



Prime Number Weekly Market View:

US and global markets were roiled last week as investors weighed rising inflation, expected Fed rate hikes, quarterly earnings, the ongoing pandemic, and heightened concerns about a Russian invasion of Ukraine after warnings from the US government. For the week, the Dow booked a gain of 0.8%, the S&P 500 index climbed 1.3% and the Nasdaq finished up 0.01% higher. Despite the slight gains, the Dow and S&P 500 are on track for their worst months since March 2020, and the Nasdaq is on pace for its worst month [since October 2008](#). The 2- and 10-year treasury yields hit their highest levels in years at the end of last week, following a surprisingly high inflation in January. Oil prices also rose to new highs to reflect the geo-political risks to oil supply.

Former German Central Bank President Karl Otto Pohl has compared inflation to toothpaste: Once out of the tube, it is difficult to put back. As policymakers, citizens and investors are all about to find out, it also makes quite a mess. Preserving capital and purchasing power will be challenging for investors. In an inflationary environment, a focus on real assets and emerging markets may prove to be the best strategy. In the US equity market the only sector that has risen year-to-date is energy (XLE is up over 24%). Policy makers face a difficult choice – most policy tools focus on managing the demand side of the economy, but the current inflationary pressures are also being driven by problems on the supply-side, which is a much longer-term process to change.

Bill Miller, a widely followed value investor and CIO of Miller Value Partners, argued that Alibaba provides an attractive value bet given its growth prospects and the way its shares have been beaten down by Chinese regulatory worries. In the middle of last week Softbank said it was not (contrary to rumors) planning to sell its stake in Alibaba. Alibaba's earnings release this month will be a bellwether for the Chinese e-commerce sector and the overall Chinese stock market. Alibaba will announce results before the US market open on February 24th.

The US Commerce Department added 33 companies to an unverified/red flag list on Tuesday, including Wuxi Biologics. The company's addition to the list weighed on its shares and the health care sector all week. Again, this reaction looks overdone to me as the stock has lost -29% over the last three trading sessions. The company is likely to be removed from this list eventually. Investors appear to be exhibiting a shoot first, ask questions later mentality. The stock is off -61% from its high on June 28th as concerns that China's national drug procurement program will be expanded and high valuation stocks broadly have been hit by the growth to value rotation. The stock, which is expected to grow revenues +45% this year, has been a professional investor favorite due to the company's strong reputation, though it has been a crowded trade.

– Michael Longthorne, Co-CEO of Prime Number Capital

Prime Number Weekly Recap:

- US inflation reached 40-year high with CPI jumped by 7.5% Y/Y in January. Investors are now expecting more aggressive rate hikes. Goldman Sachs forecasted 7 times of 25bps rate hikes, and Deutsche Bank thinks that it could see a 50bps hike. The 10-year treasury yield hit over 2% last week.
- Nvidia and Softbank announced to terminate the \$40B acquisition of Arm by Nvidia due to regulatory challenges. Softbank plans to pursue public listing for Arm. ([WSJ](#))
- AMD's \$35B acquisition of FPGA maker Xilinx received all regulatory approvals. The deal is set to close on February 14. ([CRN](#))
- Meta Platforms issued warning in its annual report that it may be forced to shutdown Facebook and Instagram in Europe if a new transatlantic data transfer framework is not adopted, and it is unable to transfer EU citizens' user data to US servers. ([CNBC](#))
- Pfizer's Paxlovid received approval in both China and Japan last week. It was approved by the US FDA in December 2021. Paxlovid's in vitro test data shows that it is effective to all COVID variants including Omicron. ([Pfizer](#))
- In January, China total social financing rose to RMB 6.17T, and new bank loan reached RMB 3.98T. Both hit record high. M2 money supply increased by 9.8%. The country's fiscal and monetary stimulus is starting to flow through the economy, especially into infrastructure, manufacturing, and financing sectors. ([Wallstreetcn.com](#))
- Xiaomi CEO Jun Lei announced that the company has set a roadmap to go upmarket. It has put together a strategical upmarket team and targets to become the No.1 seller of high-end smartphones in China in three years. ([Sina](#))
- Softbank clarified that it had no plan to sell Alibaba shares after analysts' speculation. ([Reuters](#))



Prime Number Weekly Market Comment:

通胀高企、加息预期提速、俄乌局势升级、公司季报、疫情等多种因素让美国 and 全球股市继续保持动荡。上周 Dow Jones 指数涨 0.8%，S&P 500 指数涨 1.3%，Nasdaq 指数涨 0.01%。然而，过去的一个月是 Dow Jones 和 S&P 500 指数自 2020 年 3 月份以来表现最差的一个月，并且是 Nasdaq 指数自 2008 年 10 月以来**最差的一个月**。美国 2 年和 10 年期国债收益率上周随着一月份超预期的通胀数据又一次大幅上升。另外，石油价格也因为地缘政治风险而创了数年来新高。

前德国央行主席 Karl Otto Pohl 认为通胀就像牙膏——一旦它被挤出来，就很难再被放回管子里。我们认为高通胀的经济环境很难在短期内改变。我们的政策制定者现在正面临一个窘境：大多数有效的政策工具往往作用在经济的需求侧，但当下的通胀压力却来自于供给侧。而对供给侧的改革需要更长的周期。我们认在高通胀环境里，下注于不动产和新兴市场是已被验证的有效策略。在美股市场，能源是唯一一个新年以来上涨的板块（XLE 涨超 24%）。

Miller Value Partner 的首席投资管 Bill Miller 认为阿里巴巴是一个非常具有吸引力的价值投资标的，其增长前景广阔，股价因中国政策风险超跌。上一周有传言称软银可能出售其手中阿里巴巴的股份，随后被软银否认。阿里巴巴将在 2 月 24 日盘前公布季报，其表现将是中国经济和股市的晴雨表。

美国商业部将 33 家中国实体添加至“未经核实名单”，其中包括生物制药的明星企业药明生物，导致中国医药板块大跌。药明生物上周跌超 31%。不过我们认为市场反应过度，药明生物大概率会被从“未经核实名单”上移除。此外，因为中国医药集采扩大以及市场轮转，药明生物的股价已经从 1 月 28 日的高点下跌了 61%。













— 质数资本 Co-CEO Michael Longthorne

Prime Number Weekly Recap:

- 美国一月份 CPI 同比增加了 7.5%，为 40 年来通胀最高。投资者们对加息的预期再一次提速。Goldman Sachs 上调预期认为美联储今年会进行 7 次 25 个基点的加息。Deutsche Bank 认为三月份会加息 50 个基点。上周美国 10 年期国债收益率上涨到了超过 2%。
- Nvidia 和 Softbank 发表声明称因监管的障碍将终止 Nvidia 对 Arm 的收购。Softbank 计划寻求让 Arm 上市。(WSJ)
- AMD 对 FPGA 生产商 Xilinx 的收购已经获得了全部监管批准，将在 2 月 14 日完成交易。(CRN)
- 欧盟监管部门正在尝试立法禁止欧洲用户数据被转移至美国服务器进行管理。Meta Platform 在其年报中警告称若无法对跨大西洋数据传输确立新框架，其可能将被迫在欧洲地区中止。(CNBC)
- 辉瑞的 Paxlovid 上周在中国和日本获批。该药在 2021 年 12 月被美国 FDA 通过。此前其体外试验数据表明 Paxlovid 对包括奥密克戎在内的新冠变种都可以生效。(Pfizer)
- 中国一月份社融达到了 6.17 万亿人民币，新增贷款达到了 3.98 万亿，均创历史新高。一月份 M2 货币供给增长 9.8%。中国的宽松政策正在开始刺激信贷投放，尤其是在基建、制造、金融领域。(Wallstreetcn.com)
- 小米 CEO 雷军宣布公司已经明确了高端化的战略道路，将正式组建高端化战略工作组。其产品和体验要全面对标 iPhone，争取在三年内拿下中国高端手机份额第一。(Sina)
- 软银辟谣称其没有出售阿里巴巴股票的计划。(Reuters)

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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Founder and CEO

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- Former Head of US Asia Multinational Banking, and Asia Pacific Head of Real Estate, TMT, and Consumers at BNP Paribas
- 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
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- 6 years of equity research experience
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