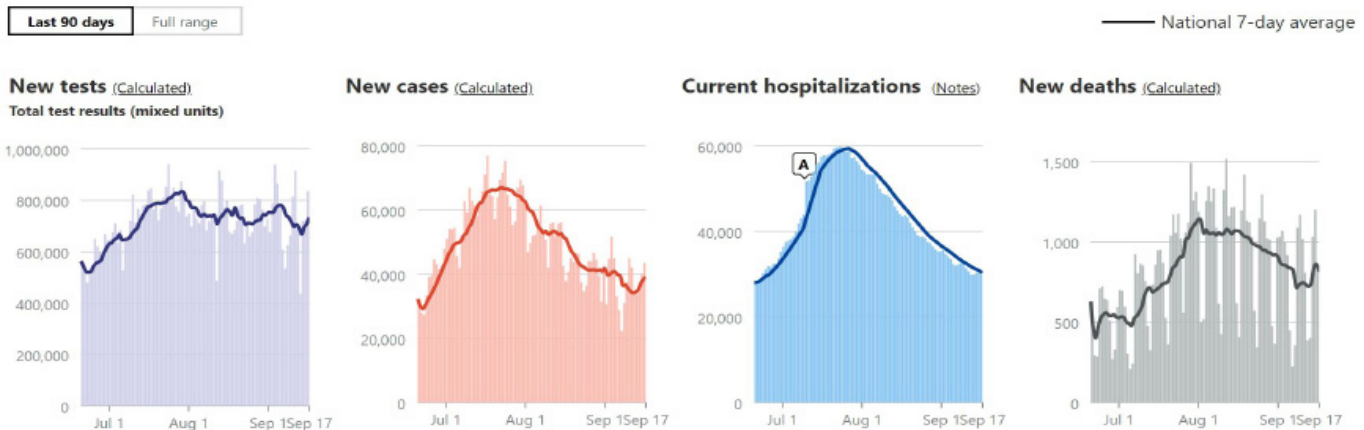


WEEK IN REVIEW

FRIDAY, SEPTEMBER 18TH 2020

- **SNOWFLAKE DEBUTED IN THE LARGEST SOFTWARE IPO IN HISTORY.** The cloud data warehousing firm has the backing of Salesforce and Berkshire Hathaway. The shares more than doubled on their first day to end with a market capitalization of \$70 billion. Only 28 million shares were offered, around 10% of the total shares outstanding. The low float combined with market demand for software and cloud stocks drove the stock on the day.
- **PFIZER AND MODERNA RELEASED MORE DETAILS ON THEIR RESPECTIVE COVID-19 VACCINE TRIALS.** Typically, firms would not release details until the trial is over, but for the sake of transparency, Pfizer and Moderna disclosed additional information. Moderna has now enrolled 25,296 volunteers for their 30,000 target trials. Results are expected by year-end. Pfizer hopes to have efficacy data by the end of October and have enrolled 29,000 people towards their goal of 44,0000 participants.
- **CURRENT ACTIVE CORONAVIRUS CASES** have generally stabilized around 40,000 cases post Labor Day and school openings. Hospitalizations are nearing the level before the spike mid-summer.



Source: covidtracking.com/data

- **THE UNITED STATES WILL BAN TIKTOK DOWNLOADS AND USE OF WECHAT ON SUNDAY.** The Trump administration continues to pressure Chinese companies over security and data privacy issues. Oracle and Walmart are the favorites to be partners in a deal for TikTok US. Complications remain around the ownership structure as negotiations continue with China and TikTok's parent company, ByteDance. Downloads of the app may end Sunday, but final negotiations could last until November. WeChat is owned by Chinese firm Tencent. WeChat bundles social media, text messages, mobile payments, and other functions all in one application. WeChat's users are primarily in China. However, many people outside of China use the app to maintain connections with Chinese friends and family. Many US firms use the WeChat platform as a way to collect payments from customers in China. The initial read of the executive order seems to indicate that any use of WeChat outside of the US is not affected by this order. Rhetoric between the Trump administration and China could continue to escalate as we approach the Presidential election in November.

- THE SECOND CORONAVIRUS STIMULUS BILL HAS STILL NOT BEEN PASSED BY CONGRESS. Lawmakers are in discussions around a general spending bill, but a coronavirus relief package still seems to be far off. Underlying economic data continues to be mixed. Weekly initial unemployment claims are still around 860,000. The global financial crisis (GFC) weekly claims peaked at 660,000. Continued unemployment claims are down to 12.6 million. The GFC peaked at 6.6 million. Consumer spending has remained strong despite this level of unemployment. Absent a new stimulus bill, spending may fade unless more people can get back to work.



Source: fred.stlouisfed.org

THINKING AHEAD

Technology stocks have pulled back in September to date, but demand remains strong for these stocks as evidenced by the IPO of Snowflake this week. Coronavirus cases have leveled off while companies researching vaccines have published timelines which are longer than the Trump administration has suggested. The administration is also battling China on security and privacy concerns. The continued escalation of these tensions could result in further disruption to global trade. With no new rounds of fiscal stimulus in sight, consumer spending will be watched carefully for any drop off as government transfer payments fade. Discerning between relative winners and losers from this economic shift continues to be paramount for investment allocations. Pallas Capital Advisors maintains a balanced and conservative approach to asset allocation.

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