



## Weekly Sector Specialist Note (February 22<sup>nd</sup> – February 26<sup>th</sup>, 2021)

**\*\*Sales Commentary – Not a Product of UBS Equity Research – For Institutional Investors Only\*\***

### Highlights and Updates from the Week

#### FINANCIALS

**Tickers:** SQ, CME, JPM, SBNY, STT, MTB/PBCT, WFC, COF, DFS, BAC  
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**Highlights:** Investors a bit spooked at the suddenness of this move in yields – most so at the front-end, with the 5yr up over +25 yesterday alone, FF futures now indicating a first hike in September of 2022 and more than 3 hikes by September of 2023. Bank weakness drew the most attention – in the face of wider spreads, the selloff arguably indicative of *economic concerns* (the implication of higher rates/sooner) – otherwise, if just a market/valuation issue – why sell spread levered lenders?) On the flip side – gold down nearly -5% in the past 24 hours (into inflation driven market panic....hmm) – perhaps reflective of just broader risk-off/degrossing (and maybe a better explanation for Fins softness..).

#### TELCO, MEDIA & INTERNET

**Tickers:** DISCA, SPOT, REAL, SNAP, VZ, VIAC  
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**Highlights:** Difficult week for growth and tech as **rates skyrocketed and the market unwound**. There was some defensive positioning into names that haven't performed as well (TMUS/ATVI) but just a lot of red on the screen as investors sold the smidcap growth winners and doubled down on the large cap shorts. Media continued its march higher for most of the week, after **VIAC and DISCA reported and benefited from the DTC halo**. It seems the street is at peak frustration and for sure not positioned for continued unwind.

#### TECHNOLOGY

**Tickers:** PANW, CDNS, INTU, NVDA, CRM, WDAY, ZS, QCOM  
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**Highlights:** **Rates are the only things that matters this week** in my conversations, as Tech investors (rightfully so) are just saying the **micro doesn't matter right now** given the volatile tape. I would rather be talking about DRAM and NAND pricing, which were up every day this week. Again, MU fits the cyclicals and value bucket in terms of exposures (which is clearly very in at the expense of growth) and I know it's already super crowded but sometimes (rarely) consensus just works.

#### HEALTHCARE

**Tickers:** AZN, TDOC, ILMN, WBA, INO, TCDA, VTRS, AZN  
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**Highlights:** VTRS started off the week with disappointing guidance. ARK names hit very hard this week with value stocks holding in much better. As for the sub sectors, Tools / Dx / Biotech suffered big pull backs while Hospitals, Medtech, Pharma and MCOs fared much better. We go from earnings right into competitor conferences. Next week UBS hosting its second annual Intermountain Healthcare conference. AGBT kicks off next week as well, which is important for the Tools/ Dx space.

#### INDUSTRIALS

**Tickers:** IHSM, VW, SWK, CR, AVY  
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**Highlights:** It was an extremely volatile and macro driven week with the clear focus the move in rates and real rates in particular. Early in the week the reopening and reflation trade continued to march on full steam ahead with Powell's dovish comments providing support, commodities surging, and some huge sub-sector dispersion in terms of cyclicals outperformance of growth/defensives.

#### ENERGY/UTILITIES

**Tickers:** VST, NRG, SRE, EXC, TRGP, OKE, ET, PXD, XEC, EOG, MRO  
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**Highlights:** Energy outperformed the broader markets while Utilities and Solar lagged with the macro in the driver's seat as the re-opening/reflation trade remains the dominating narrative. Inflation concerns are growing given the amount of stimulus out there and the pandemic looking closer to its end. **It was a particularly volatile week in Utilities land with LO frustration at a fairly high level as a lot of stocks screen as severely oversold. However, LO investors remain cautious around interest rate concerns and are more on the sidelines here vs in the buying camp.**

#### CONSUMER

**Tickers:** BYND, AEO, RCL, FL, QSR, TJX, KTB, PRTY  
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**Highlights:** The week was an interesting in volatile one. Toward the end of the week, it seemed clear that the **rate move in the macro was impacting the broader market and thus forcing a flush of owned positions**. In our world, that meant selling re-opening names (retail/restaurants) that folks had grown to favor. Before and toward the beginning of the week, other themes were emerging though: mainly, that the **bid for COVID winners (hardlines, etc.) was slim to none**.

#### SPECIAL SITUATIONS

**Tickers:** PRAH, ICLR, CTB, GT, PBCT, MTB, FRTA, Quikrete, AJRD, CHNG, XLNX, WORK, SPACs  
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**Highlights:** The February merger train continued and we saw 5 new deals announced this week. We had **PAND-MRK** (we do not expect antitrust issues or delays), **PRAH-ICLR, CTB-GT, PBCT-MTB, FRTA-Quikrete**, The median annualized spread for our deal universe is out by ~180 bps from 5% last Friday to ~7% today. Average is out by ~100 bps from 7.2% last Friday to ~8% today. Biggest non-annualized movers: **AJRD, CHNG, XLNX, WORK, WLTW, SPW**. **SLM** bumped their tender range, consistent with the historical average of 9%. **SPAC market** continues to chug along, with 28 IPOs raising \$10.5bn of capital. The first signs of indigestion since late November emerged, with 2 IPOs priced on Friday trading below their \$10 issue price.

## WEEKLY TRADING COLOR

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### SUMMARY

**Overall narrative unchanged. Rates, SPACs, and ARK funds activity dominated most conversations This week. Active community on sidelines Thursday/Friday as Macro take and Rebal take over.**

Reopen trade continued to see inflows especially in the earlier part of the week. Macro players clearly in the driver seat on Thursday. Powell tried very hard to calm bond markets Tue/Wedn and he did somewhat succeed with the S&P squeezing higher into Wednesdays close just to give back all of that and some on Thursday. Consistent FED speaker commentary that the rise in yields is appropriate is like leaving the door open to at least think about what may come next. On Thursday the Macro forces took control again and we finally may have received the answer to where the first pain threshold was for Equities. Again it was the pace of increase in rates that spooked the tape. Yesterday, 10yr yields exploded higher at 1pm on Thursday after 7yr UST auction saw extremely weak bid. 10bps in a few minutes, total increase for February reached 40 bps now. **5yr UST yield +20 bps Thursday – that's 25%!!!** 1.75 to 1.80 in the 10 yr seems to be what most folks think is the near term top and also the level where we would see more aggressive selling on the Equity front. There won't be another US Treasury auction until two weeks from now. Sell off in Equities on Thursday was the broadest we have seen in months. Correlation very high. It wasn't driven by Retail as we saw Tuesday morning. We didn't see any major change on our desk rather it appeared it was a combination of Macro hedging, Pension rebalance kicking in as well as Systematic selling as the VIX spiked. Correlation the highest we have seen in weeks. Banks down nearly -3% despite the huge back-up in rates/steeper curve. All Macro. For more on rates please see attached note from my colleague Brian Kuritzky. Healthy round of profit taking in **SPAC land this week** as risk appetite faded a ton of supply (IPOs) over the past 2 days with more to come. It was a **tough week for ARK funds**, which got caught up in the growth unwind and saw outflows of almost \$1.5B on the week. These were the first outflows we've seen in these funds in a month

### HOW BOUT OUR FLOWS

**UBS High-touch Single Stock Desk:** Flow on the HT desk was very balanced looking at – no real skew looking at it for the week – both LOs and HFs essentially 50/50 with Short activity yet again muted on the single stock side. Our busiest sectors Tech, Financials and Consumer Services were all better for sale while better to buy in Basics, Industrials, Utes and Telcos. Breaking it down a little further, Software and Communication Services the most active sector (turned buyer Friday) followed by Retail (better for sale) and Financial services. Banks were better for sale on the desk despite the move higher in rates. We did not see a material pick up in activity on Thursday/ Friday when indexes had the biggest moves probably confirming that was more driven by Macro and systematic players.

**ETF flows:** US Equity inflows were quite consistent this week despite the macro volatility. Even amid the sell off yesterday, investors added to AUM across almost all sectors. Tech was the only sector with outflows yesterday as QQQ underperformed SPY by over 1%. Interestingly, QQQ had its largest day of inflows on our RMM desk since mid-December.... Retail buying Tech on the dip while Institutional money rotates out? For the week, Equity ETFs added almost \$15B, bringing the MTD total to a staggering \$65B. With rising yields the driving force in the market this week, Financials were the biggest beneficiary. XLF outperformed SPY by 3.6% through Thursday and Financial ETFs added \$3.5B to AUM. It was a tough week for ARK funds, which got caught up in the growth unwind and saw outflows of almost \$1.5B on the week. These were the first outflows we've seen in these funds in a month. Precious Metals also continued their pullback, with another \$2B leaving the space this week.

### SECTOR BREAKDOWN

Equities are set to end the week lower as rapidly rising real and nominal UST yields triggered a pullback. A recovery in economic data, vaccine (JNJ) and stimulus hopes, and under-subscribed long end treasury auctions are a few of the reasons some are pointing to for the move higher in rates – and max-accommodative Fed speak certainly added fuel to the fire. Despite a bit of a reversal today, Cyclical sectors outperformed on the week with Energy +6.4%, Industrials +2.2%, and Financials +1.7% acting best while Info Tech -5.8%, Healthcare -4.6%, and Utes -4.1% sold off most.

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### WHATS AHEAD?

I think best thing for the market would be range bound action in both Equities and Rates. Let things settle down. Active community moved to the sidelines Thursday Friday. There will be more eyes on Central bank commentary now given move in rates. Discussion around multiples will also heat up. Macro landscape remains VERY favorable but the market is pricing already much of that in. We are mostly through earnings. There won't be another US Treasury auction until two weeks from now. Stimulus package is likely passing soon but already priced in. In that scenario I would expect dispersion to pick up again looking at sectors overall but also within sector as Active managers take control of the tape again.

# QUANT INSIGHTS

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## TOP 10 OVERWEIGHT/UNDERWEIGHT GLOBALLY

Overweight		Investor Weight	Active Weight	Wow Chg	Underweight		Investor Weight	Active Weight	Wow Chg
Prosus N.V. Class N	PRX NA	0.49%	0.39%	↑	Apple Inc.	AAPL UW	2.36%	-1.23%	↑
Tencent Holdings Ltd.	700 HK	1.23%	0.34%	↓	Taiwan Semiconductor Manufacturing Co 2330 TT		0.41%	-0.52%	↓
Tata Consultancy Services Limited	TCS IS	0.37%	0.31%	↓	Amazon.com, Inc.	AMZN UW	1.87%	-0.36%	↑
Walmart Inc.	WMT UN	0.59%	0.28%	↓	Tesla Inc.	TSLA UW	0.63%	-0.31%	↑
Reliance Industries Limited	RIL IS	0.37%	0.24%	↑	Nestle S.A.	NESN SE	0.21%	-0.30%	↑
LVMH Moet Hennessy Louis Vuitton SI MC FP		0.53%	0.24%	↑	Microsoft Corporation	MSFT UW	2.53%	-0.27%	↑
T-Mobile US, Inc.	TMUS UW	0.31%	0.20%	↓	Roche Holding Ltd	ROG SE	0.18%	-0.20%	↑
Charter Communications, Inc. Class A	CHTR UW	0.31%	0.17%	↓	Meituan Class B	3690 HK	0.12%	-0.20%	↑
Foshan Haitian Flavouring & Food Co., 603288 C1		0.17%	0.16%	↓	Exxon Mobil Corporation	XOM UN	0.18%	-0.18%	↓
Southern Copper Corporation	SCCO UN	0.16%	0.15%	↑	Berkshire Hathaway Inc. Class B	BRK/B UN	0.38%	-0.17%	↓

Note: The calculation is based on MSCI AC World index universe. Data as of 19 February 2021 close.

Source: FactSet, MSCI, UBS Quantitative Research

You can find the full report [here](#)

## SUMMARY

**UBS Evidence Lab: Are prescriptions the 'right medicine' for food delivery growth?**

**Are prescriptions the 'right medicine' for food delivery growth?** While most of the fastest growing locations for food delivery is QSRs, not all are. **The fastest growing delivery partner for DoorDash is CVS, by location, and Walgreens is not far behind it.**

**One Insight:** Recently UberEats announced expansion of their prescription delivery service in Manhattan through Nimble. What about other players in **prescription delivery like Amazon Pharmacy?** There is limited transparency into usage of Amazon Pharmacy; however in a **\*new\*** [UBS Evidence Lab dataset](#), we can see a growing number



## COVID TRACKING

- [Global Signal Strength Monitor](#)
- [US Softlines Retail Formations Monitor](#)
- [US Media Consumption Trends Consumer Survey](#)
- [Global Cargo Shipping Monitor - Coal](#)
- [US Hospital C-Suite COVID-19 PulseCheck](#)
- [Global PC/ Console Gaming Consumer Survey](#)

## MOST DOWNLOADED

1. [Global Brand Tracker \[ Instagram \]](#)
2. [Global Cargo Shipping Monitor – Coal](#)
3. [Global Traffic Congestion Monitor](#)
4. [China Brand Tracker](#)
5. [COVID-19 Activity Monitor](#)
6. [Global Cargo Vessel Shipping Monitor](#)
7. [Global Covid-19 Foot Traffic Monitor](#)
8. [Global Covid-19 Vaccine Adoption Monitor](#)
9. [Brand Tracker \[ WeChat \]](#)
10. [China Orthodontists Clear Aligner Physician Survey](#)

## UBS RETAIL MARKET MAKING

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### SUMMARY

Aside from the first half hour of trading on Tuesday morning, retail has been a significant buyer of the market throughout the week. CCIV has been especially active this week with retail being a large buyer before the Lucid deal became official and after the announcement as the stock dropped. It remains the most bought SPAC ytd. SPAC's as a group have remained to buy despite the weakness in the group coinciding with the rise in rates this week. More broadly, retail sold into the sharp market decline on Tuesday morning lead by outflows in Tech, but by the end of the day net retail flow on the day was back to buy. Late Wednesday afternoon many of the short squeeze stocks from late January again with GME and AMC among others started to trade aggressively higher. Retail volumes started to pick up again, but were mixed and not near the levels we saw a few weeks back. The retail activity in names below \$5 has started to slow. Midweek sub \$5 volume accounted for 25% of retail volumes vs a few weeks ago that number was closer to 50%. Thursday retail continued to buy the market selloff aggressively. It was the 5<sup>th</sup> largest day for inflows ytd and the 19<sup>th</sup> consecutive day of inflows from retail.

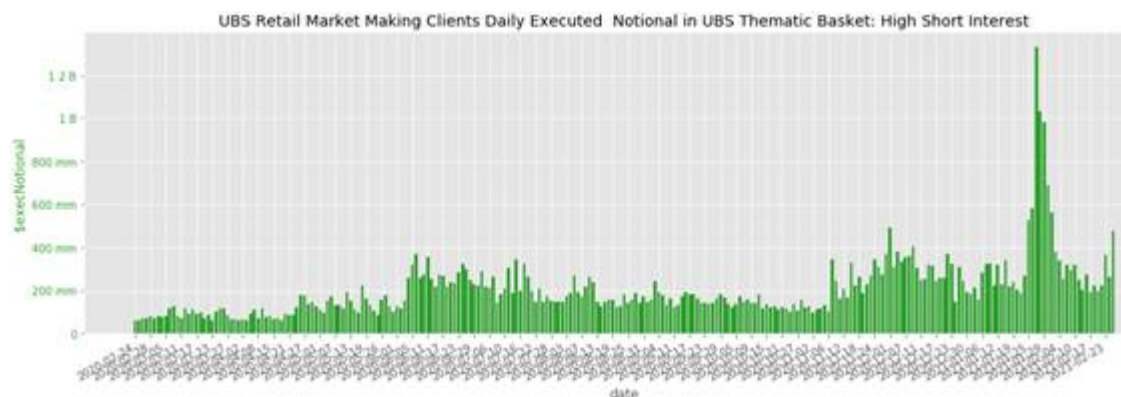
### UBS RMM Clients Top Inflows Day 2020 – 2021

	date	netImbalance
0	2020-03-25	895,411,346.1758
1	2020-03-03	678,822,962.9012
2	2020-03-05	670,967,430.9337
3	2020-03-02	651,569,085.7534
4	2021-02-25	631,052,854.239
5	2020-03-26	615,550,617.4235
6	2020-03-27	587,614,672.7783
7	2021-02-03	586,987,969.7032
8	2020-03-06	582,268,378.4161
9	2021-02-24	551,269,292.7955

Source: UBS Data Solutions



Source: UBS Data Solutions



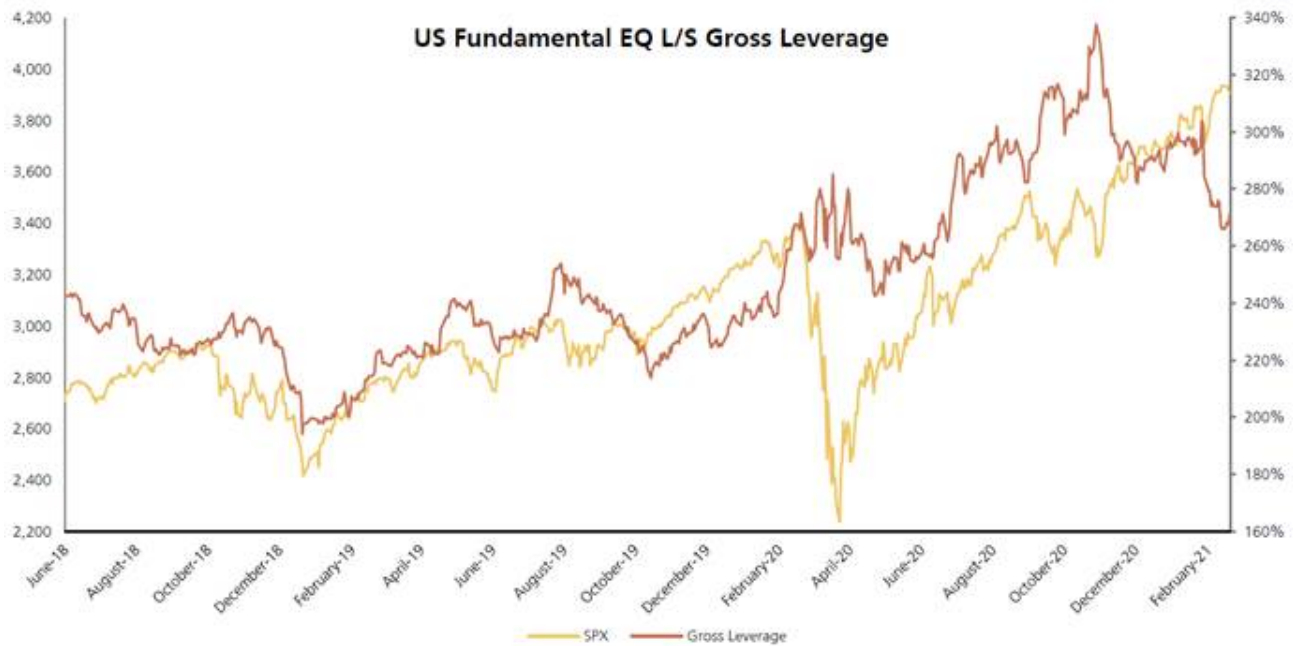
Source: UBS Data Solutions



## SUMMARY

**US Fundamental L/S Equity Hedge Funds**

- Gross leverage increased 0.05x to 2.71x week over week
  - Long leverage increased 0.02x while short leverage up 0.03x
  - Leverage change was driven by increase in Short Exposure
- Major sector themes last week
  - Clients increased long exposure to Consumer Staples
  - Clients further added shorts in IT
- Net leverage currently sits at 0.77x; down 0.01x since last week



## CROWDED LONGS

Region	Common Name	#	#1W	%1W	%YTD
Americas	Amazon.com Inc	1	1	-0.85%	-0.22%
Americas	Alphabet Inc A	2	4	-0.30%	19.18%
Americas	Microsoft Corp	3	2	-1.42%	8.59%
Americas	Facebook Inc	4	3	-3.30%	-4.25%
APAC	Kweichow Moutai Co Ltd	5	5	-5.42%	23.12%
Americas	Walt Disney Co	6	6	-2.14%	1.36%
Americas	Wells Fargo & Co	7	7	12.82%	25.73%
Americas	Mastercard Inc	8	9	-2.30%	-6.54%
APAC	Taiwan Semiconductor Manufac	9	8	3.16%	23.02%
Europe	Just Eat Takeaway.com NV	10	16	-4.41%	-6.19%
Americas	Visa Inc	11	10	-2.49%	-6.26%
Americas	Uber Technologies Inc	12	11	-3.69%	14.49%
Americas	Micron Technology Inc	13	15	3.35%	20.99%
APAC	Taiwan Semiconductor Manufac	14	21	-1.01%	25.33%
Europe	Unilever PLC	15	18	-1.41%	-11.09%

## CROWDED SHORTS

Region	Common Name	#	#1W	%1W	%YTD
Americas	Tesla Inc	1	16	-4.27%	10.72%
Americas	Sales force.Com Inc	2	1	2.58%	10.80%
Americas	ViacomCBS Inc	3	2	7.51%	68.25%
Americas	Apple Inc	4	3	-4.06%	-1.98%
APAC	Afterpay Ltd	5	6	0.12%	28.75%
Americas	Advanced Micro Devices Inc	6	4	-4.47%	-2.32%
Americas	S&P Global Inc	7	5	-0.06%	3.20%
Americas	Intel Corp	8	11	1.94%	27.22%
Americas	Discovery Inc	9	8	6.26%	68.79%
Americas	AT&T Inc	10	10	0.69%	2.64%
Europe	J Sainsbury PLC	11	12	0.79%	2.39%
Americas	International Business Machi	12	13	-1.50%	-4.21%
Europe	Trainline PLC	13	17	4.43%	6.72%
APAC	Cochlear Ltd	14	9	7.40%	17.29%
Americas	Walmart Inc	15	-	-4.24%	-4.03%

# CONFERENCE CALLS

## COMING UP

	Date	Sector	Time (EDT)	Company/Topic	UBS Host	Link to RSVP	Dial-In	Replay	Replay Code
NEW	1-Mar	Economics	10:00 AM	New Direction of America Series - Biden's Economic Agenda: Stimulus, Taxes and Infrastructure. How much will Congress Approve?	Charles Myers (Chairman of Signum Global Advisors)	<a href="#">PLEASE REGISTER HERE</a>			
NEW	1-Mar	Consumer	11:00 AM	What's Happening in The Mattress and Home Furnishings Industry?	Atul Maheswari, Michael Lasser	<a href="#">PLEASE REGISTER HERE</a>			
NEW	1-Mar	TMT	11:00 AM	UBS Chip Chats: Discussing 5G and Where We Go From Here	Tim Arcuri	<a href="#">PLEASE REGISTER HERE</a>	US: 1 888 286.8010 Int'l: +1 617 801.6888		32076074
	1-Mar	Consumer	12:00 PM	Handbag Resale Industry: Current Trends	Jay Sole, Eric Sheridan, Zuzanna Pusz, Alex Steiger, Cleve Rueckert, Andreas Bokkenheuser, Cadu Schmidt, Khalid McCaskill, Mikael Doeppel	<a href="#">PLEASE REGISTER HERE</a>		<a href="#">Click to Request Replay</a>	
NEW	2-Mar	Materials	8:00 AM	UBS Expert Call: Containerboard and Graphic Paper Q&A with Fastmarkets RISI		<a href="#">PLEASE REGISTER HERE</a>			
NEW	2-Mar	TMT	2:00 PM	UBS Chip Chats: Discussing 5G and Where We Go From Here	Tim Arcuri	<a href="#">PLEASE REGISTER HERE</a>	US: 1 888 286.8010 Int'l: +1 617 801.6888		19117856
NEW	3-Mar	Financials	10:00 AM	Expert call: Not your parents' consumer credit cycle	Saul Martinez	<a href="#">PLEASE REGISTER HERE</a>	US: 1 888 286.8010 Int'l: +1 617 801.6888		14107053
NEW	4-Mar	Industrials	9:00 AM	EV's Shifting into Overdrive: VW Electric Car Teardown - How will EVs re-shape the industry?	Patrick Hummel, Paul Gong, Tim Bush	<a href="#">PLEASE REGISTER HERE</a>			
NEW	4-Mar	Strategy	10:30 AM	Valuation: where's the froth vs the value? Expert call with Aswath Damodaran	Keith Parker	<a href="#">PLEASE REGISTER HERE</a>			
NEW	4-Mar	Financials, Utilities, Industrials	11:00 AM	Dimensioning the Catalyst: An Update on LUMA, the Puerto Rican Public Utility & Power Generation Joint Venture	Brock Vandervliet, Brian Meredith, Ross Fowler, Steve Fisher	<a href="#">PLEASE REGISTER HERE</a>			
NEW	4-Mar	Chemicals	11:00 AM	UBS Expert Call on RFID markets	Josh Spector	<a href="#">PLEASE REGISTER HERE</a>	US: 1 888 286.8010 Int'l: +1 617 801.6888		843 560 63
NEW	8-Mar	TMT	10:20 AM	Expert Event: UBS 2021 IT Spending Outlook	Karl Keirstead	<a href="#">PLEASE REGISTER HERE</a>			

## REPLAYS

	Date	Sector	Time (EDT)	Company/Topic	UBS Host	Replay	Replay Code
NEW	25-Feb	TMT	8:30 AM	NVDA Earnings Recap	Tim Arcuri, Andrew Rocha	US: 1 888 286.8010 Int'l: +1 617 801.6888	31124777
NEW	24-Feb	Software	8:30 AM	Intuit Earnings Recap	Jennifer Lowe, Andrew Rocha	US: 1 888 286.8010 Int'l: +1 617 801.6888	45645674
NEW	24-Feb	Healthcare	11:00 AM	UBS Conference Call: Discussing the Hospital Exec COVID-19 Survey Results and Impact	Whit Mayo, Matt Taylor, Dan Brennan, Kevin Caliendo	US: 1 888 286.8010 Int'l: +1 617 801.6888	74209245
	23-Feb	TMT	8:00 AM	Palo Alto Networks (PANW) EPS Call	Fatima Boolani, Andrew Rocha	US: 1 888 286.8010 Int'l: +1 617 801.6888	43005989
	23-Feb	TMT	8:30 AM	CDNS Earnings: Recap	Pradeep Ramani, Andrew Rocha	US: 1 888 286.8010 Int'l: +1 617 801.6888	54026870
	22-Feb	Healthcare	10:00 AM	UBS Expert Call: Manufacturing and supply challenges for Covid-19 vaccines	Michael Leuchten, Laura Sutcliffe, Patrick Rafaisz, Daniel Brennan, Matthew Taylor, Kevin Caliendo, Navin Jacob	UK Dial-in: 0207 136 9233 US Dial-in: 617-213-4164	82100973
	19-Feb	TMT	8:30 AM	AMAT Earnings Recap Call	Tim Arcuri, Andrew Rocha	US: 1 888 286.8010 Int'l: +1 617 801.6888	79003332
	19-Feb	Healthcare	10:00 AM	Expert Event: Dr. Suzanne Baron Interventional Cardiologist Call	Matt Taylor	US: 1 888 286.8010 Int'l: +1 617 801.6888	27078604
	19-Feb	Healthcare	11:00 AM	Expert Call on Evolving Trends in Epilepsy Treatments	Esther Rajavelu	US: 1 888 286.8010 Int'l: +1 617 801.6888	18545215
	19-Feb	Consumer	12:00 PM	Off-Price: Current Trends	Jay Sole	<a href="#">Click to Request Replay</a>	
	11-Feb	Financials	10:00 AM	Expert call: In turbulent times, how is the policy landscape towards financials changing?	Saul Martinez, Brennan Hawken	US: 1 888 286.8010 Int'l: +1 617 801.6888	62912281
	11-Feb	TMT	2:30 PM	CYBR EPS Recap Call	Fatima Boolani, Andrew Rocha	US: 1 888 286.8010 Int'l: +1 617 801.6888	36709949
	10-Feb	Consumer	10:00 AM	Expert Event: Cruise Line Bookings Conference Call with One of the Largest U.S. Cruise Sellers	Robin Farley	<a href="#">Click to Request Replay</a>	
	10-Feb	TMT	11:00 AM	Talking 5G w/Telco & Semis	Timothy Arcuri, John Hodulik, Batya Levi, Gabrielle Brown, Andrew Rocha	US: 1 888 286.8010 Int'l: +1 617 801.6888	45350664

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## FINANCIALS

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**Sentiment: Investors a bit spooked at the suddenness of this move in yields – most so at the front-end, with the 5yr up over +25 yesterday alone, FF futures now indicating a first hike in September of 2022 and more than 3 hikes by September of 2023. Bank weakness drew the most attention – in the face of wider spreads, the selloff arguably indicative of *economic concerns* (the implication of higher rates/sooner) – otherwise, if just a market/valuation issue – why sell spread levered lenders?)**

### WHAT HAPPENED THIS WEEK

- **The Fed** showed a confident tone to the recent back-up in rates.....which gained momentum after **Wednesday 5yr auction**
- **SQ 4Q results** a bit disappointing. CashApp sub/servicing growth a bit light (+112%) and January/Feb guidance indicated little acceleration (despite BTC trends/user growth/engagement).
- **CG Investor Day** ultimately pretty in-line with consensus #s. Guided \$130B of incremental fundraising \$800M FRE/\$1.6B DE and a 40% FRE margin – all by FY24. Impressive, but the street already there....Bulls view as still conservative (esp timing)
- **MSCI Investor Day** a bit mixed; LT revenue guidance reiterated by adj EBITDA growth guidance lowered (though updated low-mid teen is still well above consensus).
- **Conference takeaways**; loan growth continues to underperform (as indicated with H8 data), with specific mention on the consumer side (payment rates at unprecedented levels per COF CEO Fairbank. Also attributed for JPM's NII guide-down.
- **MA updated QTD spend trends** show – 1) a modest pick-up in 1HFeb trends, both US/Total GDV, 2) a harsh impact from recent weather/TX storms, 3) improvement in XB trends – which netted out to roughly in-line with 1Q expectations. Separately – BKNG earnings call cited a material pick-up in summer booking trends in the UK and Germany; running down only -25% relative to 2019
- **MTB acquired PBCT** in one of the sleepier deals in recent history; math works (TBV accretive, 5-6%/10-12% FY22/23 eps accretive), but strategic benefits less clear (described as a growth driver but the benefits appeared far more financial).
- **HKEX stamp tax increased** – with the rest of the world watching/wondering if the rest of us are in for a similar type financials transaction tax increase as government's worldwide search for sources of revenue
- Top 5 Performers – **ADS, WBS, MA, FIS, TW**
- Bottom 5 Performers – **SQ, IPOE, ENV, AFRM, PYPL**

### NEXT WEEK'S CATALYSTS

- UBS Conference Call (Monday) – **Will real yields break higher?** With Economist Seth Carpenter, Rate Strategist Mike Cloherty, and Wang Tao, UBS Head of Economics in Asia
- **Powell** speaks on Thursday – all the rage.....what will he/what can he say to calm market nerves....having just given the 2 thumbs up on higher rates.....
- Competitor Payments Conference (Thursday) – **PYPL, MA, Visa, FIS, FLT, SSNC**
- **Friday NFP** – subtly very important.....good could be the start of very good could be more problems for the market...
- Stim discussions to continue – and again, with bond market (implied equity market) implications. **Does the market want more stim?**

### COLOR FROM THE UBS DESKS

#### Derivatives

- **From The Desk** – better for sale across both balance sheet and less balance sheet sensitive sub-sectors. More consistent trimming (in bank specifically) than real throw-in-the-towel selling
- **Derivs** – activity mixed, very busy in WFC (skewed positive, but also saw puts bought) and XLF (also skewed more bullish), but also saw a lot of call overwriting (protecting positions/capping upside)

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#### What's on Deck

- Mar 1: **Banco Bilbao Vizcaya Argentaria BBVA (BBVA)** - **NDR** - CEO; CFO; Chairman (New York)
- Mar 1-4: **Shinhan Financial Group Ltd (055550)** - **NDR** - Investor Relations (Hong Kong; London; New York)



## TELCO, MEDIA & INTERNET

Gabrielle Brown 212.713.9919 [gabrielle.brown@ubs.com](mailto:gabrielle.brown@ubs.com)

**Sentiment:** Difficult week for growth and tech as **rates skyrocketed and the market unwound**. There was some defensive positioning into names that haven't performed as well (TMUS/ATVI) but just a lot of red on the screen as investors sold the smidcap growth winners and doubled down on the large cap shorts. Media continued its march higher for most of the week, after **VIAC and DISCA reported and benefited from the DTC halo**. It seems the street is at peak frustration and for sure not positioned for continued unwind.

### WHAT HAPPENED THIS WEEK

- **DISCA:** Fast start for Discovery+ w/12m subs by end of Feb but DTC investments to weigh on 2021 EBITDA. ([link](#))
- **SPOT:** Focus is on int'l expansion to grow the user base (80 new mkts), with podcast remaining a huge focus (SAN, expansion of SAI etc) and mgmt updating a few LT targets (though no timing).
- **REAL:** 4Q financials below cons w/NYC and LA supply still light but GMV improving and +14% QTD and guided higher than cons in 1Q as supply continues to improve. Focus on the improving narrative.
- **SNAP:** Focus on better financial guidance, LT monetization opps (Spotlight/Chat/Map), expanding ARPU, increasing ROW penetration, and Closing the monetization gap. Increase rev and Adj EBITDA est, pt to \$85. ([link](#))
- **SPECTRUM:** VZ was the largest bidder at \$54b all-in costs (vs UBSe \$45b) and could put positive outlook at risk, T @ \$27b (vs UBSe \$15b) and could put it closer to negative outlook, TMUS @ \$11b (vs UBSe \$15b) and DISH/Cable spending little to nothing on spectrum. ([link](#))
- **VIAC:** FY24 global streaming rev to grow to \$7b vs \$2.6b in '20, 65-75m global streaming subs vs 30m today, and streaming content investment of \$5b vs \$1b in FY20. Investor pushback on investment impact on legacy business and content licensing. ([link](#))
- **BKNG:** GB -65% y/y and RN -60% and seeing some improvement in trends in mid Jan but recovery remains certain. Will invest in growth products which will result in structurally lower LT margins (vs. pre-pandemic). ([link](#))
- **T:** Deal to spin off/deconsolidate the US linear assets should help growth profile and improves sentiment but weighs on cash flow/EPS and is neutral to leverage. ([link](#))
- **DASH:** Strong 4Q but more costs/investment to think about (*commission caps, DashPass, local etc*) and light FY21 GOV guide vs bullish buy side expectations. ([link](#))
- **FTCH:** Strong 4Q but lower than expected FY21 Digital Platform GMV guide that is likely conservative and not a thesis changer. ([link](#))
- **TWTR:** Invest day laid out LT user/rev growth goals against an array of product/platform investments. Gave better LT financial guidance. ([link](#))

### NEXT WEEK'S CATALYSTS

- **3/1-3/4: MS TMT CONFERENCE:** Competitor conference where many of our companies will be presenting including CMCSA, TWTR GOOG, CCI, SPOT, UBER, PINS, NFLX, VIAC, PYPL, CCI and more. This will be the first time hearing from NFLX since their 4Q print over a month ago, so will be interesting to hear what they say. Most of the other companies have spoken publicly recently, so doubtful there will be a lot of new info.

### COLOR FROM THE UBS DESKS

#### Derivatives

- Seeing people **take profit/put on hedges for names that rallied on reopening theme** like DIS & LYV. Seeing VIAC rolling march puts to April.

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#### What's on Deck

- Mar 7, 21, Apr 4, 18: Eric Sheridan - Internet - Asia Calls - Marketing (New York)

Andrew Rocha 212.713.9011 [andrew.rocha@ubs.com](mailto:andrew.rocha@ubs.com)

**Sentiment: Rates are the only things that matters this week** in my conversations, as Tech investors (rightfully so) are just saying the **micro doesn't matter right now** given the volatile tape. I would rather be talking about DRAM and NAND pricing, which were up every day this week. Again, MU fits the cyclical and value bucket in terms of exposures (which is clearly very in at the expense of growth) and I know it's already super crowded but sometimes (rarely) consensus just works. Stepping back from memory, there is **larger desire for the Fed to come out and be louder/more firm about being accommodative vs the recent "rates going up is okay, appropriate, etc."** theme that some officials have been endorsing. The question now is do we/will we get something today or over the weekend from the Fed? From a Tech perspective, my take from the past few weeks of EPS is that **you will not get paid in Semis, Software, or Hardware to own prints unless it is a Barry Bonds circa early 2000s monster shot over the wall grand slam homerun**. If there is **any sort of hair whatsoever, prints are getting faded** – especially in this insane tape. Frustrating...

## WHAT HAPPENED THIS WEEK

- **PANW EPS:** The focus was on the increased disclosures and the potential for a tracking stock (DVMT) to come about. With the disclosure that PANW is finalizing a filing for an equity structure for the cloud biz, it's very clear that mgmt. is trying to unlock potential value trapped within the company by any means necessary (page 18 of the deck).
- **CDNS EPS:** Focus was the strong core EDA carrying the Q, and the lack of Hardware and IP pull-forwards from China which bulls like. Bulls also were leaning on the FY guide raise and compared it to SNPS lack of guidance raise.
- **INTU:** Confusion at first as St wasn't updated post tax pushout. Bulls pointed to the JanQ+AprQ stack, and how revs came in about \$101M ahead. Small Biz was only a relatively slight beat vs which underwhelmed. Online decel'd 21.5% vs 24%, bears focused here but bulls pushed back saying trough Q given the px increase comps. Overall felt like investors leaned more bullish on fwd glide path.
- **NVDA:** Heart of the sell-off was the qualitative comments on most of q/q growth coming from Gaming into Q1 vs Datacenter.
- **CRM EPS:** Lot of surprise at the reaction after numbers hit, but crux of issue was the OCF guide. St was 23% and CRM guided 10-11%, but noted 9ppt impact from WORK: net 3pt guide down. On paper it's not good and bears were harping on this.
- **WDAY EPS:** Q was good, most metrics accel'd and beat bogeys. Issue was guide. Bulls brought up new biz growth accel'ing in F22, mgmt. talking about biz environment improving, and lengthening duration.
- **ZS EPS:** Clean and 1 of 5 prints that I can count in SW that was a grand-slam (TWLO, HUBS, VRNS, FIVN) which traded well post-print. No one I spoke with last night expected a billings print with a 7-handle, the highest expect I heard was 6 with bogeys in the 5's.

## NEXT WEEK'S CATALYSTS

- **Shingo Hirata (Japan Components) Analyst Marketing Calls**
- **QCOM Competitive Landscape and 5G Expert Call #1 (3/1):** Arcuri is hosting an expert calls with former QCOM executives on QCOM's competitive landscape and the opportunities presented by 5G, other new opportunities, and will touch on the AAPL modem – Registration <https://bit.ly/2PbMaxR>
- **QCOM Competitive Landscape and 5G Expert Call #2 (3/2):** Arcuri is hosting an expert calls with former QCOM executives on QCOM's competitive landscape and the opportunities presented by 5G, other new opportunities, and will touch on the AAPL modem – Registration <https://bit.ly/2MsUXKU>
- **SPLK EPS (3/3):** Sentiment has soured on SPLK of late, further exacerbated by momentum ETF selling down the position entirely. UBS notes that overall checks didn't signal any material recovery in spending on Splunk and tone overall wasn't suggestive of a marked demand recovery in JanQ. For 4Q, UBS models \$2.31B in ARR vs Street's \$2.33B and models Revs \$647M vs Street's \$678M.
- **VW ID.3 Teardown with P3 (3/4):** UBS is doing an EV Teardown Event for VW's ID.3. Registration <https://bit.ly/2OirjID>
- **SNOW Final IPO Lock-Up Expiration (3/5)**
- **More Tech EPS:** other key earnings I'll be watching: AI, ZM, VEEV, HPE, OKTA, MRVL, SNOW, CIEN, and AVGO.

## COLOR FROM THE UBS DESKS

## Derivatives

- The morning selloffs surprisingly caused a bid in longer dated skew in momentum names (as they were all trading around zero). Vols were surprisingly soft, especially in the front as overwriters and underwriters continued their shorter dated vol selling.

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## What's on Deck

- Mar 2-4: **Dentsu Group Inc (4324) - NDR** - Investor Relations (New York)
- Mar 8: **Lam Research Corp (LRCX) - NDR** - CFO; Investor Relations (San Francisco) - **NEW**

## HEALTHCARE

Gregg Genova 212.882.5460 [gregg.genova@ubs.com](mailto:gregg.genova@ubs.com)

**Sentiment:** If you have a Medtech or Value tilt, you probably had a decent week. ZBH, TFX If you have a Tools / Dx / Biotech / growth tilt, this week was probably pretty rough. Impossible to have a client convo these days without bringing up the ARK innovation ETFs. As of Thursday's close, 8 of the 15 ARK holdings were down over 10% this week. More pain to come, or buying opportunity? We upgraded AZN this week. Next week we are hosting our second annual Intermountain Health conference.

### WHAT HAPPENED THIS WEEK

- **AZN** (++) Michael Leuchten upgrades to Buy. As you may recall, Michael was a long time bear on the stock – he went from Sell to Neutral in November- ALXN is the main catalyst for the change in heart here- he crunches numbers on ALXN – confident post S-4 there's not much risk of someone coming over the top. AZN will double the sector growth (~12%) and is trading roughly in line with the sector and this will get cheaper the further you look out. HSD FCF yield- 2 catalysts (Lynparza, HER2) - not much in numbers.
- **TDOC** (?) closed down over 20% this week after the 4Q report / 2021 guide and pressure on ARKK / ARKG. One of the most polarizing names in HC right now given the explosion in telemedicine this year.  
**Bears:** In addition to valuation / ARK pushback, 2021 membership & visits guidance below expectations. Bottom end of membership guide is no growth y/y. CI's MDLive acquisition probably doesn't help sentiment NT either.  
**Bulls:** conservative guide, pipeline massive, utilization/member is strong, 75% of use outside infectious disease, shorts will continue to get run over

### NEXT WEEK'S CATALYSTS

- **ILMN** (3/1-3/3) AGBT (Advances in Genome Biology and Technology). ILMN is hosting two sell side events (Mon Q&A, Wed Genomics Accessibility) . Other major Genomics players will be in attendance include NTST, TWST, QGEN, PACB, TXG, PKI, Roche etc. Investors largely are NOT expecting a new product offering from ILMN next week (vs April)- but we'll see. Note BGI / MGI is not on the agenda this year.
- **MedTools** (3/5) **UBS & Intermountain Healthcare: The Future of Med Tech & Tools/DX/Pharma Services conference.** Exciting private companies and experts in the following areas:
  - Liquid Biopsy
  - Precision medicine
  - Telemedicine
  - CGM (diabetes)
  - Robotic Surgery
 Presenting: Omada Health, Biological Dynamis, Q Bio, Velano Vascular, GYANT, Somalogic  
 ....and competitor conf circuit continues

### COLOR FROM THE UBS DESKS

#### Derivatives

- **WBA**... customer in the mkt sold the April 42.5 - 45 put spread to fund the April 55 calls. paid 40c for 10k... looks opening around. = 330k shares to buy.
- **INO** May 5 puts, customer in the mkt paid \$0.24 for 10k.
- **TCDA** Mar 10 call bought 2k
- **VTRS** Mar26th 14 put sold .21 6000x
- **AZN** Apr 45p / May 50c risky paid 2.05 (bot call) 1700x vs. 50.20  
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#### What's on Deck

- Mar 2: **Bioxcel Therapeutics (BTAL)** - NDR - CEO; CRO; CSO; Investor Relations (New York)
- Mar 4: **Arrowhead Pharmaceuticals (ARWR)** - NDR - CEO; Investor Relations (Sydney) - **NEW**
- Mar 4, 8-11, 15-16, 29-31: **Daniel Brennan - APAC Virtual Marketing - March 2021** (New York)
- Mar 5: **Straumann Holding AG (SAUHF)** - NDR - CEO; Investor Relations (New York)
- Mar 5: **UBS & Intermountain Health: The Future of Med Tech & Tools/DX/Pharma Services - Field Trip** (New York)

## INDUSTRIALS

[Kelsey Perselay 212.713.4177 kelsey.perselay@ubs.com](mailto:kelsey.perselay@ubs.com)

**Sentiment:** There was no rest for the weary this week as investors were consistently whiplashed by violent moves in the market. In terms of performance on the week, Airlines, Machinery, Transports were the best (Airlines by a decent margin), while Auto, Metals/Mining, Ferts, and A&D were the worse. From an activity standpoint, we had seen continued movement into reflation and reopen early in the week with much evidence of a "chase" on Wednesday, but activity levels were much quieter Thurs/Fri despite the volatility. Especially on Thursday it seemed much was driven at the ETF/futures level with pension rebalance also a factor and CTA trigger hit in S&P on Friday (3800). Coming into today it seemed investors were inclined to take a more cautious approach, with everyone looking for some stabilization in the rates market.

### WHAT HAPPENED THIS WEEK

- **Aerospace & Defense:** Clearly strength was put on display Wednesday, as the ripple effect in airlines has finally made its way to aerospace. Despite the unwindy activity we have seen over the past few weeks, investors have still wanted to own the aero complex – notably TDG, RTX, SPR and GE.
- **Airlines:** Absolutely parabolic move over the last few weeks driven by reopening euphoria & stimulus. The main debate has been if bookings matter more than yields and pricing. The answer is YES. Bookings are going to be the primary driver of performance, and while bad pricing should go without saying; this seems like more of a 4Q and 2022 debate. We are seeing LO interest in the group and it seems like longer duration investors are looking at domestics, and in some case DAL, while faster money individuals haven't drawn as stark of a line in the sand.
- **Chemicals:** There has certainly been renewed interest in this space, especially around DD, seeds/ferts (CTVA mostly), APD, DOW & LYB. DD underperformance has continued to be the most asked question.
- **Machinery:** Sector has been en fuego...clearly the rally has been driven by cyclical tilt, reopening trade, infrastructure beneficiaries, renewable winners, rate beneficiaries...etc. I would also flag that market seems to be moving away from Multi's in favor of Machinery, which to me isn't all that surprising given what the multi's group looks like right now.
- **EEMI:** As aforementioned, it seems like the market is moving away from the multi's space in favor of the higher beta/rate & reopening winners in Machinery. The market continues to move away from shorter cycle names, in favor of longer cycle and it seems like investors are ready to short some of the compounders in the space.
- **Transports:** Investors have been frustrated by rail performance given still favorable views on the group, though chatter around the group as a whole has realllllyy quieted down.

### NEXT WEEK'S CATALYSTS

- **Expert Call: Containerboard and Graphic Paper Q&A with RISI (3/2 @ 8AM):** UBS is delighted to invite you to a conference call to discuss the containerboard market, including US containerboard exports, pricing and global production capacity with Derek Mahlborg, Senior Economist from Fastmarkets RISI.
- **Expert Event with IHSM Consultant Nick Vafiadis (3/2 @10-11AM):** Group Call – Nick Vafiadis is a Vice President, Plastics, IHS Markit.
- **VW Electric Car Teardown Event (3/4):** UBS Research and UBS Evidence Lab tore down the VW ID.3, the first car of Volkswagen's unparalleled EV offensive. Don't miss our flagship event with our analysts and P3 to discuss how the unique insights change the way they think about the electric revolution. Executives from the global autos & EV space will present and participate in panel discussions (detailed list of presenting companies to follow. [REGISTER HERE](#))
- **SWK Virtual NDR (3/4):** Markus Mittermaier is hosting CEO, Jim Loree; CFO, Lee McChesney and IR Dennis Lange & Cort Kaufman. **These are BY REQUEST ONLY** (targets are more LO heavy).
- **CR Virtual NDR (3/4):** Damian Karas is hosting Max Mitchell, CEO; Rich Maue, CFO and Jason Feldman, IR for targeted 1x1s meetings
- **Expert Call: Dimensioning the Catalyst: An Update on LUMA, the Puerto Rican Public Utility & Power Generation Joint Venture (3/4 @11AM):** This conference call intends to address: Regulatory or other hurdles to proceeding with LUMA; Timelines & aid allocations; Potential energy savings after implementation; Direct and indirect impacts on the Puerto Rican economy. [REGISTER HERE](#)

### COLOR FROM THE UBS DESKS

#### Derivatives

- Airlines continue to be in the forefront, with overwriting action post rally and/or monetization of calls.

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#### What's on Deck

- Mar 1-3: **Transurban Group (TCL) - NDR** - CEO; Investor Relations (New York)



## ENERGY/UTILITIES

Cat Gordon 212.713.9836 [catherine.gordon@ubs.com](mailto:catherine.gordon@ubs.com)

**Sentiment: Another volatile week in Utilities land.... LO frustration at a fairly high level as a lot of stocks screen as severely oversold. However, LO investors remain cautious around interest rate concerns and are more on the sidelines here vs in the buying camp.** Overall, high yielders will do better in an inflationary environment, while companies most exposed are high multiple stocks, which we've seen play out in recent performance. Also the restructuring names (**SRE, DTE, EXC** and less so **PEG**) remain in focus as they should stand out as being differentiated in this environment given their cyclical pieces of the business and should theoretically act more defensive vs rising rates. Meanwhile, some the renewable exposed YTD winners have started to struggle more recently like **NEE** (biggest laggard past 5 days among the grp). That said, we think a lot of selling is technical amid the rollover in TAN (Solar ETF) and NEE being the most crowded long in the space also adding to the pressure. Separately, the aftermath from the Texas outages is still playing out with the convos starting to shift from whose long vs short to commentary around impacts being sussed out and the next layer of legislative risks from a policy standpoint.

**Energy outperformed the broader markets this week with the macro in the driver's seat with re-opening/reflation trade still the dominating narrative.** Inflation concerns are growing given the amount of stimulus out there and the pandemic looking closer to its end. That said, our desk did not see that same degree of LO demand that we did a few weeks back. Seen it in fits and starts but also seeing LO supply again too in the quality names. Investors likely treading a little more cautiously right now given some fears out there around how far the macro tape had run and then into OPEC next week. **With prices having recovered so much so quickly it feels like it has to be time for OPEC+ to signal more production at the March 4th meeting.... I'd say consensus based on my convos is for around 1.5mb/d total to be brought back online. Anything below 2mb/d probably keeps energy as an inflation hedge.** With 4Q earnings wrapping up, the dominating trend for **midstream** was sell the prints despite good earnings, but most recovered in the following days such as **TRGP**. Also lots of renewed interest in **ET** which had a strong week (a new Top Pick for Shneur). On upstream, the market sent a pretty clear message in reaction to earnings – those sticking to capital discipline with modest growth and plans to return cash to shareholders got rewarded, while the few select outliers who raised capital got punished. **Overall though, the predominant message from the E&Ps was holding production / budgets flat at higher oil prices.**

**Solar side, the TAN index down another ~10% this week, but recovered on Friday by ~300bps following positive results from RUN. Still plenty of questions throughout the week, but convos did have a little more calm to them as opposed to the recent uber nervousness. At the end of the day, solar/renewables is an interest rate sensitive sector, particularly on the resi solar side. Thus, selling pressure likely a combo of fundamental selling due to interest rates and then you got all the new money getting spoked who recently entered the space as a way to play the momentum trade.**

### WHAT HAPPENED THIS WEEK

- **ET:** ["Moving ET to Top Picks List" \(Buy\) Gershuni](#)
- **TRGP:** ["Upside to Guidance Range?" \(Buy\) Gershuni](#)
- **OKE:** ["Positive Call Takeaways" \(Buy\) Gershuni](#)
- **VST:** [TX impacts in -\\$900-1.3bn Range, '21 Guide pulled](#)
- **SRE:** [Big beat, but SIP delayed to 2Q on Mexico regulations](#)
- **EXC:** [Business Separation Announced, 2021 Guidance...Ford](#)
- **EOG:** [CapEx Focus; lots of Qs around Taxes / Growth](#)
- **XEC:** ["Qtr Beats, 2021 Positive" \(Buy\) Byrne](#)
- **PXD:** ["Qtr Strong; Ops and Returns..."](#)
- **MRO:** ["4Q Beat; 5-Yr Benchmark Scenario Positive"](#)

### NEXT WEEK'S CATALYSTS

- **NRG (3/1):** 4Q call @ 9am ET all about TX financial impacts given NRG is short generation. Ford thinks its minimal (loss of \$125m), but I've heard from buy-side it could be as high as \$1bn and VST just goes to show that nobody really knows....
- **EPD (3/4):** likely a non-event. ESG and macro outlook expected to be key discussion topics.
- **CS Energy Conf (3/1-3):** wondering what to ask mgmts? See Team Gershuni's updated Question Bank for Midstream [here](#)

### COLOR FROM THE UBS DESKS

#### Derivatives

- Noticeable shift towards option buying for the first time in a while. Saw buyers of XLE volatility ahead of OPEC next week. Saw clients come in to cover short put positions they had made money on. And saw upside call buying in names (mostly refiners) to play for further upside.  
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#### What's on Deck

- Mar 2-3: **Mitsubishi Materials Corp (5711)** - NDR - CEO (London; New York)
- Mar 15-16: **Pinnacle West Capital Corp (PNW)** - NDR - CFO; Investor Relations (Phoenix)
- Mar 23: **North American Power, Utilities, Alternative Energy and Environmental Services European Tour 2021 - Conference** (Frankfurt)

## CONSUMER

Nick Smith 212.713.9583 [nicholas.smith@ubs.com](mailto:nicholas.smith@ubs.com)

**Sentiment:** The week was an interesting in volatile one. Toward the end of the week, it seemed clear that the **rate move in the macro was impacting the broader market and thus forcing a flush of owned positions**. In our world, that meant selling re-opening names (retail/restaurants) that folks had grown to favor. Before and toward the beginning of the week, other themes were emerging though: mainly, that the **bid for COVID winners (hardlines, etc.) was slim to none**. Not only do investors seem confident in re-opening, they're equally comfortable betting against the opposite of this. It has folks wondering what \$ stores and other prints will be like to come. We also saw several companies where 2021 expectations from the management teams were very different than buy-side (WMT, CRI). This will continue to be a theme as we head toward '21 and more clarity around management guides surfaces.

### WHAT HAPPENED THIS WEEK

- **US Softlines Retail - Store Closures Signal Opportunity for Remaining Retailers:** The -7.4% y/y 4Q20 industry store count change is the 2nd lowest rate in at least ten years. Plus, 4Q is seasonally the quarter with the fewest store closures, whereas 1Q has the most since retailers typically wait until after the Holidays to close a store. We increasingly believe store closures create market share gain opportunities for surviving omni-channel retailers as well as the Off-Price channel, especially in the near-term as shoppers likely return to stores as the world reopens.
- **BYND (Neutral, PT \$130 from \$107) - Partnerships Create LT Opportunity but NT Uncertainty Leaves Risk/Reward Balanced:** We believe these partnerships signal that PBM is not a fad, and that BYND is cementing its position as a leader in the industry. We see the potential for partnerships to meaningfully accelerate BYND's growth, but likely not until 2022+.
- **US Softlines Retail - Industry Outlook Getting More Bullish:** The market is wondering when the spending rebound will begin in earnest. We think it could be starting now, earlier than we previously expected. Based on UBS Evidence Lab's US Retail Apparel Consumer Spending Intention Score, we now forecast -HSD% to -LDD% 1QCY21 Softlines industry sales growth vs. 2019. This compares to -LDD% last month. We don't think the "reopening trade" has fully played out.

### NEXT WEEK'S CATALYSTS

#### MOST REQUESTED AT THE UPCOMING CONFERENCE

The most requested meetings (# of requests) at our upcoming conference. In rank order from most requested first (and all are over ~2x the "average" number of requests):

BUD  
TJX  
UAA  
DECK  
TXRH  
CL  
TAP  
AEO  
BJ  
FND  
HAS  
WEN  
SKX  
CRI

**REGISTRATION CLOSED** this past week for our UBS Consumer Conference.

**Tuesday, March 9<sup>th</sup> - Wednesday, March 10<sup>th</sup>**

A Full list of Confirmed Company Attendees can be found [here](#)  
Click [here](#) to view the Preliminary Agenda (*subject to change*)

### COLOR FROM THE UBS DESKS

#### Derivatives

- **AEO...** March 29 - 32 (1x2) call spread looks bought 5500 x 11k times for 25c
- **RCL** 05Mar 90 - 85 - 80 put fly, our customer here paid ~\$0.97 for 3k.
- **FL** tomorrow 50 puts, customer here paid ~\$0.96 for 1900x ahead of EPS tmrw am. Implied move ~9.3%.
- **QSR** March 62.5 - 57.5 put spread, our customer here bought 2k for \$1.49
- **TJX** April 70 calls look bought a total of 10k times for up to \$3.70. EPS wed am before the bell...

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#### What's on Deck

- Mar 2, 4-5: **Roland Corp (7944) - NDR** - CEO; CFO; CMO (Frankfurt; London; New York; The Hague)
- Mar 8-10: **Patrick Hummel - Feedback calls on VW Electric Car Teardown - North America - Marketing** (New York)
- Mar 9-10: **Global Consumer and Retail Virtual Conference 2021** - Investor Relations; Investor Relations; Investor Relations (New York)

## SPECIAL SITUATIONS

**Randy Udell 212.713.3370 [randy.udell@ubs.com](mailto:randy.udell@ubs.com) ; Evren Ergin 203.719.6679 [evren.ergin@ubs.com](mailto:evren.ergin@ubs.com) ;**

**Armando Anido 212.713.4541 [armando.anido@ubs.com](mailto:armando.anido@ubs.com)**

**Sentiment:** The February merger train continued and we saw 5 new deals announced this week. We had **PAND-MRK** (we do not expect antitrust issues or delays), **PRAH-ICLR**, **CTB-GT**, **PBCT-MTB**, **FRTA-Quikrete**, The median annualized spread for our deal universe is out by ~180 bps from 5% last Friday to ~7% today. Average is out by ~100 bps from 7.2% last Friday to ~8% today. Biggest non-annualized movers: **AJRD**, **CHNG**, **XLNX**, **WORK**, **WLTW**, **SPW**. **SLM** bumped their tender range, consistent with the historical average of 9%.

**DELL/VMW** are “making progress” on the spin. Dell earnings were good, core cash flow was solid, core leverage came down while VMW was largely in line. All this led the stub higher. **LB** has been off to the races, with improved trends at Victoria Secret. A dual track sale/spin process for VS is ongoing. **EXC** confirmed their plans to spin off the powergen business – expecting it will come in 1Q22. Dan Ford lowered his SOTP based PT to \$51 post earnings. **PANW** made a (rather confusing) announcement that they are committed to extract value from the hyper growth ClaiSec segment via an “equity structure.” Some commentary they made leads one to think they are looking into a tracker, some leads to a partial IPO/spin - many client questions on what they are trying to do exactly. It wasn’t enough to overcome earnings (and the market) – the stock was in the red all week. **VTRS** took a nose dive following the well below guide. The **SPAC market** continues to chug along, with 28 IPOs raising \$10.5bn of capital. The first signs of indigestion since late November emerged, with 2 IPOs priced on Friday trading below their \$10 issue price.

## CLIENT CONVERSATIONS

- **PANW:** Mgmt announced they are committed to extract value from the hyper growth ClaiSec segment via an “equity structure.” Looking at the transcript, it is clear they want to make the ClaiSec business more transparent. They noted they got the Board’s consent to explore this and that they are working on finalizing a filing (not sure what type of filing). They also noted they are looking for a vehicle for employees to invest in this equity structure (ie better incentive plans). The clarity stops there as we can interpret some of the commentary as a potential tracker or partial IPO/spin. As later, they noted they could also potentially monetize the ClaiSec business for a different set of investors compared to the Palo Alto investor in the future. Later on however, they noted that they are not going to change the operating structure of the company and that they are still going to run it as one company with two agile business units. Fatima noted that she would not rule out a spin but is less convinced of a tracker. She raised **PT to \$425** from \$415, remains neutral. Her recurring / non-recurring revs based **SOTP gets her closer to \$460** vs her \$425 price target. She published her SOTP framework in more detail last week (she upped it from \$450 last week to \$460 today since her base case went up), noting the recurring business valuation she used is roughly on par with the broader cybersecurity comp set’s average (considering material inorganic growth contribution from recent acquisitions but still healthy teens organic growth at PANW’s scale) but at a discount to hyper-growth, cloud-native cyber players growing 20-60pts faster (CRWD, OKTA, ZS). The non-recurring segments valuation she used is in-line with more legacy hardware focused comps including INTC, CSCO, JNPR, NTAP, HPQ.
- **CTB-GT:** We are starting with a September 30, 2021 closing date (China driven) – co closing guidance is 2H21. We do not anticipate meaningful antitrust issues at first look (CTB has low mkt share and there are several large competitors). Offer valuation seems reasonable (not rich) Synergy value (even before including tax benefits) is comfortably ahead of the premium paid, implying that GT shareholders are getting a reasonably good deal – this could explain the tight spread and run up in stock price. The deal was structured for equity issuance <20% so there is no vote – relevant because GT is smaller than its global peers. We do not see significant or any issues on the antitrust side.
- **DELL:** The only update on spin is they are making progress. UBS David Vogt notes: “On the VMW earnings call last night, mgmt noted they were ‘making progress on the potential spin-off of VMware from Dell’. Although Dell has not amended the 13D filed in July 2020, we believe the debt pay down Dell achieved in FY21 along with the commentary by VMW further supports our view a spin-off is increasingly likely in H2.” Further, Dell paid roughly \$5.5B of debt in FY21 bringing its core leverage ratio to ~2.5x, down from ~3.0x last qtr, solidly within the 2-3x range Vogt expected by the end of FY21 and providing a foundation for a likely upgrade by the rating agencies in the second half of the year. On the back of strong earnings, Vogt raised DELL FY22 and FY23 revenue and EPS and takes up PT to \$90 (from \$84) to reflect higher core dell cash flow.
- **PBCT-MTB:** We are starting with an October 31, 2021 closing date based on large bank deals from the last few years and company guidance. Since precedents tend to be split between those taking ~10 months and those taking less than 8 months, there could be improvement or slippage depending on the course of regulatory reviews. Offer valuation seems reasonable relative to peers and recent precedents. We see the footprints appear highly complementary as mgmt. indicated. Synergy guidance is light but as mgmt. noted, this is a growth deal vs a cost savings deal.

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