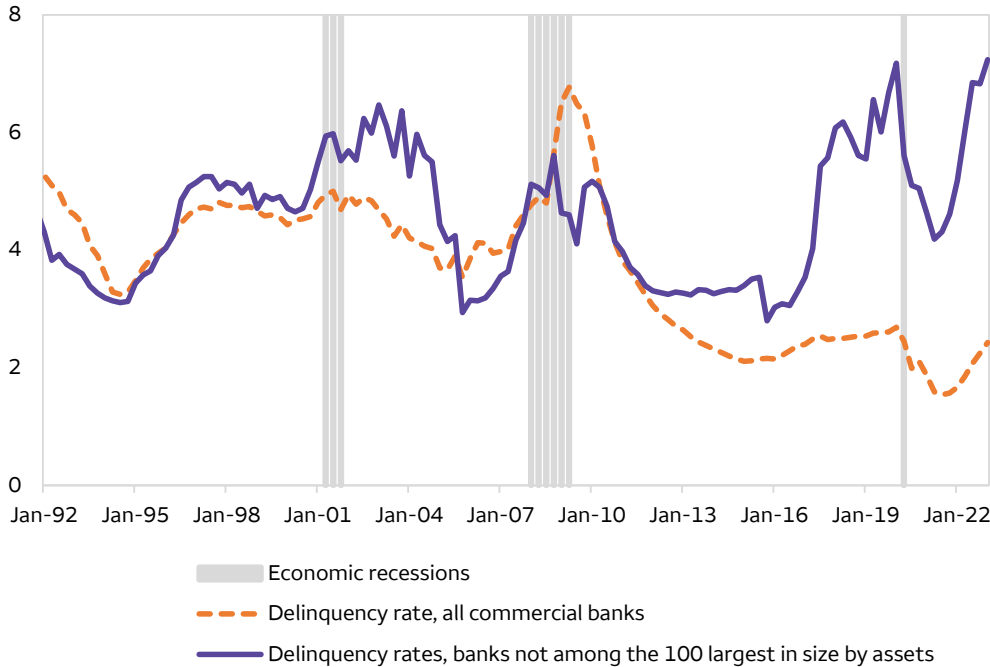


Chart of the Week

Weekly market analysis on key market indexes

August 22, 2023

Credit card delinquencies rise — An economic harbinger?



Sources: Federal Reserve Bank of St. Louis and Wells Fargo Investment Institute. Quarterly data, January 1992-March 2023.

Credit card delinquencies are increasing nationally, especially at smaller banks.

Credit card and auto loan delinquencies are increasing. In fact, credit card delinquencies at banks not in the top 100 in assets (purple line) have increased to a record, which also raises stress on small- and medium-sized banks.

Interest rates are at or above multi-decade highs, and recent data from the New York Federal Reserve (Fed) Bank indicate that banks are seeing increasing applications for credit cards and auto loans — and increasingly rejecting those applications.¹ The New York Fed also reported that credit card balances rose in the second quarter to \$1.03 trillion, surpassing \$1 trillion for the first time.

What it may mean for investors

The economy still has a cash cushion, but many consumers are exhausting their credit, while income growth has slowed sharply. Our outlook remains for a short, moderate recession and then recovery for most of 2024 and likely into 2025.

Global Investment Strategy Team

Excerpted from *Institute Alert* (August 15, 2023): “Adjusting our targets and equity sector guidance”

Investment and Insurance Products: ► NOT FDIC Insured ► NO Bank Guarantee ► MAY Lose Value

1. See “SCE Credit Access Survey”, Federal Reserve Bank of New York Center for Microeconomic Data, July 23, 2023.

Risk Considerations

Forecasts are not guaranteed and based on certain assumptions and on views of market and economic conditions which are subject to change.

Each asset class has its own risk and return characteristics. The level of risk associated with a particular investment or asset class generally correlates with the level of return the investment or asset class might achieve.

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