

We will be giving some macro economic market updates on a weekly basis. No equity recommendations will be given in this commentary, and we encourage you to contact us if you have questions regarding any observations.



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ASSET MANAGEMENT

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## **BEACONS OF THE WEEK**

*The two main purposes of a Lighthouse are to serve as a navigational aid and to warn ships (Investors) of dangerous areas. It is like a traffic sign on the sea.*



### ***Borkum Great Light, Borkum, Germany***

This active lighthouse was originally built in 1817. The current tower was built in 1878 in a record time of six months. The lighthouse stands at 60 meters tall.



### ***Roches-Douvres Light, Plateau des Roches- Douvres, Île-de-Bréhat, France***

This lighthouse is one of the world's tallest standing lighthouses. The lighthouse was built in 1954 and was automated in 2000. It is located on the Roches-Douvres, a very dangerous reef, completely covered at high tide but exposed at low tide, between the islands of Bréhat and Guernsey in the English Channel.

*\*Feel free to send us your photos of Lighthouses to be featured in our weekly market observations.\**

### **China spars with Nvidia**

On Monday morning, China's market regulator announced their preliminary findings from their investigation into Nvidia. The regulators stated that Nvidia had violated antimonopoly laws. The regulator stated that they will now conduct a further investigation into the company.

Nvidia responded to media requests for statements, where a spokesperson told Barron's that the company complies with the law in all respects and that they will continue to cooperate with all relevant government agencies.

This regulator inquiry is a blow to Nvidia's new China hopes. Nvidia has been hoping to be given approval by the Chinese government to sell new hardware in the country. It is unlikely that China will approve this request while this regulatory inquiry is ongoing.

Nvidia's Chinese revenue has decreased from 21% to 12% over the last year. The company is also forecasting no revenue during this quarter from China, which implies a loss of between \$2 and \$5 billion in sales.

Despite Chinese government opposition, Nvidia executives remain optimistic regarding China and believe there is "a real possibility" that Nvidia will be allowed to sell its advanced Blackwell Chips to China in the future.

This announcement from Chinese market regulators comes at an interesting time. Chinese and American trade officials are set to meet in Madrid for their next round of trade discussions this week.

Perhaps this inquiry is just another negotiation piece for the Chinese, especially with how close Big Technology CEOs have gotten with the Trump administration. The inquiry also comes at a time when the U.S. government is attempting to curb sales of semiconductor chips to China.

On Wednesday morning, the Chinese government went a step further and banned technology companies from purchasing Nvidia products, including semiconductor chips. This move is the latest from the Chinese government that attempts to bolster domestic chip production and seek chip independence (nothing of fruition has come from this so far). We will warn our readers not to overreact, as this could be political theatre that will be resolved in the short term. However, if it is the new norm, it will impact Nvidia's sales in the short term negatively and Chinese AI companies for the foreseeable future. Chinese chips are lagging U.S. chips by a wide margin, and closing this gap will take a long time, according to numerous analysts. This will put Chinese companies at a severe disadvantage when it comes to the AI race.

The first positive announcement from these trade discussions came early on Monday when officials from the U.S. and China announced the framework to switch short-video app TikTok to U.S.-controlled ownership. The deal will reportedly be finalized on a Friday call between Presidents Trump and Jinping. Currently, the U.S. has a September 17th deadline for TikTok to reach a deal (in terms of having U.S.

ownership) or the social media platform would be disrupted. Treasury Secretary Bessent stated that a 90-day deadline could be extended to finalize a deal. According to reports, the TikTok deal will move TikTok's U.S. assets to another firm, the algorithm and IP will be licensed to a new U.S. based entity, and the group acquiring the U.S. business includes new and existing investors. According to reports, the investor consortium that will take an 80% stake in TikTok U.S. includes Oracle, Silver Lake, and Andreessen Horowitz. The remaining 20% of ownership will be Chinese, including ByteDance. The deal will allow the U.S. government to oversee the board, and the U.S. application will have a new U.S.-based algorithm. We will warn that none of these points are facts or official; things could change a lot regarding TikTok and its structure.

This is the second time this year that the U.S. and China said they were nearing a TikTok deal. The first came in March and ultimately did not pan out.

According to Secretary Bessent, Trump and Xi will discuss a potential in-person meeting on their Friday phone call. Currently, China is attempting to invite Trump to Beijing for a summit. A contentious topic that will surely be discussed on Friday's call is Russia. The U.S. is pushing its allies to place tariffs on China due to its purchases of Russian energy. Chinese officials have said this is an attempt at coercion.

Regardless of how you see it, Friday should be a very interesting day for markets as two of the world's most powerful people begin direct negotiations.

### **Retail sales on the rise**

On Tuesday morning, some August economic figures were released. Included in those figures were retail sales, which topped economists' expectations. This beat comes despite fears that economic uncertainty would hold back consumer spending. In August, retail sales increased 0.6% from July. Economists expected a 0.2% increase.

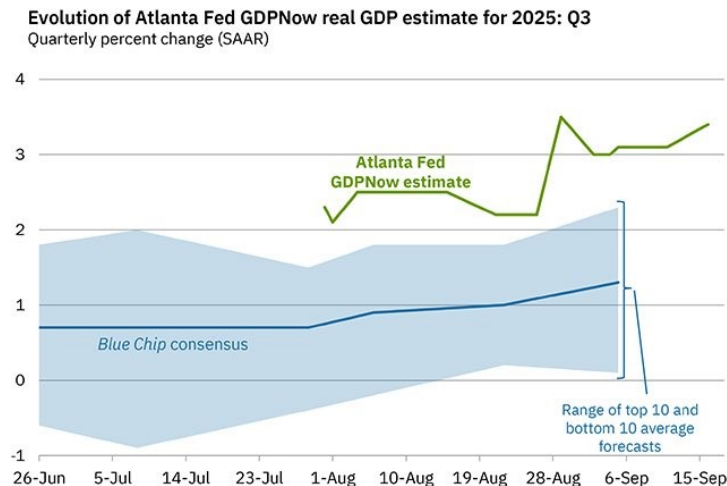
On an annual basis, retail sales jumped by 5%. August's retail sales reaped the benefit of a strong back-to-school season. According to the Census Bureau, retail sales strength was widespread, with rising sales at 9 of the 13 categories tracked by the government.

Before this data was released, most analysts would conclude that August was a weak month for the U.S. economy as hiring slowed, unemployment rose, and inflation ticked higher. Consumer spending could potentially buck this trend.

The chief economist from RBC stated that consumption is not accelerating, but it is also not decelerating; spending from consumers has been resilient. This spending has been disproportionate as high-income households are boosting overall consumer spending.

We expect the divergence between high-income and low-income household retail spending to widen over the coming months, especially while the labour market remains soft.

Despite some soft economic data and consumer worries, the U.S. economy continues to run hot. The Atlanta FED is now forecasting that third-quarter GDP growth will be 3.4%, a massive expansion from previous forecasts:



Retail sales data was the last major economic datapoint released before the FED wraps up its September meeting. Betting markets imply a 96% probability that policymakers will cut interest rates by 25 basis points.

### **Another week, another IPO**

The deal market continues to heat up as investor demand continues to increase. After a few years where the IPO market was soft, 2025 has seen a strong IPO market. For those of you who regularly read this publication, you know there have been numerous IPOs this year, many that we have reported on. This week, another large firm is going public.

StubHub, the ticket resale marketplace, will go public on Wednesday, planning to sell 34 million shares priced between \$22 and \$26. The high price would imply a valuation for StubHub of \$8.6 billion. At the midpoint of that range, StubHub would raise \$800 million. StubHub was bought by eBay in 2007 for \$310 million and then sold to Viagogo, a European ticket reseller, in 2020 for more than \$4 billion.

This time, many analysts are proceeding cautiously as the company's competition has increased, and sales growth has slowed. Recent demand for IPOs has been robust, so many still believe that StubHub shares could price its offering above its range. However, the strong first-day performance of many IPOs this year has partially been fueled by the relatively small number of shares available in the IPO.

IPOs often pull back after an initial surge as insiders' lock-up periods expire, and they can sell to the market. Companies that IPO also face heavy scrutiny once they report earnings for the first time and Wall Street firms initiate coverage of the stocks. Circle Internet Group and Figma (two popular 2025

IPOs) have faced these challenges in recent months, and both have pulled back by more than 55% from their peak prices that they hit shortly after their first day of trading.

On top of those typical IPO risks, StubHub could face some unique challenges that certain ticket businesses have faced. VividSeats shares have plunged more than 80% this year due to pressure on consumer spending and increased competition in the industry. StubHub investors also must accept the fact that the company's CEO, Eric Baker, controls nearly 88% of the voting shares. StubHub's growth has also slowed this year. Sales rose 3% in the first 6 months of 2025, well below the growth rate last year. StubHub is also not profitable; the company lost \$2.8 million in 2024 and another \$76 million in the first half of 2025.

So even if StubHub shares surge on the first day of trading, be cautious and remain disciplined.

### **A staple raises outlook**

A core consumer staple in our portfolios raised its outlook in its recent earnings report. Kroger, the U.S.-based grocery chain, reported its second-quarter earnings last week. The company beat earnings expectations by 5% and slightly missed revenue expectations. The grocery chain raised its full-year sales outlook to 2.7% to 3.4% and earnings outlook to \$4.70-\$4.80 per share (previously \$4.6-\$4.8 per share).

These results led to management raising its outlook for the year, driven by sales volume increasing across multiple business segments. As consumers gripe with economic uncertainty and rising prices, they are passing on dining out and eating at home. Over the past five years, food away from home (a proxy for restaurant prices) has increased by 30% outpacing food at home prices (according to the Bureau of Labor Statistics).

Sales growth for Kroger was led by pharmacy and fresh produce. Kroger's e-commerce segment also saw strong growth, where sales increased 16% year-over-year. Kroger's margins also improved during the quarter.

Sell-side analysts pointed to Kroger's new corporate strategy as the driver of these improved results. Joe Feldman of Telsey Group stated that Kroger's emphasis on improving customer experiences, simplifying the organization, and creating value is already showing signs of success.

Kroger shares are up 8% in 2025 (as of September 16, 2025) and had a positive reaction to this earnings report. Kroger faces numerous headwinds, which include the impact of tariffs, wobbling consumer demand among low-income consumers, and increased competition from box retailers like Walmart and Costco, as well as eCommerce giant Amazon.

Our investment thesis for Kroger remains intact; the company has a resilient business with growth opportunities, a proven value creation model, and a robust balance sheet that continues to create strong free cash flow. Kroger's minimal leverage allows for investment in growth opportunities and returning capital through dividends and share repurchases. Kroger shares yield approximately 2% and its dividend has grown by 14.7% over the last 5 years. Kroger's current share repurchase program was

authorized in December 2025, totaling \$7.5 billion. This plan replaced a 2022, \$1 billion repurchase plan. Kroger also entered a \$5 billion accelerated share repurchase plan in December 2025, which is expected to be completed by the end of its fiscal year 2025. This share repurchase activity has contributed to about an 8.45% year-over-year reduction in the share count through the first half of 2025, reflecting aggressive ongoing buybacks. This aggressive buyback program reflects Kroger's leadership's focus on returning capital to shareholders. Management is also happy to repurchase shares at this level, as shares are trading cheaply relative to trailing and forward earnings when compared to historical averages and Kroger's industry peers. Kroger is trading at 17-18 times earnings versus an industry average of 24-25.

Kroger trades at a cheaper price than the likes of Costco and Walmart due to their lower-margin business. Kroger also has a lower growth outlook relative to those giants. However, the company offers consistency, stability, and growth prospects through its digital transformation and operational improvements.

*Disclaimer: MacNicol & Associates Asset Management holds shares of Kroger (KR: NYSE) across various client accounts.*

### **Capital heads north**

The Qatar Investment Authority announced a \$500 million investment into Canadian-based miner Ivanhoe Mines through a private placement this week. Ivanhoe Mines is a Vancouver-based global miner that mines various industrial metals, including copper, nickel, and zinc, across southern Africa. Ivanhoe's flagship copper mine in the Congo is one of the world's largest high-grade copper deposits.

According to the Sovereign Wealth Fund Institute, the Qatar Investment Authority is the 9th largest sovereign wealth fund in the world (measured by assets).

The private placement allows the sovereign wealth fund to purchase shares at \$12 a share, below Tuesday's closing price for Ivanhoe of \$13.19. The investment gives the Qatar Investment Authority a 4% stake in the Canadian-based miner and an option for board representation if its ownership reaches 10%.

The proceeds will be used for growth opportunities in critical minerals exploration as well as general corporate purposes.

Ivanhoe Mines' largest current shareholders can maintain their ownership through equity matching.

The Qatar Investment Authority is no stranger to investments in mining companies; in 2018, the organization invested in several miners, including Glencore.

Ivanhoe shares were flat on this news and are down over 25% so far this year. This move by the Qatar Investment Authority is a strategic long-term play. Copper and other 'green' metals will be in high demand moving forward due to the global energy transition, electrification, and technological advancements. Securing supplies will be critical for companies and countries across the world. We also

think this move reaffirms the trend of buying Canadian as companies trade at much more attractive multiples relative to their U.S. counterparts and sometimes are higher quality companies.

We expect this trend (of buying Canadian and industrial metals) to continue moving forward.

### **Bank of Canada makes the first fall move**

The Bank of Canada announced its latest monetary policy decision on Wednesday morning, where it announced it would be cutting interest rates by 25 basis points (0.25%). This brings the Canadian benchmark interest rate down to 2.5% and is the first interest rate change in Canada since March.

The Bank of Canada decided to cut rates a few hours before the Federal Reserve and Chairman Powell are expected to cut interest rates by 25 basis points. The FED has not lowered rates since last December, opting to hold rates in place and monitor the economy while President Trump's new policies roll out.

At 2pm on Wednesday, the FED officially announced they are slashing interest rates by 25 basis points. In the Fed's statement, they signaled a median projection of cutting interest rates by 50 more basis points this year. The FED also signaled only one rate cut in 2026. This signals a dovish path forward for the FED and that Chairman Powell is slightly bending the knee to Trump. The FED cited weakness in the labor market as a reason for slashing rates. Trump's new FED Board member, Stephen Miran, was the only member of the FOMC who voted for a 50-basis-point cut at this meeting. Miran officially became a member of the FOMC on Tuesday.

In Powell's press conference, he stated that the current employment environment is "an interesting labor market" and that lowering rates was a decision driven by the increased difficulty in finding a job. Powell also said most of the FED believes that the recent inflation uptick will be short-lived and the inflation rate will likely reach the Fed's 2% target by 2028.

Markets moved higher on this news, both north and south of the border. The U.S. Dollar also moved down heavily after the FED made its decision.

**MacNicol & Associates Asset Management**  
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