



Basis Points – April 13, 2023

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Above the Fold

Can We Finally Call It a Trend?

Inflation has been the bane of many Americans' existence since it began to surge past the critical range of 2% to 2.5% in early (April) 2021. Year-over-year (y/y) inflation continued to rise until peaking in July 2022 to a nosebleed level of 9.1%. At those levels, the purchasing power of the American consumer was disappearing quicker than the savings of the average person after the country opened back up after the pandemic. Nearly a year since the peak, the latest data from the Labor Department revealed that U.S. inflation, measured by the contentious Consumer Price Index (CPI), fell again to the 5% y/y level, the lowest in two years. The increase from February's

data was the smallest since May 2021. What's more, y/y inflation has decreased consecutively for nine months in a row since its peak.

So yes, we believe it's safe to say that overall inflation is surely trending lower and doing so at a fairly stable rate (prices are still increasing, however). Unfortunately, core inflation, which measures the costs of goods and services, but strips away food and energy prices, has been more volatile, and actually increased slightly in March. This is a bit perplexing as the core should theoretically be more stable; it also means that price increases may have gotten "stickier," which is another problem. That said, the latest CPI data was certainly a "Goldilocks" number investors obviously welcome. We are also seeing promising cost declines in global supply chains; hopefully, those reductions in cost will make their way to consumers. While we doubt this one report will heavily impact the Federal Reserve's decision making, it's yet another piece of news that supports the end of rate hikes ... for now. The Fed has raised interest rates nine times over the past year.

Three Things

Twitter Disappears

It may be one of the most popular brands in the world, but as a company, Twitter no longer exists. The high-profile company, which was purchased by Elon Musk for \$44 billion in October 2022, has been merged into X Corp, an entity created by Mr. Musk last year to facilitate the deal. The details and reasoning of the merger (which has not been formally announced) are being kept a secret by Musk, who is CEO of X Corp., and its parent X Holdings Corp. When asked for comment on the deal, Twitter responded with a poop emoji. In a related move, the eccentric CEO recently altered the sign on Twitter's San Francisco headquarters to read "Titter." Since the landlord wouldn't allow the removal of the "w," he had it painted the same color as the background.

Trouble in Commercial Mortgage Bonds?

With commercial vacancies soaring, the prices of bonds backed by commercial mortgages have fallen to levels not seen since the pandemic lockdowns. These bonds, also known as commercial mortgage-backed securities (CMBSs), have seen values drop (sending yields much higher) as investors prepare for possible defaults. And though CMBSs represent a very small portion of the U.S. debt market, their perceived fragility is raising concerns given the recent bank failures. Most are concerned that regional banks, who are under risk-microscopes at the moment, will be reluctant to generate these commercial loans, which could make it much more difficult for property owners to refinance and augment their debt loads.

NYC's Solution to Rising Crime: Digital Dogs

New York City Mayor and former NYPD captain Eric Adams is betting that robots will help tackle crime in the Big Apple. Initially, the NYPD will deploy a self-propelled, 5-foot-tall, cone-shaped robot called “K5” in Times Square that will provide real-time situational awareness and actionable intelligence through a multitude of sensors. The city also purchased two “Digidogs” that can climb stairs and get into tight or dangerous areas. Digidogs will also assist officers in hazardous situations or if a suspect is barricaded. The “dogs” cost \$750,000 but were reportedly purchased using money seized from criminals.

In the Know

Beware of “Juice Jacking”

The FBI (Federal Bureau of Investigation) issued its first warning about “juice jacking” in 2021. Juice jacking is the new term to describe criminals’ ability to compromise your mobile device via USB ports in public places. While you’re just looking to recharge, the hackers use the connection to infect mobile devices with malware and software, giving them quick access to your private information. As cases of juice jacking rise, the FBI is now urging consumers to “avoid using free charging stations in airports, hotels or shopping centers.” The FCC (Federal Communications Commission) is also [urging consumers](#) to avoid public chargers and “bring their own chargers instead.”

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