



Basis Points – June 14, 2022

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Above the Fold

Could Mexico's Government Takeover of Energy Affect Us?

The Mexican government has begun a seemingly hostile takeover of their energy sector. Foreign power companies are being closed — some at gunpoint — by the Mexican government due to the president's belief that these foreign companies are akin to the Spanish conquistadors of old. This sudden and violent shift comes only a few decades after trade agreements boosted the Mexican economy and lifted millions of Mexican residents out of poverty. Mexico's president, Andrés Manuel López Obrador, is shifting the country to a dated industrial policy, with more focus on the domestic market by implementing more government intervention. The shift has seen companies like Japanese-owned Mitsubishi Corp. and global investment firm KKR & Co. completely ousted from the country's energy industry. Experts fear this could severely hinder Mexico's transition to sustainable renewable energy infrastructure, not to mention other effects.

This shift could also cost Mexico billions of dollars in foreign investments and holds serious implications for energy prices in the near future as domesticating the energy sector entirely could severely limit the growth of oil and electricity output. More trouble still, these moves could damage the competitiveness of Mexican companies and the many multinational companies that operate in Mexico currently. Ironically, the tactics are likely to prompt more migration to the U.S. from Mexicans seeking a living wage according to the U.S. government, private companies and economists alike.

These changes come at a time when Mexico's economic growth has consistently fallen behind that of the U.S. and Canada for the first time since the mid-'90s. While almost every country in the Western Hemisphere has rebounded from the pandemic's damage to their economies, only Mexico and Venezuela — a leftist dictatorship — have not recovered. All of this is happening in the first four years of President López Obrador's leadership. This lagging growth is setting Mexico back on a global scale as well, positioning Indonesia to potentially take over the rank of the 15th biggest economy in the world, which Mexico currently holds.

Three Things

Should You Worry About Deepfake Security?

The short answer is: Yes! Deepfake technology is evolving at an alarming pace. But what is it? Deepfake technology compiles pictures of a person's face to essentially make full-functioning virtual models of the face that can be pasted onto any other face in a video. This is a scary thought because, with enough time and adequate resources, a person can impersonate anyone they want. Many of us have more than enough material for a Deepfaker to use due to our love of social media platforms. This holds particular risks when it comes to security. Many new devices are shifting toward the option of biometric security. Fingerprint scanners and, more importantly, facial recognition software, are becoming very popular forms of security. With Deepfake technology, hackers are able to imitate and deceive these security measures and gain access to your personal data. The takeaway? Stick to complex passwords for now.

Is Americans' "Grumpiness" Partially Responsible for Recessions?

Consumer confidence in the economy tanked by 30% year over year last month. This has led to 80% of Americans believing that a recession will happen before the end of 2022. According to Peter Atwater, an adjunct professor of economics at William & Mary, this grumpy attitude toward the economy can be a major factor in triggering a recession. As grumpiness increases, consumers pull back on their spending and slow the economy down. Coupled with the Federal Reserve scrambling to raise interest rates to combat inflation, this could tip the scales a bit too far and send the U.S. into another recession, turning this grumpiness into a self-fulfilling prophecy.

Russia Reopens McDonald's ... But

Amid the sanctions and mass exodus of Western businesses in Russia, McDonald's has reopened under a new name and new ownership. Now named, "Vkusno & tochka," — literally translating to "Tasty & that's it," — former McDonald's locations are opening as a symbol of Russia's resilience to Western sanctions as a response to the war in Ukraine. This all comes in an effort to continue

stabilizing the economy after Western sanctions and selloffs did significant damage to the Russian ruble following the initial invasion of Ukraine. Providing this recognizable chain for the people of Russia is an attempt to keep morale high and money flowing.

In the Know

McDonald's Has Had an Interesting Past

McDonald's has been an American icon since 1940, when the first location opened up in San Bernardino, California. Since then, the company has changed quite a bit. One thing that hasn't changed is the love consumers have for their favorite fast-food restaurant. One of the biggest modifications the Golden Arches has made is that, originally, it was a BBQ restaurant. In the '60s, they even switched up their menu to give Catholics an option during lent and started offering the Filet-O-Fish, which was originally made with Halibut — a major step up from whatever mystery white fish they use now.

They also played with bubble-gum-flavored broccoli for a short while, and we are happy they decided not to bring that back each year like they do the McRib. Speaking of that, the McRib has exactly 0% rib meat in it. It is actually a patty made from pressed shoulder meat. And despite what you may think, McDonald's doesn't make most of its profit from food. It is actually one of the world's leading real estate companies as it buys the land its locations are built on and rents it to its franchisees. After all this, we wouldn't blame you if you started calling them McLiars while you shamelessly layer some fries onto your Big Macs (don't worry, we do it too).

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