

Market Weekly Insights

18th March 2024

Global Outlook

UK Labor Market Moderates Amid Rate Cut Speculation

The United Kingdom's labor market witnessed a slight cooling off as wage growth eased marginally and the unemployment rate ticked up, according to recent data released by the Office for National Statistics (ONS). This modest relief comes at a crucial juncture as policymakers at the Bank of England (BOE) weigh the possibility of interest-rate cuts later this year. Wage growth stood at 6.1% in the three months to January, down from 6.2% in the previous quarter, while unemployment increased to 3.9%.

Despite these developments, real terms pay continues to rise, aided by lower inflation rates. The Bank of England (BOE) may find some relief in moderating wage growth, potentially supporting discussions around interest-rate cuts. However, persisting wage pressures and historically low unemployment rates remain significant factors. The upcoming rise in the minimum wage could further influence the BOE's decision-making process ahead of its meeting on March 21. According to economists, continued moderation in wage growth and a potential dip in inflation could prompt rate cuts later in the year.

Nigeria's Currency Crisis

The detention of two senior Binance employees in Nigeria has drawn attention to the economic and financial consequences of regulatory actions in the cryptocurrency market. Nigeria, Africa's largest economy, faces a currency crisis exacerbated by soaring inflation rates and a depreciating national currency. In response, many Nigerians have turned to cryptocurrencies, particularly stablecoins, to protect their savings from currency devaluation.

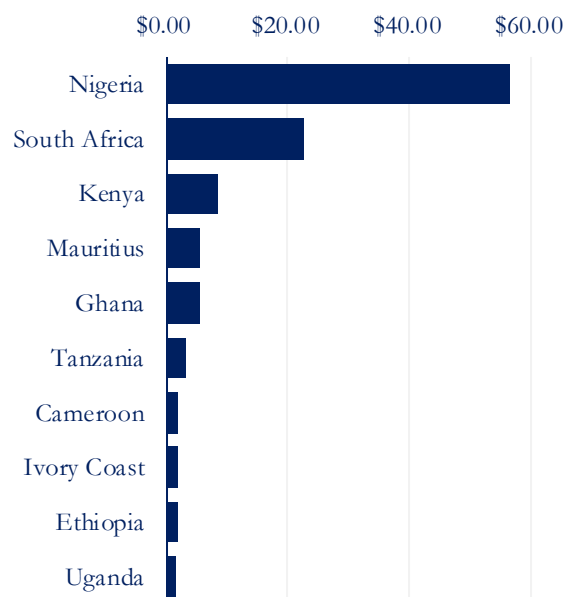
However, the Nigerian government's crackdown on crypto platforms like Binance has disrupted operations and raised concerns about regulatory overreach. Accusations of manipulating exchange rates and undermining the central bank's authority have led to detentions, website shutdowns, and restrictions on access to crypto platforms. These actions impact the operations of major players in the crypto market and signal broader regulatory challenges for the industry.

The detention of Binance employees and regulatory actions against crypto platforms in Nigeria have sent shockwaves through the global

WoW % change

S&P 500	\$5,117.09 -0.13%
DJIA	\$38,714.77 -0.02%
NASDAQ	\$15,973.17 -0.70%
Russell 2000	\$2,039.32 -2.08%
FTSE 100	\$7,727.42 +0.88%
Nikkei 225	\$38,707.64 +2.97%
WTI Crude	\$81.25 +4.03%
10-yr Treasury	4.3% +4.87%

VALUE OF CRYPTOCURRENCY
TRANSACTIONS RECEIVED BY SUB-
SAHARAN AFRICAN COUNTRIES
(in billions of dollars from July 2022 to
June 2023)

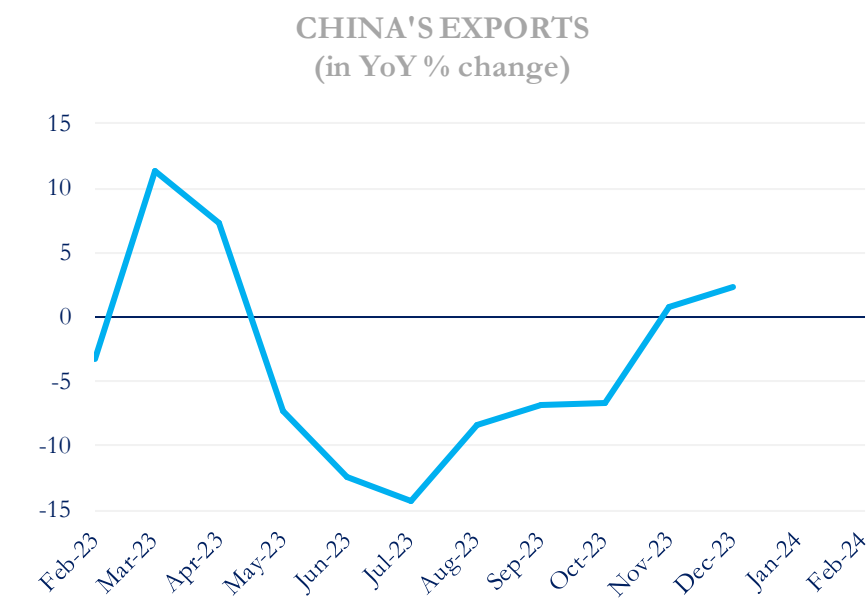


Sources: Wall Street Journal, Reuters, Chainalysis, Yahoo Finance

cryptocurrency market. Bianca's withdrawal from offering services involving the naira and the shutdown of its website by Nigerian authorities have hindered access to alternative financial solutions and raised questions about regulatory transparency.

Global Concerns Rise as China's Manufacturing Exports Surge

China's booming factory exports are causing global concerns and backlash as countries worry about the impact on their manufacturing industries and economies. China's exports surged 7% in January and February as Chinese factories sought overseas buyers for goods. China's industrial policies, including low-interest loans, cheap land, and energy, have supported China's growing trade surplus in manufactured goods.



The US and EU are considering tightening tariffs and trading restrictions to counter China's export strategies. Additionally, Europe plans to introduce a carbon border adjustment mechanism tax (CBAM), which could heavily impact imports of Chinese goods due to China's reliance on coal. China's growing exports are shifting trade patterns, with developing countries increasingly choosing cheaper Chinese goods over those from the US and Europe. Despite significant growth in China's export economy, economists have urged for a shift towards supporting consumers rather than solely focusing on boosting factory output.

America This Week

Bipartisan House Vote Pressures Senate on TikTok Legislation Amid Free Speech Debate

The U.S. House voted 352 to 65, showing strong support for a bill that could ban TikTok or mandate its sale amid data privacy concerns—the bill, led by Reps. Gallagher and Krishnamoorthi, in collaboration with the White House, now face the Senate, whose fate is uncertain due to potential amendments. Critics, spanning from Ocasio-Cortez (D–N.Y.) to Greene (R–G.A.), raised worries about free speech, while TikTok deems the legislation impractical, essentially a ban.

Many argue that sales could resolve issues without infringing on the First Amendment of TikTok’s parent company, ByteDance. The firm House support pressures the Senate to approve the bill despite the lobbying efforts and potential legal challenges over First Amendment violations. The debate underscores the complex broader challenges facing policymakers as they strive to achieve the balance between security, freedom, and the impact on users and creators in the tech regulation sphere.

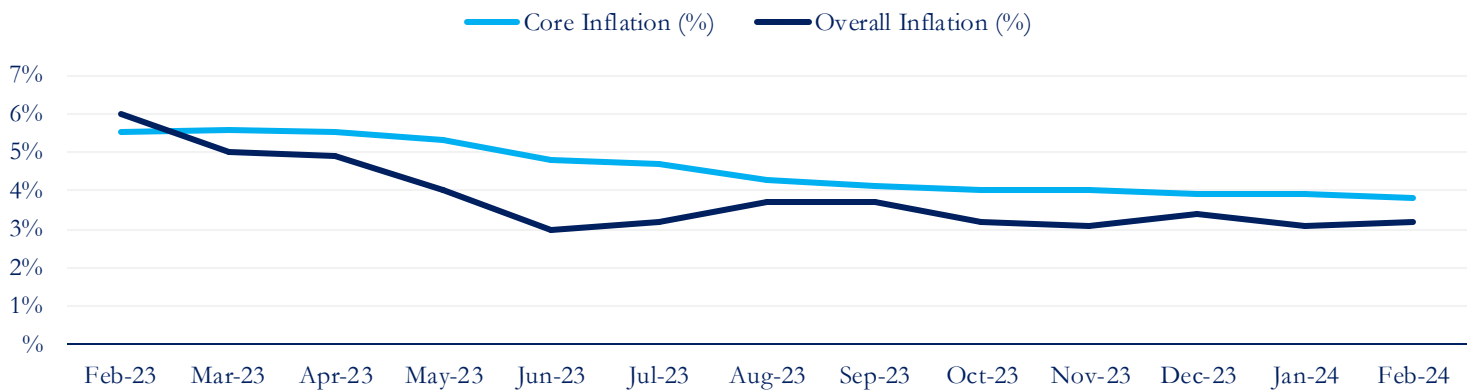
Sources: Wall Street Journal, New York Times

Macro Highlights

February Job Growth Surpasses Expectations Amid Rising Unemployment and Inflation Concerns

February's reports showed mixed signals about the current state of the economy. 275k jobs were added, dominating the expectations of 198k, however, unemployment rose from 3.7% to 3.9%, meaning more than 275k people entered the workforce last month. Generally, when jobs are created, and unemployment decreases, wages increase, which leads to an increase in inflation; however, the fact that jobs were created, and unemployment increased indicates growth but not too much growth to the point where it will cause a spike in inflation.

OVERALL VS. CORE INFLATION (in %)



However, we still did see an increase in inflation last month, as to 3.2% YoY, compared to expectations of 3.1%, continuing a trend of higher-than-anticipated inflation for the second consecutive month. Despite this, expectations remain that the Federal Reserve might start cutting interest rates later in the year as they are focused on getting inflation down to their target of 2%. The inflation data, particularly the core prices excluding food and energy, which rose more than expected annually and monthly, might keep the Fed in a wait-and-see stance regarding rate reductions.

Increasing Insurance Costs: A Key Driver of Inflation

In recent years, rising insurance costs, including automobile, medical, and housing, have significantly contributed to increased official inflation measures. While policymakers face challenges in addressing the various factors driving this trend, the pressure from rising insurance costs is impacting overall prices. Vehicle insurance is a significant contributor to inflation, driven by the increased costs of parts and replacement vehicles, which result in higher insurance premiums. Medical care insurance costs are also rising due to hospitals' higher labor costs and high demand for new medications.

The trend of increasing climate change has become a concern for many insurance companies, leading to an increase in policy premiums on households in some areas of the US. Despite uncertainties about how long these trends will

persist, they will continue affecting inflation soon. Medical care insurance costs also rise due to hospitals’ higher labor costs and high demand for new medications.

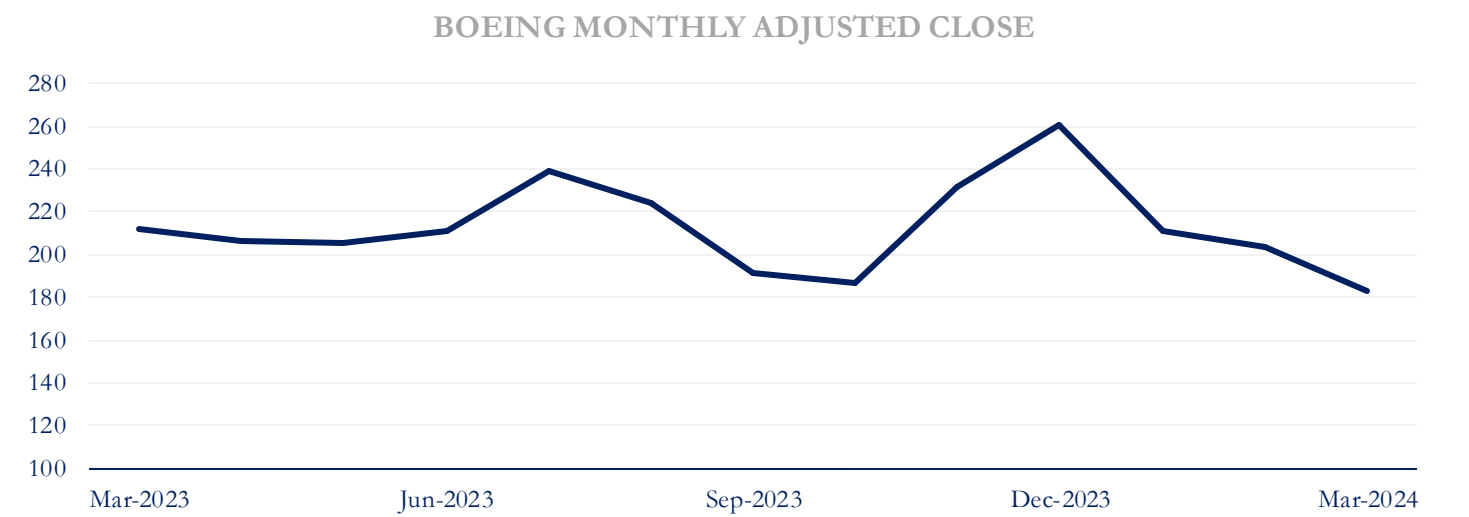
The trend of increasing climate change has become a concern for many insurance companies, leading to an increase in policy premiums on households in some areas of the US. Despite uncertainties about how long these trends will persist, they will continue affecting inflation soon.

Industry News

Boeing in Trouble

In 2024, Boeing faced a series of setbacks, beginning with a 787 Dreamliner mid-flight incident where the aircraft suddenly plunged, injuring passengers. This was followed by a string of other incidents, including part of an Alaska Airlines 737 Max blowing off mid-flight due to missing bolts, leading to grounding, investigations, and a loss in stock value. Additional issues surfaced, such as flight control problems on a United Airlines 737 Max, safety concerns with de-icing equipment, and missing documentation on assembly line work.

The Federal Aviation Administration (FAA) found broader quality and safety issues in Boeing's manufacturing processes. Boeing is addressing these concerns and is required to submit a plan to the FAA by May. On Monday, Boeing's stock fell 3%, down another 4.5% on Tuesday, currently ranking as the second-worst performer in the S&P 500. Boeing is facing a troubled start to 2024, further eroding stakeholder confidence.



Lego Builds Market Share Despite Drop in Global Toy Market

Lego experienced a boost in sales in 2023 despite a downturn in the global toy market. While toy demand decreased due to inflation and cautious retailer behavior, Lego outperformed its rivals, reporting a 4% increase in consumer sales. Mattel’s sales remained flat, and Hasbro saw a decline in revenue. Niels B. Christiansen, Lego’s CEO, stated that in 2023, the toy market was the most negative in over 15 years. Despite this challenging environment, Lego expanded its market share and demonstrated the appeal of its diverse product portfolio.

Sources: Yahoo Finance, Wall Street Journal

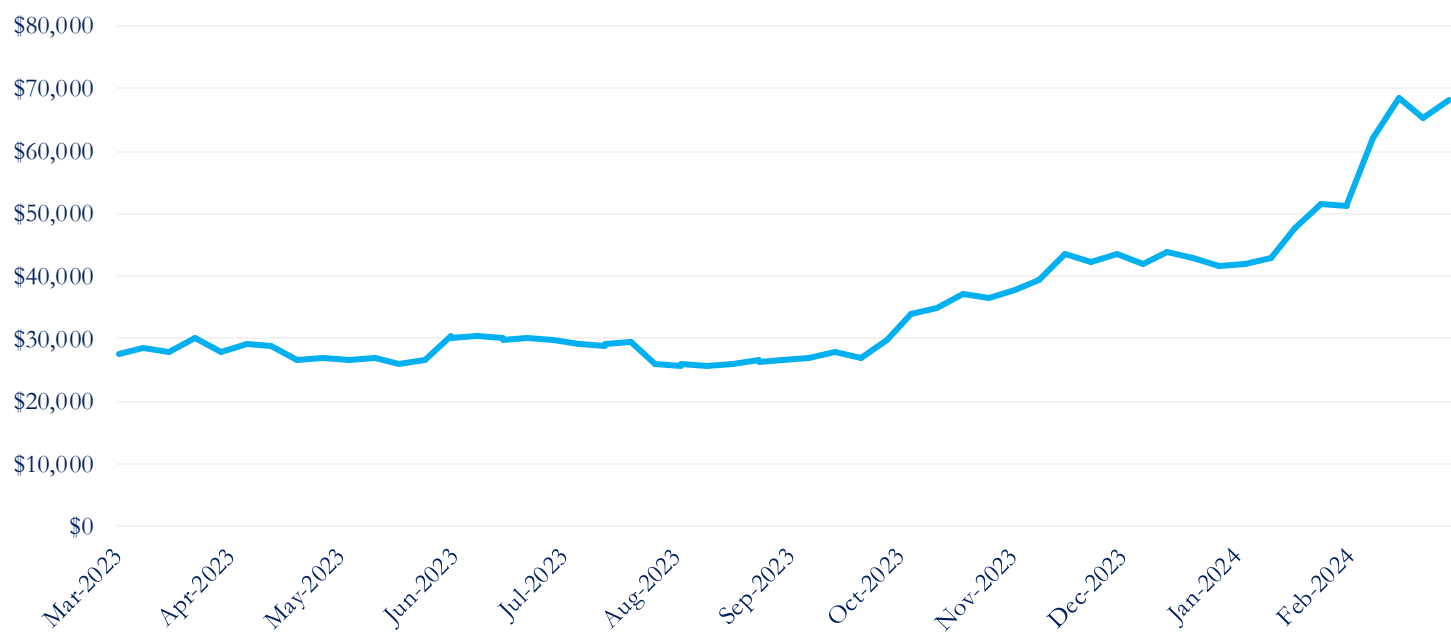
In 2024, Lego anticipates stabilization in the toy market and aims for single-digit revenue growth, outpacing the global toy market. Factors such as increased spending on sustainability initiatives, retail expansion, and digitization may lead to a slight decline in the company’s net profit. Lego has expanded its retail presence, opening 147 new stores in 2023, and plans to open 100 stores in 2024, focusing on growth in China. Lego remains optimistic about its prospects, leveraging its partnerships with popular franchises and diversified product offerings to navigate the evolving toy market landscape.

Bitcoin's Record Surge: Impact of SEC Approval and Regulatory Challenges

Bitcoin has recently set a series of records, with its price rising to around \$72,000. This increase follows the approval of the first Bitcoin exchange-traded funds (ETFs) by the Securities and Exchange Commission (SEC) in January, attracting more mainstream investors to crypto trading. Coinbase, a Nasdaq-listed crypto exchange, has seen its stock surge alongside Bitcoin. It is seeking more favorable treatment from regulators, suing the SEC for neglecting its responsibility to establish guidelines for the cryptocurrency industry.

This lawsuit follows the success of Grayscale Investments, a digital asset manager who challenged the SEC's decision to deny its application for a Bitcoin exchange-traded fund last year, leading to more positive outcomes for the industry. Additionally, the crypto sector is becoming more politically active, supporting political action committees to influence policy. Recently, there have been calls from within the Federal Deposit Insurance Corporation (FDIC) to ease restrictions on how banks handle customers' digital assets, further boosting the sector.

BITCOIN PRICES
(in US Dollars)



Reddit's Journey to IPO: From Turmoil to Wall Street

Reddit, the social media platform known for its vibrant communities and sometimes controversial content, is set to debut on the stock market. Founded in 2005, Reddit faced numerous challenges, including leadership crises, policy

Sources: New York Times, Yahoo Finance

controversies, and stagnant growth. However, under the stewardship of co-founder Steve Huffman, who returned as CEO in 2015, the company experienced a resurgence.

Despite skepticism from investors and its user base, Reddit's revenues surged from \$12 million to over \$800 million annually, and its employee count skyrocketed from 80 to 2,000. As Reddit prepares for its IPO, it seeks to capitalize on its loyal user base and monetize its platform effectively. With plans to raise to \$748 million, Reddit's valuation aims for \$6.4 billion, signaling confidence in its potential for growth despite challenges and controversies.

Looking Ahead: Analyst Outlook










Rahul Kapur - What Direction is Cryptocurrency Headed?

So far, 2024 has been particularly strong for the cryptocurrency market. At the beginning of March, the market capitalization of crypto stood at roughly \$2.6 trillion, mainly driven by the U.S. SEC's approval of Bitcoin Spot Exchange Traded Funds (ETFs). Bitcoin hit an all-time high this past week, valued at around \$72,000. The second-most popular coin, Ethereum, has also been on the rise, jumping by almost 70%. The halving event, scheduled for April, may lead to even more price increases for the currency.

Some analysts, like Geoff Kendrick, head of crypto research at Standard Chartered Bank, predict a continuous surge, hinting that Bitcoin could reach \$100,000 by the end of the year; others state differently because of the currency's volatility. 2021 Bitcoin reached a record before slipping like the other currencies, and by 2022, the price had shrunk by 42%. Now, looking at the current day, there is no guarantee that Bitcoin will follow the same path as it did at that time.

While this can be true, I believe Bitcoin will continue its surge and reach \$100,000 by 2024. The approval of Bitcoin Spot ETFs, a more robust economy, and the stock-to-flow model hinting at \$100k by the end of the year all lead me to believe in the continuous rise. One important factor to look out for that could affect the price would be regulations, which in the past have caused the Bitcoin price to plummet.

Market Insights Team

				
Momo Hassan	Varun Jhamvar	Rahul Kapur	Jack Miller	Kelly Yam
Director	Associate	Analyst	Analyst	Analyst
 Northeastern University	 Northeastern University	 Fidelity INVESTMENTS	PIPER SANDLER	 Northeastern University

Sources: New York Times