



Basis Points – January 15, 2019

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Above the Fold

- Netflix is raising its U.S. subscription prices and investors are cheering the increased revenue as the stock popped 6 percent on the news. Netflix is raising the monthly subscription price by 18 percent, its biggest increase since the company began streaming 12 years ago. The cost of its most popular plan will increase to \$13 per month from \$11. The extra cash will help to pay for Netflix's huge investment in original shows and films. Netflix has raised prices in the past, but this is the first time that higher prices will hit all 58 million U.S. subscribers.
- Utility stocks are usually prized for their perceived low volatility, steady businesses and hefty dividend payouts. This was the case for PG&E, the electric and gas utility for much of California, until the wildfires last fall. PG&E stock traded at \$50 a share prior to the devastating fires, but now trades at \$6 a share, due to its enormous financial liability stemming from its responsibility for causing the fires. PG&E, California's largest utility, said Monday it was preparing to file for Chapter 11 protection before the end of the month as it faces more than \$30 billion in potential liability costs related to its role in sparking wildfires. Electricity and natural gas would continue to flow to homes and businesses during the bankruptcy, but the more than 750 civil suits brought by thousands of homeowners and insurers suing PG&E would be immediately halted and resolved in a bankruptcy proceeding along with other claims.
- The WSJ notes that investors seem to be hiding out in cash this year, as retail investor cash balances have ballooned to \$3 trillion, the highest level since early 2010. Higher market volatility and large daily index swings may be unnerving for some investors, but history shows that early 2010 was a time to buy stocks, not hold on tight to cash.

Three Things

- New York City's iconic Chrysler Building is up for sale. The owners of the building,

an Abu Dhabi government fund and New York developer Tishman Speyer, are marketing the art deco office tower built in 1930. The Chrysler Building's owners are hoping to attract deep-pocketed suitors from across the globe, offering them the opportunity to own a famous piece of the Manhattan skyline and a beloved part of New York City history. The WSJ notes that estimates for the property's value vary widely, but many real-estate investors believe the Chrysler Building could struggle to recoup the \$800 million that the Abu Dhabi Investment Council paid for a 90 percent stake in the property in 2008, shortly before the financial crisis caused real-estate prices to plummet. Although the building is a global landmark, it is competing for tenants with gleaming new office towers designed specifically for current tastes, many with floor-to-ceiling windows and modern amenities like outdoor terraces, bike storage and state-of-the-art fitness centers. The costs of improvements and upkeep for the nearly 90-year-old building, and the escalating fees for leasing the ground beneath the building could also weigh on the sales price.

- Good news: Due to the widespread availability of vaccination programs, 86 percent of all 1-year-old children globally are now vaccinated against diphtheria, tetanus and pertussis. In 1960, 19 percent of all children born in the world died before their fifth birthday. Today that number is down to only 4 percent. And each day another 305,000 people gain access to clean drinking water for the first time, and 620,000 people gain access to the internet.
- In the tightest labor market in decades, Disney, Discover and other large companies are paying the full cost of college tuition for employees, in a continuing bid to help them hold on to valuable talent that has become more expensive to attract in a very tight labor market. Employers are often paying the cost of tuition, fees, books and other expenses up-front and in full, as opposed to the reimbursement of the federal tax-exempt minimum of only \$5,250 a year, paid to the student as a reimbursement after graduating. For most people, though, paying out-of-pocket and then waiting for the company benefit to kick in later proved too much of a barrier, so the prepayment of costs is a big plus for employees. The companies say the benefits of content and potentially better-trained staff outweigh the costs. The cost of a bachelor's degree from a four-year U.S. institution averages \$33,000 a year, but by providing schools a large group of students, a company can negotiate the total price down to between \$6,000 and \$10,000.

Did You Know

About 35 percent of the world's population drives on the left side of the road, also known in the U.S. as the wrong side of the road. The countries that currently still drive on the left side are mainly former British colonies, but global evolution of right-side and left-side driving is long and much more complicated than it would seem.

During much of history, everyone rode their horse on the left side of the road. Men carried swords, and since most people are right-handed, the sword sat on their left hips, so they could swing the sword with the right hand at any attacker that approached. It would also be very difficult to mount a horse from the right side of the horse, with a sword on your left hip. It is much easier for most people to mount a horse from the left side. If most people mount a horse from the left side, then it is much safer to ride on the left side of the road, rather than mounting a horse on the traffic side.

However, things changed in the late 1700s. Wagon-drivers in France began hauling goods and farm products in large wagons pulled by a team of horses. The driver would sit on the horse at the left rear, so that he could whip the reins with his right hand. As the driver was sitting on the left, he preferred to drive on the right side of the road in order to make sure his horses and wagons stayed clear of oncoming traffic. The era of right-side driving had begun.

The French Revolution of 1789 was also a significant factor that gave rise to right-side driving in Europe. Prior to the uprising of the people in France, the nobility would typically be driven in coaches on the left side of the road, even while it was the custom for the general citizenry to drive on the right side. After the revolution, however, the privileged in society wanted to keep a much lower profile, lest they lose their heads, so they then began following the right side of the road custom also, which was enacted by law in France in 1794.

Napoleon's conquests in Europe then spread the use of the right side of the road to many countries such as Belgium, Poland, Germany, Spain and Italy. The countries that resisted Napoleon's bid for dominance in Europe, such as Great Britain, the Austro-Hungarian Empire and Portugal, also kept their rule for left-driving in place. Left-handed driving was made mandatory in Britain in 1835, and all the countries that were part of the British Empire followed that lead.

In the early days of the British colonization of North America, horses and wagons drove on the British customary left side of the road. However, after the colonies declared independence from Britain in 1776, the new nation was anxious to cast off any customs pressed onto them by their former overlords, so they changed their roads to be right-driving. The first law requiring drivers to drive on the right side was passed by Pennsylvania in 1792, and many other states soon followed suit.

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Institution averages \$33,000 a year

