



Basis Points – January 14, 2021

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Above the Fold

The Correlation Between Vaccines and Debt

According to the [Wall Street Journal](#), the slower-than-expected vaccine rollout could have potentially catastrophic effects on high-risk debt issuers. Having administered just 2.9 million doses, the U.S. government alone fell far short of its vaccine target of 20 million people for 2020. Data has continued to show an exponential rise in COVID-19 cases and deaths — a trajectory that's not good for humanity or commerce. The emergence of more-contagious strains also increases concerns that it could take longer for America to return to “economic normalcy,” and thus restore adequate revenues for high-risk companies that have borrowed.

In 2020, roughly \$694 billion in speculative-grade debt was issued, up substantially from \$559 billion in 2019. To be fair, the boom was also fueled by record-low interest rates, with many companies utilizing those funds to refinance even higher-rate debt or to replenish cash stores to weather the storm. But, some in the entertainment, travel and consumer discretionary sectors may find bankruptcy protection the only option if anticipated recovery trajectories get pushed back too far. Barclays expects the bond default rate for full-year 2021 to be 5% to 6%, down from a recent high of 8% in October.

Three Things

1. *Intel's Abrupt Swan Song (For Swan)* – With the company losing large swaths of business to competition and in-sourcing of chip manufacture, Intel Corp.'s board has fired CEO Bob Swan. The ousting follows heavy pressure to reorganize from activist hedge fund Third Point LLC. Mr. Swan joined Intel as chief financial officer in 2016, formally taking the role as chief executive in January 2019. VMware CEO Pat Gelsinger will assume the position on Feb. 15.
2. *Private Chat Apps See Exponential Gain* – After a recent, more intrusive privacy policy change at Facebook and the recent high-profile censorship actions taken by several large social media networks, millions are choosing to message elsewhere. Two messaging apps, Telegram and Signal, are ranked as the top two downloads in Apple's App Store and Google Play. The two (and others like them) offer end-to-end encryption, the ability to delete messages for both parties, and come without ties to a parent company's shared ecosystem or its potentially intrusive privacy policies.
3. *T-Mobile to Customers: Throw Out Your Old Phone* – A network update coming on Jan. 29 will render a number of android-based phones useless on its network. T-Mobile insists that they are not disconnecting any legacy network but hasn't given specifics on why these models will no longer work. Tech watchers are concerned that consumers could see an increasing number of phone obsolescence as carriers move to 5G. You can view the full list [HERE](#).

Did You Know?

J.P. Morgan Had Some Serious Holiday Connections

John Pierpont Morgan's namesake financial firm is the largest western bank in the world; fifth, if you include China's massive money centers. But the Morgan family wasn't all about finance. His uncle, James Pierpont, was an accomplished organist and songwriter. In 1857, Mr. Pierpont published a song for a Sunday School Thanksgiving concert titled "The One Horse Open Sleigh." The original tune wasn't a huge success, but with some tweaking and a new name, it was re-released as "Jingle Bells" in 1859. The song went on to become an immensely popular Christmas favorite.

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