



Basis Points – March 5, 2020

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Above the Fold

Super Tuesday Reshapes Race

The Democratic presidential race experienced a dramatic metamorphosis after several candidates, including late entrant, Michael Bloomberg, dropped from the pack. What started early Monday as an “anything could happen” contest has now shifted to a showdown between Vice President Joe Biden and Senator Bernie Sanders, with Biden taking a strong lead.

Reacting positively to Super Tuesday’s outcome, U.S. stock markets jumped. Both the Dow Jones and S&P 500 were up over 4% for the day, a welcome respite from several challenging days in the market over the past week. Notably, this was the third time in the last five trading days where we’ve seen a change, in one direction or the other, of over 4%.

As market volatility ensues, as is often the case when uncertainty arises, we expect turbulence to continue. But leaders aren't taking volatility passively, as governments around the world are moving to restore confidence. The Federal Reserve's unscheduled 50 basis point rate cut, which was announced on Tuesday, is just one example, while Bank of Canada, the International Monetary Fund and the World Bank, among others, have begun to address the market conditions with economic growth-oriented policy. At the same time, resources are being deployed by the Centers for Disease Control and the World Health Organization, who are both stepping in to help combat and contain the coronavirus, further inspiring investor confidence.

Three Things

1. *COVID Snapback?* – While the future impact of COVID-19 is uncertain, there is potential for a global economic “snapback.” Factories in China, the hardest hit nation thus far, have begun to [reopen](#), and those affected are even working to [automate](#) processes with artificial intelligence or diversify geographically. Furthermore, the virus has already dramatically lowered earnings and economic expectations, which could lead to some positive surprises as governments around the world inject stimulus both fiscally and monetarily.
2. *Remote Workers Could Fuel Tech Purchases* – To get ahead of the spread of COVID-19, many companies are reportedly preparing some employees to work from home. Switching to a home office may require upgrades to computers, desks, internet service, routers, modems, phones, monitors and more. And those upgrades *could* create unexpected windfalls for online electronics and goods retailers and even telecom companies.
3. *Robots May Need a CPA* – With the rise of artificial intelligence and automation replacing human workers, some, like former Microsoft CEO Bill Gates, are calling for a robot tax. Proponents believe that a robo-tax would dramatically slow job-killing automation and keep desperately needed revenues flowing into local and federal government coffers.

Did You Know?

Who Owns What?

According to a recent article in [Fortune Magazine](#), the top 1% of Americans now control 32% of the household wealth. Digging deeper, the report found that the vast majority of Americans, especially the middle class, have a massive 63% of their wealth tied up in their primary residence. Of the wealthiest families' net worth, their personal home accounts for only 9% of the total. Put simply, the middle class is much more sensitive to real estate values, while the wealthy tend to have more stock market and diverse exposure.

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