TRINITY
INSURANCE & FINANCIAL SERVICES

Happy Friday

I hope that this letter finds you doing well and hopefully staying cool. This time of year brings many “life” events for so many people; the beginning of school, children going off to college, and families just trying to squeeze in every last bit of fun before summer ends. So, my sincere hope is that you are able to enjoy the upcoming Labor Day Weekend by relaxing and enjoying family. Julie and I will be blessed this Labor Day as we enjoy all the family being together for the first time in over a year. Holly and her family are spending two weeks with us. We have been humored by watching them try to adjust to this heat which is about 30 degrees warmer than their warmest day in Anchorage.

Our friend, Chairman Powell is front and center again this week which is one of the main contributing factors to the volatility we have experienced for the month of August, especially over the past two weeks. There are many debates being publicly discussed as to whether inflation is under control and if the Fed has done enough to win the battle.

As I have stated many times, I believe that inflation has been under control for much of the year due to rising rates and good old supply and demand. My concern has been, and still is, the impact another interest rate hike could have on our economy. The housing market is slowing down and while some point to the low inventory being the reason for this, I believe the reason for low inventory is due to the fact that many people do not want to assume a new mortgage with a rate that could be 3-4 points higher than what they are paying on their current mortgage. Another rate hike could have a huge impact on the everyday consumer who has credit card debt. I mentioned two weeks ago that the US credit card debt topped the 1 Trillion dollar mark. With variable rates, each time the Fed increases the rates the consumer minimum payment increases. Higher minimum payments could be the domino that starts a slow down in consumer spending. The higher rates and minimum payments will take a few months for the impact to be reflected in the economy. I believe another rate hike now could impact our economy negatively for the next 6-9 months, because even if there was a rate decrease in the first quarter of 2024 that will take time to work into the economy as well.

So, Powell and the Fed committee have a very delicate decision to make in September, but his comments during his speech today could give some guidance as to what we can expect.

There is a silver lining in all of this chaos though. Fixed rates are still increasing, and I believe that it may be wise for some to take advantage of them. I do not believe that it is the best time to reallocate assets from your mutual fund portfolios, but for your current fixed assets this may be a good time to utilize the higher rates. Our next step will be determined in part by what the Fed decides during their next meeting in September.

If you would like to discuss your options sooner, please call or email me, otherwise we will cover your options during our next review, or we will call if we should discuss sooner.

Take care and have a wonderful Labor Day weekend.

Brett