



## Basis Points – August 5, 2021

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### Above the Fold

#### *Businesses Are “Borrowing” ... And That’s a Good Thing*

Many corporations across America are flush with cash, but they are also sitting on record amounts of unused credit lines — and requesting more. This data comes from several of the largest national banks and was further revealed in the Federal Reserve’s [survey](#) of senior loan officers. Bankers believe that the record credit could unleash additional, pent-up spending that could add to consumers’ current spree.

Before the pandemic, as the economy was slowing, businesses were already hoarding “rainy day” funds to both buffer potential economic rockiness or for use in expansion and updates if needed. Given the fact that the recession was short-lived and stimulus supported most short-term cash

needs, a great number of those who survived the lockdowns are now set with strong cash/credit war chests and, in some cases, better market positioning as some competitors vanished.

The situation gets even more interesting as the labor market is also extremely tight, offering would-be workers with ample options, increased pay and bonuses, and an increased savings of their own. As more and more Americans get back to work, the virtuous cycle of hiring and those workers dumping money back into the economy could trigger draws on cash balances and credit lines, adding to the expansion. Experts on the matter see the increased borrowing activity as a sign of just that. Banks would obviously be an additional beneficiary of credit expansion as they only begin to collect interest when those funds are put to use.

## Three Things

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1. *Nissan Snags EV Title for 2022* – Japanese automaker Nissan's all-electric Leaf just became the cheapest mass market electric car. Starting at just \$27,400 (as low as \$19,900 if you count the federal tax credit), the entry level Leaf S undercut the electric Mini Cooper for the least expensive model in America. The Leaf is Nissan's only current electric car offered in the states, but plans to release the Ariya, its new electric crossover SUV, later this year.
2. *American Airlines and Spirit Cancel Over 1,500 Flights* – A perfect storm (literally) of weather and staffing forced the two airlines to [cancel](#) a record number of domestic flights earlier this week. Severe thunderstorms have taken an especially hard toll on the airlines this summer as dearth of personnel, both on the ground and in the air, is having an exponential effect on re-routing and logistics in general. In Dallas alone, a thunderstorm between Sunday and Monday triggered the cancellation of more than 1,000 flights for American and 500 flights for Spirit, leaving thousands stranded.
3. *European Government Bonds Predict Ongoing Struggles* – Yields on French and German sovereign debt marched deeper into negative territory as investors flocked to safe havens. Europe is expected to experience a much-slower recovery as it faces the growing threat of the Delta variant, along with a need to kick-start inflation. Investors are betting that the European Central Bank will keep its key interest rate, currently at -0.5%, lower, for a longer period of time. Europe's recovery and inflation trajectories are much flatter than most other areas where central banks are already looking to normalize hyper-accommodative policies.

## Did You Know?

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### *Brain vs. Computer*

A 32-bit computer can process about 10 billion basic operations per second, while the human mind manages less than 1,000. The computer is also way more precise, with a 1 in 42 billion chance of making an error, compared with a 1 in 100 chance for the average brain. But where the

human mind wins is in our ability to process information in a massively parallel manner, in real time, without having to follow steps (serial). Our adaptability to a situation we've never been in or maybe only experienced partially is also what empowers the mind over ever-faster computers.

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