



Basis Points – August 19, 2021

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Above the Fold

What to Make of Retail Sales Data (It's Complicated)

One of the biggest challenges investors face is how to compare and contrast data. It's easy to say sales are X% higher or lower than last year, but context is everything ... and way more challenging. On Tuesday, the Commerce Department released their report showing a 1.1% decline in July retail sales versus the previous month. The headline might suggest that there could be a problem, especially when combined with the recent drop in consumer confidence. But taking a look at the bigger picture, there's more to the story.

Retail sales are actually markedly higher than they were before the pandemic. In fact, July sales were nearly \$92 billion or 17.5% greater than in February 2020, just before the COVID-19 pandemic effects started to grip America. Remember, there are also supply chain issues, worker shortages and renewed mask mandates and social distancing guidelines that are further constraining sales. So when one takes that all into account, the seemingly bearish headline may not be that bad. Companies like [Target](#), Amazon, Walmart and others are also reporting strong sales numbers, which could mean that traditional metrics might not be as accurate as they once were.

There was also a healthy 1.4% boost in manufacturing output, led by motor-vehicle and parts production. This increase further supports the fact that demand is certainly healthy. And as we mentioned Tuesday, the recent “Delta-variant damper” will hopefully only be transitory, making way for more long-term growth.

Three Things

1. *One “Less” Thing for Apple, Samsung and Now Google* – Google will join Apple and Samsung as the latest smartphone manufacturer to ditch the in-box charger. The Pixel 5A will be the last phone to include a charging brick. The company says that most people already have a USB-C charger, so there’s no reason to include one. There’s also an argument being made around the positive environmental impact, but one might argue that ordering one from say, Amazon Prime, wastes much more paper, fuel and time.
2. *Cruise Lines and Travel Companies Pay Up for Loans* – Given their high sensitivity to a still uncontained pandemic, these companies need to offer investors more incentive to borrow money. Cruise operator Royal Caribbean had to pay 5.5% in yield for \$1 billion in five-year debt this week, compared with just 4.25% in a similar offering in July. Theater operators and other travel-related businesses are also paying up to sell their bonds. But even with rising costs, many companies continue to borrow as record-low interest rates still allow them to retire older, costlier debt in an effort to reduce the cost of capital.
3. *Delta Variant Also Altering Crude Oil Demand Outlook* – Rising crude oil prices have taken a break as the Delta variant emergence triggers downgrades in global consumption estimates, especially from China. Given the recent data, the IEA (International Energy Agency) cut its 2021 global oil demand by 100,000 barrels a day. OPEC (Organization of the Petroleum Exporting Countries), however, remains a bit more optimistic and will keep supply flowing. Both agencies see a strong rebound in consumption by the second half of 2022.

Did You Know?

How Attached Are We to Our Smartphones?

According to several sources, there are more than 3.8 billion smartphone users globally, more than 48% of the total population. A study back in 2016 suggested that the average smartphone user touches their phone more than 4,000 times per day, and spends nearly five hours on the device (we imagine those numbers have greatly increased).

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