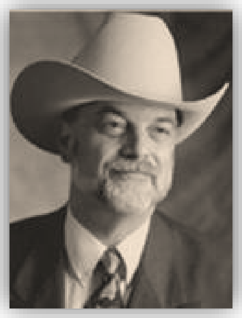


THE PERSONAL WEALTH COACH®

An SEC Registered Investment Adviser

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

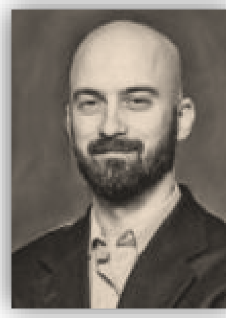
PO Box 1029 / 918 N. Main Street
Salado, TX 76571

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

Serving Investors Since 1982

www.tpwc.com

jeff@tpwc.com



jake@tpwc.com

March 25, 2022

TPWC Market and Economic Update

The Markets

The week that ended on March 25, 2022, was another one in which a person watching the daily news could be forgiven for assuming that the U.S. stock market just had to be lower at the end than it was at the beginning. Fortunately for those invested in said market, they would have been wrong. The S&P 500 Stock Index (SPX) finished the week at 4543.06, up 1.79%, and ahead 14.30% from where it was a year ago. The SPX remains down 4.68% year to date but has recovered about 60% of its earlier loss in 2022. Our other favorite market indicator, the CRSP Mid-Cap Value Index showed its colors as it rose 1.91% to close at 2600.85 and is now back in positive territory for the year, having risen 0.14%.

The U.S. Treasury 10-year note yield was the big mover this week as it rose 15.28% to 2.482%. With the 30-year bond only up to 2.599% and the 3, 5, and 7-year notes all with a slightly higher yield than the 10-year, the yield curve has largely flattened and is slightly inverted in the mid-range. This will bear watching to see if it persists, worsens into a yield-curve inversion, or returns to a positive curve in the next few weeks. Oddly, the corporate bond markets are not echoing the alarm, so something unusual is going on here. One thing that is clear is that market prices of bonds have fallen more this year than we have seen in decades with the Morningstar US 5–10-year Treasury Bond Index down nearly 10% since last August. West Texas Intermediate crude oil (WTI) rose 7.10% to 112.62 following two weeks of price declines. It is now up almost 50% since the beginning of the year, and that rise shows at the gas pump.

The Economy

The conflict between higher interest rates, the rising price of oil and other commodities, which would be expected to slow the economy and the underlying economic indicators continued to escalate during the week. Unemployment insurance claims for last week declined to 187,000, the lowest reported number since September 1969, 52 years ago. The number of people listed on the states' unemployment rolls declined to 1.35 million, the lowest since January 1970. The Labor Department reported that there were nearly 11.3 million open job positions but only about 6.3 million people looking for work. No matter how you look at it, the labor market is tight, and jobs are plentiful. It clearly is time to slow things down a bit. Relating to that, the Bureau of Economic Analysis announced that personal income rose 7.4% in 2021, closely matching the rise in inflation for the year.

A lot of attention is being focused on price rises as the price of critical commodities spreads through the U.S. economy. So far, the biggest factor has been the price of oil, which generates an accompanying increase in motor fuel and petroleum chemicals. It is an eye-opener to look at how the price of oil is reflected in so many products and services. Almost everything we consume, or purchase must be transported, and that transport requires oil products. Then, the things we purchase are commonly sold in plastic containers, made from oil derivatives.

Prior to its invasion of Ukraine, Russia produced about 12% of the world's oil and was the world's largest oil exporter. While there has been no oil embargo against Russia, its shipments have declined as various nations and buyers have cancelled contracts. More, much of the oil Russia exports is by tanker from ports adjacent to or near the war zone. Understandably, shipping companies are reluctant to risk their ships in the area. The International Energy Agency estimates that about 40% of Russian oil shipments are at risk. If that estimate is correct, then just as demand for petroleum is surging after the pandemic, the available supply is likely to decline by 3% or more. That may not sound like much, but it means that some oil users are not going to get all the oil and oil products they want and what is available will go to those who can and are willing to pay the most for it. That is the way markets work. As long as the war continues, expect higher prices for fuel and many other things. Russia is the largest exporter of another oil-related commodity, fertilizer. A shortage of fertilizer means less food production worldwide. Less food production means higher prices and in much of the world, a potential for political instability.

At the same time, as the price of oil products and food is rising, the Federal Reserve is tasked by law to raise interest rates to slow money creation and dampen out inflation. It is a fine art to dampen out inflation without sending the economy into a recession. On three recent occasions the Fed has pulled it off, but in the past, an overly aggressive Fed created several recessions. As with all else it bears watching.

Once more, the bottom line is that the U.S. economy appears to be surging ahead at full steam, ignoring rising interest rates and rising prices. Although it is counterintuitive, historically both the stock market and the economy have historically done well as interest rates start up and commodity prices rise. So far, it appears we have more than sufficient momentum and assets to power forward to more growth, but it is time to be paying attention.

Until next week, know that we and our growing staff of professionals are hard at work to serve you and provide the best fiduciary portfolio management, investment advice, and service possible.

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

Jacob A. McClure, CIMA®