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Dismantling The Bull Case – 2019 Q1 Research Letter

S&P 500 Valuations

Factors	Most Recent Value	Historical Percentile
Median Price to Book	3.6	99%
Median EV To Sales (Ex-Financials)	3.1	99%
Margin-Adjusted CAPE	44	99%
US Total Market Cap to GDP	140%	98%
Cyclically-Adjusted P/E (CAPE)	33.2	98%
Median EV to EBITDA (Ex-Financials)	12.7	96%
EV to Free Cash Flow Margin-Adjusted (Ex-Financials)	40.6	95%
Median Price to Sales	2.53	94%

Source: Bloomberg; Yale/Robert Shiller; John Hussman

*Numbers as of March of 2019

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(<https://www.crescat.net/crescat-capital-quarterly-investor-letter-q1-2019/>)

The year-to-date rally in global risk assets after the Fed flip appears to us to be a last gasp of speculative mania for the current economic cycle... [Read the letter»](https://www.crescat.net/crescat-capital-quarterly-investor-letter-q1-2019/) (<https://www.crescat.net/crescat-capital-quarterly-investor-letter-q1-2019/>)

2 of World's Top Funds in 2018 per Bloomberg

Bloomberg

Fund Name	2018 Return (%)	Strategy
Odey European	53	Macro
Crescat Global Macro	40.5	Macro
Crescat Long/Short	32.1	L/S Equity
SoMa Partners	20	L/S Equity
Cadian	19.8	L/S Equity
Mudrick Capital	16.2	Distressed
Riposte Global Opportunity	15	L/S Equity
Totem Point Master	14.2	L/S Equity

(<https://www.crescat.net/2-of-worlds-top-3-funds-in-2018/>)

"As the dust settles on a troubled year for hedge funds, some managers escaped the wreckage and even thrived." [Read More»](https://www.crescat.net/2-of-worlds-top-3-funds-in-2018/) (https://www.crescat.net/2-of-worlds-top-3-funds-in-2018/).

CIO Kevin Smith Interviewed on Bloomberg TV



(<https://www.bnnbloomberg.ca/video/canadian-banks-could-drop-by-at-least-50-china-to-play-a-role-short-seller~1590438>)

Crescat's Chief Investment Officer Kevin Smith discusses global economy and Canadian housing bubble. [Watch the Video»](https://www.bnnbloomberg.ca/video/canadian-banks-could-drop-by-at-least-50-china-to-play-a-role-short-seller~1590438) (https://www.bnnbloomberg.ca/video/canadian-banks-could-drop-by-at-least-50-china-to-play-a-role-short-seller~1590438)

ABOUT CRESCAT

Crescat is a global macro asset management firm. We develop tactical investment themes based on proprietary value-driven models. Our mission is to grow and protect wealth by capitalizing on the most compelling macro themes of our time. We aim for high absolute and risk-adjusted returns over the long term with low correlation to benchmarks.

Crescat's firmwide global macro investment process applies to three Crescat strategies:

Crescat Global Macro: Crescat's flagship cross-asset hedge fund strives to capitalize on macro themes globally across all major liquid asset classes including large- and mid-cap equities, commodities, currencies, and fixed income.

Crescat Long/Short: Crescat's long/short equity hedge fund strives to capitalize on macro themes globally across liquid large- and mid-cap equities.

Crescat Large Cap: Crescat's separately managed account (SMA) strategy strives to capitalize on macro themes globally through an actively managed, long-only equity portfolio of large cap equities. The strategy can also hold cash and precious metals.

We invite you to peruse our website for more information about our [investment process](https://www.crescat.net/why-crescat/process/) (<https://www.crescat.net/why-crescat/process/>), [performance](https://www.crescat.net/why-crescat/performance/) (<https://www.crescat.net/why-crescat/performance/>), [investment outlook](https://www.crescat.net/perspectives/investor-letters/) (<https://www.crescat.net/perspectives/investor-letters/>), and [how to become a client](https://www.crescat.net/contact-us/) (<https://www.crescat.net/contact-us/>).

[Important Disclosures](https://www.crescat.net/investor-resources/disclosures/) (<https://www.crescat.net/investor-resources/disclosures/>).

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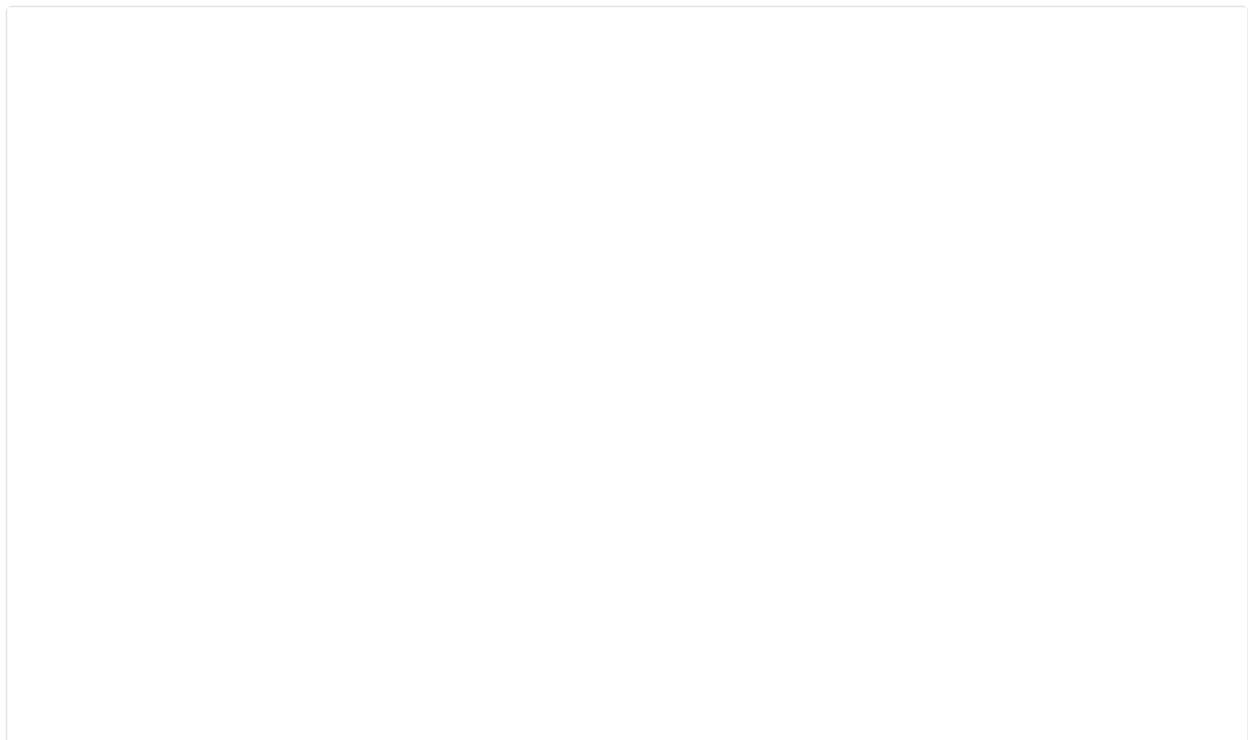
Otavio (Tavi) Costa (<https://twitter.com/TaviCosta>)

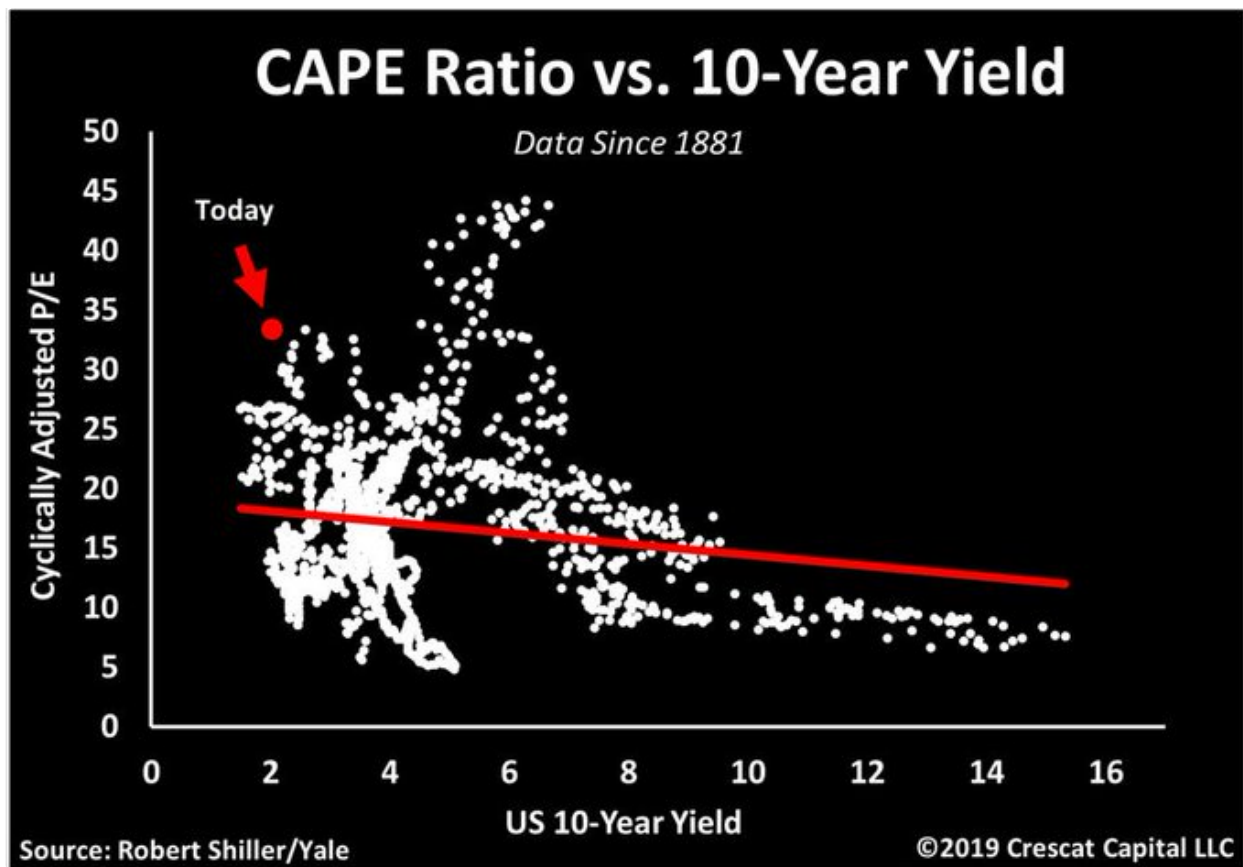
16h (<https://twitter.com/TaviCosta/status/1148316017996644352>).

Stocks have never been this expensive for how low interest rates are.

This data goes back to 1881!

Yet another flaw in the bullish thesis.





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Kevin C. Smith, CFA (<https://twitter.com/crescatkevin>)

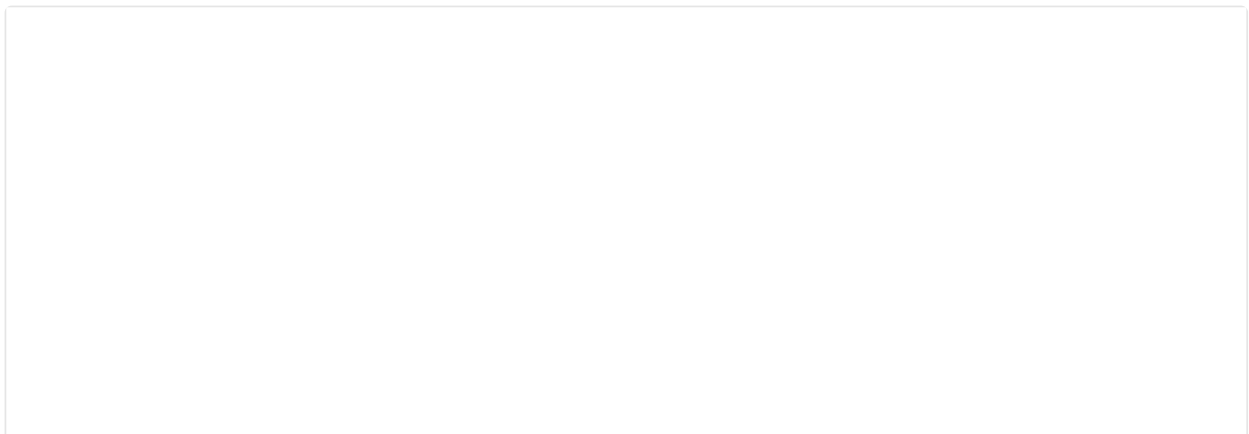
3 Jul (<https://twitter.com/crescatkevin/status/1146476073414094848>).

Hard not to be giddy over the market set up today.

There are abundant macro and fundamental reasons to be short stocks.

Technicals are just the cherry on top.

\$SPX \$SPY





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