



# The Roundup

Weekly Economic Research

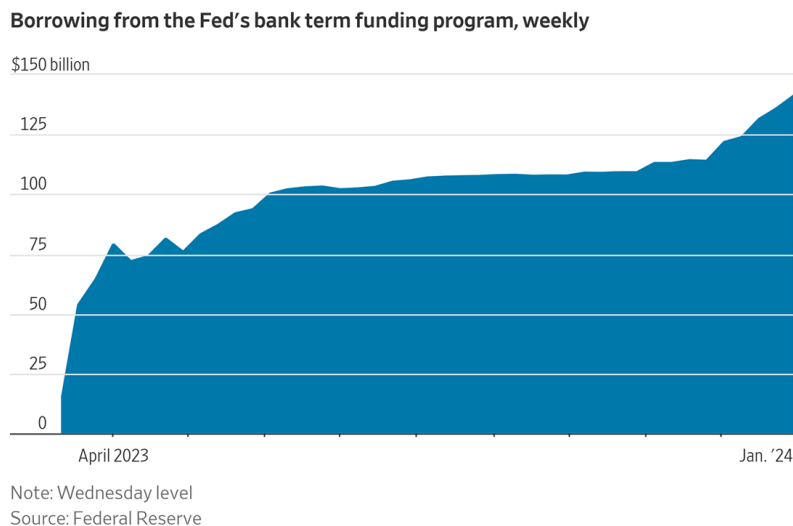
**January 8 - 12, 2024**

## **Macroeconomic turbulence intensified this week as higher-than-anticipated inflation, rising yields, and job cuts muddied the outlook**

- The S&P 500 is up 1.19%, the Nasdaq is up 2.27%, and the Dow Industrials is down 0.02% WTD; despite some concerns lingering from last week, fair economic results have helped fuel a modest rebound in major indexes, reflecting renewed investor interest
- The 10-Yr U.S. Treasury yield has increased +0.009% to a current yield of 4.045%, whereas the 30-Yr U.S. Treasury yield increased +0.028% to a current yield of 4.235%; tame inflation bolsters the case for holding rates, driving investors to Treasuries and pushing yields higher
- Crude oil prices increased 1.28% to a current \$73.75/bbl while bitcoin increased 4.87% to a current \$46,136/coin; the long-awaited approval of a spot Bitcoin ETF and simmering tensions in the Middle East fueled gains in both oil and bitcoin this week
- Inflation picked up to 3.4% in December; Inflation firmed up at year's end, after the pace of price gains fell by nearly half in 2023 [[WSJ](#)]
- There are no sure things in markets, but many investors believe high-quality U.S. bonds are currently pretty close; investors' expectation that the Fed will cut interest rates five or six times this year is roughly double what policymakers are forecasting [[WSJ](#)]

## A confluence of geopolitical headwinds and evolving international financing dynamics has amplified commodity price volatility

- The Securities and Exchange Commission (SEC) officially approved spot bitcoin ETFs on Wednesday for the first time; the 11 exchange-traded funds will let old-school investors and bitcoin enthusiasts alike access the world's biggest cryptocurrency without having to keep a long password for a crypto wallet [R]
- Everyone hoped for a Roaring Twenties-style global economic foxtrot, but instead, it looks like the world economy is swaying to melancholic blues; the World Bank said on Tuesday that the early 2020s are shaping up to be the worst half-decade for global economic growth in over 30 years [R]
- An emergency lending program the Federal Reserve created during the 2023 banking crisis has turned into easy money; borrowing from the Fed's bank term funding program has increased to new highs in recent weeks, a strange consequence of the market's flip to forecasting multiple Fed rate cuts over the coming 12 months [WSJ]



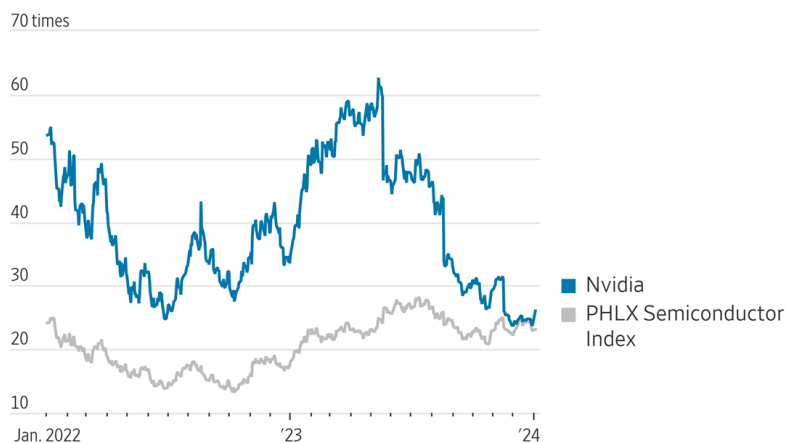
- Uranium has been a hot commodity, and its rally could have a long half-life; spot prices for triuranium octoxide have more than doubled since Russia's invasion of Ukraine, buoying the stocks of mining companies [WSJ]

Triuranium octoxide (U3O8) weekly spot price



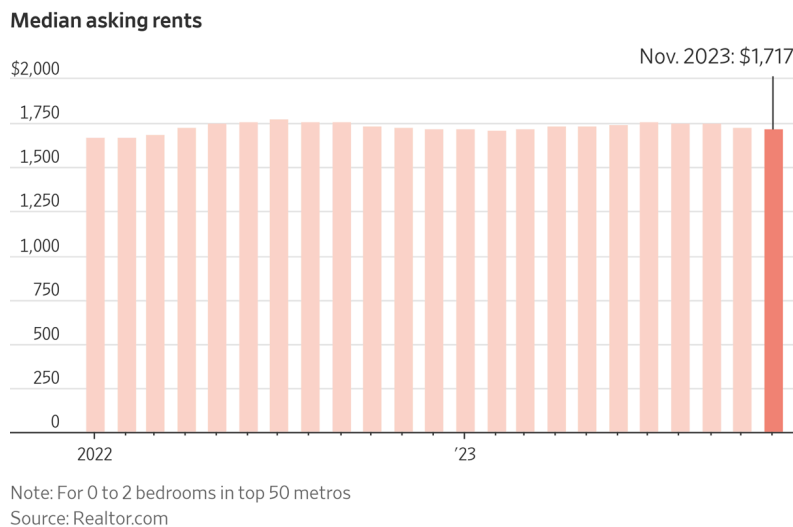
- Huge increases to Nvidia's projected earnings have ironically made Nvidia's stock look much cheaper even as the sticker price has surged; Nvidia currently trades about 26 times projected per-share earnings—near its lowest range in at least five years [WSJ]

Price as a multiple of forward earnings



- It was a rough week for layoff announcements: BlackRock cut 600 employees, or 3% of its staff, in the face of changes to the industry, Twitch will cut 500 employees, 35% of its workforce, and Rent the Runway let go of 10% of its corporate staff, about 37 people [CNN]
- The outlook for renters is improving – for starters, rent rises have cooled along with overall prices; rent inflation for studios to two-bedroom places in the top

50 metros declined for seven consecutive months, with the national median asking price falling to \$1,717 in November 2023 [WSJ]



## M&A activity has improved in early 2024, as developments within healthcare, software, and media prove to be encouraging

- Hewlett Packard Enterprise, a maker of data center hardware, will acquire Juniper Networks for \$14B to expand its presence in networking [BBC]
- Software company Synopsys is in advanced talks to acquire engineering software provider Ansys for ~\$35B [BBC]
- US natural gas companies Chesapeake Energy and Southwestern Energy are nearing a deal to create the single largest US gas producer with a market cap of \$17B [FT]
- Swiss drugmaker Novartis is in advanced talks to acquire Cytokinetics in a deal that could value drug developer at well over \$10B [RT]
- Skydance Media CEO David Ellison is exploring a cash bid to acquire entertainment giant Paramount Global's parent National Amusements; Paramount Global has a \$9.4B market cap [RT]

- Medical solutions company Boston Scientific will acquire Axonics, a maker of devices to treat urinary and bowel dysfunction, in a \$3.7B transaction [BBG]
- CVC Capital Partners is nearing a deal to acquire German vitamin and supplement maker Sunday Natural at a ~\$983M valuation [BBG]
- Microsoft's \$13B investment into OpenAI is facing a potential full-blown EU competition probe [BBG]

## Recent developments across four key industries highlight job reductions, commodity volatility, and aggressive financing

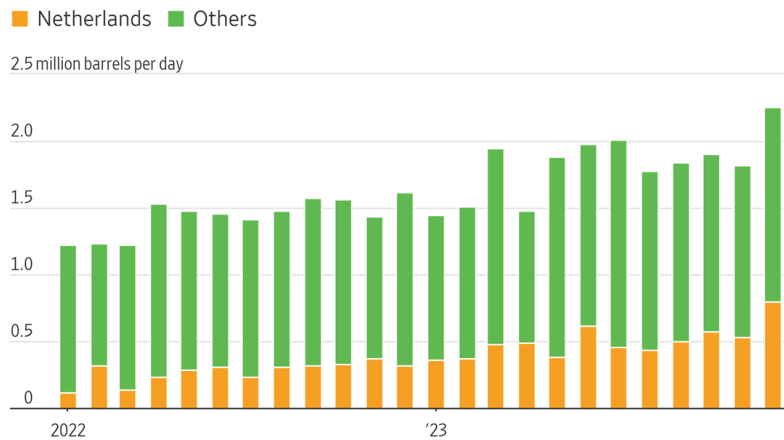
### Energy & Natural Resources

- China's voracious appetite for thermal coal hasn't arrested sliding prices for the fossil fuel; blame an influx of supply from Indonesia and Australia, and an uptick in coal mining globally [WSJ]



- Tankers carried a record haul of U.S. oil to Europe last month, nearly double the amount in the months before Russia's invasion of Ukraine [WSJ]

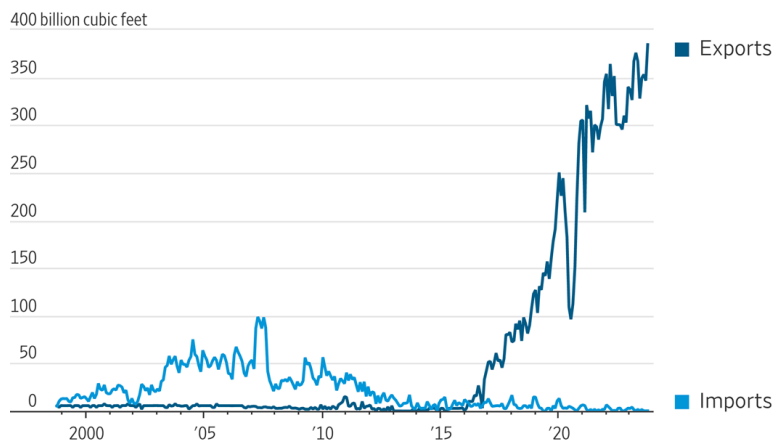
### U.S. crude exports to Europe by destination



Source: Kpler

- America is the world's largest natural-gas producer, but New Englanders' capacity to stay warm in winter may hinge on the fate of an expensive, 53-year-old import plant that its owner has threatened to shut down [WSJ]

### U.S. imports and exports of liquefied natural gas, monthly



Source: Energy Information Administration

## Technology, Media, & Telecommunications

- Apple announced that its highly anticipated Vision Pro headset will launch in February; in addition to announcing the availability of its \$3,499 headset, Apple also revealed the pricing for the Zeiss prescription lenses that users can get with it [TV]
- Nvidia rallies to record high as chipmaker announces AI-related components; their stock closed 6.4% higher at the end of Monday (RT)

- OpenAI launches new store for users to share custom chatbots; the store will feature a bot leaderboard, and will eventually introduce payments [BBG]

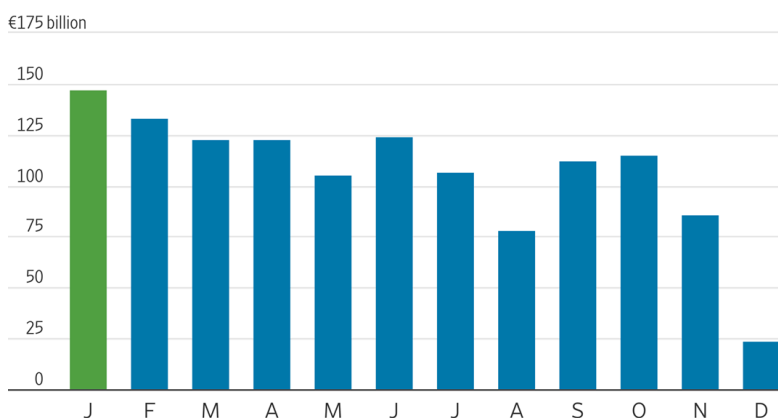
## Healthcare & Life Sciences

- Johnson & Johnson will pay \$700 million to settle claims that it failed to warn consumers about the health risks of its talc-based baby powder [BBG]

## Financial Services

- Jefferies Q4 profit and revenue fell as the investment bank continued to grapple with a deal slump (BBG)
- Elliott Investment Management has built a big stake in Tinder owner Match, and plans to push it to take steps to boost its languishing stock. Match's shares rose over 9% premarket on Tuesday [WSJ]
- Unity Software, the gaming software developer, said it planned to lay off about 25% of its workforce [WSJ]
- Morgan Stanley displaces Citigroup as least-loved big bank stock; HSBC upgraded Citi on Monday while BMO cut the firm on Tuesday [BBG]
- European governments are selling mounds of new debt, taking advantage of the recent interest-rate retreat; a blizzard of bond sales this week includes issuance by Germany, Spain and others [WSJ]

Monthly bond sales from Eurozone governments in 2024, estimated



Note: 100 billion euros=\$109.33 billion.

Source: ING

## Outside of standard macroeconomic updates and M&A developments, Boeing investigations and sports leadership changes have led news cycles

- An Alaska Airlines Boeing 737 Max 9 jet bound for Ontario, CA, returned to Portland for an emergency landing after a panel blew out around 10 minutes after takeoff; the FAA ordered the temporary grounding of the 171 Max 9s in use across US airlines for an inspection that was estimated to last four to eight hours per aircraft [NBC]
- *Oppenheimer* dominated the Golden Globes; the Golden Globes kicked off Hollywood's award season on Sunday, and in their first showdown since the summer 2023 box office, *Oppenheimer* bested *Barbie* with five awards (including best drama) to two [AP]
- Congressional leaders reached a bipartisan deal on a roughly \$1.6 trillion federal spending level for 2024, but a lot of work is still needed to pass legislation averting a government shutdown [WSJ]
- Tiger Woods announced on Monday on X that he's ending his historic 27-year partnership with Nike; the news marks the end of one of golf's most iconic images: Woods in a red Nike polo on the Sunday of a PGA Tour event [CNBC]
- Michigan's 34-13 win over Washington gave the Wolverines' football program its first national championship since 1997 [WSJ]
- Billionaire hedge fund manager William Ackman, who joined other Harvard graduates in successfully calling for the university's president Claudine Gay to resign, is pressing forward with his efforts to reshape the Ivy League school's governance by backing a bid by four dissident alumni to join its board of overseers [R]
- Nick Saban, who won six national championships as head coach of the University of Alabama football program, will retire, per ESPN; in the NFL, the New England Patriots parted ways with longtime head coach Bill Belichick, capping off a big day in coaching news [SI]



- The bipartisan leaders of the House Select Committee on the Chinese Communist Party are calling on the Biden administration to take stronger action, including potential tariffs, to counteract an overreliance on China for less-advanced chips [[WSJ](#)]