



Basis Points – August 29, 2019

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Above the Fold

The Diversification Game is Changing

One of the oldest “tricks” of defensive investing was to diversify your portfolio — buying different types of stocks in different sectors and maybe a few other assets to balance out your risk. The thought is that when a riskier stock is down, a more defensive stock might be down much less or even up. This helps reduce volatility of your portfolio overall. Unfortunately, diversification may require a little more skill moving forward as a greater number of assets are moving in unison.

During the last 11 trading days, *all* of the S&P 500’s sectors have risen or fallen in unison, with some commodities like oil and even some bond yields also mimicking the moves of the broad stock index as well. We’ve seen these frustrating patterns before, during periods of market volatility and uncertainty. The good news is that professionals have methods to help deal with high correlation through a process of detailed asset selection and a more active style.

And while most economic signals point to a healthy American economy, trade war risks and global uncertainty may require investors to take an extra close look at their portfolios and take a more proactive approach to ensure they are properly diversified.

Three Things

1. *Democrats are “Liking” Facebook* – With the next presidential race heating up and Democratic hopefuls looking to stay in the game (and in the debates), many are turning to the auction-style Facebook ads to generate needed donors. According to the Wall Street Journal, Democratic presidential campaigns have pushed the cost of obtaining an email address into nosebleed territory, noting one example where an ad that usually trades between \$5 and \$9, now costs \$279.
2. *China Yields to Japan* – For nearly 27 months, Chinese entities have held the most in U.S. Treasury securities, with the latest June reading at \$1,112,500,000,000. But the latest data show Japan is now the largest owner of U.S. debt at \$1,122,900,000,000. Of course, no one owns more than the Federal Reserve, whose balance sheet totaled \$2,110,256,000,000 in late June.
3. *Policing Your Ring Device* – Amazon-owned Ring, maker of doorbells and security cameras, has quietly partnered with more than 400 police forces across America. The collaborations grant access to your surveillance videos for use in investigations to “make neighborhoods safer.” And while this might seem intrusive, the police must request permission for your video(s) and would *not* have ongoing access to your account or live recordings.

Did You Know?

How you dream, or more specifically, in what color you dream in, could be determined by your age and whether you grew up watching any black-and-white television. A study conducted a few years back found that most people born after 1983 typically dream in color, while those born in 1953 or earlier tend to dream in black-and-white about a quarter of the time. The study went on to find that in order to truly dream in grayscale, one might have had a fair amount of exposure to black-and-white media. One might wonder how vivid our dreams may become as we are exposed to more computer-generated imagery displayed in 4k and/or 3D.

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