

## Market Weekly Insights

8th April 2024

## Global Outlook

*Mixed Sentiments in Japan as Manufacturing Declines Amid Positive Economic Indicators*

The Bank of Japan's tankan survey showed a decline in sentiment for large manufacturers for the first time in a year, as the main index dropped from +13 in December of 2023 to +11 in March of 2024. Carmakers headlined the decrease, mainly due to Toyota Motor's Daihatsu Motor unit's production issues. However, the survey had its positive moments, such as labor shortages leading to wage increases and expectations of inflation staying around the bank's 2% target. Large firms plan to increase capital expenditures by 4% for the new fiscal year. Morale among large non-manufacturers improved for the eighth consecutive quarter, reaching its highest point since August of 1991, indicating an incoming recovery in domestic demand and tourism. The results support the central bank's recent policy decisions and signify that future surveys will be important for assessing the appropriateness of potential rate hikes.

*South Korea's Inflation Remains High: Bank of Korea Holds Rates Amid Economic Growth*

South Korea's inflation continues to remain high, exceeding 3% for a second consecutive month in March, well above the central bank's 2% target. Furthermore, the consumer-price index rose 3.1% from a year earlier, exceeding economists' expectations of a 3.0% increase. It is likely that the Bank of Korea will maintain its current stance, opting to stay put and monitor inflation before considering rate cuts. The Bank of Korea has held the base rate at 3.50% for a ninth consecutive time, with no rate cuts expected in the first half of 2024. Food prices have been a particular concern, leading policymakers to intensify efforts to stabilize prices of agricultural products and introduce measures to promote discounts among retailers, as well as freeze public utility charges in the first half of the year. Despite concerns over rising inflation, South Korea's economic outlook remains relatively positive due to continued growth in exports and industrial production.

*Sweden's Central Bank Announces Potential Rate Cuts in May*

After reaching over 10% in late 2022, inflation in Sweden is now inching towards its target. At its last meeting, Riksbank, Sweden's central bank, decided to hold its key rate at 4% with potential rate cuts in May if

WoW % change

S&P 500	\$5,204.34 -0.95%
DJIA	\$38,904.04 -2.27%
NASDAQ	\$16,248.52 -0.80%
Russell 2000	\$2,063.47 -2.87%
FTSE 100	\$7,911.16 -0.52%
Nikkei 225	\$38,992.08 -3.41%
WTI Crude	\$86.73 +4.34%
10-yr Treasury	4.4% +1.12%

## SOUTH KOREA'S INFLATION

(in %)



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

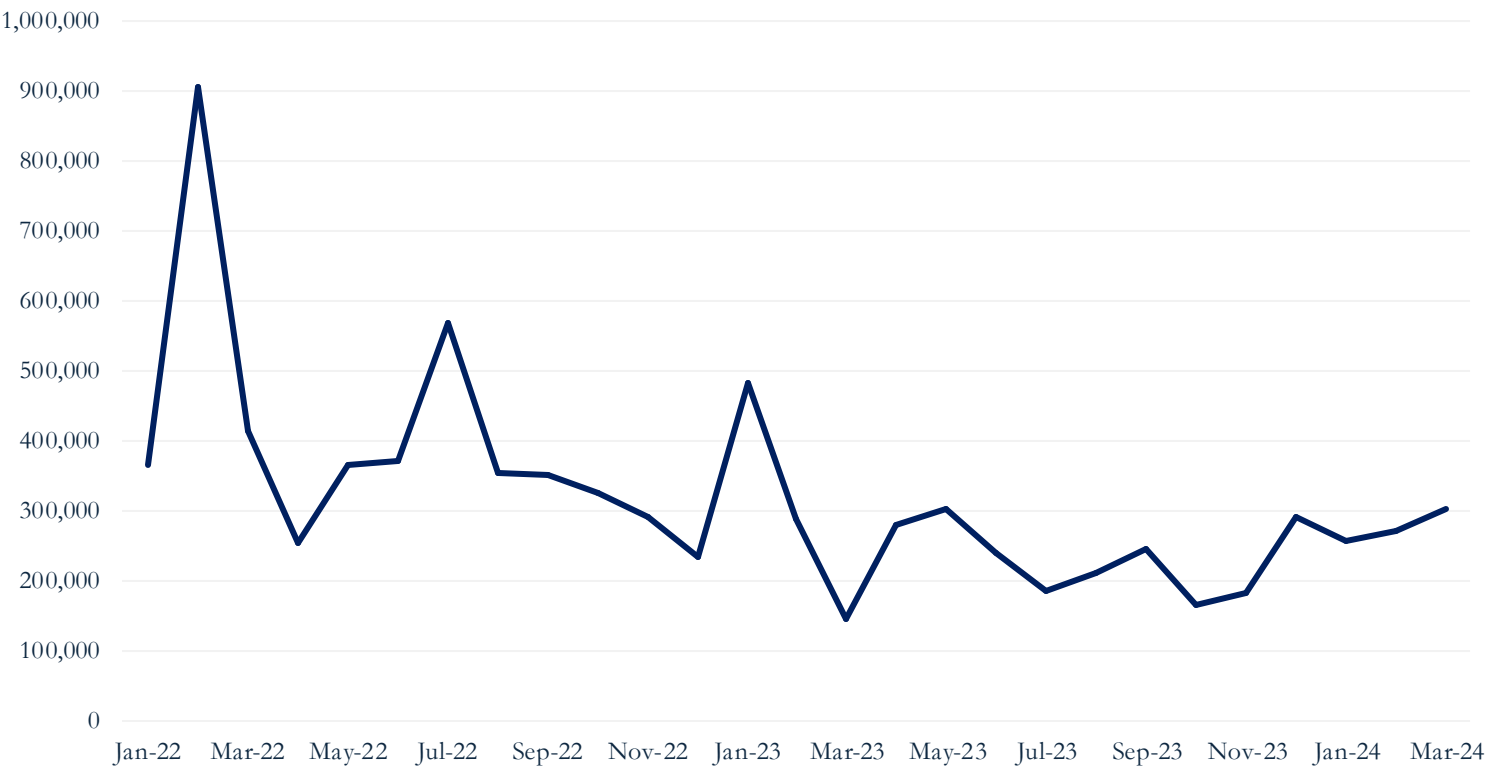
inflation continues on the downward trend that it's currently headed. Top analysts are predicting a 50% chance of a cut in May with three total rate cuts before year-end. Over the past few months, the outlook from the bank has shifted drastically. In November, they warned that rates could rise, but then in February, the bank noted that it might be possible to ease rates in the first half of 2024. There is concern among the central bank that lowering borrowing costs could result in a spending spree by households, which can lead to over indebtedness as well as demand-pull inflation. Another potential effect could be that the Swedish Krona could weaken, pushing import prices. The next monetary policy decision by Riksbank will take place on May 8th.

## America This Week

### 303,000 Jobs Added in March's Jobs Report

March's jobs report unexpectedly surpassed expectations on Friday as the Labor Department reported a 303,000 increase in jobs on a seasonally adjusted basis. The unemployment rate fell from 3.9 percent in February to 3.8 percent, further indicating signs of a persistent labor market. Given this was the 39th month of growth for the job market, confidence that the US economy may have reached the ability to sustain commercial activity, increase employment, and raise wages even with higher interest rates has bolstered. Moreover, inflation had been steadily eating away at income increases from 2021 to the beginning of 2023, yet this March the average hourly earnings for employees increased 4.1 percent from the previous year.

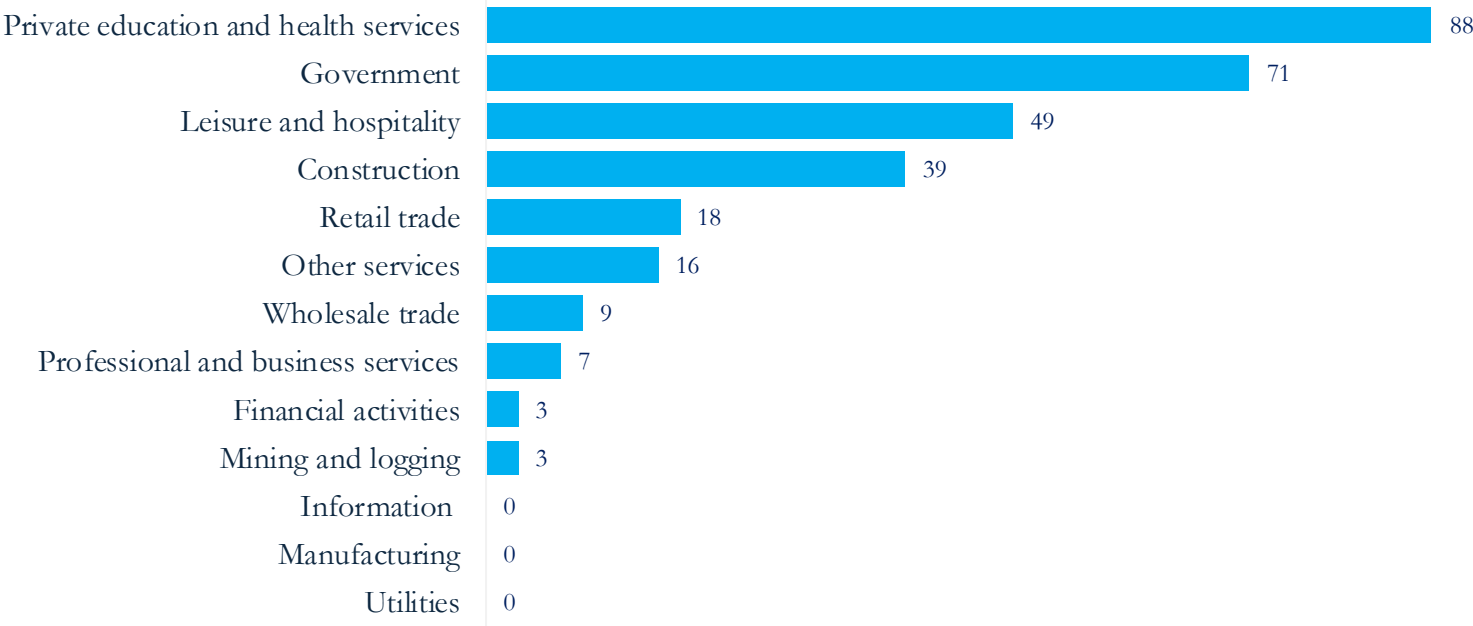
MONTHLY JOB CREATION IN THE US  
(in jobs)



Sources: Reuters, The New York Times, US Bureau of Labor Statistics

Although observers may express concern on the breath of job growth to be focused on traditionally stable sectors such as the government and healthcare, the private sector consisted 76.6% of the overall increase in jobs added. Other sectors prevailed as well, as hospitality and leisure reached a point above pre-pandemic levels, and construction reported a job increase twice its average monthly gain for the past year. However, employment growth is still stagnant in the finance, professional and business services, and information sectors, indicating potential shifts in hiring practices and commercial activity. Hiring in these traditionally white-collar roles has become increasingly selective since the pandemic, with uncertainty exacerbated by inflation and high interest rates.

JOB INCREASES IN MARCH BY SECTOR



## Macro Highlights

### *Immigration's Influence on US Employment Data*

Recent perplexities in U.S. employment data have sparked speculation among economists, with immigration emerging as a key explanatory factor. Discrepancies between the establishment survey and household survey, which inform monthly employment figures, have widened notably, raising questions about the accuracy of population estimates. Analysts suggest that the influx of immigrants, particularly across the southwest border, may skew population growth figures. The Congressional Budget Office's estimation of a 0.9% population increase in contrast to the Census Bureau's 0.5% estimate underscores this discrepancy. Economists posit that the labor market could sustain higher job growth rates without overheating, potentially influencing Federal Reserve policy on interest rates.

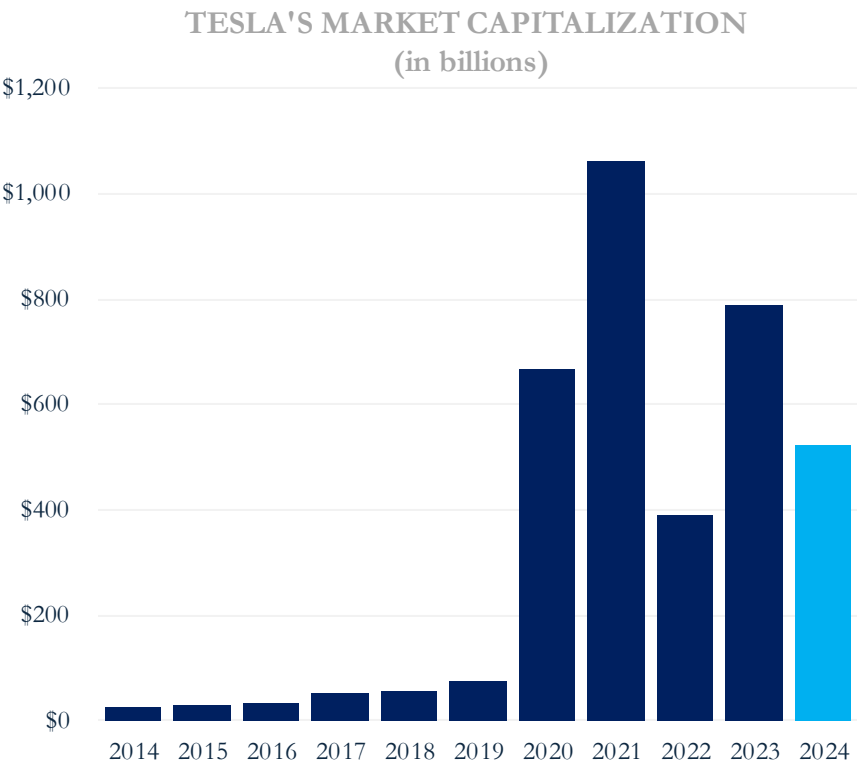
This shift in perspective has led economists to reassess their forecasts, with institutions like Goldman Sachs, Morgan Stanley, and JPMorgan Chase revising their projections for job creation and GDP growth. Federal Reserve Chair Jerome Powell has acknowledged the impact of increased immigration on the labor market, suggesting that robust job growth alone may not trigger inflation concerns. However, uncertainties persist. Some experts caution that discrepancies in employment figures may reflect broader complexities beyond population estimates, such as variations in reporting behavior within surveys.

Sources: The New York Times, US Bureau of Labor Statistics, Wall Street Journal

# Industry News

## Tesla's Slight Tumble

Following years of rapid expansion and notable success, Tesla’s sales have fallen, becoming the worst performing company in the S&P 500 index with its stock value decreasing by 34% this year. Despite remaining an extremely valuable automaker, its market capitalization has dropped to less than half of its 2021 valuation. Tesla is still a key leader in the US electric vehicle (EV) market, achieving considerable profits while other prominent carmakers struggle to create a profit on their EVs. Yet its success has come to a slowdown in recent years, starting in 2022 when Elon Musk announced the company’s decision to not introduce any new models citing supply chain constraints. Throughout the year, competition increased, forcing Tesla to seek out cost cutting measures such as slashing prices in China and offering discounted vehicles in the US to bolster its profits and stay afloat. However, due to unmet delivery targets, the company’s stock tumbled to its worst performance on record by the end of 2022. Although sales increased initially in 2023 and provided optimism, Tesla’s 2024 first-quarter reports show a decrease in deliveries, leading to growing concerns from investors.



## America's Two Leading Dollar-Store Chains are Headed Opposite Directions

America’s two leading dollar-store chains, Dollar General and Family Dollar are heading in opposite directions when it comes to their real estate choices. Dollar General, which mainly operates in rural areas, announced its plan to open 800 new stores this year, while Family Dollar, primarily located in urban and suburban areas, announced its closure of over 600 stores by August. Dollar General’s success has been attributed to the lack of competition in rural areas, as their real-estate occupancy cost is nearly a third lower than Family Dollar. Dollar General has also focused on remodeling existing locations, while Family Dollar has not looked to do so.

Despite the closures announced by Family Dollar, the chain is expected to add thousands of stores in upcoming years, mainly due to strong consumer demand. The recent US retail expansion has been powered by dollar stores, with more than a quarter of total store openings being dollar stores. Nonetheless, rising inflation has posed itself as a lingering challenge for such dollar store chains as they already operate on such thin margins. Looking ahead, Dollar General and Dollar Tree’s Family Dollar are expected to reach a combined revenue of \$83.1 billion by 2027, a 26% increase from 2022.

## Amazon Implements Job Cuts in Cloud Computing and Tech Teams

Amazon is undergoing a significant restructuring within its cloud-computing division, Amazon Web Services (AWS),

Sources: Wall Street Journal

eliminating hundreds of jobs. The cuts primarily target roles in sales, marketing, global services, and the physical store's technology team responsible for cashier-less checkout systems. The move comes as Amazon aims to streamline operations and reduce costs amid slowing demand in specific sectors.

Despite these layoffs, Amazon emphasizes its commitment to innovation, particularly in artificial intelligence (AI). AWS remains a key profit driver for the tech giant despite facing challenges in the market. This restructuring aligns with broader trends in the tech industry, with companies like Alphabet and Microsoft also implementing staff cuts recently.

*Paramount Global Enters Exclusive Merger Talks with Skydance*










Paramount Global has entered exclusive merger discussions with Skydance, favoring it over a recent \$26 billion all-cash offer from Apollo Global Management due to uncertainty about how Apollo would finance its bid. This deal, which would keep Paramount Global publicly traded, could give Skydance ownership of around 45% to just over 50% of the new company.

Paramount Global, which owns valuable media assets including CBS, Paramount Pictures, and streaming services like Paramount+, has struggled to grow amid a volatile ad market and declines in cable subscribers in recent years. Despite its challenges, Skydance's proposal suggests that its assets and commitment to new media could lead to better future growth than the current leadership under the Redstone family. Skydance's proposal represents a significant change for Paramount Global, and the committee will need to decide if it is better than the status quo and if any other offers may arise.

*NYC Delivery Workers' Minimum Wage Increases to \$19.56*

New York City's delivery workers are receiving a pay increase as their minimum wage rises to \$19.56 per hour prior to tips, announced Mayor Eric Adams. Beginning on April 1, 2024, this raise is part of an ongoing effort to ensure fair compensation and dignity for app-based food delivery workers. It reflects an adjustment for inflation and will reach at least \$19.96 an hour once it fully matures next year. This move comes after companies like Uber, DoorDash, and Grubhub challenged the wage increase in court, citing potential higher costs for businesses and consumers.

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Sources: Wall Street Journal, CBS News