



Basis Points – October 17, 2019

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Above the Fold

QE Back Again?

When the U.S. was deep into the last financial crisis, and after the Federal Reserve (“Fed”) had already dropped rates to zero, they realized more had to be done. In 2009, the Fed launched its first round of “quantitative easing (QE),” which is a fancy term for the outright, eventual purchase of more than \$3.6 trillion worth of government bonds and mortgage-backed securities. The goal was to stabilize financial markets and ensure that interest rates, including those our government pays on bonds, remain low. It’s kind of like having your own shill in the crowd of an auction to manipulate prices; but hey, it worked (so far), and many economists believe it was the right thing to do. Now the Fed is back in the bidding game — but they don’t want us to call it QE.

Federal Reserve Chair Jerome Powell just announced another round of treasury securities purchases to begin “soon.” We don’t yet know how big this buying program will be, but Mr. Powell emphasized it will be much smaller than the last three rounds of QE. The Fed’s balance sheet is still four times what it was before the Great Recession, but it seems the central bank is working to get ahead of the next recession — a good thing for our economy. Ironically, regulatory and market structure changes have increased banks’ reserve demands, fueling this need for central bank intervention.

Three Things

1. *Just Stay Out of the Water* – The Woods Hole Group was hired to study methods of deterring sharks in the waters off Cape Cod. The 192-page, \$50,000 report explored everything from seal breeding to kelp-forest barriers to protect swimmers. Unfortunately for beachgoers, the only fail-safe solution was to “modify human behavior,” or more specifically, don’t swim in the ocean.
2. *Amazon Offering Health Care Travel Benefits* – Amazon recently joined a growing list of employers offering to pick up the travel expense tab for workers seeking more affordable, higher-quality or specialized health care that might not be available locally. More choices could mean more competition at the local and national levels, helping to control rising costs.
3. *The Death of Blue-ray* – All-digital, streaming services are killing sales of Blu-ray players and discs. Electronics giant Samsung will no longer sell players as Blu-ray’s doomed fate becomes more of a reality just like the VHS, Betamax, cassette and even DVD. Some consumers and collectors are likely to keep the secondary market alive for this high-quality video format, but many are banking on a shift to cloud storage or streaming options.

Did You Know?

White Planes

It’s no coincidence that airplanes are mostly painted white. White paint reflects harsh sunlight, which helps to not only keep the plane cool, but also reduces damage to structures from solar radiation. Darker colors can also heat up the skin of airplanes, which may trigger premature breakdown of newer, composite materials.

Paints can also add tons of weight to an aircraft — an extra coating of color on a larger plane could weigh 1,000 pounds or more, and that means less carrying capacity for paying customers or cargo. Damage is also easier to spot on a white surface than one with color, and is less complex to touch-up, if needed.

At the end of the day, a plane’s paint job or “livery” is a critical decision that boils down to costs, both for the paint itself and the ramifications of that scheme as the plane ages.

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