THE BULL, BEAR & LION

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THE NASDAQ NORDIC

Essential American Stock Exchange Operator Has Swedish Subsidiary; TCNJ Finance Professor ***Susan Hume*** *Shares About Her Visit*

BY KRISTEN TOWNEND

On September 20th, a host of academics, pension fund representatives, and asset managers converged in Stockholm, Sweden for the ESG Integration Summit on sustainability. Dr. Susan Hume, Professor of Finance at TCNJ, attended the conference at the NASDAQ Nordic Exchange. In addition to exploring Stockholm's cultural sights, Dr. Hume engaged in discussions with business professionals, seeking to bolster research for her book on sustainability in finance.

Dr. Hume's passion for exchange history and visitation has previously taken her to Warsaw, Frankfurt, London, and Johannesburg. Her initial impression of the Swedish exchange focused on its even playing field. Since most of today's exchange trading systems run through electronic networks, some traders may have an advantage; the NYSE has different cable lengths and computer locations, meaning that those with better hardware and proximity to the main servers -- like high-frequency traders stationed in buildings across the street from the exchange -- will benefit. Gone are the days of physical traders on the floor, when quick hand signals would bring rapid results -- Dr. Hume points out that, "A difference of 1/1000th of a second may mean a better price for a trade." This issue is mitigated in Stockholm; all trading venues are connected to the exchange computers with identical cable lengths, granting traders equal opportunities when partaking in the exchange's 110 million yearly trades.

Dr. Susan Hume stands outside of the Nasdaq in Stockholm, Sweden, the headquarters for NY, NY-based Nasdaq, Inc.'s European subsidiary, Nasdaq Nordic. The Nasdaq Nordic also has locations in Copenhagen, Denamark; Helsinki, Finalnd; Oslo, Norway; and Reykjavik, Iceland.

In Dr. Hume's research, the Swedes' focus on environmental and social sustainability has stood out. She hopes to visit the subsidiary in Copehagen, where discussion will shed light on international practices.

As the conference progressed, corporate, nonprofit, and government attendees from Australia, the United States, and Europe partook in discussions on environmental, social, and governance (ESG) issues. Corporations are continuing to take sustainability matters much more seriously. Dr. Hume notes that, "85% of S&P 500 firms today in the U.S. integrate key ESG factors into their daily and long-term strategy. Five years ago, less than 15% reported on these issues." ESG concerns do not only extend to corporations; countries are subject to investment-friendly ratings based on national sustainability aspects, and Dr. Hume states that the U.S. had been projected to receive negative ratings for the upcoming few years.

The Nasdaq flagship in New York City's Times Square commemorates in the opening of the first exchange in Stockholm in 1863. Today, the Swedish exchange lists 310 companies worth a combined $1.26T. Its U.S. counterpart lists 3,300 companies worth about 11 trillion, and executes 1.8 billion trades daily.

In Dr. Hume's research, the Swedes' focus on environmental and social sustainability has stood out. Their large data centers are completely sustainable, taking advantage of renewable energy sources like wind and geothermal. Regulations and practices differ in each country, and the discussions at the ESG conference will make for a new perspective in Dr. Hume's work-in-progress book. As for her future research, she hopes to visit the Swedish exchange's subsidiary in Copenhagen, where physical traders and new discussions with them will further shed light on international practices. ◆

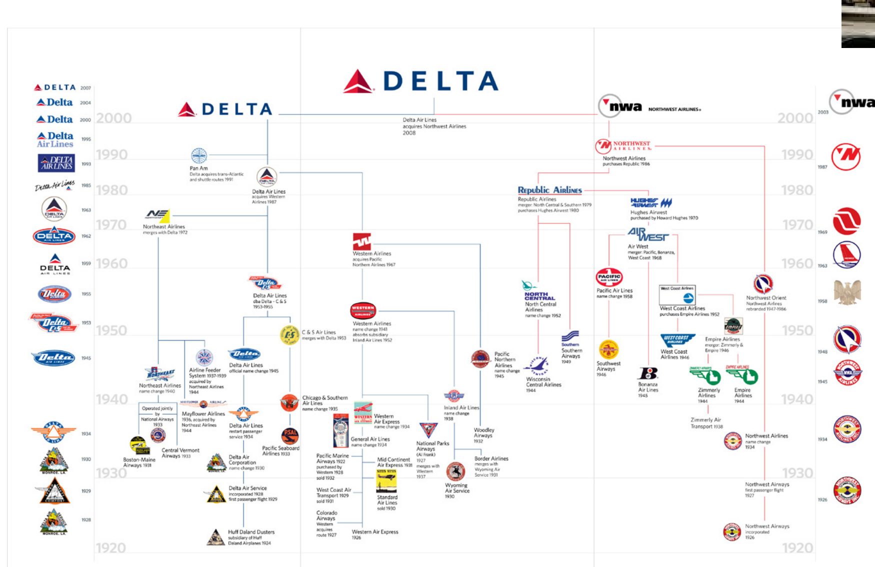
Delta Airlines Expertly Navigates Global Operating Turbulence

BY MARISSA COSENZA

Almost 95 years ago in Macon, Georgia, a small aerial crop dusting operation called Huff Daland Dusters was born. Since then, this small crop dusting operation has flourished to become one of the world's largest airline companies, known now as Delta Airlines. Today, Delta helps more than 160 million travelers fly to the places they want to each year, and prides itself on its global business strategy, constantly investing in airline carriers around the world. Operating internationally is both a blessing and a curse for Delta; although it can connect a greater number of people to a greater number of places, this comes at a cost.

For one, Delta's operations are greatly impacted by changes in the availability and price of aircraft fuel. For example, a seemingly minuscule one-cent increase in the cost of jet fuel would result in approximately $40 million of additional annual fuel expenses. Delta's demand for fuel is relatively inelastic, which forces it to purchase a supply regardless of whether it likes the prices for it or not. Rapidly rising fuel costs put Delta in a tough spot.

Delta has managed its fuel price risk through a hedging program. The company purchases most of its aircraft fuel under contracts that establish prices based on various market indices, in hope that it will buy the fuel at the lowest price possible. Delta also acquires a significant amount of jet fuel from its subsidiary, Monroe Energy, and purchases aircraft fuel on the spot market and from offshore sources. Delta's rebalancing of its hedge portfolio and mark-to-market adjustments may have negative effects on its financial results, but in the face of uncertainty, these are steps in the right direction to keep operational costs under control.



From Huff Daland to Delta: M&A made DAL a global company

Delta also acknowledges the complexities encompassed by international business, and has created a system to manage foreign exchange rate risk. On December 31, 2017, Delta had open foreign currency forward contracts totaling $17 million in liabilities. In addition, Delta estimated that a 10% depreciation or appreciation in the price of the Japanese yen and Canadian dollar in relation to the U.S. dollar would considerably change the projected cash settlement value of its open hedge contracts. For instance, a 10% depreciation could yield a $34 million gain, or a 10% appreciation could yield a $42 million loss for 2018.

Delta management also must determine how to deal with increases in interest rates. Since 2009, Delta has reduced the principal amount of its debt by more than $9 billion. This, in turn, has lowered its annual interest expense by approximately $900 million; and Delta has been given an investment-grade rating from all three of the top credit-rating agencies. However, the improvement does not offset the risk that Delta's remaining long-term debt obligations have in light of unfavorable changes in interest rates. In 2017, Delta had long-term debts worth approximately $8.5 billion. Fixed-rate debts made up $5.3 billion of Delta's total long-term debt while the remaining $3.2 billion came from variable-rate debt. **See *Operations*, Page B2**

THE BB&L

CULTURE & COMMERCE

Jared Kofsky:

NEW JERSEY, NEW BUSINESS

A European supermarket is expanding into North Jersey, as is a southern chain of donut shops. Meanwhile, commuters at the state's business transportation hub will soon have a new option for coffee.

For the last few decades, retail businesses in North and Central Jersey have largely been concentrated along major highways such as Routes 1, 4, 10, 22, and 23. Despite a recent increase in growing chains opening up shop in densely populated areas like Jersey City and Newark, these suburban corridors are starting to see growth again following a brief decline due to the recession that began a decade ago. Here is a look at two stores that are coming to one of these thoroughfares along with business updates from New Jersey's largest city, as initially featured on JerseyDigs.com.

When you think of German grocery stores, Aldi, which has locations across New Jersey, might come to mind. However, it is Aldi's biggest competitor overseas that is starting to make headlines here at home. **Lidl** is following Aldi's lead and expanding into the United States, opening small supermarkets in the Carolinas, Virginia, Maryland, Delaware, and Cumberland County, New Jersey. Now, North Jersey customers will soon get a chance to shop at this growing chain. A Lidl location is about to open at 2365 Route 22 West in Union Township while other stores are coming to Bergenfield, Eatontown, Hazlet, and Lawrence. A grand opening for the Union location, which was constructed at the old Indian Motorcycle site, has been scheduled for November 14. Lidl acquired this prominently located property last year for nearly $9 million.

Less than two miles west of where Lidl is about to open up shop, there is good news for fans of the **Krispy Kreme** chain of donut shops. A franchise of the Winston Salem, N.C.-based company will open in an upcoming 13,000-square-foot plaza at 25 Route 22 East in Springfield. The 5,000-square-foot store will be branded as a 'Krispy Kreme Doughnut Factory' and include a drive-thru window, according to John Ponczek, the plaza's broker. Customers who choose to come inside the store will be able to watch the donuts being made once the store is finished in two to three months. The location, which will sit alongside **Moe's Southwest Grill**, **Carvel**, **1000 Degrees Pizza**, and **Poe Sushi**, will be the company's third in the New York Metropolitan Area after Jersey City and New York Penn Station. It comes as plans are in the works for another store in East Rutherford.

While the Krispy Kreme in Springfield will be geared towards drivers, another chain is about to open a location in Newark that will be geared towards bus, rail, and light rail commuters. **Starbucks Coffee** has signed a 10-year lease with New Jersey Transit to open a 1,050-square foot location on the first floor of Newark Penn Station. The store will be situated at the heart of the busiest transit hub in the Garden State and one of the busiest in the entire country. Starbucks will pay close to $1.7 million in rent over the next decade and agreed to make $750,000 worth of improvements to the space, which is located by Track 1 near the Ferry Street entrance. Starbucks previously had a location in Newark's Gateway Center and currently operates on Broad Street in Prudential's Shoppes on Broad development.

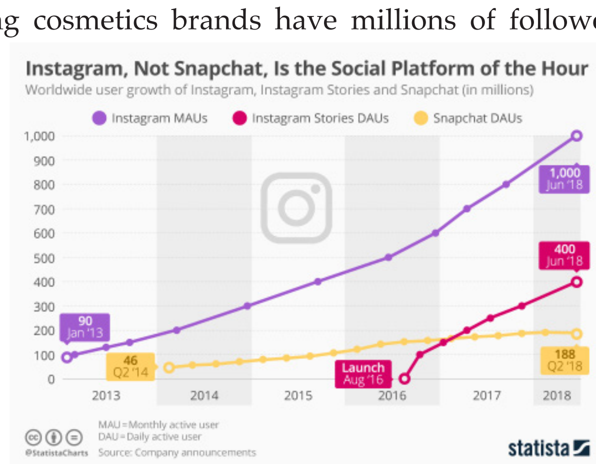
While **Prudential** may be best known in Newark real estate for the Shoppes on Broad complex and their two headquarters buildings in the middle of the city's downtown, the insurance company has quietly made a deal with the state's largest utility in order to buy a private plaza. **PSEG** sold PSEG Plaza at 68-92 Park Plaza to Prudential in April for $10 million, according to NJ Parcels data. City tax records confirm that Prudential is the new owner of the park, which is home to the Newark Downtown District's Common Greens Farmers Market. Located adjacent to the Military Park Newark Light Rail Station, the site once contained the Newark Public Service Streetcar Terminal. Prudential has not revealed their plans for the property. ◆

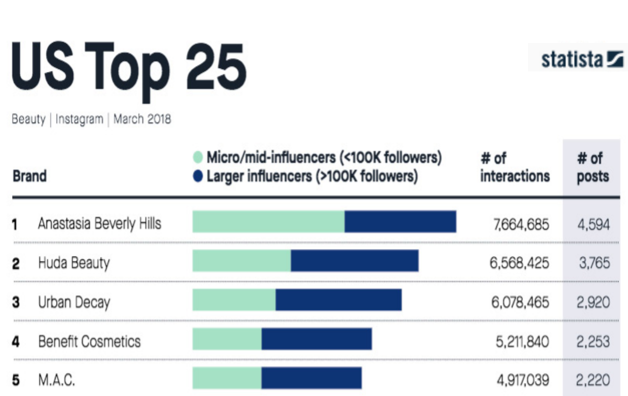
CULTURE & COSMETICS: INSTAGRAM IN THE BEAUTY INDUSTRY

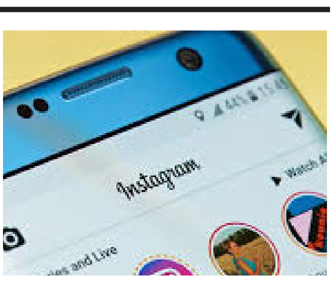
BY KATHERINE DOBROW

It is on your face and it is on social media: the cosmetics industry makes up one of the blossoming markets of the decade! Recovering from its mere 1% growth in 2009, cosmetics has since seen between 3.6% - 5.0% market growth each year from 2010 to 2017, according to data from Statista. The largest of the industry's six subcategories is skincare, holding 36.4% of the global market. The United States has the largest segment of the cosmetics market in the world, employing 63,816 people and bringing in revenues of $62.46 billion in 2016.

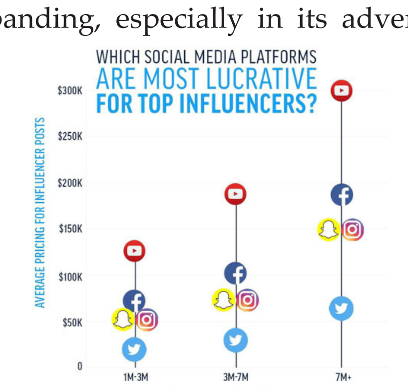
The newest and most effective way to reach the young and powerful cosmetics buyers of Generation Z (those born between 1996 and 2010, or the group that includes most college undergraduates in 2018) is through social media platforms, on which teenagers spend more of their free time than ever before. As seen through the Statista data, leading cosmetics brands have millions of followers on the popular visual media site Instagram: MAC Cosmetics, as of December 2017, leads all brands with 17.1 million followers; and in second place is Anastasia Beverly Hills, with 15.2 million followers. Other top-ten brands include Maybelline, Urban Decay Cosmetics, and Too Faced Cosmetics. Instagram is a sensible venue for advertising, considering it has over 500 million daily users. With some overlap between Instagram, Snapchat, and YouTube, "influencers," or social media personalities, are mainstays in advertising cosmetics to teenagers. These influencers craft personas that teenagers trust and feel attached to, thus creating an audience willing to purchase upon their (paid-for) recommendations.







The global cosmetics industry is currently thriving and expanding, especially in its advertising for entire product ranges. If the economy continues to fare well, so will this vibrant industry -- it may be based on the superficial, but its sales certainly aren't! ◆



Instagram influencers can make up to $150K per post

THE BB&L

In The School of Business

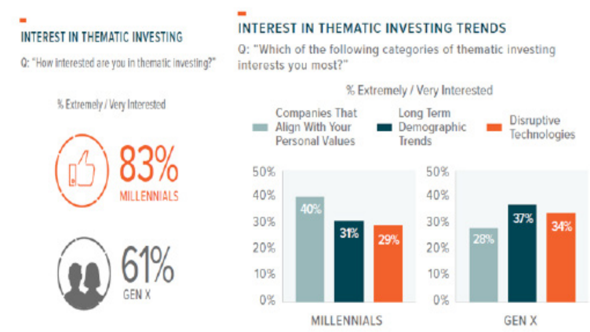
A Focus on the Future: Global X Funds

BY CONNOR C. INTRONA

It comes as no surprise that everyone wants to invest in "The Next Big Thing." After all, what rational investor wants to keep his or her money in a venture whose best days are behind it? However, for every "I bought a hundred shares of Amazon back when it was $189.58 per share and I still have it" success story, there are many more experiences that are not as fruitful. If this was not the case, then self-made millionaire investors would be far more commonplace today (and especially so with the increasing democratization of stock ownership and the tremendous run-up in some equities the past decade). Whether the outcome resulted from the failure to act on an opportunity, the lack of patience, or just the identification of the wrong company, the psyches of investors are typically overrun with the "would've, could've, and should've." Searching for "The Next Big Thing" is challenging, and very frequently, is an activity that requires a considerable aptitude for risk-taking. It means investing in what is not known, putting money in often unstable territory. But what if there was a way to minimize the risk in this search -- through, say, the diversification offered by an ETF -- and have the ability to do it more efficiently? Now, there's no better way to hunt for "The Next Big Thing" than through the contribution of one innovative investment services firm.

Enter Global X Funds, a New York City-based provider of exchange-traded funds (ETFs) and other financial services. On the surface, Global X appears to be just another industry peer of firms like Invesco, Fidelity, State Street, and Vanguard. However, with roughly $9.6 billion in assets under management (AUM), the firm is relatively tiny compared to its *much* larger peers. Vanguard, for example, has an exchange-traded-funds AUM figure that is 100x larger than Global X's AUM in total. But investors should not shy away from this firm because of its size; they should be attracted to it because of its innovation and performance. With a little digging beneath the name, one would soon learn that Global X is incredibly creative in its offerings and that it has a product for virtually every type of investor. The firm operates approximately fifty-eight separate funds categorized under seven distinctive themes: Alpha, Risk Management, Commodities, International Access, Core, Income, and Thematic Growth.

Despite the different classifications, the funds have a few major commonalities. Firstly, Global X's funds all are small and even micro-capitalization investments. The largest fund Global X manages is its Robotics & Artificial Intelligence ETF ($2.16 billion), while its smallest is its Target Income 5 ETF ($2.46 million). Next, a majority of the firm's funds are very new and have less than 0.75% total expense costs. This might be relatively pricey by some accounts, but it is still cheaper compared to the costs of many mutual funds. Lastly, investors can visit globalxfunds.com to instantly see what the objective of each fund is, what comprises its holdings, and what is included in its prospectus.



Research shows that TCNJ students may be especially interested in thematically investing in "The Next Big Thing"

While its funds under the Risk Management and Commodities themes are average at best, Global X has a largely impressive line-up in its other five themes. The Income theme offers some very unique yield solutions, including a U.S. Preferred Shares ETF (PFFD), an S&P 500 Quality Dividend ETF (QDIV), and a Master Limited-Partnership ETF (MLPA). The International Access and Core themes have interesting global and value-based solutions like the S&P 500 Catholic Values ETF (CATH), the Conscious Companies ETF (KRMA), and the FTSE Southeast Asia ETF (ASEA). If these sound interesting, it only gets better with Global X's last two themes. Under Alpha, the firm offers two funds: the Guru Index ETF (GURU) and the Founder-Run Companies ETF (BOSS). Under Thematic Growth, which Global X prides itself on, the firm offers seven technology-based ETFs, four people-based ETFs, and one infrastructure-based ETF.

These Thematic Growth ETFs are all about investing in "The Next Big Thing." In general, investing purely in a quickly expanding theme can be a very robust portfolio strategy. Global X's technology themes include financial technology (FINX), robotics and artificial intelligence (BOTZ), internet of things (SNSR), social media (SOCL), future analytics (AIQ), autonomous and electric vehicles (DRIV), and lithium and battery technology (LIT). All of these capture many of the hottest global market trends. Choosing one (or maybe a couple) of these funds could easily satisfy an investor's impulse to have an interest in a company (or multiple companies) that may be on the brink of a breakout, all while enjoying the protection from risk that a diversified fund provides. So when investing in "The Next Big Thing," instead of placing all of one's eggs in one basket with one fast-growing company, why not own them all in one of Global X's many unique thematic funds? ◆

Ask me a finance or investment question! Maybe, it will be made into an article here in The BB&L!

Index to Writers

BB&L contributors featured in this edition:

***Operations*, from Page A1**

Delta estimated that the fair value of its fixed-rate debt would decrease by $160 million if there were an increase of 100 basis points in average annual interest rates. The increase of 100 basis points would also result in a $32 million increase in Delta's annual interest expense from its variable-rate long-term debts. If Delta cannot finance further investments in the event of significant increases in interest rates, it will not be able to sustain itself.

The primary instruments that Delta utilizes to manage risk associated with its variable-rate long-term debt are interest rate swaps and interest rate contracts. At times, Delta enters into interest rate swaps in an attempt to hedge cash flow. An interest rate swap is an agreement between two counterparties in which one stream of future interest payments is exchanged for another, based on a specified principal amount. Delta also designates interest rate contracts that convert a portion of the debt portfolio from a floating variable rate to a fixed rate when its anticipates rising interest rates, hedging its cash flow. Market risk associated with Delta's cash portfolio is significant because Delta has future obligations and expenses from their pension plans, post-retirement, post-employment, workers' compensation. Delta uses the interest income it has available in order to meet these future obligations.

` It is Delta management's job to mitigate overlying operational risk factors, including oil prices, foreign exchange rates, and interest rates, to the best of its ability. While hedging will not solve all of Delta's risk-related problems, at the end of the day, such tactics have helped Delta management control jet fuel costs, protect against foreign exchange fluctuations, and reduce interest payments on its long-term debt over the last ten years. ◆

THE BB&L

REVIEW

FILM

The Shape of Water

By George Seitis

No matter how many films I see in a year, I always make sure to see the Academy's choice for Best Picture. It's the one film I know I can rely on being great, because after all, the Academy chose it to win. So, naturally, I went to the theater and saw Guillermo del Toro's *The Shape of Water*. The film focuses on a mute woman named Elisa who falls in love with a sea monster held captive in a secret government facility in Baltimore during the height of the Cold War. It took home four Oscars: Best Production Design, Original Score, Directing, and Picture. While in the past I've enjoyed the Academy's choices for Best Picture on a variety of fronts, after contemplating my review for this film for some time, I've realized that I only enjoyed the film superficially. Let me explain.

What I like: first off, the technical aspects of *The Shape of Water* are all fantastic. Every shot is flawlessly executed, from the lush cinematography to the amazing score. I knew going in that at the very least I was going to receive a feast for the senses, and I did. This is to be expected from del Toro, the man who has brought us such aesthetically pleasing films as *Pan's Labyrinth* and *Crimson Peak*. I also quite enjoyed the story. I will refrain from saying too much here for fear of spoiling the film, but I found the fairytale qualities inherent in the plot to be an interesting use of traditional storytelling techniques. This film feels like an old shoe, in the best sense -- as soon as it starts you feel comfortable watching it. It has a charm that I could best equate to a bedtime story. Taking into account a film like *Pan's Labyrinth*, it is clear to me that del Toro strives in creating films that feel like fables.

However, this quality also relates to what I didn't like about the picture. While I admire del Toro's decision to pose and structure this film as a fable, I think that this was a stylistic choice that better suited *Pan's Labyrinth*. While some fablistic elements are clearly necessary to effectively suspend the audience's disbelief, the lengths to which del Toro took this creative approach ultimately hindered the film. Specifically, it made the characters too one-dimensional. This is not to say their performances were disappointing; in fact, they were all outstanding, particularly Elisa (Sally Hawkins) and her neighbor Giles (Richard Jenkins).

However amazing the performances were, though, I never felt that any of the characters had any particular depth, meaning they felt either totally without virtue or totally without sin. In general, I find the most interesting characters to be a blend of both, possessing qualities that can make us love them as much as loathe them. Fairy tales and fables traditionally do not have this range (think "Little Red Riding Hood"), so it is understandable that del Toro chose to focus less on character depth and instead try to use the "one-sided" nature of his characters (particularly the film's antagonist, portrayed by Michael Shannon) to explore the film's greater themes, specifically the importance of inclusiveness. However, I do not feel that this was the best decision for the film, and I think better fleshed-out characters would have made for a more engaging picture, particularly considering the political undertones of the film. Less "black and white" characters would have allowed more room for discourse among audiences, whereas definitively good and bad characters essentially stymie most discussion and give the film slightly more propagandistic qualities.

The film *is* pretty to look at. However, this emphasis of style over substance is something that I feel is plaguing Hollywood today. I had similar opinions about 2016's hit *La La Land*. While both films are flawlessly executed, both only satisfy me to that degree -- leaving me empty inside. For *La La Land*, it was the plot, which I felt was slightly derivative of other works, and for *The Shape of Water*, it was both the plot, which I felt was derivative of *Pan's Labyrinth*, and the one-dimensional characters, which left me wanting more. Still, the film is worth seeing simply for the technical mastery displayed by del Toro, who proves once again to be a visual master. That virtue is always welcomed in the visual art of cinema. ◆

SPORTS

It's Time for Mets' Wilpons to Face An Ultimatum

Owners mismanage amid technological advances

By Matt Mancuso

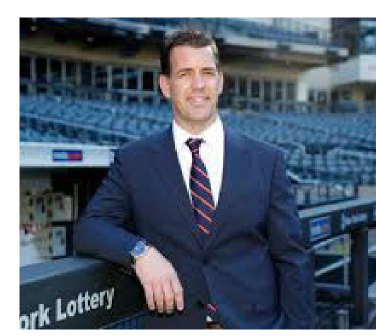
Move over James Dolan; there's a new tyrannical owner in New York: Fred Wilpon.

Fred Wilpon is one of the oldest owners in the league, and if the latest reports are true, he is one of the most behind-the-times as well.

Instead of hiring the more analytical candidate in Chaim Bloom, the Mets' management took a risk with its GM choice, hiring agent Brodie Van Wagenen. Mike Puma of *The New York Post* noted that Fred Wilpon played a major role in hiring the new GM. Wilpon's vision for the new executive was to ignore analytics and instead follow the old-fashioned approach of creating a team, an approach of absolute insanity.

The last few World Series champions are prime examples of the revolution sweeping baseball. Stats like wOBA, DRS, xFIP, and wRC+ are commonly used within MLB front offices and are instrumental in determining a player's value.

But Wilpon has chosen to ignore such numbers. His response to this revolution has been to hire three full-time employees to run the Mets' analytics department. This is paltry staffing compared to other successful franchises, whose departments are five times larger than the Mets'.


New Mets GM Van Wagenen

Either these new stats are too complex for Fred Wilpon, or he simply doesn't care about them, which implies he doesn't care much about winning a championship ---both excuses are unacceptable.

And when given the chance to make a impactful move, the Wilpons just look the other way. In the offseason, reports came out that the Mets had a deal in place with the Indians to acquire All-Star second baseman Jason Kipnis.

However, when it came to the financials, the Wilpons balked at the asking price. According to Matt Ehalt of NorthJersey.com, the Mets would also have picked up Kipnis' club-friendly extension that could have kept him in a Mets uniform until 2020.

With the upper levels of the Mets farm system flush of hard-throwing relievers, this deal sounded like a no-brainer for the Wilpons. Player-wise, all the team had to give up was Paul Sewald, a soft-throwing reliever who pitched to a 4.55 ERA. However, the Wilpons refused to give up Sewald and, mostly importantly, their precious profit.

Since New York is one of the largest media markets in the world, it is only right that its baseball team have an impressive payroll. But yet the Mets fall in the middle of the pack when it comes to spending. Despite having a talented roster, the Wilpons consistently fail to complement the team's core. While the Mets flounder around the National League East, the Wilpons just watch idly.

With the game in the midst of a technological revolution where advanced calculations show how to make a successful team, the Wilpons are simply disregarding them. They are mortgaging the present and the future in order to save money.

Ownership should support a team and help it succeed. That's what the Wilpons are doing. That's why there's only one option left: The Wilpons must sell. ◆

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