



Basis Points – November 22, 2022

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Above the Fold

FTX Failure Likely to Hasten Consolidation/Regulation

The recent high-profile bankruptcy of crypto exchange FTX has shaken investor sentiment and obviously riled regulators around the world to help ensure the future protection of assets. What was once a \$32 billion global powerhouse is now in Chapter 11 bankruptcy with former Enron Restructuring Chief John Ray III at the helm. Former CEO and Founder Sam Bankman-Fried is isolated in Nassau, Bahamas, allegedly working on strategies to secure funding to help make customers whole, but many questions and issues remain. An early letter of intent from competitor Binance to purchase the exchange is now off the table as executives there believe the mess is simply not worth cleaning up.

According to CNBC, Mr. Ray said he had never seen “[such a complete failure of corporate controls](#) and such a complete absence of trustworthy financial information” in his 40-year career, noting a “complete absence of trustworthy data and lack of financial safeguards.” The failure has prompted numerous governments and regulatory bodies, including the White House and United States Commodity Futures Trading Commission (CFTC), and others to push for legislation to control Bitcoin and other currencies. Proactive digital asset regulation was also a key topic at the recent G20 Summit in Bali. But while some regulatory action may be needed, perhaps more at the exchange level, industry experts are concerned that lawmakers could overcontrol and stifle healthy growth in the budding asset class. At a minimum, the recent failures and volatility in cryptos should prompt would-be investors to be extra cautious and prudent when investing. Seeking the help of a trusted advisor who knows the marketplace is also not a bad suggestion.

Three Things

Disney's CEO Swap

Walt Disney Co. surprised investors (and apparently its current chief) over the weekend when it announced the ousting of CEO Bob Chapek after less than two years on the job. Disney will replace Chapek with former Chief Robert Iger, who had helmed the media giant since 2005. The move follows a disappointing fourth-quarter earnings result that halted what's been a streak of positive momentum across several divisions. The company has also been under pressure from activist investors to improve operational efficiency and cut costs. Its streaming service, Disney+, lost \$1.47 billion in the most recent quarter, more than twice the loss in the same quarter last year.

Will OPEC+ Now Increase Production?

Just last month, the Organization of the Petroleum Exporting Countries (OPEC) and their Russia-led allies made the highly contentious decision to cut production by 2 million barrels per day. The move initially sent energy prices even higher and was seen as a huge slap in the face for the Biden administration and other western leaders working to reduce record-high inflation. With Europe in the thick of an energy crisis mainly due to Russian crude and natural gas constraints, the European Union agreed to impose an embargo on Russian oil while the G-7 is about to set a cap on Russian oil prices, scheduled to come into effect Dec. 5. These moves are complicating relationships within OPEC, and now the cartel is reportedly in talks to reverse course and increase output by up to 500,000 barrels per day. Their next meeting is set for Dec. 4, just one day before the cap is set to begin.

A Meatless Problem

Back in the spring of 2019, Beyond Meat was one of the hottest initial public offerings (IPOs) to come along in decades. Investors propelled its valuation to more than \$10 billion later that year, in what seemed like the “next big game-changer.” Unfortunately for Beyond, slumping plant-based meat sales and a bevy of competition have driven shares nearly 84% lower over the last 12 months. The company has had two rounds of massive layoffs in 2022 alone and is in the midst of retooling its leadership and strategy that will hopefully turn this (overly) agile, debt-laden alternative-food company around. With global economies slowing, and competitive real-meat products finally moderating in price, Beyond Meat faces some serious challenges.

In the Know

Digital Theatrical History Was Made 27 Years Ago

Released on this day back in 1995, the theatrical hit “Toy Story” is in the “Guinness Book of World Records” as the first feature-length, fully computer-animated movie ever made. The Pixar movie might not have been given the green light if not for the successful, stop-motion/animated 1993 Disney film, “The Nightmare Before Christmas,” which was the first picture to be produced outside Disney’s ecosystem. Pixar, which was spun off from Lucasfilm’s computer division, was largely funded by Steve Jobs and was eventually sold to Disney in 2006 for \$7.4 billion.

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