

## Buzz ETF, Michaels, Deliveroo, Gold: Investments in the Spotlight

Bloomberg Wealth reviews assets that made a splash this week.



Photographer: Benjamin Girette/Bloomberg

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### Social Buzz

Investors looking to ride social-media hype have a new exchange-traded fund to consider. The **VanEck Vectors Social Sentiment ETF** (ticker BUZZ), which has been promoted by Barstool Sports Inc. founder and day trader Dave Portnoy, made its debut on Thursday. It follows an index that uses technology to scan online sources like blogs and social media to identify the 75 most-favorably mentioned equities.

But because of its criteria for inclusion, hot names among the day-trading crowd like GameStop Corp. and AMC Entertainment Holdings Inc. don't actually make it into the gauge.

The fund's first day of trading was one of the most active on record: around \$438 million worth of shares in the fund changed hands Thursday. That makes it the third-best ETF debut on record, according to data compiled by Bloomberg. "Normally, this kind of blow-the-roof-off volume for the first day is for ETFs that open up a new asset class like gold or Bitcoin," according to Bloomberg Intelligence analyst Eric Balchunas.

The fund is actually a second effort to track this particular area. A similar incarnation, the BUZZ US Sentiment Leaders ETF, began trading in 2016 and closed in 2019 with just \$8.8 million in assets.

**What's next?** The attention around the new fund, boosted by Portnoy's involvement, leaves it better positioned to succeed than its predecessor. "I know plenty of people that are very interested in buying this because its gone viral," said Bloomberg intelligence analyst James Seyffart. There's "similar marketing and word of mouth social media wise we've seen for the likes of BETZ and other theme ETFs. If this thing performs well, it will get assets."

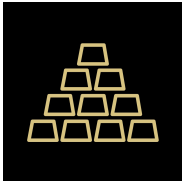
### **Delivery Boom**

U.K.-based restaurant-delivery service **Deliveroo**, valued at more than \$7 billion in its latest private funding round, is planning to go public in London.

The company is planning to take advantage of a shake-up in listing rules that will allow companies to have a dual-class structure. Popular among big tech giants in the U.S., this arrangement allows founders to retain greater control over companies. That's not without controversy, with investor groups worried that the dual-class structure weakens investor protections.

However, if the rush into other hot delivery names like **DoorDash Inc.** is anything to go by, that's unlikely to dent investor interest.

The questions are more likely to be around the outlook for growth – will the pandemic surge of eating at home last? – and regulation. Rival **Uber Technologies Inc.** recently lost a landmark U.K. legal case with the Supreme Court ruling that its drivers must be treated as workers, giving them access to holiday pay and the like. That could set a precedent for far more stringent labor laws in the U.K.



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**What's next?** “Uber’s U.K. court loss classifying its ride-share drivers as workers may extend to its and Deliveroo’s food-delivery business,” according to Bloomberg Intelligence analyst Diana Gomes. “The gross margin dent from taxes, fixed minimum wages and benefits, as well as potential perks to secure drivers, with higher fees to consumers (or other charges to restaurants) may further dent demand as delivery order growth may decelerate once Covid-19 restrictions ease.”

### **Pandemic Crafting**

Tech firms aren’t the only big winners of the pandemic: **Michaels Cos.** has agreed to a sale to **Apollo Global Management** in a deal valued at about \$3.3 billion.

The U.S. crafting and hobby retail chain was a big winner in 2020 as well: shares rose 61% as consumers stayed home and spent big on categories like arts & crafts, framing and do-it-yourself projects. That marked a major turnaround from prior years, when the growth of **Amazon.com Inc.** and flagging sales had forced the chain to shutter dozens of locations.

Compared with the dark days of the early pandemic, Michaels shares are up nearly 500%. However questions remain about what will happen to sales

when the vaccine rollout allows people more freedom to be out-and-about. One strategy the company is exploring is focusing on those customers who aspire to make a business out of their crafts, like Etsy Inc. sellers.

**What's next?** “Michaels has meaningful room to refresh its store presentation and further improve and increase its digital business,” said Cristina Fernández, a Telsey Advisory Group analyst. However, once normal activities are possible again “we expect sales to normalize.”

### **Gold Slide**

Federal Reserve Chair Jerome Powell's decision Thursday not to push back against an increase in long-term borrowing costs was more bad news for gold.

The precious metal dropped below \$1,700 ☐☐ as U.S. Treasury yields rose, making non-interest-paying bullion less attractive.

Retail investors have steadily been falling out of love with gold, too. Holdings in gold ETFs have dropped for two straight weeks – the longest stretch since December 2016 – according to data compiled by Bloomberg.

Flows into the ETFs ☐☐ were a major factor that pushed gold to a record high in August 2020, so a period of protracted outflows in a headwind for prices.

**What's next?** “Gold is still vulnerable to further pain,” Edward Moya, an analyst at Oanda wrote in a note. “It seems Treasuries can go a lot higher and that's trouble for the gold market.”

### **Dollar Strength**

On the flip side, Powell's dovish remarks pushed the U.S. dollar to its highest level this year.

In all, the greenback is up almost 2% this year and for the last few weeks has been moving in tandem with yields. That's been painful for strategists, as betting on a drop in the dollar was one of the most-popular macro trades heading into 2021.

Now with the U.S. stimulus package expected to fuel growth and traders pulling forward their calls for the first rate hike, the mood music is shifting to the dollar having a better year than originally forecast – though not everyone is throwing in the towel.

**What's next?** “The near term risks remain skewed to a stronger USD until the bond market dysfunction passes,” Kim Mundy, economist and currency strategist at Commonwealth Bank of Australia, said in a note to clients. “Once the markets return to calm, we expect the USD to revert to its downtrend which will be accompanied by greater portfolio flows to emerging market economies.”

– *With assistance from Yvonne Yue Li and Claire Ballentine*

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