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# THE PERSONAL WEALTH COACH®

**An SEC Registered Investment Adviser**

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## TPWC Market and Economic Update – Special Edition

### The Markets

Since our last missive, only two market days ago, the Standard and Poor's 500 Stock Index (SPX) has soared 3.3%, which sounds amazing, but if you look back five market days, it has lost about 1%. That is the nature of this astonishingly insecure market, but it remained inside its trading range, signaling that it still sees a drop over the next year in corporate profits from the end of last year but a recovery none the less. It closed today at 3100.29, down just over 4% year to date, down about 8.4% from its top in February, and up a whopping 38.57% from its bottom in March. More evidence of the weirdness of the market valuations is found in the fact that the SPX just turned in its best quarter in 20 years, up 19.95% but is still down almost eight and a half percent from February. The Index is up 4.28% from a year ago at this time.

The yield on the 10-year U.S. Treasury note did not join in the two-day party and fell another 9% to close at 0.654%, down about 80% from its 2% yield a year ago. The very low interest Treasury yield curve remains positive. West Texas Intermediate crude oil (WTI) crept upward a bit since Friday to $39.82 per barrel.

### The Economy

Despite other news, the biggest economic factor out there remains the Covid-19 pandemic. Nationally, the confirmed infection growth has risen to over 4% per day, as high as it was in mid-April. The differences between then and now are that the nation is not headed into lockdown to slow the spread but rather is opening up and the center of mass of new infections is across the southern tier of states, with Texas as the new epicenter. Texas is reporting between 5,000 and 6,500 new cases per day, a growth rate about the same as the national numbers. We had held steady with about 1,000 new cases per day through mid-June but have soared since then. Officially, nearly 2,500 people have died of the disease in Texas, nearly all of them in the last three months. The national death toll has risen to well over 126,000.

The numbers alone do not tell the whole story. The Texas Medical Center, the state's largest hospital, sprawling across the center of Houston, reported on Sunday that its ICU beds were full. Shortly after the news hit the media, the hospital stopped reporting on its ICU status and announced it was creating a "surge facility" with more ICU beds and would announce when it was available. On Saturday, hospitals in Texas admitted 5,543 new Covid-19 patients according to the Texas Department of State Health Services. Meanwhile, Travis county is setting up a 100 bed hospital in the Austin Convention Center and is advising staff to be prepared to start it up by mid-July.

Those reports are not intended to scare anyone but to bring to the fore that this is a real threat, both personally and economically. The point is that the Covid-19 threat is real. "Only" 13 people have died in Bell county so far, but the infection growth per day here is about the same as elsewhere, 4% per day. That level of growth suggests that everyone who has the virus is infecting more than one person thus the growth will continue until we change our behavior. Chairman Powell of the Federal Reserve warned Congress today that for the economic recovery to continue we will have to keep the virus in check. Since mid-June those of us in the South have not done that very well.

In some good news, pending home sales spiked 44.3% in May. That jump still leaves the rate below the pre-Covid-19 level but suggests that pent up demand is there and being expressed. New business regulatory applications are up 6% from a year ago and movement data from Google shows renewed shopping and travel in general is well up from where it was at the bottom of the slump a month ago. With savings accumulation at record levels, once this disease threat is behind us we continue to see an economic boom on the horizon.

The bottom line remains the same. We still need three elements in the short term and one big one in the longer term to come out of this economic downturn. First, the Fed needs to be supportive, and is has been and is continuing to innovate as it has now started buying a basket of corporate bonds on the open market to keep credit flowing to businesses. Second, the Congress needs to pass another stimulus bill. That remains problematic as Republican senators are expressing an inclination to defer consideration of more aid for a month and a half or two. The problem with that wait-and-see position is that the current funding ends a month from now. The shock of a sudden cut-off in economic life-support with over 20 million people out of work could be more than the economic system can stand, particularly if the southern tier of states are in the grips of a renewed pandemic surge. Third, we need to slow the spread of the disease lest the hospitals become swamped and we wind up with another mandatory shut-down. So far, we have done a very poor job in that area. Longer-term, the solution remains a good vaccine and thorough saturation of the population with vaccinations.

The stock market remains guardedly optimistic while the Treasury yield curve is forecasting a good if somewhat muted future a year or so from now. The big question remains what happens between now and then? Will we rise to the challenge like other nations have done or will we continue to exercise our rights to spread the virus and defund the economy? It is in our collective hands.

Until Thursday (we are closed on Friday as that is a market holiday), we remain your faithful analysts and portfolio managers.

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