



Basis Points – April 14, 2020

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Above the Fold

Will Oil Bounce Back?

Over the weekend, OPEC and its oil-producing allies struck an agreement to cut collective output by nearly 10 million barrels per day (bpd). The reduction is the largest single event cut in history, and Mexico, a reluctant participant, will also trim its output by 100,000 bpd as part of the accord.

The agreement marked a major turnaround in tactics from just a month ago when Russia and Saudi Arabia threatened to flood the markets with supply; which in conjunction with dramatically slowing demand, cratered crude prices from nearly \$66 in January to a low of \$19.27 in late March.

But even with OPEC now “on the right side” of the oil markets, its recent actions have done little to jolt prices higher. The good news, according to several oil experts, is there now seems to be a floor in oil prices, allowing American energy companies to continue to slow production at a stable pace. Price stability should allow for “less damaging” effects as most believe the worst of the latest oil price war is behind us.

Analysts expect oil prices to [remain below \\$40](#) for the foreseeable future, which will likely trigger continued job losses, closed drilling sites and revenue losses for oil-producing states like North Dakota, Texas and Oklahoma. Industry consolidation and price-related bankruptcies are expected, but hopefully the sector dodged a more catastrophic bullet had oil prices extended their tumble. Light Sweet Crude is currently trading just above \$23.

Three Things

1. *Visa, Mastercard Figure It's a Great Time to Raise Fees* – Major credit card providers are set to increase interchange fees. These are the transaction costs charged to merchants, which are frequently passed on to consumers. To be fair, rate hikes were already in the works, but have been postponed until at least July. Some experts think the hikes may be deferred much longer.
2. *Who's Getting Airline Miles at a Discount?* – Facing massive declines in air travel, U.S. airlines have mortgaged airport gates and flight paths, and offered early retirements to senior staff in an effort to keep their businesses afloat. Now, several carriers are reportedly in talks to sell miles at a deep discount to credit card companies like JPMorgan Chase and American Express for billions of dollars. Though no deals have been struck, don't look for extra miles in your account as the lenders are likely taking in the extra miles as collateral.
3. *Yes, a New, Cheap iPhone is Being Released Tomorrow* – According to several sources, and some leaked beta code, Apple is dropping a brand new iPhone(s) on April 15. Likely called the SE2020 (some call it the 9), the latest device will be a step-up from the 8 series, retaining the finger unlock, but with more powerful processors and camera. Best of all, the phone is expected to start at a very cheap \$399! In full disclosure, Apple has confirmed nothing.

Did You Know?

The Latest (Fact-Checked) COVID-19 Positives

- After positive off-label results, the U.S. and China will begin formal testing on the Japanese antiviral drug (used for flu), Avigan. The drug's maker, Fujifilm, explained that favipiravir, the active ingredient, [may work](#) on the new coronavirus due to its mechanism of action.

- Spain will [begin lifting](#) some of its lockdown measures, mainly to keep its economy going, while Italy will allow some businesses to open as the country is seeing a continued decline in new cases and some of the lowest new death reports in nearly a month.

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