Daily Macro Insights: Impact of the unicorn boom

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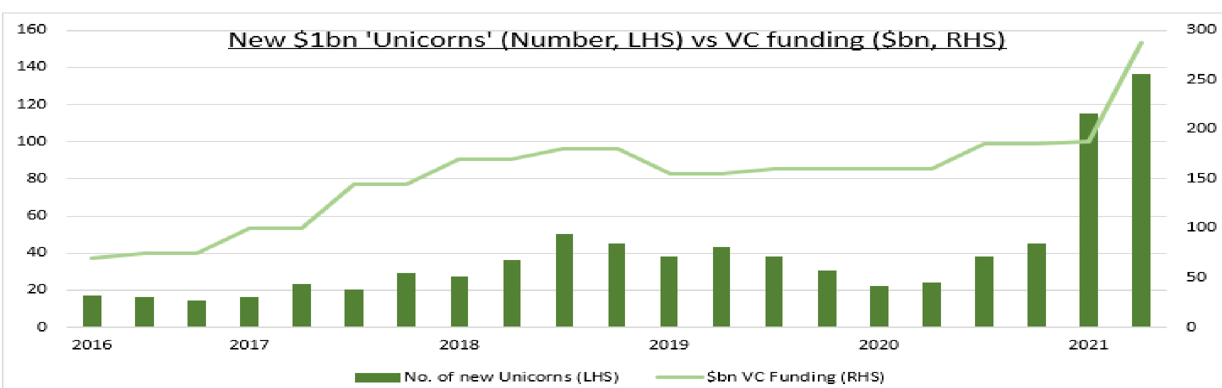
ON A ROLL: The current venture capital (VC) investment boom is unprecedented. This will drive more companies' public, entrench tech sector dominance, and high valuations. Venture firms invested $280 billion globally in the first half (see chart), more than whole of 2020. In turn, this drove record private 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

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