NIC

— Nova Investment Club —

Newsletter

February 2018

NIC

Nova Investment Club

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Foreword

This Month:

In our Macro Overview section, Analysts from both divisions will cover broad macro themes while review major economics news from the past month. In our Deeper Dive section Anna Averina evaluates the impact of demographics on the yield curve, while Tiago Marques analyses the promising future of the Brazilian economy.

Our Investment Banking Division will guide you through January's M&A overall activity. Moreover, read about Dominion Energy's bid for US-based energy group Scana, Sanofi's bid for Bioverativ Inc and Celgene Corps bid for Juno Therapeutics. Additionally, read a detailed overview on what happened to Engie. Lastly, get an insight on Blackstone's largest post-crisis leveraged buyout of Thomson Reuters F&R Unit, written by our analyst Hoang Nguyen.

Our Financial Markets Division will present the monthly results of the NIC Fund, an active relative return fund investing across four different asset classes: Equities, Fixed Income, Commodities and Currencies. In addition, the analysts will provide commentary on each of the four major asset classes through analysis of the past month´s major market moves. The active positioning of the NIC Fund increased quite strong over the last month, a development we like to extend over the upcoming months.

Lastly, Philipp P. Breitbach examines the changes of Donald J. Trump after one year in office. He will look at Trump's economic achievements and sort out where he did better than his predecessor and on what areas he needs to work on.

On a final note, the Year of the Rooster will end on February 16th. We wish all our readers a Happy Chinese New Year and a prosperous Year of the Dog.

The following content is original and created by the Nova Investment Club, which is run by students from Nova SBE's Master's in Finance. The reports may contain inaccurate or outdated information and should not be used as an exclusive mean for investment decisions.

NIC
Nova Investment Club

Macro Overview

Monthly

February 5th, 2018

Deeper Dive

Demographics of the yield curve

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Regional view

There's still a light at the end of the tunnel for Brazil

— p.3

Market Moves

		Last Close	-1W	-3M	YTD
	S&P 500	2,827	-0.37%	9.77%	5.74%
	DJIA	26,149	-0.39%	11.86%	5.79%
	Nasdaq	7,411	-0.05%	10.16%	7.36%
	MSCI World	3,118	-1.21%	8.59%	4.65%
	MSCI EM	4,688	-0.95%	11.00%	6.23%
	Russell 2000	1,577	-1.44%	4.91%	2.67%
	Euro Stoxx 50	3,609	-0.93%	-1.76%	3.01%
	FTSE 100	7,534	-1.44%	0.54%	-2.01%
	Nikkei 225	23,098	-3.52%	4.94%	1.46%
	Hang Seng	32,887	-0.22%	16.43%	9.92%
basis points	US 10Y Yield	2.720%	7.35	34.07	31.46
	GER 10Y Yield	0.697%	10.90	33.40	27.00
	JPY 10Y Yield	0.085%	0.10	1.40	3.70
	UK 10Y Yield	1.510%	10.30	17.80	32.00
	PT 10Y Yield	1.965%	6.70	-10.90	2.20
	Dollar Index	89.10	-0.12%	-5.77%	-3.28%
	EUR/USD	1.241	0.04%	6.59%	3.40%
	GBP/ EUR	1.143	-0.40%	0.24%	1.53%
	GBP/USD	1.419	-0.35%	6.84%	5.02%
	USD/JPY	109.17	-0.05%	-3.93%	-3.12%
	USD/CHF	0.931	-1.52%	-6.69%	-4.45%
	Brent Crude	69.05	-2.10%	12.51%	3.26%
	Gold	1,342.8	-1.00%	5.69%	2.56%

**Source: Bloomberg, as of 2018-01-31*

In Focus

January

World Economic Forum Davos. From January 23 to 26, world leaders including US president Donald Trump, attended the annual World Economic Forum in Switzerland. Important topics of discussion were inter alia international trade, Americas tax policy and what "America first" means but also the threats of climate change and terrorism in our society.

UK's Wellcome Trust sells a 100-year bond. The Wellcome Trust, which is one of Britain's largest charities, has raised GBP 750 m of debt that it will repay in a century after investors longing for ultra-long bonds. The 100-year bond drew orders of more than GBP 3.3 bn and came with a coupon of 2.517%.

EU tries to prevent post-Brexit regulation explosion. The UK could face tax blacklists as well as sanctions against state-subsidised companies to hinder it from undercutting the continent's economy. The EU member states want safeguards to maintain a level playing field, which could be jeopardized by Britain slashing taxes or relaxing regulation.

EU plans membership for 6 Balkan states. The EU considers the integration of six western Balkan countries by 2025 in order to enlarge the bloc, strengthen controls on migration, and counter Russian influence in the volatile region. The very ambitious timeline is crucial to tighten the embrace between Brussels and nations that emerged from the collapse of Yugoslavia, plus neighbouring Albania.

US oil boom. US oil production is on a historical high, combined with soaring output from shale wells has put the US on course to overtake Saudi Arabia and Russia to become the leading oil producer in the world. Due to the recovery in oil prices, profits for major oil and gas producers are on a high.

Australia on the verge to tighten foreign investment rules. Due to growing Chinese influence in business, politics and society, Australia is tightening rules on foreign investment in electricity infrastructure and agricultural land. Australia is not the only country tightening its foreign investment rules. Other countries, in response to high levels of Chinese investment over the last years, introduced stricter rules as well. With the UK announcing plans for tougher screening of foreign investment in critical infrastructure and the United States blocking the proposed USD 1.2 bn takeover of MoneyGram by China's Ant Financial.

Falling interest rates in Brazil allows banks to extend more credit as corporations' debt-servicing capacity increases. Moreover, Brazil's recent recovery is fostered by the growing foreign direct investment which is a good indicator of the current interest in acquiring Brazilian assets.

US economic growth slows in fourth-quarter on surging imports. US economic growth unexpectedly slowed in the fourth quarter as the strongest pace of consumer spending in three years resulted in a surge in imports. GDP expanded at a 2.6% annual rate also restrained by a modest pace of inventory accumulation, following a 3.2% growth pace in the third quarter.

Federal Reserve Leaves Rates unchanged in a range of 1.25% to 1.5 %, a relatively low level that should help support continued job growth and stronger inflation. The Fed's economic outlook remained relatively upbeat, setting the stage for a rate hike at its next meeting in March. The announcement brought down the curtain on Janet L. Yellen's four-year tenure as the Fed's chairwoman.

Nick Dörner
Financial Markets Division

Deeper Dive

Demographics of the yield curve

Anna Averina
Financial Markets Division

It is common to explain the flattening of the yield curve with the expectations story: soft economic data, lost inflation, inability to deliver structural reforms - all bringing in expectations of the sluggish economic growth.

There is one twist to this story that is not the first thing coming to our minds when we talk about the yield curve: **demographics**.

On January 5th, the spread between ten and two-year Treasury yields has shrunk to 50 bps, the flattest point since October of 2007 - two months before the economic contraction has started in December of that year. While the debate on whether this gap is still a strong indicator of a forthcoming correction can make an interesting conversation, I wanted to devote this piece on how we got there. It is common to explain the flattening of the yield curve with the expectations story: soft economic data, lost inflation, inability to deliver structural reforms - those are all valid signs of sluggish growth expectations, that, supported by hawkish monetary policy, would narrow the differential between the long and short-term yields. There is one twist to this story that is not the first thing coming to our minds when we talk about the yield curve: demographics.

Fixed income securities are the most favorable investment instruments of pension funds, as people would value lower risk of the bond market over higher returns of equities once they enter the retirement. With life expectancy approaching 80+, there is more and more 'passive' money parked in debt securities. To understand the scale of that 'more and more', consider the numbers: in the last 45 years, the world population has grown roughly 100%, while the retirees delivered 400%; in Japan this group expanded 7-fold, and is expected to grow 500% more over the next 20 years. For comparison, the debt-to-GDP figure for Japan in 1950s was roughly 43%, while now it reaches as high as 250%.
Macroeconomists attribute much of that growth to demographic swings, making ageing baby boomers expensive for governments.

Another side of that story is that longer lifespans are now complemented by reduced birth rates, which amplifies the distortion in other markets. As people exhibit different asset preferences along their lifetime, early retirees would typically shift savings from equities to fixed income. Whom would they sell the equities to? To a smaller group of young people, which can cause a correction in equities. With this, the current demographic rebalancing not only puts downward pressure on the longer-dated bond yields, but is also contagious to the markets where retirees exit their positions, e.g., equities. As stock markets in the U.S. today are already running at their record highs, the much awaited correction can be fueled by this demographic pattern.

So, where do we go from here? Insurance companies and pension funds in 70s-80s could not envision that the nominal rates would get this low. At that time long-term government bonds were yielding 7% (3% in real terms), which attracted more money to the assets that, when rolled over to today, are producing negative real returns. In such situation, one of the decisions that ageing Ross and Rachel can take is to add more high yield debt to their portfolios (credit or emerging market bonds), as well as to reduce the duration and to control for inflation surprises (by buying TIPS).

Another solution, suggested by Amlan Roy, a Global Chief Retirement Strategist at State Street Global Advisors, is to improve the liability management on a state level. As of 2018, a lot of developed countries, such as Germany or Switzerland, do not issue very long-term bonds (>30 years). This leaves those governments with no option rather than active liability management, trying to match Ross' (who is in his 20s) demands by rolling two 30Y bonds, instead of one 60Y bond, which would anchor the expectations and help to manage the demand of the world where S&P 500 dividend yield falls below the two-year Treasury note.

With all the above in mind, Rachel and Ross might want to take care of their fixed income portfolio themselves, since administrations have typically responded only at the eleventh hour.

Anna Averina
Financial Markets Division

Regional View

There is still a light at the end of the tunnel for Brazil

Tiago Marques
Investment Banking Division

Falling interest rates in Brazil allow banks to extend more credit as corporations' debt-servicing capacity increases. Moreover, Brazil's recent recovery is fostered by the growing foreign direct investment (FDI) which is a good indicator of the current interest in acquiring Brazilian assets.

After two years of contraction, Brazil is now trying to find its path to economic growth. The unemployment rate in the country has declined in the fourth quarter in a seasonal ramp up. However, it is still nearly double the level of 2013, reflecting a slow recovery from the worst recession of the country in decades.

According to the Brazilian Institute of Geography and Statistics, this rate fell to 11.8% in the September to December period from 12.4% in the third quarter. Unemployment seems to be diminishing, but it is still far from the 6.2% recorded in the fourth quarter of 2013.

Lending at national banks decreased 7% to a combined BRL 1.67 tn (EUR 422 bn) in December 2017 from a record high in January 2016, according to Brazil's central-bank data. One of the triggers of such credit fall lies in the government's increase of banks' capital requirements from 11% to 13% in 2017 since now banks must be extra careful with their loan portfolio.

According to the central bank, the primary budget result, which excludes interest payments, was a deficit of 1.69% of GDP in 2017, compared with a deficit equal to 2.49% of GDP the year before. For 15 years, the country always recorded primary surpluses, meaning there were funds left to pay down debt. In 2014 the surplus turned into deficit, as a recession slashed tax income while a troubled pension system kept public spending high. The 2017 budget deficit dropped to 7.80% of GDP after an 8.99% figure was recorded the year before.

President Michel Temer has used this data to show in Davos that Brazil is back to the game. However, the country must overcome rating downgrades such as S&P's credit rating reduction from BB to BB- and the still fragile unemployment figures.

Nonetheless, falling interest rates in Latin America's biggest economy mean that banks can extend more credit as corporations' debt-servicing capacity improves, alleviating banks' pressure from the recently increased capital requirements. In addition, the economic recovery stimulates demand for basic capital expenditures.

Such recovery is also fostered by the growing foreign direct investment coming into Brazil, which is a good indicator of the current interest in acquiring Brazilian assets. However, not all sectors are equally attractive. In Real Estate, for instance, home prices in the big cities are still too expensive compared to incomes. For investors, rent yields are still low.

According to Forbes, São Paulo's average apartment costs around 15 times the city's GDP per capita and the annual rental yields in the same city stand at an average of 4%. Investors are better off buying long-term government bonds which yield 6% plus inflation, according to Bloomberg.

Nonetheless, export sectors, particularly in industrials, could provide investment opportunities, as the weak Brazilian real can make national products cheaper for foreign buyers. Moreover, the reduction of the high inflation rates to 3% is a positive sign to the markets that the economy is stabilizing and has potential for sustainable growth, despite all the turmoil around corruption. At least, the country's central bank is optimistic: the latest forecast for GDP growth in the country is 1.9% in 2018 and 2.1% in 2019.

International investors looking for direct exposure can purchase Brazilian securities directly through many global trading platforms with access to the MB&F Bovespa (Brazil's main stock exchange).

Like most emerging markets, investing in Brazil involves a big trade-off between risk and reward. Political instability and commodity-dependence make this a riskier country compared to developed markets. Nonetheless, there is still a light at the end of the tunnel as the forecasts imply some promising future returns.

Tiago Marques
Investment Banking Division

Macro Overview

Economic Calendar

Economic and Political Events

German Coalition Talks final phase

The rival parties of CDU and SPD are still in the final negotiations of a Great Coalition almost five months after elections in September 2017. Both parties having strong opinions on various topics making it hard to move on swiftly.

Italian election: Berlusconi at it again

With the Italian election at the doorstep, which is the next big test for Europe, the former prime minister and billionaire is again in the middle of political debate. Since he is banned from public office, Mr Berlusconi cannot return to the seat of the Italian government but he could still influence the party as it's leader.

Winter Olympics in Korea

On Friday the **9th February** the Winter Olympics in South Korea will start. The host country is looking forward to economic revitalization through job creation, a promotion of national strength and making a leap forward in politics, economy, society and culture through upgrading the national brand.

Central Bank decisions

Russia Monetary Policy

The Russian Central Bank is looking forward to soften the monetary policy. The current rate of 7.75% was established after the last meeting in December 2017. Experts assume that on the 9th of February, the discount rate might be reduced once again..

Sveriges Riksbank

The Swedish central bank is meeting on the 14th of February. Upticks in Inflation and economic expansion enable the Riksbank to hike rates. While the Swedish krone would benefit from such a move, hikes are rather expected in the second half of 2018, in line with the forward guidance of the bank.

Monetary Policy United Kingdom

The date for the Monetary Policy Committee (MPC) announcement on Bank Rate and publication of MPC meeting minutes and the quarterly Inflation Report for February 2018 is confirmed as Thursday the **8th**.

Inflation and Deflation

UK Consumer Price Index

On **February 13th**, the National office for national statistics in the UK will publish the CPI report with potential influence on the BoE decisions. The last annual UK CPI was 3.0%.

US Consumer Price Index

On **February 14th**, the US CPI will be published, which is the main economic indicator for inflation. If this indicator goes up, interest rate expectations also go up and thus, central bank decisions (i.e. interest hikes) can be induced.

Germany Inflation Rate

On **February 14th,** the CPI for Germany will be published for January 2018. Germany's consumer prices rose 1.7% YoY in December of 2017, following a 0.6% rise in November.

Labour Market

ADP employment survey

On **February 1st**, the Automated Data Processing employment survey will be published with a great amount of detailed employment situation insights. The report is a measure of non-farm private sector employment which is obtained by utilizing an anonymous subset of roughly 400,000 U.S. businesses, which are clients of ADP.

US Employment Situation

The ultimate market mover is the employment report from the USA, published on **February 2nd**. Investors lay great importance on it and are helped determining in which economic sectors they intend to invest. Also wage trends and implications for inflation can be derived from this economic indicator.

German Unemployment Rate

On **January 31st**, the "Statistische Bundesamt" published the unemployment rates for Germany for December 2017. Compared with the previous month, the number decreased by 25,000. having an effective unemployment rate of 5.4%.

Nick Dörner
Financial Markets Division

Investment Banking

M&A

Overall Activity

Global

After a good year for global M&A activity, forecasts predict a great one for 2018. As 2017 just fell short of 2016 by 3.2% according to Merger-market, M&A activity is set to break records in 2018. Bloomberg described the strongest start since 2000, with an announced merger value of USD 152 bn, after a mere three weeks into the new year. Biotech had the most remarkable start into the new year with USD 27.5 bn of transactions agreed this month. Bankers reported to Reuters above-average deals under discussion that could push M&A activity throughout 2018.

Despite major threats such as Brexit, the US Justice Departments blocking AT&T's USD 85.4 bn acquisition of Time Warner, and increased wariness of Chinese investments by the EU and US, the consensus for M&A growth is strong. Solid GDP growth forecasts, healthy financial markets as well as the US tax reform provide executives with the necessary confidence to pursue organic growth via M&A. Sector consolidation is expected to continue, thanks to strong equity currency. Technological innovations will lead to further disruptions of sectors and thereby boost M&A activity further.

Selected Regions

North America

M&A activity in North America is back on track accounting for 60% of the globally announced transaction so far. The biggest purchase has been Dominon Energy Inc.'s takeover of Scana Corp with a deal value of approximately USD 14.5 bn. Blackstone Group LP announced acquisitions of a 55% stake of Thomson Reuters Financial and Risk Unit for USD 17 bn is shaking up the financial service and data group.

Europe

January is historically a quieter month; this year was no different with 1,562 deals reported at a value of EUR 48,678 m in Western Europe. Central and Eastern Europe showed similar developments were the value M&A dropped from EUR 16,848 m in December 2017, to EUR 3,307 m this January. Confronted by these rather disappointing numbers, one should bear in mind that several mega deals have already been announced globally. Therefore, the trend hopefully catches on to Europe.

Asia Pacific

Intralinks forecasts a 14% increase in M&A activity in Q1 2018. The prediction is based on a YOY increase of early-stage M&A activity as well as YOY increase in M&A deals in Q3 2017 according to Reuters and Intralink data. China outbound M&A growth lies in government-supported sectors by the government such as infrastructure and utility sector to drive up the value of the "one Belt One Road" initiative. Private Equity deals are on the rise in Japan, deploying funds as Japanese conglomerates seek to rationalize their business portfolios.

M&A

Deals of the Month

Announcement Date	Target	Buyer	Target region	Target business	Value (USD m)	Status
3 Jan 18	22-Property Student Housing	Scion Student Communities Ltd	US	Real Estate	1,000.00	Completed
4 Jan 18	UK General Insurance Group	Allianz UK Ltd	UK	Insurance	677.30	Completed
9 Jan 18	FCX Performance Inc	Applied Industrial Technologies	US	Flow Control Products and Services	768.00	Completed
10 Jan 18	Primewaterview Holdings Nigeria Limited	Milost Global Inc	NIG	Real Estate	1,100.00	Completed
12 Jan 18	Icade	Fonciere Des Regions	FR	Real Estate	13,400.00	Proposed
12 Jan 18	Viacom Inc	CBS Corp	US	Media and Entertainment	12,800.00	Proposed
22 Jan 18	First Energy Corp	Multiple acquirers	US	Energy	2,500.00	Completed
22 Jan 18	Hindutan Petroleum Corp Ltd	Oil and natural Gas Corp	IN	Oil and Gas	5,800.00	Completed
29 Jan 18	Maxim Integrated Products Inc	Renesas Electronics Corp		Analog circuits	20,000.00	Proposed

Manuela Böck
Investment Banking Division

M&A: Top Deals

Dominion Energy to acquire US-based energy group Scana

Dominion Energy has agreed to buy US utility services group Scana in a USD 14.6 bn deal. The terms of the acquisition encompass both debt and equity, worth about USD 6.7 bn and USD 7.9 bn, respectively.

Buyer vs Seller

The South Carolina based energy group Scana has agreed to a takeover offer from the Virginia based Dominion Energy, one of the largest utility holding firms with a market cap worth about USD 48.5 bn. The pitch from Dominion Energy promised to deliver lower electricity rates to the customers of South Carolina, subject to the approval of regulators and lawmakers. If the deal goes through, the closing date is expected to take place later this year.

Industry Overview

During 2017, Scana's stock fell by nearly half, due to an abandonment of a nuclear project. Contrarily, the sector kept rising around 6.00% over the same period. In a turnaround attempt, Scana agreed to a bid from Dominion, although still dependent on threats imposed by regulatory officials. Nonetheless, the bidder has been in talks with state politicians to smoothen Scana's post-nuclear-flop relationships.

Peers	Currency	Market Cap (CUR m)
DTE Energy Co	USD	18.778,58
CMS Energy Corp	USD	12.513,23
NorthWestern Corp	USD	2.616,43
Xcel Energy Inc	USD	23.042,28
Alliant Energy Corp	USD	9.248,17

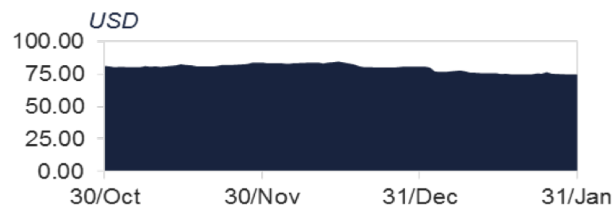
Deal Rationale

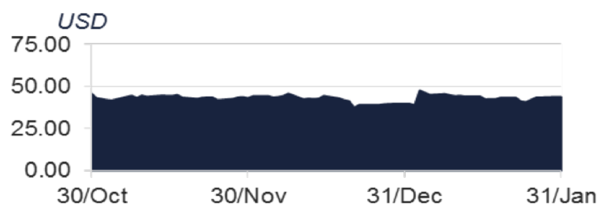
Following Scana's withdrawal from the nuclear project last year, Dominion Energy is currently offering the utility group a way to reassure its customers, angered by the costs incurred in the plan's building, as it promised to lower electricity rates and partially refund the incomplete nuclear station expansion. Most expenses were incurred due to the construction of two new nuclear reactors. As a result, Dominion promised to pay USD 1.3 bn to Scana's customers, which results in approximately USD 1,000 per customer. Additionally, it will cut bills by 5% to those that have been overcharged in the past under Scana's project funding.

Market Reaction

Dominion Energy Inc
As a response, Dominion's stock fell nearly 3.85%, pushing the price per share from USD 80.28 to USD 77.19 in just one day, a doubtful reaction towards the buyer.

Scana Corporation
The initial market reaction for Scana has been favorable, as its share price rose about 18.45% one day after, reflecting the appealing upside for Scana's stockholders.





Future Challenges

The greatest challenge for the agreement constitute the legislators as they want to ensure that customers are fully refunded. Until now, Scana's subsidiary, SCE&G, paid USD 37 m per month to fund the unsuccessful nuclear expansion venture, which accounted for approximately 18.00% of SCE&G's customers electric bills. However, many of the lawmakers admit that Dominion's deal might be more that what Scana will be ever able to pay back in the future by itself.

Inês Patrício
Investment Banking Division

M&A: Top Deals

Sanofi S.A. to acquire Bioverativ Inc

Sanofi, a French healthcare provider, has agreed to buy its US peer Bioverativ. The deal amounting to USD 11.6 bn and involving the purchase of all of Bioverativ's shares strengthens Sanofi's position in the rare disease market.

Buyer vs Seller

Sanofi S.A. was formed in 2004 through a merger with Aventis. It is an international player in research and development, manufacturing and marketing of pharmaceutical drugs mainly in the prescription market followed by over-the-counter medication. Bioverativ was founded in 2016 and focuses on biotechnology, more specifically on discovery, development and delivery of therapies for haemophilia and other rare diseases.

Industry Overview

In order to boost growth and acquire new products and know-how large drug makers are acquiring assets of its smaller competitors. There is a need for new innovations as old treatments' sales in the market are declining. So far in 2018, besides the acquisition of Bioverativ by Sanofi, Celgene offered to pay USD 9 bn for Juno Therapeutics that specializes in cancer treatment promising a high biotech deal activity this year.

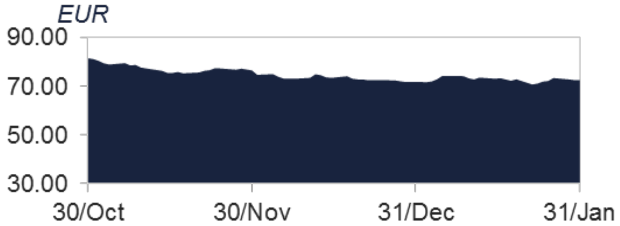
Peers	Currency	Market Cap (CUR m)
Biogen Inc	USD	75,167.81
Celgene Corp	USD	82,148.65
Gilead Sciences Inc	USD	106,447.99
Amgen Inc	USD	138,383.96
Sage Therapeutics Inc	USD	7,509.76

Deal Rationale

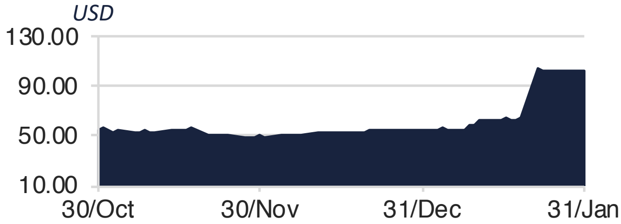
According to Sanofi's 2020 Roadmap it wants to become a leader in the rare disease market while increasing its presence in specialty care and develop further in rare blood disorders. Additionally, after missing out on several big takeovers, such as the one of Medivation in 2016 or Actelion in 2017, Sanofi was under increasing pressure from investors to close a deal. One of the main rationale for trying to acquire an add-on is the loss of its insulin patent leading to drop in revenues due to entrance of cheaper rivals.

Market Reaction

Sanofi S.A.
On the announcement date, Jan 22, the stock price decreased by 4.00% to EUR 70.83. However, it has since recovered from the drop as it is trading at the end of the month at around EUR 74.00.



Bioverativ Inc
The Company went public on 13th of January 2017. After the acquisition announcement the stock increased by more than 60.00% from USD 64.11 to USD 103.79. It stayed at the same level until the end of January 2018.



Future Challenges

According to several analysts the deal was too expensive, since there is a new haemophilia drug on the market. As the deal is supposed to be financed next to cash with debt, it is yet to be seen what conditions will Sanofi negotiate for itself. Furthermore, Sanofi needs to find an effective way how to integrate Bioverativ into its global infrastructure and share its capabilities to take full advantage of the joined potential.

Katerina Rybarova
Investment Banking Division

M&A: Top Deals

Celgene Corp. to acquire Juno Therapeutics

The US based biotechnology firm Juno Therapeutics is being targeted by Celgene Corp, one of the largest US pharmaceutical company, in a USD 9 bn bid. The deal represents Celgene determination to acquire a CAR-T platform.

Buyer vs Seller

The deal will see Celgene, which already have a 10% stake in Juno, buy the remaining 90%. Celgene is an American biotechnology firm that focuses on the development and commercialisation of drugs to treat cancer and haematological malignancies. Juno Therapeutics is a clinical-stage cell immunotherapy company that is currently developing a promising CAR-T therapy and other drugs to treat cancer. The deal will be financed entirely with cash. J.P. Morgan was the adviser for Celgene and Morgan Stanley was the adviser for Juno Therapeutics.

Industry Overview

The Pharmaceutical industry continues to be driven by constant innovation, which pushes major players to constantly maintain and updating their drug pipeline.
With the recent and ongoing controversies surrounding drug prices, it is becoming even more important for industry players to rejuvenate their pipeline through innovative treatments so they can survive the threat posed by generic competition.

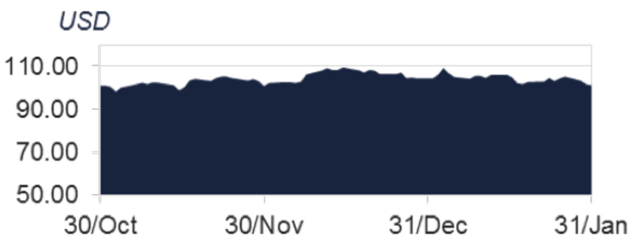
Peers	Currency	Market Cap (CUR m)
Bluebird Bio Inc	USD	9,805.66
Alnylam Pharmaceuticals Inc	USD	12,388.91
Agios Pharmaceuticals Inc	USD	4,253.27
Sarepta Therapeutics Inc	USD	4,124.17
TESARO Inc	USD	3,334.70

Deal Rationale

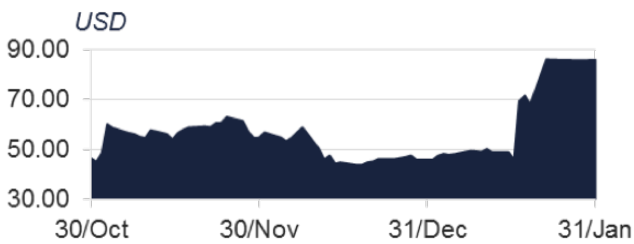
As Celgene tries to find a way to mitigate the impact of generic competition against cash cow Revlimid, it has been looking to acquire drugs and therapies to diversify its portfolio. Revlimid is the best-selling drug company, accounting for approximately 60% of Celgene revenues and will start to face generic competition in 2020 when its patent starts to expire. The deal will also enable Celgene to bring in-house an entire cell therapy platform that is currently at forefront of innovation in the fight against cancer. The deal is also at a small discount relative to the 10% Celgene previously bought. Juno acquisition will also bring a much needed CAR-T platform as well as a very promising therapy, JCAR017, which has an estimated USD 3 bn peak in sales.

Market Reaction

Celgene Corp
Since the announcement, the stock price has slightly decreased. Even though the deal was well received by analysts, investors seemed uncertain and still bitter about Celgene's Impact Biomedicines acquisition.



Juno Therapeutics
Since the first report of the acquisition by the WSJ, Juno stock has increased by approximately 90%. Investors seem very confident that the deal will go through at the current bid.



Future Challenges

Even though the merger will most likely not encounter any regulatory or anti-trust issues, the acquisition is still a risky bet for Celgene shareholders. Juno treatments are still in clinical stage which means that the company is still waiting for regulatory approvals to commercialise its therapies. According to BIO, the largest biotech trade association, oncology treatment in Phase III have only 40% likelihood of approval, which is far lower than drugs for other type of diseases.

Mathieu Bourque
Investment Banking Division

What happened to

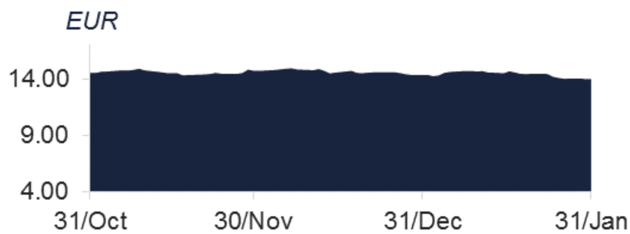
Engie

Engie, former Gaz de France Suez (GDF Suez), is a French multinational utility company operating in the electricity generation and distribution, natural gas, nuclear and renewable energy. With EUR 66.6 bn of revenue in 2016, the French State continue to have a 24% stake in the company which has operational presence in more than 70 countries.

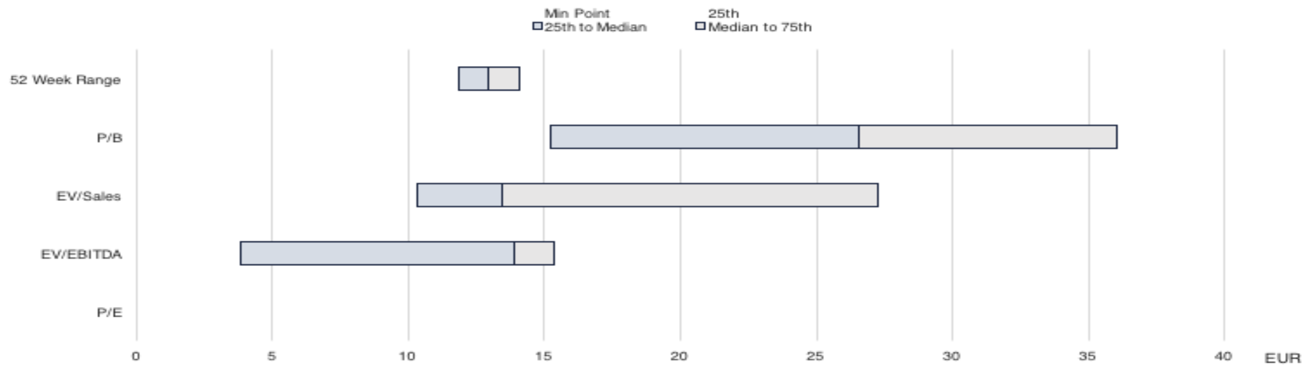
Corporate News

Engie's CEO, Isabelle Kocher, the first French female chief executive of a Paris CAC 40 company when she took office in 2016, announced in January the completion of a "fundamental repositioning" of the group. Since the beginning of 2017, the stock price increased by 19%, giving the CEO a vote of confidence. The three-year plan from 2016 to 2018 includes a reduction of costs, and a decrease of the firm's exposure to carbon intensive industries, and of markets most exposed to fluctuating prices. Instead, the group plans to invest in renewable energy, regulated markets and digital technologies. For this, Engie aimed at selling off EUR 15 bn of fossil fuel-focused assets between 2016 and 2018 and reinvest the proceeds in renewables and energy services. The achievements include the reduction of its low-carbon activities, already representing more than 90% of its EBITDA, ahead of its target.

Price (31 Jan 18, EUR)	**13.95**
Targe Price (EUR)	15.75
3M Performance	-3.86%
Market Cap (EUR m)	33,972.23
Enterprise Value (EUR m)	61,842.23
**Target Price is for 12 months*	



Valuation Analysis



Engie was trading at EUR 13.79 towards the end of January in the Paris stock exchange. The dispersion of valuation in the Electricity utility industry is large (see football chart above). Using the median of the valuation of both the EV / Sales and EV / EBITDA multiples, it seems that Engie current stock price is currently at fair value. Nevertheless, the football chart highlights higher valuations of Engie using the EV / Sales ratio compared to EV / EBITDA ratio, Engie have a lower EBITDA to sales ratio than its peers.

Electricity utility companies in Europe are pushed to adopt policies to phase out coal to comply with European emission-reduction goals. If one power generator decide to remain in the industry after 2020, it will have to invest in order to modernize production plants to make them compliant with new EU emission limits. According to Bloomberg, higher electricity consumption is likely to boost the sales volume for European energy suppliers.

Table Peers

Peers	Currency	Market Cap (Cur m)
A2A SpA	EUR	4,783.95
Electricite de France SA	EUR	33,036.15
EnBW Energie Baden-Wuerttemt	EUR	7,800.25
EDP Renovaveis SA	EUR	6,189.03
SSE PLC	GBp	

Raphaël Agbanrin
Investment Banking Division

NIC's view on

Blackstone's largest post-crisis leveraged buyout of Thomson Reuters F&R Unit

Hoang Nguyen
Investment Banking Division

The Blackstone Group and Thomson Reuters announced strategic partnership for Thomson Reuters Financial & Risk (F&R) business. This USD 17.0 bn supersize deal is Blackstone's largest post-crisis leveraged buyout. The partnership is expected to strengthen F&R's growth trajectory. Thomson Reuters plans to use the net proceeds to invest in its core Legal, Tax & Accounting units, pay down debt and repurchase shares. Furthermore, they have secured an inflation-adjusted minimum payment of USD 325.0 m a year for 30 years from the new company to keep suppling news to its Eikon terminals.

The Blackstone Group is an American multinational private equity, alternative asset management and financial services firm based in New York City, United States. As the largest alternative investment firm in the world, Blackstone specializes in private equity, credit and hedge fund investment strategies. As of September 30, 2017 the firm has USD 387.0 bn assets under management. Blackstone's private equity business has been one of the largest investors in leveraged buyouts in the last decade.

In January 2018, a group led by Blackstone agreed to buy a majority stake in Thomson Reuters Corp.'s Financial & Risk (F&R) unit for USD 17.0 bn. The 11,000-employee subsidiary comprises the bulk of the "old Reuters" business, minus its news division. It includes Eikon, its information terminal, and Elektron, which provides data and trading infrastructure for investors, as well as some of the world's largest electronic trading venues for foreign exchange and fixed income, such as Tradeweb. This division of Thomson Reuters had USD 6.1 bn sales in 2016, which accounted for more than half of adjusted earnings before interest, taxes, depreciation and amortization.

In addition to the agreed amount of USD 17.0 bn, shareholders in Thomson Reuters will retain a 45% stake in a new company that will be controlled by Blackstone. Thomson Reuters will also maintain full ownership of its Legal, Tax & Accounting and the Reuters News businesses. The deal was funded by USD 14.0 bn of debt and preferred equity plus USD 3.0 bn in cash by Blackstone. Canada's CPPIB and Singapore state fund GIC, two of the largest global investors, will be investing alongside the US private equity group. The future of Thomson Reuters' famous newsgathering business is also secured in a deal to supply news to its terminals. Blackstone sees attractive growth in the Thomson Reuters unit's data feed, its foreign exchange and treasury trading platforms, as well as its risk and compliance business. The division would also be able to improve operations more quickly as a private company. If successful, Blackstone could relatively quickly seek to sell the business in a few years, having already identified possible acquirers of the unit in Intercontinental Exchange and the London Stock Exchange Group.

This supersize deal raises the question whether a deal of this size is a one-off, or are buyouts poised to get larger as firms move to deploy record sums of dry powder? The deal is Blackstone's largest by enterprise value since it acquired Hilton Worldwide Holdings Inc. for USD 26 bn in 2007. Big checks were the norm during that time. From 2005 to 2007, private equity firms led 19 purchases worth more than USD 10 bn, according to data compiled by Bloomberg. Those deals produced mostly mediocre returns because of high debt levels, expensive entry prices and the global financial crisis that followed, according to a 2016 study by Bloomberg. Even when events like a credit crunch do not damp performance, gigantic deals require significant work to move increase returns.

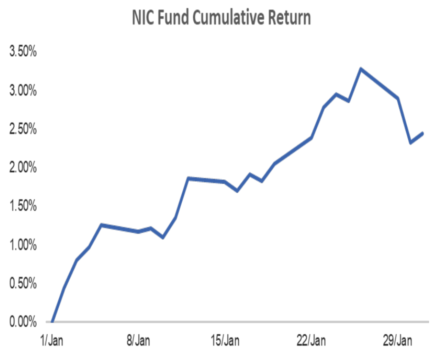
Date	Recent News
30 Jan 18	Blackstone-led consortium announces partnership agreement with Thomson Reuters ***Source:*** *blackstone.com*
25 Jan 18	Mime Petroleum and Blue Water Energy join forces with Blackstone Energy Partners. ***Source:*** *blackstone.com*
08 Jan 18	Blackstone completes acquisition of Schenck, appoints new chairman. ***Source:*** *blackstone.com*
07 Dec 17	Blackstone acquires a majority stake in leading data classification provider TITUS ***Source:*** *blackstone.com*

Hoang Nguyen
Investment Banking Division

NIC Fund

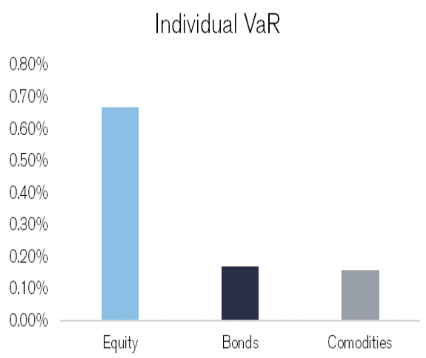
NIC Fund

Portfolio Overview



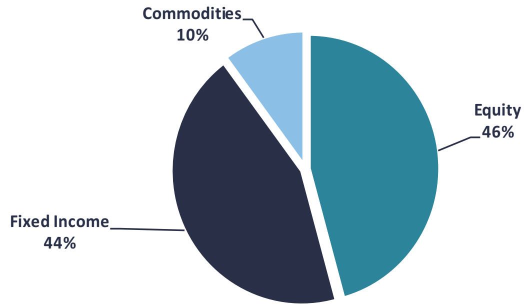
Portfolio Statistics	
Cumulative Return	2.45%
Annualized Return	46.88%
Annualized St. Dev	4.26%
Info Sharpe	7.09
Skew (Daily)	-0.58
Kurtosis (Daily)	-0.28

Benchmark	
iShares 3-7 Year Treasury Bonds	55%
iShares MSCI World ETF	30%
Powershares DB Commodity Index	10%
MSCI Emerging Markets	5%



Portfolio Snapshot

During January, 45% of the fund remained devoted to Equities, 45% to Fixed Income and 10% to Commodities. Yet, 10% of the Equities are now allocated to ten specific stocks across the US, Hong Kong and Europe, using an equally weighted strategy. In the middle of January, Air France was sold and Amazon bought. Also, later, in the same period seven new stock picks were made. In terms of commodities, all of the portfolio was allocated to the benchmark.



Return Metrics

The overall performance of the portfolio was positive, with a cumulative return of 2.45%. Equities had the best performance, contributing with a positive return of 2.70%. In the same way, Commodities contributed positively to the portfolio, with a gain of 0.30%. Fixed Income was the worst performer, with a negative contribution of -0.55%.

In terms of equities, besides being invested in the MSCI World and MSCI EM, the portfolio was also invested in other 11 individual stocks. From these the best performers were Adidas, Tencent Holdings Ltd and Amazon.com Inc with a performance of 16.35%, 14.13% and 11.16% respectively, which translated in a contribution to the portfolio of 0.16%, 0.14% and 0.11%. On the other hand, Air France was the worst performer, having been sold in the middle of the month, cutting losses. Finally, the MSCI World yielded a return of 5.19%, boosting the Fund's returns by 1.92% and MSCI EM yielded a return of 8.30% contributing 0.33% to the portfolio.

Risk Metrics

In terms of risk, our portfolio registered a daily VaR of 0.64%, taking into consideration the benefits of diversification. On the other hand, also during the same period under analysis, the non-diversified VaR was at 1%, below the maximum established threshold of 2.5%.

Equities were the asset class with the highest individual VaR, which was around 0.67%. On the other hand, Bonds and Commodities slightly lower VaRs of 0.17% and 0.16% respectively.

Sofia dos Santos Nunes
Financial Markets Division

NIC Fund

Assets in brief

Asset Class	Symbol	Comments
HK Equity	**700:HK**	During the month, Tencent Holdings has yielded 10.96% of return. This month the tech giant was busy doing overseas acquisitions, from the USD 5.4 bn shared stake in Dalian Wanda's Commercial Property to the 10% stake in Skydance Media. Also, in the end of the month Carrefour has announced a new partnership with Tencent and Yonghui.
US Equity	**BAC**	Bank of America's stock went up by 7.02% last month. BoA reported better than expected earnings this month, with loan growth offsetting a drop in fixed income trading. Even though, after the announcement, the shares went down due to lower than expected adjusted revenues, the Bank finished off the month yielding a positive return. Bank of America is seen as one of the biggest beneficiaries of the US corporate tax cut, even though the reforms have forced the bank to take a lump sum loss.
US Equity	**AMZN**	The combination of the recovering consumers around the world and further disruption of traditional retail will benefit the e-commerce giant. At the beginning of the next month, the company will release numbers covering the final quarter of 2017, including the holiday season. Expansion into more traditional retail and grocery business through the Wholefoods integration are interesting as well as the expanding cloud computing business known as AWS.
US Equity	**V**	Visa, a new addition to our portfolio, has reported in its first-quarter fiscal 2018 financial results revenues of USD 4.86 bn and EPS of USD 1.08, beating analysts expectations. This results were boosted by the increase in the number of payments and cross-border transactions. Visa is seen playing a rather relevant role in a cash-less society, being the market leader in credit and debit payment industry.
US Equity	**EVBG**	Everbridge is a company that provides enterprise software applications that automate and accelerate organizations' operational response to critical events in order to keep people safe and the businesses running. These events can range from active shooter situations to cyber-attacks and natural catastrophes.
US Equity	**BX**	With Blackstone bidding USD 17 bn to take a controlling stake in the financial terminals and data business of Thomson Reuters this Tuesday, we consider it a good timing to allocate a portion of our portfolio to a private equity titan. We are bullish on PE business in the short-term as the macroeconomic conditions remain favourable, making it a good value investment and diversification element.
US Equity	**MU**	Micron started fiscal 2018 on a strong note, reporting outstanding results for Q1. Furthermore, Micron provided an overwhelming Q2 outlook which reflects that the entire industry of memory-chip makers will continue its outperformance as long as demand for memory chips remains ahead of supply.
US Equity	**BABA**	Despite lower margins in result of several investments in retail and logistics, Alibaba's overseas expansion and offline push should further expand its huge user base and lay the foundation for future growth opportunities across a variety of businesses, as the company monetizes its newer business segments. The purchase of a 33% equity stake in Ant Financial will give Alibaba's investors direct exposure to China's fintech sector.

*Besides these stocks, we invested in NVIDIA and Walt Disney as well

Sofia dos Santos Nunes
Financial Markets Division

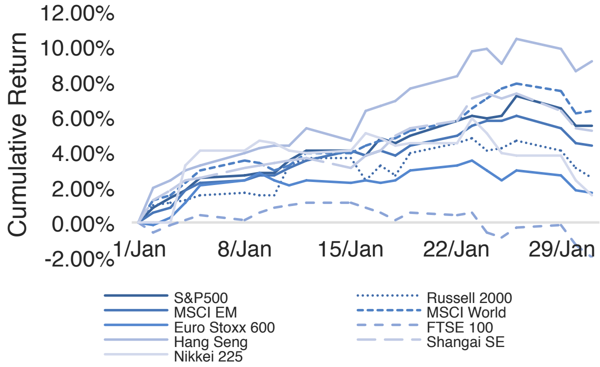
NIC Fund

Equities

World Equities

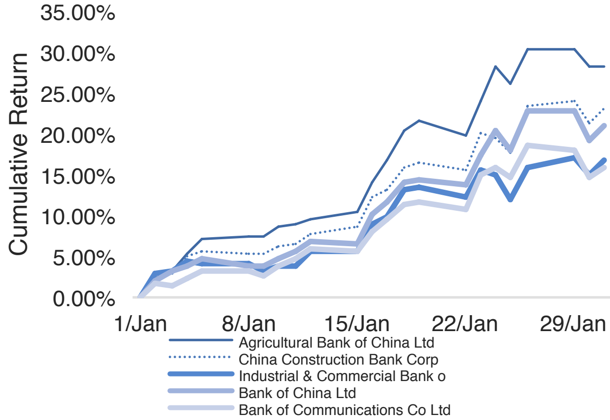
Stocks began 2018 on a strong note, the S&P 500 gained 5.50%, extending last year gains and brining the benchmark to the longest trading session without a 5% correction, lasting 396 days at the end of the month. The move was fuelled by the tax regime changes made in December by the US administration and hopes of higher future inflation, supported by the tax cuts and future infrastructure spending. Equities in the eurozone had a decent start of the year as well with the Euro Stoxx 600 gaining 1.62% while UK equities 2.00% as the Sterling appreciated against the dollar and further uncertainty about Brexit and the economic impact persists.

Developed markets equities were overshadowed in the month by emerging markets as the MSCI EM gained 6.42%, 199 bps more than the MSCI World. The MSCI EM was especially supported from Chinese Equities as the Hang Seng in Hong Kong gained 9.18%, mainly driven by banks. On January 1st the reserve ratio was reduced for lenders that offer inclusive financing and investors are hoping that the large banks will turn out to be the winner of the ongoing deleveraging campaign. The state-owned banks gained between 16% and 28% during the months. While valuations are not expensive, investors should evaluate whether this move is sustainable as these banks are heavily linked to the Chinese credit market.

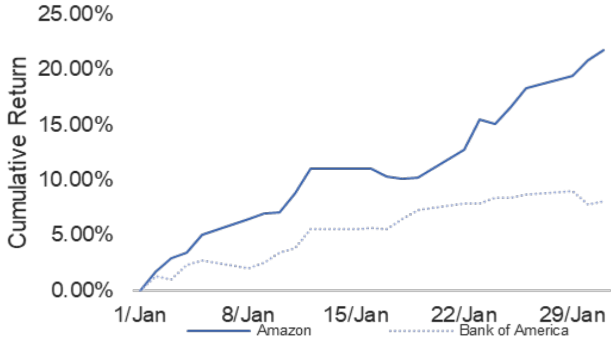


In depth

The US tax cuts led to some extraordinary losses for companies carrying deferred tax assets, mostly banks. Investors shrug off these one-offs as banks reported good numbers, benefitting from higher US interest rates and ongoing M&A activity while trading revenue has been low due to low volatility. Especially Bank of America can benefit from the improving lending business as it has access to one of the widest deposit account networks in the US, offering cheap funding. However, investors should keep an eye on credit card delinquencies and the ability of the US consumer to pay her debts as charge-offs on credit cards at Citigroup, JPMorgan Chase, Bank of America and Wells Fargo increased by about USD 2 bn to USD 12.5 bn in 2017.



Besides financials, tech companies like Amazon pushed the benchmark higher. Improvement in the US economy, rising wages and lower unemployment increase discretionary consumption of which the e-commerce giant is set to benefit from in the last holiday season. While US GDP numbers were below consensus for 4Q17, consumption beat expectations by growing 3.8%, the strongest quarter since the fourth quarter of 2014. This development backs further expansion and increasing profitability by the company in the core business of e-commerce, growth in cloud computing through AWS and expansion into more classic retail, leveraging the companies ability to disrupt incumbents.



Our performance

Our equities portfolio returned 6.03% during the month of January.

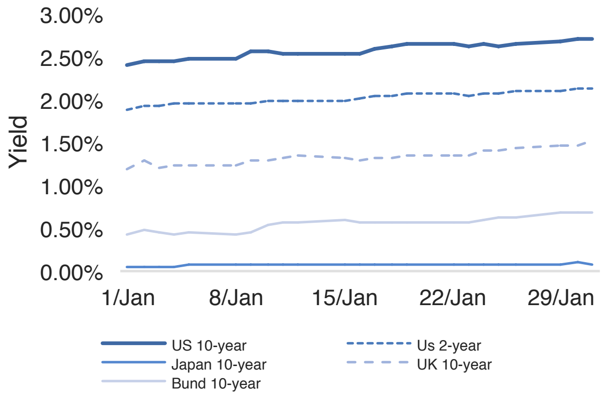
Julius Nimtz
Financial Markets Division

NIC Fund

Fixed Income

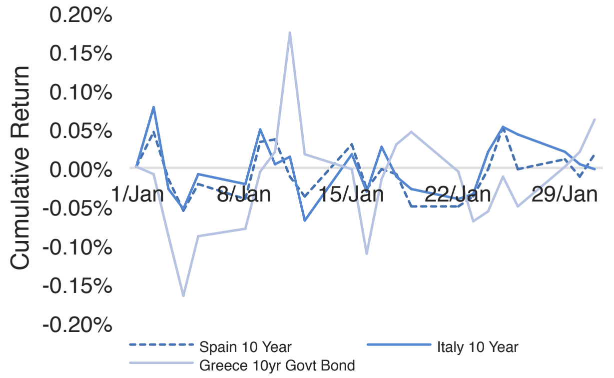
World Yields

January has seen a sell-off in government bonds causing prices of US Treasuries to hit their cheapest level in almost four years, with the yield on 10-year debt hitting 2.721%. The yield on Germany's five-year government bonds turned positive for the first time since late 2015 (it reached 0.105 pp by the end of January). The shift carried through into longer-dated debt as well, with the 10-year German yield reaching 0.711%, its highest level since late 2015. The moves in US and German debt rippled out into other bond markets: the 10-year UK gilt hit 1.525%, its highest level for a year. The moves are the latest evidence that global bond markets are shifting in response to the wave of economic growth, in a trend which could put an end to the three-decade-long sovereign bull market. Meanwhile, The Bank of Japan and European Central Bank (ECB) both had policy meetings this month, and both turned out as markets expected in the sense that key policy rates, yield targets and planned asset purchases were all left unchanged, although some expected ECB President Draghi's comments at the press conference to be a little more bearish than previously – reflecting minutes of the previous meeting which suggested the wording on the policy stance could be revisited early in the year.



Watch out for Spread Products

Sales of debt by eurozone periphery countries and emerging markets have had a fantastic start to the year, with Spain's ability to attract EUR 43 bn of orders for a 10-year bond: the most vivid demonstration of investors' willingness to take on risk within the universe of sovereign borrowers. Money has poured into emerging markets in January, with equity and bond funds attracting their highest combined flows over the last two weeks for 18 months. The variety of dangers — from less central bank bond-buying to a violent rebound in the dollar — are either not yet powerful enough to register or are encouraging money managers to buy while the backdrop is benign, investors and analysts say. A robust global growth picture in which the eurozone is playing a key role is one factor stirring the appetite for risk. The improving budget forecasts for those countries that make up the eurozone periphery, as well as upgrades to credit ratings, is another key driver explaining this unexpected surge in demand for these sovereign bonds.



Our Performance

Our current position in the EIE ETF, tracking 3-7 year US Treasury Bonds, our benchmark fund for fixed income, is 10% underweight. Over the month, the index lost 1.22%, leading to a negative contribution of -55 bps in our portfolio.

Mahomed Vali
Financial Markets Division

NIC Fund

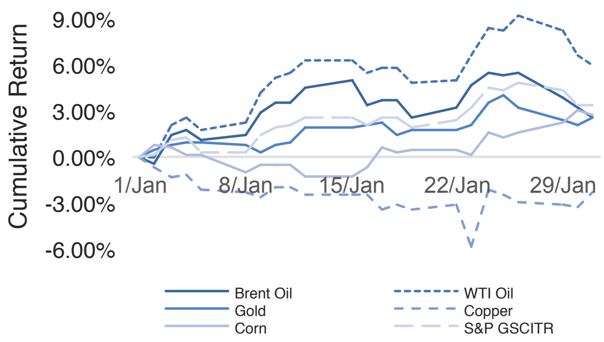
Commodities

January Round-up

The tumbling dollar and hopes of a further boost to the global economy drove most commodity prices higher.

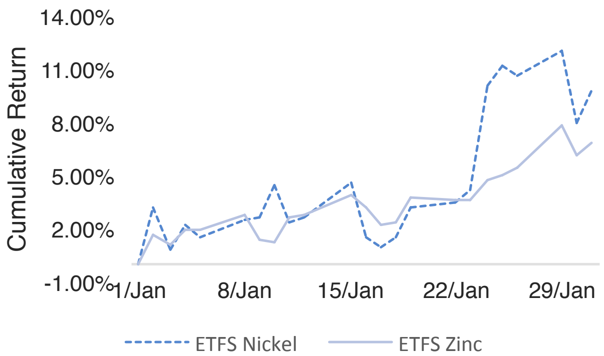
In January, the S&P GSCI Total return index, which tracks 24 commodities, has risen by 3.42%. Top gainers this month were lead, coffee, and zinc while natural gas, unleaded gasoline, and heating oil contributed the most to the index losses.

Precious metals, especially gold, are trading with high correlation to the dollar. Therefore, a weaker dollar makes gold cheaper for buyers that are using other currencies. That being said, while the dollar index dropped 2.60% in January, gold has posted gains all over January. Wheat and corn also benefited from that trend with a 4% and 2% rise at the end of the month, respectively, due to the potential increase in US exports becoming cheaper.



Apart from that, crude oil prices hit three-year highs, with Brent, the international marker, rising above USD 71 a barrel for the first time since late 2014, and West Texas Intermediate, its US counterpart, trading at USD 66.22. It was still uncertain that higher oil prices would trigger a rush of US shale groups to increase production.

Asia's gasoline margins are at their lowest in three years as plentiful supplies, off-peak demand, and a steady rise in crude oil have undercut profit for the refined fuel. Gasoline demand is at its seasonal weakest during January and is expected to rise ahead of the Chinese New Year. On the other hand, copper is expected to drop following this same event due to a softer demand in China that would push the prices lower. This would follow the current trend where copper price, hit by the Democratic Republic of Congo to sharply raising taxes on mining projects, fell by 2.29% this month.



Outlook for February

Nickel and zinc are the standout January metals performers. The ETFs nickel ended the month with 9.77% cumulative return. Owing to the dollar depreciation and an improving demand and supply outlook, investors booked profits on Nickel. Latest data showed that China's nickel imports more than doubled in December 2017. The metal is also used in electric vehicle batteries which also encourage investors to believe that the price of USD 14.040/t reached at the end of January, which represent its highest since May 2015, will continue to rise in the following month. One threat to the rally is the likelihood of higher production in Indonesia and the Philippines this year after a move by the top producers to pull back on restrictions targeting their mining sectors. On the other hand the ETFs zinc fund gained 6.81% this month while zinc prices reached the highest since 2007 at USD 3'550/t.

Our performance

During the month of January, our commodities portfolio have yielded 2.95%, contributing 30 bps to our performance.

Sophie Pourinet
Financial Markets Division

NIC Fund

Currencies

World Currencies

In January, the most noteworthy market move was the 3.2% fall of the USD major trade-weighted index. In Davos, the US Treasury Secretary Steven Mnuchin said that a weaker USD would be good for the economy, which, together with the brief US government shutdown, helped the **dollar further declining**, after depreciating broadly through the course of last year. The dollar is now at a three-year low against the euro, with the currency pair at 1.24 (USD per EUR).

On the other side of the Atlantic, the strengthening of the eurozone recovery continues as consumer confidence and PMI business survey are close to record highs. As such, investors are now closely awaiting any hints of future plans to reduce stimulus from the ECB. However, Mario Draghi highlighted at the 25 January meeting that there were still risks that inflation would not return to target. The **rise in the euro** has been marked against the dollar, but in trade-weighted terms the increase is more modest (only up 0.7% in January).
Sterling exchange rates have raised this month, powering the GBP trade-weighted index to lift by 1.8% in January. The **pound sits now near a 9 month high against the Euro** and the best levels against the dollar since the Brexit vote, in response to a mix of economic data and political comments.

In Asia, the **Chinese yuan experienced its strongest monthly rally** for almost 40 years. In January, the USD lost 3.4% against the onshore renminbi on both a slumping USD and tighter domestic liquidity condition into the Chinese New Year. That is the renminbi's best monthly performance since before the introduction of the managed float in 2005. The Japanese yen outperformed mostly against the dollar, appreciating past JPY 109 per USD for the first time since last September.

Bitcoin has shed around USD 44 bn of value in January alone, the steepest monthly slide in the history of the cryptocurrency. On the other hand, other cryptocurrencies have performed well, despite not being at all-time highs.

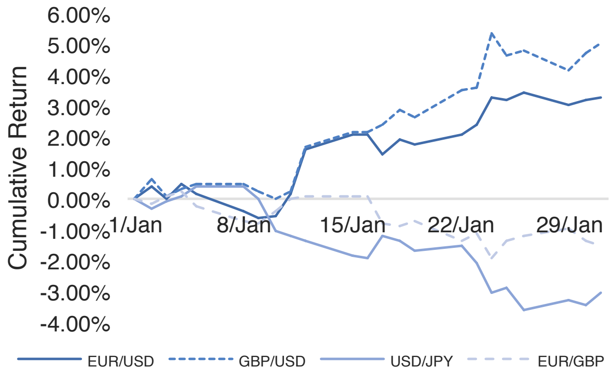
In depth

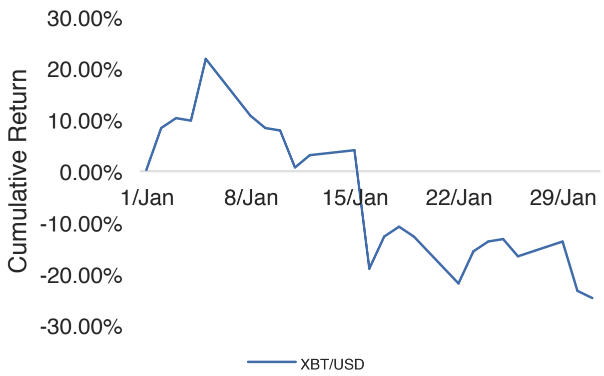
Investors should closely watch the ongoing political situation both in Catalonia and in Germany, as it might weigh down the value of the Euro in February.

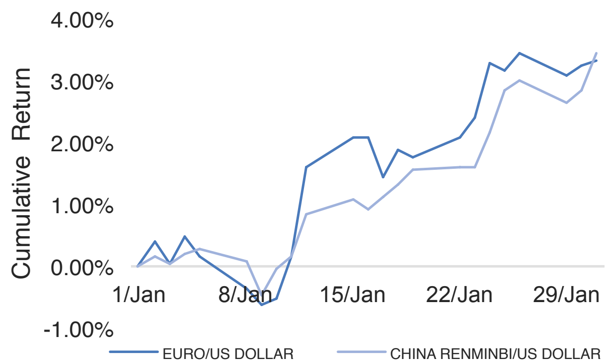
Chinese yuan is expected to continue appreciating against the USD, even as its strength begins to hurt local businesses. Rising trade tensions with the White House may be a factor, with the PBoC tolerating a stronger currency in order to assuage US complaints about its trade deficit.

Our performance

We currently hold no currency related assets in our portfolio.







Tomás Ambrósio
Financial Markets Division

Extras

Hot Topic

The State of the Economy – How much is it Trump's success?

Philipp P. Breitbach
Investment Banking Division

Donald J. Trump is now the 45th President of the United States for one year and gave his first State of the Union Address. Time to look at his economic achievements and sort out where he did better than his predecessor and on what areas he needs to work on. Surely, it is not clear what can be truly attributed to new policy implemented.

During Donald J. Trumps first "State of the Union" one theme was omnipresent: America is on the way to becoming great again. Soon commentators opposing Trump and his policy stated that the current upward trend is not as much Trump's achievement but rather consequences of policy from the Obama administration. But is it really this easy to attribute economic success to one or another president?

Some claims by President Trump are undoubtedly correct, for example, the stock market really is at its highest ever and African-American unemployment stands at the lowest rate ever recorded. However, it is also true that this are trends that started long before the 45th President of the United States took office. In case of the stock market, the former TV-star deserves at least partial credit. In 2017, Donald Trump's first year in office, the Dow Jones Industrial Average gained 25.08%, this is more than 10% compared to Obama's last year in office. However, this yearly return was beaten in 2013, Obama's first year of his second term, which a gain of 26.50%. On this matter, it remains to be seen if the corporate tax reform really is the desired stimulus for the American economy.

Looking at broader economic indicators, we see that the US economy in the fourth quarter of 2017 grew at an annual rate of 2.3% from a year earlier. This is a little above the average growth rate of Obama's second term of 2.2%. Therefore, in terms of gross domestic product, the increase in growth is not significant. When looking at business investment spending Trump as an edge over Obama, this indicator was up 4.5% in 2017, this is 1.5% higher than the average growth during Obama's second tenure. One big factor here is the Trump tax reform, as the corporate tax rate is significantly cut and regulation was reduced, the US becomes more competitive for these investments. Trump points out this development in his address to the nation. "Apple has just announced its plans to invest a total of USD 350 bn in America, and hire another 20,000 workers." However, as the New York Times points out, USD 275 bn is simply continuing the company's past spending trends. The actual amount of new investment, which can be attributed to Trump, is estimated at USD 37 bn, which is still an impressive number.

Trump claimed to be a great job creator, and indeed during his first year in office, slightly more than 2 m US non-farm private payroll jobs where created. However, this number was surpassed in each year of Obama's second term, on average 2.4 m of such jobs were created during this time. Nevertheless, the unemployment rate continued to fall to its current level of 4.1%.

When analyzing the forward-looking composite ISM index of manufacturing and services, Trump has an edge over Obama. In his first year of office, the index climbed steadily, to an average of 57.0, during Obama's second term this index averaged at 55.4. This indicated that the US economy is in a positive mood and further positive developments can be expected.

Three factors are important to watch going forward. First, are the trends from the Obama years sustained as more Trump policy will be implemented? Second, how much of the positive corporate actions are just short-term effects and how sustainable will they be in the long-run. Lastly, how much will Trump's base actually profit from the policy? Trump was largely elected by Americans who felt they are left behind when the changes truly change the life of many working-class Americans Trump will have a good chance to become reelected in 2020.

Philipp P. Breitbach
Investment Banking Division

Thank you!

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