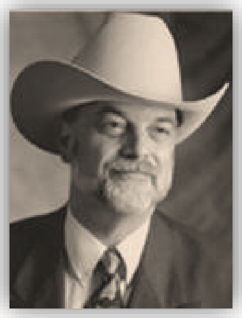
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TPWC Market and Economic Update

The Markets

The S&P 500 Stock Index (SPX), representing the U.S. stock market, ended the week at 4488.28, down 1.27%. That puts the Index up 6.75% for the last month, down 5.83% year-to-date, and up 8.71% from this time last year. The CRSP Mid-Cap Value Index declined 0.48% to 2584.14 for the week, leaving it down 0.51% for 2022, up 4.77% for the last month, and up 8.94% from last year at this time. Whether an observer concludes that the market is "up" or "down" thus depends entirely on the time frame. Market commentators in the media are confused and divided about where the current market is and even more so about where it is likely to be in the near to intermediate future. The bright spot, at least to us, is that Morningstar reports that the U.S. stock market is trading at a slight discount from fair market value and pessimism abounds. History tells us that abundant pessimism leaves room for growth while unbridled optimism is a sign of bad times to come.

The U.S. 10-Year Treasury note yield resumed its rise, climbing almost 14% to 2.712% as the week ended. The yield on that benchmark bond maturity is now up nearly 80% year to date. The good news is that the yield spread between the 2-year and 10-year notes is still positive with the 2-year maturity yielding 2.520%. The same is true of the spread between the 90-day T-bill and the 2-year note. Those two measurements are the ones to watch as they have been historically predictive of a coming recession if they invert for a month or more. In a distinct positive change, the price of West Texas Intermediate crude oil fell 1.63% for the week to $97.86. It is still up almost 30% this year but has declined over 10% in the last month. Nationally, average retail gasoline prices are finally starting to come down a bit as well.

The Economy

The economic headlines for the first week of April continued to focus on fear of the Federal Reserve raising interest rates too fast and too long, and thereby potentially triggering a recession sometime in the future, alternating with alarm over the dramatic increase in prices for commodities and goods created by Russia's invasion of Ukraine. Below those headlines, the internal indicators of what is happening and about to happen in the real world of business remained very positive.

One of the prime leading economic indicators, The United States Institute for Supply Management (ISM) Non-Manufacturing Purchasing Manager's Index (PMI) for March increased to 58.3 from last month's 56.5 on a scale where numbers above 50 indicate future growth and below 50 indicate future contraction. Purchasers for business across the country are the proverbial "canary in the coal mine" in that business owners and managers get the best feedback from their customers on what demand is likely to be in the near to intermediate future. In good times, the PMI will typically get as high as about 55. A number higher than that is probably not sustainable over the long term as businesses have limits to what they can supply, but it is indicative of extremely high growth occurring over the next several months. At the same time, the S&P US Composite PMI rose to 57.7 from last month's 55.9. Another signal that the U.S. economy is still accelerating.

Breaking another record for the week, the Federal Reserve reported new jobless claims, another key leading economic indicator in the U.S., fell to 166,000 even as the previous weeks layoffs were revised downward by 31,000 to 171,000.

To put that in perspective the long-term historical average for weekly unemployment claims over the past 30 years has been above 300,000. The Fed also reported that consumer credit, not including mortgage loans, rose $41.8 billion at an annualized rate of 11.3% last month. Again, that rate of growth is probably not sustainable, but does indicate that consumers are still returning to the economy as buyers and have good confidence in their economic future.

In yet another unsustainable but amazing record-breaking report, CoreLogic reported that the average U.S. home price has risen an astonishing 20% in the last year. That number is almost certain to come down soon as the average 30-year mortgage rate has now risen to 4.72% and appears to be headed up from there. Moody's Analytics economist Mark Zandi expects annual home appreciation to drop to around 5% by the end of 2022.

Once more, the bottom line is that many investors and most pundits appear to be fearful and even pessimistic about possible future events while the U.S. leading economic indicators continue to signal fair weather ahead. Yes, expect a bumpy ride and a stream of bad news in the immediate future, but remember that "Bull markets climb a wall of worry." We have faith that a recession and the accompanying bear market will once again come, but the signs of that coming are, at present, notably absent.

Until next week, know that we are remaining hard at work sorting through investments, answering questions, and doing our very best to provide high quality, personal, individualized fiduciary portfolio management, investment advice, and personal service to our you, our clients.

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