

Starbucks

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Sputtering China Growth Underscores Need for Trade Reprieve

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Comments of the Day

15 November 2019

Video commentary for November 14th 2019

Eoin Treacy's view

A link to today's video commentary is posted in the Subscriber's Area.

Some of the topics discussed include: Wall Street leading on the upside, China the epicentre of risk, industrial commodities and commodity currencies weak, negative rates increase scope for competitive currency devaluation, gold steadies.

Price: 93.07

Market Cap: \$109.93 billion

1 Year Share Price Graph



Share Information

Code: SBUX

Listing: NASDAQ

52 week	High	Low
	99.72	62.96

Sector: Food & drink

Website: www.starbucks.com

Company Synopsis:

Starbucks is one of the best-known coffee shop brands in the world, buying and roasting whole bean coffees and selling them, along with fresh, rich-brewed, Italian style espresso beverages, a variety of pastries and confections, and coffee-related accessories and equipment.

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Sputtering China Growth Underscores Need for Trade Reprieve

This article from Bloomberg news may be of interest to subscribers. Here is a section:

The investment data shows how cautious private companies have become, with their spending in the first 10 months of the year at the lowest level since 2016. The continued stability in spending by state-owned firms' is preventing an even stronger drop in the headline data.

Investment in the property market is one bright spot, with spending by the manufacturing sector barely above the record low recorded in September. Infrastructure investment growth continued to bounce along around 4% as it has all year.

"I'm quite concerned with property investment, the only stable element in fixed-asset investment now," according to Xue Zhou, analyst at Mizuho Securities Asia Ltd in Hong Kong. "Monetary policy needs to be more supportive on economic

growth and there should be more cuts to banks' reserve ratios to help smaller banks."

Eoin Treacy's view

The first couple of months of the year are when the Chinese financial system gets its annual quota for lending and generally makes its full allocation by around Chinese New Year. That sends a surge of liquidity into the market in January and February but the broader question is how much of that is already priced in considering it is so predictable.

Luckin Coffee's Stock Shoots Up After Revenue Rises Above Expectations

This article from Marketwatch may be of interest to subscribers. Here is a section:

Shares of Luckin Coffee Inc. (LK) shot up 7.6% in premarket trading Wednesday, after the China-based coffee seller reported wider third-quarter loss but revenue that rose above expectations. The net loss was RMB531.9 million (\$74.4 million), or RMB3.60 per American Depository Share, after a loss of RMB484.9 million, or RMB2.24 per ADS a year ago. Excluding non-recurring items, the adjusted per-ADS loss was RMB2.08, compared with the FactSet consensus for loss per ADS was RMB2.75. Revenue rose to RMB1.54 billion (\$219.6 million) from RMB240.8 million, to beat expectations of RMB1.47 billion. Average monthly items sold were 44.2 million, up from 7.8 million a year ago, while the average monthly transacting customers grew to 9.3 million from 1.9 million. "During the third quarter, sales from freshly-brewed coffee drinks continued to maintain very strong growth, and we believe we will reach our goal to become the largest coffee player in China by the end of this year," said Chief Executive Jenny Qian. The stock, which went public on May 17, has tumbled 22.7% over the past three months, while the S&P 500 has gained 5.7%.

Eoin Treacy's view

I wanted to try a Luckin Coffee while in Guangzhou over the summer but I was voted down by my daughters who could not get enough of boba tea. Since they discovered smores frappacinos the two alternatives are more balanced but they will always still choose a boba tea over a trip to Starbucks.

Wall Street Is Wrong About Negative Interest Rates

This article by Ferdinando Giugliano for Bloomberg may be of interest to subscribers. Here is a section:

Finally, there's little evidence that negative rates have held back lending. A recent ECB working paper shows deposits with commercial lenders have increased since the central bank introduced negative deposit rates. At the same time, companies with large cash holdings have cut their deposits and invested more. That's exactly the goal of this policy.

In fact, banks that pass on negative rates to customers appear to provide more credit than other lenders. This suggests that, contrary to what those Wall Street titans say, the problem with negative rates is that not enough banks inflict them on their clients.

It's certainly possible that monetary policy becomes less effective as central banks cut interest rates deeper into

negative territory. Gauti Eggertsson of Brown University and Larry Summers of Harvard have looked at Sweden, a pioneer in cutting rates below zero. They concluded that while its first two negative moves reduced lending rates, this wasn't repeated after two later cuts.

However, similar diminishing returns are seen in other unorthodox measures, including asset purchases. The authors also acknowledge that the rate cuts might have boosted Sweden's economy via other channels, for example by depreciating the krona, allowing the government to borrow more and boosting asset prices.

Eoin Treacy's view

Forcing people into speculative activity when asset prices are already at record highs is not exactly a recipe for financial security over the medium to long term. In the short-term it greatly increases bubble risk.

Eoin's personal portfolio: precious metals long initiated

Eoin Treacy's view

One of the most commonly asked questions by subscribers is how to find details of my open traders. In an effort to make it easier I will simply repost the latest summary daily until there is a change. I'll change the title to the date of publication of new details so you will know when the information was provided.

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