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

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TPWC Market and Economic Update

The Markets

In the holiday shortened week that ended the first quarter of 2021 and opened the second, the S&P 500 Stock Index (SPX) rose 1.4% but to our round-figured minds, made a giant leap as it closed at 4019.87, its first close above the 4000 mark. Considering the week also saw aftershocks following the collapse of Archegos Capital Management, likely causing around $30 billion in losses to the big investment banks, the smooth, consistent rise in the Index over the past week and more is testimony to the relative stability of this market. The SPX closed out the quarter up 5.8% but with the first day of April under its belt, the year-to-date gain surged to 7.02%. For those who were concerned last November about a market decline following the election, the Index is now up 14.56% in the ensuing five months. Notably, it is now also up 80% from its bottom of 2287.40 on March 23 of last year. While Apple, Microsoft, Facebook, and Amazon led the way this week, the CRSP Mid-Cap Value Index closed at 2353.68, up 14.63% in 2021 as value-based stocks continued to receive attention from investors.

One of the reasons for the rise in the SPX over the past two weeks was a slight decline in the yield of the ten-year U.S. Treasury note to 1.677% from its recent high of 1.78%. While the benchmark interest rate is up a lot from the 0.92% level where it began the year, the rise seems more and more to be an indicator of a probable rise in economic activity, and with it loan demand, rather than an indicator of future entrenched inflation expectations. Current rates are near where they were toward the end of 2019 when the economy was operating at full tilt. West Texas Intermediate crude oil (WTI), the U.S. oil price benchmark, rose 0.71% for the week to $61.24 per barrel and like the stock market showed remarkable stability particularly in light of the OPEC announcement of increased oil production over the next several months. Oil prices are up about 27% year-to-date as demand has increased faster than production.

The Economy

The stock, bond, and oil markets are in full anticipation of an economic recovery this year, but the pain of the pandemic is far from over. For the week ending March 27, initial state unemployment claims rose from the previous week's 658,000 to 719,000. When the week's new Pandemic Unemployment Assistance claims of 237,000 are added in, the newly unemployed number returned to close to 1 million. Despite the increase in new claims, a consensus of economists estimates the U.S. economy added a net 675,000 jobs in March. In short, a lot of businesses are still laying off workers, but even more hires are being generated as other businesses expand. The mismatch between skills and locations has left something in excess of nine-million Americans who would prefer to be working still out of a job.

The Institute for Supply Management Manufacturing (ISM) Employment Index rose from 54.4 in February to 59.6 in March on a scale where numbers above 50 indicate growth. That 5.2-point gain may not sound like much, but it is a big number and means that U.S. manufacturers anticipate increased demand over the next six months to a year. Add to that the report from the Conference Board that the share of consumers expecting more, and easier to get, jobs coming in the near future rose from February's 0 to March's 7.8 and the stage is set for a resurgence in hiring.

As might be expected, the ISM's Manufacturing Index rose from an already high 60.4 in February to 64.7, the highest number since the early 1980s as the economy recovered from the '82 recession. Meanwhile, the Conference

Board's consumer-confidence index increased to 109.7 in March from February's 90.4, the third consecutive monthly increase. The survey revealed that the two rounds of stimulus payments combined with the announcement of a proposed massive infrastructure bill have Americans feeling more confident about the future. Still, that high reading is well below the 132.6 number recorded in February 2020.

There are a couple of lessons here we think are worth remembering. First, it is a bad idea to underestimate the resilience of the U.S. economy and second, it is a bad idea to give money to a "sure-thing, get-rich quick" scheme that fails to leave the funds in the custody of an insured, well-known custodian. A lot of investors keep getting the lesson that there really are no short-cuts to effective investing but there always seems to be one more "secret insider deal" that promises great riches to those who grab the opportunity then blows up and leaves them with only losses and tears.

The American economy is recovering. It is not there yet, but we are well on the way. There almost certainly will be bumps in the road, but the stage is set, and it appears that there may be a growing consensus to do some serious long-term infrastructure investing in roads, bridges, internet, ports and railroads. If so, we may be seeing an American renaissance dawning.

Until next week, we remain hard at work adding value and avoiding pitfalls for your portfolios.

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

Jacob A. McClure, CIMA®