



## **Basis Points – July 19, 2022**

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### **Above the Fold**

#### **Is a Full-Point Hike Coming From the Fed Next Week?**

Pundits believe the Fed (Federal Reserve) seems reluctant to hike rates a full point, signaling a second straight .75-point increase. Inflation continues to increase by historical margins, and America's central bank is challenged with adapting policy to address these concerns using its most powerful tool, interest rates. And while recent price readings show continued upward pressure, a growing number of analysts are theorizing that a full-point percentage increase for interest rates is on the table (roughly a 34% chance as this article was written). However, it appears Fed officials are still acting with caution, and are signaling that an interest rate increase of 0.75 percentage points is more likely at the conclusion of their next meeting on July 26 and 27.

Federal Reserve Governor Christopher Waller, while commenting on the rate increase last week, said "You don't want to overdo the rate increases. A 75-basis-point hike, folks, is huge." If the Fed is too hasty on a full percentage point hike, it could be the catalyst that sets a full-blown recession in motion. This isn't a guarantee, and in fact, Waller did mention that he and other Fed officials would be open to higher interest rate hikes if June consumer reports showed that consumer spending was still robust.

If last week's "hot" consumer and producer price index results are any indication, then the Fed may indeed be more willing to consider a 1-point increase in future discussion. Data regarding consumer purchasing from May to June showed that spending increased, even on discretionary

goods such as furniture and restaurant meals. This increase, while a good trend for the economy, was still considered a modest gain, meaning that a full 1-point interest rate hike by the Fed would still be unlikely for July's meeting. Banking trends also showed consumer spending remained relatively robust, as spending on Chase credit cards was up +21% while Citi cards increased by +16%.

## Three Things

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### Microsoft Expands Involvement in Online Advertising

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It has been many years since Microsoft has been seen as a major presence in the digital advertising market, as companies like Alphabet and Meta have largely dominated the industry. However, with the recent announcement by Netflix regarding their goal to build an ad-supported plan for their streaming platform, Microsoft may have a shot to become a contender. While they were surely an underdog, they landed this major advertising deal as Netflix lauded their data privacy initiatives, their technology platform and their sales department. The true test will be how effective the combined strategy is, and if they can grab real market share.

### Delta Air Lines Looks to Expand Its Fleet With Massive 737 MAX Order

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With an airline industry still recovering from pandemic problems, Delta is looking to expand its capabilities and has ordered 100 Boeing 737 MAX jets in a deal worth about \$13.5 billion. With this deal, Delta is no longer the only major U.S. airline without MAX jets in its fleet or on order. While previously grounded for nearly two years after crashes that took 346 lives, the 737 MAX was reapproved after numerous updates. These MAX jets will be nearly 20% to 30% more fuel efficient than the planes they will be replacing for Delta.

### BMW Ends Sales of Its i3 Model, as Americans Look for Larger Vehicles

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BMW announced that they will stop selling their electric hatchback known as the i3, one of the first electric vehicles that they released back in 2013. With an eccentric design and a rather small build that was meant more for city-dwellers, this model never really became a huge driving sales force for BMW, but it did make its share of fans over the years. The i3 laid the groundwork for what would come from BMW's other electric offerings in years to come, but after only 1,052 sales in 2021, BMW decided the time had come to call it quits.

## In the Know

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### FDR Gets a Third Term

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On this day in 1940, Franklin Delano Roosevelt (FDR) became the first president to be nominated for a third term. Before FDR began his unprecedented four-term stint as president, it was more a matter of tradition that presidents would not seek more than two terms. This was started by

George Washington, as he only sought two terms before stepping down so another person could lead. The presidents who followed would honor this example, until FDR was nominated for his third term on July 18, 1940. America was soon going to become more involved in World War II, and FDR felt it was his responsibility to lend his leadership to the country during this challenging time.

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