Positives

- Consumer confidence and spending has remained at an adequate level to prevent a significant economic downturn. This is critical because consumer spending represents approximately 70% of the economy.

- Higher wages help to offset the impact of inflation to an extent.

- Corporations seem to be preparing for an economic downturn or recession. These actions could lessen the impact of a slowdown and create the opportunity for a strong recovery when the economy begins to expand again.

- The Federal Reserve has implemented its first rate cut and has indicated that they will continue to cut rates at a measured pace should the data support doing so.

- Despite indications that home prices are peaking in some areas of the country, they remain stable due to continued supply constraint.

- The economy has continued to adjust to the higher rate environment.

- Certain sectors of commercial real estate continue to perform well in the higher rate environment. Examples include multi-family housing, student housing, warehouses, and data centers.

- Despite slightly rising unemployment data, employers seem to be generally motivated to retain skilled workers across most industries.

Concerns

- Government, corporate, and consumer debt levels remain elevated and could be a barrier to future growth and stimulus needs.
- The government debt to GDP ratio continues to climb; higher interest rates on new debt may cause additional economic headwinds in the future.
- Current economic data suggests that there is a steady increase in outstanding consumer debt on a month-to-month basis.
- Equity valuations may be reaching an inflection point that could have the potential to limit additional gains in the years ahead.
- Continued geopolitical tensions in the Middle East, Ukraine, and new developing hot spots of instability have the potential to disrupt global economies.
- The outcome of the House and Senate elections could lead to economic uncertainty.
- The lower end and highly indebted commercial office real estate properties continue to be problematic and create stress for banks associated with the holdings and debt.
- If the Fed is slower to implement additional rate cuts, the lower end of corporations that need to refinance debt in Q4 of 2024 and into 2025 could create additional market volatility