



Basis Points – October 25, 2022

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Above the Fold

Will Xi Jinping's Unprecedented Third Term Add Stress to Global Markets?

China's Xi Jinping, the country's most powerful leader in decades, has awarded himself a third term. The move feels eerily similar to what Russian leader Vladimir Putin managed to accomplish in 2008 and 2020, allowing Putin to remain in power until 2036. Like Putin, Xi ditched China's presidential two-term limit in 2019, effectively allowing him to rule indefinitely. And given the recent realignment of leadership, he's garnered even more power to execute his agenda. For now, a third term is likely to mean that the world will have to endure his increasingly aggressive policies from COVID-19 lockdowns to a quickly expanding military buildup. His renewed power comes as China's tensions with western nations grow as does its alliance with Russia — and Xi has been extremely vocal about his belief that “the world system is broken and China has answers.”

Experts are concerned that the current arrangement of power offers little room for discord or challenge to ideas that Xi wishes to execute, whether it be foreign or domestic policies. And because lower-level state politicians would likely commit political suicide by questioning Beijing's policies, there's also worry that China may have a hard time course-correcting if and when mistakes are made. Mr. Jinping is also expected to flex his influences abroad using the country's economic might and the global dependence on manufacturing and its other resources.

Three Things

Liz Truss' Short Reign Ends, Sunak to Fill Critical Role

Former U.K. Treasury Chief Rishi Sunak has taken over as Britain's Prime Minister at a time of economic turmoil. His appointment means that Britain has now had three different Prime Ministers in the course of only seven weeks. Sunak, at just 42 years of age, will be the first man of color and first Hindu to lead the nation. Mr. Sunak was a harsh critic of Ms. Truss' economic plans, calling them a "fairy tale." Sunak is a former hedge fund manager and certainly has his work cut out for him as the country slips into recession with the inflation rate topping 10%. His government is expected to take the opposite approach to Truss, by raising taxes and slashing spending.

China Announces "Surprise" GDP Growth

After the communist nation abruptly delayed the release of its gross domestic product, China's National Bureau of Statistics announced Monday that the world's second-largest economy grew at a rate of 3.9%, besting consensus estimates for 3.2% growth. While the headline seems positive, China's leaders remain strict when it comes to their zero-tolerance policy for COVID-19 outbreaks. The third-quarter number also fell short of its 4.8% growth rate in the first three months of the year, meaning that the country is facing increasingly harsh headwinds, focused heavily in the property/housing sector.

You'll Never Believe What Country is Getting a Tesla Discount

As certain raw material costs continue to drop, Tesla CEO Elon Musk announced a more than 9% price cut for most models. China is the world's leading electric vehicle market, and a crucial marketplace for Tesla vehicles, which faces enormous competition from domestic carmakers. The move was not welcomed by investors, who sold shares on the news. Mr. Musk has also warned of quickly declining prices of just about everything but lithium, and also warned analysts and investors of a "brutal recession." That said, Tesla's Shanghai plant shattered delivery records in September as the country's overall car market softened.

Waiting to Purchase a Home? Be Sure Your Down Payment is Working for You

It's no secret that the housing market is shifting from a seller-favored to a buyer-driven environment. Many would-be buyers are taking their time and have either already sold their homes or have their down payment saved and ready to go in case the perfect home comes along. Some have signed leases and are willing to wait a year or more.

Unfortunately, consumers often park these funds in a standard checking or savings account at their bank and could be missing out on interest as they await the perfect home. The typical home buyer who took out a mortgage in July made a \$62,500 down payment, up 13.6% from 2021 and nearly double the median from 2019. Parking that kind of cash could offer benefits like interest or otherwise, so be sure to have a chat with your financial advisor if you might be in a similar situation.

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