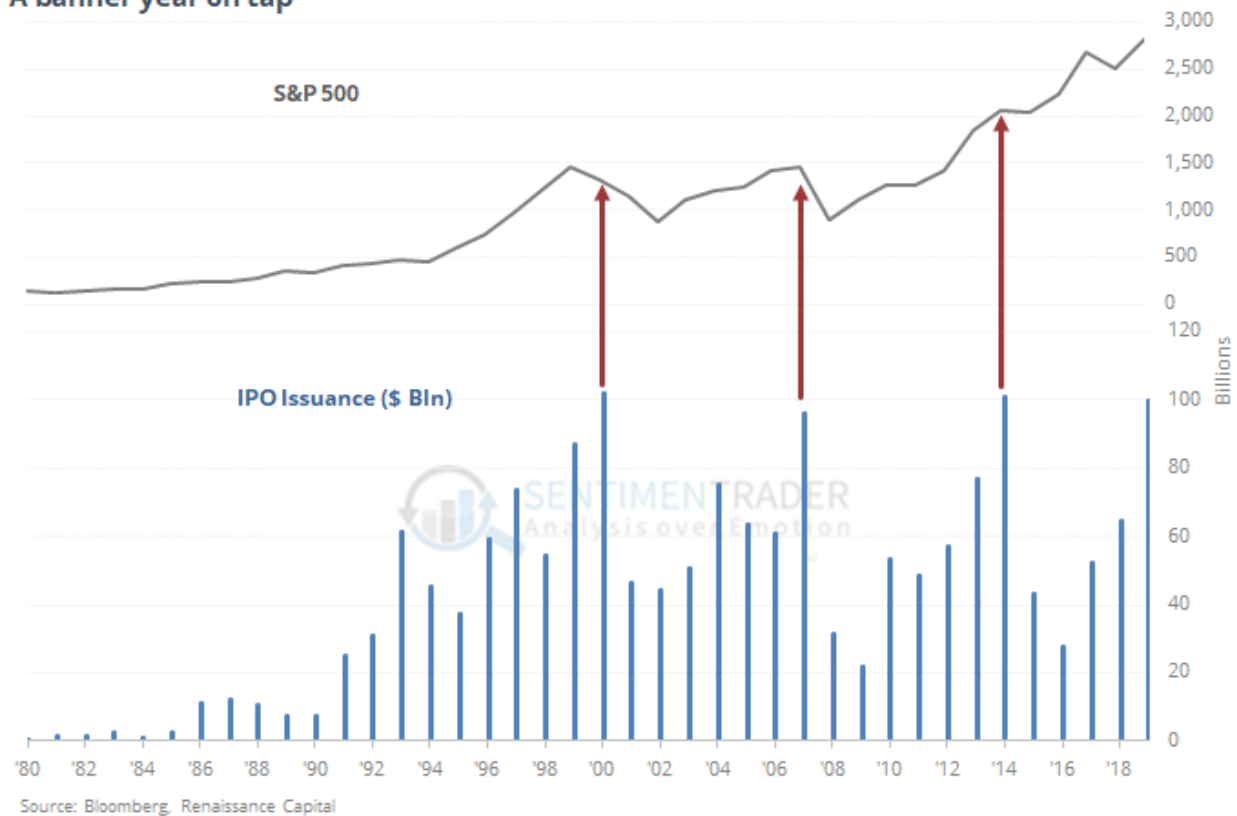


Quick Take: IPO Surge

Pinterest, Zoom, Lyft and a host of other companies led a surge in Initial Public Offerings (IPOs) over the first four months of 2019. Totaling nearly \$1 trillion in new offerings, 2019 is already closing in on the annual record set in 2000.

A banner year on tap



The gray line in the chart above, courtesy Sentiment Trader, compares the S&P 500 to the annual amount of IPOs. The easy takeaway, given that two of the three prior high water marks in IPO issuance were 2000 and 2007, is that the current surge in IPOs bodes poorly for the stock market. Such logic follows that IPOs, especially for companies with little to no earnings yet high growth expectations, are easiest to bring to market when investor complacency is high.

Comparing today's IPO issuance to prior examples may prove wrong as it did in 2014. Investors must consider the overall supply of shares outstanding in the entire market before jumping to conclusions. The graph below, courtesy Ed Yardeni, shows net stock issuance, IPOs and share repurchases included, have been in decline over the past decade. It is possible that IPO issuance is just a small offset to the massive number of shares that corporations have bought back over the last few years and therefore it is not the warning sign some market prognosticators make it out to be.

