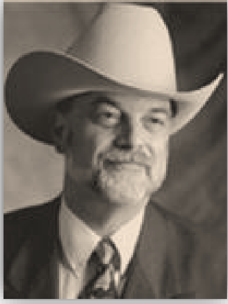

THE PERSONAL WEALTH COACH®

An SEC Registered Investment Adviser

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TPWC Market and Economic Update

The Markets

The S&P 500 Stock Index (SPX) keeps on plugging away in its not-uncommon, counterintuitive manner. Having professionally experienced about 10 bear and bull markets, not to mention the many academic works we have read that were devoted to the study of those two undomesticated animals, we can say with assurance that what we have seen since about October of 2022 has a strong resemblance to the early days of every sustained bull market we have lived through. In our experience and research, the largest part of any rise in a bull market occurs in the face of a loudly voiced fear of a pending recession. The SPX for this foreshortened holy week did lose about 0.01%, closing out the week at 4105.02 but remains about 15% higher than it was last October. It is also up 83% from its low in March three years ago but still a bit over 14% lower than it was at its peak in January 2022. It is and was our humble opinion that October 2022 has a high probability of having been this cycle's low point. Morningstar continues to proclaim that the broad U.S. stock market is undervalued, with the caveat that despite that, there could be some rough periods ahead. The CRSP US Mid-Cap Value Index continued to suffer from the selloffs in the regional banking sector and fell 1.11% to 2291.44, but its loss since its record high back in January 2022 is only about 11% and still compares favorably with the 14% loss in the SPX.

The yield on the benchmark 10-year Treasury note fell just a bit from last week's 3.48% to this week's 3.39%. The highest yields are still to be found in the 1-year and less maturities with the 4-month T-bill yielding an annualized 5.07%. West Texas Intermediate crude oil, the benchmark for the black goo on this side of the world, rose to a price of $80.46 per barrel. While that is a bit higher than some of the prices we saw last winter, it is also about 18% less expensive than it was last year at this time.

The Economy

The markets and the economy are caught between a rock and a hard place, as our mother/grandmother used to say. There remains a deep and abiding fear at all levels of business and economic leaders that the Federal Reserve (the Fed) will raise interest rates too far and thereby create a major recession as Paul Volker's Fed did back in the late 1970s and early 1980s. We are comfortable that scenario is unlikely because the economy today is very, very different than it was 45 years ago. Also, unlike the 1970s, inflation has not become entrenched, with workers, often through their unions, demanding double digit pay raises each year. Many of the issues that made a major recession almost inevitable in the early 1980s generally don't exist today. Yes, using the monetary tools available to the Fed is often more of an art than a science, but unlike the 1970s, the U.S. Federal Reserve Board is full of academics who have spent their lives studying this subject whereas in the 1970s the Fed Governor's chair was sometimes seen as an award for loyal party members.

U.S. Employers added 236,000 jobs in March, far more than would be needed in a steady-state economy, and that announcement raised fears that the Fed would jack up rates and crush the economy. Another bit of reverse psychology was revealed with the announcement that the number of unfilled jobs in the U.S. is finally declining, albeit slowly. The labor market appears to be on the path for a return to normalcy. Fewer jobs open, of course, was seen as a positive and the market rose on the news.

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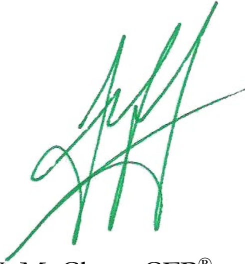
Saudi Arabia leveled an economic slap in the face to both Europe and the U.S. as it announced it had negotiated a one-million-barrel per day reduction in oil production with OPEC(+). The announcement came after Saudi authorities effectively reached an agreement with Russia to raise the price of oil so Russia could continue its invasion of Ukraine. The surprise, at least to us, is that the average U.S. at-the-pump gasoline price only rose about 7 cents per gallon or about 2% from recent prices. There was a time we remember all too well when the Saudis could do a lot of damage to our economy, but that was 50 years ago, and we have learned a few things since then. In the 1970s when the Saudis decided to wage economic warfare against us, the price of an average gallon of gasoline quadrupled as long lines formed at gas stations to try to get fuel at any price.

The bottom line is unchanged. We are in a healthily growing economy that seems to be reducing its growth rate to something more sustainable than we have seen since the pandemic. The Atlanta Fed is forecasting a GDP rise of 1.5% (annualized) for the first quarter. The key here though, is that it is *confusing*. There are strong signals suggesting we are in the early stages of an expansion and equally strong signals that a downturn is imminent. Over the four (+) decades we have been doing this we have found the best way to understand a confusing set of economic statistics is to go out into the economy and get a feel for what is happening. What we see and hear in the real world of people making and spending money doesn't feel like there is a recession pending.

We pray you have a delightful Holy weekend whatever your preferred belief system. Be at peace and know that we at The Personal Wealth Coach® are focused with laser intensity on doing one thing well, and that is serving you.



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