



## Daily Macro Insights: Impact of the unicorn boom

16/07/2021

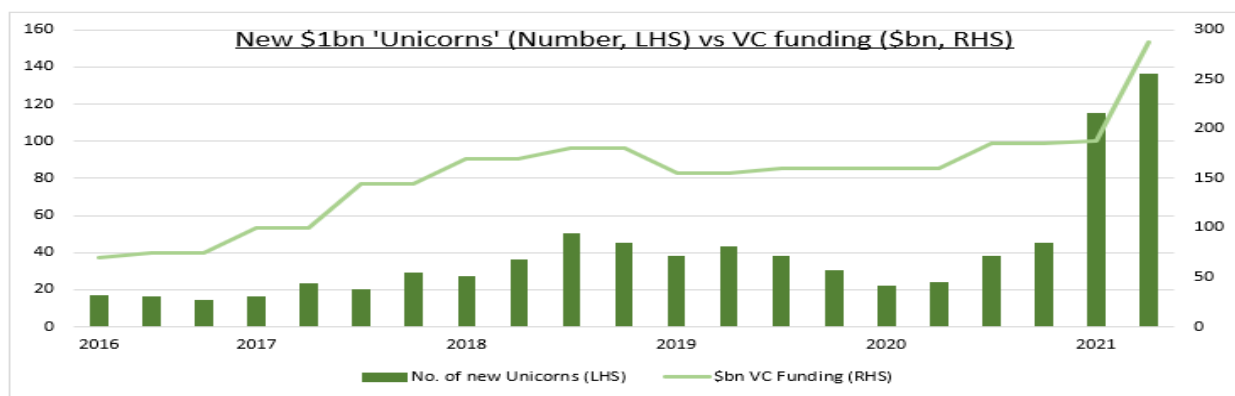
**ON A ROLL:** The current venture capital (VC) investment boom is unprecedented. This will drive more companies' public, entrench tech sector dominance, and high valuations. Venture firms invested \$280 billion globally in the first half (see chart), more than whole of 2020. In turn, this drove record private companies being valued at over \$1 billion for the first time – so called 'unicorns'. The biggest 1H VC funding's included autonomous driving Waymo and business software Celonis in US, and 'buy now, pay later' Klarna and battery maker NorthVolt in Europe.

**TECH DOMINATES:** Tech firms dominate, attracting half of 1H VC investment, with health-tech a distant second. There is also a faster investment pace, with firms like Tiger Global putting more money, in more companies, quicker. US saw 60% of recent new unicorns, but international markets have also seen significant unicorns, led by Canada, China, India, Germany, and Israel.

**MORE IPOs:** The greatest increase in venture funding is for 'late stage' companies, making up 60% of the total. This will keep driving the 200% YTD [increase](#) in companies going public, which is reversing the decade-long shrinkage in the number of US listed companies. Crypto-asset exchange Coinbase (COIN) was largest 1H VC-funded debut, followed by China ride hailer Didi (DIDI). The further rise of tech, and in VC valuations, will also support high public valuations.

**DRIVERS:** 1) Private companies are growing faster given this capital and the accelerated tech adoption. 2) Many are staying private for longer, given access to capital and rising private market valuations. 3) The success of the 'endowment model' pioneered by Yale University has seen increasing allocations to VC. This is 24% of the Yale portfolio today, its largest allocation.

**TODAY:** US retail sales to stabilise, but still +28% yoy, with reopening economy, rising wages and housing values, \$3 trillion extra consumer savings, and spending now shifting to services.



Source: CB Insights, Factset, Crunchbase, eToro calculations

Ben Laidler, Global Markets Strategist. Email: [benla@etoro.com](mailto:benla@etoro.com)

*This communication is for information and education purposes only and should not be taken as investment advice, a personal recommendation, or an offer of, or solicitation to buy or sell, any financial instruments. This material has been prepared without taking into account any particular recipient's investment objectives or financial situation, and has not been prepared in accordance with the legal and regulatory requirements to promote independent research. Any references to past or future performance of a financial instrument, index or a packaged investment product are not, and should not be taken as, a reliable indicator of future results. eToro makes no representation and assumes no liability as to the accuracy or completeness of the content of this publication.*