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Alpha Wealth Monthly Brief

“The art of investment is the discipline of inaction in the absence of a good opportunity, but aggressive action when one is identified.”

- Li Lu

In this month’s edition of the brief, we highlight a resilient US economy that picked up steam in the second quarter, fueled by resilience from both consumers and businesses despite higher rates. We also touch on the stricter capital mandates faced by Wall Street Banks under a newly released proposal.

US GDP Accelerates in the Second Quarter

The US economy unexpectedly picked up steam in the second quarter, showing signs of resilience among both consumers and businesses in the face of high-interest rates. GDP rose at a 2.4% rate compared to a 2% rate last quarter. While forecasters are still split on the odds of a recession, the strong labor market, sturdy consumer spending, and easing inflation have at the very least raised hopes that the US will avoid a downturn.

Last Wednesday, the Fed decided to raise interest rates by a quarter percentage point. While signaling further hikes will be data dependent, Fed Chair Jerome Powell declared that the Federal Reserve staff is also no longer forecasting a recession. “There is belief that the Fed is probably done,” said Timothy Graf, head of EMEA macro strategy at State Street Bank & Trust Co. “Markets are also seeing a US economy that’s held up far better than the consensus outlook. They are pricing that we have achieved a landing that everyone thought would be impossible to achieve.”



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Despite this optimistic outlook, it's essential to acknowledge that headwinds still linger, particularly with the Fed's benchmark interest rate sitting at a 22-year high. Additionally, there are some indications of consumer strain emerging. The personal consumption expenditures price index grew at a 2.6% annualized pace during the second quarter, marking the smallest advance since the closing months of 2020. Excluding food and energy, the index rose at the slowest pace in over two years.

A robust labor market, demonstrated by a decline in new applications for unemployment benefits and continuing claims, has remained a critical source of support for the overall economy. Furthermore, business investment in structures continued to grow at an impressive pace, largely supported by recent efforts aimed at shoring up domestic factory production. A series of bills championed by the Biden Administration also aim to encourage private companies to invest in areas like semiconductors and electric vehicles.

Overall, the recent data shows a stronger-than-expected economy, with robust consumer spending and business investment, but some concerns about inflation and potential headwinds remain.

Wall Street Banks Face Stricter Capital Mandates Under New Proposal

Last week, US regulators announced comprehensive plans for an overhaul of capital rules, forcing large lenders to thicken their financial cushions. Here are the top five things you need to know about the long-awaited measure:

- Banks with at least \$100 billion in assets would need to increase their capital holdings by around 16%, and the eight largest banks could face a 19% increase.
- Midsize banks like Regions Financial Corp., KeyCorp, and Huntington Bancshares Inc. will face more stringent requirements similar to those of the largest lenders.
- The reforms are related to Basel III, an international overhaul initiated after the 2008 financial crisis, and were prompted by recent bank failures.
- The regulators are also proposing changes to the way banks calculate risk-weighted assets, introducing a new expanded methodology that considers operational risk and credit valuation adjustment in addition to the current standard methodology, with banks required to use whichever methodology results in higher risk-weighted assets when calculating capital ratios.
- The proposal will be open for public comment for four months, and implementation is expected to take years, with some concerns raised about its impact on competition and economic growth.

Fast Facts

Roughly 1 in 2 people who work in finance would change jobs – or already have – if their managers required them to spend more days in the office- The Economic Times

Last year, 13,000 weddings in the United States cost over \$1 million, or roughly 250 million-dollar weddings a weekend– Numlock News

Park Hotels & Resorts, the operator of two of the most prominent hotels in San Francisco, stopped making payments on a \$725 million loan tied to the Hilton Union Square and Parc 55, in essence giving up on those properties– Daily Mail

Roughly 650,000 Americans over 80 were working last year, about 18% more than a decade earlier. Some people have been pressed back into duty by inflation and stock-market volatility while some cite a simpler reason to keep working- they just want to– The Wall Street Journal

China’s controversial one-child policy, in place for more than three decades, was removed in 2015. Most people would have guessed that the country’s birth rate would rise, however, the opposite happened. Birth rates in 2022 are now 6.77 babies born per 1,000 people- the lowest level on record. - Charttr

The median price for a home in Miami is \$585,000. To afford that, homeowners would need to spend 79.9% of Miami’s average monthly income on homeownership expenses topping the amount paid by homeowners in Los Angeles and New York City. - Pressreader

Contact Us

As always, feel free to reach out to us if you have any questions regarding your investments or financial plan or would like to schedule a meeting with our advisors.

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