



Basis Points – June 22, 2023

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Above the Fold

Don't Bet Against America

Many analysts and investors alike continue to move money into domestic equities, pushing the S&P 500 14% higher this year, while a key global index, the MSCI All Country World (ex-USA), is only up just over 8%. What's interesting is that this outperformance comes as America's Federal Reserve (Fed) remains clearly in a restive state as it pertains to interest rates, while many of the world's economies are flipping the switch back to accommodation. And everything is relative, as Europe is slipping into recession, while China's big post-COVID-19 pandemic boom still has yet to manifest itself. There are a few exceptions when it comes to global woes. Japan's low-rate

environment and long-awaited economic expansion have pushed its most popular stock index, the Nikkei, up 28% to a 33-year high, while France is also experiencing a boom in its high-quality stock indexes as luxury brands thrive.

The primary drivers for America's stock market popularity are our resilient economy, the emergence and rapid expansion of artificial intelligence (which some are equating to the dot-com boom), and the fact that a large number of investors still believe that the Fed will quickly pivot from hiking or holding rates steady, to lowering them quickly back to accommodative levels. We don't necessarily agree that will be the case, at least not as fast as some believe, but for now, it's hard to deny the extraordinary "comeback" U.S. stocks are experiencing.

Three Things

Rivian Sees a Future in Tesla (Chargers)

Tesla's charging network's dominance got another boost this week as its rival startup Rivian agreed to expand access of Tesla's chargers to drivers of its electric vehicles (EVs). The deal also solidifies Tesla's charging port style as an industry standard, as other competitors such as Ford and General Motors both agreed to incorporate Tesla's charging port on future vehicles. And while this all sounds positive, there still is no standard for charging connector styles, and many current EV owners will have to purchase adapters to use Tesla's charging stations. Ironically, nearly all non-Tesla cars currently use the same, government-backed standard called the Combined Charging System, or CCS.

FedEx Flops

With the pandemic over, and Americans spending less on frivolous purchases, global shipping companies are now feeling a different kind of pain — less packages. FedEx reported its third-straight drop in quarterly revenue on Tuesday as demand for its services plummeted. Quarterly sales were down 10% for the logistics giant, which said it will combine its Express and Ground delivery services into a single business to cut costs. That process could take years to complete, as FedEx has more than 275,000 Express employees and more than 215,000 Ground employees in the U.S. alone. Profits were up compared to the same quarter last year. Executives do not see a major shift in trajectory but are hoping for ecommerce sales to pick up.

China Continues to Slash Rates, but Outlook Remains Dim

China's communist government is doing all it can to reignite a slowing economy. The country has actually been cutting rates since late 2021 and just this week lowered the one-year loan prime rate offered by banks to 3.55% from a previous rate of 3.65%, while the five-year rate, typically used to price mortgages, was cut to 4.2% from 4.3%. But with Chinese consumers and businesses laden

with debt, and the prospects for new jobs and economic growth low, economists don't see these cuts moving the needle. China's real-estate market also remains depressed and its government's policies have hurt trade, further hampering a turnaround.

In the Know

Checking in on America's Finances

From time to time, we like to check in on our country's financial health, and right now, things aren't looking so great. U.S. national debt is now over \$30 trillion, or more than 121% of GDP (gross domestic product). Back in 1980, debt was under 35% of GDP. America is currently generating \$4.69 trillion in federal tax revenue or an average of about \$14,000 annually per citizen. Our country's population is nearly 335 million, of which about 23 million are millionaires, and nearly 43 million are living below the poverty level. And while the median income has only risen \$4,000 to \$35,895 over the last 23 years, the median new home cost has gone from \$164,778 in 2000 to \$429,036 today.

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