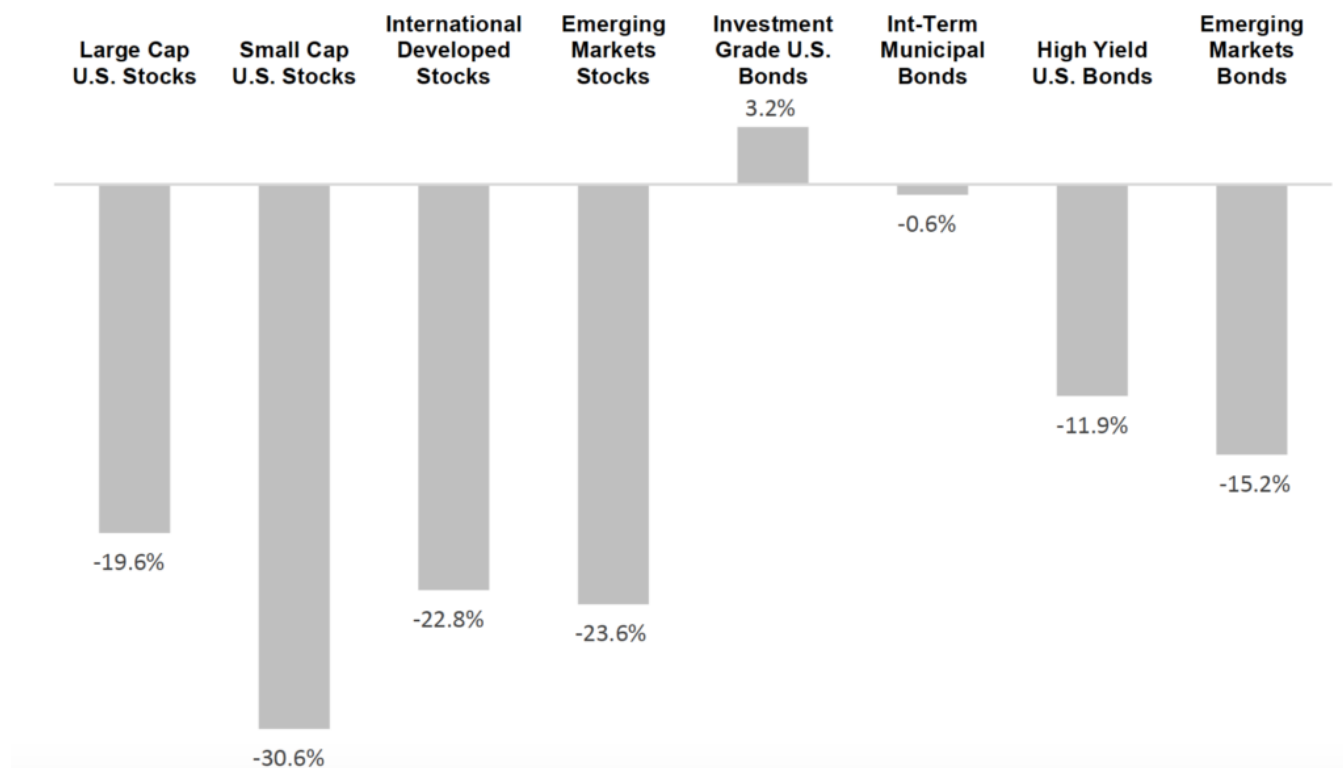


The first quarter of 2021 is coming to a close, and what a difference a year makes, in so many ways. Every major global index was down 20% or more. The Fed funds rate went from a target of 1.50% to 1.75% all the way down to 0.00% to 0.25%. And the ten-year treasury yield fell from 1.91% to 0.70%. All of which screamed that an impending Covid-19 pandemic recession was at the doorstep.

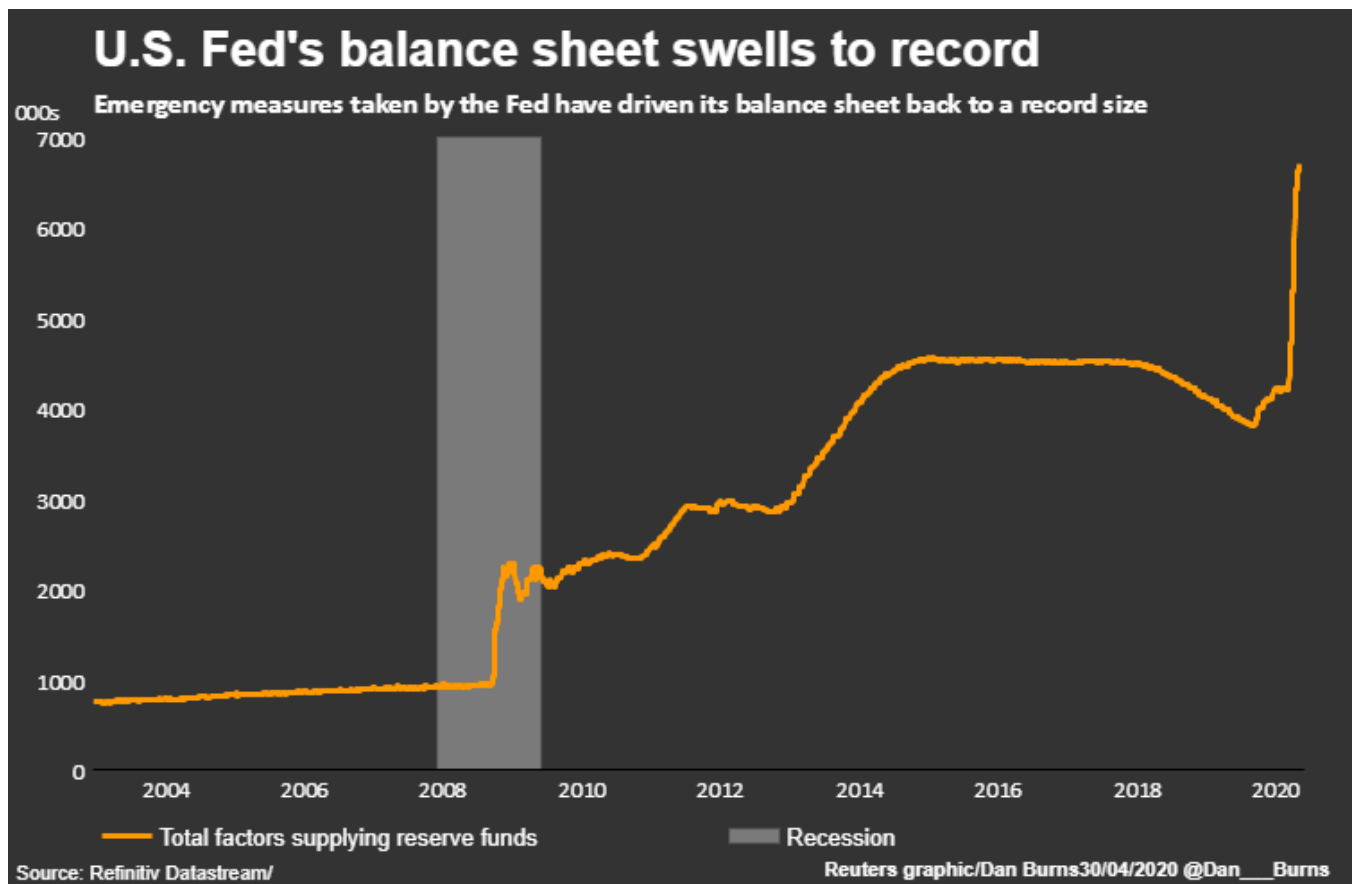
Edge of the Abyss

World Asset Classes Returns for the First Quarter



Turns out it wasn't and the bloodless contraction, and the contraction in growth is going to short lived for most. Especially those who could tap the market for cheap money. As for asset prices, you know the story with punchline being, never ever fight the Fed. They have endless weapons of liquidity at their disposal, and the Board of Governors is not afraid to use every one of them. When we look at this chart it is incredible to us how small the initial 'break glass' program to save the global economy in 2009 appears in comparison.

Trillions, With a 'T'



All that said, bond yields have now risen materially in the past few months and this week Fed Chair Powell admitted that the recovery has been fast than anticipated and now the world's largest central bank is set to 'very gradually...and with great transparency' begin to slow its bond buying spree, and hyper growth stocks are now having an 'oh shit' moment. Is it possible, maybe just possible, that moderation by Jerry and Co. closes the curtain on the theater of the absurd we have been watching for the past year?

The Puppet Master



If that happens then it looks like I won't have to channel my inner Hunter S. Thompson hang up my spurs, and run for mayor of Red Lodge, Montana as I promised if stocks went up at the same time yields did. That said, the two feet of powder that got dumped here in the past week has me tempted to re-locate permanently for other fluffy white reasons.

'Point em' Down'

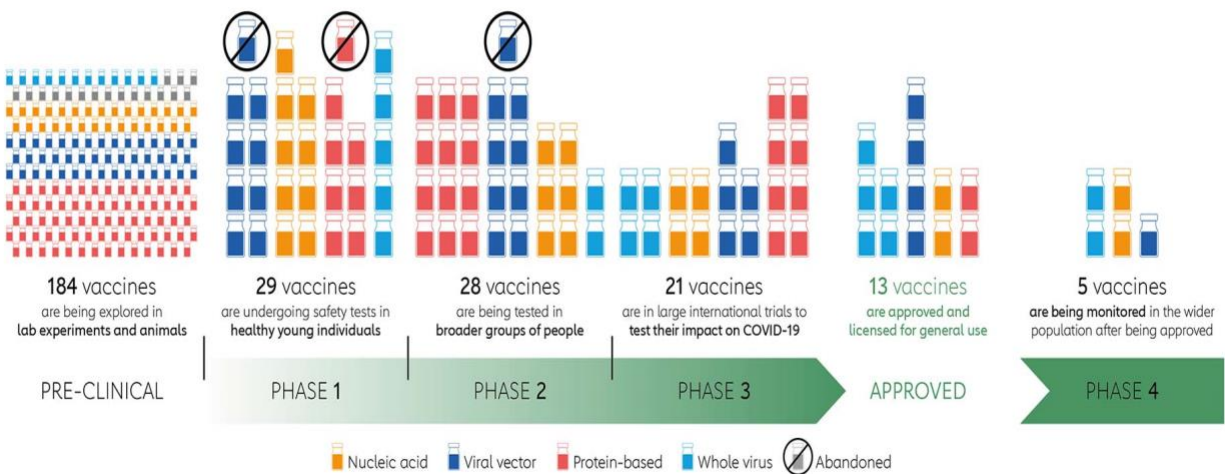


Vaccine Update

One of the reasons for recovery optimism is the continued success of Covid vaccine rollouts. Morgan Stanley was out this week saying, don't fear the ahead of schedule race to protect the public. You guessed it, 'buy the dip' remains the best page in the playbook. President Biden is on the bull side of the tape, as he is about to double the number of vaccinated to 200 million in his first 100 days in office.

Bull Market for Vaccines

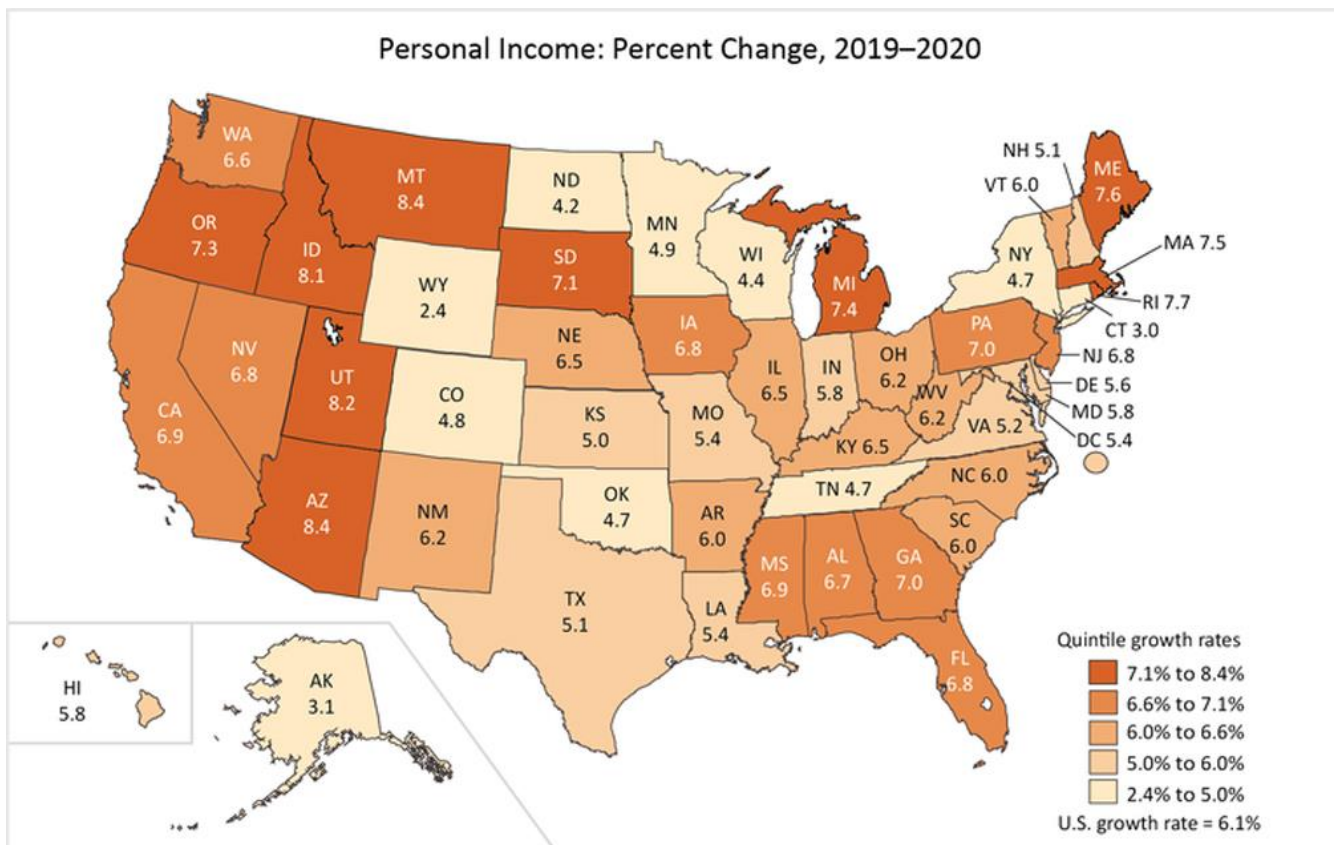
COVID-19 VACCINES IN DEVELOPMENT



The Economy

We received two economic readings of note this week, and they both hit on Thursday morning. Each one argued well for a faster paced recovery than was thought of just a few months ago. First up, personal income growth. What if we told you that Americans earned an extra \$1.1 trillion last year, 6% higher than the year before, for a grand total of \$19.7 trillion, would you believe us? They did, and it all came from good old Uncle Sammy where every state in the union saw an increase. And these are not small numbers.

Home of the Free (Money)



U.S. Bureau of Economic Analysis

The other piece of news that drew economist's attention, was the continued improvement in unemployment when jobless claims fell to a pandemic low. This puts next week's BLS jobs report front and center, as the market is now seeing good as being (possibly) bad. Cash in the bank, jobs getting better, a long leash at the Fed, and asset prices through the roof, what could possibly go wrong?

The Positive Mo Continues

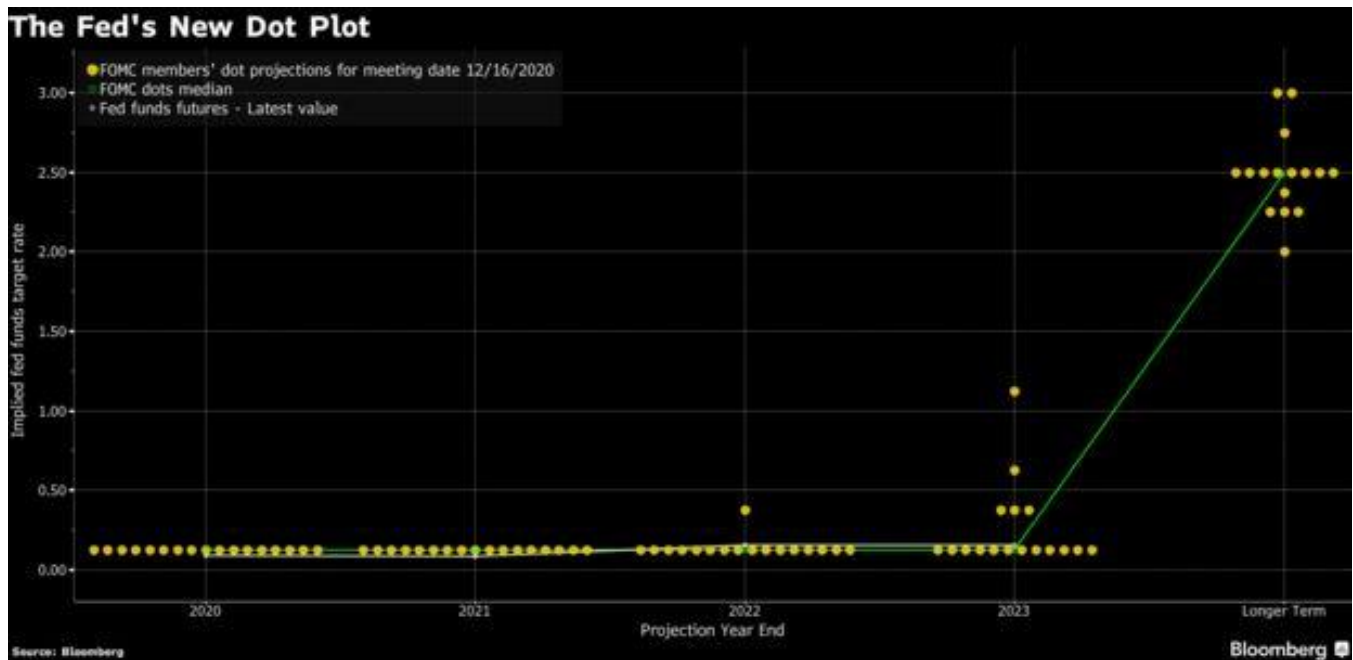
One Year Later

Filings for U.S. initial jobless benefits fell more than expected last week



But as Bloomberg pointed out this week, bond traders have had a historically poor record at timing when the Fed is going to start lifting rates. Even the governing body on rates see the rate to borrow that they set as being much lower, for much longer with the delta between where things should be for the next three years well below what they expect in the 'long term'.

Lower (Much) Longer



SPAC a' Palooza

We haven't covered Special Purpose Acquisition Companies (SPAC) very much, except to say it's a mania and most manias end poorly. To give you an idea of how strong this wave of liquidity is, there was over \$400 billion in SPAC listing proceeds in the first four weeks of the year. This is on top of the astonishing number seen in 2020. While we are dubious of the practice, and think this ends badly, we are in the minority. That said, we appreciate it when we find an opinion like ours. For that, we give you Dan Bowler's well written piece for Seeking Alpha; 'Beware the SPAC: How they work and why they are bad.'

Boom Time

TRACKING SPAC IPOs IN THE U.S. SINCE 2005

2020 has been a big year for SPAC IPOs in America. 248 new “blank check” companies have gone public, an increase of more than 300% compared to 2019.

AVERAGE IPO SIZE

\$350M

OF SPAC IPOs → 248

\$300M

\$250M

\$200M

\$150M

\$100M

\$50M

\$0

WHAT ARE SPACS?
Special Purpose Acquisition Companies (SPACs) are shell companies created specifically to raise capital, with the intent to buy a private organization and turn it public. It's a way to bypass the traditional IPO process.



2007 was a big year for SPACs, before the global financial crisis hit.

In 2020, SPACs have raised over \$82 billion in capital—more money than the past 10 years combined.

2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020

28 37 66 17 1 7 16 9 10 12 20 13 34 46 59 248

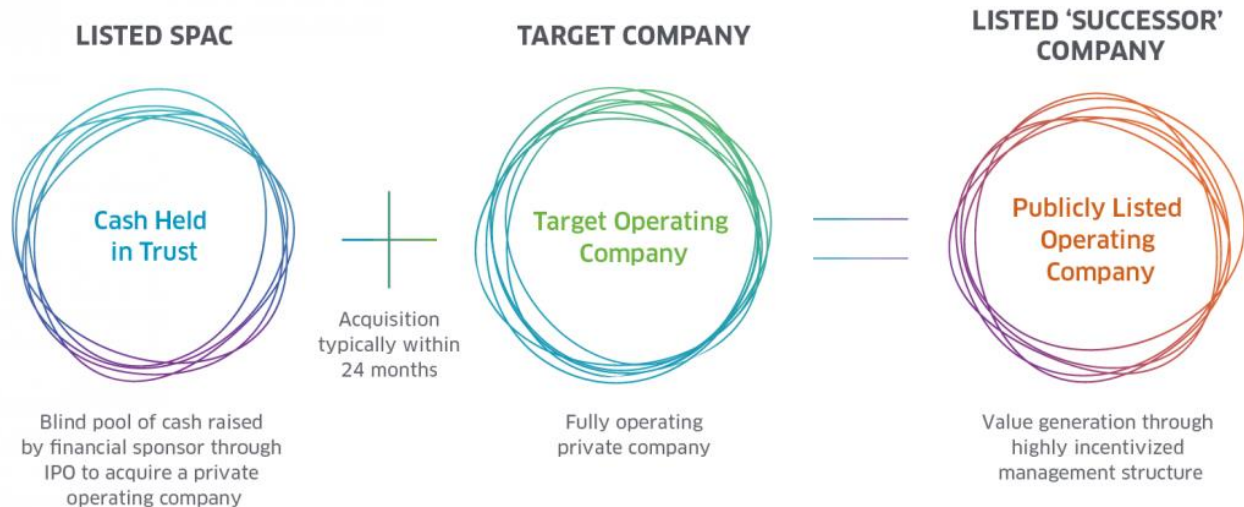
Figures as of Dec 30 2020
Source: SPAC Data, SPAC Insider



The cautionary tale of how Silicon Valley is now embracing the SPAC process was told by fellow financial journalist Ari Levy for CNBC. The detailed piece brings into focus the bull and bear case as told by the likes of Chamath Palihapitiya on the former side of the ledger, and Sam Zell on the latter. Regardless of how this winds up ending, a Mount Everest of money has already been made, and most likely will continue to be for the foreseeable future.

Rinse...Repeat

How Does a SPAC Work?



The world is awash in SPACs and SPAC coverage. In the future, we will do what we can to bring to the table ideas and analysis of specific companies that used the process to become publicly listed entities. One of which will be WeWork which on Friday announced a plan to go public via a SPAC transaction. The company will be valued at \$9 billion, down from \$48 eighteen months ago. At some point, when we don't think we will get our face handed to us again, we might even start to short the more speculative of these. Until then, survive and advance.

Proudly Listed



Travel & Entertainment

With the consumer pump primed and the gates opening up on travel, it's the airlines, hotels, casinos, restaurants, and cruise lines that are getting ready to reap the rewards. What that looks like for individual stocks is TBD as most have doubled, if not tripled, or quadrupled from the lows of a year ago. This while revenues and earnings have cratered. The winningest of them all? The shares of Danny Meyer's heavily shorted Shake Shack. Meanwhile, Carnival Cruises can't catch a break. Regardless of the near-term micro, the macro has the sub-sectors within travel and entertainment popping, and we would not want to stand in the way.

Mixed Picture



As part of a plan to encourage the public to travel again, and because it makes for good business, both American and United have extended flight credits for another twelve months. This represents about \$12 billion in total value to the airlines and will add some much-needed juice to the travel and tourism industry, assuming the world continues to open up. While still only operating at 50% capacity of what they did in 2019, airlines are adding approximately 150 new routes in the near term to draw in travelers.

Cleared for Takeoff

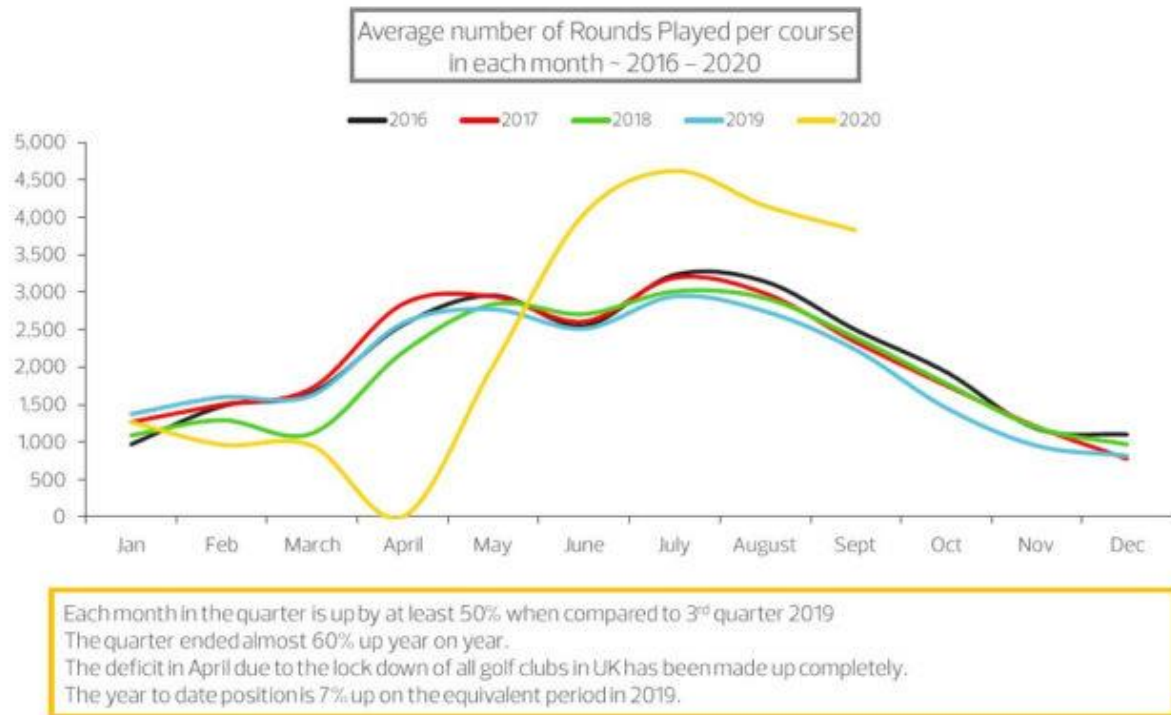


Diversions - Golf

No outdoor sporting activity has seen its fortunes more challenged in the past two decades than golf. Rounds played had been decreasing materially for twenty years as interest in the sport waned. All that changed in 2020, when the industry saw an uptick of 14% in rounds played, and 10% in sales of merchandise and equipment.

Above Par

ROUNDS PLAYED YEAR TO DATE – NATIONAL



Nowhere had golf been making a better comeback than in the realm of the newly re-mastered driving range, and the phenomenon that has become 'Topgolf'. And there is no more highly anticipated opening than the one in Los Angeles slated for 2022. This will be the company's first foray into the Southern California market, with the other location being the Inland Empire town of Ontario. The first project is in the LAX and seaside adjacent town of El Segundo, where the company is taking over 'The Lakes', a nine hole muni that is very popular with members of the Los Angeles Kings hockey team.

Topgolf Los Angeles



The Masters is headed our way again in a couple of weeks (April 8th – 11th), and defending champion Dustin Johnson is your favorite (6-1 odds). The rest at the top of the pack include the very long hitting John Rahm, Rory, 2019 runner up Brooks Koepka, Bryson, and Justin Thomas, all going off around 10-1. While not as sparsely attended as was the 2020 tournament held last November, this year will see a larger, yet still limited number of patrons. Look for our full ‘all Masters, all the time’ Diversions section in two weeks’ time.

Exclusive Club



We end this week by profiling one of the least expensive, yet richest feeling golf experience we know of; The Peter Hay short course at Pebble Beach, which had been closed since the conclusion of the 2019 U.S. Open which was held across the street. ‘The Hay’, as it’s now called, was re-designed by Tiger Woods and looks about as spectacular as one would think given the players and the venue. At \$65 for nine holes, with a 50% haircut if you want to round it out and loop twice, this should make the cut for ways to cut loose from the last years worth of isolation.

‘The Hay’



Odds on the favorite to win the renewed playing of the Silver Fox Cup at this venerable venue; Jack 'RonDog' Goligoski. That is if he doesn't let his brother Will get so far in his head that the latter calls his interiors designer and starts picking out paint colors and drapes. Game on, boys. Game on!

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