



Basis Points – February 16, 2021

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Above the Fold

Unusually Cold Temps Reveal Weaknesses in Infrastructure, Send Oil Soaring

As large swaths of the U.S. receive a bitter, prolonged arctic chill, electric grids like Texas' ERCOT ([Electric Reliability Council of Texas](#)) were forced to implement rolling blackouts to preserve the integrity of the grid and prevent even wider failures. Millions of Texans were left without power while temperatures plunged to record lows. Many of the homes built in the southern part of America simply aren't designed to withstand extreme temps and many of the heating, ventilation and air conditioning (HVAC) systems used to heat homes and buildings become highly inefficient below roughly 45 degrees fahrenheit.

As wind turbines froze and cloud/snow cover put a damper on solar generation, alternative power sources feeding the grid went offline, compounding an already nasty demand problem. With more than 150 million Americans currently under some type of winter advisory, and as the frigid weather threatens oil production in several key areas, investors are turning to crude oil.

West Texas Intermediate futures gained close to 2% Monday morning, adding to an already bullish couple of months where crude oil has gained 25% year to date. Gasoline prices also rose for a fifth week to a national average of \$2.45 per gallon, the highest in over a year. Many analysts believe prices have outpaced real demand, but are likely to remain elevated until temperatures moderate in spring.

Three Things

1. Former British Gas-Guzzler Changing Its Spots – British automaker Jaguar Land Rover (JLR), known for its 12-cylinder, fuel-chugging XJ Series and its massive (not-so-efficient) Land Rover and Range Rover engines, just made a big announcement. According to Bloomberg, the luxury carmaker will be all-electric by 2025. The first fully electric Land Rover will be released in 2024, and the company will begin marketing as a luxury, all-electric global brand. JLR is owned by India's TaTa motors and will leverage that ecosystem and knowledge for a potentially successful transition.

2. eBay Gives Users a Not-So-Nice Valentine's Day Gift – Since splitting from PayPal, eBay is looking to gain more authority over how users make and collect payments. For sellers of goods, the company began phasing in a new program (on Feb. 14) that requires a directly linked bank account. eBay will also exert control of when you get paid (it's likely to take much longer) by way of enhancing what it calls "managed payments." The changes come at a time of increased competition from the likes of Facebook and others who also offer online exchanges and payments either directly or through their own payment systems.

3. Co-Working Firms Shuffling to Reinvent – Popularized by WeWork and its competitors, co-working companies' strategy was to lease prime spaces or entire buildings in or near urban centers, then sublease that space to smaller companies or individuals for a profit. With millions now working from home, laid off or without jobs, co-working companies are stuck paying those pricey leases. Since that model isn't working, companies are reinventing their business models to everything from franchising to property management and even revenue-sharing agreements, where operators can collect fees and a share of profits, but don't pay a set rent to owners.

Did You Know?

The Polar Vortex Is Always Here

As the country grapples with bone-chilling temps, the term "polar vortex" is being used a lot. Unfortunately, the term is frequently misused and misunderstood. The vortex is not some sudden, Arctic-born storm that dips down to ravage America. In fact, the polar vortex is a semi-permanent ring of low pressure, counter-clockwise air flow that surrounds both poles. It's actually the jet stream (which I'm sure you've heard of) that can periodically disturb this very cold ring, which tends to weaken in winter, and push that frigid air mass down into our backyards.

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