

MONDAY

The week kicked off with major market indices maintaining a relatively steady stance as investors eagerly anticipated the unveiling of the January 2024 Consumer Price Index (CPI) inflation report on Tuesday. This pivotal data holds significant sway over forecasts for the Federal Reserve's interest rate policy, currently pivoting around speculations on when the Fed might initiate a reduction in interest rates.

Company Earnings:

Arista Networks, a leader in cloud networking technology, showcased an impressive 33.8% surge in yearly revenue compared to the fiscal year 2022. Fueled by the integration of AI networking services, innovative routing solutions, and an overall lucrative growth model, the company experienced robust performance throughout 2023. Looking ahead to the first quarter of 2024, revenue is poised to fall within the range of \$1.52 billion to \$1.56 billion, following the Q4 2023 revenue of \$1.54 billion.

Shifting gears to Waste Management, a company dedicated to waste management and environmental services, recorded a noteworthy 3.7% growth in revenues. Management attributes these financial results to effective pricing strategies, meticulous cost optimization, and strategic investments in personnel, technology, and assets. Buoyed by this success, optimistic management envisions even swifter growth in 2024, projecting an increase between 6% and 7%.

Major Stock Indices Performance Today...

S&P 500: -0.09%

Dow Jones: 0.33%

NASDAQ: -0.30%



TUESDAY

Tuesday's release of the CPI inflation report brought unwelcome news, causing major stock indices to slide while bond yields surged. Despite an overall improvement, with overall price increases dropping from 3.4% in December to 3.1% in January, core inflation, excluding volatile food and energy prices, held steady at 3.9%. Analysts and investors expressed dissatisfaction, as forecasts had anticipated core inflation at 3.7%. The lack of fluctuation in core inflation raises concerns about its stickiness, indicating resistance to change.

In response to these developments, expectations of a rate decrease by May plummeted from 60.7% to 34.48% in a single day, underscoring the volatility of forecasts. It is crucial to recognize that these expectations may swiftly change with the release of data indicating shifts in inflation, GDP, unemployment, and other economic indicators.

Company Earnings:

Shopify experienced remarkable growth, with revenue surging by 26% in 2023, signaling the e-commerce platform's strong momentum. Fueled by a commitment to innovation in the e-commerce space and elevating merchants' businesses, the company anticipates low-twenties revenue growth in Q1 2024.

Airbnb continued its growth trajectory, expanding its host community to over 5 million and achieving the highest number of active global listings to date. The company reported over 18% revenue growth throughout the year, demonstrating sustained expansion.

Leidos, a major player in leveraging information technology, engineering, and science, reported strong growth driven by a busy 2023. While annual revenue increased by a solid 7%, net income saw a decline of nearly 70% due to significant rises in costs of revenue and operating expenses. The outlook for 2024 indicates expected revenue growth ranging from a modest 2% to 4.5%.

Lyft, the fourth-largest rideshare company by market cap, recorded impressive gross bookings growth of 14% and total revenue growth of 8%. Despite a positive revenue year, the company continues to incur losses, posting a \$340 million net loss in 2023—an improvement from the \$1.6 billion loss in 2022.

Robinhood, a popular financial services company, achieved a remarkable 37% growth in revenues for 2023, driven by robust improvements in interest-based revenues. While the company reported a net loss for the year, the losses decreased by 47%. Management expresses optimism about international growth and increased trading market share as they enter 2024.

Major Stock Indices Performance Today...

S&P 500: -1.37%

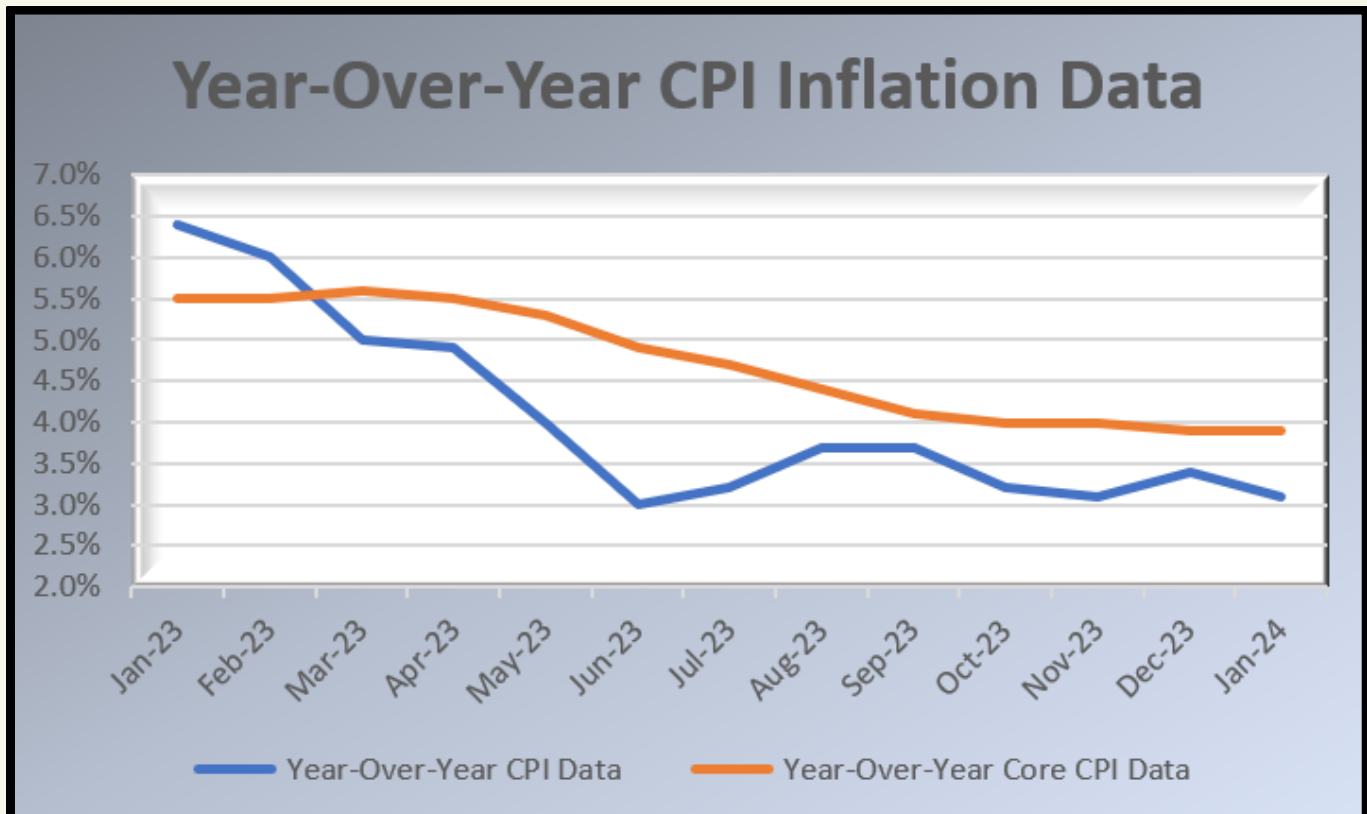
Dow Jones: -1.35%

NASDAQ: -1.80%

January 2024 Consumer Price Index

Consumer Price Index (CPI) witnessed a 0.3% increase from December to January, signaling a notable uptick in inflation. This month-over-month increase, the most significant since September 2023, can be attributed primarily to elevated prices in key sectors such as food, energy services (electricity and piped gas), housing, transportation services (maintenance, repairs, insurance, etc.), and medical services (medical equipment/supplies and medicinal/prescription/nonprescription drugs). However, when compared to the same period a year ago, inflation has moderated, declining from 3.4% in December to 3.1%. This cooling effect is attributed mainly to lower energy prices, including gasoline and fuel oil, as well as used cars.

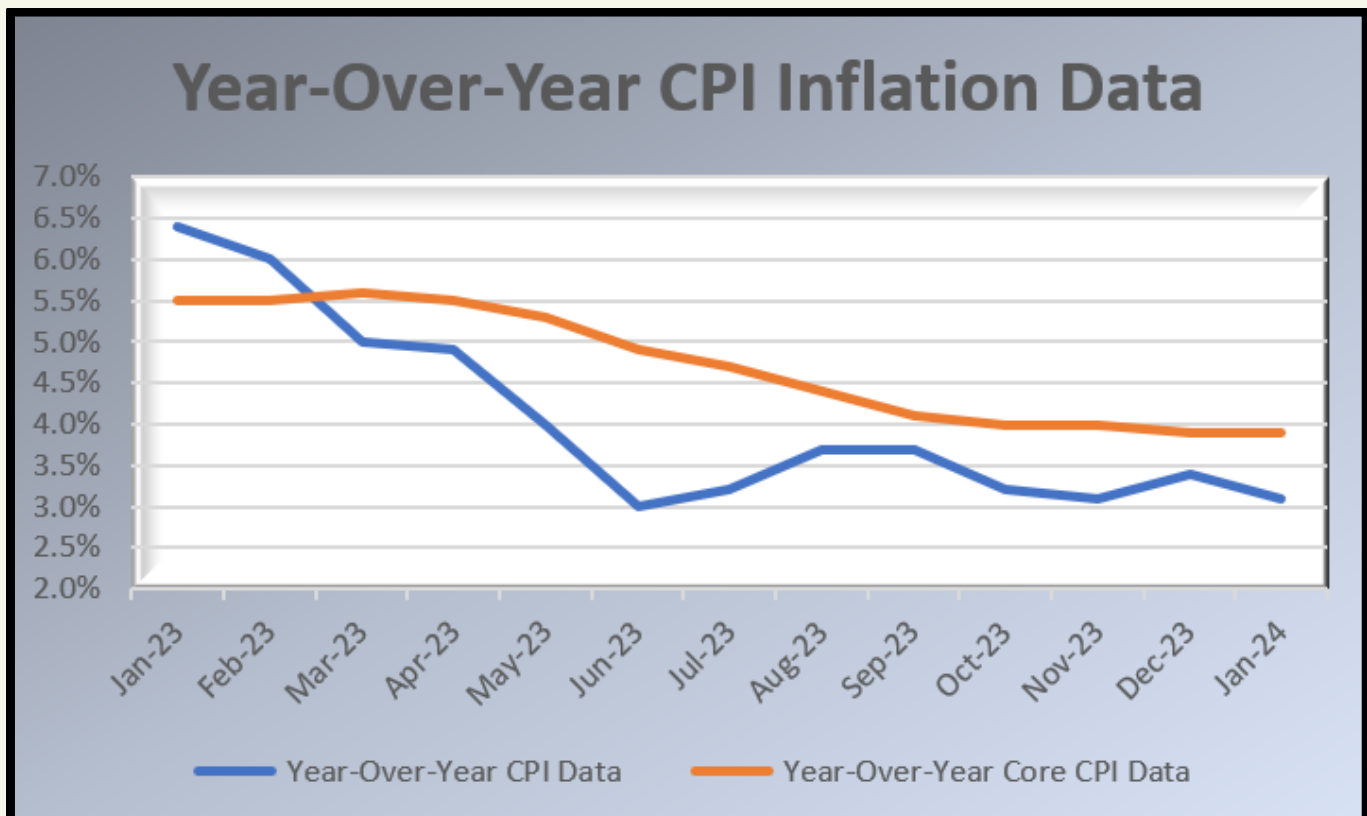
As you've likely experienced during your recent store visits, rent payments, or car insurance renewals, inflation remains a significant concern for the American public. With the majority of incomes remaining relatively stagnant year over year, while essential expenses like rent increase by over 6%, car insurance surges by more than 20%, and food costs rise by 2.5%, individuals face substantial financial pressures. The escalating prices in America are eroding people's purchasing power.



January 2024 Consumer Price Index

So, what does this mean for you? Are you doomed? Absolutely not! By reading this, you are taking proactive steps to educate yourself and stay informed about the financial challenges posed by inflation. Awareness empowers you to adjust your spending strategically. If you observe that the costs of necessities like food, housing, or utilities are on the rise, consider exploring more cost-effective alternatives, negotiating discounts, trimming expenses in non-essential categories, or reallocating funds saved from a reduced expense to an area experiencing an increase. For instance, with energy prices decreasing, redirecting savings from energy costs to food expenses could be a savvy move.

It's crucial to recognize that the surge in inflation is largely fueled by growing consumer demand, coupled with limited supply. Notably, a significant portion of consumer demand relies heavily on increased credit card usage. Many consumers find themselves in situations where they must leverage credit due to a lack of immediate funds to sustain their lifestyle. If you're unable to afford your current lifestyle with existing or guaranteed future income, explore potential areas for spending cuts or opportunities to boost your income. Smart financial decisions and strategic planning can help navigate the challenges posed by inflation.



WEDNESDAY

Following a turbulent Tuesday marked by persistent core inflation, markets showcased remarkable resilience, posting robust gains. Despite initial unease among investors and analysts in response to Tuesday's CPI figures, market confidence rebounded as they adjusted to the reality of an extended period of elevated interest rates. The abrupt spike in U.S. bond yields on Tuesday also saw a subsequent cooling down.

Company Earnings:

Cisco, a leading provider of networking, cloud, and cybersecurity solutions, encountered a slightly slower pace of revenue growth in 2023. In addition to this deceleration, the company faced an almost 8% increase in the cost of sales, resulting in diminished overall profitability for the year. In a strategic move to trim expenses, the major tech player is planning a workforce reduction of 5%, translating to over 4,000 jobs.

Shifting gears to Kraft Heinz, renowned for its staple condiments and dairy products, the company reported predominantly flat growth, with net sales registering a modest 0.6% increase. Despite the relatively stable sales, Kraft Heinz excelled in cost management. Through effective measures to reduce production costs and operating expenses, the company achieved higher net income compared to 2022. According to the company's projections, revenue is anticipated to remain relatively flat throughout 2024, with expected growth ranging between 0% and 2%.

Major Stock Indices Performance Today...

S&P 500: 0.96%

Dow Jones: 0.40%

NASDAQ: 1.30%



THURSDAY

Thursday brought a positive turn in the markets as U.S. retail sales saw a decline in January, hinting at a potential cooldown in consumer demand. This welcomed news contributed to a continued decrease in interest rates on U.S. bonds from Wednesday onwards.

Company Earnings:

Deere & Company, a prominent manufacturer of agricultural machinery and heavy equipment, faced an 8% decline in revenue for the first quarter of fiscal year 2024. This drop can be attributed largely to reduced shipments in the "Production & Precision Agriculture" category. Anticipating a decrease in demand from farmers throughout 2024, the management foresees limitations on growth potential.

Shifting focus to DoorDash, the leading U.S. food delivery service, the company achieved a noteworthy 23% growth in total earnings in Q4 2023. Thanks to the unparalleled convenience offered by the platform, both revenues and order numbers performed admirably throughout the quarter, with expectations of sustained growth into 2024. The Marketplace Gross Order Value (GOV), representing the total dollar value of orders, is projected to see a further increase ranging between 5% and 7%. These insights into company performances provide valuable perspectives on the evolving dynamics within various industries.

Major Stock Indices Performance Today...

S&P 500: 0.58%

Dow Jones: 0.91%

NASDAQ: 0.30%

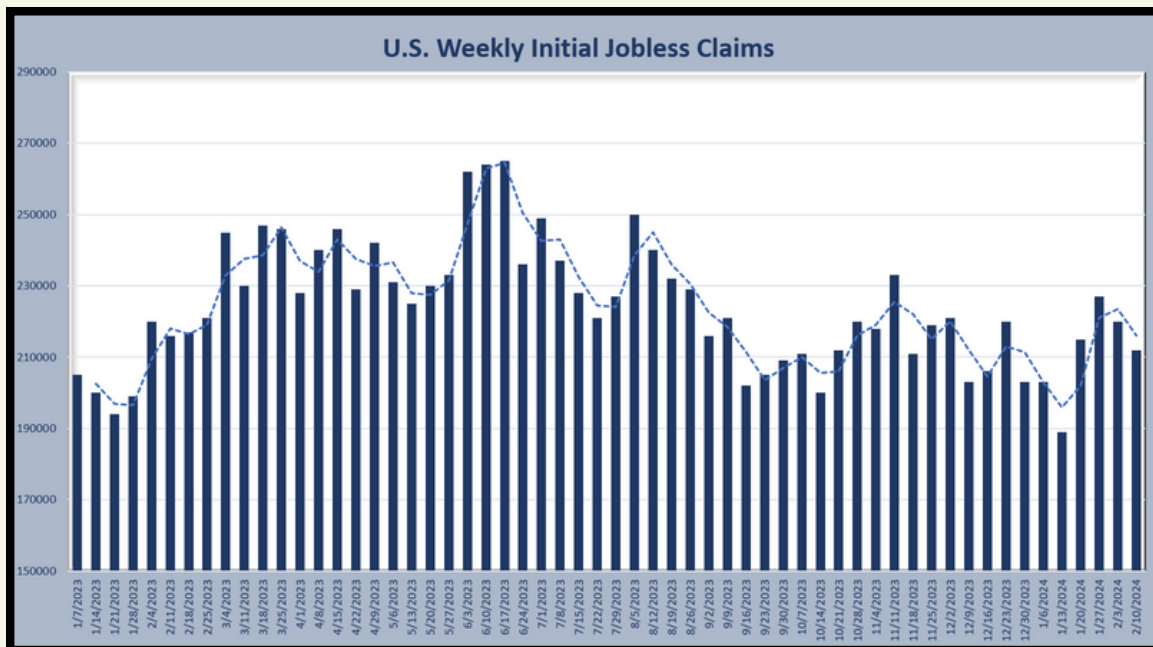


U.S. Initial Jobless Claims (Week ending February 10th)

In the latest installment of weekly jobless claims, a key indicator reflecting the number of individuals seeking unemployment benefits, there's a positive shift. America's labor market continues to exhibit resilience, as only 212,000 initial jobless claims were reported in the most recent week—a notable decrease of 8,000 from the revised level of 218,000 in the previous week.

The confidence in the labor market remains robust, evident in the data from Monday's release of the Survey of Consumer Expectations. The figures reveal a decline in consumer expectations for job loss within the next year, dropping from 13.4% to 11.8%. This anticipated probability of job loss in the upcoming year stands significantly below pre-pandemic levels, underscoring employees' confidence in job security.

While current confidence levels are encouraging, it's essential to acknowledge the anticipated increase in unemployment in 2024. Layoffs are expected to intensify, and hiring may slow down. Several prominent companies, including Google, Amazon, Nike, Cisco, UPS, Morgan Stanley, Paramount, Zoom, Blackrock, Citigroup, Duolingo, Microsoft, PayPal, and Macy's, have already reported plans for layoffs in the coming year.



January 2024 Advance Sales for Retail and Food Services

In January, seasonally adjusted sales for retail and food services dipped to \$700.3 billion, marking a decrease of 0.8% compared to December's total sales of \$706.2 billion. The data from this report suggests a notable shift, indicating that consumer demand may be experiencing a cooling effect, with sales coming in lower than the previous month and lower than expectations.

Comparing January to the same month last year, retail sales witnessed a 0.2% decline. However, specific sectors showcased distinct trends – nonstore retail sales, encompassing home delivery sales and e-shopping, surged by 6.4%, while food services saw a robust 6.3% increase.

Now, the question arises: which types of businesses bore the brunt of reduced spending, and which ones reaped the benefits of increased consumer spending over time?

Kind of Business	Month-Over-Month Change	Year-Over-Year Change	2024		2023		2022
			Jan.	Dec.	Nov.	Jan.	Dec.
Retail & food services total	-0.8%	0.6%	700,291	706,180	703,336	695,776	670,566
Motor vehicle & parts dealers	-1.7%	-1.6%	132,431	134,712	134,323	134,604	123,068
Auto & other motor vehicle dealers	-1.8%	-2.3%	121,006	123,217	122,868	123,835	112,354
Furniture & home furniture stores	1.5%	-9.8%	11,070	10,908	10,926	12,279	11,430
Electronics & appliance stores	-0.4%	-5.8%	7,335	7,367	7,436	7,786	7,069
Building material & garden equipment & supplies dealers	-4.1%	-8.3%	39,655	41,331	40,959	43,236	42,559
Food & beverage stores	0.1%	1.9%	83,267	83,165	82,993	81,689	82,137
Grocery stores	0.6%	2.3%	75,008	74,576	74,465	73,323	74,015
Health & personal care stores	-1.1%	5.0%	36,467	36,868	37,455	34,716	33,165
Gasoline stations	-1.7%	-7.5%	52,409	53,304	53,734	56,680	56,759
Clothing & clothing accessories stores	-0.2%	0.5%	26,551	26,604	26,262	26,418	25,374
Sporting goods, hobby, musical instrument, & book stores	-0.2%	-3.2%	8,481	8,499	8,561	8,764	8,706
General merchandise stores	0.0%	0.9%	73,938	73,904	73,006	73,255	71,543
Department stores	0.5%	-6.7%	10,997	10,940	10,646	11,785	11,235
Miscellaneous store retailers	-3.0%	-2.7%	15,201	15,666	15,719	15,619	14,809
Nonstore retailers	-0.8%	6.4%	118,393	119,405	117,725	111,245	109,034
Food services & drinking places	0.7%	6.3%	95,093	94,447	94,237	89,485	84,913

FRIDAY

The close of the day saw major market indices sliding into negative territory, triggered by the release of the PPI Index, revealing an uptick in production-side inflation. This development prompted a rebound in interest rates on U.S. bonds, coupled with a continued decrease in the likelihood of a rate increase in May, now resting at an anticipated probability of 30%.

Major Stock Indices Performance Today...

S&P 500: -0.48%

Dow Jones: -0.37%

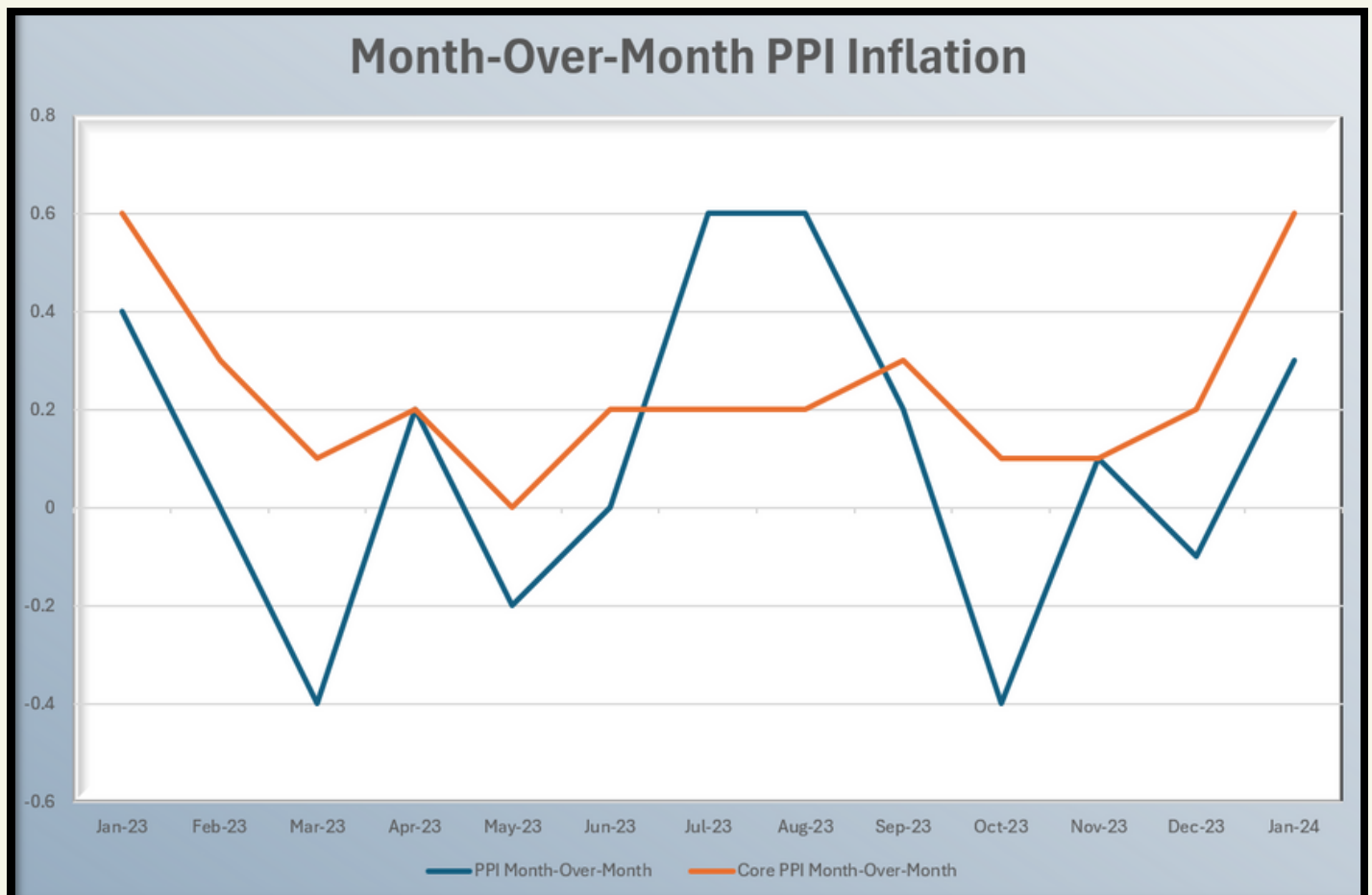
NASDAQ: -0.82%



January 2024 Producer Price Index

The Producer Price Index (PPI), a gauge measuring the price fluctuations faced by domestic producers for their goods and services, rose by 0.3% from December. In parallel, core PPI inflation, excluding the impact of volatile price changes in food and energy, saw a more pronounced increase of 0.6%. There's no denying it – inflation is on the rise. PPI inflation has surged at its fastest pace since August 2023, while core PPI inflation is at its swiftest since last January.

This upswing in PPI inflation suggests that businesses are likely grappling with elevated costs, potentially impacting their profitability. In response to these heightened costs, businesses are likely to adjust by raising prices. As a result, consumers should brace themselves for the prospect of higher prices down the road.



MAJOR STOCK INDEX PERFORMANCE

	S&P 500	Dow Jones Industrial Average	Nasdaq Composite
Percent Change (Monday)	-0.09%	0.33%	-0.30%
Percent Change (Tuesday)	-1.37%	-1.35%	-1.80%
Percent Change (Wednesday)	0.96%	0.40%	1.30%
Percent Change (Thursday)	0.58%	0.91%	0.30%
Percent Change (Friday)	-0.48%	-0.37%	-0.82%
Weekly Change	-0.42%	-0.11%	-1.34%

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	5.49	5.51	5.43	5.43	5.27	4.87	4.46	4.25	4.13	4.16	4.17	4.48	4.37
Tuesday	5.48	5.52	5.45	5.46	5.32	4.99	4.64	4.44	4.31	4.33	4.31	4.59	4.46
Wednesday	5.48	5.51	5.43	5.45	5.31	4.94	4.56	4.38	4.25	4.27	4.27	4.57	4.45
Thursday	5.49	5.51	5.43	5.45	5.3	4.93	4.56	4.36	4.22	4.25	4.24	4.54	4.42
Friday	5.48	5.51	5.44	5.45	5.31	4.98	4.64	4.43	4.29	4.31	4.3	4.58	4.45

LINKS TO ECONOMIC/FINANCIAL DATA FROM THIS WEEK

January 2024 Consumer Price Index

<https://www.bls.gov/news.release/cpi.toc.htm>

U.S. Initial Jobless Claims (Week ending February 3rd):

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

January 2024 Advance Sales for Retail and Food Services

https://www.census.gov/retail/marts/www/marts_current.pdf

January 2024 Producer Price Index

<https://www.bls.gov/news.release/ppi.nr0.htm>

CME FedWatch Tool (Fed Interest Rate Policy Expectations)

[https://www.cmegroup.com/markets/interest-rates/cme-
fedwatch-tool.html](https://www.cmegroup.com/markets/interest-rates/cme-fedwatch-tool.html)

Survey of Consumer Expectations

<https://www.newyorkfed.org/microeconomics/sce#/>

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