FARM STUDENT ASSOCIATION

MATHSOC

SEPTEMBER 2020

FINDING ALPHA

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Fall 2020 Chief Editors: Ethan McTavish and Jashveer Karan Reesaul

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Where Biden Stands on the Key Issues

By Johnson Shih, Market Research Analyst

Tax

The Biden plan raises revenue in 10 ways, not really united by much of a conceptual theme other than a desire to primarily hit wealthy investors. Biden proposes to increase the corporate tax and raise the tax rate on the rich, which would precisely hit technology stocks and the redistribution of wealth would benefit the industrial, material and financial sectors, which is the opposite of the substantial tax cuts during President Trump's administration. As the U.S. presidential race continues until November 3rd, Biden purposed to increase the corporate tax rate on large corporations from 21% to 28%. [2] Previously, he had also stated that if he was to be elected, he would increase taxes from 37% to 39.6% on American families with an annual income of more than $400,000. [4] If Biden’s tax policy was to be implemented, it would have a profound impact on the U.S. stock market. Technology stocks that have soared before (Amazon, Apple, Microsoft, Facebook, Google’s parent company Alphabet, etc.) may be affected significantly.

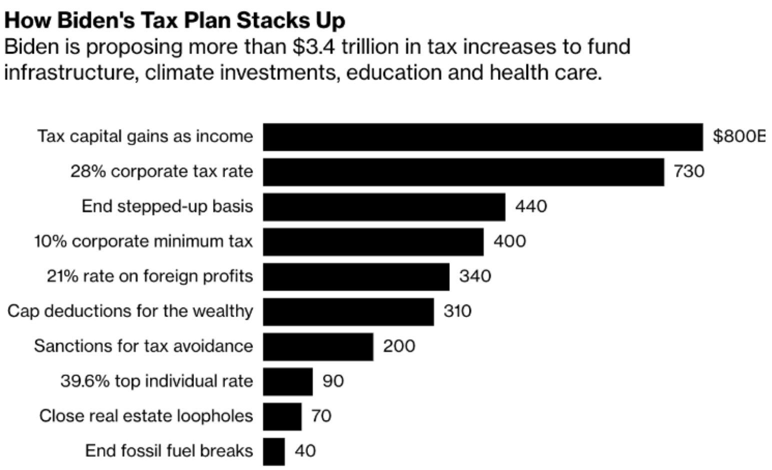


Figure 1 Biden's Tax Plan

According to Penn Wharton's budget model, annual revenue of more than $400,000 in the United States accounts for only 1.8% of income earners. Nonetheless, If Biden’s tax reform plan is implemented, the federal government’s tax revenue is expected to increase by $4 trillion from 2021 to 2030, and 75% of the new tax revenue will come from the top 1% of the nation’s wealthiest families. While Biden's tax reform program seems to benefit the 98.2% of American households and small business groups below the threshold, the impact of Biden's tax increase proposal goes far beyond this [4].

Tax economists estimate that raising corporate tax rates would affect all income classes. In the short term, those who hold shares in the aforementioned technology companies would be affected. In the long run, the increase in taxes would limit the growth of corporate profits and further impact workers' salaries.

Jobs, Employment & the Economy

In response to the direct impact of COVD-19, Biden vowed to spend "everything needed" to extend loans to small businesses and increase direct payments to households. These proposals include: [7]

1. Additional $200 monthly increase in social security payments
2. $10,000 student loans forgiveness to waive federal loans.
3. Raising the federal minimum wage to $15 per hour
4. Invest US$200 billion in green energy, on the grounds that advocating green manufacturing helps working-class union workers.
5. Invest US$400 billion to purchase local goods, and a broader commitment has been made to implement "Buy America" laws for new transportation projects.

Biden had previously been criticized for supporting the North American Free Trade Agreement (NAFTA), with critics claiming that the agreement shipped jobs overseas. His 2020 plan requires the federal government to invest $300 billion in materials, services, research, and technology made in the U.S. economy.

Healthcare

Biden said that he would expand the public health insurance plan that he passed under President Obama's leadership and would implement a plan to ensure that an estimated 97% of Americans are covered. Although Biden did not propose a universal health insurance plan as more left-wing members in the party would have hoped. After all, Biden promised that all Americans would be able to participate in a Medicare-like public health insurance program that would provide medical benefits. The medical insurance age for the elderly has also been reduced from 65 to 60. A non-party organization responsible for the Federal Budget Committee estimates that the entire Biden plan would cost $225 million in 10 years. [11]

Biden said that he would prohibit medical staff from charging patients out-of-network fees when patients could not control the medical staff they saw, such as emergency surgery or ambulance transportation. However, the candidate is not sure how he would end this practice, in which case, $40 billion would be saved each year. [8]

Payers like a way to be charged for out-of-network services based on a benchmark, such as the average medical insurance rate for that service in a specific geographic area. Biden also plans to "actively use (government) existing antitrust agencies" to deal with rampant market concentration, which may cause prices to fall. The specific details are not yet clear, but this may only mean instructing the Federal Trade Commission to take a strong stance on future mergers and acquisitions by payers and providers.

The Biden Plan would allow Americans to import prescription drugs from outside the United States, thereby expanding their access to affordable drugs. By increasing competition, this move would prevent companies from setting high prices that many consumers expect. Furthermore, pharmaceutical companies would lose tax deductions for advertising purchases. In addition, Biden’s policy of limiting drug price increases to the rate of inflation would fundamentally impact the profitability of brand-name drug manufacturers.

Also, Biden has proposed to decriminalize marijuana possession, legalize medical marijuana, and allow states to formulate their own policies. Proponents of drug policy reforms are in favor of finding alternatives to imprisonment for drug abuse, but they generally disagree with mandatory treatment through drug courts, which continues to put health issues under the jurisdiction of the criminal justice system. More importantly, they put pressure on Biden's campaign to adopt a stance in favor of the legalization of marijuana and pointed out that the vast majority of Democrats are in favor of implementing drug reforms.

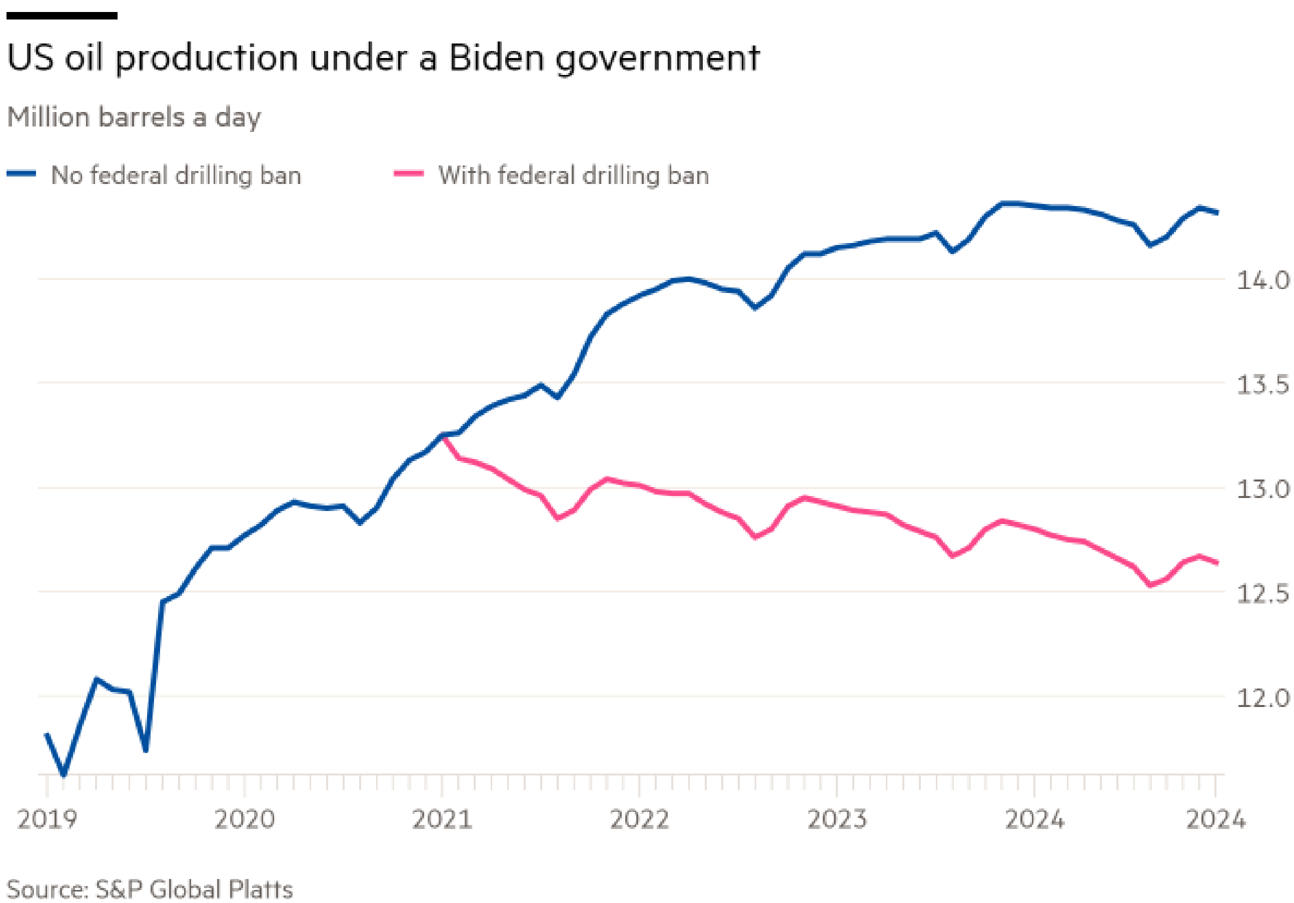
According to Reuters, after the news of Biden planning to decriminalize marijuana if elected, various stocks related to the cannabis industry on the Nasdaq market surged. Some of these companies include cannabis stock tracker MJ ETF (MJ.P), which rose 5.5%; Tilray Inc (TLRY.O), which rose 19.2%. In addition, the stock prices of Canopy Growth Corp (WEED.TO), Aphria Inc (APHA.TO) and Aurora Cannabis Inc (ACB.TO), which are listed in the United States, were 10% to 13% higher than normal closing prices. [10]

Climate Change

Biden referred to climate change as an existential threat and said that he would convene the rest of the world to join the "Paris Climate Agreement" to act faster to curb emissions. President Trump withdrew from the agreement which promised that the United States would reduce greenhouse gas emissions by 28% by 2025 as of 2005. [6]

Although Biden does not fully accept the Green New Deal (the climate and employment plan proposed by the party's left wing), he proposes a $17 billion federal investment in green technology research, some of which overlap with funds in his economic plan and are budgeted for the next 10 years. [6] The investment would help the U.S. achieve net zero emissions by 2050, a commitment made by more than 60 other countries back in 2019. The other two largest carbon emitters, China and India, have not yet joined this pledge. These investments coincide with his economic plan to create employment opportunities for manufacturing "green energy" products.

Biden also promised to impose new federal drilling limits, refuse to increase fossil fuels and emphasized his commitment to the American electrification. "I will immediately insist that, in fact, we have established 500,000 charging stations in cooperation with the governors, mayors and others in the United States of America in order to achieve the full development of electric vehicles by 2030". [3] If Biden's policy is implemented, it could dampen the oil industry's hope for a rapid recovery from this year's collapse, and his proposed new drilling restrictions may stifle production and make the country more dependent on foreign supplies. On the other hand, the emphasis of Biden's policy on clean energy would benefit specific companies in the power sectors focused on renewable energy.



Immigration

Biden hopes to restore many policies adopted during President Obama's presidency. One of his policies is to provide a path to citizenship for undocumented immigrants and a path to fast citizenship for farmworkers. The former Vice President will also consider withdrawing funds for the border wall, which he supported when he voted for the Security Fence Act in 2006, instead of using these financial resources to improve security at ports of entry.

Biden also promised to resume the Deferred Action for Child Arrival (DACA) program that President Trump hopes to end. DACA was introduced under the leadership of President Obama and allows the deferral of immigration rules for undocumented childhood immigration to the United States.

Education

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Race

Biden said, after the racial protests that have swept the United States this year, that he believes racism exists in the United States. Furthermore, he states that minority groups must be supported by extensive economic and social programs, which is a pillar of his "reconstruction" plan that provides business support to ethnic minorities through a $30 billion investment fund. [7]

Coronavirus

Biden's approach to tackling coronavirus, the most immediate and obvious challenge facing the country, is to provide free testing for all and hire 100,000 people to set up a national contact-tracing program [7]. Biden wants to establish at least 10 testing centres in every state, call upon federal agencies to deploy resources and give firmer national guidance through federal experts [7]. In terms of prevention measurements, Biden states that all governors should mandate wearing masks. Nevertheless, voters suspicious of federal authority will see this as overreach, but it lies very much in line with Biden and the Democrats' general view on the role government should play.

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How Theme Park Owners Have Adapted to the Pandemic

By Madeleine Pollock, Market Research Analyst

With the devastating impact of COVID-19, many industries have suffered. One industry that had been forced to shut down is the Theme and Amusement Parks. Although many, such as Disney Parks and Universal Studios, closed for a few short months, upon re-opening additional restrictive measures had to be put in place. At the same time, with everyone confined at home, entertainment and streaming services have become more in demand than ever. For companies like Disney and Comcast with assets in both the entertainment and theme park industries, what has been the overall effect? Have the disruptions to the park and other media signal future downturn to investors? Further, how will theme/amusement parks that are not tied to large media conglomerates stack up?

Disney

Likely one of the first thoughts that come to mind when one thinks of a theme park is Disneyland/Disneyworld. Globally, Disney Parks has 11 active operations, with locations in California, Florida, Paris, Tokyo, Hong Kong, and Shanghai, all of which had to shut down earlier this year due to COVID-19, paralyzing Disney's tourism industry. In addition to just the parks closing, Disney's tourism took a hit through the Disney Cruise Lines and Resorts. The Walt Disney Company estimates that COVID-19 resulted in approximately $1.4 billion in operating income losses in the winter quarter [1].

While Disney has a diverse portfolio of services to continue operating as normal and generating revenue, however under normal circumstances, the parks are the biggest drivers of revenue. In 2019, the Parks, Experiences and Products group generated more than $26 billion in sales in fiscal 2019, 37% of the organization's total revenue that year [2]. Upon investigation of Disney's earnings in Figure 1, the decline started in mid-March, when closures and social distancing measures began. The direct impact of COVID-19 to Disney's earnings is illustrated through this. Disney also had a newfound surge in earnings in July, likely as a result of the parks reopenings.

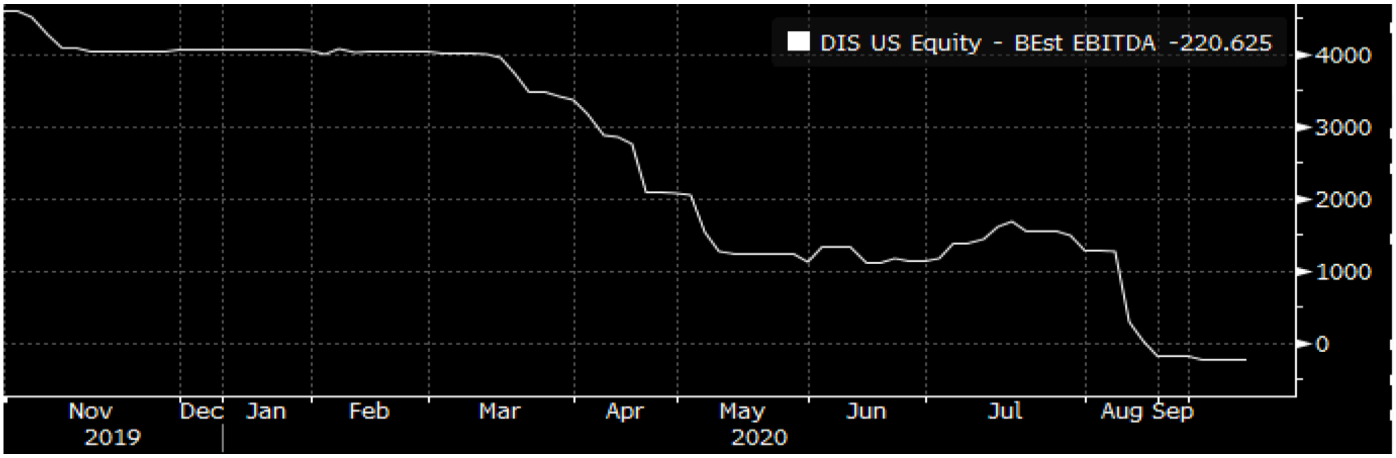

Figure 1: Disney Earnings Before Interest Taxes and Depreciation over the past year. Data Source: Bloomberg

Although like many non-essential businesses, Disney had to close its doors, it began reopening within less than 4 months of the start of the pandemic. Shanghai Disneyland was the first to reopen in May, with the rest of the global parks following suit in mid-July [3]. Upon reopening, businesses were not able to resume usual activities. Additional measures and restrictions had to be put in place to ensure social distancing, such as compulsory masks when visiting, yellow tape marking 6-foot distances, and limitations on ride capacities, the latter being the most significant [3]. While the operating costs haven't declined from the decreased capacities, the revenues certainly have provided ongoing challenges.

When it comes to the staff required to run the parks and operations, Disney has made efforts in this space to offside some of these costs. At the end of September, Disney announced that it would lay off 28,000 employees in the U.S. alone, although 67% of the employees were part-time. The Chairman of Disney Parks, Josh D'Amaro suggested that this was necessary due to the prolonged impact of COVID-19 on the business and the limitations on capacity with parks re-openings [4].

In addition to Disney Parks, another major revenue stream for Disney is Disney+, which was released at the end of last year. During lockdown, streaming services have been in high demand. By April, after only five months post release, Disney+ reached 50 million paid subscribers worldwide [5]. This is a relatively large number which analysts did not expect Disney+ to reach until 2022. Disney also owns Hulu, which has 30 million subscribers [5]. The accelerated growth of subscribers was no doubt influenced by quarantining and stay-at-home orders. Analysts suggest that the pandemic also helped Disney+ to maintain subscribers. In April, amid a surge of new users, Disney shares increased about 7 percent in after-hours trading [5].

Figure 2: Disney Share Price YTD. Data Source: Bloomberg

Although Disney+ may have helped raise the share price for a short period, like most of the equity market, Disney saw its share price fall amid the pandemic. Further, between just February and April, at the initial zenith of the pandemic, Disney lost $70 million in market capitalization, as it saw not only its parks suffer, but media services, as well [5]. In spite of this, Disney+ and park reopenings restored confidence to investors from July onwards.

Comcast

Comcast is another notable corporation with theme park holdings, that took a hit during the pandemic. Comcast acquired NBCUniversal's networks, studios, and theme parks (Universal Studios) in 2013 [6]. The parks of course took a hit from COVID-19, but like Disney, Comcast has a diverse portfolio of services to continue to generate revenues.

Universal Studios, which has locations in Florida, California, and Japan and is known for hosting the Wizarding World of Harry Potter theme parks, were also required to close due to COVID-19. Universal parks in both Japan and the United States opened in June, almost a month ahead of Disney in Orlando [7]. During reopening, Universal used protocols similar to Disney to ensure safety. Although the parks have begun to reopen and generate revenues, they are far less than before. With reduced capacities and flat operating costs after several months of being closed, the Theme Parks division faced significant losses in income.

Like Disney, Comcast also made significant layoffs amid the COVID-19 pandemic. Comcast laid off employees in multiple divisions of its entertainment portfolio, such as: movie studio, cable channels, and theme parks [9]. The layoffs are estimated to impact approximately 10% of the staff, which is around 35,000 employees [9]. These layoffs came with preceding speculation, as the media, channel advertisements, and theme parks suffered in the pandemic

Comcast also recently entered the streaming business in April, with the launch of Peacock. This innovation is an opportunity for Comcast to find success amid the current challenges. There are a lot of streaming services for consumers to choose from, however in the wake of COVID-19, consumers are willing to spend more to subscribe to a variety of services. Peacock initially had its limited launch in April, with its national launch in mid-July. By the end of July, Peacock had already reached 10 million subscribers [8]. Peacock definitely made an impact in offsetting the reduction in net income Comcast faced in its grim second quarter of fiscal 2020. While Comcast's internet and cable division remained steady, revenue for NBCUniversal was down 25%, and advertising revenue from cable networks was down 27% [8]. This is in addition to the devastating losses in the theme park segment.

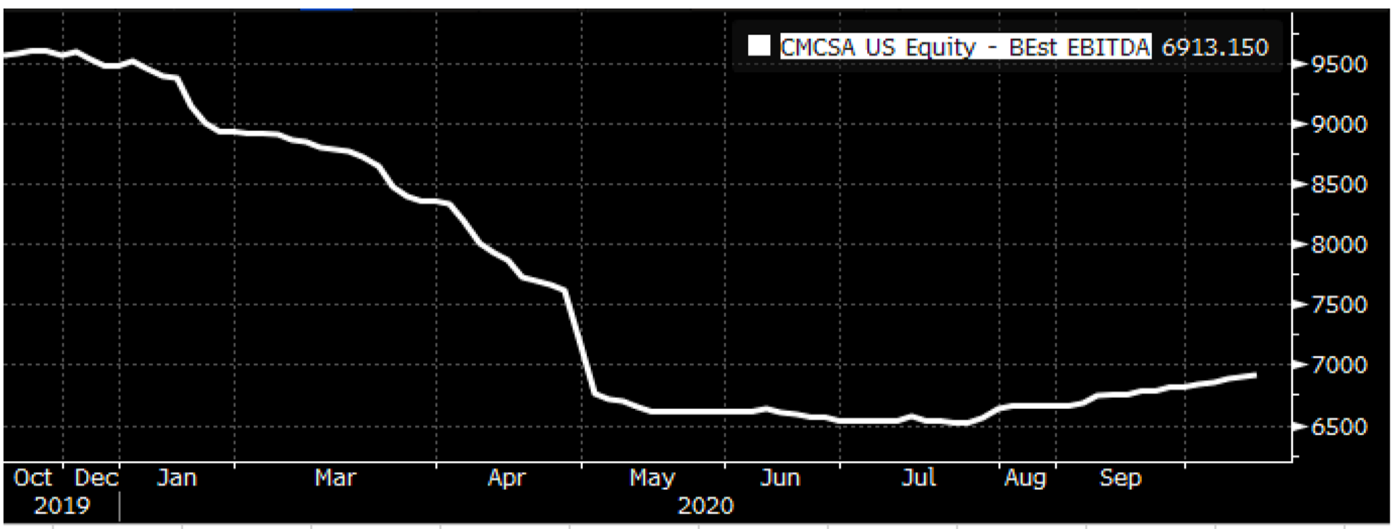

Figure 3: Comcast Earnings Before Interest Taxes Depreciation and Amortization over the past year. Data Source: Bloomberg

Although facing a sharp decline in earnings in the wake of the pandemic in March, Comcast Corporation has begun to rebound with an influx of subscribers to Peacock and park reopenings. Further, with the start of sports season and seasons of prime-time programs, Comcast will likely see an increase in earnings in the next couple months. Furthermore, Comcast has a diverse portfolio enabling it to offset the losses in revenue from closure of theme parks and resorts. Although this has proved insufficient in the months directly following the pandemic, Comcast expects to see positive results in the foreseeable future.

Figure 4: Comcast Share Price Over Last Year. Data Source: Bloomberg

Comcast, although negatively impacted by the pandemic, has begun to rebound, exhibiting increasing earnings and investor confidence. The investment in streaming, media, and merchandise has driven revenue during this time and allowed Comcast to see this prolonged success and investor confidence. Further, the influx of subscribers to Peacock seems to just be the beginning. NBCUniversal also recently acquired the streaming rights to Harry Potter, which will likely drive subscribers in 2021 [10].

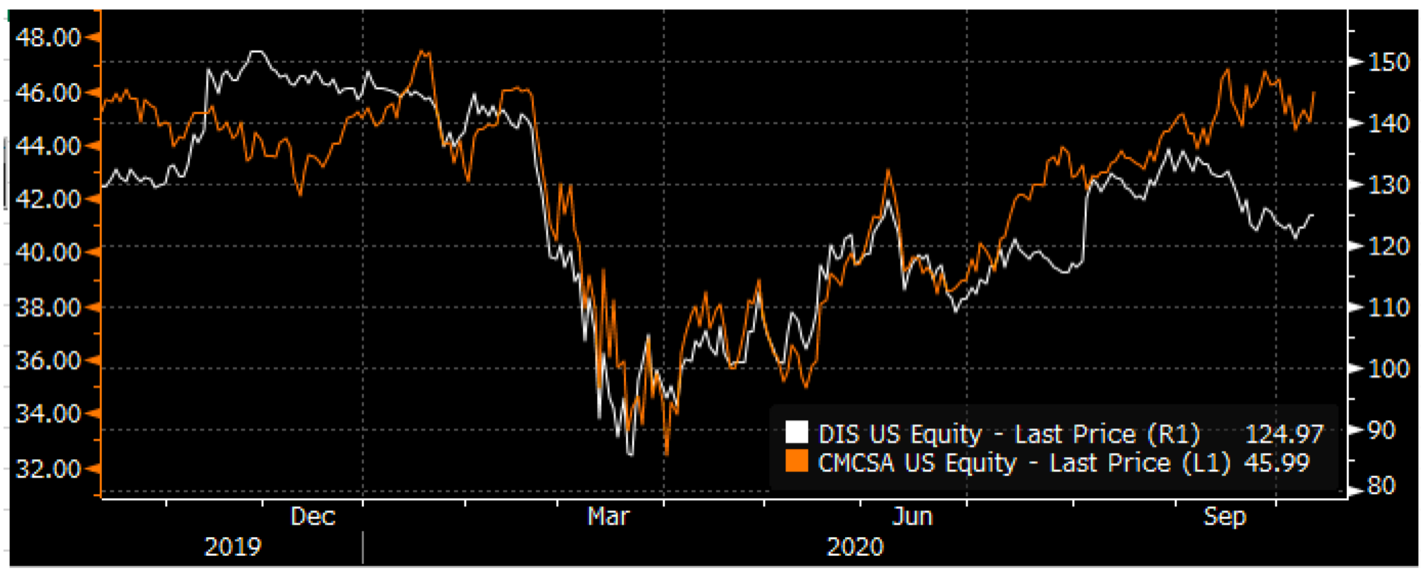

Figure 5: Disney and Comcast Share Price Over Year. Data Source: Bloomberg

Disney and Comcast have faced similar challenges and successes amid the pandemic. This follows from the congruencies in their portfolios and services. Further, these challenges are reflected by investor's valuations and expectations for the corporations, as illustrated in Figure 5. As shown, Disney and Comcast's share price have recovered from March lows proving their adaptability during such an unprecedented times. With more people turning to online streaming for entertainment, investors remain confident that both companies will be able to reach their full potential.

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$2 Trillion of Suspicious Activity Leaks and its Impact on Financial Market

By Kelly Wan, Market Research Analyst

On September 20th, 2020, more than 2,500 FinCEN reports regarding suspicious activities were leaked to Buzzfeed News. These documents revealed that major banks including HSBC, J.P. Morgan and Deutsche Bank breached financial regulations. In particular, they have been involved in criminal activities with drug trafficking groups and other unauthorized organizations by helping them to launder money worth over $2 trillion between 2000 and 2017, despite warnings from U.S. officials. This article highlights the disclosures from the investigations, banks' responses, and their impact on the banks' share prices.

What does the Financial Crimes Enforcement Network (FinCEN) do?

Financial Crimes Enforcement Network (FinCEN) is an organization under the U.S. Department of Treasury. It regulates the financial system and identifies potential criminal activities through its Financial Intelligence Unit (FIU). The FIU maintains and analyzes financial data to disclose suspected activities of crime and potential financial regulation breaches to the competent authorities. It also exchanges financial information with FIUs in other countries to support anti-money laundering and combat terrorism financing [1].

What are SARs and why are they important?

FinCEN collects financial information from various regulatory reports filed by individuals and institutions in the U.S. This includes the Suspicious Activity Report (SAR) that requires financial institutions including financial services, casinos, and insurance companies to report any suspicious transactions regarding possible violations of laws and regulations.

Financial institutions must report transactions over $5,000 and include information about the transaction such as the amount, and the agencies involved [2]. The purpose of SARs is to provide financial information for the U.S. government to investigate potential money laundering and terrorism financing through detailed documenting on every transaction above the aforementioned amount.

Deutsche Bank Handled over $1 Trillion Suspicious Transactions in the Past Two Decades

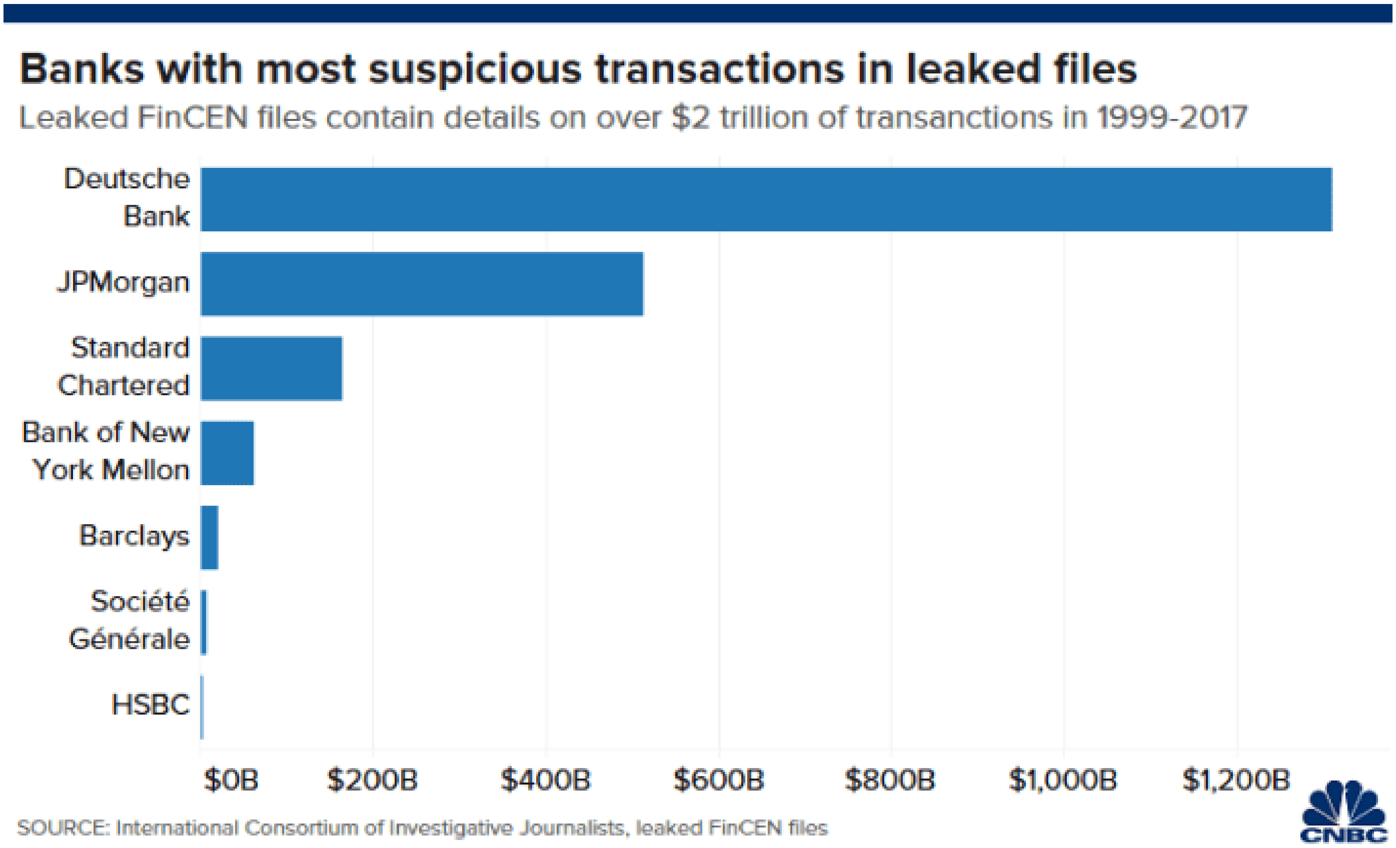

Figure 1: The Value of Suspicious Transactions in Leaked Files by Bank

As shown in Figure 1, the value of suspicious transactions leaked in the FinCEN files, over $1.2 trillion of dirty money was conducted through Deutsche Bank in 1999 – 2017 [3]. This is more than half of the transactions flagged to the U.S. government. Deutsche Bank stated that most of the leaked files were disclosed to the public already, since it was all related to the bank's money-laundering activities in Russia that was exposed in 2015 [6].

Furthermore, from 2012 to 2015, Deutsche Bank ignored mirror trading money laundering schemes totaling $10 billion from Russia. Mirror trading is a strategy that allows the trader to mimic other experienced or successful trader's purchases. The bank ignored the warnings of money laundering activities in Russia that used mirror trading to buy stocks in rubles in Moscow and sold them off simultaneously at a London branch. Eventually, the Russia mirror trading scandal cost Deutsche Bank $425 million in penalty fees [4].

This is not the first time Deutsche Bank has been caught, it has paid over $200 million in fines for doing business with Iran, Syria, and other countries that were sanctioned by the U.S. from 1999 to 2006. Although the bank promised to terminate all business with those countries, FinCEN files expose that Deutsche Bank continued suspicious transactions with these countries right after the settlement [5].

Deutsche Bank's slogan in the last century was, "Everything starts with trust". Nevertheless, in the past the bank turned a blind eye on money laundering activities and other suspicious transactions. Some examples include facilitating suspicious transactions with the sex-trafficking criminal, Jeffery Epstein one day after he was charged with conducting U.S. mortgage fraud and as discussed, the Russian mirror trading strategy. With all that happened, the bank said, "[They] learn from mistakes" and reformed after the scandals [6].

Major Banks Profited from Doing Businesses with Drug Trafficking Companies

Although most large amounts of suspicious transactions are recorded in SAR and are reported to the U.S. government. Major financial institutions still seem to ignore the warnings from FinCEN and fail to perform complete background checks on their clients. Which in turn increases the number of money laundering opportunities for drug traffickers and other criminal activities.

In FinCEN's investigation, major banks including HSBC, J.P. Morgan, and Standard Chartered have hidden these suspicious activities through conducting their business in off-limit countries such as Sudan and Myanmar, ignoring multiple warnings on the transactions.

J.P. Morgan was required to pay a $1.7 billion in fines as they relaxed the SAR filing requirements for the world's biggest Ponzi schemer, Bernie Madoff. After the settlement, J.P. Morgan had once again opened its account to an alleged Russian drug trafficker [7]. Besides that, Standard Chartered, a U.S. bank processed over millions of dollars for companies under sanctions up until at least 2017.

Stock Market Sharply Declined After the Document Leaks

Figure 2: Stock price movement of J.P. Morgan, HSBC, Deutsche Bank, and Standard Chartered on September 21st, 2020. Values indexed at 100 on August 13, 2020.

The FinCEN documents leaked are different from previous big bank leaks including documents on law firm Mossback Fonseca in 2016 and Lux\Leaks from the accounting firm in 2014 [8]. The FinCEN documents exposed not only a few companies but over 100 financial institutions including industry giants. Therefore, there was an immediate reaction in the stock market.

As shown in Figure 2, shares of big banks named in the leaked files plummeted. Furthermore, HSBC's stock price fell to its lowest level since 1995. Even though HSBC only had a small fraction of the total value of suspicious transactions. This was partly because "starting in 2012, HSBC embarked on a multi-year journey to overhaul its ability to combat financial crime across more than 60 jurisdictions." [8]. Nevertheless, HSBC's weak response to the SAR crisis contributed to the drop in its stock price. Around noon on the day the files were released J.P. Morgan, Standard Chartered and Deutsche Bank were down 4%, 5% and 9% respectively.

What Does This Mean for Investors?

Other than the impact on the stock market that was mentioned above, FinCEN leaks expose the dark side of the global financial world. That is, all these major banks that promised to maintain: a healthy financial system, follow anti-money laundering and anti-terrorist financing regulations. Are in fact, not keeping their word and are profiting off dirty money. Although most of the banks involved in this investigation responded and promised to invest more money on effective monitor systems. With the continued failure to comply with regulations, regulators are afraid that the number of financial violations would not be reduced. These files also reveal banks sometimes ignore morals and regulations to appease rich clients; decreasing the public's confidence about the trustworthiness of major banks and their use of power.

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Tech War Tension Between China & U.S.

By Xavier Fu, Market Research Analyst

Concerns over escalating tensions between the United States and China have taken center stage in 2020, including Trade Wars and the ongoing COVID-19 crisis. Now in the latest chapter of the China-U.S. diplomatic relationship, the internet industry is in the middle. After U.S. President Donald Trump signed an executive order in August which plans to effectively ban TikTok and WeChat in the U.S. due to national security concerns. Those bans could change the framework of many companies' marketing strategies, which depend on platforms such as TikTok. Furthermore, it would negatively impact the stock market which has already been suffering from the unexpected COVID-19 pandemic.

TikTok & WeChat

TikTok, one of the most popular applications of the 21st century, is a video-sharing social networking platform owned by ByteDance. ByteDance is a Beijing-based internet-focused technology company founded in 2012 by Zhang Yiming. After launching its global version in 2018, it grew exponentially within the U.S., boasting about 100 million users on a quarterly basis [1]. The other app under scrutiny is WeChat, which is one of the most used applications among the broader Asian market. WeChat connects more than 1 billion active users through calls, chats, and more.

How It All Started

U.S. President Donald Trump and his administration have been targeting TikTok for months because of its close ties with China. Trump's executive order claims that TikTok automatically captures, "vast swaths of information from its users, including Internet and other network activity information...build dossiers of personal information for blackmail, and conduct corporate espionage," [2].

Originally, according to the executive order, users will not be able to use the applications unless the parent companies: ByteDance and Tencent, sell the U.S.-based operations in 45 days. However, President Trump's administration later signed another executive order to extend the deadline to November [3]. Starting in August, ByteDance was reported to be engaged in negotiation with several U.S. tech companies, while concurrently fighting in court to preserve its original position.

Effects on Oracle and Microsoft's Share Price

Figure 1: Share performance comparison between Oracle (ORCL) and Microsoft (MSFT)

The impact of the TikTok and WeChat ban was visible on the shares of U.S. tech companies. On August 2nd, Microsoft announced it was exploring the purchase of TikTok's U.S., Canadian, Australian, and New Zealand operations [3]. Right after publicly confirming the potential buyout, shares of Microsoft rose as much as 5%, adding to the company's market capitalization [4]. 2 weeks later on August 17th Oracle, another software-based company joined the bidding process for TikTok's U.S. operations [5].

Following the news, Oracle shares witnessed a noticeable 5.9% increase over two days. After approximately 6 weeks since the start of negotiations, on September 14th ByteDance decided to reject Microsoft's deal and decided to team up with Oracle and Walmart. With this news, shares of Oracle went up 4.3% [6]. The Oracle-Walmart deal suggests the start of a new joint venture named, TikTok Global with ByteDance, with its headquarters located in the U.S. The details of the deal include Oracle and Walmart paying roughly $12 billion to acquire around 20% of the company's shares, and ByteDance would retain 80% [7].

While weeks of negotiations went by, on September 18th the U.S. Commerce Department issued a ban on downloading TikTok and WeChat and ordered the removal of both apps from the Apple and Google Play stores [8]. Currently these apps remain downloadable in the U.S. after a "federal judge ruled that Washington could not block [the apps] from app stores just yet." [9]. Overall, during this time Oracle's stock was on a bullish trend as TikTok collaboration would be a positive addition to the company.

For now, President Trump's administration seems to approve the proposed deal, but many critics still think that President Trump will negotiate more in order to gain a larger control of TikTok. Given the current political uncertainties, a deal which is approved by Washington is unlikely before the election. Investors could become skeptical and decide to abandon their bullish positions.

Future Predictions

The most critical variable for the TikTok and WeChat ban might be the outcome of the upcoming U.S. election. Democratic presidential candidate Joe Biden has not taken any standpoint regarding the TikTok ban, but he made a statement addressing TikTok as a "matter of genuine concern and promised to review its security risks" [10]. Another variable is the result of the hearing regarding the local ban on the two Chinese apps which will take place on November 4th, one day after the election. Apart from that, even though ByteDance has agreed to sell its U.S. business, China might block the deal from happening. The Chinese government repeatedly claimed that they will not accept the "theft" of TikTok and will prepare counter-responses [11].

As indicated above, TikTok's future in the U.S. is still uncertain, some of its users are jumping to other platforms, which would negatively impact their financial performance. Nevertheless, given everything that has gone on politically collaborating with TikTok would be a big opportunity for any U.S. company. Attracting the next generation would result in added cashflow for decades to come. Not only from TikTok usage but having a platform to instantaneously access millions of potential customers for other products and services.

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