The week in seven charts

Chart #3
US banks stocks down sharply
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Image source: istockphoto.com/jcrosemann

Wall Street's top banks face share price pressure, revisit crisis lows

While the AI bubble seems to be deflating for the Magnificant 7, OpenAI's valuation is close to $90 billion! The shares of four of Wall Street's biggest banks are under pressure which is causing concern among investors and the market. Each week, the Syz investment team takes you through the last seven days in seven charts.

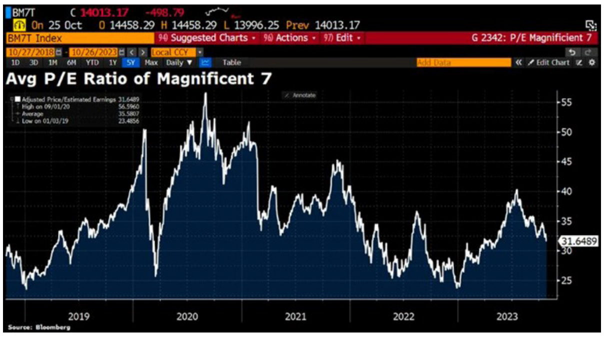
Charles-Henry Monchau
Chief Investment Officer

PRIVATE BANKING

Chart #1

Valuation of the Magnificent 7 is coming down

The Nasdaq 100 is down 11% on its July peak, meaning that the big tech companies are now in correction territory, a 20% drop corresponds to a bear market. As the chart below shows, the average price/earnings (P/E) multiple of the Magnificent 7 (Tesla, Apple, Amazon, Meta, Microsoft, Alphabet and Nvidia) has fallen significantly. It seems that the artificial intelligence bubble is deflating...

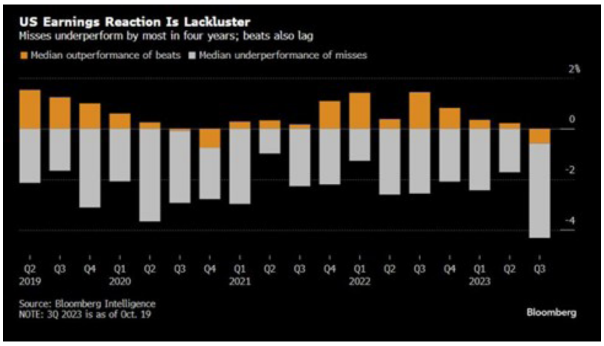


Source: Bloomberg

Chart #2

Earnings season is not going that well

According to Factset, while 146 S&P 500 companies have already published their figures for Q3 2023, 80% of them have beaten analysts' earnings expectations and 60% have reported sales above expectations. Pessimism comes more from market reaction. When companies beat analysts' expectations, the median performance (orange bar) is slightly negative. And when companies report results below expectations (white bar), the median performance is clearly negative. The latter is the worst median market reaction in four years. We note that company executives regularly express doubts about the strength of earnings growth in 2024. Indeed, a majority of executives fear a sharp slowdown in global growth next year, with major consequences for their business volumes.



Source: Bloomberg

Chart #3

US banks stocks down sharply

The shares of four of Wall Street's biggest banks are currently under severe pressure, with their share prices returning to the lows reached during the banking crisis in March. The declines since the start of the year are now very substantial, fluctuating between -15% and -24%, which is causing great concern among investors and the market as a whole. The reasons cited for this downturn are manifold: deteriorating consumer and corporate prospects, large unrealized losses on bond portfolios held by banks, weak trading activity, and a sharp decline in trading and M&A activity.

Source: The Coastal Journal

Chart #4

OpenAI's valuation is close to $90 billion

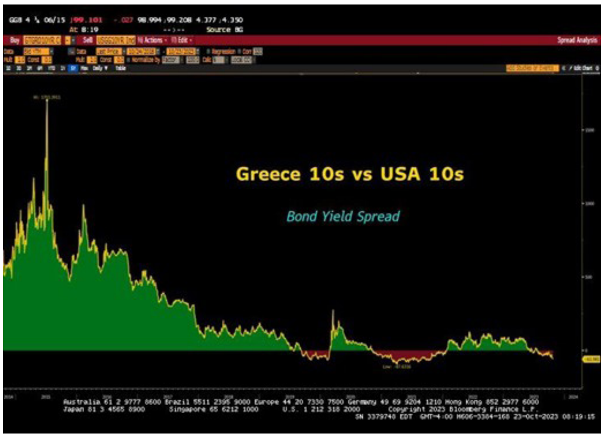
While ChatGPT is to some extent free to use, the valuation of its parent company OpenAI is far from cheap. The company is currently in talks to sell a portion of its shares on the basis of a valuation of $86 billion, a capitalization three times higher than that prevailing just six months ago (source: Wall Street Journal). This amount would place OpenAI among the world's best-valued technology startups, just behind giants such as ByteDance (owner of TikTok) and SpaceX. To give an order of magnitude, this valuation is equivalent to the market capitalization of 12 of America's biggest consumer brands combined - a theoretical corporate frankenstein including SNAP, The New York Times, Etsy, Domino's and 8 others.

Source: Chartr

Chart #5

Yields on Greek debt are lower than on US debt

On Friday October 20, S&P Global Ratings upgraded Greece's debt rating from BB+/B to BBB./A-3, placing it in the "investment grade" category instead of the "speculative grade" category - for the first time since 2010. Whereas Greek debt was once a financial market pariah, a healthier economy and the end of the European Commission's trusteeship justifies Greece's return to the investment grade category. It is worth noting that yields to maturity on Greek 10-year bonds are now well below those of US Treasury yields. At the height of the Greek crisis, Greek yields were 17% higher than US yields...



Source: Bloomberg

Chart #6

Gold expressed in yen is on an exponential trajectory

Japan is in some ways a precursor to quantitative easing (QE) and its associated excesses. With the country of the rising sun facing record indebtedness (debt reached 260% of GDP), Japan's central bank practiced what is known as Yield Curve Control YCC (YCC Yield curve control), i.e. buying massive quantities of Japanese debt to keep bond yields as low as possible, and to ensure that borrowing costs were not prohibitive for the Japanese budget. This monetary policy remains in place despite the recent rise in Japanese inflation. As a result, the yen continues to depreciate against other currencies. The Japanese currency is also depreciating in real terms. As the chart below shows, gold expressed in yen is appreciating exponentially. While other major developed countries (USA, Europe) seem to be following in Japan's footsteps, could the precious metal follow a similar trajectory in dollars or euros?

Source: Bloomberg

Chart #7

Bitcoin is up over 100% since the start of the year

Fears of World War 3, hopes of SEC approval for a Blackrock spot bitcoin ETF and hedging moves by short sellers have propelled bitcoin well above $30,000. After the crash of 2022, bitcoin has more than doubled this year. It is currently the best-performing asset class in 2023.

Bitcoin Returns: 2010 - 2023

Year	Year Start	Year End	% Change
2010	0.003	0.30	9900%
2011	0.30	4.72	1473%
2012	4.72	13.51	186%
2013	13.5	758	5507%
2014	758	320	-58%
2015	320	430	35%
2016	430	968	125%
2017	968	13,860	1331%
2018	13,860	3,689	-73%
2019	3,689	7,184	95%
2020	7,184	28,775	301%
2021	28,775	47,902	66%
2022	47,902	16,531	-65%
2023 YTD	16,531	33,500	103%

@CharlieBilello Data as of 10/23/23

Source: Charlie Bilello

For further information

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