SERENE FINANCIAL SOLUTIONS

WEEKLY MARKET PULSE

MONDAY

With more and more data revealing that the U.S. economy remains strong even in such a high-interest-rate environment, investors and analysts aren't happy. Many people were hoping for economic data to come in somewhat slowly, hoping for consumer spending, inflation, and employment to all cool. Is that happening? Not at all, and as a result, the Federal Reserve will likely not raise rates for longer than expected. The reason so many people were hoping for subdued economic data is that that data would lead to the Federal Reserve lowering interest rates sooner, creating an economic environment that would stimulate growth through "easy money." That "easy money" is no longer on the table, at least not for now. Retail sales, representing consumer spending, came in higher than expected, which sent markets down for the day.

News sources reported over the weekend that Iran launched an attack on Israel, firing hundreds of drones and missiles into Israeli territory. The vast majority of these drones were intercepted, so now lies the question of whether or not Israel will retaliate in response to the attack. With a high possibility of conflict expected to accelerate in the Middle East, it is possible and likely to see various trade disruptions in the region. One product of particular concern is oil, being that the possibility of further limited supply distributions of oil has the potential to increase prices at the pump.

Goldman Sachs, one of the world's largest investment banks and financial services firms, recorded strong performance over the first quarter of 2024. Compared to the most recent quarter, total net revenues are up over 25%, and compared to quarter 1 2023, net revenues are up 16%. In the bank's global banking & markets division, fixed-income and debt-related services were propped up by higher interest rates. With interest rates expected to remain higher for longer, Goldman Sachs may find itself in an advantageous position.

Charles Schwab, known for its financial services, particularly in offering lower commission fees for investors trading stocks and ETFs, beat earnings estimates. Despite beating earnings estimates, however, net revenues and net income were down over the period. Net income was down as much as 15%, impacted largely by higher interest expenses. While higher interest rates can be beneficial to financial services firms through interest revenue generation, they can also pose a problem with minimizing interest expenses, which are up over 35%. In good news, asset management and administration fees revenue grew over 20% compared to a year previous. On top of this, Schwab continued to bring in more customers, securing around $96 billion worth of core new assets this quarter. Part of client growth, with over a million new brokerage accounts opened in Q1, likely has come from equity market strength recently. Stocks have proved strong throughout 2023 and 2024 despite high interest rates designed to slow the economy. As a result, many investors, both new and old, are looking to leverage the stock market's recent strength to build their wealth. If stocks continue higher, Schwab would be likely to see continued strong client growth, whereas if stocks start to trend lower, people may not feel as confident opening up a brokerage account and investing.

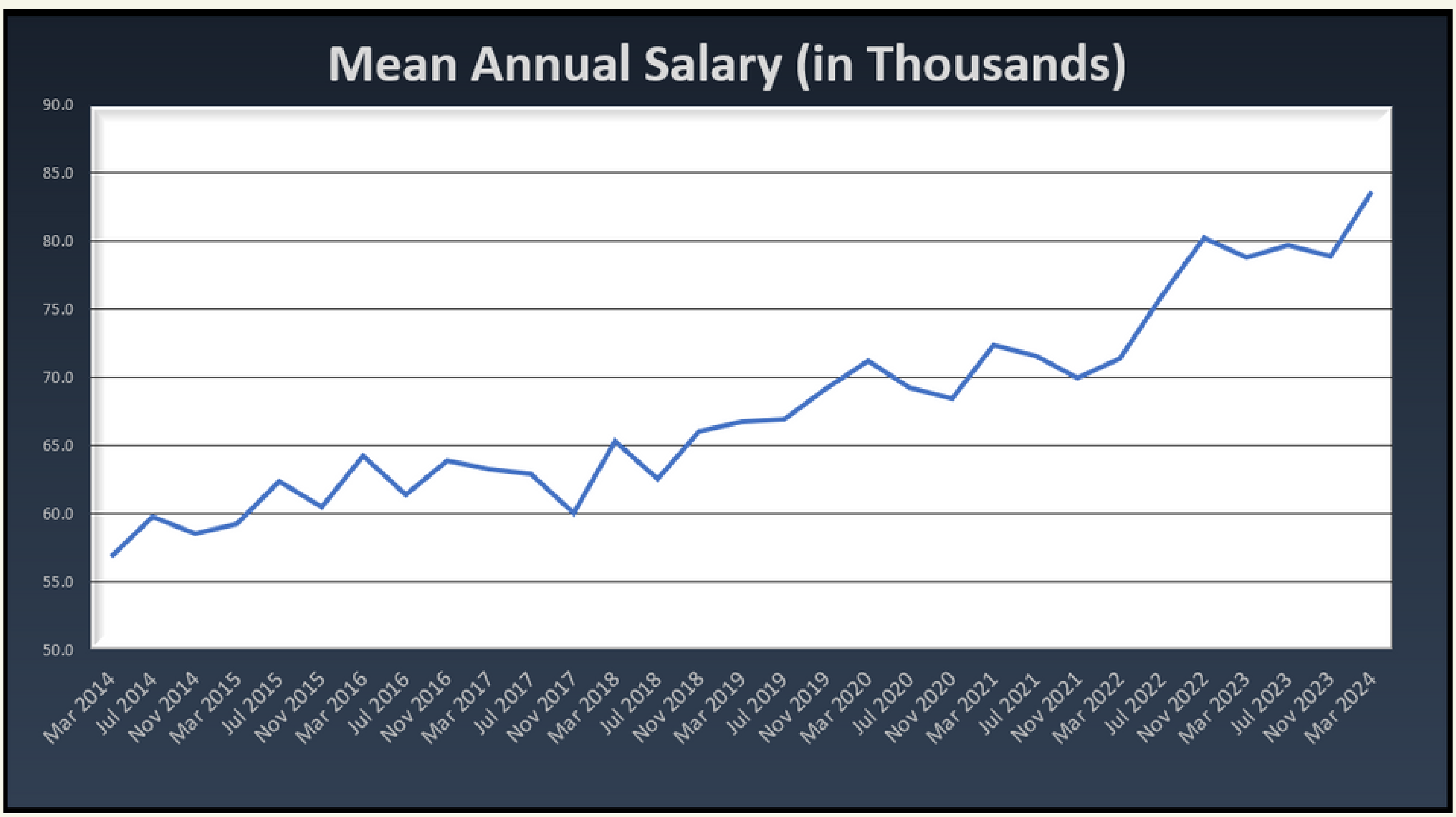
Major Stock Indices Performance Today...

S&P 500: -1.20% Dow Jones: -0.65% NASDAQ: -1.79%

March SCE Labor Market Survey

Many Americans have lost trust in data derived from various government or government-affiliated organizations, especially recently. Surveys, such as the SCE Labor Market Survey that compile responses from the American people, provide a more personal perspective of current economic health. The survey records responses from around 1,000 nationally representative household heads, which could be considered a fairly small sample size, given that America's entire labor force is greater than 165 million.

In good news, the average annual salary reported by respondents of the survey continued upward to $83,629. For reference, the annual salary reported in the most recent past survey (in November 2023) was $78,954. In just a few months' time, average annual salaries among survey participants rose nearly 6%. Something important to note, however, is that this increase came primarily from higher-income earners. Income on the lower end of the range did not change at all, remaining at $50,000 even after four months. On the other hand, the high end of the annual salary range rose from $95,000 in November to $100,000 by March.

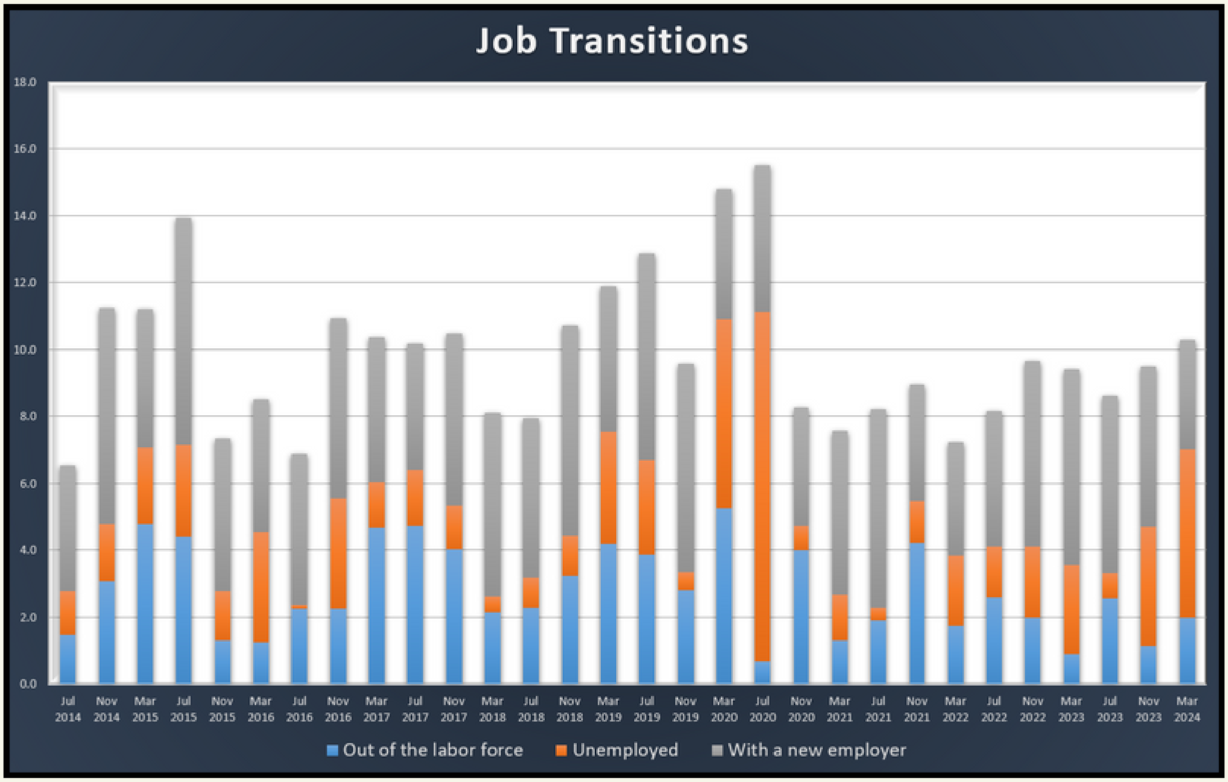


WEEKLY MARKET PULSE

March SCE Labor Market Survey

If you've been wondering why the job market has felt fairly difficult to navigate, it's likely you're not alone. Based on responses from survey participants, this March included the lowest number of people who reported themselves transitioning to a new employer on record (since July 2014). Before getting into this, around 90% of survey participants reported remaining with their same employer. This is comparable to the historical average, although it was slightly lower. The two data points that we should pay particular attention to, however, are the percentage of participants who are now either unemployed or with a new employer. Typically, the fewer people unemployed and the more people with a new employer, the better. Around 5% of the participants reported being unemployed, far higher than the survey's historical average (dating back to July 2014) of 2.25%. Despite much of the recent data reporting the unemployment rate as strong compared to previous years, responses from this survey's respondents seem to contradict this.

As we mentioned earlier, the percentage of survey respondents who reported moving to a new job/employer fell to an all-time low for the survey, 3.3%. This is compared to an average of around 4.8%, suggesting from the perspective of survey respondents that job opportunities are likely narrowing.



WEEKLY MARKET PULSE

March Advanced Retail Sales Adjusted

If you've been wondering why the job market has felt fairly difficult to navigate, it's likely you're not Overall, retail sales rose 0.7% compared to February and 4% compared to March a year ago. Advance retail sales for the month of February 2024 were propped up mostly by higher sales from gas stations, miscellaneous stores (e.g., used merchandise, pet stores, office supplies, gift stores), and nonstore retailers (e.g., online shopping, home delivery, and mail-to-home businesses).

Since last year, sales from nonstore retailers, led by online shopping, have significantly outpaced other forms of retail, increasing over 11%. As the world becomes more digital, it's not unlikely to see nonstore retail sales continue to grow and take market share away from physical retailers. What types of stores do you typically find yourself window-shopping and buying products at?

On the other hand, furniture stores, department stores, and sporting goods, hobby, musical instrument, & book stores have struggled with sales growth since last March. Furniture stores, in particular, face challenges, likely in response to fewer people moving amidst the current high-interest-rate environment. As mentioned earlier, with the increasing popularity of online shopping, it's likely that many physical retailers, such as department stores and sporting goods, hobby, musical instrument, & book stores, are losing customers to online retailers who offer competitive prices, greater convenience, and more options.

Advance Retail Sales Adjusted (in millions)

Type of Business	Mar-24	Feb-24	Monthly Change	Mar-23	Yearly Change
Retail & food services total	$ 709,590	$ 704,528	0.7%	$ 682,184	4.0%
Motor vehicle & parts dealers	$ 134,058	$ 135,013	-0.7%	$ 130,427	2.8%
Auto & other motor vehicle dealers	$ 122,432	$ 123,604	-0.9%	$ 119,871	2.1%
Furniture & home furniture stores	$ 10,678	$ 10,712	-0.3%	$ 11,375	-6.1%
Electronics & appliance stores	$ 7,635	$ 7,729	-1.2%	$ 7,678	-0.6%
Building material & garden equipment & supplies dealers	$ 40,881	$ 40,611	0.7%	$ 41,141	-0.6%
Food & beverage stores	$ 83,047	$ 82,654	0.5%	$ 81,909	1.4%
Grocery stores	$ 74,514	$ 74,119	0.5%	$ 73,731	1.1%
Health & personal care stores	$ 36,248	$ 36,087	0.4%	$ 35,423	2.3%
Gasoline stations	$ 54,623	$ 53,517	2.1%	$ 54,993	-0.7%
Clothing & clothing accessories stores	$ 26,037	$ 26,462	-1.6%	$ 25,677	1.4%
Sporting goods, hobby, musical instrument, & book stores	$ 8,350	$ 8,499	-1.8%	$ 8,693	-3.9%
General merchandise stores	$ 75,195	$ 74,387	1.1%	$ 71,156	5.7%
Department stores	$ 10,923	$ 11,044	-1.1%	$ 11,206	-2.5%
Miscellaneous store retailers	$ 16,137	$ 15,804	2.1%	$ 15,212	6.1%
Nonstore retailers	$ 122,973	$ 119,697	2.7%	$ 110,522	11.3%
Food services & drinking places	$ 93,728	$ 93,356	0.4%	$ 87,978	6.5%

SERENE FINANCIAL SOLUTIONS

WEEKLY MARKET PULSE

March Advanced Retail Sales Adjusted

Ultimately, with the total dollar amount of retail sales increasing, the American consumer is likely experiencing higher prices, purchasing more products, or a combination of the two. Nonetheless, consumption remains strong among Americans as they continue to spend more money. Inflation has obviously become a major problem and continues to be so, but it's not very likely to see prices come down unless consumer spending comes down. Around two-thirds of America's GDP is made up of consumer spending, so as consumers continue to spend more, economic growth will more than likely follow suit. As a result, GDP figures will continue reflecting fairly strong consumer spending, putting upward pressure on inflation.

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WEEKLY MARKET PULSE

TUESDAY

After equity markets started the week off roughly on Monday, they finished off Tuesday on a mostly flat note. The U.S. Treasury market, however, did not have a very quiet day, with yields on government debt, such as bonds, continuing to climb higher. Why are yields continuing higher? Ultimately, it comes down to the fact that the U.S. economy remains strong, despite the Federal Reserve raising rates to slow the economy down. In a recent panel interview, Chair of the Federal Reserve, Jerome Powell, echoed that the American economy is strong, amidst robust growth, spending, and employment. Powell continued to explain that it will take longer than expected to achieve confidence in price stability, aka lower inflation. Adding on, he noted that restrictive policy, aka higher interest rates, will likely need to be held longer to bring inflation down to its 2% target. With expectations for higher rates for longer, U.S. Treasury security yields rose, and expectations for rate cuts became more unclear. Something to keep in mind is that as expectations for rate cuts are pushed back and as rates on various fixed-income instruments, such as bonds, rise, many investors are rebalancing their portfolios to increase exposure to bonds. Because rates are expected to stay higher for longer, many investors are attempting to limit the risk of a potentially weaker economy and corporate earnings given higher interest rates by securing high yields on mostly low-risk fixed-income instruments.

UnitedHealth Group, known for its health insurance and healthcare services, beat earnings estimates after experiencing a major cybersecurity attack affecting several areas of business. Despite challenges the company faced due to the cybersecurity attack, total revenues rose over 8%. Net income for UnitedHealth Group came in negative at $1.4 billion, largely due to expenses resulting from the cyber attack and the recent sale of its business operations in Brazil.

Bank of America finished off the first quarter of 2024 with earnings better than forecast; however, the company as a whole did not grow. Total net revenues fell nearly 2%, and net income for the bank was down over 18%. On top of this, the value of average deposits for the bank was relatively flat compared to the previous quarter, which will ultimately affect the bank’s ability to grow operations. The more clients deposit into the bank, the more money the bank has to work with in its operations, such as providing loans to other clients.

Net charge-offs at the bank, representing the amount of money the bank expects customers to not pay back on their debts, rose over 25% compared to the previous quarter and nearly 86% compared to a year ago. Similar to other banks, Bank of America has experienced large increases in net-charge offs from credit cards. Many Americans have become overleveraged on credit card debt to fund their lifestyles that have grown more unaffordable due to inflationary pressures.

Major Stock Indices Performance Today...

S&P 500: -0.21% Dow Jones: 0.17% NASDAQ: -0.12%

WEEKLY MARKET PULSE

WEDNESDAY

United Airlines shocked markets this Wednesday after ending the day with over a 17% increase in its stock valuation. This comes in response to the major airline beating revenue and earnings expectations. In its earnings report, United Airlines mentioned that it added 200 aircraft that included larger bins and screens behind every seat. This has the potential to bring in more customers to United, but also its MileagePlus program, which will allow members to share and redeem their miles in a single linked account. This program will likely prove especially beneficial to frequent group travelers and possibly encourage several new customers to take advantage of its benefits.

On the other hand, semiconductor stocks pushed down the Nasdaq after ASML, a company providing all the supplies needed for chipmakers in production, failed to beat sales estimates. In fact, net sales for ASML were down over 21% compared to Q1 2023, suggesting limited demand for its chipmaking supplies over the quarter. What was particularly concerning about these weak financial results was that supply distributors can often provide insight into the potential growth of their manufacturing customers. If chipmakers are buying fewer supplies from ASML, it's likely to see lower production from chipmaking companies. Additionally, in the case that chipmakers are producing fewer products, it's likely that they could be experiencing lower demand and limited revenue growth in response.

Major Stock Indices Performance Today...

S&P 500: -0.58% Dow Jones: -0.12% NASDAQ: -1.15%

SERENE FINANCIAL SOLUTIONS

WEEKLY MARKET PULSE

THURSDAY

Speaking of chipmakers, Taiwan Semiconductor Manufacturing Co. is one of ASML's largest customers. Over the first quarter this year, TSMC was able to beat net revenue expectations. Compared to the previous quarter, net revenues are down by around 5%, whereas net revenues compared to a year ago are up nearly 17%. Net revenues in the coming quarter are expected to grow anywhere from around 4% to 8%. While their results are by no means terrible, and demand remains strong for chips used in higher-performance computing that requires immense levels of processing power, analysts ultimately expected higher revenue estimates by TSMC for the year. In response, the tech-heavy Nasdaq followed the semiconductor into the red.

Major Stock Indices Performance Today...

S&P 500: -0.22% Dow Jones: 0.07% NASDAQ: -0.52%

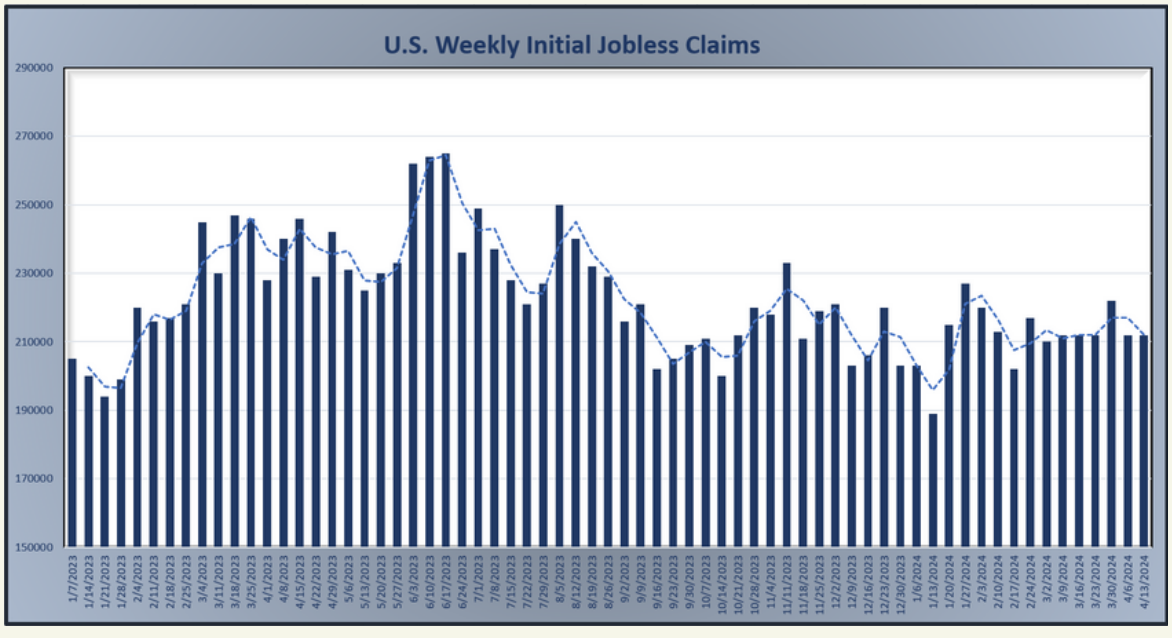
WEEKLY MARKET PULSE

SERENE FINANCIAL SOLUTIONS

U.S. Initial Jobless Claims (Week ending April 13th)

In the most recently recorded week, initial jobless claims, representing the number of people filing for unemployment benefits, came in at 212,000, the same level as last week's revision. Despite no change in initial jobless claims, the number of people under insured unemployment rose slightly to 2,000. This change in insured unemployment represents an increase in the number of people who filed for continued unemployment benefits after filing for an initial claim and being unemployed for at least a week. As this figure increases, it reflects a job market where people who enter unemployment find it more difficult to return to employment.

Despite this, both figures are lower than historical averages. Ultimately, the data is showing that the labor market is robust, contrasting American household sentiment that the labor market is difficult to navigate. However, with interest rates likely to stay higher for longer, it is likely to see the labor market cool down in the coming months. Good news for you is that you can utilize this information to your advantage. Clearly showing your worth at work, connecting with coworkers, and enhancing skills and knowledge relating to your work can make a big difference in the event that your employer is looking to lay off employees. Of course, being a valuable employee can make all the difference in your job security, but things happen. Always have a backup plan: create an emergency fund with 3-6 months of expenses, network with professionals in your industry, and consistently update your resume.



WEEKLY MARKET PULSE

FRIDAY

To finish off a tough week for markets, tech ended the day deep in negative territory. While this can seem concerning, corrective periods are normal in fast-growing industries, particularly in tech. Because investors have so much confidence in the future of tech companies, they have driven the values of their stocks up, leading to overvaluations across the tech industry. What's great about corrections is that they can provide you, the investor, an opportunity to purchase the stock of companies you believe in at a discounted price.

American Express, a major financial services company, had a strong first quarter, reflected by an 11% increase in net revenues and an even better 34% increase in net income. Thanks to American Express investing in its operations, the company has experienced high levels of engagement from premium customers. In addition, the company highlights that U.S. consumer spending from card members rose 8%, echoing continued growth in spending. The company expects revenue to grow between 9 and 11% in 2024.

Major Stock Indices Performance Today...

S&P 500: -0.88%   Dow Jones: 0.55%   NASDAQ: -2.05%

MAJOR STOCK INDEX PERFORMANCE

	S&P 500	Dow Jones Industrial Average	Nasdaq Composite
Percent Change (Monday)	-1.20%	-0.65%	-1.79%
Percent Change (Tuesday)	-0.21%	0.17%	-0.12%
Percent Change (Wednesday)	-0.58%	-0.12%	-1.15%
Percent Change (Thursday)	-0.22%	0.07%	-0.52%
Percent Change (Friday)	-0.88%	0.55%	-2.05%
Weekly Change	-3.05%	0.01%	-5.52%

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	5.45	5.44	5.38	5.16	4.93	4.78	4.65	4.65	4.63	4.85	4.74
Tuesday	5.49	5.51	5.45	5.44	5.39	5.18	4.97	4.83	4.69	4.69	4.67	4.88	4.77
Wednesday	5.49	5.49	5.45	5.44	5.38	5.16	4.93	4.77	4.62	4.61	4.59	4.81	4.71
Thursday	5.49	5.52	5.46	5.44	5.39	5.18	4.98	4.83	4.68	4.67	4.64	4.85	4.74
Friday	5.49	5.51	5.45	5.44	5.39	5.17	4.97	4.81	4.66	4.65	4.62	4.83	4.72

LINKS TO ECONOMIC/FINANCIAL DATA FROM THIS WEEK

March SCE Labor Market Survey

https://www.newyorkfed.org/microeconomics/sce/labor#/

March Advance Retail Sales

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

Jerome Powell Panel Discussion

https://www.youtube.com/watch?v=QqwuXkUUJwc

U.S. Initial Jobless Claims (Week ending April 13th)

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

WEEKLY MARKET PULSE

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