



Basis Points – March 3, 2020

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Above the Fold

Banks Purposely Slow to Reduce Mortgage Rates?

With novel coronavirus (COVID-19) stories occupying most of the headlines these days, other impactful news might not get the attention it deserves. The COVID-19 concerns have sparked price gouging in mask and respirator markets globally, even though the Centers for Disease Control (CDC) and Surgeon General have both warned that masks are not going to help stem the spread of the virus. But there may be another form of price gouging taking place which could cost consumers billions — mortgage rates.

While the 10-year Treasury note is not a direct influencer of mortgage rates, its behavior is usually correlated with the interest rate Americans pay when borrowing for a home. Over the last few weeks, 10-year yields have cratered to record lows of 1.03%.

Mortgage rates *are* more directly affected by Federal Reserve (the Fed) actions, perhaps most powerfully by the Fed Funds rate, which many now believe will be soon be slashed to help fight the negative effects of COVID-19. In fact, according to the [CME FedWatch Tool](#), there's a 100% probability of a cut (traders now expect 50 basis points) when the Fed meets in just 15 days (or before).

Given the action in both of those markets, it would be logical to assume that mortgage rates would also be tumbling ... that's not the case at all. In fact, between Feb. 6 and Feb. 20, rates had actually risen, with just minor declines as of late. Of course, this doesn't mean that banks are plotting some nefarious plan, but the optics aren't great. At a time when the American economy could use a shot in the arm, banks seem purposely slow to react, charging borrowers a little more (on average) than might be fair or at least expected. On the bright side, look for rates to continue to lower over the coming weeks.

Three Things

1. *General Electric's Former Savior Passes* – Jack Welch transformed GE and powered the massive conglomerate through more than 20 years of prosperity in the 80s and 90s. The tough-as-nails CEO turned the company around with his unique management style and by slashing underperforming businesses and employees. After retiring in 2001, Mr. Welch continued to enjoy success as a best-selling author, speaker and consultant — he was 84 years old.
2. *Ridesharing Gets Political* – Car-hailing companies Uber and Lyft are banding together to fight California lawmakers who oppose their ability to thrive in the state. Backing a committee called Californians for Independent Work, the companies hope to impact local elections and support candidates who favor more independent worker classifications. A recently passed law, targeting “gig” economy companies like Uber and Lyft, classifies drivers as part-time workers.
3. *New Samsung Phone Delivers Serious Spy Powers* – The soon-to-be-released Samsung Galaxy S20 Ultra phone will cost \$1,400, but allows users to take some very clear photos from very far away. Dubbed “Space Zoom,” its new optics and processors give photographers (and snoopers) the power of up to 100x digital zoom. That means anyone with the phone on the ground could capture highly detailed images of someone or something in a window or balcony several stories up.

Did You Know?

Getting to Know the Coronavirus

The inevitable spread of coronavirus COVID-19 continues to elevate volatility in the marketplace, creating frustration for many and opportunities for those able to seize it. But despite the news coverage, there still seems to be a general misunderstanding about the virus, its name and effects.

According to the [CDC](#), there have been six different human coronaviruses identified since first discovered in the mid-1960s. The name corona comes from the crown-like spikes on the surface of the virus itself. Common human coronaviruses 229E (alpha), NL63 (alpha), OC43 (beta) and HKU1 (beta) are responsible for widespread respiratory tract infections and can feel like everything from a light cold to pneumonia — they affect all types of people around the world.

Scientists don't know just how many people are infected with these viruses annually as confirmation only happens through specific testing, usually in a hospital. Often, people who are infected may chalk it up to a cold, flu or bronchitis and never even see a doctor or be counted as infected.

MERS-CoV, SARS-CoV and SARS-CoV2 (COVID-19) are all less common or “novel” versions of the coronavirus and tend to have similar symptoms. But while common coronaviruses tend to stick around, the initial outbreaks of MERS and SARS were followed by dramatic reductions in global cases to near zero. Let's hope COVID-19 follows the same pattern.

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