



## Basis Points – October 15, 2019

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### Above the Fold

#### *Trade Deal 1.0*

As is often the case in life, what the bold print giveth, the fine print taketh away — and that holds true for the recent trade deal with China. While it's true that China has agreed to buy as much as \$50 billion from American farmers over the next two years, the agreement reached on Friday is more of a truce than a deal that benefits either side. Regardless, it's a step in the right direction. Part of this “first phase” will stop tariff escalations that are impairing both countries, and much of the world for that matter. There's hope that as talks continue (as all parties anticipate), tariffs will not only be halted, but also removed.

The new accord, which should help restore at least a modicum of global economic confidence, comes at a critical time where a great number of developed nations are dependent on the health of one another, especially when it comes to trade. The next steps are not going to be easy as they must address China's lack of intellectual property protections and foreign financial services, as well as technology theft and prejudice against American companies. To ensure promises by both sides are kept, there will be a new process to address disputes and monitor enforcement. Let's hope the forward progress continues.

## Three Things

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1. *Chinese Brands Gain Market Share* – Just eight years ago, 70% of China's smartphone sales were produced by foreign entities. Today, nearly 84% of smartphones sold in the mainland are domestic brands. Data shows that Chinese consumers are less "excited" about western brands than they once were, and experts believe that domestic companies are producing better products with superior marketing. A growing sense of nationalism as the trade war drags on is also contributing to the shift.
2. *Will Robots Create Fake News?* – Software created by tech heavyweights is now able to create genuine-sounding articles without the aid of a writer. OpenAI's GPT-2 (Generative Pretrained Transformer 2) language model scans millions of websites, using over 100 processors to produce a grammatically correct, readable story all on its own.
3. *Credit Card Rates Upside Down* – Even though interest rates are tumbling across most products, credit card companies are charging more than they have in two decades as the average rate is now about 17%. Even though it seems that many rewards programs and travel perks have gotten less exciting, the [cost](#) of these perks is the likely culprit for rising rates. According to WalletHub.com, lenders' rate markups have increased from 10.06% two years ago, to 11.72% today.

## Did You Know?

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### *Bailout Perspective*

The Great Recession not only triggered hundreds of corporate failures and thousands of personal [bankruptcies](#), it also cost the country and many others untold billions. According to a pair of PhD students at the University of Missouri, they assessed the total size of the Federal Reserve (loans and asset purchases) bailout at a staggering [\\$29 trillion](#), far greater than many estimates. At the other end of the spectrum, Deborah Lucas of the MIT Sloan School of Management [estimated](#) the real cost (losses) of the bailout at just under \$500 billion.

The consensus estimates are all over the place, but most seem to believe that the total monies spent or guaranteed by the U.S. to prop up the financial system and economy are upwards of \$8 trillion. If that's the case, the Great Recession bailout cost more than the Marshall Plan, the

Louisiana Purchase, the race to the moon, the Savings & Loan bailout, the Korean War, FDR's New Deal, the Iraq War, the Vietnam War and NASA's lifetime budget combined, according to FactRetriever.com.

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