Moulton Wealth Management Inc.

MOULTON HOT MINUTES

Specializing in Retirement and Tax Planning
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October 2023

With our research partners, we track many economic indicators in an attempt to determine which way the economy is turning – up or down. And it's an important question. If the economy is turning down, and especially if it is likely heading into a recession, it has serious implications for your portfolio. In short, bear markets in recessions are deeper and last longer, than bear markets outside of recessions.

As of now, the recession red flags are piling up. Let's review them.

Conference Board US Leading Economic Indicator (LEI) is at recessionary levels.

Conference Board LEI has fallen 20 straight months. The last time it fell 20 months was the Great Financial Crisis. It's never fallen this far from a peak without us being in a recession going back to at least 1959.

Consumers are buying fewer large ticket items as budgets get stretched.

In their most recent earnings announcement, Home Depot Chief Financial Officer reported that consumers are holding back on making substantially large purchases.

Consumer confidence is only slightly above what's considered a recessionary level.

Conference Board consumer confidence survey hit 80.2 in August. Historically when it dips below 80 it signals levels that coincide with consumers reducing discretionary spending.

Credit card balances have risen above $1 trillion for the first time ever.

Federal Reserve Bank of New York tells us credit card balances now exceed $1 trillion for the first time ever. This at a time that the interest being charged is above 20%. Consumers are not letting over $1 trillion accumulate on their cards at 20% interest because they are in great financial shape.

Delinquencies on consumer debt have begun to rise.

Delinquencies on credit cards, auto loans and even mortgages have begun to increase.

Many yield curves are still inverted.

There is a time value to money. It's why in normal times, you earn more on a longer term investment commitment than a shorter term one of equal risk. That relationship is inverted right now, with short term rates higher than long term. Historically this has signaled recessions, though the timing is never certain.

Aside from a "signal", an inverted yield curve has real world implications for banks. Banks make money by paying depositors the short term rate and receiving the long term rate on their loans. As such banks are generally receiving less interest income than they must pay in interest expense.

Banks are increasingly reluctant to lend.

Because banks are trying not to pay more on deposits than they are earning on their loans, people are moving their deposits to higher paying options. As banks lose deposits, it becomes increasingly difficult for them to continue lending. The latest Senior Loan Officer Opinion Survey by the Federal Reserve reports that banks are tightening lending across the board from business loans to home mortgages and consumer credit.

When banks pull back on lending, businesses curb their investments and consumers cut spending. This trend is expected to continue for at least the remainder of 2023.

Corporate earnings are declining.

Earnings by the companies in the S&P-500 have fallen in rate of change for eight quarters in a row with the last three quarters actually having gone negative.

Federal tax receipts from corporations are declining.

It makes sense that taxes paid by corporations are falling. Falling profits logically means falling tax obligations.

Corporate bonds continue to mature and have to be refinanced at much higher rates.

Goldman Sachs estimates that $1.8 trillion in corporate debt is coming due over the next two years and will have to be refinanced at much higher rates. This additional interest expense will eat even further into corporate profits.

Gross Domestic Income (GDI) is already pointing to a recession.

Many are familiar with Gross Domestic Product (GDP) which many consider the economy's speedometer. But there's another side of the same coin called Gross Domestic Income. If the economy is producing more, it should also generate more income. This is not unlike a household with two working spouses. It produces more, generates more income and as such has the propensity to consume more.

GDP and GDI generally trend in the same direction. When they diverge it usually indicates turning points. And historically these diversions have been rectified with GDP moving to match GDI.

As opposed to GDP, GDI has been negative for the last three quarters.

The number of large corporate bankruptcies is the highest in 10 years.

Maybe it's all coincidence but the probabilities don't favor risk taking.

It's not too late to protect yourself.

What is your defensive plan? Attend a free seminar or call the office to hear about ours.

Waiting could be costly.

Yours truly,

Rial R. Moulton, CFP®, CPA / PFS, RFC
Certified Financial Planner™ professional

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P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please ask them to send an email with their information and permission to be added.

The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. The Dow Jones Industrial Average is a price-weighted index of 30 actively traded blue-chip stocks. The NASDAQ Composite Index is an unmanaged, market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System. Yahoo! Finance is the source for any reference to the performance of an index between two specific periods. Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance. Investments in securities do not offer a fixed rate of return. Principal, yield and/or share price will fluctuate with changes in market conditions and, when sold or redeemed, you may receive more or less than originally invested. No system or financial planning strategy can guarantee future results. Consult your financial professional before making any investment decision. You cannot invest directly in an index.

All twelve signs of economic deterioration could be wrong, but probabilities don't favor it.

Weekly Radio Show Saturday Morning:

8:00 AM KXLY 920 AM
Spokane and Area

9:30 AM KFLD 870 AM
Tri-Cities and Area

Moultonwealth.com

SPOKANE

Quality Inn—North
BREAKFAST!
7919 N. Division; Spokane
October 18th @ 9:30 AM

TRI-CITIES

Hampton Inn
LATE BREAKFAST!
486 Bradley Blvd; Richland
October 25th @ 11:00 AM

- **How employing and consistently following a defensive system could help you to a better retirement.**
- The Secure Act tax law change could alter how you leave your retirement accounts!
- What happens when an economic downturn makes it difficult for companies to pay back their massive debt?
- Why Buy and Hold Investing was right for the 80's and 90's yet very wrong for today.
- Will inflation eat up your assets?
- How to potentially decrease taxes on your hard earned Social Security Income
- To Roth or not to Roth?

And so much more!

COMPLIMENTARY SEMINAR

For those 50 years old and older

MOULTON WEALTH MANAGEMENT Inc.
1220 N. Mullan Rd; Spokane, WA 99223

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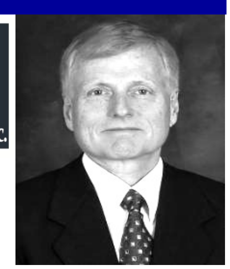

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Call to reserve a spot: 509-922-3110

Advisory services through Moulton Wealth Management, Inc., an independent Registered Investment Advisor registered with the SEC

Twelve Warning Signs!

Probabilities don't favor all 12 signs being wrong!

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Call for assistance:
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Spokane	*No Cost Seminars for Retirees and those close to Retirement*	**Richland**
October 18 @ 9:30 AM		**October 25 @ 11:00 AM**
Details Inside		***Details Inside***