



Basis Points – September 1, 2020

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Above the Fold

Covid Slowdown? Not for Stocks

Despite many American businesses still shuttered or operating in a limited capacity, the S&P 500 (and the NASDAQ for that matter) logged all-time highs as the summer winds to a close. Part of the reason for this is the high concentration of companies like Apple, Google, Facebook, Walmart, Amazon and others that have benefited exponentially from the changes in Americans' spending habits, especially in digital and online sales. Many of these companies make up large portions of the indexes and have carried the less-desirable stocks — pushing the indexes higher overall.

Now that many kids are getting back to school, either remotely or in-person, many wonder how (and if) consumers' spending patterns will change. The warm weather, summer vacation season and several federal stimulus packages helped soften the fiscal blow of the coronavirus over the last four to five months and a great number of consumers shelled out big dollars retooling and renovating their homes to adjust to our new normal. All these factors may have driven spending and corporate profits during the last quarter, but the future is a little less clear.

Lawmakers are expected to return from their summer recess in September, but many experts believe that the potential for stimulus gridlock and the coming election are both major risks to consumer and market sentiment. Several market pundits expect volatility to return in the fall.

Three Things

1. *Doctor Gate Agent?* – There's a big problem with commercial travel safety at the moment. The government's original plan to have TSA agents check passengers' temperatures at security checkpoints has fizzled. Now, airlines, with some technological help, are stepping in to help ensure traveler safety. The solutions range from thermal imaging cameras to customer service reps and gate agents aiming thermometers at your forehead before boarding. Unfortunately, the biggest risk is still the fact that many travelers may be asymptomatic, yet still contagious.
2. *More TikTok Drama (This Time From China)* – As Microsoft and Walmart are reportedly accelerating talks to purchase TikTok from Beijing-based ByteDance, a new "export control" rule being implemented by China could mean that the social media sensation would need a government-issued license before selling (good luck with that one). According to the Wall Street Journal, a Chinese government official told state-run Xinhua News Agency that ByteDance should "seriously and cautiously" consider halting talks for a sale of TikTok.
3. *American Style Fried Chicken Gets China Boost* – Yum China, which owns and operates Kentucky Fried Chicken and Pizza Hut in China and surrounding areas, is taking orders for a \$2.5 billion secondary listing in Hong Kong. Although more than a third of its stores in the region were shut in February, nearly all are back online (though sales remain a bit lumpy). Shares of Yum China were spun off from its American parent company back in 2016 and have outperformed its stateside stock and even McDonald's so far in 2020 with an 18% gain.

Did You Know?

September Special for Our Constitution

Once America's independence was officially adopted (and arguably signed) on Aug. 2, 1776, it would be another 11 years before the framers of our Constitution would sign the "final draft" of the guiding document on Sept. 17, 1787. There was so much bickering, disagreement and difficulty

getting the Constitution assembled, the framers decided to ratify the document without a “Bill of Rights” section. Those first 10 amendments (aka the Bill of Rights) wouldn’t be added until years later. Sept. 17 has been called “I am an American Day” (1940) and then changed to “Citizenship Day” in 1952; “Constitution Day” is the most modern moniker.

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