

Issue 49

THE CRYPTO IPO

A mix of strong economic data, better-than-expected earnings, and falling bond yields has fueled stocks higher in a low-volume week. This is the fourth consecutive weekly increase for stocks with the S&P 500 rising 1.4%, to 4185.47, the Dow Jones Industrial Average gaining 400.07 points, or 1.2%, to 34,200.67, while the Nasdaq Composite advanced 1.1%, to 14,052.34. In Canada, the S&P/TSX Composite finished the week up 0.6%, to 19,351.32, while hitting a record high during the trading day Friday. The S&P 500 and Dow closed the week at new highs.

Cryptocurrency exchange Coinbase Global (COIN) launched its direct listing on the Nasdaq Wednesday in a highly anticipated initial public offering. The Coinbase IPO rocketed as trading began for what is now the first major crypto business to trade publicly in the U.S. The Coinbase IPO received a reference price of \$250 a share late Tuesday. That gave it a market valuation of about \$66 billion on a fully diluted basis. As trading got underway, Coinbase stock shot up approximately 70% to a high of \$429.54, during the trading day Wednesday. That pushed Coinbase's market valuation past \$100 billion and the stock closed at \$328.28, up 31.3%, for a valuation of \$85.8 billion on a fully diluted basis.

Skirting the traditional IPO process, Coinbase listed its stock directly, allowing employees and existing shareholders to sell shares immediately at a market-based price. In pursuing a direct listing, Coinbase followed tech companies like Spotify, Slack, Palantir, and Roblox, which helped standardize the process. Founded in 2012 as a way to simplify the purchase of Bitcoin, Coinbase has emerged as the most popular crypto exchange in the U.S. and soared in value alongside digital currencies Bitcoin and Ethereum. The service now has 56 million users, up from 43 million at the end of 2020 and 32 million the year before that. In its last private financing round in 2018, investors valued Coinbase at \$8 billion.

Coinbase is hitting the public market as a record amount of cash pours into cryptocurrencies and markets are thirsty for high-growth stories. Snowflake, Palantir, DoorDash, Airbnb and Roblox have all gone public in the past six months and have market capitalizations ranging from \$45 billion to \$106 billion. Relative to those companies and others in the IPO pipeline, Coinbase's recent growth is unparalleled. The company said last week in announcing preliminary first quarter results that revenue in the period surged ninefold from a year ago to \$1.8 billion, and net income climbed from \$32 million to between \$730 million and \$800 million. The number of monthly transacting users (MTUs) climbed from 2.8 million three months earlier to 6.1 million. For full-year 2020, revenue more than doubled to \$1.28 billion, and the company swung from a loss in 2019 to a profit of \$322.3 million. Most transactions on Coinbase involve



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MARKET SUMMARIES

(As of this morning before Market Open)

S&P/TSX Composite at 19,351.32
(up 11.00% ytd)

S&P/TSX Venture at 944.46
(up 7.89% ytd)

S&P 500 at 4,185.47 (up 11.43% ytd)

Dow Jones Industrial Avg. at 34,200.67
(up 11.74% ytd)

Nasdaq Composite at 14,052.34
(up 9.03% ytd)

Metals

Gold: \$1780.20

Silver: \$26.11

Copper \$4.17

Energy

Brent Crude Oil: \$67.01

WTI Crude Oil: \$63.46

Natural Gas (\$US/MMBTU): \$2.69



the purchase of Bitcoin or Ethereum, which have been on a historic tear, climbing more than 800% and 1,300%, respectively, in the past year. The company has said that its short-term performance will largely be determined by crypto prices.

Financial Times cited Moody's reported showing households accumulated an extra \$5.4 trillion in savings since the coronavirus pandemic began and are becoming increasingly confident about the economic outlook, paving the way for a strong rebound in spending as businesses reopen. Households around the globe accumulated the excess – defined as the additional savings compared with the 2019 spending pattern and equating to more than 6% of global gross domestic product – by the end of the first quarter this year, according to estimates by credit rating agency Moody's. And booming global consumer confidence suggests shoppers will be willing to spend again as soon as shops, bars and restaurants reopen when restrictions to control the spread of the virus are eased. In the first quarter of this year the Conference Board global consumer confidence index hit its highest level since records began in 2005, with significant uplifts in all regions of the world. Mark Zandi, chief economist at Moody's Analytics said: "The combination of an unleashing of significant pent-up demand and overflowing excess saving will drive a surge in consumer spending across the globe as countries approach herd immunity and open up."

WHAT'S AHEAD

Government stimulus programs aimed at reducing suffering during the coronavirus pandemic have left consumers flush with savings – and that bodes well for the economic recovery under way, according to JPMorgan Chase CEO Jamie Dimon. One of the sole areas of weakness in JPMorgan's first quarter earnings report was muted loan demand, as everyone from credit card borrowers to multinational corporations paid down their debts, the bank said Wednesday. Total loans at the bank slipped 4% from a year earlier to \$1 trillion, even as deposits held at JPMorgan jumped 24% to \$2.28 trillion. While that would normally be a bearish sign in a weakening economy, in this case, it just means that consumers will be laden with cash as vaccines allow for a broader reopening, Dimon said Wednesday during a call with reporters. Many Americans have received three rounds of stimulus checks and enhanced unemployment benefits since the pandemic began, helping forestall a wave of defaults that had been expected last year. The government stimulus, along with improving employment rates and the arrival of vaccines early this year, were cited as reasons that banks have begun to release some of the tens of billions of dollars in loan loss reserves they set aside last year. Consumer spending on debit and credit cards has returned to pre-pandemic levels, according to CFO Jennifer Piepszak, despite lower spending for travel and entertainment. Those categories should rebound as more people become vaccinated, helping an overall recovery in loan demand in the second half of 2021.

"Time is your friend; impulse is your enemy." – John C. Bogle

FINANCIAL PLANNING TIP OF THE WEEK

Policy dispositions:

Whenever a policyholder disposes of an insurance policy, there may be tax consequences. An actual disposition occurs when the policyholder gives up all ownership rights to the policy, by selling or surrendering the policy. However, other events or transactions can result in a deemed disposition for tax purposes, which means the Income Tax Act treats the policyholder as if he had actually disposed of the property and received proceeds from that disposition, even though there is no transfer of ownership, in some cases, or actual proceeds.



Common situations that could result in a actual or deemed disposition of a insurance policy include.

- Policyholder surrenders all or part of the policy
- Policyholder withdraws cash from the policy.
- Policyholder takes out a policy loan.
- Participating policy pays out dividends.

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