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From the St. Louis Business Journal:

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Recession threat adds to uncertainty about 2023, local finance experts say



There are several reasons for forecasters to hedge their bets about the outlook for the economy this year.

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By [James Drew](#) – Reporter, St. Louis Business Journal
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A few days after the Federal Reserve raised interest rates in December – its seventh hike in 2022 -- Kevin Sylwester pondered the outlook for the economy this year.

“There are signs that the economy is slowing down and there are signs that the economy is doing OK,” said Sylwester, an economics professor at Southern Illinois University Carbondale. “The data is not screaming one thing or another.”

There are several reasons for forecasters to hedge their bets. Many were wrong about 2022, with core inflation in the U.S. reaching a four-decade high, Russia’s invasion of Ukraine roiling commodity markets and China sticking to a zero-Covid strategy that bedeviled supply-chain networks.

HOW TO DEFINE A 'RECESSION': [Economic data has the answer – with a caveat](#)

Nonetheless, business leaders have to look ahead. Bankers and investment managers in the St. Louis area say they are approaching 2023 with a degree of caution. A possible recession looms as the Fed continues to try to tamp down inflation and avoid a deep downturn in the economy.

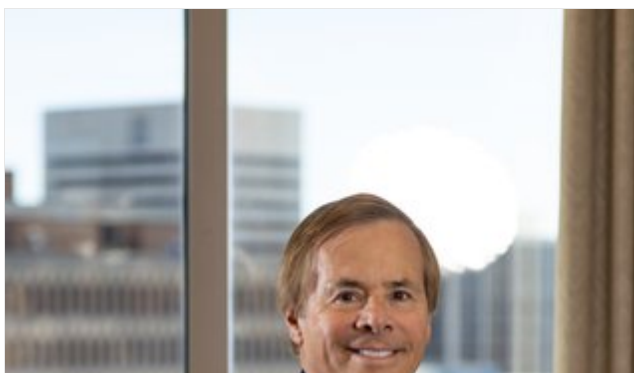
“2023 will be the year where the impact of the Fed’s actions from last year will be felt,” said Travis Liebig, CEO of Saint Louis Bank. “With interest rates and inflation still high we will undoubtedly feel some ‘correcting’ this year but nothing we shouldn’t be able to manage. The good news is Fed-induced recessions are easier and quicker to recover from than balance-sheet recessions like our country experienced in ‘08-09.”



Travis Liebig, St. Louis Bank

ST. LOUIS BANK

Benjamin F. "Tad" Edwards IV said he sees “maybe a 60%” chance of a recession this year, but he said there won’t be a retrenchment at the Clayton-based financial advisory firm. The goal is to increase the number of branch offices by the end of 2023 from 91 to 100, he said.





Tad Edwards

DILIP VISHWANAT | SLBJ

“We have a business to run. We can’t control what the Federal Reserve does with rates or what the job market is or what inflation might be. We’re going to grow in spite of all of that. We’ve always done it that way,” said Edwards, chairman and CEO of Benjamin F. Edwards & Co.

J.P. Morgan Private Bank in December released its outlook for 2023, saying a recession this year is likely but said a “dramatic reset in valuations” last year has “created the most attractive entry point for stocks and bonds in over a decade.”

Blake Emerson said he believes in strength of a portfolio in which 60% is allocated to equities and 40% to bonds more so than over the past several years.

Emerson, who is head of investments and advice for J.P. Morgan Private Bank in Missouri, said he anticipates a “bumpy” six months for investors, but said it’s a good time to put capital to work. He said educating investors has been essential.





Blake Emerson, head of investments and advice in Missouri for J.P. Morgan Private Bank

RAY GLASER

“It’s very tempting for investors to say, ‘why would I do anything longer-term when I can earn four and a half percent (Treasury) bond yields out to six months?’ There is true re-investment risk of investing only in short Treasuries, for example, when inevitably the Fed does cut (interest rates), perhaps as soon as the end of 2023 if not early 2024,” he said.

Beyond the storm clouds of a potential recession, it’s important to understand the market always is forward-looking, said Kevin Grogan, chief investment officer for Buckingham Wealth Partners.

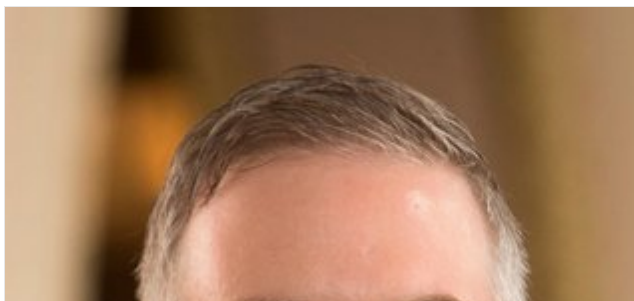




Image: ©Jerry Naunheim Jr.

Kevin Grogan, chief investment officer at Buckingham Wealth Partners

JERRY NAUNHEIM JR.

“The fact that we have a recession this year doesn’t necessarily mean that stocks will have a bad year. The S&P 500 was down about 18% last year, but part of that was likely in anticipation or pricing in a potential recession in 2023,” he said.

Grogan cited research showing that dating to 1929, a hypothetical investment of \$1 in the U.S. stock market at the start of a recession showed positive returns in most cases after 24 months.

Liebig, the Saint Louis Bank CEO, said the bank is taking a degree of caution as 2023 unfolds.

“Our role in the St Louis economy is to serve the local business community in all cycles so exercising caution on growth is the correct approach as things play out and provide additional clarity on where we are headed,” he said.

The bank plans to continue to make investments while growing its customer base, he said.

“As always, we stay focused on what we can control and make sure we’re prepared and can minimize the risk of what we can’t. Being diligent on expense management and accountability is required during times of uncertainty especially as our funding costs shift upward,” he added.

THE MURKY YEAR AHEAD

Some believe a recession is looming. Or maybe there’s a less drastic economic slowdown in the forecast. Here’s how St. Louis-area executives are trying to navigate the murky economy.

Q&A ON THE ECONOMIC OUTLOOK

Slow growth?
Certainly.
A recession?
Not necessarily.

WHAT IS A RECESSION?

Everyone talks about an economic recession, but what is it precisely?

REAL ESTATE

Commercial real estate sectors grow more cautious

STARTUP INVESTMENT

As VC slowdown persists, valuations will keep sliding

RESTAURANTS

Steeled by upheaval, restaurants ready for anything

BANKS AND WEALTH MANAGEMENT

A ‘bumpy’ year ahead for investors, with signs of opportunity

NONPROFITS

Nonprofits adapt programs, fundraising to face uncertain economy



