



## Basis Points – November 12, 2020

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### Above the Fold

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#### *Forecasting Oil Prices*

As we start to flesh out the longer-term effects of a new administration, there are some economic trends that are materializing quicker than others — some have a bevy of caveats. The Biden administration has been extremely vocal around clean energy, specifically the phasing out of crude oil for more sustainable sources. Crude prices have trended higher as the probability for a Biden win increased. According to The Wall Street Journal, Biden is likely to try and halt the overly burdened and delayed Keystone XL pipeline and could jeopardize the future of Dakota Access, which delivers oil 1,200 miles from North Dakota to Illinois. Slowing the movement of oil and increasing costs to produce can obviously inflate costs, but a bigger force could be slowing demand.

A recent report from OPEC (Organization of the Petroleum Exporting Countries) projects a 10% drop in 2020 consumption from last year's levels and only sees a 4.4% rise in demand for 2021. Progress on the vaccine front could be bullish for oil, but even assuming best case scenarios, we are many months, if not a year or more, away from a global solution for COVID-19. With oil in the low-to-mid \$40 range, it's estimated that only about 55% of producers are breaking even. The current price of oil also equates to much lower fuel costs compared to most available [biofuels](#) when you convert to gallons of traditional gasoline. The point is that oil producers and lawmakers will have to walk a tightrope here. Without the economic fervor to withstand a jump in fuel prices, it makes little sense to push prices too high, either through production cuts or legislation. This is likely why the U.S. Energy Information Administration [expects](#) oil to remain around the \$45 range for 2021.

## Three Things

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1. *Amazon's New European Problem* – After telegraphing the potential for a formal antitrust lawsuit some months ago, The European Commission (an enforcement entity of the European Union) filed charges against Amazon yesterday. The commission alleges that the mega-retailer uses non-public data from its own third-party sellers to compete against them. If Amazon is indeed found guilty of these violations, it could face penalties of up to 10% of its annual revenue.
2. *Prices of This Bouncy Commodity Spring Back* – Fueled by the meteoric rise in medical glove use and a rebound in auto sales, the price for natural rubber rose nearly 50% from its 2020 low in recent weeks. Speculators added to the volatility as supplies were strained by coronavirus-related infrastructure stress and poor weather, which both made harvesting and delivery in several Asian areas difficult. Traders see more volatility ahead for the pliable industrial product.
3. *New Mac Takeaway: Quiet, Powerful, Efficient* – Apple formally announced its latest generation of Macs, powered by its fresh, Arm-based 5nm M1 chip. For those of us who don't speak geek, the chip is quite unique and powerful. The M1 not only combines a bunch of technologies into one integrated circuit (this makes it more efficient), it also operates much cooler (no fan needed) and uses a fraction of the power compared to previous Intel chips. Put simply, the new Macs are the "fastest ever" and will have greatly improved battery life (like 18 hours per charge for the new Macbook Air).

## Did You Know?

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### *A Great American Symbol of Diversity Closed on This Day*

On Nov. 12, 1954, Ellis Island closed its doors after nearly 63 years in operation. The facility welcomed more than 12 million immigrants from around the world. Named for merchant Samuel Ellis, who owned the land in the 1770s, America's first federal immigration center opened on Jan. 2, 1892, with 15-year-old Annie Moore as the first person to pass through the facility after her long

journey from Ireland. Contrary to popular belief, not all New York bound immigrants were accepted through Ellis. First- and second-class ship passengers were typically given a “light physical inspection” shipboard, passing through customs at the piers of New York or New Jersey. Third-class passengers, on the other hand, were transported to Ellis Island where they were more heavily screened — only 2% of all immigrants processed at Ellis were denied entry.

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