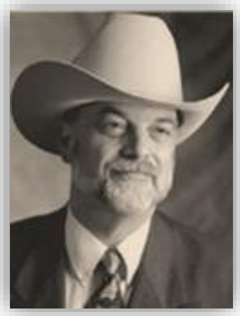

THE PERSONAL WEALTH COACH®

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TPWC Market and Economic Update

The Markets

Our dear and very old friend, the S&P 500 Stock Index (SPX) came back to life in the week ending March 15, rising 2.89% to close at 2822.48. That rise puts the index up a whopping 12.59% year-to-date and boosted it 2.56% higher than it was a year ago. Before you get too excited though, it is still 3.7% lower than it was at the end of September. Driving this rise, there appears to have been a market shift from the higher-flying sectors of the last three years to investors looking for undervalued stocks.

The 10-year U.S. Treasury note yield dropped to 2.6%. The 10-year yield is now down about 20% from the 3.25% yield it had five months ago. The pronounced sag in the yield curve between two and five years worsened with the five-year note yield declining to about the same as the Fed short-term rate. Oil (WTI) continued its steady rise ending the week at $58.38, up 4.19% for the week and up over 25% year-to-date, pushing gasoline prices ever higher. The OPEC output-cut to raise oil prices seems to be working

The Economy

In a warning sign that was reflected in the Treasury yield curve, output at U.S. factories fell 0.4% in February after falling 0.5% in January. A one-month decline could be written off as just "noise" but two consecutive months, that together amount to a nearly 1% drop, is worthy of attention. Despite the reduced output numbers, most manufacturers are reporting that things appear to be leveling off and proceeding at a slower pace than last year but do not see an immediate threat of a recession. The comments from manufacturers repeated the same themes we have seen since growth started slowing last year, the trade war, both actual and threatened, and slowing global growth are taking a bite out of U.S. production.

Part of the issue we are facing in the national economy is that import prices are now down 1.3% from a year ago when the tariffs were imposed, while export prices are up 0.3%. Those don't sound like big numbers, but the 1.6% differential is often a deal-killer and has resulted in our imports being at a record high even as exports have declined. Though manufacturing numbers are sliding, consumer confidence and happiness have risen this year as we see lower prices in the stores on imported goods.

In January retail sales were 2.3% above those of a year ago. If we exclude autos and gasoline, retail sales rose 3.7% in January. That great January growth has largely offset the bad sales in the fourth quarter of last year and the average growth in retail sales, about 70% of our economy, is now up an average of 0.1% for the past four months. Fortunately, the American economy is primarily driven by service-related growth and the non-manufacturing side of our economy grew in February for the 109th consecutive month and is up 3% from last year.

There are a lot of numbers there and, frankly, they have economists (and us) more than a little confused. We see signs of potential economic expansion in services and retail while at the same time see warning signals in manufacturing and exports that things are slowing down. We have seen this before though. When an economy is at a peak, with nearly full employment, the roads jammed, and retail business humming, that has meant we are at a cross-road. What follows next can be a second wind or a slowdown. All we can do is watch and see. Our gut feeling is that the end or escalation of the trade war may be the key.

In a very practical warning, the SEC last week charged a Dallas-Fort Worth radio show host, Neil "Doc" Gallagher, the self-styled "Money Doctor" with running a $20 million-dollar investment fraud, mainly directed at retired Christians. His show and the alleged Ponzi scheme ran from 2014 until January of this year and included claims that money would be invested in a "Diversified Growth and Income Strategy Account" and provide a "guaranteed, risk-free" return of 5% to 8% per year. He apparently instead used new money to pay earlier investors and spent the difference. The terms "guaranteed" and "risk-free", when associated with a yield higher than a bank certificate of deposit or short-term Treasury security, are red flags that commonly mean, "Stand by to lose your money here." Typically, the prime recruiters for frauds like this one is alleged to be are the earlier investors who have been getting a steady income stream for several years and talk their friends into signing up. They often get hurt too as the bankruptcy trustee "claws back" all the money the earlier investors received.

Until next week we remain your vigilant observers and analysts of things economic and investment-related.

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