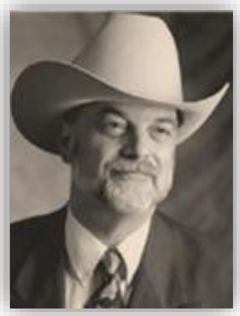

THE PERSONAL WEALTH COACH®

An SEC Registered Investment Adviser

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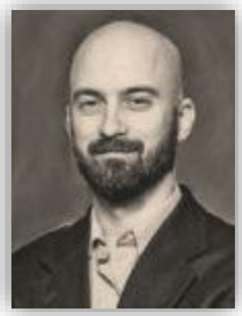

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March 14, 2025

TPWC Market and Economic Update

The Markets

The bumps in the road continued this week, with our dear, old, beloved S&P 500 Stock Index (SPX) riding down the slippery and uneven slope into a formal correction only to bounce back out of said correction on Friday. For perspective, the SPX seemed to have found a comfortable level around 6144 back in mid-February as the "Magnificent 7" AI stock issues rotated out of a dominant position and value-based equities climbed. What a difference a month has made! Since then, the Index has fallen about 8.3% after recovering from Thursday's close, where it was down more than 10%, the generally accepted definition of a market "correction." Today, Friday the 14th, the venerable Index rose 2.13% to close at 5638.94 but was still down 2.27% for the week. It is now down 4.13% this year but remains up a pleasant 9.48% from a year ago and is about 35% higher than it was three years ago. Our other preferred market indicator, the CRSP US Mid-Cap Value Index, declined 1.90% this week to 2748.43, is down 1.75% this year, and up 6.22% from this time last year.

On the other and much larger side of the U.S. securities markets, the benchmark ten-year U.S. Treasury note ended the week with a yield of 4.31%, about the same as last week and a year ago. The extremely short-term one-month T-bills, the primary fodder for U.S. Treasury money market funds, continued with an annualized yield of 4.37%, while the longer-term 20-year T-bond yield continued its slow climb, ending the week with a 4.65% yield, to the dismay of many bondholders. (The market value of bonds tends to decline as yields increase.) The price of a barrel of West Texas Intermediate crude oil (WTI) did not do much for the week but is down over 6% from the beginning of the year and about 17% from a year ago at $67.14.

The obvious and much-asked question is whether this stock market decline will continue and develop into a full "bear" market with a decrease from last month's high point of 20% or more. While no shortage of people will proclaim they know the answer to that enduring question, the honest answer is, "No one knows." The stock market, at least according to the reports on those who do the buying and selling on Wall Street, is suffering from a sell-off because of the high level of uncertainty that has developed from the actions of the U.S. Executive branch in concert with the potential for an imminent government shutdown. Since the market turbulence is primarily the result of the potential damage assessment from enacting the largest tariffs we have seen since the 1930s and the alternating policy changes associated with them, the same policy swings that reportedly are causing the market decline make any prediction unreliable. As we have written, keep your seatbelts fastened; this is a bumpy road.

The Economy

What we have going for us is a robust economy with an abundance of momentum developed over the last few years. What we don't have is much confidence that the near future will be as benign as what we have seen over the previous five years or so. The University of Michigan consumer sentiment index declined to 57.9 from 64.7 in January, while inflation expectations in that survey rose to 4.9%. The University of Michigan survey has now been falling for three months. The National Federation of Independent Businesses Small Business Survey also has lost about 5% since its post-election high. The respondents' reported cause for the decline was heightened uncertainty around trade policy and tariffs. Those concerns came in the face of both the Producer and Consumer price indexes (PPI and CPI) continuing their trend of declining inflation. For February, the CPI rose only 0.2%, and the PPI held steady after rising 0.6% in January. In another noteworthy report, the Job Openings and Turnover Survey indicated that employers are still hiring and job openings are increasing.

Not only stock prices but also the business investments and consumer spending elements of our economic system critically depend on what business owners and consumers anticipate in the next six months to a year. As we have written before, businesses, some consumers, and many stock traders are waking up to the reality that the threatened elevated tariffs, if imposed, will strip trillions of dollars out of the economy. Just as bad is the increasing opinion that we cannot predict the result of tariffs, large-scale government layoffs, and the secondary results of those issues.

As the vernal equinox draws near and spring prepares to bring us beautiful weather and pleasant temperatures, rest assured that while we are no spring chickens, we are alert and ready, willing, and able to answer your questions and provide you with our best fiduciary asset management, advice, and service. Don't be a stranger!

Your obedient servants,

Jeffrey W. McClure, CFP®
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