

US Equity Research Report

Macroeconomic Overview

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Macroeconomic and Policy News Impact Report - June 5, 2025

1. OECD Lowers Global Outlook, Cites U.S. Trade War Impact

- **Source:** <https://www.reuters.com/world/china/oecd-trims-global-outlook-trump-trade-war-hits-us-growth-2025-06-03/>
- **Analysis:** The OECD revised its global growth forecast downward, citing the negative impact of the U.S. trade war on the U.S. economy. The U.S. growth forecast was slashed to 1.6% for 2025 and 1.5% for 2026. The report warns that increased protectionism could further fuel inflation, disrupt supply chains, and rattle financial markets. This news is likely to negatively impact investor sentiment, leading to a potential sell-off in U.S. equities. Sectors heavily reliant on international trade, such as technology, industrials, and consumer discretionary, are particularly vulnerable. The reduced growth outlook could also pressure corporate earnings, leading to lower valuations across the board.

2. FOMC Statement - May 7, 2025

- **Source:** <https://www.federalreserve.gov/newsevents/pressreleases/monetary20250507a.htm>
- **Analysis:** The FOMC decided to maintain the target range for the federal funds rate at 4-1/4 to 4-1/2 percent. The statement acknowledges that economic activity has continued to expand at a solid pace, with the unemployment rate stabilizing at a low level. However, inflation remains somewhat elevated, and uncertainty about the economic outlook has increased. The Committee is attentive to the risks to both sides of its dual mandate and judges that the risks of higher unemployment and higher inflation have risen. This cautious stance suggests that the Fed is unlikely to raise rates in the near term, but also not ready to cut them. This could lead to a mixed reaction in the equity market. While the lack of rate hikes provides some support, the increased uncertainty and the risk of higher inflation could weigh on investor sentiment.

3. FOMC Statement - March 19, 2025

- **Source:** <https://www.federalreserve.gov/newsevents/pressreleases/monetary20250319a.htm>
- **Analysis:** Similar to the May statement, the March statement also indicated that the FOMC decided to maintain the target range for the federal funds rate at 4-1/4 to 4-1/2 percent. The statement noted that economic activity has continued to expand at a solid pace, with the unemployment rate stabilizing at a low level. Inflation was described as "somewhat elevated," and uncertainty around the economic outlook had increased. The committee also decided to slow the pace of decline of its securities holdings by reducing the monthly redemption cap on Treasury securities from \$25 billion to \$5 billion. This slowing of quantitative tightening could be seen as a slightly dovish signal, potentially providing some support to equity valuations. However, the overall message remains one of caution, with the Fed closely monitoring economic data and prepared to adjust policy as needed.

4. [Hypothetical News Item - U.S. Services Sector Contracts in May]

- **Source:** <https://www.reuters.com/business/us-stock-futures-rise-tech-shares-find-support-2025-06-04/> (Referencing weak economic data)
- **Analysis:** A hypothetical report indicating that the U.S. services sector contracted in May would be a significant cause for concern. The services sector is a major driver of the U.S. economy, and a contraction would signal a potential slowdown in overall economic growth. This news would likely trigger a sell-off in U.S. equities, particularly in sectors such as consumer discretionary, financials, and real estate, which are heavily reliant on the services sector. The S&P 500 and Nasdaq could experience significant declines as investors reduce their exposure to risk assets.

5. [Hypothetical News Item - Trump and Xi Agree to Further Trade Talks]

- **Source:** <https://www.reuters.com/en/chinas-xi-trump-hold-call-xinhua-reports-2025-06-05/> (Referencing potential trade dispute resolution)
- **Analysis:** A hypothetical announcement that President Trump and President Xi have agreed to further trade talks would be viewed as a positive development by the market. This would signal a potential de-escalation of trade

tensions between the U.S. and China, reducing uncertainty and boosting investor confidence. Sectors that have been negatively impacted by the trade war, such as technology, industrials, and agriculture, would likely experience a rally. The S&P 500 and Nasdaq could see a significant upward movement as investors price in the reduced risk of further trade disruptions.

Conclusion

The U.S. equity market faces a complex and uncertain outlook. The OECD's lowered growth forecast and the FOMC's cautious stance on monetary policy suggest that downside risks remain elevated. However, potential positive developments, such as a resolution to the trade war, could provide support to equity valuations. Investors should closely monitor economic data, policy announcements, and geopolitical events to assess the evolving risks and opportunities in the U.S. equity market. ""

Fundamental Analysis

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Tesla, Inc. (TSLA) Fundamental Analysis - June 5, 2025

1. Company Overview

Tesla, Inc. (TSLA) is a leading global manufacturer of electric vehicles (EVs) and energy generation and storage systems. The company designs, develops, manufactures, sells, and leases electric vehicles, as well as energy generation and storage products. Tesla operates in two segments: Automotive and Energy Generation and Storage. The Automotive segment includes the design, development, manufacturing, sales, and leasing of electric vehicles, as well as sales of automotive regulatory credits. The Energy Generation and Storage segment includes the design, manufacture, installation, sales, and leasing of energy generation and storage products and related services to residential, commercial, and industrial customers. Tesla's mission is to accelerate the world's transition to sustainable energy.

Sector Classification: Consumer Cyclical **Industry:** Auto Manufacturers

2. Financial Ratio Analysis

The following table presents key financial ratios for Tesla as of June 5, 2025, along with a trend analysis of the last four quarters' revenue and net income.

Metric	Value	P/E Ratio	182.64	P/B Ratio	13.87	ROE	8.77%	ROA	3.72%	Profit Margin	6.38%	EPS (TTM)	\$1.76	Debt-to-Equity	N/A	EV/EBITDA	83.38
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Revenue and Profit Growth (Last 4 Quarters):

Quarter	Revenue (USD Millions)	Gross Profit (USD Millions)	Net Income (USD Millions)	T-1	19,335	3,153	409	T-2	25,707	4,179	2,356	T-3	25,182	4,997	2,167	T-4	25,500	4,578	1,478
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Trend Discussion:

- Revenue:** Tesla's revenue has shown a generally increasing trend over the last four quarters, indicating strong demand for its products. However, the growth rate appears to be slowing down in the most recent quarters.
- Gross Profit:** Gross profit has fluctuated, with a peak in Quarter T-3. This fluctuation could be due to changes in production costs, pricing strategies, or product mix.
- Net Income:** Net income has been volatile, with a significant increase in Quarter T-2 followed by declines in Quarters T-3 and T-4. This volatility could be attributed to various factors, including increased operating expenses, changes in tax rates, or fluctuations in automotive regulatory credit sales.
- Profit Margin:** The profit margin of 6.38% indicates that Tesla retains approximately \$0.06 for every dollar of revenue.

3. Peer/Industry Valuation Comparison

To assess Tesla's valuation relative to its peers, we will compare its P/E and P/B ratios to the average ratios for the "Automobiles and Auto Parts" industry.

- Industry Average P/E Ratio:** 12.77
- Industry Average P/B Ratio:** 1.27

Comparison:

- **P/E Ratio:** Tesla's P/E ratio of 182.64 is significantly higher than the industry average of 12.77. This suggests that investors have very high expectations for Tesla's future earnings growth.
- **P/B Ratio:** Tesla's P/B ratio of 13.87 is also substantially higher than the industry average of 1.27. This indicates that the market is willing to pay a premium for Tesla's assets, possibly due to its brand value, technological innovation, and growth potential.

4. Investment Assessment

Based on the fundamental analysis, Tesla appears to be **overvalued** relative to its peers in the Auto Manufacturers industry.

Justification:

- **High Valuation Ratios:** Tesla's P/E and P/B ratios are significantly higher than the industry averages, suggesting that the stock price is not justified by its current earnings or book value.
- **Growth Expectations:** The high valuation ratios imply that investors expect Tesla to achieve substantial earnings growth in the future. While Tesla has demonstrated strong growth in the past, it is uncertain whether it can sustain such high growth rates in the face of increasing competition and potential economic headwinds.
- **Profitability Concerns:** While revenue has been growing, net income has been volatile, and the profit margin is relatively low compared to some other companies in the industry. This raises concerns about Tesla's ability to consistently generate profits.
- **EV/EBITDA:** The EV/EBITDA ratio of 83.38 is very high, indicating that the company may be overvalued relative to its earnings before interest, taxes, depreciation, and amortization.

Risks:

- **Competition:** The electric vehicle market is becoming increasingly competitive, with established automakers and new entrants vying for market share.
- **Production Challenges:** Tesla has faced production challenges in the past, which could impact its ability to meet demand and achieve its growth targets.
- **Regulatory Risks:** Changes in government regulations related to electric vehicles, such as subsidies or emission standards, could affect Tesla's business.
- **Economic Conditions:** A slowdown in the global economy could reduce demand for electric vehicles and impact Tesla's sales.

Conclusion:

While Tesla is a leading innovator in the electric vehicle market with significant growth potential, its current valuation appears to be stretched. The high P/E and P/B ratios suggest that the stock price is based on very optimistic assumptions about future earnings growth. Given the increasing competition, production challenges, and regulatory risks, it is uncertain whether Tesla can justify its current valuation. Therefore, based on this fundamental analysis, Tesla appears to be **overvalued**. Investors should carefully consider the risks and potential rewards before investing in Tesla stock. ``

Technical Analysis

□ Ticker: TSLA Current Price: \$321.40

RECENT CLOSES: • T-1: \$332.05 • T-2: \$344.27 • T-3: \$342.69 • T-4: \$346.46

LATEST INDICATORS: SMA(20): 337.10 SMA(50): 292.19 SMA(200): 304.89 EMA(12): 337.64 EMA(26): 324.56
RSI(14): 39.83 MACD: 13.08 MACD Signal: 17.55 MACD Hist: -4.47 Bollinger Upper: 375.39 Bollinger Middle:
337.10 Bollinger Lower: 298.81

SUPPORT / RESISTANCE: • R1: \$363.90 • R2: \$419.99 • R3: \$439.74 • S1: \$236.59 • S2: \$215.77 • S3: \$202.59
