



# The Roundup

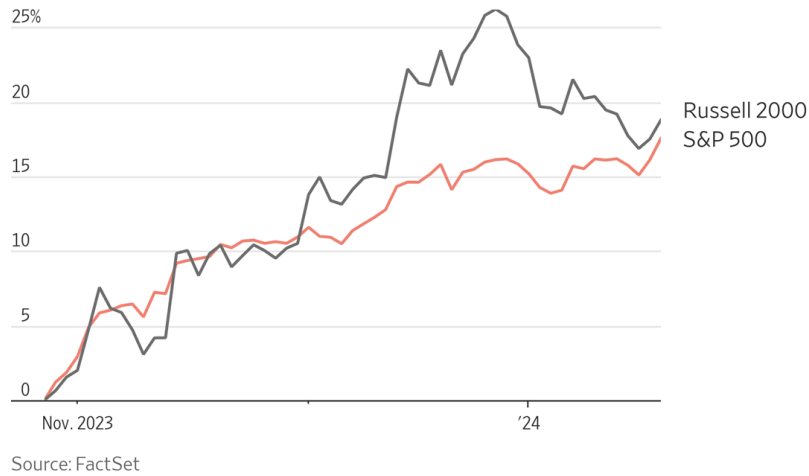
Weekly Economic Research

**January 22 - 26, 2024**

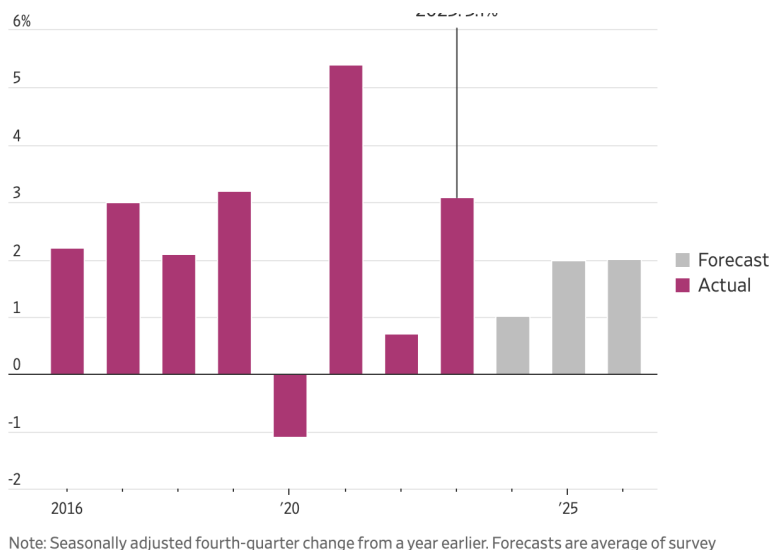
## **Against a backdrop of neutral economic data, strong earnings from tech companies propelled equity markets**

- The S&P 500 is up 0.53%, the Nasdaq is up 0.18%, and the Dow Industrials is up 0.64% WTD; tech conglomerates featured favorable financial results driven by high consumer spending
- The 10-Yr U.S. Treasury yield has decreased -0.018% to a current yield of 4.112%, whereas the 30-Yr U.S. Treasury yield increased +0.029% to a current yield of 4.366%; subdued bond demand and resilient equity growth have contributed to stabilizing bond markets
- Crude oil prices increased 4.30% to a current \$77.17/bbl while bitcoin decreased 4.00% to a current \$39,894/coin; while the new bitcoin ETF failed to garner much interest, a constrained oil market saw performance improve on the other hand
- Shares of smaller companies looked as though they were finally about to shine, but then 2024 happened; the Russell 2000, an index of small and midsize companies, has tumbled 4.1% in the new year, lagging behind the S&P 500's gain of 1.5% [WSJ]

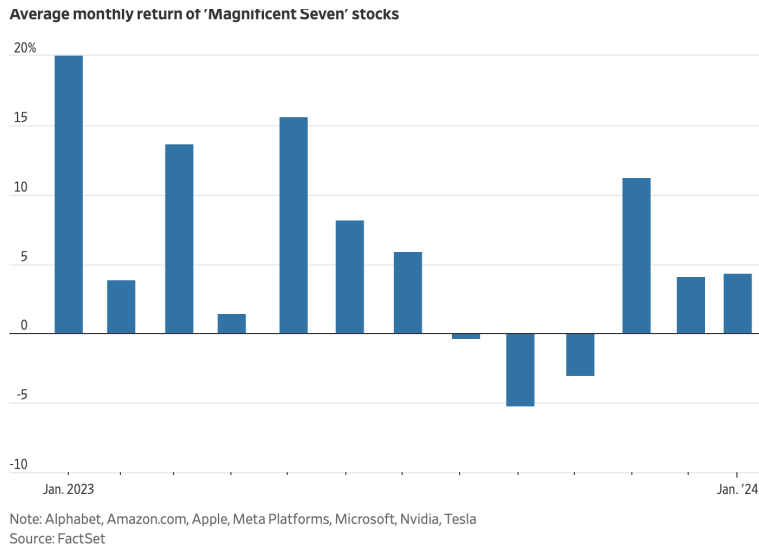
### Index performance since Oct. 27



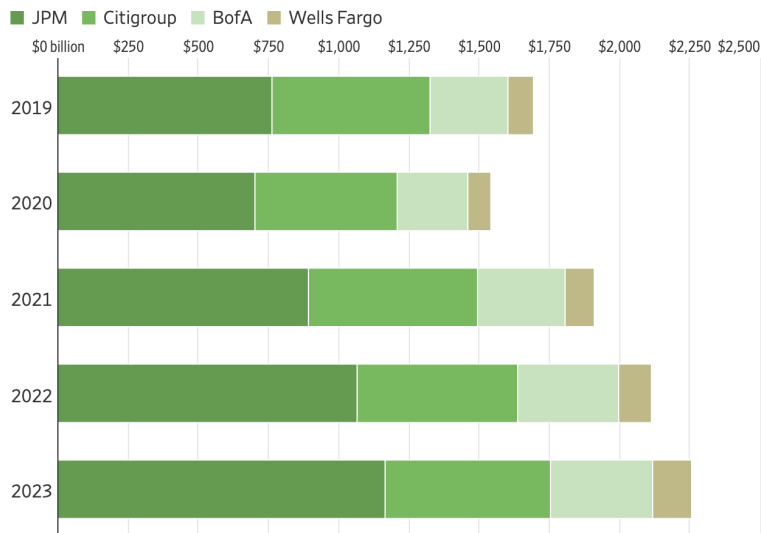
- The U.S. economy defied recession projections, growing by 3.1% over the past year, driven by a resilient labor market and strong consumer spending; the fourth quarter of 2023 saw a 3.3% growth, supported by increased household outlays and government spending, surpassing economists' expectations from a year ago [WSJ]



- Major tech stocks, including Google parent Alphabet, Amazon, Apple, Meta Platforms, Microsoft, Nvidia, and Tesla, have rallied, propelling the S&P 500 to record highs for the first time in two years; the so-called Magnificent Seven, which gained over \$5.1 trillion in market value last year, is outperforming the broader market, with investors pouring about \$4 billion into tech funds in the past two weeks, marking the largest inflow since August [WSJ]

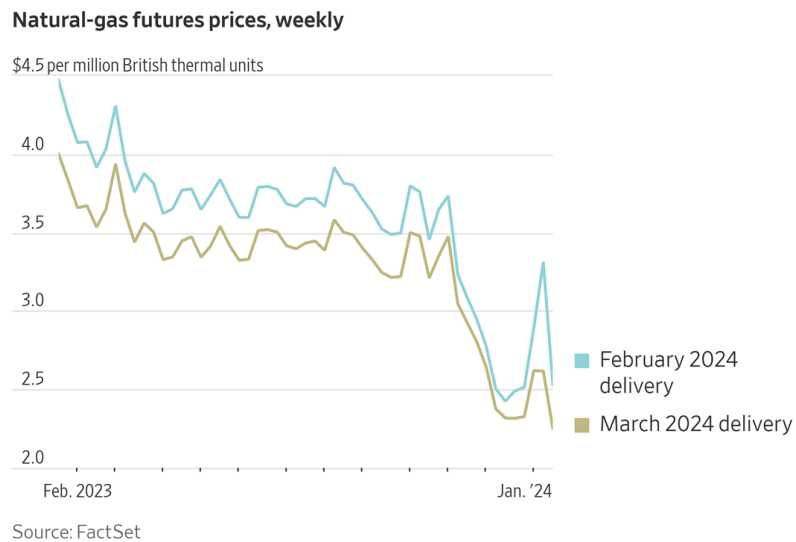


- Credit card spending has surged at major U.S. banks, with JPMorgan Chase witnessing a 9% increase to \$1.2 trillion in 2023 and Wells Fargo experiencing a 15% uptick; however, the growth in credit card loans outpaced spending, indicating that consumers are taking longer to pay off their balances, raising concerns about potential financial strain on individuals and the broader economy [WSJ]



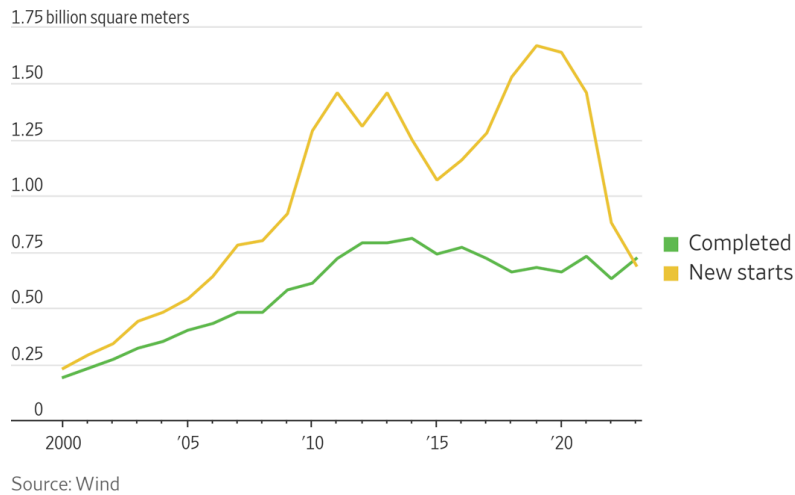
## A rapidly declining natural gas market, coupled with emerging challenges in the real estate sector, have cast confusion over the macroeconomic outlook

- The first measurable snowfall on Wall Street in more than two years hasn't impressed energy traders; counter-intuitively, natural-gas futures plunged last week – that was thanks to forecasts for a return to above-average temperatures in the coming days [WSJ]



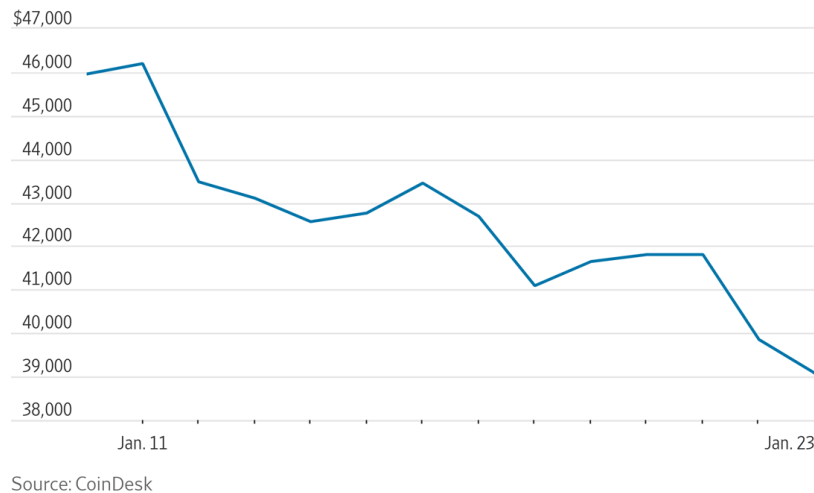
- China's real-estate crisis has dragged down the economy, caused massive layoffs and pushed multibillion-dollar companies to the point of collapse; sales of newly built homes in China fell 6% last year, returning to a level not seen since 2016 [WSJ]

### Floor space of residential projects in China



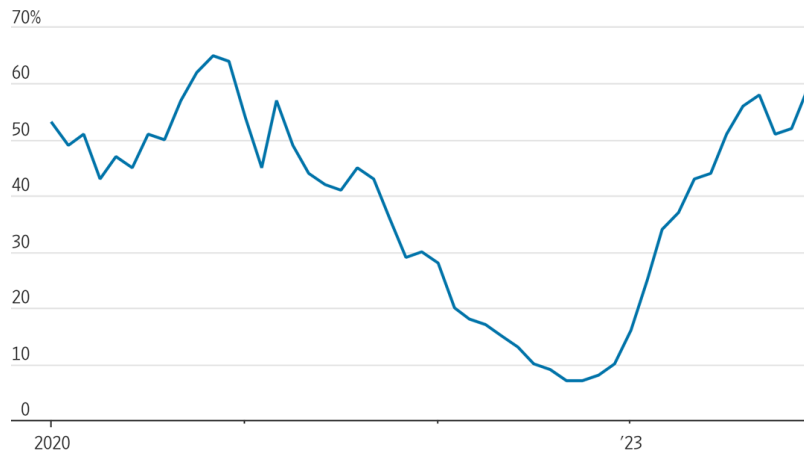
- Crypto investors had hoped that bitcoin exchange-traded funds would unlock a gush of money from individual investors, but since their launch, the price of bitcoin has fallen more than 10% [WSJ]

### Bitcoin price since spot ETF approval



- A full 59% of the EVs sold through U.S. dealerships in December were leased rather than bought outright, according to the data provider Edmunds—the highest share in three years; while manufacturers benefit from the government subsidies and having an easier sales pitch for their products, the depreciation risk they are taking on should give investors pause [WSJ]

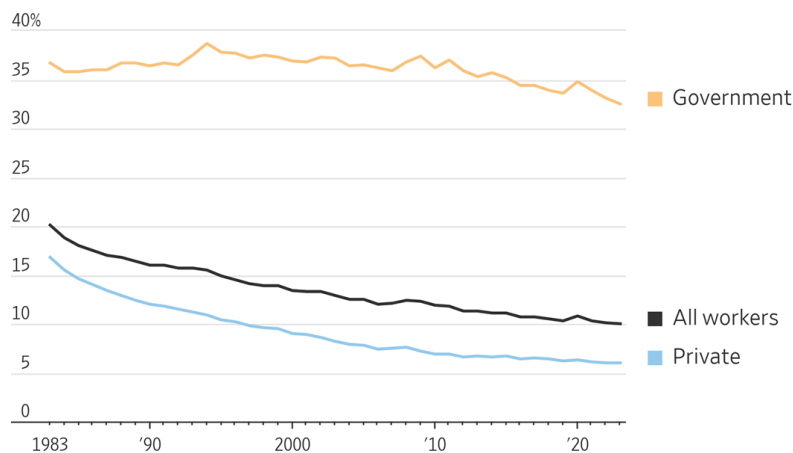
Leasing share of new EVs in dealerships



Source: Edmunds

- Microsoft and other tech giants have helped power the Dow in recent weeks, driving the index above 38000 Monday; Goldman Sachs shares, which jumped 1% on Monday, have also been a big contributor [WSJ]
- Unions made a splash last year, using work stoppages and strike threats to win better pay from Ford, GM, UPS, and Hollywood studios; but the share of U.S. workers who belong to unions fell to 10% in 2023 from 10.1% a year earlier, a fresh low [WSJ]

Share of employed who are members of unions



Source: Labor Department

- Prices of liquefied natural gas are chilling quickly and will probably remain muted, that is despite escalating Red Sea tensions bottling up global shipping [WSJ]

- Property investors sat on the sidelines last year waiting for enticing opportunities, but the 2009-style discounts they were hoping for haven't materialized [WSJ]

## **M&A activity continues to remain cautious, although developments within media, pharmaceuticals, and energy prove to be encouraging**

- Netflix acquired the exclusive rights to Raw as well as other programming from World Wrestling Entertainment for \$5B over the course of 10 years [BBG]
- Walgreens is exploring options including a sale of specialty pharmacy business Shields Health Solutions, which could be valued at over \$4B in a sale [BBG]
- David Ellison made a preliminary offer to buy National Amusements, the Redstone family's holding company that controls \$8.9B media giant Paramount Global [BBG]
- PE firm Yellow Wood Partners is in advanced talks to acquire lip balm brand ChapStick from Haleon, which was hoping to sell the brand for \$600M [RT]
- US gas station owner Sunoco agreed to acquire pipeline and fuel storage company NuStar Energy for \$7.3B in an all-stock deal [BBG]
- Argus Media's CEO Adrian Binks and existing investor General Atlantic will acquire PE firm Hg's stake in Argus in a deal valuing the energy and commodity data provider at a ~\$4.6B EV [FT]
- Carlyle Group purchased a \$415M portfolio of student loans from Truist Bank [RT]
- London-based PE firm Henderson Park will acquire the Arizona Biltmore hotel in Phoenix from Blackstone for \$705M [BBG]
- Indonesian internet provider PT Link Net is considering a stake sale in its fiber business to raise as much as \$500M for expansion [BBG]
- Sony Group and Zee Entertainment Enterprises officially called off their \$10B media merger in India [BBG]

## Recent developments across four key industries highlight federal regulation, labor reductions, and investment behavior

### Energy & Natural Resources

- Exxon Mobil has filed a federal lawsuit against sustainable investment firms Arjuna Capital and Follow This, seeking to block a shareholder proposal that would require the oil company to further reduce its greenhouse gas emissions and target emissions from its customers [WSJ]
- Sunoco has announced plans to acquire liquids terminal and pipeline operator NuStar Energy in a stock-swap transaction valued at approximately \$7.3 billion, including assumed debt [WSJ]
- According to data from the Texas Workforce Commission, the upstream oil and gas sector in Texas added 3,100 jobs in December 2023, with significant growth of 15,300 jobs throughout the year [RZ]
- Mining giant BHP Group is redirecting nearly all shipments from Asia to Europe away from the Red Sea due to increased Houthi attacks, following similar actions by Shell, BP, and Qatar Energy [WSJ]

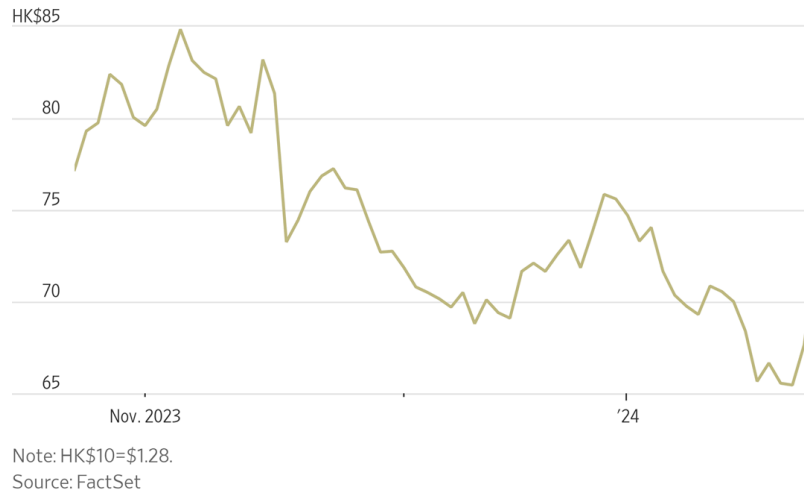
### Technology, Media, & Telecommunications

- AI is set to revolutionize consumer deliveries in the coming years, with innovations such as smarter drones aiming to make the last-mile delivery more efficient by overcoming traffic and parking challenges [WSJ]
- EquiLend Holdings, a key player in the securities-lending market handling transactions worth around \$2.44 trillion, revealed that it fell victim to a cyberattack that took several systems offline, impacting its operations [WSJ]
- Apple is reportedly planning to introduce new fees and restrictions in response to a European law that aims to break the company's control over apps by allowing users to download software outside of the App Store [WSJ]
- Jack Ma is buying Alibaba shares, and other investors are following his lead – news of the purchase buoyed the company's stock, which had been sliding for



months; Alibaba's Hong Kong shares rose 7.3% on Wednesday, their biggest one-day gain since March 2023 [WSJ]

Alibaba's Hong Kong stock price, past three months



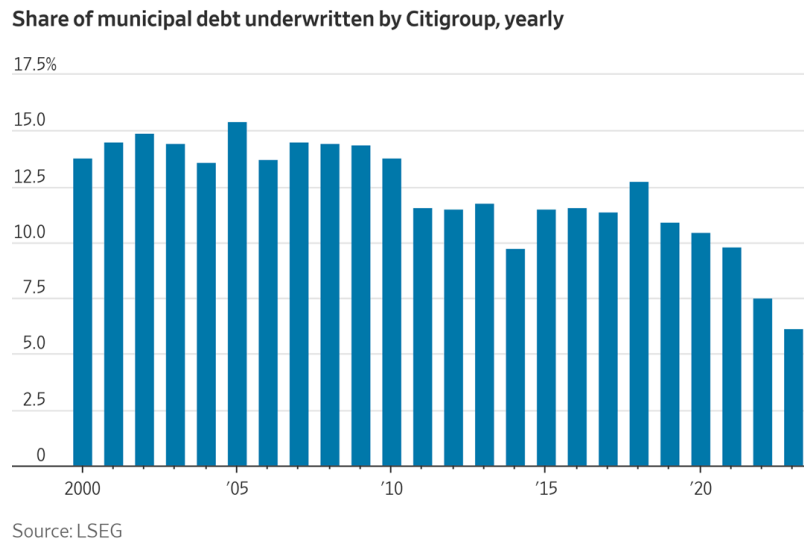
## Healthcare & Life Sciences

- Humana's earnings release revealed a more prolonged and elevated use of the medical system by seniors, leading to a significant drop in the health insurer's stock and impacting competitors like UnitedHealth, CVS Health, and Centene [WSJ]
- Weight-loss medications like Wegovy and Zepbound are gaining popularity, but a concern is the potential loss of muscle mass, which may increase the risk of injury, particularly in older individuals [WSJ]
- The Dana-Farber Cancer Institute, affiliated with Harvard Medical School, is seeking to retract six studies and correct 31 other papers amid a probe into potential misconduct by four senior researchers and administrators [WSJ]

## Financial Services

- Charles Schwab reported a third consecutive quarter of year-over-year revenue and profit declines due to higher interest rates, with net income dropping 29% in 2023 [WSJ]
- The Dow Jones Industrial Average closed above 38,000 points for the first time, and the S&P 500 also achieved a record close [WSJ]

- Citigroup is exiting the muni business after a quarter-century as a top trader of U.S. state and local government debt; Citi is amid an overhaul, and munis are one of the businesses on the chopping block – other changes include eliminating 20,000 jobs, curtailing overseas consumer business and exiting the market for distressed debt [WSJ]



## **Outside of standard macroeconomic updates and M&A developments, Donald Trump’s victory in New Hampshire and the Boeing 737 investigation have led news cycles**

- United Airlines is considering its fleet plans without the Boeing 737 Max 10 due to a series of delays and the recent grounding of a smaller variant, the 737 Max 9 [CNBC]
- Former President Donald Trump easily won New Hampshire's primary, solidifying his command of the race for the Republican nomination [AP]
- British billionaire Joe Lewis, owner of the English Premier League soccer club Tottenham Hotspur, pleaded guilty to three felony offenses related to securities fraud in a case where prosecutors accused him of tipping off individuals about companies in which he invested [WSJ]
- Saudi Arabia has reportedly opened its first alcohol store in Riyadh's diplomatic quarter, marking a significant development in the conservative Muslim nation where alcohol has been banned since 1952 [CNBC]

- Michigan's Jim Harbaugh is heading back to the NFL as the Los Angeles Chargers have hired him as the team's new head coach [CNN]
- The Federal Aviation Administration (FAA) has halted Boeing's planned expansion of its 737 Max aircraft production but cleared the path for the Max 9 to return to service [CNBC]
- Japanese game developer Pocketpair's "Palworld" has unexpectedly sold over 7 million units in less than a week on PC Steam alone, prompting controversy due to its perceived similarities with Pokémon [CNN]