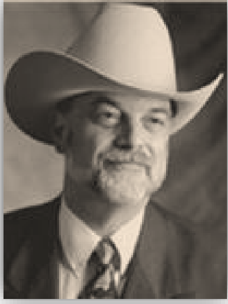


THE PERSONAL WEALTH COACH®

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

April 5, 2024

TPWC Market and Economic Update

The Markets

The good old S&P 500 Stock Index (SPX) managed to pull most of the fat out of the fire for the first week in the second quarter, closing at 5204.34, down 0.95% after being further down in the dumps following a sheaf of good economic news. A series of reports indicating that the U.S. economy is doing well and far better than economists expected this year set the traders back who were hoping for some bad news that would encourage the Fed to cut rates sooner rather than later. We are of the opinion that good news is good, but we seem to be in small minority. That decline leaves the SPX up about 9.11% this year, and almost 27% since this time last year. As we have seen consistently, the total three-year gains in the Index are about the same as the one-year return. The CRSP US Mid-Cap Value Index, our other followed market indicator, ended the week at 2651.58, having dropped 1.6%. It is up 5.44% this year and about 16% in the last twelve months.

The benchmark ten-year U.S. Treasury note wound up the week with a yield of 4.39%, its highest yield since November of last year as the 20-year bond yield rose to 4.65%. The highest yields remained in the very shortest maturity bills with, as usual, the 2-month maturity bill paying an annualized rate of 5.50%. West Texas Intermediate crude oil (WTI) slid upward all week to $86.71 per barrel, once more driven higher by an expanding U.S. economy.

The Economy

Some weeks there is so little economic news that economists and economic writers have little to read. Other weeks the data come pouring in like a tsunami. This week was one of the latter. The Bureau of Labor Statistics reported on Friday that U.S. employers added a seasonally adjusted 303,000 jobs in March, net of layoffs, quits, and the like. Considering that the American economy needs to only add about 150,000 per month to remain static, that it doubled that number is not a small thing. The unemployment rate declined from last month's 3.9% to 3.8% while hourly earnings rose 4.1% from a year ago. As we have mentioned before, the key to understanding how the unemployment rate could remain less than 4% while employees are being hired in mass, is an immigration-based growth rate in our national labor force. This has happened before, notably in the mid-1920s when masses of immigrants poured into the United States, mainly from eastern and southern Europe. Despite the unexpectedly high number of new hires, there are still about 8.8 million unfilled job openings in the nation. Many of the new employees are working in healthcare and hospitality, where about half of all newly filled jobs were so far this year. That news reenforces Goldman Sachs' announcement that one of the prime reasons we are not in a recession while the rest of the world is either in one or nearly so has been our relatively high immigration numbers.

Despite the robust economic growth over the last sixteen months, the manufacturing sector has been slipping. That reversed in March as the Institute for Supply Management (ISM) manufacturing index rose from 47.8 to 50.3 on a scale where numbers at 50 or above equate to expansion. The change in direction appears to have been driven by production increases and is being reinforced by expanding new orders. Meanwhile the ISM non-manufacturing index fell to 51.4 from last month's 52.7. While that is still an indication that economic expansion is underway, it has now fallen to a level that is historically sustainable.

Information contained herein has been obtained from sources believed to be reliable but is not warranted as to accuracy or completeness. Past performance is no guarantee of future returns. For tax or legal issues consult with a qualified tax advisor or attorney. Investments when sold may be at a higher or lower price than when purchased. Refer to your custodial account statements for securities holdings and values.

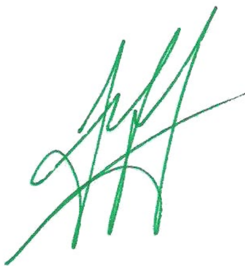
All that good news was, of course, reported as bad news by some news media companies who have a lot riding on the economy doing badly or are fearful that the Federal Reserve will not cut interest rates soon. Many commentators continue to insist that the Fed will make three or even four interest rate cuts soon, but Fed Governor Bostik warned that he believes there will be no interest rate cuts before the fourth quarter.

The theme in the American economy remains solidly different from anything we have seen in the past half century or more. Interest-rate sensitive sectors remain in a slump while the services sector, which is 80% of our economy, is still growing strongly. Corporate America appears to be doing well, particularly in those companies that have publicly traded shares. The Philadelphia Fed's Survey of Professional Forecasters indicates a consensus of a 3.8% growth in GDP for 2024, while equity analysts appear to agree that average public company earnings will rise about 11.5%. Despite the clear evidence of expansion, including average wages being up about 4.1% from a year ago, many consumers report they believe we are in a recession. Despite the near record low unemployment levels, and increases in wages, and orders, the belief persists. It also appears that what a person believes is happening in the economy is highly dependent on how they get their news. Generally speaking, those who depend on politically focused television sources believe we are in bad shape, while those who read the news, either in newspapers, or online, have a much more realistic and optimistic view of our current economic situation.

We are pleased to report once again that the American economy is charging ahead at or even a little ahead of its long-term capacity. It just doesn't get much better than this.

Until next week, we remain at your service, serving as your fiduciary advisor, portfolio manager, and, as a team, dedicated to providing the highest possible level of personal attention to you and your investments.

Your obedient servants,



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

Jacob A. McClure, CIMA®

Information contained herein has been obtained from sources believed to be reliable but is not warranted as to accuracy or completeness. Past performance is no guarantee of future returns. For tax or legal issues consult with a qualified tax advisor or attorney. Investments when sold may be at a higher or lower price than when purchased. Refer to your custodial account statements for securities holdings and values.