

Business Newsletter

2nd October 2023

Society's Sixteen

Volume: 76

INDICES PERFORMANCE

NASDAQ 13,262.10

▲ +0.62%

S&P 500 4,273.77

▼ -0.91%

THIS WEEK'S HEADLINES

[Consumer confidence stumbles to four-month low. U.S. recession worries](#)

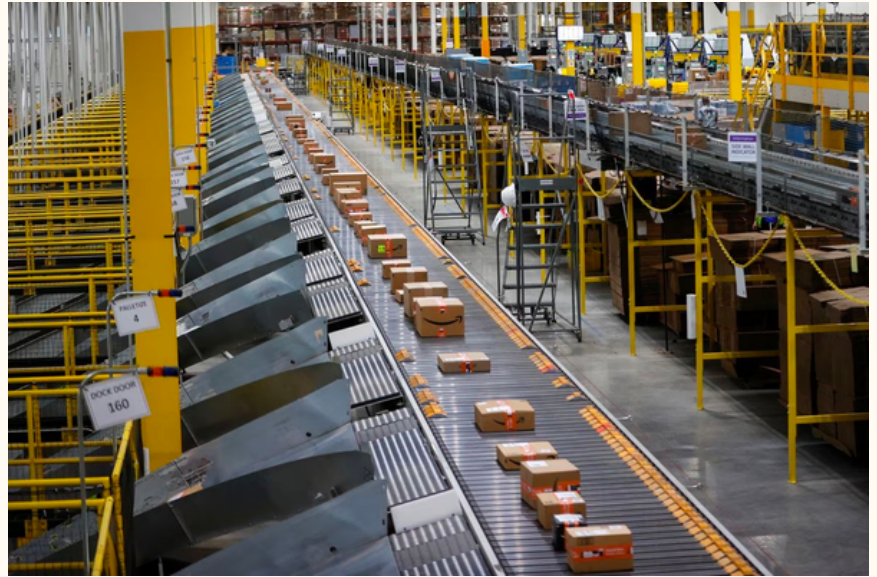
[Tesla CFO Zach Kirkhorn Steps Down Ahead of Cybertruck Launch](#)

[Home Prices in US Hit Record High, Erasing Recent Decline](#)

[Oil at \\$100 Is Too High, Even for Energy Companies](#)

[Dealmaking languishes at decade low on private equity drought](#)

Amazon faces landmark monopoly lawsuit by FTC



The U.S. Federal Trade Commission (FTC) has filed an antitrust lawsuit against Amazon, accusing the tech giant of monopolizing the most profitable parts of the internet. The FTC alleges that Amazon forces sellers on its online marketplace to use its warehouses and delivery services, inflating costs for consumers and sellers.

The lawsuit, joined by 17 state attorneys general, follows a four-year investigation and asks the court to issue a permanent injunction to stop Amazon's unlawful conduct. The FTC also suggests considering structural relief, such as selling assets, to restore fair competition. Amazon argues that the lawsuit is wrong and could lead to higher prices and slower deliveries. The case was filed in the U.S. District Court for the Western District of Washington state.

Higher for Longer Interest Rates Threaten Fintech

The intent of higher rates from the Fed is predicted to threaten the fintech companies. According to Dow Jones Market Data, Global X Fintech ETF closed at its lowest level since May this year. Furthermore, shares of the fintech firms, such as PayPal Holdings, Affirm Holdings, Block, and Robinhood, fell around 10% - 20% last week as the first respondents from fintech firms,



such as PayPal Holdings, Affirm Holdings, Block, and Robinhood, fell around 10% - 20% last week as the first respondents from fintech firms to the high-interest rate. There are two main reasons behind this situation. Firstly, the rate increases raise the borrowing cost, squeezing fintech lender margins and threatening to put smaller players, which are fintech companies compared to big traditional banks, out of business. Secondly, higher interest rates will lead to more defaults of those fintech firms' loans, which breaks the investors' belief in fintech companies. Not only that, high-interest rates leave investors with safe options to earn high yields.

Travel Giant Stymied By EU But Fights To Book A Breakout

This Monday, EU antitrust authorities blocked Booking Holdings' (BKNG.O) proposed 1.63-billion-euro acquisition of the Swedish ETraveli Group. Booking Holdings seems dominant in online hotel reservations, but it still plans to appeal the decision. ETraveli Group is one of the biggest flight content providers partnering with Google Flights, Skyscanner, and Booking-owned properties like Booking.com and Kayak.

EU regulators may be taking a stricter stance on mergers in the digital sector as the travel market has become more digital. Booking reported it would still challenge the new veto. Despite the EU ruling, the company extended a flight agreement with ETraveli to 2028, underlining its determination to grow its flight business.

THIS WEEK IN MARKETS

GOOGL 33.28

▲ +2.63%

SPY 425.67

▼ -0.83%

NVDA 444.75

▲ +5.85%

SQ 43.34

▼ -3.41%

The Big Pharma Stock Trade: Weight Loss Is In, Covid-19 Is Out

The pharmaceutical sector is experiencing mixed performance in the stock market. However, a notable exception is seen in companies specializing in weight-loss drugs. High demand for medications addressing Type 2 diabetes and aiding weight loss has led to significant gains on Wall Street. Novo Nordisk, the producer of Ozempic and Wegovy, has witnessed a 36% increase in its stock this year, while Eli Lilly, known for Mounjaro, has seen a 50% rise.

The underlying logic for these weight-loss drugs is straightforward: over 40% of U.S. adults contend with obesity, according to the Centers for Disease Control and Prevention. This presents an enticing opportunity for pharmaceutical companies, with analysts forecasting these three drugs to achieve a combined annual revenue of \$53.5 billion by 2028, a substantial increase from the current \$21.6 billion, based on FactSet data.

Conversely, the initial sales surge in Covid-19 vaccines and treatments is waning. Pfizer predicts a Covid vaccination rate of around 24% in the U.S. for this year. Moreover, Medicare's plans to negotiate pricing for ten drugs raise concerns about the pharmaceutical industry's long-term bargaining power. Additionally, expired patents for some top products, like Bristol Myers Squibb's cancer drug Revlimid and Abbvie's anti-inflammatory treatment Humira, have opened doors for low-cost competition.



Fed's Kashkari: 40% chance of needing 'meaningfully' higher rates



The Minneapolis Fed Bank President pegged the probability at about 60% that the Fed ‘potentially’ raises interest rates one more quarter of a percentage point and then holds the borrowing cost steady long enough until the inflation goes back to target - 2% - in a period of time. Most Fed policymakers also feel increasingly confident about avoiding another recession and getting the inflation to the target rate with little more policy tightening - one more interest rate hike to the end of this year.

The rationale is that Inflation measured by the Fed has dropped from 7% last summer to 3.3% this past July, which proves the tightening policy would soon achieve the target rate. However, the 40% likelihood means that, while the inflation stays sticky at near 3%, the household would feel confident enough about the economy and keep spending, putting more pressure on the price.

Target says it will close nine stores in major cities, citing violence and theft

Target will close nine of its major stores due to violence, theft, and organized retail crime concerns. One of the stores was based in New York City's Harlem neighbourhood, two in Seattle, three in the San Francisco-Oakland area, and three in Portland, Oregon. These stores are set to be permanently closed on October 21, 2023.

The company's CEO, Brian Cornell, emphasized that Target didn't want to close stores and recognized their importance to local communities. However, the ongoing safety concerns and financial impact prompted this decision. Target now promises to assist employees from the closed stores to transfer to other active locations. Other retailers, such as Walmart, Nordstrom, and Walgreens Boots Alliance, have closed stores in major cities, citing factors including market dynamics and organized retail crime.

Apple defends Google Search deal in court: “There wasn’t a valid alternative”

Eddy Cue, an Apple executive, testified in the US v. Google antitrust trial regarding the Information Services Agreement (ISA), a deal that makes Google the default search engine on Apple devices. The trial concerns whether Google's dominance as the default search engine on various platforms, including Apple's, is anti-competitive. Google's lawyers argue that Google's success on Apple's platforms was due to its product quality and seamless integration rather than any coercive practices.

Cue emphasized that Apple is committed to protecting user privacy, and the company has always believed that it offers better privacy features than Google. He mentioned that Google's search engine was chosen because it was considered the best option, and Apple allowed users to change it easily. Apple had also made deals with other search engines like Yahoo and Bing, and switching search engines was easy.

This Ford vs. GM Feud Could Shape the Future of EVs in America



Ford's CEO, Jim Farley, and General Motors' CEO, Mary Barra, are engaged in a lobbying battle centered on a \$7,500 tax credit for electric vehicle (EV) buyers in the U.S. Farley is advocating for Ford's \$3.5 billion battery factory, where they aim to utilize Chinese battery technology to expedite American EV production. Meanwhile, GM is sounding the alarm, warning that Ford's approach could pave the way for Chinese dominance in the U.S. automotive industry.

Starting in 2024, the tax credit cannot be applied to EVs incorporating components from sources the U.S. deems a "foreign entity of concern," with the intention of reducing reliance on Chinese battery materials. This credit is crucial to enticing budget-conscious consumers to switch to EVs, as their prices average \$53,469, higher than gasoline-powered cars.

Ford's strategy involves licensing technology from Chinese company Contemporary Amperex Technology Co. Ltd. (CATL) to manufacture cost-effective lithium-iron-phosphate batteries in the U.S., marking a first. These cheaper batteries could reduce EV production costs, and Ford plans to use them in vehicles like the Mustang Mach-E and F-150 Lightning. The fate of this rule hinges on President Biden's decision this fall, with a strict approach potentially depriving most EVs of the tax credit. Ford, in its pursuit of iron-based batteries, seeks a more lenient interpretation of the "foreign entity" rule. A stringent interpretation could deter investments, as seen in Ford's decision to halt battery plant construction.