

## July 31, 2023 – Economic Commentary

After last week's mostly positive US numbers for inflation (trending to 3%), economic growth (2.4% in Q2) and earnings (with an especially big exhale of relief over stabilized regional bank deposit flows), optimism over the Federal Reserve's ability to achieve a soft landing could be found seemingly everywhere. The shift in mood was all the more remarkable given the FOMC announcement of a 25 bps increase in the Fed Funds target rate to 5.5%. In truth, some variation of a soft landing has long been the "base case" forecast for most economists, with "soft" a sort of eye-of-the-beholder concept encompassing anything from -1.0% to 2.0% in any given quarter. The improvement of inflation numbers and ongoing resiliency of US economic growth primarily make it easier to see a path to a soft landing, and maybe increase the odds a bit. But risks remain and probably will pose challenging questions in the coming months. Early stage and late stage start-up companies have yet to fully feel the impact of a much different investing environment, albeit one that may be improving slightly; many companies are going to simply run out of runway between now and the end of the year. Regional banks are likely to find ongoing difficulties in this high interest rate environment and the Banc of California's acquisition of the much larger PacWest Bank is not the last such merger that will be seen. Layoffs are expected to continue to spread through industries and geographies, presenting moderate but notable problems maintaining the high level of consumer spending supporting the US economy for much of this year. Finally, geopolitical tensions remain high, and Russia's pull-out from the Ukrainian grain deal is a reminder that there are unabated forces of war with the potential for serious disruption of trade and an attendant impact on prices.

### Data to Watch:

1. Institute of Supply Managers (ISM) Purchasing Managers Index for July, for Manufacturing and Services, released Tuesday, Aug. 1 and Thursday, Aug. 3
2. JOLTS Job Openings for June, released Tuesday, Aug. 1
3. US Nonfarm Payrolls and Unemployment Rate, released Friday, Aug. 4

### Suggested Reading:

1. [A Soap Maker Cracks the Code to 'Made in America'](#)
2. [Microsoft Touts AI as Cloud Demand Cools](#)
3. [Why the Drivers of Lower Inflation Matter](#)
4. [The iconic American hard hat job that has the highest level of open positions ever recorded](#)

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