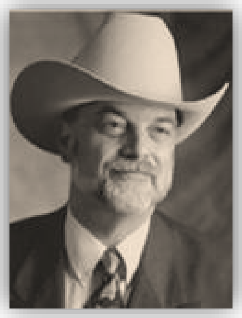


# THE PERSONAL WEALTH COACH®

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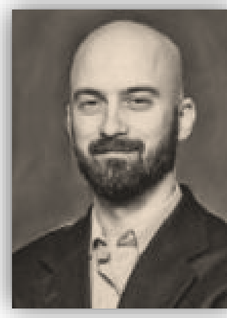

**February 4, 2022**

## TPWC Market and Economic Update

### The Markets

Anyone who watched the market news through the week could be forgiven if they came away with the impression that the bottom had fallen out and a financial collapse was underway. After all, on Thursday, the stock market did turn in its greatest loss on a single day since February of 2021 as the S&P 500 (SPX) fell 2.4%. But wait, that was only a year ago! Looking at recent history shows February is the month for such things. If one waits, as we do, until the end of the week to count the score, things often look different. Our dearly beloved SPX closed at 4500.53, up a very respectable 1.55% for the week. It is still down 5.57% this year, and from its high point at the end of 2021, but is up 15.79% from last February and an astounding 101.15% from its 2020 pandemic low. Meanwhile the CRSP Mid-Cap Value Index, our other favorite, closed out the week at 2528.85, up 1.4% and only down 2.63% this year.

On Friday, the ten-year U.S. Treasury note yield found its mojo and soared 8% to 1.913%, causing more than a little pain to those invested in bond funds as bond values fall when interest rates rise. Fortunately, the 30-year bond rose too, rising to 2.214% and, as the short end of the yield curve remains at 0.025%, holding a reasonably steep yield curve with its augury of better times ahead. West Texas Intermediate crude oil joined in the celebration, rising 5.32% to $91.93 on positive economic indicators.

### The Economy

Some weeks it is hard to identify the big economic news, but this week it was easy. Advance estimates of what Friday's Jobs Report would show were that the economy would probably lose about 150,000 jobs as Omicron swept across the nation in January. Instead, the Labor Department reported that we *gained* 467,000 new jobs in the first month of the year, but that wasn't the biggest gain. Both November's and December's employment report were revised with employment rising 647,000 in November as opposed to the 249,000 initially reported, and December's numbers rose to 510,000 instead of the 199,000 first reported. We commented in both months that the numbers seemed wrong because the labor force grew, the unemployment percentage fell, but the jobs gained did not match those numbers. It now looks like the back-of-the-envelope estimate we made back then was close. Omicron did affect the numbers though. According to Bloomberg, the Bureau of Labor Statistics (BLS) reported that during just the two weeks of the survey, an estimated 780,000 workers were out on sick leave, primarily due to COVID, the highest level since the BLS first began the survey in 1976.

There was more good news in the report. The economy is still down about 4 million workers in the labor force when compared to the pre-pandemic numbers, but in January's report, the labor force grew by 1.2 million workers from December and the participation rate rose from 61.9% to 62.2%, the highest since the beginning of the pandemic. At the same time, the unemployment rate rose from 3.9% to 4.0%, but that was because of all the new entrants to the labor force starting to look for work. Delightfully, the biggest employment gains were in leisure and hospitality, led by restaurants and bars. That shift from manufacturing to services suggests demand is rising in that sector, which could relieve some of the supply chain pressure that is driving inflation. Still, there is room to grow as employment remains down by 1.8 million in leisure and hospitality, or 10.3%, in those sectors.

But wait, there is more good news! The BLS released the Labor Productivity and Costs report on February 3 reporting that "Nonfarm business sector labor productivity increased 6.6% in the fourth quarter of 2021." American businesses are creating a phenomenal increase in productivity in the face of labor shortages, and that is important. Base-line GDP = the number of workers x the number of hours worked x productivity. In the last decade or so U.S. productivity has risen about 1% to 2% per year. Last quarter we produced an amazing three- or four-year's worth of productivity growth in just 90 days!

There was a bit of bad sounding news too but looking carefully showed it was sheep in wolves clothing. The headline read, "U.S. Manufacturing Activity Slipped to a 14-Month Low", but the reality was that the ISM Manufacturing Index was 57.6 on a scale where any number above 50 signals growth. The other supposedly negative number was when the Commerce Department reported that orders for manufactured goods fell 0.4% in December. Again, the reality was that if we take out the highly volatile aircraft orders, the orders rose 0.3%.

The financial news media continues to try to get attention with bad news, but under it all, the indicators remain solidly positive. Post-Omicron, the seas look calm, the wind fair, and plenty of cash to be spent.

Until next week, stay warm, stay safe, and know that we are here for you.

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