



Crown Royalties

Investment Club

Market Report: 02/15-02/19

	<u>Friday Close</u>	<u>Weekly % Δ</u>	<u>YTD % Δ</u>
<u>S&P 500</u>	<u>3,906.71</u>	-0.71%	+4.01%
<u>Nasdaq</u>	<u>13,874.46</u>	-1.57%	+7.65%
<u>DJIA</u>	<u>31,494.32</u>	+0.11%	+2.90%
<u>Russell 2000</u>	<u>2,266.69</u>	-0.99%	+14.78%
<u>S&P 400</u>	<u>2,535.39</u>	-0.36%	+9.92%
	<u>Friday Close</u>	<u>Weekly % Δ</u>	<u>YTD % Δ</u>
<u>CRIC Portfolio</u>	<u>\$170,658.16</u>	-0.56%	+6.50%

Market Summary: This past week was mixed as the Dow recorded a slight gain while the S&P 500 and the NASDAQ posted modest declines. An improved economic outlook lifted equities in the energy and financial sectors, which tend to be more sensitive to shifting economic conditions than other market segments. In a reversal from 2020, large-cap U.S. value stocks have been outperforming their large-cap growth counterparts YTD, and they outperformed again in the latest week. A value stock benchmark rose 0.3% while a growth benchmark fell 1.7%. Prices of U.S. government bonds fell, sending the yield of the 10-year U.S. Treasury bond to the highest level in nearly a year. The 10-year yield rose on Friday to around 1.34%; the 30-year U.S. Treasury also rose, with a yield of around 2.14%. [JH](#)

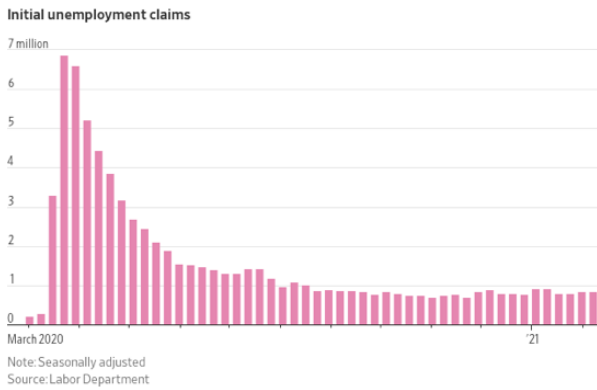
SARS-CoV-2 updates:

- According to the [CDC](#), there are currently ~27,882,557 total cases in the U.S. with ~496,112 total deaths. **(Last updated February 21st)**
- More than 205 million vaccine doses have been administered across 92 countries. In the U.S., more Americans have now received one dose than have tested positive for the virus. [BLP](#)
- Although the exact threshold for herd immunity for the coronavirus is debated, data shows that the U.S. could potentially reach herd immunity as early as July 2021. [NYT](#)

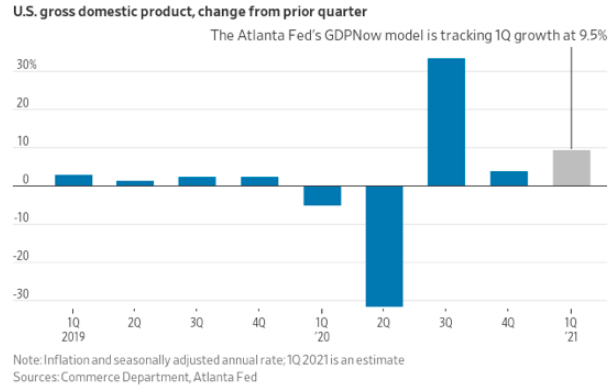
Notable headlines from this week:

- The price of U.S. crude oil on Tuesday rose above \$60 per barrel for the first time in more than a year amid supply disruptions resulting from a deep freeze that hit Texas. [JH](#)
- The House committee on financial services held a hearing this past week discussing the recent short squeeze of GME. Those summoned include the CEO of Robinhood, Vlad Tenev, Citadel's Ken Griffin, Melvin Capital's Gabe Plotkin, and Reddit's influential trader Keith Gill. [E](#)
- The housing market continues to be a catalyst for the broader U.S. economy, as a shortage of homes for sale continued to push prices higher in January. [JH](#)
- Small-cap stocks' long run of outperformance versus their large-cap peers was interrupted, as the Russell 2000 Index, a small-cap benchmark, fell around 1% for the week. [JH](#)

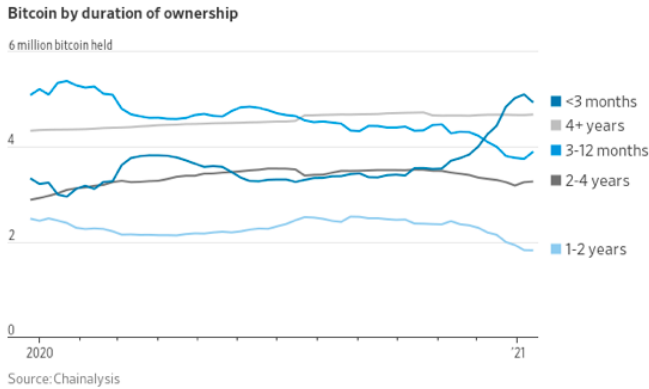
1. Worker applications for unemployment benefits rose during the first half of February. [WSJ](#)



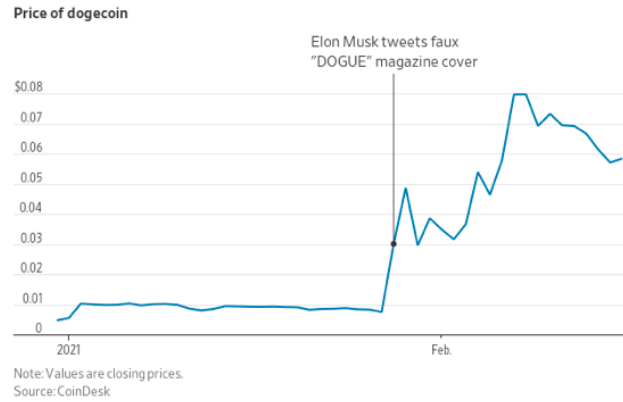
2. The Fed estimates Q1 GDP at a 9.5% seasonally adjusted annual rate, up sharply from a 4.5%. [WSJ](#)



3. BTC topped \$50,000 for the first time. BTC ownership among new holders surges. [WSJ](#)

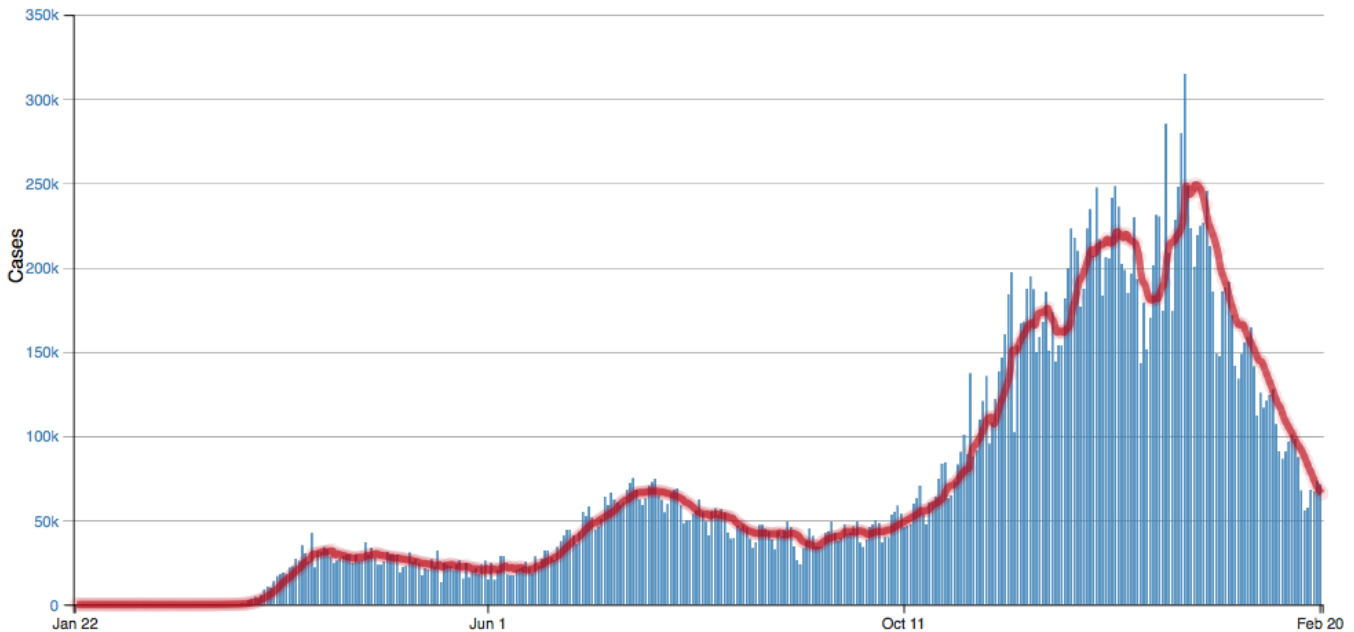


4. Dogecoin's price has climbed 900% YTD with a market valued at \$6.9B. [WSJ](#)



5. Daily U.S. COVID-19 cases. [CDC](#)

Daily Trends in Number of COVID-19 Cases in the United States Reported to CDC





Opinion:

The Growth of SPACs and 2021 Outlook: Throughout 2020, Wall Street saw a meteoric rise in SPAC transactions. Despite the uncertainty filled and chaotic period of 2020, IPOs had their best year since 2014 with a total of \$67 billion raised according to Renaissance Capital. SPACs fell just short of the \$67 billion mark, raising about \$64 billion. However, the number of SPAC IPOs went up from 59 in 2019 to 248 in 2020 and there have been 144 SPACs in 2021 so far. But what exactly is a SPAC?

SPACs, Special Purpose Acquisition Companies, also known as ‘blank cheque companies’, are essentially shell companies whose operations are raising money from investors to buy another company. SPACs raise capital from investors or sponsors in an IPO and then find a private company to acquire and take public. They are formed by professionals mostly in hedge funds and private equity who have interest and expertise in an industry or operations within the sector. Investors in a SPAC do not know what the SPAC will eventually be investing in, so their investment is largely based on the belief of the management team. SPACs must return the funds to their investors if they fail to make an acquisition within two years.

SPACs first came into the fold in the 1980s, but they developed a bad reputation as “pennystock frauds”. Recently, SPACs have been underwritten by top Wall Street firms such as Goldman Sachs, Deutsche Bank and Credit Suisse and established financial professionals such as Bill Ackman. Hence, investors have been increasingly confident in the proven track record of management team in SPACs.

Many companies have delayed their IPOs for fear of the impact of market volatility on their stock’s debut on the market. Other companies have chosen to merge with SPACs and then go public. Since SPACs can be closed within the space of a few months, it avoids the arduous process of registering an IPO with the SEC which can take up to six months. In addition, SPACs provide the ability to have longer term guidance. Since, they are public companies, when SPACs announce an acquisition, they provide a forward-looking guidance on a company. Gil Ottensoser, head of SPAC Banking and Capital Markets at BTIG, said in a recent interview “Investors get to see even more information about the target company than they would in an IPO.”

SPAC critics argue that investors are going blind into an investment. In addition, former Goldman Sachs CEO Lloyd Blankfein said in a CNBC interview that the due diligence of a SPAC acquisition is not as rigorous as a traditional IPO. In addition, he argues that SPAC sponsors are not incentivized to find the best deal since they need to find a viable acquisition within two years and could be overpay for the target company. In addition, short-seller Carson Block noted in a recent paper for his firm Muddy Waters Research that SPACs operate “a business model that incentivizes promoters to do something — anything — with other people’s money is bound to lead to

significant value destruction on occasion.” Despite some of these concerns, SPACs are likely to stay on as large institutional investors and other billionaires are currently building multiple SPACs. [F CNBC](#) [CWS](#) [NPR](#) [CNBC](#)

Surveillance Capitalism Part 1: Many of the internet services we take for granted, such as mapping tools and social networks, have a much greater impact on society and the global economy than is regularly understood. Surveillance capitalism, a term coined by Harvard professor Shoshana Zuboff, is the system by which companies collect and sell individuals’ data, mainly to target advertisements. This economic system was pioneered by Google in the early 2000’s, as the young company attempted to monetize its popular search platform. Economists and engineers at Google realized that there was significant amounts of unused data created by users of its search platform, which could be used to understand users’ behavior. This excess data became known as “behavioral surplus”. One option was to use the data to understand people’s search patterns and improve Google’s platforms. Instead, Google analyzed and packaged user data to sell insights to advertisers to improve the relevance of targeted ads. Google’s initial success ushered in a new economic system based on using individuals’ online actions as raw material to analyze and sell. As a public company with a legal duty to shareholders, Google began exploring further opportunities to collect behavioral surplus to sell to advertisers. To collect more data, Google needed more platforms on which users would create more data exhaust. The issue was that Google was entering an uncharted and legally ambiguous area of claiming individuals’ behavior as Google’s property to sell. Further articles in this series on surveillance capitalism will explore the legal implications, successive entrants to the new economic system, and the system’s effects, known and unknown, on human liberty and freedom.

What to look for heading into next week

- 1.) The S&P/Case-Shiller 20-City Composite Home Price Index will be released on Tuesday, February 23rd
- 2.) On Wednesday, February 24th, U.S. Federal Reserve Chair Jerome Powell will testify before Congress
- 3.) Continue to monitor vaccine rollout pace, progress on herd immunity, and return to in-person activities

Weekend Links

1. [BTC Market Value >\\$1T](#)
2. [More Stimulus?](#)
3. [Notable Released Earnings](#)
4. [The \\$15B Valued SPAC](#)
5. [Bond Selloff](#)
6. [Oracle is a Buy](#)
7. [PayPal on the move](#)