



GORDON T LONG

Advanced Technical Analysis



Gordon T Long
Global Macro Research |
Macro-Technical Analysis



Technical Analysis
Market Road Maps | HPTZ
Methodology



SII
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An isometric illustration of a cubicle farm. Multiple workers, both men and women, are seated at their desks, each equipped with a computer monitor, keyboard, and headset. They are working in a repetitive, grid-like arrangement, symbolizing a highly structured and potentially monotonous work environment. The workers are wearing various colored clothing, including blue shirts, purple tops, and red dresses. The desks are light blue, and the cubicle walls are white.

THE END OF THE CUBICLE CLASS?

"Expect the best. Prepare for the worst. Capitalize on what comes!"

UnderTheLens - 08 24 22 - SEPTEMBER - US Labor Market In Productive Decline



28 Minutes and 51 Supporting Slides

<https://www.youtube.com/watch?v=Ws3lXnQkNGY&t=11s>

AGENDA

May 10th, 2023

The End of The Cubicle Class?

“GRADUALLY” IS OVER!

PRODUCTIVITY IN FREE FALL!

LIMITED OPTIONS: LAYOFFS v EFFICIENCY

SURVIVAL DICTATES THE “SUDDENLY” PART!

AMERICA STOPPED INVESTING IN ITSELF!

“SHORT TERM” FINANCIALIZATION

IPOs / SPACS / UNICORNS

PATENTS

CAPEX v BUYBACKS / DIVIDENDS

AI THE NEW MEGA THEME

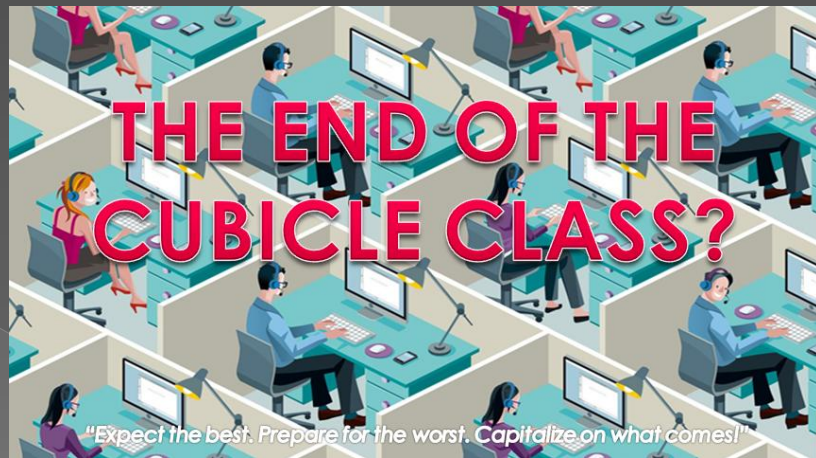
THE DECIMATION OF THE CUBICLE WORKER

THE MIGRATION OF THE “APP” DEVELOPERS

VALUE BUT SMALL MARGINS

CONCLUSION

REINVENTING THE MIDDLE CLASS WHITE COLLAR WORKER!



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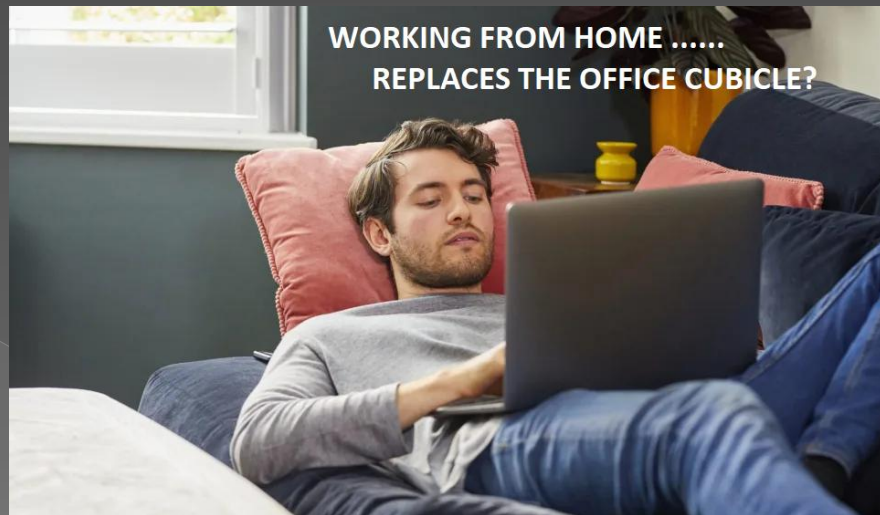
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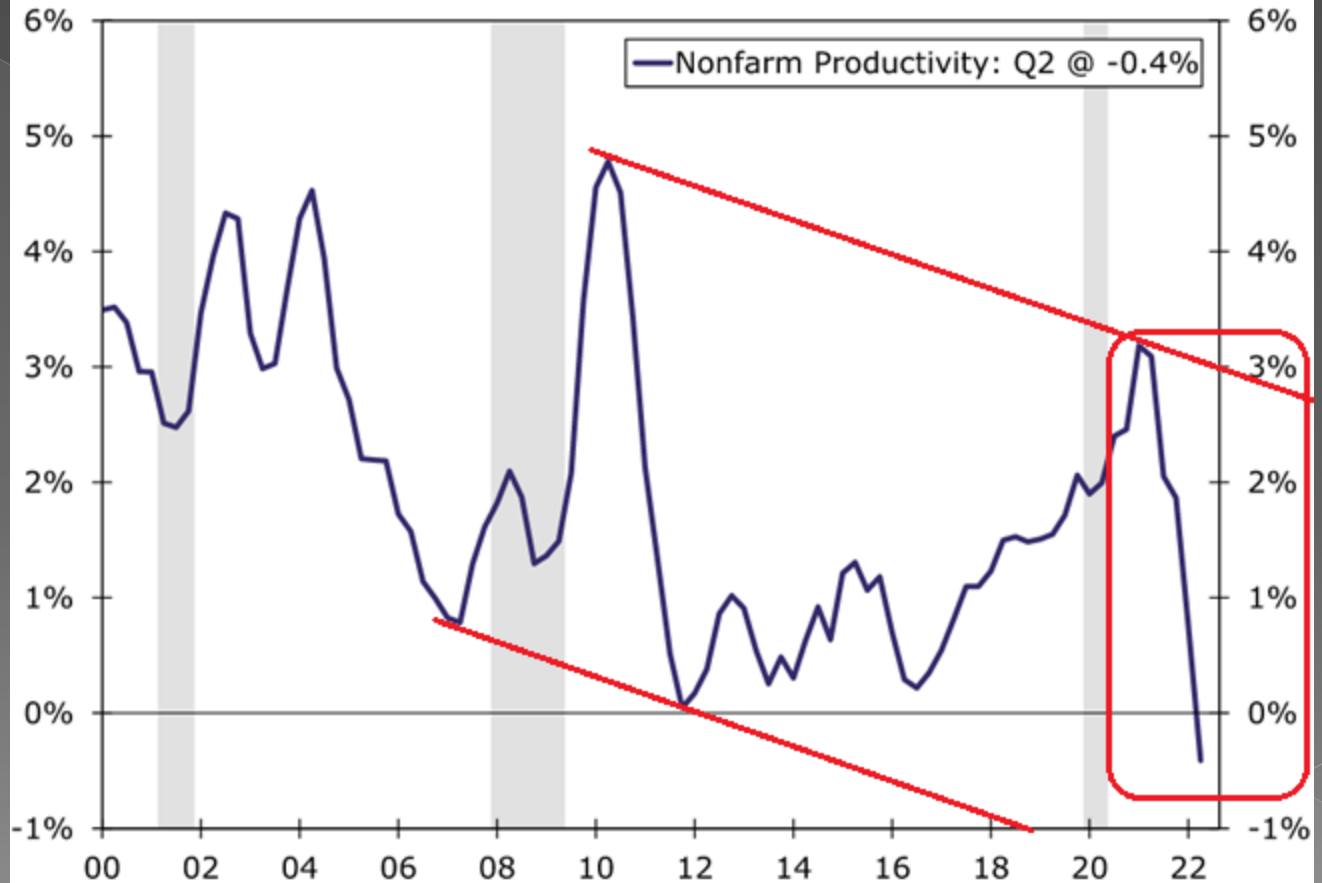
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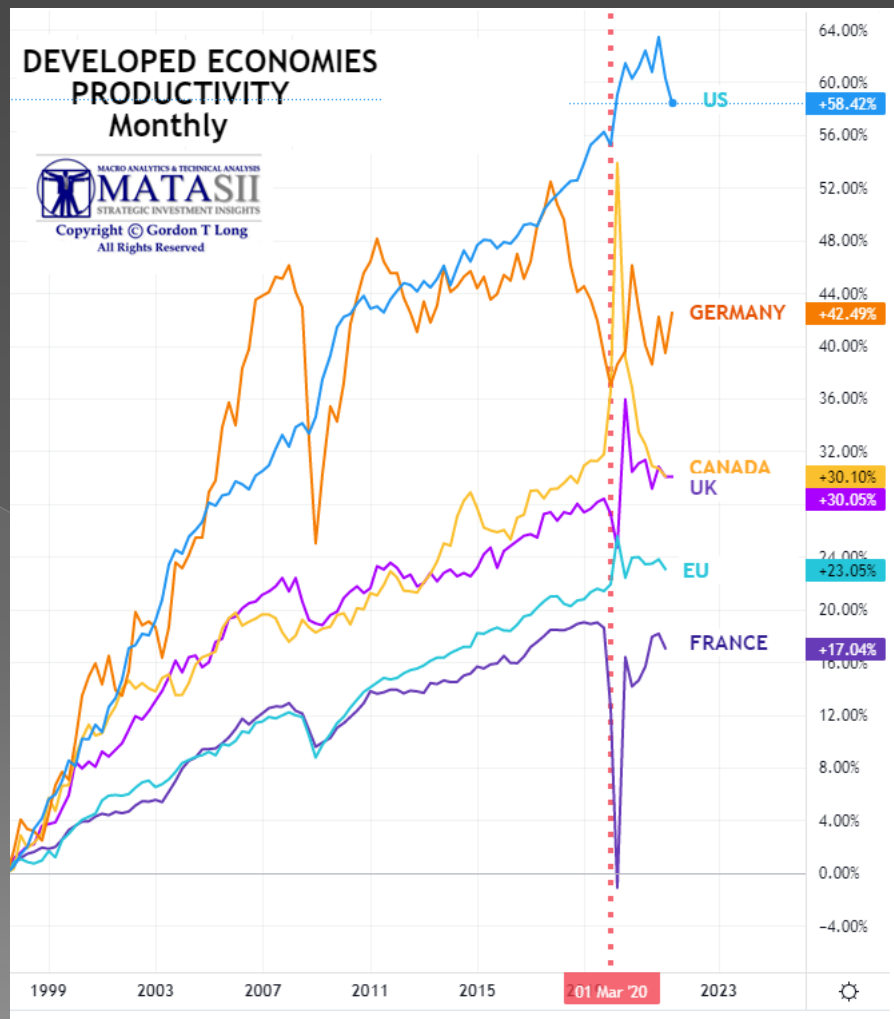


Nonfarm Productivity

Year-over-Year Percent Change, Four-Quarter Moving Average



IT'S GLOBAL!



WEAK PRODUCTIVITY FOR 5 STRAIGHT QUARTERS

- Over the past five or six quarters economic activity has been sluggish, even as the US has seen a resilient labor market and continued job gains.
- People are working longer hours so labor utilization has also been higher.
- Unit labor costs grew 6.3% this quarter, while compensation grew 3.4%.
- That combination has created conditions for the perfect storm with
- Weak productivity for five quarters straight, for the first time since post-World War II.

CHURN IS A REAL PROBLEM

- Over the past 18 months, the churn of labor has been “tremendous.”
- The recent [BLS](#) and [JOLTS](#) reports, which have found that the number of job openings, hire rates and quit rates have all reached record highs.
- It's been very difficult for employers to, essentially, train their employees and bring them up to par with the productivity levels that would have been deemed normal pre-pandemic,
- When the pandemic hit, it brought a combination of early retirement, a mass exit from the workforce, and an avalanche of job-switchers, a phenomenon alternately called “the great resignation” and “the labor shortage.” Taken together, it created a dearth of productivity.

PRODUCTIVITY IS CRITICAL

Productivity is the key out of this mess we've been in since the current environment is one of CONSTRAINTS:

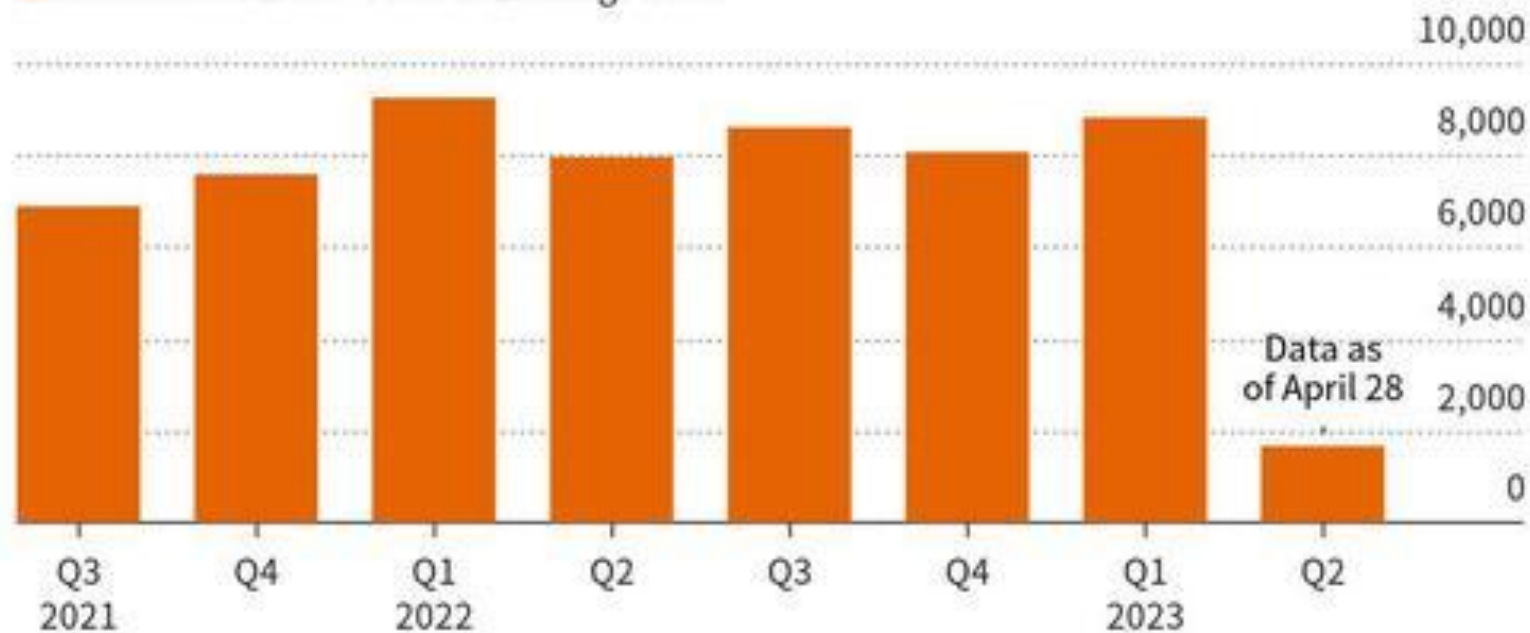
1. Supply-Chain Constraint,
2. Labor Constraint, and
3. Capital Constraint.

Increased productivity could alleviate each of those concerns as well as cost pressures.

Companies Turn to Efficiency

Cost-cutting spurs drop in mentions of labor costs

■ Mentions of Labor Costs in Earnings Calls

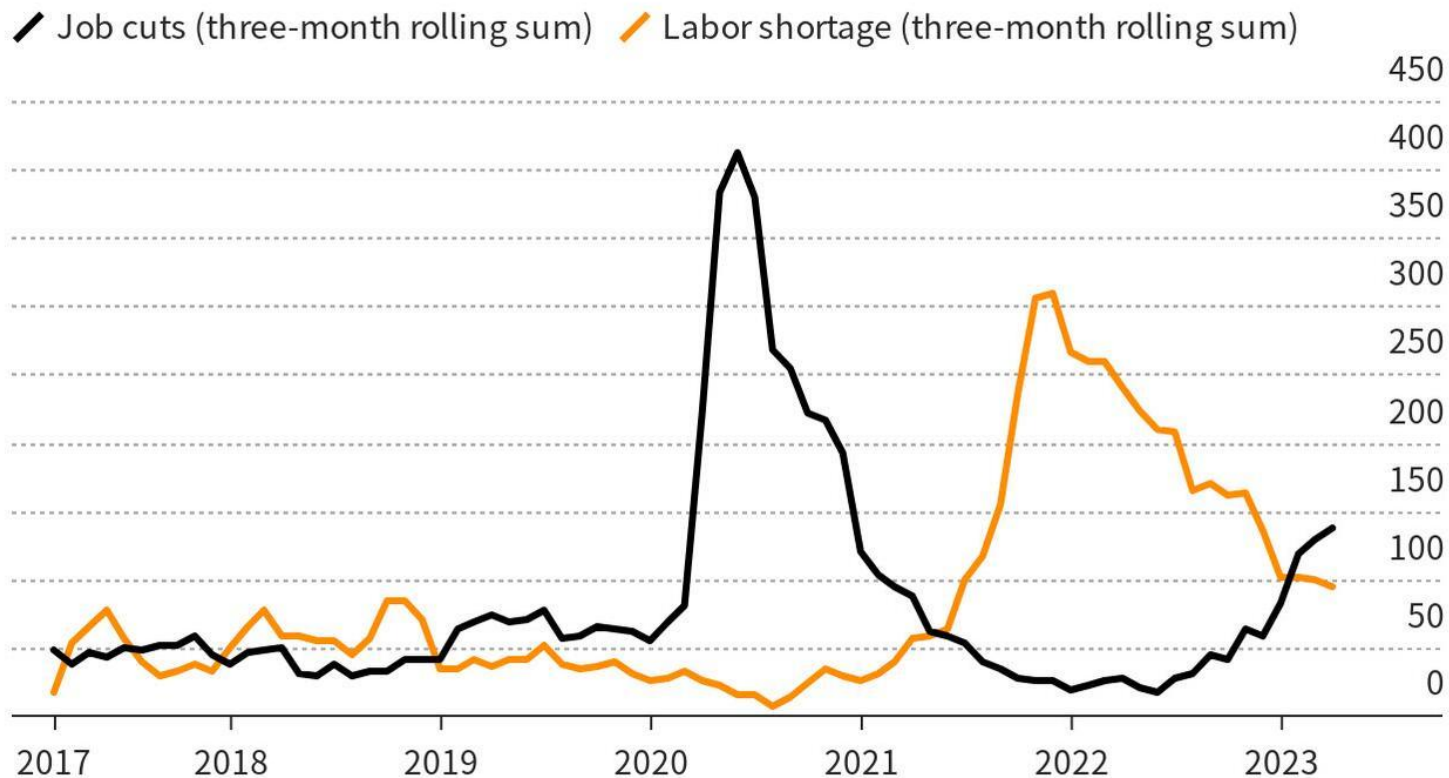


Source: Bloomberg

Bloomberg

Focused on Efficiency

Mentions of 'job cuts' by S&P 500 companies overtake 'labor shortage'



Source: Bloomberg

Bloomberg

GRADUALLY ... THEN SUDDENLY!



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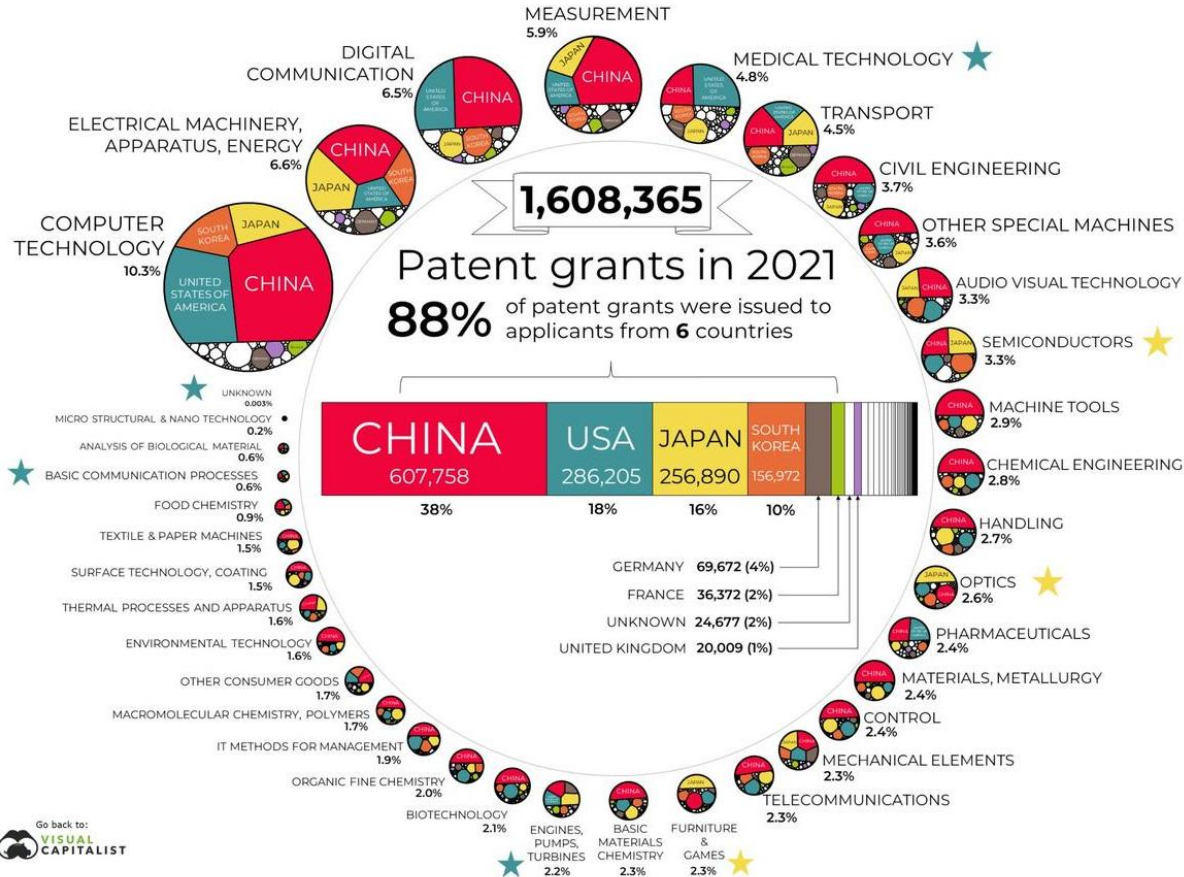
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PATENT GRANTS BY ORIGIN COUNTRY & FIELD OF TECHNOLOGY



| Applicants by Country | Granted Patents (2021) | % of Total |
|---|------------------------|---------------|
|  China | 607,758 | 37.8% |
|  United States | 286,205 | 17.8% |
|  Japan | 256,890 | 16.0% |
|  South Korea | 156,972 | 9.8% |
|  Germany | 69,672 | 4.3% |
|  United Kingdom | 20,009 | 1.2% |
|  Unknown | 24,677 | 1.5% |
|  Other Countries | 186,192 | 11.6% |
| World Total | 1,608,375 | 100.0% |

| Rank | Main Field of Technology | % of Granted Patents |
|------|---|----------------------|
| 1 | Computer technology | 10.3% |
| 2 | Electrical machinery, apparatus, energy | 6.6% |
| 3 | Digital communication | 6.5% |
| 4 | Measurement | 5.9% |
| 5 | Medical technology | 4.8% |
| 6 | Transport | 4.5% |
| 7 | Civil engineering | 3.7% |
| 8 | Other special machines | 3.6% |
| 9 | Audio visual technology | 3.3% |
| 10 | Semiconductors | 3.3% |

SPECIAL PURPOSE ACQUISITION COMPANY (SPAC)

A Special Purpose Acquisition Company (SPAC) , also known as a "blank check company", is a shell corporation listed on a stock exchange with the purpose of acquiring a private company, thus making it public without going through the traditional initial public offering process and the associated regulations thereof.

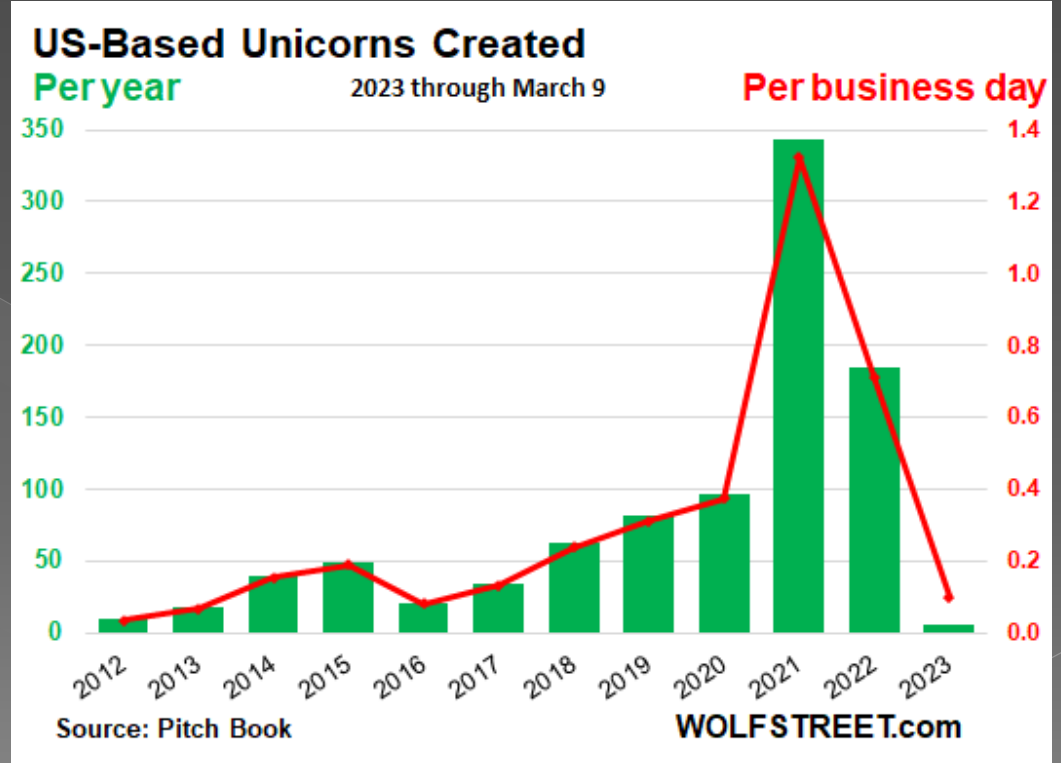
SPAC's have become a preferred way for "so called" experienced management teams and sponsors to take companies public.

UNICORNS

Unicorns are yet another "slip of hand" of the startup company process where behind closed doors a handful of investors during the latest round of funding agreed on a "valuation" of \$1 billion or more.

Even though these deals are confidential, the \$1-billion valuation is then dutifully leaked and hyped all over the financial media.

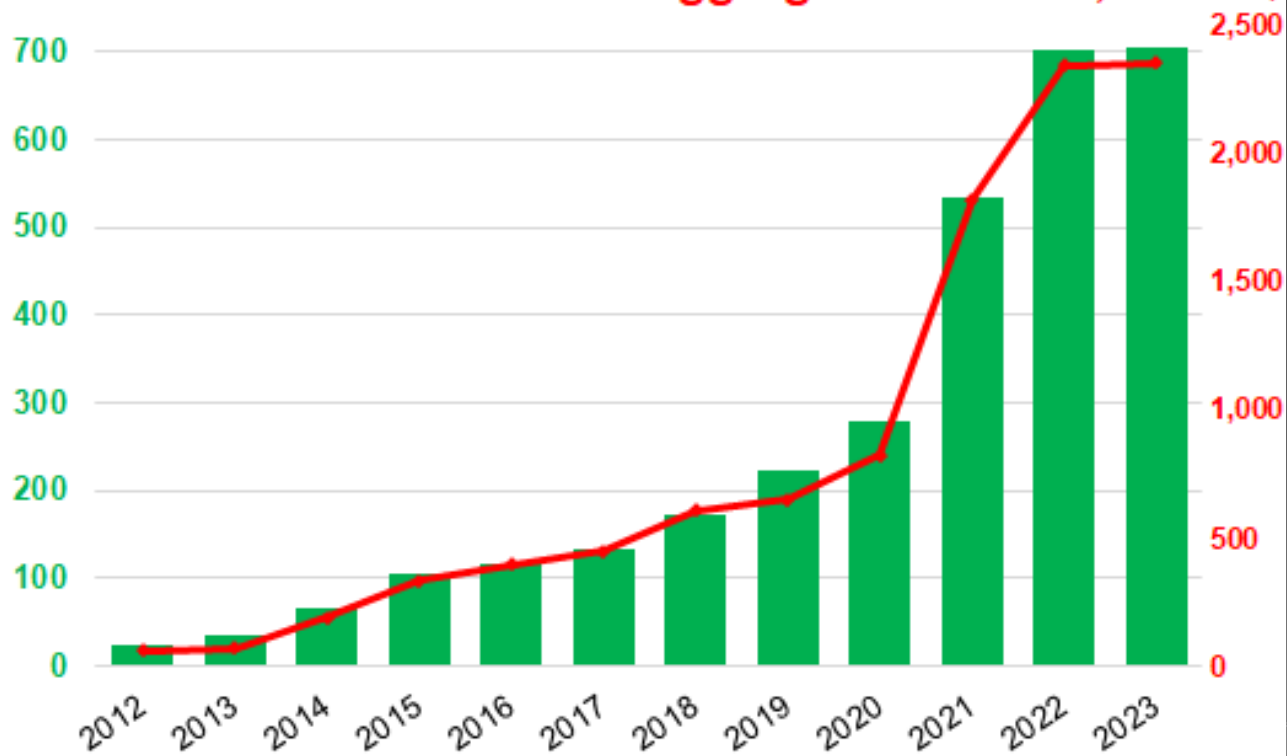
There was a time when a newly created unicorn would unleash a torrent of oohs and aahs. But by 2021, there were so many of them – 344 of them, or about 1.3 per business day – that people stopped paying attention.



Still Active US-Based Unicorns

Number of unicorns

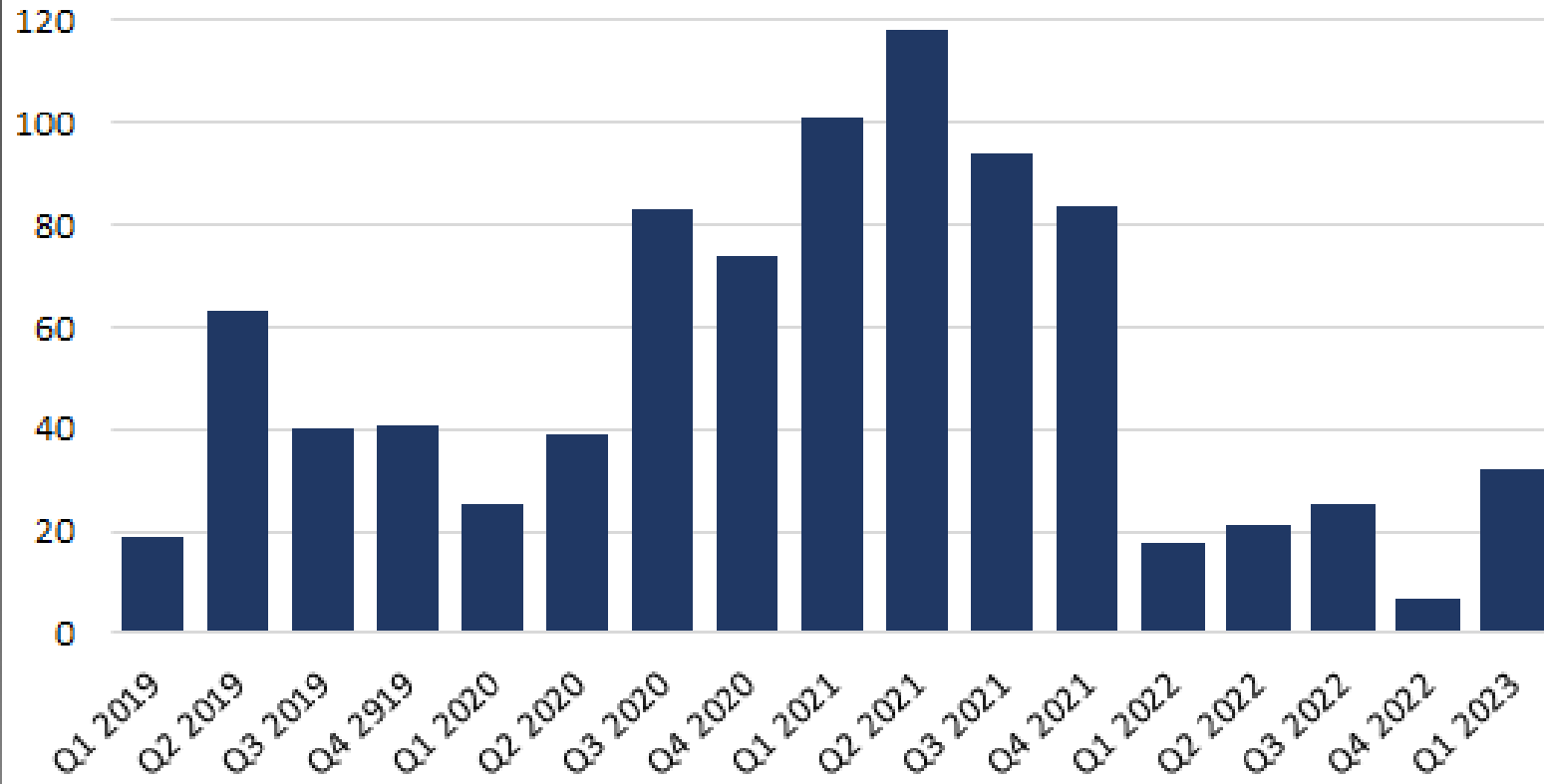
Aggregate valuation, billion \$



Source: Pitch Book

WOLFSTREET.com

Number of IPOs per Quarter



Source: Renaissance Capital

WOLFSTREET.com

ACCORDING TO PITCHBOOK

- “Unicorns are likely to face significant challenges when sourcing potential acquirers due to limited buyer interest, and the recent decline in M&A activity coincides with the current economic downturn,”
- “Only \$39.6 billion in US acquisition value has occurred since the beginning of 2022, which makes it the least active year since 2015,”
- “Our data shows a mere five unicorn acquisitions in 2022, compared with 24 and 17 in 2021 and 2020, respectively,”
- “Additionally, many public corporations are opting to buy back company shares to appease shareholders and signal confidence in the company’s future. So far, share buybacks have been favored over M&A, with buyback announcements hitting a record high of \$1.2 trillion in 2022,”



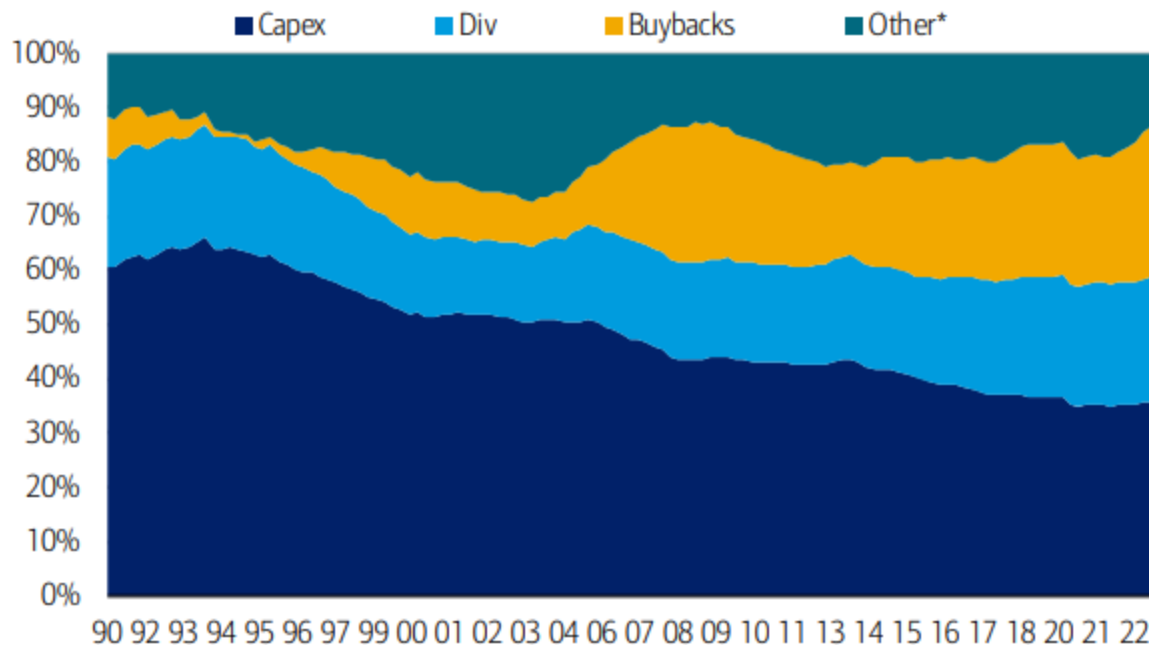
ACCORDING TO PITCHBOOK

- Additionally, the current “antitrust crackdown on the tech sector has put increased pressure on large tech companies, such as Meta, which is currently being sued by the FTC for antitrust violations related to its acquisition of WhatsApp and Instagram. This crackdown is likely to continue, affecting cash-starved unicorns seeking acquisition by large corporations.”
- In “the frozen exit environment” since 2022, exit value plunged by 87%, from the record \$768 billion in 2021 to only \$79 billion in 2022 and early 2023.
- This “liquidity crunch” has limited the “return potential for investors and is restricting the flow of capital back into the venture ecosystem,”
- “This dearth of capital is further exacerbated by the languid pace of fundraising observed through Q1 2023, as well as an exodus of nontraditional investors that, in recent years, have played a major role in providing the large amounts of funding upon which unicorns are heavily reliant,”

BUYBACKS & DIVIDENDS

Exhibit 9: Companies didn't spend much on capex over the past 10 years, but rather on buybacks

Use of rolling 5-yr operating cash flow + debt issued (4Q85-4Q22)



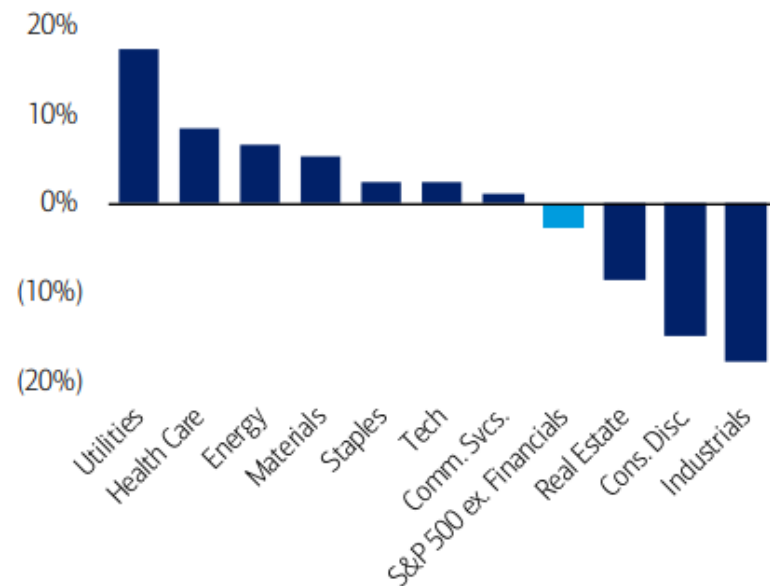
Source: FactSet, BofA US Equity & Quant Strategy *Other uses of cash can include cash build, acquisitions, etc.

BofA GLOBAL RESEARCH

BUYBACKS & DIVIDENDS

Exhibit 10: Industrials de-levered the most since GFC, which suggests limited debt-driven PP&E capex over the past 10 years

Change in total debt to market cap (ppt) since 2006

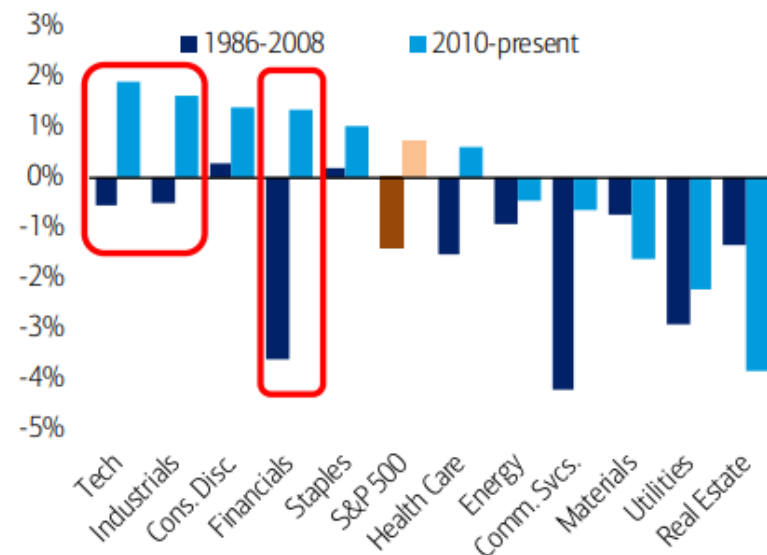


Source: FactSet, BofA US Equity & Quant Strategy

BofA GLOBAL RESEARCH

Exhibit 11: Tech, Industrials, and Financials historically issued stocks pre-GFC, but benefitted the most from buybacks post-GFC

S&P 500 average buyback yield by sector pre- vs. post-GFC



Source: FactSet, BofA US Equity & Quant Strategy

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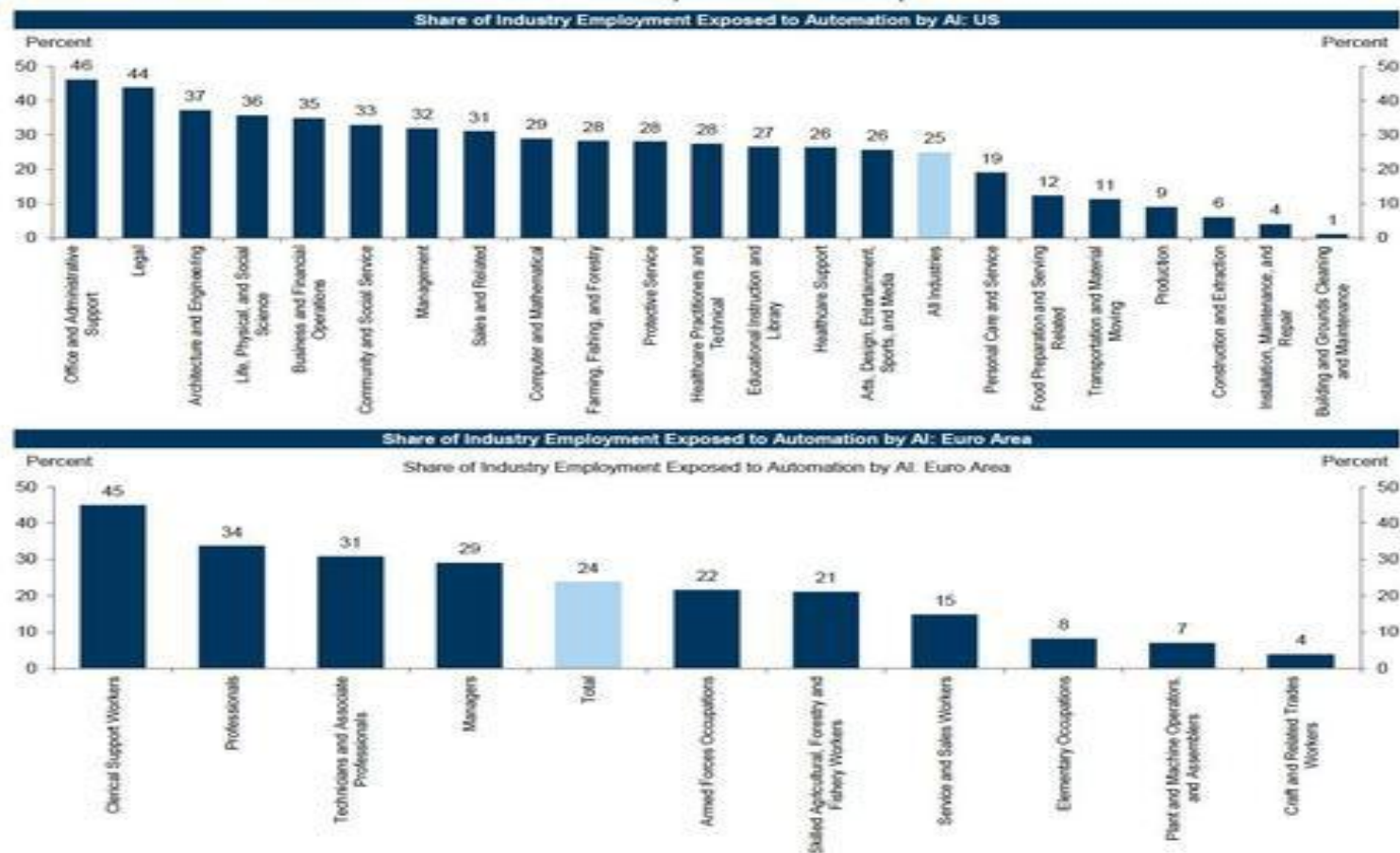
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Exhibit 5: One-Fourth of Current Work Tasks Could Be Automated by AI in the US and Europe



HEADLINE: “IBM To Stop Hiring For Roles That Can Be Replaced By AI; Nearly 8,000 Workers To Be Replaced By Automation”



The image is a screenshot of a Bloomberg news article. At the top, the Bloomberg logo is displayed in white on a dark background. To the right of the logo, the letters "US" are partially visible. Below the logo, a horizontal navigation bar contains several categories: "Live Now", "Markets", "Economics", "Industries", "Technology" (which is underlined), "Politics", "Wealth", "Pursuits", and "Opinion". Below the navigation bar, the text "Technology | AI" is shown. The main headline of the article is "IBM to Pause Hiring for Jobs That AI Could Do" in a large, bold, black font. Below the headline, there is a list of two bullet points: "Roughly 7,800 IBM jobs could be replaced by AI, automation" and "CEO Krishna says IBM to pause hiring for replaceable roles".

Bloomberg US

• Live Now Markets Economics Industries **Technology** Politics Wealth Pursuits Opinion

Technology | AI

IBM to Pause Hiring for Jobs That AI Could Do

- Roughly 7,800 IBM jobs could be replaced by AI, automation
- CEO Krishna says IBM to pause hiring for replaceable roles

“Roughly 23 percent of jobs are expected to change by 2027, with around 69 million new jobs to be created and 83 million eliminated, resulting in a decrease of 14 million jobs, or 2 percent of current employment.”

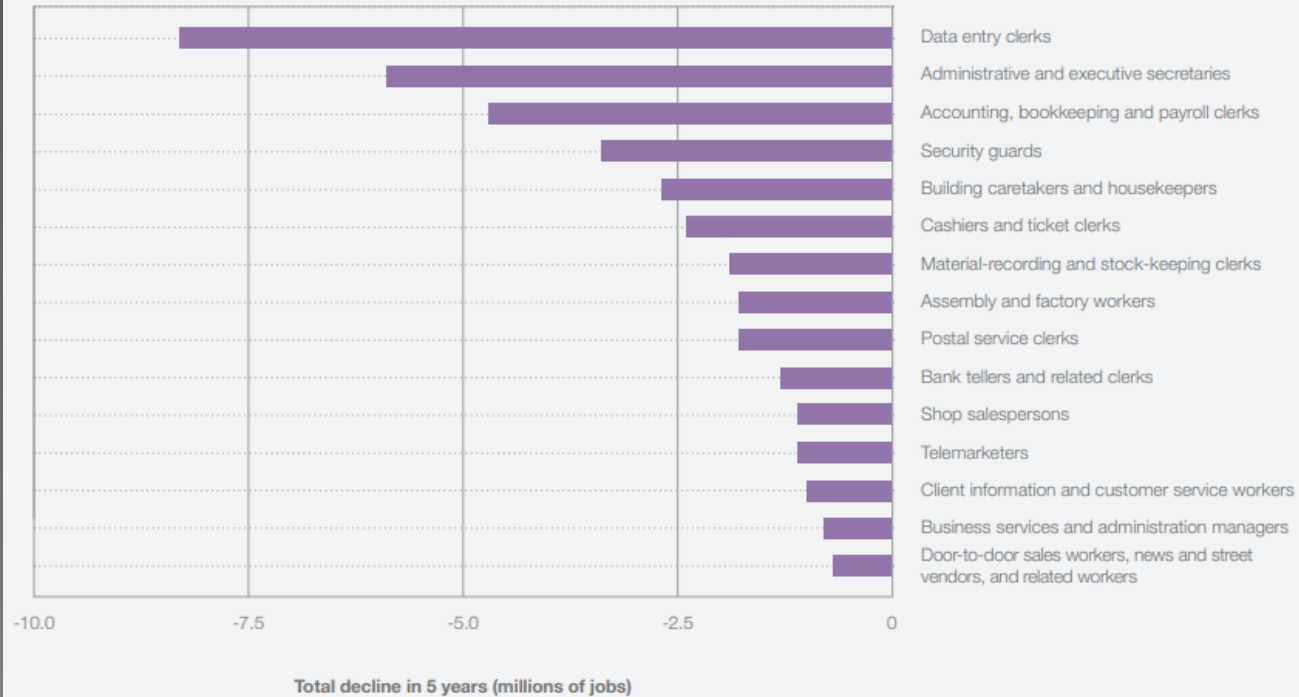
“Roughly 23 percent of jobs are expected to change by 2027, with around 69 million new jobs to be created and 83 million eliminated, resulting in a decrease of 14 million jobs, or 2 percent of current employment.”



FIGURE 3.5

Largest job decline, millions

Top roles ordered by the largest net jobs reduction, calculated based on ILO Occupation Employment statistics and growth reported by organizations surveyed



Source

World Economic Forum, Future of Jobs Survey 2023.

FIGURE 3.6

Projected churn and net growth/decline of employment 2023-2027, by occupation

Projected structural labour-market churn from 2023 to 2027, as a proportion of the current workforce. Projected net growth or decline in employment from 2023 to 2027, in millions of employees.



Figure 3: AI / LLM Key Driver of Returns YTD



FAANG+ Stocks Contributions to S&P 500 YTD Performance

| Ticker | Company Name | Sector | Market Cap (bn USD) | YTD % Chg | S&P 500 Contribution | |
|-----------------|------------------------|----------------|------------------------|--------------|----------------------|-----------|
| | | | | | Index Points | % of Move |
| AAPL | Apple | Technology | 2,664.57 | 30.34 | 70.06 | 21.27 |
| MSFT | Microsoft | Technology | 2,266.56 | 27.12 | 58.03 | 17.62 |
| NVDA | NVIDIA | Technology | 672.48 | 87.97 | 38.16 | 11.59 |
| META | Meta Platforms | Comm. Svcs. | 611.37 | 97.32 | 31.35 | 9.52 |
| AMZN | Amazon.com | Cons. Discret. | 1,125.35 | 25.46 | 22.76 | 6.91 |
| TSLA | Tesla | Cons. Discret. | 507.72 | 33.34 | 13.01 | 3.95 |
| GOOGL | Alphabet (Class A) | Comm. Svcs. | 1,371.00 | 20.19 | 12.74 | 3.87 |
| GOOG | Alphabet (Class B) | Comm. Svcs. | 1,371.00 | 20.51 | 11.48 | 3.49 |
| AMD | Advanced Micro Devices | Technology | 140.73 | 34.88 | 4.35 | 1.32 |
| NFLX | Netflix | Comm. Svcs. | 144.85 | 13.12 | 2.03 | 0.62 |
| FAANG+ Stocks | | | 9,504.63 | 39.03 | 263.97 | 80.15 |
| Rest of S&P 500 | | | 27,266.14 | 2.22 | 65.39 | 19.85 |

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CHATGPT

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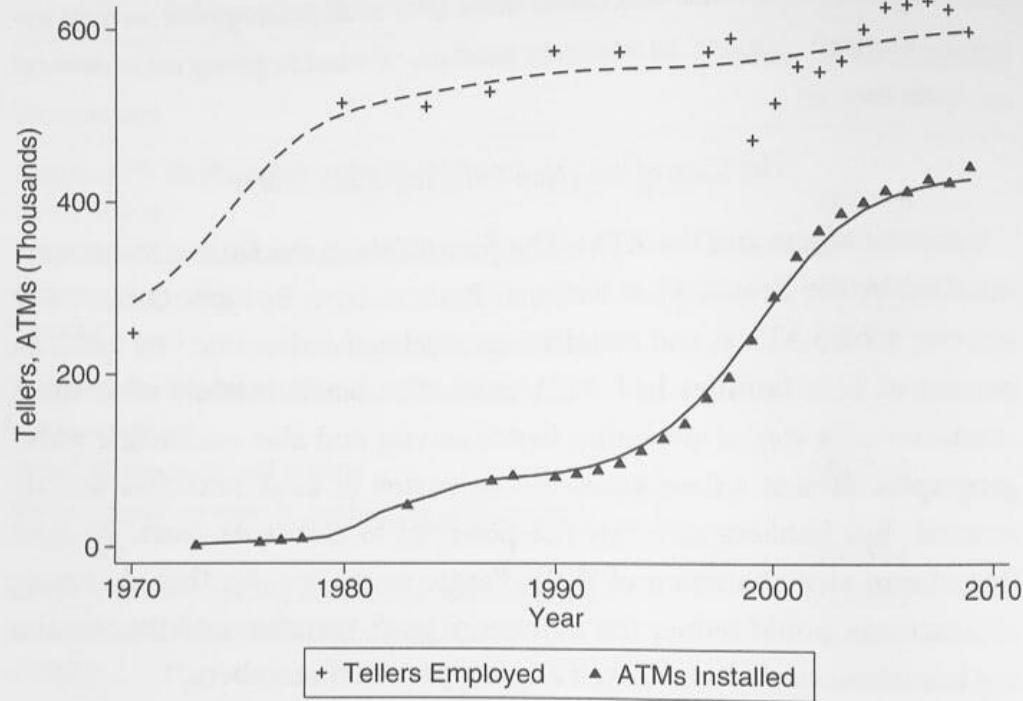


Figure 7.1. Adoption of automated teller machines did not reduce teller jobs. (Ruggles et al., Integrated Public Use Microdata Series: Version 5.0; Bureau of Labor Statistics, Occupational Employment Survey, <http://www.bls.gov/oes/>; Bank for International Settlements, Committee on Payment and Settlement Systems, various publications [see p. 243, note 9]).

ChatGPT and other generative AI technologies such as [JasperAI](#) have swiftly changed the way content is created. For example copywriters used to take several days to produce an article, which had to be edited before distribution. In total, the end-to-end process took about a week which meant the company was producing 4 articles per month. Since beginning to leverage JasperAI, the company now produces 3-4 articles *per week*.

That translates into more leads, which translates into more customers, which turns into higher revenue growth, and more hiring. Is our copywriter's job safe? You bet. Using AI technology doesn't replace the need for her or her role, it supercharges it and helps the company scale faster, leading to more hiring, not less.

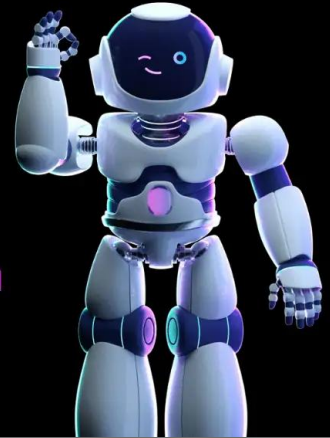
COPYWRITING & MARKETING



Jasper

Meet Jasper,

**The Future of
Content Creation**



AUTONOMOUS DELIVERY ROBOTS

[Starship Technologies](#) is a high-profile technology company that has successfully completed over 4 million deliveries using its autonomous fleet of robots. It's true that these robots have put humans out of work by replacing the need for people to physically deliver items. It's also true that this technology has created hundreds of new, specialized, higher-paying jobs for technicians, managers, operations, and logistics specialists that ensure these robots get from point A to point B as intended. Plus, it's helping solve a very real problem for retailers that unlocks growth and margin: last mile delivery.



Jobs highlighted in the OpenAI working paper as likely to see (or already seeing) AI disruption, where AI can reduce the time to do tasks associated with the occupation **by at least 50%.**

The paper found that jobs with higher wages have a higher exposure to LLM-based AI (though there were numerous low-wage jobs with high exposure as well).

| Jobs | Categorized By AI Exposure | |
|--------------------------------|----------------------------|-------|
| Accountants | AI | 100% |
| Admin and legal assistants | AI | 100% |
| Climate change policy analysts | AI | 100% |
| Reporters & journalists | AI | 100% |
| Mathematicians | Human & AI | 100% |
| Tax preparers | Human | 100% |
| Financial analysts | Human | 100% |
| Writers & authors | Human | 100% |
| Web designers | Human | 100% |
| Blockchain engineers | AI | 97.1% |
| Court reporters | AI | 96.4% |
| Proofreaders | AI | 95.5% |
| Correspondence clerks | AI | 95.2% |
| Survey researchers | Human | 84.0% |
| Interpreters/translators | Human | 82.4% |
| PR specialists | Human | 80.6% |
| Animal scientists | Human | 77.8% |

OpenAI found that 80% of [the American workforce](#) belonged to an occupation where **at least 10%** of their tasks can be done (or aided) by AI. One-fifth of the workforce belonged to an occupation where **50% of work tasks** would be impacted by artificial intelligence.

Jobs Least Exposed to AI

| | |
|---------------------------------|----------------------------------|
| Athletes | Short-order cooks |
| Large equipment operators | Barbers/hair stylists |
| Glass installers & repairers | Dredge operators |
| Automotive mechanics | Power-line installers/repairers |
| Masons, carpenters, roofers | Oil field maintenance workers |
| Plumbers, painters, pipefitters | Servers, dishwashers, bartenders |

Jobs that require repetitive tasks, some level of data analysis, and routine decision-making were found to face the highest risk of exposure. Perhaps unsurprisingly, “information processing industries” that involve writing, calculating, and high-level analysis have a higher exposure to LLM-based artificial intelligence. However, science and critical-thinking jobs within those industries *negatively* correlate with AI exposure.

THOUGHTS

- ❖ **PRODUCTIVITY = LAYOFFS + AI**
- ❖ **NOW THE SUDDENLY – An answer to a seemingly unsolvable problem,**

LIKELY TO BE SEEN & ADOPTED AS:

- ❖ **A Strategic Imperative,**
- ❖ **A New Competitive Weapon,**
- ❖ **A Sustainable Competitive Advantage in the offering for the most Innovative!**

ADMINISTRATIONS CHANGE – BUT THE PRINTING NEVER DOES

DON'T WORRY, THEY WILL PRINT THE MONEY!

EVERYONE IS NOW IN PLACE & READY!!



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WE READ ALL COMMENTS FOR
FEEDBACK THAT WILL IMPROVE OUR
RESEARCH ANALYSIS



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