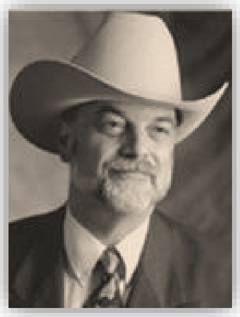

THE PERSONAL WEALTH COACH®

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TPWC Market and Economic Update

The Markets

The market week that ended on 11/18 was another one in which there was a lot of gnashing of teeth, surges up and down but in the end little had changed. The S&P 500 Stock Index (SPX), our preferred, if flawed, stock market barometer, sagged 0.69% to close at 3965.34. It now is down 16.8% from its top in January and 15.59% from this time last year but is up 10.7% from its recent low on October 12, up 77.23% from its low back in March 2020, and up 28% from where it was three years ago in the months just before the pandemic. The other stock index we follow, the CRSP Mid-Cap Value Index, fell 0.9% for the week closing at 2387.06 but is only down about 8% from its high point in January and 6.5% from this time last year.

The benchmark 10-year U.S. Treasury note ended the week yielding 3.82%, right where it was last week and with the 2-year note yielding 4.51%, still at a lower rate than shorter maturities, left us with a very inverted yield curve. The price per barrel of West Texas Intermediate crude oil, the benchmark for us here in the U.S., fell nearly 10% for the week to $80.23, 33% lower than it was in mid-June.

The Economy

The headline economic news for the week was definitely all about the collapse of the cryptocurrency exchange FTX. What was heralded as a $32 billion company taking deposits from the public suddenly appears to have a negative value. Even if you never had anything to do with crypto currencies and never would, there is a lesson to be learned there. Certainly, the world of crypto currencies is fraught with danger. We question why a crypto coin is worth anything at all and the value of Bitcoin has fallen about 74% in the last year, but for those who had their coins deposited at FTX, and more than a few other exchanges, the loss has been 100%.

That is the same tale of woe that repeats itself every few years. A few years ago, people who held Lehman Brothers bonds learned the same lesson the hard way. Then there was the nightmare for those invested with Bernie Madoff, or with Stanford Investments in 2008 and 2009. Going back further, there were those who had their retirement accounts filled with Enron stock. We have been at this long enough to remember when no small number of people who had entrusted their retirement funds to life insurance companies experienced the same sad surprise in the late 1970s and early 1980s, the last time interest rates went up dramatically.

With each bear market there are companies and institutions which, sometimes only days before, were considered paragons of value and virtue but vanished with a flurry of headlines leaving their depositors and investors with little or nothing. It is important to ask yourself who or what is backing any company to which you entrust your financial wellbeing. Generally speaking, if the institution is regulated by the federal government and accounts are backed to some degree by a federally chartered agency or law, the risk is likely small to negligible. If, on the other hand, the company or institution does not have that level of regulation or backing, the responsibility is on you, the investor or saver. A good rule is that if the benefits are exceptionally high, the risk is probably the same.

Meanwhile, in the rest of the economy, business activity here in the United States of America remains stubbornly solid. There continued to be better news concerning inflation too. The Producer Price Index, what retailers are charged for goods and services, held steady at a 0.2% increase for the past two months, a 2.4% annualized rate, even as retail sales rose 1.3% in October. The U.S. Import Price Index declined 0.2% in October after falling 1.1% in September. Those numbers jumped upward late last year and early this year, leading to the retail inflation surge we have seen. Historically, they lead the way both in rising and falling prices. If that pattern holds true, we may see inflation continue to decline, which has the potential to limit how high the Fed will raise rates. That, in turn, may be just the thing we need to dodge the recession bullet. A major contributor to inflation, existing home sales, saw another 5.9% decline in October, the ninth straight month of declines, and are now down about 32% this year. The median house price too has been falling month over month for four months. The labor market continues to be tight though with new unemployment claims remaining low.

The bottom line remains the same, the U.S. economy is charging ahead at or perhaps beyond a sustainable rate while the Federal Reserve has the unenviable task of reducing our propensity to spend money, probably by causing more people to be out of work. Again, we are thankful for where we are. Inflation in the United Kingdom came in at 11.1% even as its economy staggers into a recession.

Until next week we pledge to continue to work with enthusiasm at finding better ways to manage your portfolios and provide fiduciary advice and services to you, our clients, and sole employers. Over the Thanksgiving week we will be present and ready for action with a limited staff but will be closed from noon on Wednesday through Thursday. We will be back in the office, again with a limited staff, on Friday. Jake and Jeff will skip out on the radio broadcast that week, but hope to return well rested from a planned camping trip.

Don't forget, in the midst of your holiday celebrations and feasting this coming week to take a few moments to offer sincere thanks for all we have and our many blessings. Happy Thanksgiving!

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