



Basis Points – April 28, 2022

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Above the Fold

Keep on Truckin'

Consumer confidence may be holding fairly steady and the average American may still be doing okay when it comes to employment, wages and debt balance. But one indicator is pointing sharply in the other direction. Trucking demand is plummeting for the fourth consecutive month. Trucking rates and activity have been a fairly reliable indicator of the broader economy in the past, so there is a good possibility that this weakness could reflect and maybe even predict a deeper slowdown in the economy moving forward.

Some analysts have remarked that trucking activity now is “near freight recession level.” One gauge tracking truckload demand has dropped nearly 23% to its lowest level since June 2020. Despite the weakness, shippers are not feeling optimistic about this trend changing in the coming months either, with 36% of them expecting to see continued declines in the near future. Trucking is considered a bellwether — an early indicator of things to come — because when trucking demands drop, fewer goods are shipped and fewer goods are bought. This typically indicates that consumers are spending less, so business activity slows.

This could be an early reaction to the central bank announcing a 50-basis-point hike coming in May, the first time since 2000 that a rate hike of this magnitude would occur. Jerome Powell, chairman of the Federal Reserve Bank, said that he thinks “it is appropriate to be moving a little more quickly,” in reference to the Fed’s attempts to combat the inflation rate, currently at its highest since 1981. Some economists think the Fed may have acted too slow, and that playing catchup now could throw the U.S. into another recession in the next year or two. Powell remains confident the Fed can lower the inflation rate back to something closer to their 2% target rate without triggering a recession. “Our goal is to use our tools to get demand and supply back in

sync, so inflation moves back into place, without a slowdown that amounts to a recession,” says Powell. “I don’t think you’ll hear anyone at the Fed say that’s straightforward and easy. It’s going to be challenging.”

Three Things

General Motors Electrifies an Icon

General Motors (GM) will produce a fully electric Chevrolet Corvette, GM President Mark Reuss announced in a LinkedIn post on Monday. “We will offer an electrified and a fully electric, Ultium-based Corvette in the future,” Reuss wrote. “In fact, we will offer an electrified Corvette as early as next year.” “Electrified” encompasses everything from hybrid to fully electric vehicles. However, Reuss added that details and names will come at a later date. GM has previously said it plans to produce only zero-emission vehicles by 2035.

Real Estate Market Repopulates Less Expensive Cities

With mortgage rates reaching 5.5% this month, homebuyers are looking far and wide for affordable housing options. As many workers were able to make the switch to remote positions during the pandemic, many homebuyers are finding affordable homes in some of the country’s smaller, lesser-known cities. Rapid City, South Dakota, was the top-ranked city of Q1 with a metro area population of around 145,000. The Wall Street Journal/Realtor.com Emerging Housing Markets Index lists the top emerging markets in the U.S., and is one place to find potentially affordable living areas.

Second-Largest Cloud Infrastructure Company Gains Ground

Microsoft is seeing continued success from the worldwide migration to remote/hybrid work. In its earnings report this week, the tech giant saw an 18% increase to \$49.4 billion in revenue and an 8% jump to \$16.7 billion in net profits from last year. The need for continued cloud-infrastructure support for businesses implementing remote work positions has helped fuel its success. Their increased hold on the cloud network market is due, in large part, to the leadership in office applications and using their foothold to leverage their Azure cloud services. As companies continue to spend on cloud services, Amazon may have a little competition for their top spot in the cloud-infrastructure market moving forward.

In the Know

A Little Note on Volatility

We realize that markets feel extremely volatile at the moment, but don't let short-term oscillations get the best of your long-term goals. As a result of the pandemic, 2020 was also an extremely volatile year where stocks' observed volatility (in the S&P 500) were more than double the 10-year historical average between 2010 and 2019. To put that in context, the S&P 500 Index had daily swings of + or -1% nearly half (42%) of the time, a level not seen since the height of the Great Recession in 2009.

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