



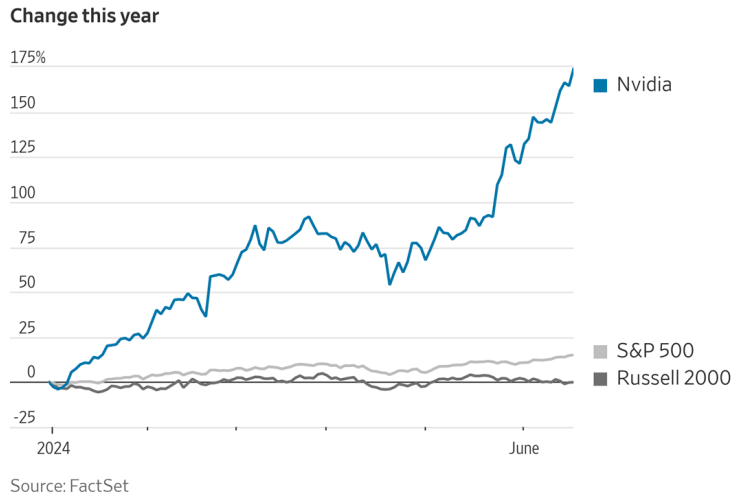
# The Roundup

Weekly Economic Research

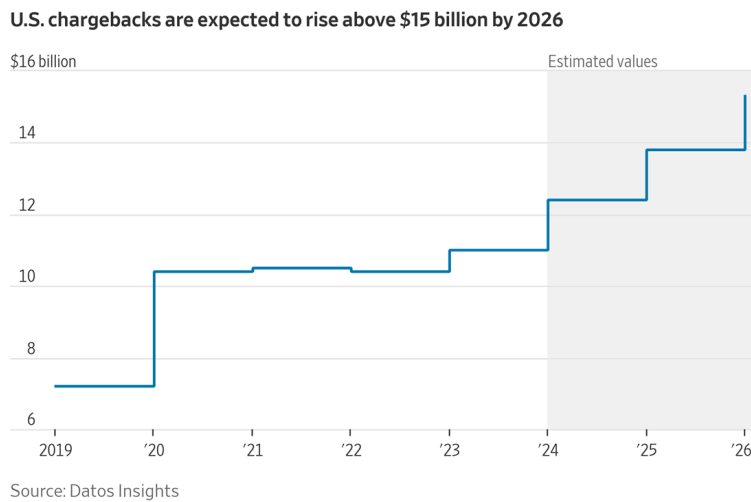
**June 17 - 21, 2024**

**Technology and communication services sectors, driven by large-cap AI stocks, are outperforming the broader S&P 500, rising over 23% each compared to the S&P 500's 15% gain**

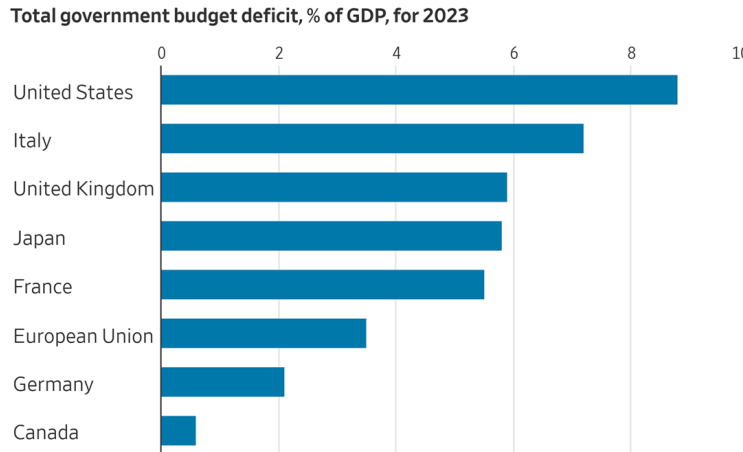
- The S&P 500 is up 0.57%, the Nasdaq is up 0.04%, and the Dow Industrials is up 1.18% WTD
- The 10-Yr U.S. Treasury yield has increased +0.007% to a current yield of 4.226%, whereas the 30-Yr U.S. Treasury yield increased +0.021% to a current yield of 4.373%
- Crude oil prices increased 4.51% to a current \$81.35/bbl while bitcoin decreased 4.45% to a current \$63,660.50/coin
- While the S&P 500 hits new records driven largely by Nvidia's surge, the broader U.S. stock market shows concerning signs, with the Russell 2000 index down 17% from its 2021 peak and many S&P 500 stocks underperforming since early 2022 [[WSJ](#)]



- Disputes over credit-card charges in the U.S. have surged to \$11 billion in 2022, driven by consumers' increased awareness and ease of challenging charges, often leading to merchants losing money even for legitimate transactions [WSJ]

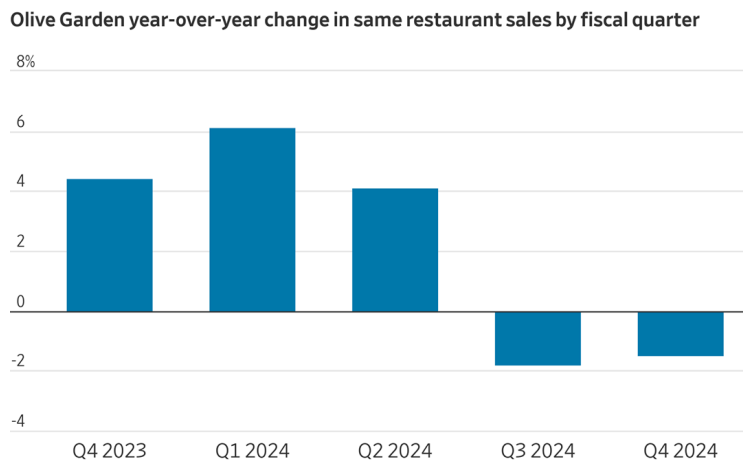


- Despite political turmoil in France, Europe's far-right parties are shifting from anti-EU stances to advocating reform from within, underscoring the EU's resilience and preference for stability amidst past crises [WSJ]



Source: U.K. Office for National Statistics, International Monetary Fund

- Despite their role as informal economic indicators, middle-class-focused chains like Olive Garden and Applebee's are seeing a decline in same-store sales, while high-end restaurants like Ruth's Chris are experiencing increased traffic [WSJ]



Source: Darden Restaurants

## **A bond rally has boosted investor optimism, Citigroup's Citi Services gained attention for its crucial financial roles, and pension funds heavily invested in private equity are under financial strain**

- Recent cooling inflation has spurred a bond rally, lowering the 10-year U.S. Treasury yield while investors anticipate Federal Reserve rate cuts, boosting stocks and housing market optimism [WSJ]

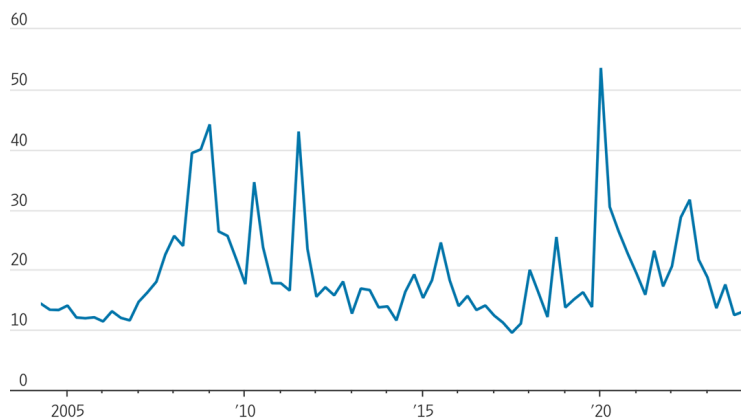
Average 30-year fixed mortgage rate



Source: Freddie Mac

- Despite record highs and minimal volatility in the S&P 500, concerns persist over market fragility due to narrow leadership and low trading volumes amid expected Fed rate cuts and strong economic conditions [WSJ]

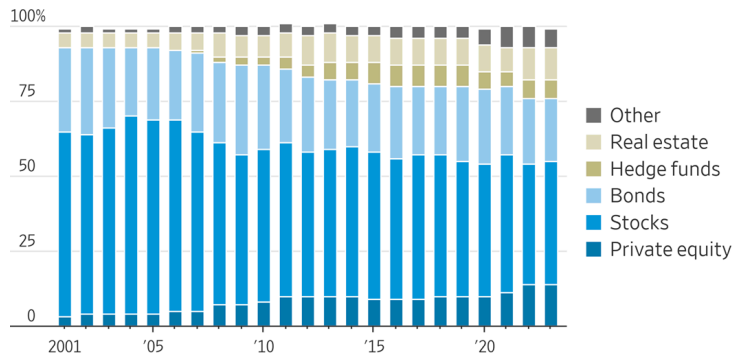
Cboe Volatility Index



Source: FactSet

- Pension funds heavily invested in private equity are facing financial strain as expected payouts diminish, leading to forced asset sales at discounted prices and increased borrowing to meet obligations [WSJ]

Large U.S. state and local government pension asset mix, yearly

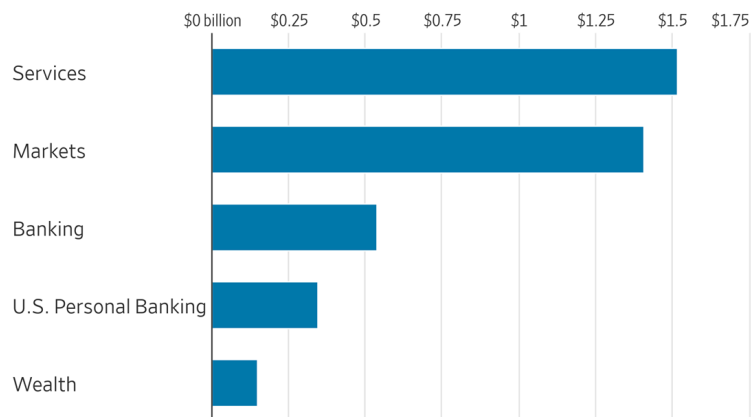


Note: Plans managing more than \$50 billion. Figures are averages and don't always add up to 100%.

Source: Boston College Center for Retirement Research

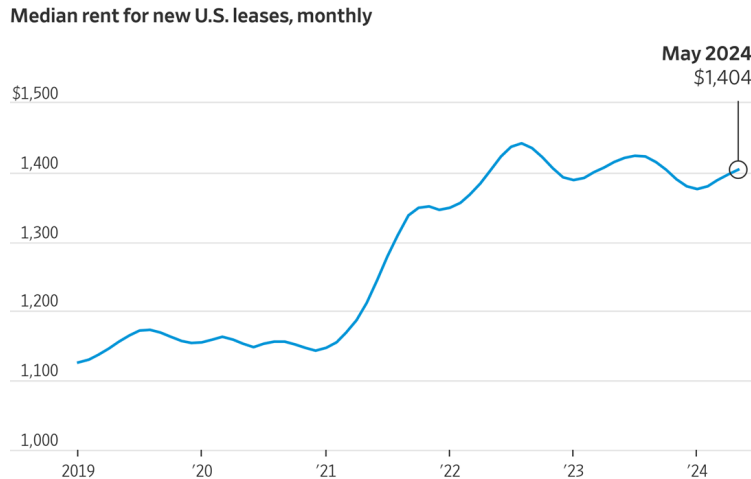
- Citigroup's often-overlooked Citi Services division, crucial to CEO Jane Fraser's turnaround strategy, took center stage this week with a dedicated investor day to showcase its vital roles in global money movement and asset safeguarding [WSJ]

Citigroup's first-quarter income from continuing operations, by business line



Source: the company

- Rent growth is slowing in parts of the U.S., but cities like Kansas City and Washington, D.C., are seeing rising rents amid Sunbelt oversupply, complicating Federal Reserve policies with shelter inflation concerns [WSJ]



## M&A activity shows slight improvement with developments within energy and technology proving to be encouraging

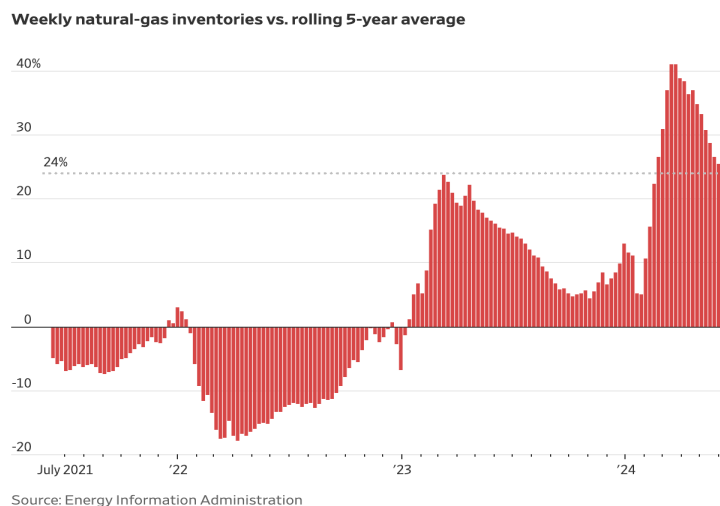
- KKR and TPG are among suitors interested in acquiring CVC's controlling stake in \$11.4B Milan-listed drugmaker Recordati [BBG]
- Canada's CDPQ launched a sale of its 16.6% stake in Colonial Pipeline, US's largest fuel transportation system, at a potential \$10B+ valuation [RT]
- The Koch family will acquire a 15% stake in BSE Global, which owns Brooklyn Nets, New York Liberty, and the Barclays Center, at a ~\$6B valuation [BBG]
- \$3.7B-listed packaged water company Primo Water will merge with peer BlueTriton Brands in an all-stock deal and trade on the NYSE [RT]
- Finnish insurance group Sampo agreed to acquire Danish rival Topdanmark in an all-stock \$4.7B deal [BBG]
- UAE renewable energy company Masdar will acquire an initial 67% stake in Greece's Terna Energy at a ~\$2.6B equity value and intends to buy the rest [RT]
- Honeywell will acquire aerospace and defense technology firm CAES Systems for \$1.9B from Advent International in an all-cash deal [BBG]
- UK food supplier Tate & Lyle agreed to acquire US-based CP Kelco in a \$1.8B deal [RT]
- Blackstone will acquire Japanese e-comics platform Infocom for \$1.7B [BBG]

- A consortium of KKR and SingTel agreed to acquire a \$1.3B minority stake in Asian digital infrastructure provider ST Telemedia Global Data Centres [BBG]
- Medtech giant Boston Scientific will acquire smaller peer Silk Road Medical in a ~\$1.2B cash deal [WSJ]
- Shell agreed to buy Singaporean LNG company Pavilion Energy from SWF Temasek for 'hundreds of millions of dollars' [RT]
- Nvidia agreed to buy software startup Shoreline.io at a ~\$100M valuation [BBG]

## Recent developments across four key industries highlight Nvidia's surge to a \$3.335 trillion valuation, a booming obesity drug market, and electricity bills on the rise

### Energy & Natural Resources

- With summer temperatures soaring, U.S. electricity bills are expected to rise, with the Energy Information Administration forecasting an average monthly residential bill of \$173 for June through August, a 3% increase from last year [WSJ]



- Industrial real estate firms are increasingly exploring rooftop solar installations to reduce costs, emissions, and generate new revenue streams, despite concerns over initial costs and potential building damage [WSJ]

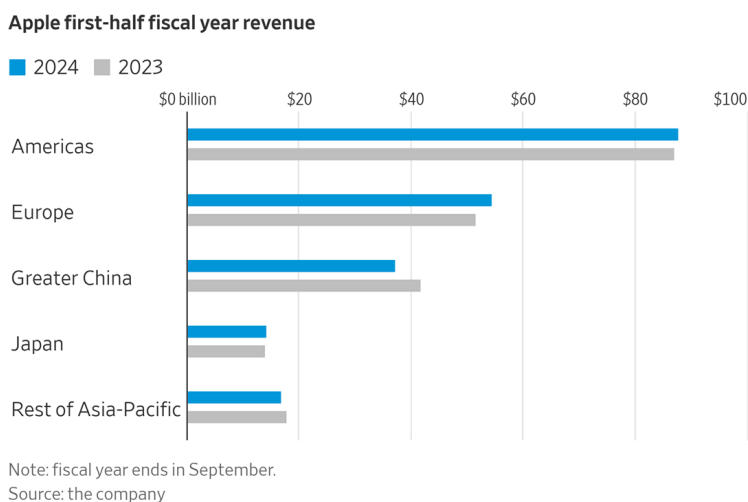
- BP is acquiring its partner's 50% stake in the Brazilian biofuels joint venture BP Bunge Bioenergia for \$1.4 billion to streamline its biofuels focus, securing 50,000 barrels a day of ethanol from sugarcane across 11 units in Brazil [WSJ]

## Technology, Media, & Telecommunications

- Nvidia's surge to a \$3.335 trillion valuation as the world's most valuable company, driven by high demand for its AI chips, reflects a major shift in tech leadership akin to the dot-com boom [WSJ]



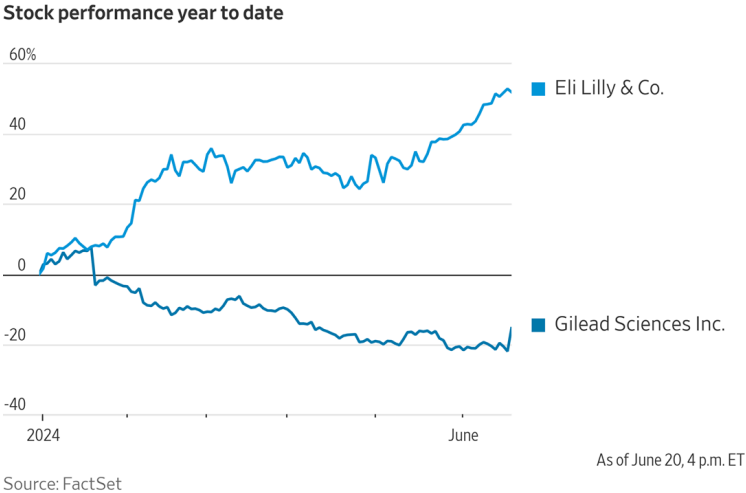
- Apple is facing challenges in incorporating AI into its devices in China due to regulatory hurdles and competition from local brands, prompting it to seek partnerships with Chinese AI firms as its market share slips [WSJ]



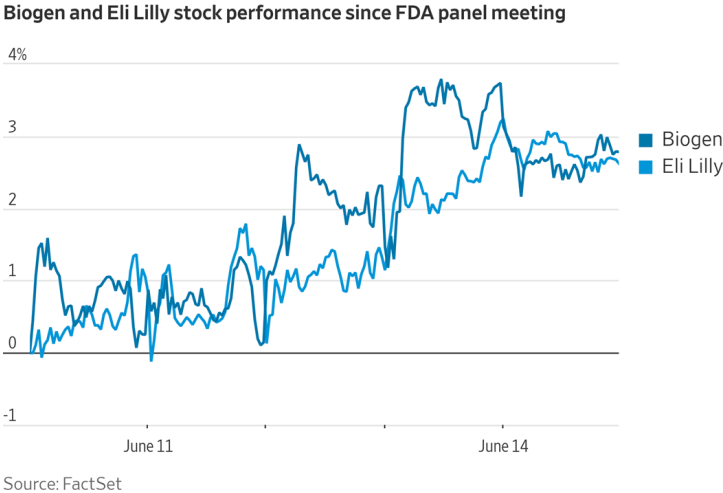


## Healthcare & Life Sciences

- Gilead Sciences briefly surged on obesity drug speculation but clarified its focus on liver treatments, while Eli Lilly, Novo Nordisk, and other major pharma companies dominate the booming obesity drug market [WSJ]



- Biogen and Eisai's Alzheimer's drug, Leqembi, faces slow adoption due to modest benefits and complex treatments, but Eli Lilly's potential approval for donanemab might boost market awareness and infrastructure [WSJ]



## Financial Services

- Hedge fund managers focusing on mergers and acquisitions saw strong performance in the first five months of 2024, achieving a 7.7% return amid a rebound in deal-making fueled by declining interest rates [RT]