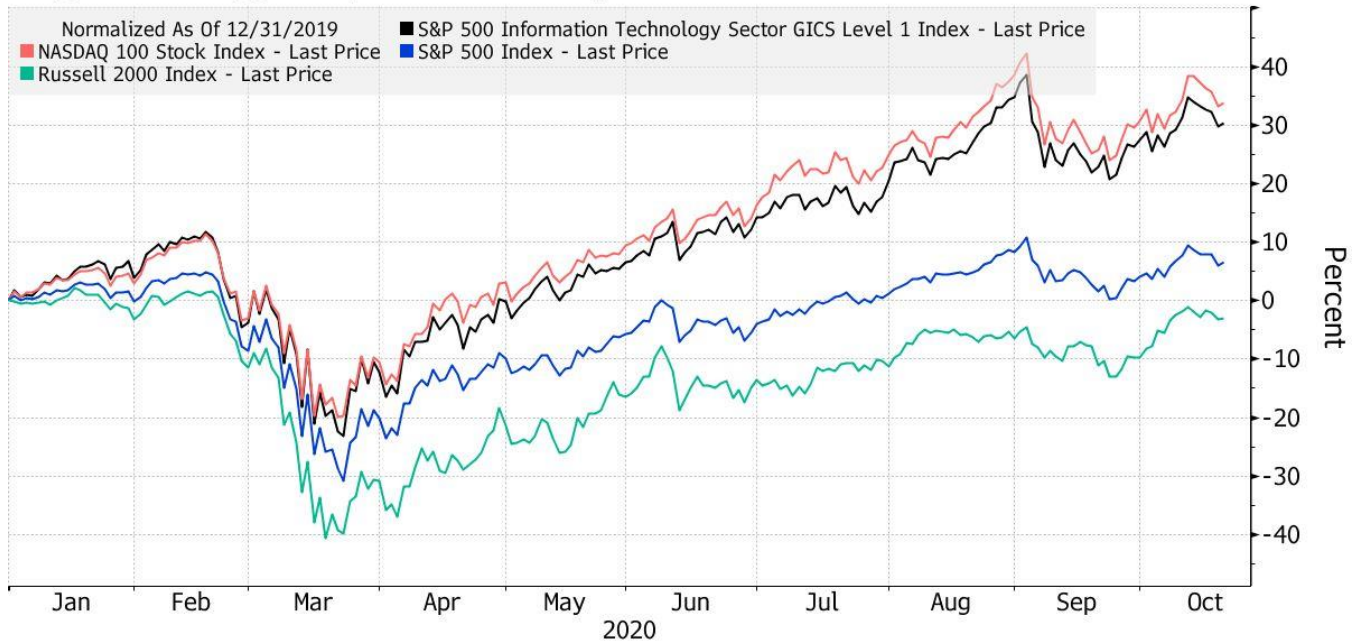
Know-How

‘Asset light’, as Bloomberg explains, is the new mantra, and it’s those intangibles on the balance sheet that have been driving growth. As the head of NYU’s accounting research department, Baruch Levy, points out, ‘those that are successful are enormously successful’, and they tend to work for companies that rely on fewer workers. The outperformance of technology tells that story in 2020.

Broken Record

Big Get Bigger

Large technology companies have outperformed in 2020



Source: Bloomberg

Covid Times Real Estate

Next week we are going to deep dive on the impact Covid-19 and zero rates are having on real estate trends across the country and the globe. As we stand here today, apartment rents are plunging in once hot areas while suburban home values are popping, often times in adjacent geographic locations.

City Rents Cratering

The 17 Most Expensive US Rental Markets

September 2020, median asking rents

| One bedroom | | | From | Prior | Change from | Record |
|---------------------|---------|--------|---------|--------|-------------|--------|
| City | Price | yr ago | record | record | | month |
| 1 San Francisco, CA | \$2,830 | -20.3% | \$3,720 | -\$890 | -23.9% | Jun-19 |
| 2 New York, NY | \$2,600 | -12.5% | \$3,370 | -\$770 | -22.8% | Mar-16 |
| 3 Boston, MA | \$2,300 | -8.4% | \$2,530 | -\$230 | -9.1% | Oct-19 |
| 4 San Jose, CA | \$2,230 | -9.3% | \$2,550 | -\$320 | -12.5% | Jul-18 |
| 5 Oakland, CA | \$2,130 | -14.1% | \$2,500 | -\$370 | -14.8% | Oct-19 |
| 6 Los Angeles, CA | \$2,020 | -11.0% | \$2,430 | -\$410 | -16.9% | Oct-18 |
| 7 Washington, DC | \$1,990 | -13.5% | \$2,340 | -\$350 | -15.0% | Dec-17 |
| 8 San Diego, CA | \$1,800 | 0.0% | \$1,950 | -\$150 | -7.7% | Dec-18 |
| 9 Miami, FL | \$1,750 | 1.7% | \$1,900 | -\$150 | -7.9% | Jun-16 |
| 10 Ft. Lauderdale | \$1,680 | 5.0% | \$1,700 | -\$20 | -1.2% | Jul-20 |
| 11 Seattle, WA | \$1,650 | -12.7% | \$1,990 | -\$340 | -17.1% | May-18 |
| 12 Santa Ana, CA | \$1,650 | 1.9% | \$1,920 | -\$270 | -14.1% | Sep-18 |
| 13 Honolulu, HI | \$1,600 | -3.0% | \$2,130 | -\$530 | -24.9% | Mar-15 |
| 14 Long Beach, CA | \$1,600 | 3.9% | \$1,610 | -\$10 | -0.6% | Jun-18 |
| 15 Chicago, IL | \$1,500 | 4.9% | \$2,050 | -\$550 | -26.8% | Oct-15 |
| 16 Philadelphia, PA | \$1,500 | 0.0% | \$1,550 | -\$50 | -3.2% | Sep-18 |
| 17 Denver | \$1,400 | -11.4% | \$1,600 | -\$200 | -12.5% | Jun-19 |

| Two bedroom | | | From | Prior | From | Record |
|---------------------|---------|--------|---------|----------|--------------|--------|
| City | Price | yr ago | record | record | prior record | month |
| 1 San Francisco, CA | \$3,800 | -20.0% | \$5,000 | -\$1,200 | -24.0% | Oct-15 |
| 2 New York, NY | \$2,990 | -11.3% | \$3,980 | -\$990 | -24.9% | Mar-16 |
| 3 Los Angeles, CA | \$2,810 | -11.1% | \$3,310 | -\$500 | -15.1% | Jun-18 |
| 4 Boston, MA | \$2,800 | -3.4% | \$2,930 | -\$130 | -4.4% | Oct-19 |
| 5 San Jose, CA | \$2,770 | -5.8% | \$3,080 | -\$310 | -10.1% | Apr-16 |
| 6 Washington, DC | \$2,740 | -1.8% | \$3,290 | -\$550 | -16.7% | Jun-17 |
| 7 Oakland, CA | \$2,700 | -10.0% | \$3,000 | -\$300 | -10.0% | Oct-19 |
| 8 San Diego, CA | \$2,360 | -1.7% | \$2,520 | -\$160 | -6.3% | Oct-18 |
| 9 Miami, FL | \$2,350 | 3.1% | \$2,640 | -\$290 | -11.0% | Mar-16 |
| 10 Honolulu, HI | \$2,240 | 6.2% | \$2,950 | -\$710 | -24.1% | Jan-15 |
| 11 Ft Lauderdale | \$2,200 | 3.8% | \$2,230 | -\$30 | -1.3% | Jul-20 |
| 12 Seattle, WA | \$2,200 | -7.9% | \$2,650 | -\$450 | -17.0% | Apr-16 |
| 13 Santa Ana, CA | \$2,180 | 2.3% | \$2,260 | -\$80 | -3.5% | Dec-18 |
| 14 Long Beach, CA | \$2,100 | 5.0% | \$2,200 | -\$100 | -4.5% | May-18 |
| 15 Denver | \$1,920 | -4.0% | \$2,080 | -\$160 | -7.7% | Jun-18 |
| 16 Chicago, IL | \$1,800 | 2.9% | \$2,650 | -\$850 | -32.1% | Sep-15 |
| 17 Philadelphia, PA | \$1,760 | 3.5% | \$1,730 | \$30 | 1.7% | Aug-18 |

Source: Zumper

WOLFSTREET.com

Student housing is on the ropes. And in Montana, there is a once in a lifetime real estate boom going on, one we've had the chance to see firsthand. Turns out Yellowstone the series was more accurate than one would have thought, as the G-Wagon invasion is hitting the rugged streets of the mountain west with a vengeance.

'All Hat, No Cattle'



Marfa, Texas

In a place generally bereft of G-Wagons, Marfa, life is getting along in this quirky outpost in far West Texas known more for its art and topography than anything else. For this week's Diversion we travel along with the Houston Chronicle's Allison Medley who reminisces about past visits to this outpost that sits an eight hour drive away from the metropolis she calls home.

Marfa's Landscape



Probably the most iconic piece of art installed in this artist retreat is 'Prada, Marfa', a whimsical experiment from Michael Elmgreen and Ingar Dragset that when first erected, was intended to simply fade into the desert over time without much in the way of upkeep. The opposite happened, and now the piece is the attraction most identified with the area. So much so that it wound up being included in Beyoncé's Instagram feed, further cementing it into art lovers lore.

Prada, Marfa



I caught Marfa on a Monday a couple of years ago, which was not ideal given that those who immerse themselves in the art scene there generally take that day off. These are artists after all, and they might be on to something. To pass the time I posted myself up in the bar at the Hotel Paisano in the middle of town and reminisced with a few locals as to what it was like when the late Anthony Bourdain came through town in search of Far West Texas. He somehow found it, and I did too, in a world that now seems light years away.

The Hotel Paisano



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