



## Basis Points – July 14, 2020

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### Above the Fold

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#### *Is China Really the Safest Place for Your Money?*

According to economic data provider CEIC, Chinese government bonds saw the largest quarterly (Q2) inflow of foreign capital since late 2018. The transfer of capital into the country has increased after the communist government has made it easier for their debt to be added to popular bond indexes in 2019. Just a few years ago, Chinese bonds were much harder to access at all. In a world where yields are “challenged,” relatively high-yielding Chinese debt can boost returns for income-seeking investors — but it’s not just the coupon rate.

With the capital influx, 10-year sovereign bond yields in the Asian nation reached their lowest point in April, delivering strong (price) returns for bond owners at a time when global market volatility was wreaking havoc on performance in most other places. Yields are back up above 3.1% on the Chinese 10-year and foreign money continues to flow in. Second quarter inflows set a record of 4.3 trillion yuan (\$619 billion) as investors’ China labels shift from “emerging market” to “safe haven.” While the future of Chinese debt remains to be seen, there’s certainly opportunity for those who understand the risks of that marketplace.

### Three Things

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1. ***Alphabet Sinks Some Serious Cash Into South Asia*** – The Google parent will invest \$10 billion through its India Digitization Fund to capitalize on untapped tech-related growth potential in the country. CEO Sundar Pichai said the investment would focus on four areas: technology to promote social issues including health and education, affordable [tech] access in local Indian languages, new products and services aimed at Indians, as well as helping businesses get online and go digital.
2. ***Oil May Have Rebounded, but Timber Is a Cut Above*** – From structural modifications and fabrications needed to create COVID-19-friendly outdoor business spaces to the boom in DIY projects, lumber futures have been soaring. Prices for the popular building material have even eclipsed highs made during the housing boom of 2006, and are up 85% since April 1 alone. Home construction was deemed an essential business and has continued despite lockdowns. Ultra-low rates are also stimulating homebuilding.
3. ***Ford's Friendly Car Repossession*** – A new program called “Ford Promise” allows customers to return any purchased or leased (through Ford credit) vehicle back to the company within the first year if the borrower loses their job. Ford hopes the idea will not only encourage consumers to buy, but change the often difficult and stressful process of repossession during times of financial hardship. Ford Promise runs through Sept. 30, 2020. Eligible vehicles include 2019, 2020 and 2021 new, used or certified pre-owned models.

## Did You Know?

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### ***Nearly 2.3% of GDP Is Lost to Excessive Sleep***

More than a third of Americans don't get enough sleep. The effects are not only health-related, but may also have severe financial consequences. A 2016 study by research firm RAND estimated that sleep deprivation cost America's economy an average of 1.2 million working days per year, or about 2.28% of Gross Domestic Product.

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