



Basis Points – July 16, 2020

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Above the Fold

Consumers' Spending Resilience Suggests (Possible) Sharp Recovery

There's obviously major contention around how federal, state and local governments are handling the ongoing pandemic, but consumers, on average, are still splurging on big-ticket items. The reasoning behind their patterns is also a source of debate, but reassuring nonetheless. Several sources, including a Harvard-based nonprofit research group, have noted a distinct difference in current spending patterns on durable goods like cars, homes, appliances and so forth. And those patterns suggest a much-less severe recession than some suggest, especially as "rationality" seems to be returning to the marketplace. Of course, there are still a myriad of variables that could derail these optimistic trends.

During typical recessions, spending on these larger, more expensive items tends to dramatically decrease, with moderate to flat progressions as the country works its way out of the lull. This time around, consumer spending is already recovering sharply after a momentary slowdown, jumping 8.2% in May following two months of decline. Some attribute the sharp March and April declines to the simple fact that many stores were closed for extended periods of time; others believe that the rebound is simply a rubber-band effect. The housing market remains extremely robust in many areas — and Americans, driven in part by ultra-low interest rates, are also stepping back into the auto marketplace (which still faces many serious challenges).

Other economic indicators are also inferring a rebound, but the country still faces many challenges and changes, culturally and economically, as we work to emerge from this unexpected pandemic. Corporate bonds yield premiums and the "real

yield” on U.S. government debt instruments also still reflects the potential for more of a prolonged period of volatility. Forecasts and sentiment may improve as pharma researchers continue their progress toward a vaccine — one company believes it could begin to deliver large amounts of vaccinations as soon as 2021.

Three Things

1. ***Copper Shakes Off Its Patina to Sparkle Once Again*** – As a popular industrial metal and proxy for economic health, the price of copper experienced 12 days of consecutive gains into Monday. The rally brought the metal to its highest level since April of 2019 and is yet another indication that investors’ confidence may be increasing once again.
2. ***Google’s Video Filter Bubble*** – Google is purposely steering users of its browsers and operating systems to YouTube results for video searches (even if other videos are more relevant and/or popular). According to a Wall Street Journal report, Google engineers have developed code that moves YouTube content to the top of searches so that the search engine can gain leverage with business partners and content providers.
3. ***An Electrifying Announcement in 15 States*** – Fifteen states and Washington, D.C., have joined California in its commitment to require commercial heavy duty trucks, vans and buses to become fully electric by 2045. California will also require that all public transit vehicles within the state be electric by 2029.

Did You Know?

Happy Old Men?

Walter Matthau and Jack Lemmon’s characters in “Grumpy Old Men” at least partially typified the average American retiree as a bit of a curmudgeon, but according to WebMD, that couldn’t be further from the truth. Studies have shown that most of us become more agreeable as we age, at least through our 60s. And retirees are also likely to be happier with less of an inclination for anger. There are several theories as to why, but many suggest that older people may have better control over emotions, with more of a focus on happiness and fulfillment in their golden years.

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