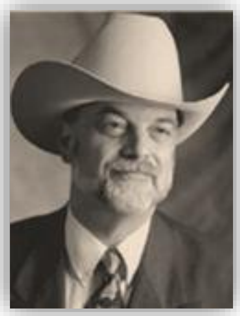

THE PERSONAL WEALTH COACH®

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TPWC Market and Economic Update

The Markets

Intense angst marked the beginning of the week that marked the official end of summer and beginning of fall as the Chinese real estate behemoth, Evergrande failed to meet an interest payment and looked like it might default on its $300 billion in debt. That worry fell on top of fear that the Federal Reserve would move too soon and too fast to tighten the money supply, the approaching potential for a debt ceiling-related government shutdown, and the omnipresent threat of the Delta variant to derail global recovery. On Monday, the S&P 500 Stock Index (SPX) fell to 4310, taking it down 5% from its high early in September. When the Fed did make its announcement, it was full of solid news indicating that the economy is growing nicely but was in no hurry to raise rates. A more careful analysis of the risks associated with an Evergrande collapse revealed that, unlike the fall of Lehman Brothers 13 years ago, its linkage to other companies appears to be limited. That left only the COVID Delta variant and the extension of the debt ceiling on the table, and investors already had those calculated in, so investors flooded in to buy the now reduced-price shares and by the end of the week, the SPX stood at 4455.48, up 0.51% for the week. The Index remains 1.76% below its recent record but is up 18.62% year-to-date. The CRSP Mid-Cap Value index closed at 2455.62, up 0.64% for the week and 19.67% for the year.

The yield on the U.S. Treasury 10-year note rose almost 6% to 1.454% as the bond market continued to signal better times ahead with a steepening curve. West Texas Intermediate crude oil rose 3% to $73.96 on increasing demand, another signal of a growing economy.

The Economy

The economic headlines for the week were centered on Evergrande, a Chinese real estate development company that was already in the position of paying early creditors with money taken from recent bond sales and loans. The deepest, and very real concern was that an Evergrande collapse signaled the Chinese were about to experience a credit market crash like that the rest of the world saw in 2008-2009. The results are not yet in, but the differences are major. Evergrande had its new credit funding cut off as Chairman Xi determined that companies with too much debt could be loaned no more money. Given the government's total control over bank lending and bond issuance there, that decision probably marked the end of Evergrande. Unlike the collapse of Lehman Brothers in 2008, the Chinese government is prepared to step in and stop any serious negatives to their economy. At the reported direction of Chairman Xi, the government is rapidly moving to take control of the various markets in China. This week too, all cryptocurrency purchases were officially outlawed in China, as were any other cryptocurrency-related activities.

Across the economy, grocery shelves, new car lots, and appliance showrooms are showing signs of the nearly universal stress in supply chains. Domestically, General Mills warned that prices will go up as it must pay a premium to get the basic raw materials for its food products. The proximate culprit is a critical shortage of truck drivers as the Delta variant strikes hard at that group, where vaccination has reportedly remained very low. Further afield, ports, factories, and transportation facilities in Asia are locked down. Since so much of what we want to buy here in the U.S. has at least some imported components, it is having an impact, slowing our rate of growth. For better or worse, we, as a nation, simply do not have the labor force or capability to make all the things we want to purchase. How long it will be before these COVID-related logjams resolve themselves remains an open question. Meanwhile, shortages and price increases appear to be our lot.

Buried in the back pages was an item that in less exciting times would have made the headlines. The Conference Board comes out each month with its Index of Leading Economic Indicators (LEI). The LEI Index was up "sharply" in August, fueled by increases in nearly all the components, rising 0.9%. For the trailing six-months the Index rose at an annualized rate of 13.1%. The LEI functions much like a barometer. Major storms do not arrive without a fall in the barometer and, at least so far, serious economic downturns haven't shown up without a warning decline in the LEI. Supply chain disruptions and the threat of a government shutdown are very real, but the heart of our economy appears to be running with vigor and a great deal of momentum.

The bottom line remains much the same. We are experiencing some significant bumps in the road to recovery and expansion, but we are still on that road and making good progress.

Radio

Jeff and Jake, the balding duo, have sharpened their wits and honed their intellects as they ready themselves to once more venture forth into the wilds of economic education and commentary tomorrow, Saturday, September 25, from 10:00 until noon, CDT on KTEM 1400AM locally and on www.ktemnews.com wherever uncensored internet connectivity is to be found. Tune, touch, or click in to hear their take on money, the economy, history, and whatever else strikes their fancy. Better yet, send them an email at jake@tpwc.com and jeff@tpwc.com with a question or suggestion and they will do their best to address it on the air.

If you miss their enthusiastic rhetoric on things economic or just want more, head over to your favorite podcast provider or www.tpwc.com and sample a few of their bite-sized podcasts. You can also find past radio shows and newsletters on the website. We encourage you to go back a few, or many, years and measure their predictions against reality. We think you will be pleasantly surprised.

Until next week we remain focused on our fiduciary duties to provide you with the best portfolio management, financial and investment advice, and service we can imagine. Enjoy the cooler, or at least less hot weather!

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