



Prime Number Weekly Market View:

Fear of rising rates dominated the global stock markets last week. Inflationary pressures from supply chain disruptions, rising wage costs from labor supply tightness, housing market prices rising, and stimulation from fiscal/monetary policies in 2020-2021 continue. The US 10-year treasury yield surpassed 1.9% which marks the highest level since December 2019. FOMC is meeting in the coming week, and the markets will be waiting further direction from the Federal Reserve about the trajectory of interest rates and the management of the Fed's balance sheet. The Fed's balance sheet is currently \$9 trillion compared to \$4 trillion before COVID. The combined balance sheet of the big 5 global central banks has also increased from \$15trillion in 2015 to \$32.5trillion in 2022. Balance sheet normalization is a big headwind for markets in 2022 and 2023.

US Stocks capped their worst week in nearly two years with another round of intense choppy trading on Friday, sending the S&P 500 tumbling below its 200-day moving average, a level of support that had held up since May 2020. Both the S&P and Dow closed out their third straight week of losses, down 5.7% and 4.6% respectively, while the Nasdaq Composite plunged 2.7% Friday and 7.6% for the week, its worst weekly decline since March 2020. The major losses in growth names have pushed the Nasdaq further in correction territory, down more than 14% since its November high, as rising interest rates pressure technology stocks by making their lofty valuations look less attractive. So-called "pandemic stocks" have been among the worst performers year-to-date. Part of that decline reflects the impact of higher interest rates but also a change in sentiment toward the COVID pandemic. COVID is no longer driving the stock market (except through its impact on Chinese supply chains). Netflix was the first major tech stock to report fourth quarter earnings, and shares plunged 22% Friday after the streaming giant guided for lower-than-expected subscriber growth in 1Q21. Cryptocurrencies are also 50% off their recent highs. Energy, metals, financials, and industrial sectors are now market leaders.

– Michael Longthorne, Co-CEO of Prime Number Capital

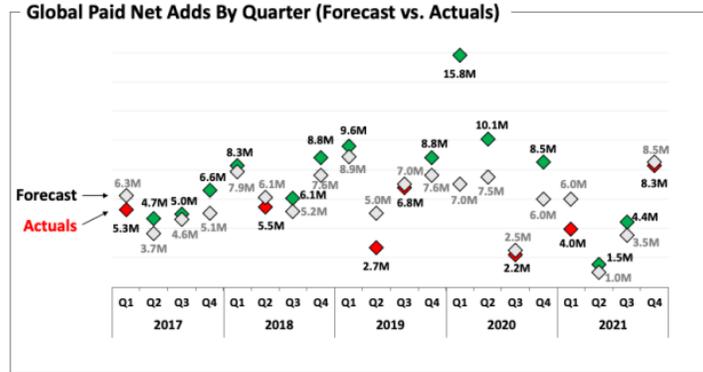
Prime Number Weekly Recap:

- On Thursday, PBOC announced to cut 5-year LPR by 5 bps to 4.6% and 1-year LPR by 10 bps to 3.8%. (Wallstreetcn.com)
- ByteDance reportedly is dissolving its investment department to strengthen the focus of businesses and to cut investments with low synergies. (36Kr) The company grew its revenue by 70% in 2021 to ~\$58B (WSJ)
- The Biden Administration is probing Alibaba Cloud for national security risks. The government is looking at how Alibaba Cloud stores data of US customers, and whether the Chinese government can access the data or interfere with it. (Reuters)
- Baidu is reportedly opening up its ecosystem to over ten companies, such as Meituan, Little Red Book, Trip.com, Zhihu, etc., allowing users to access mini-programs of these platforms on the Baidu app to complete purchase. (Sina) **However, what's more important to Baidu is to be able to have access to content from other giant internet platforms such as Taobao, WeChat, and Douyin.**
- Shopify and JD.com announced a partnership, making JD the first strategic partner of Shopify in China. The partnership will help more Chinese merchants to sell overseas through Shopify's DTC infrastructure and JD's sourcing and global logistics network. It will also facilitate overseas Shopify merchants to set up stores on JD Marketplace, reducing the run-up time from months to 3-4 weeks. (Shopify)
- Nearly two years after the accounting fraud, Luckin Coffee has made a big turnaround and is now exploring plans to relist in the US. The company still has \$2.5B market cap in the OTC market. (Financial Times)
- Starbucks has completed its partnership with Ele.me and turned to Meituan to expand its delivery and online services in China, allowing customers to order drinks and book activities in nearby Starbucks stores through Meituan's app. (CNBC)
- Microsoft announced to acquire Activision Blizzard for \$68.7M of cash. After closing this deal in FY 2023, Microsoft will become the third largest gaming company by revenue, behind Tencent and Sony. It plans add dozens of Activision Blizzard games to Xbox Game Pass, which currently has 25M subscribers. (The Verge)
- YouTube is reportedly getting out of the original production business. (Variety)
- Intel said on Friday that it would invest up to \$100B to build potentially the world's largest chip-making complex in Ohio. It has selected a 1000-acre site in New Albany and committed to spend \$20B on two fab facilities as the first step, which will start construction in this year and production in 2025. (The Financial Express)



January 24, 2022 by Yang Pu (pu.yang@pncps.com)

- Netflix stock was down ~22% on Friday on weak guidance for 1Q22. The company anticipated to add 2.5M new paid subscribers, significantly below the market's expectation. The plummet dragged all online streaming companies, with DIS down -7%, ROKU -9%, and FUBO -9%.





Prime Number Weekly Market Comment:

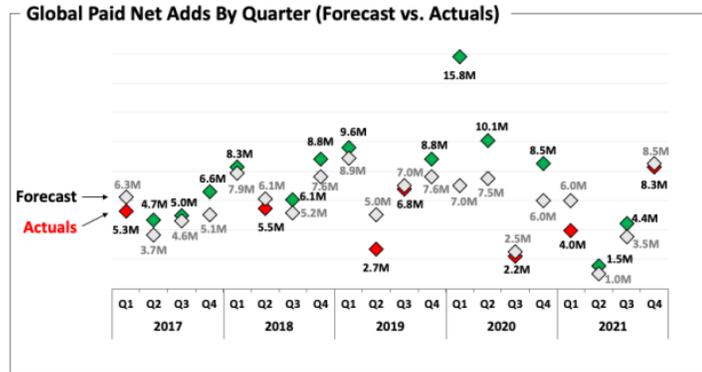
对利率上升的恐惧在上周笼罩了全球股票市场。美国 10 年期国债收益率在周二站上了 1.9%，为 2019 年 12 月以来首次。供应链和劳动力紧缺、房屋价格、和过去两年里的宽松政策持续给通胀加压。FOMC 会议将在 25-26 日召开。投资者们正静待美联储在汇率和资产负债表上的方向。美联储目前表上有近\$9T 的总资产，相比疫情前\$4T 翻了超一倍。世界范围来看，最大的五家中央银行的总资产总和已经从 2015 年的\$15T 增长到了约\$32.5T。在未来两年里，缩表将成为全球股市的一大风险。

美国股市在周五大跌后结束了新年以来最差的一周。Dow Jones 下跌 4.6%；S&P 500 下跌 5.7%，自 2020 年 5 月以来首次跌破 200 日均线；NASDAQ 周五单日下跌 2.7%，一周下跌 7.6%，为 2020 年 3 月以来最大单周跌幅。NASDAQ 已经从 2021 年 11 月达到最高点以来已经下跌了超过 14%。成长股大跌驱动 NASDAQ 估值修正。曾受益于疫情的股票在进入 2022 年后的表现尤为糟糕，这一方面是由于利率上升令这些估值高企的企业显得不再吸引人，另一方面也表明市场对疫情的情绪已经产生了大幅转变——除了间接对中国供应链产生的影响外，疫情不再是股价的驱动因素。过去的成长股正在进入估值修正。Netflix 周四公布了第四季度季报，对下季度新用户增长的指引远不及预期，造成周五大跌 22%。另一方面，比特币也已经从之前的最高点跌去了近 50%。而能源、金属、金融、工业等板块正引领市场。

— 质数资本 Co-CEO Michael Longthorne

Prime Number Weekly Recap:

- 周四，中国央行宣布将 5 年期 LPR 下调 5 个基点至 4.6%，1 年期 LPR 下调 10 个基点至 3.8%。[\(Wallstreetcn.com\)](#)
- 据报道，字节跳动正在裁撤其战略投资部门，以“加强业务聚焦，减小协同性低的投资”。[\(36Kr\)](#) 另有消息称字节跳动 2021 全年的营收增长 70%，达到约\$58B。[\(WSJ\)](#)
- 拜登政府正对阿里云开展国家安全风险审查。重点是调查阿里云如何存储美国客户的数据，以及中国政府是否得以掌控这些数据或者影响其使用。[\(Reuters\)](#)
- 百度联合美团、小红书、携程、知乎等十余家企业表示将开展互联互通的深度合作，让用户可以在百度 app 上使用其他平台的小程序。[\(Sina\)](#) 然而，对百度来说只有能够用搜索引擎抓取其他互联网巨头（如淘宝、微信、抖音）的内容才能真正称得上互联互通。
- Shopify 和京东刚刚达成了战略合作，京东将成为 Shopify 在中国的首个战略合作伙伴。中国卖家将可以利用京东的一站式选品平台和全球供应链网络，并借助 Shopify 的独立站工具实现向全球出货。同时双方将拓展海外商家进入中国市场的渠道。京东平台将为高质量 Shopify 海外卖家设立绿色通道，将入华开店的手续办理流程从数月缩短到 3-4 周。[\(Shopify\)](#)
- 在会计造假被揭露的两年后，瑞幸咖啡完成了企业的大规模整改，并考虑重回 NASDAQ 上市。公司目前在 OTC 市场上仍有\$2.5B 市值。[\(Financial Times\)](#)
- 星巴克在结束与饿了么的合作后，转而与美团合作拓展其咖啡外卖和第三空间服务。用户可以通过美团 app 下单星巴克饮品和预订附近星巴克到店活动。[\(CNBC\)](#)
- 微软宣布以\$68.7M 现金收购动视暴雪，预计于 2023 财年完成该交易。此后微软将成为全球位于腾讯和索尼之后的第三大游戏公司。收购动视暴雪将有助于扩充微软的 Xbox Game Pass 的内容。Xbox Game Pass 目前约有 25M 用户。[\(The Verge\)](#)
- 据报道，YouTube 将退出其原创内容业务。[\(Variety\)](#)
- Intel 周五称在未来数年里将投资最多\$100B 在俄亥俄州建立全世界最大的芯片制造综合体。公司已经初步选定了位于 New Albany 的一个 1000 英亩的区域，并将投资\$20B 建造两家芯片工厂，预计将在今年开始动工，并在 2025 年投产。[\(The Financial Express\)](#)
- Netflix 周五股价大跌~22%，其第四季度季报给出的 1Q22 新用户增长指引仅有 2.5M，大幅低于市场预期。其他流媒体公司同时下跌，DIS 跌 7%，ROKU 跌 9%，FUBO 跌 9%。



PRIME NUMBER CAPITAL

OUR CASES

\$30M IPO  NASDAQ: AIH Oct 2019 Joint Book Runner	\$85M IPO  NASDAQ: BLCT Jul 2020 Joint Book Runner	\$45M IPO  NASDAQ: LIZI Jan 2020 Joint Book Runner	\$100M IPO  NASDAQ: EBON Jun 2020 Joint Book Runner	\$46M IPO  NASDAQ: QK Nov 2019 Joint Book Runner
\$40M IPO  NASDAQ: EH Dec 2019 Co-Manager	\$256M IPO  NASDAQ: GTH Jun 2020 Syndicate Member	De-SPAC  NASDAQ: UK Nov 2020 De-SPAC FA	De-SPAC  NASDAQ: CLNN Dec 2020 De-SPAC FA	De-SPAC  NASDAQ: LGHL Jun 2020 IPO Advisor
Private Placement  Ayla Networks FA to Investors	Private Placement  Magic Leap FA to Investors	Private Placement  Circle FA to Investors	Private Placement  Palantir FA to Investors	Private Placement  Pinterest FA to Investors

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UPCOMING TRANSACTIONS

 Supplier Of Display Modules And Polarizers NASDAQ: OST Exp. Nov 2021 Lead Underwriter	Project C Top E-Cigarette Company in China Exp. Jan 2022 Lead Underwriter	 Leading Wheelchair Manufacturer NASDAQ: [TBA] Exp. Nov 2021 Lead Underwriter	 Medical Device Manufacturer in China NASDAQ: MHUA Exp. Nov 2021 Lead Underwriter	 Electronics Component Trading Platform NASDAQ: ICZ Exp. Nov 2021 Lead Underwriter
\$40M IPO Project PNAI SPAC Exp. Dec 2021 Lead Underwriter	\$40M IPO RichSpace Acquisition Corp. SPAC Exp. Dec 2021 Lead Underwriter	\$40M IPO Project ASK SPAC Exp. Dec 2021 Lead Underwriter	\$75M IPO Project Manna SPAC Exp. Dec 2021 Lead Underwriter	And More ...

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- Deutsche Bank, GE Capital, Deloitte Consulting, Sinochem Holdings
- Philanthropist



Michael Longthorne
Co-CEO

- Global financial markets executive
- Founding member of Mizuho Securities USA Equity Department
- Extensive equity research experience in Asian-related Securities
- Decker Co., Mizuho, Daiwa Securities Capital Markets, ING Baring, Salomon Brothers



Yang Pu, CFA, MBA
Equity Research

- 6 years of equity research experience
- Mainly covering US/China TMT industry
- Worked at DeMatteo Research, Trillium Asset Management

