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), our choice for a U.S. stock market indicator, rose 2.71% for the week ending April 9 to close at 4128.80, its 19th record close this year. That rise in value brings its year-to-date gain to 9.92%. The catalysts were reported to be a slight dip in bond rates combined with increased Wall Street enthusiasm for the proposed budget and infrastructure plans presented by the administration. While the week's leading gains shifted back to the larger tech companies, the CRSP US Mid-Cap Value Index rose 0.79% for the week and is now 15.54% ahead, year-to-date.

The yield on the ten-year U.S. Treasury note slipped 1.1% to 1.658% as long-term inflation fears continued to abate and in doing so supplied fuel to the stock market rally. The yield curve continues to be quite steep, forecasting good economic times ahead for the next year or two. West Texas Intermediate crude oil (WTI) joined with bonds, falling about 3% to $59.34, still well within its recent trading range at a price high enough to provide profitability for the oil companies but not so high as to negatively impact economic growth.

In a bit of reassuring news, the frenzy around GameStop has abated, with the price down 50% from its high in February and gold which serves as a harbinger of doom as dark days approach when it rises, is down 17% from its $2,070 high last August. In short, some of the craziness that was in the headlines during the pandemic is simmering down. There are still millions and even billions of dollars chasing pipe dreams though, as Special Acquisition Corporations (SPACs), essentially speculative corporate shells that own nothing but promise to do something interesting with investors' money come to market, so all the insanity is not behind us.

The Economy

Jamie Dimon, the CEO of JP Morgan, America's largest bank, wrote in his annual letter published on April 7, that the U.S. economy has the potential to enter into a "Goldilocks Moment" as we emerge from the suppression generated by this pandemic, bolstered by strong consumer savings, low consumer debt levels, expanded vaccine distribution, and the proposed $2.3 trillion infrastructure plan. This year's letter is a near complete reversal of the one he published in 2020, in which he warned Americans to brace for a "severe recession". He did warn us to be aware that higher taxes will come on both corporations and wealthy families as "you can't run a 10% to 15% deficit forever" but he added that wealthy families and corporations would not object if they thought their money was being well spent.

As if in coordination with Mr. Dimon, the Labor Department released its March Jobs report showing that the economy added 916,000 jobs and the unemployment rate fell to 6% from February's 6.2%. Private employers added the lion's share of jobs at 780,000 while much of the rest were teachers going back to work as schools reopened. The leading sector for jobs added was leisure and hospitality with 280,000 as Americans returned to eating out and traveling.

The National Federation of Independent Businesses (NFIB) reported that the number of unfilled job openings also jumped, to 7.364 million, approximately 74% of the number of officially unemployed individuals. Contrast that with the fact that for the five years following the June 2009 bottom in the "great recession" the number of openings averaged only 28% of the official unemployment numbers. Unfortunately, as has happened before, both location and skill set mismatches hamper getting those unemployed workers into the open jobs. 40% of small businesses surveyed by the NFIB were reporting they had openings that were "hard to fill" because of a shortage of qualified workers.

In more good news, despite supply constraints caused by a shortage of computer chips, U.S. auto sales rose 11.3% in the first quarter according to Ward's Intelligence. March's estimated sales were up to 16.8 million vehicles, putting that month about on par with sales before the pandemic. In a confirmation of the individual statistics, Moody's/CNN Back to Normal Index rose to 87.1 from its low of 74 at the beginning of the year. To cap the current and trailing good news, the Institute for Supply Management (ISM) announced its nonmanufacturing survey's composite index jumped from 55.3 in February to 63.7 in March, putting it at a record high since its inception back in the 1990s. On that index, numbers above 50 indicate growth. At the same time the manufacturing index rose from 60.8 in February to 64.7 in March, its highest reading since the early 1980s.

The bottom line remains the same, and perhaps even more so. The American economy is well on its way back to what we used to call "normal" but still has a way to go. Just as importantly, the proposals and funding appear to be falling into place to create Jamie Dimon's "Goldilocks moment" in the next few years.

If you haven't already had enough of their economic ramblings, or just need something to put you to sleep, you are welcome to go to your preferred podcast provider or merely type in "tpwc podcast" into a search engine to find an abundance of their scintillating conversations on the dismal science!

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