

## WEEKLY MARKET RECAP: September 11 – September 15, 2023

Happy Friday, traders.

Welcome to our weekly market wrap, where we look back at these last five trading days with a focus on the market news, economic data and headlines that had the most impact on the financial market – and may continue to into the future for the US Dollar and other key correlated assets.

“Resilient” has been the word often associated with the U.S. economy in 2023, and much of this acclaim owes to strength in the U.S. consumer. In the second quarter, household consumption contributed over half of economic growth and is set to add a similar amount in the third quarter, according to the Atlanta Fed’s GDP nowcast. A tight labor market and rising real wages have provided support for consumers, but the ice may be thinner than consumption data alone suggest.

By our measures, pandemic excess savings has dwindled to \$0.2 trillion from its peak of \$2.1 trillion, leading consumers to draw on revolving credit to finance their spending habits. Revolving credit as a share of disposable income may not look too worrying yet (at 6.3% in June compared to 6.5% pre-pandemic), but delinquencies for credit cards and auto loans are starting to rise. Flows into early delinquency status for credit cards rose to their highest level in 10 years in the second quarter and flows into serious delinquency (90+ days) are picking up as well. As such, the lags of monetary tightening may finally be weighing on consumer spending capacity, and with student loan payments restarting at the end of the month, summer’s shopping spree may be followed by a more pennywise back-to-school season. Indeed, consumer confidence in August dropped by nearly 8 points to 106.1, reversing some of its gains in June and July. Investors seem to be heeding the same restraint as well, as scepticism over the potential for a soft landing and renewed upward pressures on energy prices contributed to lower stock prices last week. While the Fed may feel emboldened by a summer of economic resiliency, the clouds of recession have not departed just yet, and the best course of action likely remains one of both caution and patience.

**Thanks for reading! Have a great weekend.**

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