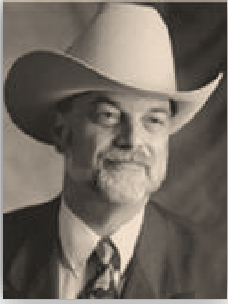

THE PERSONAL WEALTH COACH®

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TPWC Market and Economic Update

The Markets

Last week we mentioned that the pundits had once more read their tea leaves and seemed to be mostly of the opinion that the U.S. stock market was too high and was due for an immediate fall. As we suspected would happen, the stock market, represented by the venerable S&P 500 Stock Index (SPX), responded by rising 2.5%, mostly on Wednesday, to 4719.19. That rather delightful rise in value left the Index up almost 23% this year, 32% from last October, about 22% from where it was three years ago, and only 1.5% below its all-time high in January 2022. The jump upward on Wednesday was credited to the comments made by Federal Reserve Chairman, Jerome Powell, suggesting that he was a little less concerned about either a resumption of inflation or a pending recession and the resulting drop in yield on the ten-year U.S. Treasury note. Trying not to miss out on the party, our other followed stock market indicator, the CRSP US Mid-Cap Value Index, rose 3.34% to close at 2481.75, up 6.25% this year, 14% since October of last year, but still 4.45% below where it was as 2022 began.

That 10-year U.S. Treasury note yield change that got most of the credit for the stock market gains, dropped from last week's 4.23% to 3.91% on Friday, a decline in yield of 7.6% and the lowest yield since, well, July of this year. For the short-term Treasury bills below one year to maturity, it was as if nothing happened. Their yields all remained comfortably above 5%, with the one and two-month notes holding the top spots with yields of 5.54%, annualized. Thus, the Treasury yield curve became even more inverted, and the stock markets surged upward. So much for the Treasury yield curve as a predictor of stock market performance. West Texas Intermediate crude oil (WTI) also seemed to not get whatever moved the ten-year T-note and the stock market as it finished the week at $71.74, only about 50 cents higher than last week and near the lowest price we have seen since June.

The Economy

All eyes were on the Federal Reserve Board meeting this week, where incidentally the vote went almost exactly as forecast by Fed watchers with all voting members supporting no change in rates, but there was plenty else to see if you wanted to look. For example, our beloved Bureau of Labor Statistics (BLS), at the Labor Department, released its monthly volume of data on the Consumer Price Index (CPI). After not moving at all in October, the November CPI rose a seasonally adjusted 0.1%. Prices were still 3.1% higher than a year ago, but current inflation, if not dead, was at least soundly sleeping.

So, last week we got the news that we only filled about 200,000 new jobs in the U.S. last month, suggesting a slowing in, if not the whole economy, at least its rate of growth. This week, the S&P Global Flash U.S. Composite PMI (Purchasing Managers' Index) rose from last month's 50.7 to 51.0 on a scale where numbers above 50 indicate growth and below 50 economic contraction. The rise was driven by a sharp increase in new orders in the services side of the economy while manufacturing purchase managers continued to report a gradual slowing in demand.

The BLS rolled out yet another report that suggested inflation was out of style. It's U.S. Import and Export Price Index summary indicated that prices for U.S. imports decreased 0.4% in November following a 0.6% decline in the previous month. Longer-term, import prices have fallen 1.4% over the last year. Unfortunately, export prices declined too, down 0.9% for November and 5.2% in the last year, after rising 6.1% in the preceding 12 months.

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Because we do import a large portion of the things we pay for in the U.S. economy, import prices are an historically good indicator of future inflation.

While at home we are seeing what economists refer to as a "Goldilocks" economy in which growth is not too fast and not too slow, but just about right, the same is not necessarily true in the rest of the world. In the United Kingdom, often referred to as "England" by us less than enlightened Americans, their Gross Domestic Product (GDP) fell 0.2% between September and October. Since they do not annualize their GDP numbers as we do here, that would have been reported in the U.S., had it been our economy and not theirs, as an annualized rate of decline of 3.7%! Over in the other direction, China's economy continues to show signs of stress. Consumer prices in mainland China declined 0.5% over the year ending in November. Unlike the U.S., China's economy is dominated by manufacturing and exports, both of which fell both for the month and year with exports down 6.4% over the last 12 months.

Once again, things are looking good in the U.S. despite the steady drum beat of gloom and doom from most financial prognosticators. Inflation is running well below the Fed's objective while the economy appears to have a lot of momentum and is showing little or no sign of an impending recession.

Radio
For the record, they are not going away. Starting in 2024, they intend to double down on their weekly podcasts, providing the same witty (or not) banter, reporting and commentary on the markets, produced for your listening enjoyment. You can listen to their bite-sized podcasts from any major podcast provider, such as Apple Podcast, Podbean, and Spotify, among others. Of course, those carefully crafted podcasts will be available, probably first, at www.tpwc.com the balding, bearded duo's home station and website!

Until next week, we pledge to be square, do our duty to God and Country, and always strive to be better fiduciary advisors, portfolio managers, and supporters of you, our clients and sole employers.

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