



Basis Points – May 7, 2019

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Above the Fold

It's been a busy few days for the market as elation over a much better than expected jobs report Friday turned into heavy selling pressure over the weekend into Monday. As tensions in the Middle East escalated, the Trump administration surprised investors with a series of tweets Sunday signaling a potential hiccup in trade talks with China. Through Twitter, President Trump announced tariffs on \$200 billion of Chinese goods would rise to 25% from 10% previously.

The President and supporting sources indicated that trade talks were continuing, but not as quickly and favorably as the administration would like. Some experts believe this could be a tactic to motivate China to agree to more of U.S. demands as the communist country's economy has

been showing signs of slowing. Chinese authorities indicated that a large trade delegation will still visit the U.S. Wednesday and work to resolve the one-year standoff that's added a factor of global volatility to the marketplace.

Oil prices slid, gold prices rallied and global equities moved lower on average after the news.

What's Ahead

Investors will be focused on any updates from U.S. China trade-talk as earnings season begins to wind down. We will also hear commentary from Fed Chair Powell on Thursday morning, followed by inflation data from the PPI (Producer Price Index) that same day and CPI (Consumer Price Index) on Friday. Consensus expectations for PPI and CPI are 0.2% and 0.4%, respectively.

Three Things

1. *50-Year Lows* – April jobs data from the Bureau of Labor showed 263,000 (seasonally adjusted) jobs were added in the month, sending unemployment to a low not seen in half a century. Job growth was evident across the vast majority of sectors, but wage growth was relatively stagnant at 0.2%.
2. *Metal Malaise* – The prices of aluminium and other base metals such as copper, tin, zinc and lead have been sliding as of late. Trade uncertainties, a stronger U.S. dollar and global growth concerns have all contributed to the weakness. U.S. factory activity in April declined to the lowest level since late 2016. Some experts believe this weakness is transitory, especially if the U.S. and China reach a trade deal.
3. *Warren Wagers on Wind* – Berkshire Hathaway's founder said that the company plans to "put a lot of money" into the energy space. Executive Gregory Abel noted an expansion in renewables like wind, and that its Nevada utility will eliminate coal from its power-generation complex by 2023. But traditional energy isn't off limits as Berkshire committed \$10 billion in Occidental Petroleum late last month.

Did You Know?

The Ford F-Series has been America's best-selling truck for 42 years in a row, but the iconic truck and the brand's other well-known vehicles, such as the Mustang, might have never been created if not for a loan denial (you read correctly).

Back around 1907, William C. Durant acquired more than 20 companies, including Buick, Pontiac, Cadillac and Oldsmobile, to be part of his new holding company called GM. In 1909, Mr. Durant offered Henry Ford \$8 million for his company, \$2 million in stock, \$4 million paid out in installments at 5% and \$2 million in cash — Ford agreed. Unfortunately for Durant, National City Bank turned him down for the financing and a year or so later, he was ousted from GM altogether. But not all was lost; Durant later founded Chevrolet and re-took control of GM.

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