



Basis Points – August 2, 2022

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Above the Fold

More Good News on Global Inflation

While inflation is still a pressing issue worldwide and appears as though it will last throughout the coming months at least, there are some positive signs that may provide some relief for consumers. Trends that are currently appearing, including possible drops in natural gas prices, as well as key food items, show that while continued price increases may be worrisome, bigger concerns of a severe recession may be avoided.

While it is difficult to make long-term projections with issues such as the Russia-Ukraine war, trade, and even weather disrupting prices around the globe, new developments show promise in critical food areas. A recent deal between Russia and Ukraine promised a continuation of shipments of wheat out of the country, and as a key supplier for the world, this quickly sparked belief in an upcoming decrease in wheat prices. The first shipment actually left Ukraine yesterday. The excitement around this event was tempered as Russia quickly attacked the key port of Odesa in a move that seemed to hamper prospects of the deal, but with the first wheat shipment since the agreement being shipped out, there may be a promise of improved prospects for wheat in the future.

Meanwhile, particular foods such as avocados have drastically fallen in price recently, with Mexican avocados experiencing a decrease of 27% between June and July, and Colombian avocados falling even more at nearly 40%. Another good sign comes from The United Nations Food and Agriculture Organization's food price index, which fell for the third month in a row back in June. This index records the monthly change in global prices of food commodities.

Natural gas may be starting to decline for several reasons. With Russia shipping more of the critical energy source into China, demand from other sources is likely to be decreased, which may help prices start to balance out. Likewise, with the EU preparing to rely less on their typical supply of natural gas, demand has decreased, which bodes well for lower prices. And while there are increasing signs of inflation relief, the global economy is still experiencing volatility due to many different variables. As history has proved, predicting long-term trends can be difficult, but we are seeing trends that should help support consumer spending and overall health in the coming year.

Three Things

Could TikTok Take Over Music Too?

While TikTok is already recognized for its ability to popularize music trends, it looks like the platform may be preparing to further its influence on the music industry, and rival the likes of established titans like Spotify, Apple Music and Pandora. Insider discovered patent filings made by TikTok's parent company ByteDance, for a trademark regarding "TikTok Music." The filing details a service that would allow users to purchase, download and play music, as well as share their suggestions with others. This sharing feature would extend to creating and sharing playlists, as well as commenting on music, with live stream audio and video support provided.

Have You Heard About Megachips?

You should already be aware of microchips, the small yet powerful technical components that are responsible for the speed and technical capabilities of modern devices. In recent years, the technology to create and maintain these devices has ramped up with increasing speed (Google Moore's Law), and while the goal so far has been to make microchips even smaller, current technological feats cannot keep up with the demand. In response, engineers are beginning to go against the downsizing trend, by stacking microchips together to add performance and power, dawning a new era of the resulting "megachip."

Meta Snubs High-Quality, Legacy New Publishers in Favor of "Creators"

In 2019, Facebook (now Meta) made deals with several U.S. publishers (that have since totaled over \$100 million), to pay for news content to be on their site. The time to renew these annual deals is fast approaching, but it appears that Facebook is moving away from its previous intentions of bolstering the news content on its platform. Instead, Facebook is now looking toward supporting creator content and investing in short-form video content to rival the likes of TikTok. This is also at least partly in response to increased regulatory efforts around the world to force platforms like Facebook to compensate publishers for news content shared on their platforms.

In the Know

Iraq Triggers Gulf War

While the Russian invasion of Ukraine shocked nations around the world, it also provided a haunting reminder of past incursions. On Aug. 2, 1990, Iraqi forces begin an invasion of Kuwait. Starting at about 2 a.m. local time, this invasion would quickly overwhelm the defense forces of the much smaller nation of Kuwait, and citizens, including government leaders like the emir (ruler) of Kuwait and his family, would then flee to Saudi Arabia. Kuwait is a nation rich in oil, and with this annexation, Iraq quickly gained control of about 20% of the world's oil reserves.

In response to this sudden conflict, the United Nations Security Council denounced the invasion in a unanimous decision the very same day, and swiftly imposed a worldwide trade ban with Iraq. This would eventually lead to Operation Desert Shield and Desert Storm, as a U.S.-led coalition of more than 35 countries would race to defend and then eventually reclaim Kuwait in a clash now referred to as the Persian Gulf War.

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