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## Daily Intelligence Briefing

Friday, June 18, 2021

*Identifying Change-Driven Investment Themes - Five sections, explained [here](#).*

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### I. Friday Research Roundup

*DIBs reports from the past week.*

Monday, June 14, 2021

#### [Cruise Lines Resume Operations, But Consumer Uncertainties Linger](#) →

Summary: The cruise industry is slowly approaching a return to normal, finally returning to service amid pent-up demand for leisure travel. After a year of shutdowns, Royal Caribbean, Carnival, Norwegian, and other major cruise lines are returning to US ports as limited-capacity bookings fill up fast and ticket prices rise.

Vaccination rates continue to climb, and consumers are beginning to feel safer about cruising to vacation destinations, but there is still a lot of work to do. New polling data shows only half of US consumers are confident the cruise industry can reopen safely coming out of the pandemic. Ongoing legal challenges to CDC vaccine requirements for cruises and multiple vessels reporting positive COVID-19 tests show the industry's road to recovery may still be a bumpy one.

Related Stocks: Royal Caribbean Cruises (**RCL**), Carnival Corporation (**CCL**), Norwegian Cruise Line Holdings Ltd. (**NCLH**)

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Tuesday, June 15, 2021

#### [Video Game Sales Gain Ground in May, E3 Expo and Hardware Sales Continue to Drive Optimism](#) →

Summary: Video Game industry sales rallied to exceed prior year revenue figures in May, led by next-gen console sales in the hardware category. Following discussions and presentations at E3 2021, the focus of major manufacturers like Microsoft appears to be largely digital, and focused on the cloud. Mobile gaming has also continued to gain popularity.

Those trends are a problem for the remaining brick and mortar gaming retailers – in particular, GameStop. While “meme stock” hype has shot the company’s stock well north of \$200, a significant turnaround in the company’s fundamentals are yet to be seen.

Related ETF & Stocks: Wedbush ETFMG Video Game Tech ETF (**GAMR**), Microsoft Corporation (**MSFT**), Sony Group Corporation (**SONY**), GameStop Corp. (**GME**)

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#### THEME ALERT

Wednesday, June 16, 2021

### [\*\*NATO Calls Out International Aggression as US Defense Contractors Score Israeli Arms Deal, Counter-China Spending →\*\*](#)

This week’s summit of NATO leaders came amid a tense geopolitical backdrop. China is continually [stepping up military aircraft incursions into Taiwanese airspace](#) and Russia has yet to significantly unwind a buildup of troops along the Ukrainian border.

Ukraine risks becoming a global flashpoint now that it seems official NATO membership for the nation may be imminent. Ukrainian President Volodymyr Zelensky mistakenly believed his nation was indeed granted member status earlier this week, tweeting that NATO had agreed his country would join the alliance. It wouldn't be long before President Biden and other leaders [shot down that assertion](#), but the confusion may signal that more serious talks about Ukraine are happening behind closed doors.

Ukrainian membership in NATO would mark a significant shift in the geopolitical balance of Eastern Europe since the alliance’s [Article 5 clause](#) guarantees collective defense of every member state; an attack against one is in an attack against all.

In the Middle East, the Israeli-Palestinian conflict has re-erupted. The breakdown of a tenuous ceasefire deal comes a month after the announcement of a massive [\\$735 million arms deal between the US and Israel](#). That was followed up by [a sale of US weaponry to Taiwan this week, worth \\$436.1 million](#).

The Biden administration’s first military budget of [more than \\$700 billion will be almost](#)

equal to the prior year, but has made room for plenty of spending to counter upgrades China has made to their own military. However, the US budget does fall short of Russia and China's combined military spending.

A ramping up in geopolitical anxiety around the globe will undoubtedly bring heightened attention to the aerospace and defense sector, specifically key US defense contractors. In light of this, MRP will be adding LONG Aerospace & Defense to our list of themes, effective today. We will track the performance of this theme with the **SPDR S&P Aerospace & Defense ETF (XAR)**.

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#### THEME ALERT

Thursday, June 17, 2021

### [Solar Installations Steady but Polysilicon Costs Climb, Extending Delays →](#)

Solar installations surged 46% the first quarter of this year, [accounting for 58% of all electric capacity additions in the US](#). Installations are projected to climb further, aided by the Biden administration's clean energy efforts and rising corporate investment in renewable energy. In Q1, Utility-scale installations led the way with 3.6 GW of new capacity, while residential solar sales added 905 megawatts, an increase of 11% over the same period last year.

Though the price of polysilicon, a key material used in solar cells, has surged to near-decade highs and driven up costs for manufacturers, [prices for the commodity may have finally peaked](#) after a period of rapid speculation and will begin to ease soon. A reversal of that rally would also return solar energy back to its long-term trajectory of falling costs.

As MRP noted back in November, the International Energy Agency (IEA) has already anointed solar power the “[new king](#)” of global electricity markets after becoming the cheapest form of electricity in history.

For utility-scale solar projects completed this year, the average cost of electricity generation over the lifetime of the plant (called the levelized cost of electricity) was [between \\$35 to \\$55 per megawatt hour in some of the world's biggest markets](#) — the US, Europe, China, and India. The cost for coal, in comparison, currently ranges between about \$55 and \$150 per megawatt hour.

MRP will be adding LONG Solar to our list of themes, effective today. We will track the performance of the theme with the **Invesco Solar ETF (TAN)**.

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## THEME SUSPENSION

[MRP added LONG Copper & Copper Miners to our list of themes on July 16, 2020](#) due to the ongoing global economic recovery, the secular shift from fossil fuels to renewables, and the potential hedging value against accelerating inflation.

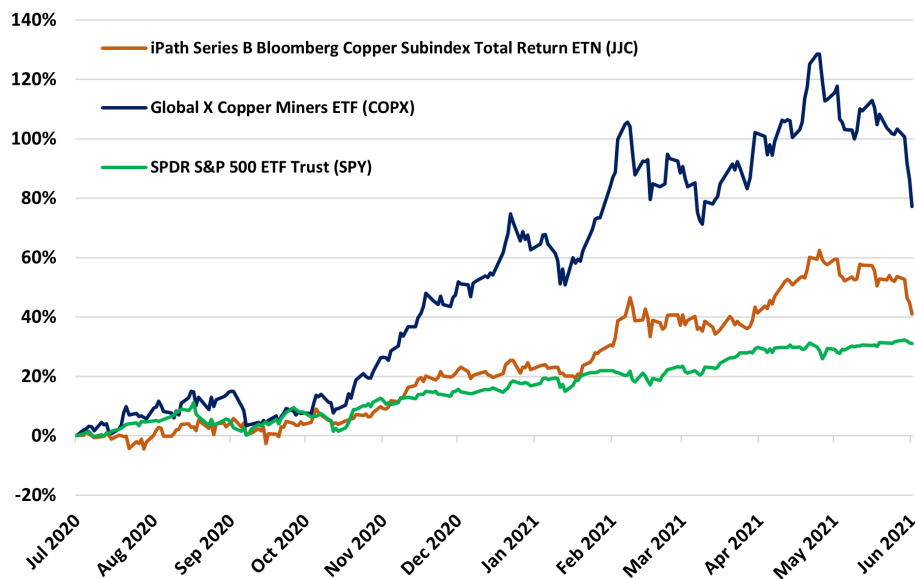
However, in the wake of [China releasing strategic reserves of copper, aluminum, and zinc](#) to drag down prices of the red metal, as well as a broader slump in commodity prices, sky-high copper futures may have some more downside ahead.

Though inflation continues to run especially hot, the Fed's newest dot plot shows policymakers have grown [slightly more hawkish](#). That development threatens to not only cool price pressures, but drag down extended share prices among metal miners as well.

It's important to note that copper market is still projected to remain in a deficit this year, and those Chinese reserves will have to be re-filled at some point, but heavy volatility remains likely.

**In light of all these factors, MRP will be suspending our Long themes on Copper and Copper Miners. Over the lifetime of those themes, the iPath Series B Bloomberg Copper Subindex Total Return ETN (JJC) and the Global X Copper Miners ETF (COPX), have returned +41% and +77%, respectively, over the life of the theme. Each of those have outperformed the S&P 500's return of 31% over the same period.**

**Copper ETN (JJC) vs Copper Miners ETF (COPX)  
vs S&P 500 (SPY)  
July 2020 - June 2021**



[You'll find all of our recent Market Insight reports on the MRP website →](#)

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## OTHER DIBS MATERIALS



### II. Updates of Themes on MRP's Radar

*Follow-up analysis of key market drivers monitored by MRP.*

**US Banks LONG:** JPMorgan is buying UK robo-advisor Nutmeg to boost overseas retail banking expansion

**Construction:** Construction input prices jump 24%

**Cannabis LONG:** The rise of cannabis seltzer and spirits, which get you high quicker than edibles

**Autos:** Auto Stocks Have Climbed on Plans to Spend More on Electric Vehicles. What to Know.

**Battery Metals LONG:** Cobalt supply must double by 2030 to meet demand – Trafigura exec

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### III. Joe Mac's Viewpoint

*Founder Joe McAlinden's big-picture analyses of macro issues. More about him [here](#).*

May 28, 2021: [When Jay Blinks →](#)

April 30, 2021: [How High is "Up"? →](#)

March 31, 2021: [Preparing for Inflation Amid the Printer-Powered Recovery →](#)

February 26, 2021: [Stagflation Nation →](#)

January 29, 2021: [An Inflation Calculation →](#)

December 31, 2020: [A Look Back at 2020: Reviewing Our List of Themes →](#)

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### IV. Active Thematic Ideas

MRP's active long and short themes, with an archive of follow-up reports.

[See Them Here](#) →

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## V. Macroeconomic Indicators

Key data releases relevant to MRP's Active Thematic Ideas.

[See Them Here](#) →

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# ACTIVE THEMATIC IDEAS



Select a theme to see when and why we added it. Also included is a link to all recent Market Insight reports we've written about that theme, allowing you to track its progress.

LONG  
U.S. Cannabis

LONG  
Battery Metals

LONG  
Silver & Silver Miners

LONG  
Cybersecurity

LONG  
Agricultural  
Commodities

LONG  
U.K. Equities

LONG  
Digital Payments

SHORT  
Long-Dated  
Treasuries

LONG  
Energy

LONG  
Sports Betting

LONG  
Drug Stores

LONG  
U.S. Semiconductors

LONG  
Uranium

LONG  
U.S. Banks

LONG  
Aerospace & Defense

LONG  
Solar

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# MACROECONOMIC INDICATORS



## 1. US Initial Jobless Claims See an Unexpected Increase

The number of Americans filing new claims for unemployment benefits unexpectedly rose to 412 thousand last week, the first increase in more than a month.

[Click here to access the data +](#)

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## 2. US Philadelphia Manufacturing Index Falls for the Second Straight Month

The Philadelphia Fed Manufacturing Index in the US fell for the second month to 30.7 in June of 2021 from 31.5 in May, compared to market forecasts of 31.

[Click here to access the data +](#)

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## 3. Euro Area YoY Construction Output Surges

Construction output in the Euro Area jumped 42.3 percent in April 2021, following an upwardly revised 20 percent rise in March.

[Click here to access the data +](#)

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## 4. South Africa Retail Sales Drop More Than Forecast

Retail Sales in South Africa decreased 0.80 percent in May of 2021 over the previous month, compared with market forecasts of a 2 percent rise.

[Click here to access the data +](#)

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## 5. Russia PPI Continues to Climb Month-Over-Month

Producer Prices in Russia increased to 232.40 points in May from 227.20 points in April of 2021.

[Click here to access the data +](#)

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## 6. Canada Employment Rises Less Than Projected

Employment in Canada increased by 101,600 jobs in May of 2021, compared with market expectations of a 250,000 increase.

[Click here to access the data +](#)

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# MARKET INSIGHT UPDATES: SUMMARIES



## Finance



### US Banks

## JPMorgan is buying UK robo-advisor Nutmeg to boost overseas retail banking expansion

The U.S. banking giant said the deal, which is still subject to regulatory approval, would complement its plans to launch a standalone digital bank brand in the U.K. later this year.

With more than £3.5 billion (\$4.9 billion) in assets under management, Nutmeg is one of the U.K.'s largest robo-advisors. The U.K.'s fintech market is thought to be one of the world's largest, attracting \$4.1 billion in venture capital funding last year, according to industry body Innovate Finance.

[Read the full article from CNBC +](#)

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# Construction & Real Estate



## Construction

### Construction input prices jump 24%

Nonresidential construction input prices increased 23.9% in May compared to the previous year, according to an Associated Builders and Contractors analysis of U.S. Bureau of Labor Statistics data released Tuesday. These input prices are 4.8% higher than in April, ABC said in a release.

In addition, all three energy subcategories registered significant year-over-year price increases. Crude petroleum has risen 187%, while the prices of unprocessed energy materials and natural gas have increased 100% and 90%, respectively. The price of softwood lumber has expanded 154% over the past year.

[Read the full article from ConstructionDive+](#)

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## Services



## Cannabis

### The rise of cannabis seltzer and spirits, which get you high quicker than edibles

As cannabis grows in popularity and more Americans are considering cutting back on booze, the founders of Cann seltzer wanted to create a weed drink that people could easily incorporate into their social lives: a carbonated "social tonic" dosed at 2 mg THC and 4 mg CBD.

Beverages only make up about 5% of the cannabis edibles industry, according to BDS Analytics, a cannabis market insights firm. But the overall edibles market is growing, Kelly Nielsen, VP of insight and analytics, told Insider — and if the success of companies like Cann is any indication, the "drinkables" sector will continue to expand as well.

[Read the full article from Business Insider +](#)

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## Transportation



### Autos

#### **Auto Stocks Have Climbed on Plans to Spend More on Electric Vehicles. What to Know.**

Shares of global auto makers rise after the companies announce more capital spending on electric vehicles. The latest exhibit is General Motors (GM). It announced an incremental \$8 billion in spending on vehicle electrification on Wednesday. Its stock jumped 1.6% while the Dow Jones Industrial Average and the S&P 500 fell.

Additionally, Ford Motor (F) announced roughly \$20 billion in electric vehicle spending in February. Shares rose 1.2% the day of the announcement and its first-quarter earnings. Ford then increased the amount to be spent on vehicle electrification to about \$30 billion on May 26. Shares rose 8.5% in response.

[Read the full article from Barron's +](#)

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## Commodities



### Battery Metals

#### **Cobalt supply must double by 2030 to meet demand – Trafigura exec**

Cobalt supply will need to double by 2030 from current levels to meet surging demand for the key ingredient used in electric vehicles, commodity trading house Trafigura's head of nickel and cobalt trading said on Wednesday.

Economou added that artisanal supply of cobalt, which is mined in the Democratic Republic of Congo, will likely reach 10,000 tonnes compared to 20,000 tonnes in 2019. Total supply of cobalt in 2020 was 126,500 tonnes, according to consultancy Benchmark Mineral Intelligence.

[Read the full article from Mining.com +](#)

## ONLINE RESEARCH PORTAL

MRP's Research Portal includes an archive of current and past [Market Insights](#), [Active Thematic Ideas](#), and [Joe Mac's Viewpoints](#). You can also search for all of our coverage on any sector or industry either by selecting [Research Sectors](#) or by entering a keyword such as "oil", "housing" or "inflation" into the search bar at the top right of the page.

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MRP focuses on identifying change in the global economy and offering an investment thesis whenever an opportunity arises that has not yet been recognized by the market. The DIBs are MRP's compilation of articles and data from multiple sources on subjects reflecting change that have potential investment implications for an industry or group of securities. We share these with our clients who may already have or may be considering exposure in the industries affected. The subjects change daily and constitute an excellent update on featured topics.

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