THE PERSONAL WEALTH COACH®

An SEC Registered Investment Adviser

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TPWC Market and Economic Update

The Markets

The venerable, if sometimes a bit muddled, Standard and Poor's 500 Stock Index (SPX) turned in a stellar week, rising 1.95% to 5567.19. For better or worse, that gain was again driven by the performance of the Fantastic Five super big AI tech stocks. The SPX is now 16.72% higher than when it began the year, about 25% higher than a year ago, and up 28% from three years ago. Our other carefully followed stock index, the CRSP US Mid Cap Value Index, reflects what we believe is a more accurate and likely sustainable picture of what the rest of the market is doing, closed at 2576.03, down 0.97% for the week but up 7.52% from a year ago. As we have stated before, the price behavior of the Fantastic Five strongly reminds us of the behavior of the "dotcom" stocks thirty years ago. A lot of theoretical money was made there, and a lot was lost when the mania came crashing down.

The benchmark 10-year U.S. Treasury note ended the week yielding 4.28%, about 1.8% lower than a week ago but a whopping 10.3% higher than its yield of 3.88% as the year began and over 200% higher than three years ago when the yield was only 1.37%. Very short-maturity Treasuries continue to have the highest yield, around 5.5%, with the 30-year T-bond paying only 4.47%. The trend is that longer-term interest rates are rising, and we will continue to do so for the rest of the decade. The benchmark price of West Texas Intermediate crude oil (WTI) continued its slow increase, rising to $83.13 per barrel, rising on increasing demand from a growing U.S. economy.

The Economy

The week of July 4 is one in which, traditionally, a lot happens economically, but at the same time, very little gets reported about what happened until later. This time around, though, a couple of important reports were published, giving us an idea of where the economy is and appears to be going. Light vehicle sales were down, which normally would not be a good sign, but the reason seems to be that there was a cyberattack on the main supplier of dealer software systems and, like much else in our lives, without the software, it was difficult for the dealers to sell their wares. Then, another snapshot looked unpleasant. The Institute for Supply Management (ISM) reported that the "nonmanufacturing" side of our economy dropped from last month's reading of 53.8 on a scale where numbers above 50 indicate expansion and below 50, contraction, to a surprising 48.8! If such a dramatic slowing of services business had occurred, it would be reasonable to see some other evidence, but a diligent search reveals nothing. Better to look at the average reading over the last 8 months or so, 51.6. The anecdotal reports suggest that recent weather events may be the culprit.

Then we received a real "meat and potatoes" report from the Census Bureau: The Value of Manufacturers' New Orders. In short order, things became clear. Yes, new orders slowed slightly between April and May, but all the slowing was in the nondurable goods category. In the important harbinger of the future, durable goods industries, orders increased! Industrial machinery, transportation, and materials handling equipment were among the fastest-growing areas. Those are the places where companies invest for the long term because they believe business volume will increase over the next year or more. The evidence suggests a reduced economic growth rate in the near future but a return to a faster rate over the longer term.

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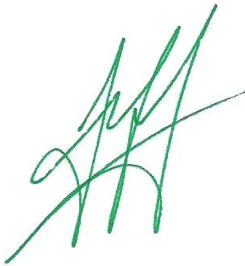
The last piece of evidence in this shortened week was the Employment Situation Report from (logically enough) the Labor Department. First, the household survey found that the unemployment rate inched upward from May's 4.0% to June's 4.1%. The number of unemployed people searching for job openings rose to 6.8 million, but the percentage of the population in that category is the same as it was a year ago. In the same report was the news that the total nonfarm employment increased by 206,000 in June, well above the number theoretically needed to maintain employment percentages. So, what gives? Once more, the issue is that the number of available workers increased, causing the unemployment percentage to rise. Wages were up 3.9% from a year ago, while the PCE inflation index only rose 2.7% for the same period. In other words, more workers are making more money, which is very good for the economy.

We are fully aware that our economic summaries are repetitive, but the facts clearly support our view that the U.S. economy is extremely strong and likely to stay that way for the foreseeable future. The future is always uncertain, but our economic momentum is more than a little impressive.

Once again, we publicly pledge to adhere to our fiduciary duty for our clients in which we accept no compensation from anyone else. More, we also pledge to provide you with the highest level of personal, professional, service and genuine caring for you, your family, and your investment portfolios.

Your obedient servants,



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