



The Roundup

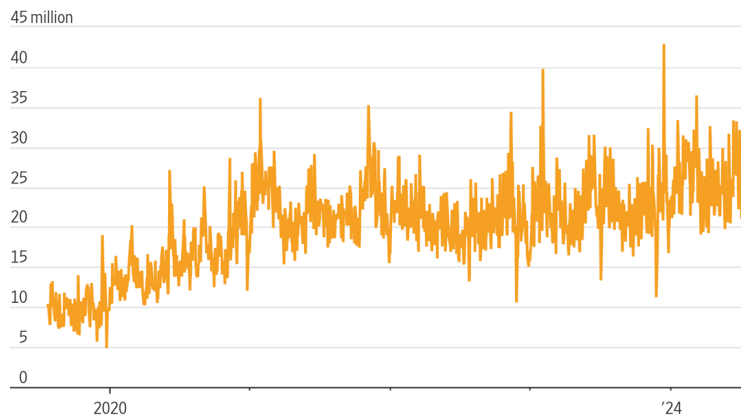
Weekly Economic Research

July 15 - 19, 2024

After gains earlier in the week, stocks closed lower on Thursday, with the S&P 500 experiencing its first 1% drop in over two months on Wednesday

- The recent dip reflects a shift to more cautious risk sentiment, seen as normal market fluctuations rather than a concerning downtrend
- The S&P 500 is down -0.83%, the Nasdaq is down -2.36%, and the Dow Industrials is up +2.22% WTD
- The 10-Yr U.S. Treasury yield has increased +0.008% to a current yield of 4.196%, whereas the 30-Yr U.S. Treasury yield increased +0.015% to a current yield of 4.415%
- Crude oil prices decreased -0.91% to a current \$80.80/bbl while bitcoin increased +8.10% to a current \$63,950.90/coin
- Investor optimism is high, with intense options trading and record inflows into stock funds and ETFs indicating bets on continued market gains, reflected by the Russell 2000's surge and strong bullish sentiment [[WSJ](#)]

Call options volume, daily



Source: Cboe Global Markets

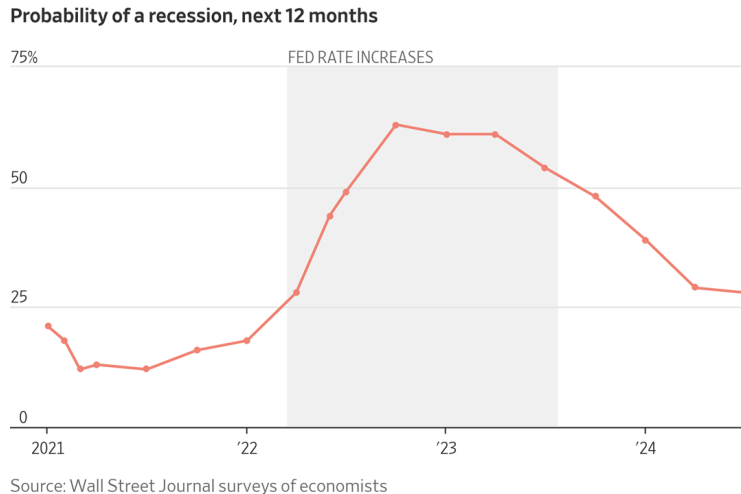
- Investors are rotating from mega-cap tech to small-cap stocks, with the Russell 2000 rising 3.5% on Tuesday and outperforming the Nasdaq Composite and S&P 500 by record margins over the past five days [WSJ]

Index performance, past six months

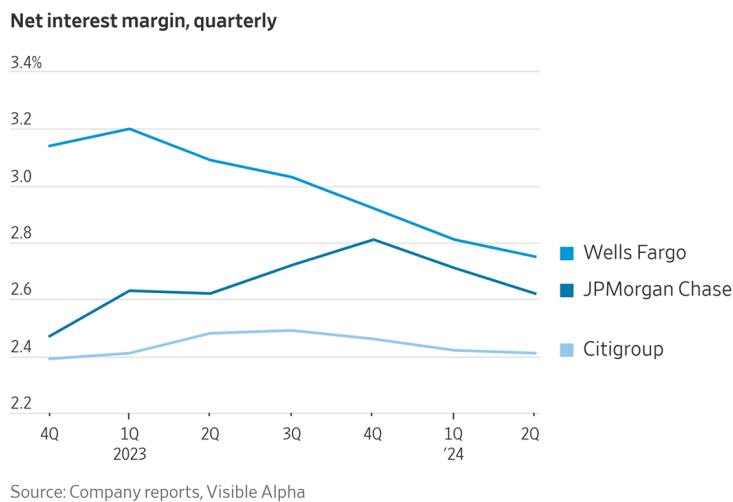


Source: FactSet

- Economists have revised their views as the U.S. economy's recent growth was lower than expected, seeing this as normalization after rapid expansion and high inflation [WSJ]

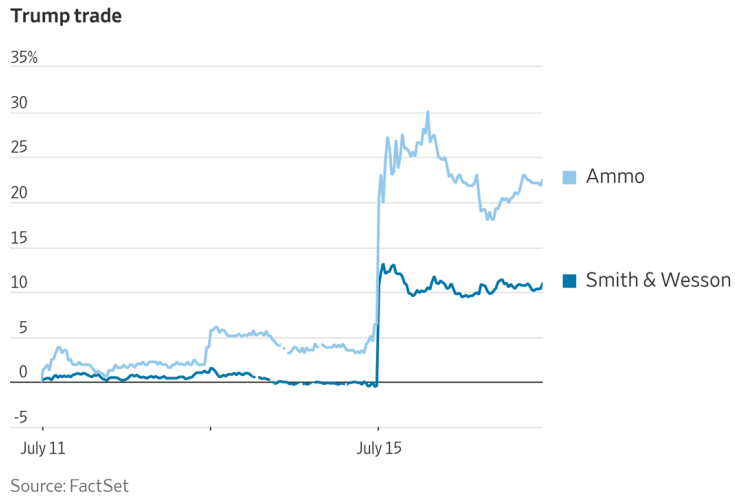


- The Federal Reserve's expected rate cuts may eventually benefit banks by stimulating borrowing and reducing deposit costs, but initially, it could pressure their earnings and net interest income [WSJ]

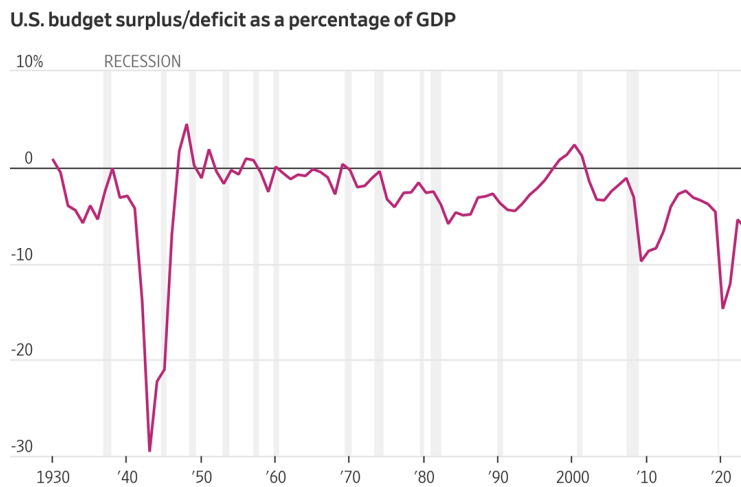


Treasury yields fell due to strong demand for safe bonds and ASML's strong sales to China raised concerns amid U.S. pressure for tighter export controls

- Major stock indexes and bond yields rose after the attempted assassination of Donald Trump, as investors speculated on the economic policies of a potential second Trump presidency [WSJ]

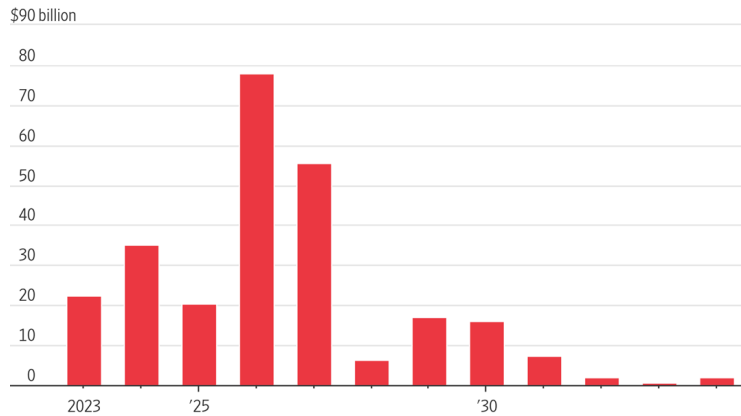


- Despite a worsening fiscal outlook, Treasury yields have fallen from 2023 highs due to strong demand for safe, reasonably yielding bonds [WSJ]



- The commercial real-estate meltdown is hitting the bond market, with rising defaults in SASB bonds used to finance offices and malls facing refinancing challenges due to higher interest rates and falling property values [WSJ]

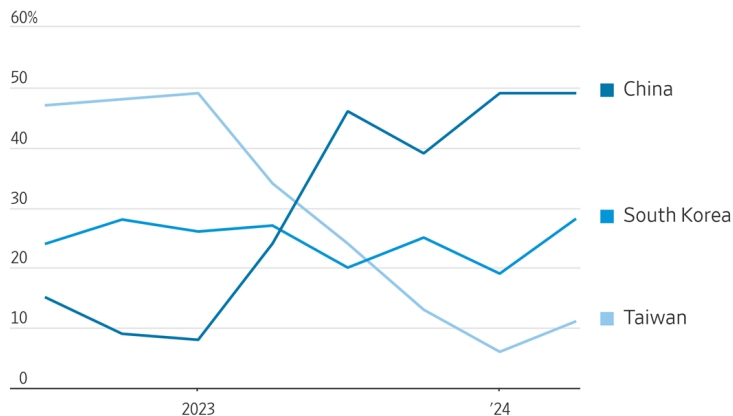
SASB commercial mortgage bonds due



Source: Federal Reserve Bank of Philadelphia

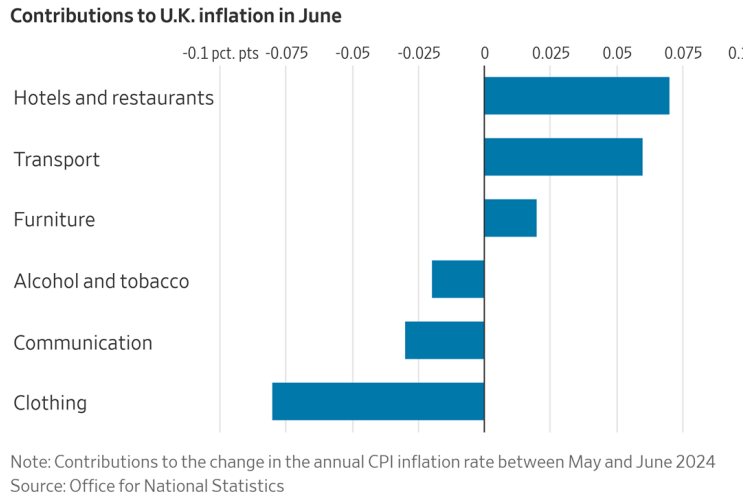
- ASML's strong sales to China, accounting for 49% of its second-quarter revenue, are raising concerns amid U.S. pressure for tighter export controls to limit Beijing's access to chip technology [WSJ]

Share of ASML's net system sales by shipment destination



Source: the company

- U.K. services inflation rose in June, partly due to Taylor Swift's tour boosting hotel and live music prices, but the Bank of England sees this as temporary and won't heavily weigh it in the upcoming interest-rate decision [WSJ]



Global merger and acquisition volumes reached \$1.6 trillion in the first half of the year, a 20% increase from the previous year, according to Dealogic data

- PE firms Advent, CD&R and PAI Partners submitted offers for Sanofi's consumer health division that values the business at ~\$16.4B [BGC]
- PE firms Apax Partners, Bain Capital and CVC are exploring potential bids for SoftwareOne, which rejected a \$3.3B takeover bid from Bain in April [RT]
- Eyewear giant EssilorLuxottica agreed to buy US streetwear brand Supreme for \$1.5B from apparel company VFC [FT]
- Chappal Energies agreed to buy TotalEnergies' 10% stake in its Nigerian O&G assets for \$860M [BGC]
- Darden Restaurants will buy Tex-Mex restaurant chain Chuy's in a \$605M cash deal [BGC]
- Blackstone, CVC, and Veritas are weighing bids for Carlyle-backed aircraft maintenance provider StandardAero at a potential ~\$10B valuation, including debt [BGC]
- Verizon is exploring a sale of 5k-6k mobile-phone towers across the US, which could fetch over \$3B [BGC]
- Malaysian telecom Maxis is considering buying out mobile telecom provider U

Mobile, which is seeking a \$2.1B valuation [BBG]

- A consortium of Russian investors will acquire majority of Russian tech firm Yandex's businesses in a ~\$5.4B cash and stock deal, ending foreign ownership [RT]
- US steelmaker Cleveland-Cliffs agreed to buy Canadian peer Stelco for \$2.8B in cash and stock [BBG]
- Alphabet is in advanced talks to acquire cybersecurity startup Wiz for ~\$23B [WSJ]
- Qingdao Port International agreed to acquire oil and energy assets from Rizhao Port and Yantai Port for \$1.3B [RT]

Recent developments across four key industries highlight U.S. crude oil inventories falling; Wiz nearing a \$23 billion acquisition by Alphabet; and healthcare investors favor Trump for expected regulatory easing in Medicare Advantage

Energy & Natural Resources

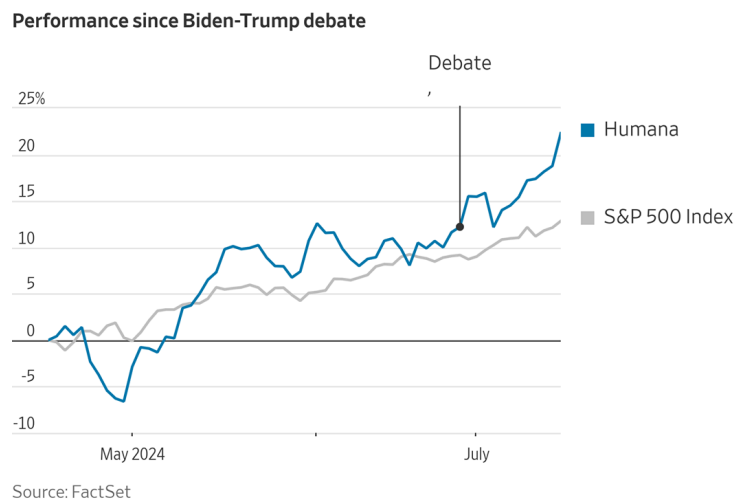
- U.S. crude oil inventories unexpectedly fell for the third consecutive week by 4.9 million barrels, while gasoline and distillate stocks increased, despite steady crude production and declining refinery runs and gasoline demand [WSJ]
- Cleveland-Cliffs is acquiring Stelco Holdings for \$2.5 billion, with CEO Lourenco Goncalves expecting \$120 million in annual savings, operational improvements, and boosted earnings, despite low steel prices, while still eyeing U.S. Steel at a lower price [WSJ]
- TotalEnergies expects high-end oil-and-gas production to boost exploration and production earnings, despite weak refining margins, with production near 2.45mil barrels per day and steady LNG and power segment earnings [WSJ]

Technology, Media, & Telecommunications

- OpenAI released GPT-4o mini, a smaller and cheaper AI model that is 60% less expensive than its predecessor, GPT-3.5 turbo, and scores higher on intelligence tests [WSJ]
- Cloud cybersecurity company Wiz, founded by former Israeli military officers, is close to being acquired by Google parent Alphabet for \$23 billion, marking the largest tech exit since Rivian's 2021 IPO [WSJ]
- A global tech outage caused by a software update from cybersecurity firm CrowdStrike disrupted operations for banks, media companies, emergency services, and airlines, highlighting the fragility of global digital infrastructure [WSJ]

Healthcare & Life Sciences

- Healthcare investors favor Donald Trump, expecting regulatory easing for the \$450 billion Medicare Advantage industry, benefiting companies like Humana, UnitedHealth, and CVS Health [WSJ]



- Roche's new weight-loss pill, CT-996, showed promising early results with 7.3% weight loss in four weeks, surpassing competitors like Novo Nordisk and Eli Lilly, as part of its strategy to address the significant unmet need in the \$100 billion obesity market [WSJ]

Financial Services

- Goldman Sachs is partnering with robo-adviser Betterment to offer sophisticated investment strategies, traditionally reserved for wealthy clients, to everyday investors, aiming to boost fee revenue [WSJ]
- Big banks are offering cash bonuses and promotional interest rates to attract new account holders, but these offers often come with fine print and less favorable long-term rates [WSJ]