THE PERSONAL WEALTH COACH®

An SEC Registered Investment Adviser

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

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

November 20, 2020

TPWC Market and Economic Update

The Markets

The S&P 500 Stock Index (SPX) our preferred, if flawed measure of the U.S. stock market, sagged 0.77% for the week ending November 20 to close at 3557.54. That small but significant decline was credited to a combination of the Secretary of the Treasury announcing that he planned to end several emergency loan provisions at the end of December, the continued absence of Congressional action on a new relief bill, and the record-breaking resurgence of COVID-19 across the country. The Index is now up a very respectable 10.11% year to date but down 0.65% from its high at the beginning of September. As evidence that the rotation from large-cap growth stocks to smaller value stocks is continuing, the CRSP U.S. Mid Cap Value Index rose 0.42% for the week. That roughly 1% differential between the SPX and the mid-cap value index is small, but when extended over a year or so, quite significant.

The yield on the 10-year U.S. Treasury note suggested the bond market was even more unhappy with the fiscal situation than the stock market as the yield fell almost 7% to 0.829%, down 57% year to date. The good news is that the yield curve remains solidly positive, if muted in rate. West Texas Intermediate crude oil (WTI) bucked the trend, rising 5.11% to $42.17 as the Chinese economy rebounded and with it, demand for U.S. oil.

The Economy

The coronavirus pandemic continues to cast a long shadow over the economy. The U.S. daily infection rate rose to over 187,000 on Thursday as nearly 2,000 new deaths were reported. With a total death count of over 252,000, the U.S. continues to lead the world in new infections, hospitalizations, and deaths. Texas has passed California for the state lead in total deaths at 20,689. As the infection and death rate continue to accelerate, it is having a profound economic effect. Moody's Back to Normal Index fell from last month's 83.4 to 81.6 as the economy gradually slips backward.

Economists have been warning for several weeks that the record-breaking surge in COVID-19 infections and hospitalizations across the country were likely to have a depressing effect on jobs, but the evidence did not show up until this last week. Applications for unemployment insurance rose to a seasonally adjusted 742,000, up sharply from the 711,000 the week before. As a point of reference, prior to the pandemic, new weekly unemployment claims averaged about 210,000. While the week's higher number is minor compared with the avalanche of claims that hit in March, it is still significantly higher than the U.S. has seen in any prior recession since unemployment claims have been tracked. The total number of people collecting state unemployment benefits continued to fall but evidence suggests that the fall was primarily a result of unemployed workers exceeding the 26-week limit on state benefits.

In a potentially bright side to the pandemic, existing home sales rose to the highest level since 2006, up 4.3% in October from September. The trend appears to be generated by families fleeing high property-tax rates and the coronavirus threat in large cities and moving to suburbs and smaller communities as work-from-home becomes the norm in many sectors of the economy. Amplifying the movement are record-low mortgage rates that tend to both make purchasing a home less expensive in terms of monthly payments and tend to ramp up the market values of homes. With many older potential sellers choosing to sit out the pandemic, the supply of homes for sale is limited

Information contained herein has been obtained from sources believed to be reliable but is not warranted as to accuracy or completeness. Past performance is no guarantee of future returns. For tax or legal issues consult with a qualified tax advisor or attorney. Investments when sold may be at a higher or lower price than when purchased. Refer to your custodial account statements for securities holdings and values.

and with the demand high, the median existing-home price has risen 15.5% in the last twelve months to $313,000, a new record.

U.S. industrial production continues to recover. Although production is still down 5.6% from February, it rose 1.1% in October as consumers upped their purchases of recreational vehicles, houses, and cars. Borrowing for those large, durable items soared even as, on average, families are paying down their credit cards according to the Federal Reserve. Household debt, again generally for longer-use durable goods and mortgages, rose $87 billion, six-tenths of a percent in the third quarter, even as credit card balances fell by $10 billion.

In another bit of bright news, a different kind of virus is benefiting American farmers. An African swine fever outbreak was contained in China in 2019 as millions of hogs were culled. Now pig farmers in China are racing to repopulate their herds and need a record amount of grain for feed. To get the grain they need they have largely turned to the American farmer as drought conditions have limited supply from Brazil and Russia. At the same time, Americans have gone on a bread-baking binge. The result is that bread wheat has risen by about one-third since August while soft winter wheat, used in animal feed, is up 20%.

The bottom line though remains unchanged. There is a significant risk of an economic slowdown around the end of the year if no fiscal stimulus bill clears Congress and is signed by the President. In the longer-term it looks like widespread vaccination may be available by mid-2021 and with it a surge in pent up demand could be released, triggering an economic boom.

Until next week, we remain diligently hard at work, seeking ways to better manage your portfolios and help you plan for your financial future.

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

Jacob A. McClure, CIMA®

Information contained herein has been obtained from sources believed to be reliable but is not warranted as to accuracy or completeness. Past performance is no guarantee of future returns. For tax or legal issues consult with a qualified tax advisor or attorney. Investments when sold may be at a higher or lower price than when purchased. Refer to your custodial account statements for securities holdings and values.