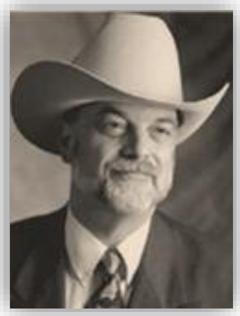

THE PERSONAL WEALTH COACH®

An SEC Registered Investment Adviser

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TPWC Market and Economic Update

The Markets

Our preferred, if decidedly flawed, U.S. stock market indicator, the S&P 500 Stock Index (SPX), had a very reasonable week. It rose 0.62% to close at 5738.17, leaving it over 20% higher than when the year began. From last year at this time, the Index is up an astounding 34.24% and over 29% higher than three years ago. The SPX broke through its previous record high at Thursday's close before slipping 0.13% on Friday. The other stock index we follow, as we believe it presents a better indication of where the majority of stocks are, the CRSP U.S. Mid Cap Value Index, rose a very healthy 1.03% for the week to 2890.63 and is 15.31% higher than a year ago.

In the debt markets, the benchmark 10-year U.S. Treasury note yielded 3.75% as the week ended, about 0.54% higher than last week. At the short-term end of the market, the one-month T-bill held at 4.90% while the 30-year bond yield rose 0.3% to 4.10%. The Treasury yield curve from the 2-year note to the 20-year bond, the range customarily considered critical, was very nearly positive for the first time in the last two years. Despite rumblings in the Middle East, West Texas Intermediate crude oil (WTI) prices dropped 4.43% to $68.49.

The Economy

It was hard to say which economic news was more important this week, but almost all the news was good. On Thursday, according to its third estimate, our favorite bureaucracy, The Bureau of Economic Analysis at the Commerce Department, announced that the real (net of inflation) U.S. Gross Domestic Product (GDP) increased at an annual rate of 3.0% in the second quarter. It credited an upturn in private inventory investment and an acceleration in consumer spending. In that report, the BEA also noted that personal savings rose to 5.2% as disposable income rose 5% in the quarter. The surprise was that nondurable goods manufacturing led the increase, with durable goods not far behind.

That kind of growth in the GDP could be scary as it might lead to more inflation, but then the second report came out on Friday. August's Personal Income and Outlays report, from that same BEA team of industrious bureaucrats, showed that the Expenditures price index (PCE), the Fed's preferred inflation gauge, only rose 0.1% for the month and only 2.2% in the last 12 months, suggesting that inflation has likely slowed to or below the Fed's target rate of 2% per year.

Those were the hard numbers, but as soon as we get to the soft numbers, surveys in which people are asked their opinion about the economy, things get more interesting. On Tuesday, the Conference Board reported a significant drop in consumer confidence as their Expectation Index declined 4.6 points to 81.7 on a scale where readings below 80 commonly precede a recession. Then, on Thursday, the University of Michigan published its consumer sentiment survey results and reported a 3.2% increase in consumer sentiment, a 3.2% increase in consumer expectations since last month, and a 6% surge in one-year business expectations. We rarely comment on consumer confidence or sentiment reports because what we have seen over the years is what people say on telephone surveys, and what they do economically is often quite different. That is particularly true in presidential election years. The University of Michigan report suggested that the economic expectations for the economy were closely related to the respondent's political affiliation and age.

The Labor Department added to the celebration as it reported that unemployment claims fell 4,000 to 218,000, seasonally adjusted, in the week ended September 21. It piled on with another detailed and final report that, even after subtracting inflation, consumers spent 5.9% more in 2023 than in 2022, while average income rose 8.3% in the face of a 4.1% annual inflation rate. If that wasn't enough good news, FRED, the St. Louis Fed's data reporting center, reported that U.S. Industrial Production rose 0.8% in the last month.

The world's second-largest economy, the People's Republic of China (PRC) announced a list of economic stimulus measures in an attempt to combat falling prices and a deflationary slide that has been accelerating in the past several months. Economists seemed to generally agree that supplying more money to buy stocks on margin might not be the most effective way to boost consumer spending or to address the country's real estate collapse. The slowing PRC economy was given credit for the decline in global oil prices.

Once more the bottom line appears to be that the U.S. economy is robust and healthy despite, or perhaps because of the negativity in the media. The much-forecast recession in which we are supposed to presently be, remains thoroughly out of sight.

Until next week, rest assured that the TPWC Team stands ready to provide world-class service, attention to your issues, and fiduciary investment advice and management. Don't hesitate to email, call, or stop by. Our sole purpose is to serve you, our clients and sole employers.

Your obedient servants,

Jeffrey W. McClure, CFP®
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