



Basis Points – September 2, 2021

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Above the Fold

The Next Big Thing in Trading (No, It's Not Crypto)

Beyond stocks, bonds, options and dogecoin, there are a myriad of commodities and other securities that are traded globally — and a plethora of unique traders. Electric utilities companies trade electricity as prices ebb and flow, while airlines and oil processors trade fuel and crude prices to hedge (protect) their costs and reduce balance sheet volatility. Many oil companies are now getting into the business of trading carbon, or more specifically, carbon emissions.

As the world works to move toward “green” sustainability, governments and regulators are clamping down on polluters by requiring “carbon credits.” Each credit permits the emission of a mass equal to one ton of carbon dioxide (this credit system is a part of the cap-and-trade program you might remember). And since these credits need to be bought and sold, many countries have established trading systems and marketplaces to do so. The current total value of the global carbon market is just over \$327 billion, paltry when you consider the multi-trillion-dollar oil marketplace. But as these markets grow, we should see exponential growth in carbon trading (and prices); some experts anticipate carbon markets eclipsing the world’s oil markets by 2030, ballooning to \$22 trillion by 2050.

Three Things

1. *Could Apple and Google Lose App-Store Payment Exclusivity?* – Right now, the two digital behemoths collect 100% of profits from transactions made on their app-stores, as they both take direct payments. But a bill passed in South Korea Tuesday (kind-of) prevents large app-market operators from requiring the use of their in-app purchasing systems. In other words, this new law could set a precedent that removes global app-purchase exclusivity, allowing direct payments to software companies and/or alternative app marketplaces.
2. *Government-Induced Internet Shutdowns Are Still Common* – According to nonprofit Access Now, governments have fully or partially shut down internet services 768 times in the last five years. There were 213 intentional information “blackouts” in 2019 alone, with 155 occurring last year. So far this year, 21 nations have shut down the internet 50 times. Typically, these blackouts occur during elections or times of protests.
3. *Bond Markets Shrug Off the Fed Taper* – Despite Federal Reserve President Jerome Powell’s telegraphing of the Fed’s tapering of its \$120 billion in monthly asset purchases, five-year yields have remained little changed since the start of spring. The 10-year note has seen its yields decline a bit more sharply since March. The action suggests that bond traders are buying U.S. treasuries due to a less optimistic economic forecast and less concerns around long-term inflation.

Did You Know?

The Worst Fire in London’s History

On this date in 1666, a fire was accidentally started by the King’s baker in Pudding Lane, near the London Bridge. Heavy winds stoked the flames, which continued to burn for a total of four days. To this day, it remains the most devastating fire ever for England’s capital, destroying a large portion of the city, including 87 churches, St. Paul’s Cathedral, more than 13,000 homes and nearly all of London’s civic buildings.

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