



The Roundup

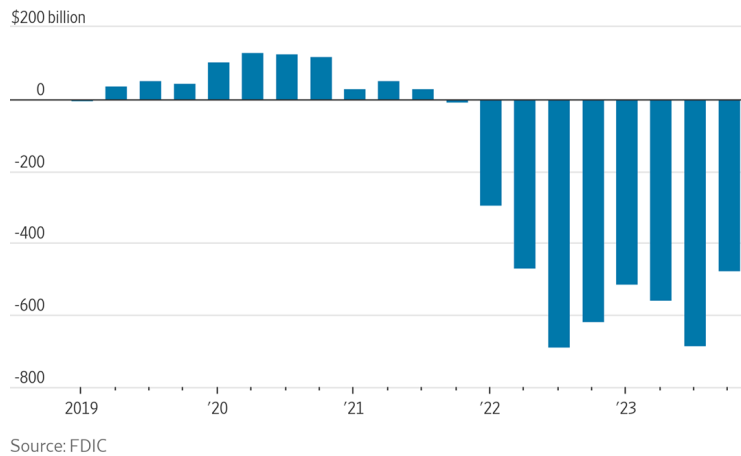
Weekly Economic Research

April 8 - 12, 2024

Investors are reassessing U.S. banks and rate cut expectations due to losses in real estate, bonds, and persistent inflation

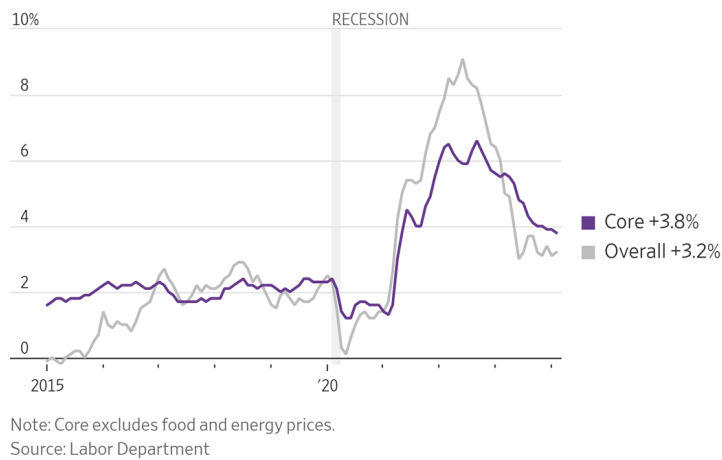
- The S&P 500 is up 0.78%, the Nasdaq is up 2.15%, and the Dow Industrials is down 0.53% WTD
- The 10-Yr U.S. Treasury yield has increased +0.138% to a current yield of 4.564%, whereas the 30-Yr U.S. Treasury yield increased +0.093% to a current yield of 4.659%; indexes drop and yields rise as March Inflation tops forecasts
- Crude oil prices increased 0.46% to a current \$85.18/bbl while bitcoin increased 2.28% to a current \$70,968.80/coin; oil prices have remained steady, while bitcoin has a slight increase
- Investors are closely monitoring U.S. banks amid concerns over mounting pressures, including losses from commercial real estate and bond portfolios [\[WSJ\]](#)

Unrealized gains & losses on banks' securities portfolios



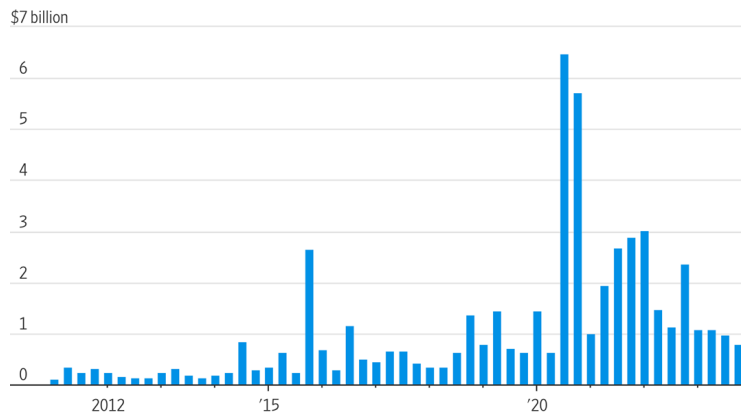
- The March consumer-price index (CPI) report, showing a 3.5% year-over-year increase, has garnered significant attention due to concerns about potential overreactions by the Federal Reserve following firmer inflation readings in January and February [WSJ]

Consumer price index, 12-month change



- As India prepares for elections amid political tensions, American investors are increasingly drawn to the country's robust economy, which is expected to grow significantly [WSJ]

Quarterly U.S. FDI into India

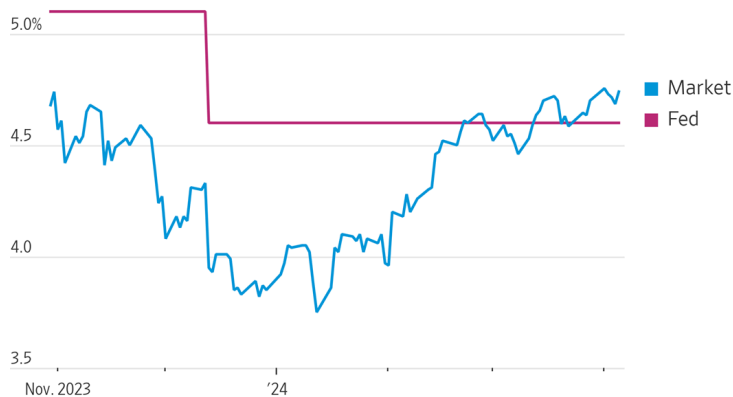


Source: CEIC

First-quarter earnings season begins today, with major banks like J.P. Morgan, Citi, and Wells Fargo set to report their results and conduct conference calls

- Investors' expectations of multiple interest rate cuts by the Federal Reserve have shifted, with some now anticipating fewer cuts or even the possibility of rates remaining unchanged, following strong economic data [WSJ]

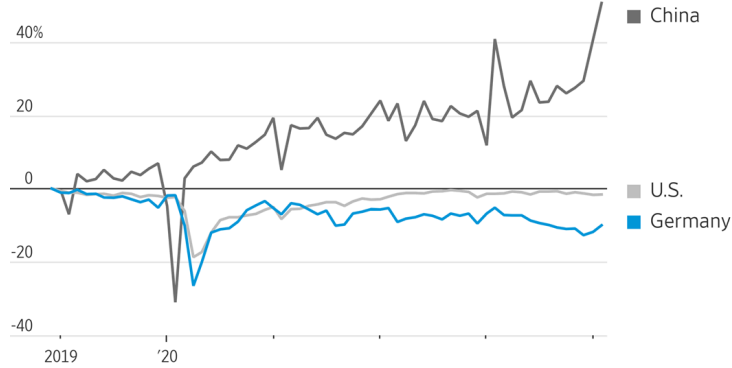
Fed-funds rate forecast for end of 2024



Sources: FactSet; Federal Reserve

- The shift in economic trends towards industrial policy poses challenges for Germany's traditional manufacturing prowess, particularly in the face of increased competition from China [WSJ]

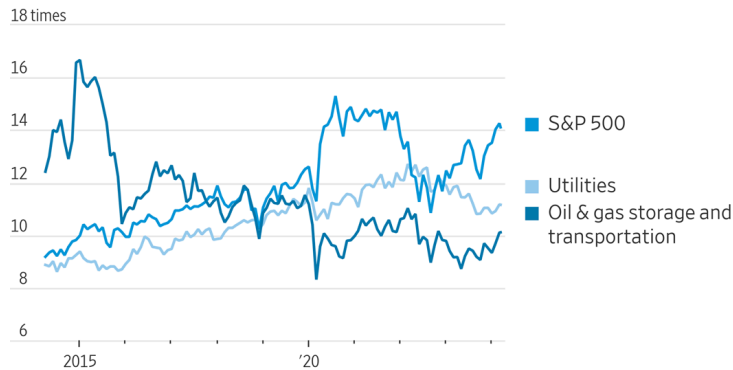
Industrial production, cumulative change since the end of 2018



Note: Seasonally adjusted
Sources: FactSet, WSJ calculations (Chinese seasonal adjustment)

- Companies involved in storing and transporting natural gas are experiencing increased demand and a deepening competitive advantage due to limited pipeline capacity and consistent growth in production and exports [WSJ]

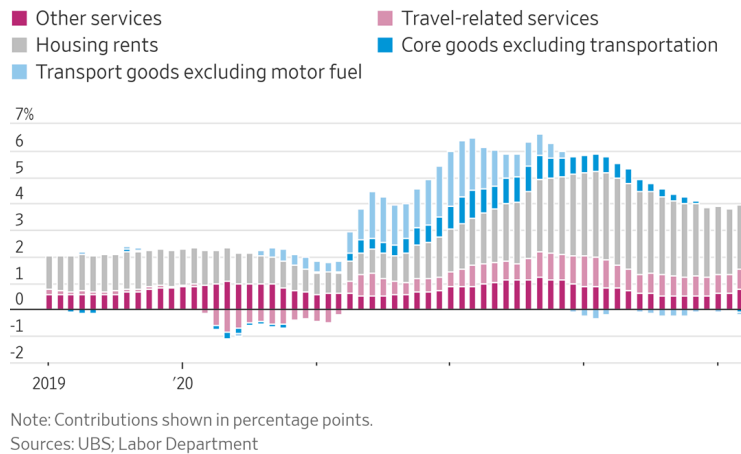
S&P indexes, enterprise value/Ebitda ratios



Note: Sector multiples are for S&P 500 subindexes. Ebitda refers to earnings before interest, tax, depreciation and amortization.
Source: FactSet

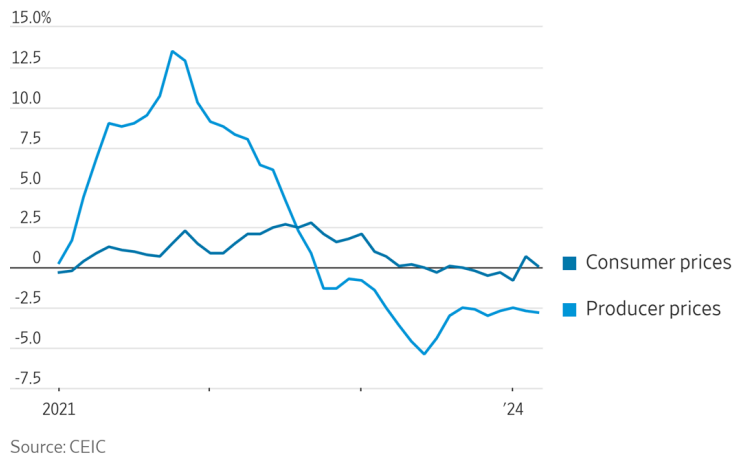
- Firmer-than-anticipated inflation data has hindered the Federal Reserve's hopes for a soft landing, raising doubts about their ability to cut rates without evidence of a sharper economic slowdown [WSJ]

Core inflation and its contributions



- In China, inflation has sharply retreated, raising concerns of deflation amid ongoing economic strains from a property downturn and restrained consumer spending [[WSJ](#)]

Price indexes, change on a year earlier



M&A activity continues to remain mixed while developments within healthcare, energy, and tech prove to be encouraging

- Johnson & Johnson agreed to acquire medical device maker Shockwave Medical in a ~\$13.1B cash deal [[BBG](#)]
- Blackstone agreed to acquire Apartment Income REIT, an owner of upscale apartments, in a ~\$10B deal [[WSJ](#)]

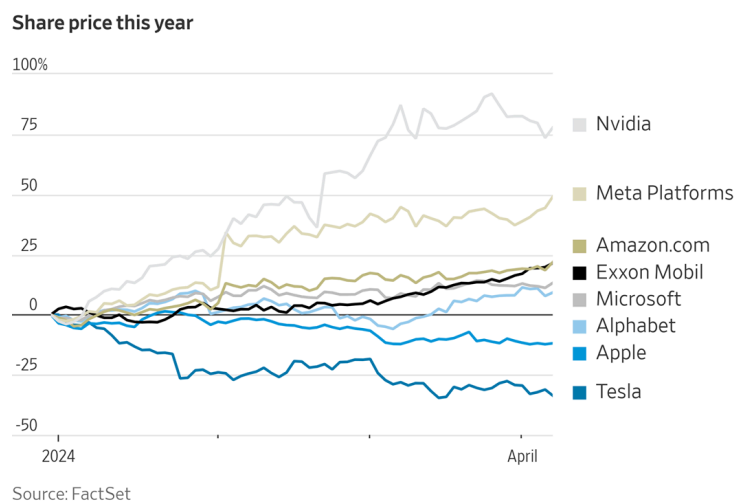
- KKR is considering a sale or IPO of IT solutions firm BMC Software, which could be worth ~\$15B, including debt [BBG]
- Blackstone is in talks to acquire sandwich chain Jersey Mike's for ~\$8B [WSJ]
- German railway Deutsche Bahn is asking a select group of bidders to submit another round of non-binding offers for its DB Schenker logistics unit, which could be valued at up to \$16B [BBG]
- German generic-drugmaker Stada Arzneimittel is in talks with potential buyers including CD&R, CVC Capital, and KKR on a potential sale that could fetch an ~\$8.7B valuation [BBG]
- Europe's largest gas distributor Italgas made a \$4.3B-\$5.4B preliminary offer for domestic rival 2i Rete Gas [RT]
- Skydance Media's potential \$26B merger with Paramount Global could involve a \$2B cash payment to major Paramount shareholder National Amusements followed by a \$5B all-stock merger of Paramount Global and Skydance [WSJ]
- Vertex Pharmaceuticals will acquire immunotherapy developer Alpine Immune Sciences for \$4.9B in cash [RT]
- Investment firm Motive Partners is considering a bid for \$4.6B UK-based mutual funds distributor Allfunds Group, which is gauging takeover interest [BBG]
- EQT agreed to acquire a majority stake in Spain's Universidad Europea from PE firm Permira in an over \$2.2B deal, including debt [RT]
- French media group Vivendi's Canal+ made an all-cash mandatory offer to buy all the shares of South African broadcaster MultiChoice it doesn't already own for \$1.9B [RT]
- PE firm Vista Equity Partners will take revenue optimization platform Model N private in a deal \$1.3B all-cash deal [TC]
- One Hotels & Resorts, the majority shareholder of Motel One Group, purchased RE PE group Proprium Capital Partners' 35% stake in the budget hotel chain for \$1.35B at a \$4.45B valuation, including debt [FT]

- Naturgy Energy Group shelved plans to sell \$2.6B of Australian assets of its renewable energy unit Global Power Generation due to valuation concerns [BBG]

Recent developments across four key industries highlight AI's influence, Exxon and Netflix's shares rising, and the importance of semiconductors

Energy & Natural Resources

- The U.S. Energy Information Administration (EIA) has raised its Brent spot price forecast for 2024 and 2025, anticipating higher averages compared to previous projections [RZ]
- Exxon Mobil's shares have surged by 21% this year, positioning the company as the fourth top performer among leading tech stocks, driven by strong demand for oil amid a robust global economy and supply disruptions due to geopolitical tensions [WSJ]



- Chevron has completed its withdrawal from Myanmar by giving up its stake in the country's largest natural gas project, Yadana, two years after announcing its departure in the aftermath of a military coup [WSJ]

Technology, Media, & Telecommunications

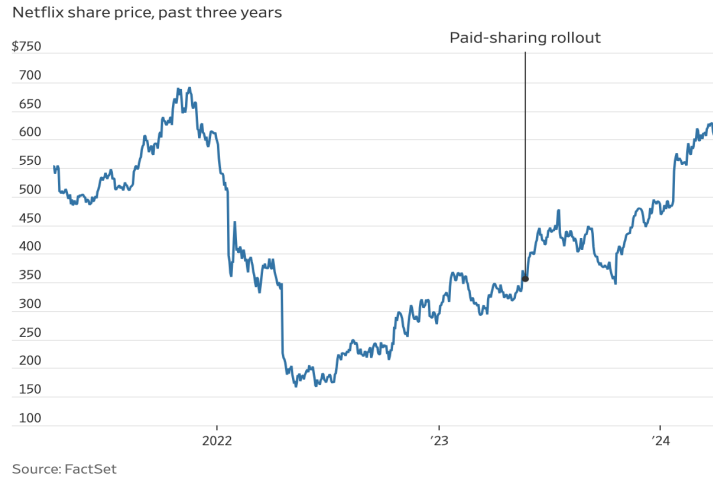
- Google is developing its own semiconductor chip called Axion, aiming to reduce reliance on outside vendors and compete with industry giants like Intel and Nvidia [WSJ]
- SK Hynix's \$3.9 billion investment in a semiconductor complex at Purdue University underscores efforts to bolster the U.S. semiconductor industry, highlighting the critical need for skilled engineering talent and industry-academic collaborations [WSJ]
- Elon Musk and Jamie Dimon predict that AI could surpass human intelligence soon, with Musk eyeing the end of next year, while Dimon compares its impact to historical innovations like the printing press and the Internet [WSJ]
- Arm's CEO, Rene Haas, emphasizes the urgent need for energy-efficient solutions in artificial intelligence applications to address the escalating power consumption of AI data centers, which could potentially consume up to 25% of U.S. power requirements by the end of the decade [WSJ]

Healthcare & Life Sciences

- Some companies are beginning to offer psychedelic-assisted therapy as part of their employee benefits package, recognizing its potential to improve mental health and productivity [WSJ]
- Philips has reached a final agreement with the U.S. Justice Department and FDA regarding its Respironics ventilators, focusing on completing remediation efforts for devices affected by a 2021 recall [WSJ]

Financial Services

- Netflix's crackdown on password sharing drove a surge in paid subscribers, prompting high expectations for its upcoming first-quarter report, with unofficial estimates suggesting a potential addition of up to 8 million subscribers [WSJ]



- Nicolai Tangen, CEO of Norges Bank Investment Management, launched a podcast called "In Good Company" to increase transparency about the Norwegian oil fund's investments, featuring CEOs of companies the fund owns shares in [WSJ]

Outside of standard macroeconomic updates and M&A developments, the 2024 Masters, O.J. Simpson's death, and Boeing have led news cycles

- O.J. Simpson, the football icon and actor, has passed away at 76 after battling cancer, ending a life marked by both athletic glory and controversy, notably his 1994 arrest and subsequent trial for the murder of his ex-wife Nicole Brown Simpson and her friend Ronald Goldman [NYT]
- Costco's sales of gold bars have surged, potentially reaching \$100 million to \$200 million per month, according to analysts at Wells Fargo [CNBC]
- Macy's settled its proxy fight with Arkhouse by appointing two of the firm's nominees to its board, facilitating ongoing discussions regarding Arkhouse's bid to take the department store private [CNBC]
- The Federal Aviation Administration (FAA) has opened an investigation after an engine cover on a Southwest Airlines Boeing 737-800 fell off during takeoff in Denver, striking the wing flap [RT]
- Israel's military campaign against Hamas in Gaza has faced challenges as the conflict loses momentum, with Hamas regaining territory and Israel lacking a clear postwar plan [WSJ]

- The Connecticut Huskies secured their second consecutive NCAA Tournament victory with a dominant performance over Purdue, showcasing their formula for success under head coach Dan Hurley [[WSJ](#)]
- Comcast Corp. has achieved a record-breaking \$1.2 billion in advertising sales for the upcoming summer Olympics and Paralympic games in Paris, with both opening and closing ceremonies sold out [[BBC](#)]