Basis Points – April 23, 2019

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Above the Fold

Stocks continued their climb late last week into some slight weakness Monday, as the bulls remain in control. As equity momentum continues, market pundits have begun cautioning investors on the effects of decreasing volume…which just so happens to be typical going into the summer months.

To be fair, the lighter volume can be interpreted as “lower conviction,” but it can also indicate that investors are positioned where they need to be and simply don’t feel compelled to trade in and out of stocks. In other words, traders who are long are staying long until they are given a reason not to be.

Lower volume can also be noted in times of lower volatility and during periods when people are concerned less with investing and more with other matters such as holidays, travel and vacation. With winter weather breaking across the nation and the Easter holiday just behind us, what the low volume traders are observing is more likely happenstance rather than some ominous sign.

So while low volume and other market signals shouldn't be ignored, it's always important to put them into context. We realize that investors' resolve can be tested as the impact of information overload and social media hype feeds our inclination to trade on headlines. Combined with the rise of algorithmic and automatic trading, our markets have become more volatile and reactive than they need to be. So while some may be quick to jump, duck, crawl or run, we strive to keep a sustainable, metered pace through what can sometimes be a hectic market race.

Earnings results and economic data continue to support an overarching bullish thesis — we will be sure and alert you when these themes shift.

What's Ahead

Thirty-one percent of the companies in the S&P 500 and 40% of the Dow 30 report results this week, including Microsoft, Facebook, Boeing, Caterpillar and Amazon all on Wednesday alone. The government will report durable goods and advance GDP numbers Thursday and Friday, respectively.

Three Things

1. *To Scoot or Not to Scoot – As a business popularized barely a year ago, electric rental* Scooters are the latest ride-sharing craze. While convenient, they are also wreaking havoc on many major cities as thousands of the devices are being abused, dismantled and "left for dead," blocking traffic and creating blight. And while scooter makers Bird and Lime are still commanding lofty valuations, investor demand seems to be cooling even though many speculate that Uber could purchase either.
2. *Options Traders Jump on Bullish Bandwagon* – The VIX, an index that measures market volatility fell a record 12% in April as investors remain bullish. As a popular contrarian trade, many traders will bet that the VIX will rise when it drops to the low levels we are seeing now, but that's not the case today. Traders and hedge funds continue to bet against the VIX, a sign that they believe this rally will continue.
3. *Beer, Cheese and Ketchup?* – Miguel Patricio, former leader of brewer Anheuser-Busch InBev, will take over as CEO of Kraft Heinz Co on July 1. The young executive promises to shift Kraft Heinz strategy after years of cost-cutting and a recent SEC investigation left the foodmaker lagging analyst expectations.

Did You Know?

Numerous studies have found that consumers have a propensity to spend more when we use credit cards versus cash — usually about 16%. One MIT study found a 100% increase in dollars spent with plastic (or metal as some cards are). The studies revealed convenience is the main factor as a finite amount in your pocket means that's all you have to spend as opposed to potentially thousands of dollars in spending power that can be unlocked immediately with cards.

Psychology today also blamed a phenomenon called coupling — when spending with cash, you typically pay the full amount immediately and physically hand over the cash. With cards, the “pain” of paying is not only delayed, but spread over a period of time.