



# The Roundup

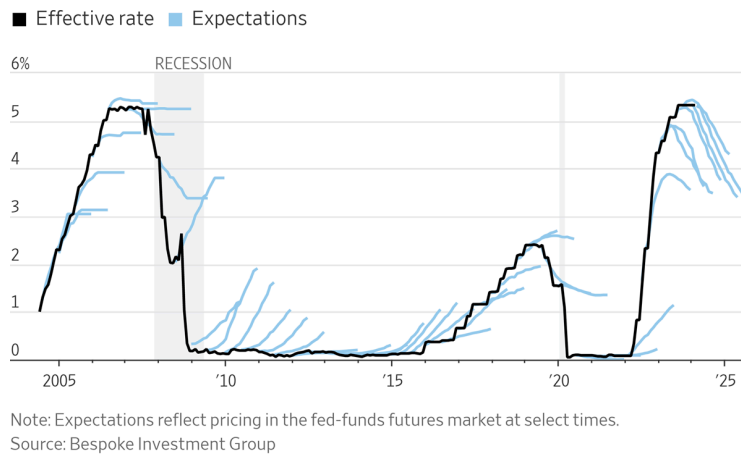
Weekly Economic Research

**February 5 - 9, 2024**

## **Equity markets and commodities have thrived, whereas bonds sank on news of higher rates and positive earnings**

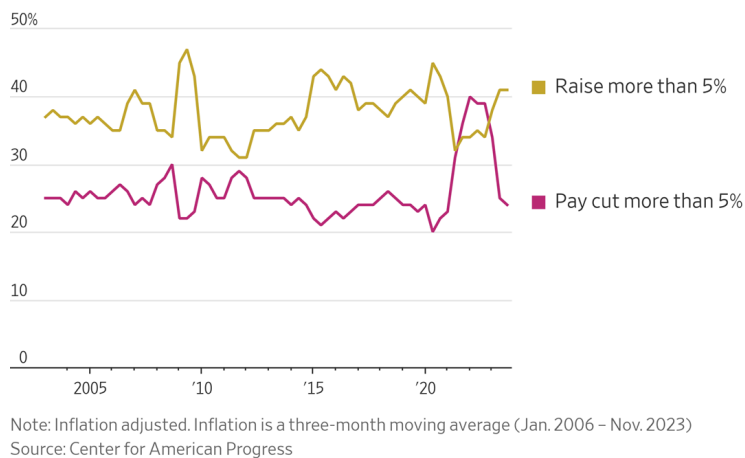
- The S&P 500 is up 1.53%, the Nasdaq is up 2.56%, and the Dow Industrials is up 0.34% WTD; stellar earnings from AI and big-cap tech companies propelled equities to new highs
- The 10-Yr U.S. Treasury yield has increased +0.138% to a current yield of 4.164%, whereas the 30-Yr U.S. Treasury yield increased +0.153% to a current yield of 4.377%; investors, anticipating a slower pace of interest rate hikes from the Fed and buoyed by strong corporate earnings, pushed bond yields higher
- Crude oil prices increased 1.52% to a current \$75.33/bbl while bitcoin increased 5.44% to a current \$45,348/coin; geopolitical conflict continues to influence oil prices against mixed consumer demand
- Investors are convinced that interest rates are coming down later this year; their record on these things, however, isn't great – for nearly a decade after the 2008-09 financial crisis, for example, investors repeatedly (and wrongly) bet that rates would soon return to pre-crisis levels, according to an analysis by Bespoke Investment Group [[WSJ](#)]

### Federal-funds rate, market expectations vs. realized



- There's a striking disconnect between the widely shared pessimism among Americans and measures that show the economy is actually robust, puzzling economists and investors [WSJ]

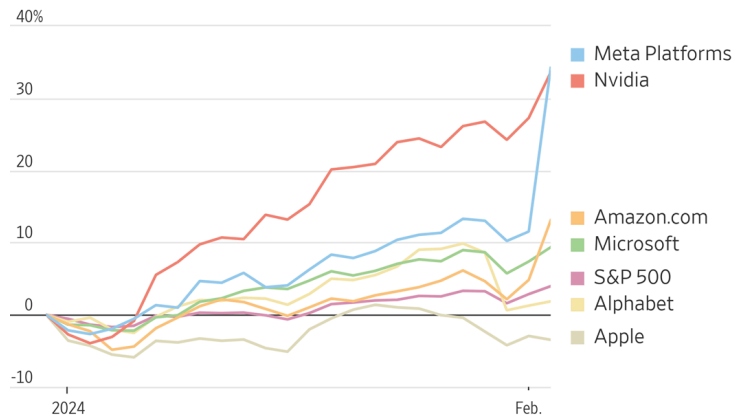
### Share of workers with real wage increases or wage cuts above inflation



## Macroeconomic shifts prioritize youthful concerns, reflecting new realities in investing and renting despite population trends

- Investors have a simple request for tech titans this earnings season: nothing less than perfection; the “Magnificent Seven” group of tech companies has been the stock market’s biggest engine for growth and profits over the past year – but after five of the companies turned in strong quarterly results last week, investors are being picky about which ones they reward [WSJ]

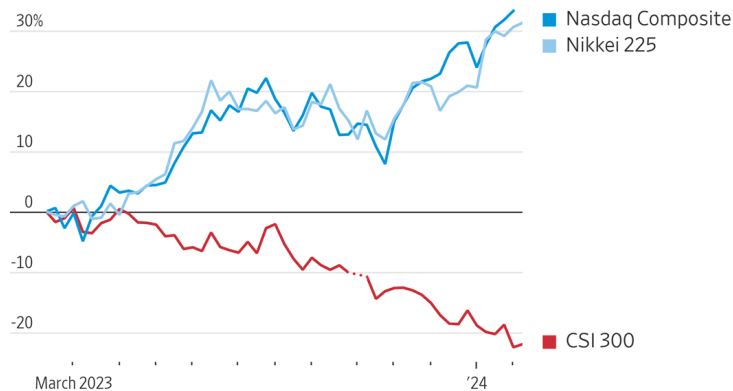
### Share-price performance



Source: FactSet

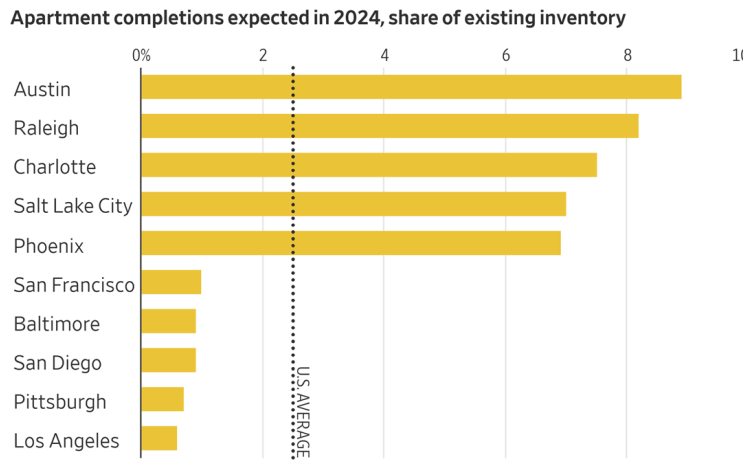
- More Americans are turning 65 this year than any prior time in history, and they are redefining a milestone long associated with retirement parties and the end of productive years; they are wealthier and by many measures, healthier, and are expected to live another 20 years [WSJ]
- Wealthy home buyers in London are increasingly opting to rent rather than purchase and pay Britain's high taxes, in a stalled market [WSJ]
- It started with giraffes – the U.S. Embassy in China posted about protecting the world's tallest animals on a Chinese social-media platform last week; the post quickly became an outlet for Chinese users to vent their frustrations about China's slumping stock market [WSJ]

### One-year index performance



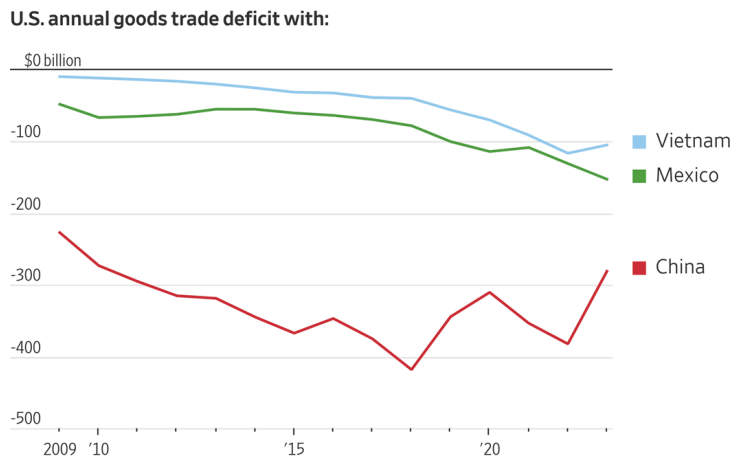
Source: FactSet

- Record new apartment construction is pushing down rents—but those cuts are mostly just being enjoyed by more affluent renters [WSJ]



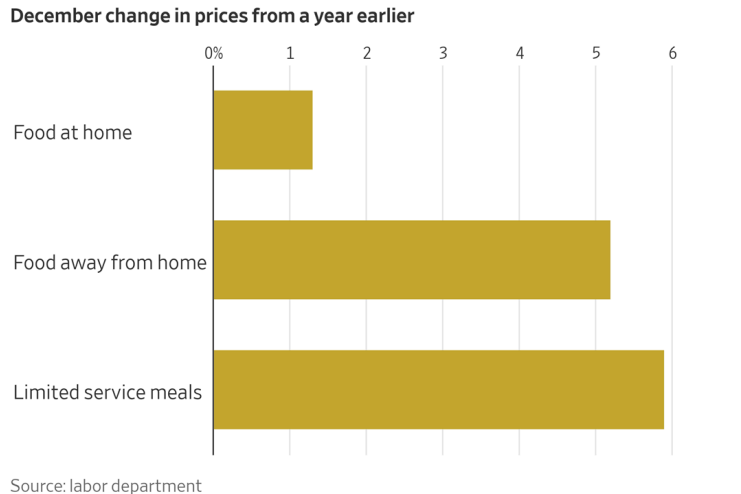
Source: Marcus & Millichap Research Services

- Foreign investment in Mexico rose 21% last year, partially due to exporters ditching China; other countries are also vying to become America's factory: the share of US imports coming from South Korea and India grew over the past year [NYT]



Source: Commerce Dept. via Haver Analytics

- Food inflation still bites, but way more out than at home; that has big implications for restaurant stocks such as McDonald's and Chipotle [WSJ]



## M&A activity continues to remain mixed, although developments within chemicals, pharmaceuticals, and energy prove to be encouraging

- PE firm HIG Capital is exploring a sale of Usalco in a deal that could value the specialty chemicals company at up to \$2B, including debt [BBG]
- A consortium backed by Investindustrial and the Bagnoli family will acquire Italian frozen pastry and bakery products maker Forno d'Asolo from investment firm BC Partners in a \$1.2B deal [BBG]
- Italian eyewear manufacturer Marcolin is preparing for a merger or sale as its French PE owners, PAI Partners, looks to exit [RT]
- Media entrepreneur Byron Allen began talks with Paramount Global regarding his \$14.3B bid to acquire the film and TV giant [BBG]
- PE firms Bain Capital and Hellman & Friedman are losing interest in acquiring \$10.9B DocuSign due to valuation differences with the online signature services firm [BBG]
- Drug maker Novartis will acquire cancer treatment developer MorphoSys for \$2.9B [BBG]
- PE firm Thoma Bravo is taking critical event management software company Everbridge private in a \$1.5B all-cash deal [TC]

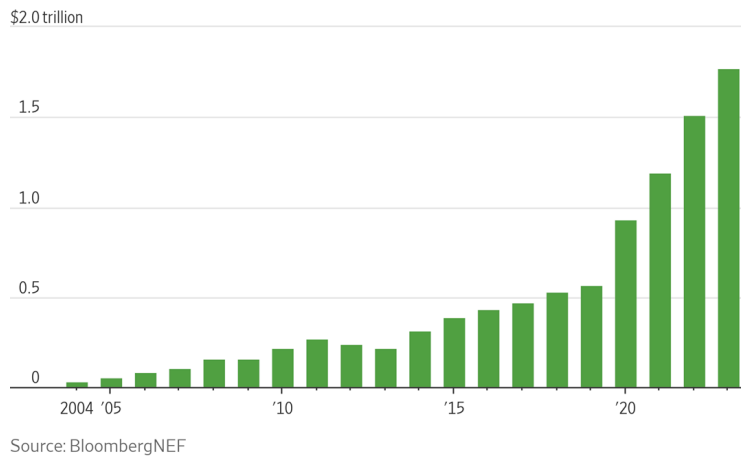
- Australia's largest oil and gas producer Woodside Energy Group ended talks with smaller rival Santos over a potential \$57B combination due to valuation issues [BBG]
- PE firm Permira is assessing options including a sale of German fashion retail club Best Secret, which could be valued at more than \$4.3B in a sale [BBG]
- Adam Neumann and other investors including Dan Loeb's Third Point are exploring an offer to buy WeWork out of bankruptcy [BBG]
- Chip-designer Synopsys is preparing to kick off the sale of its SIG software integrity business, which could be valued at \$3B or more [BBG]
- US energy company California Resources will acquire oil and gas company Aera Energy in an all-stock deal valuing the company at \$2.1B, including debt [RT]
- Walt Disney will take a \$1.5B minority equity stake in Fortnite's publisher Epic Games [RT]

## **Recent developments across four key industries highlight better-than-expected big-cap earnings and continued job cuts within tech**

### **Energy & Natural Resources**

- ExxonMobil reported higher-than-expected Q4 profit but missed on revenue; quarterly profit declined significantly YoY due to lower oil prices [CNBC]
- The biggest clean-energy investor in private markets is widening its lead, tapping into rising demand for wind and solar power and a push by big companies to reduce emissions [WSJ]

### Annual global energy transition investment

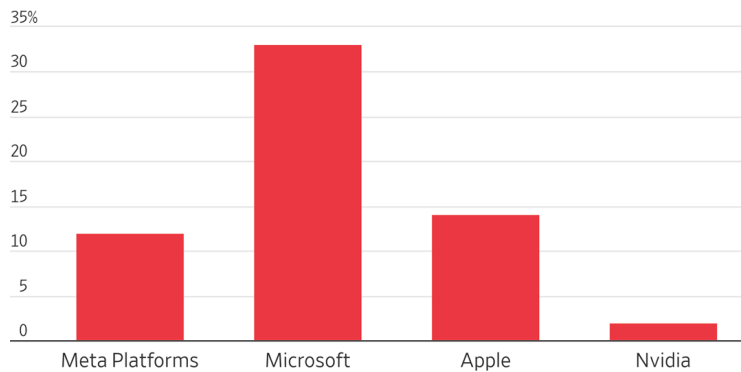


- BP raised its share buyback and posted higher-than-expected annual profit, although results still dropped from the prior year's record highs; shares listed in New York climbed around 5% before the bell on Tuesday, as did those in London [WSJ]

## Technology, Media, & Telecommunications

- Snap laid off 10% of its staff – the job cuts, which amount to roughly 540 people, are Snap's largest since 2022; ad revenue at the social media giant has slowed since Apple changed its privacy policy, making it harder for advertisers to access user data [CNBC]
- Palantir shares jumped 18% after reporting higher-than-expected Q4 revenue thanks to AI demand [CNBC]
- There's a new sports streamer coming; Fox, Warner Bros. Discovery, and Disney's ESPN plan to join forces to create a new sports streaming service, and each will own a third [CNBC]
- The scale of Meta's stock rally after the social-media giant said it would pay its first dividend stunned analysts and investors; now some are taking it as a sign the ride for shareholders could be on borrowed time – shares of the parent company of Facebook, Instagram and WhatsApp surged 20% to close at a record high Friday, a day after the announcement [WSJ]

Annual dividend as a percentage of free cash flow



Note: Meta, Microsoft and Apple data look at 2023 free cash flow, while Nvidia data look at the 12 months through the end of October.

Source: Dow Jones Market Data, based on FactSet data

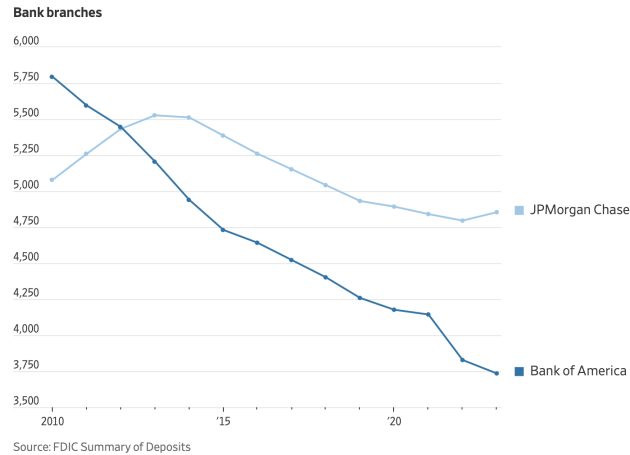
## Healthcare & Life Sciences

- Novo Holdings, the controlling shareholder of anti-obesity drugmaker Novo Nordisk, will acquire US drug manufacturer Catalent for \$16.5B; Novo Nordisk will acquire three of Catalent's manufacturing sites for \$11B from its parent company in a three-way transaction [FT]

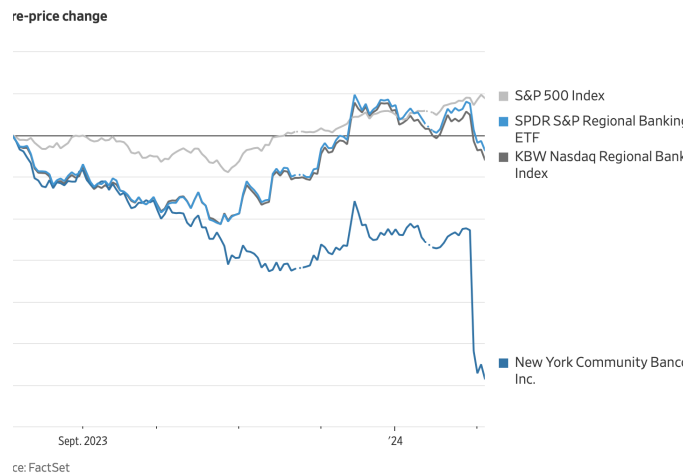
## Financial Services

- A group of Wall Street lenders led by Morgan Stanley and Goldman Sachs Group Inc. swooped in to manage a roughly \$2 billion bond sale for Ardonagh Group Ltd., a key win for banks over private credit firms that had offered a record-breaking loan to the UK insurance broker [BBG]
- JPMorgan is continuing its yearslong strategy to build bricks-and-mortar locations, with new plans to build 500 branches in the next three years; for context, only 17 banks have more than 500 branches today – JPMorgan has close to 5,000 [WSJ]





- UBS reported its second consecutive quarterly loss, hit by expenses related to its takeover of Credit Suisse, but upped its dividend and said it would resume share buybacks this year; U.S.-listed shares fell more than 3% on Tuesday [WSJ]
- New York Community Bancorp shares on Monday fell to their lowest close since July 2000 after Fitch Ratings downgraded the regional bank [WSJ]



- KKR shares rose ~6% after reporting higher quarterly earnings driven by appreciation in its investments [WSJ]
- Softbank, the Japanese investment company, reported its first quarterly profit in more than a year; SoftBank's Tokyo-listed shares rallied Thursday following an offhours surge in shares of its chip-designer unit Arm (ARM), which went public in the U.S. last year [WSJ]

- Paypal, the digital-payment company, stock fell 9% off-hours after Wednesday after it gave an underwhelming outlook, despite revenue and profit topping Wall Street's estimates [[WSJ](#)]

## **Outside of standard macroeconomic updates and M&A developments, recent U.S. foreign activity in the Middle East and newly changed college admission requirements have led news cycles**

- Forest fires in central Chile have killed about 100 people and destroyed around 3,000 homes, according to government officials, while some 370 people are missing [[WSJ](#)]
- Appeals court rules Trump doesn't have immunity – a panel of judges from a federal appeals court in Washington, DC, held that former President Donald Trump isn't immune from being prosecuted on charges that he tried to subvert the 2020 presidential election—a defeat Trump is expected to appeal swiftly to the full appellate court or the Supreme Court [[CNBC](#)]
- The U.S. is planning further strikes on Iran's militia allies, one of the challenges facing the Biden administration as it deepens its diplomatic and military involvement in the Middle East [[WSJ](#)]
- Taylor Swift now stands alone in music history after winning her fourth Grammy for album of the year for *Midnights* last night, breaking a tie with Frank Sinatra, Paul Simon, and Stevie Wonder for the most all-time [[AP](#)]
- “Atmospheric rivers” soak California – California experienced what the National Weather Service called one of the “most dramatic weather days in recent memory” as heavy rains and winds lashed areas not accustomed to wet weather [[CNN](#)]
- New York (but really New Jersey) will host the 2026 World Cup Final – FIFA announced that MetLife Stadium in East Rutherford, NJ, where the NFL's Giants and Jets play, will be the site of the men's championship match on July 19; AT&T Stadium in Dallas was believed to be the front-runner to host the final but will instead be the venue for nine matches, the most for one location in the tournament [[ESPN](#)]

- King Charles III was diagnosed with cancer – the 75-year-old British monarch was undergoing a procedure for benign prostate enlargement when doctors noted a “separate issue of concern,” according to a statement from Buckingham Palace, which did not specify the type or stage of cancer that was found [NBC]
- The music of Universal Music Group’s artists—including big names like Drake, Lana Del Rey, and Ariana Grande—was removed from TikTok last week after the two parties failed to negotiate a new licensing deal; Universal bashed TikTok for allowing AI-generated music to spread, while TikTok countered that it provides unrivaled promotion of Universal’s artists to an audience of more than 1 billion users [MG]
- Boeing said Sunday it would have to rework 50 undelivered 737 MAX jets after an employee of Spirit AeroSystems, a Boeing supplier, discovered misdrilled holes on some fuselages – shares fell around 1.5% pre market on Monday [WSJ]
- Beginning with applicants to the class of 2029 (current high school juniors), Dartmouth will once again require prospective students to submit SAT or ACT scores, the school announced yesterday, becoming the first Ivy and the latest top-tier school to reinstate this traditional policy [D]
- Toby Keith, the country music star whose songs such as “Should’ve Been a Cowboy” made him a household name, has died – he was 62 [WSJ]
- Tucker Carlson, the former Fox News host who now posts a show on X, will interview Russian President Vladimir Putin [CNBC]
- A bill intended as a bipartisan compromise that paired strict border security measures with billions in aid to Israel and Ukraine failed in the Senate on Wednesday in a 49–50 vote (it needed 60 votes to move forward); although Republicans had insisted on tying the foreign aid to securing the US border, many rejected the election year bill—especially after former President and GOP frontrunner Donald Trump opposed it [AP]