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Nick: We are rapidly approaching Thanksgiving, so we shall keep this short mainly because we have very little to say, Andy, we had some data finally after the shutdown. It's very stale data. It's very old data. It showed nothing. It showed absolutely no change since before the shutdown.

The PMI were much the same. The NFP for the month before IE for September was a little bit stronger than expected, but if you broke it down, he actually showed nothing. Is there any signal that you can see that we are gonna get from this data that we're going to receive? Sometime into December and maybe even into January.

Just making up for the lost time. Is there any signal that you can see here?

Andy: Yeah, when, when I think about data generally, even during periods of time when it is not corrupted late, collected badly, and all the things that we're now going to experience, probably by the way that the shutdown related data issues.

Some of the stuff I'm looking at, I'm not gonna get updated data that's like it used to be of high quality and high quality such that it is collected in the same way, reported in the same way, on the same schedule until late January. My view is that all the data's corrupted.

Collected in a different way and delayed. And until that normalizes, you just can't take much from that the data at all in my belief. And so I'm really not paying much attention to the catch up data. And the trick is, of course, is. Policymakers actually have to do something every eight, six to eight weeks.

And that's coming up in the second week of December at the FOMC meeting. And they're in the same exact position I'm in, which is they can't have any meaningful confidence on the data itself and they recognize there's going to, it's gonna take months before they catch up. And given that. Not surprisingly, the committee is fairly divided and people are resting, and there was quite a bit of volatility last week in terms of expectations of the fed's next move in December.

But one guy talks and the market moves a lot, and the other guy, another guy talks, it moves the, in the exact opposite way. I think we're just in that stage where there's very little signal at all.

Nick: So basically what the market is doing is just responding to the latest speech by the latest Fed governor, as you said, and the odds keep on.

Going up and down according to what has just been said, which makes very little sense. So probably the takeaway here is one, the fed will only cut if asset prices go down quite a lot before the meeting. If they remain stable, it's a complete tossup, because it's four against four with basically Powell deciding together with what's his name?

Bur, right? Bar it's, it is what it is. It but need seven to mean anything.

Andy: They need seven to make a decision. Myron Waller, Williams and Bowman are all. Absolutely for cut votes, and the rest of the committee is leaning with Powell and Barr undeclared leaning. To pause, but, so basically with some, at least one or two of them absolutely voting for a pause like Schmid for instance.

So it's gonna be a trick for Powell. A trick he can easily manage four with four definite cutters. All he needs is three people to say along with him and two others to say they'll cut. He can definitely get two others to say they'll to cut. He can make any number of promises to them in quiet rooms that this will be the last one.

Or he'll do the cut in a hawkish way or whatever he wants to cajole and bring together three, two, him and two others to cut. On the other hand, he has enough people leaning not to cut. That to not cut is also gonna be trivial. He'll get a descent, but even Myron was. He used the term, Hey, if I'm the marginal vote to get us to cut, I'm gonna vote to cut.

Which is an interesting thing from him in that he's definitely been the most dovish, potentially politically motivated member. And his view now is we've cut 50 already and.

He wants to cut, but he's not, he, that marginal comment means he's not even less not even certain that it's gonna, he's gonna dissent now. I think he will dissent, but even he's uncertain. So basically Powell can decide. Powell can decide. Powell can decide whatever he wants for December, and the markets are going to move on that.

But I think you tweeted something that's probably the most interesting thing, which is if stocks are down on December 9th from here, say 6,500 or below,

he's gonna cut. And if they're substantially higher than here, 6700 6800, he's gonna pause. And that's pretty much to me, that's pretty much right.

You might as well just use stock market absent to any reliable data, you might as well just use stock market sentiment to lean against the trend.

Nick: Yeah. So yeah, I agree with you and I think that unless I just can't see that he means anything, even if they do cut, the terminal rate is remaining the same.

I've been looking at the terminal rate and he just doesn't move. It's around that 3% mark. That's where we are going. Whether it takes a month longer or a month less to get there. Who basically cares exactly, and the markets are pricing off it.

Andy: That's the big question, which is, do we really think the Fed is changing its direction to head toward 3%, or are we just quibbling about the timing of that?

It's important to trade this short term interest rate market. If you're betting, the Fed's gonna cut you, it better pay off. But if you look out to two years, two year notes. They expect a 3% terminal rate, is that going to change? Is there anything based on the data? No. In fact, I would say, I think our mutual agreement is that inflation is high and it can print high of course, 'cause it always can, but.

A year from now, inflation's gonna be meaningfully lower because tariffs are no longer going to be increased. They're only gonna be kept the same or decreased, which is disinflationary, and the economy's slowing broadly. And so when you take those two things, inflation's coming down, terminal rate's three-ish we need to get there.

It's just a matter of how soon, short term you can get shot based on what the Fed rate cut decision ends up being

Nick: right. And the only other thing that really happened last week was a major selloff in crypto assets, which continues, it's been going on for well over a month now. What do you think, is this an opportunity or not yet?

Do you have any views on that?

Andy: Yeah my, so I. Appreciate the idea of a digital currency as an alternative to gold. And I love gold. Always have loved gold, always want gold to be in my

core portfolio at a meaningful waiting. It's in two gray beards core portfolio, but crypto is not digital gold yet.

It wants to be, it has aspirations to be. Some don't agree with that, but by and large people do want it to be an alternative to hard money. I think that is the principle of the whole thing, and if that's true. It belongs in a long-term portfolio, but it doesn't act at all like digital gold.

In fact, gold is doing fine. Gold was down 46 basis points this week. It's near, its all time high and Bitcoin was down 10% and it's what, 35, 40% off its recent peak like a month ago. Peak. So it's not digital gold. It's not acting like digital gold as a very small portion of your portfolio. It's perfectly fine, but for me to make a big allocation to go to, replace some of my gold with Bitcoin, it's gonna have to start doing things that it's just not doing yet.

As a trade show, it could be an interesting short term thing, but as a port major portfolio holding, I'm not there yet.

Nick: So next week we are holiday shortened. We are basically only trading for three days, and we have some auctions. They're not gonna change anything, twos, fives, and sevens. The short end of the curve is bid because of the equity weakness, and some sectors have been.

Absolutely destroyed. You're talking 50% down in some of the tech sub-sectors, and of course we had an Nvidia, which we haven't mentioned yet, and really the reaction of the market to those stellar numbers. Was what we feared, right? We feared that they would take that opportunity to sell, and that's precisely what happened.

Do you have any views or any opinions as to what happens next with Nvidia or Indeed with the tech sector?

Andy: Yeah. So it, there has been some real damage and the damage has been primarily in one place, and that has been in the investment in data centers, markets. Oracle made a massive foray in, they're already big in it, but of massive foray into building a data center and financed it with corporate debt.

That was just a month ago. The stock went to \$344. Today, it's half that practically. And trading at recent lows. Core Weave has been a darling data center play for a long time. It's gotten destroyed, but even important names like Amazon and Microsoft. Amazon is unchanged for the year. Microsoft is underperforming its peers in the QQS and is down as only up 12% for the year.

Those are major data center players. The only winner in the major data center players is Google and Nvidia and the semiconductor space. And we asked you to pay attention to NVIDIA earnings. We asked you not to focus on what was undoubtedly going to be a spectacular earnings statement and was it was certain they were gonna crush it on earnings, and they did.

It was certain they were going to project fantastic earnings going forward, and they did. The stock rallied. A little bit, tried to go to 200, which was it, which was still not even clearly, its all time high and failed. And then failed again, and then ended up down. And then the Trump administration floated an idea that they were going to get China to on Friday, to get China to to give China some of the chips they've been banning from selling to Chi Nvidia from selling to China, and the stock bounced again and failed and ended up low on the day. The price action for Nvidia and semiconductors more broadly is poor, and those have been the market leaders and and the thing that has to make the money.

Which is the data center. That's where the actual client pays the, these hyperscalers and tech companies real money. They're under massive pressure. So the conditions are not great. Certainly not great. In fact, if you didn't own Google and the semiconductor space this year, you pretty much missed. Any decent returns.

And I think that's gonna wear on people and it's certainly not gonna be the type of thing that forces a year end Santa Claus Chase. I add up the situation as there's some knives dropping out of the air on assets, and I'm gonna try to catch a few and maybe I'll get lucky, but. Let's hit, let 'em hit the ground before we start picking 'em up.

And that's a few more percent from here.

Nick: Gotcha. Okay. Excellent. I think all that remains is to wish everyone a happy Thanksgiving and we'll be back after that. If there are any updates that need to be sent next week, we'll send you an email. Thank you very much
Thanksgiving

Andy: everyone.

Nick: Bye.