

Thursday, January 13, 2022

## TOP NEWS TODAY

*News and Insight from Dow Jones and The Wall Street Journal.*

### THE NUMBERS

		Change
DJIA	36,113.62	-176.70
S&P 500	4,659.03	-67.32
NASDAQ	14,806.81	-381.58
EUR/US	\$1.1456	\$0.0013
Gold	\$1,822.10	-\$5.20
NYMEX Crude	\$81.54	-\$1.10
US 10-Year Note	1.70	-0.05

Powered by Dow Jones Research, FactSet, Eurostat.

### MARKET WRAPS

**STOCKS:** U.S. stocks fell as declines in technology shares weighed on the stock market. The tech sector of the Standard & Poor's 500 fell by about 2.6%, bringing losses to roughly 6% for the year to date.

**TREASURYS:** Treasury yields fell to their lowest levels in more than a week, following a solid \$22 billion auction of 30-year bonds and data showing U.S. wholesale prices rose just 0.2% in December.

**FOREX:** The dollar slid, with its weakness attributed to inflation data that failed to prompt the market to price in more rate rises, Societe Generale forex strategist Kit Juckes said.

**COMMODITIES:** Oil futures ended lower, with a significant rise in U.S. gasoline stockpiles last week raising concern over the Omicron coronavirus variant's impact on demand for fuel, even as domestic crude supplies stand at their lowest since 2018.

## HEADLINES

### Supreme Court Blocks Biden Vaccine Rules for Private Employers, Allows Them for Healthcare Workers

WASHINGTON—The Supreme Court on Thursday blocked the Biden administration’s Covid-19 vaccine-or-testing rules for large private employers, upending the government’s most aggressive effort to combat the pandemic in the workplace.



The high court, however, did give the administration more latitude in the healthcare industry, allowing it to impose a vaccine mandate for more than 10 million healthcare workers whose facilities participate in Medicare and Medicaid, a holding that leaves one part of the president’s Covid-19 playbook in place.

The private-employer requirements, for businesses with 100 or more employees, would have applied to an estimated 84 million workers. The court’s conservative majority, in an unsigned opinion, said the Biden administration likely didn’t have the unilateral power to impose a mandate that employers ensure their workers were vaccinated or tested every week for Covid-19. Three liberal justices dissented.

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### Fed’s Evans: Time to Move Toward Tighter Monetary Policy

Federal Reserve Bank of Chicago President Charles Evans said Thursday monetary policy isn’t positioned to deal with surging inflation and that he supports the central bank’s recent shift toward expecting to raise interest rates.



Mr. Evans didn’t say when he would like the Fed to raise rates from their near zero settings, but he noted that at December’s Federal Open Market Committee meeting his outlook for monetary policy was in line with the three rate increases this year that Fed officials collectively penciled in at that time.

“This is going to be a year where we readjust monetary policy,” Mr. Evans said, adding that inflation now is the Fed’s top challenge and its surge caught the central bank off guard.

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### TPG Rises in First Day of Trading After IPO

Shares of TPG Inc. rose in their stock-market debut Thursday, notching a valuation of roughly \$10 billion for the private-equity firm and marking a positive sign for the IPO market.



The stock opened at \$33, up 12% from its initial-public-offering price. It recently traded at \$33.85, up 15%. On Wednesday, the firm and an existing investor raised \$1 billion by selling stock in its IPO.

The shares had priced at \$29.50, the midpoint of TPG's projected range of \$28 to \$31. That valued TPG at around \$9 billion. The firm was hoping for a \$10 billion valuation when The Wall Street Journal first reported in June that TPG was weighing going public.

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## Producer-Price Increases Slowed From Record Pace in December

Prices that suppliers are charging businesses and other customers closed out 2021 near the highest level in over a decade, though December showed a slight cooling of producer inflation.



The Labor Department said Thursday that its producer-price index rose 0.2% in December from November, the slowest pace since November 2020 and down sharply from a revised 1.0% the prior month—a possible sign of easing inflationary pressures in the U.S. supply chain.

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## Microsoft Board to Review Company's Sexual Harassment and Gender Discrimination Policies

Microsoft Corp.'s board of directors on Thursday said it would review the company's sexual harassment and gender discrimination policies and unveil a summary of the results of past investigations into how the company handled allegations against company executives, including co-founder Bill Gates.



The software company's board is taking this action in response to an unexpected win by activist shareholders at the company's annual investor meeting in November with a proposal demanding greater disclosure around sexual harassment issues.

“Our culture remains our number one priority and the entire Board appreciates the critical importance of a safe and inclusive environment for all Microsoft employees,” said Microsoft Chief Executive Satya Nadella in a statement announcing the board’s plans. “We’re committed not just to reviewing the report but learning from the assessment so we can continue to improve the experiences of our employees. I embrace this comprehensive review as an opportunity to continue to get better.”

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## Goldman Tells Employees They Can Work From Home Until Feb. 1

Goldman Sachs Group Inc. again delayed its plans to bring employees back to the office in response to the spread of the Omicron Covid-19 variant.

The bank told employees in an email that they could work from home until Feb. 1, a company spokeswoman said Thursday. Goldman had instructed its workers earlier this month to return on Jan. 18.



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## Student-Loan Processor Navient to Cancel \$1.7 Billion of Debts

One of the nation’s largest student-loan processors will cancel the debt of 66,000 borrowers, totaling \$1.7 billion, in an agreement with 40 state attorneys general.

The agreements resolve all six outstanding state lawsuits against Navient Corp., the company said. The loans in question are private loans, meaning they are not guaranteed by the federal government. As part of the settlement, the company will make a one-time payment of approximately \$145 million to the states.



“The company’s decision to resolve these matters, which were based on unfounded claims, allows us to avoid the additional burden, expense, time and distraction to prevail in court,” said Mark Heleen, Navient’s chief legal officer.

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## Biden Says U.S. to Procure 500 Million More Covid-19 Tests

WASHINGTON—President Biden said he is directing his administration to procure 500 million additional at-home rapid Covid-19 tests to meet demand around the country, doubling the number of tests the U.S. plans to send to the public free of charge.



“That means a billion tests in total to meet future demand,” Mr. Biden said at the White House on Thursday. He added that he intends next week to detail a plan to provide free masks to Americans.

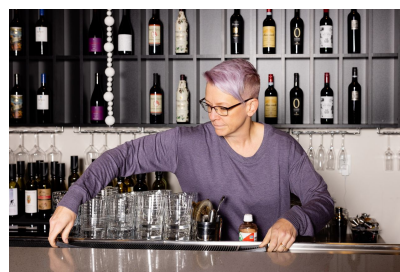
The president said last month that the U.S. would procure an initial batch of 500 million tests to distribute free. He is doubling that number amid what public health officials say is a growing need for more accessible testing as a result of the Omicron variant.

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## U.S. Jobless Claims Rise to 230,000

Filings for jobless claims rose to a seasonally adjusted 230,000 last week, an increase of 23,000, as a tight U.S. labor market has kept applications near pre-pandemic lows for the past two months.



The increase in the Jan. 8 week came as employers dealt with workers calling in sick because of the Omicron variant of Covid-19.

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## Delta Reports Loss Amid Omicron Wave but Expects to Make Recovery

Delta Air Lines Inc. said Thursday it expects to shake off the impact of Omicron, the fast-spreading Covid-19 variant that knocked the airline’s operation off course and damped revenue at the end of the year.



The Omicron variant upended what airline executives had expected would be a smooth and lucrative holiday travel season. Airlines canceled over 30,000 U.S. flights between Christmas Eve and Jan. 11, as Covid-19 infections ravaged airline workforces, and winter storms further derailed operations in many parts of the country.

Delta's \$9.47 billion in revenue during the quarter was the highest since before the pandemic began to decimate travel in 2020. But Delta Chief Executive Ed Bastian said in an interview that the Omicron variant resulted in a roughly \$75 million hit in the fourth quarter, including lost revenue from canceled flights and a slowdown in bookings.

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## Mortgage Rates Jump to Highest Level Since March 2020

Mortgage rates have hit their highest level since March 2020, the month the coronavirus pandemic took hold in the U.S. and roiled markets.

The average rate for a 30-year fixed-rate loan was 3.45% for the week ended Thursday, mortgage finance giant Freddie Mac, up from 3.22% a week ago.

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## TALKING POINTS

### The Effect Of Too Many Boys On China's Economy

*By Nathaniel Taplin*

China is once again in the throes of a determined government attempt to rein in housing prices, boost domestic consumption and reduce dependence on the outside world. Why is this all so hard?

There are many answers, but some researchers are increasingly focusing on one intriguing piece of the puzzle: China has far too many young men relative to women, and that distorts its economy in subtle and powerful ways. The combination of China's now-abandoned one-child policy, originally implemented in the 1980s, and a traditional preference for male children has pushed China's sex ratio continually higher. In the late '90s there were roughly equal numbers of men and women in their 20s, but by 2020 there were about 111 men for every 100 women, according to official data.

Moreover, some of these economic distortions might have been amplified by another trend: a widening pay and workforce participation gap between men and women. China has a smaller gender wage gap than most upper-middle-income countries, according to data from the World Economic Forum, but it is still substantial. In the last several years, researchers have started investigating what all this could mean—not just for male lonely hearts, but for the Chinese economy as a whole. One conclusion is that the impact on housing prices, in particular, might have been very substantial since men are often expected to own an apartment in order to marry.

A 2017 analysis by economists including Shang-Jin Wei of Columbia, formerly chief economist of the Asian Development Bank, found that housing prices were significantly higher, relative to income, in Chinese cities where sex ratios were more skewed. The economists' model suggests that the rising sex ratio might have accounted for more than 30% of the gain in real housing prices in major Chinese cities from 2003 to 2009. A separate 2020 paper from economists at the University of Birmingham using 2011 and 2013 data found that families with sons of marriageable age were more likely to acquire multiple houses, especially in areas with highly skewed sex ratios.

The relentless pressure on young men and their families to buy housing is likely also related to China's stubbornly high household savings rate and low consumption levels—particularly since that pressure is combined with a labor market that persistently undervalues female workers. Urban female employees made an average of 6,487 yuan (\$1,019) monthly in 2020, according to recruitment website Zhipin, which was 75.9% of the average for men. In the U.S., female employees make about 82% of the median male wage, while the figure for members of the Organization for Economic Cooperation and Development as a whole was 87.5% in 2019 according to the group's data.

If men and families with sons are overrepresented in China's population as a whole, earn most of the country's income, and are under huge pressure to save to compete in the marriage market, it is perhaps unsurprising that China as a whole saves quite a lot of what it earns.

To be sure, many other factors are also at play including, until recently, a low dependency ratio, a weak social safety net and widespread financial repression, which makes it difficult to build up savings through interest income. But as Beijing cautiously dials back its full frontal assault on the housing sector—and housing sales show signs of a tentative rebound—it is worth remembering how deep and powerful the cultural, demographic and financial forces are that Beijing is confronting as it tries to wrestle the Chinese economy onto a more productive, less housing-centric path.

## **Investors Embrace Private Lending**

*By Matt Witz*

One of Brigade Capital Management's best trades of 2021 was making about one million loans to U.S. shoppers.

The investment firm made double-digit returns funding more than \$500 million of "buy now, pay later" and other consumer loans used for purchases on digital marketplaces like Amazon.com Inc., people familiar with the trade said.

Brigade's foray into consumer finance is part of a boom in private credit—lending by money managers rather than banks—spreading across the globe. Funds that make such loans now control about \$1.2 trillion, nearly twice the capital they had five years ago, according to analytics company Preqin.

In the past, many made loans for private-equity firms taking over midsize businesses. Now they are using their cash piles to expand into markets once dominated by Wall Street banks

such as consumer finance, mortgages and asset-based lending. Pension systems, insurers and endowments are shunting billions of dollars into the high-yielding funds because returns from conventional fixed income have been anemic for years.

“We think this market dwarfs the alternatives market,” Apollo Global Management Inc. Chief Executive Officer Marc Rowan said at the firm’s investor day in October. The figure could be as great as \$40 trillion, he said. Apollo manages about \$340 billion of credit investments, much of them private.

Some see risk where Mr. Rowan spies opportunity.

Private lending is opaque, lightly regulated, susceptible to conflicts of interest and concentrated among a small number of large fund managers, according to Moody’s Investors Service. That poses risks to the financial system. “The economy is increasingly exposed to the governance and risk management of these asset managers,” the ratings firm said in a recent report.

Money dedicated to private debt should hit \$2.69 trillion by the end of 2026, according to research by Prequin, making it the fastest-growing industry the firm measures. Many of the funds also borrow money from banks to make more loans, boosting lending capacity.

The flood of cash has reached some unexpected places. Yield-hungry investors like pension funds—expecting low future returns on traditional stocks and bonds after the pandemic run-up—are paying money managers to hopscotch the globe looking for borrowers that traditionally relied on banks, venturing into everything from aircraft leasing to sports franchises.

New York-based Brigade manages about \$30 billion, mostly investing in junk-rated corporate debt since its founding in 2006. Much of its recent growth, though, came from funds that buy public securitizations: bonds backed by bundles of mortgage, corporate and consumer loans.

The firm had been purchasing bonds backed by online shopping loans for several years when it approached digital finance service Affirm about buying loans privately in bulk. Affirm started supplying Brigade with the high-yielding debt in early 2021.

The loans averaged \$500 to \$700 each, for purchases from brands such as Apple Inc. and Priceline.com by borrowers with FICO scores around 700, the people familiar with the trades said.

Interest rates on the loans are much higher than those of the bonds Affirm sells in the public market and Brigade boosts returns by using borrowed money for some of the purchases, the people said. Overall returns well exceeded 20% last year, one of the people said.





## Crypto Exchange Gemini Wades Into Wealth Management With Bitria Acquisition

Cryptocurrency exchange Gemini is acquiring Bitria, a digital asset portfolio management platform for financial institutions. The deal gives Gemini, which caters to individual investors, greater access to the wealth management industry. Gemini, which offers investors access to the more than 70 cryptocurrencies, hopes to capitalize on individual investors' interest in digital assets.

“We look a lot like the Schwab of crypto. We have the individual investor side and the ability now to serve ad crypto provider with a subaccount capability. We can manage thousands of accounts for advisors. Adding Bi easier for financial advisors.”

Bitria’s digital turnkey asset management platform for advisors will be integrated into Gemini’s platform. Gen harvesting, and separately managed account construction and maintenance.

“Advisors want a seamless solution to bring that to their clients. That is what Bitria and Gemini bring to the w

[Read Full Article on NewsPlus](#)

--Andrew Welsch

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## Expected Major Events For Friday

07:00/UK: Nov UK trade

07:00/UK: Nov Index of production

07:00/UK: Nov Index of services

07:00/UK: Nov Monthly GDP estimates

07:45/FRA: Dec CPI

09:00/GER: Annual Annual GDP - first provisional calculation

12:30/UK: Dec NIESR Monthly GDP Tracker

13:30/US: Dec Import & Export Price Indexes

13:30/US: Dec Advance Monthly Sales for Retail & Food Services

14:15/US: Dec Industrial Production & Capacity Utilization

15:00/US: Nov Manufacturing & Trade: Inventories & Sales

15:00/US: Jan University of Michigan Survey of Consumers - preliminary data

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All times in GMT. Powered by Kantar Media and Dow Jones.

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## Expected Earnings For Friday

BlackRock Inc (BLK) is expected to report \$10.06 for 4Q.

Bridgford Foods Corp (BRID) is expected to report for 4Q.

Citigroup Inc (C) is expected to report \$1.43 for 4Q.

First Republic Bank (FRC) is expected to report \$1.93 for 4Q.

Flywire Corp (FLYW) is expected to report for 4Q.

JPMorgan Chase & Co (JPM) is expected to report \$3.01 for 4Q.

TSR (TSRI) is expected to report for 2Q.

Tanzanian Gold Corp (TNX.T,TRX) is expected to report for 1Q.

Wells Fargo (WFC) is expected to report \$1.11 for 4Q.

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Dow Jones & Company, Inc.  
1211 Avenue of the Americas  
New York, NY 10036

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