



Basis Points – July 21, 2022

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Above the Fold

What Does Dollar/Euro Parity Even Mean?

If you haven't quite made it to Europe for your dream vacation, then now might be a good time to plan that trip. This is due to the value of European currency (aka the euro), which has made visiting the area cheaper than ever for eager American tourists looking to explore. This decrease is mainly attributed to economic weakness abroad, which has driven the value of the euro down. It and the U.S. Dollar (USD) are now worth about the same, a level that hasn't been achieved in over 20 years. The euro equaling the dollar is what economists refer to as Purchasing Power Parity (PPP, but we will call it Parity from here on out), and all the reasons why it occurs are a bit complex. Currency values generally rise and fall with the economic health of a country or region.

Parity between two currencies is achieved when both currencies offer about the same buying power. That means 1 euro will almost exactly equal 1 USD; put another way, Americans can travel to Europe and will (theoretically) not lose any value on their money. As we mentioned before, this has not occurred in many years, and in fact during the height of the financial crisis, the euro was worth around \$1.60. Since that time, the euro has experienced a lot of fluctuation but has seen a general decline. Now, with the entire world experiencing financial volatility, the USD has only become more valuable.

This might seem confusing to Americans who are experiencing their own economic crisis at home, but abroad, the USD still maintains an important status globally. The dollar holds such significance because it (and America in general) is viewed as a more stable asset by countries around the world. So, while record high inflation and economic unease may frustrate Americans, the rest of the world may have it worse and thus see the USD as a relatively safe (or safer) asset. That means, in times of global turmoil like this, the USD often gains value.

It is also important to note the state of things in Europe. High inflation is not exclusive to America, and Europe is experiencing its own issues, along with an energy crisis that may worsen if issues with Russia decline even more. So, while the United States may be haggling with its own problems, you may still find some positive opportunities out of this difficult time.

Three Things

Restaurants and Supermarkets Taking Drastic Measures to Fight a Growing Problem

As COVID-19 restrictions have lifted, food-oriented businesses have had to respond to a rise in criminal activity threatening their stores. You might expect issues like stealing to increase as Americans face tighter budgets and rising prices. But theft is not the only concern. Drug-use inside establishments and violence in or outside the business have also become an increasing problem. In response, many businesses have begun training employees for conflict prevention, hiring more security, and even closing stores early or altogether.

New Car Buyers See Surge in “Park Outside” Orders

As electric vehicle (EV) sales have risen in recent years, so has a new problem: vehicle fires. Traditional gas-powered automobiles can experience fires as well, but recall notices for recently released EVs have cited warnings of potential car fires even when parked and turned off. This has prompted automobile companies to warn drivers who own these vehicles that they should park outside and away from structures that might be damaged by a fire. While the exact causes and means for prevention are still being identified, current experts cite the relatively short existence of the EV industry, and how new battery technology still needs a lot of refinement.

Wages Are Up, but Are They Really?

In the early months of the COVID-19 pandemic, U.S. wages experienced increases of as much as 7%. Even after this, peak growth was still regular, as year-over-year wage growth was still topping 4% each month. But wage increases also need to be measured against the buying power of the currency, and with inflation reaching record heights, data shows there hasn't been a single month with year-over-year earnings growth since March 2021.

In the Know

Today Marks the Coolest (and Some of the Highest) Temperatures Ever

On July 21, 1983, the lowest temperature ever recorded by humans was measured at Vostok Station in Russia, at -128.6°F (-89.2°C). It has been many years since that cold extreme was recorded, and now several areas around the globe are experiencing new extremes on the other end of the spectrum.

Heatwaves are currently devastating Europe with wildfires spreading out of control in Spain and France, and record temperatures threatening the lives of citizens within these same countries. The UK also recorded its hottest day ever, as temperatures reached 104°F , prompting the first-ever Red Alert for this region (high-temperature warning) and even causing a runway to "melt" in the intense heat.

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