



Basis Points – January 30, 2020

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Above the Fold

Rate Update

The Federal Reserve's (Fed) first meeting of 2020 ended with a shift to a more neutral stance as all 10 members of the Central Bank voted to keep the federal funds rate at its current range of 1.5% and 1.75%. The Fed's prepared statement offered what seemed like a more mixed sentiment, downgrading consumer spending to "moderate" from "strong" in their last testimony. They also noted weakness in business investment and noted that inflation still had some room to improve as its target of 2% was not attained by the end of 2019.

In a separate statement, Chairman Jerome Powell offered a little more color on the central bank's balance sheet, including a small hike made to the bank deposit/reserve rate to 1.6% from 1.55%. This was done to offset the cash infusion the Fed had to inject into money markets last year. Taken in sum, it seems like fears of a reversal of its accommodative stance were quelled as Chairman Powell said that rate hikes would only be required (at this stage) if inflation became "persistent and sustained."

Three Things

1. *Buffett Sees End of Newspaper* – Known for "buy and hold," Warren Buffett's Berkshire Hathaway Inc. is dumping its newspaper holdings to publisher Lee Enterprises Inc. for \$140 million. Buffett noted faster than expected declines in the sector and views the newspaper business as "unsustainable." Berkshire will lend \$400 million to Lee Enterprises at a 9% annual rate as part of the deal.
2. *No Flights to China?* – Airlines around the world are scrambling to cancel or limit flights to mainland China in an effort to stop the growing coronavirus epidemic. Some, like British Airways, are cutting flights altogether. The good news is that carriers are offering options and waiving fees for those dealing with travel disruptions — check with your carrier if you have plans for future travel to the region.
3. *Apple's Rally Might Be Justified* – In sharp contrast to last year's iPhone sales slump, Apple seemed reinvigorated as it posted record revenues that leaped 9% over the same quarter last year. Consumers are not only buying its flagship phone, but are also ringing the register with wearables like the new AirPods and Watch. Streaming-TV services gained momentum as well, adding to the company's income stream.

Did You Know?

Flying in Weather

After the recent tragic helicopter crash that took the lives of nine people in Calabasas, many are now questioning the safety of flying and how much weather may or may not have played a role. While high-profile incidents like this can rattle even the most frequent flier, it's important to remember just how safe aircraft are and how atmospheric conditions might impact a flight.

According to the [National Safety Council](#), the odds of a fatal air incident are 1 in 9,981, where they are just 1 in 114 for automotive travel (lower odds means higher probability). More importantly, most commercial pilots endure years and thousands of hours of training with actual bad weather experience before carrying passengers, compared to maybe a couple hours of driving lessons, if that, before many teens hit the roads.

Weather does play a factor in air travel, but modern aircraft and pilots are equipped with extremely effective hardware, software and systems that help evaluate, in seconds, just how safe an air mass is. Most commercial carriers, like American, United and others, also have corporate weather-watchers and ground-based teams who interact with pilots to help predict, and avoid, any adverse conditions. Lastly, most modern commercial planes are equipped with terrain avoidance sensors and autopilots that will not only fly the plane through clouds or fog that's impossible to see through, but will also land the plane if conditions are bad enough. General aviation (which the accident helicopter was flown under) tends to be riskier, but advanced weather and terrain warning systems are also available, and common on many aircraft carrying passengers.

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