THE PERSONAL WEALTH COACH®

An SEC Registered Investment Adviser

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TPWC Market and Economic Update

The Markets

The S&P 500 Stock Index (SPX), our preferred stock market indicator, rose 0.32% to 4697.96 for the week ending November 19, almost perfectly reversing the 0.31% decline last week. On Thursday, the Index hit a new record high but slipped back 0.14% on Friday, reportedly because of lockdowns in Europe generated by new COVID outbreaks and a decline in oil prices. The SPX ended the week up over 25% year-to-date and over 32% from this time last year. The CRSP Mid-Cap Value index reversed course, dropping 1.4% for the week.

The yield on the benchmark 10-year U.S. Treasury note also fell, declining just under 1% to 1.549% as the 30-year T-bond yield slipped downward to 1.919%. The bond market continues to signal that it does not consider high intermediate or long-term inflation to be likely and better economic times lie ahead. West Texas Intermediate crude oil (WTI) joined in with its price per barrel declining to $76.11 on news that both the U.S. and Chinese governments will be releasing oil from their strategic reserves in a move designed to drive down oil prices.

The Economy

The biggest noise in the financial press for the week was once more about the supposedly looming threat of inflation. The fear expressed in the print and broadcast media was that the recent reports of increased prices for things bought both here and around the world would cause the U.S. Federal Reserve to prematurely raise interest rates, choking off the expansion. As we opined last week, there is little evidence of entrenched inflationary tendencies in either the U.S. or other developed countries, but perhaps because we are in a bull market, pundits apparently need something to worry about, so inflation is the thing.

In fact, there are signs that one of the larger issues that created that big year-over-year inflation number is abating. A big cause of higher prices is simply that there is a lot of demand for imported items, causing shipping prices to rise to record highs. The good news is that the cost of shipping a container of those goods across the Pacific dropped by a quarter last week, the biggest decline in two years. The logjam of ships waiting to unload on the West coast has not shrunk, but shipping companies apparently are seeing relief, causing them to lower prices to attract more business. Shipping executives are still warning that the traffic jam will likely persist until at least February of next year but with both the commodity dry shipping rates and those for the big intermodal boxes declining, it is apparent that the pressures are going down.

The good news on shipping prices was reinforced as Wal-Mart, Home Depot, Macy's, and Kohls all reported that both sales growth and profits were much higher than analysts expected in the third quarter and that they had plenty of inventory to take them through the Christmas season. They uniformly reported that sales continued to be strong in October and were accelerating as the fourth quarter progressed. Wal-Mart appears to have circumvented the logistics logjam by the extraordinary method of chartering a fleet of smaller container ships that could utilize ports along the gulf coast and having its own fleet of trucks waiting at the ports to carry the containers to the Wal-Mart distribution centers. Sales have risen about 6% since last year and appear to be ahead of where they were in 2019 before the pandemic hit.

In a parallel but larger data point, the Conference Board released its prophetic Index of Leading Economic Indicators (LEI), confirming what CEOs have been saying. The U.S. LEI rose 0.9% in October, following a 0.1% increase in September and 0.7% in August. The Conference Board forecast that fourth quarter economic growth would be around 5% on an annualized basis and would moderate to a still very healthy 2.6% in the first quarter of 2022. The report also indicated that the indicators were nearly unanimous with one of the only negatives being a reported decline in consumer confidence.

In a confirmation of the positive forecasts, the Commerce Department reported that October's retail sales rose by a seasonally adjusted 1.7% compared with September. Online sales were in the lead, up an astounding 4% for the month. Even auto-dealers reported a gain with their sales up 1.8%. As has often happened in the past, when consumers report they are concerned about the economic future and plan to cut back on spending, they then go out and spend record amounts of money on retail purchases.

The bottom line is that not only is the U.S. economy going strong, but it also appears to be accelerating as consumers shrug off rising prices. At the same time, we may be seeing the first economic indicators that that surge in prices is finally abating.

Until next week we pledge to continue to do our best to provide the best service, fiduciary portfolio management and advice, and a personal, warm, and friendly reception to all our clients and anyone else who pays us a visit either physically, on the phone, or digitally. We sincerely wish you a very happy and prosperous Thanksgiving holiday. We all have much for which we should be thankful as we continue to live in peace, prosperity, and arguably in the best time and places in the history of the world.

Your loyal, obedient, and always thankful portfolio managers, analysts, and servants,

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