



Crown Royalties

Investment Club

Market Report: 04/27-05/01

| | <u>Friday Close</u> | <u>Weekly % Δ</u> | <u>YTD % Δ</u> |
|---------------------|-------------------------|-------------------|----------------|
| <u>S&P 500</u> | <u>2,830.71</u> -2.81% | -0.21% | -12.38% |
| <u>Nasdaq</u> | <u>8,604.95</u> -3.20% | -0.34% | -4.10% |
| <u>DJIA</u> | <u>23,723.69</u> -2.55% | -0.22% | -16.87% |
| <u>Russell 2000</u> | <u>1,260.48</u> -3.87% | +2.19% | -24.48% |
| <u>S&P 400</u> | <u>1,590.48</u> -3.39% | +2.59% | -22.91% |

| | <u>Value at Close</u> | <u>Weekly % Δ</u> | <u>YTD % Δ</u> |
|-----------------------|-----------------------|-------------------|----------------|
| <u>CRIC Portfolio</u> | <u>\$113,413.73</u> | -2.38% | -10.77% |

Market Summary: “Rallied early on the week and peaked on the positive Remdesivir (vaccine) news. Was this a case of buy the rumor, sell the news? Seems it. Economic data once again took a back seat as jobless claims and GDP numbers were both worse than expected. The rally was led by mostly small caps who were hit the hardest over the initial selloff. The leaders of the relief rally took a bit of a backseat. We peaked around S&P 2950 which for the technicians was a major 61.8% Fibonacci retracement level and retreated. Now we have given up all our gains for the week and could close down (an ugly candle for the weekly charts). The 2800 level continues to be the line in the sand that holds and we will be watching it closely” **Jay Woods, NYSE Designated Market Maker at IMC Financial Markets**

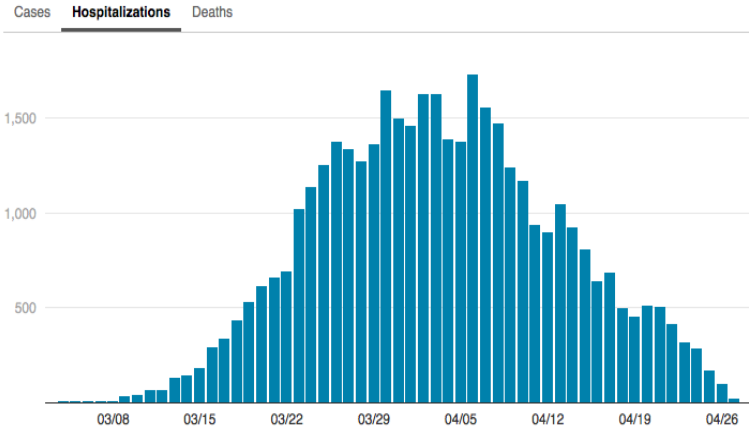
2019-nCoV updates:

- According to the [CDC](#), there is currently ~1,062,446 cases in the U.S with ~62,406 confirmed deaths (**Last updated on May 1st**)
- [Gilead Sciences](#) released preliminary results from its clinical trial of Remdesivir, showing that patients that used the drug **recovered 4 days quicker** than those who didn’t take the drug
- [FDA](#) has **granted emergency authorization** for Remdesivir to treat 2019-nCoV

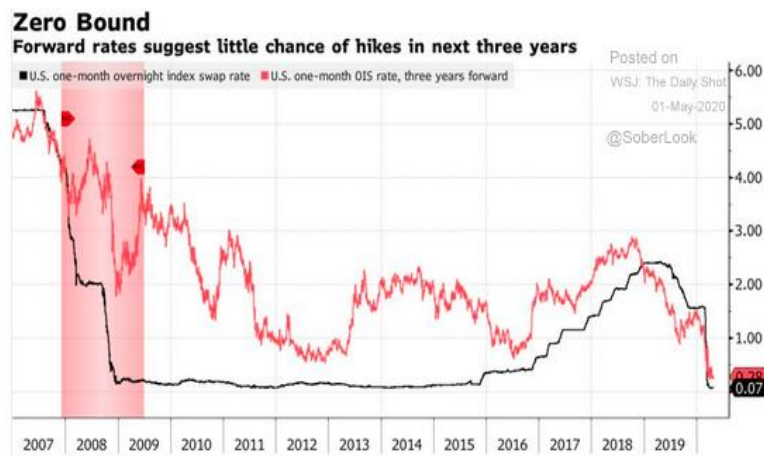
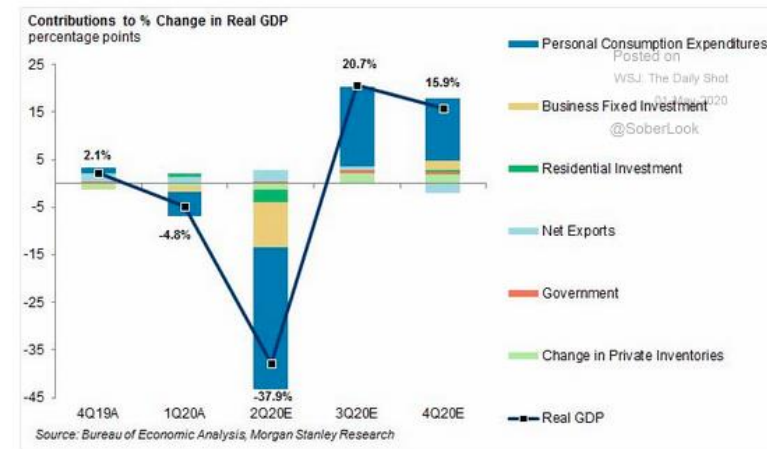
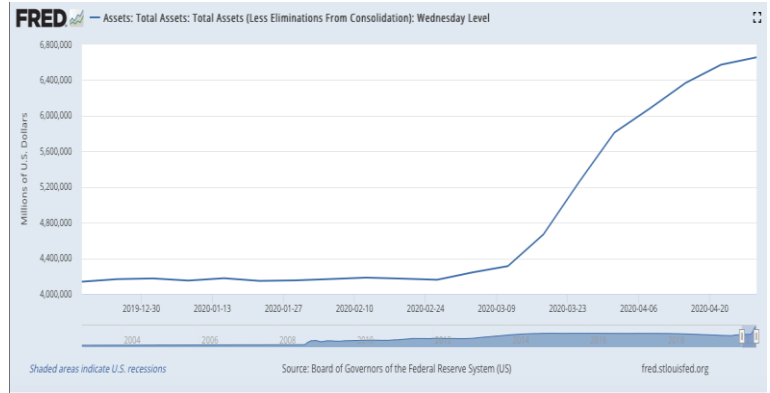
FOMC Meeting Summary:

- [The Fed](#) committed to maintaining the 0%-0.25% Federal Funds Rate until the economy has “weathered the storm”
- [Fed Chairman Powell](#), **“these are lending facilities, not spending facilities”**, reiterating that the Fed is providing loans that are expected to be re-paid
- [Fed loosened](#) eligibility and loan terms for the \$600 Billion business lending program intended for small & midsize businesses

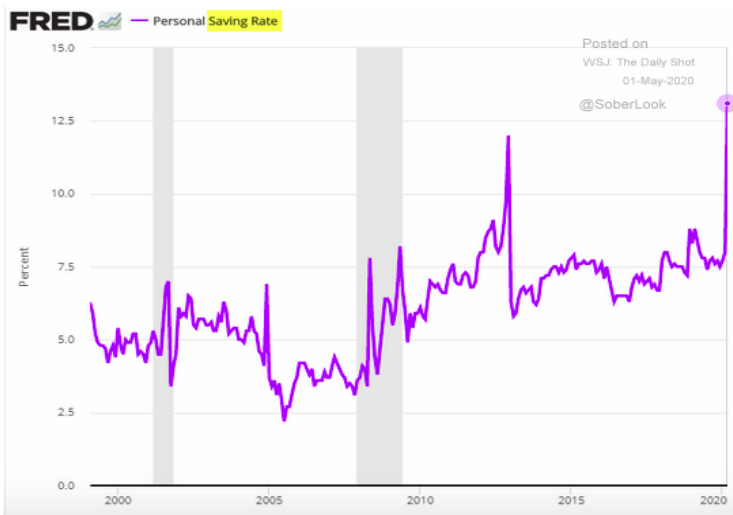
1. Hospitalization by admission rates in New York, data collected by [New York Health Department](#)



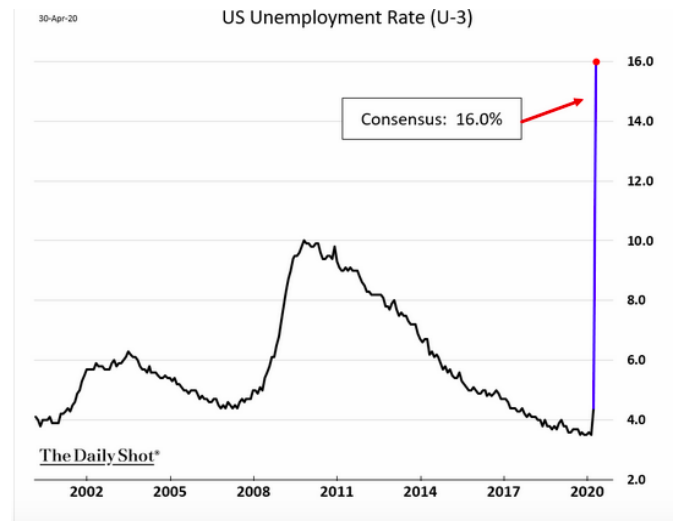
2. The Fed's balance sheet has expanded ~54.53% in 7 weeks. Total size is \$6.66T [FRED](#)



3. [Morgan Stanley](#) predicts a ~38% contraction of U.S. real GDP in Q2 2020



4. Market expects short-term rates to remain near zero for the next 3 years [Bloomberg](#)



5. The U.S. personal savings rate highest in almost 40 years [Market Watch](#)

6. U.S. unemployment rate expected to hit 16% in April [Bloomberg](#)



IBM and The Cloud: Coronavirus has greatly accelerated existing business trends, particularly data-sharing. This worldwide disaster has, ironically, united the business world. The threat of disease does not discriminate, and working together to mitigate its harms is in the interest of all major corporations. Data-sharing can help directly fight the disease on scientific and economic fronts. Major cities, universities, and now large corporations are embracing open data. Some firms are more receptive to this change than others. Facebook and Google largely make money by selling proprietary data. Other firms, like Microsoft and IBM, have business models ready to capture profits generated by data-sharing. [see link #4 below]

IBM prepared for the open data age with its 2019 acquisition of Red Hat, an open source technology company that makes money by selling support for open source software development. Currently, only about 20% of company workloads are cloud integrated. According to McKinsey, a consultancy, companies have been slow to adopt cloud solutions due to security and compliance issues, multiple provider integration issues, and a lack of know-how. Although the cloud computing market is dominated by Amazon, Microsoft, and Alphabet, those companies mainly focus their attention on the public cloud. IBM's strategy is to dominate the hybrid cloud space, an approach tailored to client needs, such as security and multi-cloud integration.

Government pressure to share data as well as shift to remote working will speed up companies' adoption of cloud computing. IBM is well positioned to gain from this trend. Red Hat's platform supports and powers most cloud development. In the coming years we will see a large share of the remaining 80% of businesses move to the cloud. IBM's hybrid cloud strategy will lead to market share capture, as late adopters will likely need more tailored cloud solutions. The company is currently priced as a mature, slow-growth enterprise. In Q1 2020, IBM's cloud computing division saw YoY revenue growth of 23%, Red Hat revenue growth of 20%, and significant gross margin increases in legacy divisions. Despite overall modest revenue growth, IBM's strategic investments are paying off, and cash flow is strong enough to maintain a healthy dividend and continue to invest in growth. IBM now offers a dividend of \$6.48, a 5.36% yield, and has a \$12 billion cash balance. With CRIC's current strategy to invest in the post-coronavirus economy in mind, we purchased **20 shares of IBM.**

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| <p>What to look for heading into next week</p> <ol style="list-style-type: none">1.) Keep an eye out on U.S.-China relations as President Trump has given mentioned "pay-back" tariffs on China2.) Disney will report earnings on Tuesday, which will indicate impacts on travel, leisure and entertainment sectors3.) As 10 states have eased restrictions, what will the new cases numbers look like? How will consumers respond? | <p>Weekend Links</p> <ol style="list-style-type: none">1. Covid-19 U.S. Map2. The Post-Corona World3. Liquidity or Solvency Crisis?4. Big Data5. China Digital Currency6. Oil producers stop drilling7. What states are re-opening? |
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