MONTHLY INVESTMENT COMMENTARY

The Dog Did Not Bark

FROM THE PORTFOLIO MANAGER

The Dog Did Not Bark

August had remarkably little to say for itself this year. The portfolio showed some decent returns relative to the benchmarks and our own goals. The usual suspects, volatility and interest rates, took a vacation just as those of us who could, hopefully, did as well. Metaphorically, the dogs did not bark this month. They just lazed away on the porch in the summer sun. If you have a dog or live in close proximity to someone that does, you will relate to the sure knowledge that they will surely bark again. In the meantime, we all can enjoy the reprieve while it lasts.

The Federal Reserve is worth a mention again this month. Every year in August, the Fed hosts a conference for global central bankers (and those who care about global central bankers) in Jackson Hole. The new Chairman, Kevin Warsh, was appointed by President Trump with perhaps a little more force than is typical. Rates markets have worried that he would be a Trump apparatchik of the worst sort and cut interest rates to please his master to pump up growth at the cost of continued inflation. Fears of political meddling ahead of a contentious mid-term election have abounded. Refreshingly, he has plotted his own course away from both the more dubious policies of his predecessor, and also, contrary to his appointor's very public longing for lower rates, toward a more market-driven rate regime: a breath of fresh air for US monetary policy. Chairman Warsh appears to be enjoying the toy he was given by his master. Again, dog enthusiasts among us will also relate to the fact that dogs regularly and gleefully ignore commands from their masters and go about their business as they please most of the time. Apparently, it happens to Presidents as well.

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THE INVESTMENT CASE

The Master Can Still Shout

One other delicious irony on the people running the US economy that I cannot help but call out this month. Both the US Secretary of the Treasury, Scott Bessent, and the Chairman of the US Federal Reserve, Kevin Warsh, once worked closely with an investing world hero: Stanley Druckenmiller. Druckenmiller earned one of the best track records of any money manager over the past 30 years by posting world class returns. He is a legend. Both of the top economic posts in the most economically important country on Earth are occupied by people who both learned from him and respect him. Before the conspiracy theorists start yapping, Mr. Druckenmiller called them both out publicly last week, Bessent in particular, in a Wall Street Journal editorial piece highlighting the existential threat of the enormous debt and continued deficit spending effects on interest rates and the US economy. A point I completely agree with. In particular, he openly mocked Mr. Bessent's recent intervention to attempt to stop a rise in interest rates as spurious and futile. The master can still shout at his charges even if they do not listen.

Finish the summer off strong and please reach out if you have things we should talk about.

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