NIC

— Nova Investment Club —

Newsletter

April 2024

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 reviewing major economic news from the past month. In our Deeper Dive section, Jakub Jarzęczka sheds light on Elon Musk's lawsuit against OpenAI. Moreover, in our Regional View, Leon Wagner explains how India's stock market surge is related to the economic prospects of the country.

Our Investment Banking Division will guide you through March's overall M&A activity. Read about EQT Corp acquiring Equitrans Midstream, AstraZeneca acquiring Fusion Pharmaceutical, and Keysight Technology acquiring Spirent Communications. Additionally, get a detailed overview of what happened to Amazon and Ørsted, and read expert insight on Germany's legalization of cannabis.

Our Financial Markets Division will present the monthly results of the NIC Fund, an active relative return fund investing across three different asset classes: Equities, Fixed Income, and Commodities. The analysts will also provide commentary on each of the three major asset classes through an analysis of the past month's major market moves. The overall performance of the NIC Fund in March was positive, with a cumulative return of 1.66%.

Lastly, on the Hot Topic of this month, Ilenia Fiore discusses the challenges of the European stock market.

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 The reports may contain inaccurate or outdated information and should not be used as an exclusive mean for investment decisions.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

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Macro Overview

Monthly

March 31st, 2024

Market Moves

Market Moves

% change

	Last Close	-1W	-3M	YTD
S&P 500	5,254	0.39%	10.16%	10.16%
DJIA	39,807	0.84%	5.62%	5.62%
Nasdaq	16,379	-0.30%	9.11%	9.11%
MSCI World	3,678	0.63%	4.48%	4.48%
MSCI EM	3,607	-0.74%	-1.64%	-1.64%
Russell 2000	2,125	2.54%	4.81%	4.81%
Euro Stoxx 50	5,083	1.04%	12.43%	12.43%
FTSE 100	7,953	0.27%	2.84%	2.84%
Nikkei 225	40,369	-1.27%	20.63%	20.63%
Hang Seng	16,541	0.25%	-2.97%	-2.97%
Dollar Index	104.49	0.05%	3.11%	3.11%
EUR/USD	1.079	-0.17%	-2.26%	-2.26%
GBP/EUR	1.1697	0.36%	1.40%	1.40%
GBP/USD	1.2623	0.17%	-0.85%	-0.85%
USD/JPY	151.350	-0.04%	7.31%	7.31%
USD/CHF	0.90	0.43%	7.13%	7.13%
Brent Crude	87.480	2.40%	13.55%	13.55%
Gold	2,217.4	2.66%	7.03%	7.03%

Generic Bond Yields

change in bps

	Last Close	-1W	-3M	YTD
US 10Y Yield	4.200%	0.2	32.1	32.1
GER 10Y Yield	2.298%	-2.5	27.4	27.4
JPY 10Y Yield	0.727%	-1.4	11.3	11.3
UK 10Y Yield	3.933%	0.5	39.6	39.6
PT 10Y Yield	3.007%	1.1	35.1	35.1

**Source: Bloomberg, as of 2024-03-29*

In Focus

March

Fed keeps interest rates steady and signals commitment to inflation target. The Federal Reserve maintained the federal funds rate at 5.25% to 5.50% during its March 2024 meeting, marking the fifth consecutive time the rate has remained unchanged. Chairman Jerome Powell stated the Fed's dedication to reducing inflation to the 2% target, noting significant progress in the economy and an easing in inflation alongside a strong labor market.

ECB hold rates high. During its March meeting, the European Central Bank kept its main refinancing rate at 4.50%. The ECB revised its inflation forecast down slightly, expecting averages of 2.30% in 2024, 2% in 2025, and 1.90% in 2026.

Vladimir Putin achieved a decisive win in Russia's election, garnering 87.80% of the votes, a result that extends his tenure as President until 2030. This victory solidifies his long-standing control over Russian politics. The election process faced international scrutiny, with Western countries condemning it as lacking in freedom and fairness, pointing to issues such as the suppression of political opposition and media censorship.

In Turkey's local elections, President Erdogan's AKP party suffered significant losses. Particularly in major cities, where the opposition CHP party, led by Istanbul's Mayor Ekrem Imamoglu, made substantial gains. Imamoglu's defense of his position in Istanbul is seen as a rebuke to Erdogan, signaling voter discontent with the current administration's policies on democracy and rule of law. Despite the AKP's overall competitive performance nationwide, the election results are viewed as a pivotal moment for Turkey's political landscape, with implications for future potential shifts in political leadership.

China's factory activity grew for the first time in six months, with the manufacturing purchasing managers' index (PMI) reaching 50.80 in March. This signals a potential stabilization in the economy. Despite the positive trend in industrial profits and export orders, the National Bureau of Statistics emphasized the need for more state support to address market demand deficiencies and prevent industrial overcapacity from affecting export markets. While recent data suggest an economic rebound, analysts warn that achieving the set growth target of 5% for 2024 will require sustained and increased government stimulus.

The Bank of England's Monetary Policy Committee voted 8-1 to maintain the borrowing cost at a 16-Year high of 5.25%, with two members reversing their previous support for a rate hike, signaling a potential shift towards reducing interest rates in the near future.

Japan's economy expanded at an annualized rate of 0.40% in the fourth quarter of 2023. This growth exceeded the initial estimate, which predicted a 0.40% contraction. Therefore Japan avoided a technical recession thanks to companies' stronger-than-expected spending on plants and equipments.

The US economy experienced a robust 3.40% GDP growth in Q4 2023, outperforming initial estimates due to increased consumer spending and nonresidential fixed investment. Early indicators, including the labor market, PMI, and consumer confidence, suggest a strong start to 2024, indicating that despite high interest rates, the US economy is expected to continue expanding, albeit slightly below the long-term trend.

Johanna Linden
Financial Markets Division

Deeper Dive

Elon Musk Suing OpenAI

Jakub Jarzęczka
Investment Banking Division

“We believe the claims in this suit may stem from Elon’s regrets about not being involved with the company today. It is deeply disappointing to see Elon take this action against a company he helped start, especially given his close collaboration with some of you who are still here working towards the mission.”

– Jason Kwon, Chief Strategy Officer, OpenAI

Billionaire entrepreneur Elon Musk has filed a lawsuit against OpenAI and its CEO, Sam Altman, asserting that the company has veered away from its original mission to develop artificial intelligence (AI) for the benefit of humanity and instead prioritized profit. The lawsuit, filed in a California Superior Court, accuses OpenAI of breaching the initial agreement to create an open-source, non-profit organization focused on advancing artificial general intelligence (AGI) that would serve the greater good.

Musk's legal action claims that Altman and co-founder Greg Brockman initially approached him to establish a company dedicated to AGI development that would operate in contrast to profit-driven AI efforts by companies like Google. However, Musk argues that OpenAI has transformed into a de facto subsidiary of Microsoft, deviating from its intended mission. The lawsuit directly points to the 2023 release of GPT-4 as a pivotal moment when the organization shifted its focus toward profit, essentially treating it as a Microsoft product.

Musk seeks a court ruling to force OpenAI to disclose its research and technology to the public and prevent financial gains for Microsoft or individual stakeholders. The legal dispute underscores Musk's longstanding concerns about AGI's potential risks to humanity and his belief that OpenAI's actions pose a significant threat. The lawsuit also questions the licensing agreement between OpenAI and Microsoft, asserting that GPT-4 and a more advanced technology known as Q* should be considered AGI, exceeding the scope of Microsoft's license.

This legal battle has roots in Musk's prior involvement with OpenAI. In 2015, Musk co-founded the organization, contributing a significant amount of funding before stepping down from the board in 2018 due to disagreements with Altman over the company's research direction and stating that AI is “potentially more dangerous than nukes”. Musk attempted to gain control of OpenAI in 2017, envisioning a commercial entity in partnership with Tesla. However, Altman and others resisted.

Further, OpenAI's collaboration with Microsoft has come under antitrust scrutiny in the US and the UK. The lawsuit adds another layer to the ongoing investigation by competition authorities, raising questions about the dynamics between OpenAI, Microsoft, and Musk's concerns about AGI development.

OpenAI and Microsoft have not yet responded to Musk's allegations. However, in a memo, Altman dismissed Musk's claims as expected challenges, emphasizing that the legal battle won't impact AI development inside or outside OpenAI. Musk's xAI, has introduced its chatbot Grok, positioning itself as a challenger in the evolving landscape of generative AI.

OpenAI's response to accusations of lacking openness, particularly in open-source practices, aims to refute such claims by citing Elon Musk's approval when co-founder Ilya Sutskever altered plans. Quoting from emails, OpenAI highlights Sutskever's statement to Musk that as AI development progresses, it may make more sense to be less open. Musk’s brief but telling response, "Yep," is presented as affirmation.

The unfolding lawsuit introduces legal complexities due to its unprecedented nature, transforming a philosophical question into a long-term legal quandary with no clear precedent. The outcome will establish a benchmark for future handling of AI, and it will be intriguing to monitor its developments. The repercussions of this lawsuit could potentially reshape the landscape of AI development and have far-reaching implications for technology companies worldwide.

Jakub Jarzęczka
Investment Banking Division

Regional View

India's Stock Market Surge: Modi's Leadership and Economic Strength Propel Record Highs Amidst Analyst Caution

Leon Wagner
Financial Markets Division

"Nobody can stop a country from progressing if its priorities are clear,.."

– Narendra Modi, Prime Minister, India

India's stock market is currently experiencing a thrilling ascent, fueled by the country's robust economic performance and the perceived political stability under Prime Minister Narendra Modi. The benchmark BSE Sensex index is soaring to record highs, and the total market value has surpassed that of Hong Kong. This surge in investor confidence is backed by the International Monetary Fund (IMF)'s projection of a healthy 6.50% growth for India in both 2024 and 2025.

Analysts like Sunil Koul of Goldman Sachs are bullish on India, recognizing its potential as the region's long-term growth leader. Companies are effectively translating the nation's economic strength into higher earnings, further propelling stock prices. However, not everyone is basking in this unbridled optimism. Some analysts, concerned about stretched valuations, particularly among large-cap companies with limited free float (shares readily available for trading), are sounding a note of caution. Regulatory actions recently implemented to curb excessive speculation in smaller stocks further highlight concerns about a potential market bubble.

Despite these worries, the anticipated victory of Prime Minister Modi in the upcoming elections serves as a major confidence booster for investors. His leadership provides the coveted political stability that many investors seek, especially considering the fragmented state of the opposition. Additionally, Modi's government is actively promoting manufacturing, infrastructure development, and has even managed to secure discounted Russian oil imports, providing further economic tailwinds.

The story becomes more complex when we analyze the performance of the MSCI India index. Since Modi's first electoral triumph in 2014, this index has witnessed a staggering 141% rise, with most of these gains concentrated in the post-pandemic period. Goldman Sachs predicts a robust 15% compound annual growth rate for Indian earnings through 2025, suggesting even higher market levels in the future. Further inflows are expected from domestic pension funds and foreign investors enticed by India's long-term growth prospects.

However, a shadow of uncertainty looms over the sustainability of this rally. The MSCI India index trades at a significantly higher price-to-earnings ratio compared to the broader emerging market index, raising concerns about potential overvaluation. Some seasoned investors, like Kamil Dimmich of North of South Capital, express anxieties regarding the market's high valuations and limited liquidity.

The recent intervention by the market regulator to cool the overheated activity in smaller stocks also sparks anxieties. Comparisons are drawn to the "meme stock" phenomenon in the US, raising concerns about a broader market downturn in case of economic disappointments or an unforeseen election outcome.

Despite these anxieties, Shrikant Chouhan of Kotak Securities believes the focus will shift towards large-cap companies, with the Nifty 50 index potentially reaching 25,000 in the next 18 months. This would represent a significant increase of 13% from current levels.

Looking towards the future, even with potential short-term economic shocks, many believe India offers compelling long-term growth opportunities. Siddharth Mehta of Bay Capital emphasizes the ongoing advancements and developments in India, justifying the premium valuation and a bullish outlook for the Indian stock market. However, the landing gear needs a thorough inspection. While the flight is undoubtedly thrilling, ensuring sustainable growth and mitigating potential risks will be crucial for a smooth and successful landing.

Leon Wagner
Financial Markets Division

Macro Overview

Economic Calendar

Economic and Political Events

G7 Foreign Ministers Meeting

The Group of 7 meeting, scheduled to take place in Capri (Italy) from the **17th** to the **19th** of April, will focus on the main issues at the center of the political debate, with the Israel-Hamas and Ukraine conflicts being high on the agenda.

IMF and World Bank Spring Meetings

From the **15th** to the **20th** of April, central bankers, finance ministers, private sector executives, and academics will gather in Washington D.C. (US) to discuss issues of global concern, including world economic outlook, poverty eradication, and economic development.

2024 Indian General Elections

India is gearing up for its general elections scheduled from the **19th** of April to the **1st** of June, to elect the 543 members of the 18th Lok Sabha. Prime Minister Narendra Modi, currently in his second term, will be contesting elections for a third consecutive term.

Central Bank Decisions

ECB Interest Rate Decision

The Governing Council of the ECB holds its monetary policy meeting on the **11th of** April in Frankfurt. The ECB is expected to keep rates at 4.5%, even if a growing number of policy makers are supporting rate cuts, with June meeting currently the most likely time for action.

Bank of Canada Interest Rate Meeting

On the **10th** of April, the Bank of Canada will meet. During its March meeting, the BoC maintained the overnight rate target at 5.0%, emphasizing its commitment to normalize the Bank's balance sheet, as policymakers remain concerned about the inflation outlook.

BOJ Monetary Policy Decision

The BoJ will meet again on the **26th** of April, after having raised its key short-term interest rate to around 0% to 0.1% in the last March meeting, halting its eight years of negative interest rates and terminated yield curve control for 10-year government bonds.

Inflation and Deflation

Update on Euro Zone Inflation

In February, Eurozone YoY inflation was confirmed at 2.6%, the lowest reading in three months, still exceeding the ECB 2% target. The next release, covering the entire month of March, is scheduled for the **3rd** of April, and forecasts a stable 2.6% YoY inflation rate.

US CPI Data Release

On the **10th** of April, US Core Inflation Rate MoM and YoY, and the Inflation Rate MoM and YoY, will be published. The consensus for the Inflation rate is 3.3% YoY and 0.4% MoM, while Core inflation is expected to decline to 3.6% YoY and 0.3% MoM.

China Inflation Rate

The China Consumer Price Index (YoY) is scheduled for release on the **11th** of April, with a forecasted consensus of 1.2% for the month of March, up from previous February readings of 0.7%.

Labour Market

US Employment Readings

On the **5th** of April, the US non-farm payrolls number with unemployment rate data for March and the weekly jobless claims are announced. Non-farm payrolls are expected to decrease from 275,000 to 200,000 while the unemployment rate is expected to remain stable at 3.9%.

Canada Unemployment Rate

Updates on the unemployment rate in Canada will come out on the **4th** of April. The unemployment rate in Canada rose to 5.8% in February 2024, rebounding from a 5.7% reported in January and is expected to remain stable at a 5.8% level in March at the upcoming meeting.

UK Unemployment Rate

On the **16th** of April the UK will release news on unemployment rates for the December to February period, forecasted to increase to 4.0%. This release follows previous news in March stating that UK unemployment rate edged up to 3.9% from November 2023 to January 2024.

Lorenzo Bonoli
Financial Markets Division

Investment Banking

M&A
Overall Activity

Global

In March 2024, the global M&A sector observed a modest retreat, with the number of transactions falling by 13.85% and the aggregate deal value diminishing by 6.75% year-over-year. An analysis of the first quarter of 2024 reveals a decrease of 5.61% in transaction counts, contrasting with a substantial 36.37% increase in total deal value compared to the same period in 2023. The average transaction premium in March stood at 27.51%, slightly higher than the first quarter average of 24.42%. The global M&A landscape saw a shift between high-value transactions and an overall downturn in market activity. This shift was influenced by the recent improvement in financial markets, spurred by decelerating inflation and expected reductions in interest rates. There was also pent-up demand for deals and a pressing strategic need for many companies to adapt and transform business models. Noteworthy transactions included Home Depot’s strategic acquisition of SRS Distribution for USD 18.3 bn. Other significant deals comprised EQT´s acquisition of Equitrans Midstream Corporation for USD 12.9 bn and Swisscom’s acquisition of Vodafone Italia for USD 8.7 bn, all of which are currently pending.

Selected Regions

North America

In March 2024, North America's M&A sector experienced a noticeable contraction. With deal volume declining by 43.92%, the region's activity totaled USD 113.6 bn. The number of deals also decreased by 6.84% to 980, reflecting a cautious approach amid market recalibrations. Significant transactions such as Apollo's acquisition of Paramount's Hollywood studio for USD 11.0 bn punctuated the market, signifying key strategic moves within the industry.

EMEA

The EMEA region showed resilience in March 2024. Deal volume modestly improved by 4.50% from the previous month to USD 70.9 bn, yet the deal count dropped by 8.91%, totaling 624 deals. This landscape was marked by strategic transactions, including the noteworthy acquisition of Encavis AG by KKR for USD 4.8 bn, indicating a deliberate pursuit of valuable renewable energy assets during a period of careful market engagement.

Asia

Asia's M&A activity presented a dynamic contrast in March, with deal volume surging by 49.05% to USD 33.0 bn, a clear indicator of vigorous market engagement. Deal counts saw a slight uptick of 2.66% to 676. This robust expansion was highlighted by key transactions such as Manila Electric and Aboitiz Power's acquisition of SMC for USD 5.3 bn, signifying an assertive drive towards diversification and strategic growth in the region's corporate sectors.

M&A
Deals of the Month

Announced Date	Target	Buyer	Target Region	Target Business	Value (USD m)	Premium (%)
3/28/2024	SRS Distribution Inc	Home Depot Inc/The	US	Consumer, Cyclical	18,250.0	-
3/11/2024	Equitrans Midstream Corp	EQT Corp	US	Energy	12,880.9	-
3/4/2024	Macy's Inc	Brigade Capital Management LP,Arkhouse Partners LLC	US	Consumer, Cyclical	11,530.8	26.54
3/20/2024	Hollywood studio/Paramount Global	Apollo Global Management Inc	US	Consumer, Cyclical	11,000.0	-
3/26/2024	DS Smith PLC	International Paper Co	UK	Industrial	9,041.4	11.7
3/15/2024	Vodafone Italia SpA	Swisscom AG	UK	Communications	8,707.2	-
3/14/2024	Yes Bank Ltd	Potential Buyer	IN	Financial	7,478.3	-
3/4/2024	SMC Global Power Holdings Corp	Manila Electric Co, Aboitiz Power Corp	PH	Utilities	5,276.4	-
3/11/2024	Bally's Corp	Standard General LP	US	Consumer, Cyclical	5,204.9	40.33
3/14/2024	Encavis AG	KKR & Co Inc	DE	Energy	4,791.0	44.35

Leon A. Wolff
Investment Banking Division

M&A: Top Deals

EQT Corporation to Acquire Equitrans Midstream

On the 11th of March 2024, EQT Corporation ("EQT") announced its acquisition of Equitrans Midstream ("Equitrans") in an all-stock deal for USD 5.5 bn, representing a 13.64% premium over the previous day's closing price and an enterprise value of USD 12.9 bn. Equitrans shareholders are planned to receive 0.3504 EQT shares per Equitrans share in Q4 of 2024.

Buyer vs Seller

EQT is a leading independent natural gas producer, primarily operating in the Appalachian Basin across Pennsylvania, West Virginia, and Ohio, focusing on the responsible development of its energy assets. Equitrans is a leading US operator in the natural gas midstream sector, specializing in the transportation and storage of natural gas and natural gas liquids. Guggenheim Securities and RBC Capital Markets advise EQT, while Barclays and Citi advise Equitrans.

Industry Overview

The global natural gas market is poised to grow at a CAGR of 3.4% from USD 300.4 tn in 2021 to USD 424.7 tn in 2031. Despite a forecasted decline in capital expenditure over the next three decades, the midstream sector will likely experience significant capital inflows of roughly USD 430 bn worldwide between 2021 and 2030. Key market drivers include increasing production and consumption of natural gas, especially in South America, which is the fastest-growing market.

Peers	Currency	Market Cap (USD m)
Antero Midstream Corp	USD	6,778.70
ONEOK Inc	USD	46,352.66
Kinder Morgan Inc	USD	40,847.50
Pembina Pipeline Corp	USD	20,638.13
Targa Resources Corp	USD	25,444.17

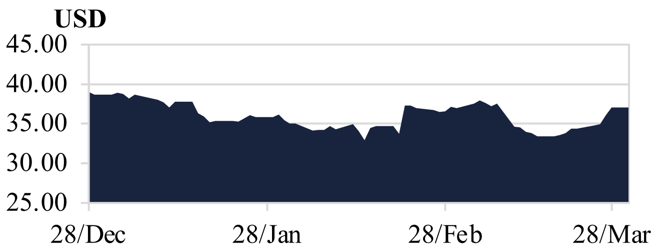
Deal Rationale

EQT's acquisition of Equitrans offers substantial strategic advantages, including a significant expansion of pipeline infrastructure by over 2,000 miles, enhancing alignment with EQT's operations. The acquisition also ensures robust cash flow with a reduced breakeven of less than USD 2 per MMBtu (Million British Thermal Units) and improves the economics of around 4,000 drilling locations. The merger anticipates synergies between USD 250 m to over USD 425 m, establishing a vertically integrated natural gas business with an enterprise value exceeding USD 35 bn, poised to be a globally competitive energy leader.

Market Reaction

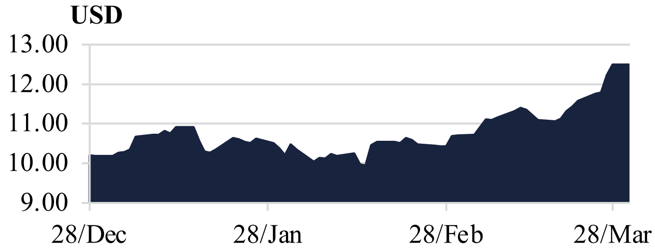
EQT Corp

EQT's stock price dropped 7.76% following the announcement from USD 37.51 to USD 34.60. The stock price recuperated to USD 37.07 by the 28th of March 2024.



Equitrans Midstream

Equitrans' share price rose 1.52% following the announcement from USD 11.15 to USD 11.32. The stock price increased by a further 10.34% by the 28th of March 2024 to USD 12.49.



Future Challenges

EQT's acquisition of Equitrans may face challenges that could impact the deal's completion, including regulatory approvals. A critical contingency is the authorization from the Federal Energy Regulatory Commission for the Mountain Valley Pipeline to commence service, which is essential for the transaction's strategic rationale. Delays in approvals may pose a considerable threat.

Niccolò Casamatta
Investment Banking Division

M&A: Top Deals

AstraZeneca to Acquire Fusion Pharmaceutical

AstraZeneca plc. ("AstraZeneca") announced the acquisition of Fusion Pharmaceuticals Inc for USD 2.40 bn, including debt. The transaction was announced on the 19th of March 2024 and is expected to close by the end of Q2 2024. The former offered USD 2.0 bn in cash and a USD 3.0 contingent value right per each of Fusion's shares, a 126% premium to the last closing price.

Buyer vs Seller

AstraZeneca is a global company that develops, manufactures, and commercializes prescription medicines for a range of therapeutic areas, including oncology, cardiovascular, renal, metabolism, and respiratory. Its blockbuster medicines includes Tagrisso for non-small cell lung cancer. Fusion Pharmaceuticals is a clinical-stage biopharmaceutical company that specializes in developing next-generation radioconjugates (RCs) for cancer treatment. It is less diversified in patents compared to AstraZeneca.

Industry Overview

The global pharmaceutical market is a key shaper of worldwide economics, having generated USD 1.60 tn in revenue for its incumbents during 2023, a 6.67% increase YoY. By 2028, analysts predict this value to grow at a 6.19% CAGR to north of USD 2.00 tn. Driving this growth is the increased aging population combined with the rise in chronic diseases, such as cancer, cardiovascular diseases, and neurological disorders.

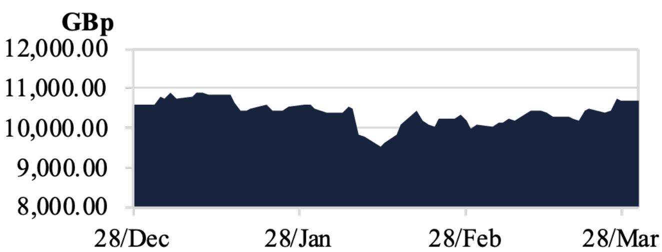
Peers	Currency	Market Cap (CUR m)
Xenon Pharmaceuticals Inc	USD	3,115.36
Syndax Pharmaceuticals Inc	USD	1,845.45
Harmony Biosciences Holdings	USD	1,675.34
Agios Pharmaceuticals Inc	USD	1,658.31
Ardelyx Inc	USD	1,642.76

Deal Rationale

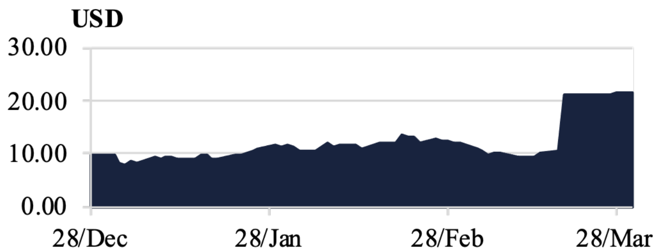
Even though no short-term impact on AstraZeneca's financial statements was mentioned, the acquisition allows it to boost the development of Fusion's lead radiopharmaceutical candidate FPI-2265, which is in Phase 2 trials for prostate cancer. Additionally, Fusion brings in-house manufacturing capabilities and control over the supply chain for radiopharmaceuticals, which is seen as critical in this field. In essence, the deal enhances AstraZeneca's position in the radiopharmaceuticals market for cancer treatment, where Fusion's actinium-based platform and pipeline complement AstraZeneca's existing oncology portfolio.

Market Reaction

AstraZeneca
AstraZeneca's stock price fell 0.63% following the announcement from GBP 10,228.00 to GBP 10,164.00. The stock price has since grown by 5.84% over the past 2 weeks.



Fusion Pharmaceuticals
Fusion Pharmaceuticals' stock price rose 99.06% on the day of the announcement from USD 10.64 to USD 21.09. It has since stabilized around this level.



Future Challenges

The deal is still subject to customary closing conditions, including the approval of 66.75% of Fusion's shareholders and regulatory clearances from the Competition Bureau in Canada. Additionally, as Fusion will become a wholly-owned subsidiary of AstraZeneca, integration risks will be inherent. Moreover, Fusion's FPI-2265 drug may also face challenges in approval.

Miguel Amaral
Investment Banking Division

M&A: Top Deals

Keysight Technology to Acquire Spirent Communications

On the 28th of March 2024, Keysight Technology ("Keysight") announced the acquisition of Spirent Communications ("Spirent") for GBP 2.02 per share, implying an equity value of GBP 1.2 bn. The acquisition price per share includes an 85.90% premium on the share price on the 4th of March 2024.

Buyer vs Seller

Keysight is a technology company providing electronic design, emulation, and test solutions used in the design, simulation, manufacture, and installation of electronics systems in the communications, aerospace & defence, and industrial sectors. UK-based Spirent is a leading global provider of automated test and assurance solutions for networks, cybersecurity, and positioning. Keysight was advised by Centerview Partners and Evercore. Spirent was advised by Rothschild & Co., UBS, and Jefferies.

Industry Overview

The industry of automated testing and assurance is a fast-growing market that is estimated to be growing with a strong 16.03% CAGR until 2029. The main driver for this double-digit growth is further innovation and improvement as well as the roll out of the global digital infrastructure. The strategic importance is demonstrated by the fact that, in addition to Keysight, Viavi, the company's largest competitor, also bid aggressively on Spirent, providing several offers.

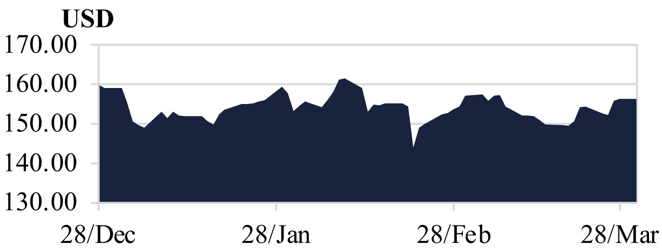
Peers	Currency	Market Cap (CUR m)
Nokia Oyj	EUR	17,814.43
GN Store Nord AS	DKK	26,009.81
Adtran Networks SE	EUR	1,037.97
INVISIO AB	SEK	10,690.90
Hexatronic Group AB	SEK	6,313.70

Deal Rationale

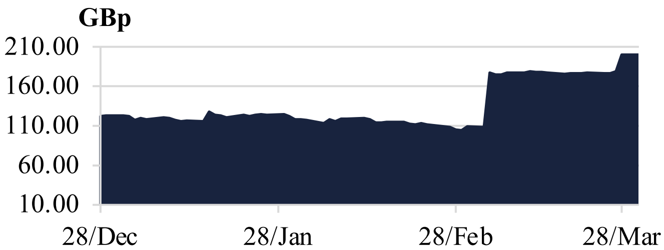
The transaction is expected to be accretive due to the strong strategic synergy potential offered by the combined group. Firstly, the business combination enables cost synergies in SG&A expenses. Secondly, there are large potential revenue synergies due to complementary solutions, aligned long-term strategic goals, and deep industry knowledge. Keysight intends to leverage Spirent's expertise in communications and networking to further strengthen its position and offering. The combined businesses result in a better market position with an added total addressable market of USD 1.5 bn through a faster and more accurate service offering.

Market Reaction

Keysight
Keysight's share price remained stable at USD 156.38 after the announcement of the transaction and did not show any significant upward or downward movement.



Spirent
Due to the ongoing competitive process, Spirent's share price had almost doubled at the beginning of March. Following the transaction announcement, the price rose to the offer level.



Future Challenges

Apart from the legal and regulatory challenges, the biggest challenge will be to realise the full potential of this merger in terms of synergies and market penetration. As the process was characterised by several rounds of bidding by close competitors, time will tell whether Keysight's position as the successful bidder was too costly or whether it turns out to be a good strategic acquisition.

Peer Lasser
Investment Banking Division

What Happened To

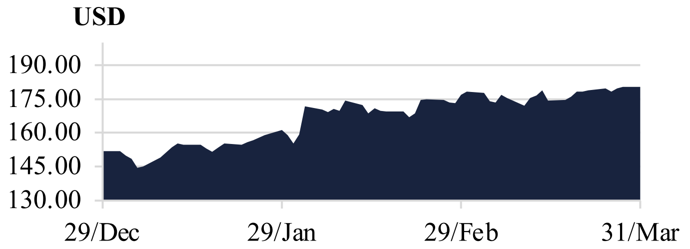
Amazon

Founded by Jeff Bezos, Amazon is an American multinational technology company renowned for its e-commerce, cloud computing, and digital streaming services. Like other major technology companies such as Google and Microsoft, Amazon is investing in Artificial Intelligence to remain competitive and innovative in the race to build cutting-edge AI systems.

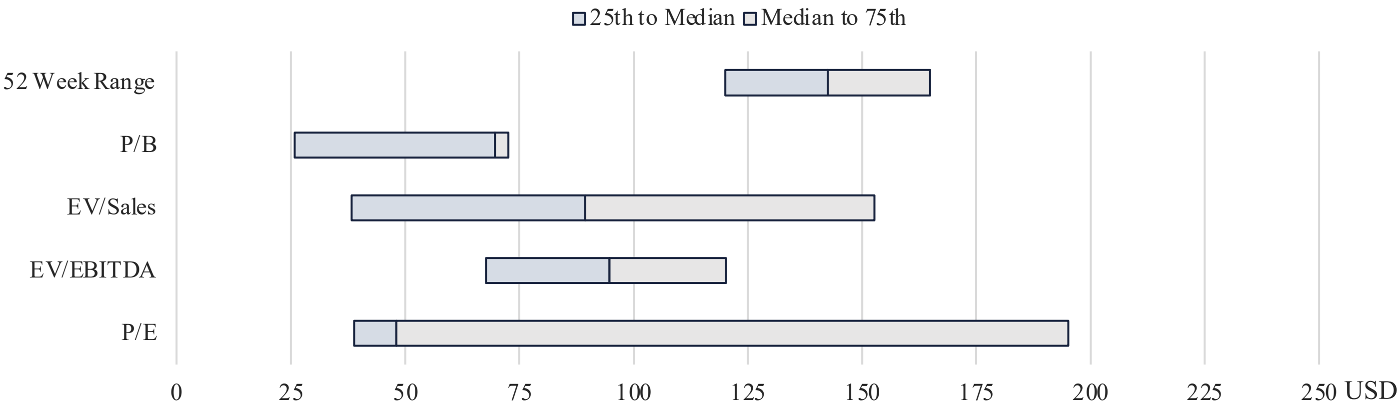
Corporate News

On the 27th of March 2024, Amazon revealed its plans to inject an additional USD 2.8 bn into Anthropic, following a previous investment of USD 1.3 bn made in September. This brings Amazon's total investment in the AI startup to around USD 4.0 bn. Despite the significant investment, Amazon maintains a minority stake in Anthropic, a San Francisco-based company that competes with OpenAI, the creator of ChatGPT. The collaboration between Amazon and Anthropic aims to enhance customer experiences through generative AI technology. Anthropic will use Amazon Web Services (AWS) as its primary cloud provider and deploy AI models on AWS's Bedrock service. This investment highlights the growing importance of AI startups for major tech companies amidst increasing public and business interest in artificial intelligence. The vice-president of AI at AWS stated, “Generative AI is poised to be the most transformational technology of our time”.

Price (31 Mar 24, USD)	**185.16**
Target Price (USD)	210.00
3M Performance	21.86%
Market Cap (USD m)	1,923,327.52
Enterprise Value (USD m)	1,991,103.52
**Target Price is for 12 months*	



Valuation Analysis



On the day of the announcement, Amazon shares climbed by 0.9%, closing at USD 179.83. The firm's stock has seen a significant year-to-date gain of over 80%. This surge can be attributed to a combination of cost-cutting measures, investments in generative AI technology, and robust growth in advertising sales and in Amazon Web Services revenue. These initiatives have propelled a substantial rise in the earnings and free cash flow of the tech giant.

The AI market is projected to reach USD 305.9 bn by 2024. This increase is driven by the rising demand for AI technologies across sectors including healthcare, automotive, finance, and retail. Businesses worldwide are embracing artificial intelligence to bolster efficiency, customer service, and innovation, as evidenced by initiatives such as Microsoft's OpenAI and Google's Gemini.

Peers	**Currency**	**Market Cap** (Cur m)
Alibaba Group Holding Ltd	USD	185,352.03
eBay Inc	USD	26,876.43
Rakuten Group Inc	JPY	1,940,045.19
Allegro.eu SA	PLN	32,499.82
MOBLY SA	BRL	260.90

Beatriz Domingues Pereira
Investment Banking Division

What Happened To

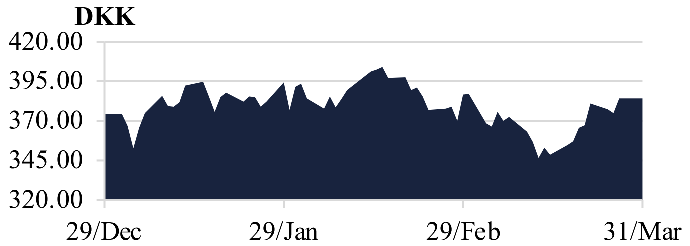
Ørsted

Ørsted is a Danish green energy leader, focusing on offshore wind farms, bioenergy plants, and waste-to-energy projects, The company has installed 27.8 GW in renewable capacity so far, and intends on investing USD 38.6 bn until 2030 to achieve their installed renewable capacity targets. Ørsted has around 8,900 employees globally, pushing for a world powered by green energy.

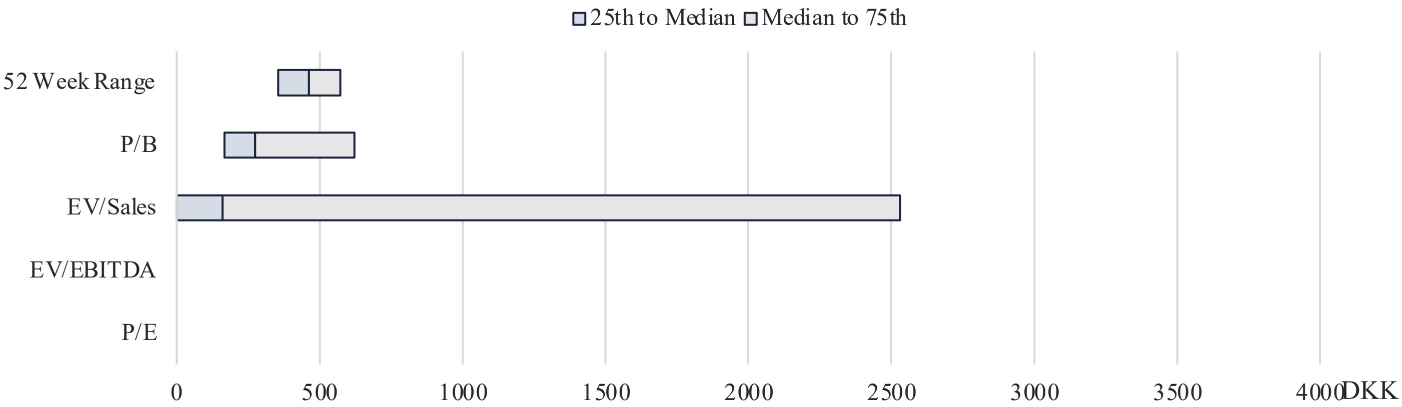
Corporate News

Ørsted, known as the world's largest offshore wind developer, has taken steps to recalibrate its strategy and streamline operations. Once valued at USD 82 bn in 2021, the company's market valuation has dramatically dropped to less than a third of this peak figure. The decline, mainly tied to high impairment recordings and the cancelation of two US projects, has prompted Ørsted to act. The company has announced a suspension in dividends, a reduction in targets for developing renewables, a cut of up to 800 jobs and withdrawals from offshore markets in Norway, Spain, and Portugal. The job cut is part of a broader effort to enhance operational efficiency and ensure Ørsted remains a competitive force in the renewable energy sector. Additionally, Ørsted's withdrawal from offshore wind markets can be indicative of a shift towards concentrating its efforts and resources in markets where it sees the greatest potential for growth and impact.

Price (31 Mar 24, DKK)	**401.10**
Target Price (DKK)	455.00
3M Performance	7.16%
Market Cap (DKK m)	168,614.85
Enterprise Value (DKK m)	237,622.85
**Target Price is for 12 months*	



Valuation Analysis



In response to these challenges, compounded by a rise in interest rates and operational hurdles, particularly in the US, CEO Mads Nipper unveiled a strategic "reset". This initiative aims to steer Ørsted towards becoming a more streamlined and efficient entity, better equipped to navigate the complexities of the renewable energy landscape. The company remains committed to the global transition towards renewable energy.

This strategic overhaul is indicative of a broader trend within the green energy industry, highlighting the importance of maintaining financial prudence and operational flexibility. This adjustment phase, while challenging, is pivotal for Ørsted's continued leadership in renewable energy and its contribution to the global energy transition.

Peers	**Currency**	**Market Cap** (Cur m)
EnBW	EUR	19,307.01
PNE AG	EUR	1,014.23
Romande Energie Holding SA	CHF	1,567.50
A2A SpA	EUR	5,252.32
Terna Energy SA	EUR	2,138.88

Benedita Velozo
Investment Banking Division

NIC's View On

Germany's Cannabis Legalization: Economic Prospects and Regulatory Hurdles

Fabio Schiller
Investment Banking Division

"Many EU countries have problems with illicit cannabis use and have previously stated they are looking to follow in Germany's footsteps with an option that is safe and legal. But whether they do, and how quickly this might happen, is up for debate''

– Juan Martinez, CEO, Curaleaf

Germany's recent legalization of cannabis marks a pivotal moment in the European landscape for both the medical and recreational cannabis markets. The German parliament's passage of a marijuana decriminalization bill allows adults to legally possess and grow small amounts of cannabis and for non-profit cannabis clubs to supply consumers. This historic step can be seen as setting a precedent for future legalization efforts across the continent.

The financial implications of this move are significant. Tilray Brands Inc., a global leader in cannabis research, cultivation, production, and distribution, has pointed out the growth opportunities this presents. The German medical cannabis market is estimated to be worth about USD 3 bn, while the wider European medical market represent USD 45 bn. This expansion is expected to enhance the accessibility of medical cannabis, encouraging more physicians to prescribe cannabis and improving patient access. The removal of this drug from the list of prohibited substances under the German Medical Cannabis Act is anticipated to greatly expand the pharmaceutical market.

However, this legalization also introduces challenges, particularly concerning financial crimes such as money laundering and terrorist financing. The decriminalization and legalization of cannabis could potentially heighten the risk of money laundering through illegal imports and illicit market linkages. Hence, financial institutions linked with these businesses are facing hurdles such as cross-border banking and bank de-risking, which complicate the landscape. Moreover, there are concerns about individual criminal groups infiltrating the legal cannabis industry to launder money earned through other illegal activities.

Despite these challenges, the business community has largely welcomed the legalization. Companies like Tilray and Canopy Growth view it as an opportunity to expand their operations and market share in Germany and the broader European market. Canopy Growth, for instance, sees the legalization as the beginning of a new era, focusing on demonstrating growth across all business units and capitalizing on the burgeoning cannabis market.

High Tide Inc., the second-largest cannabis retailer in North America, has expressed its support for the new legislation, as it has already laid the groundwork for entering the German market via a strategic partnership with the Berlin-based Sanity Group. This collaboration aims to leverage synergies between the two companies and capitalize on the incoming German cannabis market. High Tide's CEO, Raj Grover, hailed this development as a historic moment, noting Germany's status as the second G7 and the largest European country to legalize cannabis. The company's vast experience in North America positions it well to replicate its success in Germany.

The legalization of cannabis in Germany is a complex issue, bringing opportunities for economic growth and challenges in terms of regulation. It stresses the importance of a balanced approach, promoting the benefits of legalization while addressing risks like financial crimes and integrating the legal cannabis market into the broader economy.

Date	Recent News
01 Apr 24	Germans celebrate as recreational cannabis use becomes legal. ***Source:*** *cnn.com*
01 Apr 24	Cannabis users celebrate relaxation of laws on personal use in Germany. ***Source:*** *theguardian.com*
30 Mar 24	Pioneering the Future of Medical Cannabis. ***Source:*** *tilraymedical.eu.com*
28 Feb 24	Tilray Provides International Cannabis Update on Milestone German Cannabis Legalization. ***Source:*** *tilraymedical.eu.com*

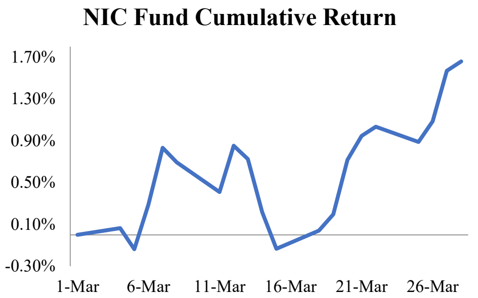
Fabio Schiller
Investment Banking Division

NIC
—Nova Investment Club—

NIC Fund

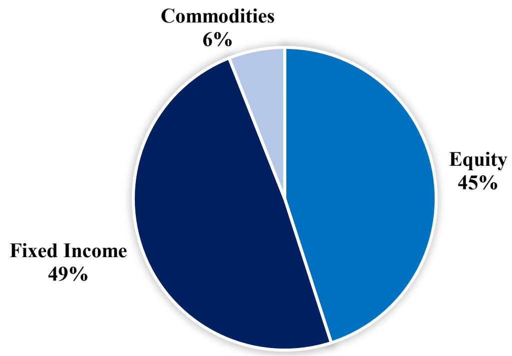
NIC Fund

Portfolio Overview



Portfolio Snapshot

During the last month, the NIC Fund remained invested in Equities, Fixed Income and Commodities. Specifically, 45% of our fund remained devoted to Equities, 49% to Fixed Income and 6% Commodities. However, 53% of the equities were distributed among various funds, with the remainder allocated to individual stocks using an equally weighted approach. We bought four new stocks in the past month, Tilray, Albertson, BYD and Microsoft.



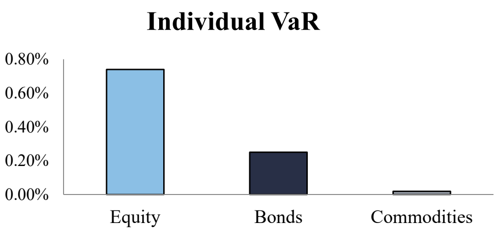
Portfolio Statistics	
Cumulative Return	1.66%
Annualized Return	19.91%
Daily St. Dev	0.34%
Period St. Dev	1.54%
Annualized St. Dev	5.33%
Info Sharpe	3.74
Skew (Daily)	-0.13
Kurtosis (Daily)	-1.12

Benchmark	
iShares 3-7 Year Treasury Bonds	40%
SPDR S&P 500 ETF Trust	40%
Invesco DB Commodity Index	10%
iShares JP Morgan USD Emerging Markets Bond Index ETF	10%

Return Metrics

The overall performance of the portfolio was positive, with a cumulative return of 1.66%. The best performer were equities and commodities, contributing with a positive return of 2.05% and 1.41%. On the contrary, bonds contributed less positively to the portfolio, with a performance of 1.35%.

The equity portfolio consisted of not only the MSCI World index fund and other ETFs but also 27 individual stocks such as Nvidia Corp. (NVDA US), BNP Paribas (BNP.PA), Novartis AG-Reg (NVS), Northrop Grumman Corporation (NOC) and HDFC Bank Limited (HDB). The top-performing stocks were Tilray Brands and BNP Paribas with returns of 24.75% and 18.71%, respectively, while Kering had the poorest performance, with a return of -13.97%. The best-performing ETFs were the Invesco DB Commodity ETF and the FTSE 100 ETF, with returns of 8.67% and 4.72%, respectively.



Risk Metrics

In terms of risk, our portfolio registered a relatively high daily VaR of 0.45%. As a result, this metric remained significantly below the maximum established threshold of 2.5%.

Equities were the asset class with the highest individual VaR, which was around 0.75%. On the other hand, Bonds and Commodities clearly lower VaRs of 0.21% and 0.02% respectively.

Luisa Kloth
Financial Markets Division

NIC Fund

Assets in Brief

Asset Class	Symbol	Comments
US Equity	NVDA	Nvidia's stock surged another 14.22% in March 2024, fuelled by booming demand for their AI chips and data centre products. Revenue and earnings per share both grew significantly YoY, driven by factors like cloud computing, new graphics card launches, and the potential of the metaverse. While some warn of a bubble, Nvidia's strong financials and future outlook in AI and data suggest continued growth.
US Equity	DIS	Walt Disney Co. thrived, reaching a new annual peak of USD 122.03. This monthly gain of 9.66% fuelled optimism for future growth. Bank of America, impressed by Bob Iger's turnaround strategy, raised its price target on Disney to USD 145, citing strong park performance and projected operating income growth. The bank believes Disney+ subscriber numbers will surge due to the Charter deal, with profitability expected by the fourth quarter.
US Equity	CMG	Fuelled by its record-breaking stock price, Chipotle's board proposed a historic 50-for-1 stock split, aiming to make the shares more accessible to a wider range of investors. This decision comes alongside an 8.11% gain in the stock price over the month of march, further highlighting the company's strong performance. The split, if approved by shareholders in June, would effectively decrease the per-share price, potentially attracting new investors.
US Equity	DE	Deere & Company experiences a 12.92% gain in March. Analysts are focused on future earnings, with estimates showing YoY declines for the current quarter, fiscal year, and next year. Regardless, Deere's valuation suggests a potential discount, with future performance hinged on improving earnings and revenue growth.
US Equity	EOG	EOG Resources climbed 11.69% in March. While analysts expect earnings and revenue to decline slightly YoY, the upcoming 3rd of May earnings report will be a key focus. Despite recent downward revisions to earnings estimates, EOG maintains its premium valuation compared to its industry, with some analysts including those at JP Morgan remaining optimistic and raising EOG's price targets.
US Equity	PYPL	PayPal gained 11.02% in March. Despite its recent climb, the stock remains down considerably from its highs. Analysts are mostly neutral, with some optimism surrounding new CEO Alex Chriss' focus on innovation, including AI and crypto initiatives. PayPal's low valuation, trading at less than 13 times earnings, could see significant upside if the company regains investor confidence and its valuation expands closer to historical averages.
US Equity	TLRY	Despite surging 24.75% in March, Tilray Brands remains a speculative investment with long-term potential. The company's global reach across cannabis and alcohol markets offers a unique growth opportunity, especially in face of recent progress on cannabis legalization progress in the US and EU. However, profitability remains elusive due to high costs and legal restrictions.
EU Equity	BNP.PA	Following a surprise drop in fourth-quarter income in February, BNP Paribas announced plans to increase cost-cutting measures. This move aims to achieve their 2022-2025 savings target of USD 2.7 bn and, among others, facilitated an 18.56% gain in the month of March.
Commodities	Goldman Sachs Physical Gold	The Goldman Sachs Physical Gold ETF mirrored the broader gold market surge in March, with a gain of 8.67%. This increase aligns with the 8% YTD rise in gold prices driven by expectations of a Federal Reserve rate cut in June. These expectations stem from recent lower-than-anticipated inflation figures, making gold a more attractive investment compared to interest-bearing assets.
Commodities	Invesco DB Commodity Index	Our primary commodities index, the DB Commodity Index, tracks a basket of 14 commodities. The ETF had positive performance over the last month, gaining 4.46%, mainly driven by an increase in oil and gold prices.

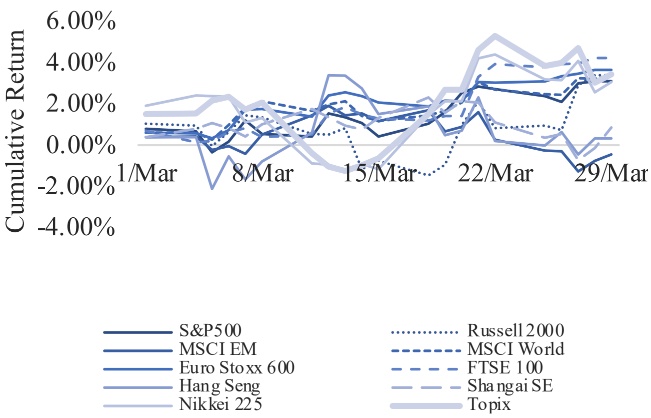
Luisa Kloth
Financial Markets Division

NIC Fund

Equities

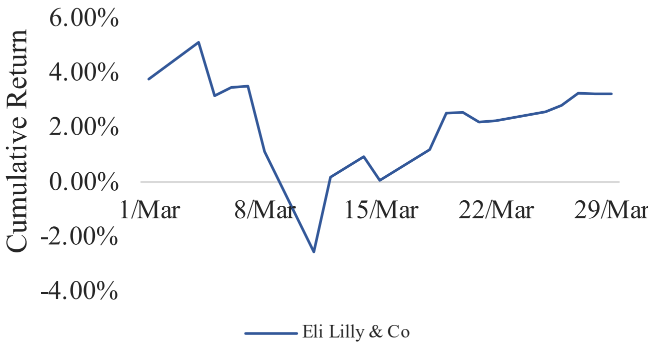
World Equities

In the past month, global equity markets saw mostly positive returns, with notable gains across major indices. The S&P 500 climbed by 3.10%, while the Russell 2000 and MSCI World indices also posted strong gains of 3.39% and 3.33%, respectively. Investors are reacting to the release of US consumer price inflation data, which showed a slight uptick in February but remained in line with expectations. European markets performed particularly well, with the Euro Stoxx 600 and FTSE 100 rising by 3.65% and 4.23%, respectively. However, emerging markets experienced mixed results, with the MSCI EM index dropping by -0.46%. Asian markets showed modest gains, with the Hang Seng and Nikkei 225 indices increasing by 0.33% and 3.07%, respectively, while the Shanghai SE index rose by 0.86%.



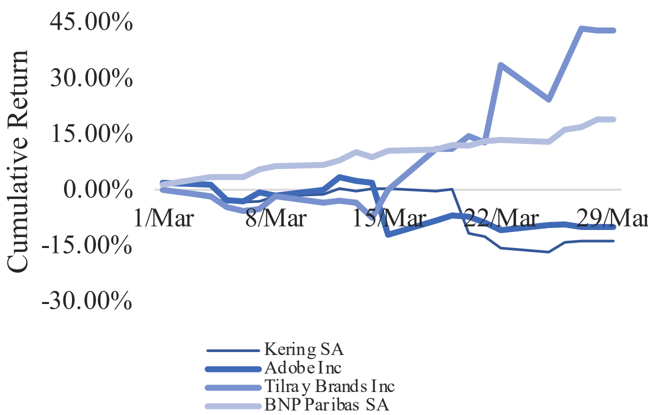
In Depth: Eli Lilly Amidst Obesity Drug Supply Shortage

Eli Lilly is swiftly securing outsourcers to boost production of its obesity drug Zepbound. The company has agreements with US government-backed manufacturer National Resilience and Italian producer BSP Pharmaceuticals for filling and finishing its injector pens. The global demand for GLP-1 drugs, including Zepbound and Wegovy, is straining manufacturing capacity, leading to a rush to secure more capacity by investing billions to expand in-house production facilities. The investment outlook for Eli Lilly remains positive, driven by demand for Diabetes/Obesity products and Verzenio for breast cancer. Successful Phase 3 results for their drug Donanemab in early Alzheimer's disease suggest positive FDA action by early 2024. Recent acquisitions of Dice Therapeutics and Versanis Bio strengthen LLY's pipeline, enhancing its immunology and cardiometabolic disease offerings.



Our Performance

The equity portfolio has shown varied performance. In Communication Services, Netflix Inc. experienced a modest increase of 0.73%, while Walt Disney Co. surged by 9.66%. The Consumer Discretionary sector saw mixed results, with notable gains from Chipotle Mexican Grill Inc. (8.11%) and losses from Kering (-14.07%). Energy stocks, particularly EOG Resources Inc., soared with a remarkable 11.69% increase. Financials also performed well, led by BNP Paribas with an 18.56% gain. In Health Care, CVS Health Corp. stood out with a 7.25% increase, while Tilray Brands Inc. surged impressively by 24.75%. Industrials, led by Deere & Co. (12.92%), showed positive returns. IT stocks had a mixed performance, with NVIDIA Corp. leading with a 14.22% gain, while Adobe Inc. experienced a decline of -9.94%.



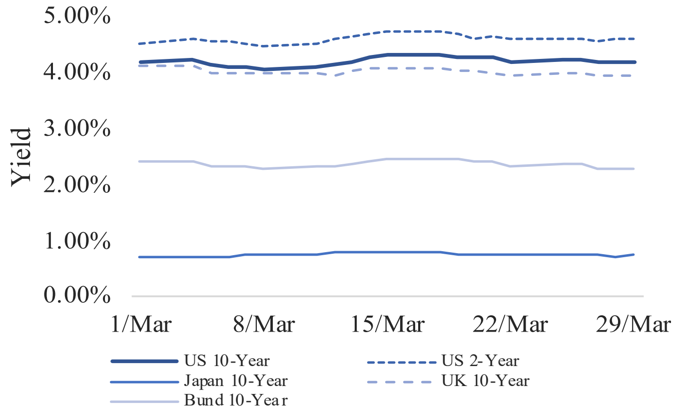
Naomi Steiner Oliva
Financial Markets Division

NIC Fund

Fixed Income

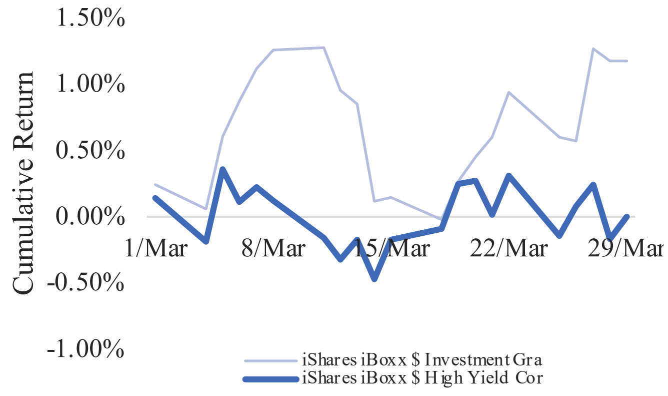
World Yields

March was an interesting month for the bond market. The Fed left rates unchanged at a 23-Year high of 5.25% to 5.5% and officials have indicated they still expect to cut interest rates by 0.75% this year. The US 10-Year Treasury yield ended the month on 4.20%, representing a monthly decrease of 1.17% and the US 2-Year Treasury increased by 0.03% compared to February, yielding 4.62% at the end of the month. Japan's headline inflation rate for February came in at 2.8%, climbing from the 2.2% seen in February. Core inflation was at 2.8% compared with 2% in the previous month. The 10-Year government bond yield increased by 2.54% to 0.72%. In the UK, the 10-Year government bond traded at 3.93% at the end of March, representing a decrease of 4.63%. Similarly, the German Bund decreased its yield by 4.69% in March, trading at 2.29% at the end of the month.



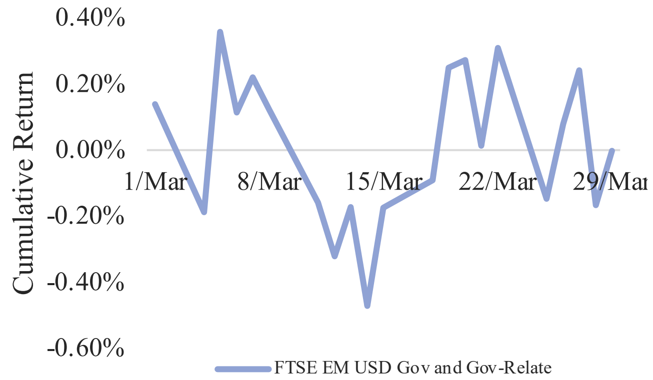
In Depth: Investors Pour Money Into US Corporate Bond Funds at Record Rate

A record amount of money has flooded into US corporate bond markets this year, as investors rush to lock in the highest yields in years ahead of an anticipated series of interest rate cuts by the Federal Reserve. Inflows into corporate bond funds have reached USD 22.8 bn so far in 2024, according to fund tracker EPFR, the first positive start to a year since 2019, when USD 22.4 bn had flowed in by this point. The flows have helped to push up prices and compress spreads — the extra interest paid by corporate borrowers relative to the US Treasury — to their lowest point in two years. Most of the money has gone into investment grade vehicles, pushing spreads to 2-Year lows, although some has gone into junk debt, where spreads are at 26-Month lows and just slightly above levels last seen before the global financial crisis in 2007.



Our Performance

Fixed Income contribution to our portfolio's return in January was slightly negative, with a return of -0.2%. The Emerging Markets US Dollar Government Bond Index in our portfolio had the worst negative monthly return among fixed income assets with -0.93%.



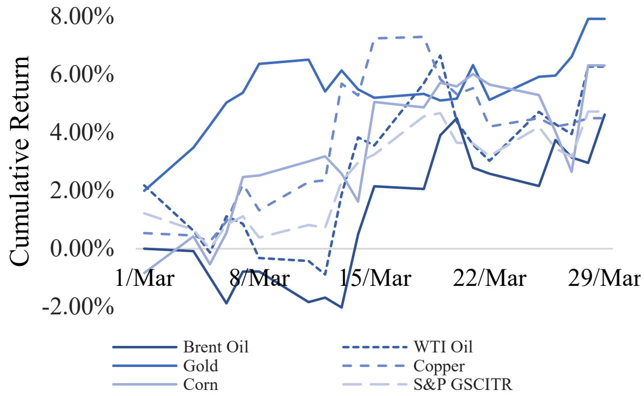
Afonso Domingues
Financial Markets Division

NIC Fund

Commodities

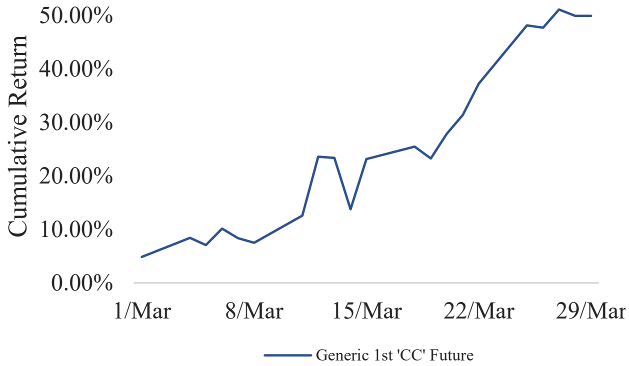
March Round-Up

For the month of March, the S&P GSCI Total return index, which tracks 24 commodities, increased by 4.73% after increasing 0.87% in February and 4.47% in January. Oil prices increased in March on the prospect of OPEC+ staying the course on production cuts, ongoing attacks on Russia's energy infrastructure and a falling US rig count tightening crude supplies. Despite pressures in the last week of March due to an unexpected rise in US crude oil and gasoline inventories, driven by an increase in crude imports and sluggish gasoline demand, the Brent Oil and WTI Oil close March with a 4.62% and 6.27% increase, respectively. Precious metals saw significant gains in March with Gold increasing by 7.92%, reaching new record highs. Gold is expected to reach new record highs in April, as the market is challenging the three rate cuts set by the Fed. Copper also closed higher in March, increasing by 4.50%.



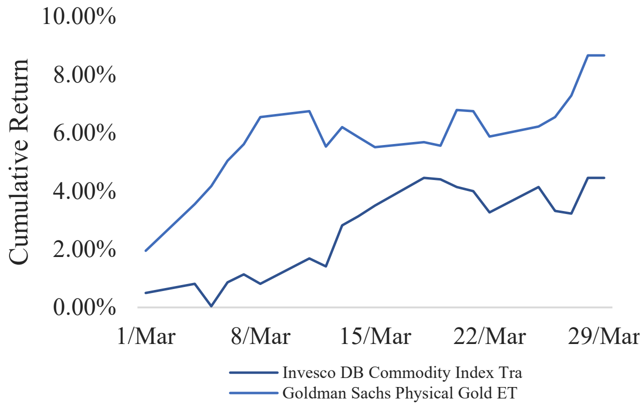
Chocolate Prices to Keep Rising as West Africa`s Cocoa Crisis Deepens

Ghana and Ivory Coast, West African neighbours, confront dire harvests this season, sparking concerns of cocoa bean shortages, the key ingredient in chocolate production. Expectations of shortages of cocoa beans have seen New York cocoa futures more than double this year alone, setting frequent record highs with little signs of abating. Over 20 farmers, experts, and industry insiders attribute this crisis to a confluence of factors, including rampant illegal gold mining, climate change, sectoral mismanagement, and the rapid spread of diseases. Cocobod, Ghana's cocoa marketing board, reports that swollen shoot virus has infected 590,000 hectares (1.45 million acres) of plantations, threatening their survival. With Ghana cultivating 1.38 million hectares (3.41 million acres) of cocoa, the situation presents a complex challenge with no simple solutions, unsettling markets and potentially reshaping West Africa's dominance in cocoa production, potentially favouring emerging producers, particularly in Latin America. This pivotal moment impacts millions of cocoa farmers in West Africa and could reverberate in affluent consumer markets for years. As chocolate manufacturers typically hedge cocoa purchases months ahead, analysts anticipate the repercussions of the West African crop failures to manifest later this year.



Our Performance

During March, the DB Commodity Index ETF which tracks a basket of 14 different commodity futures, increased by 4.46% MoM, while the Goldman Sachs Physical Gold ETF increased by 8.67%, leading to an overall increase of 1.41% in our portfolio of commodities.



Alexander Knott
Financial Markets Division

Extras

Hot Topic

Unlocking Potential: Navigating the Challenges of European Stocks

Ilenia Fiore
Financial Markets Division

"Capital markets is on the political agenda in pretty much every finance ministry across Europe. It's a hugely challenging political, cultural problem."

– William Wright, Founder of New Financial

Europe's equity markets stand at a crossroads, portraying a record high yet concealing an underlying crisis. Despite reaching unprecedented levels, trading volumes shrink, and initial public offerings (IPOs) remain scarce, while prominent European companies find allure in the US market. This divergence from the US trajectory has sparked concerns among policymakers across the region.

The roots of Europe's market challenges delve deep into a complex web of economic, political, and cultural factors. The aftermath of the 2008 financial crisis catalysed a severe divergence between European and US indices. While the US market surged, propelled by the ascent of Silicon Valley's tech giants, Europe grappled with sluggish economic growth and a dearth of innovation-driven companies.

The structural differences between European and US markets exacerbate the disparity. Europe's market landscape is fragmented, with numerous listing venues and a lack of cohesive trading infrastructure, in contrast to the streamlined system in the US. Additionally, risk aversion among European investors and a preference for cash savings hinder the growth of a robust retail investment culture, further stifling market activity.

In response to the crisis, European policymakers are mobilizing efforts to reignite market vitality. Initiatives such as the Capital Markets Union aim to streamline regulations and facilitate easier access to capital for companies. However, progress remains sluggish, marred by political inertia and the complexities of navigating divergent national interests within the EU's diverse landscape.

Moreover, external pressures amplify Europe's challenges. The rise of China as a global economic giant, coupled with the Biden administration's aggressive industrial policies, poses a formidable challenge to Europe's market competitiveness. The attractiveness of the US as a destination for firms grows stronger as they aim to tap into its extensive capital resources and a business environment that fosters growth.

Addressing these challenges demands bold and concerted action. European governments must shed their aversion to industrial policy and embrace measures to nurture domestic firms' expansion. Encouraging greater participation in the stock market among citizens and fund managers is imperative to deepen liquidity and bolster market resilience.

In navigating the complexities of European stocks, collaboration and innovation are paramount. By fostering a conducive environment for investment and incentivizing market participation, Europe can unlock its vast potential and chart a course towards sustainable growth and prosperity. The journey may be arduous, but the stakes are too high to ignore.

The road ahead necessitates not only structural reforms but also a shift in mindset towards embracing risk and innovation. Europe's rich history of economic dominance and innovation provides a solid foundation upon which to build a thriving market ecosystem. With joint efforts and unwavering commitment, Europe can reclaim its position as a global economic powerhouse, driving prosperity and progress for generations to come.

Ilenia Fiore
Financial Markets Division

Thank you!

Visit **www.novainvestmentclub.com** for more updates.

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