



Basis Points – May 11, 2021

 westwoodgroup.com/weeklyblog/basis-points-may-11-2021/

Above the Fold

Inflation, Scarcity Spreads to the Auto Market

While the Federal Reserve continues to call inflationary pressures transitory, Americans seem to be feeling the pricing pressure from all angles. Food, fuel, building materials, housing, rents and more are all experiencing sharp price jumps, with vehicles now joining the fray. High demand for new cars, semiconductor shortages and damage from natural disasters have all contributed to a rise in prices for autos. On top of all that, new car makers are still struggling to catch up after an erratic production year due to the pandemic. According to J.D. Power, the average price for a new car leapt to a near record of \$37,752 in April, up roughly 7% from a year ago.

With new cars less available on dealers' lots, salespeople have been steering buyers to the pre-owned market, which, in turn, is experiencing an unprecedented boom. Sales of used vehicles are up 58% compared to last year and the average price per unit soared to a record \$25,463, up \$2,800 in April alone. It's also the first time in history that the average used-car price exceeded \$25,000. Ironically, normally depreciating assets (autos) seem to be appreciating; a trend that several sources believe may continue for some time.

Three Things

1. *"Dogefather" Sends the Meme Crypto Crashing* – Dogecoin, which emerged in 2013 as a joke based on a trending meme, has become a hot topic loosely linked to Elon Musk (as he likes to tweet about the erratic coin). Owners of Dogecoin were eagerly awaiting Elon Musk's SNL (Saturday Night Live) appearance in hopes that a mention would move it higher. Instead, the price of Dogecoin dropped from a near record \$0.73 to \$0.45 between May 8 and May 9, a 39% decline. There's no limit to the amount of Dogecoins that can be created, making it infinitely inflatable.
2. *Cyber Attack Triggers Pipeline Shutdown, Gas Prices Increase* – One of America's largest pipelines had to be taken offline following a cyber attack last Friday. The Colonial Pipeline is 5,500 miles long and transports roughly 2.5 million barrels of gasoline and jet fuel from the Gulf Coast to New York daily. A Russian criminal group known as "DarkSide" is suspected in the ransomware attack.
3. *Vaccine Development Breathes Life Into German Biotech* – With the success of Mainz-based BioNTech SE's vaccine and partnership with American pharmaceutical giant Pfizer, investors are looking to Germany for more. German biotech companies garnered a record \$3.7 billion in foreign investments in 2020, more than three times what was raised in 2019. Germany was once a global pharmaceutical powerhouse, but has struggled in the 21st century as venture capitalists favored American firms.

Did You Know?

America's Biggest Dust Storm

On this day in 1934, an enormous dust storm originating in the Great Plains spread across the country eastward as far as Boston, New York and Atlanta. Years of overfarming after WWI had stripped much of America's farmland of critical prairie grass that not only retained moisture, but also prevented the soil from being swept up in storms. A severe drought followed the storm, killing a large number of the remaining crops. The barren landscapes added to the intensity and frequency of dust storms in the coming years which would eventually carry hundreds of millions of tons of silt and top soil from the plains to the East Coast and into the Atlantic Ocean. It also triggered a massive migration of families from the Central United States to California.

The information contained herein represents the views of Westwood Wealth Management at a specific point in time and is based on information believed to be reliable. No representation or warranty is made concerning the accuracy or completeness of any data compiled herein. Any statements non-factual in nature constitute only current opinion, which is subject to change. Any statements concerning financial market trends are based on current market conditions, which will fluctuate. Past performance is not indicative of future results. All information provided herein is for informational purposes only and is not intended to be, and should not be interpreted as, an offer, solicitation, or recommendation to buy or sell or otherwise invest in any of the securities/sectors/countries that may be mentioned.