



Basis Points – July 26, 2022

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Above the Fold

Rates Set to Increase Tomorrow, but Investors Now Betting on Next Year

The Federal Reserve is scheduled to begin a two-day meeting today where another rate hike is expected to occur in a continuing effort to combat rising inflation. A rate-hike outcome is not unexpected, and Wall Street investors have been planning accordingly, although there is a chance for a 1% increase that could add some market volatility in the near term. What may be under more contention is how the Fed will proceed going into next year, and this is the discussion that has Wall Street and even Main Street eager to wager.

The Fed has been united in its desire to implement a series of monetary tightening measures throughout their meetings this year, and after their meeting tomorrow, interest rates will have most likely reached the target range of 2.25% to 2.50%, which would match the pre-pandemic peak. Fed members have been willing to keep pushing this trajectory higher, as employment numbers (currently at a 3.6% unemployment rate) show that their policies are not yet taking a toll on the job market. If employment rates can be maintained and rising interest rates are not signaling a recession in the short term, then the Fed is confident in its current policy.

However, there will be a time when the Fed must reckon with its policy, as higher interest rates threaten to slow the economy too much and precipitate a full recession if carried too far. The consensus is betting that a Fed “over-shot” could happen within the next six months but at the very least early next year. By then, the Fed (and most of us) will hope that their rate raises will have slowed inflation trends without causing too much economic loss, at which time they can look to level rates off and maybe even cut rates again if this series proves too aggressive.

Three Things

The Technology of Tears Could Be a Game-Changer

According to a study published in ACS Nano (the American Chemical Society Journal), tears could provide new opportunities for scientists to detect disease. Tears contain information about your body much like other fluids such as your saliva or urine, and now technology has advanced to a point where they can be reasonably tested. Current hopes are that teardrop testing could be used to detect eye disease and even diabetes or depression. A dab of a tear is certainly easier on the body (and nerves) than a jab with a needle.

Ford Making Big Cuts to Fuel EV Production

Ford is looking to expand their capabilities in the growing electric vehicle (EV) market but needs to cut costs in order to do so. Current reports suggest that Ford is expected to lay off 8,000 employees (almost 25% of its current U.S. workforce) in an effort to reduce operational costs by \$3 billion. These cuts will be coming mostly from their traditional vehicle business, as they shift their focus away from internal combustion engines. The goal is to eventually transform the business with a plan known as Ford+, which emphasizes a product base featuring connected EVs.

Good News for Your Cereal (and Other Foodstuffs)

Since the Russian invasion of Ukraine began, food prices have steadily risen, with wheat being majorly affected. This was due to grain shipments being unable to move through ports, among other logistical issues. However, this trend may be reversing as a new agreement was reached to allow grain to begin moving safely out of the region again. After negotiations lasting months, wheat futures fell almost 3% with the announcement of this new agreement. This has brought wheat prices back to pre-war levels and is a good sign for future decreases in food prices.

In the Know

Happy Birthday USPS

On July 26, 1775, the U.S. postal system was officially established by the Second Continental Congress. Benjamin Franklin, who already had extensive experience as a postmaster general in Philadelphia, would become the very first postmaster general of the United States. He would leave the position to pursue diplomatic duties in 1776, but not before establishing routes from Florida to Maine, and even implementing a regular service between the United States and Great Britain.

While the current U.S. postal system boasts over 40,000 post offices and delivers more than 200 billion pieces of mail a year, it had incredibly humble beginnings. Long before Benjamin Franklin was postmaster general, the first post office was run out of a home that doubled as a bar, by a man named Richard Fairbanks. Compared to now where the postmaster general is out-earning even the vice president, the U.S. postal service has come a long way.

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