



Basis Points – January 7, 2019

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Above the Fold

New Year, New Landscape?

Just one year ago the Fed (Federal Reserve) was on a rate-tightening course and the major market indexes were emerging from a massive late-year selloff that left the S&P 500, Dow and Nasdaq with the first negative full-year returns in years. The Fed responded with an increasingly dovish tone after the first quarter of 2019, but didn't make the first of three rate cuts until July. It's accommodative stance, combined with modest, but positive earnings and economic growth were enough to propel all three aforementioned indexes to all-time highs — but don't expect a repeat.

The analyst [consensus believes](#) that while recession isn't likely in the cards for 2020, most predict much more tepid returns in equities. Even if one were to brush aside growing geopolitical risks (which obviously wouldn't be prudent), a critical and polarizing presidential election is just 11 months away. That fact alone is likely to push investors into a more cautious corner until an outcome is assured as a controlling party shift could have dramatic effects on what has been a very accommodating landscape for capital markets and the economy overall. Of course, the threat of a major military clash adds another disruptive element that needs to be considered.

But given all the risks, there still are a myriad of reasons why the U.S. equity and debt markets remain attractive. Investors may have to be a bit more strategic in the coming months.

Three Things

1. *What Do Avocados, Oil and Cocoa Have in Common?* – All three of these commodities are controlled or influenced by cartels. Some, like OPEC (The Organization of the Petroleum Exporting Countries), conspire to keep prices at certain levels so their economies can flourish. Avocado growers have had to band together and take up arms to fight against Mexican drug cartels trying to skim profits from the lucrative fruit. And now, the world's top two cocoa producers have decided to band together, a move likely to influence the \$107.3 billion global chocolate market, and jack up the prices of your favorite candies and cakes.
2. *Fast-Food Culture Shift* – The new CEO of McDonald's, Chris Kempczinski, is pushing for a more professional culture across Mickey D's entire global network after its former CEO was ousted for improper relations with an employee. People close to the matter believe major changes are coming to the fast-food giant and note that many U.S. companies are rethinking their stance on personal relationships at work.
3. *Iran's Response Might Not Be What You Think* – After the killing of Iranian military leader Soleimani, experts anticipate retaliation — but not necessarily with artillery. Counter-terrorism specialists see cyberspace as a way for a country like Iran and its allies to hit back at a coalition with far-superior fire power. American cybersecurity firms have already seen an increase in malicious cyber attacks.

Did You Know?

Why Beer and Yogurt May Be Kindred Spirits

At a recent conference sponsored by probiotic drink maker Yakult, Professor Eric Claassen of Amsterdam University revealed that his research supports moderate beer drinking as a contributor to good gut health. Claassen found that stronger beers that were fermented twice, such as Belgian

favorites Hoegaarden, Echt Kriekenbier and Westmalle Tripel, contained acids derived from yeast, which kill harmful gut bacteria.

He cautioned enthusiasts to keep consumption to a minimum and that single fermented beers, like Budweiser, Dos Equis, Coors and many more, typically don't offer probiotic benefits. Drinking more than one beer a day was also not recommended. And for those of us who prefer not to drink strong beer, probiotics in pill form, or from yogurt, kimchi and kefir, are all perfectly fine.

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