THE PERSONAL WEALTH COACH®

An SEC Registered Investment Adviser

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October 4, 2024

TPWC Market and Economic Update

The Markets

The S&P 500 Stock Index (SPX), our primary, if flawed, measure of traded equity shares in the United States, turned in another mild gain for the week, rising 0.22% to 5751.07. That minuscule increase leaves it 20.57% higher than when the year began, up almost 35% from a year ago, and with a total 33.37% rise in the last three years. Translated into a compound return, the SPX has risen at a nominal rate of return of just over 10% for three years. Since inflation has averaged about 4.7% for that period, the Index has generated a net average rate of return of about 5.3%. Adding the SPX dividend rate of about 1.5% gives a net total return (before taxes) of about 6.8%, or about its very long-term average. The other stock index we follow, the CRSP US Mid Cap Value Index, slipped about 0.16% for the week to close at 2885.96, up about 30% from last October.

The benchmark 10-year U.S. Treasury note ended the week with a yield of 3.98% as the Treasury yield curve from the 2-year note out to the 20-year bond creeps closer to becoming positive. The 1-month T-bill yield rose to 5.01%, annualized, while the 30-year bond climbed to 4.26%. Since market prices for bonds fall as the yield increases, that was not good news for bondholders. The front-month price for West Texas Intermediate crude oil (WTI) rose to $74.63 per barrel, up from last week's $68.17 on fears of damage to Iranian oil supplies and anticipated increased demand in the U.S.

The Economy

There was no doubt about the economics headline this week. The U.S. Bureau of Labor Statistics (BLS), another of our favorite governmental agencies, announced in its monthly Employment Situation report on Friday that total nonfarm payroll employment increased by 254,000 in September. Before the announcement, economists generally agreed that the number would be 140,000 as they once more underestimated the strength of the U.S. economic engine. Then, as if an extra 114,000 jobs weren't a big enough surprise, July's additional jobs report was revised upward by 55,000 from 89,000 to 144,000, and the August report was increased by 17,000 to 159,000. The household survey validated those numbers, indicating the unemployment rate had dropped to 4.1%. Those increases raised the average monthly net U.S. job creation over the last twelve months to 203,000. They also suggested that the economy was not slipping into recession and appeared to be accelerating! If total employment is the prime indicator of where the economy is, then it would seem that the bottom of our economic cycle was in April or June, when new job creation dropped to just over 100,000 per month. The so-called "soft landing" that is the ideal of every Federal Reserve when fighting inflation appears to have come and gone as employment and GDP rise into another economic expansion phase.

The employment report and the recent inflation data are about as close to the ideal as one could imagine, but it is not all good news. Longer-term interest rates responded to the robust jobs report by rising, and mortgages were included in those rates. In the past few months, as the belief spread that the economy might be slowing, mortgage interest rates fell from over seven percent to just above six percent, triggering a spate of mortgage refinancings. With the employment report suggesting that the economy was speeding up, mortgage rates have begun to creep upward again.

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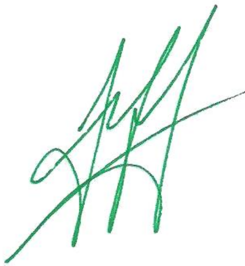
The Institute for Supply Management (ISM) announced its ISM Nonmanufacturing Index for September rose to 54.9 from last month's 51.5 on a scale where numbers above 50 indicate expanding business. The Index had fallen below 50 in April and again in June, sparking fears of an impending recession, but it has now been rising for three months as businesses report growing demand. The Manufacturing Index remained static at 47.2, but manufacturers are not laying off workers, so things may not be as bad as they look. The ISM noted that historically, manufacturing only contracts at levels below 42.5. During the first eight months of 2024, construction spending rose 7.6% compared to the same period in 2023, according to the Census Bureau.

Still, all is not roses and cream. The conflict between Iran and Israel has the potential to drive oil prices up and disrupt commerce. Europe is still teetering on the edge of recession, and China may be replaying the drama of 2014-2015, when the central government of the PRC attempted to get its economy out of a slump by stimulating its stock market. The market advanced until it didn't and then fell dramatically. Unless the underlying issues with real estate and debt are addressed, the potential for an economic shock from that region remains.

Once more, we must conclude that the U.S. economy is healthy, robust, and driving forward at near its maximum sustainable rate.

As always, know that we stand ready in our fiduciary role to advise, assist, and care about your individual investments and financial situation. Until next week, we remain your loyal servants.

Your obedient servants,



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