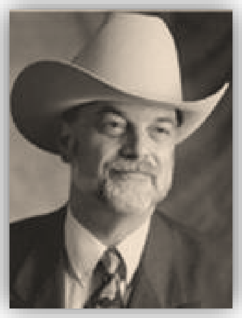


THE PERSONAL WEALTH COACH®

An SEC Registered Investment Adviser

Jeffrey W McClure CFP® *Jacob A McClure* CIMA®

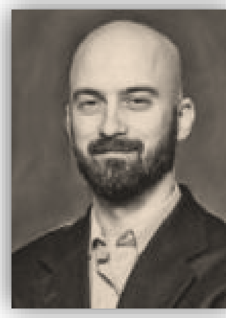
PO Box 1029 / 918 N. Main Street
Salado, TX 76571

(254) 947-1111
(800) 914-7526

Serving Investors Since 1982

www.tpwc.com

jeff@tpwc.com



jake@tpwc.com

December 3, 2021

TPWC Market and Economic Update

The Markets

After all the drama in the financial and market headlines for the week, one would think that the S&P 500 Stock Index (SPX), representing the U.S. stock market, would have taken a heck of a hit. As is so common though, when all the smoke and dust cleared, the Index had only declined 1.22% to 4538.43. While the total decline of the past two weeks does add up to 3.42% and leaves the SPX only up 0.07% for the trailing three months, it is still up nearly 21% for the year and almost 23% from this time last year. The other index we follow, the CRSP Mid-Cap Value index, declined 1.37% for the week but remains, like its bigger cousin, up almost 21% for the year. The reported causes for the market decline were fears that the new Omicron COVID variant would somehow devastate the economy and Fed Chairman Jerome Powell's Senate testimony that the Federal Reserve would need to discuss accelerating the reduction in monetary stimulus as it reduces its bond buying on the open market. Traders reportedly were afraid that the Fed will raise rates too much and too soon and kill the economic expansion.

The benchmark 10-year U.S. Treasury note yield, reacted to the reported threat of higher rates by declining over 8% to yield 1.357%, once more proving that stock and bond traders come from different universes. That ten-year rate, although still quite low by historical standards, remains a whopping 47% higher than it was at the beginning of 2021. West Texas Intermediate crude oil (WTI) prices spent the week in a slow, irregular slide to end the work week at $66.26, down about 2.5% and down over 18% in the last month. Apparently, the threatened release of oil from the national reserves of the U.S., China, and others has OPEC+ spooked and they decided to increase oil production by 400,000 barrels per day.

The Economy

The big noise in the economic news for the week was the discovery that another COVID variant, named Omicron, is already in place around the world. Early data on this newcomer suggests that it is quite a lot more transmissible but, if anything, less severe than the currently dominant version, Delta. The term "noise" is appropriate as while a lot of words were written and broadcast about Omicron, we really don't know much about it. Most of the noise included the terms "may" and "could" in the warnings rather than "has" and "will." The man probably most responsible for the development of the Pfizer vaccine, the founder of BioNTech, Ugur Sahin, stated that while the new variant will probably make it more likely for unvaccinated people to be infected, it was unlikely to cause severe illness in those who have gotten both initial shots and a booster. President Biden followed up with an announcement that lockdowns were not in the plan. It looks more and more like this new variant, rather than being a catastrophe, may mark the beginning of the end of the COVID crisis.

What did not receive much broadcast and print notice was that on Friday, the U.S. unemployment rate dropped to 4.2%, well within the range economists consider to be "full employment," the target the Fed has had since the pandemic began. The report that the economy only produced a "seasonally-adjusted" 210,000 new jobs in November did make the headlines, but that number is, in our opinion, inaccurate. First, the non-seasonally adjusted number was 780,000, then buried in what has to be the weirdest jobs report we have ever seen were some other numbers that are revealing. First, the percentage of eligible workers who are in the job force rose to 61.8% as 600,000 workers joined the force, the highest it has been since the pandemic hit. Second, wage growth slowed to a

0.3% gain from October, breaking the 0.5% monthly rise we had been seeing. That reduction in wage increases suggests that inflation is not driving higher wages and we do not appear to be in a wage-price spiral. Third, and very critically, the household survey indicated that not 210,000 but a massive surge of 1.1 million more people found employment in November than in October. The dramatic difference may be a result of the reported difficulties the Labor Department is having getting employers to report hiring.

In a couple of side notes: Shoppers spent heavily on Black Friday despite their reportedly reduced confidence. A careful study of the cryptocurrency markets found that as much as 7 out of 10 trades may be people buying from themselves to drive the price of crypto coins higher. The inflation bump we are experiencing appears to not be a result of the government's stimulus as inflation in the Eurozone and other areas is also breaking historical records. And at least some of the current labor shortage appears to be caused by formerly hourly workers starting new businesses. 4.54 million new businesses were formed from January through October of this year, increasing the officially self-employed number 56% to 9.44 million.

The bottom line is that the U.S. economy appears to be in great shape and roaring ahead with plenty of momentum. Bull markets indeed climb a wall of worry, and those worries keep popping up. We should all be concerned when the bad news disappears but so far, the wall seems to be holding up quite well as does the U.S. economy.

Until next week, we continue to forge ahead, doing our best to do our duty to our clients as we provide fiduciary advice, portfolio management and what we hope is the friendliest and best service possible.

Jeffrey W. McClure CFP®
M.S. Personal Financial Planning

Jacob A. McClure, CIMA®