



## Basis Points – January 26, 2021

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### Above the Fold

#### *What Can China Tell Us About America's Stock Surge?*

Following dramatic moves in 2014 and 2015, several studies brought China's surging market volatility to light. The hyper-skittish marketplace (established in the 1990s) seemed to be out of control, more than doubling in value over a few months, only to drop back down less than a year later. At the time, according to Reuters, roughly 85% of all trades in Chinese stocks were retail (individuals). These retail traders were also the most active traders on Earth at the time, with 81% of them making at least one trade per month. Further [examination](#) found that roughly two-thirds of these investors had less than a high-school education, and many were using borrowed money to trade (in hopes of making a fortune that would overcome all their debt). And because less than 2% of its market was owned by foreign (institutional-type) investors, and with minimal government restriction, there wasn't a real system of checks and balances. Things have certainly moderated for China's marketplace through regulation and increased foreign participation, but one trend has found its way to modern American markets — the risky individual trader.

The meteoric rise of young, optimistic, digital investors with easy market access through their smartphone could be fueling our market rise. A German study distributed by the National Bureau of Economic Research found the growing use of smartphones increases the purchase of riskier assets, and encourages users to chase past returns. Earlier this year, [Citadel Securities](#) noted that retail trading volume, as a percentage of total, accounted for 25% of stock market activity, up from 10% the year prior.

## Three Things

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1. *China Joins in Big-Tech “Takedown”* – Beijing is aligning itself with governments across the globe to rein in the power of massive technology firms like Amazon, Google, Facebook, Alibaba and others. The mutual goal of the varied proposals is to help ensure that smaller companies have the ability to compete and that consumer data is handled properly (among many others). There’s still no telling how the regulatory landscape will evolve, but China is certainly a newcomer to antitrust enforcement, having just established its first related law in 2008.
2. *Alphabet Tossing Others’ Cookies Out the Window* – Google’s Chrome browser accounts for more than 60% of the global market. As privacy concerns continue to become a hot-button for regulators, the company will phase out third-party cookies in 2022. Cookies are the data packets advertisers and other companies use to intimately track your digital movements.
3. *A Little-Known, Popular Ingredient Is Experiencing a Price Surge* – Palm oil, extracted from the fruit of oil palms, is used in everything from chocolate and makeup, to toothpaste and even ramen noodles. The vast majority (84%) of palm trees used for industrial and commercial use grow in Malaysia and Indonesia. Due to the COVID-19 pandemic downturn, the farmers there expected much less demand and have fertilized far fewer trees this year. Renewed lockdowns in the region are also hindering exports. The dearth of oil coming to market, compounded by a jump in Chinese consumption, is sending prices of the versatile ingredient to 10-year highs. Experts see the market easing in the back half of the year.

## Did You Know?

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### *Cullinan’s Birthday*

The world’s largest diamond was discovered near Pretoria, South Africa, 115 years ago today. The monster 3,106-carat stone was exceptionally clear and colored blue-white. The stone was presented to King Edward VII to help heal tensions following the Boer War. The colossal gem was sent to Asschers of Amsterdam where experts worked for weeks simply to try and cut the thing in half (the first attempt broke the knife). It took three men working 14-hour days for eight months to cut and polish nine large stones (and a few smaller ones). Two of the stones were set into the Sovereign’s Sceptre and Imperial State Crown, part of the Crown Jewels of England; the other seven were given to Asschers as payment.

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