Twitter Thread by Iris Choi

Iris Choi
@donutsdidthis

1/ Market Musings is back but with a glitch so here's the tweetstorm instead. December set some capital markets records. DoorDash, Airbnb and Wish all priced $1bn+ IPOs leading up to the Christmas holiday.

2/ It wasn’t long ago that investors were bemoaning how long it took companies to go public. Only a handful were going public each year and they were fueling their growth with private capital.

3/ Starting in 2018 we started seeing more than a dozen IPOs that raised >$1bn each, in the US and globally. Many of these large IPOs have been tech companies and the markets are rewarding growth.

4/ Why did we see 4 big tech IPOs (airbnb, doordash, https://t.co/8Z1JDLbiDS and Wish) price last December? Is going public right before year end common? No, it’s not.

5/ Here are a couple of factors that make the IPO market hot right now:
- Companies originally pushed their IPOs when Covid hit
- The stock market is surging
- Election provided certainty
- The market is rewarding growth cos

6/ Investors are likely to continue pouring capital into the stock market. There are few asset classes offering a return above inflation right now and US equities is one of them. Both the DJIA and the S&P 500 finished 2020 at record highs.

7/ Keep in mind that 2020 was a record setting year for IPOs, but nearly half of IPO activity was for SPACs. SPAC volume was up ~6x from 2019 and is showing no signs of slowing. SoftBank alone is rumored to be considering launching 3 SPACs in 2021.

8/ There are also rumors of more $1bn IPOs waiting in the wings: Instacart, Robinhood and Coinbase. Both Roblox and Affirm had filed prior to year end and are still on the docket to go public.

9/ 2020 seemed to show that the stock market is completely divorced from the economic reality of the US economy. Is that going to continue in 2021? ■

10/ The economic impact of the virus has been much smaller than expected.
According to NYTimes, salaries and wages fell less in the period between March and November than most people think. Total employee comp was down only 0.5% versus the same period in 2019.

11/ The # of jobs on payroll was down 6%. Covid 19 has disproportionately affected lower paying service jobs while higher paying professional jobs were largely unaffected or may have even increased in compensation.

12/ Also, the CARES Act resulted in American income from unemployment benefits being 25x higher in March - Nov 2020 vs same period in 2019. Part of the jump was from more Americans applying for benefits.

13/ But 73% of the increase came from supplemental benefits (e.g., the $1,200 checks to most American households, many of whom didn’t see a drop in income). As a result, Americans’ cumulative after tax income was $1T higher for March - Nov 2020 vs in 2019!!

14/ Personal savings is estimated to have been 173% higher for Mar - Nov 2020 vs 2019. Some of the increase in savings has been funneled into the stock market which has led to buoyancy in stock price performance. No reason to believe the stock market won’t continue to outperform.