



## Basis Points – June 8, 2023

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### Above the Fold

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#### Is Real Crypto Regulation Coming?

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The SEC (Securities and Exchange Commission) brought major lawsuits this week against two major crypto exchanges in an attempt to gain control over the largely unregulated digital currency/token market. On Monday, the regulator sued Binance, the world's largest crypto exchange, along with its founder Changpeng Zhao, alleging that both misused customer funds and operated an illegal crypto exchange in the U.S. The SEC brought a second suit on Tuesday against Coinbase, the largest crypto exchange in the U.S., alleging that it violated rules that require it to register as an exchange and be overseen by the federal agency. The Coinbase

lawsuit does not include any individuals but puts the company in a difficult operating position — its shares fell on the news, while its bonds moved into distressed territory. The company had been previously warned about possible violations and has been under investigation since last summer.

The critical element here, for Coinbase at least, is whether the SEC can prove that the 13 digital assets named, including Solana, Cardano, Polygon, Filecoin, The Sandbox, Axie Infinity Shards, Chiliz, Flow, Internet Computer, Near Protocol, Voyager Token, Dash and Nexo should be classified as securities and thus regulated (and enforced) under current rules and laws. Bitcoin and Ether, the two largest cryptos, were not listed. Coinbase allows investors to trade roughly 255 different digital tokens.

## Three Things

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### World Bank's Global Warning

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Earlier this week, the Washington, DC-based World Bank warned that high interest rates and the continued fallout from an ongoing banking “crisis” could trigger deeper problems for already “hobbled” global economies. The institution now projects that the world economy should expand just 2.1% this year after growing 3.1% in 2022. The growth of advanced economies, which includes the U.S., are predicted to slow to a rate of just 0.7% this year — a substantial drop from the 2.6% rate recorded in 2022 and one of the weakest growth periods in the last five decades.

### Apple's Vision Pro Looks to Dethrone Meta, Change the Game

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Apple's long-awaited, new mixed-reality Vision Pro headset is priced at a lofty \$3,500, making it the most expensive device in the retail-user field. The tech giant's high-dollar offering stands in contrast to the far lower-priced devices from competitors such as TikTok, Sony, Meta and even Samsung, but Apple believes that the Vision Pro's advanced technology and unrivaled experience justifies the high price tag. There is already rumor that Apple will introduce a lower-priced headset by 2025, but no formal announcement has been made.

### Commercial Mortgages Could Add to Economic Stress

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The Wall Street Journal is reporting that nearly \$1.5 trillion in mostly (roughly 88%) interest-only commercial mortgages is coming due over the next three years. Unlike regular mortgages that slowly pay down principal and interest over time, these interest-only loans will need to be paid in full or refinanced ... at the original principal amount. With rates more than double where they were just two years ago, the costs to refinance these loans could trigger defaults and/or further selling pressure in the already fragile commercial real estate market. Some experts also see potential bleed over into other parts of the economy.

## In the Know

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## Learning to Smile Again After COVID-19

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After years of hiding their faces behind masks for so many years, many people in Japan, especially Gen Z'ers, are reportedly taking classes and hiring coaches to learn to smile properly again. Demand for “smile practice seminars” and smile coaches has surged since Japan started to slowly lift its mask mandates earlier this year. The country is one of the last to relax official guidance on face coverings, but citizens are expected to continue to wear them as they were more culturally accepted even before the pandemic. In case you're wondering, the average cost for a smile coach is about \$55 per hour.

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