

Looks like it's open season on those animal spirits we talked about stirring last week. What's changed? Honestly, not much. Same headlines, just a different inflection. But it's now late August, and the Fed is gathering again in Jackson Hole, Wyoming to opine on the fate of interest rates and turn the bucolic mountain town into a western version of Davos for a weekend.

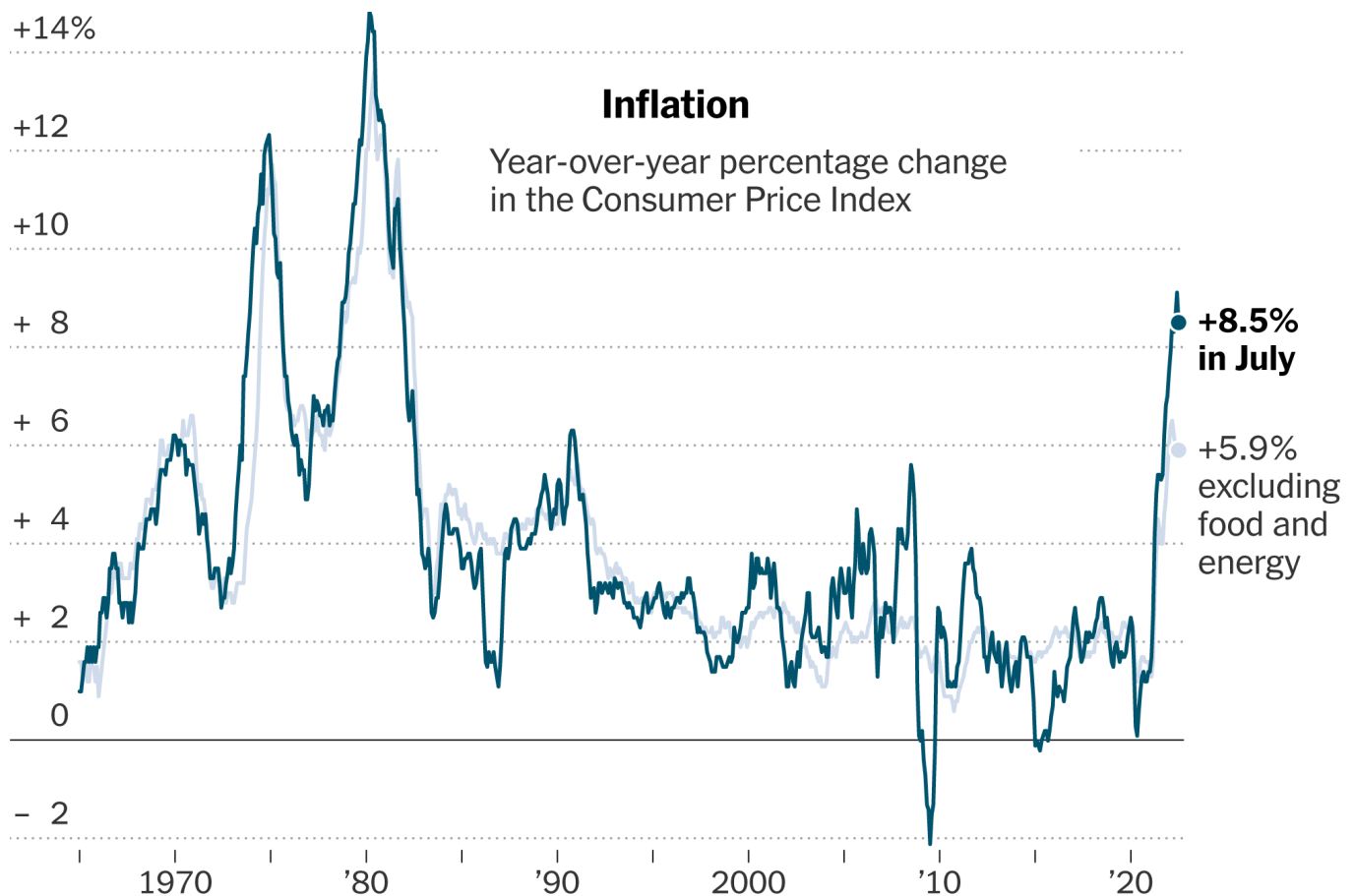
# IN *Late* *August*

THE FEDERAL RESERVE BANK *of* KANSAS CITY'S  
JACKSON HOLE ECONOMIC POLICY SYMPOSIUM



Library of Congress image det 4432167, photo by William Henry Jackson (circa 1892).

For the first time in a long time the subject isn't how low can rates go, but how high do they need to be to break the worst bout of inflation in forty years. Say what you will about what was once believed to be 'transitory', this chart isn't going away. And here is something to think about, what if we get a pullback in inflation that is a head fake and there is an even scarier spike in twelve months. Never say never, as that's the same thing that happened in the 1975 to 1980 time period.



Given the drubbing asset prices have taken, there are those who want the policy doves to fly from the floor of the Snake River Valley. But the hawks are out too, and they have much sharper talons than in years past.



# FOMC - Hawk/Dove Analysis

InTouch Capital Markets

Last Update: 11 August 2022

Name	Position	Hawk Scale	Voter?		
Most Dovish			2022	2023	2024
Evans	Chicago	<div></div>	✗	✓	✗
Brainard	Vice Chair	<div></div>	✓	✓	✓
Daly	San Francisco	<div></div>	✗	✗	✓
Cook	Board	<div></div>	✓	✓	✓
Jefferson	Board	<div></div>	✓	✓	✓
Collins	Boston	<div></div>	✓	✗	✗
Barr	Board	<div></div>	✓	✓	✓
Black*	Dallas	<div></div>	✗	✓	✗
Kashkari	Minneapolis	<div></div>	✗	✓	✗
George	Kansas City	<div></div>	✓	✗	✗
Bostic	Atlanta	<div></div>	✗	✗	✓
Williams	New York	<div></div>	✓	✓	✓
Powell	Chairman	<div></div>	✓	✓	✓
Bowman	Board	<div></div>	✓	✓	✓
Barkin	Richmond	<div></div>	✗	✗	✓
Harker	Philadelphia	<div></div>	✗	✓	✗
Mester	Cleveland	<div></div>	✓	✗	✓
Waller	Board	<div></div>	✓	✓	✓
Bullard	St Louis	<div></div>	✓	✗	✗
Most Hawkish					

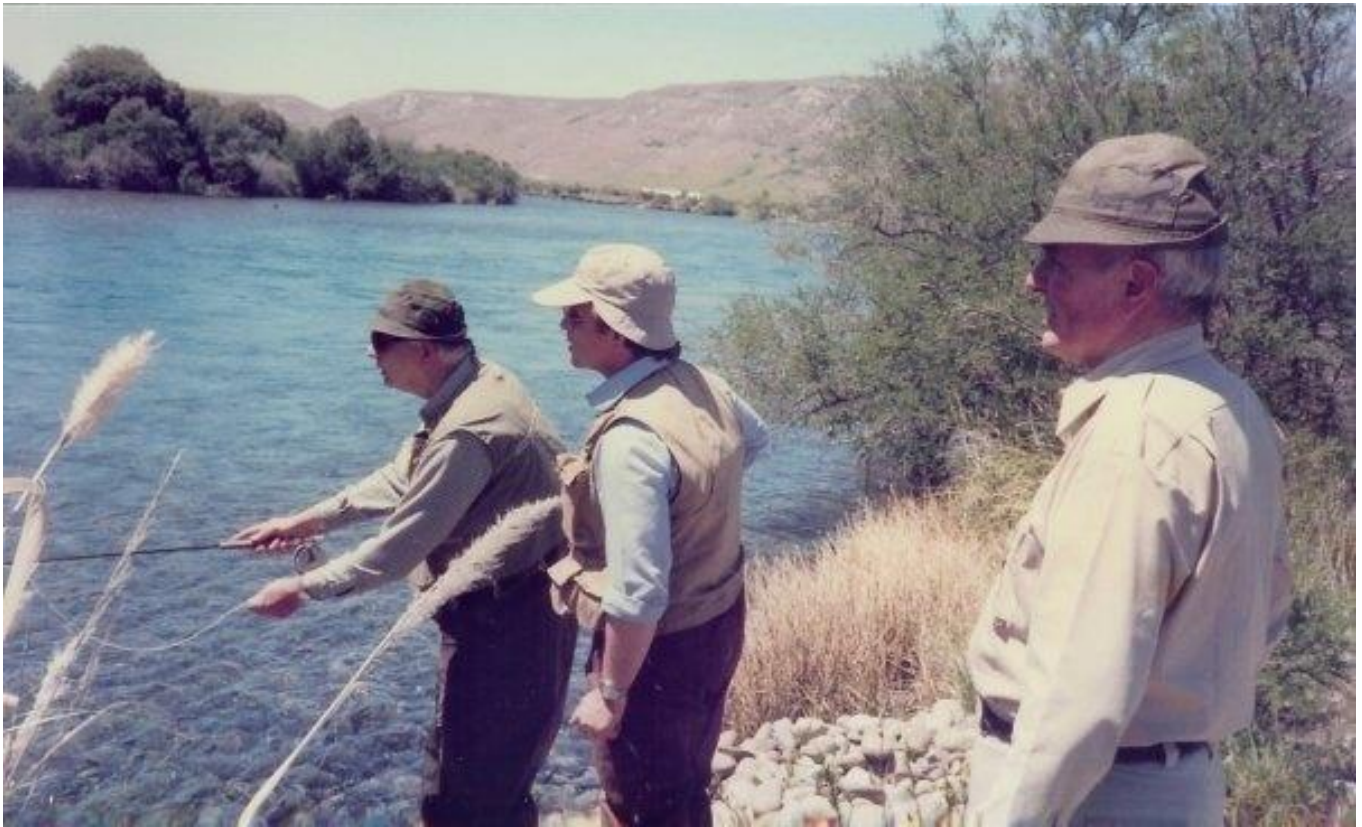
## Notes

2022 Voting members in bold

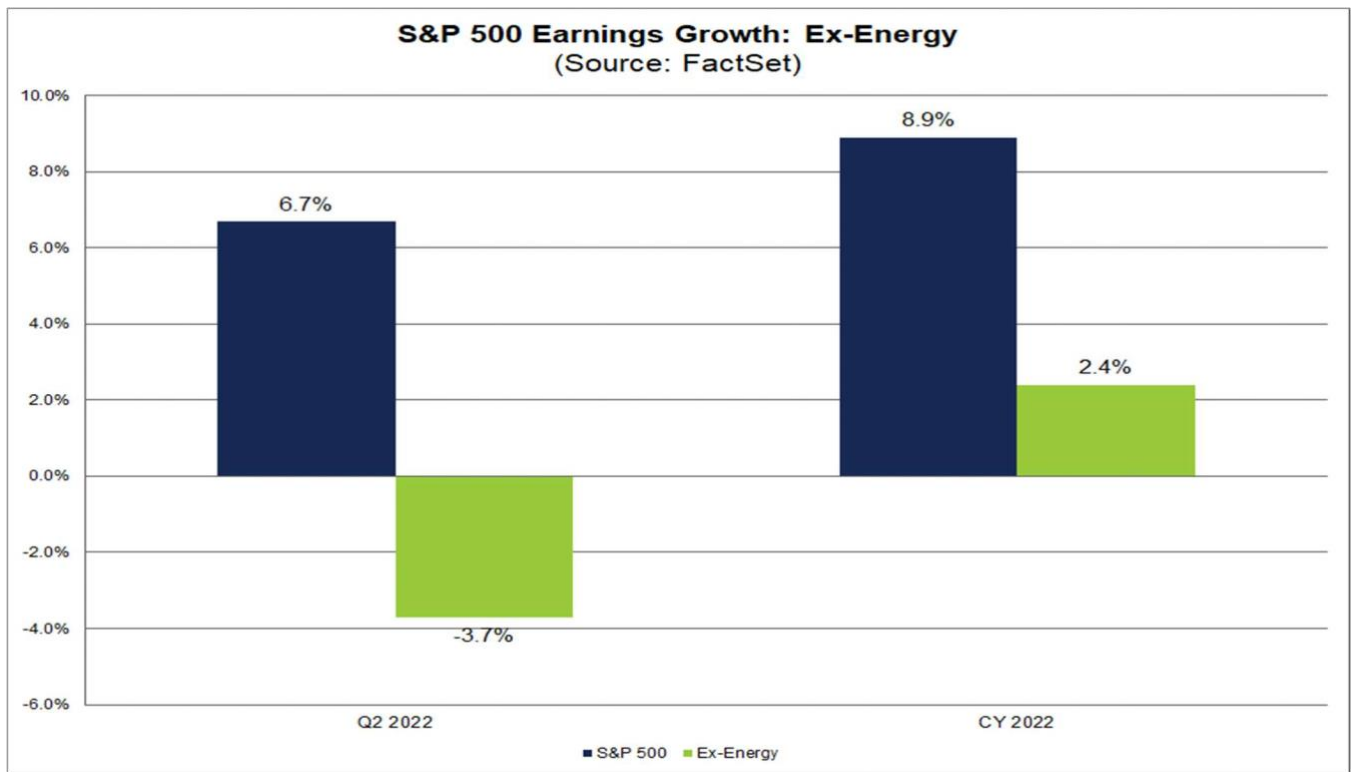
\*Lorie Logan will replace Black in August

Quick trivia question for you readers with some serious intellectual curiosity. Why did the Kansas City Fed pick Jackson Hole to host their late August confab of monetary masters? Turns out they were having trouble getting headliners back in

1982 and someone in the 10<sup>th</sup> Fed District knew that then Chairman Paul Volcker was an avid fly fisherman and presenting this opportunity for him to wet a line would be like dropping a size eight hopper in front of an eager brown trout. Volcker hit the bid, and the rest is history. Jackson remains a special place. You can jack the real estate prices as high as you like, but you can't mess up the views.



Enough of the top-down, how are companies faring from the bottom-up? Turns out it's looking like a pedestrian year of growth. If you back out energy, estimates are for 2.4% growth for the S&P 500. Not bad, considering we might be in or near a recession. If that number winds up going negative, all bets are off. If we tip too much, then the monetary gears would probably reverse.



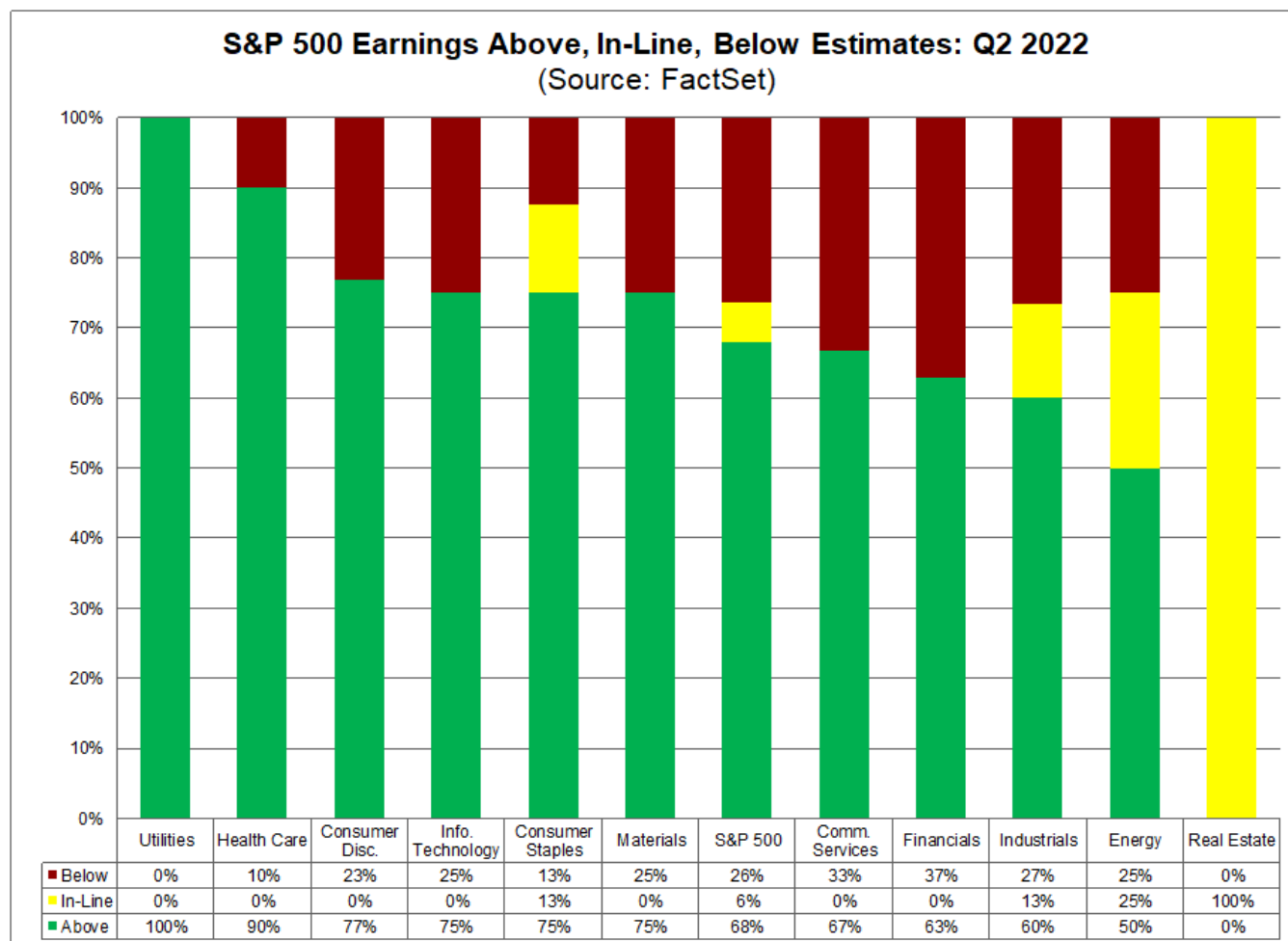
Quick timeout to acknowledge that the healthy profit from energy has the University of Texas system about to overtake Harvard as the nation's wealthiest school. Bloomberg ran a great piece deep diving on [how mineral rights](#) in the Permian Basin have thrown off so much cash those fancy Yankee schools up north, with all their highbrow pedigrees, need to start taking notice. This was the first oilwell under UT's footprint, Santa Rita No. 1, at the discovery site of the Big Lake Pool.



DISCOVERY WELL OF THE BIG LAKE POOL  
SANTARITA No 1.  
COMPLETED. MAY-27-1923.  
INITIAL PRODUCTION 100 BBL'S.

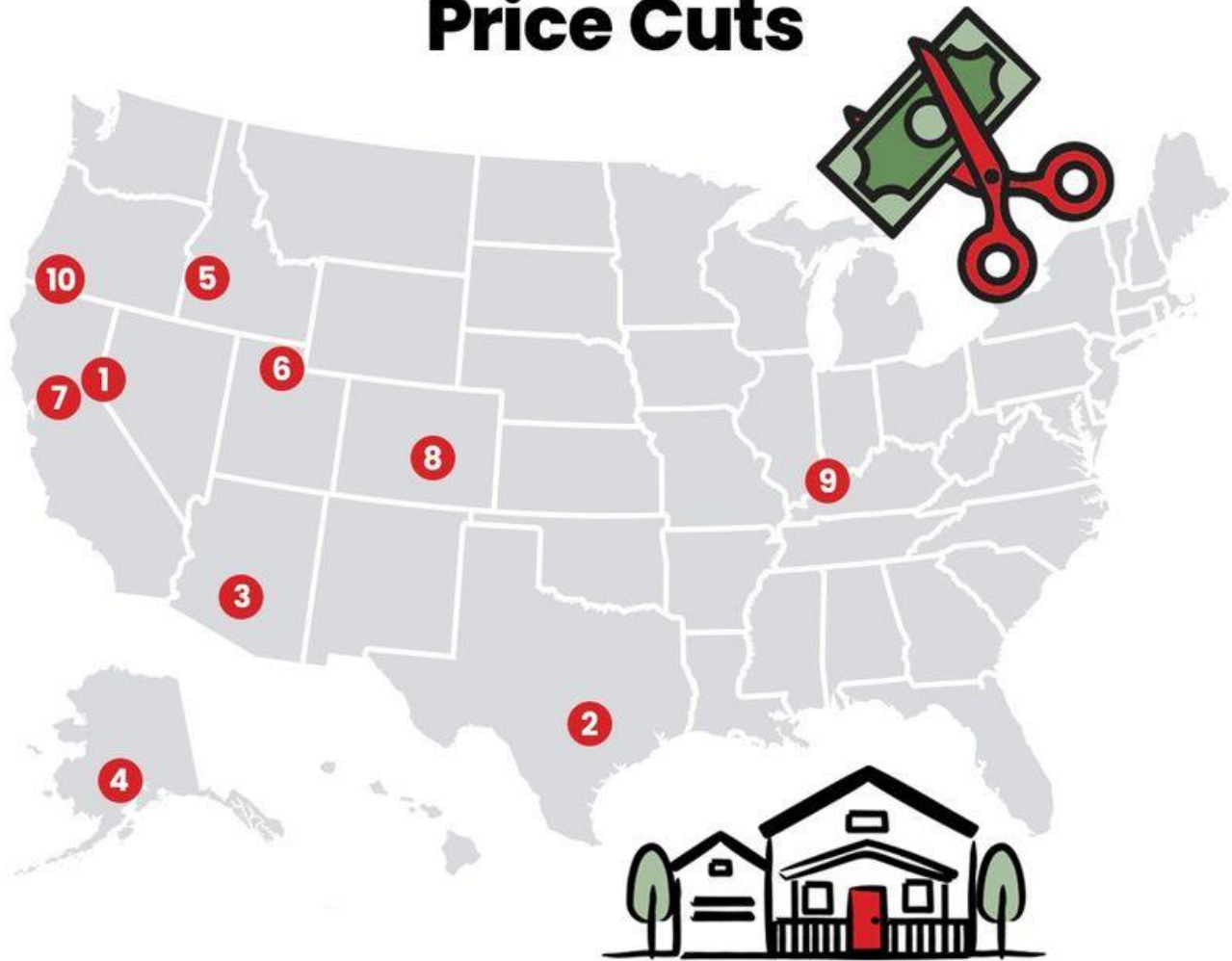


Back to reality, in terms of P/E valuation, the S&P is now trading at 17x forward earnings. That's slightly below the five-year average of 18.6, but in line with the ten-year average of 17 times. Here is a look at how the individual sectors did versus street estimates in Q2 of this year. Keep in mind, it's widely believed that the brakes got put on the economy in May and there was little time to adjust. Chances are good that there will be more red when all is said and done for the third quarter.



One place where this is real stress in the economy is in residential real estate. Have prices tanked, no way. But has the froth come off? Yes sir, as the young kids like to say. With 70% of homes in ultra-hot markets like Boise taking a price cut from a high ask, clearly something has shifted. Markets in the mountain west are now in the cross hairs. Not surprising given the size of the runup in the last two years.

# Metros With the Highest Percentage of Home Price Cuts



**1** Reno, NV

**2** Austin, TX

**3** Phoenix, AZ

**4** Anchorage, AK

**5** Boise, ID

**6** Ogden, UT

**7** Sacramento, CA

**8** Colorado Springs, CO

**9** Evansville, IN

**10** Medford, OR



We got some sad news on Tuesday when Wall Street legend, Julian Robertson, passed away at the age of 90. Robertson was a cornerstone of what we all knew as a true hedge fund with both longs, and believe it or not, short positions. I make the slight about managers not shorting, because at the end of the day, they don't short anymore. Julian was a gentleman, a scholar, a philanthropist, and the father of the well-known brood of younger managers: the Tiger Cubs. These were some of his most prodigious offspring.



Julian Robertson

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A selection of Tiger cubs

Blue Ridge  
Capital

 P A N T E R A

COATUE

ARCHEGOS  
CAPITAL MANAGEMENT

Viking  
Global Investors LP



TIGERGLOBAL



Maverick

Early in my career when I worked at Mark Strome's global macro shop in Santa Monica I remember taking home the days reading from Bloomberg. Yes, back in the day we printed articles that came from the cube shaped terminals. That night I was reading about the movements being made in currencies and I came across a quote that read 'Today, the FX market was being pushed around by the big players; Soros, Robertson, and Strome.' At the time, we were apex feeders and

deserved the attention. But as they say in the business, 'easy come, easy go'. But thanks for the look, Mark. It changed my life.



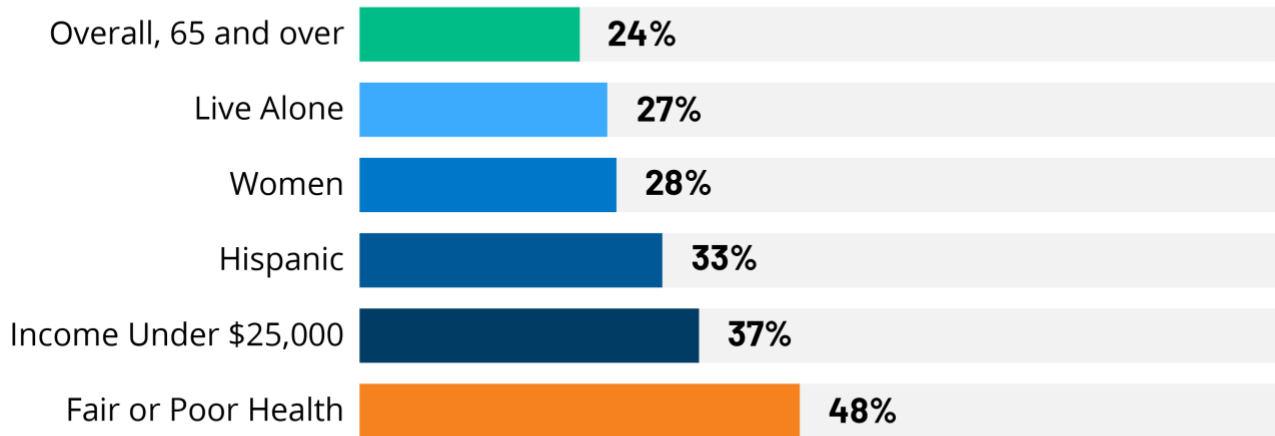
Wrapping up this week with a very rare call to action. A required call to action if you are a public investor, an investor in private companies, someone suffering from anxiety, depression, alcoholism, or are even bipolar. If all you are simply an upright functioning adult with a pulse with even a hint of intellectual curiosity, please read the Businessweek | Feature [Get Ready for The Magic Mushroom Pill](#). It's long, but very much worth the effort.

## • MAGIC MUSHROOMS •



As I've said many times, and the FDA agrees with it by fast tracking a new psilocybin trial for the treatment of depression, going so far as to give it a 'breakthrough drug' classification, when properly dosed and managed the drug will save lives and reduce the high cost of mental health treatment. I invite anyone who wants to know more to contact me directly at [bryan@stillcap.com](mailto:bryan@stillcap.com). It's a long and winding conversation to be had, but one that I know is worth the time and effort. I also know all too well what isolation during Covid did to older adults' mental health, losing my own 80-year-old father to suicide in early 2021. Had psilocybin been legally available, he would probably still be here today.

## 1 in 4 Older Adults Reported Anxiety or Depression Amid the Coronavirus Pandemic, Higher Rates for Some Groups



NOTE: Analysis is among adults age 65 and older. Self-reported health status. Adults of Hispanic origin may be of any race, but are categorized as Hispanic for this analysis; All other groups are non-Hispanic.  
SOURCE: KFF, "One in Four Older Adults Report Anxiety or Depression Amid the COVID-19 Pandemic," October 2020.

**KFF**

Coming up this weekend, a special edition of Stillwater's Mid-Current where we deep dive into a retrospective on Silicon Valley, and what it looks like now. This is from the perspective of someone who lived there in the early days and is working his way back to becoming a part time resident. The running of thy mouth about attending the same high school, Homestead in Cupertino, as Steve Jobs and Steve Wozniak will continue until I feel like proper respect is shown. Thanks, Covid, you killed the HHS 30<sup>th</sup> year reunion for me and my people. Just another reason I hate you. Class of 1990, baby! Down but not out. Go Mustangs.





*senior in every sense of the word*

Candy Beers

Bryan Goligoski

While I won't be able to deep dive you on hybrid cloud computing redundancy architectures, I will be able to read you in on where the Traitorous Eight met to plan their exit from Robert Noyce's grip and the eventual founding of Fairchild Semiconductor. Hint, they served a mean schnitzel. See you next Saturday for our special post.



