Basis Points – April 4, 2019

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Above the Fold

- A new month means fresh employment data, but the ADP jobs report released yesterday may be forecasting a weak start to Q2. ADP showed a gain of just 129k new jobs for March, versus expectations for closer to 180k, suggesting a potential slowdown in spring growth. The data sent hard commodities like gold and silver higher as deeper jobs weakness could spell further monetary easing and a softer U.S. dollar. The more closely watched BLS jobs report is due out tomorrow with consensus expectations at 175k new jobs — a miss Friday would be two in a row.
- Job growth is certainly important, but perhaps a bigger issue facing Americans is a lack of fair-priced housing. According to ATTOM data, nearly 75% of homes across the country are unaffordable. With the median home value above $237,500, the average consumer would need to spend more than 33% of their income to afford that home. While that number is not terribly high compared to historical metrics, the average home price in most major cities (where the jobs are) is much higher. Some experts believe these trends could contribute to a shift to a “buyers market” in the coming months.
- The ISM non-manufacturing index, which measures several types of economic activity, still showed expansion, but that rate continued to slow in March to a year and a half low of 56.1 (any reading below 50 is considered contraction). Survey respondents noted a tight labor market with weather and regulatory issues hindering some areas of growth. A slow start to tax return season may also be contributing to the (hopefully) transitory lull.

Three Things

1. Facebook (NYSE:FB) may be challenging Zillow, Redfin and others as Zuckerberg’s information behemoth quietly disclosed its own industry disruption. Earlier this week, FB said it’s building a tool to search for and view all current housing ads in

the U.S. targeted to different places across the country, regardless of whether the ads are shown to you. In other words, offer Zillow-like searches on its own platform. One could speculate that FB not only wants to keep users on its pages, but also maybe dip into Zillow's 157 million monthly users and $1.3 billion revenue (FY2018).

2. Carl Icahn cuts his investment in Lyft (NASDAQ: LYFT), signalling a possible lack of long-term commitment in the stock. The WSJ reported that the billionaire activist investor dumped his 2.7% stake, worth a reported $550 million at the IPO price. Known for his shrewd business acumen and shorter time frame investments, Mr. Icahn held LYFT shares for four years. And while many investors still believe in Lyft, it's important to note that the company lost nearly $1 billion in 2018 or roughly $1.47 for every ride it offered.
3. Ford launches China 2.0 after its first revamp failed to excite sales in the communist nation of 1.4 billion. This time, Ford is planning to launch 30 new vehicles over three years using the latest and greatest in innovation, some of which will not even be available in North America. Dramatic actions are needed as sales of Ford cars in China dropped to a six-year low in 2018 while the company's market share fell to a nine-year low.

Did You Know

Money Facts — The U.S. Mint produces around 8.5 billion pennies annually and loses nearly $70 million compared to their face value. Nickels are also a losing proposition for the mint, costing roughly $20 million in losses last year. The good news is that dimes and quarters more than make up for those losses and have afforded the U.S. government nearly $400 million in seigniorage (face value minus cost to print).

And even though our government can make a theoretical profit between a coin or bill's face value and its production costs, the vast majority of the world's currency is digital, leaving just 8% of global currency in physical cash and coin.

This may sound scary, but it's necessary, as storing enough cash, coins, gold, silver or other legal tender would not only take up an immense amount of space, but also require protection from the elements, fire, floods, war and more. Keeping digital ledgers is much less complicated and costly — it's also a driving force behind the rise in cryptocurrencies.

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