

## MONDAY

While major stock market indices ended the day mixed, Bitcoin continued its rise after the U.K.'s Financial Conduct Authority announced that it would permit the offering of crypto-backed exchange-traded notes. What is an exchange-traded note? An ETN is a type of debt instrument that tracks an underlying index of assets, which in this case would be cryptocurrency. Rather than other types of debt that provide interest over time, ETNs trade similarly to stocks. Because cryptocurrency lacks government regulation and is known for being extremely volatile, the U.K. is not yet allowing the average investor to trade crypto-backed ETNs.

### Company Earnings:

Oracle, a technology company providing products such as cloud infrastructure, cloud-based applications, and various software applications to help companies manage data, had an exciting quarter with the company growing its incoming cloud infrastructure projects. On top of this, Oracle expects continued growth in the number of contracts reserving its cloud infrastructure due to demand for its Gen2 AI infrastructure. Interestingly, Oracle expects to introduce a new AI system designed to work as a clinical assistant, taking notes and updating electronic health records for doctors. If this product proves to work as intended, saving doctors time and improving their quality of work, it has the potential to bring the company significant growth from its healthcare-based customers. Getting more into the numbers, Oracle's cloud services and license support area of business drove revenue growth, helping push the company's revenue up by 7% compared to the previous quarter. This increase in revenue led to a total of \$13.3 billion in revenue compared to the previous quarter's \$12.4 billion. Profitability has also increased over the quarter thanks to the company's revenues outpacing its operating expenses, such as sales, marketing, cloud services & license support, and research & development. With operating expenses only increasing by 4% over the quarter, total operating income rose by 15%.

### Major Stock Indices Performance Today...

S&P 500: -0.11%

Dow Jones: 0.12%

NASDAQ: -0.41%



## Survey of Consumer Expectations

This survey is very helpful in understanding the direction consumers expect the economy, financial markets, and their financial situations to head in the coming year(s). For simplicity, we won't delve into expectations more than a year ahead. Based on survey results, households expect inflation to rise by 3% over the coming year, unchanged from expectations in January and December. It's good to see that their expectations have not risen, and it is also good to see that expectations in this most recent survey are only slightly higher than the historical median (dating back to 2013) of 2.98%.

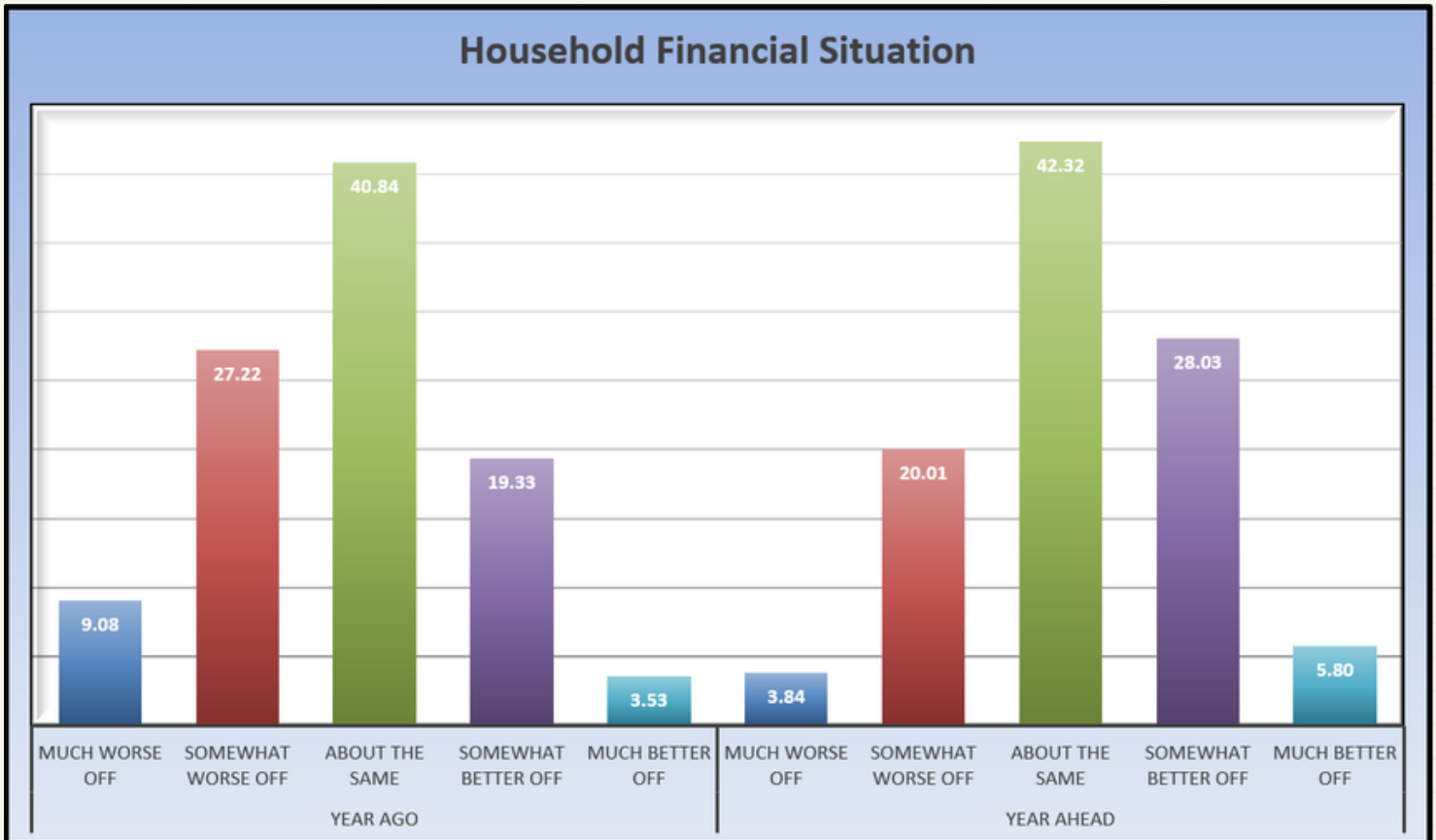
In terms of earnings growth, households expect their earnings to grow by 2.8%, suggesting that they expect their living expenses to outpace their wage growth. This is fairly concerning because consumers expect to lose purchasing power due to inflation growing faster than their wages, however, this is common based on historical data. What's interesting is that consumers expect their purchasing power to decrease at a lower rate in the coming year than in the historical median of expectations. Something households may be missing in expectations is the pressure that their wage growth will have on inflation. With consumers expecting wages to grow faster than in past years, inflation will likely also grow faster than in past years, possibly faster than they expect.



## Survey of Consumer Expectations

Adding onto the impact higher earnings could have on inflation, consumers expect their spending to grow by 5.2% over the next 12 months. With households spending more, inflationary pressure will likely increase. Past survey results indicate that the historical one-year ahead median expectations for changes in household spending were 3.77%, much closer to the median one-year ahead expected 2.98% rate of inflation than the current 5.2% spending growth expectations are to the 3% inflation growth expectations. If expectations for higher spending and earnings growth are accurate, inflation may rise higher than expected.

In more good news, households overall expect their financial situation to improve or remain the same over the next 12 months. Around 76% of households expect their financial situation to improve or remain the same in the year ahead, compared to around 24% who expect their situation to worsen. Something important to highlight here is that the percentage of people who expect their financial situation to worsen a year ahead is fairly higher than the median of 17%.



## TUESDAY

Investors were happy on Tuesday with cloud and software company Oracle reporting strong growth and demand for its new AI products. Oracle's stock valuation rose nearly 12% over the day, leading the S&P 500 higher. Despite CPI inflation coming in hotter than expected due largely to rising costs in housing and gasoline, equity markets did not react heavily to the data. CPI inflation increased by 3.2% over the past year, highlighting sustained inflation. In response, bond markets did react appropriately, sending rates higher. If data, such as inflation, continues to show that the U.S. economy is growing at a strong pace, the Federal Reserve may have to sustain interest rates at their current levels for a longer period of time. What's concerning to the Fed and economists around the United States is that inflation continues to rise, despite pressure from high interest rates which are meant to slow the economy, especially inflation. Now, it's not that the Fed wants the economy to stop growing, far from it, but it does want to control inflation and bring it down to reduce the pressure of higher prices on American households. If the Fed cuts rates too soon, and makes it easier and cheaper for individuals and companies to borrow money, it risks inflation increasing at unsustainable levels.

### Major Stock Indices Performance Today...

S&P 500: 1.12%

Dow Jones: 0.61%

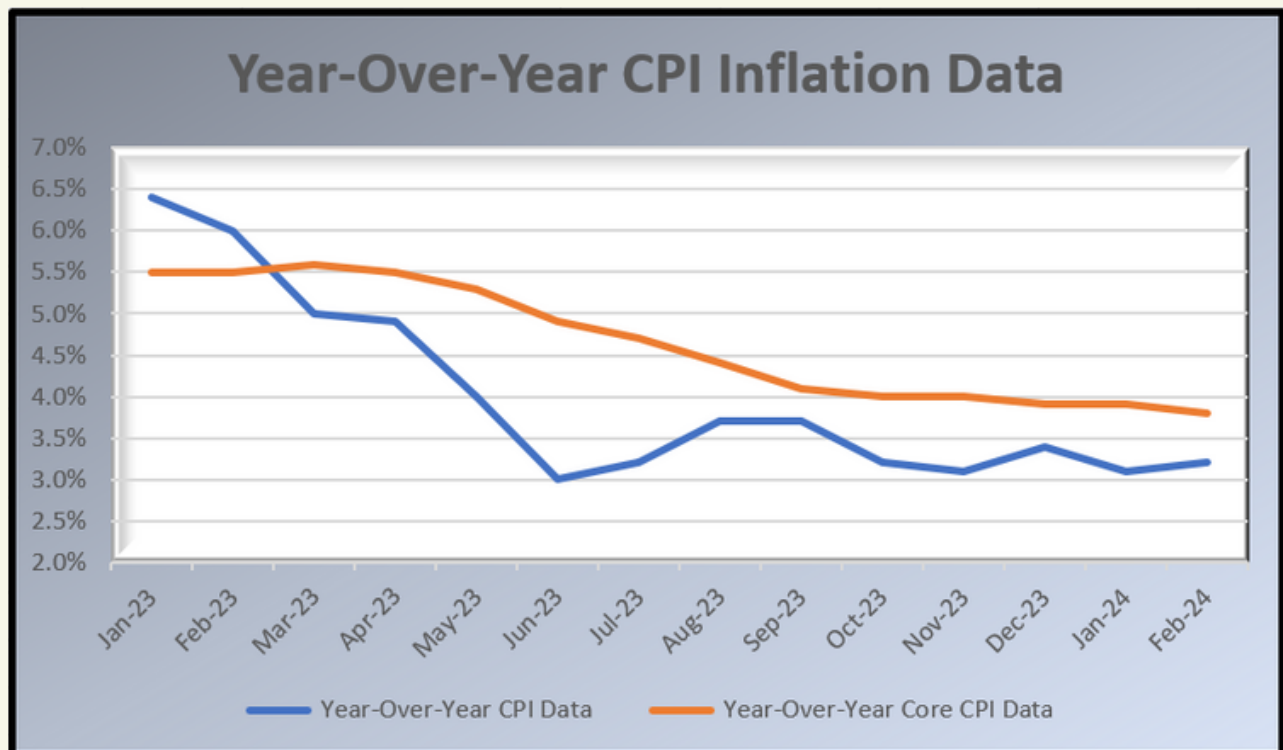
NASDAQ: 1.54%



## February Consumer Price Index

The Consumer Price Index (CPI) is a measure of inflation that tracks the price fluctuations in a basket of goods including food, housing, energy, apparel, cars, etc. Compared to the previous month, CPI inflation rose by 0.4%, marking the fastest month-over-month increase since September 2023, suggesting that inflation has been picking back up in recent months. Compared to a year ago, CPI inflation rose by 3.2%, a slight but unwelcome increase from January's year-over-year inflation rate of 3.1%.

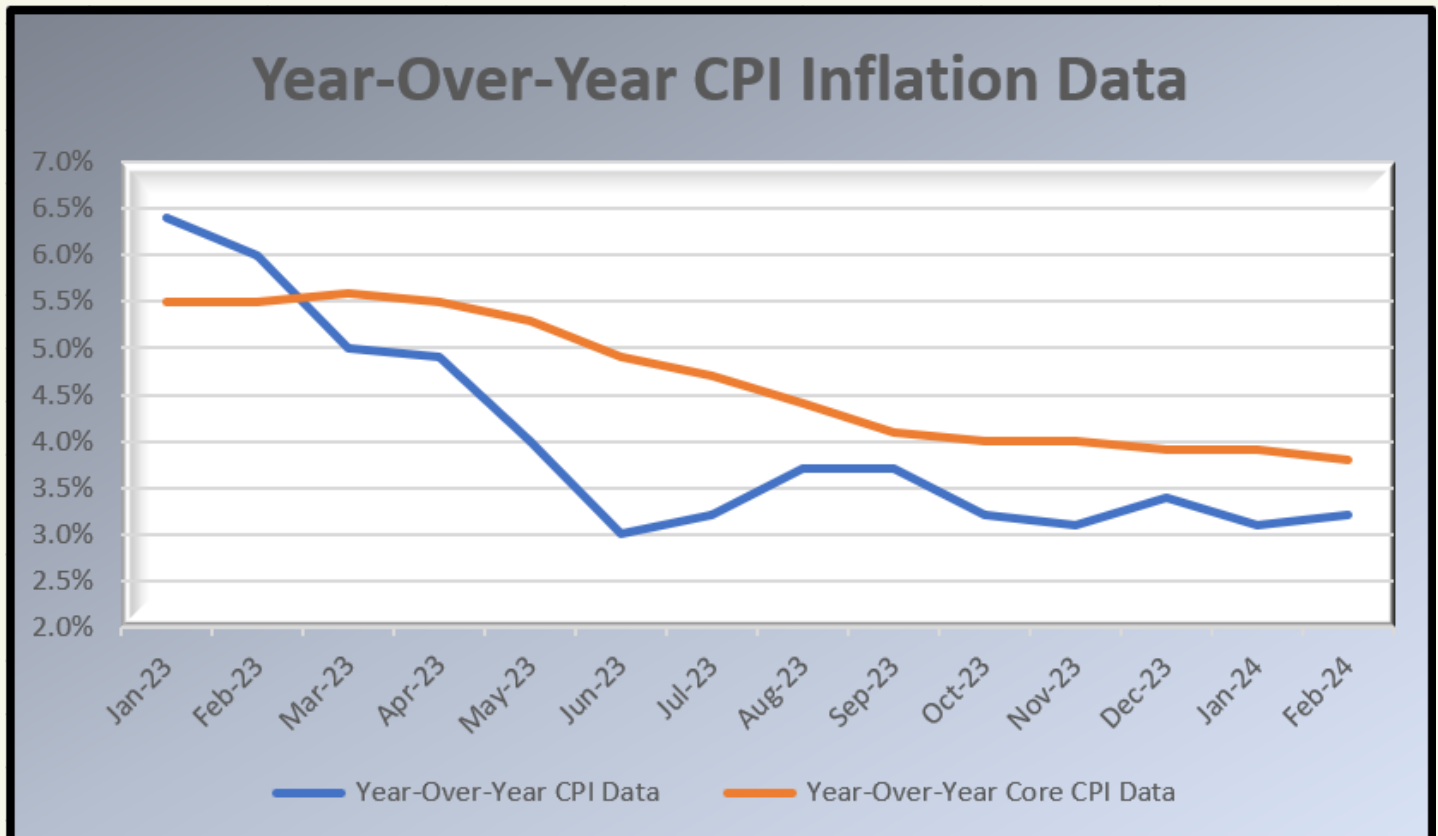
In February, inflation was led mostly by shelter (housing) and gasoline, which accounted for over 60% of the monthly increase in the CPI index. Because the cost of shelter is the largest expense for most Americans, it is concerning to see the cost of housing increase at such fast rates. Since last year, the cost of shelter has risen by 5.7%, with the cost of rent rising by 5.8% and the owner's equivalent of rent rising by 6%. The issue of housing affordability only continues to worsen, and it is important to think about how much you are willing to spend on a home, whether you are renting or buying. Additionally, the current housing affordability issue highlights the potential benefits that purchasing a house can have for households. If you were to have purchased a home a few years ago when interest rates were far lower than they are now, you would likely be in a better position from an expenses perspective than someone renting a home or someone who is purchasing a house now. When the costs of shelter rise, those who have already secured a home with stable principal and interest payments often seek to benefit.



## February Consumer Price Index

The Consumer Price Index (CPI) is a measure of inflation that tracks the price fluctuations in a basket of goods. Out of the various items in the CPI basket of goods, only the costs of new vehicles, medical care services, and food either fell or experienced no change. On the topic of food, the costs of food at home have only risen by 1% over the past year, compared to food away from home rising by 4.5% over the past year. The costs of eating at home remain far lower than the costs of eating out, and if you are looking for ways to reduce your spending, food is one very easy target. While eating at home has a reputation for being time and effort-intensive, there are countless ways to cook at home that can be quick and easy. All it takes is a quick search online, a conversation with friends or family, etc., and I'm sure you will find ways to cook at home efficiently, while also saving money.

Other than shelter and energy, the cost of transportation services rose significantly over the month. Specific transportation services that led to this increase included higher costs of airline fares, vehicle rentals, public transportation, and car insurance.



## WEDNESDAY

With the increasing demand driven by the more recent Bitcoin ETNs and investors optimistic about Bitcoin's future, the cryptocurrency rose higher, up by over 2%. As the world becomes more digitally based, many people see a strong use case for cryptocurrencies, and they have the potential to be very useful. Something important to note, however, is that Bitcoin, along with other cryptocurrencies, is a relatively new asset, and much of its value is based on speculation rather than real-time value. How often do you use cryptocurrency in your daily life? Do you know other people who are using Bitcoin to pay their rent, spend a night out to eat with family, buy groceries, etc.? On top of that, the cryptocurrency market is incredibly volatile due to the speculation surrounding valuations, which means that as quickly as you can gain thousands of dollars, you can lose thousands. If you are someone who invests or wants to invest in cryptocurrency, it's important to weigh the risks with its opportunities before making decisions. It can be very tempting to invest in any asset when it's been growing at incredibly fast rates, but it's important to avoid investing based on FOMO (fear of missing out) and think more about the value of a particular investment and why you think it will grow over time.

### Company Earnings:

Lennar, one of America's largest homebuilders, reported a relatively decent quarter, increasing revenues from home sales by 13%, but ultimately missing total revenue expectations for the quarter. Compared to a year ago, Lennar's total new orders rose by around 28%, with management highlighting sustained demand strength. Additionally, the company noted that housing supply remains low, and demand continues to outpace supply. In this case, it's unlikely to see housing prices across the United States fall significantly until supply begins to increase, demand decreases, or a combination of the two.

### Major Stock Indices Performance Today...

S&P 500: -0.19%

Dow Jones: 0.10%

NASDAQ: -0.54%



## THURSDAY

Investors were caught off guard on Thursday after yet another hotter-than-expected inflation report, specifically from the Producer Price Index. PPI inflation rose by 1.6% over the past year, and core PPI inflation rose by 2.8%. With interest rates so high, forecasters expected inflation growth to be more moderate, but inflation remains persistent. Rates in bond markets, particularly in U.S. Treasury Securities, rose much higher in response to the PPI release. The yield on the 10-year Treasury rose to 4.29%, starting off the week with a yield of 4.10%. Investors are pricing in a higher likelihood that the Federal Reserve will maintain interest rates at high levels for longer, and possibly cut rates fewer times this year than expected.

### Major Stock Indices Performance Today...

S&P 500: -0.29%

Dow Jones: -0.35%

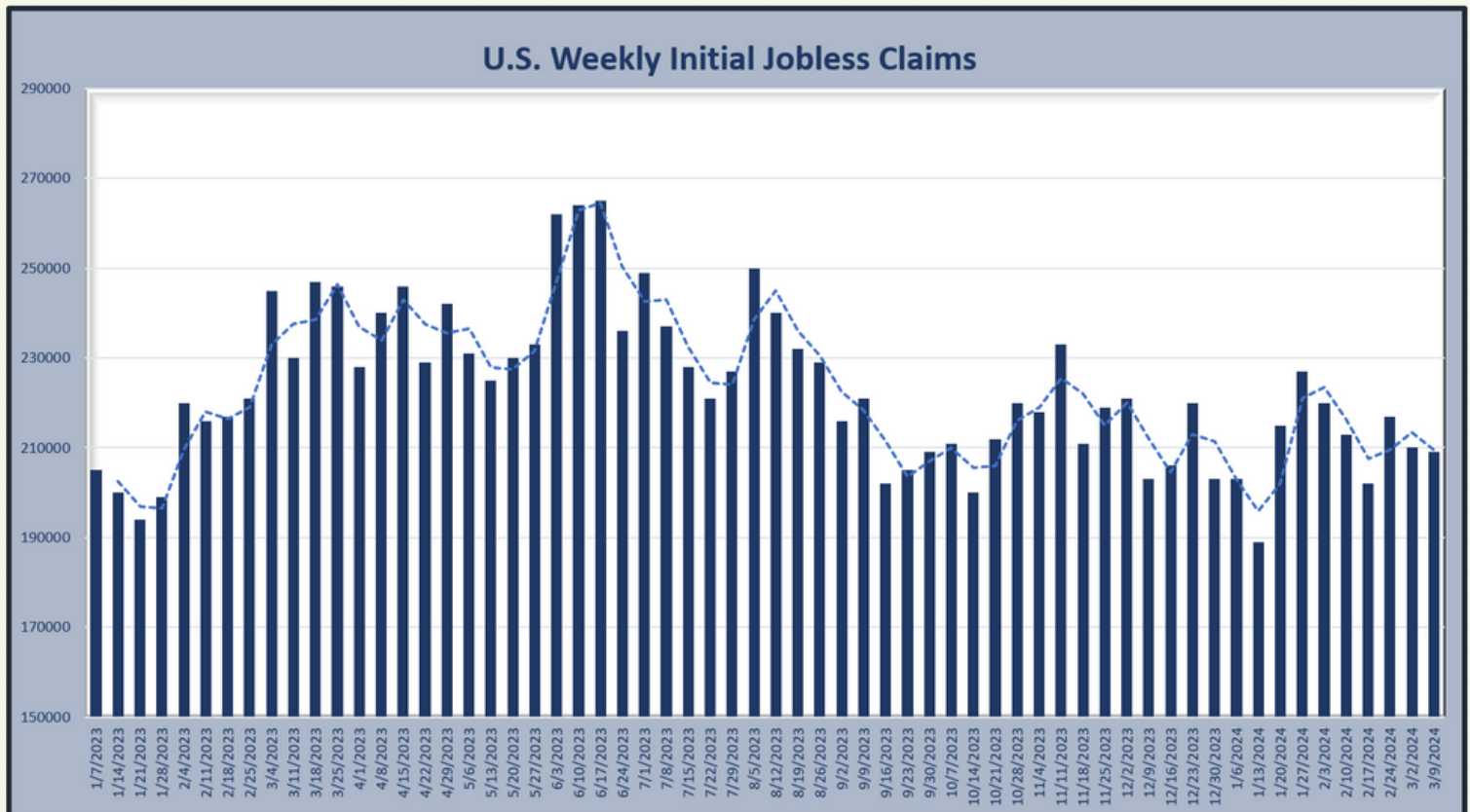
NASDAQ: -0.30%





## U.S. Initial Jobless Claims (Week ending March 9th)

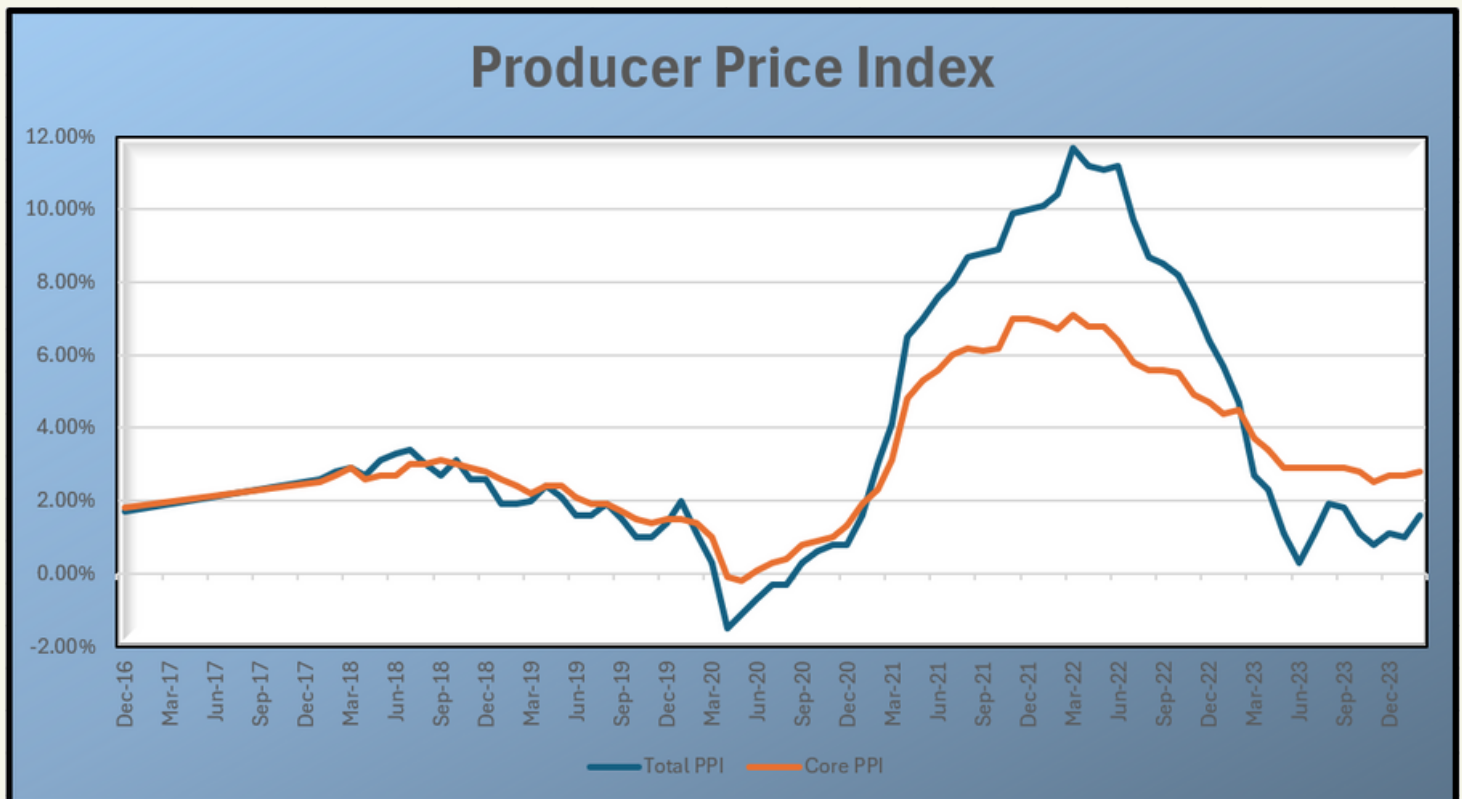
Initial jobless claims, representing the number of people filing for unemployment benefits, fell slightly from the previous week's revised level of 210,000 to 209,000. Interestingly, the previous week's level was 217,000, which means that claims were revised down by 7,000. Such a high revision can signal concerns for the accuracy of initial jobless claims data, so it is important to note that initial jobless claims data can sometimes be off the mark. In good news, initial jobless claims remain fairly low, and this week's 209,000 is around 5% lower than from the same period in 2023. Continued claims, however, have continued to increase, which indicates that hiring may be s



## February Producer Price Index

The Producer Price Index, a measure of the fluctuation in prices domestic producers receive for selling their goods and services, rose by 0.6% over the month. This 0.6% month-over-month increase represents the highest monthly increase in PPI since August 2023, suggesting that prices on the wholesale level are picking back up. Compared to a year ago, PPI is up by 1.6%, and core PPI (excluding volatile food and energy prices) is up by 2.8%.

Because the companies consumers buy from are the main customers of domestic producers, the higher prices they pay for goods and services will trickle down to the consumer. As a business incurs higher costs, the business will typically find ways to minimize costs elsewhere and raise prices to ensure that it's hitting profit margin goals. On top of this, as consumers earn more money and take advantage of financial leverage, such as credit, they signal to companies that they can handle higher prices. Unfortunately, companies will often continue raising their prices until they are too high for consumer demand to sustain itself, so it's unlikely to see prices start to fall unless people are unable to afford certain products.



## FRIDAY

As mentioned earlier about the volatile nature of Bitcoin, along with other cryptocurrencies, Bitcoin fell by around 2.7% on Friday. In situations when a particular asset rises in value so rapidly, investors will often lock in their gains and cash out, which is likely what happened on Friday with Bitcoin, among other factors. Major stock market indices also fell over the day, with many investors concerned about the direction inflation will take over the year and its subsequent effect on interest rates.

Treasury yields continued to rise on Friday along with expectations for rates ending up higher than longer. Within just a week, expectations for rates remaining at their current levels up to June increased from only 28.4% to 41.2%. Because June is so far away and several new data will be released before June's Fed meeting, it is difficult to truly tell how likely any interest rate action is until we get closer to June. However, markets are nearly certain that rates will remain at current levels at the upcoming March meeting, with expectations at a probability of 99%. Markets are also mostly sure about May, indicating an expected probability that rates remain the same through May at 95.4%.

### Major Stock Indices Performance Today...

S&P 500: -0.65%

Dow Jones: -0.49%

NASDAQ: -0.96%



# MAJOR STOCK INDEX PERFORMANCE

	S&P 500	Dow Jones Industrial Average	Nasdaq Composite
Percent Change (Monday)	-0.11%	0.12%	-0.41%
Percent Change (Tuesday)	1.12%	0.61%	1.54%
Percent Change (Wednesday)	-0.19%	0.10%	-0.54%
Percent Change (Thursday)	-0.29%	-0.35%	-0.30%
Percent Change (Friday)	-0.65%	-0.49%	-0.96%
Weekly Change	-0.13%	-0.02%	-0.70%

# 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	5.5	5.47	5.48	5.41	5.35	4.95	4.51	4.26	4.08	4.09	4.1	4.36	4.26
Tuesday	5.52	5.48	5.48	5.41	5.37	5	4.58	4.33	4.15	4.16	4.16	4.42	4.31
Wednesday	5.52	5.47	5.48	5.41	5.37	5.01	4.61	4.37	4.19	4.2	4.19	4.45	4.35
Thursday	5.52	5.48	5.48	5.42	5.38	5.04	4.68	4.46	4.29	4.3	4.29	4.54	4.44
Friday	5.52	5.48	5.48	5.41	5.38	5.05	4.72	4.51	4.33	4.33	4.31	4.55	4.43

# **LINKS TO ECONOMIC/FINANCIAL DATA FROM THIS WEEK**

## **Survey of Consumer Expectations**

[https://www.newyorkfed.org/microeconomics/  
sce#](https://www.newyorkfed.org/microeconomics/sce#)

## **February Consumer Price Index**

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

## **U.S. Initial Jobless Claims (Week ending March 9th)**

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

## **Producer Price Index**

<https://www.bls.gov/pPI/>

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