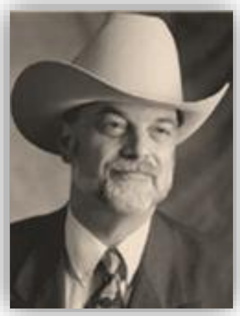

THE PERSONAL WEALTH COACH®

An SEC Registered Investment Adviser

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TPWC Market and Economic Update

The Markets

The stock market, as measured by the S&P 500 Stock Index (SPX), had a rough month in September, as it often does, and ended the month on Thursday with a loss of 4.76%, its worst since March of 2020. Still, for the third quarter of 2021, the SPX squeaked out a gain of 0.2% and has now gone 317 trading days above its 200-day moving average. For the week ending on Oct. 1, the Index had slipped 2.21% so half the monthly loss was crammed into one week. On the bright side, the SPX rose 1.15% on Friday to close at 4357.04, signaling traders were not too concerned about potential bad news over the weekend. It is still up 16% year-to-date and 30.12% from a year ago, so no serious complaints were registered. The CRSP Mid Cap Value Index, the other equity indicator we follow, pulled back a mere 0.44% for the week to close at 2444.84 and is up 19.14% this year.

The yield on the U.S. Treasury 10-year note pretty much ignored the drama on Capitol Hill about the debt ceiling, rising a mere 0.6% to 1.463%, although it is up over 54% this year and over 76% from a year ago. West Texas Intermediate crude oil rose 2.4% to $75.75 as optimism about the recovery's future course rose.

The Economy

The week ending October 1 was filled with conflicting indicators and a host of worries. China's economic well-being has a direct effect on the U.S. as our economies are interlocked, and there was some bad news from that quarter. The China official manufacturing Purchasing Managers Index (PMI) there declined to 49.6 in September on a scale where numbers above 50 indicate growth and below 50, contraction. A series of unpleasant events are shaking companies there as rolling lockdowns, a sudden government crackdown on popular companies, port closures, electricity rationing, and what looks more and more like a real estate slump sweeps across the world's second largest economy.

Here in the United States, a ray of good news emerged as Bloomberg reported that in 47 states, the "Rt factor," a measure of how fast the COVID virus is spreading, dropped below 1, indicating that there is less than one new infection occurring for each existing infected person. While there are a multitude of issues besetting our potential for economic growth, almost all of them can be traced to the pandemic. Seeing the growth rate for new infections start to turn negative is heartening.

Meanwhile, the backlog of products unable to get to their destinations across the country swelled in September. Record numbers of ships are at anchor off ports, railroad yards are overflowing with containers, and trucking companies are backlogged with orders and freight that is stuck where it is. The shortage of truck drivers continues to be a key issue as the pandemic hits that set of workers hard. As an example, our nation's largest seaport in Los Angles, is only operating at about 60 to 70% of capacity with ships at anchor waiting weeks and more to dock and unload. The problem is not unloading the ships but rather what to do with the full shipping containers. Further afield, in the center of the country, trains were backed up as much as 25 miles as the rail freight yards were filled to overflowing, again awaiting trucks and drivers to move them. Estimates from corporate executives suggest that the problem will continue well into 2022.

Despite the goods logjam, the Commerce Department announced that consumer spending, the main fuel of our economy was up 0.8% in August following a worrying 0.1% drop in July. Accompanying that report was the revised report that the U.S. economy expanded at a 6.7% annualized rate in the second quarter, up from the initial estimate of 6.3%. OpenTable indicated that in the week ending September 29, dining reservations were only down about 8% from the same period in 2019. In a bit of core good news, durable goods orders, a leading indicator of future business activity, rose 1.8% in August. Economists surveyed by the Wall Street Journal recognized the current slow-down in growth, but collectively forecast a resurgence in the fourth quarter as COVID cases decline.

The bottom line is that in September and October it is not uncommon for there to be a steep wall of worry for the stock market and economy to climb. When that happens, it is good to remember that bull markets, and economic expansions do climb just such a wall. Historically, the time to be afraid is when there are no worries and the cry of "This could go on forever." and "It's different this time." echoes through the streets. There seems to be plenty of worry out there, but we are still seeing almost all the leading indicators pointing to good times ahead.

Until next week, we remain focused on providing the best portfolio management, investment advice, and service we can imagine.

Happy autumn!

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