



Basis Points – May 19, 2020

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Above the Fold

The Fed's Stimulus Balancing Act

Historically, the health of the American economy depended heavily on consumers' spending and confidence. And while that fact still holds true, external influences, like the government and Federal Reserve (Fed) tax break and stimulus, are becoming increasingly important catalysts for recoveries. But the relationship isn't that simple, and consumer spending patterns don't necessarily correlate to economic growth.

Ironically, a higher share of consumer spending as part of GDP actually had a negative correlation of -0.31 to the real economic growth rate between 1951 and 2010, according to [St. Louis Fed data](#). In fact, periods of high consumer spend rates, like what we saw in 2001-2010 and even post

Great Recession, typically equated to relatively weak economic growth.

A lesser-known measure, private investment spending, on the other hand, has shown a positive correlation to economic growth to the tune of 0.50 between the same 60-year period above. Private investment spending includes expenditures by businesses on machines, computers, tools, land and structures. It also factors in inventory buildups and the purchase of raw goods, among other items. Perhaps this is why the Fed's tactics and objectives are becoming more finely tuned to ensure that consumers and businesses of all sizes not only receive the capital they need, but reassurance as well. And based on a recent [interview](#), Fed Chairman Jerome Powell reiterated the Fed's willingness and ability to support the recovery in every way possible.

Three Things

1. *College Towns Rethinking Their Lesson Plans* – With hundreds of thousands of students absent for the last couple months and many still without a date set for return, college towns across the U.S. are getting a one-two punch on top of already slowing local economies. In some areas, students may comprise half, three quarters or more of local populations, where they may inject the majority of income into operating budgets.
2. *A “Low Code” Software Solution* – As companies transition to remote work, many need to track employees' actions, borrowed equipment, health status and more. Unlike complex proprietary software, low code apps can offer quick, digital solutions for management. Microsoft's PowerApps is one popular method of creating low code apps to help fill these needs.
3. *Big Data to Improve Shipping* – After pioneering package scanning and tracking over 40 years ago, FedEx is partnering with Microsoft to improve expectations for commercial shipments. The new service, FedEx Surround, will use artificial intelligence to factor in weather, traffic and other potential risks in real-time for improved shipping outcomes and tracking by customers.

Did You Know?

The Latest (Fact-Checked) COVID-19 Positives

- A still-experimental vaccine by Moderna Inc. showed encouraging results. The small [study](#) showed relative safety for humans (thus far) and volunteers, who were given low or medium doses, had antibodies similar to those who have recovered from COVID-19.

- A new clinical Phase 2b trial of approximately 2,000 adults will evaluate whether the malaria drug hydroxychloroquine, given together with the antibiotic azithromycin, can prevent hospitalization and/or death from COVID-19. The study should help scientists better answer the hotly debated effectiveness of this drug combination.

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