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# mXa Newsletter

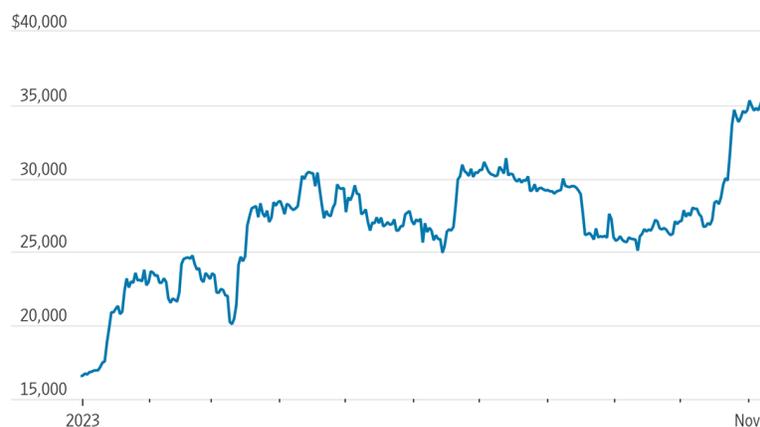
Weekly Economic Research

**November 6 - 10, 2023**

## **Equity and bond markets have remained resilient despite uncertainty over corporate earnings and economic data**

- The S&P 500 is up 0.55%, the Nasdaq is up 1.55%, and the Dow Industrials is down 0.25% WTD; equity markets have remained volatile this week due to a mix of factors, including mixed corporate earnings, renewed concerns about hawkish Fed policy, and additional foreign policy concerns
- The 10-Yr U.S. Treasury yield has increased +0.043% to a current yield of 4.628%, whereas the 30-Yr U.S. Treasury yield increased +0.010% to a current yield of 4.779%; investor preference for safe, long-term assets is limiting the growth of yields in the face of restrictive Fed policies
- Crude oil prices decreased 7.91% to a current \$76.12/bbl while bitcoin increased 3.33% to a current \$36,217/coin

**Bitcoin, price year to date**



Source: CoinDesk

- As public debt ticks up, today's financial plumbing may be unable to bear the weight; the surge in debt issuance is forcing Federal Reserve partners to buy more treasuries than they can sell [WSJ]

### Bond Binge

Since the 2008 crisis, dealers in the Treasury market have been forced into an inconvenient, ever-growing long bet on the bonds, which is pushing up government borrowing costs.

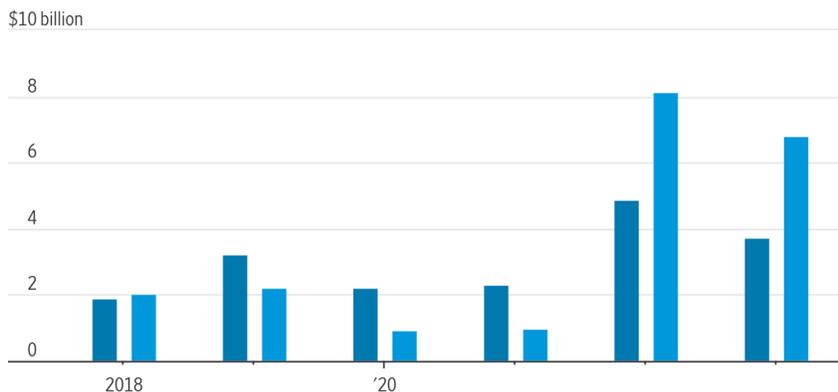
Coupon-bearing Treasuries, net position by primary dealers



- Defined-maturity exchange-traded funds are growing in popularity as investors look to lock in high bond yields; the funds hold a basket a bonds that mature close to the maturity date of the fund and are liquidated at their net asset value [WSJ]

### Net fund flow

■ Invesco BulletShares ■ BlackRock iBonds



Note: 2023 flows are through 10/31.  
Sources: BlackRock, Invesco, Bloomberg

## The U.S. economy is outperforming its peers amid robust production and a rising currency

- The chances of the economy avoiding a recession seem stronger now than they did even a few months ago – a lot of that would be down to luck, but it would nonetheless be something worth celebrating [WSJ]

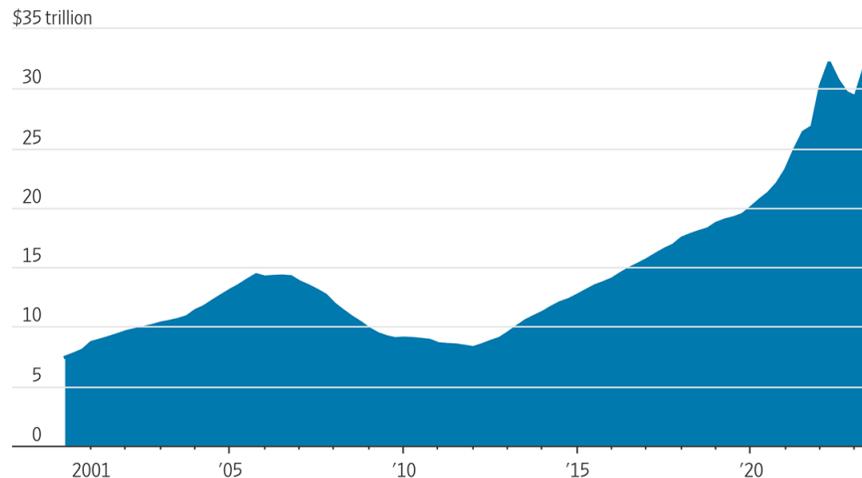
Probability the U.S. is in a recession in next 12 months including today



Note: Probability the U.S. is in a recession in next 12 months including today  
Source: Source: Wall Street Journal surveys of economists

- A novel way of helping Americans tap into their \$32 trillion of home equity is gaining steam in the era of high rates: companies are paying owners cash up front for a stake in the appreciation of their homes [WSJ]

Homeowners' equity in U.S. real estate



Source: Federal Reserve

- Longer-dated Treasurys just logged their best week since 2020; some traders are betting on a continued rally [WSJ]
- After years of plowing money made in China back into China, foreign companies are now taking their earnings out of the country amid slowing economic growth and tensions between Beijing and Washington [WSJ]
- Moscow has found ways to circumvent a Western price cap on Russian oil, moving crude on a fleet of aging tankers on which the sanctions have limited traction – the discount at which Moscow sells its oil relative to global prices has shrunk, boosting Russia's war chest [WSJ]
- US wheat exports plunge to 20-year low as Mississippi river dries up [BBG]

## **M&A activity continues to remain depressed, although developments within renewable energy, entertainment, and telecommunications prove to be encouraging**

- Telecom Italia's board approved the sale of its landline network to KKR in a \$23.6B deal backed by the Italian government [BBG]
- British regulators cleared Cameco and Brookfield Renewable Partners' \$7.9B acquisition of nuclear power plant equipment maker Westinghouse Electric [RT]
- Saudi Arabia expressed interest in investing up to \$5B for a stake in \$30B Indian Premier League, international cricket's most lucrative event [BBG]
- PE firm Platinum Equity is in advanced talks to purchase Kohler's generators division for over \$3B [BBG]
- Spanish Telecom Telefonica is seeking to buy a 28% stake in its German unit for as much as \$2.2B in a bid to take the company private [BBG]
- Abu Dhabi National Oil and Austria's OMV are putting the final touches on a deal to create a \$32B+ petrochemical firm; officials may reach a breakthrough as soon as mid-November [BBG]

- FTC requested more information from Coach owner Tapestry and Michael Kors owner Capri Holdings on their planned \$8.5B deal [RT]
- Bain Capital will acquire government and business consulting firm Guidehouse in a \$5.3B deal [RT]
- Riddell is exploring a sale in a deal that could value the US maker of football helmets and gear at ~\$800M [RT]
- Software services provider Bill Holdings is in advanced talks to acquire digital payment tool provider Melio Payments in a \$2B cash-and-stock deal [BBG]
- KKR and GED Capital acquired Fresenius' fertility business Eugin Group in a deal worth up to \$536M [FT]
- PE firm Warburg Pincus launched a tender offer to acquire control of Brazilian insurance group Alper at a \$174M valuation [RT]

## **Recent developments across four key industries highlight declining oil prices, pharmaceutical approval processes, and tightening lending standards**

### **Energy & Natural Resources**

- Countries that vowed in 2015 to reduce emissions to limit climate change are now ramping up production of oil, gas and coal, which will have the opposite effect, a new study finds [WSJ]
- US crude oil prices fall below \$78 a barrel to their lowest level since July [CNBC]
- The demand for utility poles is surging due to infrastructure spending on projects like electric cars, solar energy, and rural broadband [WSJ]

### **Technology, Media, & Telecommunications**

- As the Biden administration prepares to distribute manufacturing grants for domestic chip projects, Intel is the leading candidate to potentially receive

billions of dollars for secure facilities producing microchips for U.S. military and intelligence applications [WSJ]

- Uber missed Q3 analyst earnings and revenue expectations but showed strength in other areas such as gross bookings [CNBC]
- Microsoft's shares closed at a new record high Tuesday; Its stock is up about 50% this year; its market cap, at about \$2.68 trillion, is second only to Apple's among U.S. companies [WSJ]

## Healthcare & Life Sciences

- FDA has approved Eli Lilly's weight loss drug; the agency signed off on Zepbound, a version of the company's popular diabetes medication, Mounjaro, specifically to treat obesity [AP]
- The way medicines are paid for in the U.S. has become so convoluted that some drugmakers are setting two prices for the same drug—and many health plans are choosing to cover the more expensive version [WSJ]

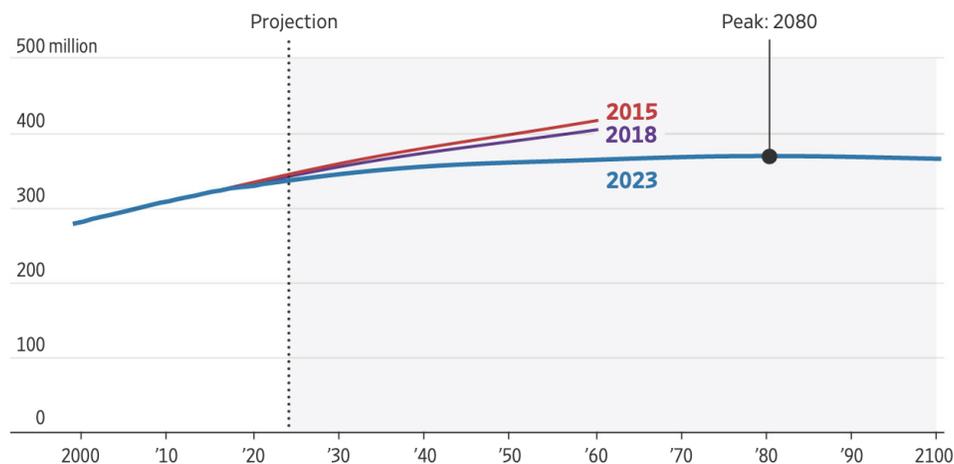
## Financial Services

- Citigroup considers deep job cuts for CEO Jane Fraser's overhaul [CNBC]
- UBS posted a sizable net loss in its first full quarter combined with Credit Suisse, but said wealthy customers are flocking to it with new investments and deposits; UBS stock rose about 3% in Zurich [WSJ]
- Robinhood shares fell 9% after it missed Q3 revenue estimates due to muted trading activity [RT]
- Banks continue to tighten their lending standards, particularly to customers that don't meet credit-scoring thresholds [WSJ]

**Outside of standard macroeconomic updates and M&A developments, the end of the actors strike and WeWork's bankruptcy filing have led news cycles**

- Disney plans steeper cost cuts; Disney reported its earnings yesterday, and Bob Iger showed why the company wanted him back to rule the kingdom: Disney posted better-than-expected profits (though ad revenue was down) and narrowed its streaming losses [WSJ]
- The Health Ministry in Hamas-controlled Gaza said that more than 10,000 Palestinians had been killed since the Israel–Hamas war began. President Biden reportedly spoke to Israel’s Benjamin Netanyahu yesterday about “tactical pauses” to help civilians and enable hostage releases [R]
- The actors strike is over; your favorite show might finally start production on its new season: SAG-AFTRA reached a tentative deal with Hollywood studios last night to end its strike, paving the way for the TV and movie industry to get back to work [D]
- WeWork is officially bankrupt; the coworking company filed for Chapter 11 bankruptcy protection in New Jersey after years of struggles that began with a failed IPO in 2019 [NYT]
- America’s long streak of population growth is expected to come to an end by 2080, according to new Census Bureau projections [WSJ]

Population growth with past projections



Source: Census Bureau

- ChatGPT gets customizable; OpenAI is rolling out the ability to make custom versions of its AI chatbot, called GPTs, and will create a marketplace for people to sell them, the company announced at its first-ever developer event yesterday [TV]