



# The Banking Crisis & Debt Ceiling Standoff

Presented By

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## **JAMES J. HOLTZMAN, CFP<sup>®</sup>, CPA *(inactive)***

James J. Holtzman, CFP<sup>®</sup>, CPA *(inactive)*, is the CEO, President and Wealth Advisor with Legend Financial Advisors, Inc.<sup>®</sup> (Legend) and EmergingWealth Investment Management, Inc.<sup>®</sup> He enjoys working with clients to discover their financial goals and develop a plan to help them achieve financial success.

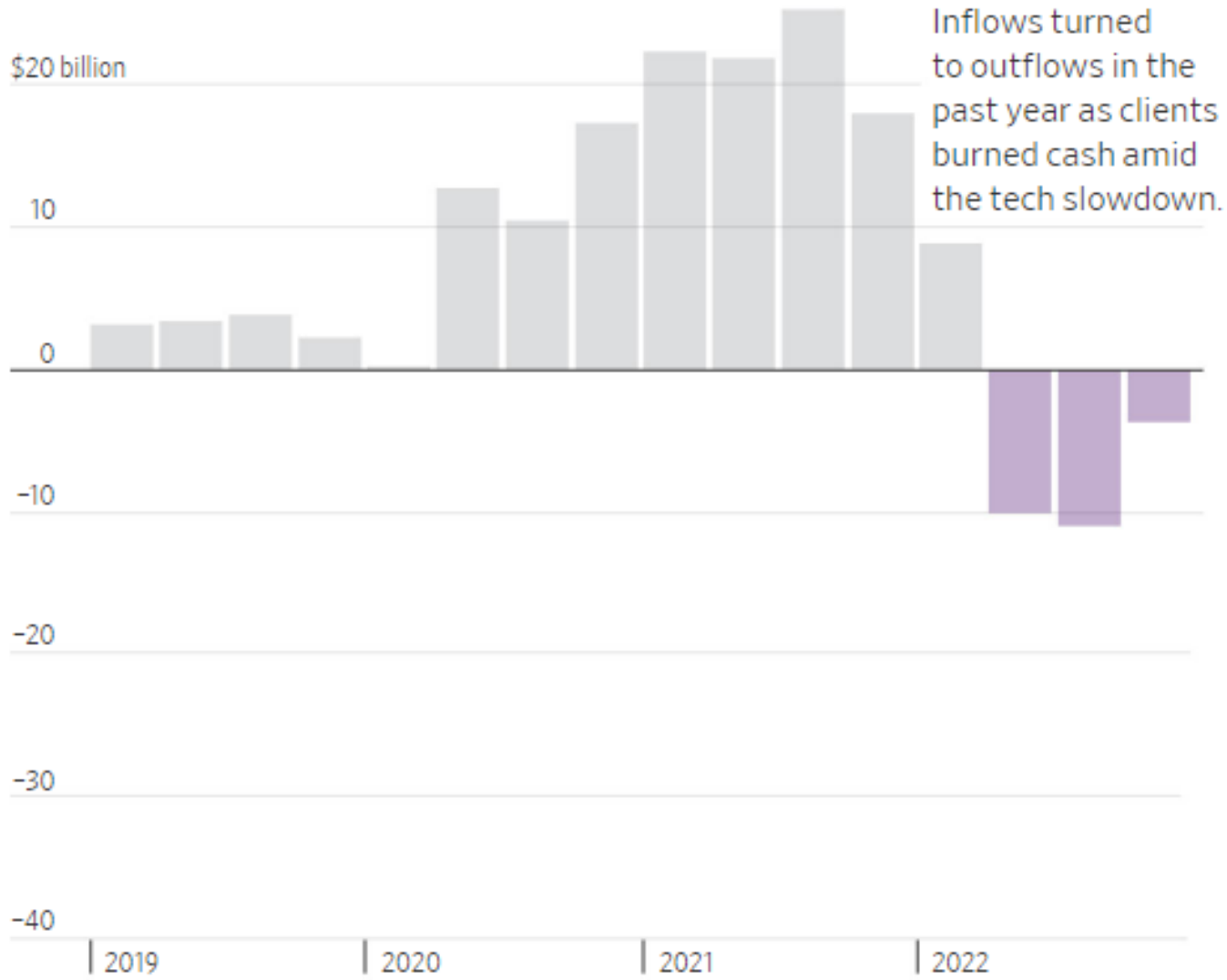
Jim has more than two decades of experience providing financial advice to retirement-focused clients, medical practices and businesses. Jim also serves as the firm's Income Tax and Education Planning Specialist and is also one of the firm's Retirement Planning Specialists.

In addition to being a Certified Financial Planner<sup>™</sup>, Jim is also a Certified Public Accountant *(inactive)*. This wealth of expertise supports Jim as he leads Legend's Wealth Advisory Team in serving clients in many areas including: meeting with clients, researching client issues, and preparing and presenting financial planning cases and updates. His expertise includes investment management, income tax planning, estate planning, stock option exercise planning, insurance analysis, retirement planning and education planning.

Mr. Holtzman's previous professional experience includes employment with various CPA and Financial Advisory organizations where he provided tax, accounting, auditing and financial consulting services to individuals and businesses. Jim has also provided financial advice to various Fortune 500 and public company executives.

# **BANKING CRISIS**

## SVB Financial deposits, quarterly net change



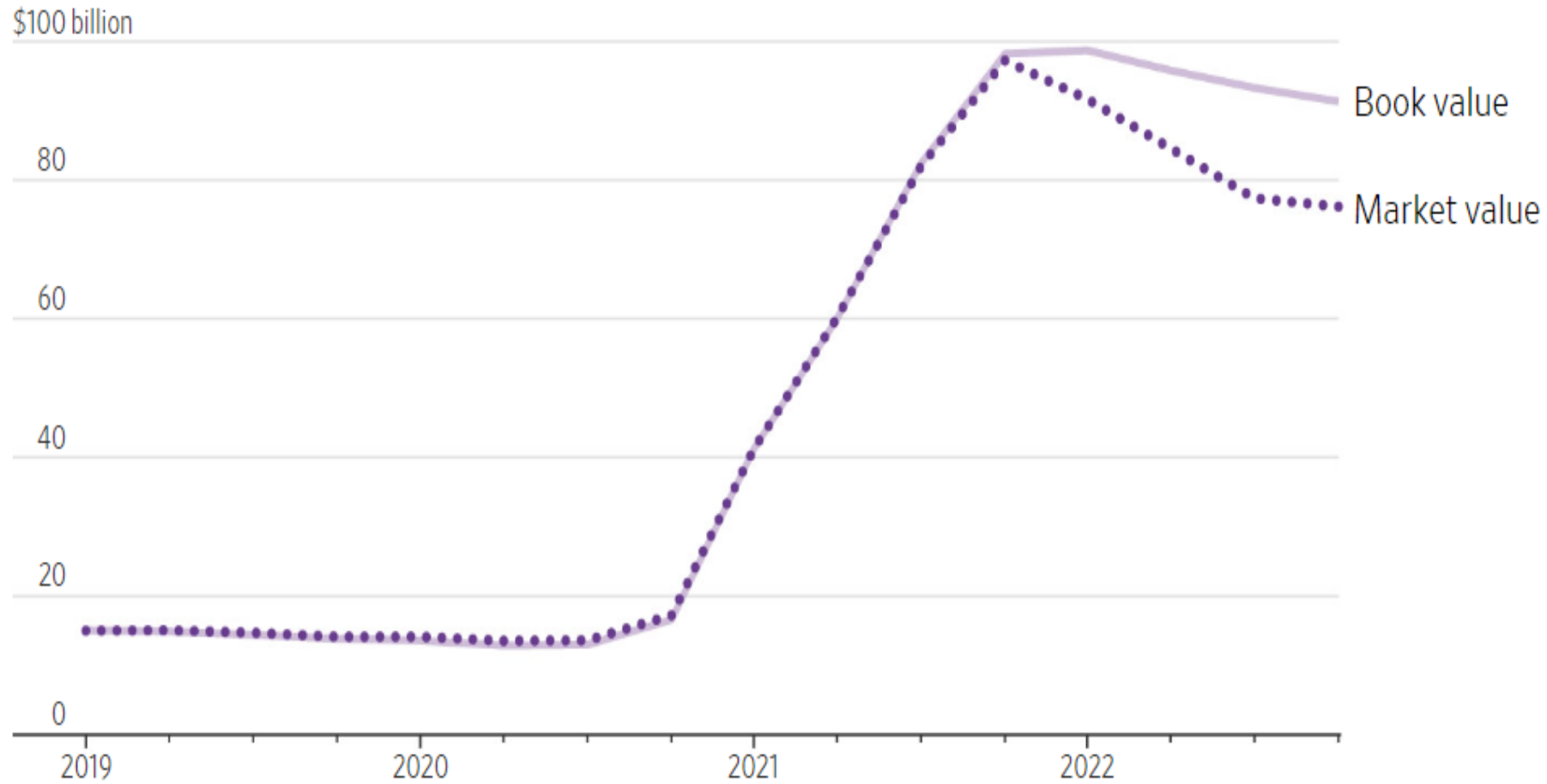
Inflows turned to outflows in the past year as clients burned cash amid the tech slowdown.



\$42 billion in attempted withdrawals on March 9

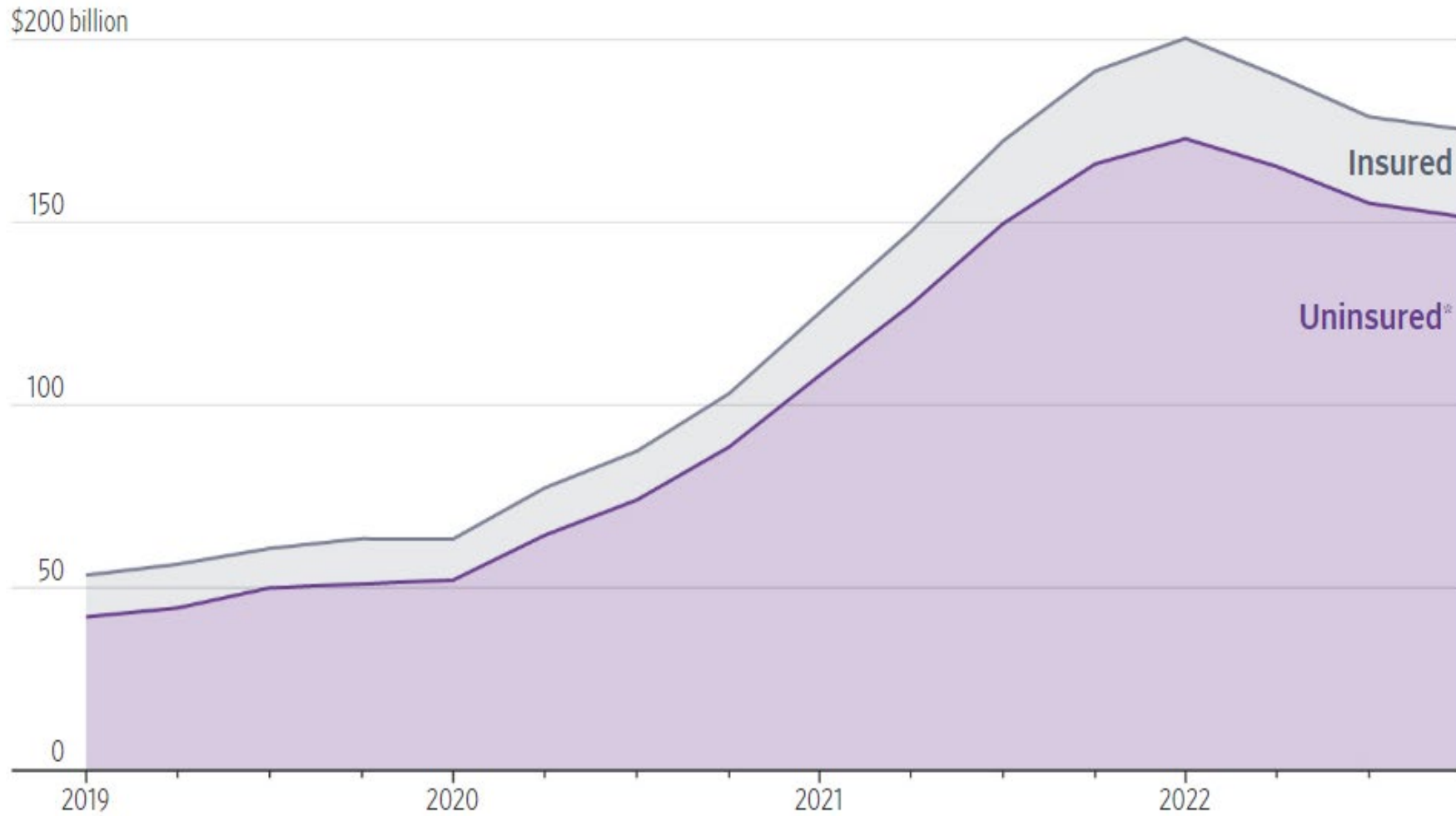
Sources: company filings (quarterly); California regulators (March 9)

## Bonds Silicon Valley Bank said it would hold until they matured



Source: Federal Financial Institutions Examination Council

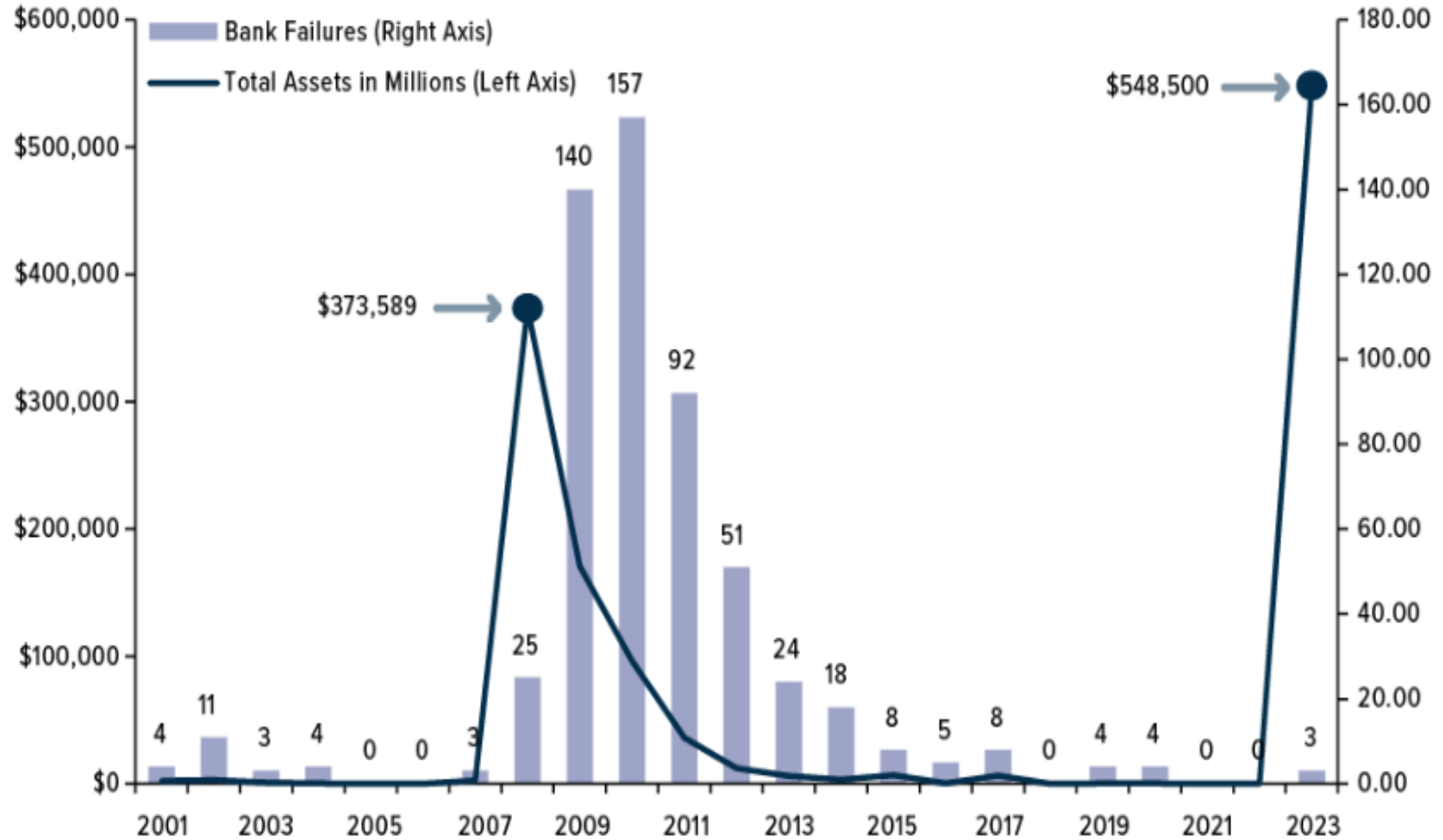
## Silicon Valley Bank's deposits



\*Estimate

Source: Federal Financial Institutions Examination Council

## Total Assets Lost in Bank Failures Have Exceeded Those During Financial Crisis



Source: FDIC, U.S. Global Investors

**Will The Banking  
Crisis Tilt The U.S.  
Economy Into A  
Recession?**



# Crisis Over? Small Banks Stop the Bleeding After Deposit Run

Weekly change in deposits at small domestically chartered commercial banks in the U.S. (seasonally adjusted)\*



\* Small banks are all commercial banks outside of the top 25 in terms of domestic assets.

Source: Federal Reserve



- ▶ Federal Reserve (Fed) says banking crisis will likely cause recession
- ▶ Fed opened a new borrowing facility for banks
- ▶ Fed eased conditions for emergency loans at discount window
- ▶ Expect lending to tighten and credit conditions to deteriorate

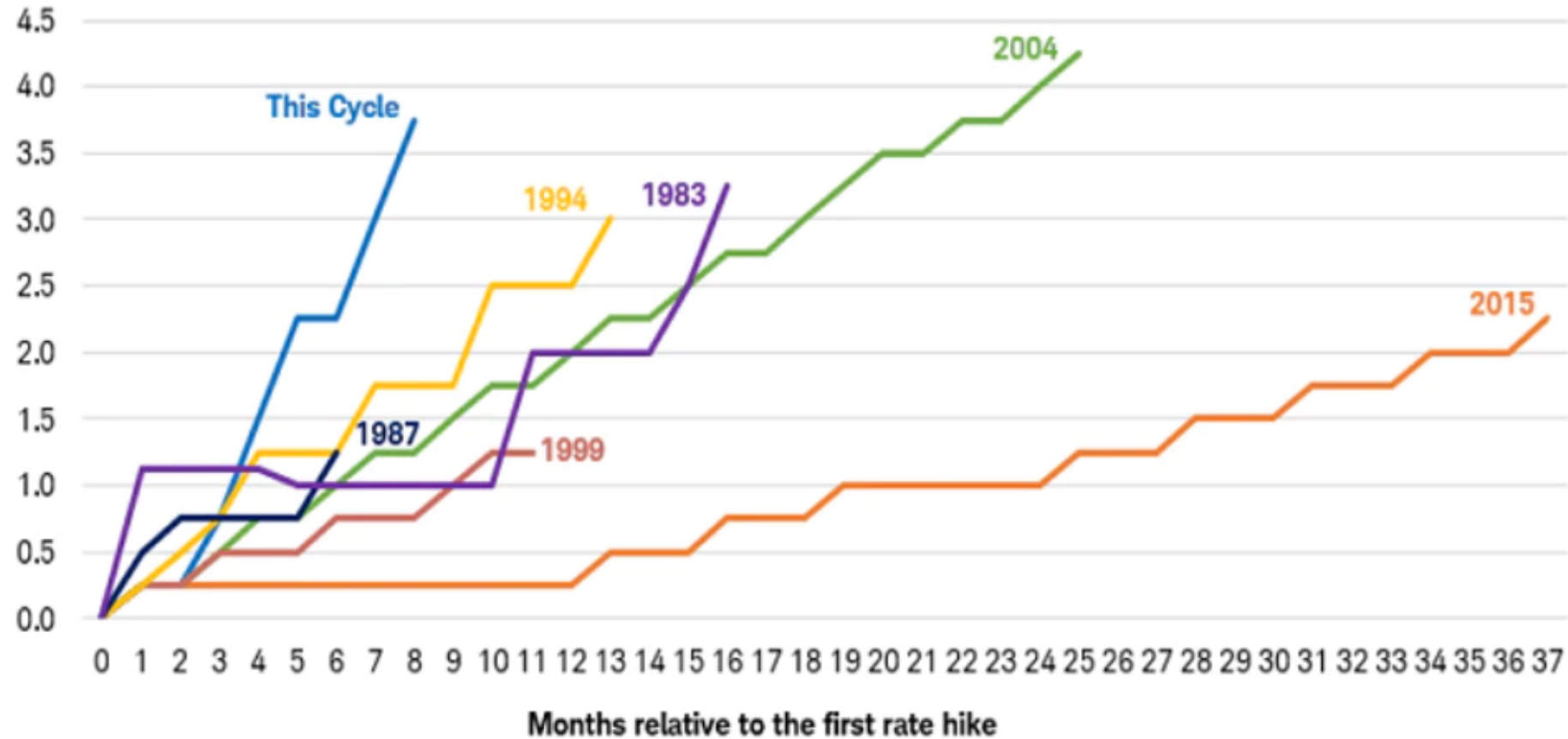


# Will The Federal Reserve Keep Tightening As Banks Fail?

- ▶ Could reach the end of the current interest rate hiking cycle sooner than expected.
- ▶ Rates were increased in May by .25% to a range of 5.00% - 5.25%
- ▶ Inflation and employment will ultimately decide if The Federal Reserve increases interest rates further
- ▶ Bank failures could slow down the economy making more rate hikes unnecessary
- ▶ Monetary policy can take up to a year to fully be reflected in the economy

# The pace of Fed rate hikes in this cycle has been rapid

Change in Fed Funds Rate (%)

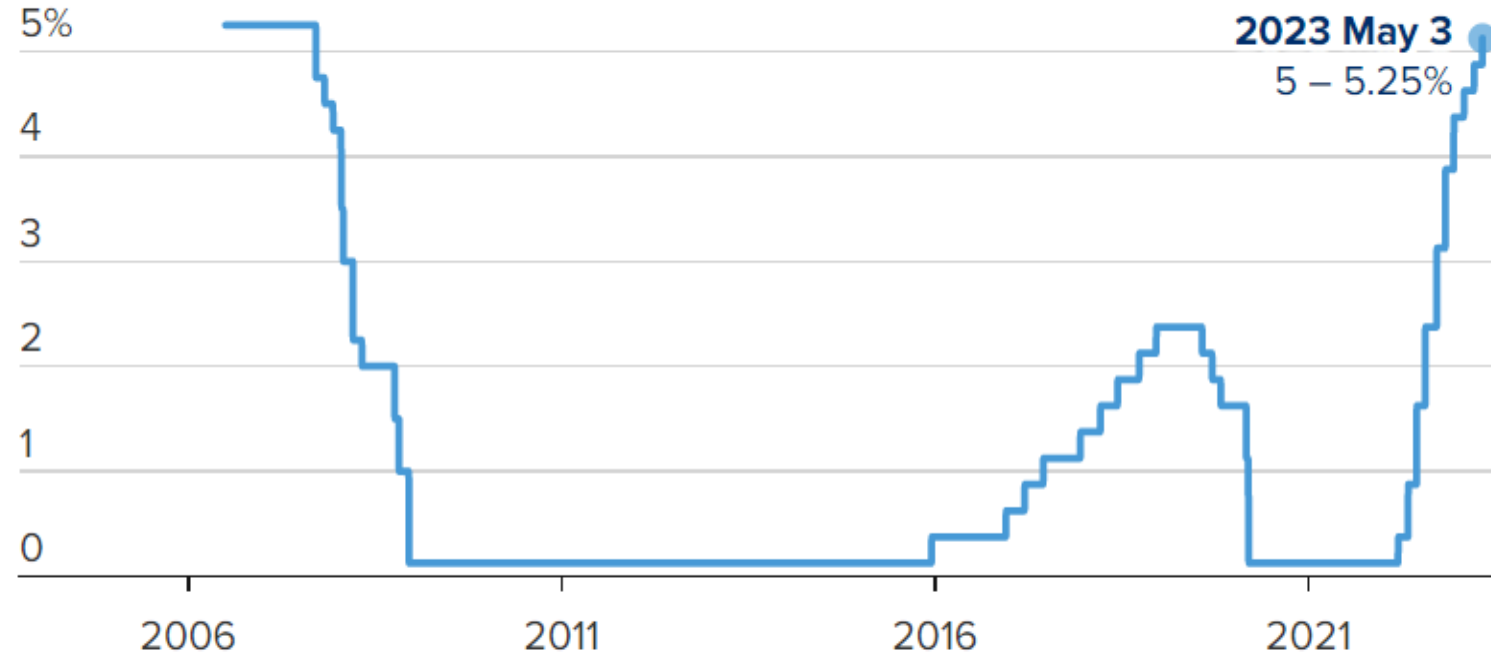


Source: Bloomberg.

Federal Funds Target Rate - Upper Bound (FDTR Index), using monthly data. Current cycle as of 10/31/2022. Note: Data is the short-term interest rate targeted by the Federal Reserve's Federal Open Market Committee (FOMC) as part of its monetary policy. Lines represent the cumulative change in the fed funds target rate from the start of each rate hike cycle shown. **Past performance is no guarantee of future results.**

## Federal funds target rate crests 5%

The range hasn't been this high since August 2007.



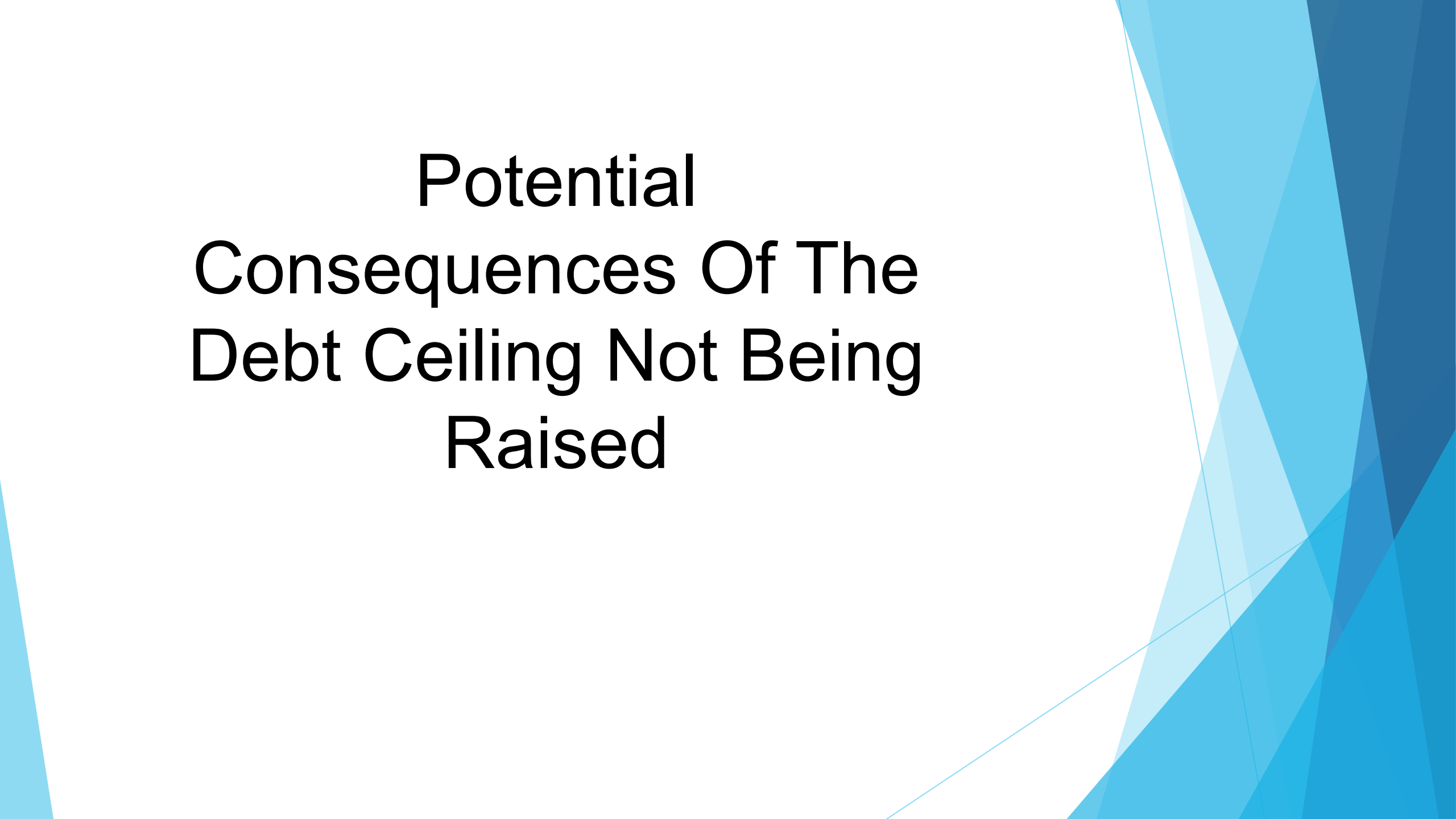
Note: From December 2008 to present, the chart shows the midpoint of the Federal Reserve's target range.

Chart: Gabriel Cortes / CNBC

Source: [Federal Reserve Bank of New York](#)

Historic data as of May 3, 2023



The background features abstract, overlapping geometric shapes in various shades of blue, ranging from light sky blue to deep navy blue. These shapes are primarily located on the right side of the frame, creating a modern, dynamic feel.

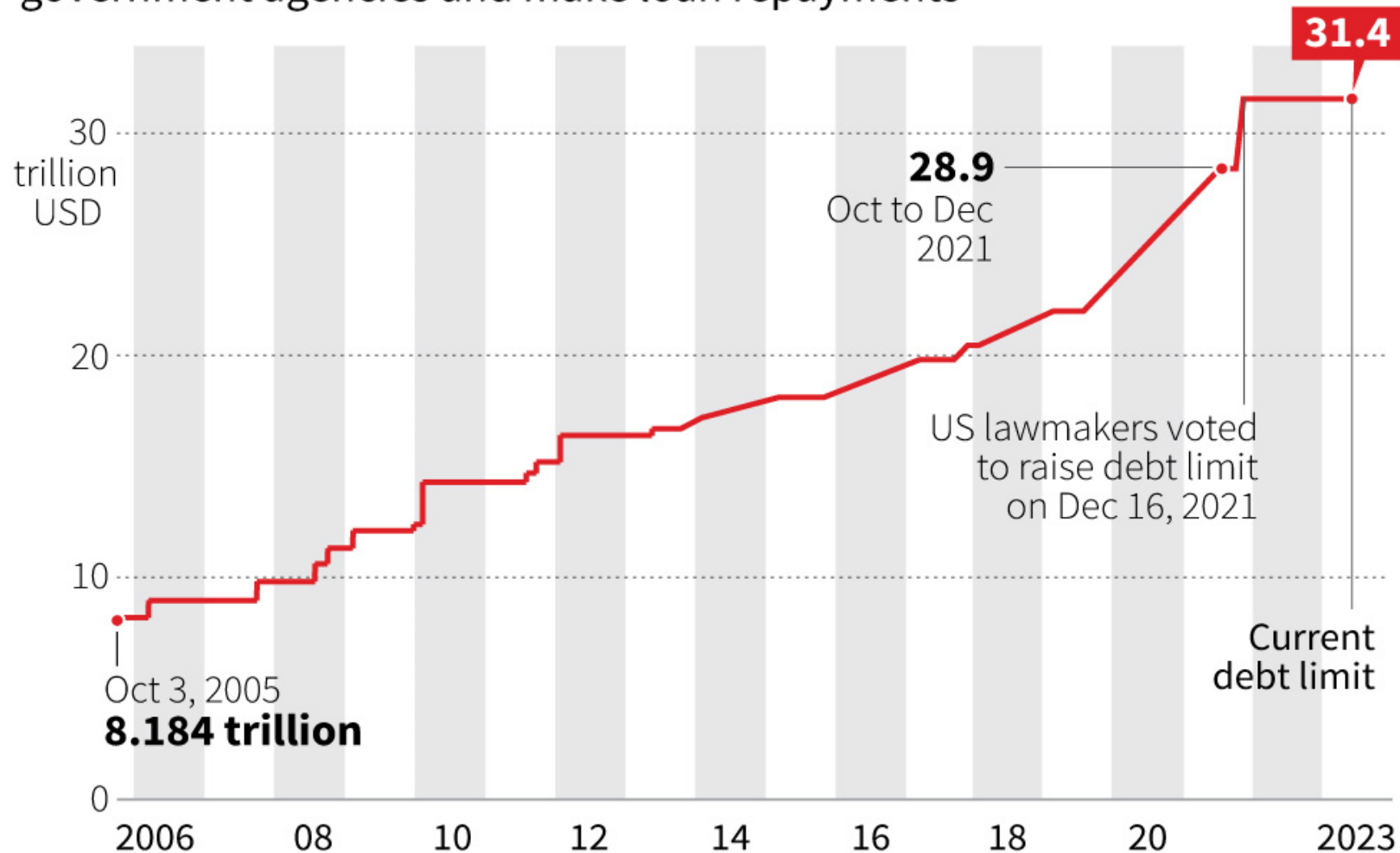
# Potential Consequences Of The Debt Ceiling Not Being Raised

- ▶ Probably prioritize U.S. Treasury Bond payments
- ▶ Market Volatility
- ▶ Credit-rating agencies could downgrade U.S. debt
- ▶ Dollar's status as world reserve currency could be in jeopardy
- ▶ Government workers could stop receiving paychecks
- ▶ Increase in interest rates
  - ▶ Sell off Treasury bonds can result in higher mortgage rates and borrowing rates overall
- ▶ Social Security payments could be delayed



# US debt ceiling

The amount above which the country cannot issue new loans to fund government agencies and make loan repayments



Source: US Treasury

The background features abstract, overlapping geometric shapes in various shades of blue, ranging from light sky blue to deep navy blue. These shapes are primarily located on the right side of the frame, creating a modern, dynamic feel. The text is centered on the left side of the image.

# Navigating Volatility And Managing Risk In These Uncertain Times

## Review

- Review your investment risk tolerance

## Anticipate and Adjust

- Anticipate volatility
- Adjust investment allocation before a problem arises

## Analyze

- Thoroughly review your investment holdings
- Certain sectors perform better at different times
- Some of your investments may be not be as diversified as you think

## Financial Plan

- Do not change the financial plan.
- Focus on long-term goals
- Ignore daily market fluctuations

# Opportunities For Growth And Diversification In A Changing Economic Landscape.

# Inflation expectations have receded



Source: Bloomberg.

U.S. Breakeven 10 Year (USGGBE10 Index) and U.S. Breakeven 5 Year (USGGBE05 Index). Daily data as of 12/05/2022.

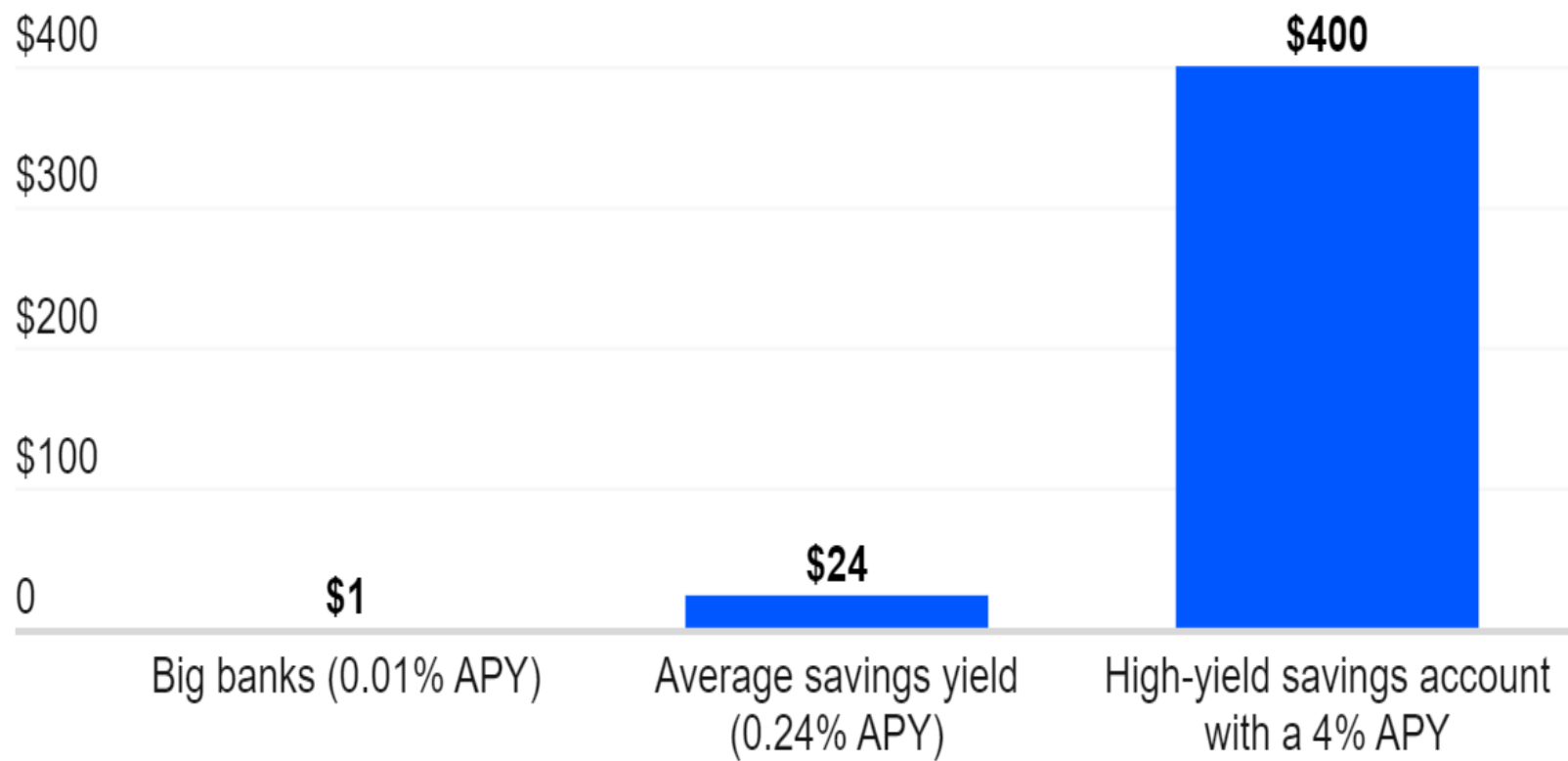
## Regional Banks Have Lost a Third of Their Value this Year, While Gold Producers Have Soared

Total Returns, Year-to-Date Through May 4



Past performance does not guarantee future results. It is not possible to invest in an index. Source: Bloomberg, U.S. Global Investors

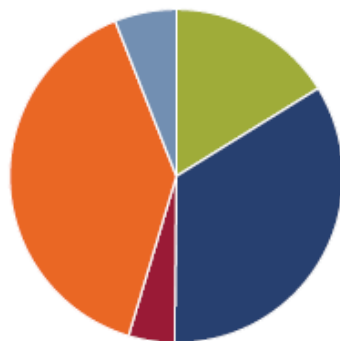
## What you'd earn in a year with an initial deposit of \$10,000



**Note:** Savings yields differ depending on the bank. Earnings rounded to the nearest whole number.

**Source:** Bankrate national rate survey

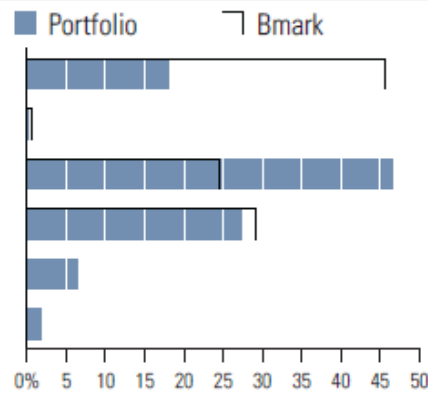
### Asset Allocation 04-30-2023



Asset Allocation	Portfolio %	Bmark (%)
Cash	16.17	16.17
US Stocks	34.00	39.59
Non-US Stocks	4.46	4.85
Bonds	39.38	39.38
<b>Other/Not Clsfd</b>	<b>5.98</b>	<b>0.02</b>

### Bond Analysis 04-30-2023

Fixed-Income Sectors	Portfolio (%)	Bmark (%)
Government	17.97	45.63
Municipal	0.04	0.65
Corporate	46.55	24.55
Securitized	27.33	29.18
Cash & Equivalents	6.39	0.00
Derivative	1.71	0.00



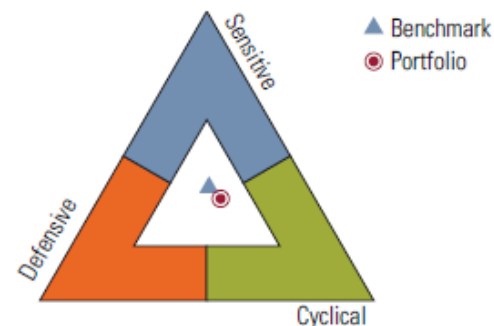
### Maturity Breakdown

Effective Maturity	Portfolio (%)	Credit Quality	Portfolio (%)
1-3	14.66	AAA	32.69
3-5	20.94	AA	2.31
5-7	26.84	A	2.72
7-10	6.02	BBB	6.42
10-15	6.75	BB	15.47
15-20	4.02	B	30.54
20-30	14.90	Below B	4.20
>30	5.89	NR	5.65

### Credit Quality Breakdown

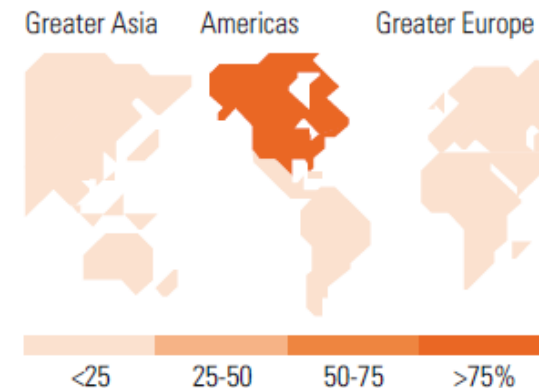
### Stock Analysis 04-30-2023

#### Stock Sectors



	Portfolio (%)	Bmark (%)
<b>Cyclical</b>	<b>41.61</b>	<b>28.98</b>
Basic Matls	11.89	2.87
Consumer Cycl	12.19	10.49
Financial Svs	15.07	12.98
Real Estate	2.46	2.64
<b>Sensitive</b>	<b>37.59</b>	<b>46.36</b>
Commun Svs	4.58	7.75
Energy	2.71	4.62
Industrials	8.22	9.17
Technology	22.08	24.82
<b>Defensive</b>	<b>20.80</b>	<b>24.66</b>
Consumer Def	2.70	7.53
Healthcare	16.84	14.22
Utilities	1.26	2.91
<b>Not Classified</b>	<b>0.00</b>	<b>0.00</b>

#### World Regions

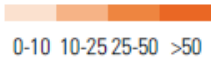


	Portfolio (%)	Bmark (%)
<b>Americas</b>	<b>91.54</b>	<b>89.10</b>
North America	91.05	89.09
Latin America	0.49	0.01
<b>Greater Europe</b>	<b>5.66</b>	<b>7.57</b>
United Kingdom	1.96	1.99
Europe-Developed	3.26	5.52
Europe-Emerging	0.38	0.00
Africa/Middle East	0.06	0.06
<b>Greater Asia</b>	<b>2.80</b>	<b>3.33</b>
Japan	0.73	2.12
Australasia	0.52	0.75
Asia-Developed	0.57	0.45
Asia-Emerging	0.98	0.01
<b>Not Classified</b>	<b>0.00</b>	<b>0.00</b>



**Investment Style 04-30-2023**

3	0	0	High Med Low
0	20	0	
47	0	0	
Ltd	Mod	Ext	

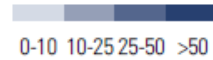


**Fixed-Income Style**

Effective Duration  
Effective Maturity

Portfolio	Bmark
3.12	—
6.12	—

11	16	13	Large Mid Small
10	11	8	
8	12	7	
Value	Blend	Growth	



**Equity Style**

Average Market Cap (\$mil)  
Price/Earnings  
Price/Book  
Price/Sales  
Price/Cash Flow

Portfolio	Bmark
20,812.61	164,815.96
14.86	19.75
2.44	3.37
1.34	2.20
11.30	14.50

**Q&A**

QUESTIONS  
AND  
ANSWERS



## Contact Us

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