



# The Roundup

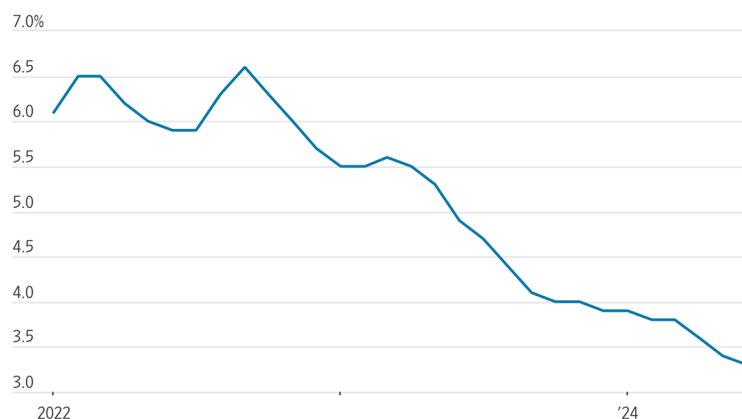
## Weekly Economic Research

**July 8 - 12, 2024**

### **Investors seek insights on consumer health and loan growth, while S&P earnings are expected to grow 8.8%**

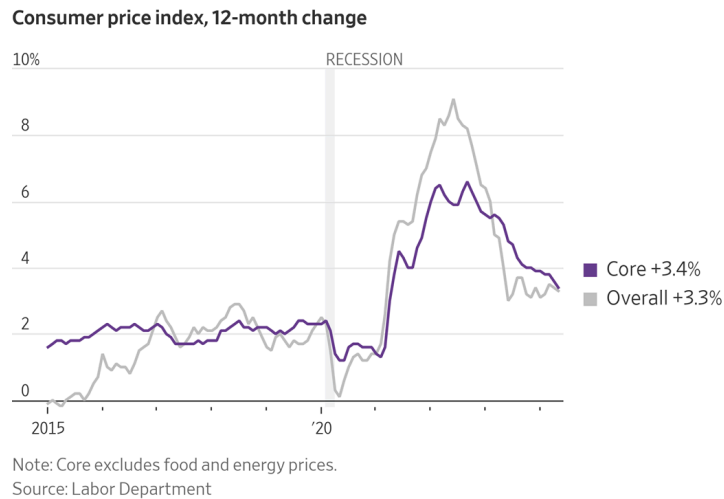
- The S&P 500 is up 0.37%, the Nasdaq is down 0.32%, and the Dow Industrials is up 1.18% WTD;
- The 10-Yr U.S. Treasury yield has decreased -0.071% to a current yield of 4.211%, whereas the 30-Yr U.S. Treasury yield decreased -0.065% to a current yield of 4.411%
- Crude oil prices decreased 0.71% to a current \$81.54/bbl while bitcoin increased 3.64% to a current \$57,884.90/coin
- Given the recent weak inflation data and a cooling labor market, there seems little reason for the Federal Reserve to delay cutting rates, as waiting could risk economic downturn [[WSJ](#)]

Consumer-price index, less food and energy, change from year earlier

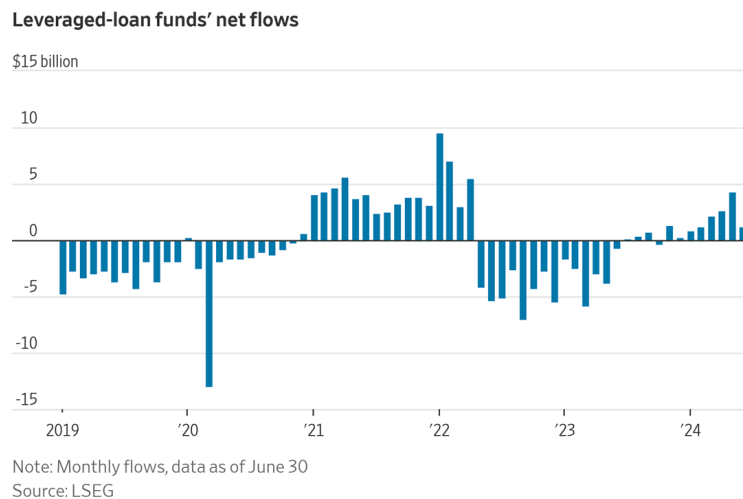


Source: St. Louis Federal Reserve

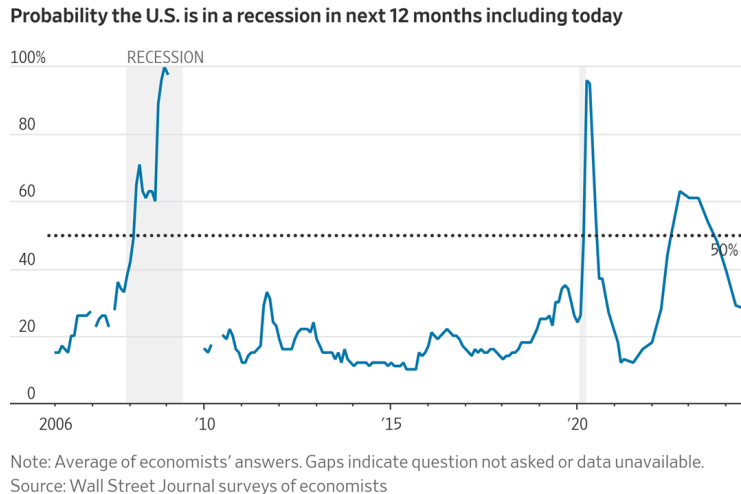
- Economists forecast the June consumer-price index to show a 3.1% annual rise, with core CPI expected to increase by 3.4% [WSJ]



- Despite higher interest rates, low-rated corporate loans are drawing significant investor inflows and outperforming investment-grade bonds, with yields around 9% and low default rates [WSJ]

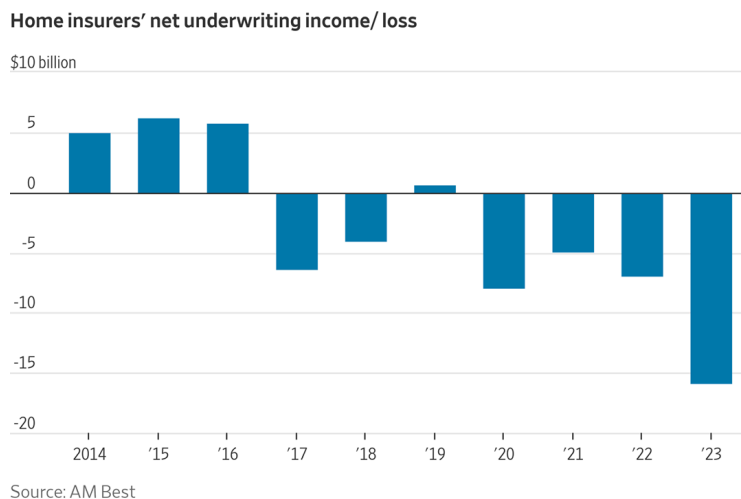


- Most economists believe inflation, deficits, and interest rates would be higher under a second Trump administration compared to Biden's, with 56% of forecasters in a Wall Street Journal survey predicting higher inflation under Trump [WSJ]



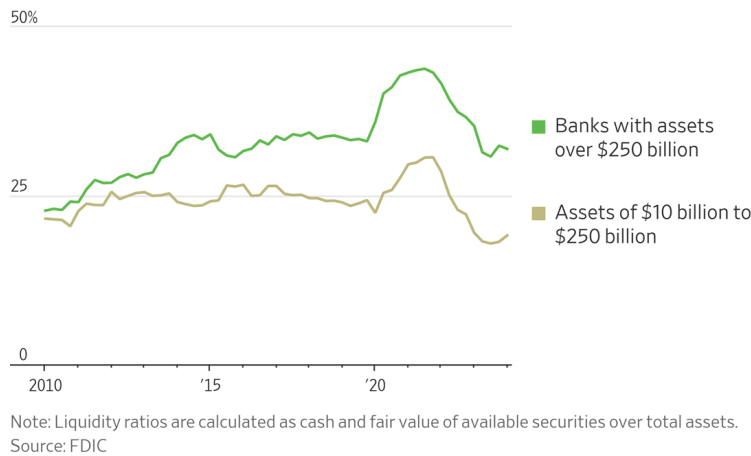
## Home insurers are raising rates, banks face scrutiny over unrealized losses and real-estate delinquencies, and fewer Americans are job-hunting

- Home insurers are securing significant rate increases and weakened consumer protections as state regulators fear insurers exiting their regions, with states approving nearly all requested hikes, including double-digit increases in ten states since last year [WSJ]



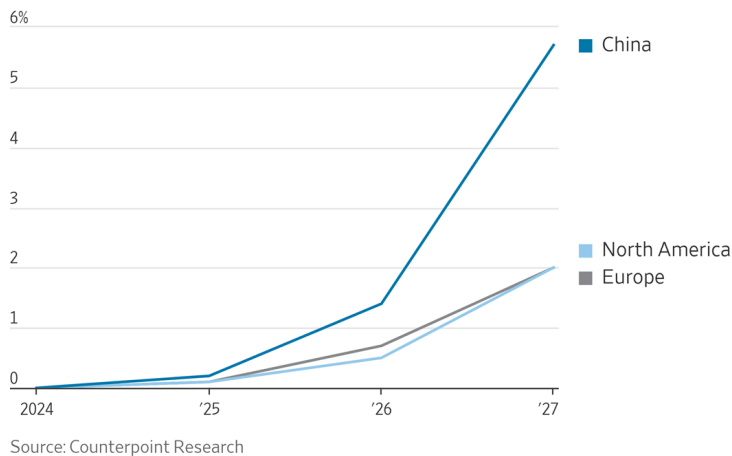
- As major banks report earnings, investors are watching for signs of weakness, including \$517 billion in unrealized losses from low-interest-rate bonds and rising commercial real-estate delinquencies [WSJ]

### Bank liquidity ratios



- China has made significant strides in driver automation, with companies like Baidu, XPeng, and Huawei advancing rapidly and gaining regulatory support to trial Level 3 automated driving on public roads [WSJ]

### Level 3 self-driving vehicle sales as a share of total, forecasts



- Fewer Americans are seeking new jobs due to rising job satisfaction and a tougher job market, leading to a trend dubbed the "big stay" [WSJ]



## M&A activity shows slight improvement; developments within energy, media, and healthcare prove to be encouraging

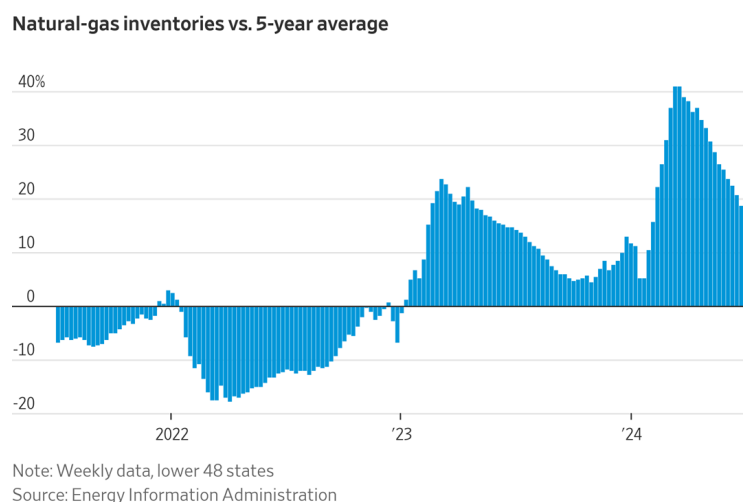
- Bain Capital will acquire wealth management SaaS firm Envestnet for \$4.5B [WSJ]
- Alphabet shelved plans to acquire \$25B-listed marketing software firm HubSpot [BBC]
- Paramount Global will merge with Skydance Media in a \$28B deal [FT]
- Devon Energy agreed to acquire the Williston Basin assets of EnCap Investments' Grayson Mill Energy for \$5B in cash and stock [BBC]
- Danish brewer Carlsberg agreed to acquire UK pepsi bottler Britvic for \$4.2B [BBC]
- First Abu Dhabi Bank is among potential suitors for a ~\$5B, 51% stake in India's Yes Bank [BBC]
- Honeywell will acquire Air Products' LNG process technology and equipment business for \$1.8B cash [RT]
- AMD will acquire Finnish AI startup Silo AI for \$665M cash [FT]
- A consortium led by Vista Equity Partners agreed to acquire a majority stake in hybrid cloud storage provider Nasuni at a ~\$1.2B valuation [BBC]

- Goldman Sachs Asset Management will acquire a majority stake in event engineering firm TAIT from Providence Equity Partners [[BBC](#)]

## Recent developments across four key industries highlight AI driving profit growth for tech giants, airlines and banks facing challenges, and natural-gas prices dropping

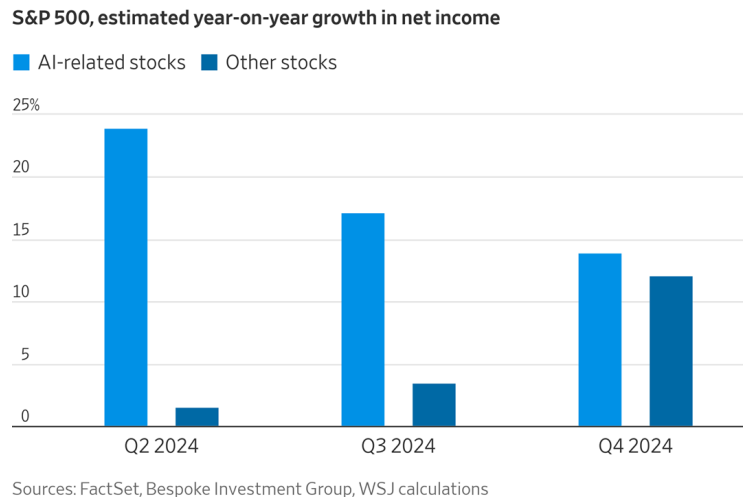
### Energy & Natural Resources

- Marathon Oil settled with the EPA and DOJ over Clean Air Act violations, agreeing to a \$64.5 million penalty and \$177 million in compliance measures to reduce methane emissions [[WSJ](#)]
- OPEC maintained its bullish outlook for oil-demand growth at 2.2 million barrels a day in 2024, driven by strong mobility, air travel, and manufacturing activities, while raising its global economic growth forecast to 2.9% for this year [[WSJ](#)]
- Despite high summer demand, natural-gas prices have dropped 25% since June 11 due to a supply glut, higher-than-expected storage volumes, and reduced demand from Hurricane Beryl, which knocked out power in Texas and cooled the Great Lakes [[WSJ](#)]



### Technology, Media, & Telecommunications

- Artificial intelligence will dominate the upcoming earnings season, with tech giants like Meta, Alphabet, and Nvidia driving profit growth, while airlines and banks face challenges from weak airfares and narrowing margins [WSJ]

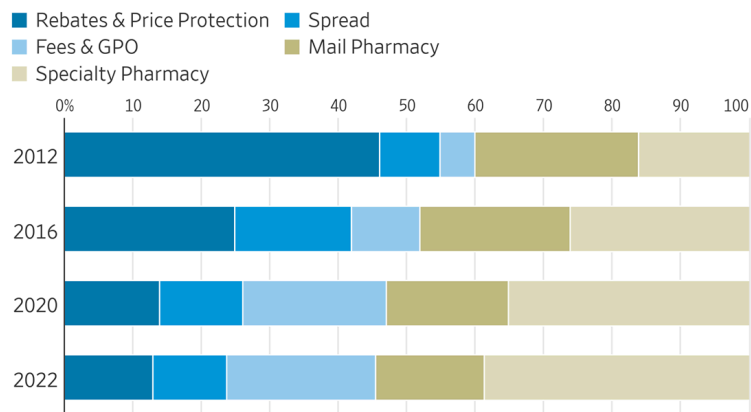


- The European Union has charged Elon Musk's X, formerly Twitter, with breaching the Digital Services Act, which could lead to a fine of up to 6% of the company's annual revenue [WSJ]
- U.S. Republican lawmakers are calling for a probe into Microsoft's \$1.5 billion investment in AI firm G42, citing concerns about the transfer of advanced technology and potential ties between the Abu Dhabi-based company and China [WSJ]

## Healthcare & Life Sciences

- A federal jury convicted SCWorx's former CEO Marc Schessel of securities fraud for misleading investors about acquiring Covid-19 rapid test kits, causing a significant surge in the company's stock price [WSJ]
- Pharmacy-benefit managers (PBMs) face bipartisan calls for regulation due to practices driving up healthcare costs, but a recent FTC report didn't recommend immediate antitrust action, relieving investors [WSJ]

Source of PBM Gross Profits Over Time



Source: Nephron Research PBM Gross Profit Model, August 2023

## Financial Services

- Higher interest rates are pressuring major banks, with JPMorgan Chase and Wells Fargo reporting lower profits, while Citigroup's profit increased due to cost-cutting but included more provisions for credit-card losses [WSJ]
- Cooling inflation led investors to shift from big tech stocks to lagging sectors like industrials and small caps, driving the Russell 2000 index up 3.6% while major tech companies saw significant losses [WSJ]