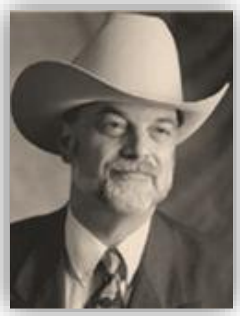

THE PERSONAL WEALTH COACH®

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September 18, 2020

TPWC Market and Economic Update

The Markets

The S&P 500 Stock Index (SPX), the more or less industry standard for measuring the value of U.S. Stocks, fell 0.64% for the week, closing at 3319.47. The index has now fallen for the last three weeks, is now back where it was about six weeks ago and is near where it began August. The SPX remains up just over 3% year-to-date. Ironically, the S&P 500 Value Index (SPV) rose 0.56% for the same period although it remains down over 12% from where it started the year. The fall in the SPX was driven by the highest flying large-cap growth stocks and was attributed to a declining enthusiasm by individual amateur investors as they get back to work and school combined with the weekly employment reports.

The ten-year U.S. Treasury note yield eked out a 4.5% gain at the end of the day on Friday, closing at 0.701%, maintaining an optimistically positive yield curve with the 90-day T-Bill at 0.94% and the 30-year bond at 1.44%. Last year at this time the yield curve was pointedly negative, forecasting a looming recession. That suggests that even without a COVID pandemic, we likely would be in a recession at this point anyway. Domestic crude oil futures (WTI) joined with value stocks and interest rates and rose nearly 10% to $40.97, although the price of oil remains down about 33% for the year.

The Economy

Probably the biggest economic news of the week was that new unemployment claims have changed little over the past three weeks. According to Labor Department reports, they remain extremely elevated at about 860,000 this week, still well above the worst seen in past recessions. This indicates that a lot of businesses which have managed to hang on to valued employees are running out of options and furloughing or just laying off a host of workers. Over the last four weeks the number of workers drawing continuing unemployment benefits from the states has fallen from about 14 million to about 13.5 million, but anecdotal evidence suggests that the drop in those drawing continuing benefits may largely be because many are hitting the six-month benefit limit.

The Moody's Analytics *Back to Normal* index continues to indicate that overall economic activity in the U.S. is still running at about 80% of January's level despite widespread relaxation of governmental pandemic restrictions. That analysis is supported by the report from the Energy Information Administration that domestic petroleum products supplied are running about 17 million barrels per day compared with an average of about 22 million barrels last year, a roughly 20% decline in petroleum usage from 2019.

The coronavirus contagion and death rates seem to have leveled off with the deaths in the U.S. now at 198,306. 77 of those are now confirmed in Bell County with the contagion still rising in the county at about 2.5% per day compared with 0.61% nationally. There have been 5,255 confirmed infections in the county and reportedly 90% have completely or largely recovered. While those numbers are still staggeringly large, the objective of keeping the numbers manageable seems to be on track as the mortality rate in the county is about 1.5% of confirmed cases. Nationally, the mortality rate is not so good with about 3% of those diagnosed dying of COVID-19.

In a bit of good news, retail spending by consumers in August was reported by the Commerce Department to be 2.6% higher than in August 2019, although strikingly in different areas. Clothing sales are down 20% from last year while home improvement and electronics soared. Another surprising data point is that spending on prepared food from retail establishments was actually higher than in August of 2019, just not for dining in. We spent the early part of this pandemic event cooking a lot at home, but we seem to be growing tired of home-cooked food!

Another landmark declaration was made this week as BP declared the era of ever-growing demand for petroleum is behind us. That announcement came as in the U.S., according to the Energy Department, for the first time since 1880, the total consumption of renewable energy passed the use of coal for all purposes.

Our prognosis remains unchanged. The recovery is likely to continue, albeit at a slowing rate with some bumps, but a return to normal economic behavior will not truly begin to occur until at least half the population has been effectively vaccinated. That date looks more and more to be sometime in mid-2021. Several of the more promising vaccines require two separate injections, separated by weeks and also require very low temperature refrigeration. The infrastructure needed to distribute those more sensitive vaccines is simply not there in sufficient quantity to rapidly provide for a nation of 330 million people. Additionally, even though several vaccine variants show great promise, until a test run on 30,000 or more people is completed to ascertain if the vaccinations first, do not cause unacceptable side effects, and second, do indeed provide a high degree of immunity from the virus, they will not be approved and go into full production. Be patient. These things need time to be proven both effective and safe.

Until then, we remain alert and ready to serve.

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