



Basis Points – May 30, 2019

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Above the Fold

Continued trade concerns and post-election political shifts across the European Union (“EU”) added to near-term uncertainty in global stock markets. Across the pond, the Euro bloc saw a change from a centrist majority to an increase in far-right, and an even larger jump in liberal parties — distancing the likelihood of common ground. Parties like the “Greens,” who support environmental causes, took 69 seats in the European Parliament, giving them a huge boost in representation, making them the fourth largest voting bloc in the EU. Experts believe the results could spell gridlock for initiatives or at least complicate things for the EU moving forward.

Voters in the U.K., who were already supposed to have left the EU in March, also took part in the elections and after several delays, solidified their plans to leave in October by giving the Brexit party, led by Nigel Farage, a majority vote.

Chinese media fueled the ongoing trade dispute with threats of rare-earth mineral export restrictions. Rare-earth minerals are used in all sorts of products from batteries to phones, and China is responsible for 80% of global production. Chinese and Australian rare earth producers were rallying on the news.

What's Ahead

Tomorrow, we will get readings on personal spending and core Personal Consumption Expenditures Price Index, which are both expected to rise 0.2%, while Chicago Purchasing Managers Index is projected to increase to 55.1. Revised University of Michigan consumer sentiment is set to remain strong at 102.

Three Things

1. *Long Runway for Boeing* – While the Boeing 737 Max could remain grounded for another three months, CEO Dennis Muilenburg noted that bigger challenges still remain as the aircraft maker rebuilds its reputation and “tailors” existing plane orders in the wake of two devastating accidents. More than 400 airplanes remain idle.
2. *Robocall Rebuff* – The FCC is proposing a solution that would finally allow phone companies to stop the billions of annoying robocalls Americans receive annually, but several entities, including debt collection trade group ACA International, The American Association of Healthcare Administrative Management, the American Bankers Association, and others are fighting to keep the lines to your phones open — for legitimate purposes, of course.
3. *GM Mustang?* – With the proposed Fiat Chrysler/Renault merger, investors have begun to speculate about a General Motors-Ford tie-up. Both companies have been cutting costs over the last few years and both have their own strengths (GM more so than Ford), so combining their strengths, mitigating weaknesses (mostly on Ford’s side) and creating efficiencies is a strategy that some believe might be a good idea. Regulators would have to approve the deal, and would possibly force the spin-off of some brands.

Did You Know?

Socking money away in mattresses or safes can rob you of precious value as the worth of a U.S. currency note has declined an average of more than 2% annually. Even money in a savings account earning interest has a hard time keeping up with inflation, especially during economic boom periods. Hard assets and investments can help protect against inflation as they allow you to capture it — here’s an example:

In 1913, \$100 was about two months’ salary, while the average home cost about \$3,000. If you kept a \$100 bill from 1913, it would still be worth \$100 today unless you happened to own a collectable. With inflation, you lost more than \$2,607 in spending power holding onto that bill.

If you used the \$100 toward a down payment on a \$3,000 home, you would have captured a 7,717% Return On Investment (“ROI”) assuming the median home sales price of \$234,500. And if you bought a \$3,000 brownstone in NYC, where the average home is selling for \$700,000, your total ROI would be more than 23,233% — far outpacing inflation.

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