



Basis Points – August 13, 2019

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Above the Fold

What's Up With the Housing Market?

Most measures of inflation are telling us that prices are under control. In fact, economies across the globe have larger concerns about deflation, hence the preponderance of ultra-low, even negative interest rates as [we discussed last week](#).

Here in the states, low rates, a healthy(ish) economy and a thirst for yield are all driving stocks and housing prices higher. And even though housing activity has slowed, national average prices for purchase and rents are near all-time highs, eclipsing the pre-recession 2006-2007 real estate boom that preceded the crisis.

The Corelogic Case-Shiller 20-City Composite, a respected barometer of average home values, nearly touched \$216,000 in its last reading, more than \$10,000 higher (+4.8%) than the previous high in April 2006 before prices began to slide. In June, Housingwire also reported the average rent rate in the U.S. jumped nearly 3% year over year to an all-time high of \$1,405.

So even though mortgage rates are dropping to near all-time lows, the lack of affordability and inventory is holding up the activity in the housing market. Experts believe that if a true lack of demand and weakness existed, home prices might come down across the board. But as it stands now, the weakness we are seeing is in pockets of the country where real estate values jumped astronomically, like Seattle and San Francisco. The good news is that only about 4% of homeowners owe more than their homes are worth, compared with close to 26% back in 2009.

Three Things

1. *Apple's New "Naked" Credit Card* – Designed to interface with (and promote) ApplePay, the company partnered with Goldman Sachs to create a new titanium (metal) Mastercard credit card without an account number printed on it. Purchases are tracked and organized with your ApplePay account, with varying “no-gimmick” cash back on all purchases and no fees. The card intends to help make consumers’ spending safer and easier, and gives Apple access to retailers who don’t offer ApplePay.
2. *Microsoft Hires Ninja to Defeat Amazon* – Nearly 8.5 billion gamers hone their skills, entertain themselves and spend \$150 billion annually watching others play. Microsoft, with newly acquired streaming service Mixer, is taking on Amazon’s leading service, Twitch, through exclusive gamer contracts. Microsoft recently signed Tyler “Ninja” Blevins, who has nearly 15 million followers, to up its 3% marketshare in the space.
3. *The Death of the Hybrid?* – Hybrids bridge the gap between traditional fuels and a new all-electric car era that some are banking on. But as emissions restrictions grow tougher and technology advances, some automakers are betting on the future and putting hybrids to bed. General Motors Co. and Volkswagen AG will be slashing hybrid funding to focus on all-electric offerings. GM alone is set to launch 20 fully electric models over the next four years ... watch out Tesla!

Did You Know?

It’s been more than 33 years since the Chernobyl nuclear explosion devastated a region in Ukraine, just 81 miles from the capital city of Kiev. The meltdown released untold amounts of radiation into the atmosphere, which due to winds, spread across vast regions of the continent and beyond. Once the damaged reactor was contained, the plant actually continued to operate until December of 2000, even though the area containing the towns of Pripyat and Chernobyl were abandoned, as was a swath of 1,000 square miles called the “exclusion zone,” due to radioactive fallout.

Interestingly enough, residents, animals and even tourists are returning to the zone, but that’s not all. Scientists and entrepreneurs recently created the Chernobyl Spirit Company, which uses exclusion zone soil and rye, along with mineral water from an aquifer below the plant, to make an Atomik Vodka. When tested by the Ukrainian Hydrometeorological Institute and the University of Southampton GAU-Radioanalytical, scientists reportedly found no trace of radioactivity in the spirit. So far, only one bottle has been produced.