

Investor.Coffee

(01.29.24): Key Economic Data and Major Earnings Reports Anticipated this Week

written by InvestorNews | January 29, 2024

In the pre-open market, Canadian futures were down, influenced by sliding copper prices and investor caution ahead of significant domestic economic data. In contrast, U.S. main index futures remained muted, with a week full of major events, including the Federal Reserve's interest rate decision and key tech earnings, potentially setting Wall Street's direction following a record-breaking rally. European equities saw a slight rise, bolstered by the strength in the energy sector. Asian markets presented a mixed picture: Chinese stocks fell despite new government curbs on short selling, while Japan's Nikkei ended higher. The U.S. dollar strengthened in anticipation of the Fed meeting during a week heavy with data, and gold prices increased, buoyed by escalating Middle East tensions. Oil prices also rose, driven by concerns over supply disruptions.

In the world markets, Euro STOXX 50 futures dropped 11 points to 4,644, FTSE futures lost 12 points to 7,620.5, and German DAX futures decreased 58 points to 17,005, all as of 0530 GMT. Japan's Nikkei share average saw gains, propelled by a jump in oil prices and a weaker yen boosting investor sentiment. The rise in oil prices was partly due to a drone attack on U.S. forces in Jordan, escalating worries over supply disruptions in the Middle East.

This week marked a significant period in the earnings season,

with 19% of [S&P 500](#) and [Dow Jones Industrial Average](#) companies reporting. Among them, major tech companies like Microsoft Corporation (NASDAQ: MSFT), Alphabet Inc. (NASDAQ: GOOGL), Amazon.com, Inc. (NASDAQ: AMZN), Meta Platforms, Inc. (NASDAQ: META), and Apple Inc. (NASDAQ: APPL), were in the spotlight, especially at a time when these firms have been executing layoffs. The key reports also extended beyond tech, with major companies like The Boeing Company (NYSE: BA), General Motors (NYSE: GM), and Starbucks Corporation (NASDAQ: SBUX) set to reveal their earnings. The pharmaceutical sector also anticipated big news, headlined by [Novo Nordisk](#) (NYSE: NVO), amid a surge in market cap due to the boom in weight loss drugs.

Significant developments are expected in the semiconductor industry. President Joe Biden's administration was [reported](#) to be awarding billions in subsidies to top semiconductor companies, including Intel Corp and Taiwan Semiconductor Manufacturing Co, to support new factory construction in the U.S. This move aimed to boost the manufacturing of advanced semiconductors vital for smartphones, artificial intelligence, and weapons systems.

In the corporate world, Microsoft and Apple were in focus. Microsoft's early lead in artificial intelligence positioned it to potentially [surpass](#) Apple in market value over the next five years, a sentiment unanimously agreed upon by 13 institutional investors.

A dispute arose between Spotify Technology SA and Apple Inc, with Spotify [criticizing](#) Apple's new plan to align with the European Union's Digital Markets Act as "a complete and total farce."

In Europe and Asia, a Hong Kong court ordered the [liquidation](#) of China Evergrande Group, potentially impacting China's financial

markets. A [drone attack](#) in Jordan, attributed to Iran-backed militants, targeted U.S. troops, causing casualties. In the aviation sector, a new safety crisis for Boeing and industry-wide disruptions were topics of discussion among airline industry financiers. Additionally, Switzerland's Holcim announced plans to spin off its North American operations in a significant New York flotation.

United Airlines considered acquiring more Airbus A321neo jets, possibly to compensate for the delayed Boeing 737 MAX 10. Meanwhile, the John Lewis Partnership contemplated significant job cuts, and Ryanair Holdings Plc adjusted its profit forecast due to changes in its sales strategy.

In the automotive sector, Toyota Motor Corp announced the suspension of shipments of certain models, including the Hilux truck and Land Cruiser 300 SUV, due to irregularities in diesel engine certification tests.

From India, the federal government planned to keep its gross market borrowing for 2024/25 close to the current fiscal year's level. Vedanta, an Indian conglomerate, reported a smaller-than-expected drop in third-quarter profit. The country also witnessed a heightening of sectarian tensions, with a powerful Hindu group claiming several mosques were built over demolished Hindu temples. In a significant collaboration, India's Tata Group and France's Airbus agreed to [manufacture](#) civilian helicopters together. Lastly, the artificial intelligence startup Krutrim, founded by Ola Electric's CEO Bhavish Aggarwal, [raised \\$50 million](#) in its first funding round, reaching a valuation of \$1 billion.

Mark your calendar for this week's [InvestorTalk](#) and sign up for our pre-market events.

9-920 AM EST

Wednesday, January 31, 2024

InvestorTalk with Terry Lynch from [Power Nickel Inc.](#) (TSXV: PNPB | OTCQB: PNPBF)

Join Zoom Meeting – [Click Here](#)

9-920 AM

Thursday, February 1, 2024

InvestorTalk with Tawana Bain from [American Clean Resources Group, Inc.](#) (OTC: ACRG)

Join Zoom Meeting – [Click Here](#)

Investor.Coffee (12.08.2023): Canadian futures point towards a rise in the resource-heavy main stock index

written by Tracy Weslosky | January 29, 2024

In the pre-opening phase, **Canadian futures pointed towards a rise in the resource-heavy main stock index**, while Wall Street futures were subdued as investors awaited the monthly payrolls report for insights into the Federal Reserve's monetary policy stance. European shares showed gains, driven by luxury and energy stocks, following Germany's inflation data. In contrast, Japan's Nikkei experienced its worst weekly decline since mid-September, attributed to speculations about the end of the Bank of Japan's stimulus measures. Concurrently, gold prices remained flat amidst a strengthening U.S. dollar.

In the United States, Apple Inc. (NASDAQ: APPL) is [shifting](#) its iPad product development resources to Vietnam, partnering with China's BYD Co. Ltd. (OTC: BYDDF) for this initiative. This marks the first time Apple has moved such critical (mineral) resources to Vietnam. The company is [also](#) planning to significantly increase iPhone production in India. BlackRock Inc.'s (NYSE: BLK) CEO commented on the firm being targeted in a political debate, highlighting the \$4 billion loss in assets under management in 2022 due to its ESG policies. Blackstone Inc. (NYSE: BX) and Digital Realty Trust Inc. (NYSE: DLR) [announced](#) a joint venture to develop data centers worth \$7 billion. The Boeing Company (NYSE: BA) [communicated](#) a delay in ramping up production of its 737 jets, pushing back its pre-pandemic production goals. FedEx Corp. (NYSE: FDX) faces a [lawsuit](#) alleging illegal business practices, potentially impacting its restructuring plans. Marathon Petroleum Corp. (NYSE: MPC) reported a return to normal operations of a crude distillation unit in its Texas refinery. MarketAxess Holdings Inc. (NASDAQ: MKTX) and Tradeweb Markets Inc. (NASDAQ: TW) [abandoned](#) plans for a bond prices tape in Britain and the EU, citing complexities. Microsoft Corp. (NASDAQ: MSFT) faces a [review](#) by Britain's antitrust regulator over its partnership with OpenAI. NVIDIA Corporation (NASDAQ: NVDA) is in [talks](#) with Malaysia's YTL for a data center collaboration and plans to discuss semiconductor deals in Vietnam. Spotify Technology (NYSE: SPOT) [announced](#) the departure of its CFO, Paul Vogel, next year. United Parcel Service, Inc. (NYSE: UPS) (UPS) faces labor challenges, with the Teamsters union considering action against the company for firing newly organized workers.

Internationally, China and the European Union discussed a more balanced trade relationship at a summit. In the UK, lawmakers criticized the slow progress in boosting the financial sector post-Brexit. Shell PLC (NYSE: SHEL) [expressed](#) interest in a \$5

billion oil investment in Nigeria and plans to increase natural gas production. The United Auto Workers union reported significant support for unionization at Volkswagen's Tennessee plant. ArcelorMittal SA sold its Kazakh assets to a state-owned fund and a local tycoon. Tata Motors lobbied against reducing import taxes on electric vehicles in India. Indian banks and lenders curtailed small personal loans following regulatory clampdown. India's fuel consumption decreased in November, and the government directed sugar mills to prioritize sugar production over ethanol.

Top picks in defense, aviation, and related ETFs for 2022

written by InvestorNews | January 29, 2024

As we start 2022 one area of concern is global geopolitical uncertainty. In particular, Russia continues to threaten Ukraine, and China threatens almost everyone. The biggest Chinese threat, for now, is probably to Taiwan. Then there is always the threat posed by North Korea. Given the increasing global tensions, it is not surprising that many countries are boosting their defense spending. This leads to an opportunity for investors who want to be ahead of the game just in case a war or conflict breaks out.

Furthermore, it is starting to look like 2022 will see some recovery in the civilian aviation sector, assuming we are near the end of the COVID-19 pandemic, or at least getting back to

more normal living.

Research groups also see a recovery ahead for U.S aerospace and defense. Fitch [stated](#) in December 2021: “Fitch Ratings views the 2022 Aerospace & Defense (A&D) sector outlook as improving following a bottoming out in early 2021 and a moderate improvement in 2H21.” Deloitte also [forecasts](#) a recovery in 2022.

Below are three defense or aviation stocks/ETFs to consider in 2022.

Defense stocks can offer some safety to a portfolio especially if we get any conflicts in 2022



iShares U.S. Aerospace & Defense ETF

The iShares U.S. Aerospace & Defense ETF (ITA) seeks to track the investment results of an index composed of U.S. equities in the aerospace and defense sector. The advantage of using the ITA ETF is the broad exposure to the U.S aerospace & defense sectors, which are sure to gain if there are any global breakouts of hostilities.

The current [top 5 holdings](#) are:

- Raytheon Technologies Corporation. (NYSE: RTX) (20.83%)
- The Boeing Company (NYSE: BA) (18.38%)
- Lockheed Martin Corporation (NYSE: LMT) (5.27%)
- Northrop Grumman Corporation (NYSE: NOC) (4.71%)
- TransDigm Group Inc. (NYSE: TDG) (4.66%)

The ITA ETF trades on a PE ratio of [26.59](#), with a dividend yield of [0.9%pa](#).

An alternative to the ITA ETF is the [SPDR S&P Aerospace &](#)

[Defense ETF \(XAR\)](#) with a key differentiator being that XAR takes an equal weighted approach. XAR describes its approach as an “equal weighted index which provides the potential for unconcentrated industry exposure across large, mid and small cap stocks”. XAR trades on a weighted average PE of [24.75](#).

Northrop Grumman Corporation (NYSE: NOC)

Northrop is one of the world's largest weapons and military technology providers. It is also a large U.S military aircraft manufacturer. What I like about Northrop is that it is well diversified and provides products and services across the air, land, sea, space, and cybersecurity sectors. Over the years Northrop has grown organically but also via takeovers, including that of Orbital ATK Inc., a global aerospace and defense systems company. This has enhanced Northrop's capabilities especially in the area of Ground-Based Interceptor ('missile') products.

In March 2021 it was reported that Northrop had won a [US defense contract for up to \\$3.9 billion](#) to design the next-generation interceptor for the U.S. missile defense network. The report stated: The new interceptors would be a part of the Ground-based Midcourse Defense (GMD) system here, a network of radars, anti-ballistic missiles and other equipment designed to protect the United States from intercontinental ballistic missiles (ICBMs). Northrop's stock rallied on the news, but there is still the possibility of a contract extension or expansion as Reuters stated: “The next-generation interceptor program could be worth as much as \$10-\$12 billion over its lifetime as the contractor works to make the technology capable of defeating current threats and future technological advances from countries like North Korea and Iran.” There is also the next possibility of a space based defense system (read “[a space-based sensor layer for ballistic missile defense](#)”).

Northrop trades on a market cap of [US\\$62 billion](#) and has a current PE ratio of [16.1](#). Not bad when you consider the U.S S&P 500 PE is currently [33.8](#).

The Boeing Company (NYSE: BA)

When it comes to U.S companies with massive exposure to defense, aerospace and civilian aviation there is none bigger than Boeing. I like Boeing in 2022 as it stands to benefit both as the aviation industry recovers post-COVID-19, and if we get any rise in the defense stocks due to global conflicts.

Boeing is an aerospace company that manufactures commercial jetliners and defense, space and security systems. Its products, and tailored services, include commercial and military aircraft, satellites, weapons, electronic, and defense systems, launch systems, advanced information and communication systems, and performance-based logistics and training.

Boeing trades on a market cap of [US\\$125 billion](#) and has a 2022 PE ratio of [32.8](#). Not cheap but remember Boeing is potentially at the early stage of an earnings recovery as global airlines look again to open their airline order books. One example of this is today's news of [U.S. carrier Allegiant Air rumored to be buying 50 Boeing 737 MAX jets](#) valued at US\$5 billion.

Closing remarks

We never know when the next terrorist attack or a global conflict will breakout. Given the tensions building after a tough two years enduring the COVID-19 global pandemic, it would not be surprising to see a geopolitical event spark in 2022. Will it be Ukraine, Taiwan, North Korea, the South China Sea, the Middle East, a terrorist attack on Western soil, or an unforeseen black swan event? It is hard to predict, but one thing is certain, and that is that buying up some 'defense'

stocks as insurance, early at very reasonable market valuations, makes a lot of sense as we enter 2022.

Finally, the aviation sector looks poised to come out from its worst-ever downturn caused by COVID-19 in 2020 and 2021.

It now looks like it is time to book a seat and invest back into the defense, aerospace and aviation sectors in 2022. Fasten your seat belt and enjoy the ride, hopefully with much less turbulence in 2022.

Byron King on the destructive business model of the mining industry

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March 11, 2018 – “In the mining industry they build a mine, they dig it out, they destroy the asset and make some money along the way. The trick to investing in it though, is you need to understand this idea that it’s a wasting destructive asset. You need to know when to get in at the right time when value starts to be created. You need to know when you get out and you can’t just think you’re a genius because the stock price went up...” states Byron King in an interview with InvestorIntel’s Jeff Wareham.

Jeff Wareham: Byron is very well known by many of our viewers as a letter writer. Byron, I’ve got two quotes that I want to ask you about. First of all, I have heard you say the mining industry does not make sense. Tell me more.

Byron King: Here we are at PDAC, which is the world's largest mining convention, surrounded by mining companies. The lights and air being paid for by the mining industry and we are in the midst of an industry that makes no sense. Couple of reasons. First of all, the mining industry has done a terrible job of telling its story of how necessary it is to the world. People generally do not like the mining industry. They see movies about evil miners, whether it is science fiction, like Avatar, or whether it is other movies that show what bad guys they are.

At the same time while people are belly aching about mining, they drive around in their cars that are made of metal, they live in their house, which is made of everything that came from a mine, they talk with each other on their cell phones and smart phones. I mean, your iPhone has something like 63 of the 92 elements on the periodic table in it. None of them are there by accident. So the mining industry has done a terrible job of explaining why it is important to the world.

Another thing is more internal to the mining industry, and that is because the mining industry has a destructive business model. You discover something, you create value in the sense that you drill it up and identify minerals and ores and elements that are of value there and then you destroy it. You dig a mine and you pull it all out and you process it and something goes someplace, the value stream goes someplace and you are left with a big hole in the ground in the end. That is the tradition of the mining industry, a wasting, sort of, an asset.

This morning I gave a talk. I said, what if Boeing, the big airplane builder, built airplanes using the mining business model? Now if you know anything about Boeing you know they design their airplanes down to the last screw and the last nut and the last wire bundle. The colors of the seats, they design it all. No, if they use the mining model they would design about

30% of their airplane. They would build a construction shed and they would hire a bunch of people to come in and they would start banging it together. They would put together this odd looking bird at the end of the production line. It would be overweight, overpriced, it would crash. The first couple of airplanes would crash and finally they would get it right. They would sell about 15 or 20 airplanes that were actually good airplanes. Then they would shut down the airplane assembly line, fire everybody, tear down the construction shed. A very strange business model for a company like Boeing.

Jeff Wareham: Yeah, it sounds more like software actually.

Byron King: That's the mining industry! In the mining industry they build a mine they dig it out they destroy the asset and make some money along the way. The trick to investing in it though, is you need to understand this idea that it's a wasting destructive asset. You need to know when to get in at the right time when value starts to be created. You need to know when you get out and you can't just think you're a genius because the stock price went up and now you're sitting on a gain. It's not a gain unless you get out at the right time. And there are cycles. There are exploration cycles, followed by development cycles and production cycles. And as you look at mining companies, that's one of the things you want to keep in mind...to access the complete interview, [click here](#)