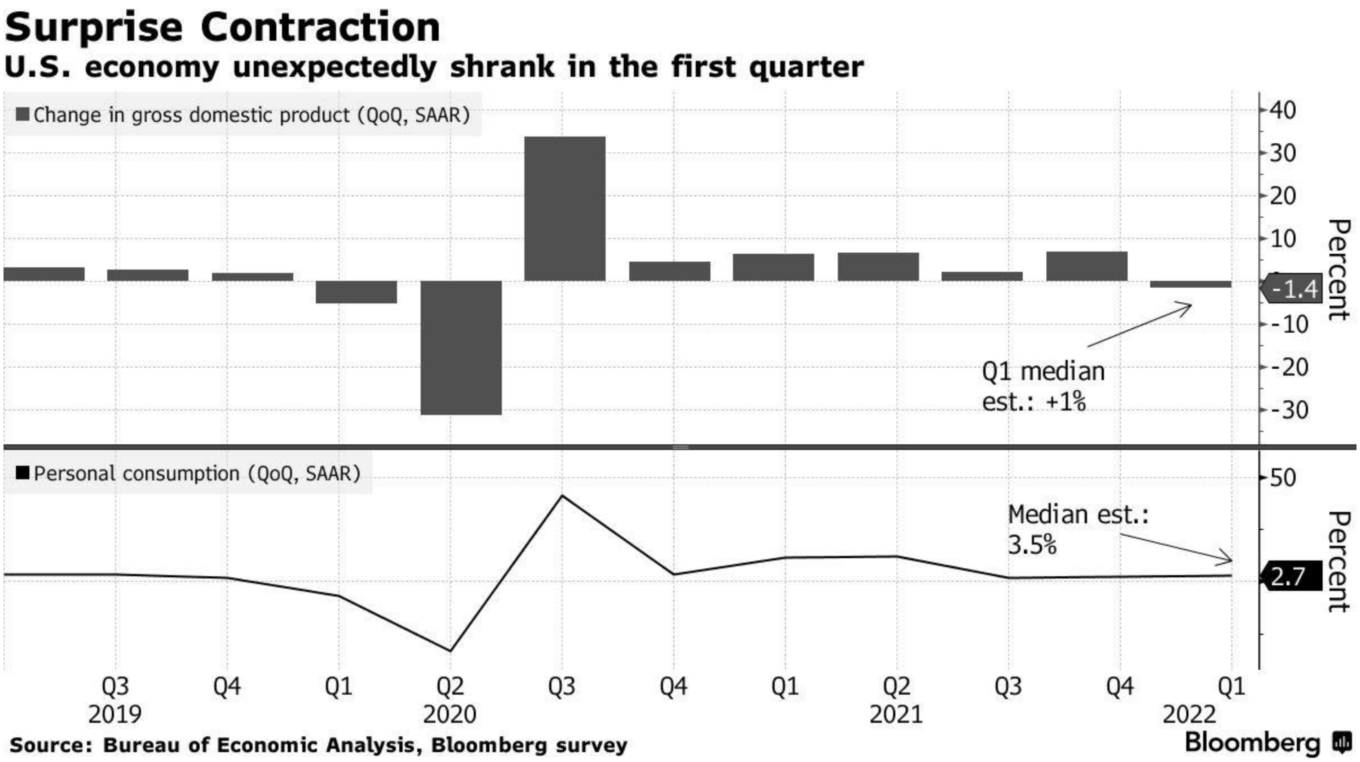
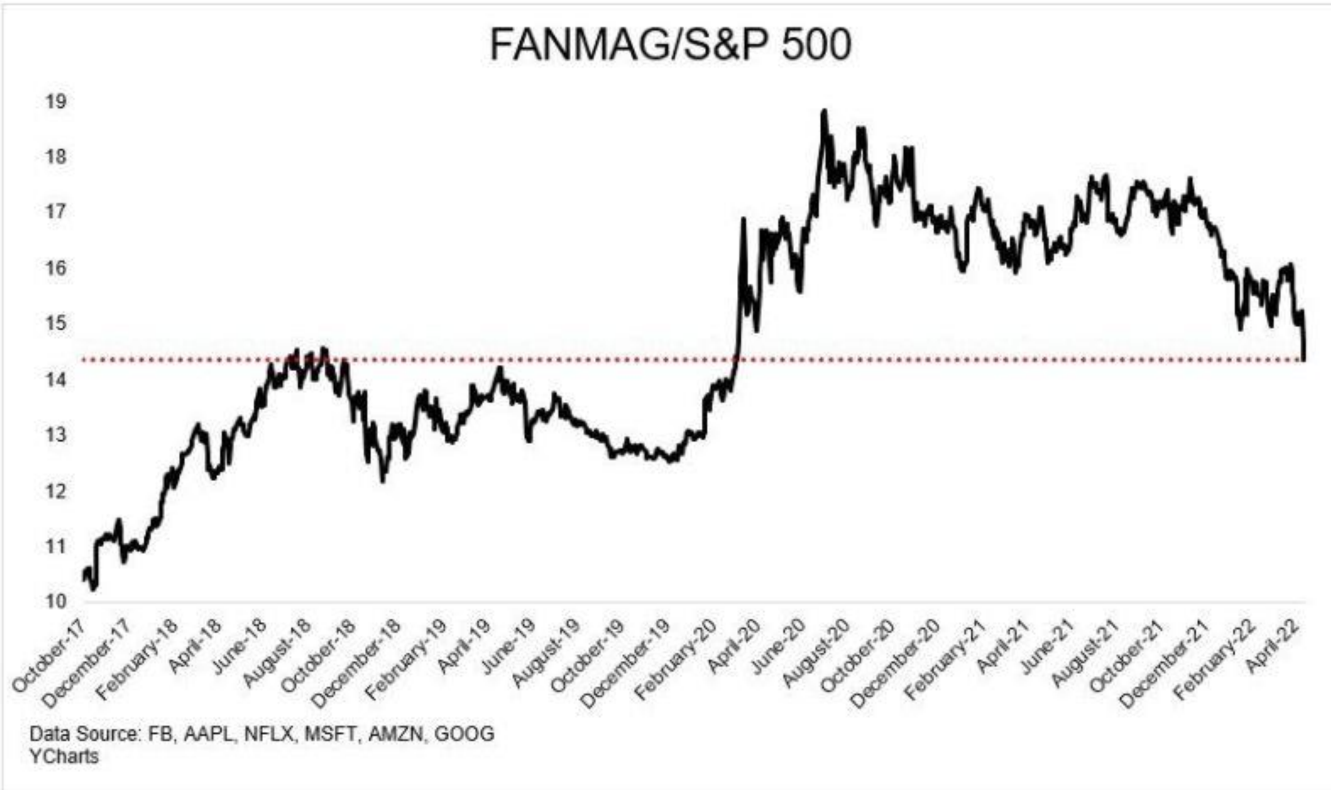
We are adding some strength to the research and commentary lineup with the new “The Week Ahead” that will arrive now on Monday mornings. In it, you will find a quick trip around the bases with economic releases of importance, as well as stock and sector moving events on the horizon. Just think of it as adding a little Freddie Freeman to the start of your week. San Francisco Giants fans, relax, it’s simply a metaphor.

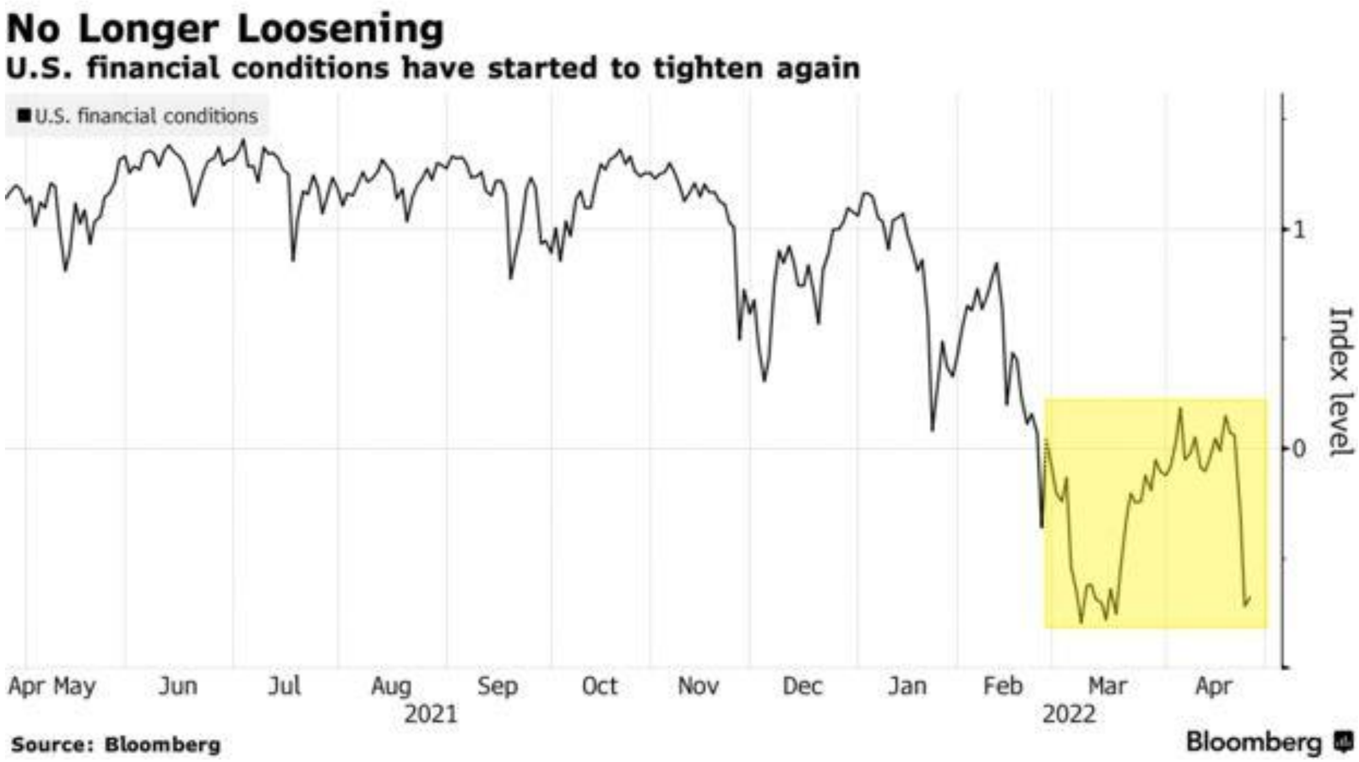
In a surprise, GDP growth contracted in the first quarter for the first time since the pandemic hit two years ago. Be careful not to read too much into the number, as there were technical factors at play behind the negative print, and this in no way shape or form should change the Fed's much more serious rate hike trajectory.



A funny thing happened when the bull market wisdom that trees can indeed grow to the sky stopped working. For all the fawning and breathless promotion, the FANMAG (Facebook, Amazon, Netflix, Microsoft, Apple & Google) just round tripped two solid years of outperformance against the S&P 500. Wait, you mean to tell me that owning the hottest of the hot dot megacaps did you no better than a simply SPY ETF priced at five basis points over the past two years? Done that way, friends.

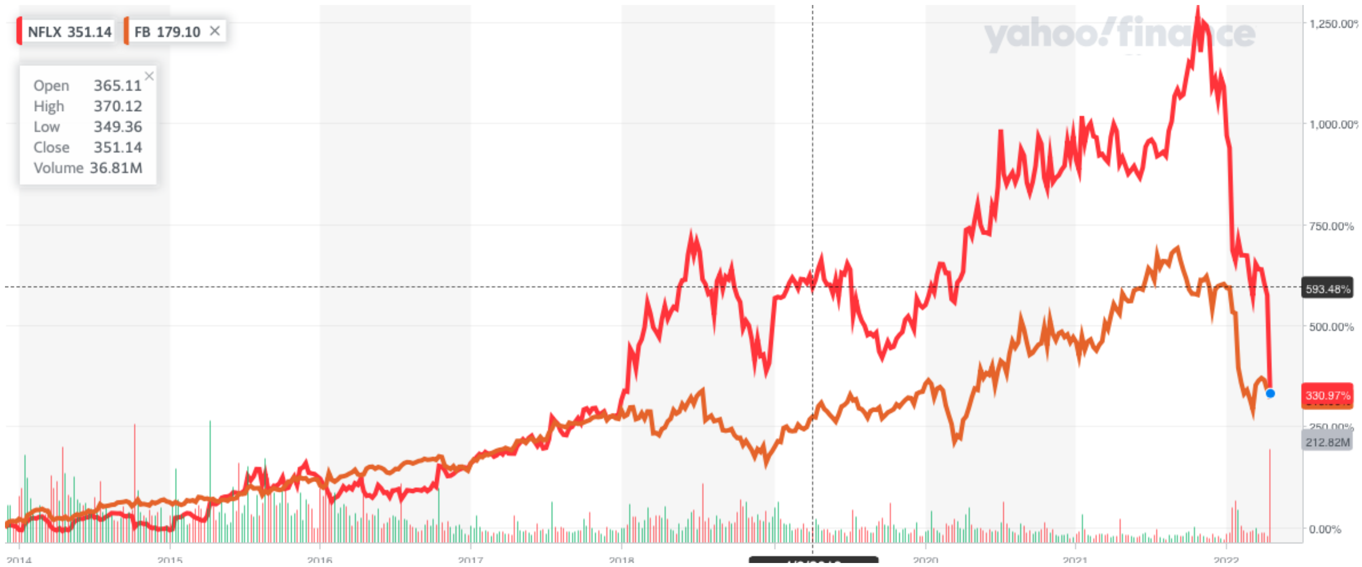


The froth coming out of the markets has added to a [tightening in liquidity](), and the modest easing that occurred after the candy ass 25 basis point rate hike the Fed laid down in March is gone. Crazy to think that the guys and gals in Markets Room at the Treasury Department might be begging for red across the screens. It's like watching the regulator, begging for the pressure to drop before the boiler blows.



Once a darling of the FANGMAG trade, Netflix has now taken the big dirt nap. Bitten the dust, as you will. The stocks untimely demise was caused not by subscriber growth slowing, which had already been happening. This time, and a reason the stock lost 35%, was an actual decline in subscribers. And that trend is not going to reverse itself anytime soon. Duh, duh, duh…

For both Facebook and Netflix, the losses suffered in the last six months have taken away years of stock price appreciation and outperformance. As old timers in this business say, 'down is faster'. And it has been a reality for these two former disruptors. We don't think either makes a new all time high for many years, if at all. And we have dollah bills y'all if anyone wants to take the other side of that trade.



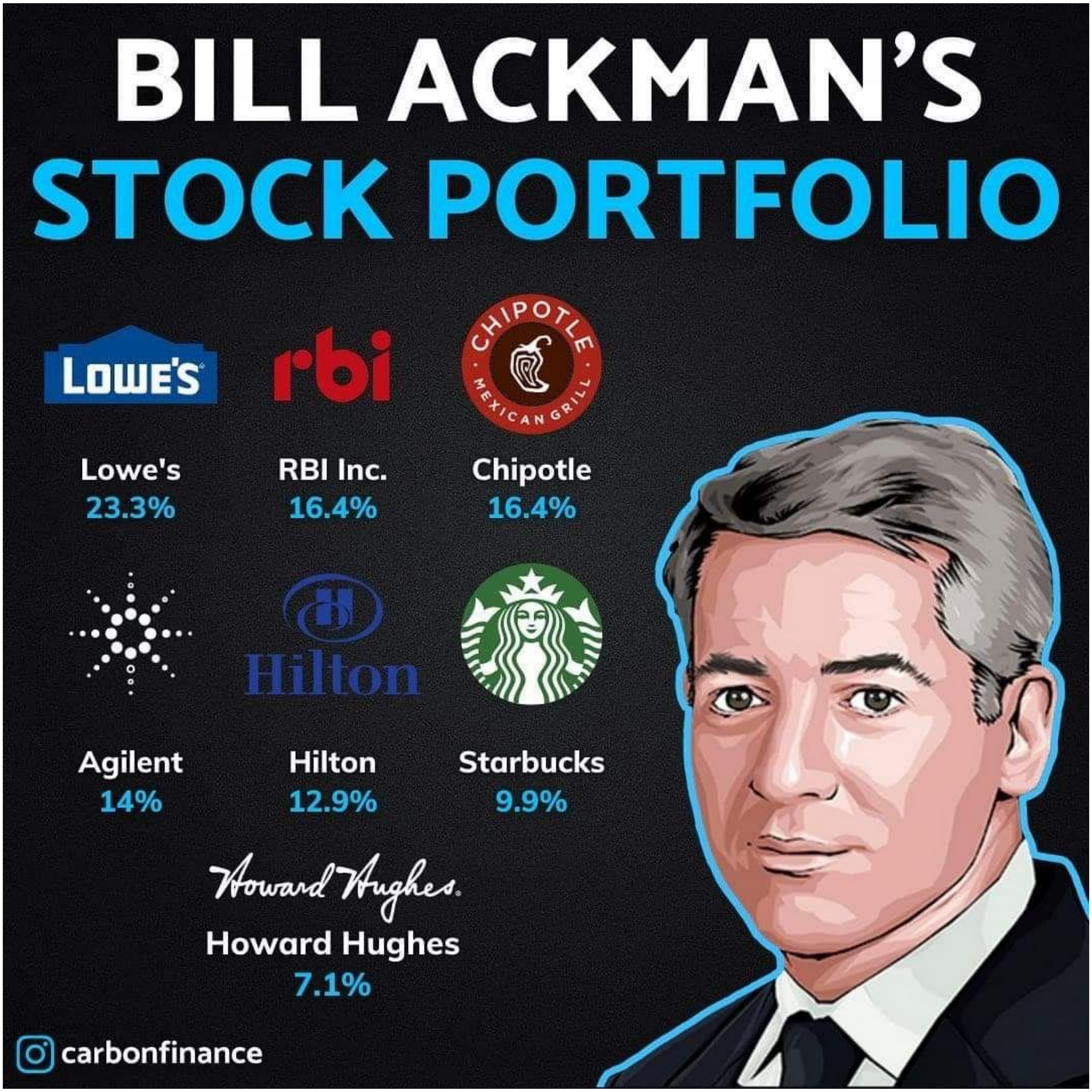
Count ‘activist investor’ Bill Ackman’s Pershing Square as victim of the Netflix stock carnage. Having previously built a $3 billion position in NFLX, the losses then approached $500 million. Ackman, having seen enough, punted last week. Here is the break up letter written by Ackman to explain why Pershing puked the trade.

"Yesterday, in response to continued disappointing customer subscriber growth, Netflix announced that it would modify its subscription-only model to be more aggressive in going after non-paying customers, and to incorporate advertising, an approach that management estimates would take 'one to two years' to implement," he said. "While we believe these business model changes are sensible, it is extremely difficult to predict their impact on the company’s long-term subscriber growth, future revenues, operating margins, and capital intensity."

"We require a high degree of predictability in the businesses in which we invest due to the highly concentrated nature of our portfolio," he added. "While Netflix’s business is fundamentally simple to understand, in light of recent events, we have lost confidence in our ability to predict the company’s future prospects with a sufficient degree of certainty."

"Based on management’s track record, we would not be surprised to see Netflix continue to be a highly successful company and an excellent investment from its current market value. That said, we believe the dispersion of outcomes has widened to a sufficiently large extent that it is challenging for the company to meet our requirements for a core holding."

Call it jealousy, call it outrage, call it whatever else you like, but I've always been amazed that locked up investable dollars are drawn to concentrated portfolios, the holdings of which are readily available, by investors willing to pay two and twenty for access. You don't even need to get the weightings completely right to get close to matching performance. One more sign that the cult of personality still exists on Wall Street, and always will.



It’s been a brutal week for high profile hedge funds, as the head of now defunct Archegoes family office, Bill Hwang, was [arrested and criminally charged] with fraud…and a [whole shit ton] of other things you don’t want on your record. The only thing we saw missing was drunk in public and a mayhem in a bar fight.

Bottom line, the guy is being charged with manipulating the size of his book by going all in on derivatives and other sources of leverage. When his trades went against him, everything went away. You must love that Hwang wore a mask and classic hedge fund guy Patagonia vest the day of his arrest. The latter we are sure was a mainstay in his wardrobe, the former picked up at CVS that morning.

Gabe Plotkin, the founder of embattled Melvin Capital, was trying to pull a massive rabbit out of his hat, when earlier this week it was announced that he is winding down the original fund that lost 50% in the past year and a half, while ‘inviting’ the same investors who were in it to join him in his new fund. Less than two days later he changed his mind after the revolt against one of the most egregious high water mark reset attempts we have ever head of. Come on Gabe don’t go messing this up for everyone else more than it already has been messed up. Keep in mind, the dude is already down another 20% in 2022.

All of this leads me to publish my annual open letter to Stevie Cohen, Bill Ackman, David Einhorn, David Tepper, Julian Robertson, Stan Drukenmiller and Dan Loeb.

Dear Stevie, Bill, David, David, Julian, Stan, and Dan,

Please, for the love of God, break me off a small piece of the billions you run to manage a short only book. If I suck after a year, take your money back and I will never cold call you again.

If I do kill it, like I think is possible, make it official and hire me to run your short book. I'll take a $1 a year salary in exchange for a proper cut of the profits. I'm just a phone call away, boys! Let your fingers do the talking.

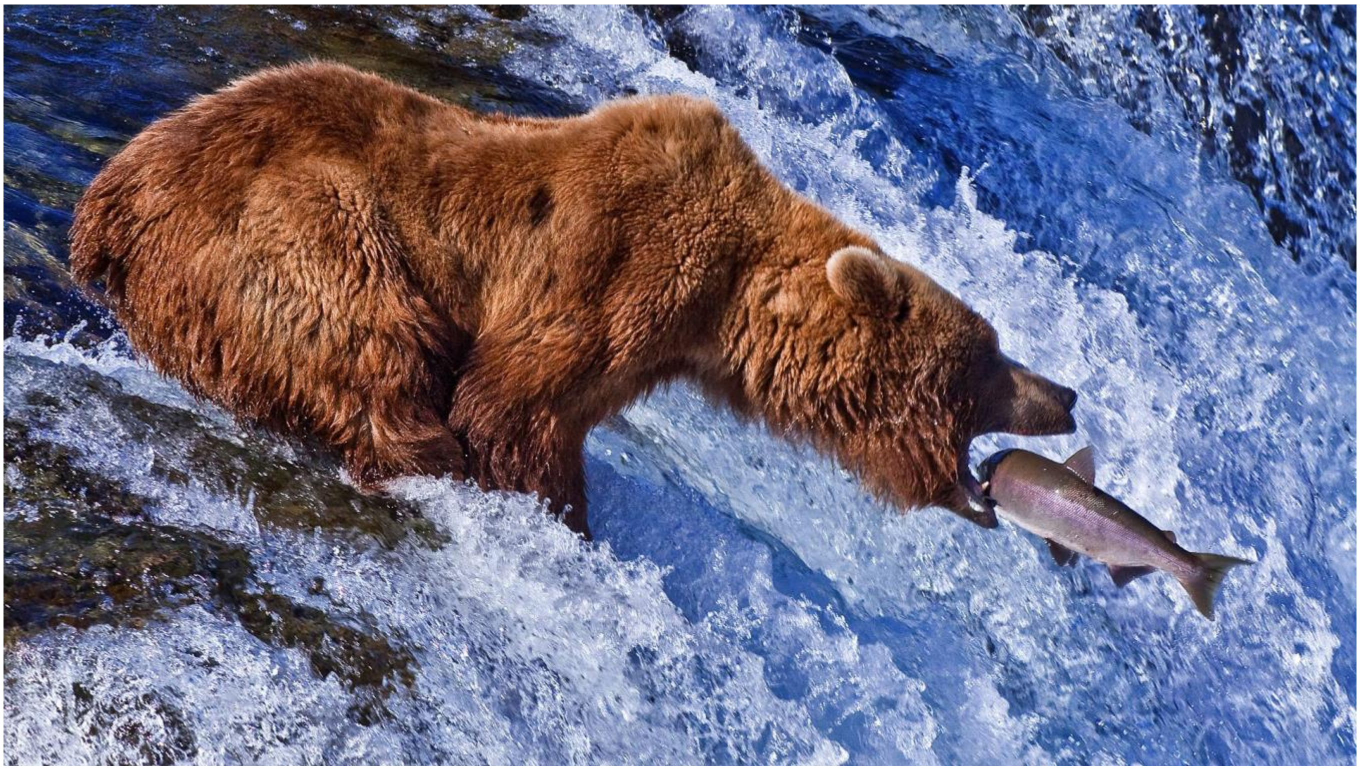
Yours truly,

Bryan Goligoski

bryan@stillcap.com,

(805) 680-8623…real number no less.

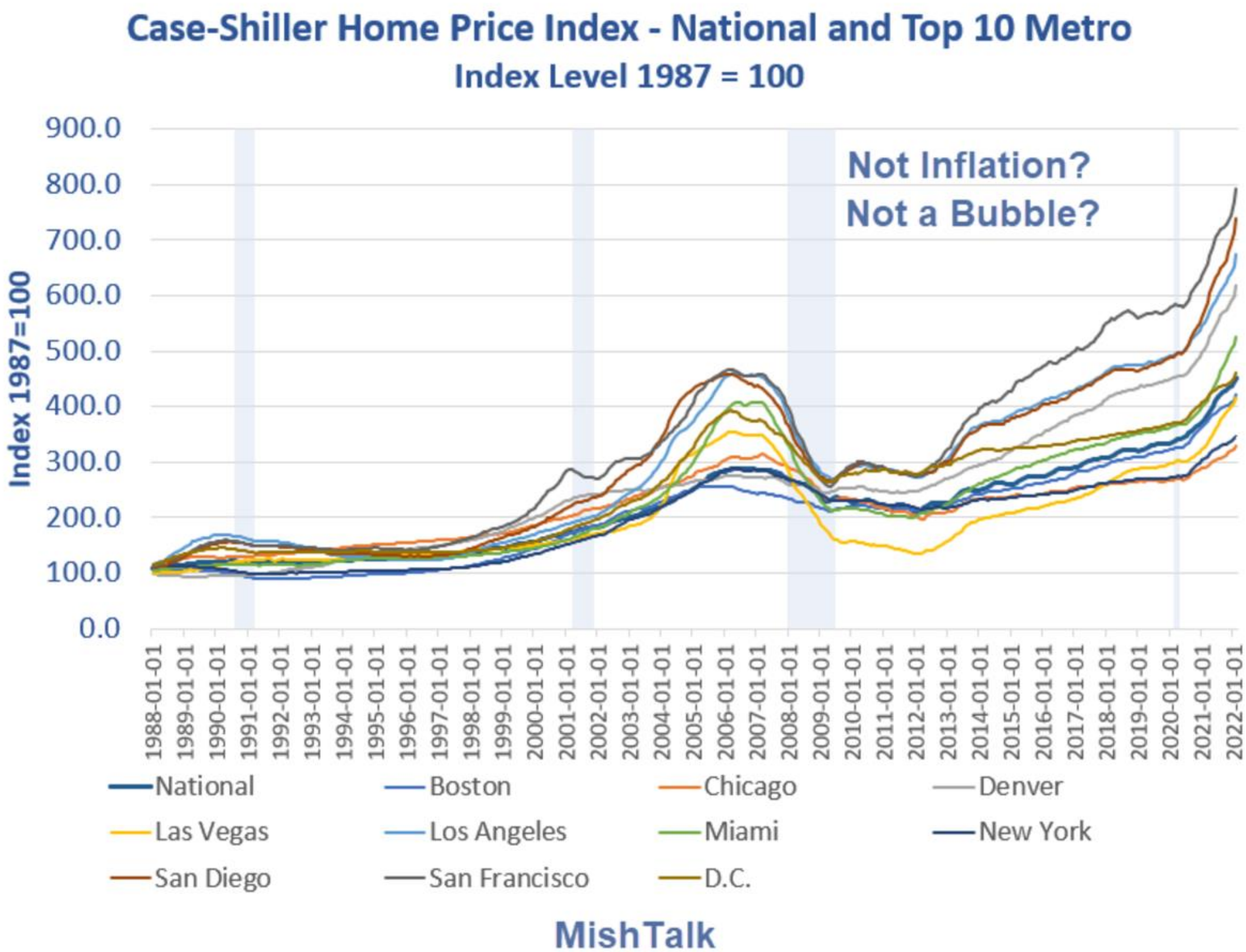
Full Disclosure: No lie, I’m on an active cold calling campaign with three of the seven named. So much so, that in January of 2020 I told Greenlight that while I’m no miracle worker, had I been running a short book for them in 2019 maybe the fund would only have been down 28% versus the 32% it actually was. No luck yet, but there for sure will be coffee for closers if this works.



In other short selling news, Carvana, a fan favorite of those of us who make money when a growth story unwinds itself, is doing just that. Even with the used car market hotter than Hades, the company can’t get out of its own way.

Last week the company announced a major earnings miss and suspended guidance given the uncertainty in used car prices and the high priced inventory they took on. Noted short seller Jim Chanos, while late to the game, for sure gets that the company has busted business model. This chart of might as well be one for Phoenix home prices, not used cars. Good job, Jerome Powell. Appreciate you saving the universe from something that wasn't threatening the universe. Your solution was way effing worse than the problem.

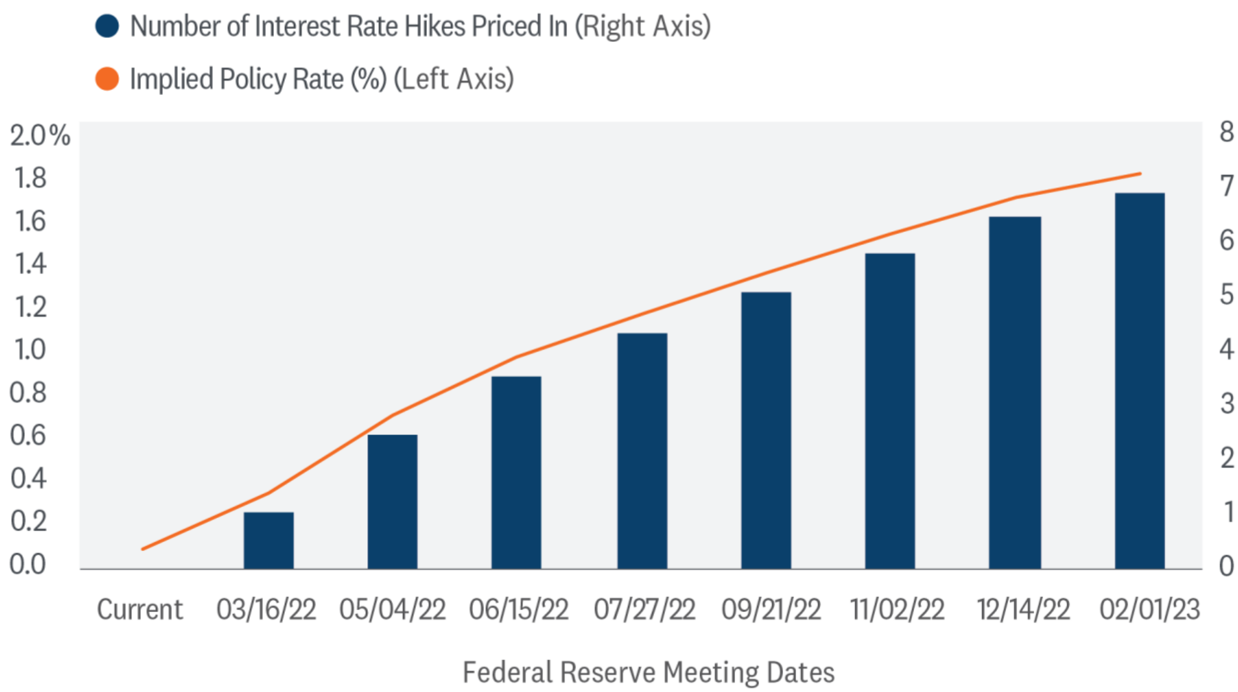
Speaking of prices gone stupid, the Case-Shiller national home price index spiked another 20% in February, and that's on top of massive gains in the months prior. To which we say once again, to what end, Jerome Powell? To what end? The imbalances your misguided policies have created will take years, if not decades, to unwind themselves. These gains are only transitory if you are talking in glacial terms. People are finding second jobs and selling handicrafts online to get approved for a mortgage big enough to deal with this right now.



On a personal note, I've lived in Santa Barbara, California for the past 20 years. Those of us who reside here have seen some pretty robust home price growth over that time. But has become so bad at this point that it barely even something to talk about. A look down at the ground and a shake of the head has become the go-to move of late when Bubble in Paradise comes up. We would call it absurd, but we don't want to insult the word absurd. Go big, or go home, as they say.

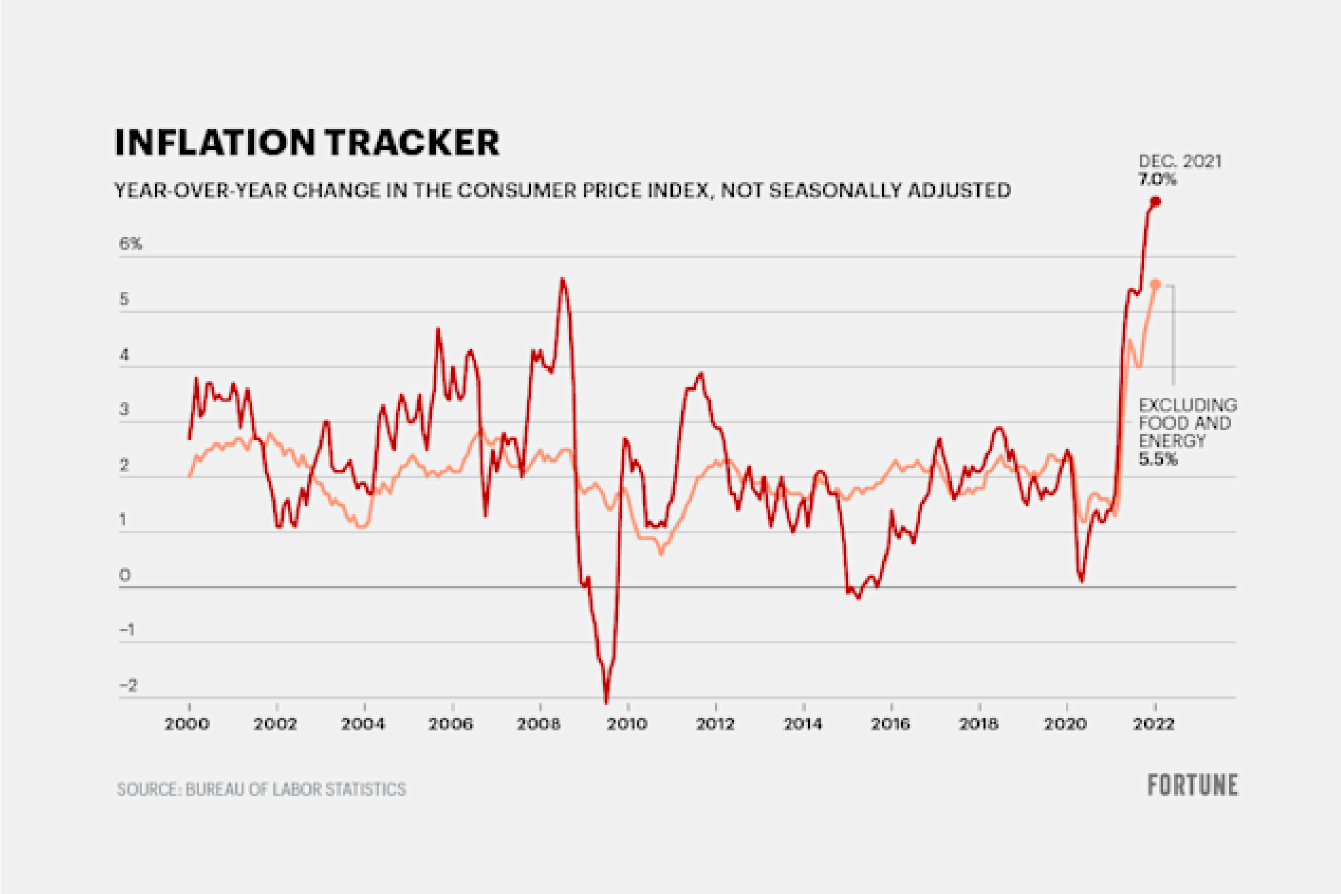
And with all of that, Fed Chairman Powell is now read into the fact a massively misguided ‘too low, for too long’ policy has completely screwed things up. Fifty basis points is on the table in May. To which we say, quit fiddling while Rome burns, Jerry. You are going to wind up raising between 150 and 200 basis points over the next 12 months. Fire off a big one now to let the markets know you mean business.

1 **MARKETS EXPECT AT LEAST SIX INTEREST RATE HIKES THIS YEAR**



Source: Bloomberg, Data as of 03/09/22

I don't know how it is where you live, but here in California, and everywhere we travel for that matter, very few conversations don't include references to prices gone mad. From a mellow meal last night at Finney's, to the contractors standing in line at California Electric, to any real estate agent looking for inventory to sell, everyone is astonished right now at how bad things have gotten, and how quickly it all happened.



Don't act like we didn't [tell you this a year ago](). It's right there in black, white, red, green, pink, orange, and every other color on the spectrum, for all the world to see. I'm a phone call away if anyone wants to have a serious conversation about paying real money for some non-consensus thinking for your firm. I also catch big trout when I'm fishing, am a true historian of markets and the economy, all while telling a mean tale over a brown or two…drinks that is. Now let's go do this thing.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