

**MARKETS CLOSED ON  
MONDAY IN HONOR OF  
MARTIN LUTHER KING JR.**



## TUESDAY

The aerial transportation industry is currently facing a streak of unfortunate events. This Tuesday, Boeing experienced a significant setback as its stock plummeted by nearly 8%, triggered by additional negative news surrounding the company. Analysts at Wells Fargo downgraded Boeing's stock, citing recent issues with its aircraft, as well as the production demand and delivery risks the company now faces. In a bold move, Wells Fargo slashed Boeing's price target from \$280 to \$225, marking a substantial 20% decline.

This downturn is a substantial blow to Boeing, underscoring a diminishing confidence in the company's aircraft. As trust erodes among travelers, investors, and airline carriers regarding the safety and reliability of Boeing planes, there's a growing likelihood that carriers will shift their preferences towards alternative aircraft manufacturers.

Adding to the turbulence in the industry, Spirit Airlines narrowly avoided a 50% decline in stock value. The airline's stock dipped by 47% following a federal judge's blockage of JetBlue's attempt to acquire the company. These developments paint a dynamic and challenging picture for players in the aerial transportation sector.

### Major Stock Indices Performance Today...

S&P 500: -0.44%

Dow Jones: -0.62%

NASDAQ: -0.19%



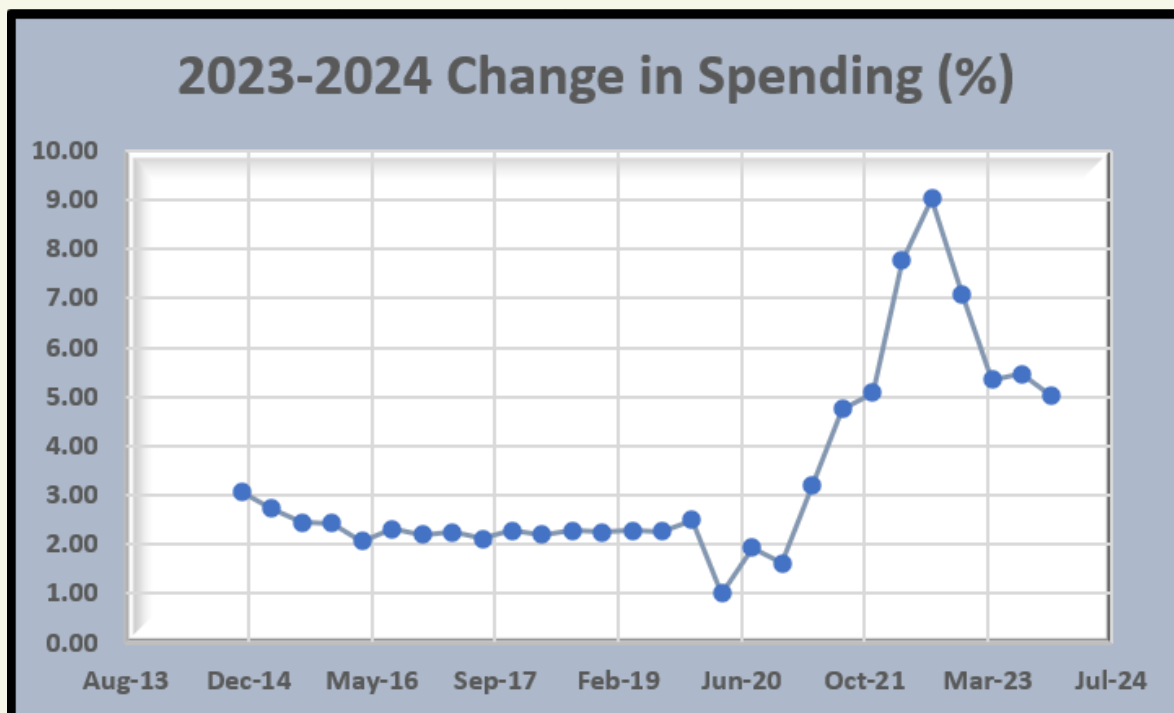
## SCE Household Spending Survey

This survey is incredibly useful in providing a general idea of how Americans are spending their money. Information provided by survey participants cues us into what the spending experience of the average American household may look like.

### Change in Spending

In December 2023, Americans increased their spending by 5% compared to the previous year. While this figure is 0.5% lower than the spending growth observed in August 2023, it still exceeds the historical average change of 3.39%. Despite this 5% being much higher than in most recorded years, it is still lower than the 6.4% average of the past two years, which could be seen as a financial improvement for households or a drawback depending on how you look at it.

Typically, an increase in spending indicates that Americans have more money to spend and many do as a result of Covid stimulus checks and higher earnings. This can of course be seen as a good thing; however, Americans are also spending more partly because they have to. Prices for many are much higher today than just a few years ago, making the same goods and services today more expensive. If your spending has gone up in the past year, what would you attribute it to: inflation, your income, or something else?



## SCE Household Spending Survey

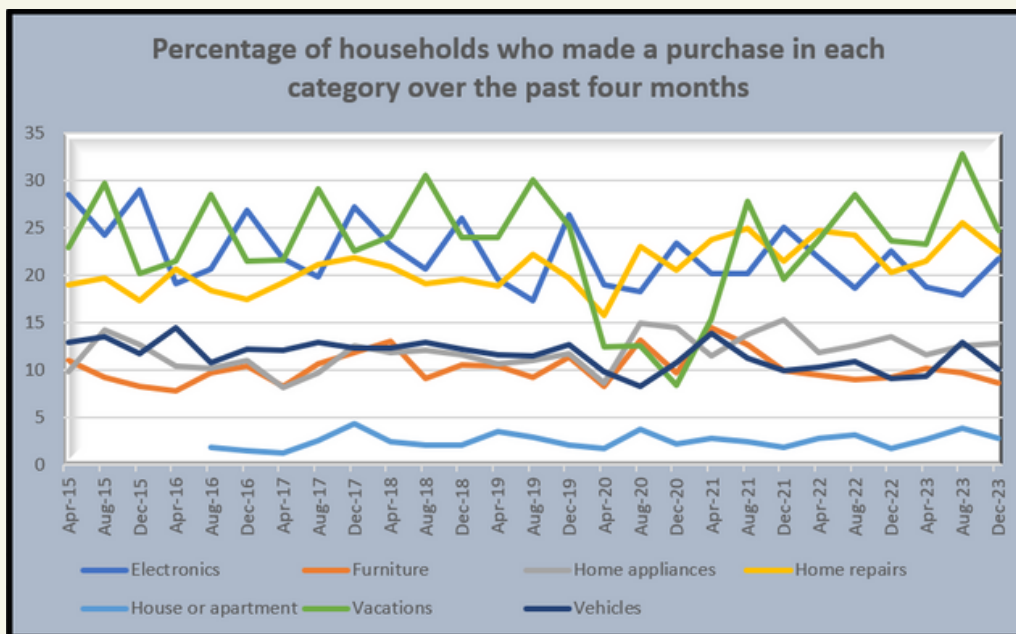
### Percentage of households who made 1+ large purchases in the past four months

This statistic is particularly important to look into as it can provide a clue about the health of the American consumer's discretionary income (income leftover after covering necessary expenses such as housing, food, taxes, etc.). The percentage of households who made at least 1 large purchase over the past 4 months fell from its all-time peak of 63.5% to 59.7% in December. This is slightly below the historical average, which may indicate that households might be facing challenges in affording substantial purchases such as new homes, cars, furniture, etc.

### Percentage of households who made a purchase in specific product categories

Categories included in this assessment include electronics, houses/apartments, furniture, vacations, home appliances, vehicles, and home repairs. Out of these categories, there were only two that were purchased by a higher percentage of households in December - electronics and home appliances. With Black Friday, Cyber Monday, and various holidays occurring during this 4 month period in addition to an expansion of buy-now-pay-later systems, it makes sense that a higher percentage of households made a purchase in one of the two categories. The percentage of households who purchased electronics grew at quite a substantial pace from 18% in August to 21.8% in December.

Despite those two spending categories experiencing higher spending activity, the percentage of households who purchased furniture, home repairs, a house/apartment, vacations, or a vehicle noticeably decreased. Vacations, in particular, had very low spending activity compared to the past period which can partially be attributed to seasonal factors, such as peak traveling during the summer months.



## WEDNESDAY

So far, company earnings, particularly in the financial services sector, aren't looking too hot. Charles Schwab, one of the largest financial services companies in the world recently reported an approximate 50% drop in its 4th quarter 2023 earnings compared to its 4th quarter 2022 earnings. In an annual-based comparison, Charles Schwab's 2023 earnings were down nearly 30% compared to 2022.

In other news, markets didn't react too happily to the most recent retail sales data, which indicated strong growth in the retail industry. Total monthly retail sales grew around 0.6% from November to December, signaling to investors and analysts that the Federal Reserve may be less likely to lower interest rates as soon as originally forecasted. Analysts now expect a 59.5% probability of a rate cut come March, which was just at 63.1% a day ago.

### Major Stock Indices Performance Today...

S&P 500: -0.50%

Dow Jones: -0.25%

NASDAQ: -0.59%



## December Advance Monthly Retail Sales

Sales in the retail and food services industry saw a notable uptick, climbing from \$706 billion in November to \$709.9 billion in December, reflecting a seasonally adjusted increase of 0.6%. Furthermore, the overall sales for 2023 exhibited a substantial growth of 3.2% compared to 2022. This surge in retail sales is complemented by a resilient consumer demand.

Despite the challenges posed by elevated interest rates and persistent inflation, American consumers continue to display robust spending habits. While concerns linger about the possibility of Americans tapping too heavily into their credit cards and overusing buy-now-pay-later payments, potentially straining their finances, the data ultimately points to increased spending within the retail industry.

Kind of Business	December Month-Over-Month Change in Retail Sales	December Year-Over-Year Change in Retail Sales
Retail & food services total	→ 0.60%	↑ 5.60%
Motor vehicle & parts dealers	→ 1.10%	↑ 10.30%
Auto & other motor vehicle dealers	→ 1.20%	↑ 10.50%
Furniture & home furniture stores	↓ -1%	↓ -4.70%
Electronics & appliance stores	↓ -0.30%	↑ 10.70%
Building material & garden equipment & supplies dealers	→ 0.40%	↓ -2.30%
Food & beverage stores	→ 0.20%	→ 1.30%
Grocery stores	→ 0.20%	→ 0.90%
Health & personal care stores	↓ -1.40%	↑ 10.70%
Gasoline stations	↓ -1.30%	↓ -6.60%
Clothing & clothing accessories stores	→ 1.50%	→ 4.30%
Sporting goods, hobby, musical instrument, & book stores	→ 0.30%	→ 0.90%
General merchandise stores	→ 1.30%	→ 3.30%
Department stores	↑ 3%	↓ -2.70%
Miscellaneous store retailers	→ 0.70%	↑ 6.90%
Nonstore retailers	→ 1.50%	↑ 9.70%
Food services & drinking places	↓ 0%	↑ 11.10%

## THURSDAY

Following a challenging start to the week for major stock market indices, a positive turn came about with a robust earnings report and optimistic outlook from Taiwan Semiconductor Manufacturing Co., one of the globe's largest semiconductor manufacturing companies. The company's surpassing of revenue and earnings forecasts instilled confidence in financial markets, with analysts and investors anticipating that AI and AI-adjacent businesses would play a pivotal role in sustaining market momentum.

While TSMC's Q4 2023 revenue showed minimal change compared to Q4 2022, a noteworthy 14% increase was observed compared to the previous quarter, showcasing impressive quarterly growth. Although the company's earnings experienced a significant drop of nearly 20% compared to Q4 2022, they rebounded by approximately 13% compared to Q3 2023. The overall picture for 2023 revealed a decline of over 17% in the company's earnings compared to 2022, signaling a decrease in profitability.

Despite this slowdown in growth, investors focused on the fact that TSMC exceeded earnings expectations. Additionally, statements from TSMC leadership, expressing expectations of considerable revenue growth—over 20% in 2024—further fueled optimism.

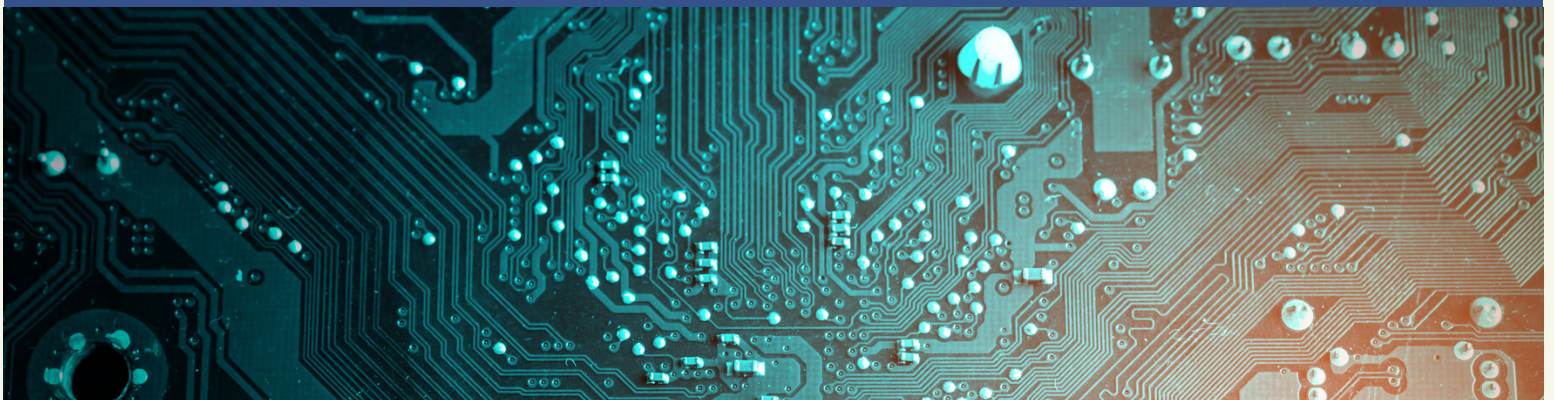
The ripple effect of this excitement around Taiwan Semiconductor Manufacturing Co., coupled with the broader semiconductor and AI industry, led to many other tech companies ending the trading day on a positive note.

### Major Stock Indices Performance Today...

S&P 500: 0.88%

Dow Jones: 0.54%

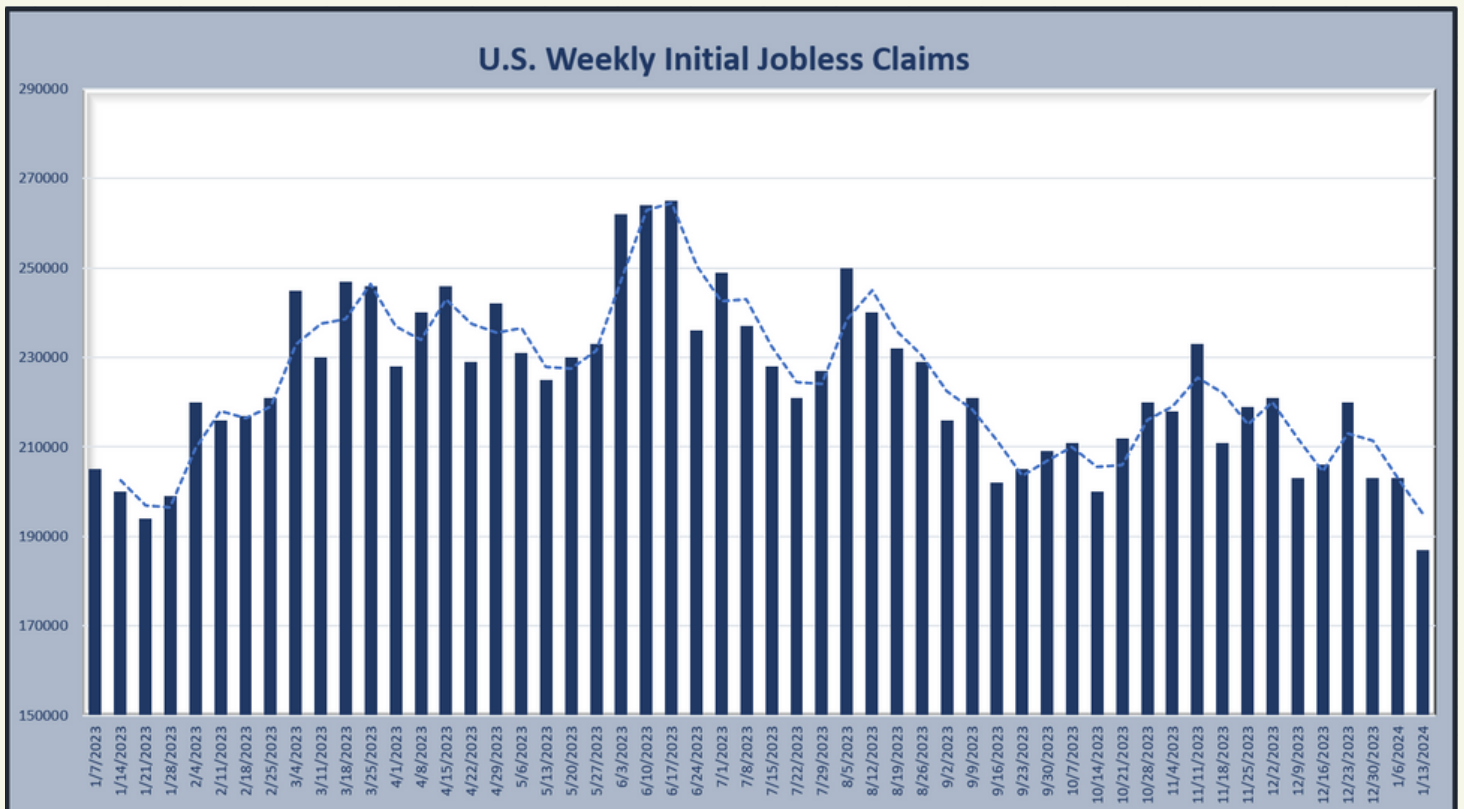
NASDAQ: 1.35%



## U.S. Initial Jobless Claims for Week ending January 13th

U.S. initial jobless claims, representing the number of former workers seeking unemployment benefits, have stabilized at 187,000 in the latest recorded week. This marks the lowest level since September 2022, and notably, these claims are more than 50% below the 10-year average of 377,656. The decline in jobless claims is seen as a positive indicator for the American economy and the average worker, suggesting increased job security compared to previous years.

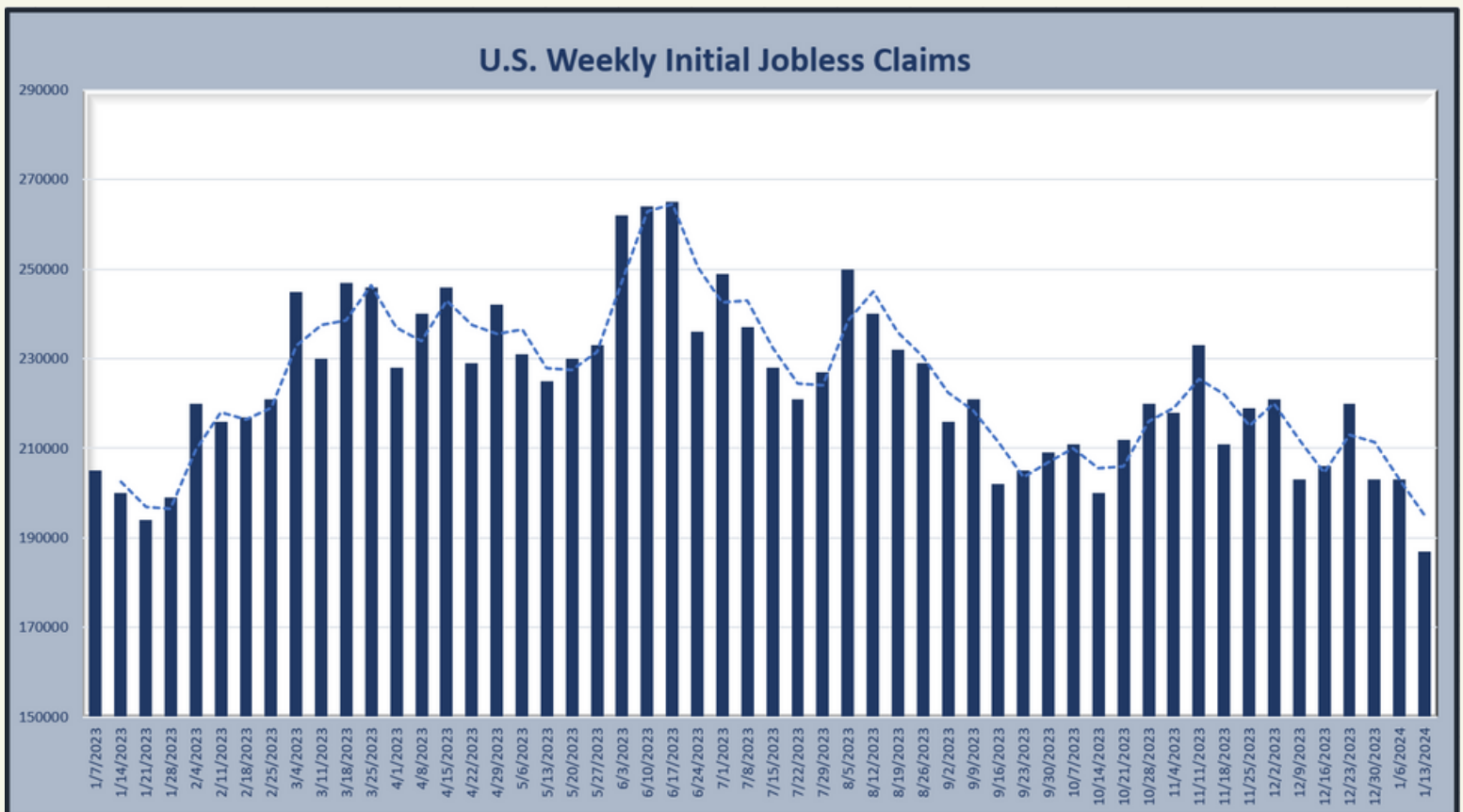
While the reduction in unemployment claims is encouraging, there's a looming question about the sustainability of this robust labor demand. High interest rates continue to impact operating costs for many companies, and several major players, particularly in the financial industry, have recently reported below-par revenue figures. Concerns arise as businesses face financial challenges, leading to worries about potential layoffs as a cost-cutting measure.





## U.S. Initial Jobless Claims for Week ending January 13th

The future trajectory, whether it's a prolonged strong job market or a potential weakening, remains uncertain. Regardless, it's crucial to position oneself effectively. Continuously showcase your value in the workplace, providing your employer with reasons to retain you even in the face of layoffs. Additionally, prudent preparation is advised. In the event of an unfortunate layoff, having approximately 3-6 months' worth of expenses in an emergency fund can offer financial stability and ease the stress during a job transition. In addition, allocating some extra money regularly towards an emergency fund over time can be a smart strategy for long-term financial resilience to job transitions, unexpected expenses, cuts in pay, etc.



## FRIDAY

Major stock indices performed incredibly well on Friday after building off of optimism from Thursday's market sentiment. With chip demand from the AI boom expected to contribute heavily to Taiwan Semiconductor Manufacturing Co's revenue in 2024, investors and analysts are confident that the company will expand impressively over the year.

Shifting gears, U.S. Treasury yields continue their ascent, propelled by recent economic data predominantly reflecting positive news for growth. The 10-year Treasury yield, a robust indicator of investor sentiment and a pivotal player influencing interest rates, especially in the mortgage arena, has surged from 3.95% at the year's commencement to 4.15%. Analysts now lean towards a higher likelihood that the Federal Reserve will postpone any interest rate reduction at its March meeting, which would in theory push back the much-anticipated "Fed Pivot" until at least May. Currently, analysts are betting on a 50.7% chance that the Fed maintains rates at current levels during its March meeting, and a 48.1% chance that the Fed lowers rates slightly by 0.25%.

### Major Stock Indices Performance Today...

S&P 500: 1.23%

Dow Jones: 1.05%

NASDAQ: 1.70%



# 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)	-0.44%	-0.62%	-0.19%
Percent Change (Wednesday)	-0.50%	-0.25%	-0.59%
Percent Change (Thursday)	0.88%	0.54%	1.35%
Percent Change (Friday)	1.23%	1.05%	1.70%
Weekly Change	1.01%	0.12%	2.07%

# 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	5.54	5.47	5.45	5.37	5.18	4.7	4.22	4.02	3.95	4.01	4.07	4.43	4.3
Wednesday	5.54	5.47	5.47	5.4	5.2	4.8	4.34	4.12	4.02	4.07	4.1	4.42	4.31
Thursday	5.53	5.48	5.45	5.39	5.2	4.8	4.34	4.13	4.04	4.1	4.14	4.48	4.37
Friday	5.54	5.47	5.45	5.39	5.21	4.84	4.39	4.18	4.08	4.12	4.15	4.47	4.36

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

## **SCE Household Spending Survey**

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

## **December Advance Monthly Retail Sales**

[https://www.census.gov/retail/marts/www/marts\\_current.pdf](https://www.census.gov/retail/marts/www/marts_current.pdf)

## **U.S. Initial Jobless Claims for Week ending**

**January 13th**

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

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