Ropes Wealth Talks Inflection Points

"We are facing an inflection point in history." On Thursday evening, President Joe Biden spoke to Americans from the Oval Office—in only the second such address of his presidency—and implored Americans to understand that the conflicts in Israel and Ukraine are part of a larger struggle for democracy and freedom. He made the case that U.S. leadership in these global crises will make the United States safer. He leveled with Americans that this safety will come at a cost, calling on Congress to pass an "unprecedented" aid package for Ukraine and Israel. He told Americans that the cost of walking away from these wars would be much higher.

The President asked for one hundred billion dollars for the next year for an "arsenal of democracy," recalling the words of President Franklin D. Roosevelt who uttered them a year before the U.S. entered World War II. He plans to allocate roughly sixty billion for Ukraine, ten billion for Israel, and the remaining thirty billion for Taiwan, the Indo-Pacific, and border security.

At press time, the U.S. House Speaker race remains undecided, and the continuing resolution that was passed to keep the government funded will expire on November 17, 2023. We are also hearing Israel is preparing to launch a ground invasion in Gaza against Hamas, and that the U.S. shot down missiles sent by the Iran-backed Houthi forces in Yemen that were targeting Israel.

Against this backdrop, economic data was mixed, and earnings season seems anticlimactic. Stronger-than-expected retail sales displayed a consumer whose spend rate is up 3.8% from last year, demonstrating resilient spending in a white-hot labor market, even as rising energy prices and rising interest rates take their bites. To that point, there was a plethora of housing data released this week showing existing home sales sliding, housing starts gaining, and building permits cratering as the 30-year mortgage rate hit 7.70%, its highest level since 2000.

Federal Reserve Chair Jay Powell made public remarks at the Economic Club of New York: "Given the uncertainties and risks, and how far we have come, the committee is proceeding carefully. We will make decisions about the extent of additional policy firming and how long policy will remain restrictive based on the totality of the incoming data, the evolving outlook, and the balance of risks." The market believes the Fed will therefore be on hold for the rest of the year, though notably the 10-year Treasury bond has backed up to nearly a 5% yield.

Stocks and bonds were volatile in this context, and earnings season is bringing a mixed tone. Netflix surged after posting its best quarter for subscriber growth in years. Meanwhile, Tesla dropped after weak earnings, and a profit squeeze that has spiked concerns the party may be over for the Magnificent Seven group of technology stocks (of which Tesla was one) that have led market gains in 2023.

Where do we go from here? All focus should be on your plan. Now is the time to bear down on liquidity, balance, and quality. It is natural to be anxious about investing in a time of war. We remind investors that the only playbook for a moment like this is your financial plan. While there exists tremendous risk from geopolitics, we are also witnessing tremendous resiliency across sectors like travel and leisure, healthcare, artificial intelligence, multi-family housing, and industrial and storage commercial real estate to name a few. Short-term bond yields offer enormous compensation to wait out uncertainty and will stand and deliver for investors while we contemplate our path as a global community.

President Biden is right that we do face an inflection point in our path, in more ways than one. God help us all to make the right choices in this moment for the sake of each other and generations to come.

Thank you as always for your interest in our investment commentary. If you would like to speak personally with a member of our team at any time, please click **here**.

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