December 2024 Report

SoFi Technology

Company Overview

SoFi Technology is an online banking institution offering various products and services at competitive rates. The online banking company has separated itself from its competitors with innovative AI software that has disrupted the traditional banking experience by offering seamless consumer interactions for low costs and high yield. SoFi provides products and services you would see at a traditional corporate bank and more, although they do not function like one being completely digital. Without any physical branches, SoFi lacks the overhead large corporations have, this gives them a comparative advantage in the banking industry and increased profit margins due to lower expenses.

December 4, 2024, Anthony Noto, SoFi technology CEO, announced that through the SoFi brokerage account users will have the opportunity to invest in companies that are not publicly traded through various funds with their relationship with Templum. Some of the private companies include OpenAI, SpaceX, and Epic Games, all high valued accomplished private companies. Private investment is not something retail investors have had access to in the past without substantial capital, this will increase membership growth as investors may be attracted to this specific service.

Growth

SoFi joined the NASDAQ in August of 2021 and since then they have shown impressive growth metrics. The stock has performed well in the last year due to its strong earnings reports that have indicated both profitability and future growth potential. SoFi technology has reported seventeen straight quarters of at least 20% growth. Within the past few years, a consistent revenue positive trend has been seen with SoFi earnings reports. The company has the characteristics and the business plan to rise to the top, Anthony Noto has a bullish outlook on the future of the company stating that one day SoFi will be a top ten bank. SoFi has displayed signs of strong growth potential, such as positive cash flow, rapid expansionism, quarter to quarter growth and a consistent increase in consumption. SoFi's membership has expanded consistently over time, membership increased from 6.96M on September 30, 2023, to 9.37M on September 30, 2024. Segment contribution-segment revenue minus segment costs- for financial services increased from 3.26M September 30, 2023, to 99.76M September 30, 2024. This data indicates overall company expansion, as well as increased sales, and reduced costs. Segment contribution being an important metric for evaluating company profitability makes it evident that SoFi value and company size have increased considerably.

Politics

With Trump being inaugurated in the coming year the door is open to restructure or get rid of the SAVE plan, as well as restructuring of how much the government will continue to be involved in student lending. With congressional officials opposed to SAVE due to high cost and inability to continue to afford the large contributions expected, there is the possibility the plan disappears entirely. Trump's approach to the inflated cost of tuition is to take away preferential tax status which will directly control costs. The future of student lending may change forever in the next year as Sam Clovis, Trump campaigns national co-chair and policy director said "should be marketplace and market driven" when asked about the loan system. The government currently lends 92% of student loans. With republicans holding most of the congress, changes to the Department of Education and how much the government will oversee loans can be expected. The end of SAVE and restructuring of the federal Department of Education gives SoFi the opportunity to increase product sales as with these changes there will be an increased demand for loans.

Note: banking stocks are vulnerable to high volatility due to macro shifts in the economy. Specifically, how the federal government will go about the structuring of interest rates in the coming year. According to Wall Street analysts, it is likely the Fed will issue one or two .25 basis point cuts in the year 2025, but this is not something anyone can be certain of.

Broad Tech Sector Report December 2024

A Little Background

The technology sector continued its strong performance in December 2024, maintaining its momentum from earlier in the year. This performance was driven by significant gains in key sub-sectors such as semiconductors, software services, and hardware equipment. Despite some market fluctuations, the tech sector remained a top performer, outpacing many other industries.

Tech Sub-Sectors this month

The semiconductor industry, particularly companies involved in AI infrastructure, saw substantial growth. Major investments in AI have propelled companies like NVIDIA, which reported a year-to-date performance of 187.18% as of November 29, 2024. Other semiconductor firms such as Marvell Technology and Broadcom also showed strong returns. The demand for AI-driven solutions and increased digitization across various industries have been critical growth factors. This demand is expected to continue, with a focus on expanding AI applications and improving infrastructure.

In the software and services industries, Companies, especially those involved in cybersecurity, cloud computing, and data analytics, experienced robust growth. The diversification within this sub-sector allowed for resilience amid economic fluctuations. Firms such as Fortinet and Trade Desk Inc have benefited from the increasing need for advanced cybersecurity measures and efficient advertising solutions, respectively.

The hardware segment also performed well, driven by continuous innovation and the release of new products. Companies like Apple and Arm Holdings contributed significantly to the sector's gains with strong market performances.

Our Outlook

- Volatility and Valuations: Despite the positive performance, the tech sector faced challenges related to high valuations and market volatility. High valuations have set a high bar for earnings expectations, and any deviation can lead to significant stock price adjustments.
- 2025 Projections: Our outlook for 2025 remains optimistic, with continued investments in AI and digital transformation anticipated to drive growth. The semiconductor industry is expected to benefit from resolving oversupply issues and increased demand for AI applications across various devices.

What we are doing with our money here at BayMar

1. AppLovin (APP)

- AppLovin is an AI engine that utilizes AI to create efficient and specific advertising for companies to implement and grow their platform. Target areas of advertising are mobile apps and TV streaming. Also provides other tools to help scale an online business. Entered the market in mid 2021 and really took off this past summer as it has grown almost 500% since then, 38% in the past month.

2. Marvell Technology Inc. (MRVL)

- Marvell Technology Inc. designs and produces semiconductor products that are critical for data storage, networking, and connectivity. The company's products are used in data centers, enterprise networks, and consumer electronics, with a strong focus on high-performance storage, Ethernet connectivity, and custom ASICs (Application-Specific Integrated Circuits). Marvell is also well-positioned to benefit from the growth of 5G technology and cloud infrastructure.

Nebius Group

A little background

If you are previously familiar with Yandex which was considered the google of Russia, you would know of its suspension from being publicly traded on western markets. Following the beginning of the Russia/Ukraine war, Yandex saw a major split where over 1000 software engineers left, and executives sold the business for $5.2 billion even with the Russian Kremlin taking 50% of the sale. Yandex proceeded to leave Russia and relocate to Finland where they created Nebius. Nebius Group is owned by the Russian tech oligarch Arkady Volzov who is a serial investor and founder of Yandex, comptek and infiNet.

What's Nebius

Nebius is an AI-focused cloud platform designed for intensive workloads, in a rapidly growing sector driven by the explosion of artificial intelligence. The company's advanced software and custom-designed hardware includes everything from servers to data racks and data center infrastructure form the backbone of its cloud services. Nebius gives developers the computer power, storage, managed services, and tools necessary to build, train, and deploy AI models at scale. This puts Nebius in direct competition with other cloud giants like CoreWeave, which specializes in similar AI workloads.

Wall street's Bullish outlook

Financial giants have made a conspicuous bullish move on Nebius Group. Our analysis of options history for Nebius Group (NASDAQ:NBIS) revealed 9 unusual trades. Delving into the details, we found 55% of traders were bullish, while 44% showed bearish tendencies. Out of all the trades we spotted, 3 were puts, with a value of $155,065, and 6 were calls, valued at $617,470. - Bezinga insights

Success in a competitive industry

Nebius reported significant growth in its Q3 2024 earnings. Revenue reached $43.3 million, a 1.7x increase from the previous quarter, with its core AI infrastructure business seeing a 2.7x growth quarter-over-quarter and a 6.5x growth YoY. The company attributed much of this success to its expanded customer base and the launch of products like the Nebius AI Studio and a specialized cloud platform for AI. As we are seeing more and more artificial intelligence companies creating rapid success soon, it's likely that major corporations will begin to implement AI software into their businesses and software. From Q2 to Q3 Nebius gained ten more fortune 500 clients making that 40 major companies they do business with.

Our outlook

As of December second, Nebius released that they will be conducting a structured equity refinancing of 700 million USD to roll-out a full-stack of AI infrastructure. As well as their refinancing Nebius sits on a massive 5 billion in liquidity gained from the sale of Yandex which can be used to create data cluster centers all around the world. As of September 2024, Nebius Group began executing its plan to invest over 1 billion USD in AI infrastructure across Europe by mid-2025. This implementation of infrastructure and the confidence of a Proven and ambitious CEO, as well as Wall Street's bullish outlook, we set a price target of $40 USD by the 2025 Q2 earnings report.

Broad Energy Sector Report December 2024

A Little Background

The energy sector is one of the most vital sectors of the US economy, and companies continue to grow year after year. With the upcoming Trump administration there are a variety of new policies that are set to take the energy sector by storm. The past few years haven't yielded much stock price growth in the energy sector, but we believe with the re-domestication of companies back to the US; the growth will be exponential.

Favorable Conditions

The energy sector is poised for dynamic growth, driven by robust developments in oil and lithium industries. In the oil sector, increased domestic production, fueled by future policy changes, will position the U.S. as a global leader. Opening new exploration areas and expanding offshore drilling will significantly boost output. Favorable market conditions, including reduced regulations and tax incentives, will enhance profitability and drive further investment in exploration and production. While new renewable energy is on the rise, global demand for oil remains strong, ensuring a stable market for U.S. exports.

Simultaneously, the lithium industry is experiencing exponential growth, fueled by a surge in the interest of electric vehicles (EVs) and the global energy transition to clean sustainable energy. Domestic incentives to reduce reliance on foreign lithium imports and financial stimulus for crucial mineral projects have generated the expansion of lithium extraction efforts in Nevada and California. Beyond EVs, the increasing need for lithium-ion batteries in renewable energy storage further garners demand.

Our Outlook

-Looking ahead: The energy sector's outlook is defined by a balance of traditional and emerging resources. Oil will maintain its critical role globally with an expected growth of up to 15% in 2025, while the lithium sector accelerates innovation and infrastructure development, underpinning the clean energy future with growth that will be exponential in 2025.

-Potential Risks: We believe that energy sector stocks will experience quality growth over the next year. That being said, there are still some risks to investing. Changes in policy and regulation may cause market volatility; continually, geopolitical barriers and global conflicts may cause portions of the market to outperform others.

Companies to Watch

1. Cheniere Energy (LNG): $210.49

-Cheniere Energy is an international transporter of liquified natural gas based out of Houston, Texas, who delivers to over 40 countries and is the 2nd largest LNG operator in the world. We believe that with the Trump administration's strong push towards becoming the world superpower in energy, the growth potential for this stock is limitless. With the analysis of historical data and potential policy changes we see no reason for this stock to grow up to 20% in 2025.

2. Rio Tinto Group (RIO): $72.34

-Rio Tinto Group is a British-Australian multinational company that is the world's second largest metals and mining corporation. RIO is one of the world leaders in lithium mining and has grown in their holdings and mining locations for years now. With an increase in the amount of EV vehicles purchased year after year, greater amounts of lithium are needed to keep up with the demand of batteries needed to produce the vehicles. We believe that the appointment of Elon Musk to the Trump administration's D.O.G.E. sector, the administration may promote the market for EV's more than the last Trump administration. We believe that under the new administration and with RIO's efforts towards growing their lithium sector, puts them in a great position to capitalize and leverage the lithium they already hold to make a lot of money in the EV market.

American Manufacturing - CAT

Overview

A way to get ahead of the market is an understanding of fiscal policy and their economic implications. A specific policy in this next year will be very beneficial for American Manufacturing. Donald Trump's plans to lower the effective corporate tax rate for domestic production to 15 percent will boost investments, research and development, and profits in the years following. This is an opportunity for investors to get ahead this year.

Who Benefits

Corporations with the most growth resulting from future tax cuts share the characteristics of high profit margins, high levels of domestic revenue/production, high tax burden, and strong cash flow. Conversely, less growth will occur for corporations with lower profit margins, domestic revenue/production, tax burden, and cash flow. Conveniently, we have historical data from the past few years that shows which companies made the right investments since the Tax Cuts and Jobs Act of 2017.

Historical Data

Historical data for both corporations shows their potential in the next few years both in the short term and long term. First off is CAT, with an effective tax burden of around 21.3% in 2023, above the rate of 21% in the US. Additionally CAT has a strong profit margin of 15.41% and a significant domestic base in the US. With the anticipation of the Tax Cuts and Jobs Act's in
2017, CAT share value grew 69.92% ahead of the S&P 500 at 19.42%. In the month of December alone, when the bill was passed and signed into law, CAT grew 11.64%, ahead of the S&P 500 at 0.98%. In the two years following, CAT's leftover profits went directly into investments as well as dividends for investors. CAT's net income remained similar to years prior due to the investments being made and their share value consolidated during this time. However, the pay off of these two years of investments are what led to a 350% increase in their share value since those tax breaks six years ago.

Our Outlook

The conclusion from this research includes a short-term outlook and long term outlook. In the short term, CAT will see growth from anticipation of the tax cuts. This short-term growth will build in the next 12 months. We estimate CAT's growth in the range of 5-12% in this next year. The long-term outlook is where investors can make significant gains. CAT has proven to make good investments in the past and we can confidently say this is a Strong long-term investment. Over the next 3-5 years share values will increase by at least 30%.

Let's flip the switch from stocks, BayMar's Crypto division takes a bullish look at the future.

Understanding Crypto Bull-Runs

Bull-Run Origins

With the re-election of President Trump on November 5th, we saw an immediate surge in crypto prices. Most significantly we saw Bitcoin (BTC) rise from 67k to 90k in the week after he was elected. Ethereum also ran up from 2.4k to 3.4k in the week following the election. Solana (SOL) also pushed from 156 to 225 at the same time. Lastly, XRP from 0.05 to 0.74. Trump made it very clear that he was going to deregulate the crypto space, and especially by firing SEC chairman Gary Gensler who has launched lawsuits against cryptocurrencies, most notably XRP. It's clear that Trump's election and his continuous support of crypto sets a clear origin of this cycle's bull-run.

How Do Crypto Cycles Work?

Crypto cycles have moved in clear repeated patterns that will continue to endure. First BTC will reach All Time Highs (ATH) and then there will be a large sell off from whales‡ taking their profits. Then ETH will move past the ATH before whales take their profits, moving into high cap coins. Then they move to low caps, and then finally it's meme coin season. Typically, these cycles happen about once every 4 years, so either Trump's election either sparked this to happen earlier, or there is still much left in this bull-run.

Current Market Conditions

Currently Bitcoin is sitting around a six-figure valuation fluctuating often, and holding its 1.889 trillion-dollar market cap. Another major coin Ethereum sits at around $3,500 with a 420-billion-dollar market cap. Understanding that BTC is past ATH and ETH is yet to touch them, you can tell how early we are in our cycle.

What Does the Future Look Like?

Trump is still yet to take office, and we cannot be sure as to exactly how this will affect the crypto market, but we can be sure that Trump taking office will not hurt the market. The question would rather be: How far will this go? Also important in the appointment of Elon Musk. Musk is an even bigger supporter of crypto and is tasked with heading the Department of Government Efficiency or D.O.G.E. for short. Are you kidding? Musk's new department's acronym being DOGE was not a coincidence. Along with Musk's support of crypto, his new

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‡ A crypto whale is a user that holds a significant amount of cryptocurrency.

department not only will be called DOGE, but also will be set out to reduce government spending as much as possible. We have seen Musk do this before after purchasing Twitter and reducing the number of employees by 80% and still running the same. This is fantastic for crypto because the less government spending and less regulation gives crypto the room to grow and become more useful.

Our Outlook (ETH)

Being relatively early in the Bull-Run there is still plenty of time to still get in. Bitcoin remaining past previous all-time highs makes it riskier to invest in as it is hard to predict where price will peak. However, Bitcoin's younger cousin Etherum remains plenty below all-time highs with plenty of room left to grow. The price target for ETH is $5,000 with plenty of space left to continue after that. Our crypto division is buying Etheruem now with a partial take profit in the 4,600-5,000 range. We will continue to hold based on the momentum ETH is showing. By the end of the bull-run, we are predicting a peak price in the range of $6-7,000.

Good Luck and thank you for reading

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