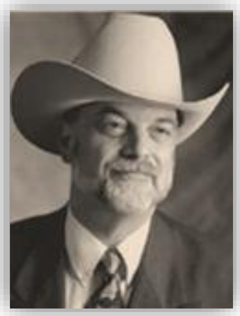

THE PERSONAL WEALTH COACH®

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TPWC Market and Economic Update

The Markets

The always steadfast (except when it is not) S&P 500 Stock Index (SPX) roared to new, dizzying heights this week as it closed above 5400 for the first time in its long history. For the week, the SPX rose 1.58% to 5431.60, putting it up 13.87% this year, 23.18% in the last year, and 27.65% higher than three years ago. The rather sudden rise all came in just a few minutes on Wednesday morning following the Labor Department's CPI report and appears to have been driven almost entirely by the large tech companies. Apparently, in the rest of the market, the rejoicing was missing as the CRSP US Mid Cap Value index fell 1.00% to 2578.20. Even the Dow Jones Industrial Average, which usually echoes the SPX fell 0.54% and is now down over 3.5% in the last month.

Over on the much larger but poorly understood debt side of the financial markets, the benchmark 10-year U.S. Treasury note closed out the week yielding 4.20% as longer-term interest rates fell by 5% but remained almost 10% higher than last year at this time when the yield was 3.83%. Through it all though, the 3-month Treasury Bill is still paying an annualized interest rate of a whopping 5.51%. In what no one can argue is and was anything but a thundering bull market, the U.S Treasury yield curve has broken all records both for the degree and the longevity of its inversion. Market and economic indicators long held to be immutable seem to have reversed. West Texas Intermediate crude oil (WTI) behaved much as would be expected in the face of more indicators of good economic growth in the U.S. as it rose 3.83% for the week to $78.42 per barrel.

The Economy

Nothing happened over the last month, at least that was the report. As we opined above, the biggest news this week was from the Labor Department's Bureau of Labor Statistics (BLS) as they published a press release announcing that nothing happened in May. You read that right, the Consumer Price Index (CPI) moved exactly 0% in the merry month of May. The resulting difference between the political parties as to whether it rose 0% according to the party out of power or fell 0% as proclaimed by the party in power promises a spirited debate in an election year. The market pundits seemed to remain neutral on the subject but that did not keep them from writing and saying volumes about what was quite literally nothing. The financial publications tended to ignore the nothing as it likely would not generate much interest and instead focused on the one-year cumulative number as though what happened months ago was the most important thing in determining the immediate future. For the trailing 12 months, the (unadjusted) CPI for All Urban Consumers (CPI-U) has risen 3.3%. Since only a month ago the trailing unadjusted CPI was up 3.4%, there was much rejoicing and apparently traders determined that was so important to the future of stock prices that they promptly pumped the Fantastic-Five tech stocks to record highs. Interestingly enough, the so-called "core CPI" which leaves out the often-volatile energy and food commodities, rose 3.4% from last year, about what was reported last month.

Our beloved Bureau of Economic Analysis (BEA) at the Commerce Department, determined not to be outdone by those ne'er-do-wells at the BLS, jumped into the fray on Friday with their Personal Income and Outlays report for April. The BEA reported that the Personal Consumer Expenditures Price Index (PCE), their version of inflation, rose 0.3% for the month but only 2.7% over the last year, exactly what they reported last month. All we can figure is that since the rise in inflation both for the month and year was exactly what was reported for March, the traders on Wall

Street saw that too as no-change and equated it to zero (or nothing). More interesting, at least to us, was the news buried in the fine print that real personal consumer expenditures fell 0.1% for the month as consumers spent less on goods and their increase in services spending was not enough to offset that reduction.

In short, the big economic news this week was that either prices did not change in the last month or that they rose the same amount they did last month. If you are confused, you are correct. Further up the chain, the BLS's Producer Price Index, which measures wholesale prices charged to retail businesses, fell 0.2% in May and is now 2.9% higher than a year ago (which again was what they reported last month). To top it all off, the Federal Reserve Open Market Committee (FMOC) met this week and announced that in the face of the prevailing nothingness, they were doing nothing and fully intended to continue that difficult path until they had a lot more data. When asked to speculate on how many rate cuts he thought we would see this year, Chairman Powell said "maybe one" or words to that effect, causing market commentators to proclaim that there would almost certainly be at least three cuts, or maybe just two. The Fed responded with a forecast of a 2.8% annualized inflation rate for the fourth quarter (remember that the Federal Government fiscal year ends at the end of August, so their 4th quarter is our 3d quarter, and is almost here).

The bottom line continues to be that the United States economy is running a bit hot with no signs of a recession anywhere other than in the imaginations of those who are praying for a recession to hit before the year ends. Meanwhile the economic tea leaves are telling us nothing is the prevailing trend.

Until next week, we continue to pledge to do our fiduciary duty to God, Country, and YOU, our faithful clients and sole employers.

Your obedient servants,

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