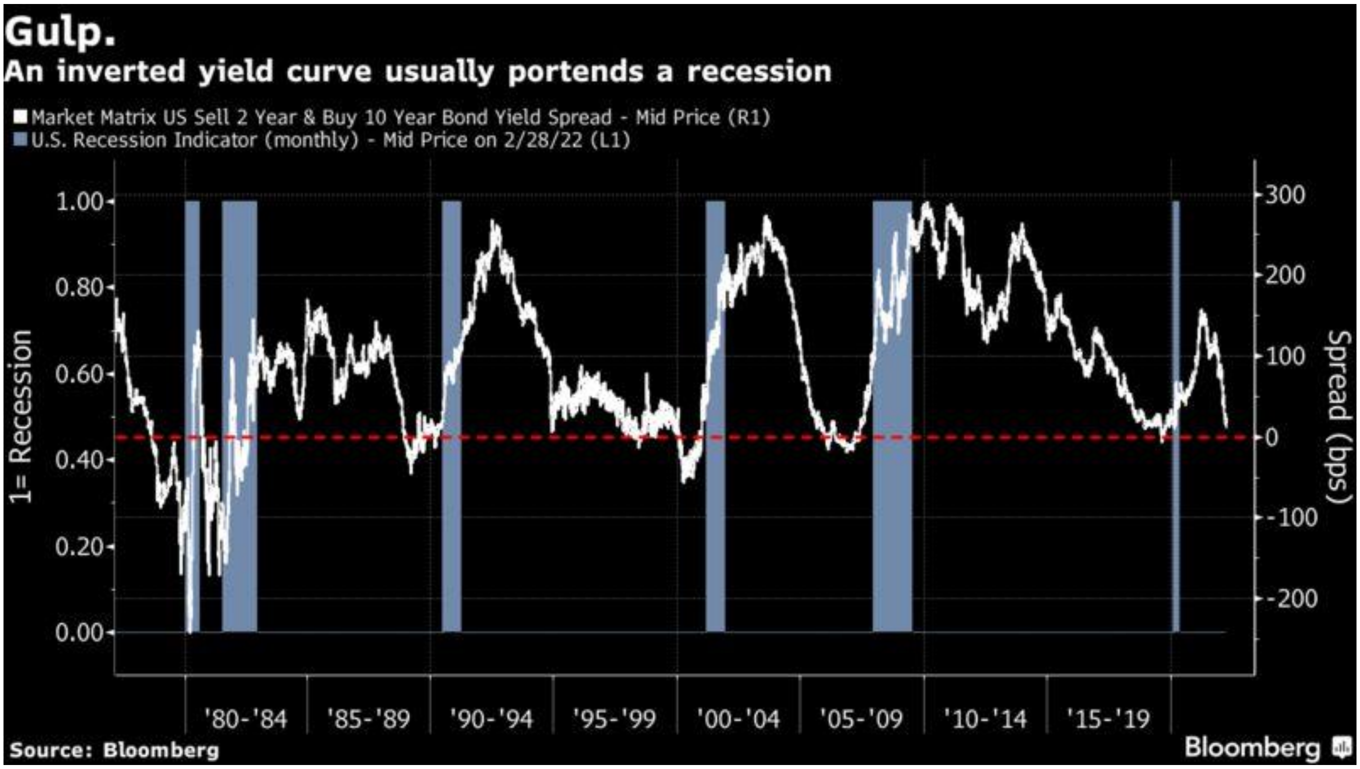
Rates are on a rapid rise, and the yield curve has inverted for the first time since 2019. The recession hawks are out, and their talons are razor sharp given the quantitative bacchanal to end all monetary bacchanals that has been going on since April 2020.



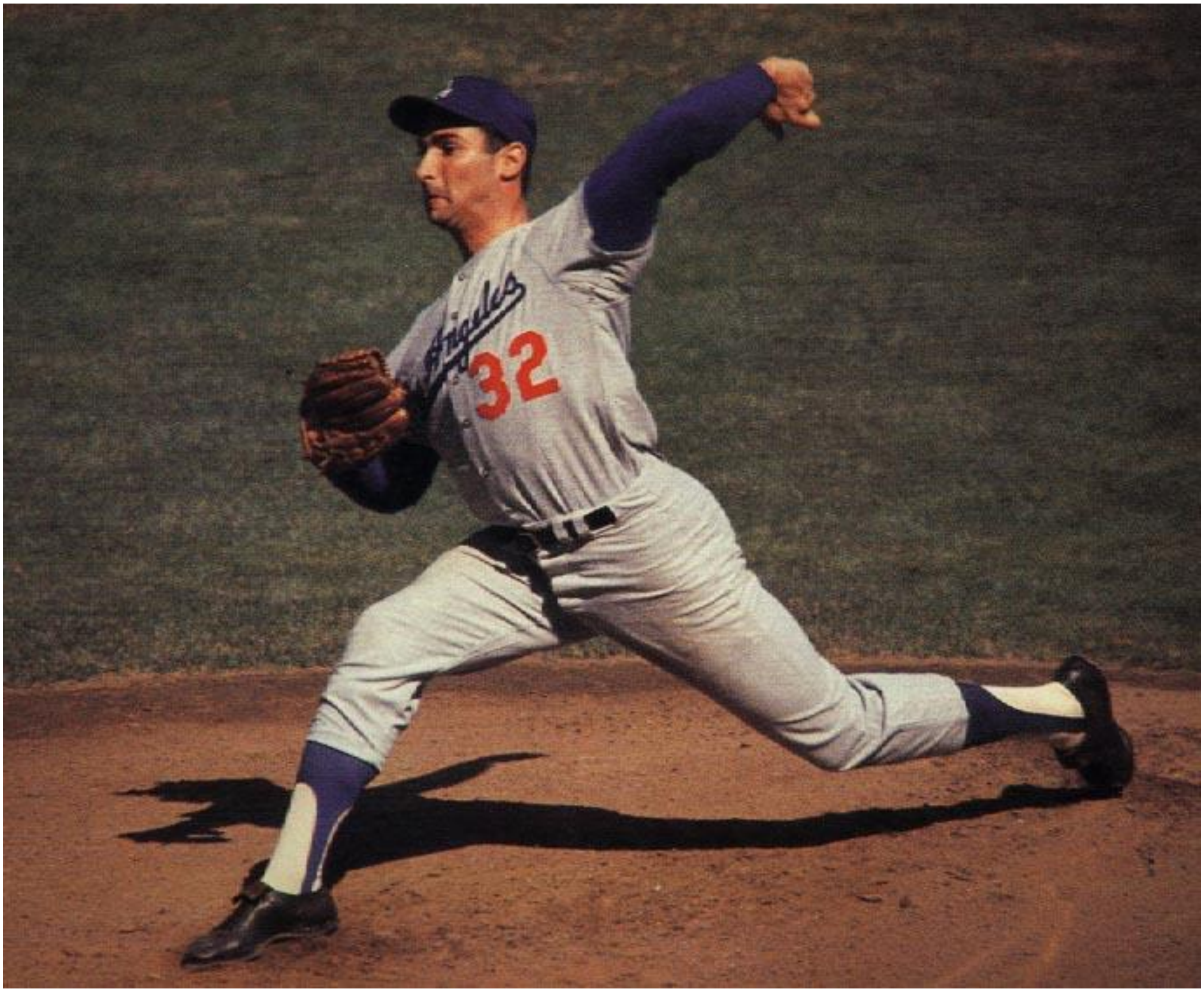
Bill Dudley, a man with a very valuable resume that includes being President of the New York Fed and Chief Economist at Goldman Sachs, has concluded that a hard landing is in our future. He [articulated his position] earlier today in an opinion piece on Bloomberg.com

U.S. Federal Reserve Chair Jerome Powell has made two ambitious assertions about the central bank's management of the economy. In his latest news conference, he said that the Fed's new, more inflation-tolerant monetary policy framework bears no responsibility for the recent sharp surge in consumer prices.

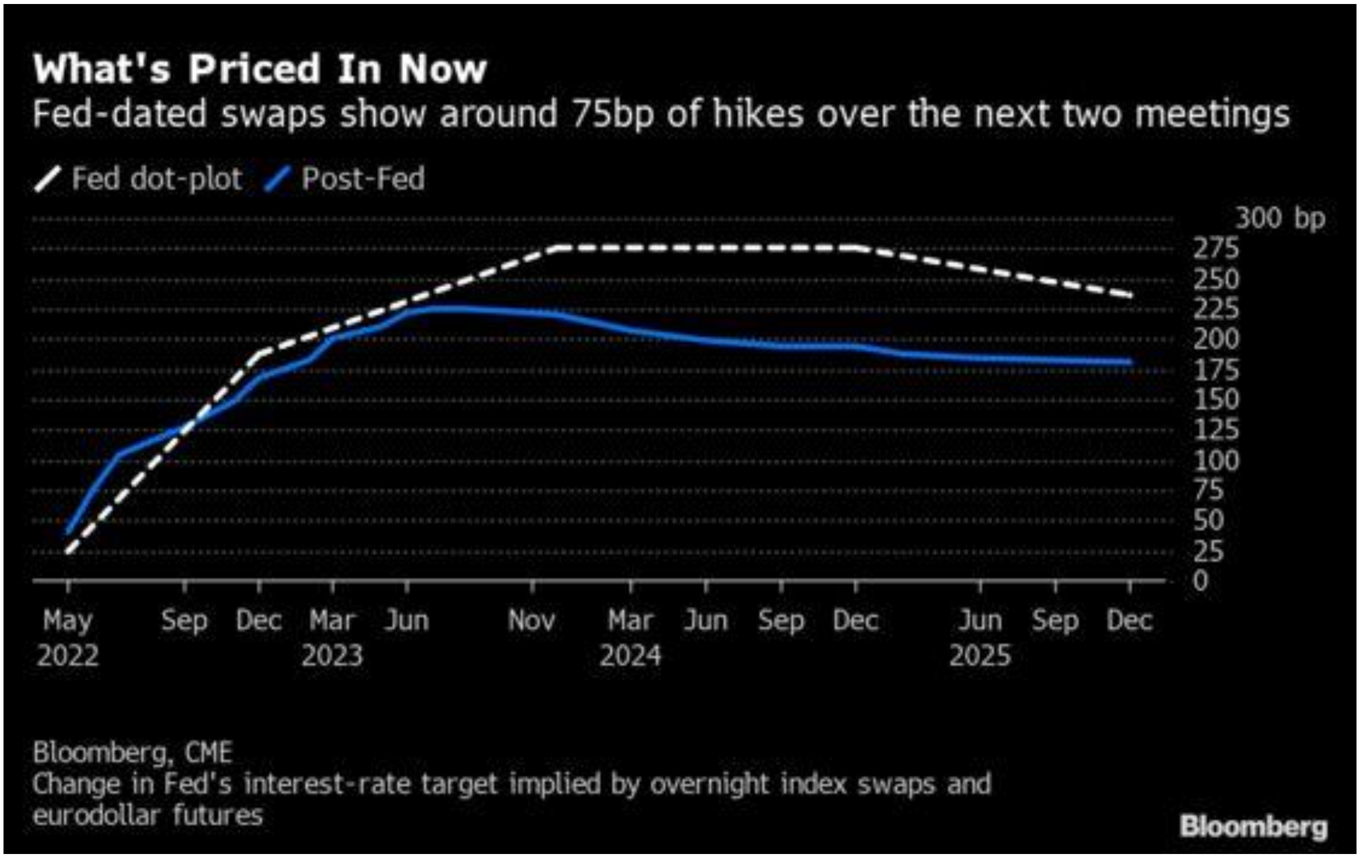
Then, the following week, he cited three historical examples — the tightening cycles of 1964, 1984 and 1993 — as evidence that the Fed can achieve a "soft landing," slowing growth and curbing inflation without precipitating a recession.

I disagree with both. The Fed's application of its framework has left it behind the curve in controlling inflation. This, in turn, has made a hard landing virtually inevitable.

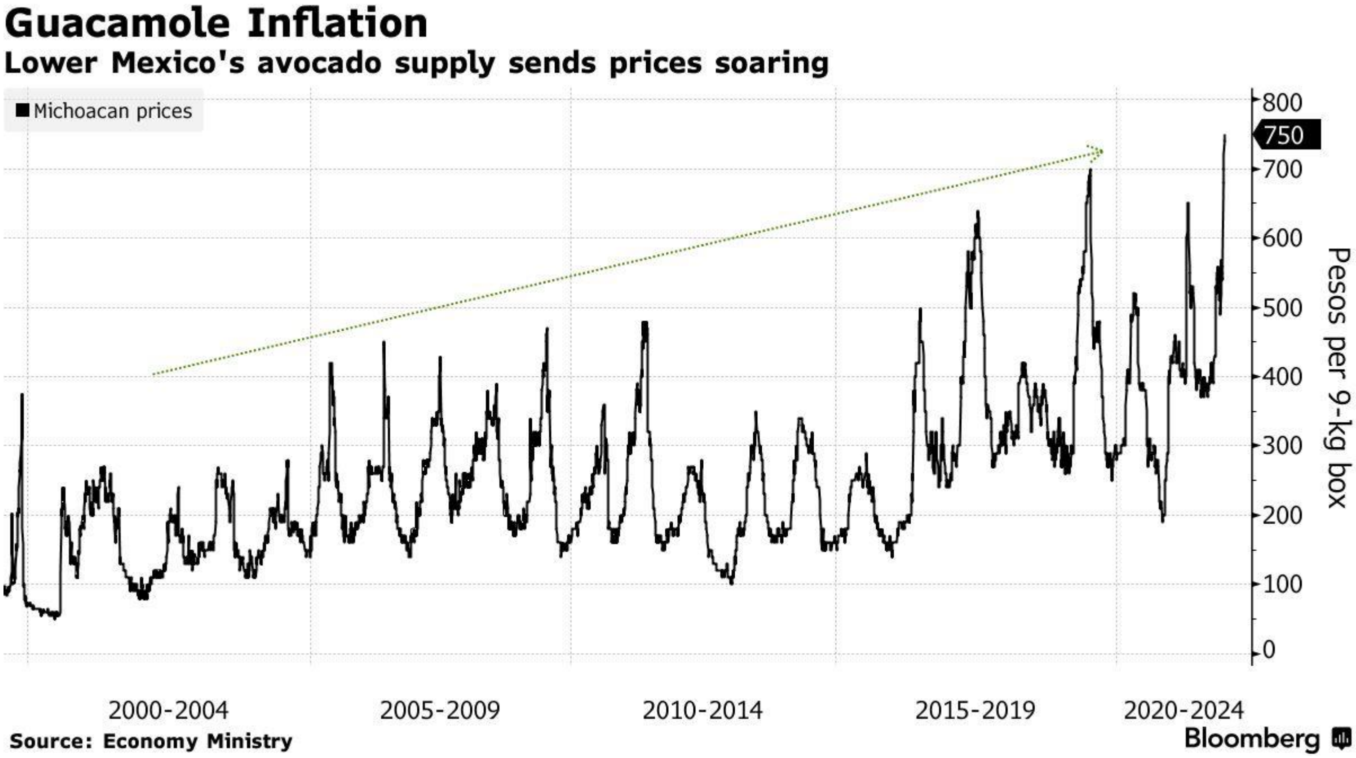
To be clear, when the yield curve inverts, every economist and market seer hits the streets with their opinion as to whether this portends a recession or not. It quite literally is one of Wall Street's biggest parlor games and one that we play as well. And because our best pitch, our Sandy Koufax's fall off the table backdoor slider, is to warn against excess in the system, we are sitting on the side of 'this is going to get messy'. Dear God, that was a filthy pitch. Just filthy.



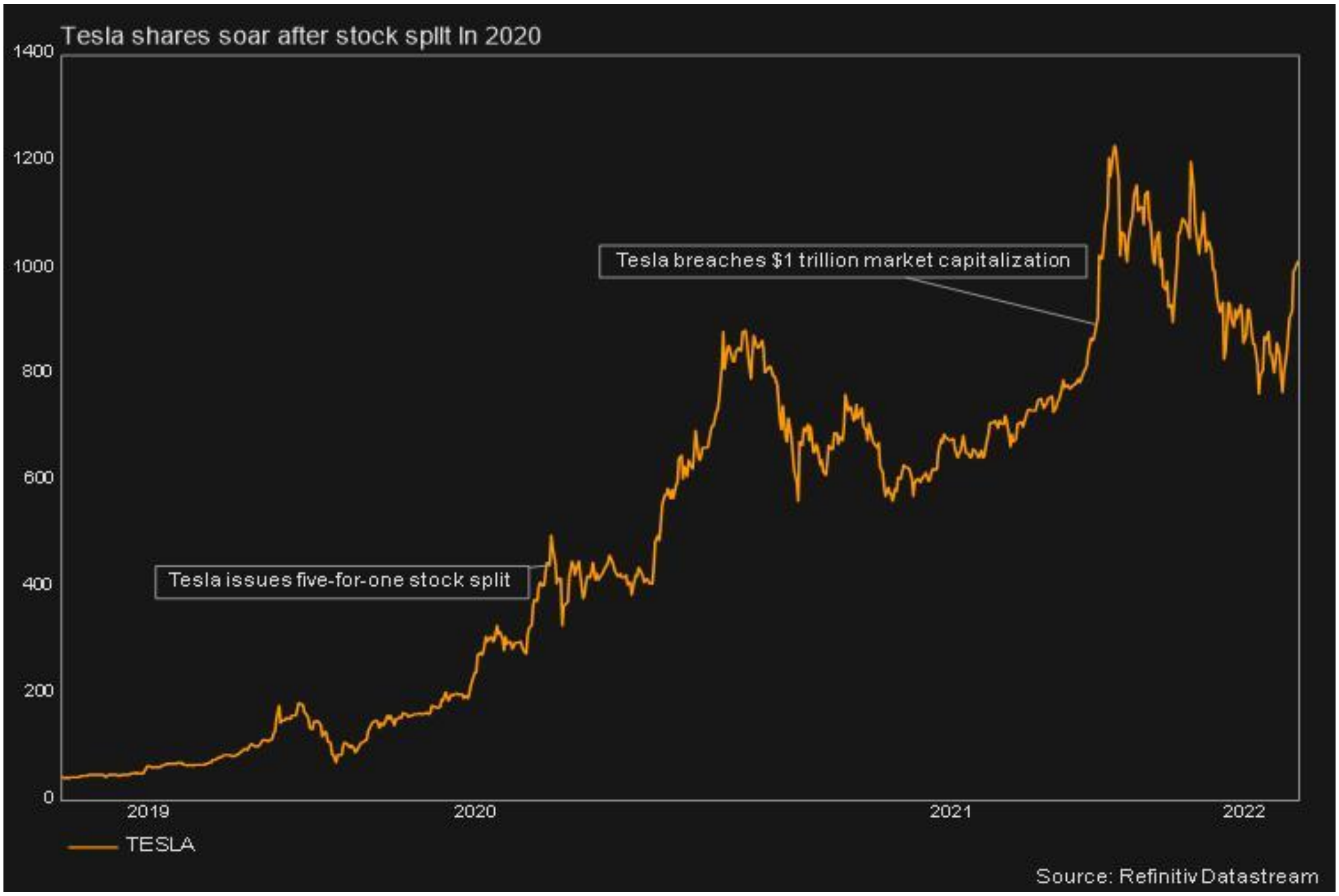
While Stillwater might run $0.05 compares to the TARP junkies, we nailed the fact that the Fed was behind the curve as far back as last summer. So, when it comes time to prioritize what to read given a busy schedule, Stillwater commentary and opinion should make the cut. Please, don't make me self-promote the 'Facebook as a short' call from earlier this year. Even my arm, that was known to go 120 pitches in its prime, is getting tired of that one. Whatever this [‘jumbo hike’] looks like, we told you [it was coming].



We’ve written a lot about inflation in places like used cars, asset values, home prices, etc. Well, things just got real as [avocado prices] hit a 24 year high. While our readers who live east of the Mississippi might not think this chart is frightening, anyone who lives west of the Front Range know this is as real as a heart attack.

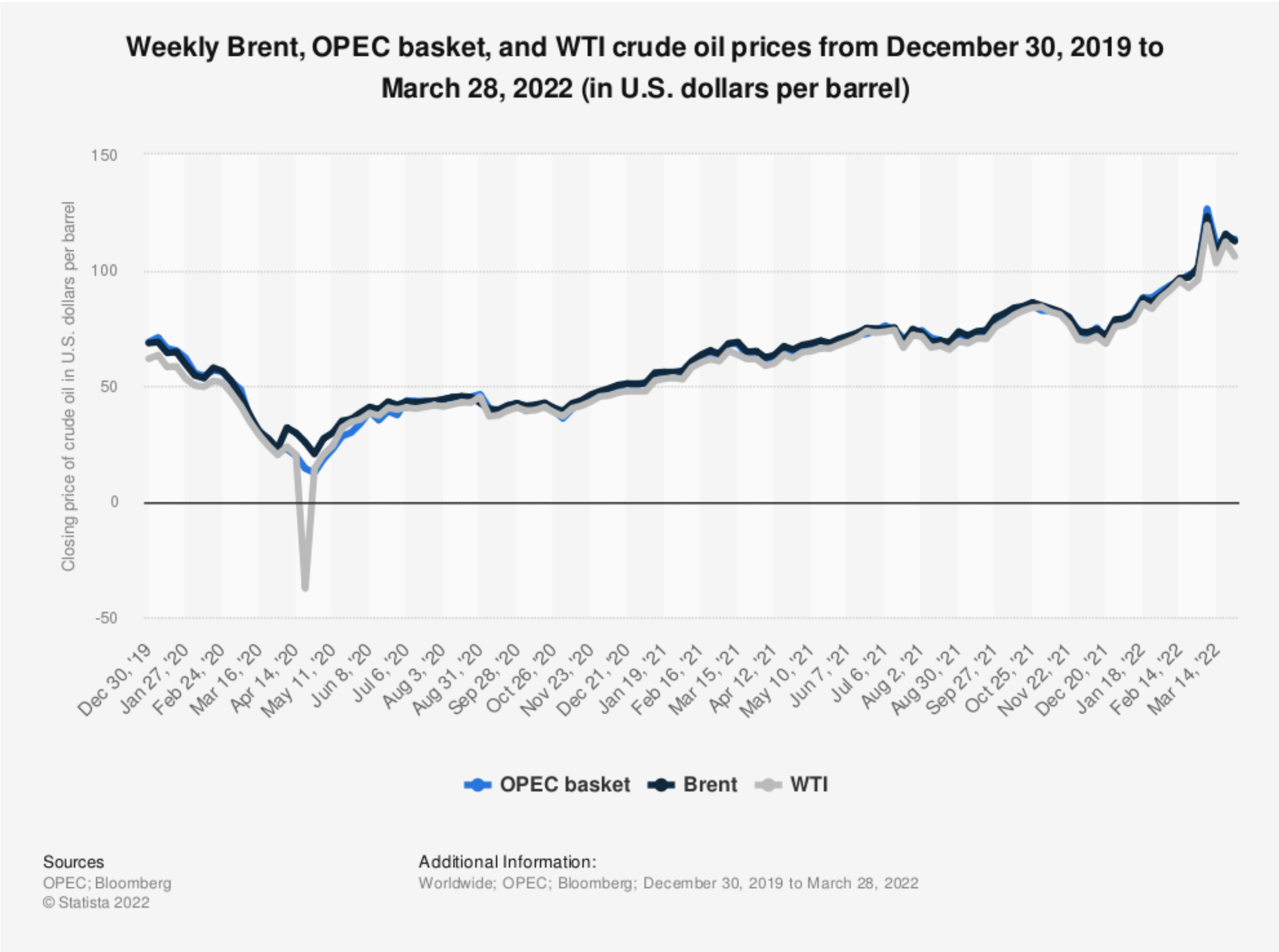


From the bottom up, Tesla has announced [plans to split its stock]() 2 to 1, pending investor approval. Sure, like holders of the stock aren't going to say yes? Why not? It makes the company less expensive…right? Again, congratulations to everyone who was able to ride out the noise and hold TSLA into massive gains. Fortune belongs to the brave.

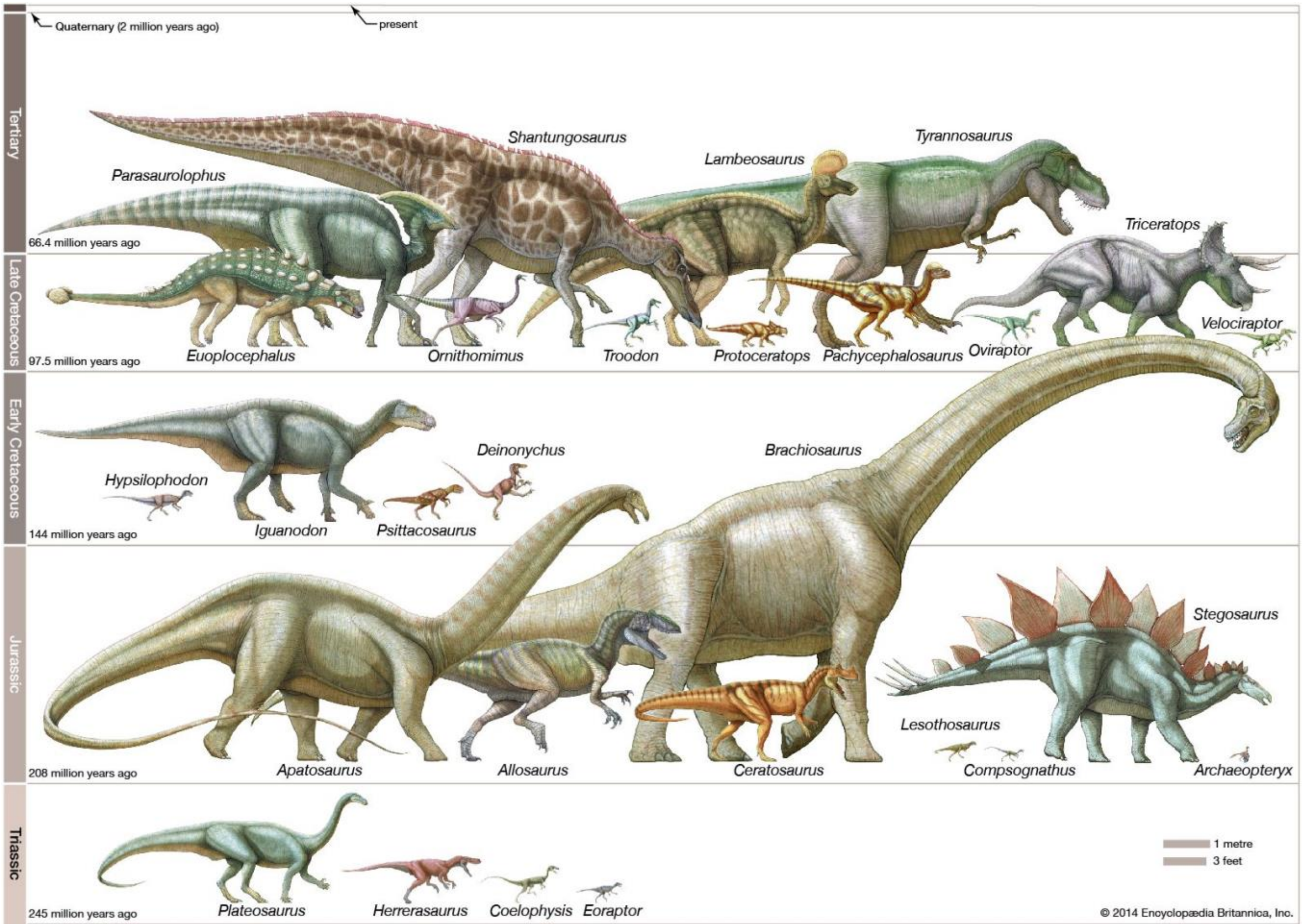


While there are no guarantees of success in life, the fact that Russia and Ukraine are [sitting at the table again] gives hope that if nothing else 'Now is not the end, it's not even the beginning of the end. But it is, perhaps, the end of the beginning', as Winston Churchill said after British victories in North Africa during World War II that showed the tide had finally turned.

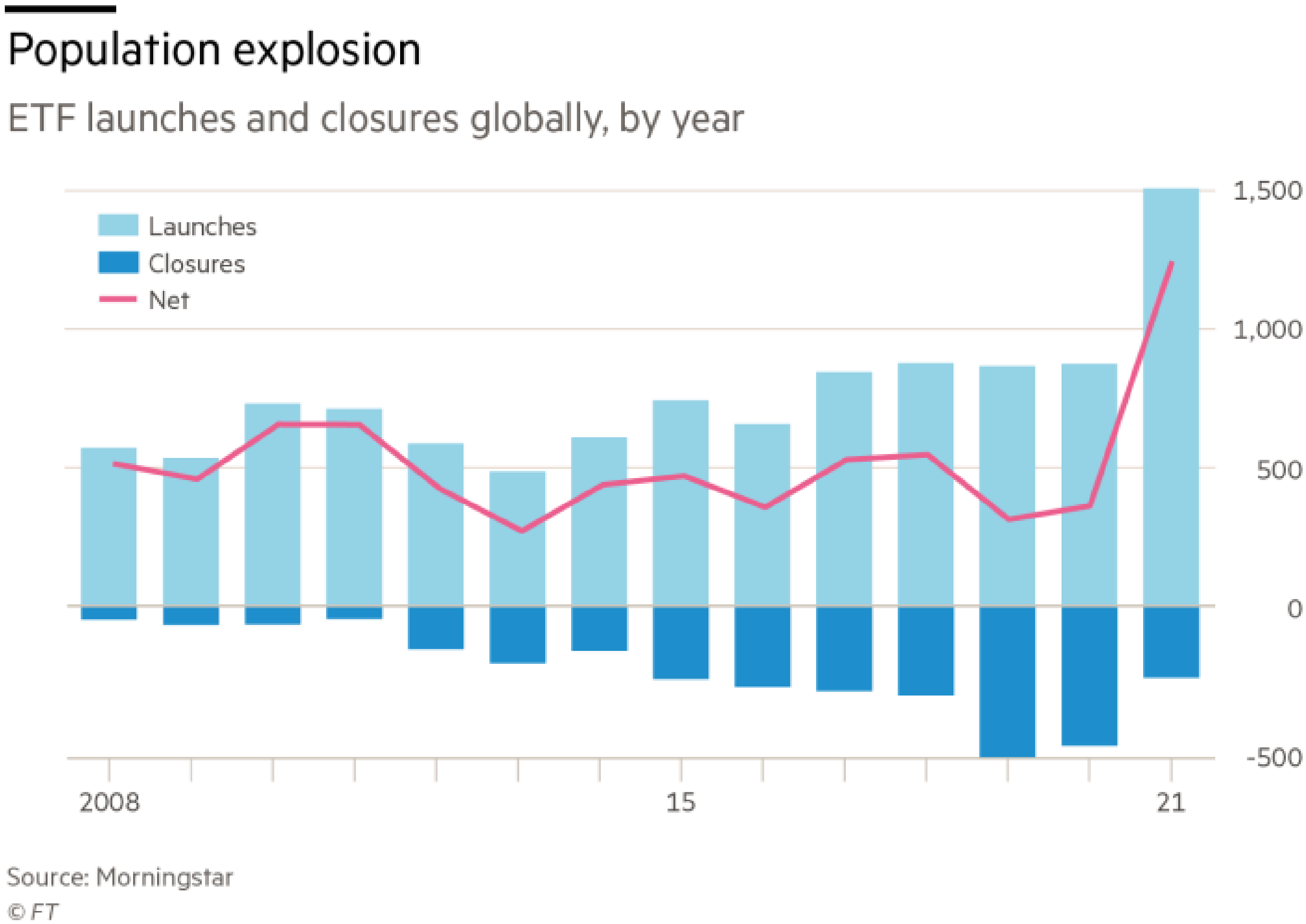
The dual hope of a de-escalation of the war in Ukraine, and the newly initiated COVID lockdown in China, has crude oil prices on the decline. Maybe it's short lived as some speculate, but we are taking the other side and we would be a far better short seller than a long buyer right now. And if that's the case, equites are going to rally in the near term as well.



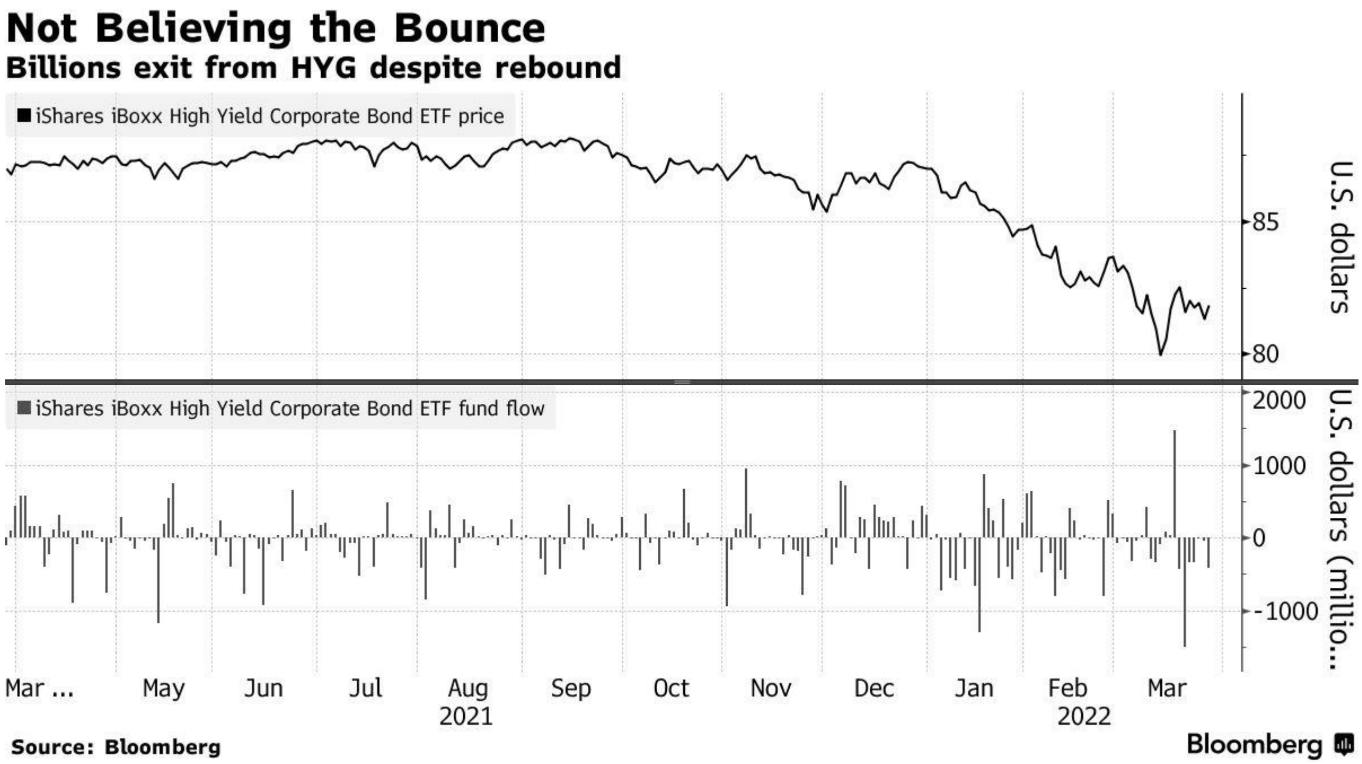
In the upcoming quarter, we plan to produce three larger pieces we title Mid-Stream due to our fly fishing roots. As in, out in the Mid-Stream is where you find the bigger and more elusive trout. While these hogs are tougher to catch, they are worth the effort. Our Mid-Stream writing and analysis are designed to do the same, just in far larger doses. Up first, a deep dive into the oil markets and the impact they have on the domestic consumer as well as those who call the chase for fermented dinosaurs their professional home.



In a move that left us wondering if anyone ever learns anything, Morgan Stanley has announced plans to [expand its investment product offering](#) into ETFs. Because God knows, the world needs more of those. Memo to Wall Street: The race to zero is no way to run a profitable business.



In related news, investors in higher yielding junk bond ETFs have been running for the exits. The cause, comparable rates headed higher, stocks starting to move lower, and the risk of a recession now firmly on the table. Only a true greenhorn in the markets would think the [riskless junk bond trade] could last forever.



Two weeks ago, when I guest lectured at USC's Marshall School of Business, the subject of value creation was front of mind. The example we were discussing was Occidental Petroleum shedding its California oil drilling assets to focus on the Permian Basin in Texas. This week we got another very valuable lesson as media analytics from Nielsen agreed to (finally) go private. The situation here would make swamps blush it's so messy and convoluted. That said, there are plenty of parties that are going to make money on the deal.

Coming up this Friday, and with a nod to the massive money-making machine that is March Madness, Stillwater will be taking you on a deep dive of the big money game of college athletics. If you are a college sports fan, child of a college sports fan, or deceased relative of a college sports fan, you are going to want to double up on the coffee or double down on the drink, depending on your time zone. The numbers are going to shock you, as is the ever-evolving future of the money game.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