WEEKLY MARKET PULSE

SERENE FINANCIAL SOLUTIONS

MARKETS CLOSED ON MONDAY FOR NEW YEARS!!

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WEEKLY MARKET PULSE

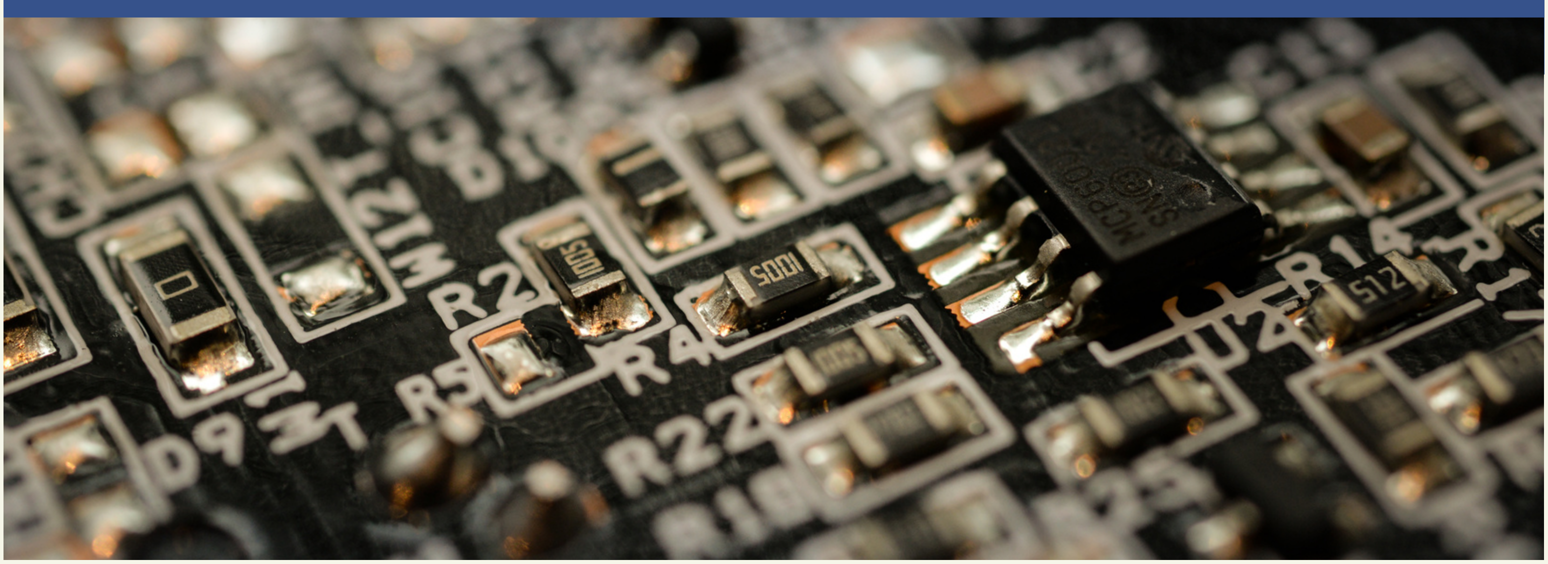
TUESDAY

Equity markets came into the new year with a bit of a rough start. Both the S&P 500 and Nasdaq ended the day in the negative, while the Dow Jones managed to slip away with a slight gain. Chip companies, in particular, experienced some trouble in the stock market due to a disruption in the chip market caused by ASML, a semiconductor machine manufacturer, reporting that it would be exporting fewer sets of its chip-making machinery to China upon legal restrictions from the Dutch government. In response, several chip-making companies were sent deep into the negative on Tuesday: AMD (-5.99%), Nvidia (-2.73%), and Intel (-4.88%).

After being downgraded to “underweight” by Barclays, Apple was put in the hot seat. Analysts at the big bank reported that Apple has posted relatively unimpressive numbers in the recent year. Compared to Apple’s 2022 annual report, its revenue dipped around 5.7%. This decrease in revenue was pushed largely due to slowing iPhone sales, which account for approximately 52% of Apple’s revenue. While Apple’s older versions of the iPhone elicited widespread excitement upon their release, Apple’s most recent models have failed to live up to the expectations that customers once felt.

Major Stock Indices Performance Today...

S&P 500: -0.57%　　Dow Jones: 0.07%　　NASDAQ: -1.63%



WEEKLY MARKET PULSE

WEDNESDAY

As we have seen through a recent focus on the monetary policy of the Federal Reserve, the American economy is largely dependent on the cost of debt, interest rates. From its impact on mortgage payments to corporate profits, interest rates play a vital role in our economy. This Wednesday, the Federal Reserve released minutes from its most recent meeting, providing insights into the Federal Reserve Committee's thoughts on the current and future state of the American economy. The committee ultimately agrees that interest rates are either near or at their peak for this tightening cycle, but members are uncertain of near future economic and financial developments. Unfortunately, investors were not too happy about this uncertainty and major stock indices ended the day in the negative as a result.

Major Stock Indices Performance Today...

S&P 500: -0.80% Dow Jones: -0.76% NASDAQ: -1.18%

WEEKLY MARKET PULSE

December FOMC Meeting Minutes

- With a recent decrease in interest rates came a booming stock market and depreciation of the dollar that reversed some of the financial decline, such as lower stock valuations, seen in the summer and fall of 2023.
- Yields on U.S. Treasury securities, especially longer-term maturities, fell upon growing investor perceptions of easing inflationary pressures on the economy.
- Real GDP, an inflation-adjusted measure of national economic performance, has slowed since the 3rd quarter, indicating that the US economy is progressing at a slower rate compared to the previous quarter. While this does display a weaker economic output, this decreased rate of economic growth could also coincide with slowing inflation.
- On the other hand, the labor market remains robust, with the number of available workers being fairly limited compared to the number of available job openings. As a result, the unemployment rate remains fairly low.
- Despite easing over the past year, CPI inflation remains too high for the Federal Reserve's preferred 2%. Over the past 12 months, the CPI inflation rate was 3.1%, whereas the core CPI inflation rate (excluding food and gas prices due to their volatile nature) rose 4%.
- As far as GDP goes, business investment was mostly flat, although nonresidential construction spending increased. New residential housing construction moved little, and home sales further declined, reflecting high interest rates and home prices. In October, manufacturing production fell and factory output was weak, which could be due to production inefficiencies, lower consumer demand, supply chain disruptions, etc.

WEEKLY MARKET PULSE

December FOMC Meeting Minutes

- Thanks to slowing inflation and subsequent forecasts for lower interest rates brought about by looser monetary policy, borrowing costs have fallen recently.
- Participants at the FOMC meeting project GDP to decelerate coming into 2024, and they expect the labor market to come into better balance. That said, they ultimately expect economic activity to cool down, and they expect lower labor demand coupled with fewer job openings and hires.
- Participants note that overall inflation has made improvements and prices are not increasing at nearly the same rate they were just a year ago. They further explain that the prices of various core goods and energy products have either fallen or only changed slightly, which comes as good news. However, they also explain that the prices of core services continue to increase at an unsustainable pace. Despite this, there is hope that core services inflation will cool down as the supply and demand of labor come into better balance.
- According to participants at the meeting, consumer spending remains strong, as well as the labor market and income growth, but they suspect that consumer spending could slow down due to factors such as slower income growth and narrowing savings left over from the COVID-19 pandemic. On top of this, consumers have ramped up their credit usage: piling up credit on their credit cards, utilizing buy-now-pay-later forms of payment, missing loan repayment deadlines, and taking out payday loans.
- Regarding future economic conditions, participants at the meeting were mostly uncertain. A combination of strong balance sheets (savings, debt repayment, etc.) from households and easing financial conditions could potentially heat up inflation.

WEEKLY MARKET PULSE

December FOMC Meeting Minutes

- The committee reported various risks to the US economy, but a particularly important risk they noted was that the rate of gross domestic income rose was much lower in comparison to GDP growth, potentially indicating that the economy may have grown at a slower rate than depicted by the recent GDP figures.
- Participants expect slower economic growth, caused by tighter financial and credit conditions, to weigh on households and businesses in the near future.

With all of this said, it appears that households and businesses have various prospects and challenges looming in the near future. Many of us have been eagerly anticipating a slowdown in price increases, which is expected to continue. However, alongside this positive outlook, there are expectations of a tightening labor market, slower income growth coupled with decreased inflation, a cooling down of economic activity, and reduced earnings and spending for businesses. While these projections are not guaranteed to materialize, it's incredibly beneficial to stay informed about our economy's current state and be ready for potential impacts that certain factors, such as inflation, could have on personal finances, the companies you work with, and those you invest in.

For instance, numerous consumers are reaching the limits of their credit cards and spending beyond their financial means. Instead of succumbing to this common trend, prioritize essential expenses related to your well-being and happiness. Consider saving and investing any surplus income. This approach ensures a safety net in case inflation starts ticking up or if unexpected expenses suddenly arise. Furthermore, with the labor market expected to cool down, being financially prepared for possible, pay cuts, layoffs or extended job transition periods can alleviate considerable financial stress. Having savings set aside can provide stability during uncertain times and unexpected cost hikes.

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WEEKLY MARKET PULSE

November Jolts Data

Job Openings

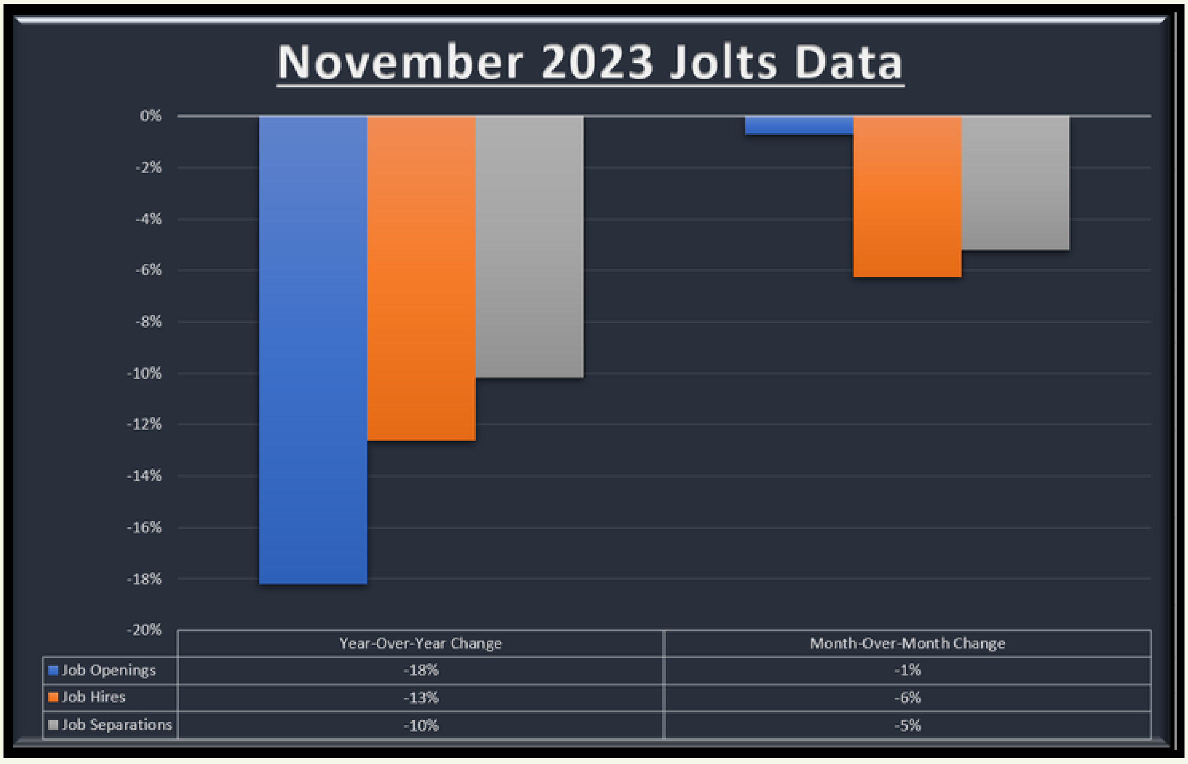
The number of job openings in November slightly decreased from 8.85 million in October to 8.79 million, indicating a modest month-over-month decline in job availability. Compared to November of the previous year (2022), job openings have plummeted by over 18%, signaling a sharp drop in demand for new employees.

Hires

Similar to job openings, hires experienced a decline over the past month, dropping by approximately 6% compared to October. Despite a relatively robust job market in 2023, November witnessed a discernible decrease in labor demand. Compared to the previous year, job hires have decreased by over 12%, underscoring a gradual cooling of the job market.

Separations

In addition to declines in hiring and job openings, job separations decreased in November, totaling around 5.34 million, marking a 5% decline. Involuntary job separations, such as layoffs and discharges, decreased by about 7%, while voluntary separations, such as quits, fell by 4%. While it's positive that fewer individuals were laid off or discharged, the decline in voluntary job exits presents a mixed picture. A decrease in quitting levels may indicate employees staying loyal to their companies and contributing to business growth. However, it also suggests potential constraints or lack of incentives for job switches, possibly due to limited opportunities.



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WEEKLY MARKET PULSE

THURSDAY

US Treasury security rates have started to reverse the strides made in December, with interest rates now ticking up. This shift largely responds to the Federal Reserve's meeting minutes, revealing uncertainties the Federal Reserve faces regarding future economic activity and potential interest rate reductions.

Higher treasury yields, despite indicating increased borrowing costs for businesses and individuals, can also signal potential investment opportunities. For instance, rising yields might make certain fixed-income investments more appealing. Investors looking for stable returns might consider reallocating their portfolios towards fixed-income securities or bonds with higher yields. Additionally, sectors sensitive to interest rates, such as financials, could potentially benefit from higher yields, presenting investment opportunities in these areas.

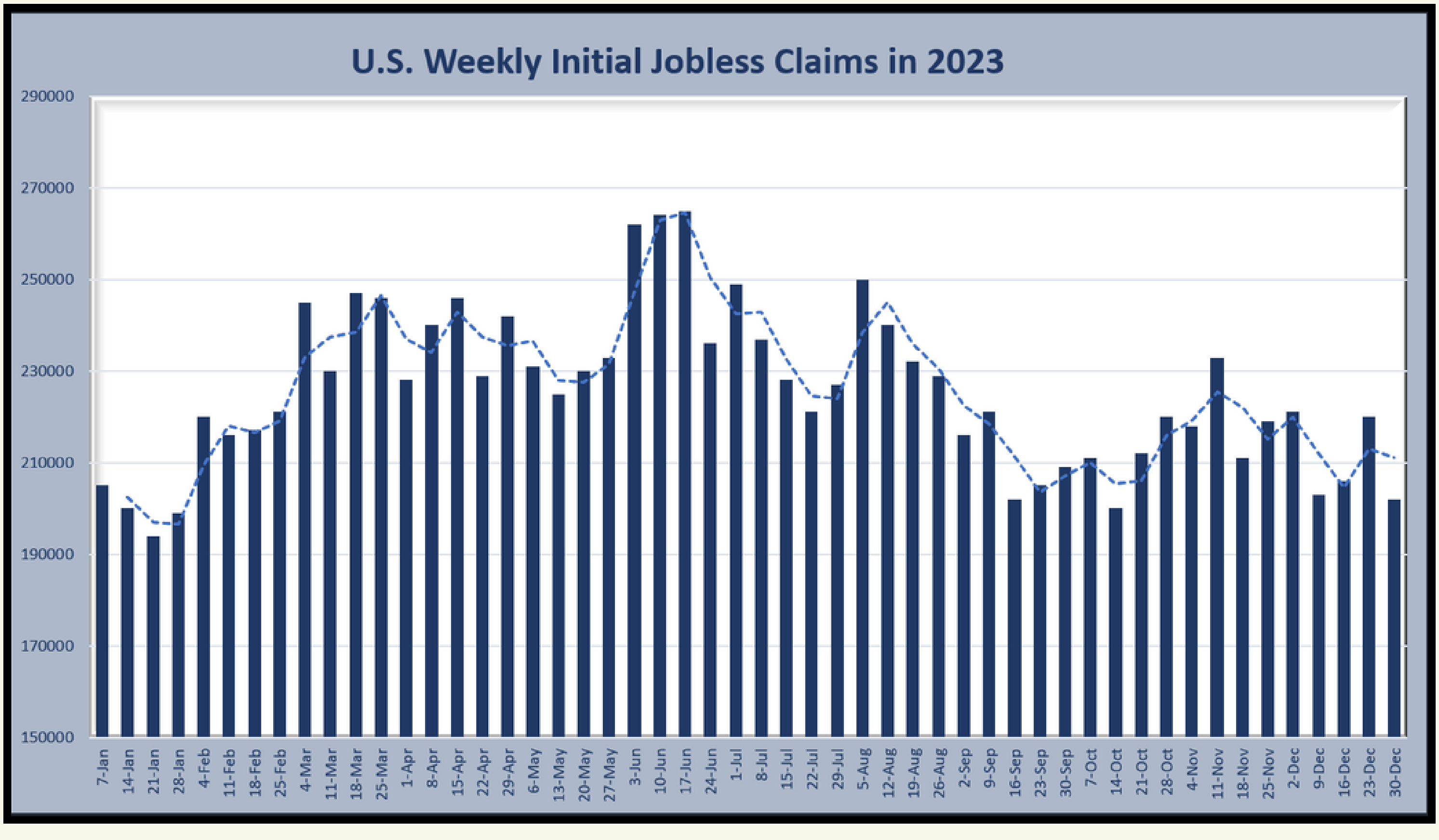
Major Stock Indices Performance Today...

S&P 500: -0.34%　　Dow Jones: 0.03%　　NASDAQ: -0.56%

WEEKLY MARKET PULSE

U.S. Initial Jobless Claims for Week ending December 30th

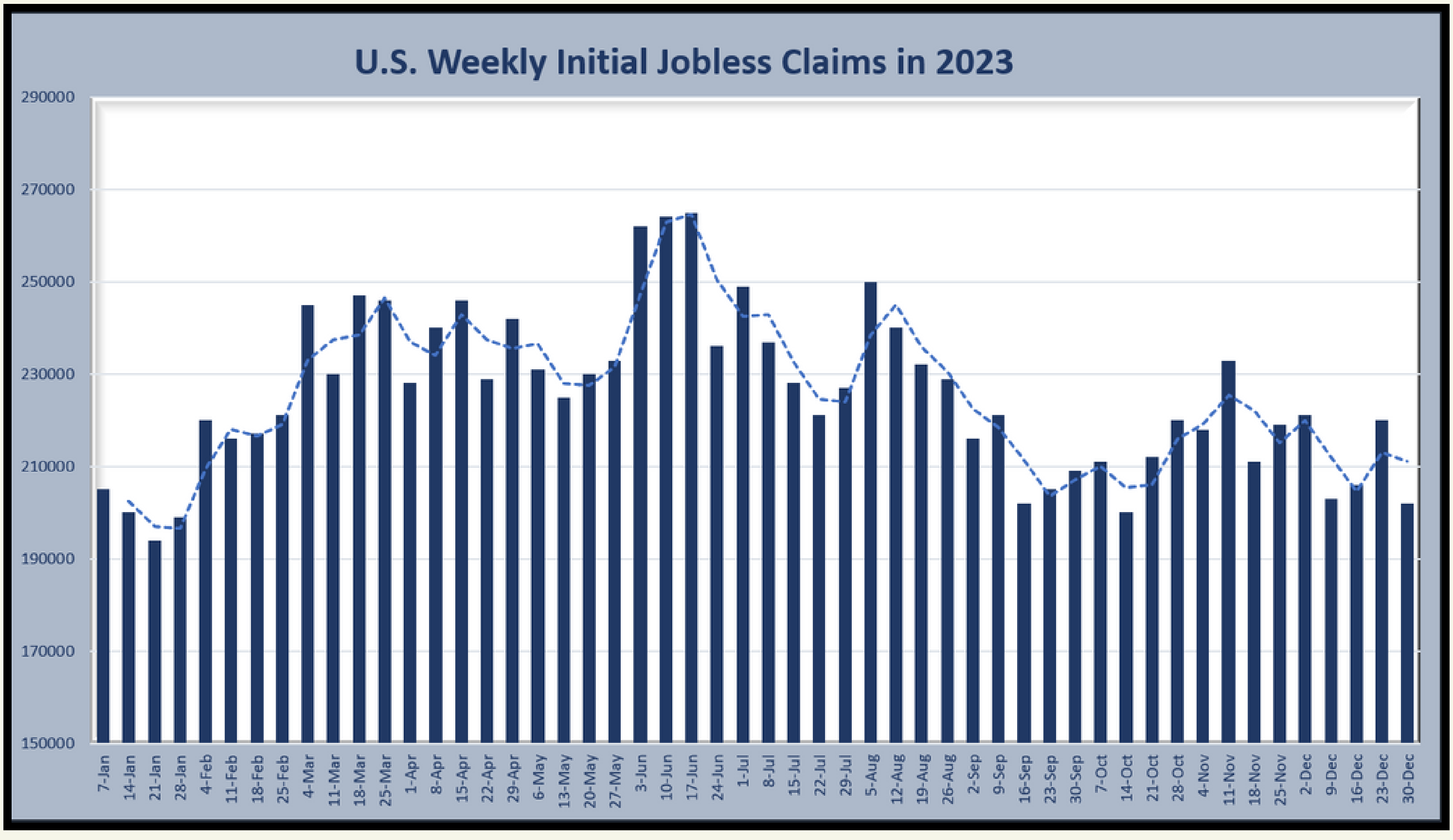
Initial jobless claims, representing the number of individuals filing for unemployment benefits within a specified period, notably decreased from a revised 220,000 in the previous week to 202,000. Despite some fluctuations, jobless claims in December remained relatively low compared to other weeks in 2023. In fact, the most recent week recorded one of the year's lowest initial jobless claims readings, indicating reduced job separations during December. As fewer individuals enter unemployment, this trend could imply that companies are conducting fewer layoffs or dismissals, or that fewer people are opting to leave their jobs, or possibly a combination of both scenarios. Nevertheless, observing fewer departures from employment, whether voluntary or involuntary, tends to signal positivity for both employees and companies.



WEEKLY MARKET PULSE

U.S. Initial Jobless Claims for Week ending December 30th

However, economists anticipate that the current phase of relatively low job separations may not persist. There's a prevailing expectation that elevated interest rates and tighter overall financial conditions will continue exerting pressure on companies, potentially leading to increased layoffs. Therefore, it becomes crucial to prepare for this potential outcome to mitigate its impact if it materializes. For those presently employed, demonstrating your value becomes imperative: contribute more to the company, acquire new skills, take initiative, demonstrate leadership, and expand your professional network within and beyond your workplace. For those seeking employment, this remains an opportune time to intensify efforts to secure a job before potential challenges arise. Revamp your resume, prepare thoroughly for interviews, and persistently apply for positions that align with your interests. Lastly, individuals considering job transitions should contemplate the prospect of a cooler labor market in 2024, with fewer job opportunities and increased layoffs. New hires often face vulnerability during mass layoffs, so it's essential to be mindful of this possibility.



WEEKLY MARKET PULSE

FRIDAY

Major stock indices concluded the day with marginal movement following the Bureau of Labor Statistics' release of the employment report for December. Surpassing expectations, the U.S. witnessed a notable increase in job additions while concurrently maintaining an unchanged unemployment rate. This suggests a nuanced balance within the labor market for the month—neither excessively active nor sluggish—contributing to a relatively steady sentiment among investors during Friday's trading. While the consistent stability in job numbers brought positive sentiment, it has raised concerns among certain analysts. There's a growing worry that this sustained strength in the labor market might signal to the Federal Reserve the necessity of prolonging higher interest rates beyond the initially anticipated timeframe. Coupled with various other factors, this surge in U.S. Treasury Security rates mirrors investors and analysts incorporating the potential for a protracted period of elevated interest rates.

Major Stock Indices Performance Today...

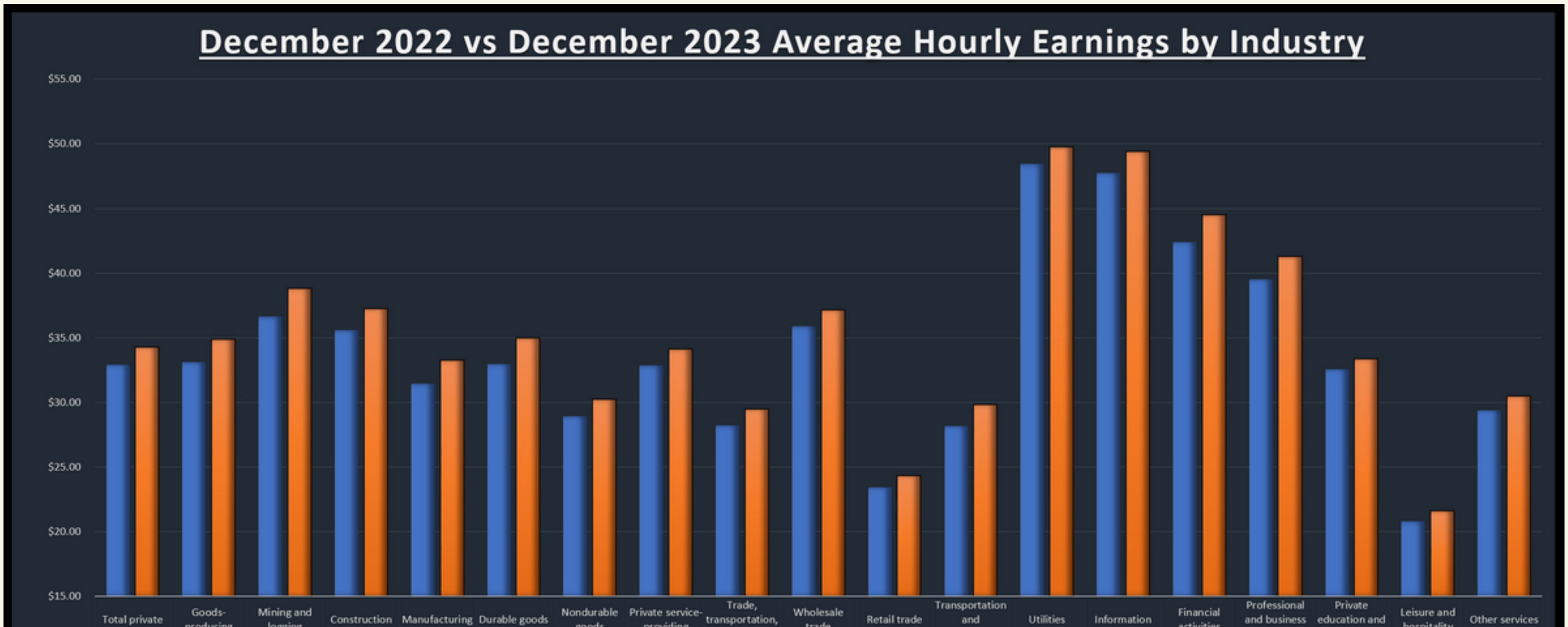
S&P 500: 0.18% Dow Jones: 0.07% NASDAQ: 0.09%

WEEKLY MARKET PULSE

U.S. Employment Situation in December

In the month of December, the United States saw an increase of 216,000 employees, led by employment growth in government, leisure and hospitality, health care, and social assistance. This overall increase in employment left the unemployment rate unchanged from the previous month, leaving it at 3.7%.

On top of increased employment, hourly earnings increased in December, which could help improve the purchasing power of some households. It can also contribute more to inflation since as people earn more, they spend more, leading businesses to raise their prices. Since last December, hourly earnings have risen by around 4.1%. Those who are seeing their incomes rise by 4% or higher are in incredible positions, being that they were able to earn much more in 2023 than they did in 2022. Whether your income only increased by 2% or even 8%, it’s important to compare your take-home income growth to the change in your expenses for the year. If your income increased by 4% in 2023, but your total expenses also increased by 4%, your real income didn’t change since the money you spent canceled out the extra money you earned for the year. Thus, assessing this balance between income growth and expenses is pivotal in understanding your true financial advancement over time.



	Total private	Goods-producing	Mining and logging	Construction	Manufacturing	Durable goods	Nondurable goods	Private service-providing	Trade, transportation, and utilities	Wholesale trade	Retail trade	Transportation and warehousing	Utilities	Information	Financial activities	Professional and business services	Private education and health services	Leisure and hospitality	Other services
Dec. 2022	$32.92	33.11	36.64	35.6	31.47	32.96	28.92	32.88	28.23	35.87	23.45	28.17	48.44	47.74	42.42	39.53	32.58	20.78	29.37
Dec. 2023	$34.27	34.9	38.81	37.24	33.25	34.97	30.25	34.13	29.49	37.13	24.33	29.84	49.78	49.44	44.54	41.29	33.38	21.6	30.51

MAJOR STOCK INDEX PERFORMANCE

	S&P 500	Dow Jones Industrial Average	Nasdaq Composite
Percent Change (Monday)	Markets Closed	Markets Closed	Markets Closed
Percent Change (Tuesday)	-0.57%	0.07%	-1.63%
Percent Change (Wednesday)	-0.80%	-0.76%	-1.18%
Percent Change (Thursday)	-0.34%	0.03%	-0.56%
Percent Change (Friday)	0.18%	0.07%	0.09%
Weekly Change	-1.52%	-0.59%	-3.25%

U.S. TREASURY SECURITY YIELDS (IN PERCENT)

	1 Mo	2 Mo	3 Mo	4 Mo	6 Mo	1 Yr	2 Yr	3 Yr	5 Yr	7 Yr	10 Yr	20 Yr	30 Yr
Monday	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Tuesday	5.55	5.54	5.46	5.41	5.24	4.8	4.33	4.09	3.93	3.95	3.95	4.25	4.08
Wednesday	5.54	5.54	5.48	5.41	5.25	4.81	4.33	4.07	3.9	3.92	3.91	4.21	4.05
Thursday	5.56	5.48	5.48	5.41	5.25	4.85	4.38	4.14	3.97	3.99	3.99	4.3	4.13
Friday	5.54	5.48	5.47	5.41	5.24	4.84	4.4	4.17	4.02	4.04	4.05	4.37	4.21

LINKS TO ECONOMIC/FINANCIAL DATA FROM THIS WEEK

November Jolts

https://www.bls.gov/news.release/jolts.toc.htm

December FOMC Meeting Minutes

https://www.federalreserve.gov/monetarypolicy/fomcminutes20231213.htm

U.S. Initial Jobless Claims for Week ending December 30th

https://www.dol.gov/ui/data.pdf

U.S. Employment Situation in December

https://www.bls.gov/news.release/empsit.toc.htm

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