



Basis Points – August 20, 2020

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Above the Fold

Fed Minutes: Coronavirus to 'Weigh Heavily'

The Federal Reserve (the Fed) released minutes from its July 28-29 session yesterday afternoon, and dovish was certainly the tone across the board. In addition to concerns around general economic growth, members expressed additional worry about risks to the country's financial system. Government debt was top of mind for the members as the high levels of debt issuance "could have implications for market functioning." Capping yields through the Fed's direct purchase of bonds was met with skepticism as the consensus seems to believe yield caps and targeting would only provide modest benefits. Committee members believe that their long-term low-rate outlook held enough credence with investors to moderate rates in general.

So while the minutes confirmed investors' beliefs that the central bank will be more than accommodative, the effects of an increasingly long, pandemic-fueled economic lull could pose risks that the Fed may have trouble controlling.

Three Things

1. *The Upside-Down at Home Depot* – At a time when many Americans have seen their income reduced, Home Depot reported a 16% (quarterly) leap in big-ticket items over \$1,000. The home improvement giant also reported a 25% jump in U.S. comparable sales. Executives attribute the sales increases to consumers spending more time at home and to continued confidence in the housing market.
2. *Oracle Enters the TikTok Fray (Sort of)* – With its app usage climbing and a fall deadline for acquisition looming, Oracle is the latest company to be in reported talks to purchase the U.S. operations of TikTok from owner ByteDance Ltd. The legacy business software giant joins Twitter and Microsoft as potential suitors, but those close to the matter say acquisition discussions are likely in the preliminary stage.
3. *Riot Damage Leaves Lasting Strain for Business Owners* – Months after riots and looting tarnished the dense shopping areas of American cities like Chicago, a large amount of owners still have yet to receive insurance payments. The unexpected, widespread damage triggered a massive amount of complex and even multiple claims that are taking much longer than normal to process. The delay is creating a cash-crunch for already stressed operators who may have been shut down or limited by coronavirus regulations. Worse still is the fact that many experts see a big jump in insurance premiums when these businesses go to renew. Some are simply swallowing the repair costs, fearing they could lose their good standing with insurers or coverage altogether.

Did You Know?

Dirty Money

During a 2017 [study](#), researchers swabbed dozens of \$1 bills from a bank in New York and found a myriad (hundreds) of species of microorganisms. Scientists further explained that despite the presence of those microbes, currency isn't really good at transmitting disease — at least through normal skin contact (they don't advise putting money directly in your mouth).

That said, fears of coronavirus have triggered an increase in our need to sanitize ... and some are taking it to extremes. In South Korea, one germophobic consumer shoved a large amount of bills into a commercial washer. The cleaning severely mutilated the currency to the extent where thousands of dollars of value was lost. Another consumer packed their microwave with bills only to see them catch fire, forfeiting about \$5,000 in face value.

The World Health Organization hasn't issued an official [warning](#) regarding currency-related COVID-19 transmission, but they do suggest using alternative payment methods and washing your hands after handling money, especially if it's been in your possession less than two to three days.

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