

Market value analysis of large enterprises under the background of US economic fluctuation

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Abstract. Since the second quarter, US inflation has fallen as expected, while the job market has cooled more than expected, and under the concern of recession risk, the market's expectation of the Federal Reserve's interest rate cut has risen, and the corresponding US Treasury interest rate has also fallen from a high. The market has basically confirmed that the Federal Reserve will start the process of cutting interest rates in September, but there are still some differences in the judgment of the rate cut and the pace of future rate cuts. From the latest employment and inflation data, although the unemployment rate in July "technically" touched Sam's rule, but from the perspective of the relative pull of supply and demand in the labor market, the current job market cooling is more caused by the increase in labor supply than labor demand, and the recession cycle caused by the sharp contraction of job supply in the past is different, and inflation has fallen as scheduled but there are hidden worries. In particular, the stickiness of service inflation has not been effectively alleviated, and the pressure on housing and transportation prices and costs is still large. Based on this current situation, the market generally believes that the Federal Reserve will slightly cut interest rates by 25bp in September, which is also more consistent with our expectations.

Keywords: Investment, Financial index, stock market.

1. Introduction

Since May 2024, driven by the US employment and CPI return to the cooling channel, the economic repair slowdown, the marginal decline in corporate performance, and the Federal Reserve's stance, the market has strengthened expectations for US interest rate cuts, and US Treasury interest rates have peaked and fallen, and the third quarter has been accompanied by a further cooling of the job market, and the strengthening of interest rate cuts has accelerated the process of falling US Treasury interest rates. As of September 13, 2024, the 2-year and 10-year US Treasury interest rates fell to 3.57% and 3.66%, respectively, the lowest since October 2022 and June 2023, while with the curve steepening downward, the yield curve inversion was repaired, and the 10Y-2Y spread returned to positive. In the early morning of September 19, Beijing time, the Federal Reserve will hold a September interest rate meeting, the market has basically confirmed that the Federal Reserve will start the process of interest rate cuts, but there are still some differences on the rate cut, as well as the future rate cut rhythm and interest rate path judgment.

How to assess the Fed rate cut progress? Is it a small "jog" or an extra "speed"? For the Fed itself, the core may still lie in the progress of the two indicators it cares most about - employment and inflation, which are also the core of the internal economic momentum of the United States, and the outlook for employment and inflation often depends on marginal changes in business operations, household income, and fiscal support [1]. We believe that the "three high" environment of high interest rates, high oil prices and high wages has reduced the ability of enterprises, residents and finances to support domestic demand in the United States, although the Federal Reserve may take a conservative small interest rate cut in September, but if the economy declines, the Federal Reserve or have to be forced to speed up, the subsequent rate cut process may be accelerated.

2. Basic fact analysis

According to publicly released data, the U.S. GDP of 2021 reached about \$23.59 trillion during the year. In 2022, the U.S. GDP continued to grow during the year, reaching about \$25.74 trillion. In 2023: According to relevant data, the GDP of the United States in 2023 is about 27.36 trillion dollars. The U.S. economy continues to grow steadily. U.S. GDP is expected to reach \$25.3 trillion in 2024. This is an estimate and actual data may vary [2].

U.S. gdp growth in 2021 will be 5.7%. In 2022, US gdp growth will be 2.1%. This indicates a slowdown in economic growth, but still a steady growth trend. With U.S. gdp growth of 2.5% in 2023, economic growth continues, but at a slower pace than in 2021. To sum up, the growth rate of US GDP in the past four years has shown certain volatility, but on the whole, it has maintained a stable growth trend. However, the forecast and judgment of future economic growth still need to be treated with caution.

According to the data provided by the website Statista, in 2020, due to the supply chain disruption caused by the epidemic and the global economic slowdown, the inflation rate in the United States is relatively low, remaining at a low level below 2.4%. Affected by multiple factors such as the COVID-19 pandemic, supply chain bottlenecks and monetary oversupply, the US inflation rate increased significantly in 2021, with the inflation rate as measured by the Consumer Price Index (CPI) rising to 4.7%, showing the pressure of price increases. The inflation problem further intensified in 2022, with the year-on-year CPI rise reaching a record high of around 9.1% in June and the average inflation rate for the year at around 8% [3]. Inflation in 2023 Under the influence of the Federal Reserve's continued interest rate hikes and the global economic environment, the inflation rate in the United States has gradually fallen. Consumer prices are rising at an average annual rate of 3.4 percent through 2023, indicating some easing of inflationary pressures. However, inflation remains above the Fed's long-run target, suggesting that the inflation problem is not fully resolved. The inflation is mainly due to disruptions in global supply chains and logistics bottlenecks caused by the COVID-19 pandemic. Rising energy and food prices also contributed significantly to the rise in inflation. In particular, geopolitical events such as the Russia-Ukraine conflict have impacted the global energy market and pushed up energy prices.

With the increasing global emphasis on sustainable development and environmental protection, the new energy industry is ushering in unprecedented development opportunities. Government support: In order to improve the national ecological environment, the US government strongly supports the new energy industry. The U.S. Department of Energy has released the Fusion Energy Strategy 2024 to support the implementation of the Fusion Energy 10-year Grand Vision. The report emphasizes the importance of fusion energy as a safe, abundant, zero-carbon clean energy source, and proposes three strategies to accelerate the development of fusion energy [3].

Through the Bipartisan Infrastructure Act, the Chip and Science Act, and the Inflation Reduction Act, the US government has actively promoted the development of the new energy industry, including subsidies and tax credits for electric vehicles and clean energy projects (Changjiang Institute for Industrial Economics).

The price of new energy products continues to fall, leading to an increase in demand for such products. Despite the current high price of electric vehicles, there is a clear downward trend. For example, the average price of a used electric vehicle has fallen significantly compared to 2022. Cox Automotive, an auto dealer and vehicle trading platform service provider, expects this trend to continue as more incentives and discounts are on the way in 2024 [4].

3. Investment analysis

Tesla is a leading electric vehicle manufacturer and clean energy company that focuses on sustainable transportation and renewable energy generation and storage. The company generates revenue through the sale of electric vehicles, solar products, and energy storage solutions. NextEra Energy is one of the largest renewable energy companies in the world, specializing in the development,

construction, and operation of wind and solar power plants. The company generates revenue through the operation of renewable energy facilities. Enphase Energy is a provider of microinverter systems and other solar energy products for residential and commercial customers, enabling the adoption of solar energy. The company generates revenue through the sale of microinverters and other solar energy products. The market capitalization of Tesla is nearly 96.8 billion, making it the smallest of the three companies, while NextEra Energy has market cap of 140 billion, making it the largest. Enphase Energy has a market cap of \$22 billion, making it the smallest of the three companies [5].

From a profitability perspective, NextEra Energy has the highest profit margin of 0.20, indicating that it is generating a higher profit relative to its revenue compared to Tesla and Enphase Energy. Enphase Energy has a profit margin of 0.13, which is lower than NextEra Energy but higher than Tesla's profit margin of 0.06. The ROA of Enphase Energy is the highest among the three companies, indicating that it is generating a higher return on its assets compared to its peers. Similarly, Enphase Energy's ROE is also the highest, indicating that it is generating a higher return on its equity. Tesla's ROA and ROE are the lowest among the three companies, indicating that it is generating a lower return on its assets and equity compared to its peers.

In terms of risk, Tesla's stock price is the most volatile, with a beta of 1.40, indicating that its stock price is more sensitive to market movements than the overall market. Enphase Energy's beta is 1.10, indicating that its stock price is also more volatile than the overall market but less volatile than Tesla. NextEra Energy's beta is the lowest among the three companies, indicating that its stock price is less volatile than the overall market. Tesla's debt ratio is relatively low compared to its peers, while NextEra Energy's debt ratio is the highest. Enphase Energy's debt ratio is significantly lower than both Tesla and NextEra Energy, indicating that it has a lower level of debt relative to its assets.

From a market perspective, Tesla's P/E ratio is significantly higher than its peers, indicating that investors have high expectations for the company's future growth. However, Tesla does not pay a dividend, which may not be attractive to income investors. NextEra Energy's P/E ratio is lower than Tesla and Enphase Energy, indicating that investors are willing to pay a lower price for its earnings compared to its peers. NextEra Energy pays a dividend of 2.27%, which is a positive for income investors. Enphase Energy's P/E ratio is lower than Tesla but higher than NextEra Energy, indicating that investors are willing to pay a higher price for its earnings compared to NextEra Energy, but not as high as Tesla. Enphase Energy's PEG ratio is the lowest among the three companies, indicating that its stock has a lower valuation relative to its expected growth rate, making it a potentially attractive investment for growth investors.

4. Discussion

First of all, in terms of profit, Tesla's leading position in the electric vehicle market and innovation ability still provide a broad space for its future development. Especially in the context of high inflation and economic uncertainty, Tesla's profits may face greater pressure. In terms of risk, the electric vehicle market is highly competitive, with traditional car manufacturers and emerging electric vehicle companies joining the market to compete for market share. Electric vehicle production relies on a variety of key raw materials, and the price fluctuations of raw materials have a direct impact on Tesla's production costs. From a market perspective, the demand for electric vehicles continues to grow, and consumers are paying more attention to environmental protection and sustainable development [3-4].

In terms of profit, NextEra Energy, as a giant in the field of renewable energy, has a relatively stable source of profit. The company has a large portfolio of renewable energy projects, including wind power, solar power, and battery storage, which provide a stable source of revenue for the company. In terms of risk, changes in renewable energy policies may have a certain impact on the company's business. As the renewable energy market continues to evolve, new competitors are likely to enter the market and grab share. From the market perspective, the global demand for renewable energy continues to grow, and the renewable energy market has broad prospects for development.

In terms of profit, as a photovoltaic inverter supplier, Enphase Energy's profit is affected by factors such as global photovoltaic market demand, fluctuations in raw material prices and intensifying market competition [2]. This is despite the company showing strong growth potential in the energy storage sector. In terms of risk, the demand of the global photovoltaic market is affected by a variety of factors, such as policy changes, technological innovation, etc., which may lead to fluctuations in market demand. From the market perspective, the global photovoltaic market demand has grown steadily, especially in the field of energy storage, showing strong growth potential.

For long-term investors, Tesla is a worthy investment. Its strong brand influence, technological innovation capabilities and the rapid growth prospects of the electric vehicle market provide investors with the potential for long-term value addition. For short-term investors, Enphase Energy is a potential investment target. The market demand for its photovoltaic inverter products and the company's earnings expectations provides investors with investment opportunities in the short term

5. Conclusion

Tesla holds a leading position in the electric vehicle market, with strong brand influence and technological innovation ability. As the global demand for electric vehicles continues to increase, Tesla is expected to achieve continued high growth. Tesla's stock price is volatile and investors need to take a high level of risk. However, once the market recognizes its growth potential and ability to innovate, Tesla's share price has often paid off handsomely. Tesla's ability to continuously innovate provides a strong impetus for Tesla's future development. NextEra Energy has a large portfolio of renewable energy projects, including wind power, solar power and more. These projects provide the company with a steady stream of income, supporting the steady growth of its share price. His business model is mature and stable, providing investors with relatively safe investment options. As the global demand for renewable Energy continues to increase, NextEra Energy operates in an industry with broad prospects for development.

The company is expected to maintain its leading position by continuously expanding its business scale and improving operational efficiency. Enphase Energy shares show high growth potential, but also accompanied by greater volatility. Investors need to pay attention to market dynamics and company performance changes in order to develop a reasonable investment strategy. Enphase Energy has a leading technology position in the field of micro-inverters and its products have a unique advantage in the market. This technological leadership provides strong support for the company's future development. With the increasing global demand for renewable energy and the continuous progress of photovoltaic technology, the photovoltaic inverter market has great potential for development. Therefore, these three stocks are very strong, and the new energy industry is very worth investing in.

Authors Contribution

All the authors contributed equally and their names were listed in alphabetical order.

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