

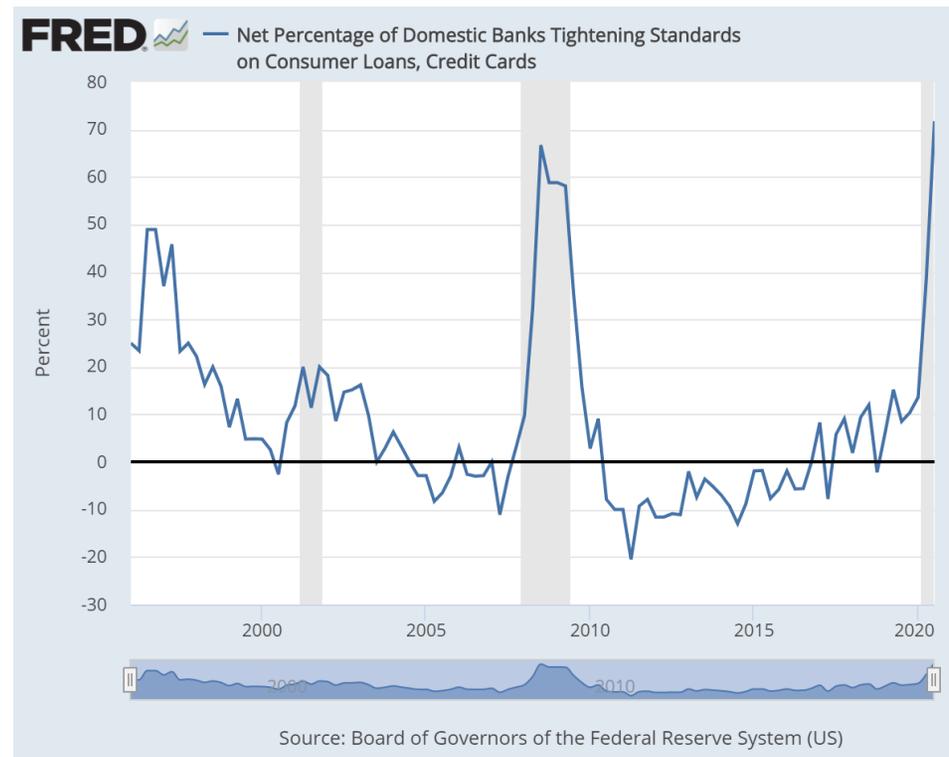
Keeping (Credit) Score

While it might be fun to pop another champagne bottle each night we reach record highs in U.S. stock indexes, it's important to remember the wisdom of the time-tested advisory compliance disclosure: "Past performance is not a guarantee of future results." As risk managers, we must not only celebrate success, but also remain alert for what is coming down the road.

Most banks have been left out of the tickertape parade of the post-pandemic rally. Yet, they continue to control the purse strings of capital flows within the financial system, the money which lubricates the gears of the U.S. economy. Based on our Chart of the Week, it seems the bank credit "purse" is closing and, with it, potential opportunities for additional credit-based economic expansion.

The chart reflects the consumer side of the equation. Previously, we saw how at least one major bank considered tightening mortgage standards and reducing or removing access to HELOCs.¹ It would seem the tightening is now spreading to more institutions and most forms of consumer credit. This trend has not captured many headlines and it seems the potential impact to the economy may not yet be reflected in U.S. equity prices. Given the oft-quoted statistic that consumer spending accounts for roughly 70% of U.S. economic growth,² the trend noted in our chart should probably not be overlooked.

We will continue to monitor the tightening consumer credit situation and its affects on spending and resource allocation across the economy. As always, we will keep you and your advisor apprised of developments and its potential impact on your portfolio.



Source: <https://fred.stlouisfed.org/series/DRTSCLCC>

CHART OF THE WEEK

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¹ <https://www.zerohedge.com/economics/getting-out-dodge-after-exiting-loans-and-hiking-mortgage-standards-jpmorgan-stops>

² <https://www.inc.com/peter-cohan/consumer-spending-is-keeping-economy-from-shrinking-but-a-new-survey-of-10000-americans-says-that-might-end-in-2020.html>

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