



Basis Points – April 26, 2022

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Above the Fold

Maybe Consumers Are Doing Better Than We Thought

There's been lots of talk about how wages are lagging inflation, but consumers seem to be fighting back. With inflation hitting a 40-year high of 8.5%, Americans are finding that switching jobs can lead to huge pay increases to help soak up those extra costs. According to a survey conducted by ZipRecruiter, 64% of workers who switched jobs in the last six months have reported higher pay at their new jobs with half of them receiving at least an 11% raise. Historically, workers tend to stay at their job for an average of four years or so. Job stints are much shorter these days as nearly half of the surveyed workers say they plan to stay at their current job for two years or less.

And even though prices are jumping around 8%, the annual wage growth for the typical worker reached 6%, and 7.1% for job switchers in March — averaged over three months. Sounds good, right? Unfortunately, there's a catch ... a growing number of economists now fear this will be the main component keeping inflation rates high this year. A survey conducted by the Wall Street Journal showed that 27% of economists place the wage increases above other inflationary drivers like the Russia-Ukraine war and supply chain disruptions for the rest of 2022.

This paints a different picture from the numbers seen in the Bureau of Labor Statistics' (BLS) Real Earnings Summary published earlier in the month. BLS reports are a traditional metric of consumer health, but they might not be telling the whole story these days. Employers are feeling the heat, having to hire new talent at high rates while also raising wages to keep existing employees. These wage increases will most likely be reflected in companies raising prices for the goods and services the businesses provide, potentially driving inflation higher in the short term. Inflationary fallout aside, it seems U.S. consumers might not be in as tough a spot as many initially thought.

Three Things

Twitter Board Comes Around to Musk Afterall

On April 14, Elon Musk made a bid to purchase Twitter for nearly \$44 billion. Initially, Twitter seemed to rebuff the advance and even talked of adopting a “poison pill” to prevent the deal’s completion, but Musk’s persistence and cash flow backing seem to have caused the board to acquiesce to his offer. Shares of Twitter responded positively as the board formally announced the acceptance of Elon Musk’s “best and final” offer of \$54.20 per share. Twitter will become a private company after the deal is closed.

Investors “Checkin’ In” on Hotel Investments

After getting hit the hardest during the start of the pandemic, investors seem to be showing extreme interest in the hotel market now. First-quarter hotel sales reached \$12.5 billion, the highest since 2016. With many investors flush with cash, they see hotels as a better investment than stocks or bonds currently, despite surging hotel prices. Even with inflation as high as it is, hotel investors remain confident that lodging can remain profitable due to their ability to adjust room rates by the day. Other commercial investments like office buildings and malls will have a much harder time filling vacancies, making hotels an even more enticing prospect for investors. As mask mandates are lifting across the country, hotels seem poised for further gains as consumers start vacationing again this summer.

Big Tech May Have Some Explaining to Do

On Saturday morning, the EU agreed on the broad terms of the Digital Security Act, or DSA. The legislation will force companies to take more responsibility for the content that appears on their sites. Platforms like Google, Meta and Twitter will be obligated to remove illegal content and goods sooner, explain algorithms to users and researchers, and crackdown on the spread of misinformation. European Commission President Ursula von der Leyen said, “It gives practical effect to the principle that what is illegal offline, should be illegal online. The greater the size, the greater the responsibilities of online platforms.” The DSA is not yet completed, but the regulations will affect the tech world in a big way when it comes to transparency and advertising practices, among many other strict regulations.

In the Know

Remember the Polio Vaccine?

The Salk (named for virologist Jonas Salk) Polio vaccine trials began on this day in 1954 and took nearly a year to complete. The initial trial involved 1.8 million children across the U.S., Canada and Finland using the now-standard double-blind method. It was the first time in U.S. history that the method, whereby both the patient and the doctor administering the vaccine were unaware of whether the shot was the vaccine or a placebo. A year after the trials, the vaccine was deemed safe for the population and eventually went on to eradicate the disease in the Western Hemisphere.

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