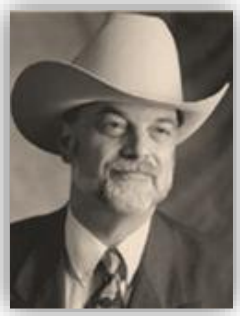

THE PERSONAL WEALTH COACH®

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TPWC Market and Economic Update

The Markets

The old, reliable, if sometimes eccentric, S&P 500 Stock Index (SPX) closed out the week and the month at 4201.11, up 1.16% for the week and over a half a percent for the month. At the halt of trading before the long weekend, it was a mere 0.67% below its record high close early in the month. It has now risen for the past four consecutive months and is up 11.93% year-to-date. Interestingly enough, the Index now seems to be immune from panics in the cryptocoins market with Bitcoin now down almost 50% from its high in mid-April and a selloff on Friday. The CRSP Mid-Cap Value Index closed at 2482.32, up 1.03% for the week and 21% so far this year.

The 10-year U.S. Treasury note yield, ignoring headline inflation alarms, slipped 1.7% to yield 1.584% as buyers continued to suppress any increases. Ultra-short-term rates remain near and in some cases below zero, lower than they were last year when the Fed forced rates down, as a lot of cash continued to seek short-term safe havens. The yield on Treasury securities maturing out as far as mid-October was negative. The yield curve, a generally good predictor of economic cycles, remained steep with the 30-year Treasury bond yielding 2.264%. West Texas Intermediate crude oil (WTI) ended the workweek at $66.63, up about 4.5% for the week on increasing demand and a whopping 37.6% year-to-date.

The Economy

Even as the effect of the stimulus checks fade into memory, with an accompanying drop in household income of 13%, consumer spending, the prime driver in the U.S. economy, jumped 0.5% in April according to the Commerce Department. What was being bought though shifted a bit from products toward services as more people ventured out to restaurants, movie theaters, and other sources of entertainment. Services spending rose 1.1% for the month, while spending on goods fell 0.6%. Spending on goods remains near a record high and is still well above the long-term trend line while services spending still has some catching up to do to get back where it was before the pandemic. Oddly, despite the April drop, household income remained 11% higher than it was in February 2020, just before the pandemic hit.

In what initially might appear as a dark cloud, the Census Bureau reported new orders for durable goods decreased 1.3% in April after 11 months of consecutive increases. A closer look revealed that if we exclude transportation from the figures, orders actually increased by 1% for the month. The culprit appears to be the automotive chip shortage. Transportation orders, primarily cars and trucks, declined 6.7%, even as the backlog of unfilled orders continued to rise. The bright spot in the report was in orders for commercial capital goods, up 3.5% for April and over 15% this year. Commercial capital goods orders constitute investments by businesses in future production capacity and are one of the best indicators of future economic growth. Normally, commercial CAPEX, as it is called in economics jargon, tends to surge at the bottom of a recession and indicates that businesses have identified an opportunity to invest. This time around, the surge appears to be coming well off the bottom and suggests there is a lot of room left to grow in the economy.

An economic indicator that did fall in April was new-home sales, down 5.9% as builders had fewer to sell and the price of construction surged. According to the Case-Shiller Home Price Index, the average cost of a home has risen

13.1% in the last year. At the same time, surveys suggested that the growth in the number of people planning to buy new homes fell to "only" 9.1% from March's 11%. That is still a lot of folks looking for a new home.

We've been following new unemployment claims carefully this year as the number was stuck at or above 700,000 per week for most of early 2021. Last week we saw a delightful drop to 444,000 and this week the news got better as the newly unemployed dropped to 406,000. That is still nearly twice what we saw pre-pandemic but is definitely headed in the right direction.

The bottom line remains much the same, the U.S. economy is booming and is awash in cash, much of which will be spent over the next year or two. The restrictions, and where prices are rising, is in areas where the logistics chain is clogged and both manufacturers and service providers are having trouble keeping up with demand. The underlying fundamentals of the stock market continue to remain sound as corporations are coming in with record revenues and profits. While we have faith that there are bumps ahead, there is room to grow and plenty of cash to fuel a lot of economic expansion.

Until next week we remain dutifully alert to serve you and your portfolios in our never-ending quest for sustainable portfolio returns and the highest standard of service.

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