



Investment Club Meeting

September 21st, 2018





Ernst & Young

Monday, September 24th
12:15PM | Simon L3 | Pizza Provided

- Mike Fox '99
- APPLICATION DEADLINE: 9/30
 - CareerSpot & EY Website

Market Update

News & Noteworthy Events:

1. **Paul Russo**, stock-trading chief of Goldman-Sachs since 2012, will be stepping down from his role in the coming weeks

Goldman-Sachs (GS):

- Stock Price: \$237.40
- 52-Week High: \$275.31
- 52-Week Low: \$218.89



Market Update - Jeff and Sam

5 Day Range:



Dow Jones: 26,657

- First record-high since January
- 2.28% growth, 594.86 points



S&P: 2,930.75

- First peak since August 29th
- 1.45% increase, 41.95 points

Market Update



1. Wells Fargo & Co. is reported to be cutting as many as 26,500 jobs over the next 3 years to accommodate a changing consumer market.
2. This accounts for somewhere between 5-10% of the bank's employees

Wells Fargo (WFC):

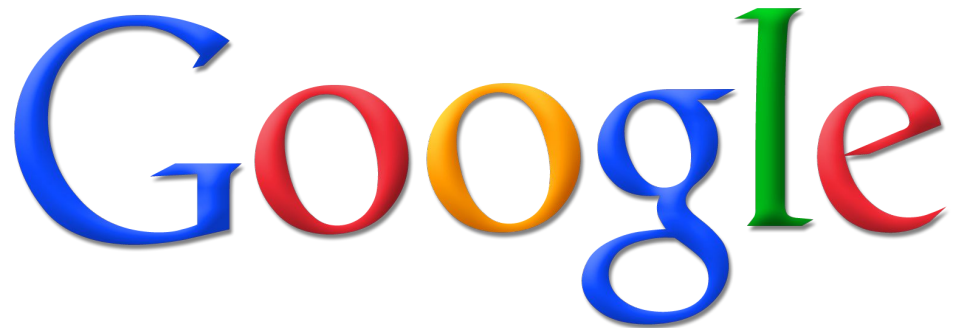
- Stock Price: \$55.55
- 52-Week High: \$66.31
- 52-Week Low: \$50.26

Market Update

1. Despite concerns about personal privacy, Google says they are continuing to allow apps to gain data from Gmail accounts - brings speculation to the security of the company

Google (GOOGL):

- Stock Price: \$1,191.57
- 52-Week High: \$1,291.44
- 52-Week Low: \$924.51



Market Update

European Union and Taxes:

1. McDonalds and other US companies (mostly big technology) have come under fire as part of the EU investigating tax evasion
 - Regulators have decided that McDonald's didn't break the law
2. EU did close the tax loophole



McDonald's (MCD):

- Stock Price: \$160.79
- 52-Week High: 178.70
- 52-Week Low: \$146.84

Market Update



Amazon (AMZ):

- Stock Price: \$1,944.30
- 52-Week High: \$2,050.50
- 52-Week Low: \$931.75

- Amazon also under investigation by the EU
 - Accused of taking data from the merchants that use their platform
 - Could be larger implications if the EU finds that their data usage was anti-competitive in nature
- President Trump has been outspoken against the EU claims on US companies

Market Update

Treasury's Drop:

- Yields on 10-yr Treasury rose for 5th straight day (Yields rise as prices drop) for first peak since May
- Surprised analysts:
 - Expected demand to increase due to trade tensions
- Possibly due to tariffs not being as bad as previously expected
- Also large amount of new issued corporate debt
 - Could be selling treasuries to make room for that





Elon Musk & Tesla Turbulence

A Snapshot of 2018

Emma Bodner & Michael Frohwein



Musk's odd moves

January 27 - Elon Musk's Boring Company launches a \$500 flamethrower. Critics say it is more like a gun-shaped blow torch than a flamethrower

February 6 - SpaceX, Musk's upstart rocket company, fires a midnight cherry Tesla Roadster out of Earth's orbit into space

Tesla Issues

March 3rd - Model X crashes and kills driver

March 27th - Moody's downgrades Tesla stock because of production issues and tight financial situation

- Tesla recalls 123,000 Model S cars over a “corroding bolt” issue **-18%**

April 17th - Production of the model 3 is halted

Musk's Powerful Quotes

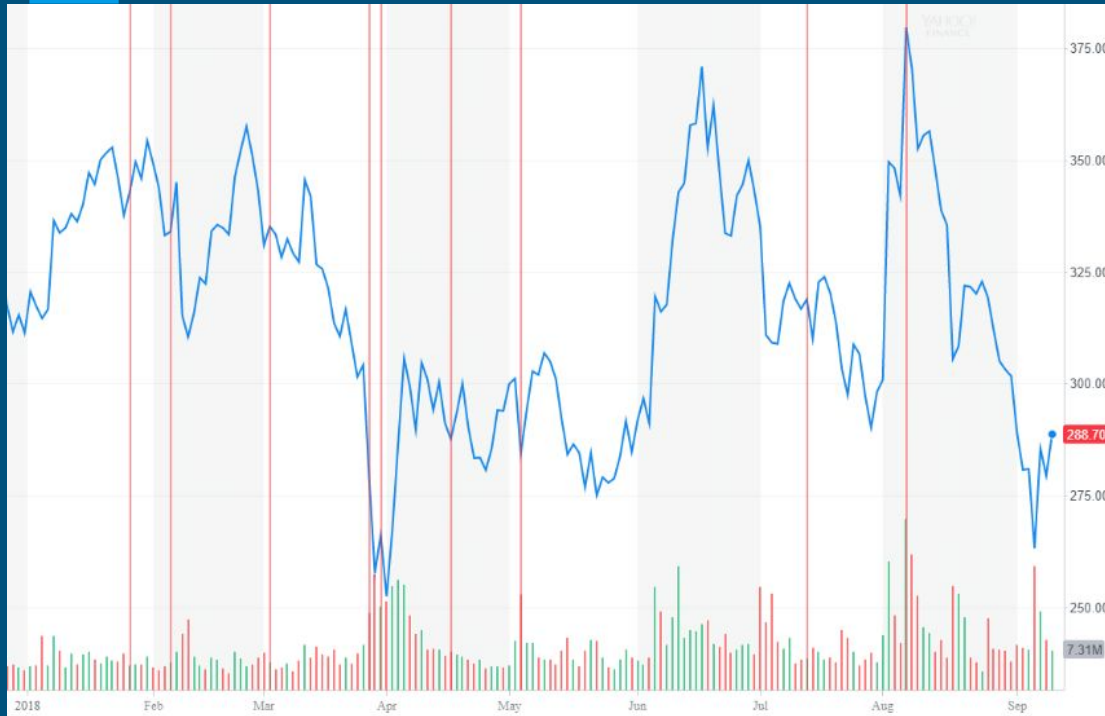
April 1 - Musk tweets “We are sad to report that Tesla has gone completely and totally bankrupt. So bankrupt, you can’t believe it.” It was a joke – sort of. Two days later, Musk tweets: “I’m back to sleeping at factory. Car biz is hell ...” **+21%**

May 3 - Musk slams analysts on an earnings call. Asked to detail Tesla’s cash position, Musk tells Sanford Bernstein analyst Toni Sacconaghi: “Excuse me. Next. Boring, bonehead questions are not cool. Next?” **-5%**

July 15 - Musk accuses Vern Unsworth (a British cave diver helping with the rescue of a Thai football team and their coach stuck in a cave) of being a “pedo” in a now-deleted tweet. Unsworth says he is considering legal action. Musk apologizes. **-2%**

August 7 - Musk tweets: “Am considering taking Tesla private at \$420. Funding secured.” **+11%**

Tesla performance on key dates



- What is Musk's future with Tesla?
- Is Musk too unstable to run a major company?
- Can Tesla become a mainstream car manufacturer?

Citizens Financial Group (CFG)

Alec & Connor



What is Citizens Financial Group

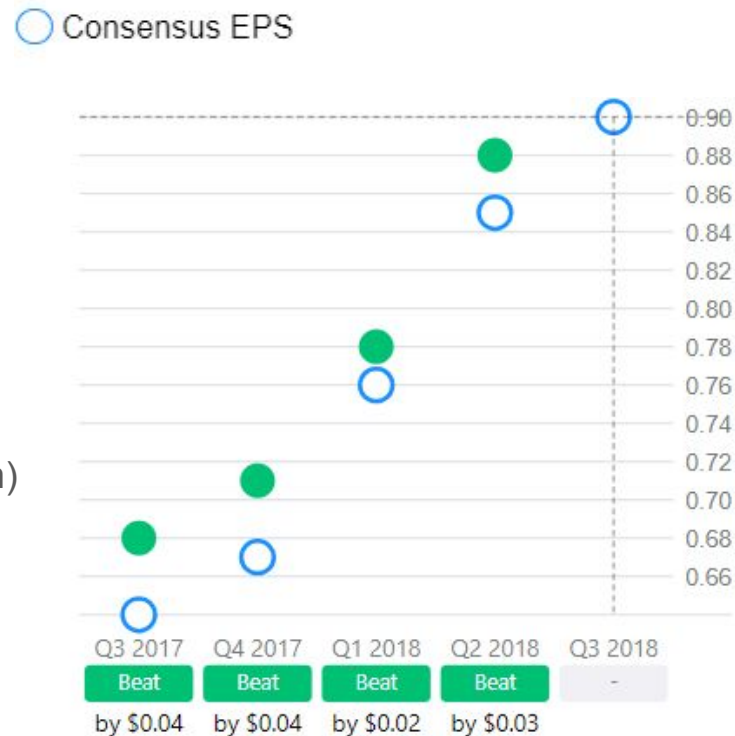


Financial Institution which operates through consumer and commercial banking

- Consumer
 - Deposit products, mortgage and home equity lending, auto financing, student loans, personal unsecured lines and loans, credit cards, business loans, wealth management and investment services
- Commercial
 - Lending and leasing, deposit and treasury management services, foreign exchange and interest rate management solutions, as well as corporate finance, merger and acquisition, and debt and equity capital market capabilities (Middle Market & F 500)
- \$155.4 billion in assets as of June 30, 2018
- One of the nation's oldest and largest financial institutions

Why is it a buy?

- Safe because of position in the market
 - Defensive stock in upcoming volatile market
- Dividends & Stock Buy back
 - \$1.02B buy back, \$0.27 (\$0.32)
- Earnings reports
 - 6 consecutive positive earnings reports
 - Beat 75% of last 12 earnings report predictions
- New acquisition
 - Franklin American Mortgage (\$511million acquisition)
- Initiatives
 - Balance sheet optimization
 - Capital plan
- Standout against competitors



Compared to Peers

(CFG)  Citizens Bank®

VS

(WAL)  WESTERN ALLIANCE
BANCORPORATION™

VS

(FRC)  FIRST REPUBLIC
It's a privilege to serve you®

Stock Price: \$41.03

Stock Price: \$59.23

Stock Price: \$100.44

Mkt Cap: 19.528 Bil

Mkt Cap: 6.271 Bil

Mkt Cap: 16.541 Bil

P/E Ratio: 11.17

P/E Ratio: 16.59

P/E Ratio: 21.99

Dividend Yield: 2.7%

Dividend Yield: --

Dividend Yield: .72%

Risk

- Is the market making Risky loans?
 - Too safe?
- PE ratio
- Financial positions we own



Market Sizing and “Guesstimate” Questions

Jesse Glaser



What are they?

- Among the most popular
- No *real* answer
- All about the thought process, critical thinking, and clarity



Strategy

- Clarify the question
- Break down the problem
- Use estimation and judgment
- Consolidate all pieces into a conclusion



Sample Question

“How many people are wearing red on a typical Sunday in New York?”

What is defined as “wearing red”? *Any red article of clothing*

What is defined as “New York”? *New York City*

Can they be double counted if they go out twice”? *No*



Solving

Work with the interviewer to create realistic numbers

- ~10 million people
- 10 colors to choose from
- 5% chance they don't go out (3 pieces), 70% once (5 pieces), 25% twice (10 pieces)

$$0.05(10,000,000) \times 1/10 \times 3 = 150,000$$

$$0.70(10,000,000) \times 1/10 \times 5 = 3,500,000$$

$$0.25(10,000,000) \times 1/10 \times 10 = 2,500,000$$

In total: 6,150,000 are expected to be wearing red on a typical Sunday in New York