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Weekly Economic Research

October 30th - November 3rd, 2023

Despite concerns around Middle Eastern conflict and additional financial pressure, earnings reports and growth benchmarks reflect resiliency within equities and bonds

- The S&P 500 is up ~3.85%, the Nasdaq is up ~4.40%, and the Dow Industrials is up ~3.05% WTD; equities have received a boost from a confluence of positive earnings reports, stronger-than-expected economic growth, and a pause in Fed rate hikes
- The 10-Yr U.S. Treasury yield has decreased -0.191% to a current yield of 4.667%, whereas the 30-Yr U.S. Treasury yield decreased -0.176% to a current yield of 4.826%; increased investor appetite for safe-haven assets and a rise in short-covering have lowered bond yields in anticipation of rising Treasury prices
- Crude oil prices decreased 1.1% to a current \$82.70/bbl, bitcoin increased 1.75% to a current \$34,780/coin, and natural gas held steady at \$3.74 in preparation for the winter months; Uninterrupted oil supplies from the Middle East and record-high US production have prevented oil prices from skyrocketing

Brent crude price



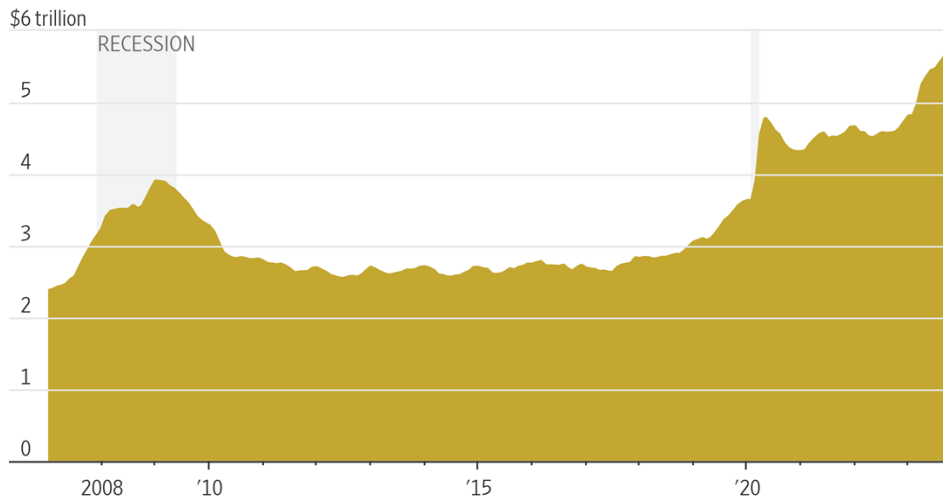
Source: FactSet

- Third quarter earnings season is nearly halfway over and companies in the S&P 500 are on track to post a 2.7% year-over-year increase in profits, which would mark the first earnings growth in four quarters [WSJ]
- There's little consensus—and lots of noise—behind bitcoin's latest surge; current analysis suggest a mix of speculation, short-covering, a lack of regulation are the leading causes for this recent development [WSJ]

The recent dollar rally and neutral interest rate outlook have weighed on commercial real estate lending and foreign economies in Asia

- Investors are flocking to money-market funds, which now hold a near-record \$5.6 trillion, as the prospect of higher interest rates makes cash more attractive; however, advisers caution that fees, taxes, and inflation all undermine those returns in respect to stocks, bonds, and other riskier investments [WSJ]

Money-market fund assets

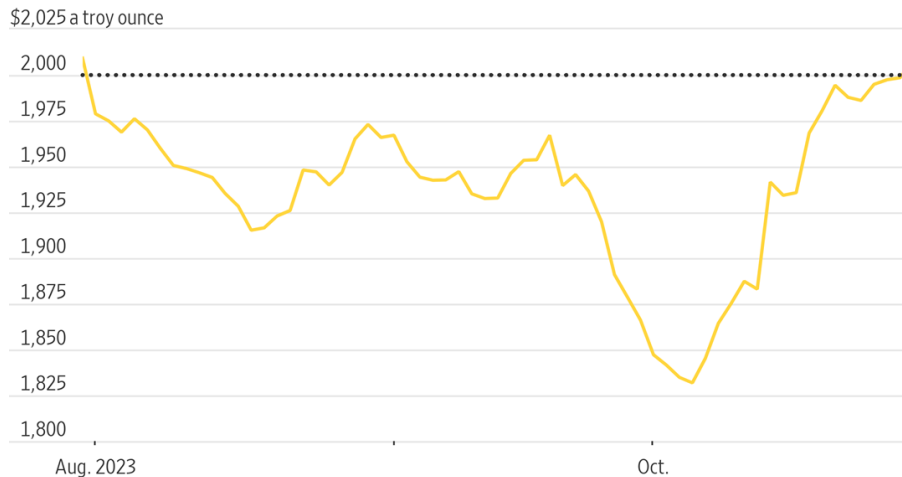


Note: Weekly as of Oct. 25

Source: Investment Company Institute

- Gold futures settled above \$2,000 a troy ounce on Monday, a sign that investors remain on edge about the Israel-Hamas war even as oil prices ease [WSJ]

Gold prices



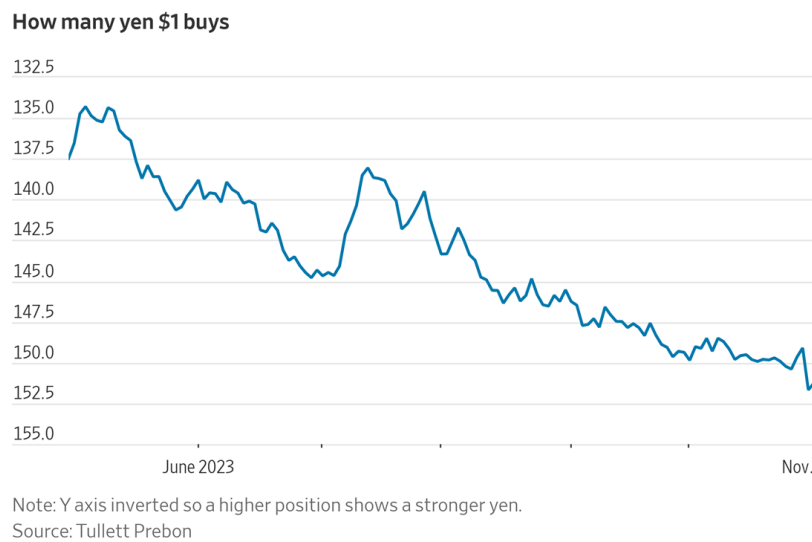
Note: Data note most-actively traded futures contract.

Source: FactSet

- Commercial real-estate lending has slowed sharply, threatening a rise in defaults on expiring debt and a sharp decline in new construction; the entire commercial property debt market increased less than 1% in Q2 [WSJ]
- China's economy showed fresh signs of slowing as China's manufacturing

activity contracted in October, with the official manufacturing purchasing managers index (PMI) falling to 49.2 from 50.2 in September [WSJ]

- US Treasury will focus on selling shorter-term notes in a bid to ease investor concerns about rising interest rates and flagging demand for bonds, prompting a rally for 10- and 30-year bonds [CNBC]
- The yen approached 152 to the dollar, a level it hasn't seen since 1990; a strengthening dollar keeps rate hikes on the table for Asian central banks [WSJ]



M&A activity continues to remain depressed, although developments within biotech, entertainment, and distressed real-estate prove to be encouraging

- Anthropic, an AI startup seeking to displace OpenAI, received a \$2B investment from Google [TC]
- Zegona Communications will buy telecom Vodafone Group's Spanish business in a deal valued at as much as \$5.3B, including debt [BBG]
- US urged a judge to block JetBlue Airways' \$3.8B purchase of ultra-low-cost carrier Spirit Airlines, arguing that the acquisition would lead to higher fares and fewer flights for travelers [RT]

- Electronic instrument maker Ametek will acquire medical components maker Paragon Medical in a \$1.9B deal [RT]
- PE firms Blackstone and Vista Equity Partners will buy Australian energy market software provider Energy Exemplar from PE firm Riverside Capital in a deal worth over \$1B [RT]
- Healthcare REIT Healthpeak Properties will acquire hospital REIT Physicians Realty Trust in a \$21B all-stock deal [WSJ]
- London consulting firm Ascential is selling its digital commerce business to US advertising firm Omnicom Group and its consumer trend-spotting business to buyout firm Apax Partners for a combined \$1.5B cash [BBG]
- Dutch multinational retailer Ahold Delhaize will acquire Romanian grocery retailer Profi from PE firm MidEuropa for \$1.4B [RT]
- Blackstone will buy a greater than 75% stake in India's Care Hospitals from TPG for \$1B [RT]
- Singapore PE firm Everstone Capital is preparing a sale of Everlife Holdings that could value the healthcare services company at up to \$1B [RT]
- Carlyle Group is preparing to explore a sale of men's personal care brand Every Man Jack, which could be worth ~\$400M [RT]
- PE firm Silver Lake Management is in talks to team up with Abu Dhabi wealth fund Mubadala Investment for a potential takeover bid for UFC-owner Endeavor Group Holdings, which has a market cap of \$11.2B [BBG]
- Nasdaq completed its \$10.5B acquisition of software provider Adenza, which will help the company transform into a full-fledged financial services firm [BBG]
- Walt Disney formally began the process of buying Comcast's 33% stake in Hulu that will give Disney full ownership of the streaming platform; Disney expects to pay Comcast ~\$8.6B by December 1 [RT]
- Theme park operators Six Flags Entertainment and Cedar Fair Entertainment are possibly in talks for a potential merger [BBG]

Recent developments across four key industries highlight positive earnings, EV depreciation, and investment towards domestic biotech production

Energy & Natural Resources

- ExxonMobil missed Q3 analyst earnings expectations but slightly beat on revenue; profit declined drastically compared to last year [CNBC]
- A measure of the cost of placing a bet in the options market that oil prices will rise or fall by an unusually large amount over the next month has soared since Hamas's attack on Israel on Oct. 7, according to derivatives exchange operator CME Group [WSJ]
- Chevron shares fell 7% after missing Q3 analyst profit expectations by a large margin [RT]

Technology, Media, & Telecommunications

- Apple unveiled the M3, M3 Pro, and M3 Max chips this week, which are the most advanced chips for a personal computer; Apple is counting on them to get snapped up during the holiday season after Mac sales slumped 7% last quarter [A]
- The EV outlook turns gloomy as sales rose 51% in the first nine months of 2023 in comparison to 69% in the same period of 2022 [MB]
- Elon Musk's X says it is worth \$19B one year after acquisition [FT]

Healthcare & Life Sciences

- Pfizer reported a narrower-than-expected Q3 adjusted loss due to inventory write-offs from lower-than-expected use of its COVID products; Pfizer missed analyst sales expectations [CNBC]
- CVS beat Q3 earnings and revenue estimates, partially thanks to strong sales from its health services business [CNBC]

- The Biden administration announced this week the creation of 10 biotech hubs across the US under its Tech Hubs program, with each hub eligible to apply for up to \$75 million to invest in areas like research and development and job creation [[HB](#)]

Financial Services

- PayPal shares rose 4% after beating Q3 earnings and revenue expectations and raising its full-year adjusted profit forecast above analyst estimates [[RT](#)]
- Wall Street raked in \$1.7B in fees from NYC pensions last year, a roughly \$150M increase from 2021; fees paid to managers rose at faster rate than pension assets [[BBG](#)]
- Investors this year have poured \$21 billion into TLT, BlackRock's long-dated Treasury fund, despite punishing decline in its shares; if yields begin to fall, investors in long-dated bonds will benefit from price appreciation [[WSJ](#)]

Outside of macroeconomic updates and M&A developments, the Rangers' first World Series and the Israel-Hamas War have led news cycles

- The Texas Rangers won their first World Series title in franchise history, defeating the Diamondbacks in five games [[YS](#)]
- More than 400 people, including injured Palestinians and foreign nationals, were allowed to leave Gaza and enter Egypt; President Biden said he expected more U.S. citizens to leave in the coming days [[WSJ](#)]
- Saudi Arabia was the only eligible country to formally register to host the soccer tournament by Tuesday's deadline, putting it on track to host the world's biggest sporting event in 2034 [[WSJ](#)]
- Toyota has given its non-union workers a ~9% pay raise beginning in January of 2024, following UAW wage and benefit gains at Detroit's big three [[WSJ](#)]
- WeWork is planning to file for bankruptcy as early as next week, according to people familiar with the matter, in what would mark a stunning reversal for

the flexible-office-space venture that was once valued at \$47 billion [WSJ]

- Former Vice President Mike Pence withdrew from the Republican presidential race this past weekend after struggling to gain traction in a crowded field [WSJ]