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# Pls Fix, Thx

mXa Business & Economic Updates  
Sept 18 - 22, 2023

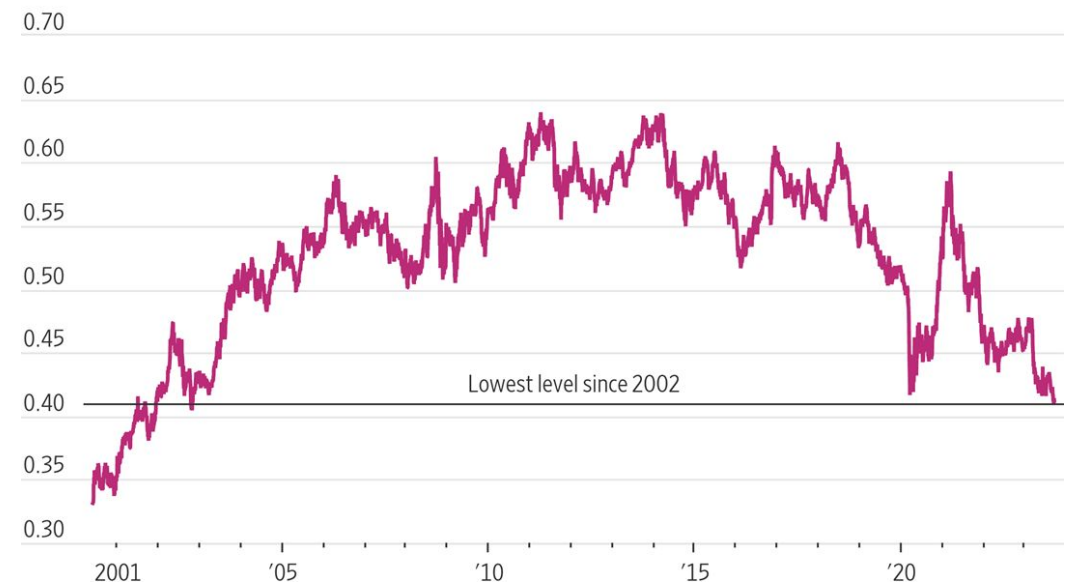


# Renewed concerns surrounding 'higher-for-longer' rates and mixed IPO results have negatively impacted large-cap equities

## Macroeconomic Updates

- The S&P is down ~2%, the Nasdaq is down ~3%, and the Dow remains down ~1% WTD; concerns surrounding sustained interest rates and depressed GDP expectations continue to negatively impact consumer sentiment in public equities
- Shares of large-cap companies have surpassed smaller counterparts YTD; the ratio of large-cap S&P 500 prices to the iShares Russell 2000 ETF is at its lowest level since 2002 according to Dow Jones Market Data – a continued warning sign of a potential 'large-cap tech asset bubble' [WSJ]
- Instacart's Tuesday \$30/share IPO led to an 12% valuation increase at close, although the stock has undergone a ~22% decrease since the opening bell on Wednesday morning [WSJ]
- Marketing automation platform Klaviyo popped 9% on opening day of its Wednesday IPO, although it has since dropped 5% since; positive valuation growth continues to improve sentiment regarding future IPOs

Ratio of SPDR S&P 500 exchange-traded fund to iShares Russell 2000 ETF

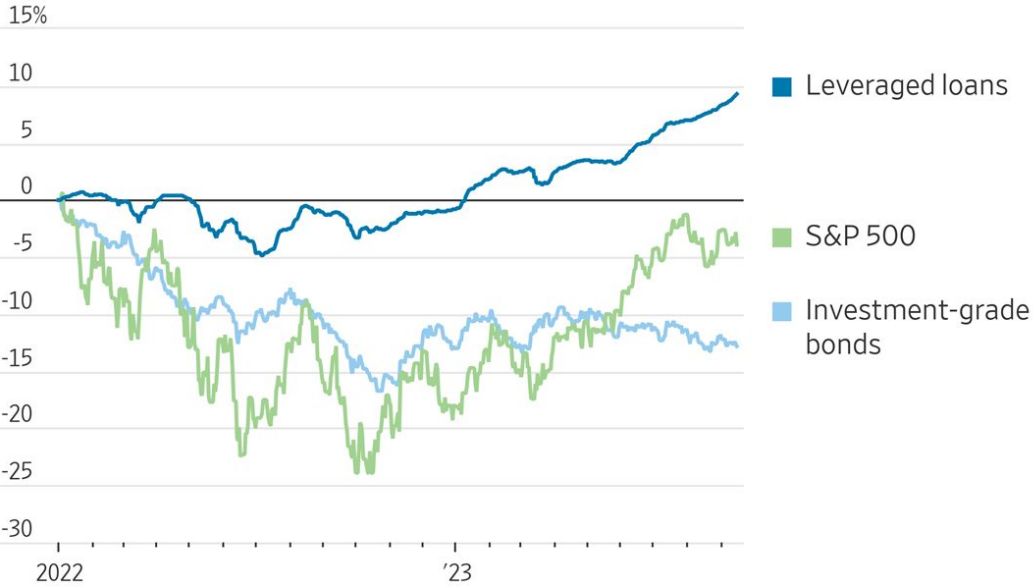


Source: Dow Jones Market Data via FactSet

# Higher interest rates over the past 18 months continue to hinder bond markets, providing an opportunity for risky corporate loans to realize value for investors

## Macroeconomic Updates

Total returns



Sources: Pitchbook LCD (loans); FactSet (stocks and bonds)

- Treasury markets continue to underperform as inflation sentiment worsened; the 10-yr U.S. Treasury Note yield grew an additional 0.15% to a total of 4.50%, the highest yield measure since September of 2007 and a bad sign for the remaining bond outlook this year
- The Federal Reserve’s rate-setting committee decided on Wednesday to maintain the Federal Funds Rate at the current 5.25-5.50% benchmark; a cooling labor market and moderately improving inflation suggest one more rate hike in the 2023 calendar year to reach a ‘soft landing’ [FR]
- Since the start of last year through Friday, loans backed by companies including PetSmart and Uber Technologies in the LSTA U.S. Leveraged Loan Index delivered a return of 9.3%; Investment-grade bonds lost 13% in that time, counting price changes and interest payments, while the S&P 500 lost 3.9%” [WSJ]
- Sustained ‘higher-for-longer’ rate policies from the Federal Reserve will soon greatly impact U.S. consumers [WSJ]

# The steady rise in crude oil prices and the national debt is both concerning and noteworthy, despite inflation's mitigating effect

## Macroeconomic Updates

- WTI Crude Oil prices remain largely unchanged this week at ~\$90/barrel; new supply from countries in eastern Europe seek to support tight oil demand in western countries
- Brent crude, the global energy benchmark, is moving in the direction of \$100/barrel for the first time in over a year; however, adjust for the rise in broad consumer prices since it first crossed \$100 in 2008 and Brent stands at \$65 a barrel, not \$95 [WSJ]
- The United States national debt officially hit \$33T; the historic milestone comes two weeks before the federal government “faces a potential shutdown over a lack of funding authorization” [CNBC]
- Inflows into private-credit vehicles continue to increase but show a sign of stabilization this summer [WSJ]

Brent-crude futures this millennium in 2008 prices



Note: Oil prices adjusted for U.S. consumer-price inflation using February 2008 as the baseline  
Source: FactSet, Bureau of Labor Statistics

# Despite high interest rates, the increased likelihood of a soft landing is spurring larger dealmaking within technology and media

## M&A Updates



- Media entrepreneur **Byron Allen** made a \$10B bid to buy **Disney's ABC television network** and assets including the **FX** and **National Geographic cable channels** [RT]
- Medical devices maker **Boston Scientific** will buy private medical tech company **Relievent Medsystems** for \$850M cash [RT]
- **Cisco** to buy cybersecurity firm **Splunk** for \$28 billion [RT]
- PE firm **Japan Industrial Partners'** \$14B tender offer to take **Toshiba** private is set to succeed [RT]
- PE firm **TPG** is exploring options for **Mendocino Farms**, including a sale that could value the fast-casual restaurant chain at over \$400M [RT]
- Gold miner **Newmont** received regulatory approval from Australia to proceed with its proposed \$16.9B acquisition of Australia's **Newcrest Mining** [RT]

# Recent developments across four key industries highlight stalled climate change initiatives and the impact of new IPO listings

## Energy & Natural Resources

- U.S. commercial crude oil inventories, excluding the Strategic Petroleum Reserve, decreased by 2.1 million barrels standing at 418.5 million barrels [RZ]
- Major corporations committed to emissions reduction goals are facing challenges such as higher costs, slow technology adoption, and doubts about carbon markets, leading them to scale back short-term emission and carbon retrieval targets [WSJ]

## Healthcare & Life Sciences

- Artificial intelligence is revolutionizing synthetic biology, allowing scientists to reprogram living organisms for various applications, from medicine and agriculture to energy and climate research [WSJ]
- Tobacco giant Philip Morris is considering selling its stake in a pharmaceutical business as its inhaled-medication business unit continues to struggle [WSJ]

## Tech, Media, and Telecom

- Sequoia, Andreessen Horowitz, and other VC investors to take huge hit on 2021 Instacart investments after a 75% valuation drop from its Tuesday IPO [CNBC]
- Apple debuted the new iPhone 15 and iPhone 15 Plus which will be hitting retailers today; iPhone sales performance will prove critical as Apple seeks growth to meet investor expectations [Barron's]

## Financial Services

- Goldman Sachs is in advanced discussions to sell GreenSky, a specialty lender, to a group of investment firms, including Sixth Street, Pacific Investment Management, and KKR, in a deal worth approximately \$500 million [WSJ]
- A federal program that provides critical flood insurance is set to lapse unless renewed by the end of the month [WSJ]

# Outside of macroeconomic updates and M&A developments, geopolitical tensions and fiscal policy risks prominently led news cycles

## Additional News Updates

- After a remarkable seven-decade career, Rupert Murdoch is set to retire as Chairman of Fox and News Corp; Rupert Murdoch's eldest son, Lachlan Murdoch,, will take over as chairman of the news conglomerate [WSJ]
- Ukraine's President Zelensky visited Washington to seek increased military aid; concerns are growing in European nations about continued support for Ukraine amid trade challenges in the conflict with Russia [WSJ]
- With no clear strategy to avert a government shutdown, Speaker Kevin McCarthy sent House members home for the week, raising concerns about a potential government at the start of October [CNN]
- Chicago Bears' defensive coordinator Alan Williams resigned for "personal reasons," dispelling false rumors of an FBI raid on the Bears' practice facility and his home [NBC]

