



## Basis Points – October 6, 2022

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### Above the Fold

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#### Stocks Rally, Labor Market Shows Signs of Cooling

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The first part of the week brought out the bulls across nearly all sectors as the U.S. dollar weakened a bit and investors started feeling like the Federal Reserve might be starting to get enough evidence to warrant a slowdown to what's been a dramatic rate-hike trajectory. Monday and Tuesday brought the best two-day rally in more than two years, and a large portion of that may have to do with critical data that just emerged from the labor market.

Early this week, we learned that domestic employers slowed hiring dramatically as total job openings fell by 10%. The 1.1 million drop in openings is the largest experience since the beginning of the COVID-19 pandemic in 2020. The data was further supported by declines in the number of new jobs added in August — 315,000 jobs that month, compared with 526,000 jobs in July. September jobs data will be released Friday.

It's important to realize that these softening datasets don't mean the labor market has dramatically weakened, but it's certainly evidence that the Fed's policies, which tend to lag by months in their effects, are having a real impact. When taken into account along with other factors, such as large declines we are starting to see in home prices, along with falling input and commodity prices, the Fed may offer a little less of a hawkish statement when it meets for the last time this year on Dec. 13.

## Three Things

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### Musk-Twitter Deal is Back On!

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In a surprising twist (maybe not so surprising with Elon), Mr. Musk offered to close his \$44 billion purchase of Twitter on the terms of the original agreement. Twitter confirmed and also agreed to his proposal and said it intends to finalize the transaction at the original price of \$54.20 a share. Elon Musk had already lost several procedural hearings leading up to a five-day non-jury trial that was set for Oct. 17. It's likely that he wanted to end the costly and time-consuming battle, as sources close to the matter say that his attorneys advised him there was little chance he would be able to fully back out of the purchase.

### Meta Starts Shrinking, Reconfiguring Offices

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Facebook parent Meta announced that it will scale back the size of its offices around the globe as it works to find harmony in the new hybrid-work era. John Tenanes, vice president of global facilities and real estate at Meta, said that the company will also reconfigure workspaces to bring employees closer and "recalibrate our space." The news comes alongside a company-wide hiring freeze announced by CEO Mark Zuckerberg last week and is likely to further impact the commercial real estate market as peers also adjust their need for physical workspaces.

### India Capturing More Manufacturing Market Share

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With China's zero-tolerance COVID-19 policies and growing tensions with the U.S., more American companies are looking to India to produce parts. Apple had already begun moving key production facilities to the south Asian nation, and Nikkei Asia just reported that the company will also move some of its AirPods and Beats headphone production to India as soon as 2023. AirPods were one of the earliest Apple products to be mass produced outside of China, shifting to Vietnam in 2019 after the U.S.-China trade dispute began. It's likely India will continue to garner manufacturing business as corporate leaders look to create logistical hedges to reduce disruptions.

## In the Know

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### What Will Elon Do With Twitter?

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Now that the deal is moving forward, there are all sorts of ideas floating around about what a visionary like Musk could do with a company that's struggled to generate substantial revenue. By taking the company private, Elon and his team will have more flexibility and less scrutiny to make changes quickly. The biggest change pundits see is a migration away from the advertising model (which currently generates 90% of revenues) and into a subscription-based service. He also is expected to lengthen the 280-character limit and eliminate scam and spam bots, which currently plague the company. His "edit" button idea is already in the works, and it's also possible that Musk will bring Twitter back to the public markets again to capture profits and capitalize on the work he's done ... if he's successful, of course.

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