THE PERSONAL WEALTH COACH®

An SEC Registered Investment Adviser

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TPWC Market and Economic Update

The Markets

Our dear old (and I do mean old) primary stock market indicator, the venerable S&P 500 Index (SPX), coasted benignly through the week that ended on May 10, with barely a ruffled moment other than a so-far unexplained, jump upward followed almost immediately by a return to trend moment on Friday morning. For the week it rose 1.85%, to close at the auspicious number of 5222.68. The SPX is now up about 9.5% this year and is about 26% higher than it was a year ago but is only about 25% higher than it was three years ago. Our other, more mundane, and far less exciting market indicator, the CRSP US Mid Cap Value Index finished the week at 2662.78, up 2.44% this week, 6.22% this year, and about 17% higher than it was three years ago.

On the other side of the market, where debt is king, the benchmark 10-year U.S. Treasury note finished the week yielding a nice even 4.5%. As it has for the last year, the Treasury yield curve remains seriously inverted with the one-month T-bill boasting an annualized yield of 5.51% even as a 30-year Treasury bond only pays 4.64%. As has become normal, the 10-year note sports the lowest interest rate of all the maturities. It is certainly a strange world in the bond markets. The price per barrel of West Texas Intermediate crude oil (WTI) bobbled (or bubbled) along all week rising a mere 0.46% to $78.35 as the U.S. Market week came to an end.

The Economy

Moody's Analytics summed up the state of the American economy quite neatly this week in a headline, "Strong Economy, Healthy Credit." In the report, Moody's noted that the total consumer debt and delinquency rate remains in the "green zone" with consumer delinquencies well below the pre-pandemic level and mortgage delinquencies hovering around an historic low, despite credit card balances being at an all-time high. One of the most reliable indicators of an economy headed for trouble is just that number. Before every major economic recession in the past half century, consumer and mortgage delinquencies rose quickly. There have been instances where delinquencies rose and no recession followed, but in our consumer driven economy, stressed consumers are the normal proximate cause of a recession. So far, at least, the coast appears clear.

In an interesting sidenote, the National Weather Service has issued a severe solar storm watch for the whole planet this weekend. A cluster of sunspots will be peppering our planet with a series of coronal ejections over the weekend. In essence, chunks of the sun's outer edge will be fired at Earth by storms many times the size of our planet. Fortunately, we have a healthy magnetic field that largely shields us from such events, but it will be interesting to see what happens next.

It is one thing to read the many reports issued by the Departments of Labor and Commerce, as well as the Census Bureau, but the indicator of how well or poorly things are going that is perhaps most relevant is corporate earnings (profits). Most publicly traded U.S. companies have now reported on their financial situation in the first quarter of 2024, so it is time to take stock of what really happened. Earnings per share for companies in the S&P 500 now appear to be 5.2% higher than they were a year ago instead of the 3.4% forecast by Wall Street analysts. Interestingly, the consensus among those analysts is now that in the second quarter, earnings per share will have risen 9.8% from a year previous. Those growing companies are also reporting that they are still in hiring mode and have no plans to retrench.

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Once more, even as the pundits sound the warning of an eminent recession, we are having a very hard time finding any indicators that support their claims.

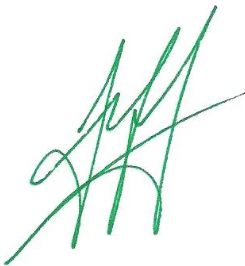
What we are seeing instead of the widely forecast recession is a moderation of economic growth, hopefully back down to a more sustainable level. We recently drove from Central Texas to North Carolina and back, and the limitation holding our economy back to realistic levels was obvious. There is simply no room to put more trucks on the highways. Rail transport seems very much the same. Moody's is now forecasting a 2.5% US GDP growth rate for 2024. If we get that, it will be a healthy rate of growth and about as fast as our economy can consistently grow.

Meanwhile, according to the Bureau of Labor Statistics U.S. worker productivity, that wonderous thing that allows us to grow our economy without needing more workers and without undue inflation, grew 0.3% in the first quarter as economic output rose 1.3% and hours worked rose only 1%.

Once more, our report is that the U.S. economy is in amazingly marvelous shape with no signs of bad times ahead. All growth periods do come to an end, but this one appears to still be young and full of vigor.

Until next week, rest assured that we are hard at work, but always available for you, our clients and sole employers.

Your obedient servants,



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