



When the News Makes the News

Changing Fortunes in Media Investing

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Market Watch

Equity Market Indices ¹	9/30/24 Price	10/31/24 Price	MTD Change	YTD Change
MSCI All Country World	852	832	-2.29%	14.48%
S&P 500	5762	5705	-0.99%	19.62%
MSCI EAFE	2469	2333	-5.50%	4.33%
Russell 2000 ²	2230	2197	-1.49%	8.37%
NASDAQ	18189	18095	-0.52%	20.54%
TOPIX	2646	2696	1.87%	13.91%
KOSPI	2593	2556	-1.43%	-3.73%
Emerging Markets	1171	1120	-4.38%	9.36%
Fixed Income				
2-Year U.S. Treasury Note	3.64%	4.17%	53	-8
10-Year U.S. Treasury Note	3.78%	4.29%	50	41
BBG U.S. Agg Corp Spread	0.89%	0.84%	-5	-15
BBG U.S. HY Corp Spread	2.95%	2.82%	-13	-41
Currencies				
Chinese Renminbi (CNY/\$)	7.02	7.12	1.41%	0.25%
Brazilian Real (Real)	5.45	5.79	6.20%	19.16%
British Pound (\$/GBP)	1.34	1.29	3.68%	-1.31%
Euro (\$/Euro)	1.11	1.09	2.30%	1.42%
Japanese Yen (Yen/\$)	143.63	152.03	5.85%	7.79%
Korean Won (KRW/\$)	1314.70	1376.95	4.73%	6.90%
U.S. Dollar Index (DXY)	100.78	103.98	3.17%	2.61%
Commodities				
Gold	2635	2744	4.15%	33.01%
Oil	68.17	69.26	1.60%	-3.34%
Natural Gas, Henry Hub	2.92	2.71	-7.39%	7.68%
Copper (cents/lb)	455	434	-4.68%	11.55%
CRB Index	285	280	-1.78%	6.08%
Baltic Dry Index	2084	1388	-33.40%	-33.72%

Source: Bloomberg

INTRODUCTION

The long and contentious U.S. election season has finally ended. Former President Donald Trump won with a coalition deemed unlikely only a few months earlier. At the time of writing, Republicans have also regained control of the Senate by picking up at least three seats. The balance of power in the House is still too close to call, but the GOP may just maintain a razor-thin margin.

The market has been far more prescient than most pollsters in discounting Trump's victory over the last few weeks. Between the Fed's surprise 50-bp rate cut on September 16 and election night, the 10-year yield has soared by 65 bps. Several stronger-than-expected economic data releases also buoyed the market's confidence about the strength of the U.S. economy.

While America's attention was focused on the election, the rest of the world was mired in stagnation and instability. The flames of war raged on with Iran and Israel striking each other, and North Korea dispatching troops to Russia's frontlines in the Kursk region. Russian President Vladimir Putin hosted a BRICS summit in the city of Kazan to deepen the Global South's alliance to circumvent the Western-dominated global financial system. The summit was attended by leaders and representatives from 36 countries and United Nations Secretary-General Antonio Guterres, whose presence was controversial to say the least.

The International Monetary Fund cautioned that the world now faces "a low-growth, high-debt trajectory" and reduced its 2025 growth forecast for the global economy. China's explosive stimulus-fueled equity rally saw some profit-taking as investors realized that the government's piecemeal stimulus was insufficient to turn around its ailing economy. Japan's new Prime Minister Shigeru Ishiba was dealt an electoral setback as his long-time ruling Liberal Democratic Party and governing partner Komeito lost the majority in the lower-house parliamentary election.

As foreign leaders prepare to deal with a mercurial and tough negotiator in the White House, many countries have already felt the impact of his electoral victory. The selloff in U.S. Treasury bonds has triggered a contagion that pushed up bond yields across developed countries which are in need lower rates to stimulate their economies. It is likely just one of the many potential disruptions ahead, and investors may need to buckle up for a roller-coaster ride with various policy changes.



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Competing Channels

During the final stretch of the current election season, the media became the news when Jeff Bezos, owner of the Washington Post (WaPo), overruled its editorial board's customary endorsement of a presidential candidate. Bezos later clarified in an op-ed that while presidential endorsements do nothing to tip the scales, they do create a perception of bias.

The tech billionaire's editorial intervention triggered considerable ire as evidenced by 250,000 WaPo subscribers canceling their subscriptions in protest. Nevertheless, as one of the most accomplished entrepreneurs of who has disrupted and transformed the retail industry, Bezos' brutal honesty in pointing out the media has a perception issue with the public should not be ignored by investors and industry insiders.

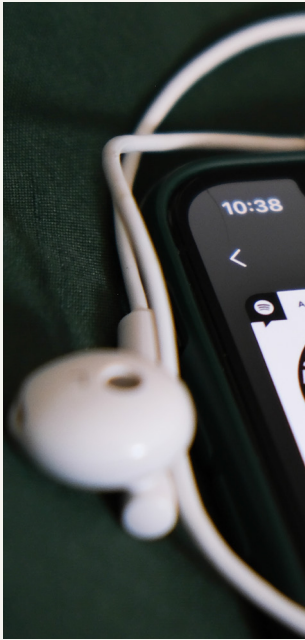
The stark contrast between the legacy media's somewhat dated model of election coverage and the

more contemporary approach favored by new media alternatives like podcasts has been on full display. Political debates hosted by network and cable news have stuck to the decades-old format of giving candidates two minutes to answer each question and another minute or two for rebuttals, perhaps creating an opportunity for candidates to be evasive. Sunday morning talk shows with combative political surrogates have increasingly become "gotcha sessions" that offer little space for nuanced policy discussions.

In contrast with these rigidities in time and content, podcasts that feature long-form conversations have proven to be far more effective in engaging candidates to discuss their policies and values in depth. The Trump campaign was early in recognizing this medium's effectiveness in reaching a targeted audience, and the ex-president began his podcast tour as early as June of this year. Trump's use of the podcast culminated



Spotify's Chief Public Affairs Officer, Dustee Jenkins and Call Her Daddy Host, Creator and Executive Producer, Alex Cooper participate in The Art of The Interview session at Spotify Beach on June 20, 2023 in Cannes, France.



recently in a three-hour conversation with Joe Rogan, the most popular podcaster in the world.

After initially limiting her interactions with the media, Vice President Kamala Harris' campaign has also realized the importance of podcasts for connecting with voters. In early October, Harris made her podcast debut as a presidential candidate on *Call Her Daddy*, the most listened to podcast by women.

While some have questioned whether these podcasts are an appropriate forum for engaging in political discourse with presidential candidates, the podcasting platform clearly offers unique and effective venues for voters to learn about politicians via unfiltered and authentic conversations. Podcast appearances will likely become a regular feature of the next general election and will be leveraged by presidential hopefuls well before the 2028 primary season to introduce themselves to the national audience. As podcasts gain more relevance and viewership, more advertising dollars will be channeled to them. The industry will also attract more established journalists to set up their own podcasts.

The Joe Rogan Experience podcast on Spotify



The Importance of Being Social

While Trump has been more active on the podcast circuit, Harris has leveraged her greater financial resources to rally support broadly on social media by influencing communication, engagement, and voter perception. During the third quarter of 2024, the Harris campaign outspent the Trump campaign \$86 million to \$15 million on platforms owned by Meta and Alphabet.

Ironically, TikTok, a platform that many politicians on both sides of the aisle would like to shut down for its Chinese ownership, has played a prominent role in helping both campaigns reach out to younger voters.

Elon Musk's purchase of Twitter, renamed X, has also had a substantial impact on the 2024 election by enabling political discourse and disseminating information that might have been censored by the platform's prior management. X has transformed the media industry by removing the information gatekeepers – users get to access unfiltered information directly from the source, which includes experts as well as so-called citizen journalists. Users can also interact with the sources.

It is widely accepted that X and other social media platforms are vulnerable to bad actors spreading disinformation, and there is an ongoing debate on how content moderation can be handled without compromising freedom of speech. A recent [Center Square survey](#) found that 61% of Americans are concerned that social media companies are censoring information ahead of the 2024 election. However, [a recent Axios-Harris poll](#) also showed that 8 in 10 voters believe misinformation can affect political discourse and election outcomes.

Media Properties



The challenges faced by the legacy media are not lost on investors and company management. In August 2024, Warner Brothers Discovery wrote down the value of its TV networks, which include CNN, by \$9.1 billion. A few days later, Paramount Global wrote down the value of its cable TV and news outlets (CBS News, BET Media, etc.) by nearly \$6 billion. *The Washington Post* lost \$77 million in 2023. The one company that has bucked the declining trend is The New York Times, which has transformed the business by acquiring a podcast company and launching subscription apps for Cooking and Games.

On the new media front, the leaders include Meta (social media platforms), Alphabet (search and YouTube), and Spotify (music subscriptions and podcasts). Interestingly, Meta and Alphabet happen to be in generative AI as well. They benefit from a unique combination of having ample resources to finance the AI arms race and being able to access large pools of

user data to train their large language models (LLMs). The access to diverse global user content, interactions, behaviors, language patterns, and cultural nuances is a competitive edge in developing sophisticated models.

While Meta, Alphabet, and TikTok have created businesses with strong moats and high profitability, they face elevated regulatory risks around the world. The Department of Justice is reportedly considering a possible breakup of Alphabet as an anti-trust remedy.

TikTok is currently suing the U.S. government in federal court to block the law that will ban the company's operations in America in early 2025 unless it is divested by its Chinese parent company. A weakening of TikTok's position can potentially shift users and revenue to Meta's apps.

Elon Musk's business empire is already being sued, fined, or investigated by five cabinet departments and six independent agencies of the U.S. federal government. X is clearly in the crosshairs of proponents of censorship in several countries.

Trump's return to the White House will likely bring relief to X and the other companies in Musk's orbit. TikTok is another potential beneficiary as Trump has argued against banning it in the U.S. TikTok's continued operation in the U.S. means that Oracle, the cloud service provider to the company, will avoid a material loss of revenue.

It remains to be seen how the Department of Justice under Trump will deal with Meta and Alphabet, two companies that he has alleged to have committed election interference. However, when asked recently about a possible anti-trust case against Alphabet, Trump was noncommittal and said he would avoid damaging America's technological leadership.

Beyond the Election

While the Fed is by tradition apolitical, the election could have a lasting impact on the institution. Its policymaking could become more complicated as Trump has expressed the view that the President should have a voice in shaping monetary policies.

On September 16, when the Fed surprised the market with a generous 50-bp interest rate cut, the 2 and 10-year Treasury yields closed at 3.55% and 3.62%, respectively. At the time of writing on the morning after the election, the 2 and 10-year Treasury yields have soared to 4.28% and 4.47%, respectively. Some are now questioning if the Fed might have jumped the gun with the aggressive rate cut, which could wind up fueling inflation if economic growth and financial markets remain elevated.

In Chair Powell's defense, when he convinced his colleagues to make the dovish policy decision in mid-September, the unemployment rate was on the rise and there were clear signs of weakening demand. Treasury yields started their rapid ascent only after a much stronger than expected employment report on October 4 – the establishment survey showed 254,000 new jobs created in September vs. the market's expectation of 150,000 – fueled the narrative that the economy was reaccelerating. The optimism was further buoyed by a stronger than expected September retail sales report. However, analysts who pay attention to details can point out that that these solid headline data were boosted by generous seasonal adjustments to paint a picture of a reaccelerating economy.

With Trump now set to return to the White House, the Fed's stated path of easing delivered in mid-September will be complicated by potentially higher tariff-induced inflation and stronger confidence-inspired economic growth. The market is still expecting the fed funds rate to be cut by another 25-bps in the upcoming Federal Open Market Committee (FOMC) meeting. More importantly,

all eyes will be on the Fed's next Summary of Economic Projections (SEP) to be released at the conclusion of the FOMC meeting on December 18. The market is already discounting a less dovish trajectory, with the fed funds rate expected to bottom out around 3.5%.

As for equities, Trump's victory will likely help U.S. mid and small cap stocks to outperform larger cap stocks. Indeed, the Russell 2000 Index has outgained the S&P 500 Index over the last four months, and its post-election rally is also much stronger thus far. On the other hand, Trump's return to power could be highly disruptive to non-U.S. stock markets – the combination of a stronger dollar and rising protectionism could potentially pressure international stocks' relative performance. There is also the risk that surging long bond yields could wind up pressuring equity valuations, which have already been pushed up to levels that have historically resulted in rather subdued future returns.

The market's initial reaction to the election will likely wear off after the calendar turns to 2025 as there is an inherent inertia in Washington to slow walk disruptive policies. While the new president can get a lot done through executive orders, many promises made during his campaign will need the support of Congress to be enacted. Even if the GOP winds up controlling both chambers of Congress, the narrow margin in the House still portends tough budget battles. Many of Trump's promised tax cuts – such as eliminating taxes on tips and social security income – will likely run into resistance once they are scored by the Congressional Budget Office. It also remains to be seen if Elon Musk and Robert F. Kennedy Jr will be empowered by Trump to make substantial changes to a sizeable portion of the U.S. economy.

In the final analysis, a major political realignment is now taking place in America, and the impact will likely be felt in every corner of the world and financial markets. For those who are worried that Trump's second term will be disruptive and unpredictable, history has shown that our political institutions are both strong and adaptable.



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