



Basis Points – August 26, 2021

 westwoodgroup.com/weeklyblog/basis-points-august-26-2021/

Above the Fold

Sizzling Stock Market Attracts IPOs and Secondary Offerings as Well

As stocks continue to make new records, and investors pursue dreams of alpha (outperformance), companies are also looking to cash in. Last year was a record for the amount of IPOs (initial public offerings), where corporations sell shares to the public to raise cash. While more than 454 IPOs raised roughly \$168 billion in 2020, this year's data is already blowing that away. By June of 2021, U.S. initial offerings had already totaled \$171 billion, eclipsing the previous year. IPOs can be volatile events, but can lure traders and investors looking for outsized returns (hopefully they've done their homework first).

Public companies can also raise money by selling additional shares in what's called a secondary offering. These additional sales are also on fire in 2021. According to Dealogic data, more than 556 follow-on or secondary offerings have taken place so far this year, the most since 1996, raising a total of \$133 billion. With share values so rich, it's a prime environment to sell, and there's a wide swath of businesses taking advantage. Even "meme" stocks like AMC Entertainment Holdings and GameStop Corp. have jumped on the bandwagon. The surge is also allowing lesser-known companies to tap into capital streams which could help propel growth.

Three Things

1. *Samsung Ups Its Biotech and Chip Investments* – The South Korean conglomerate will increase its investments in chip manufacturing and vaccine production by 33% (\$205 billion) over the next three years. Samsung has also approved a \$17 billion chip production facility in the U.S.; the location is yet to be decided. The company currently sits on more than \$80 billion in net cash.
2. *Don't Steal a Samsung TV* – Theft is a major problem for manufacturers and resellers alike. After a number of TVs were stolen in South Africa, Samsung revealed that a technology called "television block function" is already installed on all its TV products. The embedded software can render a device useless, unless the "owner" provides proof of purchase. It's still unclear whether a consumer can call the company to activate the lock. Industry experts see this type of technology proliferating in connected/smart devices.
3. *Heatwave Bakes America's Crops* – Ultra-high temperatures and a severe lack of rainfall across wide swaths of middle America is leading to poor soil conditions, low yields and price increases for some commodities. Roughly 63% of the U.S. spring wheat crop is in poor or very poor condition, compared with 6% a year ago. Brazilian corn and Russian wheat crops are experiencing similar quality and yield issues due to drought. The weather is a one-two punch for many farmers who've had to deal with last year's commodity price crash and now face dwindling sales as cash crops perish in the field.

Did You Know?

America's First IPO

As the Revolutionary War raged, the first company to sell its shares was the Bank of North America. It was 1781, and federalist investors were having to hide their cash from British soldiers as the newly minted nation fought for its independence. The offering was symbolic as investors were now able to "invest" in America's future and its de facto central bank. The original charter, penned by Alexander Hamilton, called for the sale of 1,000 shares at \$400 each.

The information contained herein represents the views of Westwood Wealth Management at a specific point in time and is based on information believed to be reliable. No representation or warranty is made concerning the accuracy or completeness of any data compiled herein. Any

statements non-factual in nature constitute only current opinion, which is subject to change. Any statements concerning financial market trends are based on current market conditions, which will fluctuate. Past performance is not indicative of future results. All information provided herein is for informational purposes only and is not intended to be, and should not be interpreted as, an offer, solicitation, or recommendation to buy or sell or otherwise invest in any of the securities/sectors/countries that may be mentioned.