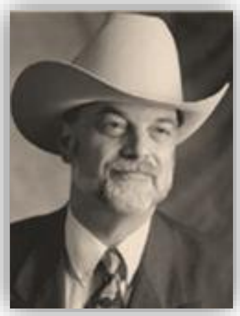

THE PERSONAL WEALTH COACH®

An SEC Registered Investment Adviser

Jeffrey W McClure CFP® | Jacob A McClure CIMA®

PO Box 1029 / 918 N. Main Street
Salado, TX 76571

(254) 947-1111
(800) 914-7526

Serving Investors Since 1982
www.tpwc.com

jeff@tpwc.com

jake@tpwc.com

November 10, 2017

TPWC Market and Economic Update

The Markets

The S&P 500 Stock Index (SPX) ended the week down 0.21%, its first down week in the last two months, but remains up well over 1% for one month and 19.31% from a year ago. The Dow Jones Industrial Average has recently been up more than the SPX and, rationally, was down more, about 0.5% for the week. The U.S. bond market was closed on Friday in observance of Veterans' Day but ended the week with the 10-year T-note yielding 2.326%, a decline of 8.6 hundredths of a percent, but the yield remains 0.55% higher than a year ago. Gold was up very slightly, as was oil.

The Economy

While interest rates in the U.S. are still low, at least by the standards of the last 30 years, the German ten-year Bund currently yields 0.318% with the two and five-year Bunds still well in negative yield territory, yielding -0.76% and -0.33% per year respectively. While the European economies have generally improved, they remain on life-support with the European Central Bank still buying bonds on the open market to prop up the economy. On the other side of that coin, oil prices have gained more than 15% in the last two months as demand rises with growing economic activity across the globe. We in America are concerned about rising rates and questioning when the next downturn will be while the rest of the world is still anticipating the end of the last one. We have a lot going for us and a lot for which we should be thankful.

The week's minor stock market slump was generally credited to the introduction of a tax-reform bill in the Senate that appeared to be both severely at odds with the House version and less beneficial to corporate earnings. Quite a few pundits have been publicizing the opinion that the 20% rise in the stock market over the last year was largely based on the assumption that big tax cuts were coming. In the week just ended, the odds reportedly dropped to a 50/50 toss-up as to whether or not any tax bill would become law. As we had thought, it had little effect on market values.

For anyone who missed it, the Senate Finance Committee revealed what the Republicans there had concluded was the answer to all their political and tax problems. It retains the assumption that adding an additional $1.5 trillion to the federal debt over the next decade is a good idea but concluded that an immediate corporate tax cut would be too much. It also proposed the elimination of all deductions for homestead property taxes. Despite less in tax cuts and more removals of tax deductions, the Senate committee's proposal was (according to them) still missing about $76 billion in revenue to comply with the recently passed budget resolution. If either version is to become law, it must find some more revenue (taxes) or reduce the tax reductions. Otherwise, the proposal will need a lot of Democrats to like it in order to pass.

Both proposals are complex and long, but there are a couple of things that are clear. First, both the House and the Senate versions increase the national debt from its current 77% of GDP to about 100% of GDP in ten years. The second thing worthy of note is that the two proposals are in opposition to each other in very significant areas. The word in the Senate was that the House proposal was a no-go and would not pass there. The Republicans in the House appear to have the same opinion about the Senate version. We are reminded of a long-ago quote from Pogo O'Possum, "We has met the enemy, and he is US!"

Separately, the *Wall Street Journal* survey of economists indicated that there is a 26% chance of the U.S. pulling out of the NAFTA treaty with Canada and Mexico and if we do so, there will be a marked slowing of the economy with the possibility of it causing a recession. Other than that risk, there was a consensus that the U.S. economy would continue to grow through 2018, with unemployment dropping to 3.9% by the end of next year.

Until next week, we remain your faithful servants,

Jeffrey W. McClure CFP®
M.S. Personal Financial Planning

Jacob A. McClure, CIMA®