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Fall 2021 Chief Editors: Teresa Tan and Jiayi Corinne Li

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Rising Rates of Bulk Dry Shipping and Where Investment Opportunities May Lie

By Marjorie Wan and Matthew Unrau, Market Research Analysts

What is Bulk Dry Shipping

The bulk dry shipping industry refers to the mass seaborne shipping of raw materials around the world. This includes materials such as iron ore, coal, and other commodities/raw materials used in the growth of infrastructure and industrialization [1]. These materials can only be fulfilled by sea and thus creates the essential need for dry bulk shipping.

History of the Dry Bulk Shipping Industry

The shipping industry has seen its most strong earnings since 2008 in 2021. Given a similar positive slope of index increase, investors are curious if the same pattern will be replicated and create short to mid-term investing opportunities. From 2007 to early 2008, the demand for dry bulk shipping was brought up by a massive wave of vessel orders, port congestions, and an average increase in voyage distances [2]. However, the bubble quickly collapsed under the deepest recession in decades triggered by the financial crisis.

Figure 1

The bulk dry shipping industry refers to the mass seaborne shipping of raw materials around the world. This includes materials such as iron ore, coal, and other commodities/raw materials used in the growth of infrastructure and industrialization [1]. These materials can only be fulfilled by sea and thus creates the essential need for dry bulk shipping.

Major Players in the Industry

Please see below a market cap distribution of top player of the industry.

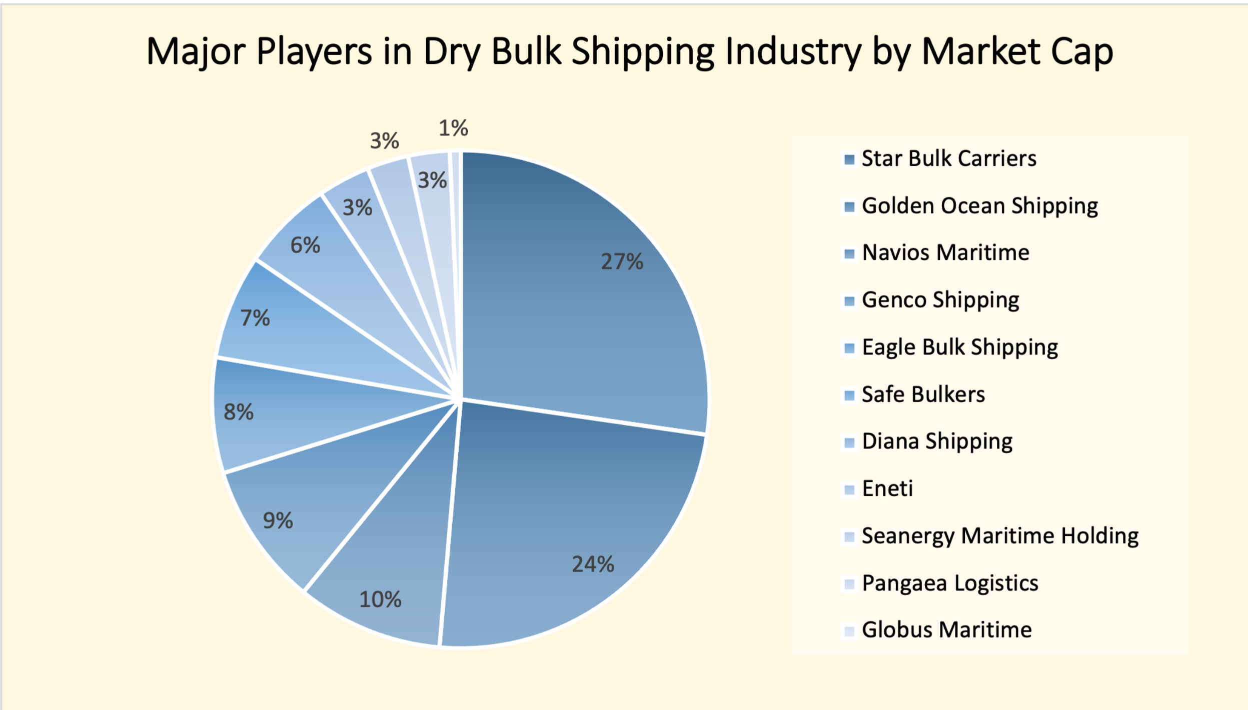

Figure 2

The Rising Rates of Today

After a crash in shipping rates due to the Pandemic-induced lockdown, the daily shipping rates have recovered to more than 3-4 times previous levels. According to Fearnleys, the chart below shows the rise of 1-year Dry Bulk charter rates for the last 4 years. Clearly, after the drop in the early months of 2020, the rate quickly reversed to the highest of the 4-year period.

Figure 3

Reasons For the Current Spike

The current boom is supported by three primary sources. The first cause is the economic opening after Covid, which has caused demand for natural sources and goods to spike.

Another cause is the lessening supply and orders of new builds. According to New York Times, a typical commercial ship takes three years to build, including 12-16 months of designing and planning [5]. Due to the pandemic, all shipbuilding stopped, and the industry will need time to catch up to the demand, as countries like China and India are consuming at a rapid rate to restart growing their economy [1]. In addition, shipping officials say “orders for new vessels are slowing partly due to the uncertainty over what technology to invest in” as there are mounting pressures to cut greenhouse gas emissions. As a result, new dry bulk ships are only expected to increase 2.2% in 2021 and 0.8% in 2022, compared to average annual increases of 4% previously [6]. Both these factors contribute to the lessening new supply of ships and in turn to rising shipping rates

The third cause is the continuously disrupted global supply chain system because of the ongoing pandemic. The closures of international borders and travel, seaborne shipping has seen an increase of demand. Going forward, the supply and demand fundamentals remain optimistic for the industry. As a result of the three causes, the current boom is expected to last through the second half of 2021, possibly leading into 2023.

Analysis of the Stocks in the Industry

With the rising daily charter rates and long runway of the global dry bulk shipping industry, we will analyze the public companies with common stocks available to purchase. The Breakwave Dry Bulk Shipping ETF, which tracks the overall market for dry bulk shipping stocks has increased 363% YTD. Almost 100% of the extra revenue generated by the higher shipping rates contributes to the operating profit of the company. [7] Because of this, dry bulk shipping companies are taking on new loans and diluting shareholders to finance the acquisitions of new dry bulk carriers which are to generate massive profits in the coming years.

For example, Diana Shipping repriced their daily charter rate for their Capesize carrier MV Baltimore from $13000 USD daily to $56000 USD daily, which would increase their profits by more than $40000 USD daily just for this one ship [8]. It is believed that massive profits will surge through the industry for the next 3-4 years, since prices are locked in from anytime from 3 months to a couple years based on the contract. With that fact, dry bulk shipping are delayed to leverage the increasing rates as they will have to wait until the current Time Charters to expire.

The company Globus Maritime is the one of the 12 dry bulk shipping stocks to go down in the last 12 months. This is because they financed their operations using share dilutions, but with profitability they should be financed with future profits. Below is an analysis describing the projected revenues of Globus Maritime for the next year. The company has acquired 4 carriers in the past 12 months using share dilutions and loans and plans to have a fleet of 9 carriers by end of 2021. It was assumed that new charters would start at the end of the old ones, for the prices received in the month of September; $29000 USD for Supramax carriers and $34000 USD for Kamsarmax carriers [9].

Daily Charter Rates for Globus Maritime Fleet					
		Time			
Ships	**Chartered Until (Assume Max)**	**2021-06-30**	**2021-09-30**	**2021-12-31**	**2022-03-31**
River Globe	2021-11-23	$ 12,200.00	$ 29,000.00	$ 29,000.00	$ 29,000.00
Sky Globe	2021-10-15	$ 15,500.00	$ 15,500.00	$ 29,000.00	$ 29,000.00
Star Globe	2021-09-28	$ 10,000.00	$ 10,000.00	$ 29,000.00	$ 29,000.00
Moon Globe	2022-03-15	$ 12,400.00	$ 18,000.00	$ 29,250.00	$ 29,250.00
Sun Globe	2022-03-15	$ 11,750.00	$ 18,500.00	$ 32,000.00	$ 32,000.00
Galaxy Globe	2022-01-08	$ 11,100.00	$ 11,100.00	$ 11,100.00	$ 34,000.00
Diamond Globe	2021-12-31	$ -	$ 27,250.00	$ 27,250.00	$ 34,000.00
Power Globe	No Current Charter	$ -	$ -	$ 34,000.00	$ 34,000.00
Peak Liberty	No Current Charter	$ -	$ -	$ -	$ 34,000.00
Total Daily Rate		$ 72,950.00	$ 129,350.00	$ 220,600.00	$ 284,250.00

Figure 4

From there I looked at the previous income statement to extract expenses and extrapolated them for the next 3 quarters. The assumptions are stated in the table below this; each vessel's operating costs would only increase by inflationary costs and will generate massive net profits by March 31, 2021.

Globus Maritime Income Statement For the Three-Month Time Period Ended				
	2021-06-30	2021-09-30	2021-12-31	2022-03-31
Revenues				
Voyage Revenues	$ 6,829,000.00	$ 11,059,425.00	$ 18,861,300.00	$ 24,303,375.00
Expenses				
Vessel Operating	$ 2,983,000.00	$ 3,311,280.00	$ 3,784,320.00	$ 4,257,360.00
Voyage Expenses	$ 216,000.00	$ 237,600.00	$ 261,360.00	$ 287,496.00
Depreciation of Vessels	$ 781,000.00	$ 910,000.00	$ 1,040,000.00	$ 1,170,000.00
Depreciation of Dry-Docking Costs	$ 623,000.00	$ 623,000.00	$ 623,000.00	$ 623,000.00
Interest Expenses	$ 1,600,000.00	$ 1,600,000.00	$ 1,600,000.00	$ 1,600,000.00
Admin Expenses	$ 700,000.00	$ 770,000.00	$ 847,000.00	$ 931,700.00
Total Expenses	$ 6,903,000.00	$ 7,451,880.00	$ 8,155,680.00	$ 8,869,556.00
Net Income	$ (74,000.00)	$ 3,607,545.00	$ 10,705,620.00	$ 15,433,819.00

Assumptions	
Average Vessel Expense per day per Vessel	$ 5,256.00
Prediction	$ 5,500.00
Depreciation per Vessel per Quarter	$ 130,000.00
Voyage Expenses, Admin Expenses would increase in proportion to the number of vessels	
Interest Expense would remain the same for the new restructured loan **All costs are subject to inflationary increases**	

Figure 5

Conclusion

In the case of Globus Maritime, it will most likely transition from being a historically non-profitable company, to turning multi-million dollars' worth of cash flows each quarters next year. Even with the initial rise in most stocks this year, a lot of revenues and profits are yet to be made with the turnover of all charters within each company.

Risks of the Global Shipping Market

One of the potential risks of the price of the Baltic Exchange Index is related to another significant event of the quarter – the possible default of the Chinese real estate giant – Evergrande. If Evergrande did default, this could lead to a potential chain reaction on property debt across the country. As shown in the figure below, China is the destination of 34% of the total volume of cargo flow. Chinese real estate companies are significant players in the dry bulk shipping industry due to the high demand for imported iron. If defaults happened and led to weakening economic conditions in the country, dry bulk shipping stocks would also face a sharp turning point.

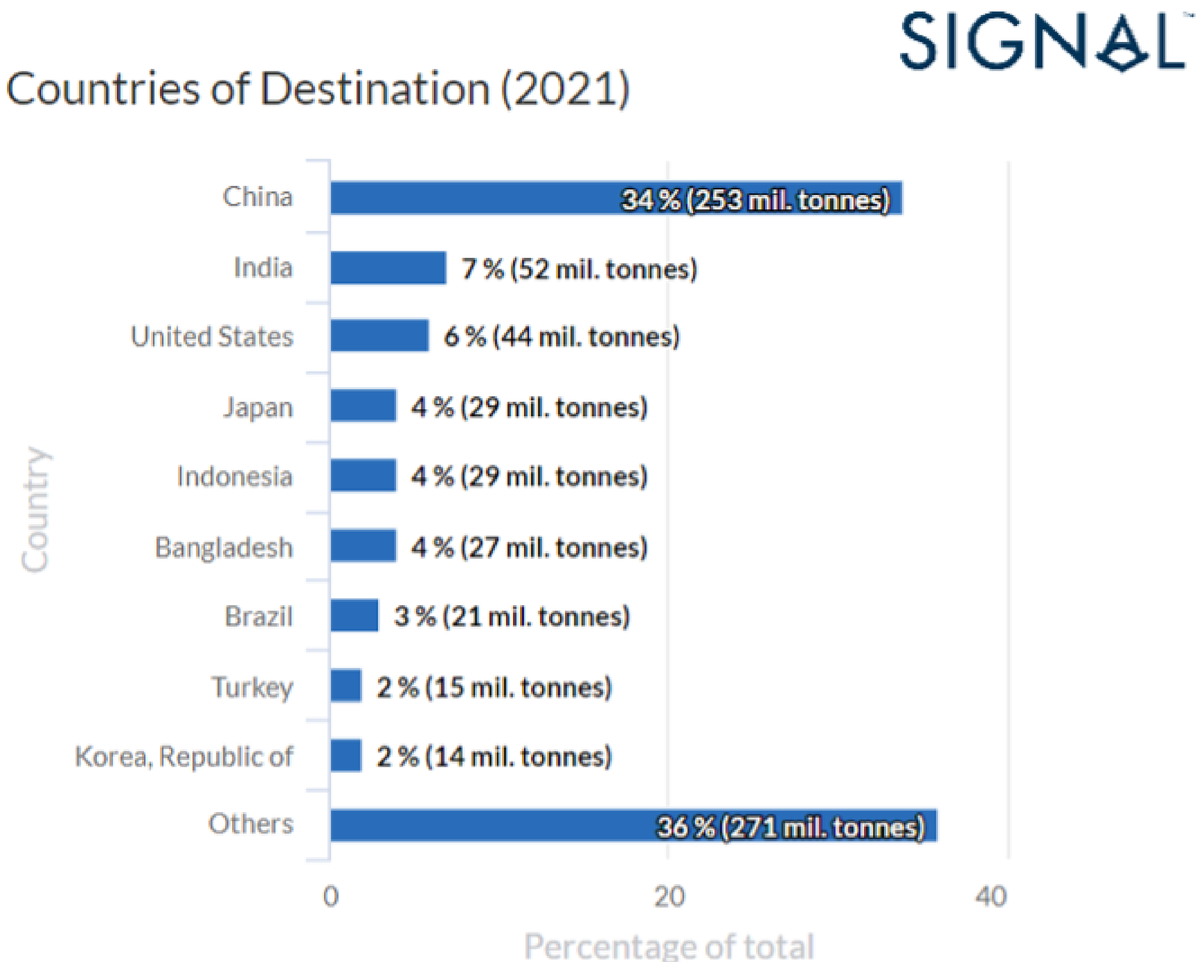

Figure 6

The second potential risk is the overall macroeconomic conditions. The rising interest rates will be inevitably sometime in the future. For instance, The Fed had signalled that they might shift away from pandemic support by raising interest rates in 2022. With the rising interest rate environment, economic growth will slow down, which might cause business cycles to flip [11].

Finally, according to historical records, the dry bulk shipping rate has been operating on a non-profit basis. Therefore, it is reasonable for us to expect that, in the long-term, the dry bulking shipping stocks will return to the average non-profit level.

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September 2021

The Storage & Memory Sector

By Vinyga Kumar and Nuwair Akram; Market Research Analysts

Industry Overview

Storage and memory is a rapidly growing industry. With humans becoming more reliant on technology, they also become just as reliant on reliable storage for data and memory. Memory storage is needed in devices we use everyday such as phones, computers, smartwatches, and many other electronic devices. There are two main products in the industry: NAND and DRAM chips. Though both are used for memory storage, they have their own pros & cons which affect what items/products they are used for. In addition to the two main ones, there are two less common one called NOR & 3D Xpoint.

DRAM products are random access memory devices that are used for low latency yet high-speed data retrieval. DRAM is commonly found in client, cloud server, networking, and automotive markets. LowPower DRAM are engineered to meet performance and power consumption targets, which can be found in smartphones and consumer markets.

NAND products are rewritable and non-volatile semiconductor storage devices that provide high capacity storage. NAND is used in SSDs for many different uses. Managed NAND is often used in smartphones and other mobile devices, whereas low-density NAND is ideal for automotive, surveillance, automation, and home networking.

NOR products are re-writable semiconductor devices that offer fast data recall. NOR is often used as a reliable code storage and for small data storage that is frequently changing such as consumer applications, operating systems, and embedded systems.

3D XPoint is a new technology and is in the middle of DRAM and NAND. It offers higher capacity compared to DRAM and higher endurance compared to NAND. The technology is ideal for data centers along with other areas that fulfill the requirements.

Everyday there is more data being created and stored in devices everywhere. This number is growing exponentially with each new person who gets access to a device creates even more data to be stored. Despite the current growth, semiconductors have seen most of the use cases for such technology is still in the development stage: 5G is not yet mainstream, electric vehicles are just getting started and artificial intelligence and automation are fairly new with a huge room to grow. The memory & storage sector could very easily benefit from all these technological advances, allowing the market to grow at an even faster rate.

Industry Insights

Market Size

The semiconductor industry is valued at over $522 Billion[1], and expected to reach $778 Billion by 2026 with a CAGR 7.7%.[2]The drivers of this growth are the supply shortage of semiconductors, demand for safety features within automotive vehicles and growth of internet connected devices.

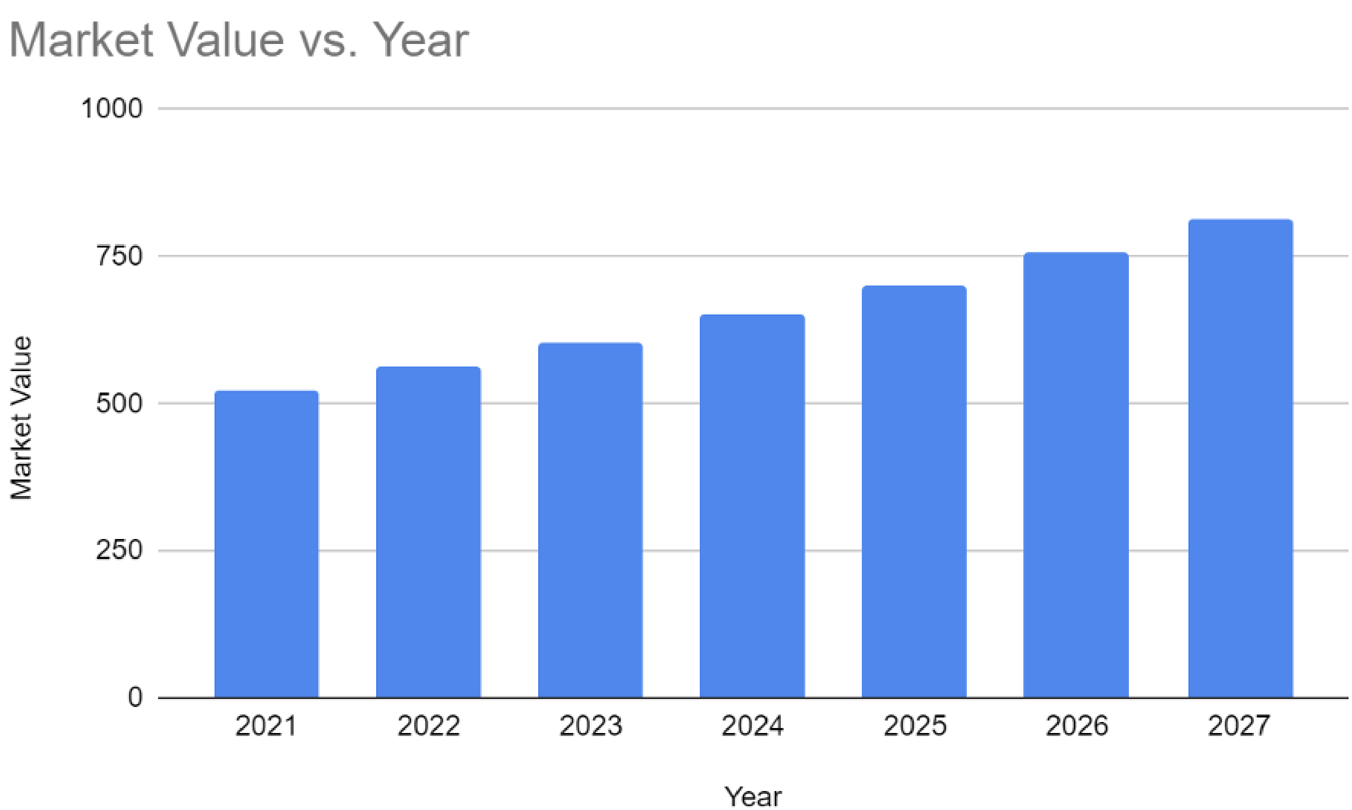

Figure 1

Key players

Some key players within the industry are Intel Corp. (INTC), Taiwan Semiconductor Manufacturing Co. Ltd. (TSM), Qualcomm Inc. (QCOM), Broadcom Inc. (AVGO), and Micron Technology Inc. (MU). These five companies are the top five largest semiconductor companies in the world based on their 12 month trailing revenue [3].

Below are the semiconductor companies paired with their market capitalization [3]. Although there are many companies that are involved in the industry such as Intel and Qualcomm, one of the few companies that specifically focus on Memory & Storage is Micron.

-Intel Corp. $256.1 billion
-Taiwan Semiconductor Manufacturing Co. Ltd. $293.5 billion
-Qualcomm Inc. $101.2 billion
-Broadcom Inc. $126.1 billion
-Micron Technology Inc. $56.7 billion

A deeper look at Micron's performance in the market: The company has shown great growth over the past years, averaging a revenue growth of 12% in the recent years. The market is however very cyclical and often sees dips in DRAM & Nand prices which heavily affects revenue and can make predicting future growth difficult. Memory & storage is often treated as a commodity, meaning the price of the products is heavily dictated due to demand.

	DRAM	NAND
	(percentage change in average selling prices)	
2020 from 2019	(34)%	(9)%
2019 from 2018	(30)%	(47)%
2018 from 2017	36 %	(13)%
2017 from 2016	18 %	(10)%
2016 from 2015	(34)%	(16)%

Figure 2

Management has recently projected a 20% growth rate for the next decade and other analysts project the company to have $32 Billion in revenue by 2022 [10].

Recent Developments

The pandemic has increased the need for cloud services due to companies being forced to move online for most parts of their operations. Cloud computing requires large data centers, which are mostly run by companies that have cloud computing services, such as Google and Amazon. A major component of data centers is semiconductor. [4]

Other technological advances have also led to growth in the semiconductor industry, such as the development in 5G wireless, artificial intelligence, and machine learning. These technologies require semiconductors in order to function. These recent developments are all major drivers of growth. [5]

Finally, there have been federal incentives in the United States for semiconductor manufacturing within the country. This should spur growth in manufacturing, and lead to increased growth in the future.[5]

Market Breakdown

The storage & memory sector can be divided into three main markets. These three markets use all types of technology such as DRAM and NAND depending on the scenario. There is cloud computing, artificial intelligence and the global games market. Although each market may seem completely different from the rest, they all have one thing in common which is the need to store large amounts of data in a small device/area.

Cloud Computing – The pandemic has accelerated the speed of digitalization and the need for cloud services. The cloud storage market was predicted to surpass $297 billion in 2027, but with people being stuck at home the trends that would have taken place 5 years from now are currently being seen [14]. Regular consumers and especially large corporations will continue to need memory storage with everything moving online. The cloud removes the need for such corporations and companies to spend large amounts of money on storage spaces, computer hardware, and pay for hosting services. Corporations are collecting more data than ever which will need to be stored off in data centers owned by companies like Apple, Google, and Microsoft. These data centers will need more memory and storage technology.

Figure 3:[14]

Artificial Intelligence – The growth and rise of artificial intelligence products in everyday society and the economy is another factor which will benefit Micron in the future. Micron has stated that AI servers have 6x as much DRAM content than a standard server and use more NAND as well [11]. An increase in AI will result in an increase in the need for memory and storage.

Global Games Market – Gaming has seen unprecedented growth recently and is becoming more reliant on graphics and processors as time progresses. Games are now much larger in size compared to a couple years ago and there has been an increase in digital sales of games with many people buying digital copies on consoles compared to only computers. Despite the constant debate over console or PC, mobile gaming makes up 48% of the global market [13].

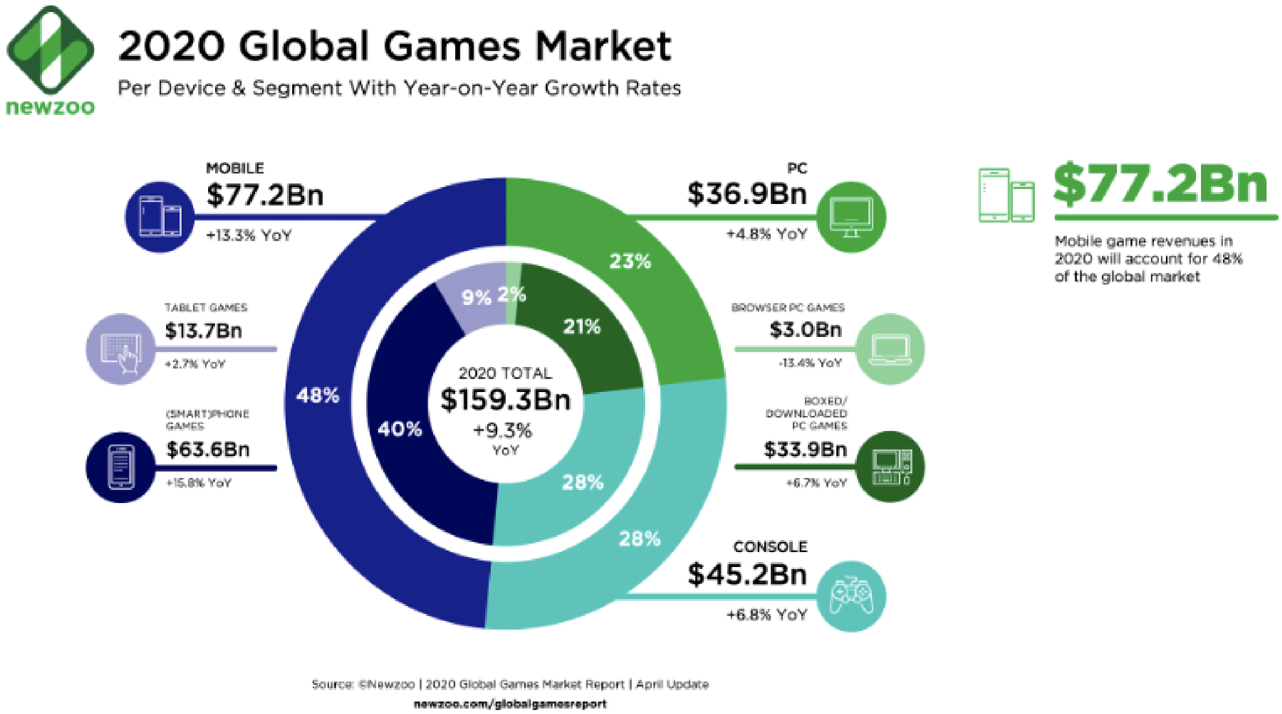

Figure 8: NextEra Energy stock price and volume graph [25]

Conclusion

As the popularity of renewable energy grows, pushed forward by environmental concerns and the adoption of EVs, there will be substantial need for transforming the transmission infrastructure in the U.S. Furthermore, recent major climate events such as the California wildfires and the Texas power outage are constant reminders of the essential role that electricity transmission plays in everyone's lives. The infrastructure package is only the first step in strengthening the U.S.'s transmission infrastructure to prepare for EVs. The next 10 years will be crucial for private investment to set up the infrastructure necessary for the great transition away from our traditional energy sources and towards more environmentally friendly sources of energy.

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September 2021

The European Energy Price Surge

By Pratham Arya and James Zhang ; Market Research Analysts

Overview

Just as the countries of the world recover from the havoc caused by COVID-19, another major obstacle presents itself to the global population. On the brink of winter, which is predicted to be much colder this year, the world is seeing a steep rise in natural gas prices. Although it is a global event, Europeans seem to be hit the hardest. The UK and European natural gas prices shot higher in mid-September to trade at nearly 10 times their level from the beginning of the year. Hence it is no surprise that there is widespread panic among not only the consumers but also the major governments of Europe and the world. The US, Russia, and China have become involved in the mix with major impacts on legislation and the global economy.

The price rise is a direct result of the forces of supply and demand, a variety of spontaneous contributing factors have led to a steep crash of the supply of this essential commodity. A lower supply of gas led to the price rising, meaning the general population won't have the ability to procure the quantity needed. Consumers are likely to see a steep rise in their energy bills.

The news is worrying because natural gas not only represents a fifth of Europe's electricity but is also used for heating and cooking. In 2018, around 45% of the energy was used for heating homes in the bloc. Moreover, a 2019 EU-wide survey found that 6.9 percent of people in EU member states were unable to keep their homes adequately warm. If the price continues at the current level, we are likely to see this number increase this winter [1].

Causes

A number of factors from the Russian supply bottleneck to the after-effects of the pandemic are responsible for this major energy crunch. Even before the recent price surge, gas was in short supply. A prolonged northern-hemisphere winter meant that European countries ran down reserves, leaving their stocks 25% below the historic average [2].

Russia was the largest exporter of natural gas to the European Union in 2019 and 2020, representing more than 40% of EU imports [3]. The International Energy Agency (IEA) has reported that the Russian exports to the EU have decreased to below the 2019 levels. There are suspicions that Russia seeks to use this crisis to lobby for the newly completed Nord Stream 2 pipeline to come online and is hence escalating the energy crunch.

Industrial recovery from the pandemic in Asia has resulted in a surge in demand for natural gas. China is facing its own energy crunch because of shortages of coal for power generation, leading it to boost purchases of natural gas at an even faster rate than traders in Europe had been anticipating [4]. Buyers in Asia have been prepared to keep paying a premium to lock in cargoes which has raised the specter of a bidding war between the two regions and drastically increased the prices.

Moreover, wind turbines, which generate about 10% of Europe's power, slowed during an unusually still summer [5]. The lack of wind has resulted in further demand for natural gas and has only contributed to the energy crunch.

Financial Impact

On Tuesday, October 5th, a series of Europe-based gas/oil futures surged to hit a new record, including the Brent crude futures that touched a seven-year high after members of OPEC agreed to only a minor hike to its production cap [6].

Figure 1

The rise in energy prices including that of natural gas and oil has intensified the pressure on measures of inflationary expectations. By the end of September, the 10-year break-even inflation rate had risen to 2.37 percent, while the yield on the US 10-year treasury rose 0.056 percentage points to 1.54 percent, hitting its highest point since June 17th [6]. The gas price surge has added fuel to a recent drop in bond prices, particularly in the UK where concerns about the rising cost of energy have been felt most acutely [7].

Industrial Impact

The shortage in supply and climbing prices in natural gas is pushing the shift to LPG (Liquefied Petroleum Gas), especially in Asia. Before the crisis, many industrial plants in Southern China were using LPG as their major fuel source. Over the past years, the natural gas pipeline network has been expanding and prompting firms to establish connections to gas pipelines and give up LPG as the primary energy source, but many industrial users kept their LPG burning facilities. As the price of LPG becomes more competitive, there has recently been a “reverse switching” from natural gas to LPG and this contributed to the Chinese LPG import demand. However, this change is still not large enough to drive the price of LPG up [8].

Unlike China, most of the industrial plants in Europe do not have the ability to switch between natural gas and other fuels [8]. Countries whose energy generation heavily relies on natural gas and wind power have been hardest hit. Britain, which derives about 40% of its energy from natural gas and 20% from wind turbines, has suffered most. The wholesale price paid by suppliers has spiked 250% this year; that, coupled with a regulatory cap on retail prices, has driven several smaller ones out of business [9].

Similar situations have occurred for the heavy industry and some energy-intensive companies. On Oct 5th, the U.K.'s Energy Intensive Users Group called on the government to roll out emergency measures or face businesses shutting down this winter [10].

Government Reactions

The UK government intervened to support a fertilizer company that was one of the country’s main sources of CO_2, which is essential for food packaging, medical treatment, and nuclear power stations. On Oct 6th, the European Union issued a fresh warning and said it would outline measures including tax cuts and state aid that governments can use to help [11].

Russia, the largest supplier of natural gas to Europe, has restricted pipeline exports to long-term contracts, despite clear signs traders want more spot market sales to help fill storage facilities. Russian president Vladimir Putin described the situation in Europe as one of “hysteria and confusion”, blaming tight supplies on under-investment in fossil fuels as economies try to pivot towards renewable energy [12].

Ukraine and other eastern European countries have accused the Kremlin of attempting to “weaponize” natural gas supplies to secure quick approval to start up its Nord Stream 2 pipeline, which would carry Russian natural gas to Germany through the Baltic Sea, bypassing Ukraine [12].

In the US, allies of the oil and coal industry have seized on energy crises overseas and rising gasoline prices to counter President Joe Biden's plans to combat climate change and force a rapid shift to renewable power. They're warning that the dilemma now facing Europe is a specter of what could happen inside the U.S. under proposals to swiftly curtail the use of fossil fuels [13].

Confronted by opposition from moderate Democrats, the White House is now negotiating how to scale back a major social-spending bill that was to include a raft of climate provisions, including hundreds of billions of dollars in renewable energy tax incentives and a utility clean energy program [13].

Future Outlook

Increased political pressure by global leaders and recent global criticism have resulted in Russia having to comply with the European leaders and loosening the supply bottleneck. On the 6th of October, Vladimir Putin said the country is ready to help stabilize global energy markets. Putin's remarks eased many concerns and have shown that the crisis may be dealt with in the near future [14].

The statement also had a major impact on the global financial markets. Front-month Dutch gas fell 7.3% to 107.50 euros a megawatt-hour, after having earlier jumped 40% and 20% the day before. The U.K. equivalent dropped 7.4% to 272.76 pence a therm, after earlier rising 39% [15]. However, both contracts are still about six times higher than the five-year average for this time of year. Even the U.S. futures for November delivery fell as much as 8.3%.

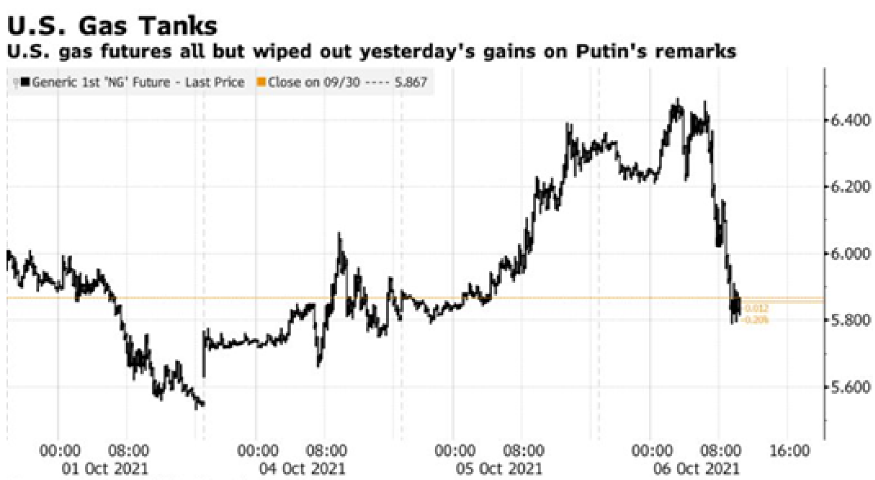

Figure 2

Currently stabilizing the natural gas prices and dealing with the energy crisis is a top priority for all the European governments. We can expect to see future legislation and efforts by the policymakers resulting in a decrease in price although perhaps not to average levels but much more ordered than what they stand at currently.

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Squid Game Success Drives Netflix Stock to New Highs

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Netflix Inc (NASDAQ: NFLX) stock has reached an all time high these two weeks after “Squid Game”, a Korean TV show, has taken the world by storm, closing at $631.85 on Oct 7th . Currently, Squid Games has planted itself at #1 on the service in many countries, including the US, highlighting its immense international popularity. The success of Squid Games even surprised Netflix itself.

Figure 1: Netflix. Inc 3-month Stock Price Chart / Source: [1]

What is Squid Game?

“Squid Game” is a Korean drama launched on Sept. 17, 2021. It depicts a group of people with huge debts taking part in a series of deadly games to win prize money. At the end of the games, the winner will receive 45.6 billion won in bonuses, but at the same time they are undergoing the test of humanity. Its ingenious plot design, right atmosphere creation, and the amazing performance of the actors are all the basis for success. Its depiction of the battle between the haves and have-nots has also drawn comparisons with Oscar-winning black comedy “Parasite” [2].

Why is the Squid Game so Important?

So why is the Squid Game so important? Not just because it is a big new show produced by Netflix, but the first Korean drama claiming the No.1 spot in the US. It attracts potential Asian customers, and instantly, drives subscriber growth in Asia-Pacific region, which is something specifically that Netflix has been trying to do for a long time. It's a huge movement for Netflix.

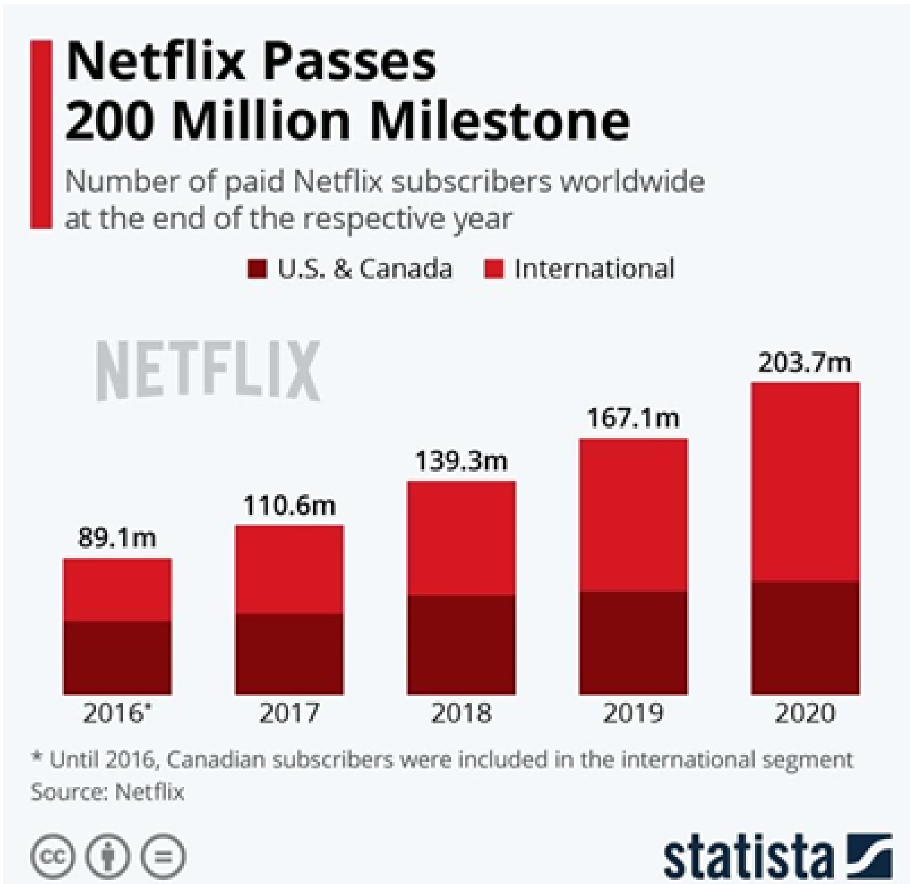

Figure 2: Number of Netflix Subscribers Worldwide Yearly

How Squid Game Influence Netflix Stock Performance?

As for Netflix and investors, this huge success of the Squid Game is exactly what they expect. Netflix saw massive subscriber growth in 2020 due to lockdown restrictions, approximately 36 million of subscribers added, and had a total annual revenue of almost 25 billion; however, there is a significantly slowdown in 2021 according to Netflix's latest earning release, with only 5.5 million subscribers added in the first half of 2021, compared to more than 25 million during the same period a year ago. [3]

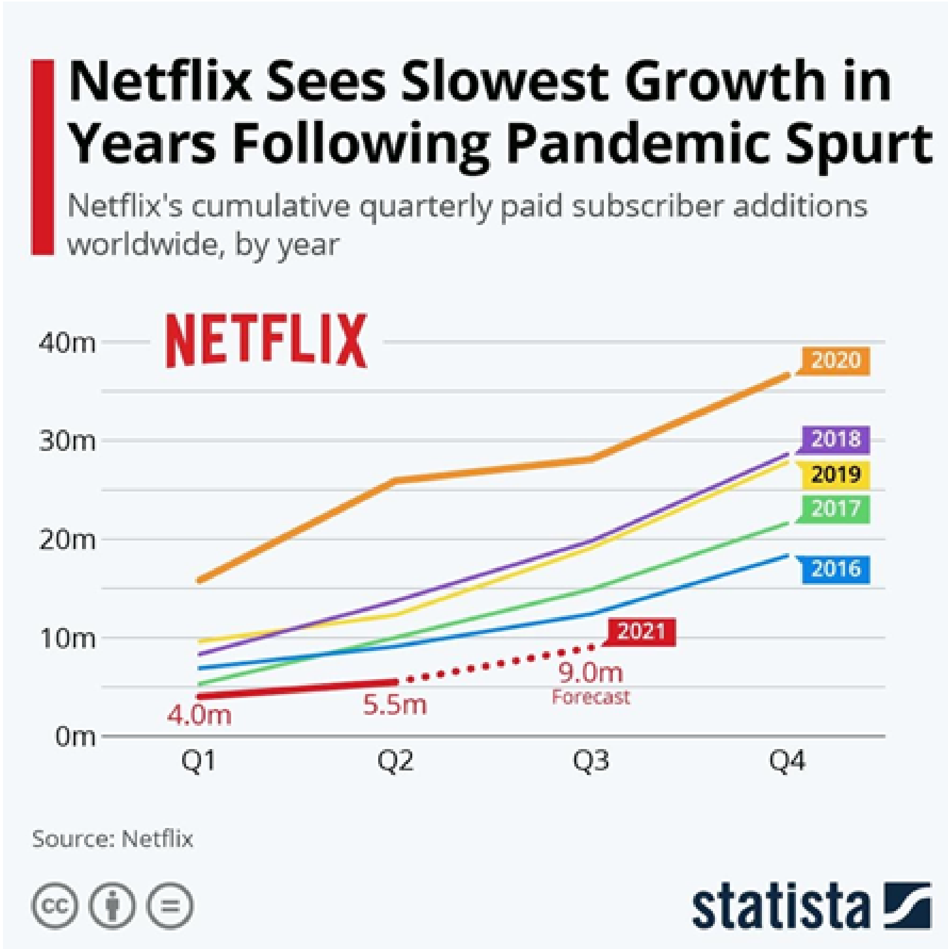

Figure 3: Netflix. Inc Cumulative Quarterly Paid Subscriber Additions

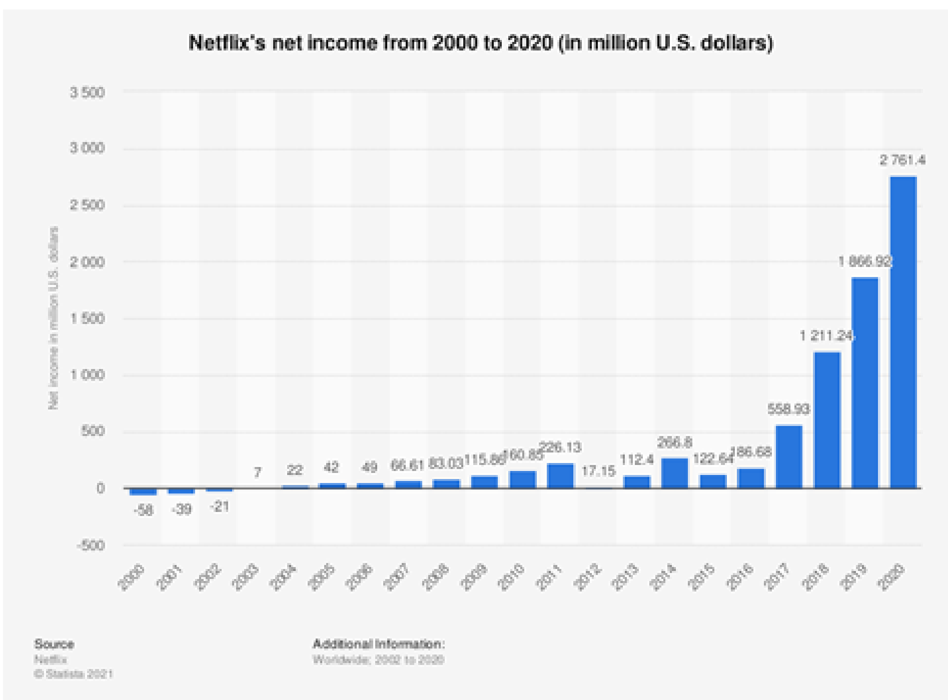

Figure 4: Netflix. Inc Net Income / Source: [4]

The half-year performance of Netflix seems to be unsatisfactory so far, but there's no need to hit the panic button just yet. Due to the popularity of series like Squid Game, many investors are now expecting Netflix to report strong subscriber growth in the upcoming quarter next quarter result will be reported on 10/19/2021 after market close), and Cowen analyst John Blackledge reiterated his outperform rating on Netflix stock with a price target of 650 on Oct 5th. Blackledge estimates that Netflix added 3.63 million subscribers in the third quarter, slightly above the company's guidance of 3.5 million. [5] "The second-half 2021 original content volume is accelerating and likely to drive higher engagement and potentially lower churn," he said. "Meanwhile, investors are focused on net sub ads, in particular given the back-half weighted content slate that could drive higher gross ads." [5] That may explain the reason why Netflix's stock price has jumped up approximately 10% in the past few weeks.

Right Time to Buy Netflix Stock Now?

Netflix achieved a 52-week high of $646.84 and 52-week low of $463.41 [6] . So when is the right time to buy into Netflix? Simplest answer is there is no way for an investor to predict when a good time is or a bad time to enter the market. Though there are major and minor events following a stock which can provide us an indication whether to invest today or to wait.

Let's talk about the Squid game and the external environment first. We can credit the majority of Netflix's latest growth to Squid Game and many other TV shows and movies which have exclusive rights to stream on the Netflix Platform. And If a show or movie performs very well, it will incentivize consumers to buy the Netflix subscription on a transactional or recurring basis to watch these TV shows or movies. So we can say that if a product produced by Netflix does well, we will see a positive growth in its stock price for a short period of time.

On the other hand, if Netflix does not report strong subscriber growth, that could create bearish moves in its stock price. Now Let's take a look at the stock technical to determine its value. Today before the Q3 earnings report the stock has a P/E ratio of 61.1 to 46.37 [7]in 2021. Having lost 20 points on the ratio, signifying loss of price to earnings value in quarter 1 and 2 of 2021. In Q2 NFLX missed the estimated earnings per share by $0.21 per share (Estimated: $3.18 and actual of $2.97)[7]. Which has made investors wary of NFLX performance with attracting and retaining customers. Though that has been the growing concern since the pandemic; NFLX has shown a consistent growth in revenue and earnings. As both Q1 and Q2 of 2021 have seen approximately a revenue growth of almost $2B comparable to Q1 and Q2 2020 [7]. Its average market cap has also increased to $279.55B while the Beta is at 0.71. The S&P 500 saw a change of 25.04% in 2021 while NFLX saw a change of 14.18% [6]. The current industry questions NLFX's high stock price and growth of 14.18% based on the assumptions of losing market cap, while other investors and analysts argue the growth of NFLX is not enough compared to what it should be.

NFLX's stock in the past 5 years has been very responsive to the impact caused by external environments, customer behaviors, and seasonal trends. If we are to make 2020 as an outlier in this, we can say that the NFLX stock will still show growth moving in Q3 results as well as Q4 results. This is justified by the highly expected second half of the year product release, which has started with Squid game, and is expected to grow in comparison to its competitors like Disney+ and HBO, which has already released most of its major movies and TV shows this year. NFLX will look to capitalize on their slump and secure high growth for the rest of the year. This may be a bit overextended from its current prices.

So if you look to buy in now, you can expect to see its stock price doing well in the long term and partially short term. Though entering the market with the risk of knowing the price may go down as well. In many years, there has been a growing concern if Netflix is going to be able to stay the market leader in the Online Entertainment Services sector. As newer and established companies are entering the online space wanting to capitalize on the opportunities Netflix has already capitalized on. Due to the business model of Netflix, customers will always pay on a monthly or yearly transactional basis for the service. The company has also seen a high rise in expenses in producing better movies and products in the last few years. The current debt for Netflix sits at 17.94B and a total debt to equity ratio at 129.42 with cash of 7.78B [6]. The company has seen a profit margin of 15.92% and Quarterly Earning YOY at 87.9% [6] With such high growth, institutional investors wonder if this is going to be Netflix's peak. That does not mean the stock price is going to pull down. it is just believed there's a little bit more risk; if you were to enter Netflix at this moment, the best strategy to use will be more of a dollar cost average position.

In the foreseeable future, Netflix will become the most successful streaming provider in the world because of its unparalleled ecosystem and execution capabilities. It has a global user base of over 130 million and is currently the largest ecosystem in the paid streaming media market. This creates a virtuous circle: the more consumers, the more publishers, and the more subscribers. The senior management team also performed well, which can be seen from the rapidly rising stock prices. Reed Hastings, the CEO of Netflix, demonstrates visionary leadership and brings corporate culture into the company. The company and its management team has been mindful of its impacts on Western and Eastern markets, and sees high growth possibilities in Asia-Pacific markets to compensate for emerging competitors in the Western World.

Conclusion

Overall, the success of Squid Games has consolidated Netflix's authority in both the US and international markets. And yes, there is no doubt that Netflix will pull out all the stops to make a second season happen, and it will not be surprising if season 2 makes it out in a year. Netflix demonstrates its ability to produce both new, viral hits, and that's the reason why it becomes a star in the stock market. Apart from the financial market, I would expect more continued investment in different – language production as Netflix wants to increase its influence around the world.

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