



Basis Points – June 1, 2023

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Above the Fold

Case-Shiller Makes a Very Bold Call

Earlier this week, Craig Lazzara, managing director and global head of the Index Investment Strategy group at S&P Dow Jones Indices, said that he believes the housing correction is over. The gutsy statement is particularly noteworthy as his company delivers some of the most followed measurements of U.S. residential real estate, via S&P CoreLogic Case-Shiller Indices.

Lazzara's prediction came on the heels of two small, but accelerating month-over-month increases in home prices. After seasonal adjustment, prices increased nationally by 0.4% in March compared with February. Nationally, home prices in March were 0.7% higher than in March 2022, but both the 10- and 20-city indexes, which measure America's largest metro areas, were both

down (seasonally adjusted) year over year. Before seasonal adjustment, prices rose in all 20 cities in March (versus 12 in February), and in all 20 price gains, accelerated between February and March.

While the data does sound optimistic, there are still a myriad of risks to housing as the jobs market has just started to turn sour and the effects of elevated interest rates, which may creep even higher, have yet to be fully known. Experts believe the lack of inventory and sellers' reluctance to list or even move, due to affordability, is what's holding prices up.

Three Things

Executives Warn About AI Dangers

More than 350 people, including many top-name executives and data scientists, have signed a dire [warning](#), issued by the Center for AI (artificial intelligence) Safety. The statement is very clear and ominous: "Mitigating the risk of extinction from AI should be a global priority alongside other societal-scale risks such as pandemics and nuclear war." The goal is to open discussions and address the most critical risks of AI and set mechanisms in place to prevent global catastrophe. The warning was even signed by Sam Altman, CEO of OpenAI, the company that created the popular ChatGPT.

America's Growing Influence Over Oil Prices

Brent crude, the price benchmark used by Europe and many other nations, will soon include oil delivered from Texas. The change in calculation should help balance, and hopefully lower, global prices as Brent field production continues to slow. It is also a reflection of America's growth as an energy production powerhouse. Just a decade ago, the U.S. exported about 134,000 barrels of crude a day. Today, daily exports in the first two months of 2023 averaged 3.7 million barrels, about the same as Japan's total demand.

Job Openings Reverse Course (For Now)

Just as home prices made a slight reversal in trend, U.S. job openings also saw an increase in April as demand for workers shows resilience. After three months of declines, the Labor Department reported a seasonally adjusted 10.1 million job openings in April, up from a revised 9.7 million in March. Job openings peaked at a record 12 million in March 2022 but still remain relatively strong compared to historical data. The number of layoffs also fell in April.

In the Know

General Motors' Failure

It was on June 1, 2009, that the venerable automaker General Motors (GM) filed for Chapter 11 bankruptcy. In what was the fourth-largest bankruptcy in history, GM's unique dissolution and reorganization was assisted by the U.S. Government and other powerful people and entities. The "old GM," which housed its liabilities, essentially died on the vine, while a new GM would be created (known as NGMCO Inc.). The new company was able to purchase the original company's best operational assets and brands in what's called a Section 363 sale. NGMCO Inc. was the only bidder for the assets, and it was owned by the United States Treasury (which owned 61%), the Canada Development Investment Corporation, Government of Ontario, Old GM bondholders, along with the United and Canadian Auto Workers unions. NGMCO Inc. changed its name to General Motors Co. when the sale closed.

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