



The Roundup

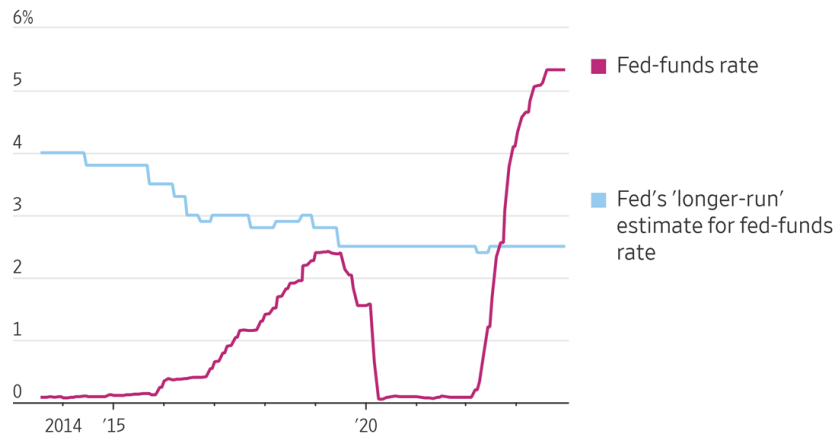
Weekly Economic Research

January 1 - 5, 2024

Fueled by lower rate hopes and earnings optimism, Wall Street has aggressively reinvested in equities

- The S&P 500 is down 0.8%, the Nasdaq is down 2.05%, and the Dow Industrials is down 0.08% WTD; equities drifted modestly lower, caught between glimmers of optimism and a wave of downgrades
- The 10-Yr U.S. Treasury yield has increased +0.129% to a current yield of 3.995%, whereas the 30-Yr U.S. Treasury yield increased +0.126% to a current yield of 4.145%; investor enthusiasm for equities slowed bond market, pushing down demand and raising yields
- Crude oil prices increased 2.15% to a current \$72.39/bbl while bitcoin increased 3.2% to a current \$44,024/coin; BTC ETF rejections and a leverage flush highlight Bitcoin's volatility going into 2024
- U.S. stocks delivered outsize returns in 2023 – this year, many investors are dreaming of something more normal; Few think the S&P 500 can match its 24% gain from 2023, however, many believe that a return to economic normalcy could translate into a reasonable and sustainable rise in stocks, powered by improving corporate earnings [[WSJ](#)]

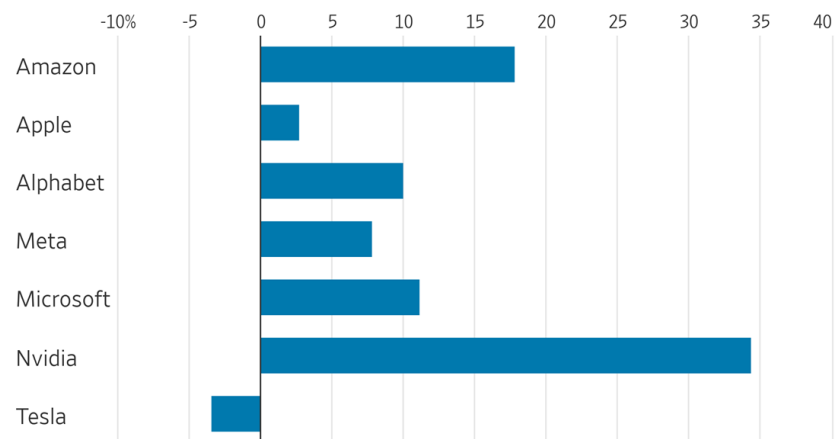
Rates vs. longer-run estimate



Note: Longer-run estimate reflects median forecast of Fed officials.
Source: Federal Reserve Bank of St. Louis

- Shares of the "Magnificent Seven"—which dominated markets in 2023—are expected to keep rising despite concerns that the trade has become crowded [WSJ]

Expected one-year return of 'Magnificent Seven' stocks



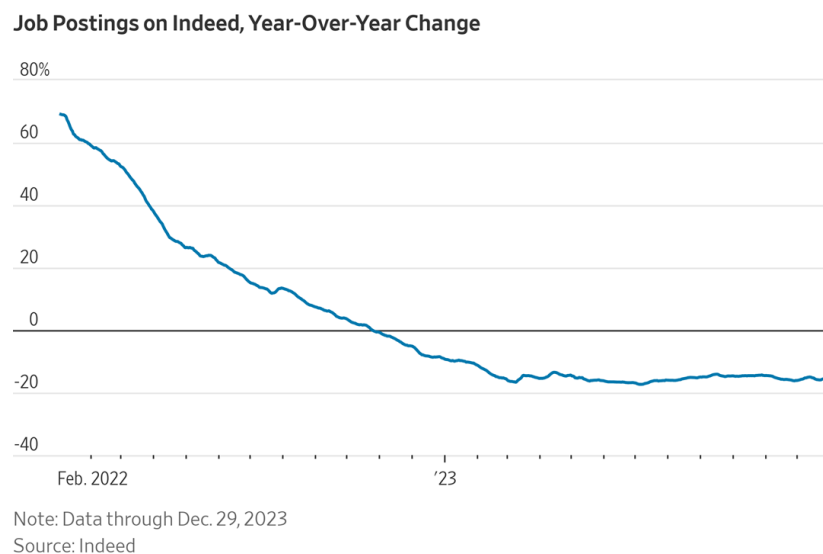
Note: calculated as one-year average Wall Street analyst target price divided by current price.
Source: FactSet

Despite a wave of optimism, job availability, stock volatility, and home scarcity open up 2024 in a mixed state

- Savers might want to reconsider the old wisdom of “set it and forget it” when it comes to their 401(k)s; as trading has become more volatile, the rewards savers reap from rebalancing portfolios regularly have risen [WSJ]



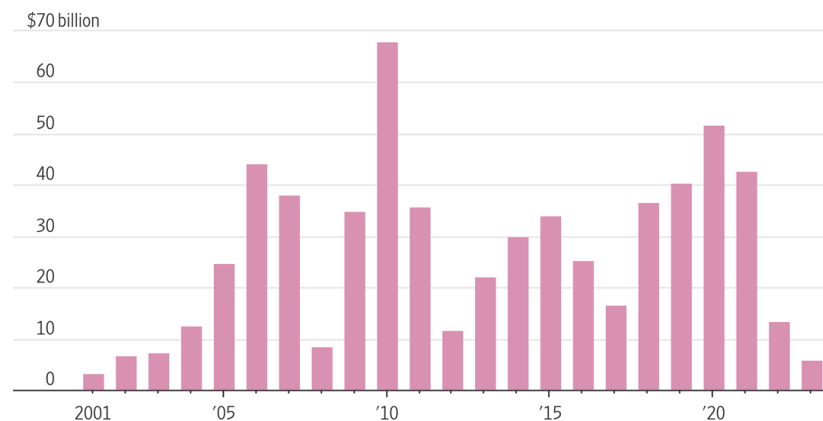
- Finding a new job is getting harder – job postings are still up by more than a quarter from their prepandemic levels, but the frenzied hiring and worker shortages that marked an earlier phase of the pandemic recovery are fading [WSJ]



- A dearth of initial public offerings in Hong Kong is causing companies to suffer cash crunches and put off expansion plans, showing how the steep market

downturn is taking a toll on businesses that need to raise money; new listings on Hong Kong's stock exchange raised just \$5.9 billion in 2023, the lowest total in more than 20 years, according to Dealogic [[WSJ](#)]

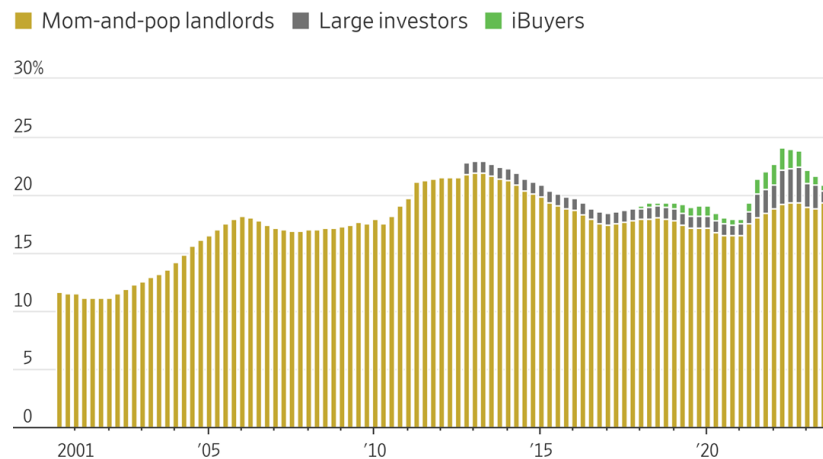
Funds raised from new listings in Hong Kong



Note: Includes initial public offerings and secondary listings.
Source: Dealogic

- Big residential property investors are finding it harder to buy in good neighborhoods, so they are building new ones [[WSJ](#)]

Investor home purchases, share of total U.S. housing sales



Source: John Burns Research and Consulting

- Minimum wage has risen in 25 states – Twenty-two states increased theirs on Monday; the lowest wage allowed in Montana is now \$10.30, and it's \$16 in New York, California, and Washington [[CBS](#)]

- Wall Street folklore suggests that January returns in the market can predict performance for the rest of the year – that has some investors wondering whether the early-year selloff marks a blip or the start of a longer-lasting downturn [[WSJ](#)]

M&A activity continues to remain depressed, although developments within infrastructure, healthcare, and data science prove to be encouraging

- PGA Tour and LIV Golf are working to extend their proposed merger deadline, originally set at Dec. 31; the delay is the latest update in a long and tumultuous saga between the PGA Tour and Saudi Public Investment Fund-backed LIV Golf that has divided players and could dramatically change professional golf if the merger is complete [[CNBC](#)]
- Chinese home appliance company Haier Group will acquire a 20% stake in China's Shanghai RAAS Blood Products from Spanish pharma group Grifols for \$1.8B [[RT](#)]
- Japan's Mitsubishi HC Capital plans to sell ~\$637M worth of British rail assets [[BBC](#)]
- Baidu, The Chinese search-engine operator, called off a longrunning, \$3.6 billion deal to buy Joyy's video-based entertainment live-streaming business in China [[WSJ](#)]
- Spanish energy company Iberdrola called off its \$4.3B acquisition of New Mexico-based PNM Resources after failing to receive regulator approval by Dec. 31 [[BBC](#)]
- PE firm Platinum Equity will acquire French food group Danone's premium organic dairy units in the US [[RT](#)]
- Insurance company Health Care Service Corp is in exclusive talks to acquire health insurer Cigna Group's Medicare Advantage business for \$3B-\$4B [[RT](#)]

- Airbus is working on an offer worth up to ~\$2B for Atos's big data and cyber security unit, BDS [FT]
- Bain Capital is exploring a sale of antibodies manufacturer Centrient Pharmaceuticals, which could be valued at as much as \$1.1B [BBC]

Recent developments across four key industries highlight international sanctions, stock downgrades, and technological transitions with advertising

Energy & Natural Resources

- India's crude oil imports from Russia plunge on pricing issues to their lowest level since January 2023; U.S. imposed sanctions on vessels and shippers for not complying with G7-fixed \$60 per barrel price caps for oil at Russian ports [BBC]

Technology, Media, & Telecommunications

- Elon Musk's X gets another valuation cut from Fidelity; Fidelity believes that X is worth 71.5% less than at the time of purchase, according to a new disclosure that runs through the end of November 2023 (Fidelity revalues private shares on a one-month lag) [AXIOS]
- ASML Holding, the semiconductor-equipment giant, said the Dutch government had recently blocked exports of some of its systems to China; ASML's stock fell more than 1% in Amsterdam and its U.S.-listed shares traded lower premarket [WSJ]
- 526,000 – the approximate number of fully electric vehicles that Chinese automaker BYD reported selling in the fourth quarter of 2023, topping Tesla's sales of nearly 485,000 for the same period [WSJ]
- Apple shares fall 4% after Barclays downgrade; Barclays trimmed its price target saying weakening iPhone 16 sales were likely a warning sign for iPhone 16 sales and broader hardware projections [CNBC]

- Starting on Thursday, Google is changing how cookies track users online, and advertisers say they aren't ready for the change; Google will start a limited test that will restrict cookies for 1% of the people who use its Chrome browser, which is by far the world's most popular [WSJ]

Healthcare & Life Sciences

- Bayer, the German pharmaceutical company, said its stem-cell treatment for Parkinson's disease succeeded in an early trial – shares climbed around 2% in Frankfurt on Thursday [WSJ]

Financial Services

- Citigroup shares predicted to double over next three years; Wells Fargo analysts expect shares to rise to \$119 in 2023 due to push for further profitability [BBC]
- A key factor that pushed up mortgage rates over the past two years is now starting to pull them down – average 30-year fixed mortgage rates have been higher than usual relative to the benchmark Treasury yields they typically track; but that extra differential, or spread, has been shrinking for eight straight weeks [WSJ]

Differential between the 30-year fixed mortgage rate and 10-year Treasury yield



Source: Freddie Mac, Federal Reserve

Outside of standard macroeconomic updates and M&A developments, Harvard President Gay's resignation and conflict within the Middle East have led news cycles

- As of January 1st, the original cartoon version of Mickey Mouse is no longer under copyright, opening the door for creators to explore new storylines [AP]
- Israel's high court overturns controversial judicial overhaul; in an 8–7 vote, Israel's Supreme Court struck down a law barring judges from reviewing government actions they consider unreasonable [AP]
- Tensions continue rising in the Red Sea – the US Navy sank three boats piloted by Houthi militants in the Red Sea, killing their crews, while responding to a distress call from a Maersk ship on Sunday; the Houthis, who are based in Yemen but backed by Iran, began attacking commercial ships traveling through the Red Sea in November in response to the Israel– Hamas war [BBG]
- Harvard University President Claudine Gay announced her resignation yesterday following weeks of turmoil resulting from allegations of plagiarism and controversy over her testimony in last month's congressional hearing regarding antisemitism on college campuses; The Harvard Crimson, the school's student newspaper, first reported the resignation [TC]
- Japan was shaken by a series of earthquakes, the largest of which registered at a 7.6 magnitude, prompting tsunami warnings, evacuations of nearly 100,000 people, and fires – at least 48 people were killed [Y]
- Chinese President Xi Jinping said the “reunification” of China and Taiwan is “inevitable”; next week, Taiwan will hold a presidential election featuring candidates with divergent views on how to approach China [P]
- After winning their respective bowl games Monday, the Michigan Wolverines and Washington Huskies are set to face off next week in the college football national championship [WSJ]
- A New York federal court released nearly 1,000 pages of newly unsealed documents yesterday from a civil lawsuit against Ghislaine Maxwell, who was convicted of participating in the sex crimes of the late financier Jeffrey Epstein;

the documents came into public view because of a judge's order to reveal the true identities of almost 200 John and Jane Does associated with the lawsuit
[CNN]