

Taking Stock with Steele

Your Monthly Newsletter

The purpose of this newsletter is to share insights and expertise. Our goal is to ensure that our clients are well informed of changes affecting local business decisions and our investment recommendations.

We believe Knowledge Pays and we want our knowledge to help pay for you.

THE BIG BUSINESS OF DATA IT'S 2019, DO YOU KNOW WHERE YOUR DATA IS?

Back in the day, data was siloed within one company. You may have used an immobile PC and bought a book, chatted with a friend or played a game online and all the associated data stayed on one server. Nowadays, we carry personal tracking devices (i.e. phones) from which we can do almost anything. The data generated from buying things, asking questions, going places, communicating with others and listening, watching and reading is robust enough that it is a personal identifier. Companies want this identifying data to improve their product and better monetize users.

Data Privacy is Your Responsibility

Many technology companies tout that they are pro-privacy (Apple: “*What happens on your iPhone, stays on your iPhone*”) but default settings for mobile devices and apps are almost universally anti-privacy (Apple has a setting called “*Limit Ad Tracking*” but it is off by default). When this type of data tracking option is off, smartphones will constantly send data to third-party apps updating them about your phone’s location along with data unique to you. Technology companies need relevant and available data to remain competitive so they will do anything they legally can to keep the data flowing. Privacy policies are notoriously hollow and offer little to no protection.

What is the Risk?

While Yelp or Uber knowing your whereabouts at all times may not have a near-term negative consequence, the more companies there are handling your data, the more that data is at risk of misuse by malicious parties. While larger technology companies have yet to have a major data breach, it is conceivable that smaller technology companies could experience occasional breaches. Further, many retailers have had data breaches over the years and non-technology companies will see their online presence grow, increasing the number of fingers in your data pie.

Control versus Compromise

Limiting who can receive your data can affect the usefulness of certain apps. An app like *Disconnect* allows you to manage data sharing while maintaining phone function, at a cost. DIY/free alternatives are to enable features like Apple’s “*Limit Ad Tracking*” or Android’s “*Opt out of Ads Personalization*” and go to your phone’s settings app where you can adjust individual app permissions and data access.

Protect Your Accounts for Being Hacked After a Data Breach As Well

If any of your online accounts has an option to enable two-step verification, do so. It typically involves verifying your phone number by text or voice call as an extra security measure. Two-step verification ensures that you can quickly recover your account if someone has accessed it. This is your #1 defense in response to a data breach involving your account data.

Current Rates & Data

Govt of Canada

90 day	1.65%
1 year	1.67%
2 year	1.43%
5 year	1.36%
10 year	1.47%
30 year	1.71%

U.S. Treasury

90 day	2.12%
1 year	1.92%
2 year	1.77%
5 year	1.78%
10 year	2.03%
30 year	2.54%

Canada Prime Rate

3.95%

U.S. Prime Rate

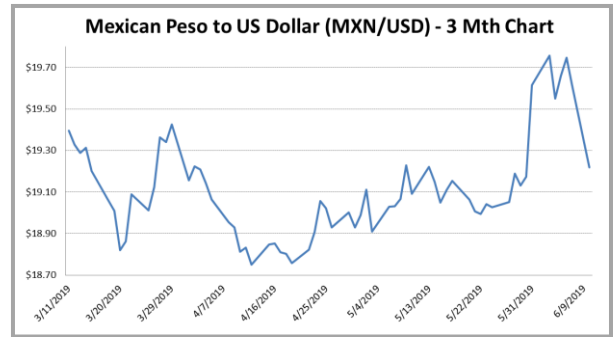
5.50%

Exchange Rates

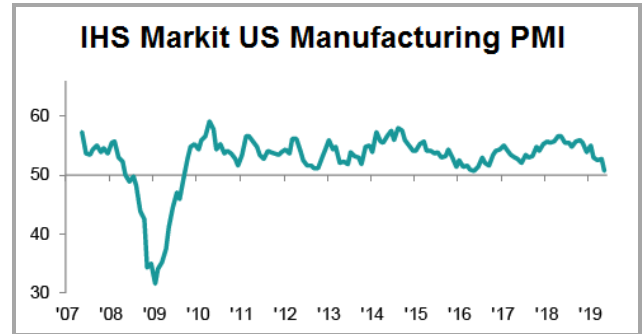
CAD/USD	0.756
USD/EUR	1.137
JPY/USD	107.3

ECONOMIC TIDBITS TRUMP THREATENS MEXICO W/ TARIFFS & US MFG FINALLY DRAGGED DOWN BY TRADE

- On May 31, US President Trump threatened a 5% tariff on all Mexican imports unless Mexican officials made a commitment to combat illegal immigration at the US-Mexico border. Tariffs were set to begin on June 10 but Mexican officials made commitments that were sufficient to appease the Trump administration, averting them. The fiasco created volatility for companies with Mexican supply chains.



- After remaining buoyant for much of the past twelve months, the IHS Markit US Manufacturing PMI fell to a nine-year low in May, though still slightly in expansion territory. The US economy is currently the fastest growing of the large developed economies and a major downshift in the US manufacturing sector certainly raises the risk of a global recession in the coming months or years.



LE JIT A “JUST-IN-TIME” RUNDOWN OF OUR CURRENT INVESTMENT THEME

Transportation-As-A-Service Companies Hemorrhaging Cash but Their Duopoly Supports Valuations

- **Lyft Inc. (LYFT-US)** and **Uber Technologies Inc. (UBER-US)** fit this theme.
- Lyft and Uber went public this year to much fanfare though their valuations have come under scrutiny. Both companies' shares trade below their IPO prices. The companies tout a long fairway of growth ahead and their valuations – 5-7x trailing EV/Sales – skeptically reflect this growth potential. While 5-7x trailing EV/EBITDA is a high valuation, many high growth technology companies trade at much higher valuations.
- The two ride hailing companies compete directly with each other in most major North American cities. Smaller competitors exist but Uber and Lyft dominate ride hailing across many top North American cities. The companies have built their business around disrupting the taxi business but have since disrupted as well as work hand-in-hand with the car rental and public transportation businesses.
- Lyft is focused on the ride hailing business and its strategy is focused on working with municipalities to integrate Lyft into existing public transportation networks to improve ridership and lower overall cost.
- Uber is the self-proclaimed 'Amazon of Transportation' that is aiming to integrate its dominant ride hailing business with its fledgling food delivery, freight and future businesses.

Key risk points: Both companies burn cash at unprecedented rates (Lyft and Uber expect to burn over \$1 billion and \$3 billion in the upcoming year) and further capital raises could be necessary. Changes in consumer spending could impact both stocks. Both companies are sensitive to changes in regulation at multiple levels of government. The companies are both richly valued and this could change with time.

JEANNINE'S TIP O' THE MONTH Raymond James Cares Month 2019

Collectively, **814 Raymond James employees** completed **3,330 volunteer hours** in support of **over 150 charities and non-profits** across the country. The hard work and generosity of over 500 employees and associates made positive impacts in our communities by volunteering time to charities and events, giving blood and donating food and clothing.

This newsletter has been brought to you by Steele Wealth Management

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