

2 Gray Beards Week 151 Summary

Data Quality & Fed Policy

Andy and Nick open by noting that post-shutdown economic data is essentially unusable—stale, delayed, and collected inconsistently. Andy doesn't expect reliable, normalized data until late January. This puts the Fed in a difficult position heading into their December FOMC meeting, as policymakers lack confidence in the numbers they're working with.

December Rate Decision

The committee appears evenly split. Andy identifies Waller, Williams, and Bowman as definite votes for a cut, while others lean toward pausing. Powell effectively has the deciding vote and can build a coalition either way. Even Waller, the most dovish member, has softened his stance, saying he'd only vote to cut if he's the marginal vote needed.

Nick suggests a simple heuristic: if the S&P is at or below 6,500 by December 9th, Powell will cut; if it's substantially higher (6,700-6,800), he'll pause. Both agree that regardless of the December outcome, the terminal rate around 3% hasn't changed—they're just quibbling about timing.

Crypto vs. Gold

Nick raises the recent crypto selloff (Bitcoin down ~10% for the week, 35-40% off its peak). Andy remains skeptical of Bitcoin as a portfolio allocation, noting it doesn't behave like "digital gold"—gold was only down 46 basis points while Bitcoin cratered. He's open to it as a trade but not as a major holding until it demonstrates more stability.

Tech Sector Damage

The data center investment theme has taken significant hits. Oracle dropped roughly 50% from its \$344 peak after announcing a debt-financed data center expansion. CoreWeave has been destroyed. Amazon is flat for the year; Microsoft is underperforming. Only Google and Nvidia have delivered returns in this space.

Nvidia's earnings were stellar as expected, but the stock failed twice to break \$200 and ended lower even after the Trump administration floated potential chip export relaxations to China. Andy reads the poor price action as a warning sign and advises letting these "falling knives" hit the ground before buying—suggesting a few more percent of downside ahead.