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# THE PERSONAL WEALTH COACH®

An SEC Registered Investment Adviser

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## TPWC Market and Economic Update

### The Markets

The S&P 500 Stock Index (SPX) forged ahead with another weekly gain, rising 0.64% to close on Friday at 3372.85. This new rise leaves it up 4.4% from the beginning of the year, just 0.39% below its high point in February, and ahead about 16.8% for one year. It remains severely divided with ten large capitalization growth stocks making up about 30% of the SPX price while the majority of the stocks, made up of “value” stocks is still down around 11% year-to-date and only up about 0.38% for one year. The division in the stock market is reflected in a striking difference of opinion among major investment banking houses with Goldman Sachs forecasting an ongoing bull market while others are of the opinion a major market correction must occur before the bull is back in charge. At the core of the division is the fact that smaller companies are more directly related to the actual economy, while the large-cap tech companies have increasingly become disconnected from the affairs of day to day business and shine as the darlings of stock speculators large and small.

The yield on the 10-year U.S. Treasury note joined the bulls this week, rising a whopping 26% to 0.710% from its recent range just above 0.5% over the past several weeks. The long end of the yield curve, the 30-year bond, exuberantly climbed above the 1.4% mark for the first time in months to end the day at 1.431%. West Texas Intermediate crude oil (WTI) joined in the party, rising 1.5% to \$42.23. The oil futures markets seem to have stabilized with longer term contracts higher than those of shorter terms and the December contract is positive at \$43.16. Both the Treasury and oil indicators suggest a better, if still muted, economy ahead.

### The Economy

The headline economic news this week was that U.S. retail and food services rose 1.2% in July, according to the Census Bureau. That increase put retail spending up 2.7% from July of last year. The retail outlets driving the gains were, as you might expect, non-store retailers, up 24.7% from last year at this time. Damping some of the enthusiasm from the Census report was anecdotal information that the spending spree may have fallen back in the early weeks of August as the stimulus and extra unemployment payments came to an end.

Another major milestone hit in digging our way out of the current economic slump was that weekly new unemployment claims dropped below one million for the week that ended August 7. The number of people drawing regular unemployment from the states also dropped to about 15.5 million as August arrived; a good improvement but still over twice the 6.6 million peak official unemployment seen in 2009 at the worst of the Great Recession. For reference, during the years leading up to the pandemic crisis, layoffs generally averaged around 200,000 per week, about one fifth the number we saw last week.

COVID-19 still weighs heavily on our core economy with only 5% of small businesses anticipating a rise in sales over the next three months according to the National Federation of Independent Businesses. At the same time, U.S. industrial production rose 3% in July, leaving it 8.2% below where it was a year ago. A large part of that monthly increase was driven by a 28% increase in car and car parts inventories as dealers filled up their inventories even as sales continued to fall, on hopes that those sales would soon be recovering. The automobile production surge followed a severe slump as auto factories were forced to limit output as COVID-19 cases swept through their workforce, shutting down factories and disrupting supply chains.

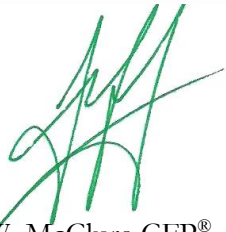
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What looks like a major shift in our long-term retail environment is occurring. Simon Properties, the nation's largest owner of shopping mall real estate, is in negotiations with Amazon to convert what were the anchor stores housing traditional names like Sears and J.C. Penney into distribution centers. In a similar move, Lowes, the hardware and DIY big box, is investing billions of dollars into distribution centers both for its existing retail stores and to get into the business of delivering products directly to digital customers ordering online.

As we close in on the midpoint of the third quarter, Moody's Analytics' high frequency GDP estimate is forecasting the quarter to show a GDP growth of 18.6% annualized, or about 4.65% for the quarter. Evidence abounds that our economy is not as bad off as it was, but the nascent recovery is on uncertain ground as the national toll of COVID-19 cases continues to increase at about 50,000 per day and the death toll rises to nearly 170,000. Bell County continues to prove it is not immune to the pandemic as the total confirmed cases rose to 4,089 and the deaths to 46. The good news is that while the national confirmed case growth rate has jumped to nearly 4% per day, the death rate for confirmed cases has fallen nationally to about 3.2% from earlier highs in the 6% range.

Our long-term outlook remains the same. There will be a rough and uncertain period until we have an effective vaccine and have vaccinated the majority of Americans. That will be followed by a rebuilding and an economic boom. It is, in our opinion, just a matter of getting through the next year or so.

Until next week we are here, alert and always ready to assist in any way we can.



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