

Focusing on Global Macro & Trends in the Restaurant Industry

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On last week's podcast, we spoke to Guy Petcho, global macro portfolio manager at Voya Investment Management, and Dan Weiskopf, founder and managing partner of Access ETF Solutions. The first half of the conversation focused on Guy's reaction to the Federal Reserve's (Fed) decision to increase interest rates by 25 basis points (bps) last week and what it may mean for global markets and the dollar. In the second half, we switched to a micro focus by discussing the current state of the restaurant industry, specifically so-called "quick-service restaurants" that seek to leverage technology and a capital-light business model. Below are some key highlights of the podcast:

With Guy Petcho, we discussed:

- His initial reaction to the Fed rate hike. He believes that markets are currently out of sync with the views of the Fed. This is reflected in longer-term bond yields as well as the implied probability of a rate hike at the September Fed meeting. He believes that the market is currently reacting to Wednesday's soft inflation data, but believes, like the Fed, that the drivers of softer prices are transitory.
- Where he is currently seeing opportunities in broader markets. He's neutral on the euro and bearish on the British pound because he disagrees with the narrative that the Bank of England will need to tighten monetary policy soon. He's favorable on emerging markets, particularly China, due to the People's Bank of China's stimulus efforts starting to filter through the broader economy.
- His primary view that a more positive GDP print in the second quarter will also lead to an uptick in the Consumer Price Index (CPI) (compared to a weak first quarter and May report). Faster growth in the U.S. could lead to higher bond yields globally, but he believes investors should continue to have allocations to emerging markets given their historically inexpensive currencies versus the U.S. dollar.

In our conversation with Dan Weiskopf, we discussed:

- What first got Weiskopf interested in the restaurant industry. Dan first started looking deeper into this segment of the market as a result of heightened interest by private equity and activist investor funds. He believes that refranchising presents a unique opportunity for the industry to expand rapidly while at the same time maintaining attractive gross margins.

- A June 16, 2017, announcement that Amazon would acquire Whole Foods Market for \$42 per share, valuing the deal at \$13.7 billion.¹ Dan's view was that technology presents a unique opportunity for traditional businesses such as grocery stores and restaurants to deliver strong growth while minimizing costs and capital expenditures.
- Dan's firm's development of the Restaurant Leaders INDXX Index, which seeks to provide exposure to the quick-service and full-service restaurant industry. Dan believes that since the restaurant business is an \$800 billion industry growing at nearly 4% per year, it should receive greater focus in investor portfolios.
- A few different ways that Weiskopf thinks about restaurants as part of asset allocation. Specifically, they tend to be small- to mid-cap growth companies that could fit very well as a complement to large-cap equities given their de minimis weight in the [S&P 500 Index](#). Additionally, Weiskopf views them as a segment of the Consumer Discretionary sector that has much stronger fundamentals.

We really enjoyed speaking to both Weiskopf, a strategist who believes in his core thesis of technology transforming restaurants, and Petcho, a very thoughtful macro investor. Listen to the full conversation.