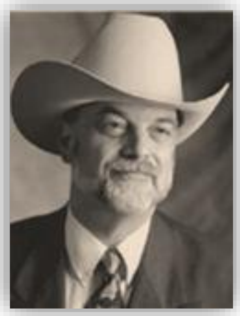

THE PERSONAL WEALTH COACH®

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 31, 2021

TPWC Market and Economic Update

The Markets

It has been a big year for the S&P 500 Stock Index (SPX), capping the biggest three-year runup since 1999. The SPX ended 2021 at 4766.18, and while not a record, as that was set on Wednesday when the Index closed at 4793, but up 26.89% for the year, and a respectable 0.85% from the close last week. Three years ago, the SPX stood at 2510.03 and has turned in an amazing 23.83% average annual compound rate of return since then. There is certainly something ominous about that three-year return comparison as the rather unsettling bear market of 2000 through 2002 obviously started the following year. There is a big difference between 1999 and 2021 though. At the end of 1999 virtually almost every stock was soaring, including those with no earnings and no plan or hope of becoming profitable. In 2021, there were over 300 listed stocks that fell 50% or more. If there is a bubble in stock prices, it seems to have been deflating all year. Another point that is different is that in late1999 pundits hailed the great bull market of the 1990s and claimed, “this could go on forever” and “it’s different this time,” even as the U.S. and global economies were already beginning to sag. Currently, the major economic indicators are almost unanimous in pointing to a better economy ahead and the pundits are all in fits of worry. As the year end rolled around at the end of ’99, the Treasury yield curve was already beginning to invert with short-term rates higher than long-term rates. Here at the end of 2021, that curve is steep and quite healthy looking. The other stock index we track, the CRSP US Mid Cap Value Index, closed out the week at a new record high of 2597.26, up 1.97% for the week and 26.68% for the year.

The U.S. 10 Year Treasury Note yield celebrated the end of 2021 with a rise of 1.271% to end the work week yielding 1.514%, up 64.7% in 2021 from the 0.91% yield it offered last year at this time. The Treasury yield curve remains quite healthily steep with the 30-year T-Bond yielding 1.906%. Short-term rates remain at historic lows with the 1-year bill yielding 0.387% and only rising to 0.730% for two years. West Texas Intermediate crude oil (WTI) crept up about 2% to $75.42 per barrel, around the middle of the trading range where it has been since September.

The Economy

The big economic news this week was again the Omicron variant of COVID-19. There is ample evidence that this relatively new variation of the virus is spreading far faster than either the original form or the Delta variant that dominated the second wave of infections. On the plus side, Visa/Mastercard reported an 8.5% increase in holiday spending for 2021 over the previous record period back in 2020. The back side to that data is that the spending has again shifted away from restaurants and other service-oriented establishments and once more is focused on buying goods.

Another and relatively dependable sign that our economy is on good footing popped out of the numbers this week. On a four-quarter moving average, state and local government income receipts have been ahead of expenditures for the last year and a half, the best results we have seen since the 1970s. The Conference Board Leading Economic Index (LEI) was reported to have risen 1.1% for the biggest monthly jump this year. While the LEI isn’t perfect, it has never failed to fall noticeably six months to a year ahead of any recession since it has been in existence.

We don't normally give tips on where to put your money, but as a New Year's gift, this week we will make an exception. Over at www.treasurydirect.gov you can invest up to $10,000 per person per year in U.S. Saving Bonds – Series "I". Because of the way those savings bonds are structured, they are paying an astounding 7.12% interest currently until May. At that point, the system will look back at recent reported inflation rates and then pay an annualized rate twice that of the annual Consumer Price Index for the next six months. You do have to hold them for at least one year, and if you liquidate within the first five years you will lose the last quarter's interest, but they are guaranteed and the closest to a "sure-thing" you will find in the world today. Note that you cannot buy them from a broker or a bank but must go to the Treasury Direct website to make your purchase. If you are married and both of you purchase a bond, you can sock away a full $20,000. They also make great gifts to children and grandchildren. They are subject to federal income tax at redemption but exempt from federal tax when used for qualified education funding.

The bottom line as we close out 2021 is much the same. The supply chain issues appear to have peaked but don't be surprised if they are still presenting problems through the first half of 2022. Omicron is still a threat, but the threat appears to be only that it might slow economic growth in the first quarter. Underlying it all is the fact that the U.S. economy is roaring. Unemployment, by many measures, is lower than at any time in the last half century, cash reserves are still at historical highs, and all the indicators still look positive. In short, 2022 looks extremely good from what we know now. The future is always uncertain, but in our experience, it looks as good as it has in the half century we have been observing the economy.

Until next year, frankly, we are going to take a couple of days off, but will be back, frothing at the bit to start the new year with enthusiasm and looking forward to serving you with the best fiduciary advice, portfolio management, and service we can give.

Happy New Year!

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

Jacob A. McClure, CIMA®