



## Basis Points – October 4, 2022

---

 [westwoodgroup.com/weeklyblog/basis-points-october-4-2022/](https://westwoodgroup.com/weeklyblog/basis-points-october-4-2022/)

### Above the Fold

---

#### OPEC+ Isn't Worried About Global Inflation

---

While much of the world continues to reel from damaging, ultra-high inflation, OPEC+ (Organization of the Petroleum Exporting Countries) is preparing to put further strain on global energy supplies. West Texas Intermediate oil is currently trading over \$83, well above its average trading price of around \$60 between 2014 and the beginning of 2022, while natural gas, at \$6.5, is more than double its average price during that same period. Despite these facts, OPEC+ is considering a cut of 1 million barrels a day in overall production during their meeting tomorrow — the most dramatic of its kind since the pandemic began. The cartel, whose purpose is purportedly to balance supply and demand, seems more concerned about money than balancing a marketplace that is already elevated in price, especially as many countries slip into recession.

Industry watchers see the move as a slap in the face to western nations struggling to keep energy costs down, and obviously would offer Russia additional financial aid to fund their faltering war with Ukraine. On another level, the announcement supports arguments that demand has fallen due to quickly deteriorating economic conditions and will continue to do so over the coming year. A cut by OPEC+ now could also further damage oil demand in the coming months, essentially backfiring their plan to try and hold energy prices high. OPEC+ member countries currently produce 40% of the world's oil and their exports represent up to 60% of the oil trades globally, according to the [EIA \(U.S. Energy Information Administration\)](#).

## Three Things

---

### U.K. Government Walks Back Some of Tax-Cut Plan

---

Just over a week ago, British leaders, under the guidance of new Prime Minister Liz Truss, announced a sweeping (costly) tax-cut plan to jumpstart its ailing economy. The declaration sent the pound diving, bond markets into a tailspin and drew ire from Conservative Party lawmakers — with a heavy focus on cutting the top 45% income tax bracket for wealthy Britons. On Monday, U.K. Chancellor of the Exchequer Kwasi Kwarteng announced the removal of that tax-cut from the new policy package in hopes of calming markets while gaining support from other party members and the public at large. Its real impact on reducing the cost of the program is minimal, however.

### Remember All Those Backed Up Cargo Ships?

---

In the span of a few months, many global cargo routes and ships have gone from jam-packed to relatively scant. Trans-Pacific shipping rates have plummeted roughly 75% from year-ago levels, and transport cancellations for the month of October are leaving many ships and containers empty or sitting idle. The downturn is further proof that central banks' efforts to slow global inflation is working. Costs to ship have dropped dramatically, with daily freight rates now averaging \$3,900 to move a single container across the Pacific, versus \$14,500 in early 2022, and more than \$19,000 in 2021 (data from Freightos Baltic Index). Not only are prices dropping, but backlogs have mostly disappeared, meaning that many logistical challenges are also being resolved.

### Tesla Showcases New Humanoid Robot

---

At its annual AI day, which is mainly a recruiting event, Tesla revealed a [life-sized robot](#) that walked out on stage and performed a few dance moves. Though still in its prototype phase, Elon Musk said that consumers will be able to purchase their own robots within three to five years and it will “cost less than a car.” The move was largely seen as a means of getting the public to view Tesla as more than just a car company. Those close to the project say the robot will be able to lift

heavy items and work in dangerous factory conditions, reducing human injuries. Tesla is reportedly working on special batteries and actuators that would allow its robots to work an entire day on one charge.

## In the Know

---

### OPEC's History

---

The Organization of the Petroleum Exporting Countries was founded in 1960 by five countries: Iran, Iraq, Kuwait, Saudi Arabia and Venezuela. Since 1965, the entity has been headquartered in Vienna, Austria, though Austria is not a member. As the years progressed and different wars and crises ensued, the cartel became increasingly powerful, using their stranglehold on global markets to manipulate (in their words, regulate) prices. In 2016, OPEC expanded to include 11 more states under OPEC+. These added oil-producing nations are not official members, but collude with OPEC initiatives, giving the cartel more power. Officially, OPEC has 13 [member countries](#). And ironically, the members themselves often disagree and often cannot work in complete unison due to everything from religious conflicts to budgetary constraints. Neither the U.S. nor China are OPEC members, but they are the world's top energy producers.

The information contained herein represents the views of Westwood Wealth Management at a specific point in time and is based on information believed to be reliable. No representation or warranty is made concerning the accuracy or completeness of any data compiled herein. Any statements non-factual in nature constitute only current opinion, which is subject to change. Any statements concerning financial market trends are based on current market conditions, which will fluctuate. Past performance is not indicative of future results. All information provided herein is for informational purposes only and is not intended to be, and should not be interpreted as, an offer, solicitation, or recommendation to buy or sell or otherwise invest in any of the securities/sectors/countries that may be mentioned.