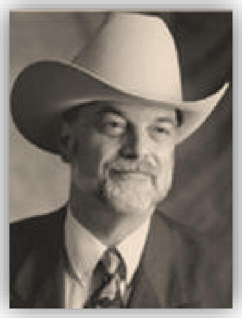


THE PERSONAL WEALTH COACH®

An SEC Registered Investment Adviser

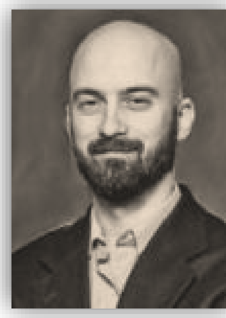
Jeffrey W McClure CFP® *Jacob A McClure* CIMA®

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

November 10, 2023

TPWC Market and Economic Update

The Markets

Beginning last week through Wednesday, November 8th, the S&P 500 Stock Index (SPX) made a run at having the longest series of consecutive day rises since 2004 but lost its confidence on Thursday before coming back like a Space X rocket ship on Friday. At the end of the week, the SPX stood at 4415.24 up 1.31%, and finally back up above the psychologically important 4400 level. It is now up 15.00% this year and over 23% from October 2022. It is also up 97% since March of 2020 and 23% from this time three years ago. Of course, it remains almost 8% below its high point in January of 2022. The other index we watch, the CRSP US Mid Cap Value Index, fell 1.38% to 2247.24 as it ended the week and is down nearly 4% this year.

We use the S&P 500 as our marker for what is happening in the U.S. stock market, but recently its numbers may be misleading. Seven stocks are driving the amazing rise of the SPX this year. Because the SPX is size weighted, those 7 stocks create almost 30% of its value, and rise (or fall). Without the "magnificent 7," as they are called among stock traders, the SPX performance would look very different. One of the reasons we follow the CRSP US Mid-Cap index is that that index gives us a much more accurate picture of rises and falls in value in the rest of the stock market beyond the seven fast movers.

The reference point for U.S. interest rates, the U.S. Treasury 10-year note finished the week with a 4.61% yield, having pulled back from its brush with 5% a couple of weeks ago, but still leaving the Treasury yield curve decidedly inverted as the 90-day T-bill was yielding a whopping 5.53%. West Texas crude oil prices dropped to $77.34 presaging lower gas station prices.

The Economy

Probably the biggest news for the week that ended on November 10 was that the Federal Reserve Board did nothing. Of course, the Chairman of said board announced immediately following the Board's meeting at his news conference, that pushing the "hold" button did not mean that there would not be meaningful rate increases in the future. That announcement was given credit for the stock market dip on Thursday. The problem, at least in the view of the Fed, continues to be that our economy is running entirely too well and in doing so may prolong inflation.

The rest of the news took some digging to find. While we may secretly or perhaps not so secretly smile at the news that the People's Republic of China (PRC) appears to be on a slippery slope and sliding toward a severe recession, in some ways it is like watching a fire grow out of control in your hated neighbor's house. We live in a very connected world and if the second largest economy in the world slips into a big hole, it would almost certainly not be good for us. The PRC's economy edged back into deflation last month.

A fundamental change in the PRC's economy and to a lesser degree in ours is becoming apparent. Following the draconian lockdowns in China as the Covid pandemic spread across the country, consumers there have become far more fiscally conservative, much as happened in Japan during the 1990s. At the same time, the immense inflow of western capital into China, to which many observers give credit for the powerful economic growth there over the past few decades, dried up. As if that weren't enough, the western countries have been buying less and less from PRC companies. It is becoming more apparent that the population of the PRC has peaked and has entered a decline. That means that with each passing year, there will be more old people and fewer young people. The problem with what looks like a serious structural economic decline developing, is that nations facing such declines have often chosen war to divert their citizens from possible internal revolt.

The reaction from within the PRC has been to increase production, as their central government urges business owners to produce more and thus theoretically stimulate economic growth. Farmers, in a classic move that could be taken from the 18th century in Europe, bred more pigs, resulting in pork flooding the markets this year. The price of livestock and meat in the PRC fell 17.9% over the past 12 months led by a 30% fall in the price of pork. At the same time reports are surfacing that manufacturers have not reduced their production rates for the same reason. Since the goods cannot be sold at home because of the fiscal caution being expressed by PRC citizens, the excess goods are being dumped on the open market where prices are being cut. In short, the PRC economy appears to be entering into that dreaded economic state, deflation. That may be a good thing for us in the short term and is likely to have been one of the proximate causes of the recent decline in goods prices here, but in the longer term it very well could create an economic crisis in the PRC. It has also generated investigations in both the EU and US that may result in sanctions against state-financed goods exported at prices below the cost of production.

The bottom line for us remains the same. The U.S. economy appears to be healthy and growing despite a record rise in interest rates while inflation looks to have abated down to the levels the Federal Reserve have been targeting. At the same time, both the EU and the PRC are facing a possible recession.

Until next week, we, your TPWC Team, remain dedicated to your service, offering fully fiduciary advice, portfolio management, and economic planning, along with a full serving of personal attention and honest caring for you, our clients, and sole employers.

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

Jacob A. McClure, CIMA®