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Above the Fold

Consumers' Quiet QE

The Federal Reserve (Fed) is certainly doing its part to invigorate the economy by keeping money cheap with low rates, and some economists expect yet another rate cut as early as March. Of course, the Fed has other tricks up its sleeve, such as the outward purchase of securities in the open market to boost economic activity. Those purchases, called quantitative easing, or QE, are unconventional monetary tactics used to increase the money supply and improve credit conditions beyond low rates. All this is done with the goal of putting money in the pockets of consumers and businesses that would hopefully end up increasing GDP.

But “QE” can come in different forms and consumers are getting an “easing” from an unlikely source these days — energy. Americans can spend hundreds of dollars a month on electricity, natural gas and fuel. According to finance portal ValuePenguin, utilities and transportation account for roughly a quarter of most household budgets. The good news is that these costs have come down substantially over the last year, and are expected to remain relatively low for the near future.

Consequently, falling fuel and energy costs may offer a sort of stimulus to families that could translate into an unexpected GDP and even an earnings boost for some sectors. So while the Fed isn’t purchasing billions or trillions in assets to formally stimulate activity, consumers may be getting their own subtle monetary relief. Unfortunately, the growing threat of COVID-19, both actual and psychological, could also negate all or part of this low-profile QE.

Three Things

1. *COVID-19’s Prognosis Still Confusing* – In China, governing bodies have dramatically lowered the virus’ risk assessment and, in some regions, are removing barriers and urging citizens to get back to work as the number of new cases in the country slows. Outside of China, countries like the U.S., Korea, Switzerland, Germany and others are warning citizens that the worst may not be over, and to prepare for an increase of cases and potential social disruptions as most other countries don’t have control over their population like China does. America’s National Institutes of Health began testing on the experimental drug remdesivir, but full results are not expected until 2023. According to the Wall Street Journal, 80% or more of infected patients suffer only mild symptoms similar to those of the flu or common cold.
2. *Disney’s Unexpected Surprise* – Disney’s highly successful CEO Bob Iger surprised investors when the chairman announced he would be stepping down and handing over the reins to the current Disney Parks chairman Bob Chapek. Iger is expected to remain until his contract ends in 2021 and will end his tenure on a high note after the recent $71 billion acquisition of Fox’s entertainment business and the wildly successful launch of Disney+.
3. *Developing Anti-Predator Code* – Online predators use a myriad of tactics to lure victims into their traps, but AI and big tech are fighting back. Facebook, Microsoft, Google and others have tested algorithms that analyze online conversations looking for potential predatory activity. Microsoft has also worked closely with online gaming and chat giant Roblox and Kik to best detect high-risk conversational patterns and flag those chats for human review in real time.

Did You Know?

The Past and Future of Medicare

The Social Security Act Amendments, popularly known as Medicare, was signed into law in 1965 by President Lyndon Johnson. At the time, the program had been debated two decades earlier when then President Truman asked Congress to establish a national health plan. Those debates did not reach a boiling point until 1960 when it was revealed that insurers were incapable of providing care to nearly 18 million aging Americans.

Medicare's original framework was modeled after the health care system of the era. It was created before the prescription boom, while care costs were reasonable and most companies offered robust coverage to employees. Today, the program remains largely unchanged despite radical shifts in medical care and skyrocketing costs. Medicare spending accounted for a massive 15% of total federal spending in 2018 (the same as defense), and is projected to rise to 18% or more by 2029. And while there are a myriad of concerns and solutions about the future of Medicare, funding and more efficient spending will be necessary. By 2030, more than 80 million Americans will rely on Medicare, up from nearly 57 million in 2016.