



September 21, 2020, 7:00 AM EST

THE MARKET WITH YOUR ESPRESSO

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Five News to Start Your Day

Prepare For Legal Fees

The European Commission's president Ursula von Der Leyen announced in Brussels today that the commission has formally started legal proceedings against the UK over Johnson's plan to breach the terms of the Brexit agreement by divorcing the deal and breaking international law. Even so, the move will not overshadow or stop negotiation from continuing to proceed.

The Markets

Progress in Washington regarding a plausible new stimulus deal have helped US equity futures climb, while weakening the dollar. Retail stocks led the European stock rebound. H&M led the rally after their pretax profit beat even the highest of brokers estimates. The Tokyo Stock Exchange halted all trading for the day after its worst-ever outage. The pound and the dollar fell.

More Virus News

A British public health official warned, once again, that London is at a "tipping point" in the coronavirus pandemic. The report came after the UK government announced it will be pushing a new crackdown on households mixing in the northern part of the country, and the chief scientific advisor warned the outbreak is not under control yet.

Personal Income and Spending

In August, after US government's supplemental unemployment benefits expired, Americans saw a decrease in personal income of 2.7%, said Commerce Department data today. However, consumer spending on goods that same month increased 1%, compared to July's 1.5% downturn.

Closing Shop

H&M's CEO, Helena Helmersson, announced plans to reduce its store count by 5% next year. The pandemic has exacerbated the retailer's inventory buildup to record levels, to which Helmersson responded by deciding to close 250 stores by end of 2021, 50 of them by end of this year. The move encouraged investors, with H&M stock rising 8.3% post-announcement.

More Layoffs

Both American Airlines and United said they will start laying off 32,000 employees combined, but will stop the layoffs if more gov't support is given. Goldman plans to cut around 400 positions, taking the bank layoff toll to 70,000. Allstate will cut 3,800 roles and Bayer is to follow as it tries to manage a 1.5 billion-euro loss.

The Good and The Bad

The FDA is widening its examination of the AstraZeneca Covid vaccine and the illness that affected a trial patient early this month. However, European regulators are still giving the go-ahead to an accelerated review of the vaccine, which could make it the first to be approved in the region for distribution.

A Cambridge Pledge

After years of facing pressure from its students, Cambridge University has finally caved, pledging today that they will Diest direct and indirect fossil fuel holdings from its \$4.5 billion fund by 2030. They also promised to make "significant" investments in renewable energy by 2025 and be net zero by 2038.

Rent Exodus Again

Apartment rent rates are falling in pre-Covid hot cities, such as New York and San Francisco, to less hard hit cities. Comparatively, suburban Californian areas, such as Riverside and San Bernardino counties, have seen an increase in effective asking rents of as much as 4.4% in Q3.

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SPAC ETFs: Another First

The world's first blank check ETF debuted today in the NYSE under the ticker SPAC. SPACs, or Special purpose Acquisition Companies, are formed to raise capital through IPOs to acquire other existing companies. While their existence is nothing new, they seem to be on the rise in 2020, having raised over \$41 billion so far this year, more than the last 10 years combined.

The ETF will track SPACs, giving investors a chance to participate in the hot market trend. However, analysts have raised concerns regarding the SPAC market's size and whether or not it is large enough to support an exchange-traded fund, despite its historic rally. The fund will be composed by more than 80% of DraftKings and Virgin Galactic Holdings and 20% of newly created shells.

Cryptos and Money Laundering

In the past few months, the cryptocurrency market has collected more than \$11 billion as a result from the boom of decentralized finance. Research, however, indicates that the trend could be hiding much more nefarious drivers, such as money laundering. The blockchain security firm CipherTrace explained in a report that came out this morning that 56% of global digital currency services have "weak or porous know your customer controls", which means that the measures in place to prevent money laundering by confirming the identity of users are faulty to useless. The CEO of the security firm insisted that regulators needed to start looking more closely into decentralized finance and figure out ways in which the transactions could be more controlled and/or regulated given the immense growth they have been experiencing globally.

A Sign Of The Times

In under 24 hours tens of thousands of job cuts were announced by blue chip companies worldwide. The layoffs are a warning sign of the weakening economic recovery around the world, and emerged ahead of two US labor market reports forecasting little progress. On Tuesday, Disney announced it was slashing 28,000 jobs from its resort branches, and the pace of job cuts in all industries started picking up pace since then, from Allstate slashing 8% of its workers to Goldman Sachs laying off more than 400 employees to Royal Dutch Shell cutting as many as 9,000 jobs globally. Not only are we seeing job cuts, however, a US report that is coming out on Friday is expected to reveal that half-million fewer workers have been in September compared to August. Brett Ryan, the senior US economist at Deutsche Bank, explained that "job losses were at first concentrated in service-sector jobs, but in any economic downturn you're bound to get some more pruning as corporations are trying to protect profit margins...You'll see larger companies the may have on a certain revenue trajectory before the downturn start to reevaluate".



COVID MARKET WINNERS:

FASTLY

Fastly, an American cloud-computing service firm, has experienced massive growth in the markets since the beginning of the pandemic. The stock has grown more than 340%, since the start of 2020, and is trading at 8x its value since march. In Q2, the company's profits increased 62% to \$75M, and their cash position is at \$257M, up from \$16M in the prior six months. While some challenges are still to come, specially with TikTok's future remaining uncertain, them being their largest customer, the trends that drove their growth are not going away anytime soon. And investors expect there will be more long term growth to come.