



Basis Points – April 8, 2021

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Above the Fold

Is Jamie Dimon Right About This ‘Goldilocks Moment’?

In his most recent annual letter to shareholders, JPMorgan Chase & Co. CEO Jamie Dimon offered a very optimistic outlook that was far different from the “doom and gloom” he predicted just over a year ago. To his credit, Mr. Dimon’s early 2020 call for up to a 35% dip in gross domestic product was spot-on as the economy was shutting down, but now he’s looking for a protracted boom. In what he calls a “Goldilocks moment,” Dimon sees an economic expansion lasting into 2023, fueled by unprecedented government intervention via existing stimulus bills and the coming infrastructure package. He also noted consumers’ formidable savings buildup, and the quickly expanding vaccine distribution as catalysts in the near term.

Mr. Dimon acknowledged that all this spending will need to be paid for and that corporate tax hikes and tax increases on wealthier Americans are coming. He seems confident that the hikes will be moderate and easily digestible. Caveats were obviously inflation and subsequent interest rates — if the former rises too quickly, the Federal Reserve would likely pour cold water on the boom. Concerns were also expressed over the government's ability to achieve maximum potential with the coming infrastructure bill. Dimon stressed the need to not only measure, but also perhaps redirect efforts within the bill through a series of metrics and mechanisms. Jamie Dimon has a history of offering well-thought-out opinions on markets and the economy; let's hope he's right with this call.

Three Things

1. *Samsung's 'Bottom-of-the-Barrel' Coming to America* – Samsung, which is domestically known for its high-end Galaxy smartphones, is bringing in some **low-priced** backup. The company will launch its newest, budget-conscious Galaxy A-series phones in America this week. This new lineup starts at just \$109, with the most expensive at \$499. Samsung hopes to fill a void with high-quality phones at an affordable price point.
2. *Margin Call Coming?* – As of late February, data showed investors had borrowed a record \$814 billion against portfolios. This represented a 49% increase from one year ago and was the fastest increase since 2007 (we all know how that ended). Low interest rates and an economic recovery could be fueling the margin borrowing, but some experts are concerned.
3. *Goldman Likes Trash* – Goldman recently issued “buy” ratings on several garbage collection and processing companies. Goldman's call wasn't terribly bold, as there are many others who see this sector as attractive and somewhat recession-resistant. One analyst noted that 80% of solid waste revenues are service-based and not tied to the health of the economy. On the other hand, recyclers can be more challenging as profits are tied to the prices others are willing to pay for recycled materials.

Did You Know?

J.P. Morgan's Legacy

John Pierpont Morgan, whose namesake bank is now the largest in America, was a formidable businessman who personally bailed out the U.S. economy in two separate financial crises. Just after the turn of the century, he provided 3.5 million ounces of gold to the U.S. Treasury during the Panic of 1903. Later, during the Panic of 1907, Morgan was instrumental in stabilizing a chain of events that nearly collapsed the banking system. Ironically, his immense influence over the U.S. banking system pushed Congress to investigate and regulate the banking system. Roughly five years later, the Federal Reserve System was created.

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