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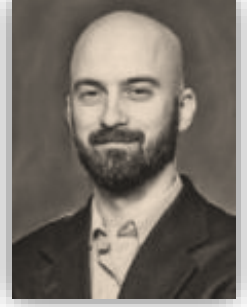
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TPWC Market and Economic Update

The Markets

Our dear old stock market indicator, the S&P 500 Stock Index (SPX) climbed out of its recent doldrums as it rose 1.9% to 4045.64 for the week of March 3, once more above the psychologically important 4000 mark. While this week's appreciation brings it up to a gain of 5.38% this year, and a pleasing 12.94% from last October, it remains down 15.6% from its high back at the beginning of last year. Longer-term the SPX has risen 33.6% from three years ago and about 81% from its low point in March of 2020. Meanwhile, its smaller, younger cousin, the CRSP U.S. Mid-Cap Value Index rose 0.93% for the week to 2443.63 and is now up 4.42% this year and only 5.92% lower than its all-time high at the beginning of last year.

Even though the yield on the 10-Year U.S. Treasury note rose above 4% mid-week, it ended at 3.96%, almost exactly where it was a week ago and largely where it has been since last November. The Treasury yield curve too remained about where it has been with six-month and 1-year T-bills paying above 5% while the 30-year bond slipped to 3.9%. In short, the entire Treasury yield curve is upside down. West Texas Intermediate crude oil (WTI) jumped about 4.5% to \$79.86 per barrel on Friday, but remains in a trading range it has occupied, like interest rates, since last November.

The Economy

The economic news for the week would have been, in other times, delightful to behold, but with the Federal Reserve striving to slow economic growth to stamp out inflation, good news once more becomes bad news. The Institute for Supply Management (ISM) issued its monthly survey of service company purchasing managers, and the score came in at 55.1 on a scale where numbers above 50 indicate expansion. Perhaps more significant was the ISM Service Sector score of 62.6 for new orders. The new orders number is a strong indicator that across the service sector of our economy business activity is growing quickly. In that same report was what the Federal Reserve does not want to see, a four-point rise in hiring to 54, the highest it has been in more than a year. The prime growth areas were in agriculture, construction, and retail trade. Respondents suggested that the supply chain issues they have been wrestling with for the past two years have largely abated.

The ISM Manufacturing Index indicated the reverse of the Service survey as it came in at 47.7, better than last month's 47.4, but still in contraction territory. Because the service sector in the United States is so much larger than the manufacturing sector, the overall United States Composite PMI was at 50.2, indicating the economy is likely to continue in growth mode for at least the next several months. When the PMI scores are combined with the increase in household disposable personal income of 0.6% and the report that jobless claims have continued to fall, and now have been below 200,000 per week for the seventh week in a row, the clear picture is that of an economy largely in growth mode.

It is not as if there was no bad news, which in this environment is good news. New vehicle sales fell in February by 6.2%. Of course, that followed January's sales growth of 8.5%, so even that nominally bad (good) news turns out to be net good (bad) news, suggesting continued economic growth. A growing number of mainstream institutional economic forecasters are now suggesting that there may not be a recession until perhaps late in 2023 and that would be a shallow decline in economic activity with a recovery arriving almost immediately.

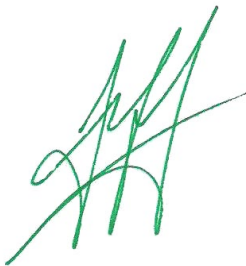
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A sliver of good news emerged as Apartment List, a national apartment rental listing service, reported that rents fell in every major metropolitan area in the U.S. over the past six months ending in January. Other rental listing agencies reported similar results. When that is combined with a forecast for a major arrival of new apartment spaces this year, it could well mark the turning point in the war on inflation as shelter costs are a major component in the Consumer Price Index.

Internationally, there were a couple of things that helped put our situation in perspective. First, Germany's one-year inflation rate rose to 9.2%, soaring far ahead of what we have seen here. Second, the U.S. has become a major source of crude oil for Europe, with much of that oil coming from the Texas Gulf Coast. That money flowing in for oil purchases is one of the elements combating the much-forecast recession here in the U.S.

Once more, we continue to see a healthy, growing U.S. economy with none of the pre-recession signs we have seen in the past. Inflation remains stubbornly present both here and in Europe, and that bodes ill for the bond market, but the U.S. economy is proving far more resilient than most observers seem to have suspected.

Until next week, we pledge to do our best to do our duty to be loyal, honest, true, and devoted fiduciaries of your wealth, your trust, and stand ready to assist you in whatever ways we are able on your road to, or determined desire to remain financially independent!



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