



Basis Points – June 6, 2019

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Above the Fold

Equities jumped Tuesday, continuing a rally into Wednesday as Federal Reserve officials, including Chairman Jerome Powell, acknowledged the potential challenges of trade disputes and seemed increasingly poised to react swiftly to any economic decay by slashing interest rates.

President Trump has expressed his desire on more than one occasion for the Fed to lower rates, and it now seems he may get his wish. Pundits and Federal Fund futures do *not* show a high likelihood of a rate cut during the June 18-19 meeting, as the Federal Open Market Committee will likely want to observe the outcome of the G20 meeting later in the month. But markets are showing increased odds of two interest rate reductions in 2019.

Lower interest rates would likely drive the U.S. Dollar lower and thus improve the earnings of more than half of the S&P 500 (who earn money overseas) on exchange rates alone. Favorable rates may also stimulate commerce and perhaps spark investments (public and private) that may have been shelved due to trade concerns. That said, finalizing a trade deal with China, and coming to an agreement with Mexico on border concerns, would alleviate a great deal of market tension that is bleeding over into consumers' minds across the nation.

The G20 summit may very well be a key turning point for negotiations, as this year's summit is expected to focus on economic growth, inequality reduction, digital economic initiatives and reforms to the World Trade Organization. Despite that potential, at least one leader doesn't see the G20 as a forum for a solution. In a show of defiance, Mexico's President Andres Manuel Lopez Obrador announced he will not attend the summit, stating he did not want to be part of a "direct confrontation over a growing trading war,

which I do not agree with.” He did note that the U.S.-Mexico dispute can be settled outside the summit.

What’s Ahead

ADP delivered an unpleasant surprise Wednesday. The payroll giant showed a gain of just 27,000 jobs in May, far less than the 173,000 that was expected. Investors will now look to the Bureau of Labor Statistics (BLS) data for confirmation. Analysts now expect the BLS to report a monthly gain of 180,000 jobs.

Three Things

1. *App Store Anguish* – Developers sued Apple Inc. Tuesday over the high costs of selling apps in its App Store. The suit alleges that with its dominant market share, Apple can (and does) charge commissions of up to 30%, while restricting pricing. Google/Alphabet also receives a 30% take for apps bought in its store.
2. *No Cuba For You* – Effective Wednesday, U.S. cruise ships will no longer be able to travel from American ports direct to Cuba as the government implements new travel-related sanctions on the island nation. And if you’re unlucky enough to have a Cuba cruise planned, don’t expect a refund as most cruise lines reserve the right to change an itinerary for any reason.
3. *Goldilocks* – A perfect medley of factors helped push gold prices to the highest level in over a year. Trade tensions, the ADP jobs number miss, and the growing likelihood of interest rate reductions have also helped fuel the rally in the heavy yellow metal.

Did You Know?

A little over 10 years ago, bitcoin’s creator(s) Satoshi Nakamoto (who many believe is a pseudonym for the person or people who created it), allegedly sent 50 BTC (bitcoins) to computer scientist Hal Finney in what was the first bitcoin transaction.

But perhaps a more infamous event was when Laszlo Hanyecz dropped 10,000 BTC for two Papa John’s pizzas back in 2010 — worth less than \$30 at the time. Today, Mr. Hanyecz would have an extra \$77 million in the bank had he not purchased those pizzas and held his BTC. At the peak of bitcoin’s value, the purchase price of those pies was worth \$138 million U.S. Dollars.

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