



## Basis Points – July 23, 2020

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### Above the Fold

#### *U.S.-China Relations Under Increased Strain*

Coinciding with [indictments](#) against two hackers in China, the U.S. government ordered the closure of the Chinese Consulate in Houston. The local fire department had responded to the building after several complaints of smoke billowing from a courtyard area where consulate members were reportedly burning large amounts of papers in several large piles. Beijing was the first to break the closure news to the public.

In its statement, The State Department accused China of “massive illegal spying and influence operations throughout the United States against U.S. government officials and American citizens.” Experts believe that China is likely to retaliate in some way, after publicly condemning the closure

— some see the U.S. consulate in Hong Kong as a potential target.

The actions certainly ratchet up the intensity between the two nations, adding to the growing consternation around the actions of both. Escalations in military operations in and over the resource-rich South China Sea are also compounding stress in what's becoming more of a tenuous situation that some have dubbed Cold War 2.0. And while it's easy to throw these sensational labels and headlines out there, many would argue that our relationship with China, compared to that of the former Soviet Union, is quite different.

## Three Things

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1. *Asia Gives Dairy Farmers a Reason to Smile* – After sinking to an 18-month low, dairy prices are gaining momentum and are up 11% to pre-pandemic levels. The rise in prices comes on the heels of a demand jump in China and other parts of Asia. Experts attribute a large portion of the progress to China's improving economy, as the country is the world's largest dairy importer.
2. *New Sports Category Makes Amazon "Twitch"* – Twitch is quietly becoming the international go-to sports-streaming app for everything from soccer to motoGP and even UFC, [NBA](#), NHL and more. The widely popular streaming service, owned by Amazon, is expanding its reach and dedicating a category solely to (real) sports. Twitch has been focused mainly on gamers, but hopes to go mainstream through a series of deals and marketing.
3. *Spring Buying Season Moves to Summer* – Typically, early spring is a boom time for U.S. real estate, but due to COVID-19 shutdowns, existing home sales were stable, but relatively slow in April and May. But the housing market saw a record jump of nearly 21% in June (compared to May) as many areas opened back up for business. June sales were still 11.3% lower than the previous year as sellers are reluctant to open their homes to potential buyers since virus containment is still a real concern.

## Did You Know?

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### *Interesting Money Facts*

Physical cash accounts for only 8% of the world's money supply, while the rest is recorded on ledgers and hard drives around the globe. In America, the \$100 bill actually eclipsed the \$1 bill as the most popular in circulation after the Great Recession — and demand is still increasing.

A 2018 research paper from the Federal Reserve Bank of Chicago estimated that as much as 80% of the \$100 bills in circulation live outside the country. And in case you were wondering, one U.S. bill weighs 1 gram and 454 bills weigh a pound. A suitcase of \$1 million in \$100 bills would weigh more than 20 pounds!

And speaking of currency, America is currently experiencing a coin shortage due to the pandemic. Banks and businesses around the country are requesting consumers bring their change in for exchange or deposit to keep the coinage flowing.

## **We're Sorry**

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Tuesday's edition of Basis Points required a couple of updates. Unfortunately, we needed to add a few zeroes to the cost of the CARES Act and the impact of the unemployment benefits. The CARES Act costs approximately \$2 trillion not \$2 billion, and the end of special unemployment benefits would reduce the weekly national spending power by approximately \$19 billion not \$19 million.

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