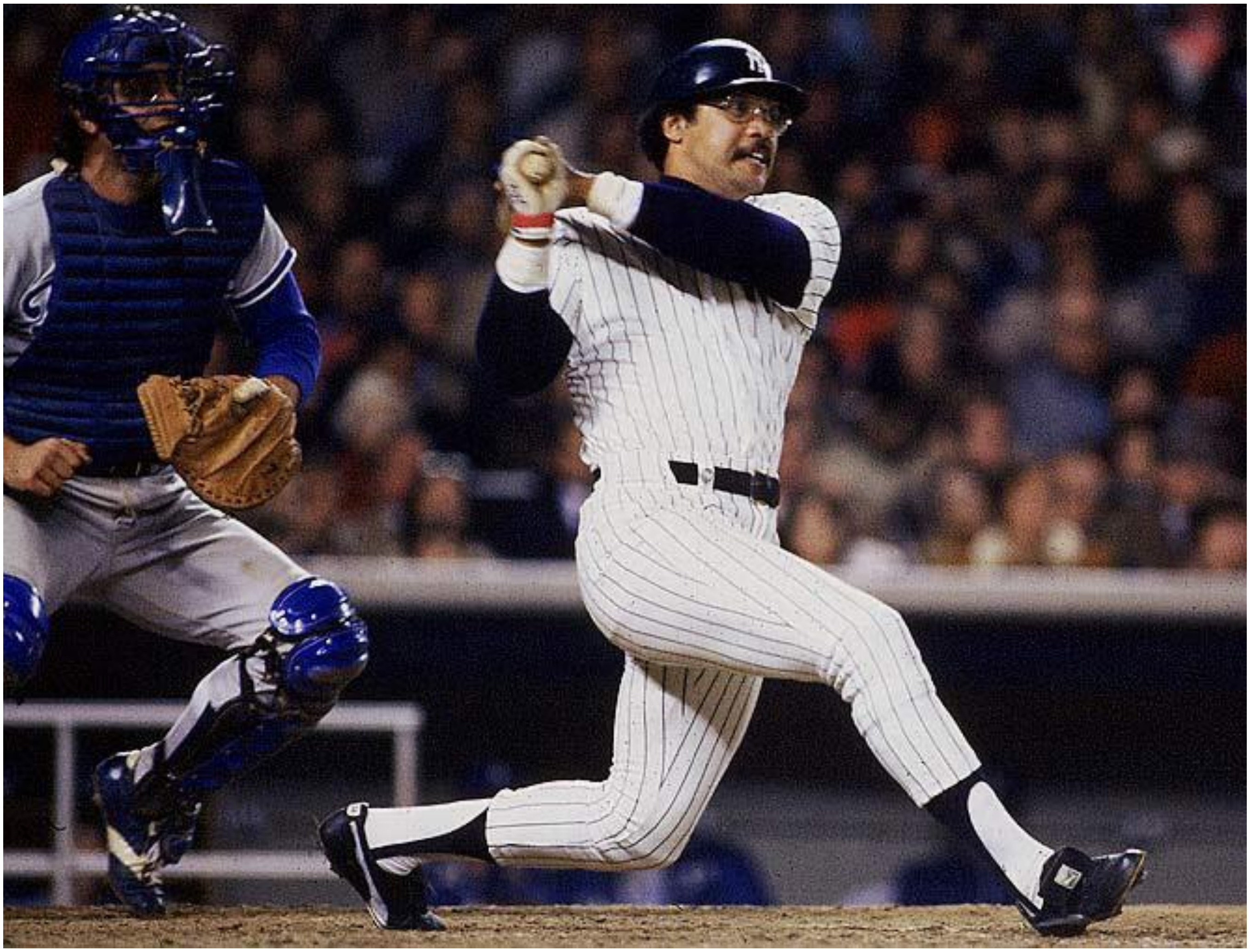
Here it is, the much anticipated, at least by me, look back at how I did with my mid-year 2022 picks and observations about all subjects' markets, life, and sports related. So, how did I do? By all reasonable standards, with a .600 win percentage, better than most.

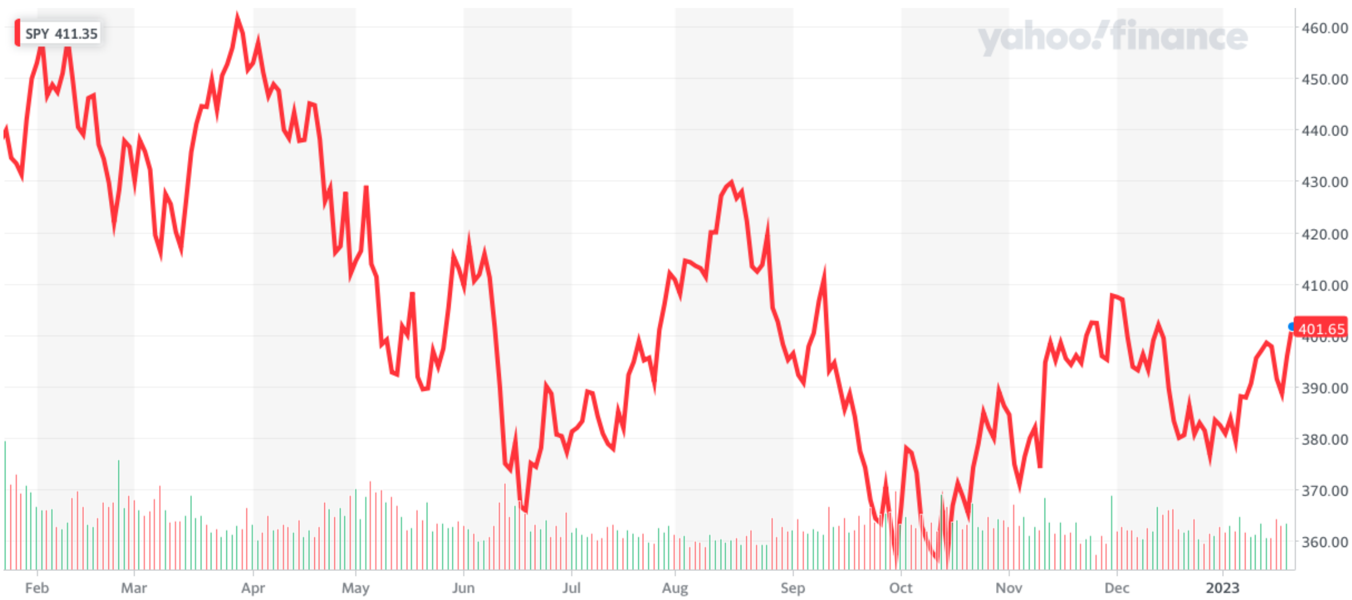
Wins	***Pushes***	***Losses***
12	*3*	*5*
.600	.150	.250

Importantly, everything said and done is archived for all the world to see. Because too many people in this business get away with talking out of both sides of their mouth. But as Hall of Famer Reggie Jackson once said, 'It ain't bragging if you can do it." Telling the truth and suffering the consequences. Let's go!



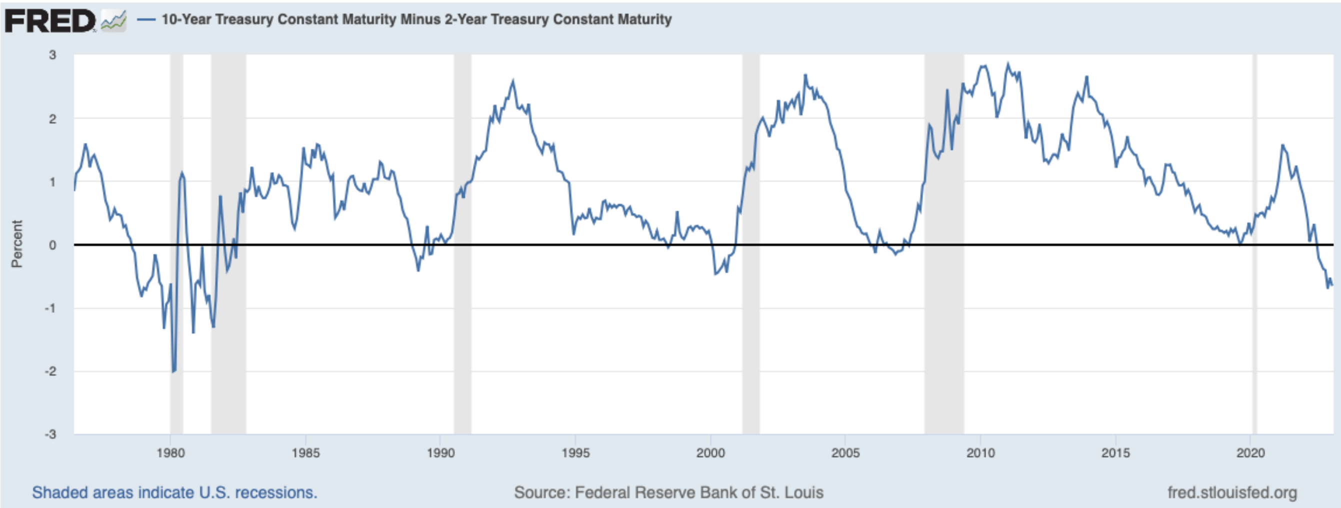
1)The S&P 500 trades down 8% from here to 350, with most of the pain coming in September and October, and then rallies back to 370 to finish the year down 22%. Those levels become your new range.

Started off with a solid win. Got the downside right within a 100 basis points and picked the month, October. Finished up the year within 200 basis points of the close. I had the S&P 500 down 22% for the year, and the SPY ended with a 20% loss. Not bad for a simple journeyman like myself.



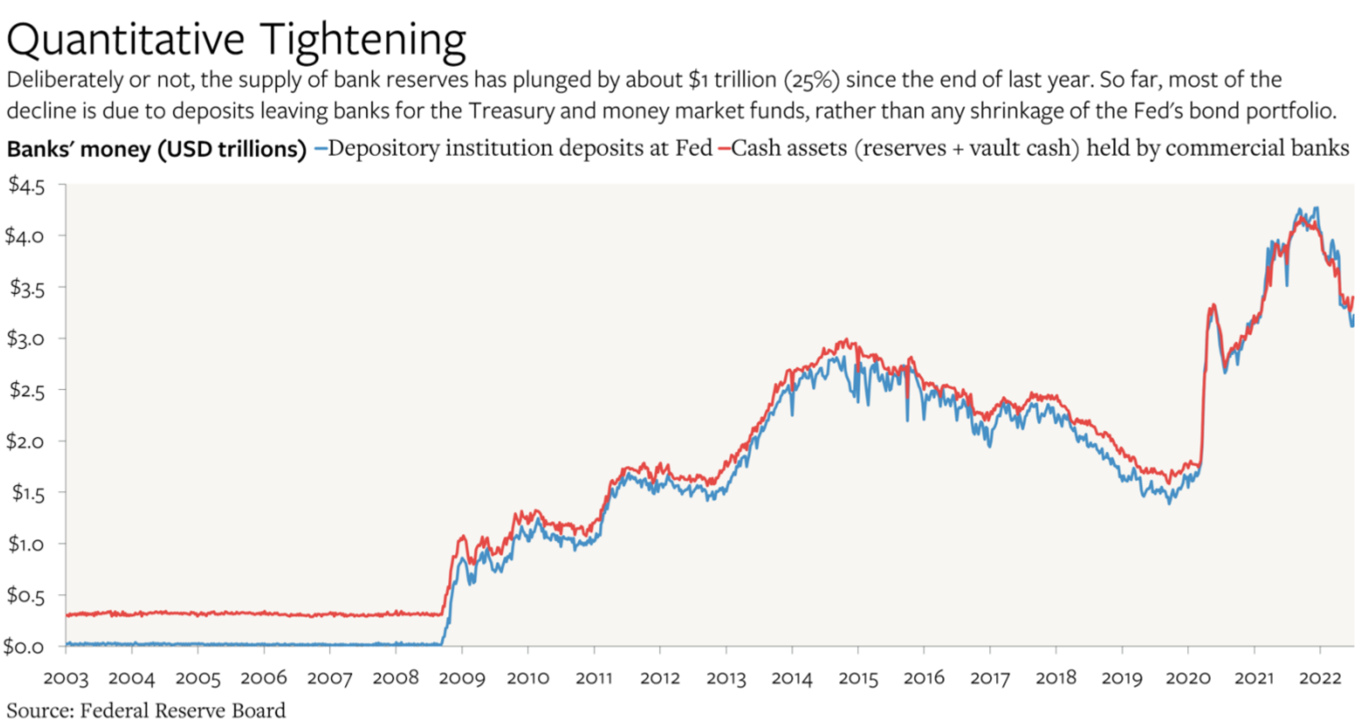
2) Using proprietary co-packer insights, we have entered recession. By proprietary we mean the guy who blends our side-gig seed dips, and a whole bunch of other products, took his workforce down from 100 to 60 because there is too much inventory in the food distribution system, and it needs to be cleared out...at lower prices.

Looks like there is still a good chance that we enter something that can be defined as a 'recession'. The economy isn't there yet, but it will probably be sometime in the second quarter.



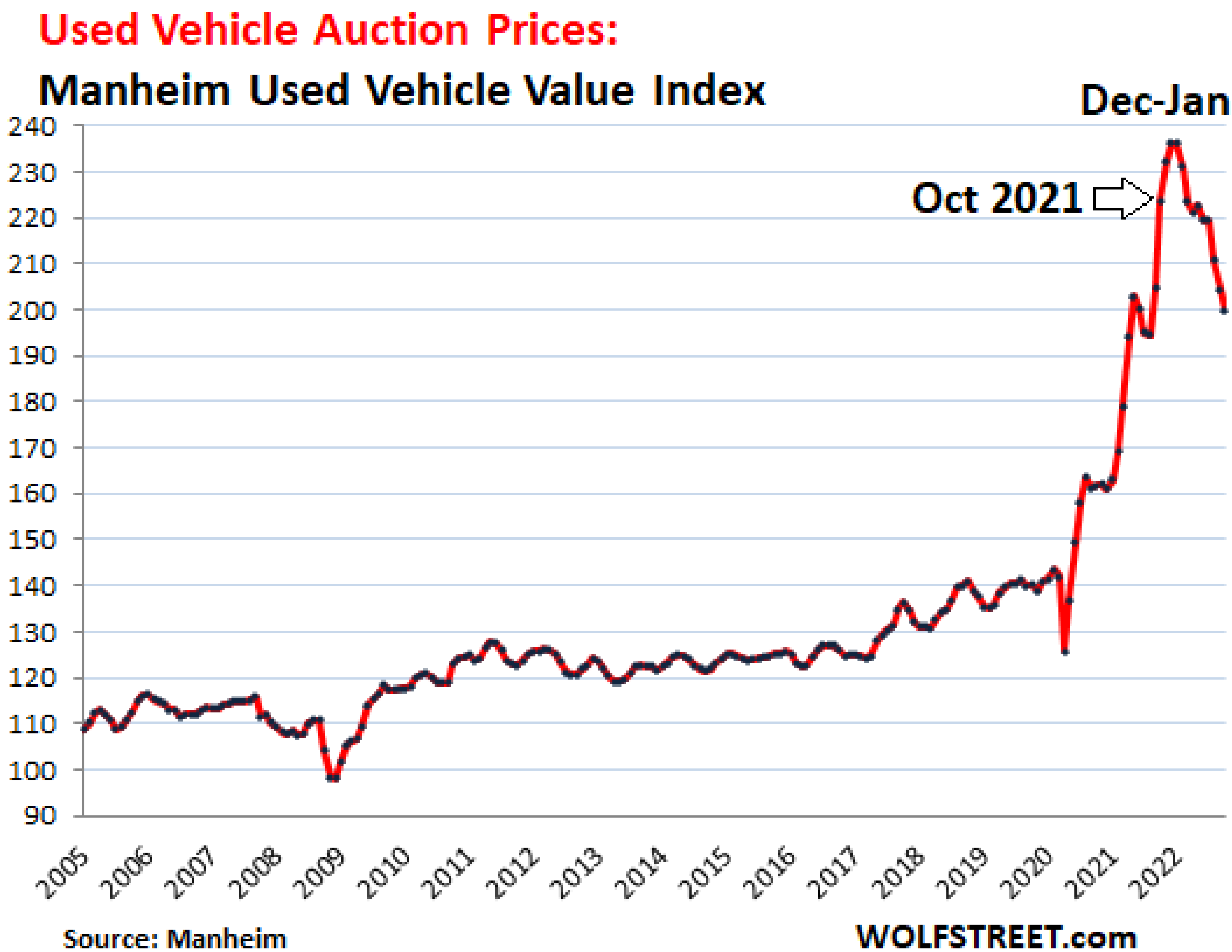
3) The Federal Reserve will overshoot quantitative tightening in the face of inflation, just as they overshot quantitative loosening in the face of Covid. The result will be an acute drop in asset prices outside of equities, as consumers hold tight to their wallets on both large and small purchases.

I think the Fed has already overshot, bonds and crypto got smacked. Real estate values are also on the ropes. This qualifies as a win, even if there is more to go…a lot more.



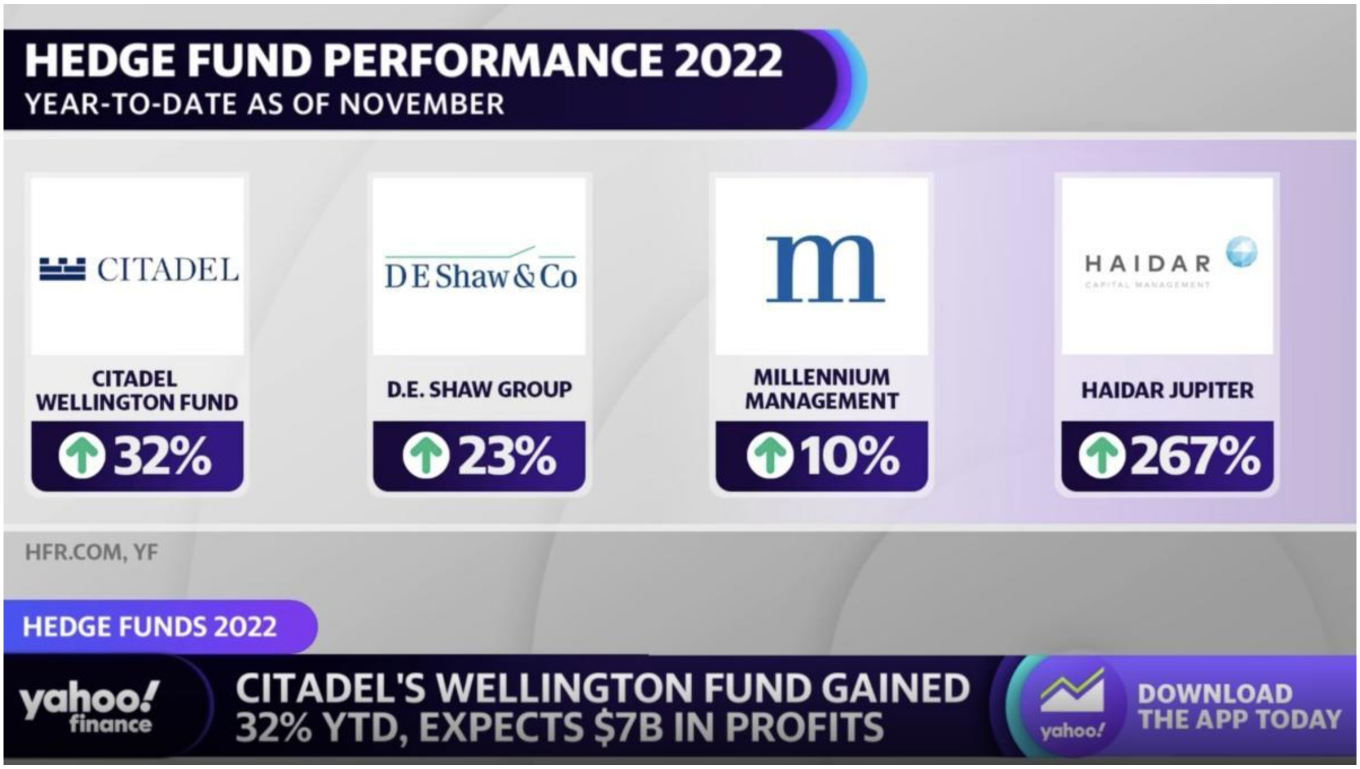
4) Used car values have peaked, and if there were a way to short this index, you should. Keep in mind, to get back to normalized levels, there would need to be a 40% downside correction. ‘Hello, Goldman Sachs. Can I get the derivatives department, please?’

This pick goes in the win column.

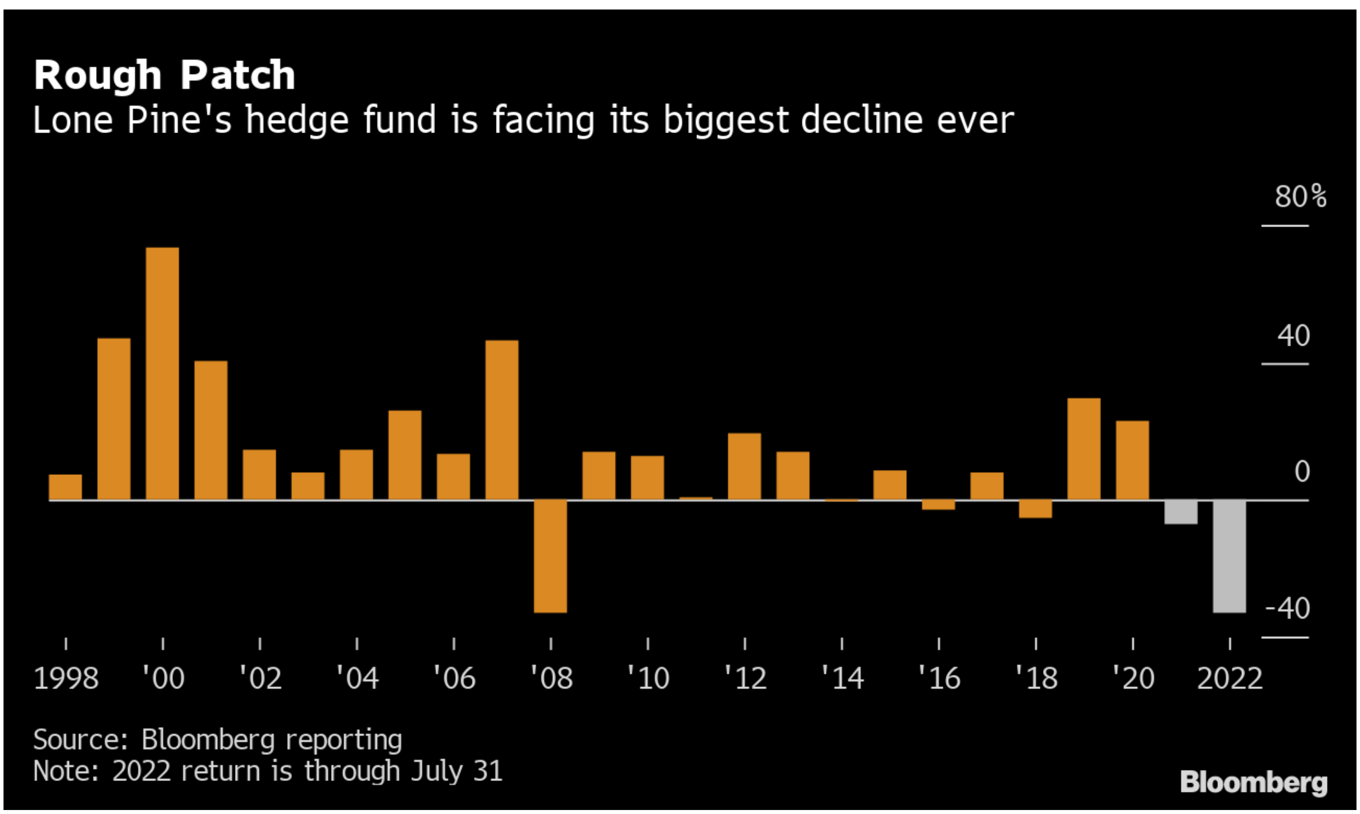


5) Hedge funds that truly hedge will come out as winners. Even the ever uninspiring long/short and long biased funds are doing a relatively decent job. Keep in mind, we said decent, not good.

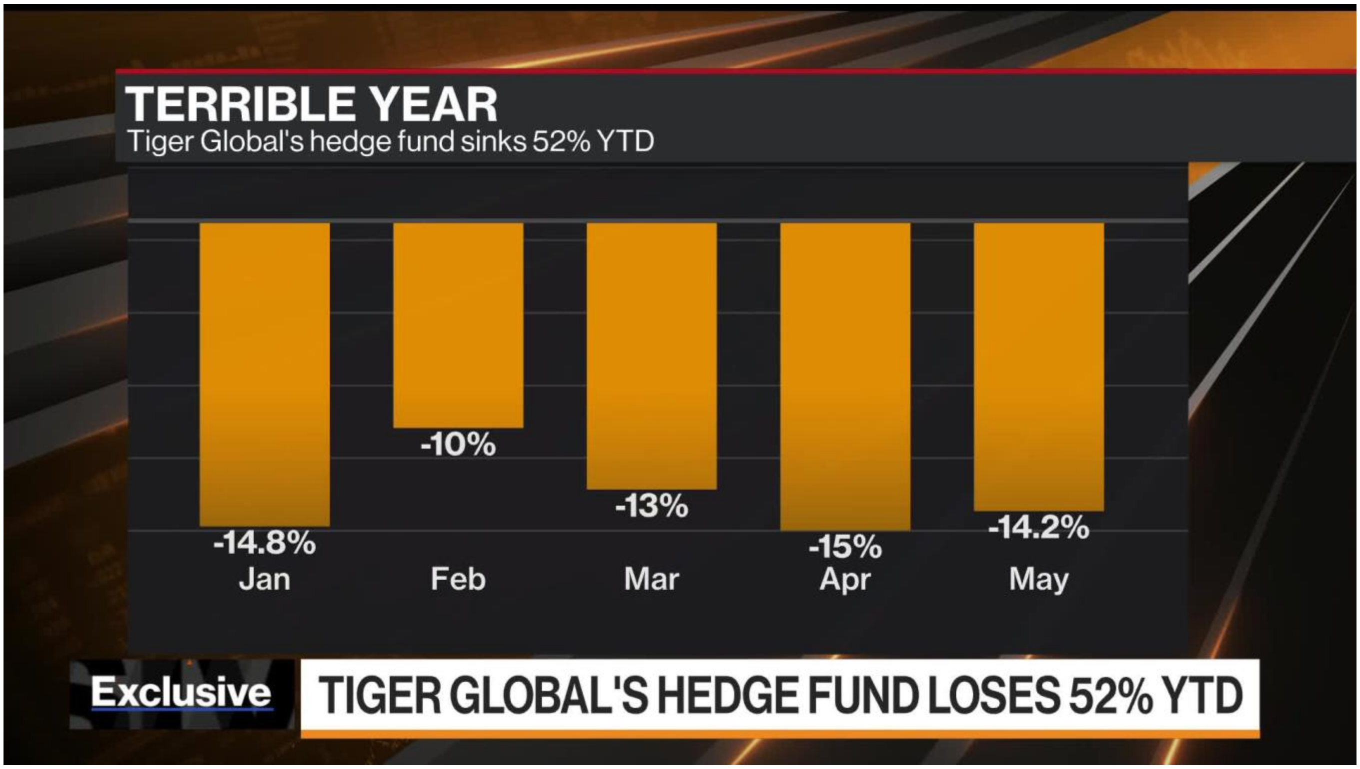
This call goes out as a win as well…



Lone Pine doesn't hedge…

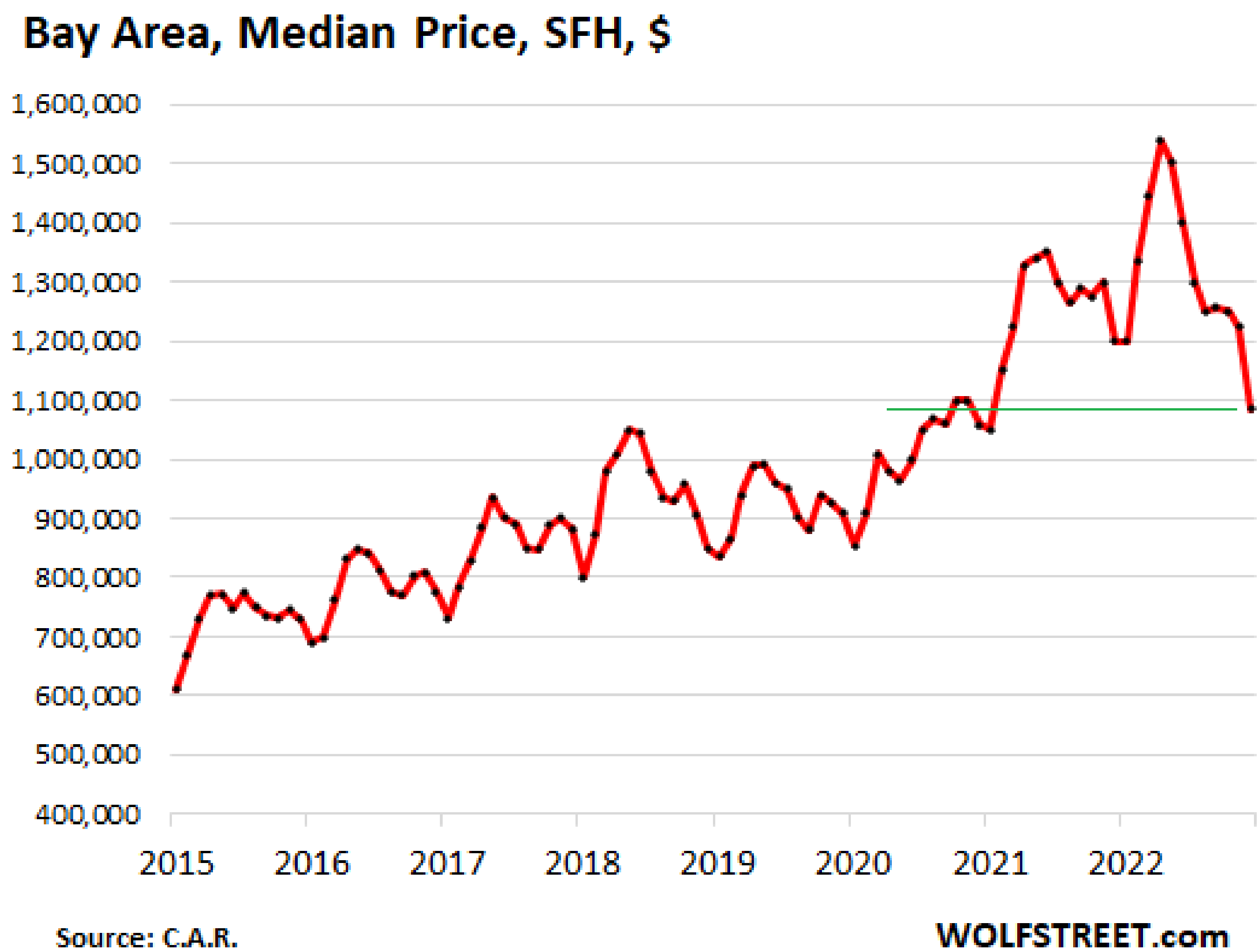


Neither did Tiger Global…

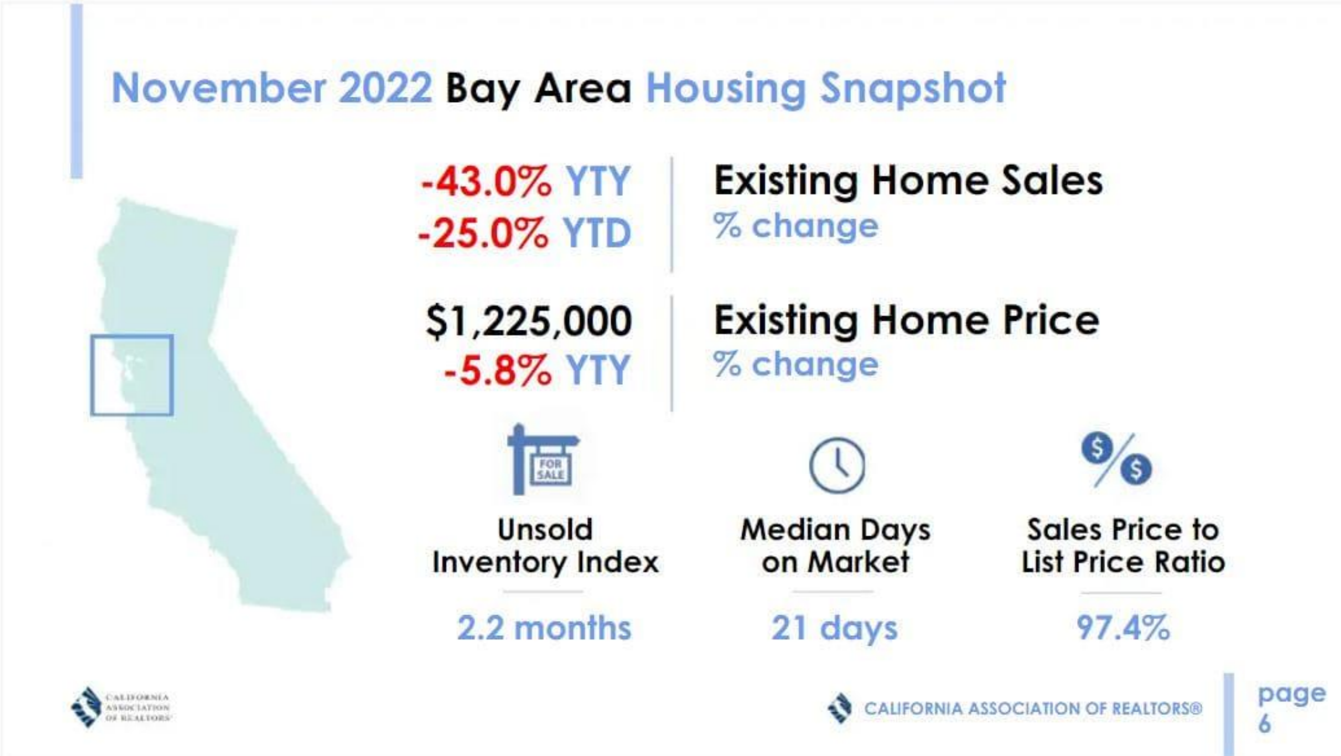


6) People who bought homes in the last six to twelve months just went Wile E. Coyote. Now of course, most are in for the ‘long term’, but prices are going to take a while to normalize. By ‘while’ we mean three to five years. No asset class can go parabolic forever without a regression of consequence.

Using San Francisco as a proxy, this was a spot-on call. Both in price…

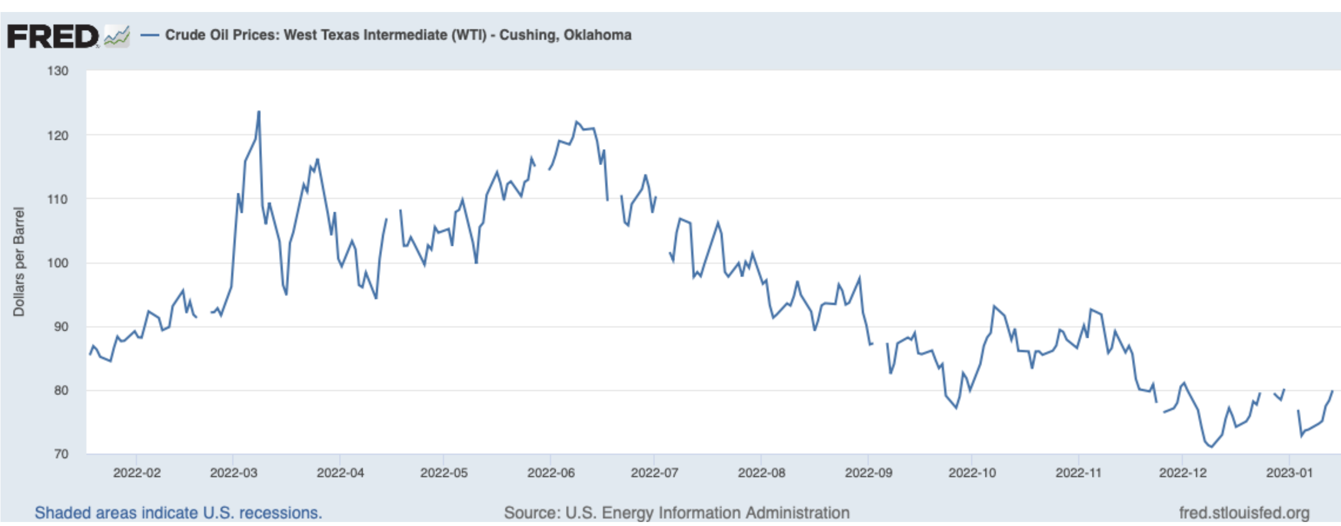


And in volume…



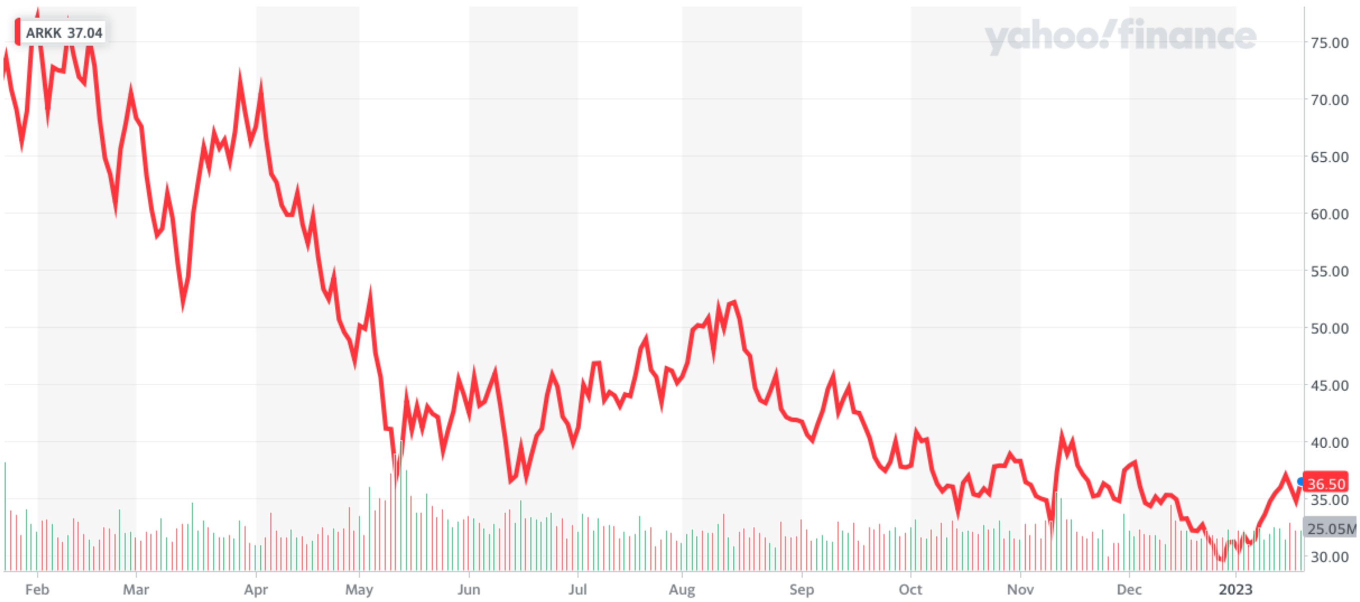
7) Crude oil is a short until further notice, with downside to at least $80.00 per barrel and an overshoot target of $70.00. Why? Because there is no way in God's green earth that we go through this recession without commodities taking it in the keister.

Nailed this one, almost to within a dollar on the downside. To the firm that in 2020 passed on my offer to trade energy for them, not my fault you suck.



8) Cathie Wood's ARK Innovation Fund (ARKK) is done going down. Will it ever get back to $150.00? Not in this lifetime. But can it trade back to $75.00? It sure can. Even the 'whopping' $43.00 to $50.00 trade is an almost 14% return. Traders only though, investors beware.

Timing on this call was off by six months, so I'll put it in the push column. That said, it's working now.

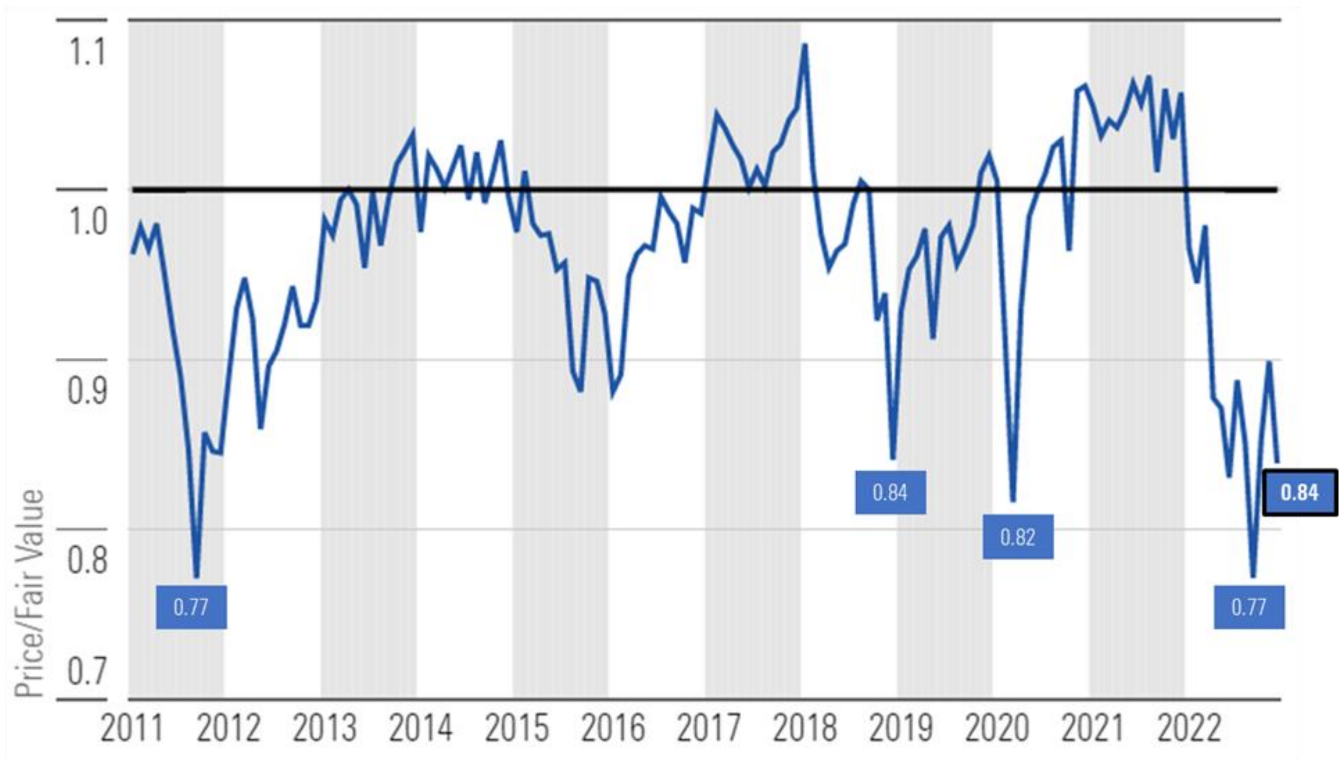


9) Stocks are no longer as expensive as they were. Could they go full 'left tail' and run cheap again? Not likely. But for those trying to figure out what to do with beaten up positions, you've already seen the Great P/E Compression of 2022. You might as well stick it out.

This call is working out well as stocks ended the year with a pronounced compression in price to fair value. Bottom line, it was a bad year for stocks, but not a debacle in terms of firm valuation and forward earnings.

Historical Morningstar U.S. Equity Research Coverage Price to Fair Value at Month End

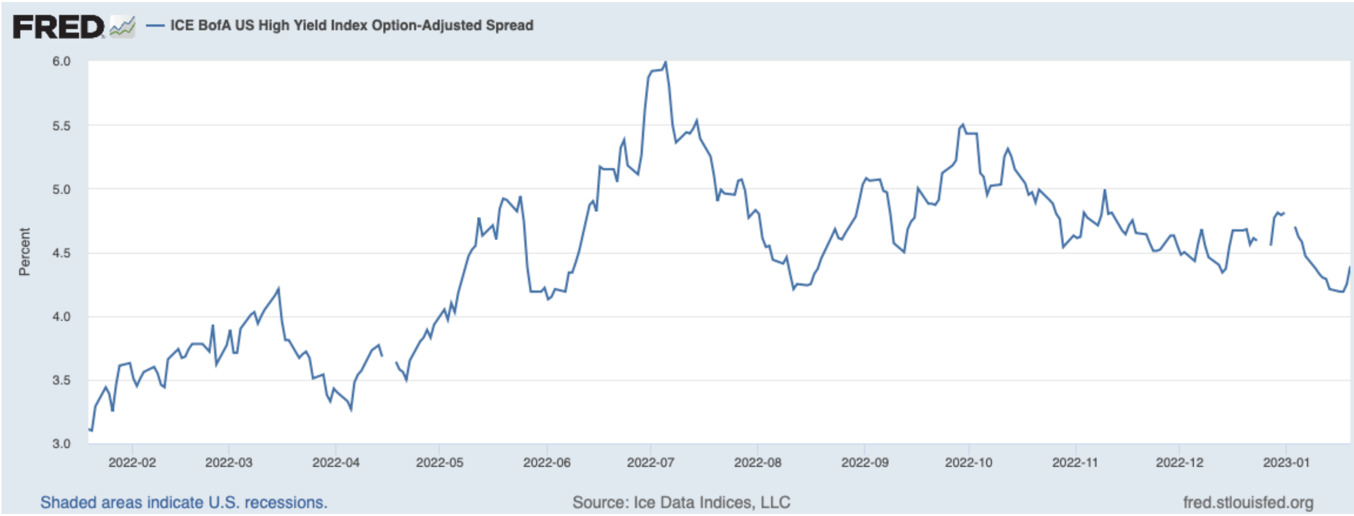
Near-term market dynamics will drive further volatility, but low valuations provide large margin of safety.



Source: Morningstar. Data as of December 27, 2022.

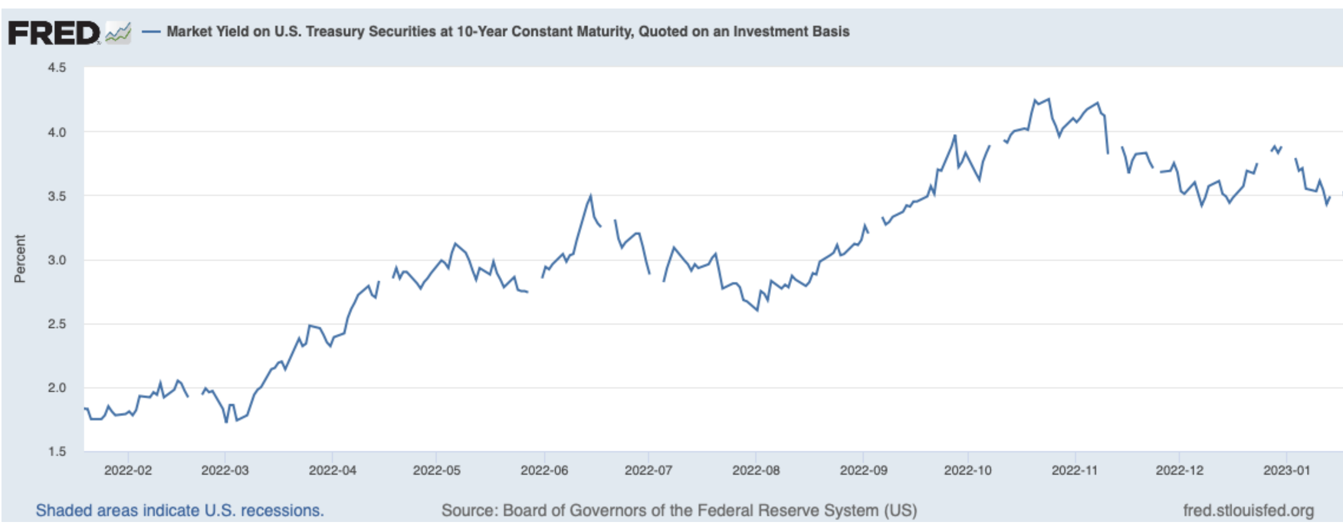
10) Credit spreads will continue to widen, because if they don’t the system is rigged. While there isn’t a systemic debt risk in the economy, there for sure has been a lot of paper printed in the last two years and 0.9% isn’t really a realistic spread, now is it?

Taking the ‘el’ on this one. The system is rigged, and junk isn’t what it used to be.



11) Yield on the 10-year Treasuries have probably made all the move they are going to make this time around. In fact, if the economic shit hits the fan later this year, they would be a buy right now.

Taking the 'el' on this one too. Though it is working now.



12) I'm an old soul, in a young(ish) person's body, so I never really got crypto. Which of course means I left a lot of money on the table during the boom. That being said, we are in a full on bust right now. So this isn't a prediction, just a nod to those who always thought the many coins were an advanced version of a Ponzi scheme.

Ding, Ding, Ding! Winner, Winner, Winner…Giant Chicken Dinner!

13) Finally, after many years of getting left out in the cold, value has been outperforming growth. Given the evisceration growth has experienced in the past twelve months, we can see the gap narrow in the near-term. But this time it should be different and the French-Fama model will work again.

Winner

14) Consumer Price Inflation is about to peak, and a gray bar will be added to this chart indicating we have ‘officially’ entered a recession. In each of the five occurrences, prices have peaked as the economy has begun to slow. Just like you can’t revoke the law of gravity, you also can’t revoke the fact that less demand creates higher inventories and lower prices.

Just a big fat tailed pitch bomb to center, walk off style.

U.S. Consumer Price Index

Year-over-year percent change in December 2022

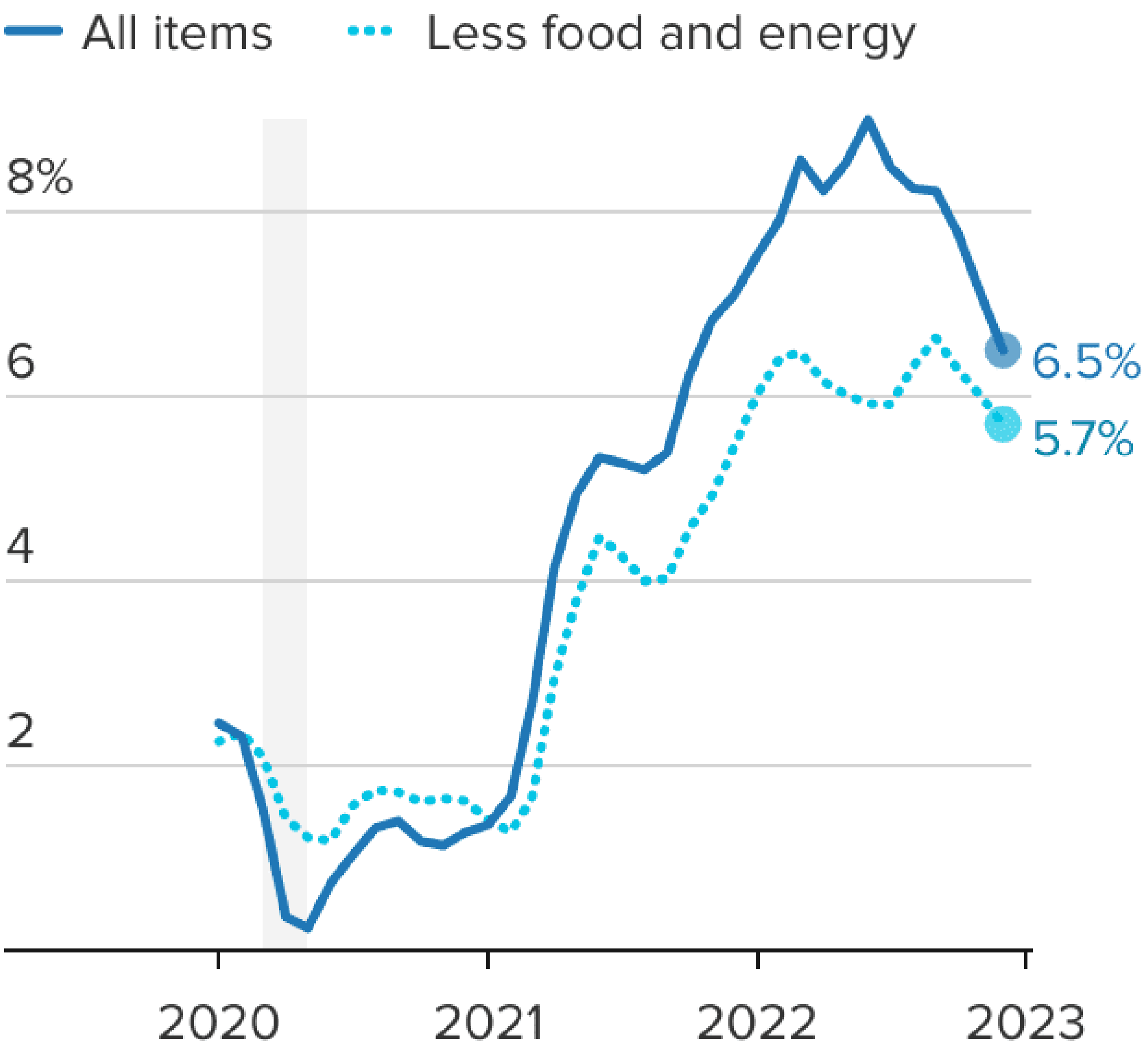
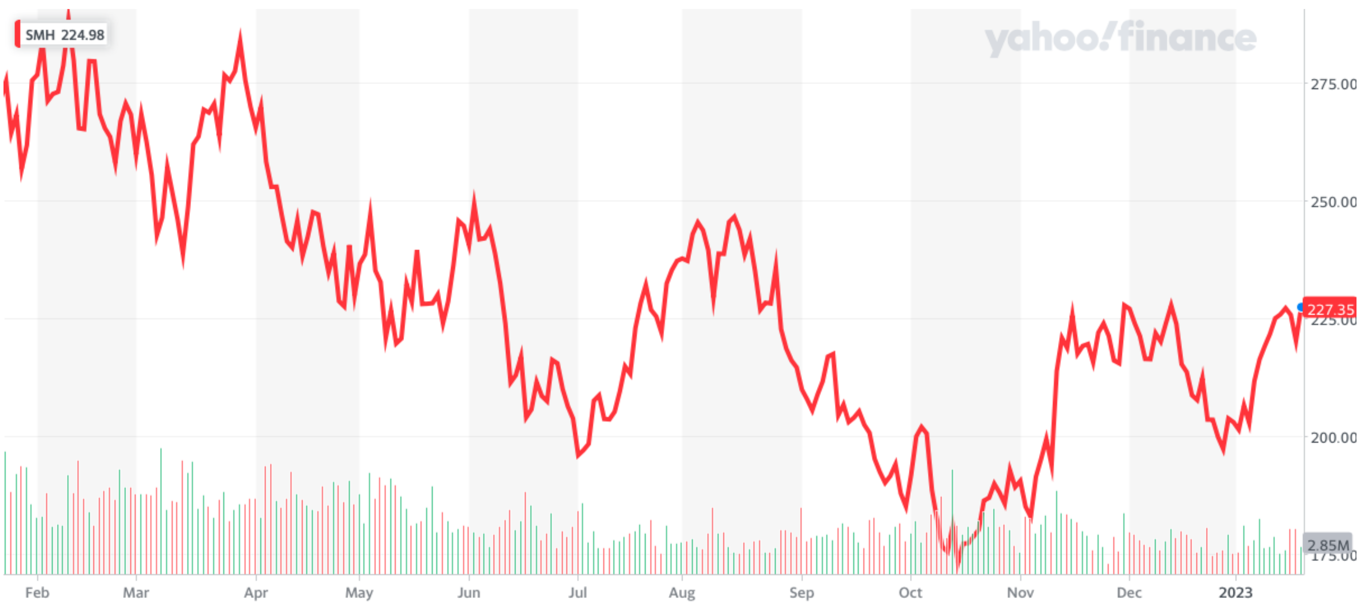


Chart: Gabriel Cortes / CNBC
Source: Bureau of Labor Statistics' Consumer Price Index
Data last published Jan. 12, 2023

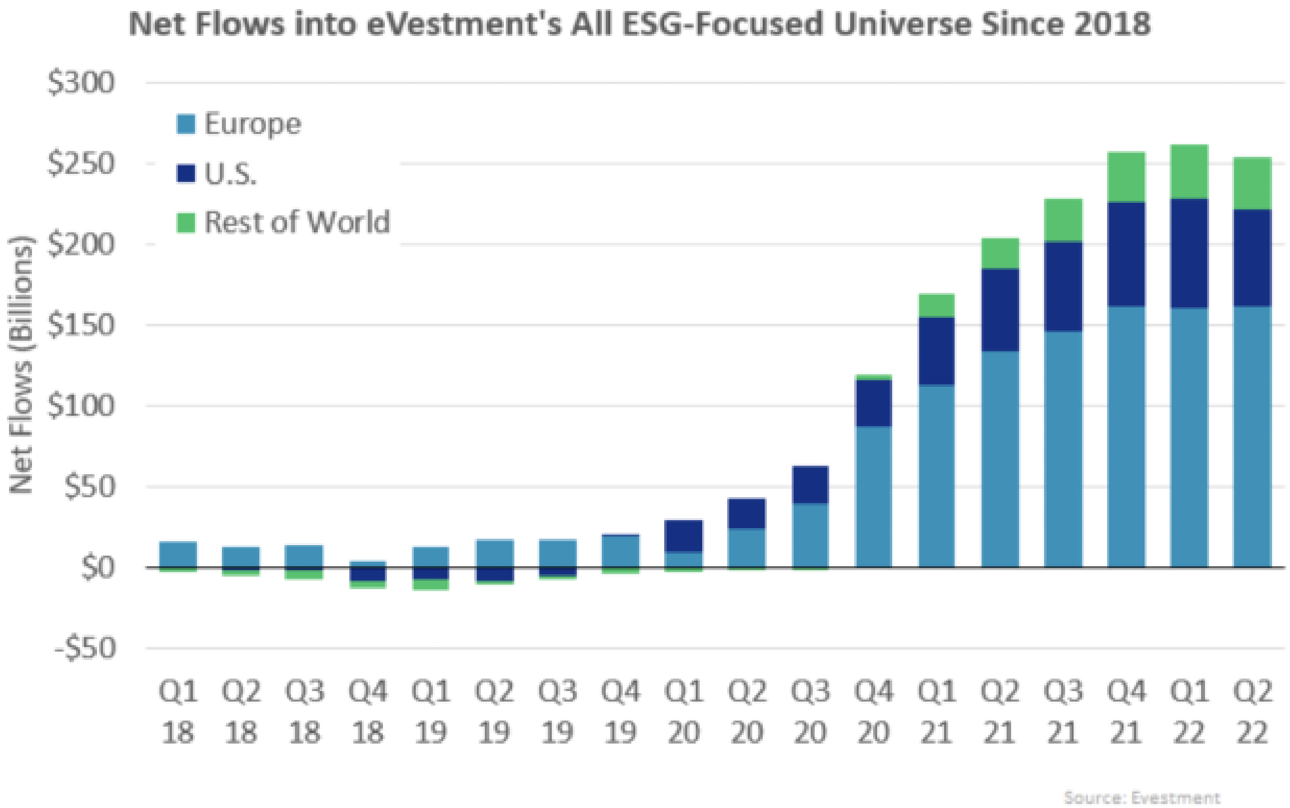
15) Along those same lines, the great Covid inspired semiconductor super cycle of 2020 to 2022 is officially over. Not that we think the needs of processing ones and zeros will abate. But the bullshit excuse that cars couldn't get made because chips weren't available is in the rear view mirror, pun intended. A round trip back to pre-pandemic levels means there is still 30% downside.

Timing wasn't perfect, but $235 down to $175 in the SMH qualifies as a win.



16) The global ESG bubble begins to burst as investors begin to realize that in many cases all they own is a green washed basket of stocks that have a .90 correlation to the S&P 500.

While I don't have the stats for the rest of 2022, when these trends roll over, they roll over big. Putting this call down as a 'dub'.



17) Our little fertilizer company that could, Scotts Miracle Grow, stops going down and ends the year with at least a nine handle, maybe even a one handle, all going the right way in our Diamond in the Rough entry into the Sumzero stock picking competition.

Really bad stock pick. Even if it was qualified in the deep value department, a trip from $100 to $40 is not ever in the win column…unless it's a short.

18) Yellowstone continues be the hottest of the hot dots and season five hits it out of the Park, another pun intended, reaching a ten million viewers per episode run rate. The season ends with a cliffhanger as Rip comes out of the closet, and Beth becomes a nun.

Push. Yellowstone remains white hot as a franchise, but Rip and Beth have not changed their 'status'.

19) The Yankees take their mid-season 700 win percentage up against the Miracle Mets in the second ever Subway Series. God’s favorite baseball team wins it all, adding number 29 to the franchise’s lifetime haul. And my good friend Pete Dallow is reminded that there was never a ‘Curse of the Bambino’, the Red Socks just really sucked for all those years.

Bad Call. Met’s folded like a cheap lawn chair, and Aaron Judge’s bat went to sleep at the wrong time. No odds needed.

20) And in a penultimate last gasp for any air of relevance, the Gutty Little Bruins from Westwood return to the Rose Bowl on New Year's Day to play the Wolverines from Ann Arbor. This is the second to the last time the Pac- 8/10/12 will play the Big-10 in this beautiful cross-continent rivalry. To my Trojan friends I say this, in two years' time let's go whup a little midwestern corn fed ass in route to national relevance again. And bring that pretty white horse of yours. Giddy up!

Michigan overachieved while Ucla and USC underachieved…big time. And can someone please fix the name before we jump conference ship in a year? It simply can't be the Big Ten with sixteen teams in it.


BIG TEN
WHO WILL WIN A TITLE FIRST: USC OR UCLA?
ILLINOIS
INDIANA
IOWA
MARYLAND
MICHIGAN
MICHIGAN STATE
MINNESOTA
NEBRASKA
NORTHWESTERN
OHIO STATE
PENN STATE
PURDUE
RUTGERS
UCLA
USC
WISCONSIN
Ucla
OHIO STATE
FOX CFB