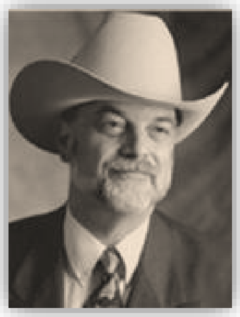

THE PERSONAL WEALTH COACH®

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November 11, 2022

TPWC Market and Economic Update

The Markets

Our old, familiar indicator, the S&P 500 Index (SPX) turned in another stellar week as it worked its way up from its recent end of week low three weeks ago of about 3583. Mid-week though, the SPX found a new low point of 3748.57 at the close on Wednesday. Then came the Labor Department's CPI report and traders apparently discovered the world was not coming to an end after all, and, after kicking off a big rally Thursday morning, continued to drive the market upward 2.36% to close the week at 3992.93. In retrospect it is apparent that the slump on Wednesday had nothing to do with inflation or the Fed but rather was a surge of panic following the collapse of FTX, one of the three largest crypto-currency exchanges. The thought was that with an admitted $8 billion in crypto losses at the firm, and likely far more undiscovered, crypto coin holders might need to sell stocks to pay for loans and losses in crypto. Then, when inflation came in lower than expected, suddenly the thought of the Federal Reserve not cranking rates up as high as were earlier expected breathed new life into the market. The week's bi-polar reactions left the SPX down 16.22% this year and 14.73% from a year ago. At the same time, the Index is up 11.46% from its recent weekly bottom three weeks ago, up a whopping 78% from March 2020, and 26% from three years ago, equating to an average return of over 8% per year. Our other market indicator, the CRSP Mid-Cap Value Index, closed at 2408.82, up 3.78% for the week, only down 7.26% from its high at the beginning of the year and down 6.99% from this time last year.

Because the Treasury bond markets were closed for Veterans' Day, the bond week ended at noon on Thursday with the 10-year Treasury note yielding 3.82%. Unfortunately, that nearly 5% decline in yield at the ten-year point was not matched by the two-year note as it held steady for the week at 4.36%, leaving the Treasury yield curve even more inverted than it was last week. The price of West Texas Intermediate crude oil moved very little in the week, but the 20% (+) decline in crude oil prices since June showed up at the gas pumps as gasoline prices dropped into the $3 range.

The Economy

The biggest, and most surprising economic news for the week ending on 11/11 was from the Labor Department as it published its monthly first estimate of the Consumer Price Index (CPI) for October. For reference, the top-line CPI came in at 8.2% in September and was as high as 9.1% in June. The consensus expectation was that we would see the CPI having climbed very nearly 8% from last October. The first pleasant surprise was that the 12-month top-line inflation number came in at 7.7%. The "core" CPI number came in lower than expected as well at 6.3%. The most pleasant surprise was that recent monthly inflation appears to be only running at about a 4.25% annualized rate. A steadily declining rate of inflation held out hope that the Federal Reserve would not raise rates as far as had been feared. Following that thought, hope surged on Wall Street that a less-high Federal Funds Rate would reduce the probability of the U.S. experiencing a recession in the next couple of years.

In that report were some leading inflation indicators that amplified that hope. Medical-care prices declined 0.4% led by a rare decline in medical insurance rates. Prices for used cars and light trucks, one of the first indicators we were headed for high inflation last year, dropped 2.4% from September to October after falling 1.1% the previous month. One of the most important indicators the Federal Reserve is believed to follow, wage gains, continued to rise, but came in 0.1% lower than general inflation, suggesting that spending growth may tail off in the not-too-distant future.

Both Goldman Sachs and Moody's Economics, two of the more successful firms at reading the tea leaves of future recessions, have come out with announcements that there is still a good possibility that we may avoid a recession.

Almost hidden in the reports and commentary about inflation and interest rates was news of the collapse of FTX, one of the three largest crypto coin exchanges and custodians. Unlike registered and highly regulated stock exchanges and banks, crypto coin exchanges exist in a freewheeling world where almost anything goes, and apparently went. It came to light that FTX, considered one of the more conservative exchanges and where a coin holder could get 6% annual income from crypto deposits, was, in effect making most of those loans to itself. A lot of money seems to have disappeared there and more revelations may follow.

The bottom line continues to be much the same. The U.S. economy is charging ahead, firing on all cylinders, and this week appeared some hope that it may slow its acceleration rate enough that the Federal Reserve might not have to put it into reverse to keep it from overheating.

Until next week we are here for you and only for you, doing our best to provide excellent fiduciary personal portfolio management toward your individual goals as well as top of the line service, in addition to just trying to be a friendly voice in a world of telephone trees, recorded messages, and voice mail boxes.

Last but not least, a deep heartfelt thanks to all who have served in our military to preserve the peace, prosperity, and freedom we so enjoy in these United States of America.

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