Webinar: New Constructs & Viola Risk Advisors: Why the Tech Carnage Can Continue

Watch the webinar replay below for unique coverage of equity values in the Big Tech sector and financial sector capital structures. We explain the negative spillover impacts of the recent market decline on Big Bank equities, debt, other securities, and counterparty credit exposures. Download the slides from the webinar here.

Watch the Webinar

Moderators: David Trainer, Founder & CEO of New Constructs,
David Hendler, Founder & President of Viola Risk Advisors, LLC

Background to Evolving "Tech-Wreck" in Stock/Option Markets

New Constructs and Viola Risk Advisors have regularly reported on the prequel conditions that led to the break-out decline in the crowded Big Tech melt up during the last 6 months.

Recently, New Constructs warned subscribers of the imminent fundamental valuation disconnects in many Big Tech and related stocks and the S&P 500. See recent reports on: Tesla (TSLA), Uber (UBER), Beyond Meat (BYND), Wayfair (W), Carvana (CVNA) etc.

A Capital Structure Challenge for Big Techs, Big Global Banks, and other knock-on effects

We expect this market decline will not be limited to the Tech sector as many of the Big Global Banks have been complicit in offering the Japanese Whale access to equity derivatives that would amplify the returns of its funds and other fund managers involved in this crowded trade. For the last four years, Viola Risk has been reporting on the history of abusive and speculative use of equity derivatives to artificially pump up many global banks income and return, especially the French banks such as BNP Paribas, Société Générale, and Natixis.

These major French banks have many recent quarters of equity derivatives losses due to their difficulty in hedging these instruments for fat-tail negative market moves. And importantly, the French banks are overly exposed to negative moves on equity derivatives due to their overconcentration in relation to their extremely weak stock market capitalizations and economic earnings.

This article originally published on September 11, 2020.

Disclosure: David Trainer, Kyle Guske II, and Matt Shuler receive no compensation to write about any specific stock, style, or theme.

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The recipient of this report is directed to read these disclosures.

We provide ratings, models, reports & screeners on U.S. 3,000 stocks, 700 ETFs and 7,000 mutual funds.

HBS & MIT Sloan research reveals that:

- **Markets are inefficiently assessing earnings because no one reads the footnotes.**
- **Corporate managers hide gains/losses in footnotes to manage earnings.**
- **Our technology brings the material footnotes data to market for the first time ever.**

Combining human expertise with NLP/ML/AI technologies (featured by Harvard Business School), we shine a light in the dark corners (e.g. footnotes) of hundreds of thousands of financial filings to unearth critical details.

The HBS & MIT Sloan paper, Core Earnings: New Data and Evidence, shows how our superior data drives uniquely comprehensive and independent debt and equity research.

This paper compares our analytics on a mega cap company to other major providers. The Appendix details exactly how we stack up.

Learn more.

Quotes from HBS & MIT Sloan professors on our research:

Get better research:

"…the NC dataset provides a novel opportunity to study the properties of non-operating items disclosed in 10-Ks, and to examine the extent to which the market impounds their implications." – page 20

Pick better stocks:

"Trading strategies that exploit cross-sectional differences in firms' transitory earnings produce abnormal returns of 7-to-10% per year." – Abstract

Avoid losses from using other firms' data:

"…many of the income-statement-relevant quantitative disclosures collected by NC do not appear to be easily identifiable in Compustat…" – page 14

Build better models:

"Core Earnings [calculated using New Constructs' novel dataset] provides predictive power for various measures of one-year-ahead performance…that is incremental to their current-period counterparts." – page 4

Exploit market inefficiencies:

"These results … suggest that the adjustments made by analysts and Compustat to better capture core earnings are incomplete. Moreover, the non-core items identified by NC produce a measure of core earnings that is incremental to alternative measures of operating performance in predicting an array of future income measures." – page 26

Fulfill fiduciary duties:

"An appropriate measure of accounting performance for purposes of forecasting future performance requires detailed analysis of all quantitative performance disclosures detailed in the annual report, including those reported only in the footnotes and in the MD&A." – page 33-34

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