



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

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www.tpwc.com



jake@tpwc.com

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TPWC Market and Economic Update

The Markets

The S&P 500 Stock Index (SPX) closed out the week at another new record, 4468.00, clawing its way in an up and down pattern to a weekly gain of 0.71%. That small rise gave it a year-to-date gain of 18.95%. The week was a continued run of skirmishes between the bears who fear either the Fed raising rates too soon or that the Delta variant of COVID will wreck the recovery and the bulls who are continuing to feast on a run of well above expected earnings reports from SPX companies. The CEOs of those companies are largely in a consensus that the good times will continue through at least the next two quarters. Most are reporting a backlog of orders and being held back by supply limitations, many of which are blamed on a lack of truck drivers to get materials in and product out. Our favorite value index, the CRSP Mid-Cap Value Index, which, unlike the SPX, is very sensitive to the health of the economic recovery/expansion hit a record on Wednesday, then largely held the gain, closing out the week at 2498.44, up 1.36% for the week, and 21.79% year to date.

The ten-year U.S. Treasury note yield soared toward 1.4% mid-week before sagging back down to 1.294% by the end of the market week as fears of the Delta variant seemed to create a rush of buying of what is generally considered the world's safest place to put large quantities of money. Out in the oil patch, or at least on the commodities trading floors, the week produced a sense that nothing significant was going on in the world as West Texas Intermediate crude oil (WTI) fell a mere 0.09% for the week to \$67.93, leaving it pretty much in the middle of the range where it has traded for the past several months.

The Economy

The lead elements in the economic news for the week remained largely the same as we have seen recently, but at least one of them is in sharper focus. According to a *Wall Street Journal* survey, the Delta variant soured small business confidence to the lowest level it has been since March when the third pandemic wave was peaking. Only 39% of small businesses expect conditions to improve in the next twelve months, down from 67% in July. Businesses cited a falloff in orders as the pandemic came back to life and an ongoing fear that this would not necessarily be the last wave.

Along the Oregon coast, where Jeff and his wife are vacationing this week, here at the height of tourist season the number of restaurants, shops, and stores closed because of the recent surge in COVID cases is astonishing. When they finally found an open restaurant, many of the menu items were not available. According to the staff there, the shortage was because a supplier had temporarily shut down in the face of worker absenteeism and a lack of available truck drivers. Those employee issues coincided with a record number of new COVID diagnoses and hospitalizations in the county, higher even than that seen last winter. When they visited a local grocery store, there were instances of empty shelves as people stocked up much as they did in the spring of 2020. We economists are normally faced with a lag in data as last month's or last quarter's numbers are crunched and then released. If what is happening on the West Coast is being enacted across the country, be prepared for some unpleasant economic statistics next month.

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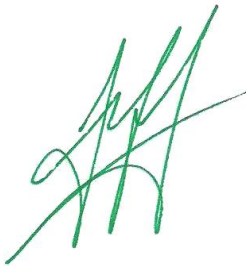
On the brighter side, U.S. worker productivity increased at a 2.3% annualized rate in the second quarter, according to the Labor Department. That is a critically important number as, by itself, it means that we can shave that off the reported inflation rate and add it to the U.S. GDP. Increased productivity means that the same number of workers are producing more goods and services without working extra hours.

In another bit of good news, new unemployment claims dropped to a new pandemic low for the week ending Aug 7, coming in at 375,000, down from a revised 387,000 in the previous week. Advertised job openings hit a record 10 million in June, but the bright side to that is that employers hired 6.7 million new workers in that same month. It appears that a large piece of the job openings number was for schoolteachers. It will be interesting to see if the number of openings drops in July and August when the data comes in.

July's Consumer Price Index rise came in at the same one-year level as the previous month, 5.4%, but there was some good, or at least, less bad news in the underlying data. Prices in June were a whopping 0.9% higher than in May, while July's monthly increase was down to 0.5%. The decline in price increases suggests that the surge in inflation may indeed be the "transitory" event Chairman Powell has been arguing it is.

We suspect this pandemic surge will too be transitory and that the U.S. economy will indeed continue its recovery and expansion, with this wave of COVID cases, hospitalizations, and deaths seen in retrospect as a sad, but fleeting bump in the road. Vaccinations are continuing and after this event peaks, probably in October, the return to a more normally functioning economy should be well in place by the beginning of 2022.

Until next week, we remain your faithful, fiduciary servants.



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