



Basis Points – April 21, 2022

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Above the Fold

Tumbling Bond Prices Hurt Some Investors, Despite Higher Yields

Bond prices, on average, have continued to fall (sending yields higher), and some believe the trend may not end anytime soon. Because of high inflation rates and the Federal Reserve's telegraphing of interest rate hikes, bond prices are plummeting faster than investors are used to seeing. Increasing treasury yields are usually an indicator of a robust economy, but in this case, investors expect to see a continued rise in inflation rates due to cash-rich households looking to spend money on travel and leisure activities as COVID-19 fears seem to be subsiding.

With the labor market relatively tight, workers are also demanding higher wages with confidence that they can find another job if their demands aren't met. These factors are why the Fed is urgently working to push up bond yields despite improvements in a crucial inflation report last week. Analysts expect bond prices to continue to fall this year with some investors thinking the Fed's message won't get through until stock prices take a serious hit.

Treasury yields indicate the short-term expectations of bond rates over the life of the bond, thus setting the floor for borrowing costs across the economy. The Fed is working to make borrowing rates higher to slow the spending of money and decrease the inflation rate, succeeding in the housing market as the average 30-year mortgage rose 5% last week for the first time since 2011. While investors expected inflation to peak in March, the central bank is likely to continue signaling interest rate increases beyond what investors previously expected. These changes are prompting investors to shift their portfolios to a wait-and-see approach rather than trying to outperform the bond index if yields rise. At Westwood, we do see some light at the end of the bond price tunnel and don't predict selling trends will continue for as long as others are predicting.

Three Things

1. You're Now Free to Move About the Cabin ... Maskless

The federal government lifted the mask mandate for travel on Tuesday. This means you don't have to wear a mask in your Uber or Lyft on your way to the airport, or on the plane. But not every airport has decided to lift the mandate. New York's JFK and LaGuardia airports still require masks, while Newark airport in New Jersey does not. It seems many public transportation entities across the country are still split on the mask mandate decision, but momentum seems to point to an end of mask-mandates on public transport for most of the country.

2. Other Investors Now Jumping on the Twitter Bandwagon

Elon Musk's \$43 billion bid on Twitter has caught the attention of other investors looking to take a stab at the social media company. Apollo Global Management Inc. — one of the world's largest buyout firms — has held talks about backing a possible deal for Twitter and could provide interested parties, like Musk, with the equity or debt to support an offer. Apollo also owns Yahoo and has evaluated the potential of cooperation with Twitter. Twitter is set to report earnings, and maybe offer more details on April 28.

3. The One Place There's Apparently NOT a Supply Issue – Vaccines

The COVID-19 vaccine frenzy seems to be waning. Johnson & Johnson announced a suspension of COVID-19 vaccine sales, citing a global surplus of vaccines and no clear idea of how the recent course of the pandemic will affect demand. After predicting \$3 billion to \$3.5 billion in full year sales of the vaccine in 2022, the healthcare-products company says now that the surplus of vaccines makes the year much harder to predict. Shares still rose sharply after their earnings report earlier in the week.

Did You Know?

The QWERTY keyboard was explicitly designed to slow typing!

Fans of the [Dvorak Simplified Keyboard](#) scoff at the inefficiencies of the QWERTY keyboard layout that most people use. Originally, however, QWERTY's inefficiencies held a clear purpose: The keyboard design was intended to slow down users.

At one time, mechanical typewriters jammed if typists were too quick. QWERTY cut down on this problem. Today, we continue to use QWERTY because we're accustomed to it, but many experts strongly favor alternate typing approaches.

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