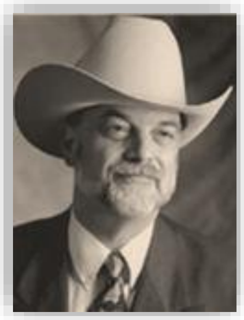

THE PERSONAL WEALTH COACH®

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TPWC Market and Economic Update

The Markets

The stock market, represented in this case by the S&P 500 Stock Index (SPX), sagged on Monday on fears that the COVID Delta variant would cripple the economic recovery and expansion, then slugged a zig-zag course upward for the rest of the week as earnings reports and CEO forecasts of good times ahead buoyed spirits. The Index closed at 4436.52, another record but perhaps significantly, did so on a Friday after a week of less than record-breaking closes. When market indices end the week upbeat, it is because the word on the street is that good surprises are more likely than bad ones. The SPX is now up over 18%, year-to-date. The other stock index we follow, the CRSP Mid-Cap Value Index, not to be outdone by its bigger cousin, closed at a new record too, 2464.87, up 1.10% for the week and over 20% this year.

In the inverted, reverse, and some would say, perverse logic of the bond market, the yield on the 10-year U.S. Treasury note climbed a whopping 6.4% to 1.307% as investors sold bonds to buy stocks. Earlier in the week the T-note yield had sagged to the 1.1% range, setting a record low for a real, after expected inflation, rate of *negative* 1.19%. There are a lot of scared nations, institutions, and regular people who are willing to pay Uncle Sam that much to hold their money. West Texas Intermediate crude oil (WTI) prices bucked the trend and slipped almost 8% for the week to $67.98 per barrel on a combination of inventory buildup and fears that the surge in the Delta variant will cause a drop in travel over the summer.

The Economy

There were two big economic issues that dominated the week. On the positive side, every economic report we are seeing from July indicates we are blowing and going with lots of momentum in the economy and plenty of cash to back it up. On the negative side, COVID cases are mushrooming and across the country hospitals and their ICU wards are full and then some.

In our consumer-driven economy, which, by the way, is a good thing to have, the more people we have working and earning wages, the better things get. The same people who get paid for making, delivering, fixing, and serving things are the ones who are paying for those goods and services. That is why we focus so hard on the employment statistics, and they were good this week. U.S. employers added 943,000 net new employees in July. More, the new jobs number was revised upward for June to 938,000. Contrast that with the revised number for May of 614,000 and the roughly 250,000 figures we saw earlier, and you can see why we economists are excited. But there's more, average wages are going up too, rising at about a 4.3% annualized rate. The good news was confirmed in the separate, household survey, where the unemployment rate dropped by a full half percent to 5.4%.

The downside news is disturbing though. We are receiving local reports that hospitals and ICU wards are full, and surgery patients normally kept in the hospital for observation are being sent home. Patients in Emergency Rooms are being held there rather than admitted simply because there are no available beds. We have heard from doctors and read reports that the inundation of the medical system is almost all from unvaccinated persons who have contracted the COVID-19 Delta variant. Several reputable sources are projecting that this wave may be as bad or worse than the one we saw at the beginning of the year and will not peak until October. There are already reports of travel plans being cancelled and employee absences that could slow the economic expansion. On the positive side, with about 70% of the population vaccinated, the impact may be far less than we saw last winter.

In other news, the July ISM manufacturing index came in at a strong 59.5 on a scale where numbers above 50 indicate growth. New unemployment claims fell to 385,000 for the last week in July even as the total unemployed both long and short-term decreased. We still are employing about 7.2% fewer people than in February of last year, but things appear to be headed in the right direction.

The bottom line is that as of the end of July we had a solidly recovering, expanding economy with corporations hiring lots of people, making good profits, and those profits supporting the stock market. At the same time, the threat of an overwhelmed hospital system and needed restrictions in activities is very real. We, and the markets, were expecting a return to normal to take place around Labor Day, but it is looking more and more like it will be the end of the year.

Until next week we promise to do our best to do our duty to God and Country and to obey the Scout Law, not to mention to make a real and concerted effort to provide you, our clients, with the best, personalized service, fiduciary advice, and portfolio management possible.

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M.S. Personal Financial Planning

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