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In a CNBC interview, Jamie Dimon, JP Morgan's CEO shared "It's complicated." No kidding. Are we or aren't we in a recession? The National Bureau of Economic Research (NBER) has the distinction of officially recognizing a recession and currently says we are not. It defines a recession as "a significant decline in economic activity that is spread across the economy and lasts more than a few months" not necessarily the generally followed rule of two successive quarters of negative GDP which happened last quarter. Current data is sending mixed signals. The NBER looks at Gross Domestic Product (GDP), measuring the output of goods and services (weak), and Gross Domestic Income (GDI), measuring how much money was earned by those providing goods and services (strong). We won't know for a while whether we are in a recession and, if so, when it began, how long it will last and how severe it will be. It makes for good fodder on the business channels.

Will there be a soft landing? Months ago the odds of Federal Reserve Chairman Jerome Powell achieving a soft landing (a moderate economic slowdown avoiding a recession) were slim to none. The balancing act of raising rates to mitigate inflation without sending the economy into a deep recession in large part depends on the strength of the consumer. Again, there are mixed signals. Starbucks beat 3rd quarter estimates in large part to consumer demand for iced beverages. Demand for expensive coffee drinks seems to be relatively inelastic. On the other hand, McDonalds and Chipotle are seeing consumers choosing less expensive items and coming in less often. Walmart slashed earnings estimates given changes in spending habits of their consumers (more groceries at lower margins than big ticket items). On the other end of the spectrum, LVMH (Louis Vuitton Moet Hennessy) said sales increased by over 21% year over year and $10,000 Birkin bags are in high demand (I've only seen photos). Travel sites like Expedia and Booking.com beat earnings expectations as the pent up demand for experiences continues. With a continued strong job market, the Fed will most likely continue to raise rates to manage inflation and the debate on the possibility of a soft landing will continue. Since markets typically trade on expectations, there is a faction looking to 2023 and rate cuts to mitigate impacts from a recession. It makes for good fodder on the business channels.

What is the outlook for inflation? One of the primary factors of inflation is labor costs. Again, the economy is sending mixed signals. Numerous technology companies have made it clear they are reexamining their hiring practices, rescinding offers and announcing layoffs. On the other hand, airports are limiting flights, restaurants are cutting back on days, hotels are reducing services, and today's job report was much better than expected with the labor market adding 528,000 jobs in July beating a Dow Jones estimate of 258,000. Wages are up as well likely signaling continued high inflation although gas prices are at pre Ukraine invasion by Russia levels and there seems to be an improvement in supply chains issues. It makes for good fodder on the business channels.

Just once I want to hear a pundit respond to "why did the markets go up/down today" with "because there were more buyers/sellers". As always, a well-structured investment strategy has at its foundation your needs, risk tolerance and time frame. Now, more than ever, Charlie's words "the best ability is availability" ring true. If you have any questions or concerns, do not hesitate to contact us. We are available.

Be well.

Lyn Cameron

"The life of a nation is secure only while the nation is honest, truthful, and virtuous." -Frederick Douglass

"The best ability is availability. When you work with and for the best people in the business and you love what you do, showing up every day is a joy, but more than that, it is a privilege." -Charlie Cameron

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