



The Roundup

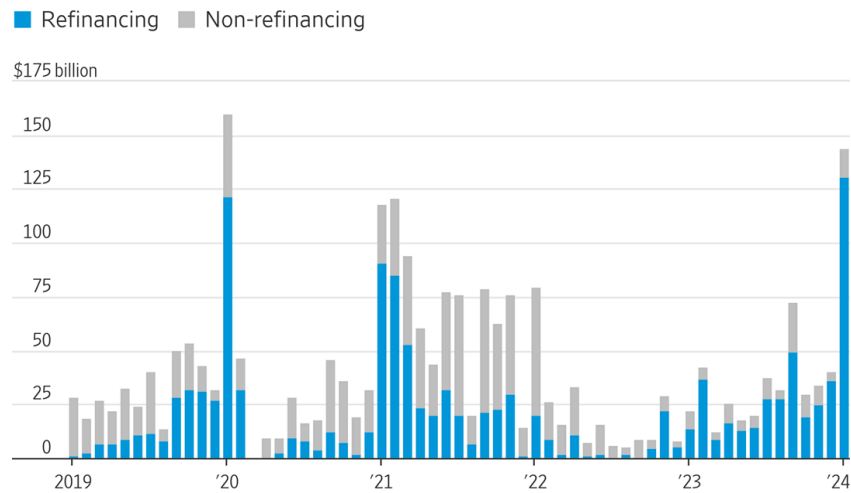
Weekly Economic Research

January 29 - February 2, 2024

Investors reacted diversely this week to falling yields and growing anticipation of interest rate cuts, reflecting the complexity of current economic signals

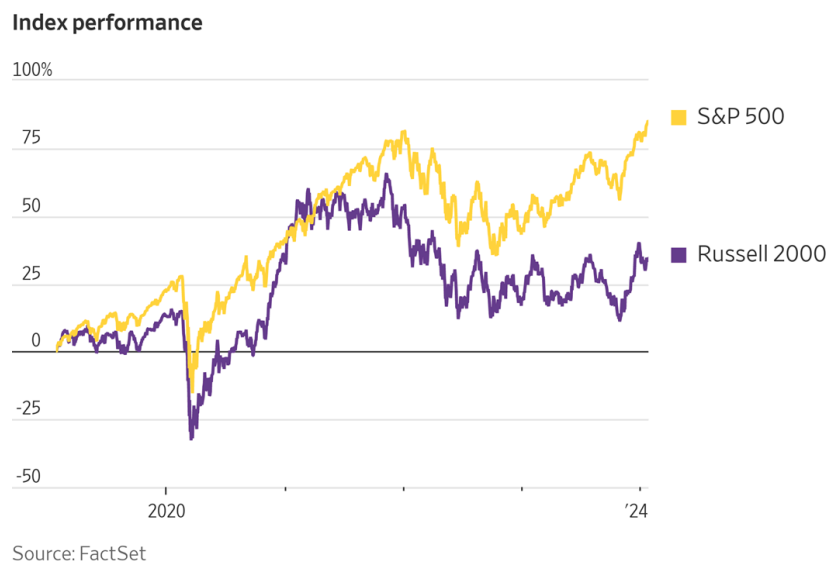
- The S&P 500 is down 0.65%, the Nasdaq is down 1.65%, and the Dow Industrials is up 0.38% WTD; equities struggle to find footing amid conflicting signals from company performance and broader economic trends
- The 10-Yr U.S. Treasury yield has decreased -0.306% to a current yield of 3.835%, whereas the 30-Yr U.S. Treasury yield decreased -0.285% to a current yield of 4.078%; bond markets have reacted favorably to the Fed's suggestions regarding future interest rate changes
- Crude oil prices decreased 0.69% to a current \$76.32/bbl while bitcoin increased 1.01% to a current \$42,553/coin; despite ongoing conflicts in the Middle East, the global oil and gas supply currently exceeds demand, limiting their impact on prices
- The Federal Reserve held rates steady and Chair Jerome Powell hinted a cut wasn't imminent; models suggest rates should already be lower than they are now—but just how much lower is hard to calculate [[WSJ](#)]
- Across the country, credit is flowing freely again; U.S. Treasury yields, which set a floor on the cost of debt such as mortgages and corporate bonds, have retreated from their multi-year highs – businesses and individuals are finding it easier to borrow, and many are forging ahead [[WSJ](#)]

Speculative-grade corporate loan issuance



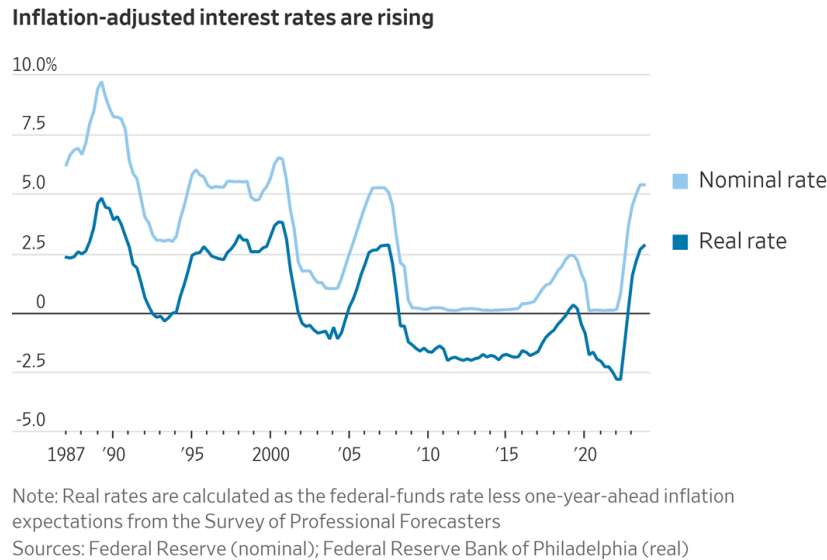
2024 hasn't started off easy for mid-sized companies and electric vehicle makers, echoing investor concerns that carried over from last year

- Shares of smaller companies have largely missed out on this year's stock rally; the Russell 2000 index is off about 20% from its November 2021 record [WSJ]

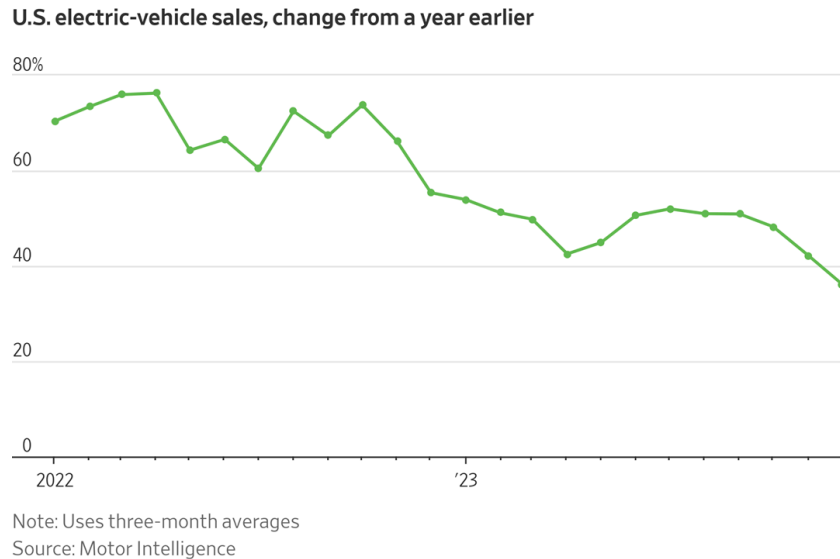


- Fed officials meeting this week face a conundrum; price pressures have abated more than expected, which means real interest rates, which adjust for

inflation, have risen and might be restricting economic activity too much [WSJ]

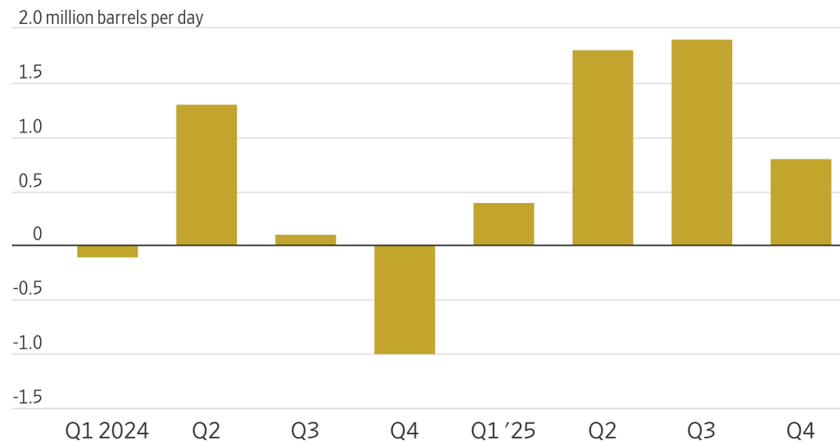


- This year was supposed to be a turning point for the electric vehicle industry; instead, U.S. sales growth is slowing and automakers are delaying or cutting back on plans [WSJ]



- The oil market has been surprisingly sleepy, given the growing threat that the Israel-Hamas war will spread into a wider conflict; on Monday, Brent crude retreated 1.4% despite another attack by Yemen's Houthi rebels on an oil-carrying vessel over the weekend [WSJ]

Global oil inventory growth

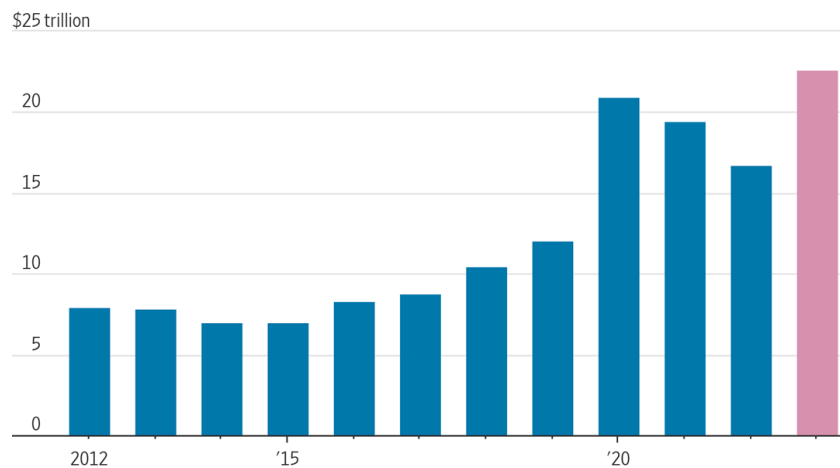


Note: All figures are forecasts.

Source: Citi Research

- The U.S. government issued a record \$22.7 trillion of Treasuries in 2023; that topped even 2020's debt deluge, which included just under \$21 trillion of debt to finance Covid-19 stimulus packages [[WSJ](#)]

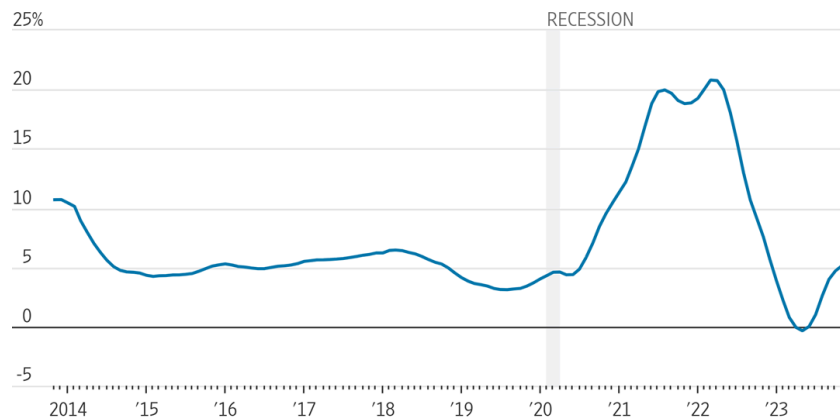
Treasury issuance, gross



Source: SIFMA

- Home-price growth accelerated in November, a widely watched index showed, as the inventory of homes for sale remained unusually low [[WSJ](#)]

Change in house prices, year-over-year

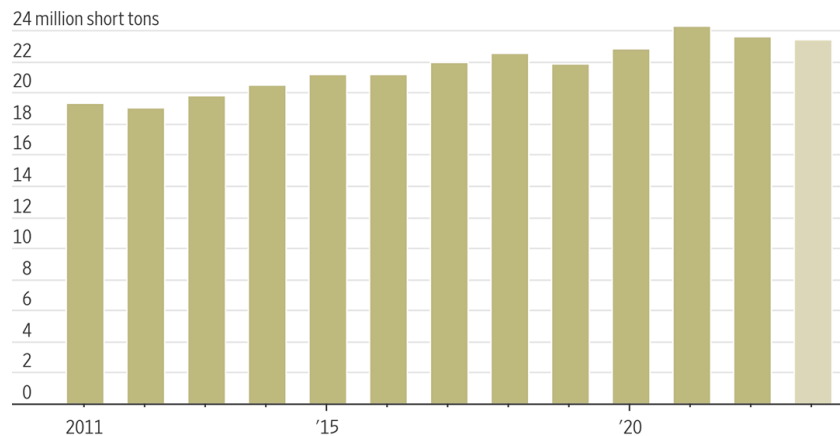


Note: Shows changes in S&P CoreLogic Case-Shiller U.S. National Home Price Index; not seasonally adjusted.

Source: S&P Dow Jones Indices LLC via St. Louis Fed

- Paper mills at home and abroad are gobbling up America's recycled cardboard, driving up prices for old pizza boxes and other corrugated containers that they pulp and make into new packaging; the price of old corrugated containers, or OCC, surged during the pandemic e-commerce boom and then came crashing down in 2022 when rising interest rates prompted businesses to slow ordering and reduce inventories [WSJ]

U.S. consumption of old corrugated containers

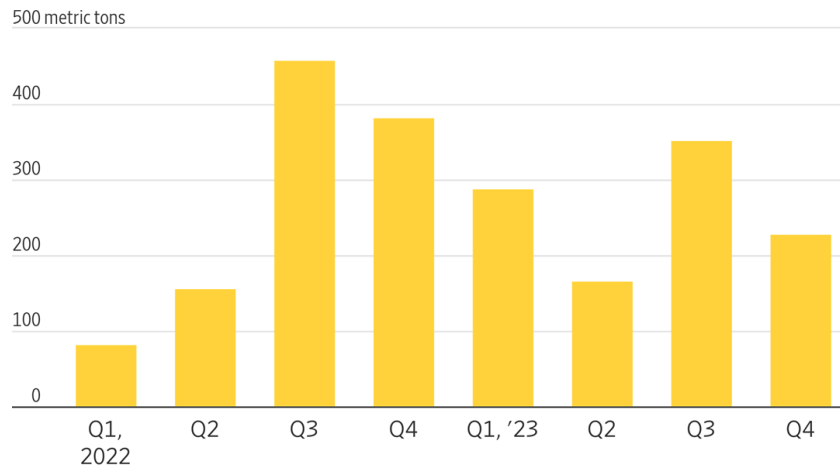


Note: 2023 data are preliminary

Source: American Forest & Paper Association

- The world's central banks may be putting the brakes on gold purchases; buying by monetary authorities has propped up gold prices over the past two years, despite a steep climb in interest rates [WSJ]

Central bank gold purchases



Source: World Gold Council

M&A activity continues to remain depressed, although developments within sports, media, and pharmaceuticals prove to be encouraging

- Media mogul Byron Allen made a \$14.3B takeover offer for film and TV giant Paramount Global [BBG]
- Health insurance company Health Care Service Corp. will acquire Cigna Group's Medicare business for \$3.3B [BBG]
- The PGA Tour approved a \$3B investment by Strategic Sports Group in a new commercial entity at a \$12B valuation; talks for an injection from Saudi Arabia's PIF remain ongoing [BBG]
- Drug distributor Cardinal Health will acquire private tech company Specialty Networks for \$1.2B cash to expand its services in the specialty drug space [RT]
- Roland Foods, which is owned by PE firm Vestar Capital Partners, is exploring a sale that could value the specialty food provider at over \$700M, including debt [RT]
- JetBlue Airways and Spirit Airlines are seeking an expedited appeal of a ruling that blocked their \$3.8B combination [BBG]

- Electronics equipment maker Amphenol will acquire Carlisle Companies' Carlisle Interconnect Technologies unit, which supplies cables and connectors for defense and industrial end markets, for \$2B cash [RT]
- PE firm Advent International is considering options, including a potential sale, for its British parcel delivery service Evri, which could be valued at ~\$2.6B, including debt [RT]
- Amazon abandoned its \$1.4B acquisition of Roomba maker iRobot due to regulatory issues [BBG]

Recent developments across four key industries highlight legal complications, infrastructure investment, and earnings within AI

Energy & Natural Resources

- Hyundai Heavy Industries and Capital Product Partners have developed specialized vessels to transport supercooled, liquefied carbon emissions to depleted offshore oil-and-gas wells, where they would be permanently stored beneath the ocean floor [WSJ]
- The availability of a new 715-mile pipeline expansion, the Trans Mountain project, will soon enable Canadian oil companies to ship their crude oil to the Pacific Ocean, providing access to the U.S. West Coast and growing Asian markets [WSJ]

Technology, Media, & Telecommunications

- Companies are turning to AI-powered training tools, including chatbot-tutors and algorithms, to upskill their workforces in artificial intelligence rapidly [WSJ]
- 23andMe, once a highly valued startup, has seen its valuation plummet by 98%, facing financial challenges as it struggles to transition from a DNA-testing company to a comprehensive healthcare firm with drug development ambitions [WSJ]

- Microsoft posted its highest profit growth in more than two years, as excitement about AI helped power demand for its cloud services – still, its shares fell 1.5% pre-market on Wednesday [WSJ]

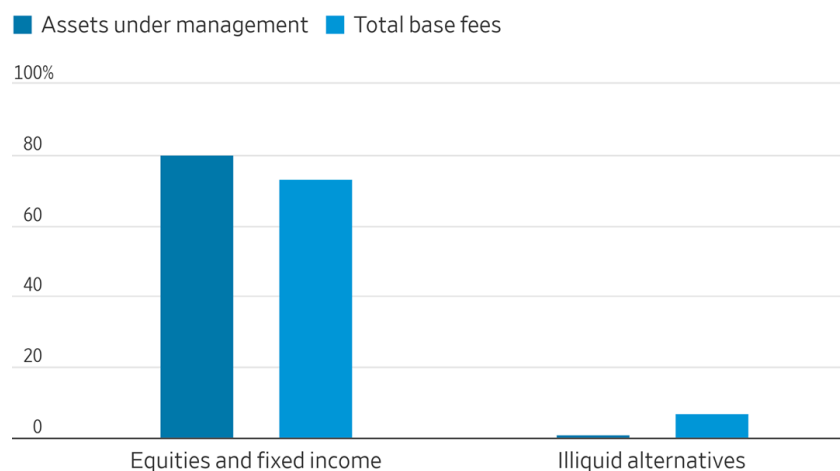
Healthcare & Life Sciences

- A Philadelphia jury ordered Bayer to pay \$2.25 billion in damages in the latest in a series of lawsuits over its Roundup weed killer; the German drug and pesticide maker's stock fell about 5% on Monday [WSJ]
- The Danish pharmaceutical company, Novo Nordisk, reported sales and profit that beat expectations amid continuing demand for its weight-loss drug Wegovy; shares rose 1.6% in Europe on Tuesday [WSJ]
- Biogen has announced the discontinuation of its Alzheimer's disease drug Aduhelm, ending its development, sale, and a postmarketing study aimed at gaining full approval from U.S. drug regulators [WSJ]

Financial Services

- BlackRock's \$10 trillion asset management empire is built around passive index investing; Chief Executive Larry Fink is betting that infrastructure will help drive his firm's next wave of growth – the money manager agreed in early January to buy Global Infrastructure Partners for \$12.5 billion, its biggest push yet into what are known as private-market investments that don't trade on a public exchange [WSJ]

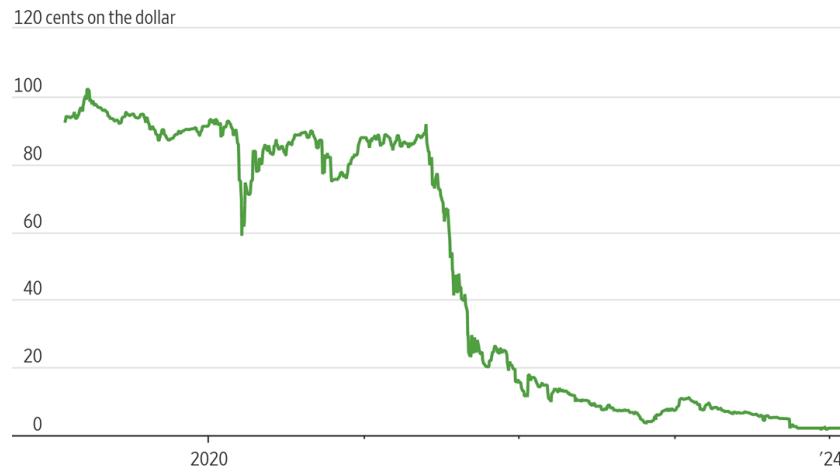
Percentage of total BlackRock assets and base fees, fourth quarter



Source: the company

- JPMorgan quants warn of Dot-Com style concentration in US stocks; shares of top 10 stocks are nearing historical 2000 peak [BBG]
- The dismantling of Chinese property giant Evergrande won't be pretty—especially for the foreign creditors that helped finance its rise [WSJ]

Prices for Evergrande's dollar-denominated bonds maturing March 2024



Source: FactSet

Outside of standard macroeconomic updates and M&A developments, NFL's championship weekend and Elon Musk's court rejection have led news cycles

- Following the court's rejection of Elon Musk's \$56 billion pay package, Tesla and its board face the challenge of renegotiating a new compensation agreement [RT]
- After a thrilling win over the Detroit Lions in Sunday's NFC Championship game, the San Francisco 49ers are headed back to the Super Bowl—and a rematch with the Kansas City Chiefs [WSJ]
- Netflix co-founder Reed Hastings has donated \$1.1 billion worth of his stake in the company to the Silicon Valley Community Foundation, a charity that offers tax breaks and privacy to technology founders [WSJ]

- United Parcel Service (UPS) plans to cut approximately 12,000 jobs this year, with a focus on management staff and contract workers, in an effort to boost productivity amid a prolonged slowdown in business [WSJ]
- During a Senate Judiciary Committee hearing, Meta Platforms CEO Mark Zuckerberg, along with other tech CEOs, faced bipartisan criticism for the lack of legal liability that social-media platforms bear when children are harmed online [WSJ]
- David Rubenstein, co-founder of Carlyle, has reached an agreement to purchase the Baltimore Orioles for \$1.725 billion from John Angelos, the eldest son of Peter Angelos, pending approval from other major-league owners [WSJ]