

## August 19 -23, 2019 Weekly Index Research Update

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The CrowdBureau® Peer-to-Peer Lending and Equity Crowdfunding Index (CBP2PTR) ended the week -3.06% lower, posting its sixth weekly consecutive decline. While stocks reeled on Friday due to escalating U.S.-China trade tensions, the Dow Jones Industrial Average fell 623 points or -2.4%, while the decline of the CrowdBureau Index was less dramatic and limited to -1.09% on the same day.

Against a backdrop of mixed economic reports with a bias to the downside, the broad market managed to largely preserve Monday's 1.21% gain throughout the week until Friday when exchanges between China and the U.S. regarding trade escalated to unprecedented levels. On Friday morning, China announced new tariffs and a resumption of penalties on U.S. cars. In response, U.S. companies were ordered by President Trump to immediately start seeking alternatives to China. Even as the import of the irregular admonition by a U.S. President was less than clear, markets were rattled. Friday's developments unfolded on top of mixed economic reports released earlier in the week. The Labor Department lowered its estimate of total U.S. employment by as much as half a million jobs for the period covering 2018 through the first quarter of 2019 while other government data has been revising down estimates of growth and corporate profits. The Congressional Budget Office reported that the Federal budget deficit was growing at a faster pace than expected, to \$1 trillion for the fiscal year 2020.

At the same time, sales of previously owned homes posted a gain in July while several retailers weighed in with strong quarterly earnings results—thereby bolstering the view that consumers in the U.S. remain confident about the economy. Adding support, Federal Reserve Chairman Powell, on Friday in his much anticipated prepared remarks from the Jackson Hole Summit meeting made it known that the Fed will “act as appropriate to sustain the expansion.” Including Friday's sell off, the S&P 500 ended the week -1.44% lower, the Dow Jones Industrial Average gave up a more modest -0.99% and the Nasdaq Composite recorded a decline of -1.83%.

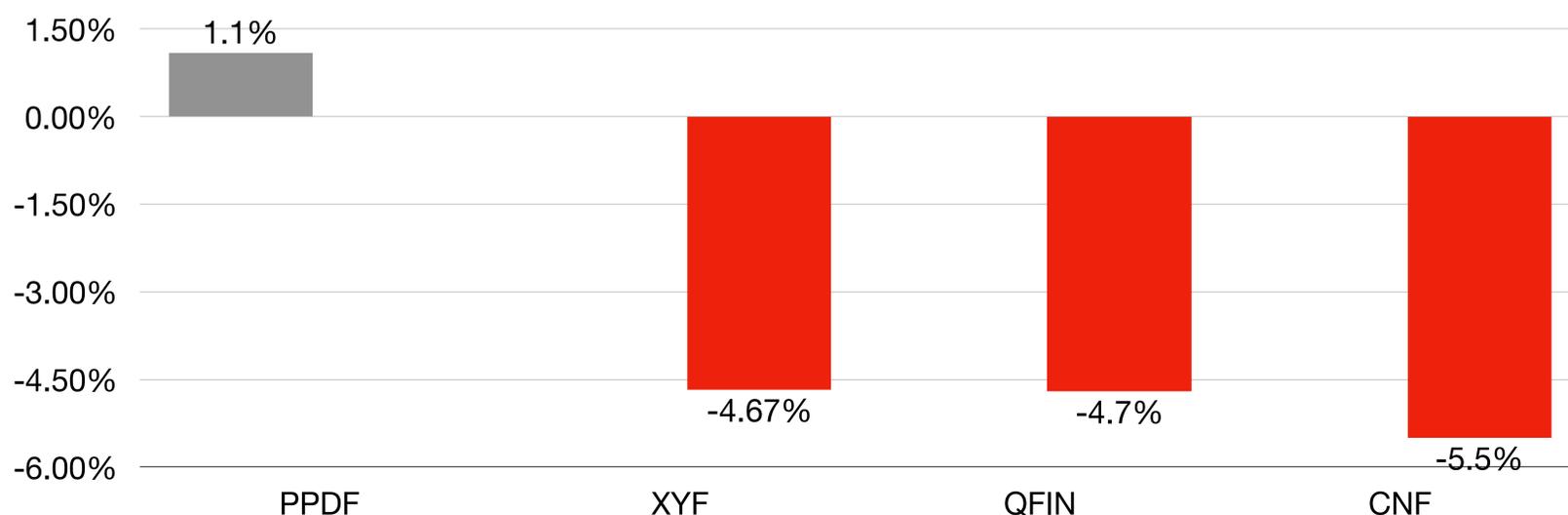
Various commodity prices ended even lower while yields on 10-year Treasuries, which inched upward through Thursday, dropped 10 basis points on Friday to end the week at 1.46%. Overseas, Europe gained 0.60% while the Pacific region added 1.11%, including an increase of 1.24% in China, according to S&P Global Broad Market Indices.

The performance of the CrowdBureau® Peer-to-Peer Lending and Equity Crowdfunding Index was pressed lower as 24 of 32 index members, or 75%, posted negative results for the week—led by Qudian (QD) that gave up -12.22% during the five-day period.

Four China-based marketplace lenders reported second quarter 2019 earning results during the past week, adding to the three that reported second quarter results earlier in the month. The best results were achieved by PPD AI Group Inc. (PPDF). The firm reported strong operating results that topped analyst estimates, including increases in registered users, borrowers and loan volumes. One of the largest peer-to-peer (P2P) lending platform segment's index members by 2018 annual revenues, the company benefited from its efforts to expand the proportion of loans funded by institutional investors which increased to 53% in July. At the same time, PPD AI has been diversifying its operations in the consumer finance sector. The combined strategies have allowed PPD AI to manage its operations during a period of economic and regulatory uncertainty for P2P lenders in China. According to PPD AI, regulatory uncertainty remains specifically regarding the P2P lending platform registration process while China continues to enforce a “triple decline policy” since the start of the year. According to PPD AI, this refers to the “multiyear reduction in the outstanding loan balance, the number of investors and the number of borrowers for the part of the business that is funded by individual P2P investors.” PPD AI intends to accelerate the transformation of its loan origination business funded by individual investors to institutional funding and expects funding sourced to individual investors to decline more significantly than in the first half of the year. PPD AI's share price rose 1.1% for the week. **Refer to Chart of the Week.**

Also reporting unaudited second quarter earnings this week were 360 Finance (QFIN), CNFinance (CNF) and X Financial (XYF). CNFinance, which has taken steps to expand its collaboration model with external sales partners, registered lower quarterly revenues but higher net income due to lower expenses. Its stock price declined -5.5% for the week. X Financial reported quarter-over-quarter increases in revenues and net income. The results were bolstered by the firm's introduction of a revolving credit product that produced gains in loan facilitation service fees derived through its expanding intermediary model versus direct placements. The company's stock dropped -4.6%. Lastly, 360 Finance posted higher revenues but lower income versus the first quarter, but also displayed slowing loan origination volumes and higher client acquisition fees as the company continued to shift its business model to emphasize unsecured digital lines of credit and pivot its funding sources to institutional investors. Following the earnings release, 360 Finance announced the abrupt departure of the company's chief executive officer due to personal and family reasons. The stock was down -4.7% for the week.

**Chart of the Week: Stock Performance of P2P Lending Index Members Reporting 2019 Unaudited Financial Results During the Week Ending August 23, 2019**



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### ABOUT CROWDBUREAU CORPORATION

CrowdBureau Corporation research-based indexes and analytics seeks to help market players understand and manage better alternative asset classes in peer-to-peer lending and securities based crowdfunding. Clients rely on our offerings for deeper insights into the drivers of performance and risk indicators for their decision making, through our global peer-to-peer lending asset class coverage using a series of benchmarks and innovative research. Our line of products and services includes a centralized database with indexes, analytical models, data, a peer-to-peer lending series of benchmarks by sectors such as consumer loans, business loans, real estate, student automobile loans, agriculture and other. CrowdBureau Corporation serves money managers, banks, insurance companies, traders and universities. For more information, visit us at <https://www.crowdbureau.com>

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