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 whenpartaking in the exchange’s 110 million yearly trades.

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 business operations, which is reflected in a better sustainability rating and a better economic outcome.”

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

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 helping more than 160 million travelers fly to the places they want to each year, and prides itself on being one of the world’s largest airline companies.

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 fuel from its subsidiary, Monroe Energy, and purchases fuel from its subsidiary, Monroe Energy, and purchases fuel from its subsidiary, Monroe Energy, and purchases fuel from its subsidiary, Monroe Energy. 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.

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 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. 

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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.
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 scheduled for November 14. Lidl acquired this prominently located property last year for nearly $9 million.

While the Krispy Kreme in Springeld 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 mere 1% growth in 2009, cosmetics has since seen 5.0% market growth each year from 2010 to 2017, according to data from Statista. The largest of the industry’s six subcategories is skin care, 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!
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.

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 several 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), biotics and artificial intelligence (BOTZ), internet of things (SNSR), social media (SOCL), future analytics (AIQ), autonomous and electric vehicles (DRV), 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:

Kristen Townsend, ’19
Finance & International Studies major
Insights: International developments, company news, branding

Marissa Cosenza, ’20
Finance major

Jared Kofsky, ’20
Communications major; Public Policy & Management minor
Insights: NJ business, economic development, historic preservation

George Seitz, ’20
Finance major
Insights: economics, film, music, politics

Connor Introna, ’21
Finance major; Information Systems Technology minor
Insights: investment strategy, stock advice, personal financial literacy

Katherine Dobrow, ’22
History major
Insights: social/economic surveys, historical costume, higher education

Matt Mancuso, ’22
Open Option Business Major
Insights: sports, technology, current news

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 overly optimistic operational risks, 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.

Contact us: bbl@tcnj.edu

Poets & Quants ranks the TCNJ School of Business in the Best 50 Undergraduate Business Programs in the United States

www.bbltcnj.weebly.com
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 to see 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 del Toro’s films, this one was flawless—executed, from the visual art of cinema. maste

The film feels like an old shoe, in the best sense -- as soon as it was expected from del Toro, the man who proves once again to be a visual master. Whether it’s the technical mastery displayed by del Toro, who strives in creating films that feel like a bedtime story. Taking into account a film that has a charm that I could best equate to a fairy tale. Let me explain.

I only enjoyed the film superficially. Let me explain. I was going to receive a feast for the senses, and I did. This is to say that this was a stylistic choice that 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”). I think 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. 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 discussion 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.

Note: The opinions expressed in The Bull, Bear & Lion are those of the writers and do not imply endorsement of the Wilpons or any of their actions.

The last few World Series champions are prime examples of the revolution sweeping baseball. Stats like wOBA, DRS, xFIP, and xwC+ 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’

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 Ehlah 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. Play-er-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.

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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 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.