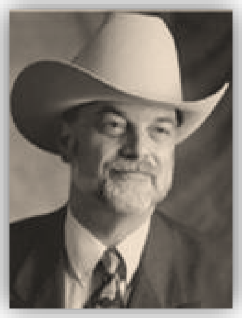

THE PERSONAL WEALTH COACH®

An SEC Registered Investment Adviser

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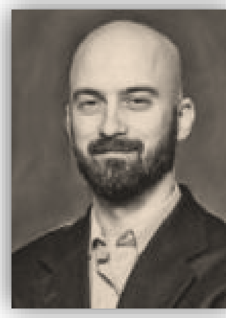

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December 8, 2023

TPWC Market and Economic Update

The Markets

Our dear old S&P 500 Index (SPX) in its role as the U.S. stock market barometer, inched upward all week in a series of rises and falls, suggesting a battle between the bulls and the bears, finally closing at 4604.37, up a miniscule 0.21%. The pundits seemed to be convinced that the market was too high and was due for a fall, just as they have been for the last year or more, citing statistics and surveys, but clearly someone forgot to tell the investors who have propelled stocks or the consumers who have driven the economy that they should stop spending and investing. The SPX is now up an astounding 19.92% this year about 29% from last October, and up over 25% from this time three years ago. We are within reach of a full recovery for that venerable Index as it is only about 4% lower than it was as 2022 dawned. Our other market indicator, the CRSP US Mid-Cap Value Index, which is a good measuring stick of what is going on in the heart of the U.S. stock market, also turned in a positive week, rising 0.08% to 2401.55. It held its positive return, year-to-date, up 2.95%, and is up about 11% since last October, but remains down about 7.5% from its high in early 2022.

The benchmark 10-year U.S. Treasury note closed out the week yielding 4.23% nearly unchanged from last week. Also essentially unchanged were the yields on Treasury bills maturing in less than one year with all of them carrying an annualized yield well over 5% with the shortest, the 1-month T-bill, yielding 5.54% to the delight of those with assets invested in U.S. Treasury money market funds. The price of a barrel of West Texas Intermediate crude oil slipped down 4.25% for the week to $71.27.

The Economy

As we have mentioned before, our favorite government agencies are the Bureau of Economic Analysis (BEA) at the Commerce Department, and the Bureau of Labor Statistics (BLS) in the Labor Department. We have it on good authority that both bureaus are full of bureaucrats, but, at least from our perspective, they are *good* bureaucrats! Last week's economic news was packed with reports from the BEA but this week the BLS joined in the good news train of reports with its Third Quarter (Revised) Productivity and Costs report. The lead sentence in the release summarizes the news quite succinctly, "…labor productivity increased 5.2 percent in the third quarter of 2023…" As is common, that astonishingly good news was tempered by the details, but even a "seasonally adjusted annual rate" that high is exceedingly unusual. That dramatic increase in U.S. productivity was a result of a measured 6.1% annualized increase in production, achieved by putting in only 0.9% more hours, as labor costs decreased 1.2%. Our GDP is fundamentally driven by the number of worker hours times the production per hour. The best way to grow any economy is by increasing the production per worker hour, the productivity rate, and that is what just surged forward.

Digging deeper into the BLS report revealed some tidbits of information we consider both fascinating and probably indicative of how our economy is doing. Among them was the news that unit profits of nonfinancial corporations in the United States were growing at an annualized rate of 11.1% in the third quarter, a stark contrast to the 1.7% decrease in profits over the last four quarters. It now looks like the stock market may have had it right as it rose through most of 2023 in anticipation of higher corporate profits (earnings). The other revealing item was that manufacturing output decreased 0.3%, but the hours worked increased 0.5% as manufacturing productivity declined by 0.8%. The report confirms what manufacturing executives have been saying, that business is not currently growing but they are retaining their workers in anticipation of an increase in orders next year. So, if manufacturing productivity declined, where did the overall increase in worker productivity come from? It came from the service sector. Service oriented businesses are continuing to see a boom in business, and they have apparently figured out how to increase revenues and profits without having to hire a lot of new people.

Then, the BLS released the Employment Situation Summary for November with the news that nonfarm payroll employment increased by 199,000 in November and the unemployment rate dropped to 3.7%. Those numbers strongly indicate that the U.S. economic growth has slowed to what is likely to be a very sustainable rate. Vanguard is now estimating GDP growth in the fourth quarter to come in at an annualized rate of 2.5%, still higher than the long-term trend but probably not high enough to trigger further short-term rate hikes. At the other end of the spectrum, the Atlanta Fed's, *GDP Now,* annualized growth estimate for the fourth quarter has decreased to 1.2%. The difference boils down to estimates of how much consumers will spend over the holidays. We won't know until well into 2024 which was right, but this will be interesting to watch and see who is closer to the final mark.

The bottom line is that the U.S. economy appears to be in good health and growing nicely. The debate is not about whether we are in a recession, but just how fast our economy will grow over Christmas. That is not a bad place to be.

Radio

The Personal Wealth Coach radio and later internet program has now been running live on KTEM for 27 years, but all things come to an end. Our last live broadcast will occur on Saturday, December 23, but we are not going away! Instead of the live radio program, we will be producing bite-sized podcasts and publishing them on Apple Podcast, Spotify, and Podbean every week. You can go there now and listen to their melodious voices by clicking on the blue provider's name. Of course, you are always welcome to pull up and download one of those highly entertaining (we are sure to *somebody)* podcasts from their website or if you want to check out their story in more detail, they welcome your visit at www.TPWC.com, where you can access radio programs going back to 2018 and their weekly newsletter from as far back as 2015.

It is, in our humble opinion, worth your time to go to the earliest newsletter we have in our digital, online archives, dated, Monday, August 24, 2015. It provides an interesting perspective on how little has changed since that date, over eight years ago.

Live radio program on Saturday morning or not, rest assured we are here for you and are always striving to provide better highly personalized, individual fiduciary advice and portfolio management, but most importantly, we are here to serve *you,* our clients, and sole employers!

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