



Basis Points – June 27, 2019

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Above the Fold

All Eyes on Osaka — G20 leaders will meet in Osaka, Japan, this week. The idea of the “Group of Twenty” was formed in 1999 in the wake of the Asian financial crisis. Annual summits between G20 heads of state became the norm in 2008 as leaders then worked swiftly and cohesively to deal with a growing global recession. All told, the nations of the G20 account for roughly 80% of global economic output, nearly 75% of all global trade and about two-thirds of the world’s population.

These summits are meant to bring world leaders together to find common ground and work through some of the world’s toughest issues that impact humanity, finance, the environment and more. In the past, G20 meetings have been productive as leaders work exhaustingly to forge new

alliances, initiatives and agreements that will make life better for all — but many experts now say the path to multilateral agreements may be harder to come by.

At the last G20 meeting in Buenos Aires in December, leaders of the globe's largest economies agreed to overhaul the body that regulates trade disputes by reforming the Geneva-based World Trade Organization. It was at this meeting that President Trump and Chinese President Xi Jinping agreed to a 90-day trade battle truce. And while it might seem like progress was made, the December meeting was certainly a “low output” event.

Hopes for this week's meeting are much higher as a near-record number of trade barriers were imposed between October 2018 and May 2019, covering \$335.9 billion worth of trade alone. In addition to the U.S.-China trade dispute, Brazil, Canada, Mexico, South Korea and European Union member nations have all been affected to varying degrees by U.S. tariffs on metals. Canada is also struggling with numerous import bans by China, including a series of canola and pork embargoes.

After a selloff early in the week and earnings starting to trickle in, the U.S. and global markets will look to the G20 for some resolutions to global trade disputes that are burdening already fragile growth. Trump and Jinping are set to meet on the sidelines of the summit, but the nature of that meeting is unknown. Communications between the two countries have continued, but no deal has been reached yet — many hope G20 meetings will help break the stalemate.

What's Ahead

Today is day one of the G20 meetings — look for headlines to trickle in early and likely build as the summit goes on. Tomorrow we get data on Personal Spending, Chicago PMI and the Revised University of Michigan Consumer Sentiment. Analysts expect 0.5% growth in spending, a 54 reading on Chicago Purchasing Manager's Index (PMI) and a strong 97.4 final sentiment number.

Three Things

1. *FedEx Sues U.S. Government* – Delivery giant FedEx filed a lawsuit arguing it should not be required to “police” packages and enforce federal government bans. In a statement, FedEx said the U.S. Export Administration Regulations “violate common carriers’ rights” by making delivery companies liable for shipments that may violate U.S. restrictions. “FedEx is a transportation company, not a law enforcement agency.”

2. *Water Fight* – Embattled flavored water brand LaCroix (owned by National Beverage) is fighting to regain sales as competition increases amidst a legal battle over its ingredients. LaCroix is using social media to defend its ingredients as “certified natural” and its can liners as “BPA-free.” But competition from Coca-Cola owned “Topo Chico,” and Pepsi’s “Bubly,” are just a couple of the newcomers bent on taking market share away from LaCroix.
3. *Bitcoin Tops \$11k, but Not Everyone is Bullish* – The Wall Street Journal (WSJ) reported that hedge fund and other professional traders aren’t buying bitcoin, but rather betting on its demise with futures. According to a report from the Chicago Mercantile Exchange (CME), money managers held 14% more “short” positions last week than “long.” The WSJ speculates that individual investors, who might not be as well informed, are taking the long side.

Did You Know?

When you look up at the night sky, it might not be just stars (and the occasional plane) that you see. The space just above Earth is littered with nearly 5,000 electronic devices, ranging in size from a 15,200 pound behemoth with a 106-foot wingspan to tiny, palm-sized “sprites” weighing just 5 grams — and many more are coming...

SpaceX’s most recent launch lofted 24 new devices into orbit. On its prior mission, 60 500-pound internet satellites were launched that will orbit in a cluster, looking like a constellation. In fact, the company anticipates launching thousands of new satellites called Starlink that will offer global internet connectivity, and a new revenue stream for SpaceX.

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