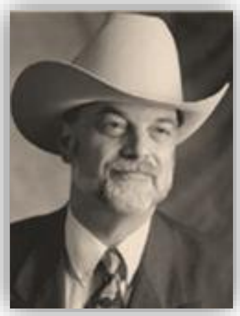

THE PERSONAL WEALTH COACH®

An SEC Registered Investment Adviser

Jeffrey W McClure CFP® | *Jacob A McClure* CIMA®

TPWC

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

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TPWC Market and Economic Update

The Markets

Our old friend, the S&P 500 Stock Index (SPX) continued to seesaw up and down for the week ending on April 24 as investors and speculators struggle with each other seeking the right valuation of the hundreds of individual issues that make up the index. Their cumulative wisdom, as evidenced by their votes with dollars, put the Index at 2,836.74 at the close for the week. That figure was 1.32% lower than last week's close and leaves the SPX down 16.23% from its mid-February top but up about 26.8% from its late March bottom. Year-to-date it is down just over 12% and down 3.5% from this time last year. All in all, considering that the economic numbers are the worst in a lifetime this market fall has been rather mild so far.

The yield on the ten-year U.S. Treasury note crept down 3.9 basis points for the week to close at 0.604% but the Treasury yield curve, a prime forecaster of things to come 12 to 18 months in the future, was amazingly smooth and uniformly positive. The 90-day T-bill yielded an amazingly low annualized 0.119% at the end of the week although during the week it seemed to stabilize at times around 0.10%. The buyers and sellers in the Treasury markets seem to be very uniformly convinced that future inflation, even out as far as 30 years, will be nearly non-existent with the 30-year Treasury bond only yielding 1.178%.

West Texas Intermediate crude oil (WTI) closed at $17.09 for May delivery, reflecting the market's best guess at the actual price of a barrel of Texas crude around the 23rd of next month. The problem continues to be finding a place to store the oil as production companies continue to collectively pump more oil than can be used in the local or global economy.

The Economy

The detailed economic indicators that we normally rely on for a hint of what the future may bring are only now coming in for the month of March. Most of them are irrelevant as the close date for the data collection was before the end of the month and thereby missed what appears to be the biggest economic shift in the history of widespread data gathering. The University of Michigan's consumer sentiment survey is an exception to that observation as its data was gathered between March 25th and April 20th. It now stands at 71.8, down from 97.3 a year ago and 89.1 in March. That roughly 20% decline in broad consumer sentiment about the economy was reflected almost perfectly in the stock market values as it bounced from its over 30% decline back up to a less than 20% decline where it has stabilized.

Those numbers are important because while different models and different economists' forecasts are making headlines, the reality is that we are facing an economic event unlike any we have ever experienced. Academic studies have long suggested that in a situation where there are little data or historical precedent people in mass, particularly when they have their future invested in the decisions, make better long-term estimates than any computer program or group of experts. That is not to say such forecasts are always correct but that they tend to have a better accuracy.

In essence, the prediction of the average stock market investor, confirmed by the consumer sentiment survey, is that our national economy just took a hit that is somewhere between 16% and 20%. There is good news and bad news in that estimate. The bad news is that a roughly 18% economic decline is painful. The good news is that it is only 18%

rather than 50% as we saw in early 2000s or 80% as we saw in the 1930s. If we use the long-term, after inflation return of the stock market as a guide to recovery, it would indicate that the recovery time from the bottom of this economic slump would be about two and a half years. That sounds pessimistic when placed against the estimates that we will rebound immediately but is actually amazingly optimistic. Following the 2000-2002 bear market, it took 13 years for the stock market to recover after adjusting for inflation.

It really is different this time. In this crisis we know exactly what is causing the economic shock and we know exactly what will end it; effective administration of a vaccine. Still, the damage will be there as people, companies, municipalities, and even nations default on their obligations. Meanwhile, it is our hope and studied expectation that the shock will clean out a lot of bad companies and terrible practices that have placed greed as their highest value. That pile of rubble will hopefully be replaced with a new spirit of community and innovation that will spur us into the 2020s with a wind at our backs and a renewed can-do image of America.

Until next week we remain at our digital posts, watching and analyzing the economy and the markets. Stay safe. Be well and keep us posted!

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

Jacob A. McClure, CIMA®