



Basis Points – October 3, 2019

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Above the Fold

Earnings Season Kicks Off, Sentiment Remains Tempered

The stock market is an often-flawed, forward-looking (typically three to six months), blended gauge of economic and corporate profitability. But as yields become increasingly more difficult to achieve, a greater number of investors must look to equities for return. This not only decreases the correlation between economic and stock values, but also acts as a crutch for stocks.

And while worse than expected economic data, which is what has been moving stocks lower as of late, or an overall disappointment with earnings results (unlikely this quarter) could send shares momentarily lower, falling yields globally and a universal desire for quality investments should

continue to support the prices of many American companies. Sure, there's a risk that bond yields could magically rally substantially and draw assets away from stocks, but we believe the chances of that happening over the next six months are minimal at best.

As stocks enter the Q3 (third quarter) reporting season, the bar is set extremely low, and many market participants are OK with that. Analysts are expecting negative growth of nearly -5% for Q3, with a profitability rebound in Q4.

Three Things

1. *The New Voice of Alexa* – For \$1, you can let Samuel L. Jackson into your home, as the gifted actor will be the first celebrity voice featured on Amazon Alexa devices. Just be sure you check your settings as an explicit version is also available. More voice options are expected to follow soon.
2. *Companies Getting Cold on Crypto* – Facebook's plan to roll out a cryptocurrency-based payment network called "Libra" is seeing some pushback. According to the Wall Street Journal, some members of the Libra association may be getting cold feet. Mastercard, Visa and other financial allies are reportedly backing away, leaving Facebook scrambling to keep its plans in motion.
3. *UPS Now Drone-Approved* – The global package shipper received the first of its kind Federal Aviation Administration approval to assemble and launch a fleet of unmanned aircraft delivering health supplies across North Carolina hospital campuses. The endorsement should open the door for regular deliveries in suburban and rural areas with no limits on the size and scope of operations, although urban areas will remain a no-fly zone for now.

Did You Know?

Coffee

Besides water, beer and tea, coffee is one of the most consumed beverages in the world. Coffee generates tens of billions in sales annually, and America is the top consumer of java, as 83% of us drink it. Nearly 65% of Americans enjoy at least one cup of coffee each day, and spend an average of \$1,110 per year to get our caffeine fix. 7-Eleven sells 10,000 pots of coffee an hour, every hour, every day.

Despite all this apparent demand, coffee prices at the wholesale level, about \$1.01 per pound, are trading near record-low levels. Current values mean that many farmers (in Brazil and Vietnam) are making next to nothing or even losing money on their crops. Experts are hoping that specialty

coffees, outside the typical Robusta or Arabica variants, will help struggling farmers regain their footing.

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