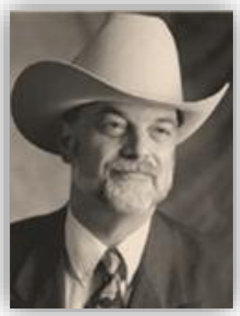

THE PERSONAL WEALTH COACH®

An SEC Registered Investment Adviser

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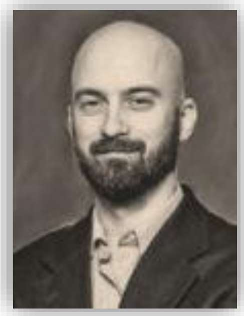

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TPWC Market and Economic Update

The Markets

The S&P 500 Stock Index (SPX) fell 1.66% for the week, closing at 6013.13 as the reality of the probable effects of increased metals costs from tariffs began to be factored into corporate profits. Despite the decline, the SPX remains up 2.24% this year, about 21% higher than at this time last year, and up almost 40% in three years. Our other stock indicator, the CRSP Mid Cap Value Index, fell 0.18% this week to 2844.60 at the close but remains up about 1.7% this year and almost 13% in the last year.

The benchmark standard for interest rates in the United States, the U.S. 10-year Treasury note, ended the week with a 4.42% yield, down about 3.5% this year but about 127% higher than three years ago. Short-term T-bills remained just under 4.4% while the yield curve held positive, with the 20-year bond yielding 4.69%. West Texas Intermediate crude slid to $70.23 per barrel from $77.91 a year ago.

The Economy

Economic reports were as sparse this week as they were plentiful last week. That is perhaps a good thing, as the foundations of our economic system are as uncertain now as we have seen in the four decades we have been studying and reporting on that subject. Through the 19th century, America had what we today would have called severe recessions or, in some cases, major depressions about every ten years as the largely unregulated economy cycled through ever more severe feedback cycles, with a couple of the worst beginning in 1837 and 1873. Then, a significant banking crisis arose in 1907 that was as bad as anything we had experienced previously and possibly worse. The only comparison was the great recession of the 1830s, which may have started a chain of events that led to the U.S. Civil War.

Recognizing the seriousness of that threat, Congress passed the 1913 Federal Reserve Act. The 16th Amendment was ratified, the Revenue Act of 1913 became law, and the U.S. federal government began collecting income taxes that same year. Before that Act, the federal government's primary income sources were tariffs, excise taxes, and public land sales. During the Civil War, it became apparent that those taxes were insufficient to fund federal obligations, particularly in times of war. The first income tax was imposed in 1861 but was later declared unconstitutional, resulting in the passing and confirmation of the 16th Amendment and the ensuing Revenue Act.

The most significant historical difficulty associated with high tariffs is their tendency to restrict trade. Rather than raising revenues, tariffs above 2.5% tended to suppress economic activity, thus lowering revenues for both the state and federal governments. That issue was compounded as other nations raised their tariffs in response to ours, further depressing trade. High tariffs are generally credited as a cause of some of the more severe economic contractions in our nation's history. The combination of the federal income tax and the Federal Reserve Bank was intended to move us toward greater economic and financial stability and, with that, an increased general financial well-being. While it took decades to get the balance right, the post-World War II U.S. and global economies have validated that purpose.

Along the way, this combination of a currency regulator (the Fed) and a consistent source of income (the federal income tax) resulted in the U.S. dollar becoming more than a currency. It is now a product created and manufactured by the Federal Reserve system. It has come to dominate the world as a dependable vehicle for storing value and exchanging goods and services. That intrinsic value associated with the U.S. dollar changed it from a transitory currency to a valuable asset. That asset status has enabled the U.S. Congress to borrow over one year's GDP (net national income) at reasonable interest rates and continue accelerating that borrowing as we increase spending while reducing income taxes.

We, the people of the United States, have demanded that our federal government provide us with rescue, stability, and defense and guarantee our financial well-being but have been unwilling to pay higher income taxes. As the Trump administration attempts to address this issue by dramatically reducing federal services and raising tariffs, the uncertainty about our economic future is compounded. Thus, we are witnessing a rising level of uncertainty about our economic future. We will continue to watch and report on the results.

Until next week, we remain your obedient servants and stand ready to provide you with exceptional fiduciary advice, service, and investment management.

Your obedient servants,

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

Jacob A. McClure, CIMA®