Before the Bell

October 9th, 2024

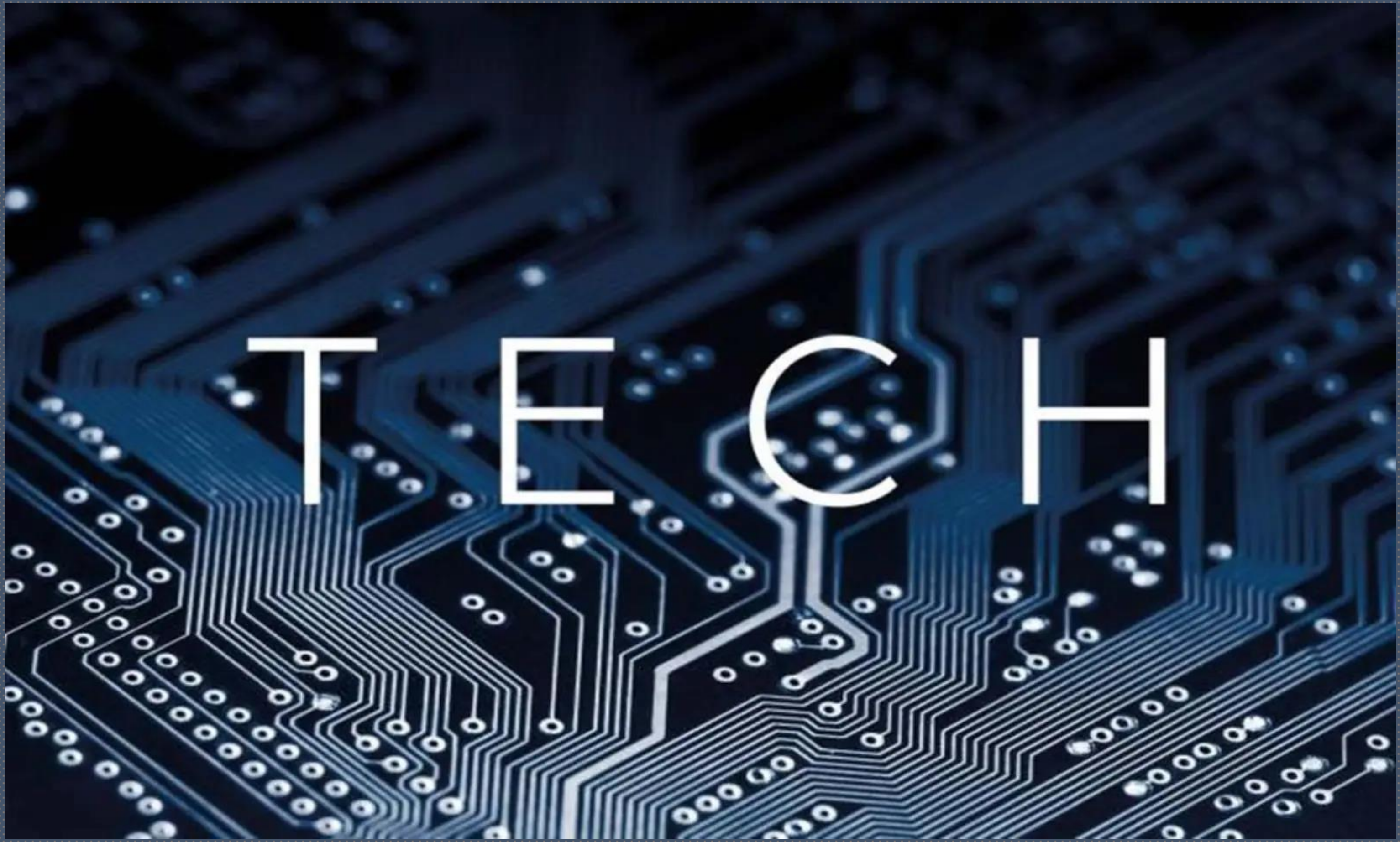
Dimitri Rainey – raineydimitri@gmail.com
Luke Hamaty – lukehamaty13@gmail.com

Attendance →

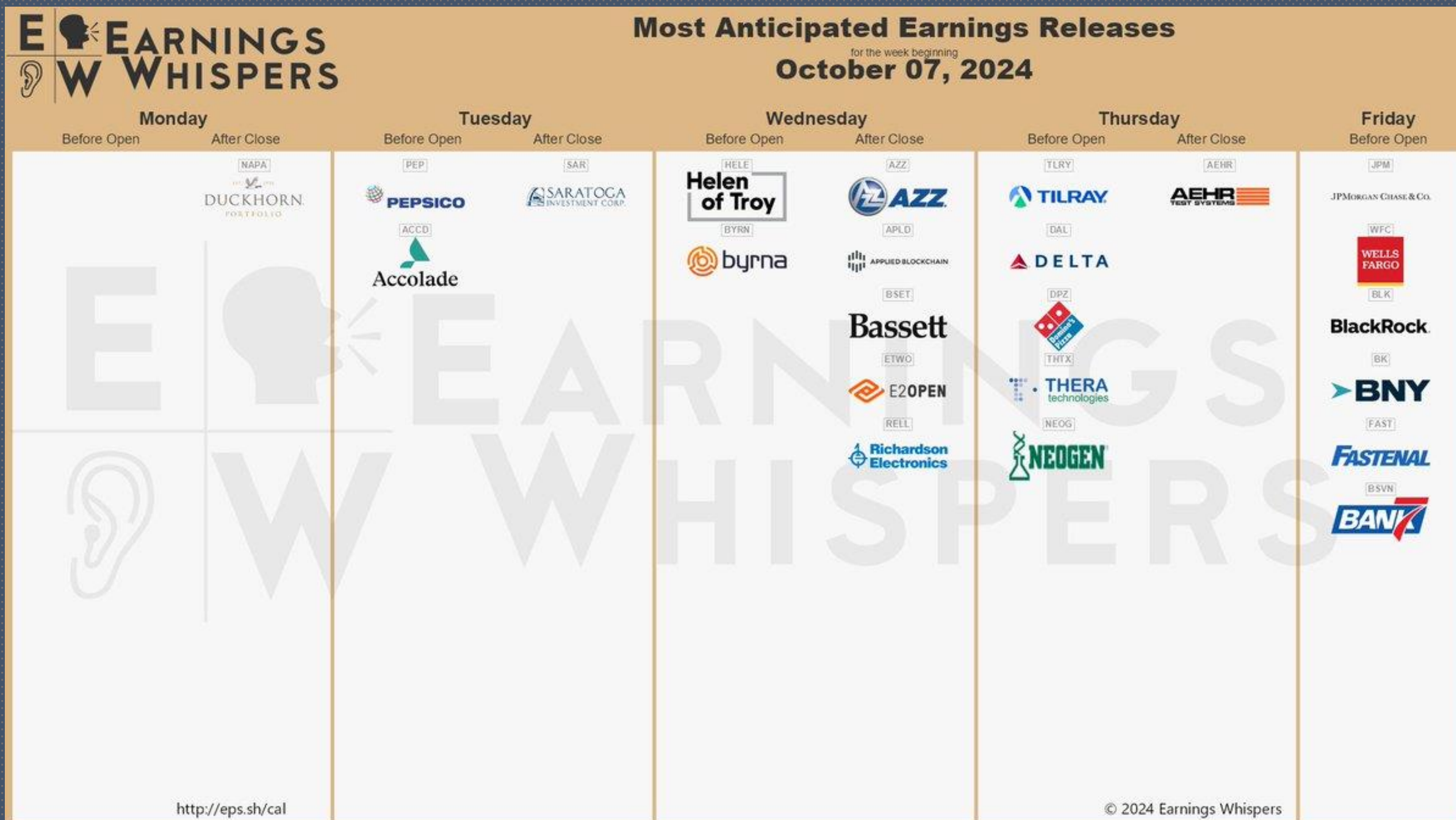
Semester Schedule

Date	Topic
Week 2	Intro to the Fed
Week 3	Guest Speaker/Fixed Income Markets
Week 4	Fixed Income Markets / Kahoot
Week 5	Energy Sector (2) / Guest Speaker
Week 6	**Financials**
Week 7	TMT Sector
Week 8	Market Outlook / Questions
Week 9	Intro to Real Estate
Week 10	Portfolio Asset Allocation
Week 11	Intro to FX Rates / Commodities
Week 12	Derivatives Markets
Week 13	Fall Break
Week 14	Bloomberg Walk-Thru / Trials
Week 15	Trials / Awards

TODAY'S SPONSOR



This Week's Earnings Calendar



Earnings Spotlight

PepsiCo, Inc. (PEP) 3Q24 Earnings Report

- Actual EPS of $2.31 vs $2.29 (expected) <u>BEAT</u>
- Actual Revenue of $23.3 bn vs $23.9 bn (expected) <u>MISS</u>
- <u>Why</u>: Revenue was hurt by subdued trends in NA with Quaker Foods saw an organic revenue growth of 13.00%, fallout from product recalls
- Frito-Lay NA reported a 1.50% decline in volume, particularly due to underperformance in salty and savory snacks YTD for 2024
- <u>Guidance</u>: Pepsi lowered its full-year outlook and expects low-single-digit rise in organic revenue, down from its prior outlook of 4.00% growth
- <u>Growth Initiatives</u>: Pepsi is offering bonus packs for Tostitos and Ruffles with 20.00% more chips to boost sales through the end of the year
- Last week, Pepsi purchased Siete Foods for $1.20 bn to broaden its portfolio and to appeal to more health-conscious consumers
- <u>Stock Performance</u>: PEP traded up 1.92% on Tuesday to $170.42

Sources: Barrons, Yahoo Finance

This Week's Economic Calendar

TIME (ET)	REPORT	PERIOD	ACTUAL	MEDIAN FORECAST	PREVIOUS
MONDAY, OCT. 7					
1:00 pm	Fed Governor Michelle Bowman speaks				
3:00 pm	Consumer credit	Sep.		$12.0B	$25.5B
6:30 pm	St. Louis Fed President Alberto Musalem speaks				
TUESDAY, OCT. 8					
3:00 am	Fed Governor Adriana Kugler speaks in Europe				
6:00 am	NFIB optimism index	Sept.		91.6	91.2
8:30 am	U.S. trade deficit	Aug.		-$70.8B	-$78.8 B
12:45 pm	Atlanta Fed President Raphael Bostic speaks				
7:30 pm	Federal Reserve Vice Chair Philip Jefferson speaks				
WEDNESDAY, OCT. 9					
8:00 am	Atlanta Fed President Raphael Bostic gives welcoming remarks				
9:15 am	Dallas Fed President Lorie Logan speaks				
10:00 am	Wholesale inventories	Aug.		0.2%	0.2%
10:30 am	Chicago Fed President Austan Goolsbee gives opening remarks				
12:30 pm	Federal Reserve Vice Chair Philip Jefferson speaks				
2:00 pm	Minutes of Fed's September FOMC meeting				
6:00 pm	San Francisco Fed President Mary Daly speaks				

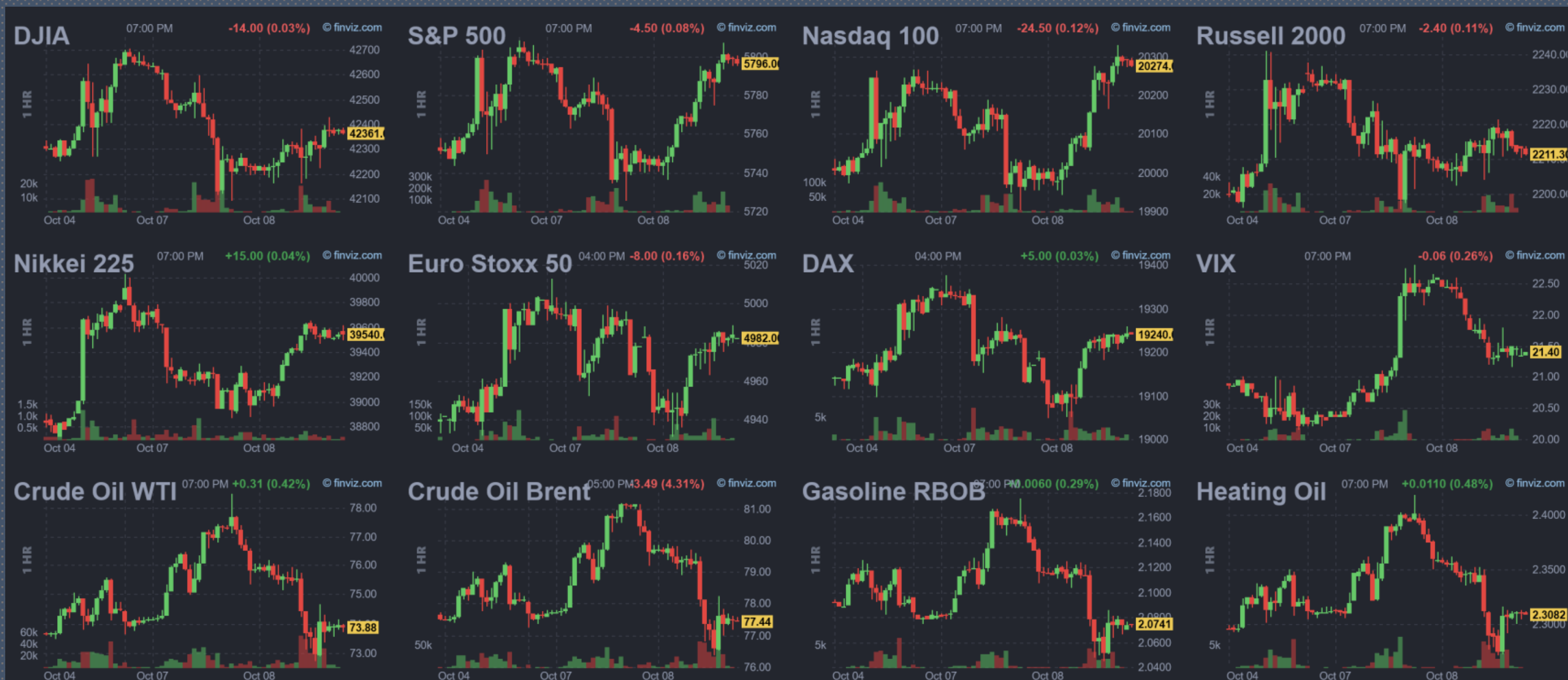
Source: MarketWatch

This Week's Economic Calendar

TIME (ET)	REPORT	PERIOD	ACTUAL	MEDIAN FORECAST	PREVIOUS
THURSDAY, OCT. 10					
8:30 am	Initial jobless claims	Oct. 5		230,000	225,000
8:30 am	Consumer price index	Sept.		0.1%	0.2%
8"30 am	Core CPI	Sept.		0.2%	0.3%
8:30 am	CPI year over year			2.3%	2.5%
8:30 am	Core CPI year over year			3.2%	3.2%
9:15 am	Federal Reserve Governor Lisa Cook speaks				
10:30 am	Richmond Fed President Tom Barkin speaks				
11:00 am	New York Fed President John Williams speaks				
FRIDAY, OCT. 11					
8:30 am	Producer price index	Sept.		0.1%	0.2%
8:30 am	Core PPI	Sept.		--	0.3%
8:30 am	PPI year over year			--	1.7%
8:30 am	Core PPI year over year			--	3.3%
9:45 am	Chicago Fed President Austan Goolsbee gives opening remarks				
10:00 am	Consumer sentiment (prelim)	Oct.		70.3	70.1
10:45 am	Dallas Fed President Lorie Logan speaks				
1:10 pm	Federal Reserve Governor Michelle Bowman speaks				

Source: MarketWatch

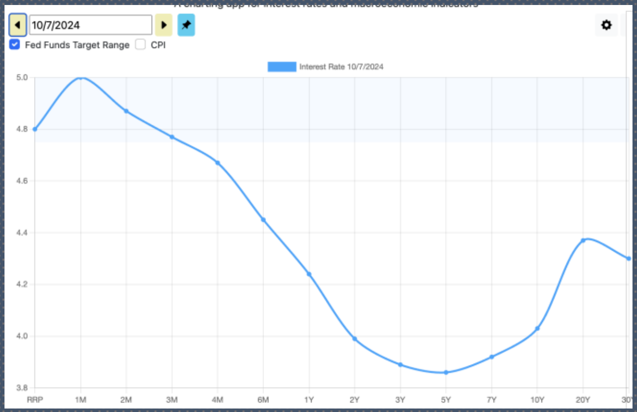
This Past Week in Markets

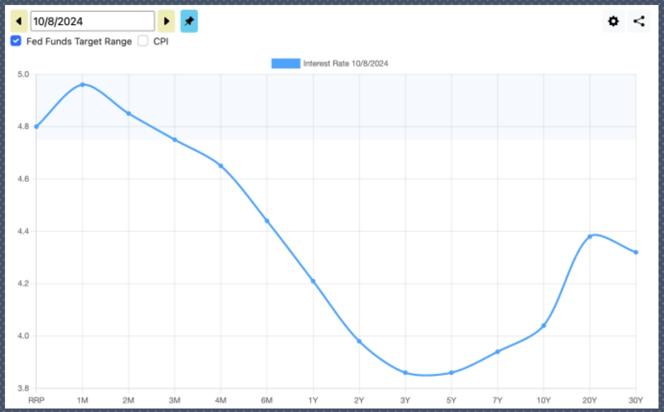


Headlines

Tech Stocks Are Back

- **Magnificent 7 stocks up yesterday across the board**
  - NVDA back over $130, closed yesterday at $132.89, up 4.1%
  - Others traded up between 1-2%
  - NASDAQ (tech index) up 1.45%
- **Easing of treasury yields**
  - Investors are more drawn to high-growth stocks (TECH) as they will benefit from lower debt costs to fuel their growth





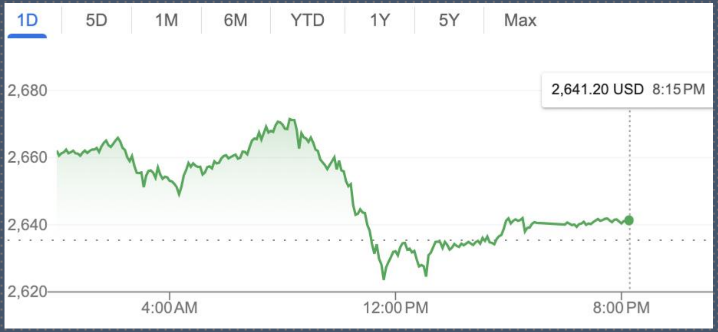
Headlines

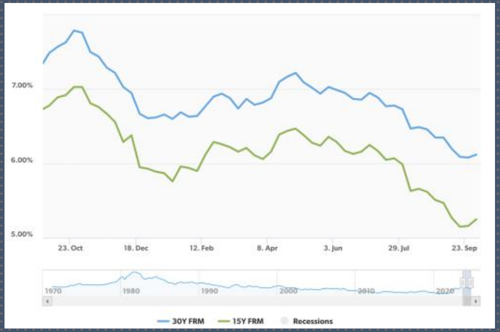
Hurricane Milton is heating up

- **The category 4 storm is expected to make landfall on Wednesday night in the Tampa Bay area**
  - Depending on the path, the hurricane can surge up to 12 feet into the mouth of Tampa Bay, threatening the region's 3.20 mm residents
  - The damage could cause up to $10.00 bn in insured losses
  - Citizens Property Insurance has the largest market share in FL of 19%, followed by Universal Insurance (UVE) 8.5% and Allstate (ALL) 5%
    - What will insurance companies such as large players in Florida do to offset losses in the future?

Quick Bits

- **October is 35% more volatile than any other month**
- **Gold finally reflects its "negative beta"**
- **WTI oil futures dropped 4.6%**
  - **Traders are pricing in Israel's expected retaliation to the missile attacks and U.S. efforts to prevent a wider regional conflict**
- **Mortgage rates increasing so far in October**
  - **Why? (Hint: think about treasuries)**





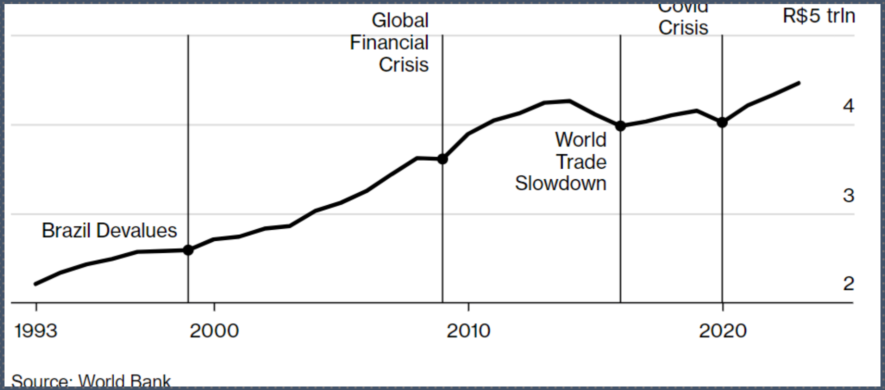
BRICS

China stimulus falls short

- On Tuesday, China announced a new round of stimulus
  - 100 bn yuan ($14.1 bn) investment released ahead of schedule
  - 100 bn yuan for construction projects
  - Is this enough?

State of China's economy

- CPI up 0.6% YoY in August
- PMI at 49.8



Other News

- India refuses to target US dollar
- Cuba applies to join BRICS
- **Brazil ratings upgrade**
  - Moody's upgraded from Ba2 to Ba1, Fitch keeps it at BB
- Russia announces new budget
  - 22.6% increase in defense spending (8% of GDP, 40% of spending)
  - Central bank raised rates by 100 bp to 19%
    - August inflation at 9.1%,

CASE STUDY

2008 Financial Crisis

2008 Financial Crisis

- **What was the 2008 Great Financial Crisis**
  - A severe worldwide economic collapse that started in 2008 that began from the bursting of the US Housing Bubble
  - <u>Why does it matter?</u>
  - <u>Stock Market Losses</u>: the S&P 500 fell over 48% in the span of 6 months
  - <u>Mortgage Defaults</u>: nearly 10% of US homeowners were behind on their mortgage payments or in foreclosure
  - <u>Unemployment/Economy</u>: The US unemployment rate rose from 5% in 2007 to 10% in 2009 and the economy shrank by 4.3% in the recession
  - <u>Bank Failures</u>: Over 400 US banks failed between 2008 and 2012

Source: Investopedia

2008 Financial Crisis

- **Mortgage-Backed Securities (MBS's)**
  - The financial instrument surrounding the market crash
  - Highly rated because "Well they're mortgages, and who the hell doesn't pay their mortgage" right?
  - Turns out a lot of people
- **Subprime Mortgages**
  - Loans given to borrowers with bad credit history
  - Why would banks use these within mortgage-backed securities?
  - (Hint: GREEDY)

Source: Investopedia

2008 Financial Crisis

Ratings Agencies (S&P Global, Moody's, and Fitch)

- Make money by receiving payments from the issuer (the company whose debt they are giving a credit rating to)
  - Also receive payments from subscribers who pay for credit rating reports… but less relevant
- Due to competition, ratings agencies began to skew their ratings to drive demand for that specific ratings agency to increase earnings
- Subprime MBS's were given a rating of AAA prior to the crash

Moody's

S&P Global Ratings

FitchRatings

2008 Financial Crisis

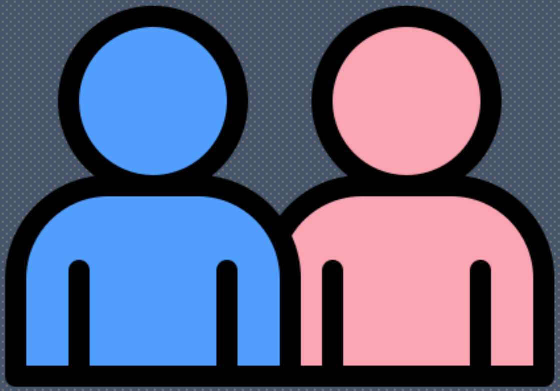
Result

- Bank Failures
  - Lehman Brothers, a major investment bank, had to file for bankruptcy as they suffered from holding these securities that were worth quite literally NOTHING
- Government Response (TARP)
  - Troubled Asset Relief Program – created in order to stabilize the financial system as the government would purchase toxic assets like these mortgage-backed securities from the banks
- FED – slashed rates to 0% to spur the economy
- AIG (American International Group) Bailout
  - At the time the largest insurance company in the US
  - The Fed provided the company with an $85 bn credit facility to help them squeak by and escape bankruptcy, this bailout was paid back in 2012

Source: Investopedia

Trade of The Day

Investopedia Simulator



OVERVIEW

ACCOUNT VALUE

$100,222.00

TODAY'S CHANGE

+$0.00 (0.00%)

ANNUAL RETURN

6.98%

BUYING POWER

$98,482.00

CASH

$96,742.00

HOLDINGS

STOCKS & ETFS | OPTIONS | SHORTS

Market is closed. Opens in 11hr, 40min

TOTAL VALUE	TODAY'S CHANGE	TOTAL GAIN/LOSS
$7,227.30	$0.00 (0.00%)	$409.20 (6.00%) ↑

Symbol	Description	Current Price	Today's Change	Purchase Price	QTY	Total Value	Total Gain/Loss	Trade Actions
NVDA	NVIDIA Corp	$120.87	$0.00 (0.00%)	$108.60	30	$3,626.10	$368.10 (11.30%) ↑	Buy More Sell
RTX	RTX Corp	$120.04	$0.00 (0.00%)	$118.67	30	$3,601.20	$41.10 (1.15%) ↑	Buy More Sell

TRADE HISTORY

Lion's Eye Newsletter

THANK YOU FOR COMING

NMAA
NITTANY MARKETS ANALYSIS ASSOCIATION

←GroupMe Attendance →

$10 NMAA Dues

↓

Sid Sharma

@ssharma11

venmo