

This week...

Oooooohhhhhh, snap. '[\\$hit just got real](#)', at least from an inflation perspective.



As hard as they might try, perma-bulls, QE forever doves, and any other blind lemming looking to jump off the 'inflation is transitory' cliff, can do so now to get it

out of the way. While the Big Short claimed to have [seen this coming](#), he isn't alone. As Bloomberg's John Authers wrote, 'It's official. The inflation numbers are a hot sticky mess.' What accompanied the piece was a [chart lovers dream](#). Here are a few choice ones. Steamy in Cleveland? I mean, come on...



Here is your chart of stagflation with prices way up, earnings only slightly getting off the mat, and four million people still out of work who had jobs before the pandemic. Part of that has to do with [‘life pivots’](#) and the [existential desire](#) for something more meaningful. Hey, if you are going to ride a bike with no chain, might as well do it someplace you like.

Living Standards Under Pressure

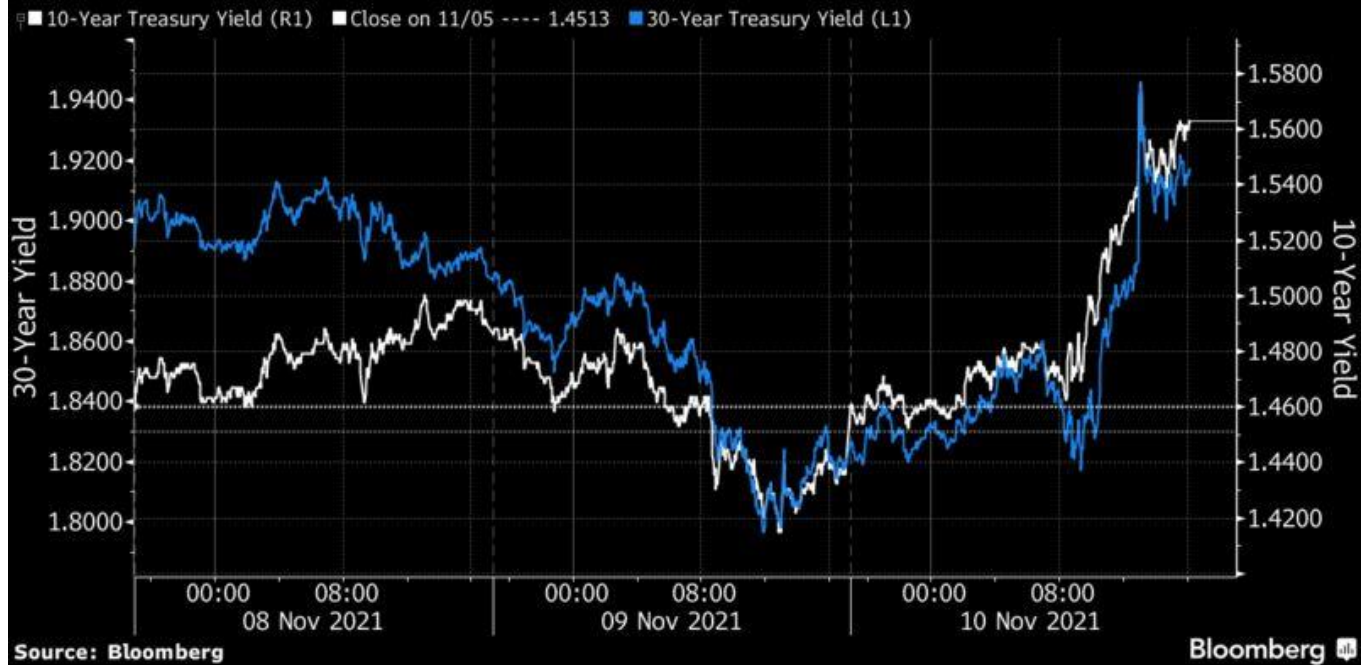
Real wages decline further, matching Great Recession declines



The hot inflation print gave the bond market pause, as rates spiked right along with anxiety at the Federal Reserve. And while a twelve basis point move higher on the ten-year note might not sound like much, it is, considering 1.44% was where it came from. And poorly positioned, low vol, high leverage, trading books jacked up with treasuries [have been getting killed](#).

Lael Who?

The CPI data sparked a massive reversal in the Treasury market

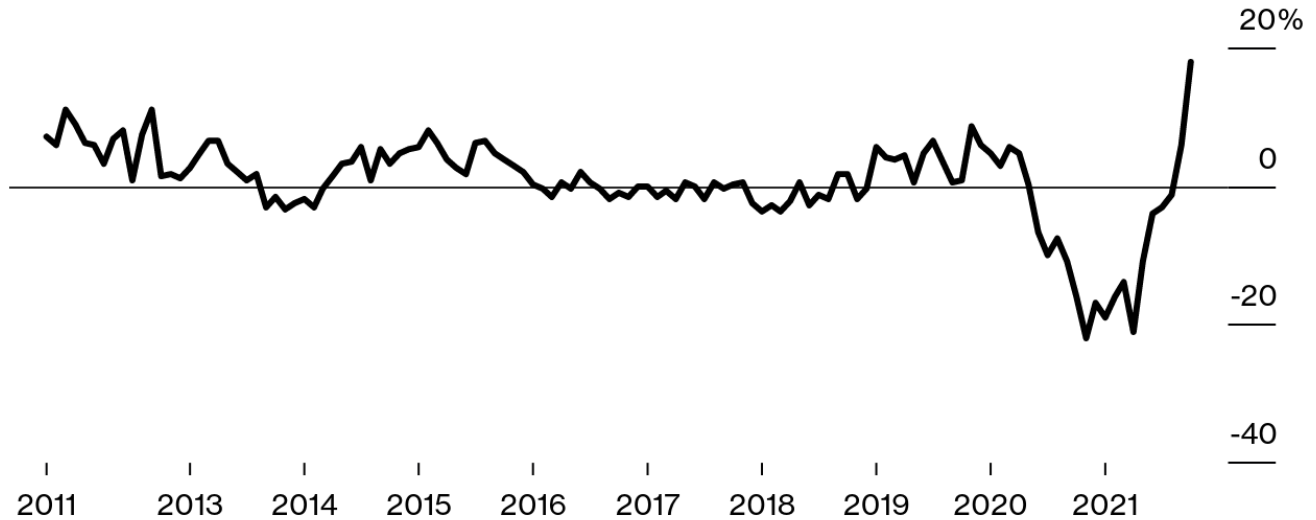


As for our friends in [‘dreary old Manhattan’](#), it looks like the nuclear winter is over for people eying cheaper rents than they had been paying in a city where ‘inexpensive’ is very relative.

Manhattan Surge

Apartment rents climbed by the most on record in October

Year-over-year change in median rent



Source: Miller Samuel Inc. and Douglas Elliman Real Estate

Bloomberg

So where does that leave us? Same place we were back in May when billionaire investor Stanley Druckenmiller wrote [‘The Fed is Playing with Fire’](#) in the *Wall Street Journal*. As George Soros’ onetime trading Sherpa, his opinion matters.



Distilled down, it said that while we needed a massive flood of liquidity in the early days of Covid, that time had passed. But the Fed hasn't moved enough and is now behind the curve. His argument was so persuasive, that we wrote an entire Mid-Current piece on his theory and premise for our monthly deep dive. It's [still available here](#) for those looking to travel down further into the rabbit hole.



Enough of the charts and cartoons, let's get back to making money in the market, long and short. Fortunately for us, the latter has started to work as once high-flying thematic stocks like [Peloton](#) and [Beyond Meat](#) have been getting eviscerated by investors for not living up to high expectations. Looks like both companies suffer from a 'market saturation' problem and lives that are getting back to normal. All hail the return to normal, and a properly fired ribeye.



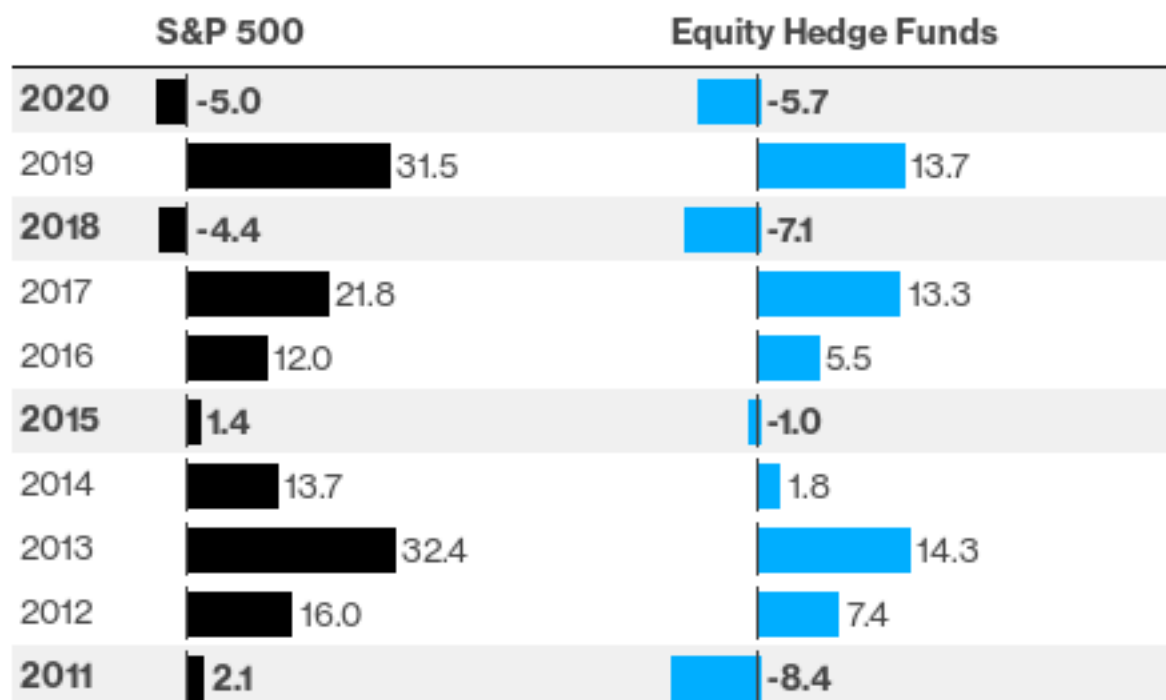
We don't plug much, but when we do, we go big. Or at least big enough to get some investor interest in an idea or strategy we are working on. With that in mind, Stillwater is announcing the launch of a long/short food, health and fitness strategy that will key in on both the good and the bad that is happening across a dynamic landscape of opportunities.



The structure is liquid and transparent. Client assets are held in their individual name and there is no lockup, no partnership accounting, co-mingling of funds, or K-1s to wait on during tax time. Account minimum is \$100,000 with a 1% management fee, half the rate of most [underperforming long/short strategies](#) with no performance carry. Because [we hate 2/20 as much](#) as Gary Gensler.

Worst of Both Worlds

Equity hedge funds have missed rallies and taken a hit in down markets



Source: Bloomberg

2020 data is as of end of May. S&P 500 Index returns include dividends, hedge fund returns as measured by the HFRI Equity Hedge Total Index

To encourage new money, we are offering 50 basis points for life on all assets committed by December 31st of this year. Don't look for the strategy to have a high correlation to the S&P 500. You want that, buy a SPY. Contact Stillwater Capital with indications of interest.

contact@stillcap.com

In a sign of the frothy times, [Hershey bought Dot's Pretzels](#) for \$1 billion this week. That price tag is still astonishing because for all the success Dorothy 'Dot' Henke has had, annual sales of Dot's is only \$10 million. Search as we might, we still can't find the press release that says 'correction, we meant \$100 million'. So we are going with Hershey just paid a billion dollars for ten million in revenue. That's a lot of (pretzel) dough.



And if that isn't an amazing story of American grit, creativity, determination, matched with a need for salty snacks at every Exxon, Chevron, Shell, and Sinclair, we don't know what is. Dorothy [founded the company](#) after sampling Chex mix at a wedding and liked the way the pretzels tasted, and now she has private jet money. What a country!

HERSEY TO ACQUIRE DOT'S PRETZELS

ANNOUNCEMENT WEDNESDAY



"I AM PROUD OF THE PROGRESS THAT WE'VE MADE AS A TEAM AND AM CONFIDENT HERSHEY'S WILL HELP TAKE A GREAT BRAND WE BUILT HERE IN NORTH DAKOTA GET DOT'S PRETZELS INTO EVEN MORE PEOPLE'S HANDS – AND HEARTS!"

DOT HENKE
FOUNDER, DOT'S PRETZELS

Keeping with the subject of food, Grammy-winning producer DJ Kahlid is working with ghost kitchen operator Reef Technologies to [open 150 chicken wing locations](#) worldwide, except in this case there are no locations. Everything is done by delivery, with dockside available via jet ski. [Another Wing](#) joins the tidal wave of food purveyors who want to go with a high volume, asset light business model. A year ago, REEF took \$700 million from Softbank to further build out its 'proximity platform'. Pretty cool stuff for a post-Covid world.



REEF

— THE ECOSYSTEM THAT CONNECTS THE WORLD TO YOUR BLOCK —



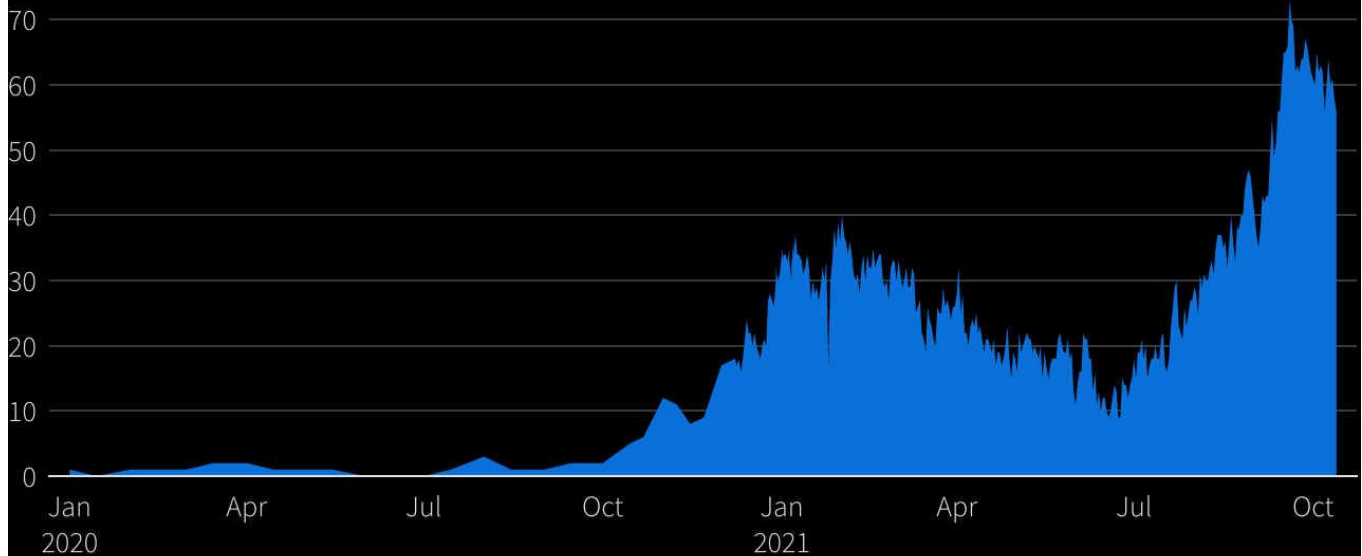
If you are even the occasional watcher of financial journalism, it was [tough not to notice](#) the IPO this week of Rivian, the electric vehicle maker that delivered all of 156 trucks last year, all to employees. While Rivian's CEO made the rounds touting the [long-term merits of the business](#), Elon Musk [took a shot at the company](#) that is valued higher than Ford and General Motors. This [comes with the territory](#) when you are valued at \$90 billion with no recorded revenue. Welcome to [Bizzaro World](#) once again.



Looking ahead to next week, we have a read on the pulse of the consumer when retail sales for October are reported on Tuesday. Expectations are for another 0.7% year over year gain, the [same as September](#). All of which is rather remarkable given how many container ships are currently parked off the Port of Los Angeles. That's a lot of goods looking to make it to retailers shelves.

Congestion at Port of Los Angeles/Long Beach

Number of anchored container ships waiting to offload at Port of Los Angeles/Long Beach



Note: Data current as of October 13, 2021

Source: Marine Exchange of Southern California & Vessel Traffic Service Los Angeles and Long Beach

This time of year, we would usually write up something about college football and how the home stretch to conference playoffs and the [national championship](#) is upon us. But with Alabama making its way back to number three in the rankings, we know how this is going to end. That said, maybe just maybe, the Bulldogs of Georgia can 'bear down' and [get it done this year](#). They are a special team, one that we hope will help save college football from the [evil empire](#) overlorded by Coach Nick Saban. The [Dawgs play a woeful Tennessee](#) Volunteers team this Saturday.



So, the real focus of this week is to get the word out that the art world is coming back along with everything else. Look no further than Miami Beach in two weeks [when Art|Basel returns](#). The event runs from November 30th through December 5th and Ocean Avenue magazine gives you their [‘must attend’](#) events this year.



DISCLOSURE: Stillwater Capital, LLC is a Registered Investment Adviser. Advisory services are only offered to clients or prospective clients where Stillwater Capital, LLC and its representatives are properly licensed or exempt from licensure. This website is solely for informational purposes.

Past performance is no guarantee of future returns. Investing involves risk and possible loss of principal capital. No advice may be rendered by Stillwater Capital, LLC unless a client service agreement is in place.

Stillwater Capital, LLC provides links for your convenience to websites produced by other providers or industry related material. Accessing websites through links directs you away from our website. Stillwater Capital, LLC is not responsible for errors or omissions in the material on third party websites and does not necessarily approve of or endorse the information provided. Users who gain access to third party websites may be subject to the copyright and other

restrictions on use imposed by those providers and assume responsibility and risk from the use of those websites.

General Notice to Users: While we appreciate your comments and feedback, please be aware that any form of testimony from current or past clients about their experience with our firm on our website or social media platforms is strictly forbidden under current securities laws.