



# The Roundup

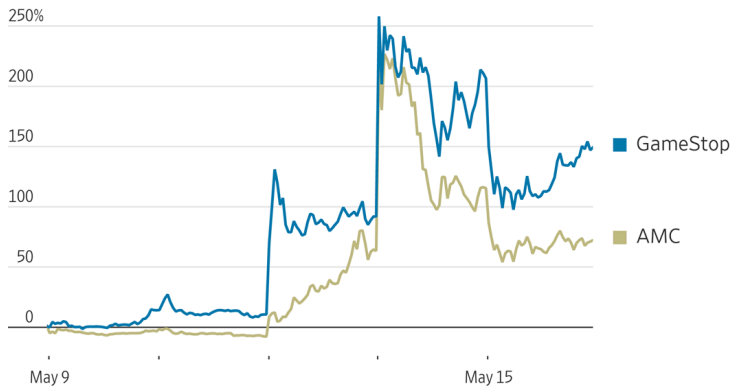
Weekly Economic Research

**May 13 - 17, 2024**

**First-quarter S&P 500 earnings have been strong, with 78% beating analyst expectations, and year-over-year earnings growth is expected to accelerate, potentially extending the economic expansion**

- The S&P 500 is up 1.37%, the Nasdaq is up 1.89%, and the Dow Industrials is up 1.02%% WTD
- The 10-Yr U.S. Treasury yield has decreased -0.1230% to a current yield of 4.371%, whereas the 30-Yr U.S. Treasury yield decreased -0.1250% to a current yield of 4.542%
- Crude oil prices increased 1.58% to a current \$78.86/bbl while bitcoin increased 7.79% to a current \$66,242.70/coin
- GameStop and AMC Entertainment, both meme-stock darlings, surged earlier in the week, doubling in value, but then experienced significant declines, down 21% and 10% respectively [[WSJ](#)]

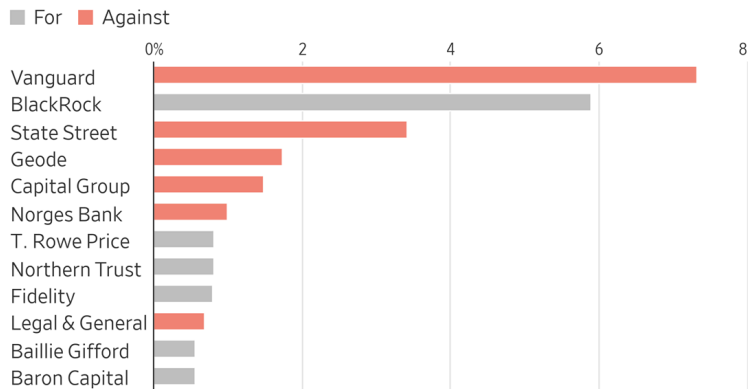
Stock performance, past five days



Source: FactSet

- Tesla shareholders must decide on June 13th whether to reinstate a \$46 billion stock option award for CEO Elon Musk, a decision with significant implications for the company's future plans and amidst recent challenges and controversies [WSJ]

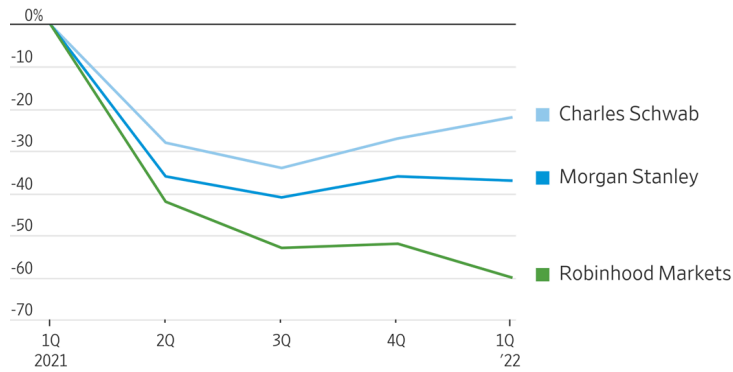
How Tesla outside shareholders, by current stake, voted on Elon Musk's 2018 pay



Note: T. Rowe Price split but said "the bulk" of its shares voted for approval  
Sources: Diligent Market Intelligence | Voting; S&P Global Market Intelligence (shares)

- The return of Reddit user Keith Gill, also known as Roaring Kitty, has reignited excitement for a potential resurgence of the meme stock mania of 2021, leading to rallies in meme stocks like Robinhood Markets [WSJ]

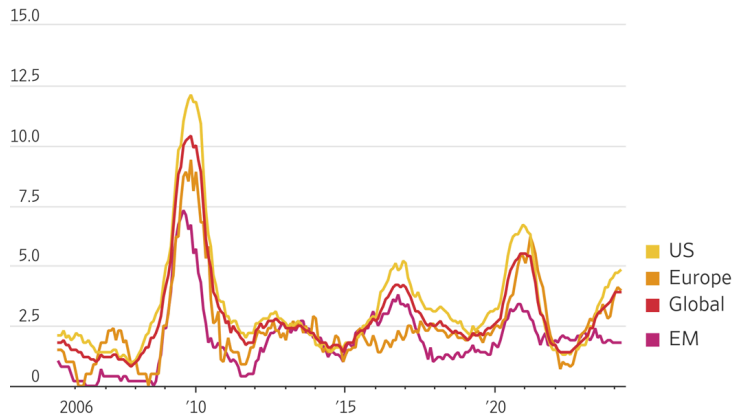
Percentage change in daily average trades versus the first quarter of 2021



Note: Self-directed for Morgan Stanley. Client trades for Charles Schwab. Options and equities for Robinhood, excluding crypto.  
Source: Company reports

- In April, corporate debt defaults surged to the highest monthly level since October 2020, with rising interest rates taking a toll on companies that borrowed leveraged loans, particularly in the technology sector [WSJ]

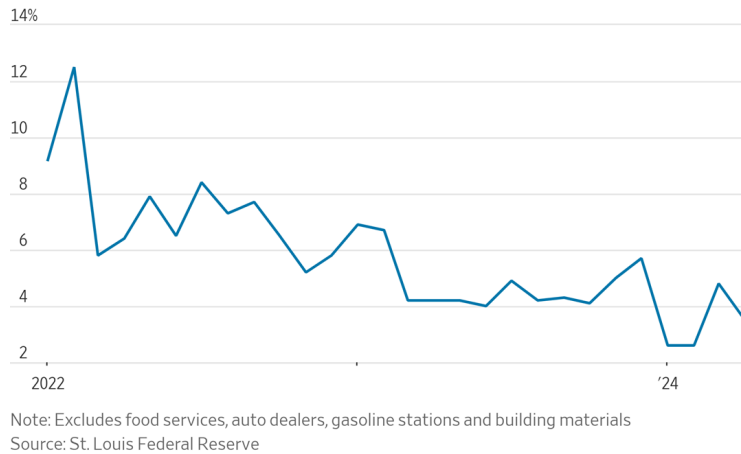
12-Month Speculative-Grade Default Rates



Source: S&P Global Ratings

- Recent economic indicators suggest a mixed outlook, with signs of slowdown and disinflation potentially prompting Fed rate cuts, particularly by September, with July also under consideration [WSJ]

U.S. "control" retail sales, change from year earlier:



## Fading confidence in rate cuts accompanies high inflation, while companies in the S&P 500 face steeper share declines for missing targets

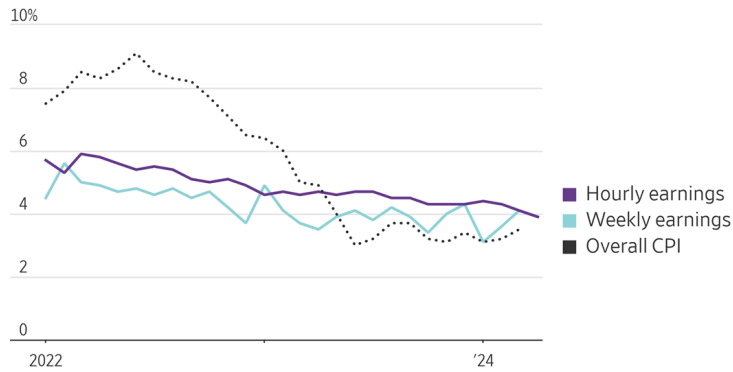
- Wall Street's confidence in imminent interest-rate cuts has waned with three months of high inflation, but renewed optimism about a soft landing for the U.S. economy has emerged before the release of the consumer-price index [WSJ]

Core PCE inflation



- Wall Street's confidence in imminent interest-rate cuts waned due to three consecutive months of high inflation data, leading investors to pin their hopes on upcoming consumer-price index figures [WSJ]

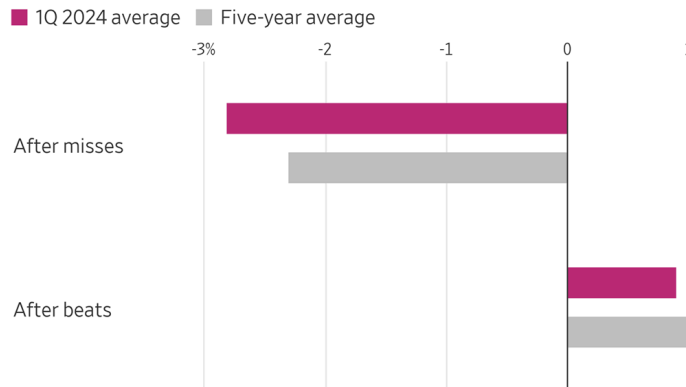
### Wages and prices, change from a year earlier



Notes: Consumer-price data aren't seasonally adjusted; wage data are average earnings for all private workers and are seasonally adjusted.  
Source: Labor Department

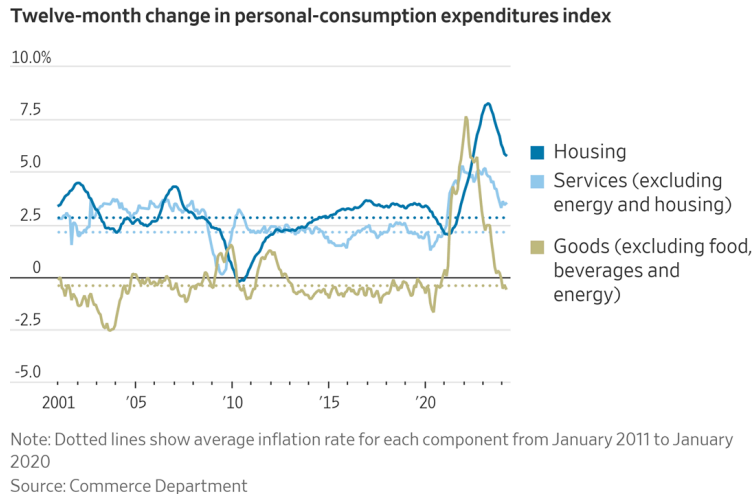
- Despite an overall positive earnings season with a 5.4% profit increase in the S&P 500, companies falling short of investor expectations are facing harsher penalties than usual, with shares declining by an average of 2.8% [WSJ]

### Average share-price performance after earnings beats and misses



Note: Performance measured from two days before earnings report through two days after.  
Source: FactSet

- Despite stalled inflation this year, the Federal Reserve remains committed to eventually cutting interest rates, banking on a slowdown in housing costs to bring inflation closer to its 2% target [WSJ]



## M&A activity continues to remain depressed, although developments within media, tech, and healthcare prove to be encouraging

- Real estate mogul Frank McCourt plans to build a consortium to bid for TikTok's US business, which is potentially worth \$35B-\$40B [BBG]
- KKR will offer a package of remedies as to win an early EU approval for its \$23.8B bid for Telecom Italia's land-line network [BBG]
- Royal Mail's parent company International Distributions Services will agree to a \$4.4B takeover by Daniel Kretinsky if the Czech billionaire tables a formal offer [RT]
- Malaysia's SWF Khazanah Nasional, Employees Provident Fund, GIP and Abu Dhabi's ADIA are set to privatize Malaysia Airports in a \$3.9B deal [BBG]
- KPS Capital Partners will acquire Siemens' Innometrics large motors and drives division for \$3.3B [RT]
- Apollo Global is in advanced talks with Intel to invest over \$11B to build a new chip plant in Ireland [WSJ]
- Walgreens Boots Alliance is reaching out to potential buyers for its \$8.8B Boots drugstore chain in the UK [BBG]
- PE firm Permira will acquire website-builder Squarespace for ~\$6.6B cash in

this year's second-largest take-private LBO [BBG]

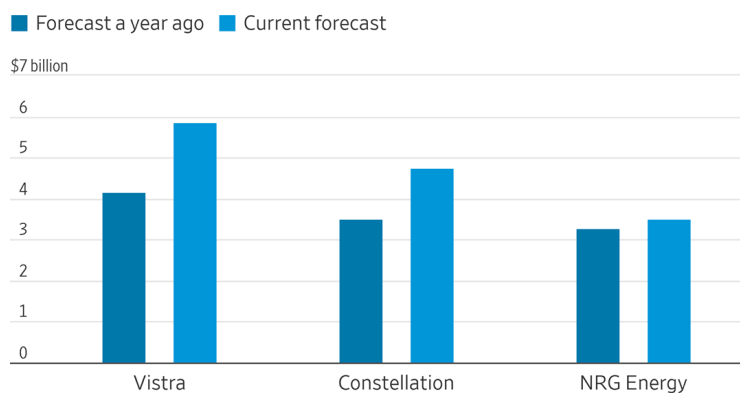
- Kraft Heinz is exploring a sale of its Oscar Mayer meats business that could fetch \$3B-\$5B [WSJ]
- Novo Nordisk acquired a ~60% stake in Austria-based life science tools company Single Use Support in a near \$1B deal [RT]
- Insurance giant Aflac acquired a 40% stake in middle market private-credit shop Tree Line Capital Partners for ~\$100M [WSJ]
- Uber will buy Delivery Hero's Foodpanda business in Taiwan for \$950M [BBG]

## Recent developments across four key industries highlight the impacts of power-hungry AI, hospital price inflation, and Google's AI integration efforts

### Energy & Natural Resources

- Power-plant owners are seeing the impact of power-hungry artificial intelligence on future electricity demand, with forward power prices rising in data-center hubs like Texas and the mid-Atlantic region [WSJ]

Average Wall Street expectations for 2026 earnings before interest, taxes, depreciation and amortization



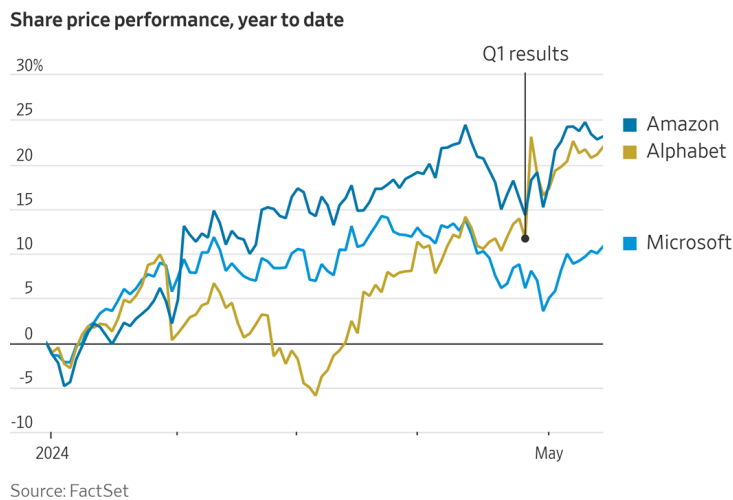
Source: FactSet

- Houston-based Crescent Energy has agreed to acquire SilverBow Resources for \$2.1 billion, with SilverBow shareholders set to receive 3.125 shares of Crescent stock per share, or a cash option valued at \$38 per share [WSJ]

- The International Energy Agency has lowered its forecast for oil-demand growth this year to 1.1 million barrels a day, citing subdued industrial activity and mild winter temperatures in Europe [WSJ]
- The U.S. Energy Information Administration revised its forecast for Henry Hub gas prices, expecting the spot price to average \$2.18 per MMBtu in 2024 and \$3.09 per MMBtu in 2025, citing reduced natural gas production due to low prices [RZ]

## Technology, Media, & Telecommunications

- Despite facing challenges from competitors like OpenAI, Google remains dominant in the search and mobile operating system markets, providing a strong foundation for its AI integration [WSJ]



- CoreWeave, a cloud-computing startup, secured \$7.5 billion in debt financing from prominent investors, following a recent \$1.1 billion equity funding round [WSJ]
- Elon Musk's acquisition of Twitter led to significant changes, including a rebranding to X.com, with Musk now serving as the platform's chief technical officer [WSJ]

## Healthcare & Life Sciences

- Hospital price inflation, fueled by demands for higher insurer payments to cover rising wages, has contributed to overall inflation despite initial price locks due to existing contracts [WSJ]

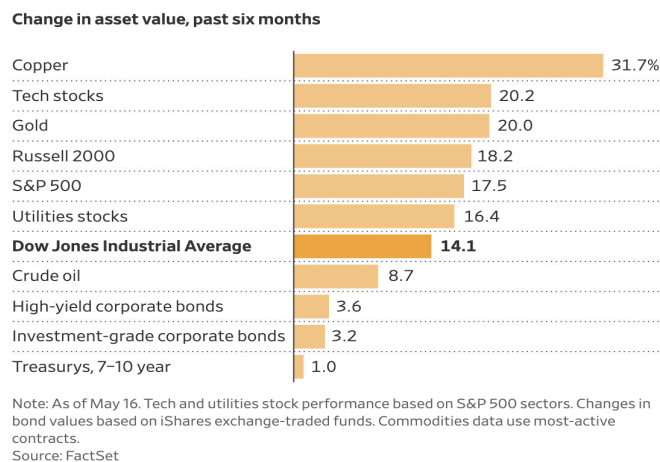




- Roche's new weight-loss drug candidate CT-388 showed promising phase 1 trial results, boosting its stock and positioning it to compete in the lucrative obesity treatment market dominated by Novo Nordisk and Eli Lilly [WSJ]

## Financial Services

- The Dow Jones Industrial Average surpassed the 40,000 milestone for the first time, reflecting a buoyant investing atmosphere characterized by robust corporate profits, low unemployment, and easing inflation [WSJ]



- Alibaba's shares in Hong Kong rebounded by 7.0% following a modest rise in sales and an 11% fall in adjusted net profit in its January-March earnings report, attributed to increased investment for future growth [WSJ]

- China introduced bold measures to address its housing market crisis, including city and local authorities buying unsold homes to convert them into affordable housing [[WSJ](#)]

## **Outside of standard macroeconomic updates and M&A developments, Berkshire Hathaway's silent investment, meme stocks, and grade inflation have led news cycles**

- GameStop's Monday rally inflicted nearly \$1 billion in losses on short sellers, with GameStop's short position at over 24% of its freely available shares, while other meme stocks like AMC and Reddit also surged [[CNBC](#)]
- Warren Buffett's Berkshire Hathaway has silently accumulated a \$6.7 billion stake in Chubb, a major insurance company, reflecting Buffett's ongoing interest in financial services [[FT](#)]
- Microsoft's total carbon emissions have increased by nearly 30% since 2020, primarily due to indirect emissions associated with constructing new data centers, as reported in its latest sustainability report [[CNBC](#)]
- TikTok is currently testing a new feature that allows users to upload videos up to an hour long, targeting a limited group of users in select markets as it takes on its competitor, YouTube [[DM](#)]
- Since the pandemic began, U.S. schools' more lenient grading policies have led to higher grades despite lower test scores and attendance, stirring debate among educators [[WSJ](#)]
- The first crewed mission of Boeing's Starliner spacecraft has been postponed to no earlier than May 21 due to a small helium leak found in the service module, requiring further testing and solutions [[CNN](#)]
- Masters champion Scottie Scheffler was detained by police while driving to the PGA Championship in Louisville, after he failed to comply with police orders during an investigation of a pedestrian fatality near Valhalla Golf Club [[CBS](#)]