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

August 30, 2024

TPWC Market and Economic Update

The Markets

Despite loudly voiced worries about whether Nvidia earnings can keep soaring forever and whether or not AI is going to make us all rich, the dear old S&P 500 Stock Index, eked out a small gain for the week, rising 0.24% to close at 5648.40. That leaves the 500 mega-stock market gorilla 18.42% higher than when the year began, and up an ongoingly astonishing 25% from this time last year and just under 25% from three years ago. Yes, again, all three years' appreciation has happened in the last year. Our other indicator for the market, the CRSP US Mid Cap Value Index, had far less angst this week and rose 0.94% to 2832.09. up about 13% this year and 18.60% since last August.

The benchmark 10-year Treasury Note ended the week with a yield of 3.91% with the 1-month T-bill yielding an annualized 5.41%, and the 30-year bond at 4.20%. West Texas Intermediate crude oil (WTI) slipped down about 1.60% to a price of $73.63 per barrel, almost 10% less expensive than last year at this time.

The Economy

There were a couple of lead data points this week and some less obvious economic news that may be critically important longer-term as August draws to a close and the unofficial end of summer arrives. Perhaps the more significant report was issued by our favorite government agency, the Bureau of Economic Analysis (BEA). There normally is little attention paid to revisions in statistical reports from a government bureaucracy, but this one is worth examining. The BEA revised its estimate of the second quarter U.S. Gross Domestic Product (GDP) annualized rate of growth to an astounding 3.0 percent! That is a higher growth rate than our infrastructure can sustain, but it certainly looks good in the short-term. The drivers of that probably unsustainable growth appear to be private inventory investment by businesses, nonresidential fixed investment (buildings and equipment spending by companies) and of course, consumer spending.

In the same report, the BEA announced that PCE inflation, the inflation reading most relied on by the Federal Reserve, was 2.4% over the last twelve months, and was running at an annualized rate of only 1.2% in the last quarter. That is about as stable an inflation number as is possible and for the last quarter, below the Fed's target of 2% annually. Better yet, disposable personal income rose at a nominal 3.6% rate in the quarter. As long as disposable personal income is on the rise, the main driver of our economy, consumer spending, is healthy. When spending is rising and disposable income falls to below zero, batten down the hatches.

The other important report came from the Census Bureau. New U.S. durable goods orders increased 9.9% in July. It even gets better if we take government defense orders out of the picture. Without the Defense Department, orders rose 10.4%, mainly in the transportation category.

Now for the less obvious and more ominous data. China appears to be in economic trouble. Consumer confidence is now down by a third from where it was over the last decade. Since the end of 2023 house prices have fallen about 5%. Their stock market has declined almost 50% in about three years and domestic money supply (M1) has been contracting. A falling M1 almost inevitably leads to a falling or stagnant GDP. According to economist Edward Yardeni, China's nominal GDP growth could fall to zero or turn negative over the next six months.

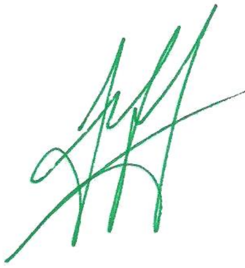
Information contained herein has been obtained from sources believed to be reliable but is not warranted as to accuracy or completeness. Past performance is no guarantee of future returns. For tax or legal issues consult with a qualified tax advisor or attorney. Investments when sold may be at a higher or lower price than when purchased. Refer to your custodial account statements for securities holdings and values.

Why is that ominous? Because for an authoritarian dictatorship with a big military, the easiest way out of a pending recession/depression is to invade someone. History is replete with that lesson. In the face of what looks more and more like a developing economic contraction, the Peoples Republic of China (PRC) increased military spending 7.2% this year. The economic disruption that an invasion of Taiwan would cause would be catastrophic. The lesson? Bad things sometimes happen even when our economy is on a roll. Be prepared both mentally and fiscally. The second lesson can be seen in Germany's economy, where business is in a real funk. Germany's economic surge over the last decade was driven by exports, as was China's. China is buying less as its economy slows and Germany was exporting to China. We are blessed with an internally focused economy where our biggest customer by far is, quite literally, US.

The bottom line remains largely unchanged here in the good old U.S. of A. Our economy is ignoring the doomsayers and continuing to produce jobs and money at a good pace even as inflation fades away and those still hoping for and forecasting an economic downturn remain disappointed.

Until next week, the TPWC team is on the job, providing sincerely caring, fiduciary advice, service, and portfolio management for our sole employers, our clients!

Your obedient servants,



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

Jacob A. McClure, CIMA®

Information contained herein has been obtained from sources believed to be reliable but is not warranted as to accuracy or completeness. Past performance is no guarantee of future returns. For tax or legal issues consult with a qualified tax advisor or attorney. Investments when sold may be at a higher or lower price than when purchased. Refer to your custodial account statements for securities holdings and values.