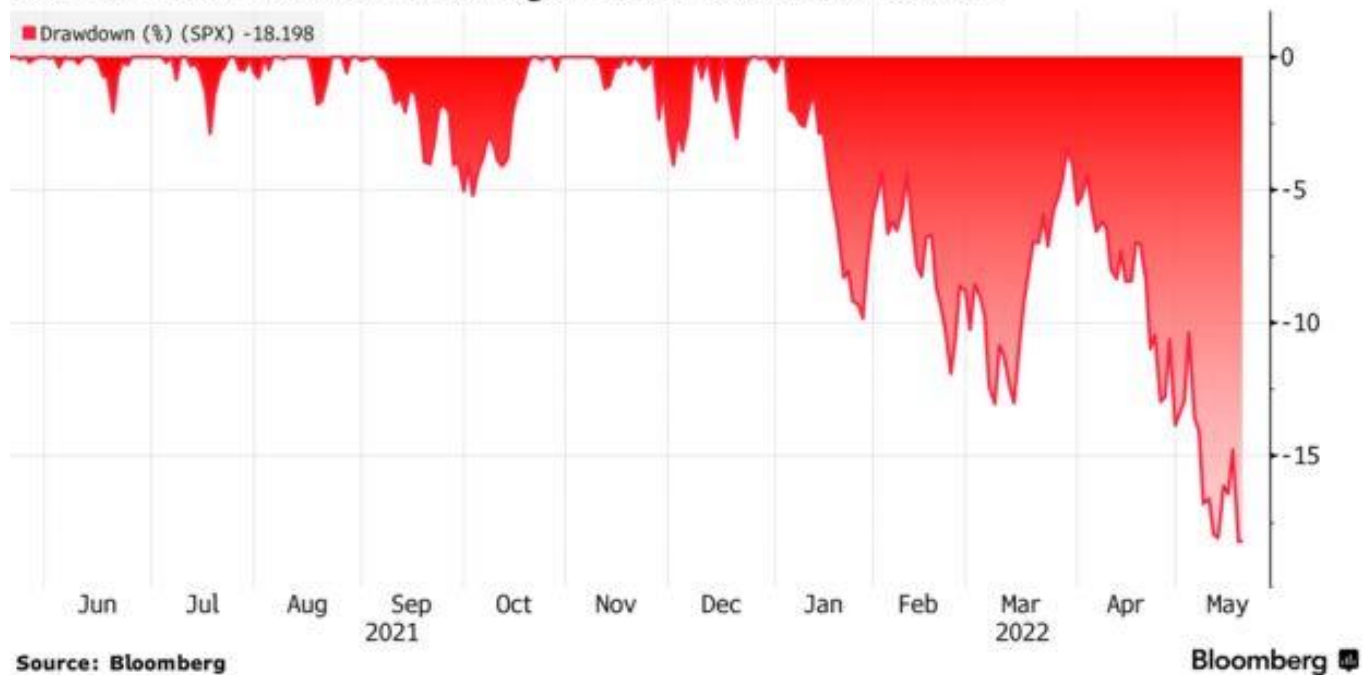


“Two hikes and a tumble”, those were the words that were used years ago to describe the impact of Fed moves on the equity market. It should come as no surprise then that we’ve seen a pretty good tumble. The NASDAQ is down 27% and the S&P 500 is nearing a 20% haircut. Those aren’t small numbers. So much so that the Jerome Powell is taking notice. This is what [he had to say](#) about the mess out there this week.

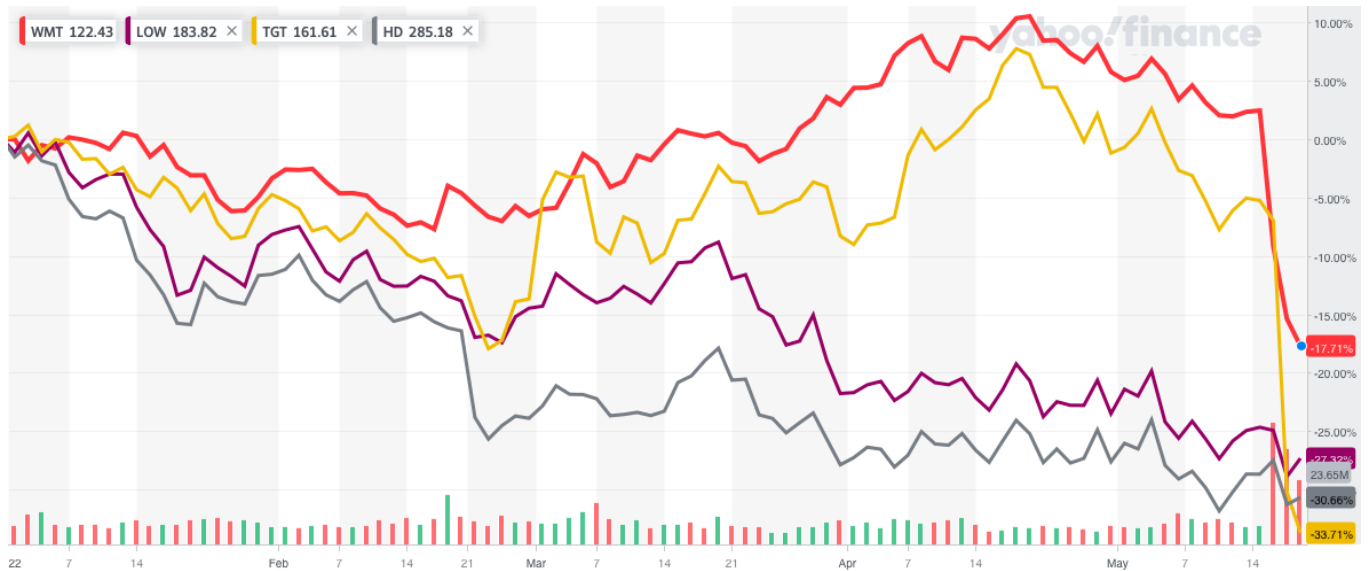
“Obviously there are some volatile days in the market. It has been good to see financial markets reacting in advance based on the way we were speaking about the economy and the consequences. Financial conditions overall have tightened significantly. I think you are seeing that. That is what we need.”

On Bear-Market Watch

The S&P 500's decline has brought it to brink of bear market



I’m not 100% sure that the comment about financial markets getting ahead of it in advance is all that accurate. Here are the charts of Home Depot, Lowes, Walmart, and Target. Sure, maybe the big box home improvement stores were saying something, but given the carnage in WMT and TGT this week, I would have to say that not [everything was priced](#) in. And guess what? Reason number one, two, and three as to why the outlook is murky...inflation. Who figured?



Interesting interview last Sunday with former Goldman Sachs CEO Lloyd Blankfein. Interesting in that he admitted we had [too much growth and too much stimulus](#). Basically, the same things were [said in these pages a year ago](#). The Fed put the hammer down and was all gas and no brakes. And they put the economy into the wall on turn four at a high rate of speed. And the rest of world's central banks went into it with them.



All the turmoil in markets, inflation in the economy, and uncertainty on the horizon has cash sitting on the sidelines at levels not seen since September 2001. Bank America spoke to the [high levels of green](#), and analyst Michael Hartnett said that the bottom in equities isn't in place yet because there hasn't been the needed 'bid wanted' capitulation trade. We agree, though the level of selling is starting to setup for a time to get longer the market. See that Dean, I do say positive things every once in a while.



After putting up numbers that were shockingly good for two years, the Tiger Cubs are [getting throttled](#). Losses the likes of which we haven't [seen in years](#). This is what happens when everyone gets into the same trades and feels the high off clipping two and twenty from years where their funds are up 50%. Just the simple thought that there would be mean reversion told you this was bound to happen.

Tiger Trauma

Some of 2022's worst-performing stocks were widely held by Tiger Cubs at the start of the year

Investment	Price change (2022)	Owned by
Carvana	-84% ▼	D1, Maverick, Tiger Global
Farfetch	-77 ▼	Lone Pine, Maverick, Viking
Rivian Automotive	-77 ▼	Coatue, D1, Maverick, Tiger Global, Viking
Confluent	-75 ▼	Coatue, Lone Pine, Maverick, Tiger Global
Shopify	-74 ▼	Coatue, D1, Lone Pine, Tiger Global
Sea	-73 ▼	Coatue, Maverick, Tiger Global, Viking
Netflix	-71 ▼	Coatue, Maverick, Tiger Global
Guardant Health	-69 ▼	Coatue, D1, Viking Global

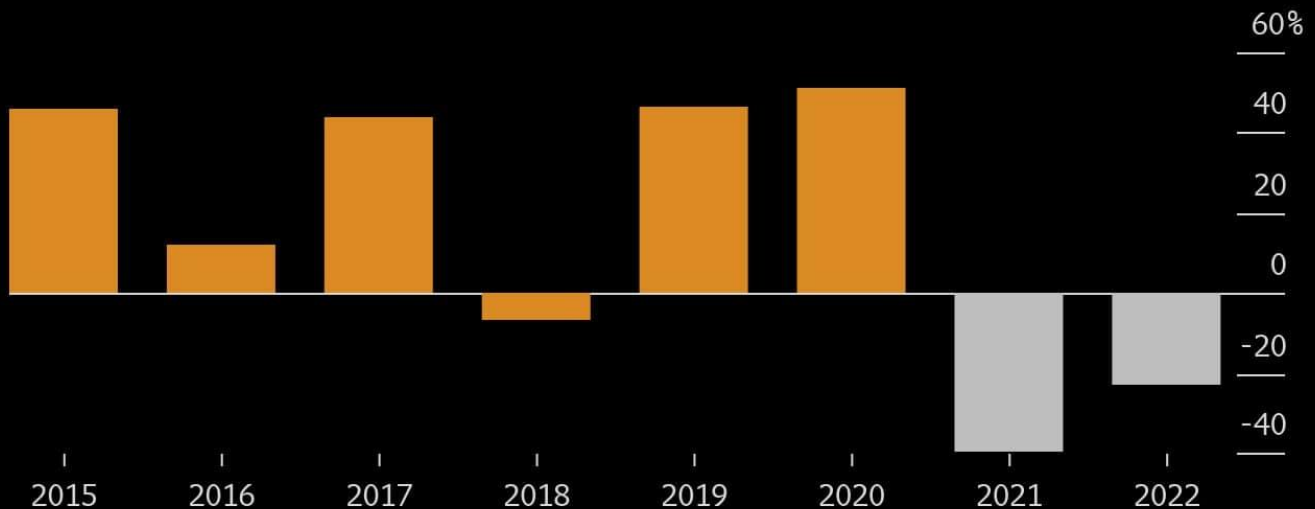
Source: Bloomberg

Bloomberg

The proletariat scored a huge win versus the bouge when Melvin Capital announced this week it was [shutting down](#) after an ugly re-rack attempt by founder Gabe Plotkin. The irony of this debacle is that Gabe used to be a very good short seller, and that's what drew money in originally. When the WallStreetBets junta came calling, Gabe tried to fight back. Armed with savvy social media skills and day trading accounts, they conspired to jam every one of Melvin's short positions [right in his mush](#). And it worked. 'Mark it...zero.'

Devastating Years

Melvin Capital had years of double-digit gains before 2021



Source: Bloomberg reporting

Note: 2022 return is YTD through April 30.

Bloomberg

This week Tesla got the boot from the S&P 500 ESG index. The reason? According to S&P Dow Jones Indexes the company's work conditions are not up to the high standards they set. Interesting look below at the ten biggest names in the broad S&P that aren't eligible for the ESG version. It does not surprise us that Wells Fargo is on the list. That place has been a cluster for some time now with the company's move to jam a bunch of people into loans they didn't want or need. Not cool. Not cool at all. And yes, Elon, in many cases ESG is indeed an [outrageous scam](#).

Exhibit 4: Largest 10 Companies Left Out of the S&P 500 ESG Index Post-Rebalance

Company	Reason	Weight in the S&P 500 (%)
Tesla, Inc	Disqualifying S&P DJI ESG Score	2.086
Berkshire Hathaway B	Disqualifying S&P DJI ESG Score	1.692
Johnson & Johnson	Controversies monitoring violation	1.360
Meta Platforms, Inc. Class A	Eligible, but not selected	1.325
Home Depot Inc	Eligible, but not selected	0.898
Chevron Corp	Disqualifying S&P DJI ESG Score	0.864
Costco Wholesale Corp	Eligible, but not selected	0.657
Broadcom Inc	Eligible, but not selected	0.655
Accenture plc A	Eligible, but not selected	0.543
Wells Fargo & Co	United Nations Global Compact non-compliant	0.485

Source: S&P Dow Jones Indices LLC. Table is provided for illustrative purposes.

While prices are going down for most asset classes, the one that includes the [Mercedes 300 SLR Unlenhaute Coupe](#) is certainly not. This week the car, one of only two in existence, sold for \$143 million. The selling owner was Mercedes-Benz itself. The company held it from when it was built until now. Truly 'One Owner' material. Silver Gullwings are simply special cars, it's not even a debate. This one, she is the most special of them all.



As regular readers know, we are big fans of describing so many things in life along a bell curve of outcomes and probabilities. Right tail = very good outcomes. Left tail = very bad outcome. A year ago, Phil Mickelson was about as right tail as it gets in terms of his career. The uber popular 'Lefty' was on top of the world having won the Players Championship as the oldest pro in history.



Fast forward one year, and the kid from San Diego, who for some time was the Best Player Never to Win a Major, is now golf's biggest pariah and the course of his career has changed forever. What was his offense? He played both sides of the coin [when double dealing](#) the PGA tour off the new LIV tour, sponsored by the Saudi sovereign wealth fund. Even Tiger came out [guns blazing](#) in support of the PGA. Here are the two back in better, brighter days.



One of Phil's better friends, Webb Simpson, came out in his defense and said basically the world needs to be more forgiving.

"I'm going to screw up. I know I'm going to screw up. I'm going to say things I don't mean, or say things in the moment that sound bad, and I would hope people give me the benefit of doubt. And yeah, there should be consequences for when we screw up, but I don't think it should be as much as we've seen where it's like 'Hey, you're out. You're gone.'"

As someone has very publicly admitted that he has screwed up, that he is going to say things he didn't mean, I want to tell you something, the world is indeed an unforgiving place. Nobody really owes it to you, as much as you might want it. And they have their own stuff to deal with. So bad news, chances are good you indeed are out, you indeed are gone. It is what it is. On that note, have a great weekend and enjoy the golf from Southern Hills.

