



Basis Points – May 4, 2021

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Above the Fold

Consumers Have the Cash and Income — But Will They Spend It?

Analysts, pundits, investors and even the average American generally see an optimistic outlook for the future of our economy. Recent data, though skewed by recent stimulus checks, showed a record 21% surge in average domestic household income. The jump was the largest recorded since record keeping began back in 1959. The increase drove the personal-savings rate to 27.6% in March, the second highest rate on record. Around the world, households in the top developed nations have amassed record amounts of savings, which many believe will be unleashed as the world progresses back to a normal state of commerce and social activity.

It's important to note, however, that these savings war chests are skewed heavily toward the wealthy. In the U.S., the bottom 20% of earners did not experience much of a change in their savings compared to 2019. The biggest savings increases occurred in the top 20% of earners, but those in the middle income brackets did sustain notable increases. Some believe that older, wealthier consumers will be less likely to spend their accrued cash or will spend it at a much slower pace. In other words, the spending spree that many are anticipating could be more akin to a creek rather than a raging river.

The good news is that consumers do seem to be parting with their “just-in-case” money as the Commerce Department recently reported a sharp monthly increase of 4.2% in spending in March. Time will tell, but Americans' personal savings amounted to about \$6 trillion in March, up by nearly \$5 trillion from February 2020 ... and the future now looks much less bleak.

Three Things

1. *You've Got Mail! (And Yahoo!)* – Verizon is selling web 1.0 heavyweights AOL and Yahoo! to Apollo Global Management in a deal reportedly worth \$5 billion, or about half of what Verizon originally paid for the two combined. Verizon has struggled to unlock value in media production and digital advertising, while Apollo believes there is tremendous potential in both companies. At their peaks, AOL's market capitalization was more than \$200 billion, while markets valued Yahoo! at more than \$125 billion.
2. *“Goop” Could Be a Major Energy Solution* – Scientists from the Fraunhofer Institute in Dresden may have found a way to unlock hydrogen's potential and solve its tough storage challenges. Dubbed “[Powerpaste](#),” this sludgy, grey substance is a mash-up of hydrogen, magnesium and stabilizers that create a medium packing 10 times the energy of lithium-ion batteries, and just a bit less than equivalent fossil fuels. Upon combustion, the main byproduct of hydrogen is water.
3. *Coffee Prices Up 17% in Five Years (and Going Higher)* – The ultra-competitive and yet delicate global coffee ecosystem is feeling the effects of a massive crop loss in 2020 and pandemic-related shipping cost increases. The average price for a cup of joe has risen from \$3.85 to \$4.50 over the last five years, and experts see those price increases not only continuing, but accelerating. Increased natural disasters, political unrest and a shortage of shipping containers (where needed) are all contributing to the bullish pressure.

Did You Know?

May the 4th Be With You!

May is full of holidays; from Memorial Day, when we honor those who have given the ultimate sacrifice for our country, to more joyous occasions like Mother's Day, Cinco de Mayo and even Lei Day in Hawaii. But for all the Star Wars fans out there, today (Star Wars Day) has become an

informal day (dating back to 1977) to celebrate the wildly popular George Lucas's sci-fi franchise. May the 4th (force) be with you!

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