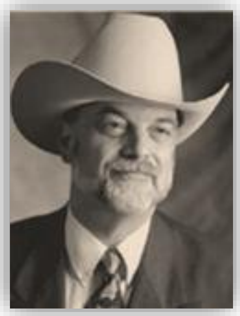

THE PERSONAL WEALTH COACH®

An SEC Registered Investment Adviser

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TPWC Market and Economic Update

The Markets

The S&P 500 Stock Index (SPX), our preferred indicator of what is happening in the U.S. stock market, turned in a very reasonable week, rising 0.61% to 5464.62. Of course, because it topped 5500 for a few moments on Thursday morning, there are those who see only the dark side and the 0.01% decline since that record high as the big news. The result though is that the SPX is 14.57% higher than where it was when the year began, over 25% higher than a year ago, and up 29% over the past three years. The other, and possibly more representative, stock index we follow, the CRSP US Mid-Cap Value Index closed the week at 2610.39, up 1.25% for the week, and about 11.37% ahead of where it was this time last year.

In the debt (bond) market, which is incidentally a lot bigger than the stock market, the standard-setting 10-year U.S. Treasury note ended the week yielding 4.25% compared with the amazingly high annualized yield from the 90-day Treasury bill of 5.49%. Meanwhile the 30-year Treasury bond was paying only 4.39%. It is getting hard to remember that over the decades with only very short exceptions, the 30-year T-bond consistently paid the highest rate while the very short-term T-bills paid the least. West Texas Intermediate crude oil, the U.S. benchmark for that black, smelly stuff, was 2.79% higher for the week, at $80.63.

The Economy

We know we sound like we are repeating the same news over and over, but when we started saying the economy was in great shape a couple of years ago and then kept up the drum beat, we were about the only people we could find who did not think a major recession was in our immediate future. This week was more of the same. While the headlines mostly proclaimed that the retail sales report from the Census Bureau was "weak", what we saw was that retail sales continued to grow and for May were 2.3% higher than a year ago. Better yet, since June 2019, before the pandemic, retail sales, even after subtracting the high inflation, have risen 17%. That means that sales, on average, have risen about 3% per year. Given that retails sales are one of the most important metrics in determining what is really happening in our economy, and are the largest of them, that is excellent. 3% per year is about as fast as any large, developed economy can grow.

As we have often written, the various Purchasing Managers' Indexes are generally considered the best short-term forecast indicators for any economy as the business purchasing managers are operating on orders and business the firm expects to need to be filled soon. This week, the S&P Global Flash US Composite PMI (purchasing managers' index) rose to a 26-month high for the June measurement. On a scale where 50 is the dividing line between growth and contraction, the PMI came in at 54.6. With the numerical survey, S&P Global also asks the managers for anecdotal information and opinions. Notably, the news was significantly upbeat with purchasing managers showing confidence that business was looking up. Perhaps even better, they perceive that inflation has slowed and prices appear to be stabilizing.

One of the best bits of news this week appeared when the Federal Reserve announced on Tuesday that U.S. industrial production rose 0.9% in May. For the second quarter so far, the level of industrial production here in the good old U.S. of A. is rising at a 2.5% annualized rate, again, about as fast as our infrastructure can support. Another metric from the Federal Reserve report is illuminating too. Industrial Capacity Utilization in the U.S. is now up to 78.7% from last month's 78.2%. Over the last half century, the "Cap-U" rate has averaged 79.7%, and the maximum it has reached was about 85% back in the late 1990s. That all means our industrial output is closing in on its limits and we may need to invest in more capacity as recently it has only been growing at about 1.4% per year.

Even as the European economic recovery is appearing to slow, here in the U.S. our economy looks to be accelerating. That same PMI that looks so good here slid to 50.8 over there. In a boost for homeowners, housing prices too looked to be taking off again as, according to the National Association of Realtors (NAR), home prices hit a record high with the median home price rising to $419,300, up 5.8% from last year. The interesting thing about that number is that the number of sales is declining even as the price continues to increase.

Once more we are forced to acknowledge that the U.S. economy, and for that matter, the domestic stock markets, seem to have a full head of steam and are charging forward. Where the most widely forecast recession in our decades of experience went, we just don't know.

Until next week, we again pledge to you, our clients, and sole employers, our unwavering dedication to our fiduciary duty and your best interests in all that we do.

Your obedient servants,

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

Jacob A. McClure, CIMA®