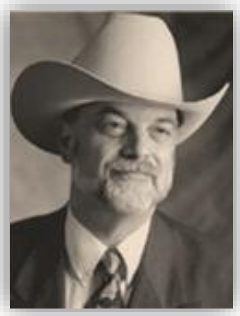

THE PERSONAL WEALTH COACH®

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

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TPWC Market and Economic Update

The Markets

Our dearly beloved S&P 500 Stock Index (SPX) continued its weekly rise to new and previously unknown and oft considered impossible heights this week, heading into the weekend at 5346.99, up 1.32% for the week. It is now 12.10% higher than where it started the year, up 25.30% from a year ago, and ahead 26.51% in the last three years. Along the way, the Magnificent 7 stocks that were producing almost all the growth in the index have been reduced to the Fabulous Five, NVIDIA, Microsoft, Amazon.com, Meta, and Alphabet, as Apple and Tesla have fallen by the wayside and declined. Those five stocks, representing 1% of the stocks listed in the index, now constitute about 27.5% of the value represented by the SPX. The performance of the other 95% can be suggested in our experience by the CRSP US Mid Cap Value Index. That Index fell 1.69% for the week, to 2604.28, leaving it up 3.89% this year and 12.17% from one year ago.

On the other side of the financial markets the now 18 month long severe inversion in the Treasury Yield Curve continued. The benchmark 10-year U.S. Treasury 10-year note ended the week yielding 4.43% as it continued its gradual and often overlooked rise in rates. Down on the short end of the curve, the 3-month Treasury bill held the lead amongst interest bearing securities with an annualized yield of 5.52% while the 30-year Treasury bond was paying only 4.55%. West Texas Intermediate crude oil (WTI) ended the U.S. Market week at $75.30 per barrel in its very pleasant to summer drivers decline in price. It may be worth remembering that ten years ago a barrel of that black, smelly stuff was selling for $104.

Caveat Emptor

Before we move on into The Economy, we think it is important to issue a warning. As we attended a conference this week, we heard a lot about the number of public investors moving into "Alternative Investments." A recent article in the Wall Street Journal's "Intelligent Investor" by Jason Zweig highlighted the dangers there. It is easy to buy into "Alts" as they are called, and they are sold as investments that can stabilize the value of a portfolio. The problem is that an investment is always and only worth what you can sell it for. Alternative investments, even those advertised as "liquid alternatives" have severe limitations on releasing money back to the investor. As Mr. Zweig pointed out, in many cases the only way to "sell" your shares or interests in "Alts" is to a third-party purchaser at a 30% to 50% discount to the published "net asset value." In years gone by we have witnessed surges of such investment products and we have seen many portfolios with them. What we have never seen is an investor who turned a profit on "non-traded" alternative investments, while we have seen many who lost all, much, or most of their invested money in such offerings. Alts are like the Hotel California; you can check out any time you want but, in our experience, often, you can never leave.

The Economy

If you were hoping, as has been the popular pastime for the past year or so, that the economy will soon enter a recession and thereby force the Federal Reserve to quickly lower interest rates, you probably were severely disappointed this week. The Labor Department's Bureau of Labor Statistics (BLS) reported that total nonfarm payroll employment in the U.S. increased by 272,000 in May, higher than the 12-month average of 232,000 despite the unemployment rate rising from 3.9% to 4.0% as more workers entered the jobs market. To put that in perspective, there are now 2,784,000 more people employed in the U.S. than a year ago and they are averaging 34.3 hours per week at an average weekly wage of $1,197.41. Total all that out, and those workers are earning $173.3 billion more than was being earned, and mostly spent, a year ago. That alone amounts to a growth in productive income of 1.73% in one year. Add in the fact that average real (inflation adjusted) wages are up by about 2.27% from a year ago and it becomes easy to see why the U.S. economy is growing. Of course, it takes more than increased earnings to drive GDP forward. Those 168 million full-time employed workers have also increased their productivity by a whopping 12% more than their increase in wages over the last year. These numbers strongly suggest that we are in a massive economic expansion.

To add injury to insult for those pleading for a recession to arrive, the Institute for Supply Management announced on Thursday that the U.S. Business Activity Index stood at 61.2 on a scale where numbers above 50 indicate economic expansion, while the Services Purchasing Managers' Index rose to 53.8 from April's 49.4, suggesting more growth to come. Even that one-month contraction we saw in April was the only dip below 50 in the past year and a half or so.

We may sound like a broken record as we repeat the news, but the U.S. economy remains in growth mode and is thundering ahead at about the fastest pace an economy of this size can grow.

Until next week we remain, as always, your obedient fiduciary servants, working diligently at providing you with the best portfolio management, service, and advice we can possibly give, and to the best of our ability, without conflict of interest or bias.

Your obedient servants,

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

Jacob A. McClure, CIMA®