**Editor’s Panel – Bull, Bear or B.S.?**

Matt Weinschenk will raise data points with Doc Eifrig, Dan Farris, Matt McCall, and Eric Wade. Are they bearish, bullish or BS? (Notes are paraphrased)

MW: Stanley Druckenmiller says the fed funds rate must go higher than inflation. Bullish, bearish or BS?

MM: B.S. Worst case scenario in the next six to eight months is inflation is back to where the Fed wants it.

DF: Nice story, Matt. All we know is the Fed is beating the daylights of demand side, but we don’t know when they’ll let up. Only Lael Brainard is being even a little dovish. They won’t stop until CPI is at 2%.

EW: Bullish. I don’t trust the CPI. The books are cooked. But we’re going to burn our way out of this.

DE: The Fed doesn’t get stuff right. Matt McCall might be right. But it’s just an inkling he might be. In Doc’s vineyard, cabernet had to be picked over two days due to labor laws. Only eight hours per day. This has cut into migrant laborer income. It raises the cost for winemaking. Doc hears the labor side of that is not solved. BS on rates peaking at 8%... it might go as high as 15%.

MW: Cape-Shiller ratio is currently at 27.84, well above average. Are you bullish, bearish or BS about this valuation.

DF: The absolute number doesn’t mean anything. What matters is being on the other side of recent events. Right now we’re on the other side of the biggest financial drinking party of history. A hangover is coming.

MM: This is nonsense. The market has gone up for 15 years with a high cape ratio. Even Shiller disputes it sometimes. It’s a headline grabbing ratio that bears love, and it doesn’t work.

DF: Except it always peaks all-time highs at the top of financial mega-bubbles. You just don’t know until it’s over.

DE: It’s a statistic. It averages stuff. I pay attention to the extremes. It’s fairly high, but a lower high than before. Technician would say it will go down.

EW: Next question.

MW: Adam Neuman has a new startup with blockchain tracking carbon consumption. He has raised $350 million.

MM: It’s a joke. This guy is a walking crook. He’s just throwing out buzzwords. It’s scary that lots of money is sloshing around out there funding these deals. It’s even a little bearish.

DF: Matt and I surprisingly agree. It makes me bearish. Him still raising money with assets like real estate he’s trying to turn to iPhones… if you can raise $350 million on residential real estate with iPhone-like characteristics? It’s absurdly bearish. At the bottom we will never hear from this guy again.

EW: It makes me bearish. Sign of the top, easy money… The real loser is no one trusts the carbon market. Even without politics. It got politicized and judgy and people dismissed it. Now that it’s wrapped into real estate for easy money, to get ESG money – easy money begetting easy money – I hate that. It solves nothing. It stays mushy and political. I’d like a political solution I can trust. This puts us back a decade.

DE: Nothing to add.

MW: Cathy Wood writes a letter to the Fed warning of a deflationary bust.

DF: I want to like Cathy Wood. But once you’re down 70%, don’t write the fed, take care of your business. She got caught doing poorly and is blaming others, is how it looks to me.

DE: A letter to the Fed is like a letter to Santa Claus.

MM: I like Cathy. Her investing thesis is great. She’s trying to make a point that innovation will drive down prices. We see it in flat screens already. That’s what she’s getting at.

MW: Mark Zuckerberg sees over 1 billion in the Metaverse buying digital goods.

EW: BS. I love the metaverse. But we can’t escape reality… especially if Meta is involved. It subverts the escapism. You can sell me the virtual shoes to impress the virtual people. It’s all bullshit at this point but it won’t be in time. I hope to heaven that a billion of us don’t end up telling Zuck our metaverse waist size.

MM: I don’t think it’s BS. The younger generation are on computers to escape reality. It’s an easy escape for young people. I don’t back Zuckerberg or meta for this… but look at Roblox. Atari just bought a huge plot in Decentraland. It’s pretty amazing. My niece borrowed my credit card to buy stuff on Roblox. There’s something there.

DF: How high is Atari to buy virtual real estate? They make games. They can make more real estate. IT’s like God buying a planet. It’s insane.

EW: But do we want a unified metaverse or exclusionary metaverses? Yes, you can make another one that’s the boondocks… but why would you?

DE: You can spend your money as an adult however you want. I know 40-year-olds who still play dungeons and dragons. A few people in the room have bought virtual stuff. I’ve never done it. It seems bearish though.

MW: Housing. Transactions in home sales have ground to a halt. We are below the replacement rate of home building we need.

MM: I’m bearish. Prices are falling so I’m not buying right now. But borrowing costs are at a recent high due to mortgage rates and price appreciation. That means a major slowdown. But long-term I’m bullish. Millennials need homes and are starting families later in life. And inventories are historically low. Long term bullish, short term we’re in trouble.

DF: Agree.

DE: I expect home sales to plummet. I’m very nervous about it. I’m currently real estate free mainly because of interest rates and inflation. That’s especially true for high-end real estate. Luxury prices are divorced from sense. But the cost of supply hasn’t adjusted and may never adjust. It’s bearish.

EW: I’m bearish due to mean reversion. Twelve months ago bids were hyper competitive. But that’s not the real world. Real estate shouldn’t transact instantly like that, and we have to pay the piper. Sales were way too fast. Once it took six months to sell a properly priced house. But they’re still cranking out homes in California and selling for ridiculous prices. New builds are bought before their done. Is this a slow-burning crash? I’m not confident we get through unscathed.

MW: Inflation concern and saving level concerns are falling despite no government stimulus and inflation. Consumer spending is at an all-time high. Consumers are happy to spend.

MM: It’s confusing. It doesn’t make any sense to me. Maybe it’s the holiday season. Or retail therapy. Btu savings rate has come way down, and the lack of concern concerns me. With holidays approaching we may see retail sales at all-time highs, for better or worse. And retailers are beaten down.

DF: You have to pair this with falling savings and rising credit card debt. Eventually that doesn’t work out well.

MW: Energy. Gas prices went from $75 to $110 to $90. Our production of oil is only up 6%.

MM: Bullish. I’m late to the game, I bought energy four months ago. I believe in renewables and EVs. But it’s slow. And Ukraine showed us our reliance on fossil fuels. It’s going to take a long time. I’m taking a barbell approach. Oil companies and EVs.

DE: I like that.

EW: Strategic reserves are being depleted. But with a 50 to 100-year time horizon, burning everyone else’s oil is genius. At this rate we’ll have the last drop here. I don’t know how to profit on that. But thinking beyond this winter, we should burn everyone else’s oil. We’ll use our cheap dollars. And keep our oil in the ground. We’re keeping inventory and soon we will own the oil market.

MW: Crypto. In 15 years, bitcoin’s purpose has shifted. Now it’s a safe haven from fed meddling. But it’s behaved like a tech stock.

EW: Bullish. 10x in 42 months is bullish. Bitcoin is and always has been all of the above. It is what you look for in it. It has mimicked healthcare stocks in the pandemics. It’s a meme zeitgeist generator because we are. It’s like tofu. It’s rock-hard tofu.

DE: If you surround yourself with smart people, you look successful. I don’t know bitcoin. I defer to Eric.

MM: Volatility in bitcoin is lower than S&P or Nasdaq. That’s bullish for building a base. 20-year-olds aren’t buying gold. I think gold is stupid – and I know that’s controversial. I’m still holding bitcoin and I believe in it long term as an asset class. Eventually it will decorrelate and become even. More attractive.

DF: It is decorrelated. It hasn’t pierced it’s June 16 bottom where stocks have. It’s volatile but I think it’s neat and I hope it works, because its outside of banking.

EW: Buy volatility tokens.

MW: Audience questions?

Audience: You’re all bearish on housing…

DF: Not long-term.

Audience: In the short term. Let’s say there’s a housing leverage session. Aren’t you more concerned about a housing downturn for its knock-on effects?

MM: No one knows the short term. It’s not part of my investing scope.

DE: Very short-term bearish. High-end stuff is going to flush out.

Audience: We’ve seen crypto parallel the stock market pretty much. Do you see that going forward? And what would cause that to stop?

MM: The event is a stock market bottom. The risk-off trade of selling everything makes crypto its own asset class.

EW: Correlation isn’t as high as it has been. Investors need to see the value of crypto as its own asset class. Also we don’t discuss different coins as much as we once did. That could be important in the future. We’re locked in a macro view. But if crypto gets a rally going, scarcity comes into play again. It’s volatile but oversold compared to other assets. So we will front-run everything else due to scarcity. It is going to lead the market before other asset classes.

Audience: Did any speakers change or sway you at this conference?

MM: The colonel made me bullish. His view on Putin helped.

EW: Joel Litman.

DE: Every talk I sit in persuades me. That’s the beauty of this conference. There’s not one viewpoint, it’s about information gathering.

Audience: A lot of stops were hit since last year. How do you feel about that?

MM: I think he’s talking about me. I don’t regret it. That’s my strategy. I buy a basket of stocks, and not all will make it. But some will be 10 to 20x-ers. So I stick with it.