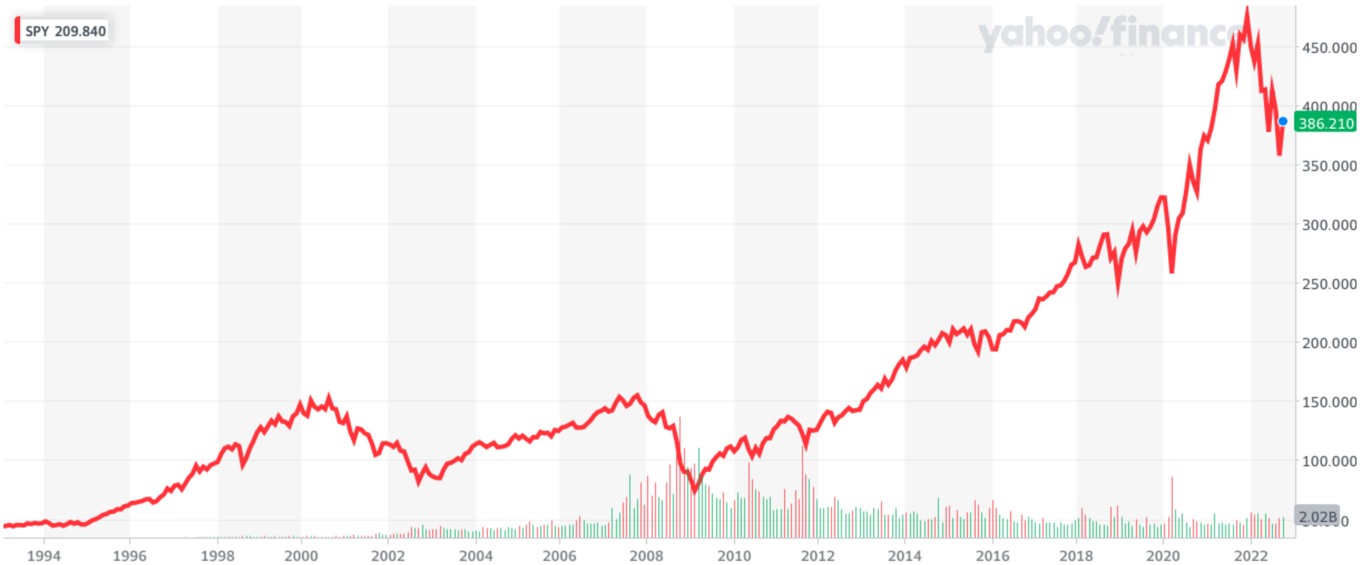
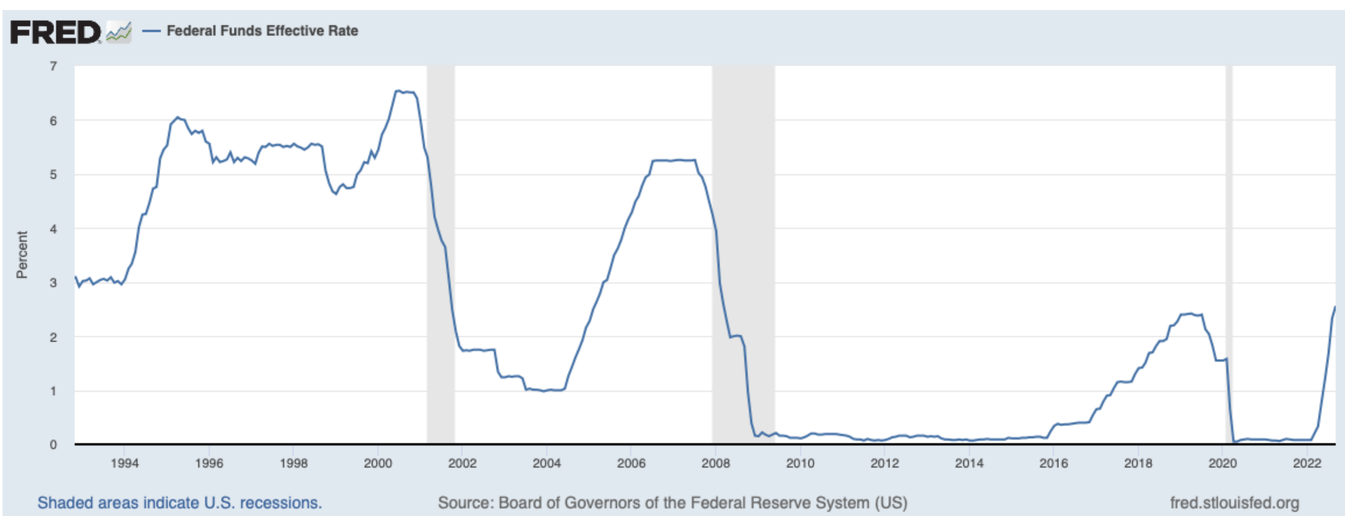
Hell, hath no fury like a missed quarter, a hot inflation print, surprising strength in the jobs market, and a whole bunch of other things that are sending the markets from first worst, and vice versa, faster than a Tennessee Vols fan chasing down a bottle of Jack after the win over Alabama. Next time, don't throw the goal post your kicker just sent the most important three points through in twenty years of suffering into the Tennessee river. Had you parked that thing outside the best bar in Knoxville you'd be drinking free for life. Nice pants though, kid.

Since everyone with a keyboard and a title such as Chief Economist, Chief Strategist, Chief Investment Officer, even Chief of Police is out talking their book about the direction of the markets, we might as well too. And given the earnings, economic, inflation, and monetary policy backdrop, it's probably time to earn their paycheck. There for sure are more Chiefs than Indians right now, and that's probably not a good thing.

But since these are our pages, and I get to be my own little Chief of Delusion, just like everyone else, I want to speak clearly and loudly to anyone who will listen. Ready? Markets can go sideways for long periods of time, and aside from dividends, you may have a disappointing time if you think double digit stock gains are the norm. This reminder set in when I took a longer term look at the S&P 500 over time, which I do every so often. From May 1996, when I first got into the hedge fund business, until May 2013, the SPY (S&P 500 tracking stock) has traded between $75 and $150, give or take a few points.



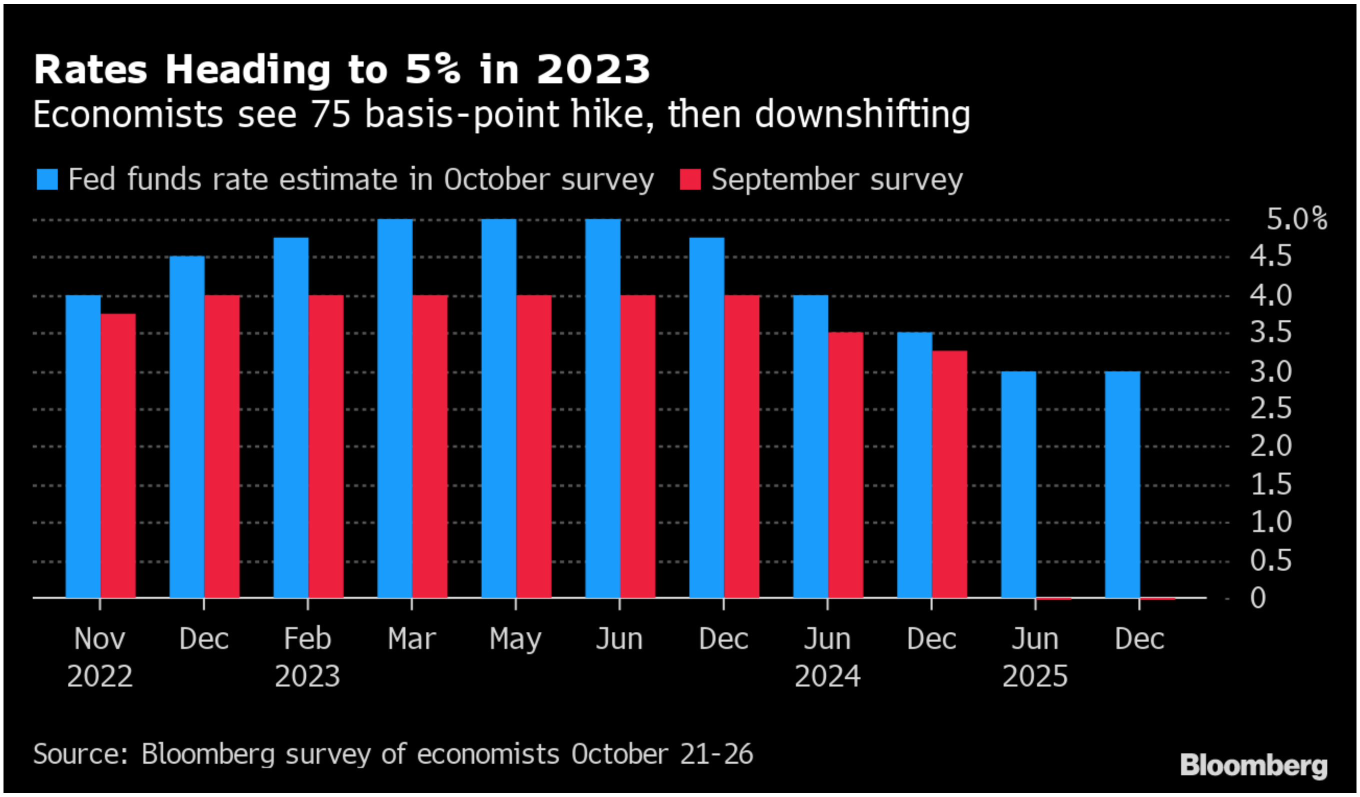
In the thirty years that chart depicts, the two times we really started cooking with high BTU gas were directly correlated to a Zero Interest Rate Policy (ZIRP) by the Federal Reserve. Both times the extreme measures of free money and backstopping asset prices were used during crisis. The first was the Global Financial Crisis that froze the worldwide economy in 2008, the second was the 'break the glass' order given in the first quarter of 2020 in reaction to the Covid pandemic. As I said, an almost perfect coloration.



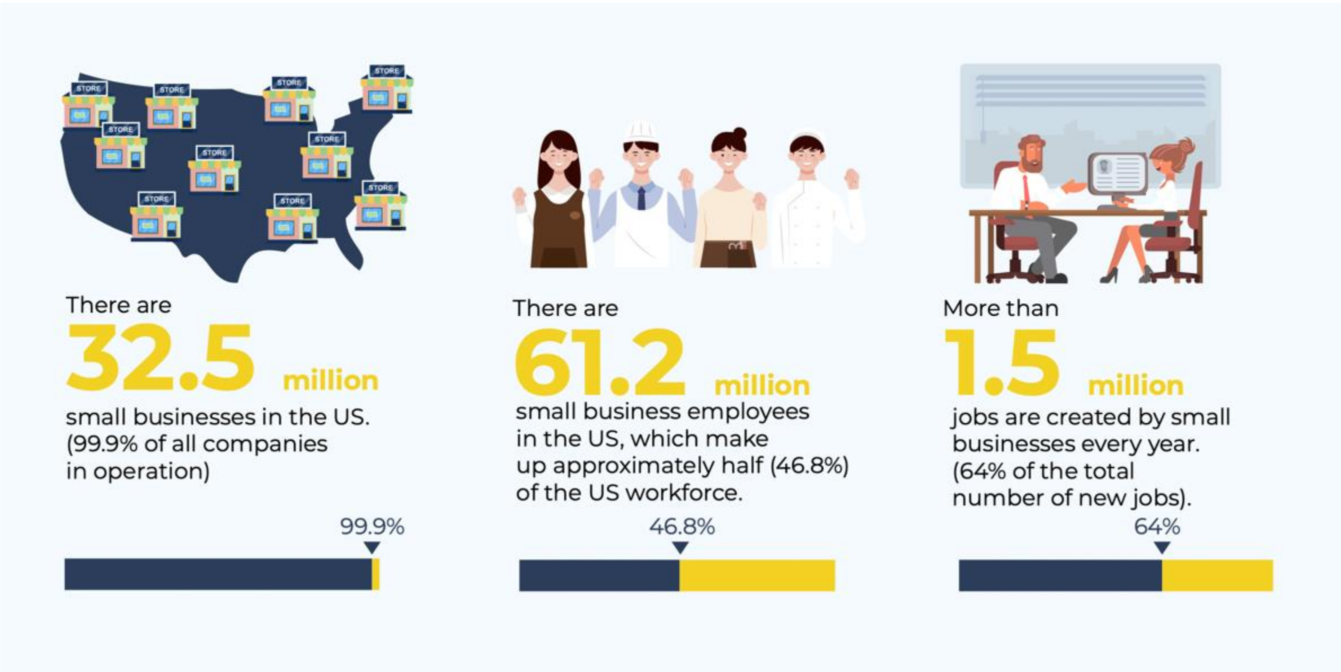
Having watched this movie, and the sequel, and the sequel, and the sequel once more, I would like to say to the honorable Fed Chairman Jerome Powell, all the Fed Board Governors, all the Regional Fed Presidents, and all their supporting staff of economists, PLEASE STOP IT! Nay, let me say it in more forceful terms, knock this shit off! Knock this shit off right now! Your behavior is atrocious, and you know it…

For the love of God, you overact every single time, and it causes markets to no longer be markets. You must, like right now today, set the target Fed funds rate at 4% and take all of 2023 off. Seriously, take the whole year off and say we will see you next December. Let the real cost of borrowing settle in, mortgage rates settle in, the discount rate on future cash flows to settle in. And make a gigantic promise to the world economy, barring a meteor hitting the Earth, you will do nothing to adjust your stance. Nothing!

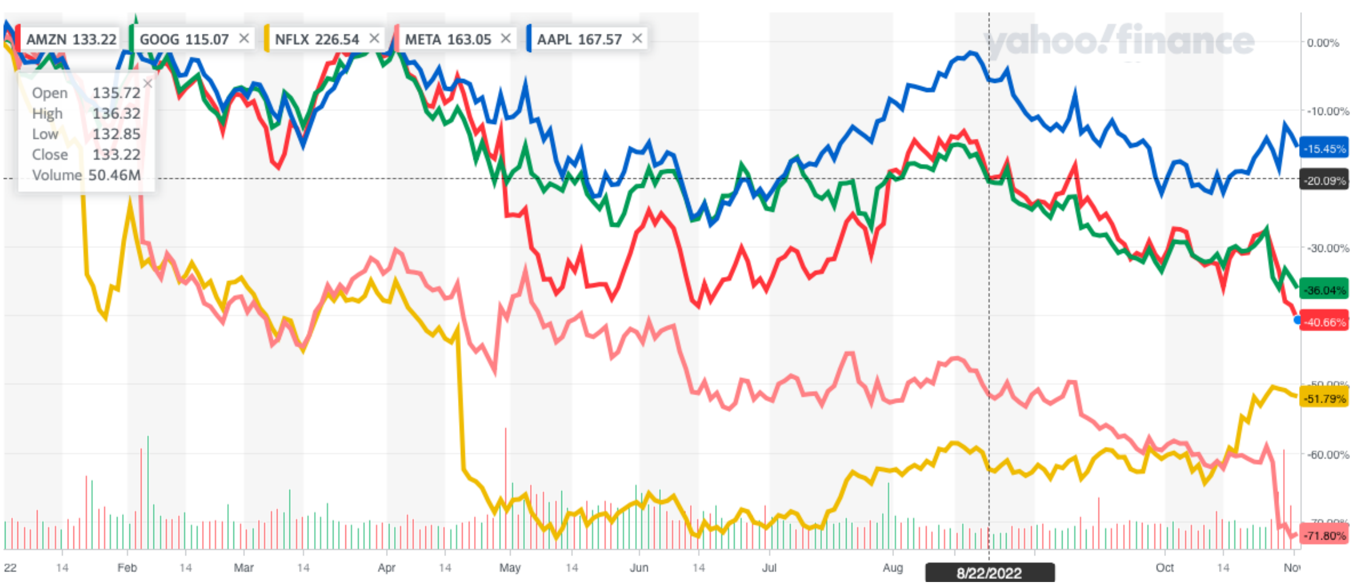
The big decision as to what the Fed does next is announced on Wednesday. Seventy five basis points is what is expected, that said, fifty and a pause is creeping in and why stocks are doing so well the past week. Back to my original pleading of the case, just take the economy to a 4% Fed Funds Rate and walk away. Let the press release say, “In light of the fact that we aren’t terribly good at this, we are going to do our best and leave this one alone for a while. Five is too much, three is too little. See you in a year.”



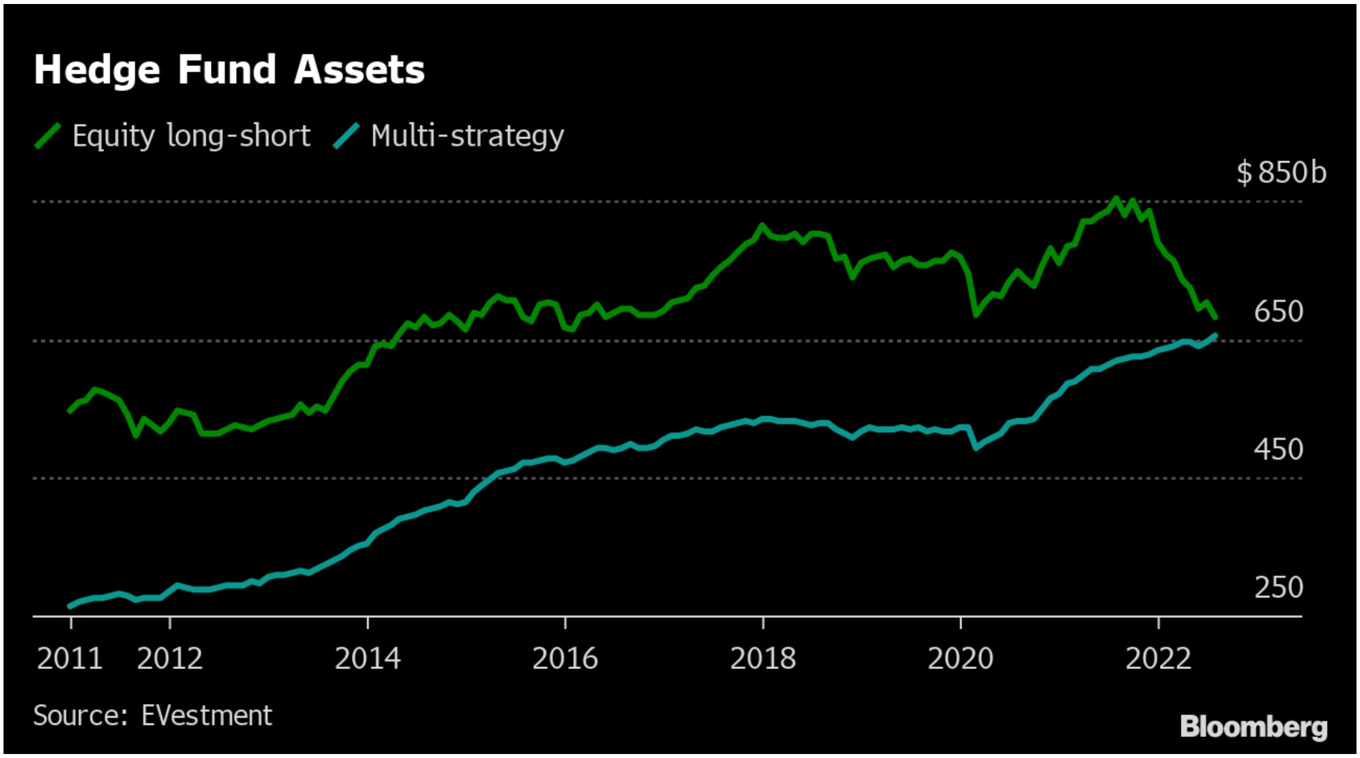
Tough piece of news for small business from Bloomberg this week as it turns out the little guy is still getting pinched. It was reported that 37% of owners couldn't pay their October rent. These are huge leaps in delinquencies and do not portend good things for the economy as half of the public sector employment comes from small business. It really is the backbone of the U.S. economy, and we can't have it slip off the page again.



On the complete opposite side of the spectrum, you've got mega cap technology companies having what one might describe as an 'annus horribilis'. Or in American English parlance, a really shitty year. These FANG stock losses are big, and they aren't coming back in a hurry.



Which probably answers why hedge funds are having such a bad year as they no longer actually hedge, and most own the same set of stocks. And it's those where there is zero edge in the analysis of fundamentals. And that shows up in the fact that long/short style assets under management have stalled out for eight years. And when they have peaked out near $850 billion, it was done so on the back of a rising equity market. All that for a locked up 2 and 20 structure? Wow, give me some of that!



Which brings us to this, former hedge fund manager and market gadfly, Jim Cramer had one of the ultimate mea culpa moments in the history of financial media when he almost went to tears over his lack of seeing the forest through the trees on the Facebook implosion. The most galling part of the interview was when David Faber asked, ‘Do you think you were too close to the company?’ David, note to self, THEY ARE ALL TO CLOSE TO THE COMPANY!!! Bullshit in, bullshit out. I was one of them for a long period of time and want to write the book ‘Musings of a former equity analyst, and the failed science it has become’.

In a sign that there is an indeed a God, Juul Labs is on the verge of going bankrupt. Call it Christmas in November, call it whatever you want, but this company belongs in a Hell so bad that Satan himself wouldn't dare go there. And yes, I get it, part of the original idea behind vaping tobacco is that it beats firing up a heater. But it's gone too far, way too far. If the company does make it into a Chapter 11 resurrecting, I hope it fails miserably. Too much? I don't think there is too much in this case.

So as not to be accused of being a peddler of negativity, I wanted to search out a valuation chart that screamed 'all is well, buy stocks'. But alas, when I hunted down the current Case-Shiller P/E Ratio I found nothing inspiring. In fact, if anything, it told the story of levels that were still elevated. The 28x needs to get down to 25x before we start talking about normalized levels.

That's it, that's all, for this week. With every major sport in full swing, there is plenty to divert oneself away from markets and the economy. At our house we are getting more and more hyped by the play of number six for the Serra High School Padres as they continue down the road of an undefeated season. Big win against St. Ignatius last Friday, where Sam Goligoski had a pair of sacks, to compliment several quarterback hurries. Good to have you back from injury, Sam. Play like a champion, every day!