



VICTORY PARTNERS

MIDDLE MARKET INSIGHT | What Business Owners Need To Know

FEDEX WARNING TANKS STOCK MARKET

FEDEX SHARES PLUNGE OVER 20% ON CEO WARNING

FEDEX INEFFICIENCIES MAY BE THEIR REAL PROBLEM

2 YEAR TREASURY BOND HIGHEST SINCE 2007

CNBC'S JIM CRAMER BUYS US2Y, FIRST BUY SINCE 2000

US BAKCED TREASURY BONDS ARE GUARANTEED

OIL FALLS ON TRADER FEARS OF GLOBAL SLOWDOWN

NATURAL GAS PRICES FUTURES AT \$8 PER BTU, 2X 2011-2020 AVG

PRODUCTION UP 4% Q2 '22 VS '21, NOT ENOUGH TO MEET FOREIGN DEMAND

Dow Drops Over 200 Points On FedEx Slowdown

- FedEx shares have plunged 20+% on lower than expected global shipment volumes. Its CEO warned that its global volumes declined as macroeconomic trends were worsening. CEO Raj Subramaniam stated he believes a "worldwide recession" is imminent. "We are a reflection of everybody else's business, especially the high-value economy in the world," he said.
- FedEx aims to counter losses through significant cost-cutting measures including closing 90 offices and 5 corporate locations. Express Delivery drivers are on payroll, but Ground Delivery are outsourced contractors.
- Thomas Black from Bloomberg disagrees with Subramaniam's recession remark and points to inefficiencies in as the problem. FedEx's Express delivery is separate from Ground, meaning two drivers could visit the same destination on the same day and thinks they should "combine FedEx's networks into one, not with contractors but with FedEx employees who are paid well and motivated to stay for decades, as is the case with UPS"

2-Year Treasury Bonds Hit A High of 3.9% Today, Highest Since 2007

- The US2Y can be viewed as a measure of how investors think central bank policy will develop in the near future. The August CPI report shows that while inflation isn't taking off, it isn't retreating as fast as hoped. Some analysts believe the Federal Reserve Board could raise rates by a full point which would be the largest hike in 40 years.
- CNBC's Jim Cramer noted yesterday he "actually bought a tranche of two-year paper," his first buy since 2000, because he feels the yields are competitive with stock returns and are a risk-free government backed bond. After 2 years the principle amount invested in Treasury Bonds are guaranteed to be fully repaid.
- Cramer believes the US2Y 3.9% rate is attractive when compared to the S&P 500 current dividend yield at 1.7% annually, especially considering the principle investment in stocks or stock funds is not guaranteed.

Oil Set For Losing Week, While US Gas Producers Struggle To Meet Demand

- Macroeconomic concerns put oil traders in fear that a global economic slowdown will cut demand for petroleum products. West Texas Intermediate crude futures are down roughly 1.3% for the week while the S&P 500 energy sector is down 2.5%.
- U.S. shale drillers are coping with extra demand from Europe and Asia due to Russia's invasion of Ukraine, while simultaneously supplying U.S. power generators record volumes of gas due to retirement of coal-fired plants. The US demand was the second highest on record for US power plants with 4,372 bcf being consumed in the first five months of 2022, with only Jan-May 2020 beating consumption. July set a new U.S. daily record for electricity generation from natural gas.
- During the pandemic's first wave in 2020 only 68 rigs were drilling for gas. At the start of 2022 there were 106, and are now at 166. Front month future prices are double the seasonal avg for 2011-2020.

Sources: www.cnn.com | www.bloomberg.com | www.reuters.com