



## Basis Points – July 5, 2022

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### Above the Fold

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#### Commodity Prices Take Much Needed Retreat

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It seems that the Fed's (Federal Reserve) drastic measures (among other forces) may finally be tempering some of the most problematic cost increases we've seen over the last year or so. Many commodity prices, from corn and wheat to copper and even natural gas are seeing prices move lower, with several ending the quarter below where they started (and yes that's a good thing). The price of raw commodities dictates just how expensive refined foods and products will cost at the consumer level, and can drive inflation in a big way.

Corn, wheat and soybeans, which collectively are present in most of the prepared foods we eat, all finished the June quarter lower than they were in March. The cost of building materials such as copper and lumber dropped 22% and 31%, respectively, while an index of industrial metals traded in London experienced the worst correction since the 2008 financial crisis in the second quarter. Crude oil ended the quarter around \$106 after making highs above \$120, while natural gas ended its quarter down almost 4%, after a 60% surge.

The trends we are seeing in commodity prices certainly add to optimism that inflation is cooling, but some of the price depreciation could also be speculators moving out of those trades after experiencing record gains. That said, there's no doubt the Fed, and investors, will be watching these market trends closely for confirmation that prices are indeed subsiding and not taking a momentary break.

## Three Things

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### Chip Shortage May Be Ending (But Not How We Hoped)

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When the pandemic hit, workers were forced to go remote loaded up on digital gear. But with global economies quickly cooling, and work life normalizing, PC and electronics sales have slumped. The recent rout in cryptos has also had an enormous effect on semiconductor demand as high-priced equipment costs can no longer be justified. The selloff in the stock market and digital currencies, and rising costs of everything else, has also left many consumers with less disposable income. Put simply, the clearance sales we are currently seeing across many retail items are likely to spread to the electronics market soon.

### Green Wave Has Ironic Side Effect: Coal Boom

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Developed nations around the globe have made substantial commitments to cleaner energy sources and renewables. But renewables like solar and wind have their limitations — weather is hard to predict long term and even electric vehicles still need to charge. In other words, a global green solution still needs time to effectively implement and recent events prove that renewables cannot replace traditional power sources yet. The Russia-Ukraine war has disrupted the world's delicate energy balance and without other alternatives, has thrust coal back into the spotlight. From Europe and Asia to India and even here in the states, the “dirtiest” generator of power is making a huge comeback, even though many countries vowed to eliminate its use within the near future. China is the world's biggest consumer of coal and is ramping up production to prevent more outages like it experienced last year.

### Chevy's NFT Dud

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Automaker Chevrolet commissioned artist Nick Sullo, who goes by [xsullo](#) online, to create its first NFT (non-fungible token). The digital image depicts a mint green Corvette Z06 whizzing through a kind of futuristic urban landscape. What's more, the winner of the auction would not only own the first NFT created by Chevy, but would also receive a free 2023 Corvette Z06 with a binary vehicle identification number that would forever be associated with the NFT. The Ethereum-based charity auction was held between June 20 and 24, and was even extended for 24 hours ... not one person bid.

## In the Know

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## Happy July 4th!

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We hope you all had a wonderful, long weekend celebrating America's independence!

Many of you might not realize that the Continental Congress for the original 13 colonies originally voted and passed the resolution for independence on July 2, 1776. They didn't sign the handwritten declaration until two days later, but that's not why we celebrate on the 4th. Ironically, a year after the declaration, members of Congress had nearly forgotten about the signing until July 3rd. At that point, it was too late to celebrate on the 2nd, so they chose the 4th instead. The celebratory date was a source of contention among the founding fathers, and John Adams reportedly turned down invites to commemorate the holiday on the 4th. But in another ironic twist, Mr. Adams passed away on the 50th anniversary of the declaration's *signing*, July 4, 1826 — the same day as his friend, and rival, Thomas Jefferson.

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