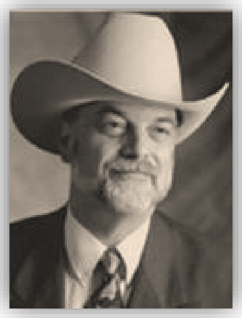

THE PERSONAL WEALTH COACH®

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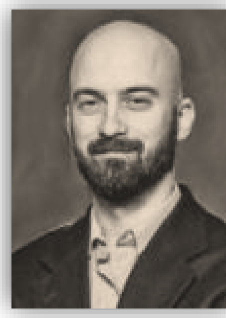

February 23, 2024

TPWC Market and Economic Update

The Markets

Our dear old friend, the often flawed but still best indicator in town, the S&P 500 Stock Index (SPX) finished out the week above the psychologically important 5000 level, closing at 5088.80, up 1.66% for the week, about 6.7% year to date, a whopping 28% higher than it stood at this time last year and up nearly 30% from this time three years ago. The charge this week was led by Nvidia as it hit the $2 trillion valuation mark. The debate is open on how much and if Artificial Intelligence will change our lives and the economy, but there is no doubt that it has dramatically changed the stock market. Our other followed indicator, the CRSP US Mid-Cap Value Index rose 1.28% for the week to close at 2545.17, reflecting the condition of the stock market outside of the pernicious "Magnificent Seven" ultra large capitalization companies. It is up 1.21% this year, about 5.13% from a year ago, and 11.55% from three years ago.

The bond market, using the benchmark 10-year U.S. Treasury note yield as the indicator, has been headed in the opposite direction with the 10-year yield standing at 4.26%, nearly 10% higher than when the year began. Bond values fall when rates rise. In what has become the new, if profoundly odd, normal, the highest yields remained at the very shortest maturities. The 2-month T-Bill was yielding 5.51% while the yield on the 30-year bond remained steadfastly at 4.37%. West Texas Intermediate crude oil (WTI) fell 3.35% for the week, to $76.54 per barrel.

The Economy

What sociologists call the national and global "socioeconomic system" and is very much the economic world in which we live, has not turned upside down, but does appear to be listing hard and could even be seen as being sideways from where it has been for most if not all the adult lives of participants today. The Conference Board's Index of Leading Economic Indicators (LEI) has been falling for more than a year, a condition that in the past was a nearly certain harbinger of recessions. The Board announced this week that it fell even further in January, although at least the decline in the past few months has been slowing. One of the prime indicators in the LEI,, the Treasury Yield Curve, has never been this inverted for this long without a major economic slowdown. Despite all the bad indicators, the U.S. economy not only keeps chugging along, but continues to surprise just about everyone we know or read with the growth it creates each month and each quarter. Meanwhile, Germany, the United Kingdom (England), and Japan are in recessions and China, the recently seen as an unstoppable economic juggernaut, was at best in a no-growth environment and at worst was also slipping into reverse.

The United States Census released its Quarterly Services Survey on Thursday showing that in the 4th quarter of last year, services revenue in the United States rose 2.0% from the third quarter and was up 6.6% from the 4th quarter of the previous year, substantially beating estimates. The National Association of Realtors, on the same day, announced that existing home sales rose 3.1% in January from December, another surprise. If that wasn't enough good economic news, out came the Labor Department with the new jobless claims report for the week ending on the 17th showing new filings fell from last week's 213,000 to 201,000, close to a record low.

Again, the contrast was stark, as foreign capital investment in China dropped to the lowest level in 30 years, as the real estate crisis there got worse as the prolonged fall in home prices appeared to be accelerating and Bundesbank forecast that the German economy was likely to continue to shrink most, if not all of this year.

Something fundamental has changed and it looks more and more like that fundamental change revolves around dramatic increases in productivity here in the U.S. that are not happening in the rest of the world. It is worth noting that Nvidia, the manufacturer of the "engines" that are powering the advances in artificial intelligence, is a U.S. company. Over the past few decades, digital innovation has largely been driven by instruments, chips, and other high-tech products manufactured in Europe or in China. During the last surge in technological innovation, one of the biggest players was Nokia, based in Finland. Even the digital revolution triggered by the iPhone was largely sourced from China. This AI revolution, which promises to be one of the largest innovative and productivity leaps in history, is fundamentally an American based event.

A lot is changing and the assumed causes and effects we have historically seen since the end of World War II may be vanishing, but the changes appear to be well taken in stride by the chaotic U.S. economy as it places the well-regulated economies of Europe and Japan and the centrally controlled economy of China in the rear-view mirror.

Until next week, we remain committed to your best interests, doing our best to do our duty as your fiduciary advisors, portfolio managers, and loyal servants.

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