

Tax Plan Proposal Might Hinder Corporate Investments

The GOP Tax Plan could significantly alter business financing by reducing tax deductions on interest expense. The current deduction often incentivizes companies to borrow instead of raising equity because of the cost benefits. This change would certainly favor equity capital moving forward, and would hurt businesses that rely on relatively inexpensive debt financing. In return for this inconvenience, the House plan enables businesses to immediately expense capital expenditures of at least five years, (instead of capitalizing and depreciating them) which would lower tax expenses and offset some of the effects of less interest deductibility. Together, these changes would tie tax breaks more to investment spending than debt financing.

Uber Makes Board Culture Universally Relevant

As Uber continues to readjust its board and corporate structure, most recently to create equal voting power among shareholders, other companies are beginning to place a greater emphasis on the culture created by management. The National Association of Corporate Directors, a non-profit that works with approximately 17,000 global executives, released a comprehensive October report outlining ways in which boards can improve their oversight efforts. These types of efforts have materialized at Citigroup, Cisco and others through board mentorship programs, culture committees, etc. in an overall effort to avoid having corporate conduct affect business.

Political Tension Pressures Euro

The spread of nationalist sentiment in Europe has quickly moved back into the global spotlight. The Catalan region’s vote in favor of independence from Spain came a week after AfD, a far-right populist party in Germany, won parliamentary status in the federal election. This potential unrest threatens to weaken the Euro and aid in the recovery of the dollar.

Market Snapshot as of October 10, 2017

As of October 10 th	October 10 th	YTD% Δ	LTM % Δ
S&P 500	\$2,550.64	13.97 %	19.28 %
Gold	\$1,293.80	10.90 %	1.61 %
U.S. Crude Oil	\$50.92	(10.17)%	(4.60)%
10 Yr. T-Note	2.36%	(10) bps	62 bps

Is Inflation the Only Obstacle for Stocks?

Many major indicators of economic health, including unemployment, GDP growth, and corporate earnings, all support high valuations and climbing stocks. As the S&P 500 has continued to post record highs and bond yields have remained low, the overall Volatility Index has fallen, further indicating investor optimism in equities. The only key metric that has not fallen in line is inflation, which remains stagnant, below the Fed’s 2% long-term goal. There should either be some caution or a re-evaluation of the extent to which 2% inflation is necessary for long-term growth. This will become more relevant as the Fed raises rates, likely in December, introducing a deflationary measure.

M&A Focus

IKEA has agreed to acquire TaskRabbit, an online marketplace startup that connects freelance labor with local demand. The terms of the deal, expected to close in October have not been disclosed, but TaskRabbit’s last public valuation in 2015 suggested it was worth approximately \$50 million.

The connection and potential synergies are clear, IKEA will use TaskRabbit to help customers assemble furniture, but the deal also represents a broader trend. Retail giants are turning to venture-capital backed startups to drive growth and engage with younger consumers.

Tobin and Company Investment Banking Group is a full service advisory investment bank that provides tailored services to meet the needs of small and middle market businesses. We are a licensed broker/dealer and a member of the Financial Industry Regulatory Authority, Inc.

Learn more at www.tobinandco.com and follow us on Twitter @TobinandCo_IBG