



jeff@tpwc.com

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



jake@tpwc.com

July 30, 2021

TPWC Market and Economic Update

The Markets

In the face of surprisingly high corporate earnings reports, government crackdowns on corporations in China, and soaring COVID infection and hospitalization rates, the highly conflicted S&P 500 Stock Index (SPX) rose to a new record high on Monday, swooned on Tuesday, climbed Wednesday to another new, new intraday high, then sagged again on Friday to end the week at 4395.26, down 0.37%. It remains up over 17%, year-to-date, up one percent for the month of July, and a whopping 34% from this time last year. The CRSP Mid-Cap Value Index, showing that the market doesn't always follow the major indices, soared on Thursday, then dipped a bit to close out the week at 2438.15, up 0.95% for the week and 18.81% this year. In short, large, growth stocks took a bit of a hit this week, but smaller, value stocks came back in favor.

The yield on the benchmark ten-year U.S. Treasury note fell 4% to 1.228%, its lowest rate since February. The T-note yield is now down about 30% from its high in March but still up 34% from the beginning of the year. Those figures demonstrate just how conflicted the market is about whether the economy is running too hot or about to slump in the face of supply constrictions and the COVID Delta variant. Some of the decline in rates too can be credited to the upcoming battle over whether to extend the debt ceiling, as some Republicans have suggested they are unwilling to raise it to cover the bills passed this year and last by Congress. As a result, the Treasury is issuing few T-notes as it draws money from its reserves at the Fed. In the absence of new supply, high demand for dollar-based, U.S. government securities is forcing prices up and rates downward. Ironically, interest rates may be falling because the government is borrowing too little money to meet the demand of those who want to loan it. West Texas Intermediate crude oil (WTI) prices seemed to completely ignore all the dire prognostications and rose steadily all week to \$73.72 per barrel, up 2.15% for the week as demand continued to grow for petroleum products.

The Economy

The economic news this week was dominated by reports of record earnings by major corporations, rising household spending, and a clear and present danger of a resurgence in COVID infections, hospitalizations, and deaths putting a damper on economic growth. That storyline was punctuated by the "advance estimate" announcement by the Commerce Department's Bureau of Economic Analysis (BEA) that the economy "only" grew at an annualized rate of 6.5% in the second quarter, well below the 8.7% consensus prediction. For reference, 1st quarter growth was 6.3%.

The second quarter growth represents an amazing 13% growth in US GDP on an annual basis. One of the major problems we face in both the U.S. and global economies is that large a growth in spending and buying is well beyond the capacity of the manufacturing, logistics, and service infrastructure to meet. Not only did U.S. personal consumption, the primary economic driver in our economy, dramatically decrease a year ago, when it came back, it exceeded the pre-pandemic spending levels, but had shifted significantly to new products and services. The result has been a "whiplash effect" as things like houses, lumber and used cars were suddenly in double or triple the demand seen before the pandemic. Meanwhile, the support structure for workers, things like daycare for children and transportation resources, have not recovered. Then there are the secondary effects. For example, in some places where lower wage workers are in the highest demand, housing and rental cost have soared to the point that the

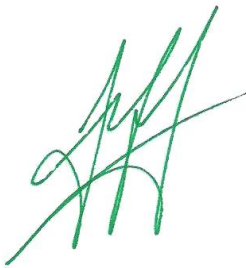
Information contained herein has been obtained from sources believed to be reliable but is not warranted as to accuracy or completeness. Past performance is no guarantee of future returns. For tax or legal issues consult with a qualified tax advisor or attorney. Investments when sold may be at a higher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

workers to fill those jobs can't afford to live in commuting distance. The economic system is whipsawing back and forth producing bursts of good and bad news.

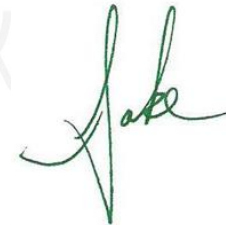
Meanwhile, the U.S. economy is now officially larger than it was before the pandemic hit, and still growing at an astonishing rate. Durable goods orders rose in June at a 9.6% annualized rate while the critical capital goods orders (business long-term investment) increased at a 6% rate. So far, a near record 90% of S&P 500 companies reporting earnings have beat estimates for the second quarter. The Conference Board Consumer Confidence Index rose to 129, and survey respondents were generally optimistic and suggested they were ready willing and able to continue to fuel the expansion. New jobless claims fell to 400,000 last week, a new pandemic low, but still nearly double as we saw pre-pandemic.

We are, and likely will continue to hit speed bumps, but the underlying indicators continue to point to substantial long-term growth, well above what we saw over the last decade. Buckle your seat belts though. Projections are that the number of COVID hospitalizations will rise into October when they may be as high as we saw in February. More, we are not yet through the supply logjams and shortages, so more whiplash is likely.

Until next week, we remain your faithful and obedient servants, fiduciary advisors, and earnest portfolio managers seeking better ways to serve and provide value to you, our faithful and greatly appreciated clients (and potential clients).



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



Jacob A. McClure, CIMA®