THE PERSONAL WEALTH COACH®

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TPWC Market and Economic Update

The Markets

The S&P 500 Stock Index reached an all-time high this week, and then broke its record a couple of more times. On November 22, this Tuesday, it finished the day at 2,200, a round-figure record, and then closed on Wednesday at 2,204.72, an all-time record. It closed out this week at 2,213.35, another record, up 1.44% for the shortened week of relatively light trading. That puts it just over 21% higher than it was in mid-February and 3.87% higher than it was in May of 2015. Three years ago, it seemed stuck around 1,800 before taking a bit of plunge in December for some long-forgotten reason. The compound average annual rate of return for the three years we have just experienced is then just over 7%. What is interesting about that number is that it is also about the average annual rate of return from 1926 to the present.

We bring this up because at any given moment in time there seems to be a consensus assumption that the stock market is either going to make everyone wealthy with double-digit returns, as many believed in the late 1990s, or is a terrible, low-return, risky place to have one's money invested. Over the last three years, we have observed that folks generally have the second opinion. Yes, we have had several downturns in those 36 months, some of which have met the definition of a "correction," but by waiting just three years, the values reverted to the mean long-term rise in value. Sometimes, if one starts at the wrong time, it takes a while longer. In March of 2000, the S&P 500 also hit an all-time high, 1.500.64. The market-price return from then, 16 years and 8 months ago, has averaged only a compounded rate of 2.35%. What that tells us is that the longer-term value change is still below average, which may give us room to grow before we get into questionable territory.

There is not a lot to say about the bond market this week as trading there was thin. The benchmark ten-year U.S. Treasury Note settled at 2.359% today, up just a bit from last week, and very close to an 18-month high. As a point of reference, the 10-year note was yielding 1.867% on election day. The Bloomberg Barclays U.S. Treasury index has posted a loss of 2.52% so far for the month of November. It is still up 1.04% year-to-date though.

Gold took a pronounced dive on November 23 and dropped to a nine-month low today, ending the week at $1,186.10. The limited number of open futures contracts on gold suggest that more price declines may be on the way.

Oil, the commodity that seemed about to crash everything in February of this year, seems to have found a happy range between around $45 and $52 per barrel. Back in February it dropped into the mid $30 range, and in 2008 it hit $154.66 per barrel. In a small irony, today's price range is about what oil was selling for in mid-2008 and in the early 1980s.

The Economy

This was a short week, so there is relatively little news, so this will be a bit on the short side.

According to the National Association of Realtors, U.S. Home resales rose in October to their highest level in more than 9 ½ years. Sales rose 2% in October to an annualized rate of 5.6 million. That announcement echoed the report last week that housing starts, which rose 25.5% in October, were at the highest level since 2007. At least part of that buying and starting surge may be related to rising mortgage rates. According to Freddie Mac, the fixed 30-year mortgage rate has risen from just above 3% to now average 3.94%. People appear to be rushing to buy and build before rates rise farther.

Turkey eating was reportedly also surging on Thursday. If the increase in number of turkeys consumed in November were to be annualized, all the turkeys will be depleted by February and the average American will weigh 300 pounds. The implications of that surge should only be contemplated after finishing at least one dinner of Thanksgiving leftovers.

Until next week, we remain your faithful servants,

Jeffrey W. McClure CFP®
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