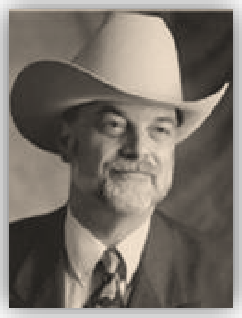


THE PERSONAL WEALTH COACH®

An SEC Registered Investment Adviser

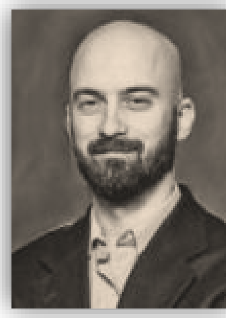
Jeffrey W McClure CFP® TPWC *Jacob A McClure* CIMA®

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

September 9, 2022

TPWC Market and Economic Update

The Markets

Our prime marker for what we broadly refer to as the "stock market," the ancient and much followed S&P 500 Stock Index (SPX) turned in a rather counterintuitive but quite satisfying gain of 3.65% for the week ending on the 9th, closing at 4067.36. That puts it well above the psychologically important 4000 level but still down just over 15% from its high in early January and 8.88% from last year at this time. It is, though, also about 11% higher than it was in mid-June, 82% higher than it was in the spring of 2020, and over 30% higher than it was at this time in 2019, just before the pandemic. Our other celebrated index, the CRSP US Mid-Cap Value, closed at 2412.04, up 3.72% for the week, but still down 7.13% from its high in January and 1.91% from last year at this time. It too is up about 11% from mid-June.

The yield on the 10-year U.S. Treasury note climbed to 3.315% by the end of the week as the bond market took the Fed's promises of higher rates into the future to heart. The Treasury yield curve stayed decidedly inverted with the 2-year note above 3.5%. West Texas Intermediate crude oil (WTI) fell to $86.28 per barrel on shrinking demand from China and is now down 28% from its high of about $121 in mid-June, delighting people at the gas pump as the national average regular gasoline price fell to $3.74 per gallon. Considering that as recently as mid-June, the AAA national average price was reported at over $5, gasoline seems like a real bargain now. That price reduction effectively puts money in people's pockets and that makes them feel better about everything.

The Economy

The stock market rise this week was counterintuitive in that Chairman Powell and other members of the Federal Reserve Board came out with a chorus of promises to keep increasing interest rates until economic activity and job creation falls far enough to significantly decrease demand and spending. That would normally be good cause for the stock market to slump, but this week it went up instead. The conflict seems to be arising because the underlying economy appears to be still growing at a speed that perhaps needs a little damping. On Wednesday, the Institute for Supply Management (ISM) released their assessment of their August non-manufacturing purchasing managers (PMI) survey. The PMI came in at 56.9 on a scale where numbers above 50 indicate economic growth and below 50, contraction. Purchasing managers reported that new orders were up, business activity was much higher at 60.9, employment was back above 50 as employees were a bit easier to find, and supplier deliveries were getting faster. The best news in the report though may have been the news that price rises seem to be moderating as have wage increases.

While the U.S. economy and our stock market appear to be on a rebound following the low point they hit in mid-June, the same is not true in a lot of areas. Mortgage rates, popped up to an average of 5.89% for a 30-year loan, the highest we have seen in fourteen years, after being below 3% a year ago. Across the country, about 85% of housing markets are seeing reductions in asking price in order to get a sale. In Europe, investors are pulling money from equity positions at the fastest rate since the Brexit crisis even as they add money to U.S. positions. The combination of Russia's invasion of Ukraine, its shut down of the Nordstream 1 gas pipeline, and the worst drought and heatwave seen there in 500 years are combining to make a recession seem almost inevitable. Meanwhile China is suffering from what is quite literally the worst drought in its history even as its economy is reeling from more city-wide Covid shutdowns. The price of oil is down because their economies, the second and third largest on the planet, are slowing, and with that slowdown comes a declining global demand for oil.

In the background, almost overlooked in the headline news about inflation, stock market moves, and the debate about whether or not we are headed for a recession, is another set of metrics that are as strange as a rising market in the face of hawkish comments by members of the Fed. Measured against a basket of world currencies, the U.S. dollar is up an astounding 20% over the past year. A high dollar tends to make goods and services we would like to export more expensive and thereby less competitive. That, in turn, should decrease our exports and increase our imports. In July, the opposite happened instead. Our trade-deficit fell by 12.6% as we increased exports and decreased imports. The underlying cause could be that inflation has slowed U.S. buying, except that reported domestic business activity is up with both manufacturers and service providers reporting more, not less, spending. We are indeed still buying a lot more from the rest of the world than we sell to them, but that reflects the fact that we, here in the U.S., are in an economic boom as the rest of the world is sliding downward.

One thing that is clear is that we are extremely fortunate to be living in the United States of America as our economy, not for the first time, powers ahead in the face of a global slowdown. Yes, there is much to be concerned about but there is much more to be thankful for. We continue to be optimistic about both the stock market and the economy in general.

Until next week, you may rest assured that we are doing our best to do our duty to provide you with the best possible fiduciary portfolio management, service, and advice.

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

Jacob A. McClure, CIMA®