jeff@tpwc.com

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

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www.tpwc.com

jake@tpwc.com

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TPWC Market and Economic Update

The Markets

The dear old S&P 500 Stock Index (SPX) has been churning ahead, routinely breaking records on the upside, for about seven months now. That propensity to soar shows in its one-year trailing return of over 20%, but bull markets, like other animals, get tired after a season of climbing mountains and tend to take a breather every now and then. This week, the SPX took a snooze, slid a little down the mountain, and came to a halt at the still lofty level of 4967.23, 3.05% lower than it was as the week began. It has been a rough month for the Bulls, falling 4.08% in the last 30 days. The good news is that the Index is still up 4.14% this year and, as mentioned above, over 20% since last year. Our other, more democratic indicator, the CRSP US Mid Cap Value Index, ended the week at 2562.66, holding its loss to 0.48% for the week and 2.12% for the last month and is up 10.05% in the last year. The culprits in the slide of the SPX, or at least in the magnitude of the slip, were the same stocks that have propelled it upward for the last year, the so-called "Magnificent 7". Apparently, some people who have been pouring money into anything even vaguely related to artificial intelligence have begun to realize that trees don't grow to the sky, and super-stocks succumb to the same economic laws as the rest of the market at some point. The real positive was that the sudden appearance of people coming to their senses did not spark a selloff, nor did it trigger a rush to buy those digital tech stocks as their prices fell. That sensical behavior suggests we are not in a "bubble," at least in the stock market.

If you are one of those who have stuck to the philosophy that holding some longer-dated bonds is a good way to cushion market declines like what we have seen in the last couple of weeks, you may be unhappy to know that the benchmark 10-year U.S. Treasury note yield rose to 4.62% as the week closed out. That rise in yield amounts to about a 19% rate increase this year, much of which has manifested recently. Since the market value of a bond portfolio falls as interest rates rise, you have probably seen a market value decline on both sides of your portfolio in the last couple of weeks. On the other hand, if your "bond" holdings are in ultra-short-term U.S. Treasury bills, you will be pleased to know they are continuing to pay an interest rate (yield) of just under 5.5% per year (annualized) with little or no decline in value. West Texas Intermediate crude oil prices (WTI) slipped and slid about 2.6% for the week, despite all the excitement in Southwest Asia, and closed out the U.S. market week at $83.24 per barrel. That price is about 17% higher than it was at the beginning of the year, but it does not seem to have caused any slowing of our desire to burn the stuff in the process of getting from one place to another.

The Economy

As usual, the noise in the economics publications was primarily centered on what the Federal Reserve would or would not do for the rest of the year, and there was no shortage of pundits who, again, as usual, were absolute in their predictions. That worthy group of gentle people falls in the general category of "always confident but usually wrong." In case you have missed their perpetual prognostications, those were the mass of professional wordsmiths who insisted that we would fall into a massive recession in 2023, then proclaimed that the Federal Reserve would, without a doubt, cut interest rates either three or four times in 2024 to hold off the now well overdue recession. Now, with renewed certainty, they are chanting in unison that the Fed may not cut at all this year and may even raise interest rates to new heights. Although this will neither sell newspapers, generate hosts of clicks, or even stop watchers from switching to another channel, the reality is that even the members of the Fed have no idea what they are going to do.

The deep concern continues that the U.S. economy continues to drive forward in the face of higher rates, higher oil prices, and ongoing 3.5% inflation. According to the Commerce Department, U.S. retail sales rose a seasonally adjusted 0.7% in March compared with a month earlier. Then, compounding the angst of those who are depending on a recession to rescue their careers, the Labor Department announced there were a whopping 303,000 more people employed at the end of March than at the beginning of the month, roughly twice the jobs growth we need to hold our own against a downturn. About 60% of U.S. industries added jobs in the month. Even the normally first-to-fall sector in a declining economy, leisure, and entertainment, gained jobs and surpassed its pre-pandemic highs. As if to further disturb the naysayers, the folks at Labor reported that more hours are being worked per worker, and hourly earnings rose 0.4% for the month and are now up 4.1% from a year ago. Note that wages are rising faster than the trailing 3.5% inflation, creating a real net gain in workers' earnings even as more workers work more hours per worker.

In short, the U.S. economy continues to confound its many pessimistic prognosticators, who, for we are sure, some very valid reasons, would like nothing more than to see our economy in a profound recession from which it desperately needed rescuing. Sadly, at least for them, we are pleased to report that the economy of these United States of America is in at least as good a condition as we have seen in our half century or so of paying close attention to such things.

Until next week, know that your Personal Wealth Coach Team is working diligently to serve and support you and your best interests, and certainly not that of some impersonal corporation. We are your fiduciaries and yours alone.

Your obedient servants,

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

Jacob A. McClure, CIMA®