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THE PERSONAL WEALTH COACH®

An SEC Registered Investment Adviser

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TPWC Market and Economic Update

The Markets

Despite all the excitement, financial, political, and international the big market news as the week ended was that nothing, or at least nearly nothing happened. The S&P 500 Stock Index (SPX) ended the week up 0.08%, closing at 2502.22. Notably, the Index remained above the memorable 2500 mark. The Dow Jones Industrial Average (the Dow) closed very slightly lower than last week.

Threats by North Korea to detonate a hydrogen bomb over the Pacific, new legislation that would include large cuts to medical spending, and a hack of the SEC in the past would have set the stock market on a frenzy of worry and decline. Perhaps the recent blunt and often meaningless tweets and proclamations have inoculated investors from political panic. Still, one or more of the real-world issues that don't seem to be worrying market traders now might just happen. If we do get a real shock, as opposed to the many cries of alarm which have come to nothing, a market dip will probably ensue. The point to remember is that all the issues that might cause such a dip ultimately will result in more economic activity and more corporate profits. Remember too, corporate profits are what drive market levels, not political rhetoric. A new corporate reporting season begins in October, and perhaps the prime reason for the mild manners of Mr. Market is that estimates are that profits will be good.

Gold ended the week down 2.1% at \$1,300 per Troy ounce and is now down 4.30% from last year at this time. West Texas Intermediate crude oil ended the week at \$50.66, up 0.58% for the week, but down 11.20% year-to-date. The ten-year U.S. Treasury yield ended Friday at 2.255%, up from last week and up significantly from the 1.57% yield we saw last year in September.

The Economy

What we believe to be the most important real economic news got little coverage in the media. The Federal Reserve announced last week that the total net worth of U.S. households and nonprofits, defined as assets minus liabilities, rose \$1.7 trillion in the second quarter to \$96.2 trillion. The second quarter total marks the seventh consecutive quarter in which U.S. household net worth has broken all previous records.

As we dig deeper into the numbers, the good news just gets better. Household liabilities as a percentage of net worth stood at \$15.2 trillion, creating the best ratio of equity to debt since the market-boom days of 2000. This time around though, it is not a stock market bubble that is creating a good ratio, but rather lower debt, a good valuation on stocks, and rising house prices. Neither the stock market nor houses are unreasonably priced, so what looks good really is good in this case.

The Equifax and SEC cyber-security breaches have a lot of people concerned. We detailed exactly what you should do if you find that your personal data was compromised in the Equifax hack in our September 11 newsletter. Ideally, you should freeze your credit so that anyone without your personal PIN issued by the three major credit reporting agencies cannot open a new account or line of credit. In reality, if you have attempted to contact the agencies, you probably have spent a long time on hold and finally have given up.

We recommend patience. In a few weeks, the rush will be behind us and getting your credit lines frozen will be relatively simple. Meanwhile, to-date there have been no reports of the Equifax data being involved in identity theft incidents. At this point, it is important to simply recognize that if your data was at Equifax, it is in the hands of criminals. At the same time, the only scams associated with the breach are cases where crooks contact people and tell them their data has been compromised, and then talk people into revealing exactly that data on the phone! There apparently are plenty of scammers who are trying to take advantage of your fear, so beware!

The SEC hack was less malignant. It appears that the hackers placed data from non-existent companies on the SEC's publically-traded company site, then convinced people to buy the non-existent stocks. Buying stock because someone calls you up and tells you about some unbelievable deal is an example of greed and foolishness at their highest.

Until next week, we remain your faithful servants,



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