

July 3, 2023 – Economic Commentary

The third quarter starts with many interesting questions to be resolved about the health of bank balance sheets and the effects on consumer spending from the overturn of President Biden's student-loan forgiveness program. It is not presently known how the approximately 38 million borrowers impacted by the ending of student loan debt relief will respond; perhaps surprisingly, bankruptcy is not an easy solution and so the greater issues involve spending, housing and employment choices. Further clouding the picture is the likelihood that the administration will yet do something to mitigate or ameliorate the terms and conditions regarding the student debt in question, actions which appear to be within executive branch purview even if debt cancellation is not. For banks, uncertainty about student debt burdens is a pittance of a problem compared to the ongoing woes of commercial real estate holders in major cities, but, across the board, there seem to be a number of signs that US banks are taking aggressive actions to strengthen their balance sheets and reduce their exposure to problem credits.

Have a great Fourth of July and remember to celebrate the incredible resilience of the US economy!

Data to Watch:

1. US Purchasing Manager's Surveys (PMI) from both S&P Global and the Institute for Supply Manufacturers (ISM), for June, released Monday, July 3
2. Federal Reserve Minutes from the FOMC meeting on June 14, released Wednesday, July 5
3. US Nonfarm Payrolls and Unemployment Rate for June, released Friday, July 7

Suggested Reading:

[Market Bets on Cheaper Oil, Undermining Saudi Hopes for a Price Rebound](#)

[Leveraged-Loan Logjam Eases After Banks Unload Tens of Billions of Debt](#)

[At the Front Lines of the Inflation Fight, Uncertainty Reigns](#)

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