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Consumer Debt Level

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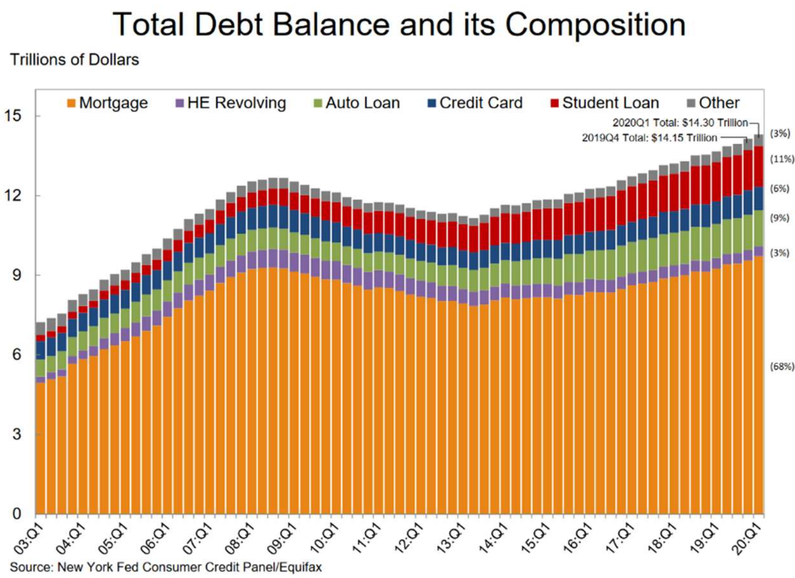
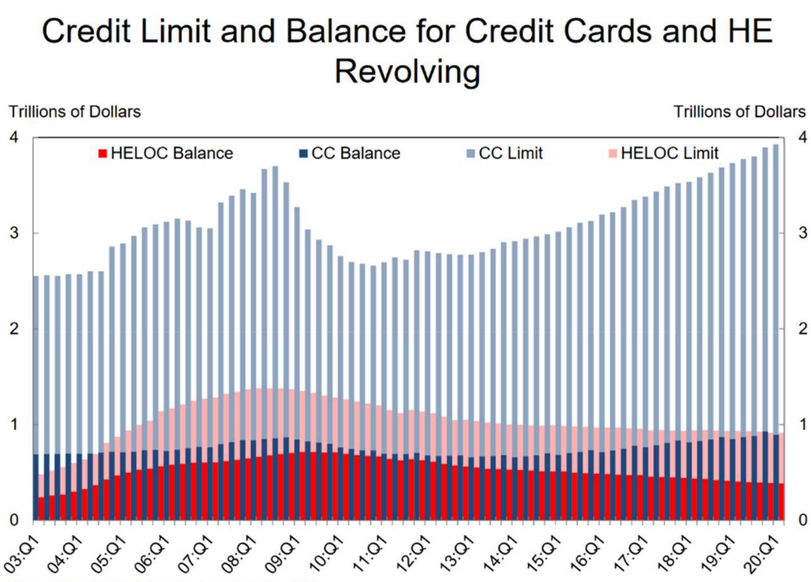
Stocks continued the impressive rally that started late in the trading session on Monday with the major indexes all finishing in the green. The Dow Jones Industrial Average finished 133 points higher, or 0.56% to close at 23,883. The S&P 500 also booked a respectable gain, rising 26 points, or 0.90% to close at 2868. The Nasdaq Composite jumped 98 points, or 1.13% to 8809 and the Russell 2000 small cap index rose 11 points, or 0.85% to finish at 1275.

Since the consumer represents nearly 70 percent of the U.S. economy, it is of great interest to get any insight into what is going on with consumers. Today we got a little bit of a glimpse. The New York Federal Reserve Bank reported that household debt increased by $155 billion, or 1.1 percent to $14.3 trillion in the first quarter of 2020. Mortgage balances rose by $156 billion, while non-household debt balances remained relatively flat. Interestingly and notably, credit card debt balances declined.



Here is how consumer debt changed in first quarter according to the New York Fed:

Mortgage debt	increased $156 billion
Home equity loans	decreased $4 billion
Student Loans	increased $27 billion
Auto loans	increased $15 billion
Credit Card debt	decreased $34 billion
Other consumer debt	decreased $5 billion



What is quite interesting to us is the remarkable dry powder that consumers have. The adjacent graph shows that while credit card debt decreased in the first quarter it still totals just under $1.0 trillion. However, consumer's credit card **limit** is an astounding $4.0 trillion. That means that as of March 31, 2020 consumers could increase their balances by $3.0 trillion. *Not that we think they should, but that is a lot of dry powder*. Home equity loans tell the same story, with approximately $400 billion outstanding and a limit of approximately $900 billion. Certainly, banks will be lowering these limits as we move through the recession and delinquencies rise, but for now it looks like the consumer access to capital – albeit, expensive credit card capital.