

## SOLID CORPORATE EARNINGS

We're currently in the middle of 2<sup>nd</sup> quarter earnings reports for US companies, and so far the news looks good: over half of the S&P 500 companies have reported earnings so far, with average growth of 9.4% and 72% of companies beating expectations (according to Wells Fargo Investment Institute). On the surface this seems like a pretty solid earnings report and suggests the US economy is likely to keep chugging along at its current pace. See the attached Wells Fargo Investment Institute's Daily Market Update for details)

## RISING CREDIT CARD DEBT

It's a generally accepted belief that economic bubbles are caused by easy money: think about all the IPOs for unproven business models during the dot com '90s or how easy it was to get a mortgage without proving income during the housing bubble. So in keeping our eyes open for the next bubble we would do well to watch for excesses in lending. Earlier this week the WSJ reported a growing trend of credit card balances *and* rising losses as more and more credit card holders aren't paying their bills. This is especially disturbing as unemployment is near record lows, implying a reversal in the job market could cause credit card losses to skyrocket. Granted, the rising losses are still low compared to long-term averages, and are far below the high levels we saw during the Great Recession, but it's a trend worth watching cautiously. See the attached article for details. <https://www.wsj.com/articles/late-credit-card-payments-stoke-fears-for-banks-1501493404>

## US HOUSING

See the attached "By The Numbers" article for some interesting stats on the US housing market. The number of homeowners "underwater" (i.e. owe more than their home value) has plummeted since the Great Recession, and the amount of bank foreclosures continues to drop sharply, -14% in 1H 2017 vs 1H 2016. And while home prices overall continue to rise, they're still below the 2005 peak after adjusting for inflation. Generally, the housing market looks healthy and continues to improve.



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