Jason Colodne

Jul 7 · 4 min read

Jason Colodne of Colbeck Capital — July 3 Market Rewind

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Recently released economic information indicates consumers are facing continued cost pressure — and minimal income growth, when inflation is taken into account, says Jason Colodne, co-founder of Colbeck Capital Management, an NYC-based private equity asset management organization focused on strategic lending.

Economic Snapshot

Personal consumption expenditures (PCE) rose 0.2% in May, and the personal consumption expenditures price index — frequently regarded as an indicator of inflation — was up 0.6%, or 0.3%, excluding food and energy, according to data released last week by the Bureau of Economic Analysis.

Year over year, the index is up 6.3%, due in part to increases in goods and services-related costs. Food prices have risen 11%, and energy costs have increased 35.8%. Without factoring in food and energy expenses, the index is 4.7% higher than a year ago.

Personal income and disposable personal income both rose 0.5% in May. When adjusted for inflation, personal income actually decreased 0.1% from the previous month.

Led by increased interest in transportation equipment, new orders for manufactured durable goods rose $1.9 billion — 0.7% — in May, following a 0.4% rise in April, according to a new Census Bureau report.

Transportation equipment orders grew 0.8% during the month. Shipments of manufactured durable goods rose 1.3%. New orders for nondefense-related, U.S.-produced capital goods increased 0.5% in May, and capital goods shipments were up 1.6%.

Recent Market Activity

By the end of the day on Thursday, the three major indexes were down 15% or more for the year. However, all three rose on Friday, offering some hope on the first day of the new month.

The S&P 500 fell 0.3% on the first day of the week, followed by a 2% drop on Tuesday. On Wednesday, the index slid 0.07% lower, and it shed 0.9% on Thursday. By the end of the day on Friday, though, the S&P appeared to be up 1.06%, according to initial market results.

The Nasdaq composite index declined more than 0.7% on Monday. On Tuesday, the index slid 2.98%. Midweek, the Nasdaq again declined, dropping 0.03% on

Wednesday, followed by a 1.3% decline on Thursday. By Friday, however, the index was back on the rise, climbing 0.9%.

After losing approximately 0.2% on Monday, the Dow Jones Industrial Average dropped 1.6% on Tuesday — then rose 0.27% higher on Wednesday. On Thursday, the index fell 0.8%; Friday, it was up 1.05%.

On Monday, the yield on the benchmark 10-year Treasury note, which can be indicative of borrowing costs, increased to 3.2%. To date, the benchmark 10-year Treasury yield has more than doubled in 2022, moving from roughly 1.51% at the close of 2021 to an approximately 3.16% level early last week, influenced by interest rate increases made by the Federal Reserve.

The Federal Reserve Board recently released its annual bank stress test results, which found institutions generally have strong capital levels that would allow them to support the economy via business and consumer lending if an economic downturn were to occur.

Even with a projected $612 billion in losses for the year — $50 billion more than in 2021, resulting partially from more than $450 billion in loan losses and $100 billion in trading and counterparty losses -banks currently have more capital than the minimum required amount.

About Jason Colodne

Jason Colodne is the senior transaction partner at Colbeck Capital Management and oversees all aspects of investment execution and portfolio management. Colodne co-founded Colbeck Capital Management as a managing partner in 2009. Colodne's investment experience spans over two decades.

About Colbeck Capital Management Colbeck Capital Management (colbeck.com) is a leading, middle-market private credit manager focused on strategic lending. Colbeck partners with companies during periods of transition, providing creative capital solutions. Colbeck sponsors its portfolio companies through consistent engagement with management teams in areas such as finance, capital markets and growth strategies, distinguishing itself from traditional lenders. It was founded in 2009 by Jason Colodne and Jason Beckman; the principals have extensive experience investing through different market cycles at leading institutions, including Goldman Sachs and Morgan Stanley

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