

# Business Newsletter

9th October 2023

Society's Sixteen

Volume: 77

## INDICES PERFORMANCE

NASDAQ 13,587.03

▲ +0.75%

S&P 500 4,367.04

▲ +0.72%

## THIS WEEK'S HEADLINES

[Rising Rates Likely Hit Bank Balance Sheets in Quarter](#)

[Bitcoin Advances to Six-Week High as New Quarter Sees Inflows](#)

[New ETF Boom Defies Saturation Warnings in \\$7 Trillion Industry](#)

[Hiring Accelerated With 336,000 Jobs Added Last Month](#)

[When Will the Fed Stop Raising Rates? That's the Trillion-Dollar Question for Bond Investors](#)

## Oil Is Near \$100. Shale Isn't Coming to the Rescue.



Soaring global demand, coupled with production cutbacks by Saudi Arabia and Russia, has propelled crude oil prices to their highest levels since last August. The surge at the pump is affecting consumers and posing challenges for policymakers battling inflation, all while President Biden faces new complexities ahead of the 2024 election.

Despite predictions by some analysts that oil prices could reach \$100 per barrel, U.S. shale companies are showing restraint when it comes to drilling more. This means that unlike previous years when fracking companies flooded the market with oil, alleviating pricing pressures, oil prices could remain elevated until other producers increase output or demand subsidies.

Notably, Exxon, one of the largest shale drillers, has significantly reduced its active U.S. drilling rigs this year, down to 17 from the 65 it had operating in the Permian and other fields before the pandemic-induced oil downturn in 2020, as reported by energy-analytics firm Enverus. Despite collecting a record \$55.7 billion annual profit last year as the industry rebounded from the pandemic, Exxon has kept drilling activity subdued. Instead, the company focuses on extracting more oil from fewer wells and enhancing shareholder dividends. In the first half of the year, it allocated approximately \$16.1 billion to dividends and share repurchases, compared to \$10.8 billion for capital investments, according to FactSet.



The Biden administration previously confronted frackers last summer when gasoline prices reached historic highs. White House advisers and President Biden called on oil companies and their investors to boost production to alleviate prices. While rising fuel costs contributed to the steepest increase in consumer prices in over a year last month, the administration has remained relatively quiet about oil production so far.

## Teva Hooks Immunology Powerhouse Sanofi In \$1.5 Billion Deal

A collaboration between Teva Pharmaceuticals and Sanofi is underway to create a TL1A class immunology medicine that has the potential to be a game-changer. Richard Francis, the CEO of Teva, sees this medication as a "pipeline in a product," and Sanofi is viewed as a perfect partner because of its prior successful partnership with Regeneron Pharmaceuticals for immunological diseases. According to the contract, Sanofi will provide Teva a \$500 million cash payment up front, with a possible extra \$1 billion in development and launch milestone payments.

The TL1A class of drugs targets a chemical messenger called TL1A associated with inflammation. Researchers believe that blocking TL1A with antibodies could alleviate symptoms of gastrointestinal diseases like ulcerative colitis and Crohn's disease. Teva's TL1A drug has shown promise in laboratory testing, particularly in terms of potency, selectivity, and immunogenicity. Although Teva is behind some competitors in the TL1A drug class, it aims to position its drug as the "best-in-class option" for patients with serious gastrointestinal diseases. Teva's drug is currently in mid-stage testing and is expected to enter final-phase testing in 2025.

### THIS WEEK IN MARKETS

LMT 435.33

▲ +6.81%

DPZ 354.28

▼ -1.04%

LHX 177.3

▲ +9.93%

MRTX 56.78

▼ -5.28%

## Airbnb Is Fundamentally Broken, Its CEO Says. He Plans to Fix It.

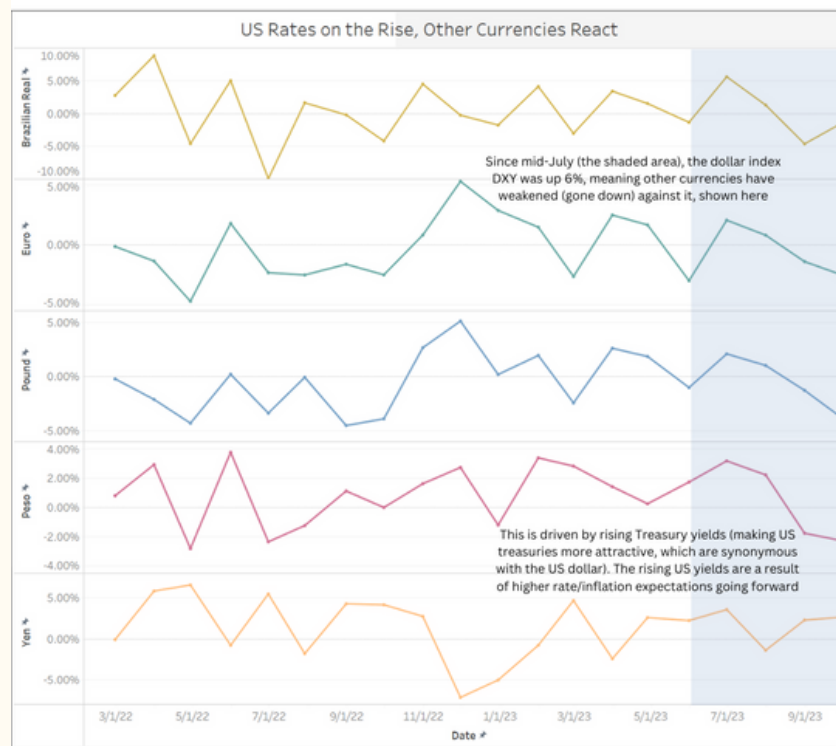
Brian Chesky, the CEO of Airbnb, encountered a few difficulties in 2023 that put the company's resiliency to the test. Firstly, hosts, known as the "Airbnbust," reacted negatively, lamenting declining profit margins and worries about a short-term rental bubble. Then, Vrbo, an opponent of Airbnb, launched a loyalty program before Airbnb could do so. Additionally, New York City tightened its rules on short-term rentals in September, potentially forcing Airbnb out of a market that once accounted for a large percentage of their revenue.

In response to these challenges, Chesky introduced incremental improvements to the platform, primarily aimed at benefiting guests. These improvements addressed issues like affordability, customer service, and transparency in pricing, including lower cleaning fees.

The company also implemented a listing verification system to reduce fake listings and improved search filters. Chesky emphasized the importance of fixing core aspects of the service. The CEO emphasized the importance of first building a product that people love before considering such initiatives. He hinted that any loyalty program from Airbnb would likely be unique and innovative, rather than a standard points-based system.



# Dollar's Resurgence Is a Headache for the Rest of the World



The U.S. dollar has surged, posing a challenge to global central banks striving to balance inflation control with fragile economic growth. On Monday, the greenback hit its highest point this year, marking a 6.6% increase since mid-July. The WSJ Dollar Index also completed its most robust quarter since the last autumn, amid a once-in-a-generation ascent. Emerging-market currencies, like the Chilean peso (down 11%) and Hungarian forint (down nearly 8%), have borne the brunt of the dollar's strength. This surge results from soaring Treasury yields, with the 10-year U.S. Treasury yield hitting a 16-year high at 4.682% on Monday. Investors are increasingly confident in the U.S. economy's resilience and expect the Federal Reserve to maintain higher borrowing costs for an extended period, deviating from a typical business cycle.

The dollar's strength has its pros and cons. In the U.S., a robust dollar is politically popular and benefits consumers by curbing inflation through price controls on imports and more affordable overseas travel.

However, for the rest of the world, the resurgence of the strong dollar is largely unwelcome. In many countries, interest rates have reached multi-year or even multi-decade highs, intensifying financial stress risks. This, coupled with elevated oil prices, translates into decreased global economic growth and heightened financial vulnerability. The greenback remains the most widely used currency for global trade and finance, causing its fluctuations to ripple worldwide. Notably, commodities such as oil and wheat are generally priced in dollars, and trillions of dollars have been borrowed by governments, businesses, and households around the world. As the dollar's value appreciates, it becomes costlier for others to purchase imports or service their debts. Investors had anticipated a weaker greenback this year as the Fed reduced its aggressive interest rate hike campaign, but the situation has evolved unexpectedly, impacting currencies like the British pound and euro, which had rebounded after steep losses in 2022.