



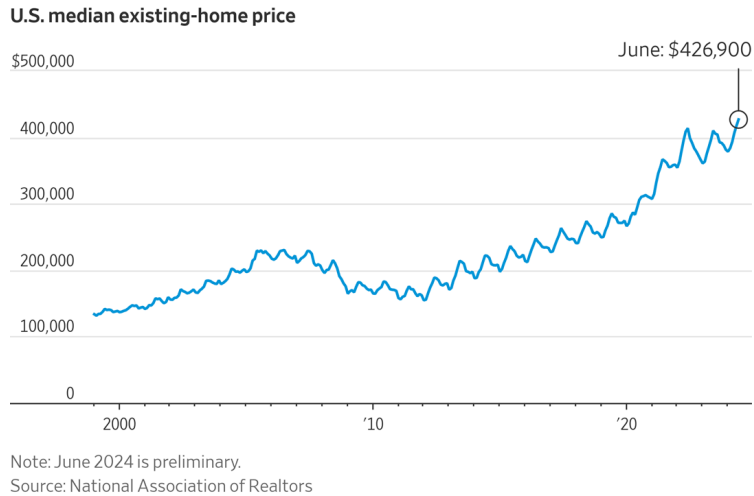
The Roundup

Weekly Economic Research

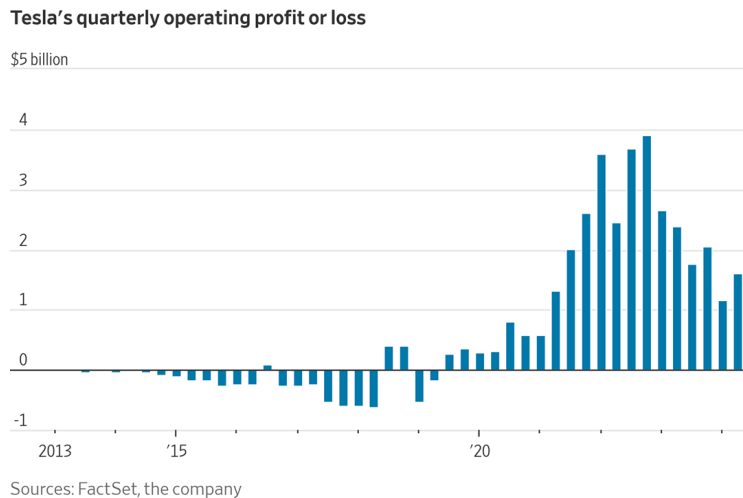
July 22 - 26, 2024

The latest GDP report showed that the U.S. economy grew by 2.8% in the second quarter, surpassing the 1.9% consensus estimate, driven by increased household consumption and a significant rise in investment spending

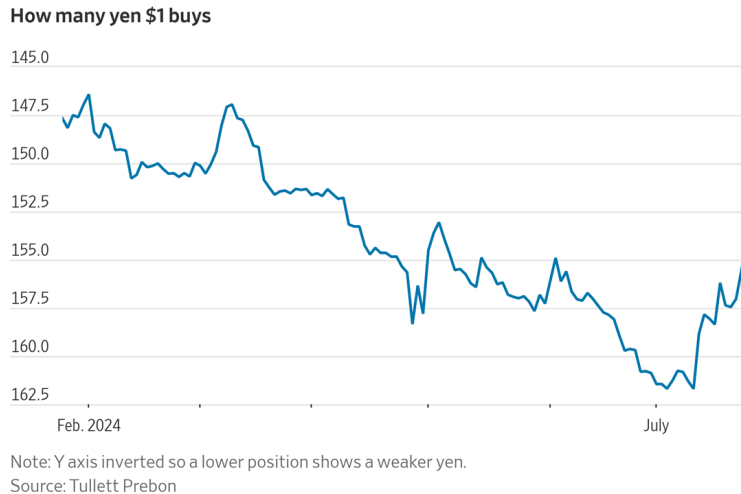
- The S&P 500 is down 2.60%, the Nasdaq is down 3.67%, and the Dow Industrials is down 1.62% WTD
- The 10-Yr U.S. Treasury yield has increased +0.019% to a current yield of 4.244%, whereas the 30-Yr U.S. Treasury yield increased +0.055% to a current yield of 4.487%
- Crude oil prices decreased 0.86% to a current \$78.42/bbl while bitcoin decreased 1.74% to a current \$66,995.10/coin
- The recent stock market pullback has caused anxiety, with expectations of continued weakness due to elections, upcoming earnings reports, and potential Federal Reserve actions influenced by inflation and moderating economic growth
- Home prices hit a record high in June, with the national median existing-home price rising to \$426,900 due to low inventory despite a decline in home sales for the fourth consecutive month [WSJ]



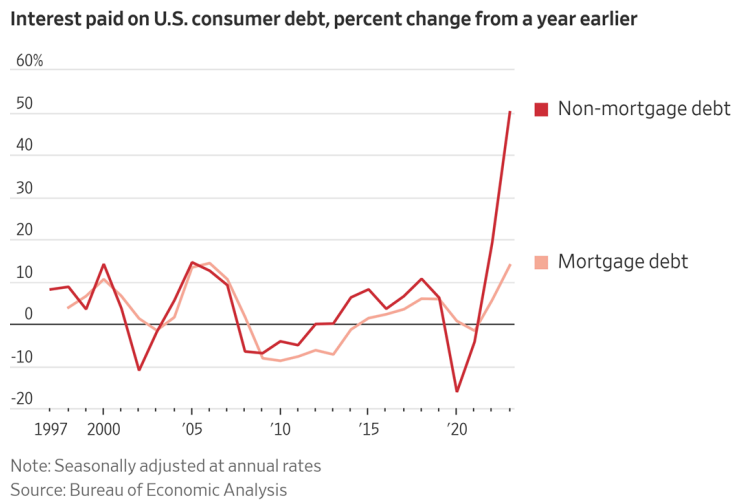
- Tesla's second-quarter results fell short of analysts' expectations, with the automotive gross-profit margin excluding regulatory credits at 14.6% and significant restructuring charges impacting overall profitability [WSJ]



- The yen strengthened to a nearly three-month high against the dollar, driven by expectations of an imminent BOJ rate increase to address the weak yen and inflated import prices [WSJ]



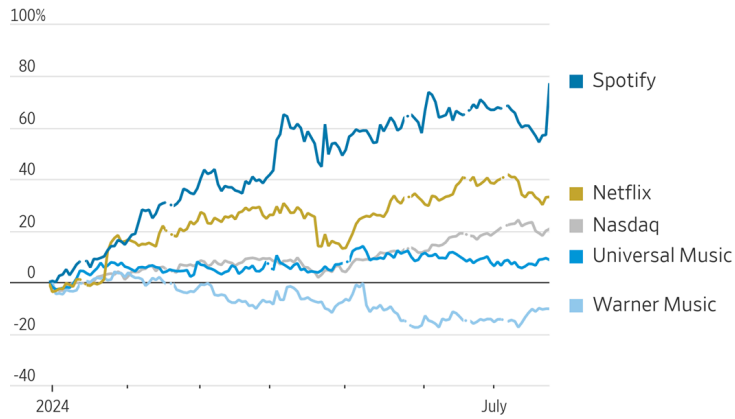
- Despite the economy's resilience, borrowers face higher costs and rising debt due to record-high interest rates on mortgages, credit cards, and auto loans [WSJ]



Big financial firms are targeting millennial and Gen Z gamers and Spotify's strong second-quarter results boosted investor confidence and its share price by 12%

- Spotify's second-quarter results showed record gross margins and operating profit, with management projecting further improvements in the third quarter, boosting investor confidence and driving a 12% rise in share price [WSJ]

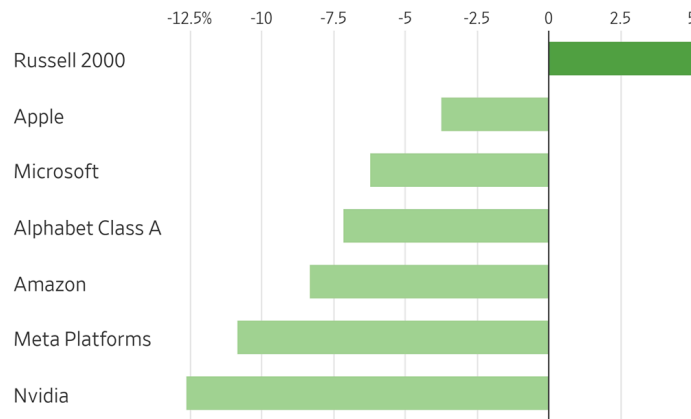
Share price and index performance, year to date



Source: FactSet

- Laggard stocks surged while major tech stocks stumbled due to expected Federal Reserve rate cuts and uncertainty after President Biden announced he won't seek re-election [WSJ]

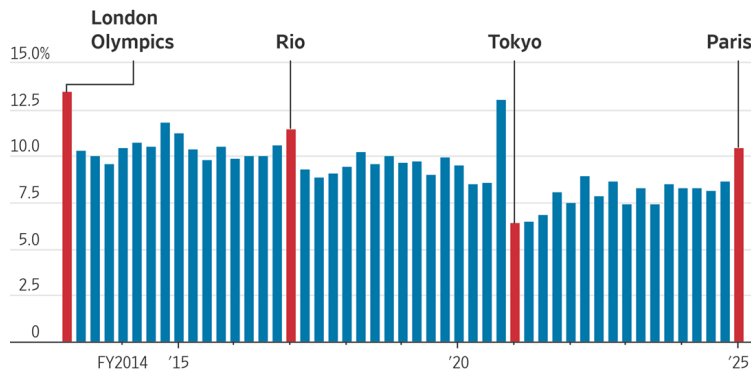
Index and share-price performance since July 10



Source: FactSet

- As the Paris Olympics approach, major brands like Nike and Adidas are ramping up marketing efforts despite limited direct sales benefits, while smaller brands like On and Hoka see it as a chance to boost awareness and market share by targeting niche sports [WSJ]

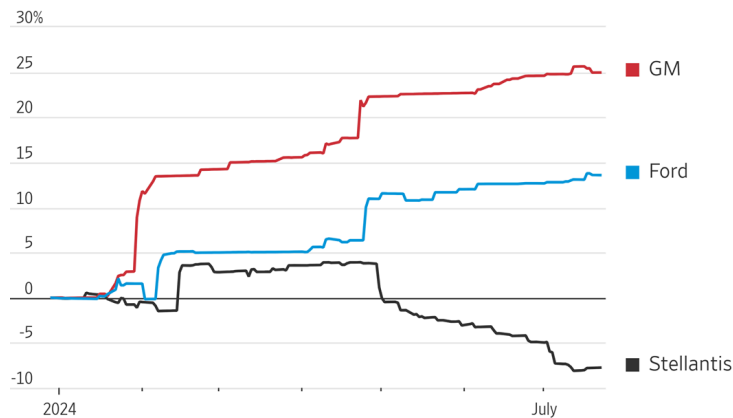
Nike demand creation expense as a percentage of revenue



Note: 1Q25 is the three-month period starting June 2024. Figure for 1Q25 is based on Wall Street analysts' estimates.
Source: Visible Alpha

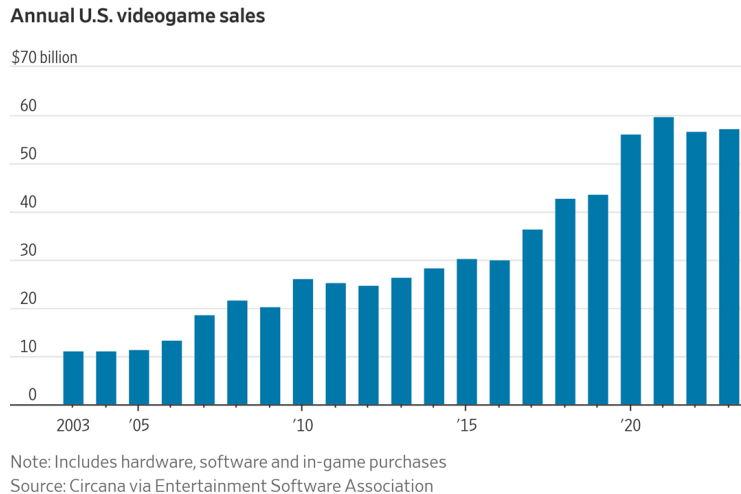
- General Motors and Ford Motor are expected to report strong first-half results due to resilient sales prices and a slowdown in electric-vehicle sales, leading to significant stock gains [WSJ]

Consensus earnings per share for the next 12 months, % change



Source: FactSet

- Big financial firms are targeting millennial and Gen Z customers in the \$57 billion-a-year video game industry, with Barclays leading by introducing an Xbox Mastercard offering rewards for game-related purchases [WSJ]



M&A activity continues to remain depressed, although some new developments prove to be encouraging

- Grains merchant Bunge Global's \$8.2B acquisition of Glencore-backed Viterro is set to gain EU approval [BGC]
- German engineering firm Bosch agreed to acquire Johnson Controls' and Hitachi's residential HVAC businesses for \$8B [RT]
- T-Mobile agreed to invest \$4.9B in a JV with KKR to buy fiber-optic internet company Metronet [WSJ]
- CD&R and Permira made a \$2.4B takeover offer for French cybersecurity firm Exclusive Networks [BGC]
- Manufacturing firm Terex agreed to acquire a garbage-truck manufacturing business from peer Dover in a \$2B all-cash deal [BGC]
- L Catterton acquired a stake in luxury outlet operator Value Retail from UK shopping center landlord Hammerson in a \$1.9B deal [FT]
- Medical supplies distributor Owens & Minor will acquire peer Rotech Healthcare for ~\$1.4B cash [RT]
- Industrial equipment maker IDEX will acquire filtration products maker Mott for \$1B cash [RT]
- Australia's Woodside Energy agreed to acquire US LNG gas developer Tellurian

for \$1.2B, including debt [RT]

- Natural gas compression provider Archrock agreed to acquire peer Total Operations and Production Services from Apollo for \$983M [WSJ]
- Japan's Yokohama Rubber will acquire Goodyear's OTR tire business for \$905M [BBG]

Recent developments across four key industries highlight Google's \$23 billion acquisition of Wiz failing, US Antibiotics struggling, and John Tuttle leaving the NYSE

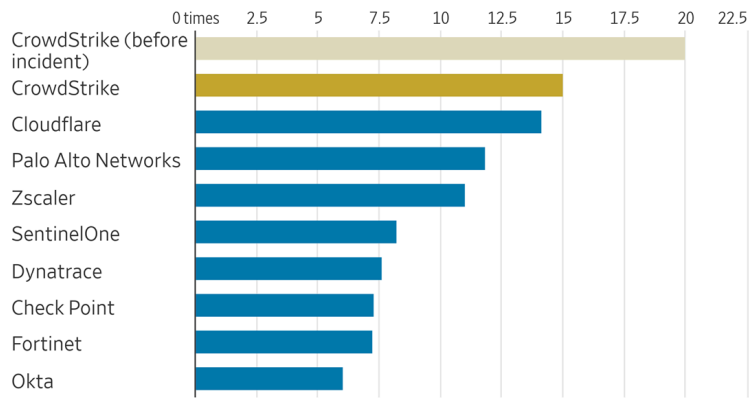
Energy & Natural Resources

- Extreme weather, especially hurricanes and extreme temperatures, poses significant risks to oil and gas operations, with forecasts predicting increased hurricane activity in 2024 [RZ]
- Republicans are leveraging Kamala Harris's past pledge to ban fracking as a key issue in politically critical states like Pennsylvania, painting her stance as extreme and harmful to jobs [RZ]
- During his GOP nomination speech, Donald Trump emphasized U.S. energy resources, resonating with oil billionaires who have donated \$9.9 million since March to support his pro-fossil fuel agenda [WSJ]

Technology, Media, & Telecommunications

- CrowdStrike identified a quality-control flaw that caused a critical software update to disrupt millions of Microsoft Windows users worldwide, significantly impacting businesses, airlines, and other organizations [WSJ]

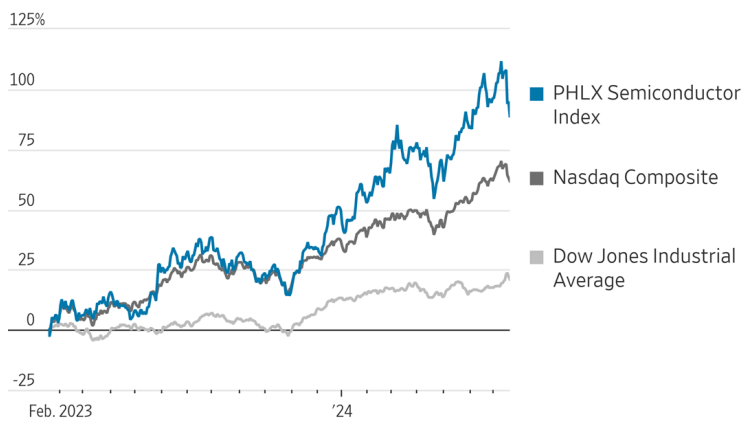
Share price as a multiple of forward sales



Note: Based on July 22 intraday prices
Source: FactSet

- Google's \$23 billion acquisition talks with cybersecurity startup Wiz have fallen apart, with Wiz now aiming for an IPO and targeting \$1 billion in annual recurring revenue within the next year [WSJ]
- The semiconductor industry is highly politicized ahead of the U.S. presidential election, with potential trade restrictions and Trump's comments on Taiwan's defense [WSJ]

Index performance, past 18 months



Source: FactSet

Healthcare & Life Sciences

- The USAntibiotics plant in Tennessee, producing a million doses of amoxicillin daily, struggles due to low prices from overseas competitors, highlighting broader issues in U.S. generic drug manufacturing and frequent shortages [WSJ]

- A House investigation found that pharmacy-benefit managers (PBMs) increased costs and limited patient choice by steering patients toward higher-priced drugs and affiliated pharmacies, drawing bipartisan criticism for anticompetitive practices and lack of transparency [[WSJ](#)]

Financial Services

- Two years ago, millions of investors inadvertently acquired stakes in Enochian Biosciences due to its inclusion in the Russell 2000 index, highlighting the risks of passive investing and the potential for low-quality companies to enter major indexes based solely on market value [[WSJ](#)]
- John Tuttle, a veteran executive at the New York Stock Exchange known for attracting major IPOs, will leave after 17 years to become president of insurance brokerage and real-estate services company Acrisure [[WSJ](#)]

Outside of standard macroeconomic updates and M&A developments, the Olympics, Kamala Harris, and Southwest, have led news cycles

- The Paris 2024 Olympic Games begin today, marking the start of an exciting global event featuring top athletes from around the world competing in a diverse array of sports
- Secret Service Director Kimberly Cheatle resigned following a congressional hearing on the agency's failure to prevent a shooting at a Trump rally [[WSJ](#)]
- Southwest Airlines will soon implement assigned seating and sell premium seats with extra legroom to attract more passengers and increase revenue, as announced Thursday [[WSJ](#)]
- Former President Barack Obama and Michelle Obama endorsed Kamala Harris's presidential bid, highlighting her achievements and their long-standing relationship, as Harris consolidates Democratic support following President Biden's withdrawal from the race [[WSJ](#)]
- The ACT organization announced that starting in spring 2025, the exam will be shorter, with an optional science section, and students can choose different test versions, all scored on a 1 to 36 scale [[NPR](#)]

- More students are achieving high scores on Advanced Placement (AP) tests due to the College Board's switch from expert panels to data analysis, which has increased passing rates for exams like AP U.S. History and AP U.S. Government [WSJ]