

August 28, 2023 – Economic Commentary

It will be another week of watching interest rates and possibly participating in one of the many betting pools regarding exactly when in 2024 the Federal Reserve will actually cut rates (my advice: save your money). Chairman Powell's Jackson Hole speech on Friday contained something for everyone, allowing both interest rate hawks and doves to justify their respective views that 1) interest rates will rise further as economic growth continues apace and the American consumer seems worried about absolutely nothing and 2) the Fed is done raising interest rates as inflation settles into the 3% range which should be more comfortable for the Fed than they are willing to admit. There is a long distance between either of these views and the possibility of an actual cut in the Fed Funds rate, however. The most significant part of Powell's speech may have been when he acknowledged that he didn't really know how restrictive current monetary policy is because of the tremendous uncertainty over the actual "natural" rate of interest —the so-called R-star real rate of interest at which economic growth is neither accelerating or decelerating and inflation is stable, commonly thought to be 0.5%. The rather esoteric R-star debate is having a considerable impact in financial markets right now, driving longer term interest higher as investors flirt with the notion that the R-star rate is higher than historically thought — though not necessarily as high as the current estimated 2% real rate of interest -- supporting the notion that interest rates will stay higher for longer.

While all of this debate on Fed policy targets is playing out, don't forget to keep an eye on the real life, far-more-understandable drama in China. Over the weekend, Chinese regulators announced a variety of moves aimed at enticing investors back to China; most of these actions seem destined for failure at the moment since the real problem is lack of confidence in Chinese economic policy.

Data to Watch:

1. Personal Income and Spending for July, released Thursday, August 31
2. Personal Consumption Expenditures (PCE) Deflator for July, released Thursday, August 31
3. US Nonfarm Payrolls and Unemployment Rate for August, released Friday, September 1

Suggested Reading:

1. [VinFast, Arm and Other Index Orphans Miss Out on Billions From Passive Investors](#)
2. [Fed Chair Powell calls inflation 'too high' and warns that 'we are prepared to raise rates further'](#)
3. [What China's Economic Woes May Mean for the U.S.](#)

Disclosures

Investment advisory services offered through Robertson Stephens Wealth Management, LLC ("Robertson Stephens"), an SEC-registered investment advisor. Registration does not imply any specific level of skill or training and does not constitute an endorsement of the firm by the Commission. This material is for general informational purposes only and should not be construed as investment, tax or legal advice. It does not constitute a recommendation or offer to buy or sell any security, has not been tailored to the needs of any specific investor, and should not provide the basis for any investment decision. Please consult with your Advisor prior to making any Investment decisions. The information contained herein was carefully compiled from sources believed to be reliable, but Robertson Stephens cannot guarantee its accuracy or completeness. Information, views and opinions are current as of the date of this presentation, are based on the information available at the time, and are subject to change based on market and other conditions. Robertson Stephens assumes no duty to update this information. Unless otherwise noted, any individual opinions presented are those of the author and not necessarily those of Robertson Stephens. Indices are unmanaged and reflect the reinvestment of all income or dividends but do not reflect the deduction of any fees or expenses which would reduce returns. Past performance does not guarantee future results. Forward-looking performance targets or estimates are not guaranteed and may not be achieved. Investing entails risks, including possible loss of principal. Alternative investments are only available to qualified investors and are not suitable for all investors. Alternative investments include risks such as illiquidity, long time horizons, reduced transparency, and significant loss of principal. This material is an investment advisory publication intended for investment advisory clients and prospective clients only. Robertson Stephens only transacts business in states in which it is properly registered or is excluded or exempted from registration. A copy of Robertson Stephens' current written disclosure brochure filed with the SEC which discusses, among other things, Robertson Stephens' business practices, services and fees, is available through the SEC's website at: www.adviserinfo.sec.gov. © 2023 Robertson Stephens Wealth Management, LLC. All rights reserved. Robertson Stephens is a registered trademark of Robertson Stephens Wealth Management, LLC in the United States and elsewhere.