



The Roundup

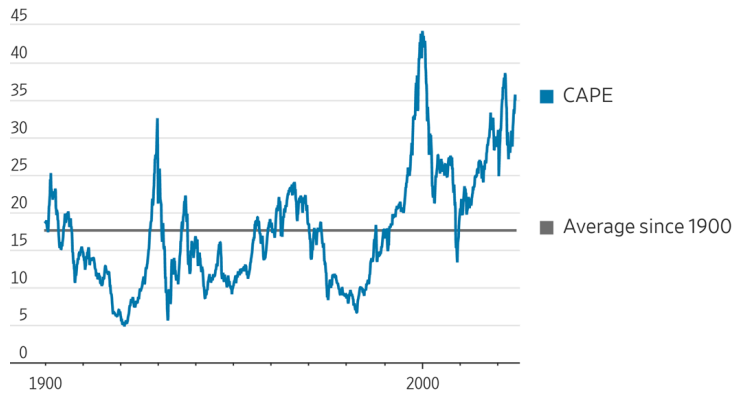
Weekly Economic Research

August 12 - 16, 2024

Major equity markets close higher with gains led by consumer discretionary, technology, and materials stocks, as small-cap stocks outperform large-caps and mid-caps

- The S&P 500 is up 4.30%, the Nasdaq is up 5.76%, and the Dow Industrials is up 2.93% WTD
- The 10-Yr U.S. Treasury yield has decreased -0.042% to a current yield of 3.898%, whereas the 30-Yr U.S. Treasury yield decreased -0.058% to a current yield of 4.162%
- Crude oil prices increased 2.22% to a current \$76.83/bbl while bitcoin decreased 0.88% to a current \$58,205.10/coin
- Long-term investors often ignore short-term market swings, but indicators like the CAPE, forward PE, and Fed Model suggest U.S. large-cap stocks are currently overvalued, warranting a potential reassessment [[WSJ](#)]

In the Long Run, Stocks Got Pricier



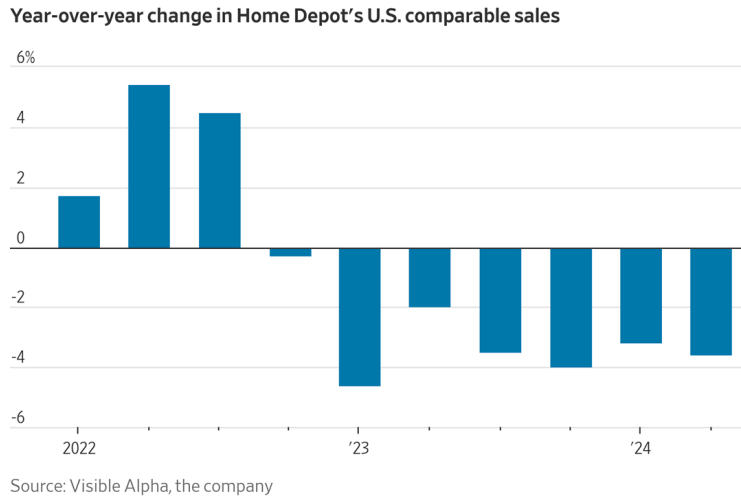
Note: Chart shows S&P 500 cyclically-adjusted price-to-earnings ratio
Source: Prof. Robert Shiller, LSEG

- Mortgage rates have fallen to their lowest level in over a year, but the drop is still insufficient to make homeownership affordable for many Americans due to record-high housing prices and limited inventory [[WSJ](#)]

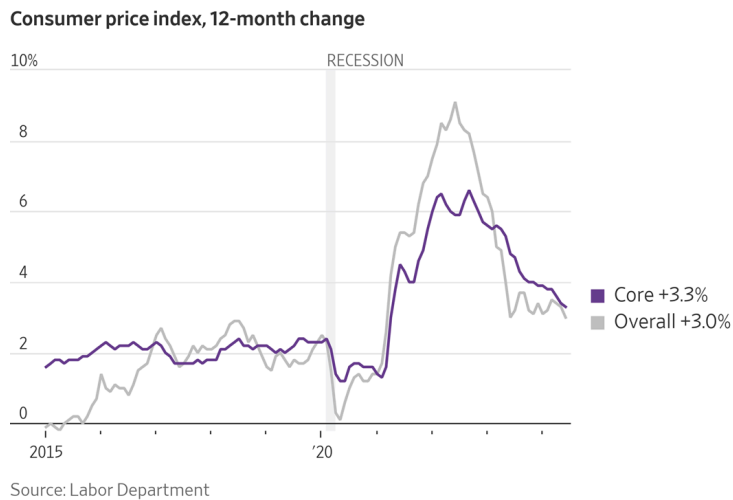
Average rate on a 30-year fixed mortgage



- Home Depot's U.S. comparable sales fell 3.6% in the latest quarter, worse than expected, due to high mortgage rates that dampen home-buying and renovation spending [[WSJ](#)]



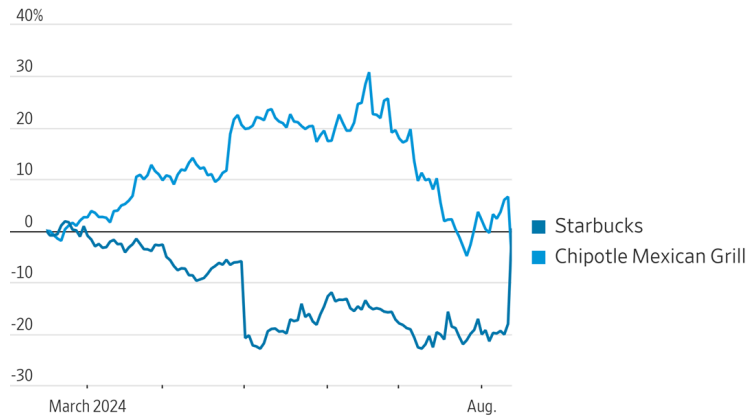
- The July CPI report revealed that inflation slowed more than expected, with the overall CPI rising 2.9% from a year earlier, marking the smallest increase since March 2021 [WSJ]



Recent market moves include a 25% surge in Starbucks' stock, a 9% rise in Walmart's stock, and Natron Energy's \$1.4 billion investment in a North Carolina plant

- Starbucks CEO Laxman Narasimhan was unexpectedly replaced by Chipotle CEO Brian Niccol, leading to a 25% surge in Starbucks' stock price [WSJ]

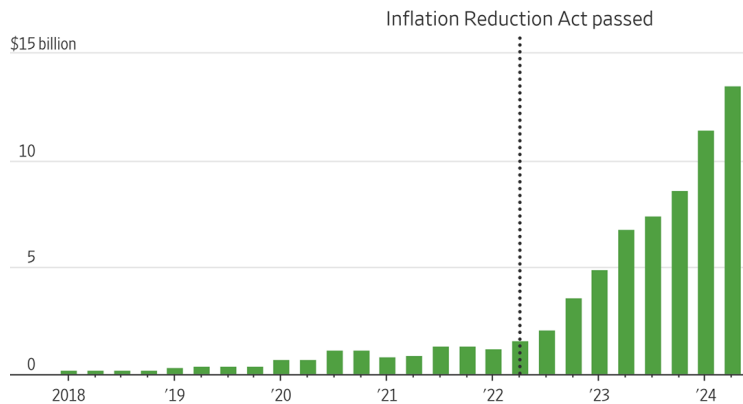
Share-price performance, past six months



Source: FactSet

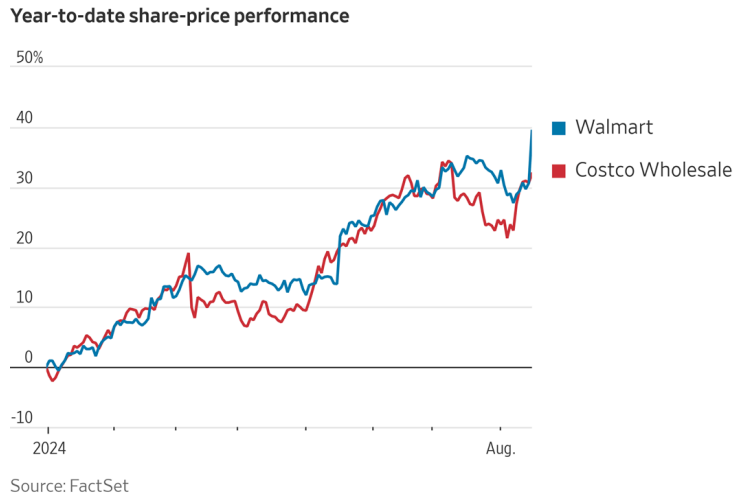
- Natron Energy, a U.S. startup focusing on sodium-based batteries, plans to invest \$1.4 billion to build its first large-scale plant in North Carolina, aiming to produce cheaper, safer batteries compared to lithium-ion alternatives [WSJ]

Quarterly U.S. battery manufacturing investment



Note: Figures are adjusted for inflation
Source: Rhodium Group-MIT/CEEPR Clean Investment Monitor

- Walmart's stock surged 9% after its latest earnings call, driven by stronger-than-expected comparable sales growth of 4.2% at Walmart U.S., outpacing the 3.5% analysts had anticipated [WSJ]



M&A activity shows improvement with one major development between Mars and Kellanova

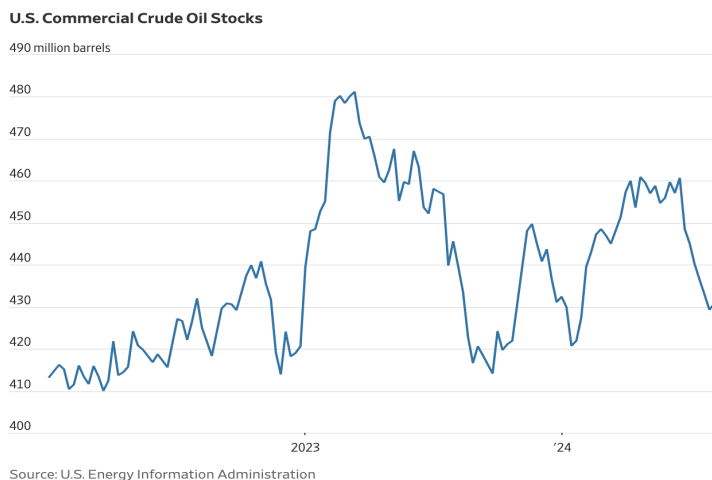
- Food giant Mars will acquire snack-maker Kellanova in a \$36B cash deal [CNBC]
- Energy-focused PE firm EIG is exploring a sale of oil and gas producer Maverick Natural Resources at a \$3B valuation, including debt [RT]
- Gambling company Flutter is in exclusive talks to buy UK betting company Playtech's Italian business Snaitech for ~\$2.6B [FT]
- Carlyle agreed to acquire Baxter's kidney-care unit Vantive for \$3.8B [RT]
- Japanese lender SMBC and UAE's Emirates NBD are in talks to acquire State Bank of India's 24% stake in smaller rival Yes Bank for \$2.2B [RT]
- Performance Food will acquire foodservice distributor Cheney Brothers from the Cheney family and CD&R for \$2.1B cash [RT]
- StanCorp Financial will acquire insurer Allstate's employer voluntary benefits business in a \$2B cash deal [RT]
- Chinese solar manufacturer Tongwei plans to acquire at least 51% of smaller peer Runergy for up to \$700M [BBC]
- A consortium led by CK Infrastructure will acquire a portfolio of UK wind farms from Aviva Investors for \$449M [FT]

- Rheinmetall will buy US-based military vehicle parts maker Loc Performance in a \$950M deal [RT]
- Bain Capital emerged as the frontrunner to acquire a 60% stake in \$586M Indian-listed cancer hospital chain HealthCare Global Enterprises from CVC [BBG]
- Private UK pension USS acquired a portfolio of 3k homes from Blackstone for \$518M [BBG]

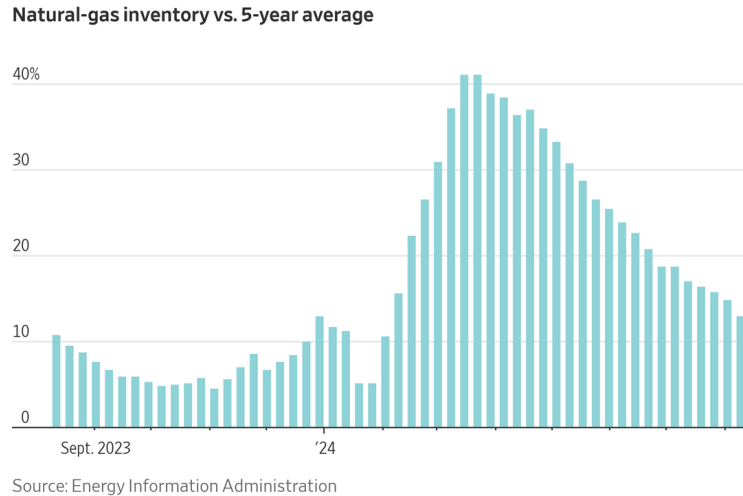
Recent developments across four key industries highlight U.S. crude oil inventories rising, generative AI companies are driving significant profit growth, and more

Energy & Natural Resources

- Natron Energy plans to invest \$1.4 billion in a new plant in North Carolina to produce high-tech sodium-based batteries, which are seen as safer and more cost-effective alternatives to lithium-ion batteries [WSJ]
- U.S. crude oil inventories rose by 1.4 million barrels last week, marking the first increase in seven weeks, while gasoline and distillate stocks fell due to rising demand, according to the U.S. Energy Information Administration [WSJ]

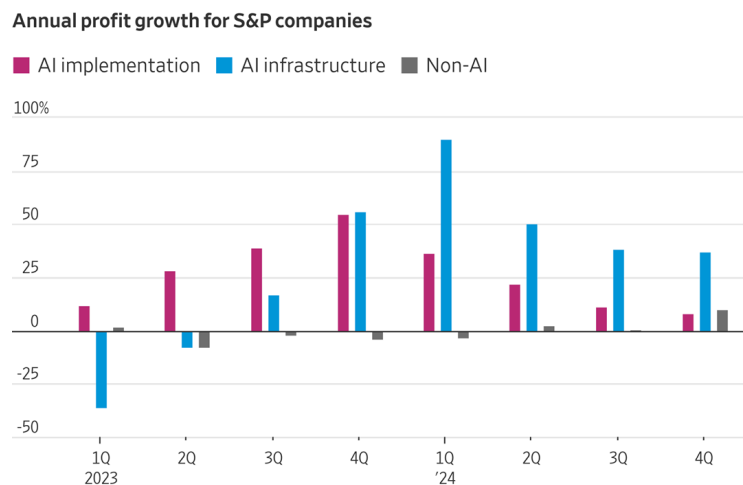


- The U.S. drew down natural-gas stockpiles for the first time during the summer since 2016, reducing the surplus and boosting gas prices by over 15% as production cuts take effect [WSJ]



Technology, Media, & Telecommunications

- Generative AI companies have driven significant profit growth, particularly in upstream sectors like semiconductors and data centers, where profits surged due to heavy capital expenditures from firms implementing AI technologies [WSJ]



- Lenovo's net profit rose 38% to \$243 million, driven by a 20% revenue increase from AI-driven products and diversification beyond PCs [WSJ]

Healthcare & Life Sciences

- The U.S. government has successfully negotiated lower prices for 10 prescription drugs, marking a significant step in reducing healthcare costs [WSJ]
- The World Health Organization (WHO) has declared the rapid spread of Mpox in Africa an international health emergency, with over 17,000 suspected infections and 517 confirmed deaths across 13 countries, mainly in the Democratic Republic of Congo [WSJ]

Financial Services

- Ken Griffin, founder of Citadel, emphasizes his hedge fund's dominance with record profits in 2022 while expanding his influence in finance and real estate [WSJ]
- Rising electricity demand driven by AI and broader electrification is delaying the retirement of coal and natural gas plants in the U.S., undermining efforts to reduce carbon emissions [WSJ]