

The Olympic economy

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When couch fans are the only fans [amrphoto/E+ via Gettyimages]

Last Week's Market Moves

S&P 500	Dow Jones	Nasdaq
4,327 (-0.97%)	34,688 (-0.52%)	14,427 (-1.87%)
Bitcoin		
\$31,643 (-7.32%)		

Hey Snackers,

The anonymous bidder who pledged \$28M for a seat on Jeff Bezos' Blue Origin flight can no longer travel to space due to "scheduling conflicts." Now, an 18-year-old will **become** the youngest person in space after his dad snagged the ticket as a gift. Casual.

Stocks snapped their three-week hot streak, falling for the week despite reassurance from Fed Chairman Jerome Powell that he expects inflation to cool down.

Tokyo

1. The Olympic Economy: we're weighing the benefits of hosting vs. the massive costs

Cue: Tokyo Drift from *Fast & Furious*... Except, not so fast. After a year-long pandemic postponement, the 2020 Olympics kick off this Friday in Tokyo — and they're now called the 2021 Olympics. Some key numbers:

- **0:** Number of fans attending. All spectators have been banned, after Japan declared another state of emergency amid rising Covid cases this month.
- **\$15.4B:** Cost of the Tokyo Olympics, according to organizers. That's 22% **higher** than planned due to extra pandemic-related costs.
- **\$3B:** How much Tokyo has raised from 47 domestic sponsors, a record from host nation businesses at the Games.
- **-90%:** How much spending tied to the Games is **expected** to drop with zero spectators — and that doesn't include spillover tourism spend (think: hotels).

You don't have to bring home the gold... if it's already home. For decades, hosting the Olympics has been a source of national pride. But while the Olympics are touted as an engine of economic growth and urban revitalization, the economic benefits of hosting aren't clear. Evidence points to no real change in economic activity for host countries — but very real costs.

- **The Rio Olympics cost \$13B,** paid for with tax dollars and corporate cash. After the Games, Rio had little to show for its investment (and an abandoned pool that turned **orange**).
- **The LA Olympics in 1984** marked the **first and last time** the Olympics were profitable, mostly because planners avoided building new stadiums.
- **Looking forward:** The International Olympics Committee (IOC) is struggling to attract bidders for future Games. Poor economics for host countries and cities have caused many potential bids to be shot down by voters.

THE TAKEAWAY

The Olympic economy is an unequal ecosystem... While Japan would've taken an even **bigger** financial hit by cancelling, it still stands to lose the most. The Japanese hospitality and transportation sector is expected to lose up to \$1.4B. Meanwhile, the IOC is poised to make \$4B in television rights income, despite zero attendees. Companies with broadcast rights will be fine, too: **NBCUniversal** has already beat the \$1.2B it earned for Rio ads. But sponsors like **Asahi** will get less bang for their buck without the ability

to get stadiums or spectators crugging the Tokyo 2020 Official Beer.

Zoom Out

2. Stories we're watching...

Check the succulent receipts... Consumer prices **jumped** 5.4% in June from last year, accelerating at the fastest pace since 2008. A few examples: car and truck rental prices (+88%), women's dresses (+16%), and indoor plants (+5%). Fed Chairman Jerome Powell expects this inflation could be a one-time price increase as the economy rebounds. But for lower-income consumers, a spike in the price of meat, milk, or clothes can make a big difference.

The "secret" stimulus... A super-charged child tax credit. Last week, the US government started **sending** parents monthly checks for each child they have. Each month for the rest of 2021, eligible parents can expect \$250 or \$300 per kid, depending on their age. 39M households will receive payments, covering 88% of US children. Pandemic stimulus checks boosted spending at go-to chains like **Walmart, Costco, TJ Maxx** and **Target**. This monthly child "allowance" could provide a similar boost to family-favorite retailers.

Events

3. Coming up this week...

Shoot your shot... **Johnson & Johnson** reports earnings on Wednesday, but don't expect a major boost from vax sales: unlike **Moderna** and **Pfizer**, J&J pledged to sell its vaccine "at cost" (read: no profit). Out of \$22B+ in sales last quarter, Covid vaccines **made up** just \$100M of J&J's revenue — or roughly 2%. The no-profit approach could help J&J from a PR perspective. *Not helpful:* last week J&J recalled several Neutrogena and Aveeno spray sunscreens over a possible cancer risk, and it's dealing with **lawsuits** from its baby powder scandal.

Ghosted like a Fleet... **Twitter** and **Snap** kick off social media earnings on Thursday. In February, Snap got investors excited by **saying** it expects 50% annual sales growth for the next several years. Meanwhile, Twitter's yearly sales growth **pales** in comparison to Snap and **Facebook's**. It's been struggling to gain users, and it just killed its Stories feature "Fleets." More broadly, social media platforms continue to face criticism from regulators and customers for failing to police hate speech and misinformation. TBD if that'll hurt the bottom line.

ICYMI

4. Last week's highlights...

- **Cashed:** Big Banks like **Chase, Goldman**, and **Citi** brought home booming profits last quarter — but their win is really about the economy.
- **Loose:** **Levi's** sales more than doubled from last year, as the jean icon thrives on baggie fits and changed waistlines (RIP skinny jeans).
- **Juicy:** Korean conglomerate **LG** is investing \$5.2B in its battery biz, but it's juicing up for more than just electric cars.

What else we're Snackin'

- **Live:** How to make time slow down — well, kind of.
- **Listen:** The world's most endangered sound might surprise you.
- **Read:** How different cultures define happiness differently.
- **Uncover:** The true extent of America's food monopolies, and who pays the price.

Snacks Daily Podcast

Classic luxury company problem: how to scale, but scale *exclusively*.

Members-only club **Soho House** just took its private clubs public. It's never turned a profit, but it found safety in luxury.

Grab a \$15 cayenne-infused drink and **tune in to our 15-minute pod for more**.

Snack Fact of the Day

The Olympics **date back to 684 BC in Greece**. Despite being surrounded by warm seas, ancient Greece did not include swimming as an Olympic sport

This Week

- **Monday:** Earnings expected from **IBM**
- **Tuesday:** Earnings expected from **Netflix, Philip Morris, and Chipotle**
- **Wednesday:** Earnings expected from **Johnson & Johnson, Coca-Cola, United Airlines, and Verizon**
- **Thursday:** Earnings expected from **Snap, Twitter, Intel, Domino's, and Blackstone**
- **Friday:** The Summer Olympics begin. Earnings expected from **Honeywell, American Express, and Kimberly-Clark**

Authors of this Snacks own shares of: Snap and Moderna

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