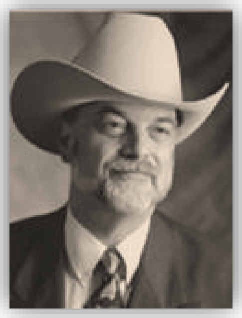

THE PERSONAL WEALTH COACH®

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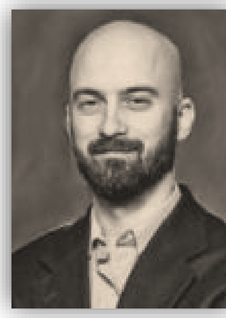

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November 24, 2023

TPWC Market and Economic Update

The Markets

For this foreshortened Thanksgiving week the S&P 500 Stock Index (SPX) was up a very healthy 1%, closing at 4559.34. For those few who keep record of such things, the SPX is now up 18.75% this year, about 27% since last October, but remains down about 5% from its record high in January 2022. For the even more digitally minded, that venerable index has averaged a rise of 7.45% per year over the last three years, about what it has averaged since its hypothetical inception about 100 years ago. Another way of looking at that is to note that had you left on a long vacation three years ago, upon arriving home, if you looked at the SPX to see what the market had done while you were gone, you would see that, despite a global pandemic, a recession and bear market, and a bout of runaway inflation followed by the most aggressive interest rate rises in history, it was up about 24%, about the same as the three year average over the past century. You would likely then yawn and lie down to sleep off your jet lag. Our other followed market indicator, the CRSP US Mid Cap Value Index, rose 0.8% for the week to 2340.19, finally putting it in positive territory by 0.03%, year to date, but having risen at an average annual rate of return of about 7.7% for the last three years.

The yield on the benchmark 10-year U.S. Treasury note inched up to 4.47% from last week's 4.44% putting it at about four times the yield it carried at the beginning of 2021. Since secondary market bond values drop as interest rates rise, there are some very unhappy people and companies out there who piled into longer-term Treasuries during the recession. Short-term Treasury bills (under one year) continued to average well above a 5% yield with the highest being one of the shortest, the 60-day T-bill, yielding an annualized rate of 5.56%. West Texas Intermediate crude oil, putting in a full work week, slipped just a bit to $75.18.

The Economy

The engine that drives the U.S. economy is the consumer, (also known as, "us"). In survey after survey, U.S. (or us) consumers are saying that they are going to trim back their spending this year, but those same consumers also, when asked, are planning to lose ten pounds in the next year and finally get around to cleaning out the garage. When Deloitte asked for a dollar amount they plan to spend on various things over Christmas, the average came to $1,652. Last year those same families answered with an average of $1,455. We have noted over the years that consumer confidence surveys often are contradicted by their actions. The San Francisco Federal Reserve Bank reported that American consumers were still sitting on an inflation adjusted $433 billion in savings above what they had in 2019, just before the pandemic. Moreover, that increased cash position seems to be fairly uniformly spread across income levels according to a Bank of America Institute analysis. Additionally, an unusually low percentage of Americans are fearful of losing their job in the next 12 months. Even the resumption of student loan payments does not seem to have dented consumer spending. Then, there is both the reality and the growing perception that prices are coming down on both goods and services. Add to that the fact that there about 2.4 million more Americans employed full time now than in December of 2022, and you have all the necessary ingredients for a hearty economic holiday season coming up.

Partly because of all the factors listed above, Moody's Analytics has increased their high-frequency GDP estimate for the fourth quarter to 2.8% from its previous 2.1%. The Moody's report cited the 0.7% average monthly increase in retail sales as the key factor. Meanwhile, durable goods orders appear to be in neutral, neither headed down nor up despite normal monthly fluctuations.

All is not well in Mudville though. Home sales fell to a new 13 year low in October and are on track to be the lowest since 2011. Existing home sales are down 14.6% from last year at this time, according to the National Association of Realtors (NAR) and are at the lowest rate since 2010. A combination of high mortgage rates and high house prices appear to be the issue as homeowners are unwilling to sell and move because they don't want to give up their existing low interest mortgages. Those homes that do go on the market generally appear to be selling quickly with the typical home sold in October only being on the market for 23 days, the NAR said. Another factor in the home sale market is that nearly 30% of existing-home sales are for cash, an unusually high percentage. Still, the boom appears to be over with the average American home having risen only about 3.4% in the last year, about the same as inflation.

Pundits continue to forecast a 50% or so probability of a recession sometime next year but while the economy appears to have stabilized at a reduced growth rate, we still see no evidence that points to a slowdown.

Until next Friday, know that we remain diligent in our pursuit of better ways to provide fiduciary advice, planning, and investment management to you, our clients and sole employers.

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