



Basis Points – July 7, 2020

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Above the Fold

Crude Oil's Rebound Isn't (Only) a Demand Thing

A couple months ago in April, the market was essentially paying investors to take delivery of West Texas Intermediate (WTI) oil as prices went negative for the first time ever. Prices had dropped as consumption and demand, in general, fell dramatically due to pandemic closures, while infighting between Organization of the Petroleum Exporting Countries (OPEC) members and Russia triggered a bearish price war of sorts.

And while economic activity is slowly returning, demand is nowhere near what it was pre-COVID-19 — and yet the price of crude has filled in most of its gap lower and returned to early March levels of \$41 a barrel. The main driver for the meteoric price jump in prices is the simple fact that U.S. supply has dropped at its quickest pace ever. U.S. weekly crude output had fallen to 10.5 million barrels a day, down from a near-record of 13 million barrels a day from late March. Domestic cuts came in concert with record output declines from OPEC and its partners, including Russia. Unfortunately for many American producers, the current \$40(ish) black gold price tag may still not be enough to justify production increases and stop major financial struggles and even bankruptcy for many.

Three Things

1. **PPP Still Possible** – The deadline to file for the federal Paycheck Protection Program (PPP) was extended by the Trump administration until Aug. 8. Believe it or not, nearly \$130 billion of the \$670 billion set aside for the program is still available. Demand has decreased exponentially since the early days and more than 170,000 loans have been cancelled, freeing up some additional cash.
2. **Warren Buffett Goes for Gas** – The billionaire investor started putting some of his \$137 billion in cash to work, acquiring Dominion Energy’s natural gas transmission and storage business. The deal is said to be worth \$9.7 billion and includes over 7,700 miles of natural gas pipelines and 6.73 billion gallons of storage.
3. **Sprint Network Shuts Down for Good** – Don’t worry former Sprint customers, you (should) still have service. As part of its merger plans, T-Mobile terminated Sprint’s 2.5 GHz network as it transitions to its planned 5G network strategy (which will be rebranded T-Mobile spectrum). The new system will incorporate both low- and mid-band frequencies, but may leave some customers with older phones unable to connect. The company is offering replacement offers for those affected.

Did You Know?

What’s the Largest Social “Country”?

Wondering why Facebook is so popular and influential? With more than 2.6 billion monthly active users, Facebook could easily be the most populous country in the world. In fact, the social network is nearly the size of China and India’s populations combined.

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