



The Roundup

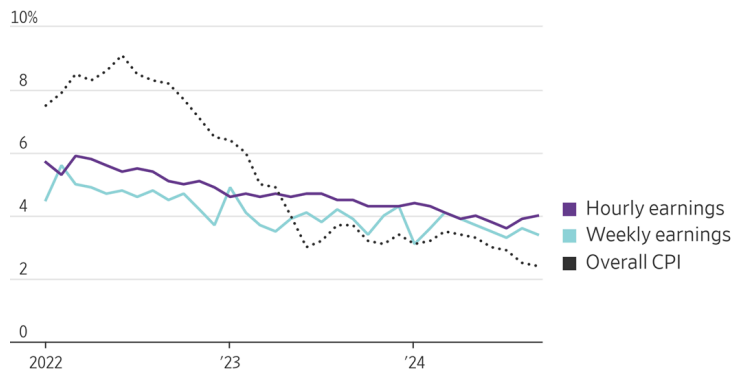
Weekly Economic Research

October 7 - 11, 2024

The U.S. dollar weakened against major currencies, while WTI oil rose due to supply risks in the Middle East, and gold prices also increased

- The S&P 500 is up 0.74%, the Nasdaq is down 1.97%, and the Dow Industrials is up 0.49% WTD
- The 10-Yr U.S. Treasury yield has increased +0.125% to a current yield of 4.092%, whereas the 30-Yr U.S. Treasury yield increased +0.142% to a current yield of 4.393%
- Crude oil prices increased 1.59% to a current \$74.65/bbl while bitcoin decreased 2.86% to a current \$61,025.20/coin
- U.S. inflation eased to a three-year low in September but cooled more slowly than expected, leading to investor uncertainty over future Fed rate cuts amid stronger-than-expected labor market data and uneven economic trends [\[WSJ\]](#)

Wages and prices, change from a year earlier

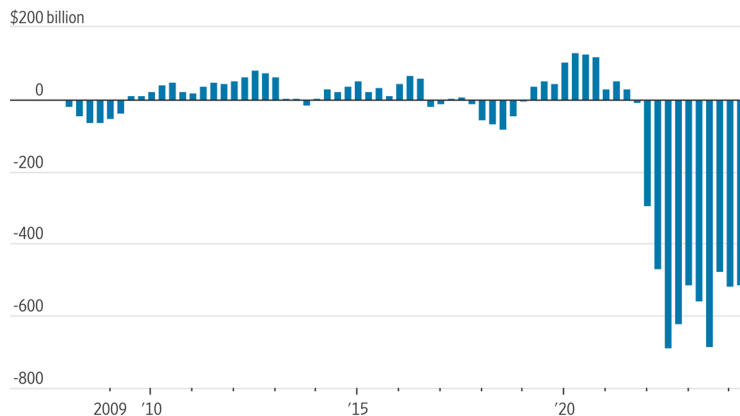


Notes: Consumer-price data aren't seasonally adjusted; wage data are average earnings for all private workers and are seasonally adjusted.

Source: Labor Department

- JPMorgan Chase and Wells Fargo start earnings season as banks face mixed impacts from the Fed's rate cut, with potential gains in investment banking and trading revenue amid volatile markets [[WSJ](#)]

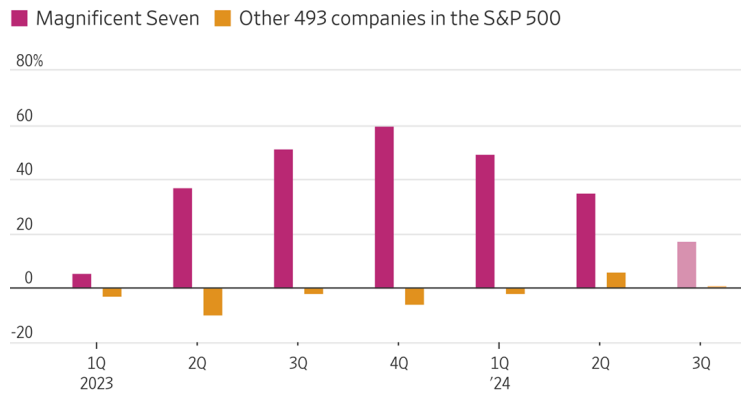
Banks' unrealized gains or losses on securities, by quarter



Source: FDIC

- As tech profits decelerate, sectors like utilities, materials, and industrials have led recent stock market gains, with upcoming earnings reports set to test whether this broader rally is sustainable [[WSJ](#)]

Quarterly earnings growth, change from a year earlier

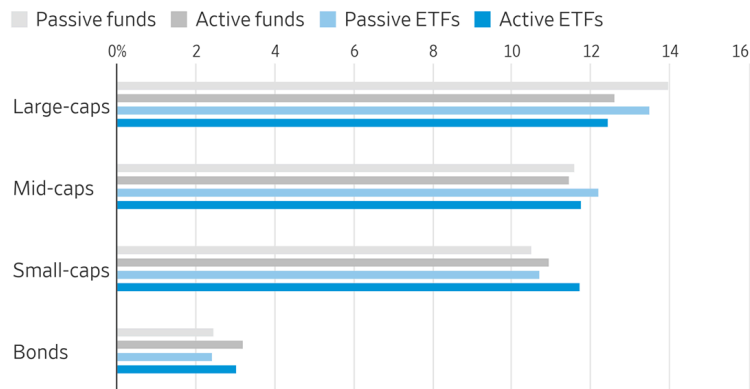


Note: 3Q24 data are estimates

Source: John Butters, senior earnings analyst at FactSet

- The asset-management industry is shifting towards active ETFs, which are growing rapidly despite generally underperforming passive counterparts, as investors seek diversification and niche strategies, but often face higher fees and lower returns [WSJ]

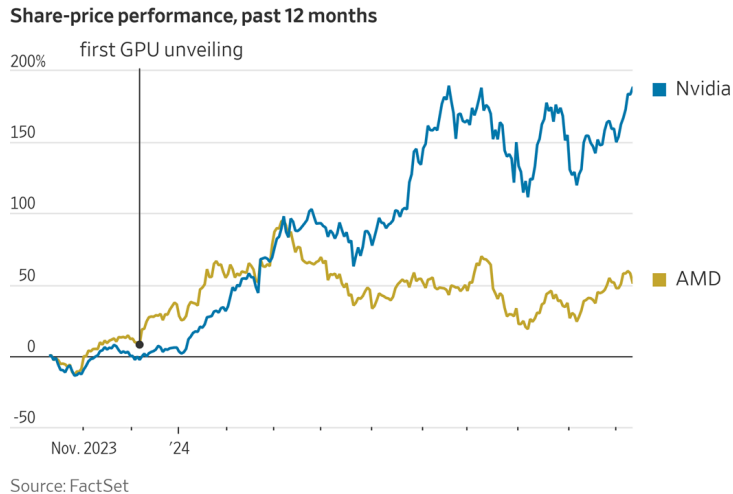
Average annual returns of funds investing in U.S. equities and bonds



Note: Data between 2009 and September 2024. Non-ETF data is for open-ended funds.

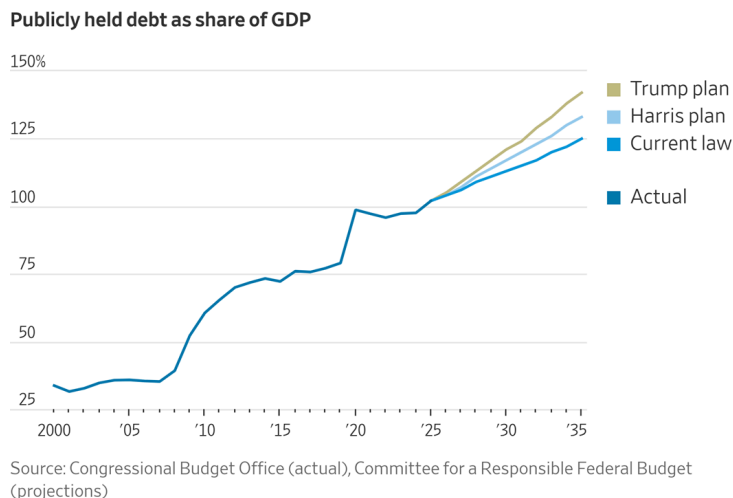
Source: Morningstar Direct

- AMD's strong initial success in AI processors, generating nearly \$5 billion in sales, faces challenges as it competes with Nvidia's dominance, slowing demand in other business lines, and increasing competition in the AI chip market [WSJ]

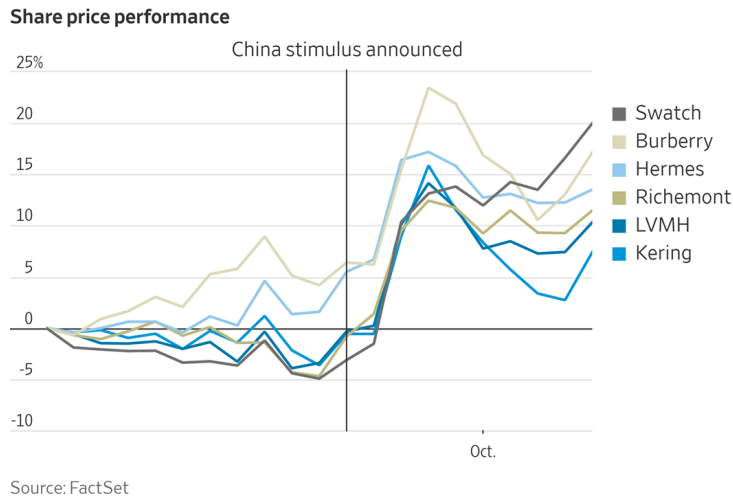


Rising long-term interest rates, declining Chinese luxury spending tied to falling home prices, GM's struggles in China due to slow EV adaptation, and weak demand for AI-enabled PCs are all affecting global markets and industries

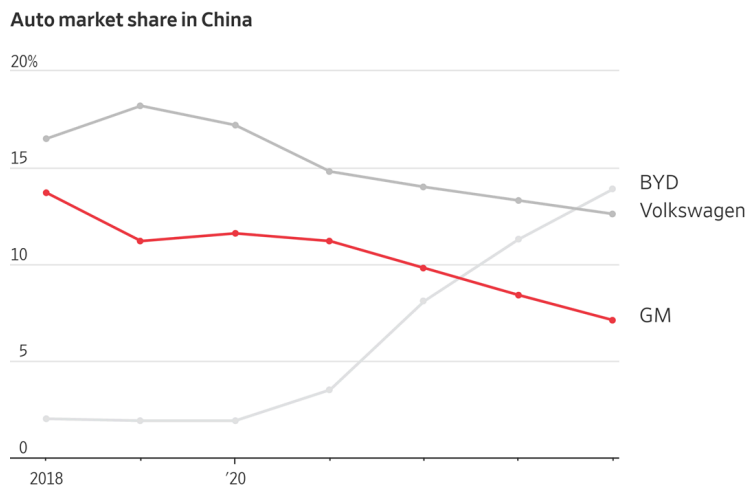
- Long-term interest rates are rising despite Fed cuts due to higher future inflation, economic growth, and concerns over increasing federal debt from potential Trump or Harris policies [WSJ]



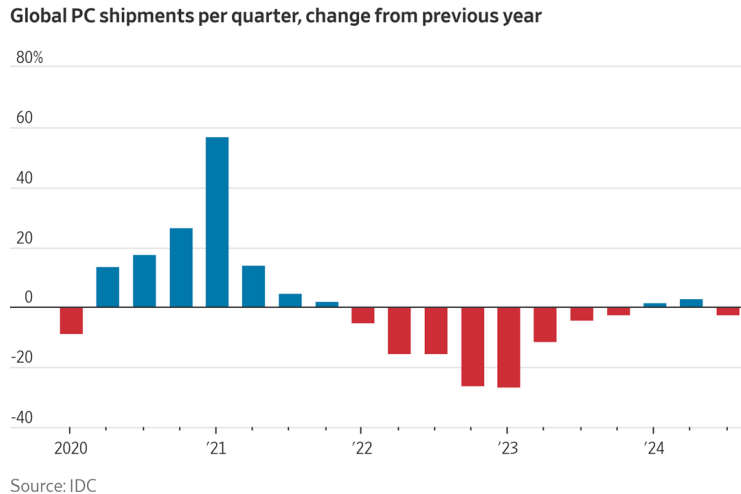
- The demand for luxury goods in China is closely tied to home prices, and with falling property values and economic concerns, Chinese luxury spending has declined, impacting global luxury brands that rely heavily on Chinese consumers for growth [WSJ]



- GM is struggling in China due to slow adaptation to the EV market, losing market share to faster Chinese competitors and prompting restructuring efforts [WSJ]



- Global PC sales declined in the third quarter despite the introduction of AI-enabled models, as consumers have yet to see clear benefits from AI, delaying the anticipated boost in demand [WSJ]



- Chinese company CMOC has gained control of over a third of the global cobalt supply, raising U.S. concerns over market manipulation and its impact on industries like electric vehicles and defense, as cobalt prices hit eight-year lows [WSJ]



M&A activity continues to remain mixed

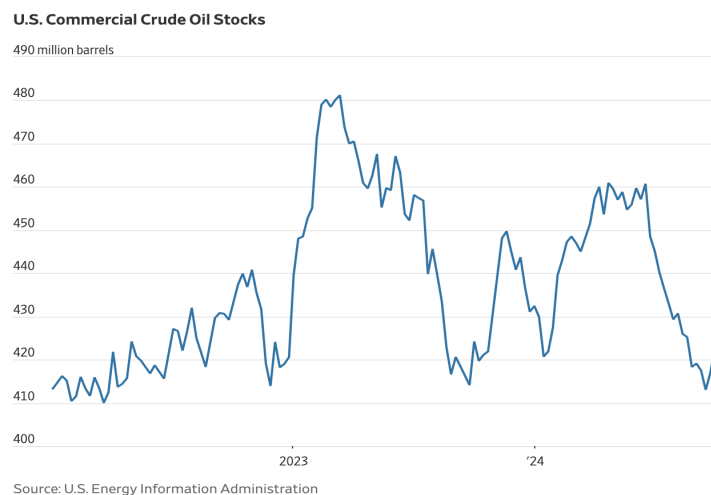
- Canadian convenience store giant Couche-Tard increased its bid for 7-Eleven owner Seven & i Holdings by 22% to ~\$47B
- BlackRock and CVC are exploring an acquisition of private credit giant HPS Investment Partners, which was weighing an IPO at a \$10B valuation
- Global miner Rio Tinto agreed to buy Arcadium Lithium for \$6.7B cash

- MCB Real Estate sweetened its offer for shopping center operator Whitestone REIT to ~\$1.5B, including debt
- Ares will buy the international arm of real estate investment firm GLP Capital Partners for \$1.8B in cash and stock
- Singapore's GIC is considering a sale of its 50% stake in India's Greenko Energy for ~\$5B
- Tokyo Gas is in talks to acquire Chevron's Texas natural gas assets for ~\$1B
- China's Zijin Mining will buy a Ghana gold mine from Newmont for \$1B
- UK packaging firm Mondi will acquire German, Benelux, and UK packaging assets of Schumacher Packaging for \$695M, including debt

Recent developments across four key industries highlight U.S. crude oil stockpiles rising, Samsung struggling in the AI market, and healthcare costs continue rising

Energy & Natural Resources

- U.S. crude oil stockpiles rose by 5.8 million barrels as production increased and refinery capacity use fell, while gasoline and distillate fuel inventories dropped more than expected, according to the U.S. EIA [[WSJ](#)]

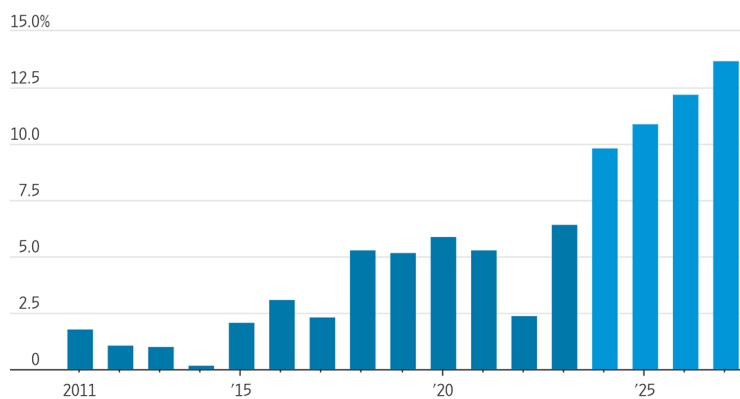


- BP warned that weaker refining margins and lower oil prices will reduce third-quarter earnings by \$400 million to \$600 million, with net debt expected to rise due to delayed divestment proceeds and weak oil trading results [WSJ]

Technology, Media, & Telecommunications

- Amazon faces near-term challenges with earnings growth due to costly investments like its Kuiper satellite project and increased competition, potentially capping margin expansion despite positive long-term outlooks from some analysts [WSJ]

Amazon's operating income as a percentage of annual revenue



Note: Data for 2024-27 are projections.

Source: the company (actual); FactSet (projections)

- Samsung is struggling to capitalize on the AI boom, falling behind competitors like TSMC and SK Hynix in high-bandwidth memory chips and custom chip manufacturing, while facing delays, internal missteps, and declining market share in its foundry business [WSJ]

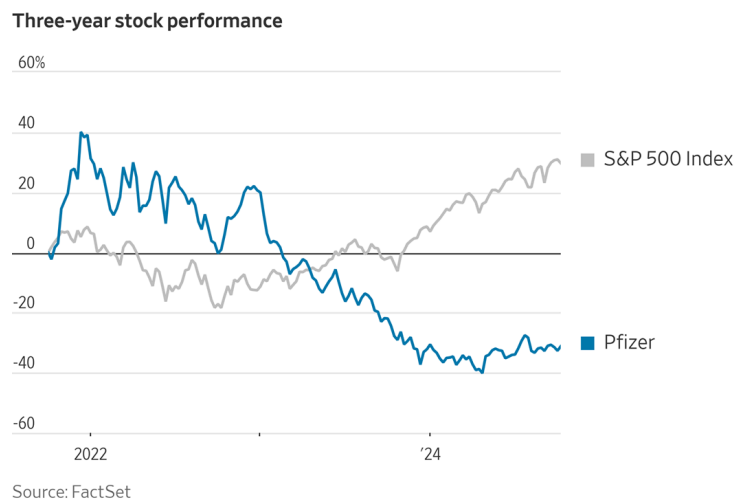
Share-price change since beginning of 2024



Source: FactSet

Healthcare & Life Sciences

- GSK's shares rose after the company agreed to a \$2.2 billion settlement to resolve 93% of U.S. lawsuits claiming its discontinued Zantac heartburn drug caused cancer, easing investor concerns and removing a major overhang on its stock [WSJ]
- Healthcare costs are continuing to rise, with employer health insurance premiums up 7% for the second straight year, adding strain on businesses and workers, while costs are projected to increase further in 2025 [WSJ]
- Activist investor Starboard, backed by former Pfizer executives, is pressuring for leadership changes and a more focused strategy as CEO Albert Bourla faces scrutiny after stock declines and failed acquisitions post-pandemic [WSJ]



Financial Services

- TD Bank will pay over \$3 billion in penalties and face U.S. growth limits after settling with regulators over failures to monitor money laundering by criminal groups [WSJ]
- U.S. inflation eased to a three-year low in September but cooled more slowly than expected, highlighting persistent price pressures and complicating the Federal Reserve's plans for interest rate cuts [WSJ]