



## Basis Points – July 29, 2021

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### Above the Fold

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*Fed: Bond Purchases to Continue ... For Now*

Since March 2020, the Federal Reserve (Fed) has been purchasing \$120 billion in bonds (Treasures and mortgage-backed securities) per month. As the pandemic ebbs and the economy springs back, the Fed has already begun setting market watchers up for the eventual end of this form of stimulus (which helps keep a wider swath of interest rates low). At the conclusion of its two-day meeting yesterday, the Fed offered a hint that these purchases may be reduced later this year as it noted “the economy has made progress toward these goals, and the Committee will continue to assess progress in coming meetings.”

The Federal Open Market Committee (FOMC) may act a bit slower as new home sales showed considerable weakness in most recent readings. There's also a resurgence of COVID-19 cases, mask mandates, closures and warnings from the Centers for Disease Control and Prevention (CDC). The recent increase in cases is subsequently triggering an increase in vaccinations, and President Biden is expected to require all federal workers to either get regular tests or be fully vaccinated.

For now, benchmark interest rates will remain in the range of 0% to 0.25%, and bond purchases will continue until "substantial further progress" is made in both the economy and employment. The FOMC continues to label the recent surge in inflation as "transitory," which translates to "not a long-term concern," at least by their estimates.

## Three Things

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1. *Boeing Makes a 2G Turn* – After losing money for nearly two years, the aviation giant reported a profit of \$567 million for the June quarter as sales jumped 44%. The turnaround beat analysts' estimates and stood in sharp contrast to the \$2.4 billion loss reported during the same time last year. Profits were driven by a rebound in jet orders and its defense business which raked in \$958 million during the quarter. The company will also keep 10,000 workers it initially planned to lay off.
2. *Apple Owes iPhone a Major Thank You (Again)* – Apple posted its largest spring-quarter profit in its 45-year history, thanks in large part to a 50% increase in iPhone sales compared to the same quarter last year. The company booked an astonishing \$21.7 billion in profits in the June quarter alone, which stemmed from a 36% increase in sales compared to 2020. Apple competitors Alphabet and Microsoft also report big-booming quarters as well as tech continues to flourish.
3. *Home Depot Uses Ingenious(ish) Tech to Fight Theft* – Home Depot is just one of many retailers seeing a rise in organized theft. Perpetrators steal goods, then resell them to pawnshops, Facebook groups, eBay and other outlets. To combat this costly problem, the Depot will partner with power tool makers to incorporate Bluetooth technology into products that disable the device if it is not legally activated at the point of sale. The Bluetooth chips will be integrated on the boards and extremely difficult to bypass, according to experts.

## Did You Know?

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*What's the Difference Between the Fed, FOMC and Board of Governors?*

The term “Fed” or “Federal Reserve” actually references the entire system of 12 regional Federal Reserve Banks. And while the main headquarters is located in Washington, D.C., the New York Fed is the most influential. The seven-member Board of Governors or Federal Reserve Board are appointed by the President of the United States and serve staggered 14-year terms, with the Chair and Vice-Chair serving four years. It’s their job to oversee the Federal Reserve System, but it’s the 12-member Federal Open Market Committee (FOMC) who actually sets monetary policy. The FOMC comprises the Board of Governors, the president of the NY Fed, and four of the remaining regional bank presidents, who rotate in and out on one-year terms.

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