



The Roundup

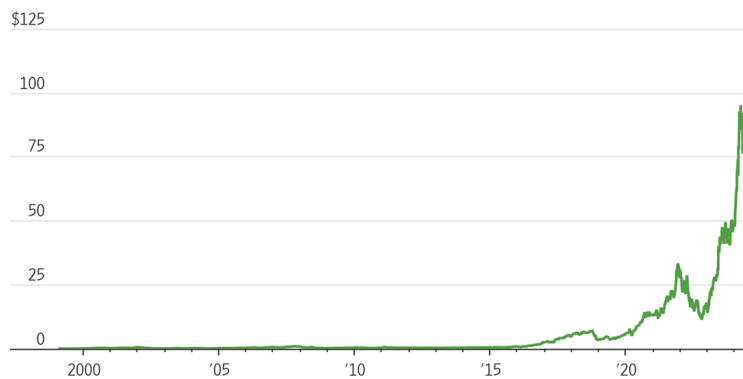
Weekly Economic Research

August 19 - 23, 2024

Rates have been trending lower this month due to softer inflation, slowing economic activity, and anticipated Fed rate cuts, yet markets remain slightly higher for the week

- The S&P 500 is up 0.73%, the Nasdaq is up 0.59%, and the Dow Industrials is up 0.45% WTD
- The 10-Yr U.S. Treasury yield has decreased -0.03% to a current yield of 3.848%, whereas the 30-Yr U.S. Treasury yield decreased -0.019% to a current yield of 4.121%
- Crude oil prices decreased 1.34% to a current \$74.39/bbl while bitcoin increased 4.29% to a current \$60,945.50/coin
- Nvidia's stock has skyrocketed, making it the best-performing S&P 500 stock in 2024 and transforming early investors' fortunes, as the company leads in AI technology with a market value nearing \$3 trillion [WSJ]

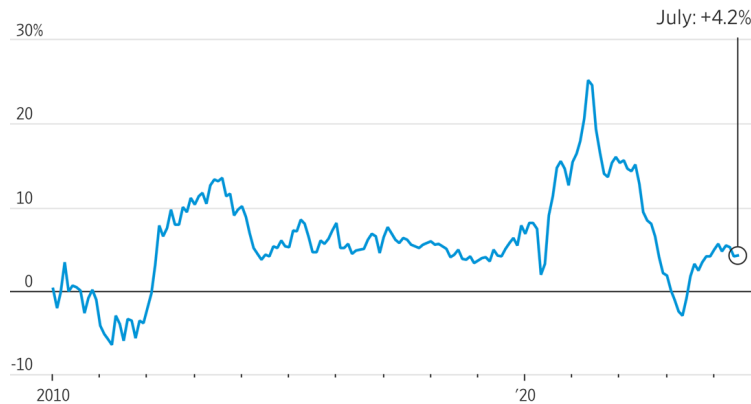
Nvidia share price



Source: FactSet

- U.S. home sales rose slightly in July, ending a four-month decline, but remained at low levels due to high mortgage rates and prices, while housing affordability continues to be a major concern [WSJ]

U.S. median existing-home price, change from a year earlier

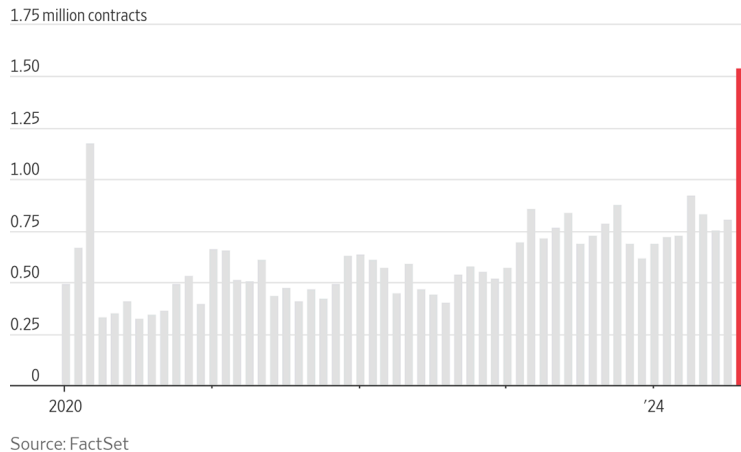


Note: July 2024 is preliminary.

Source: National Association of Realtors

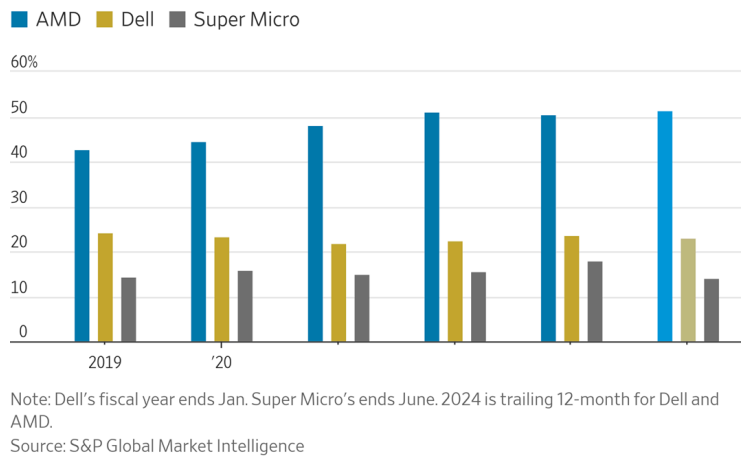
- Volatility bets surged to their highest level in six years this August, driven by market turbulence and a subsequent rush by traders to profit from the rapid return to calmer conditions [WSJ]

Average daily volume, VIX options

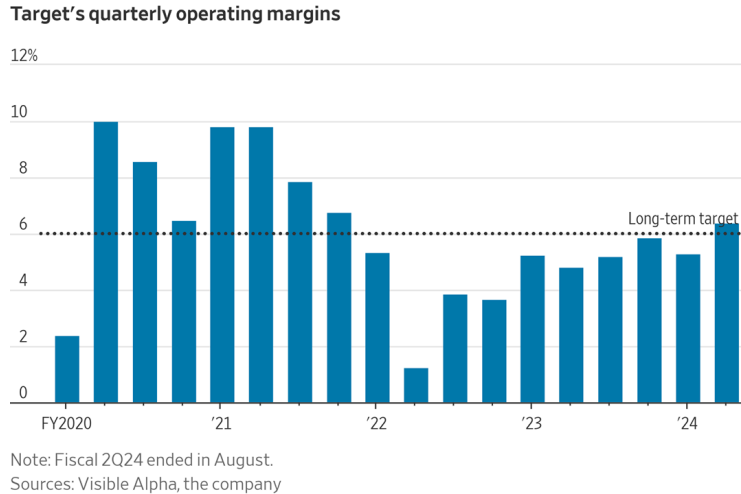


- AMD is acquiring ZT Systems for \$4.9 billion to gain design expertise for AI data-center systems, while planning to divest ZT's manufacturing business, as it aims to enhance its position as a competitive alternative to Nvidia in the AI market [WSJ]

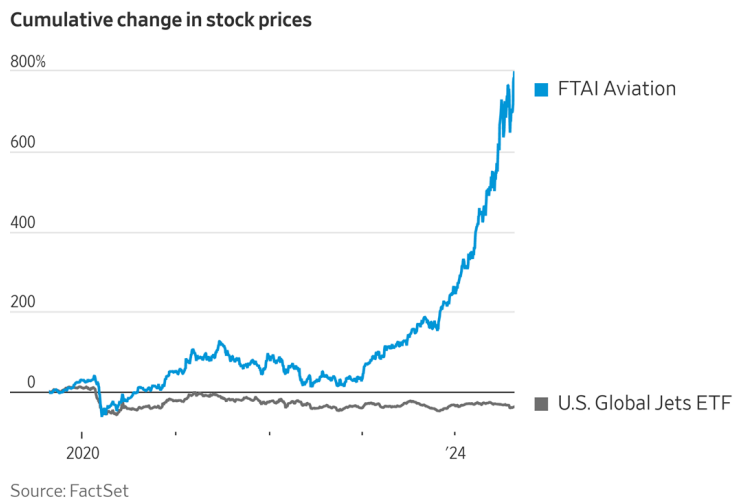
Gross margins per year



- Target's 2% sales rise and 43% net income boost, driven by private brands, digital sales, and better margins, indicate its strategies are working, positioning it well for upcoming retail seasons [WSJ]



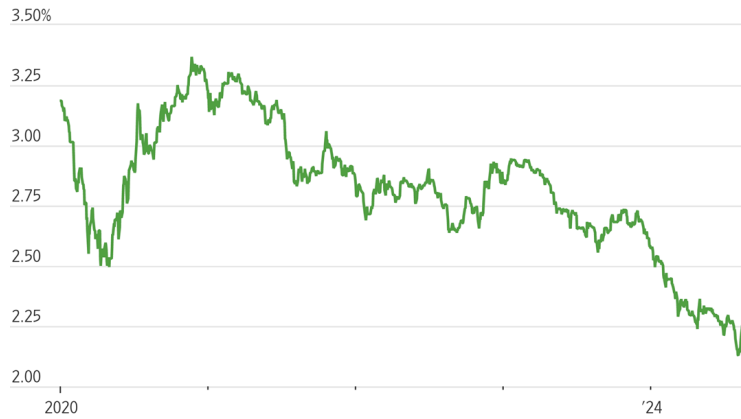
- FTAI Aviation's innovative jet-engine leasing and repair business, which integrates maintenance with leasing and uses alternative parts, has driven its stock up over 800% in five years, capitalizing on high demand amid industry challenges [WSJ]



Interfor's sawmill closures, Tesla's regulatory struggles in China, and Beijing's intervention in bond yields all highlight the economic challenges

- China's government bonds have experienced a significant rally, with yields dropping to around 2.18%, but Beijing is intervening to push yields up, reflecting concerns over the country's slowing economy [WSJ]

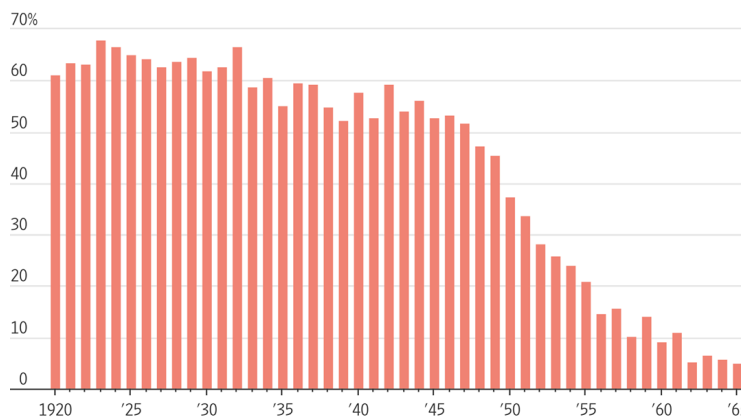
Yields on 10-year Chinese government bonds



Source: FactSet

- Tim Walz, a vice presidential candidate, withdrew \$135,000 from his retirement savings for his daughter's college, but his substantial pensions, accumulated through public service, provide him with greater financial security than most Americans [WSJ]

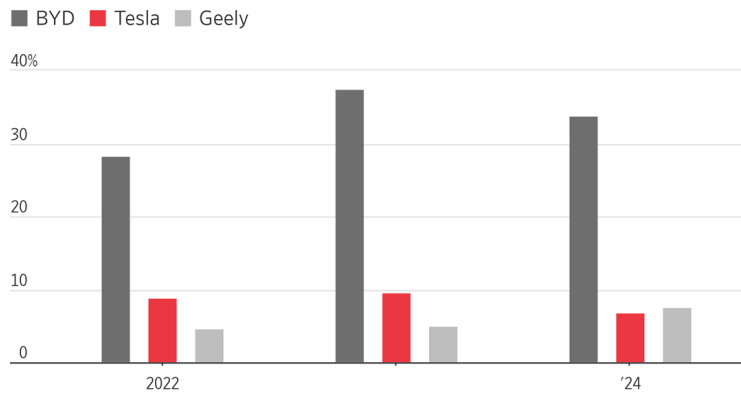
Share of households with a pension plan, by year of birth



Source: Boston College Center for Retirement Research

- Tesla's inability to roll out its Full Self-Driving software in China due to regulatory concerns has left it trailing behind Chinese EV rivals, who offer more advanced and affordable driver-assistance features in the market [WSJ]

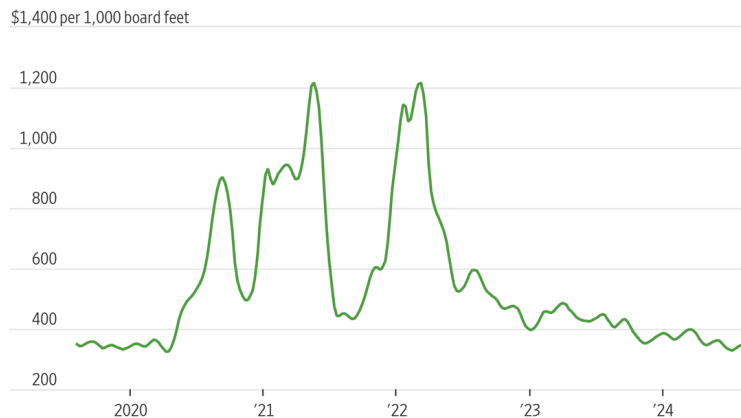
Market share for new-energy vehicles in China, first half of each year.



Note: New-energy vehicles include electric vehicles and plug-in hybrids.
Source: China Passenger Car Association

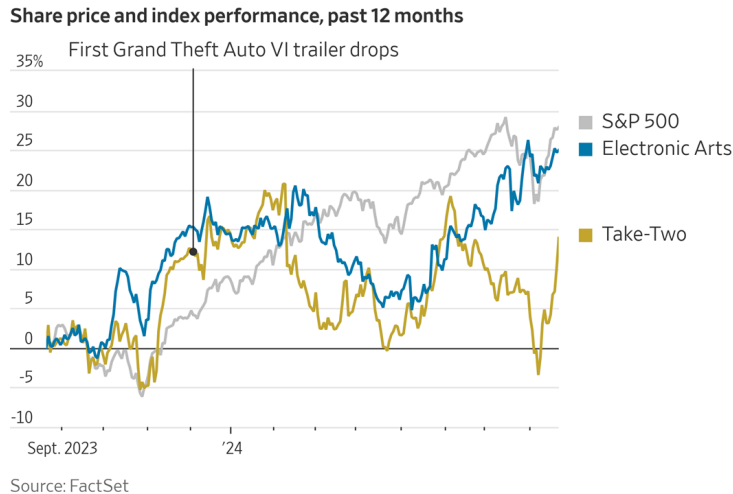
- Interfor is closing two sawmills in the Southern U.S. due to depressed prices for Southern yellow pine, reflecting a broader slump in the lumber market caused by high interest rates and reduced demand [WSJ]

Random Lengths Southern yellow pine composite index



Source: Random Lengths

- Take-Two Interactive's stock surged after announcing new games like "Borderlands 4" and sequels to "Mafia" and "Sid Meier's Civilization," reminding investors that the company offers more than just the highly anticipated "Grand Theft Auto VI" [WSJ]



M&A activity slows, although developments within energy and tech prove to be encouraging

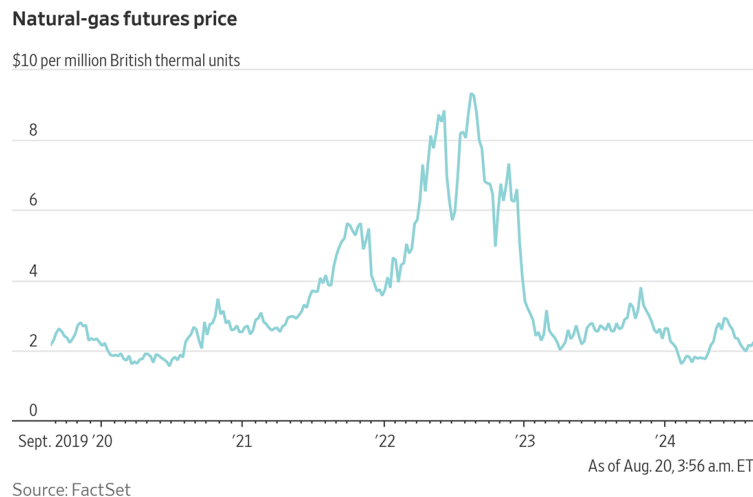
- Coal miners Arch Resources and Consol Energy agreed to combine in an all-stock merger to create a \$5.2B entity Core Natural Resources [WSJ]
- Japan Tobacco will buy discount cigarette maker Vector for \$2.4B [BBG]
- Natural gas company Ovintiv is considering a possible sale of its operations in the Uinta Basin, which could fetch \$2B [BBG]
- A group led by KKR and Japanese real estate company Hulic made a \$2B bid to acquire Tokyo skyscraper Shiodome City Center from Singapore's GIC [BBG]
- Carlyle will acquire Advance Auto Parts' automotive parts wholesale distribution business Worldpac for \$1.5B cash [WSJ]
- Japanese steelmakers Nippon Steel and JFE Steel will acquire a 30% total stake in Whitehaven Coal's Blackwater metallurgical coal mine in a \$1.1B deal [BBG]
- Swedish medtech Getinge will acquire US organ transport firm Paragonix Technologies for \$477M [RT]
- Indian delivery company Zomato agreed to buy Indian fintech Paytm's movie and events ticketing business for \$244M [BBG]
- Bitcoin miner Bitfarms agreed to acquire Stronghold Digital Mining for ~\$125M

in stock [BBG]

Recent developments across four key industries highlight Halliburton's cyberattack, OpenAI's customizable AI model, and Neuralink's successful second trial

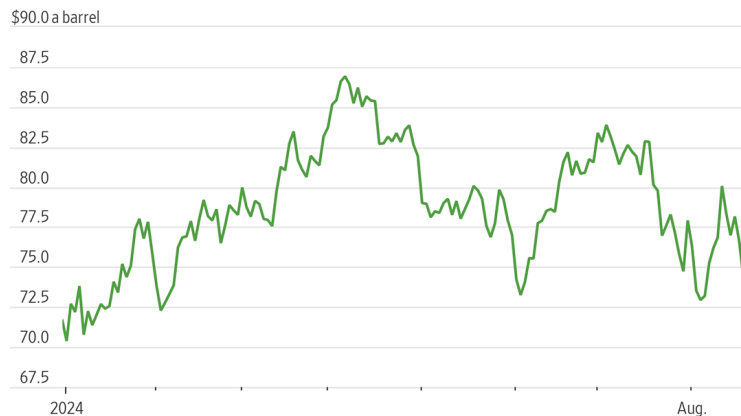
Energy & Natural Resources

- Natural gas prices in the U.S. are plummeting due to an oversupply, leading major producers like EQT and Coterra Energy to cut back output and delay projects in an effort to buoy prices [WSJ]



- Arch Resources and Consol Energy are merging to form a \$5.2 billion company, Core Natural Resources, with the deal expected to close by Q1 2025 [WSJ]
- Halliburton has become the latest company to face a cyberattack, prompting an internal investigation, system shutdowns, and law enforcement notification as it works to assess and remediate the breach [WSJ]
- Falling crude prices, driven by weak demand from China and mixed signals during the U.S. driving season, are leading to lower gas prices, with the average potentially dropping below \$3 per gallon later this year [WSJ]

Front-month U.S. crude futures



Source: FactSet

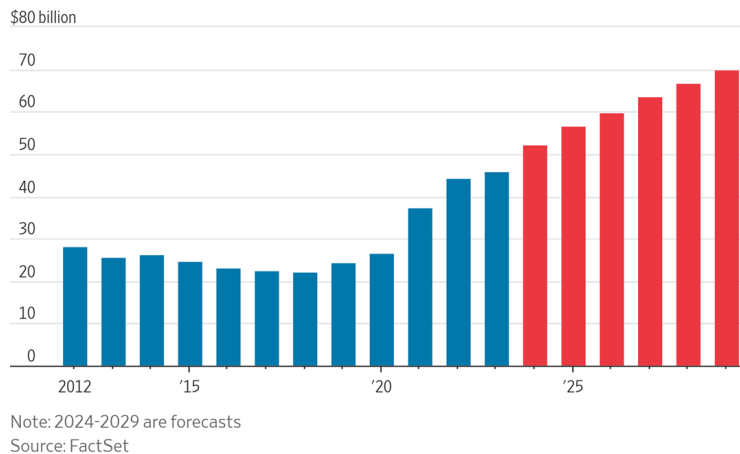
Technology, Media, & Telecommunications

- OpenAI is introducing a feature that allows businesses to customize its most advanced AI model, as competition for corporate clients intensifies [BBG]
- Apple will allow iPhone users in the EU to delete native apps, including Safari and the App Store, and use third-party alternatives to comply with the EU's Digital Markets Act [WSJ]

Healthcare & Life Sciences

- AstraZeneca, led by CEO Pascal Soriot, has grown into an oncology leader with a strong pipeline, including potential obesity treatments, offering solid growth at a more reasonable valuation than hyped rivals like Eli Lilly and Novo Nordisk [WSJ]

AstraZeneca annual sales under CEO Pascal Soriot



- Neuralink's second trial participant is successfully using its brain-computer interface without the issues faced by the first, thanks to improvements in the implantation process that maintain better performance [WSJ]

Financial Services

- Charles Schwab is revamping its banking strategy to focus on shorter-term assets, lending, and financial advice, while offloading deposits to third-party banks to enhance profitability [WSJ]
- TD Bank has set aside \$2.6 billion for fines related to weaknesses in its anti-money-laundering practices, offsetting the cost by selling shares of Charles Schwab, while enhancing its compliance efforts amid ongoing investigations by U.S. regulators [WSJ]