



Basis Points – June 25, 2019

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Above the Fold

Higher and higher — The Dow Jones Industrial Average (Dow) and the S&P 500 both clocked new intraday highs early Friday, driven by momentum and what was perceived to be seemingly accommodative policy by the Federal Open Market Committee (FOMC). The Dow's performance last week was the best since 1938, a time when the recovery from the Great Depression had slowed until Franklin D. Roosevelt increased deficit spending in the spring to stimulate an economy that was sluggish, as unemployment topped 19%.

Risk appears to be "on" as President Trump and General Secretary of the Communist Party of China, Xi Jinping, meet at the G20 summit in Osaka, Japan, this Friday and Saturday of which many hope will facilitate a breakthrough in trade disputes. With tensions high, the world is hoping for a decrease in the saber rattling and rhetoric, and a potential solution or at least roadmap to solving a conundrum that could potentially derail already fragile global economic growth.

The G20 will also likely be an important platform for Trump to address the recent escalation of tensions with Iran after a series of attacks on oil tankers (allegedly by Iran) and the destruction of an American drone over the Strait of Hormuz that was flying in international airspace, according to the Pentagon.

Second quarter earnings season is already underway, but is expected to pick up steam in mid-July as the big banks lead the heaviest portion of the reporting period. Consensus estimates predict a -2.9% decline in second quarter earnings for the S&P 500 index on +4.3% higher revenues compared to the same quarter last year.

What's Ahead

OPEC (The Organization of the Petroleum Exporting Countries) meets all day tomorrow with Consumer Board (CB) consumer confidence readings out at 10 a.m. Eastern time as well. Later in the day, we will hear from FOMC chair Powell and member Bullard. Wednesday, we will get durable goods orders for the month — expectations are for flat growth as a whole, with core orders edging up just 0.1%.

Three Things

1. *Caesar Overthrown* – Caesars Entertainment Group agreed to be acquired by Eldorado Resorts Inc. in a cash and stock transaction valued at \$8.58 billion. The new gaming entity will be one of the largest in the world. As part of the deal, the real-estate and gaming assets of Harrah's Resort Atlantic City, Harrah's Laughlin Hotel & Casino and Harrah's New Orleans Hotel & Casino (currently owned by Caesars) will be sold off to VICI properties for \$1.8 billion.
2. *Crude Fueled by "Fires"* – Oil and gasoline prices have been rising after Iran allegedly used several explosives to set several tanker ships ablaze on June 13. On May 12, four different ships were also attacked in waters off the United Arab Emirates. Iran denies involvement in all attacks. Over the weekend, an explosion ravaged a large part of an oil refinery in Philadelphia — the complex handles 335,000 barrels of crude per day and other parts of the refinery may be closed for an extended period.
3. *T-Sprint Closer to a Deal* – Reuters reported the U.S. Justice Department is set to approve the \$26.5 billion merger of T-Mobile and Sprint in a matter of days. To get the deal done, experts believe the new company may have to spin off Boost Mobile, Virgin Mobile and divest out of a \$6 billion investment in Spectrum. Investors should have more details soon.

Did You Know?

The word "salary" is derived from the Latin word "sal." Early Romans used salt as currency. The average salary for someone 45 to 65 years old is roughly \$50,500. Americans age 20 to 24 earn about half of that. In 1961, the average full-time salary for a man was \$5,700 or roughly \$49,000 — not much less than today.

To be counted as a "1 percenter" today, you'll have to earn \$250,000, but you can be in the top 10% of earners if you make just \$95,000. Oddly enough, anyone making more than \$29,999 is in the top 50% of earners as 48.06% of the population earns less than that.

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