

SAVED BY THE WORKERS!!

A good **US jobs report** sending America's unemployment rate to a 50-year low **helped assuage stocks dismal start to October**. Never the less, the major concerns remain: the escalating impeachment issue, very disappointing US manufacturing numbers and ongoing concern regarding global growth, as President Trump added a number of Europe Union (EU) imports to the tariff list. These all conspired to send major indexes noticeably lower early last week. **A 1,200 point loss in the Dow Jones over 3 days will get certainly one's and the media's attention.**

So, while Friday's "jobs number" and increasing certainty that the US FED will be cutting rates at least another half a percent led to strong Friday market gains, the week ended with most major indices in the red.

For the Week:

- TSX -1.5%
- Dow Jones Industrials -0.9%
- S&P 500 Growth -1.4%
- Euro Stoxx 600 - 3%
- Japans Nikkei -2.1%
- Oil -5.6% lower now than before the attack on Saudi's oil fields - not a good sign for our energy patch

Last week I gave **my prediction that the next major misstep by intuitional investors** will be the significant investments in the "**must have du jour Private Equity**". Some more ammunition for my "**On the Horizon**" premise:

Since 2008, pension funds, university endowments and other giant investors have poured **roughly \$2 trillion into private equity** vehicles on the promise that in return for limited (or no) liquidity for a number of the years, the final result would be outsize capital gains.

It was **WeWork's initial public** offering fiasco that got all the media attention over the last few weeks. Why? Venture-capital backers had valued the company at \$47 billion. The proposed IPO faltered when **public investors** signaled they wouldn't value the company much above \$15 billion, implying the supposedly sophisticated private market had priced the company at roughly three times what it was maybe worth.

According to Pitch Book Data, 66 companies valued at \$1 billion or more have done initial public offerings from 2011 through mid-September 2019. A third of those IPOs came at prices below the value set in the companies' last round of private funding. Bloom Energy Corp. , Cloudera Inc., Domo Inc., Reata Pharmaceuticals Inc., and Zynga Inc. **all launched IPOs priced at least 40% lower than the valuation in their final private-funding round.**

As I mentioned last week , it is all very well to increase the “value” of a private company every time new funding is needed. It looks great on the books of earlier investors, but the only true valuation is when the company eventually goes public and as the above examples show some significant real losses can be the result.