



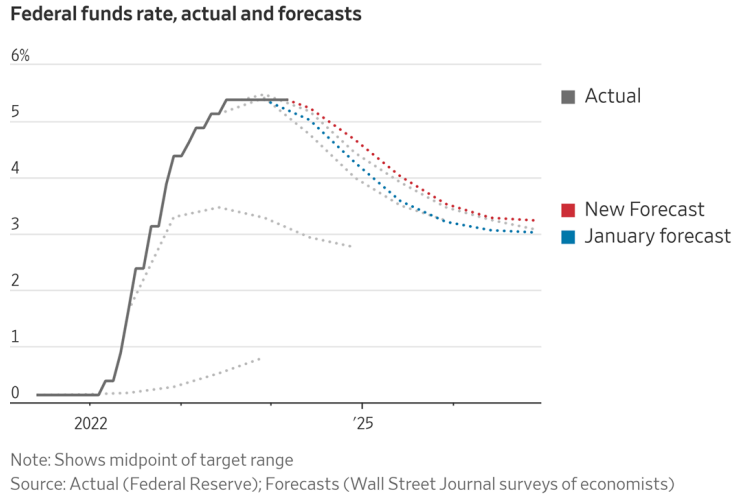
# The Roundup

Weekly Economic Research

**April 15 - 19, 2024**

## **S&P 500 and Nasdaq faced declines for five consecutive days, largely due to rising bond yields dampening the appetite for riskier assets**

- The S&P 500 is down 3.10%, the Nasdaq is down 4.18%, and the Dow Industrials is down 1.42% WTD
- The 10-Yr U.S. Treasury yield has decreased +0.041% to a current yield of 4.559%, whereas the 30-Yr U.S. Treasury yield increased +0.043% to a current yield of 4.666%
- Crude oil prices increased 0.32% to a current \$84.03/bbl while bitcoin decreased 5.17% to a current \$62,318.80/coin; oil prices rise while bitcoin has continued to decrease
- The latest quarterly survey of business and academic economists by The Wall Street Journal indicates heightened expectations for economic growth, inflation, and future interest rates [[WSJ](#)]



- Economic optimism among business and academic economists is at a two-year high, with the likelihood of a recession within the next year dropping to 29% [WSJ]



- Shares of Donald Trump's social-media venture, Truth Social, have plummeted over 65% since its peak, wiping out approximately \$3.4 billion of its market value in three weeks [WSJ]

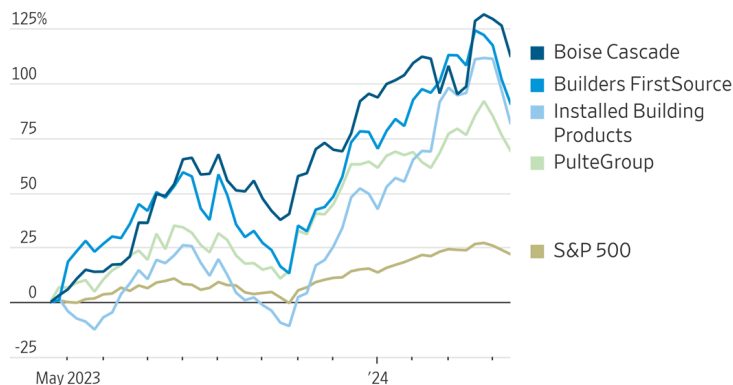
Share performance around peaks for SPAC deals



Source: Dow Jones Market Data via FactSet

- Shares of homebuilders and building products firms are plummeting following a significant decline in March's housing starts, which fell 14.7% from February [WSJ]

Share price vs. index performance



Source: FactSet

## Rising bond yields and mortgage rates are affecting home-buying affordability while pension funds shifts towards lower-risk investments, reshaping investor strategies

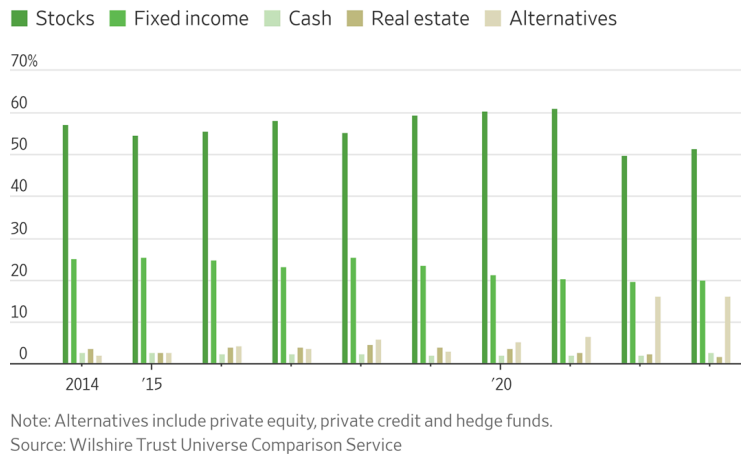
- Citigroup analysts predict that the price of gold will reach \$3,000 per troy ounce within the next six to 18 months, citing factors like geopolitical risk and increasing global debt [WSJ]

### Gold futures price



- Large pension funds are shifting away from stocks and towards bonds and alternative investments, anticipating higher returns on lower-risk assets amidst a world of rising interest rates [WSJ]

### Public pension-fund asset mix, yearly



- Rising mortgage rates, reaching close to 7%, have reduced affordability for potential buyers, potentially impacting the momentum of the spring home-buying season [WSJ]

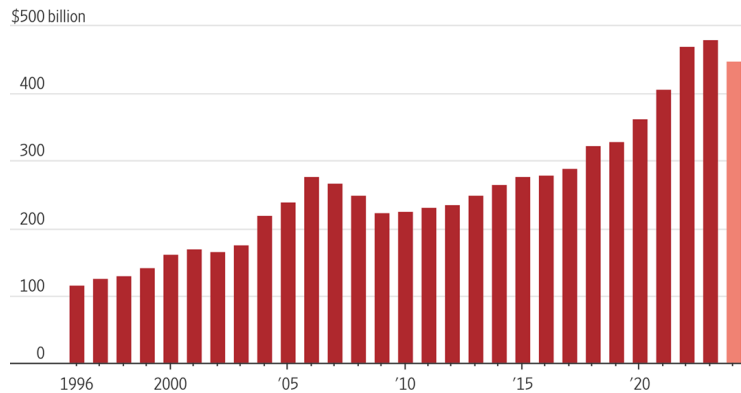
Average 30-year U.S. fixed-rate mortgage, past two years



Source: Freddie Mac via St. Louis Fed

- The Leading Indicator of Remodeling Activity forecasts the first yearly drop in home-improvement spending since the late 2000s, with Americans expected to spend \$449 billion this year, down from last year's \$481 billion, amid rising building material costs and anticipated higher interest rates [WSJ]

Estimated annual home-improvement and repair spending



Note: 2024 is projected

Source: Joint Center for Housing Studies

- Investors are reconsidering their allocation to equities as rising bond yields offer comparable returns with reduced risk, dampening the attractiveness of stocks [WSJ]

### S&P 500 equity risk premium

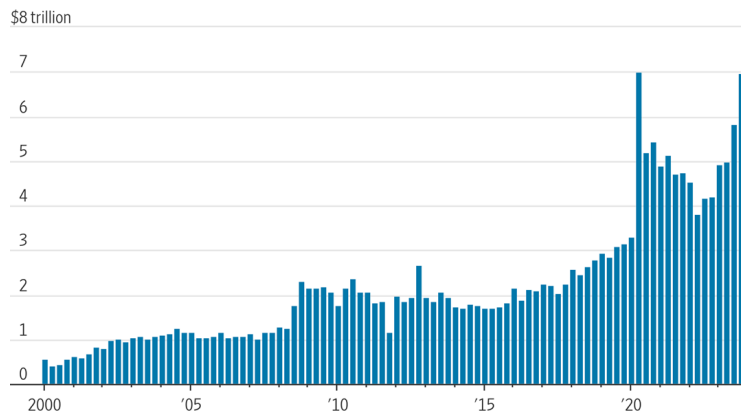


Note: Difference between earnings yield, using earnings for the next 12 months, and 10-year Treasury yield

Source: FactSet

- Weak auctions for U.S. Treasuries are raising concerns among investors about the market's ability to absorb a surge in government debt, especially amid inflation fears and expectations of prolonged high interest rates [WSJ]

### Quarterly Treasury issuance, gross



Source: Sifma

## M&A activity maintains a steady, as developments within infrastructure, healthcare, and data science prove to be encouraging

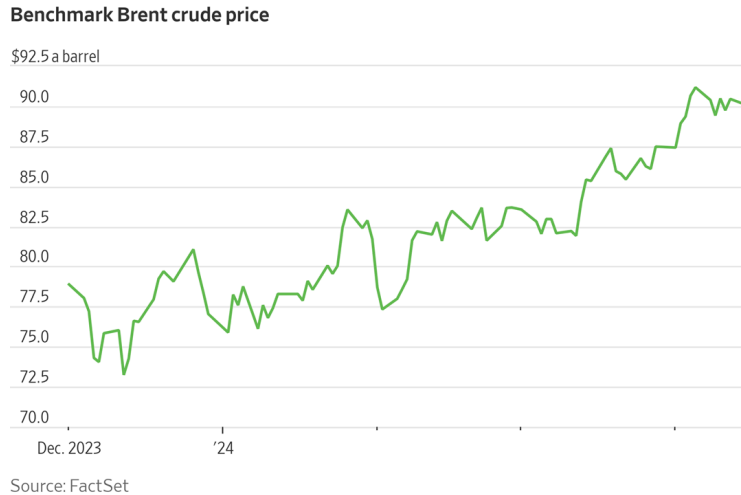
- Abu Dhabi National Energy Company is in talks with major shareholders of \$22B Spanish energy firm Naturgy, who include PE firms CVC and GIP, over a potential takeover bid [RT]

- Salesforce is in advanced talks to acquire data-management software provider Informatica, which has an ~\$11.4B market cap [WSJ]
- International Paper agreed to acquire DS Smith in a \$7.2B all-stock deal to create a global leader in packaging [BBG]
- Italian cables maker Prysmian agreed to buy Encore Wire for ~\$4.15B, including debt [BBG]
- Clearlake Capital Group made a sweetened bid to acquire cloud computing provider Blackbaud for \$4.1B [BBG]
- Ontario Teachers' Pension Plan is exploring a sale of luxury senior-living residences Amica Senior Lifestyles, which could be valued at ~\$3.6B [BBG]
- US software provider Envestnet, which has a \$3.4B market cap, is exploring options including a potential sale after receiving takeover interest [RT]
- PE firm Apax Partners will acquire Zellis Group from Bain Capital in a deal that values the UK payroll software company at ~\$1.6B [BBG]
- Microsoft agreed to partner with and invest \$1.5B into Abu Dhabi AI company G42 [BBG]
- Europe's largest asset manager Amundi agreed to merge its US unit into Victory Capital Holdings in exchange for a 26.1% stake in the combined entity [BBG]
- Italian energy group Eni aims to sell minority stakes in its biofuel and bio-plastic units that could fetch \$1.4B to speed up its energy transition [RT]
- Home safety and security solutions provider Resideo Technologies agreed to acquire security solutions company Snap One in a \$1.4B deal, including debt [RT]

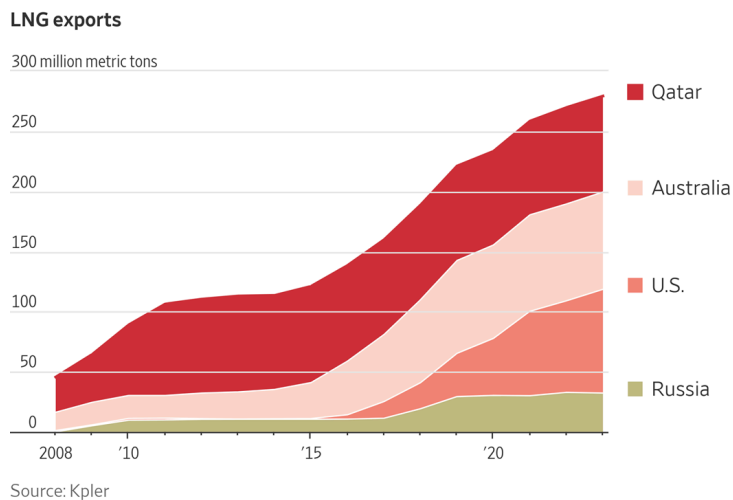
**Recent developments across four key industries highlight the prospect of an all-out war in the Middle East, global oil prices being affected, and major tech companies reducing their office space**

## Energy & Natural Resources

- Despite the potential for conflict in the Middle East to drive oil prices up to \$100 a barrel, investors are banking on OPEC+ having enough spare capacity to prevent a significant surge [WSJ]



- An all-out war in the Middle East could potentially lead to disruptions in oil supply, which may impact oil prices globally, including in the United States [RZ]
- The competition over LNG between Russia and the U.S. has intensified, particularly evident in Russia's Arctic LNG 2 project, facing sanctions from the U.S. aimed at halting its progress [WSJ]



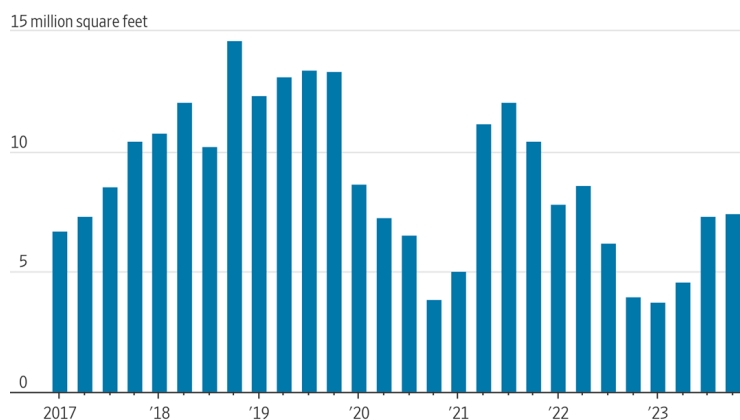


- Santos reported a 7% decline in oil and natural gas production in the latest quarter due to bad weather and planned maintenance, resulting in a 6% drop in sales revenue to US\$1.4 billion, though it still generated US\$692 million in free cash flow from operations [WSJ]

## Technology, Media, & Telecommunications

- Amazon's benchmarking team initiated "Project Curiosity" in 2015 to gather intelligence on competitors like Walmart and eBay by posing as a third-party seller called Big River [WSJ]
- Major tech companies like Amazon, Meta, and Google are downsizing their office space in coastal cities, leading to an increase in available office space for sublease and putting pressure on landlords [WSJ]

U.S. tech-industry office-leasing activity



Source: CBRE

- Meta Platforms has released Llama 3, its latest large language model, with enhanced AI capabilities to upgrade its Meta AI tool and integrate into its major platforms [WSJ]
- Oracle plans to invest over \$8 billion in Japan over the next decade to expand its cloud infrastructure business and support engineering teams, aiming to meet the increasing demand for cloud computing and artificial intelligence infrastructure [WSJ]

## Healthcare & Life Sciences

- Longevity vacations are gaining popularity among those seeking to optimize their health, offering treatments ranging from biological age testing to stem-cell therapy at high-end resorts [WSJ]
- UnitedHealth's shares surged over 5% following better-than-expected earnings results, signaling a recovery after months of sector-wide share price declines [WSJ]

## **Financial Services**

- Israel's retaliatory strike on Iran led to a sell-off in global markets, with stock indexes in Asia dropping and traders seeking safe-haven currencies [WSJ]
- Investors are withdrawing from the Grayscale Bitcoin Trust (GBTC) in favor of lower-cost competing funds offered by BlackRock, Fidelity Investments, and others [WSJ]

## **Outside of standard macroeconomic updates and M&A developments, Israel's missile strike on Iran, China's surplus of unsold steel, and legislation targeting TikTok for a potential ban or sale in the U.S. have led news cycles**

- Two U.S. officials confirm that Israel launched a missile strike against Iran targeting the area of Isfahan following Iran's retaliatory drone and missile attack on Israel [CBS]
- China's surplus of unsold steel, resulting from its property market downturn, has led to a significant increase in steel exports, prompting concerns globally [WSJ]
- Boeing Co. faces a Senate hearing over allegations of a "broken safety culture" following a series of safety issues, including an incident involving an Alaska Airlines Boeing 737 Max 9 [BBC]
- Congress is moving swiftly to push through bipartisan legislation aimed at cracking down on TikTok, potentially leading to a law forcing the sale or eventual ban of the popular Chinese-controlled app in the U.S. [WSJ]

- The NBA has banned Toronto Raptors forward Jontay Porter from the league indefinitely due to his involvement in a gambling scandal, citing violations including disclosing confidential information to bettors and betting on NBA games himself [WSJ]
- Federal Reserve Chair Jerome Powell suggested a shift in the Fed's outlook, indicating that firm inflation during the first quarter has raised doubts about the possibility of lowering interest rates this year [WSJ]
- Taylor Swift's release of her new album "The Tortured Poets Department" sparked fan celebrations with listening parties and themed gatherings, surprising fans with 15 extra songs at 2 a.m. ET, featuring collaborations with artists like Post Malone and Florence + the Machine [CNBC]