



## Basis Points – September 5, 2019

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### Above the Fold

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Over the long term, stocks are driven by objective financial data, mainly in the form of earnings and economic growth. Over shorter durations, subjective emotions, reactions to headlines, chart patterns and even the weather can irrationally impact prices and add to volatility. As smart investors, it's critical that we stay focused on the long game using both empirical evidence and the fine details beneath the bold headlines to forecast the most probable outcomes.

The latest headline likely to alter market trajectories in a positive way was the withdrawal of the controversial extradition bill by Hong Kong leader Carrie Lam. The proposed law not only challenged the quasi-autonomy of the region, but also sparked massive, often violent protests that many worried could lead to a Chinese military intervention or worse, a repeat of the Tiananmen Square Massacre.

Hong Kong has been climbing the ranks as the world's financial capital behind New York City and London. The Asian coastal mega-city boasts the highest concentration of banking institutions globally, and its laws and tax system are highly conducive to business. Unfortunately, recent instability has many ultra-wealthy seeking financial and residential alternatives, especially as Hong Kong nears recession. Let's hope that the damage done during the last few months can reverse itself as the health of Hong Kong will certainly have an impact on global markets. Stocks are rallying on the news.

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## Three Things

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1. *Factory Jitters Temporary?* – The ongoing trade war sent the U.S. manufacturing sector into contraction mode for the first time in three years. Though global factory output has been slowing, supply chain executives noted trade as the “most significant issue” for output.
2. *Ammo Shot Down at Walmart* – Executives at the world's largest retailer will be removing all handgun and short-barrel rifle ammo from shelves. The company also asked that customers no longer openly carry guns (in states where legal) in its stores. Enthusiasts will still be able to purchase long-barrel rifles, shotguns and ammo for both in about 3,900 of its stores.
3. *Brexit Takes a Break (Maybe)* – British Prime Minister Boris Johnson was dealt a major blow as conservative lawmakers defected and upended his plan to suspend parliament and force a “no-deal” Brexit by Oct. 31. The Prime Minister may use a snap election to gain conservative votes and get Brexit done before November, but there is a chance of delay if Members of Parliament vote to avoid a no-deal Brexit.

### Did You Know?

We often think of space being devoid of, well, everything. But did you ever think about what space smells like? According to several astronauts, empty space actually smells like “hot metal,” “welding fumes” and sulphurous-like gunpowder. A few even described the smell similar to a “seared steak!”

NASA has contemplated the recreation of orbiting odors to minimize sensory overload while hundreds of miles above the earth, but those efforts never came to fruition. What they do know is that many of the smells in close orbit are likely generated from Earth itself, while those contained deeper in the clouds of the Milky Way are ethyl formate — an ester that smells like rum and helps give raspberries their flavor. And for those of you who might be thinking of a Caribbean-style cocktail, it'll be tough to enjoy at -455 Fahrenheit (the temperature of deep space).

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