



Brownstone Investment Group Fixed Income Sales & Trading Internship



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Abstract

Brownstone Investment Group is a trading firm that focuses on a variety of asset classes, primarily in the fixed income space. They trade numerous types of bonds, such as municipal, corporate, and high yield bonds and implement innovative electronic platforms that help them maintain a competitive edge over other firms.

Objectives & Methods


This summer was a rotational experience, educating us on the different desks at the firm and the methods they employed to trade certain bonds. Primarily, we learned through an online course on bond and debts, and regular teach ins with traders on different desks. We also learned how they used Bloomberg terminal as a tool to trade. As an intern group, we made weekly newsletters for the firm with trade ideas, and individually I spent time working on a project for the high yield desk, developing a primer on the Real Estate industry, and creating my own investment bond pitch to present to the entire firm at the conclusion of my internship (shown to the right).

Results

Investment Thesis 5

BIIB 2.25 05/01/2030

- **Issue Date:** 4/27/2020
- **Coupon:** 2.25
- **Maturity:** 05/01/2030
- **CUSIP:** 09062XAH6
- **Rank:** Senior Unsecured
- **Rating:** BBB+
- **Earliest Callable Date:** 02/01/30
- **Amount Issued:** 1.5 Billion



Take a long position on BIIB 2.25 beginning in July, hold for 6-12 months.

Overview | Pitch | Catalysts | Risks | Comps | Summary

INDUSTRY OVERVIEW

The real estate industry encompasses office spaces, retail buildings, industrials, multi-family / residential buildings, hotels, mixed-use space, and land. The rapid spread of COVID-19 in early 2020 dramatically changed the real estate industry, with restrictions of public spaces causing properties like offices, retail, apartments, hotels and entertainment venues to take a hit. On the other hand, the increase in online shopping and remote work has enabled logistics facilities and data centers to thrive.

Some of the big industry disrupters for real estate in 2021 are cybersecurity, construction technology, big data analytics, 5g implementation and workplace automation. Key trends include an emphasis on industrial / logistics, increased life science investments, medical office growth, and the decline of retail.

KEY TRENDS

GEOLOGICAL SHIFT

The single-family housing market has boomed during the pandemic, especially in affordably priced areas of the country. Boom markets include areas like Austin, Phoenix, Salt Lake City, and Tampa, which have less exposure to industries affected by COVID and affordable markets. While the pandemic didn't create this geological shift, it definitely accelerated it. Due to the country's aging population, there has been a significant increase in suburban growth. Populations who prefer suburban living are set to increase, such a family formation increasing by 8.4 million and the retiree population growing by 17.1 million.

INDUSTRIAL / LOGISTICS

Logistics factors such as e-commerce and last mile centers have had accelerated growth trajectories due to COVID, with a specific emphasis on the "just-in-case" supply chain strategy. This strategy involves carrying higher inventory to prevent supply chain disruption. The combination of stronger e-commerce demand and higher inventory may increase logistics demand by 400 million square ft over the next few years.



MICROSTRATEGY
MicroStrategy Inc. borrowed \$500 million in junk bonds to buy more bitcoins, adding to the company's bet that digital assets will outperform cash.

DELL
Dell seeks to delever their company in an attempt to decrease the company's exposure and move from a high yield credit rating back to an investment grade credit rating.

CHINA
China Bond-Sell off Fears Grow as Liquidity Begins to Tighten. Sovereign bonds have defied expectations for a selloff all year but their day of reckoning may be getting closer.

MARKETS as of noon on Friday June 11th, 2021

	Weekly Open	Weekly Close	% Change
Dow	34,766.200	34,413.660	-1.01%
S&P 500	4,229.340	4,237.800	0.20%
NASDAQ	170.910	14,025.850	8106.57%
Crude Oil	71.890	70.890	-1.39%
Gold	1,885.090	1,883.000	-0.11%
Bitcoin	36,495.100	37,405.100	2.49%
Ethereum	2,721.690	2,472.420	-9.16%
10 Year Treasury	1.569	1.460	-6.95%
HYG	87.300	87.620	0.37%
JNK	109.040	109.470	0.39%
LQD	131.970	133.520	1.17%
CDX High Yield	109.949	110.170	0.20%
CDX Investment Grade	50.860	48.9415	-3.77%

- Inflation data showed consumer prices jumping 5% in May (4.7% expected) for the fastest pace since the summer of '08
- Jobless claims fell to 376k, the lowest tally of the pandemic
- Brent Crude oil prices on Friday reached their highest settle value since May 2019 at \$71.89 a barrel
- Meme stocks were in the red yesterday with GameStop dropping about 30%, AMC -10%, and Clover Health falling roughly 15%

Here, I have included examples of my final investment pitch (top left), real estate industry primer (bottom left), and one of the weekly team market newsletters (top right). The investment pitch was the most lengthy task of the internship, as it was a culmination of our bond knowledge. For this pitch, I selected a specific Biogen bond, and formulated an argument for why it would make the firm a profit in the future.

Conclusion

This summer I worked on a variety of projects to further my knowledge of the bond industry and day-to-day of a trader at an innovative firm. Ultimately, I gained more fluency with using Bloomberg terminal, have a good understanding of the different products that are traded at Brownstone, and know how to analyze bonds and use information to support trade ideas. I had the opportunity to research the real estate and pharmaceutical industries at depth, and got into the practice of reading the news daily and synthesizing my own opinions on how different world events influence the bond market.