THE PERSONAL WEALTH COACH®

An SEC Registered Investment Adviser

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TPWC Market and Economic Update

The Markets

The hoary old Standard and Poor's 500 Stock Index (SPX) finished the month of showers and flowers with a renewed burst of energy shooting up 8/10th of one percent on Friday to put an end to a less than opportune week. From last week's close, the Index fell 0.51% to close at 5277.5, recovering from what otherwise would have been a multi-percent decline to its low level where it was midday Friday. The end of the merry month of May left the SPX up nearly 4.8% in a month when the old Wall Street saying, "Sell in May and go away." was distinctly not a gem of wisdom. It is now 10.64% higher than when the year began, and up an astounding 26.06% from just a year ago. Continuing in its recent tradition, the SPX gained more in the last 12 months than in the last three years. The Index is now up only 25.59% since this time three years ago. The other market indicator we watch carefully, for it seems to better reflect how the broad market is doing than does the tech-dominated SPX, the CRSP U.S. Mid-Cap Value Index, finished the week at 2649.11, 0.98% higher than it was when last week ended and leaves it about 20% higher than one year ago.

The benchmark 10-year U.S. Treasury note finished the market week with an annualized yield of 4.51%, just a wee bit higher than last week, but with an annual interest rate 14.2% higher than when the year began. If longer term rates continue on the same trajectory for the rest of the year the 10-year interest rate will have risen to 5.63%, about 43% higher than when it began the year. A 10-year rate at that level would be consistent with inflation running between 3% and 3.5% annually, about what it has averaged over the past half century or so. With continuing good news for gasoline users around the country, the price of a barrel of West Texas Intermediate crude oil (WTI) slipped down 0.82% for the week to $77.26 on news that petroleum demand in China is below expectations and falling.

The Economy

As usual for the past two years or so, the economic and market pundits and publishers were fixated on inflation reports, dissecting them with the intensity of an ancient augury sorting animal organs in a futile attempt to divine the future direction the U.S. economy and, by inference, the stock market will take. It did not seem to work particularly well for the Romans, nor for the medieval Britons, but that does not seem to dissuade modern priests of divination. The practice reminds me of an old saying about those who so confidently tell us what the immediate future will hold, "Often wrong, but never in doubt."

Last month the diviners of doom were proclaiming the return of hyperinflation coupled with an end to economic growth, all encapsulated in a single word, "stagflation." Following their proclamation, the S&P Global Flash Purchase Managers' Index (PMI), rose to a very respectable 54.4, on a scale where numbers above 50 indicate economic expansion, and U.S. firms raised their selling prices at the slowest rate since March of 2020. Then, this week, the BEA announced that the Core Personal Consumption Expenditures Price Index (PCE) only rose 0.2% in April, the smallest increase of this year and when annualized, indicating that prices were rising at a 2.4%, annualized rate. That left the average five-month moving Inflation average running at 3.66%, which while not the ideal sought by the Fed of 2%, was far from a runaway inflationary disaster. The other statistic that the Fed is reputed to fear, the rise in personal compensation, on the assumption that if people are experiencing rapid rises in pay they just might go out and spend more money, reportedly moderated along with inflation, and fell to a relatively moderate 0.3% in April. Disposable personal income only rose by 0.2%, the very definition of what it takes to bring about stability. If disposable personal

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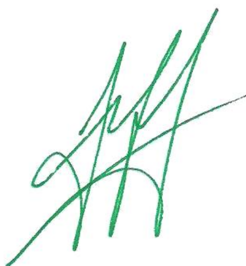
income and core prices are rising at about 2.4% per year, then we are getting close to the Fed's goal of a 2% annual inflation environment.

In a statistic that only economists like us could get excited about, our dearly beloved BEA reduced the first quarter's U.S. Gross Domestic Product (annualized) growth rate in its Second Estimate to 1.3% from last month's First Estimate of 1.6% (and, yes, next month will bring a Third Estimate on or about June 27th). Before you get too glum about that reduced growth rate though, note that for the full year from the end of the first quarter of 2023 through the end of the first quarter of 2024, the economy of these United States of America grew, in at a real, after subtracting inflation, 2.95%. Considering that most economists seem to agree that is about as fast as it is possible for an economy the size of ours to grow, this last year has been delightful. While we read nothing in the multitude of stories we have reviewed about that trailing annual number, it is unabashed good news. We are confident that someone at the Federal Reserve is paying attention, and while a growth rate that high is good cause to not lower short-term rates, it is solid evidence that things are going well and there is little evidence of overheating (other than in Texas where temperatures are already getting uncomfortable, and summer is still three weeks away).

I apologize to those who are patiently awaiting news of pending disaster, but once more we are forced to concede that the U.S. economy is rolling along with a good momentum and that signs of a coming collapse are conspicuously absent as we complete the fifth month of 2024.

Until next week we continue in service to you, our faithful and long-suffering clients to whom we pledge our loyalty and faithfulness.

Your obedient servants,



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