

MONDAY

Stock Market: Today, major stock indexes broke away from last week's losing streak, with the DOW leading the way with a 0.62% gain. The S&P and the NASDAQ ended the day slightly lower with the S&P gaining 0.24% and the NASDAQ gaining 0.18%.

Monthly Wholesale Trade: Using data from May, this month's wholesale trade report provides valuable information regarding the ratio between inventories and sales.

A brief understanding of the wholesale inventories/sales ratio...

- Inventory represents the supply of unsold goods.
- Sales represent the number of products sold.
- Whenever a sale is made, inventory falls.

Higher inventories/sales ratios indicate that demand is lower compared to the amount of unsold supply held by wholesalers. Thus, wholesalers have overestimated demand, leading them to be left with a surplus of inventory. In cases such as these, the true demand for wholesale goods has ended up lower than what was expected, illustrating the possibility of a slowing economy and lower prices.

A lower inventory/sales ratio suggests that wholesalers underestimated the demand for wholesale goods since the number of sales outpaced the amount of inventory ordered.

Increased sales and higher-than-expected demand tend to be a sign of economic growth and increased prices.

The data: From April to May, the seasonally adjusted inventory/sales ratio only increased very slightly from 1.4 to 1.41, meaning that sales decreased very minimally compared to inventory. While sales from April to May decreased a bit (-0.2%), inventory levels in the same period experienced virtually no change (0.0%). Compared to last year, however, sales have fallen by around 4% and inventories have increased by 3.7%, suggesting a lower demand for wholesale products.

Despite total lower demand and higher inventories, there are still certain industries that are continuing strong growth. **The automotive industry**, for instance, has increased sales by 16.3% since last May and 3.2% over the last month. From April to May, the automotive inventories/sales ratio fell due to the demand for cars outpacing supply. Such strong demand in the automotive industry is a big reason for sustained levels of high prices.

Survey of Consumer Expectations: Released today and recorded in June, this survey focuses on the opinions of 1,300 “household heads” across the country. It tracks their expectations of various economic and financial conditions in the future including inflation, the labor market, and household finance.

Inflation Expectations: In the coming year, surveyed respondents in June expect inflation to fall to 3.8%, a strong improvement from May’s expectation of 4.1%. Compared to last year’s expectation of 6.8%, inflation has seen some significant progress. In fact, this month’s expectation of 3.8% is the lowest it’s been since April 2021, two years ago.

Home Price Change Expectations: Although mortgage rates have made purchasing a home substantially more expensive, the demand for homes has persisted. As a result, survey respondents expected higher yearly home growth for each surveyed month this year. For June, the expected percent change in home values year-over-year sits at 2.9%, an increase from May’s expectation of 2.6%.

Earnings Growth Expectations: For June, the expected yearly wage growth came in at 3.0%, slightly higher than May’s 2.8%. With the demand for labor so high, workers have been earning higher wages, which is likely why survey respondents were more optimistic about wage growth in June than in May.

Unemployment Expectations: Due to such a tight labor market, consumers are becoming more confident and optimistic about labor conditions. Based on survey responses, consumers believe that there is only about a 37.7% chance of unemployment increasing in a year. This is a moderate difference from May’s 40.0% chance of unemployment increasing.

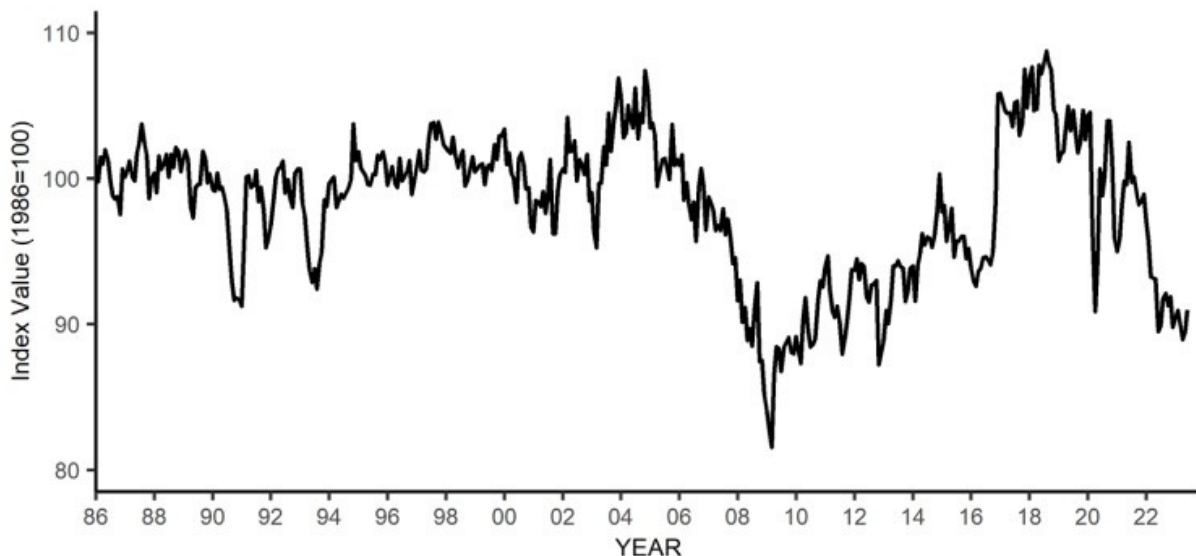
TUESDAY

Stock Market: Building off of gains from yesterday, major markets continued rising. The Dow has kept on pumping out strong gains, finishing today with a sizeable gain of 0.93%. Not too far behind, the S&P 500 gained 0.67% and the NASDAQ gained 0.55%. Today, markets anticipated important inflation data released this Wednesday.

Small Business Optimism Index: Released by the National Federation of Independent Business for June, the Small Business Optimism Index represents the expectations that business owners have for future business conditions. Historically speaking, business owners are currently pessimistic: the outlook for expansion is low, sales are low, costs of business are increasing, etc. While business owners are not confident about future conditions compared to past years, optimism among business owners improved from May to June. Currently, the two largest factors contributing to a pessimistic outlook on future business conditions are inflation, the quality of labor, and taxes.

OPTIMISM INDEX

Based on Ten Survey Indicators
(Seasonally Adjusted 1986=100)



WEDNESDAY

Stock Market: Markets soared upon the good news of an unexpectedly low CPI inflation reading. On the third consecutive day of positive performance, the NASDAQ returned 1.15%, the S&P 0.74%, and the Dow Jones 0.26%.

Consumer Price Index Report: As you've likely seen from news headlines this week, inflation over the past year, from last June to this June, has increased only 3%, down from 4% in May. Energy was a major player in bringing inflation down to 3% in June. In fact, out of the five product/service categories with the fastest price decreases, the top four were energy-related:

1. Fuel Oil (-36.6%)
2. Energy Commodities (-26.8%)
3. Gasoline (-26.5%)
4. Utility (piped) gas service (-18.6%)
5. Used cars and trucks (-5.2%)

Although headlines paint a picture of inflation cooling significantly, the average American continues to feel the considerable financial pressures caused by inflation. So if the CPI inflation report highlights a year-over-year inflation rate of 3%, why do prices still feel high for most Americans? The answer lies within the report. While the prices of a few product/service categories fell considerably, many other common expense categories such as food, shelter, and transportation services remain at elevated price levels:

- Food (5.7%)
- Shelter (7.8%)
- Transportation Services (8.2%)



The good news, however, is that the prices of products/services have fallen since May. Food prices, for instance, increased 6.7% year-over-year in May, 1% higher than in June.

Additionally, it is important to understand that while total U.S. inflation is currently at 3%, price levels vary depending on where you live. Here's what price levels look like around different regions of the United States:

- Northeast (2.2%)
- Midwest (2.4%)
- South (3.3%)
- West (3.5%)

What does this mean for interest rates?

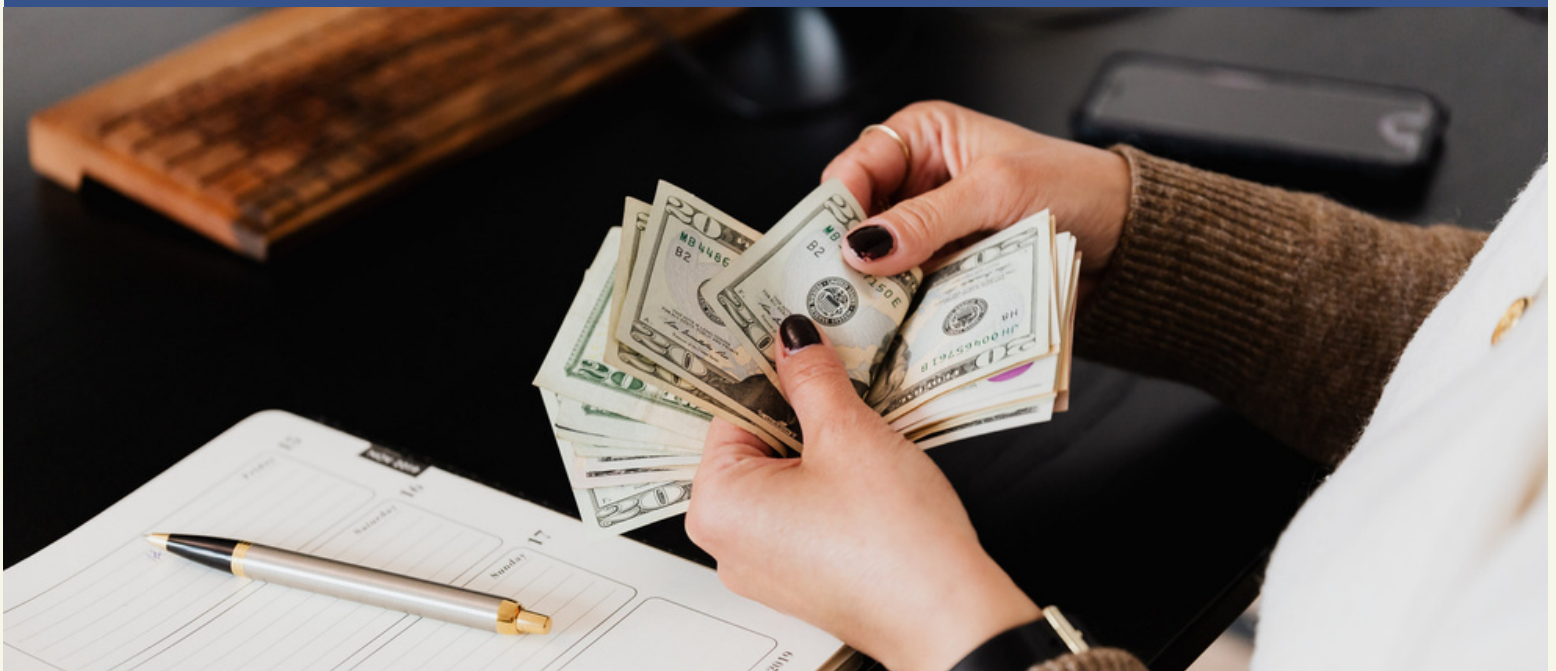
Although CPI inflation is down substantially since last month, the Federal Reserve tends to base its monetary policy action, such as raising interest rates, on core inflation and PCE inflation. Core inflation excludes energy and housing from its measure because they are usually more volatile than other product/service categories and make it more challenging to analyze inflation trends. According to this most recent CPI report, core inflation is sitting at 4.8%, compared to 5.3% in May. With core inflation remaining high, the FED is likely to raise rates this month by 0.25%. Currently, the probability of the Fed increasing interest rates by 0.25 basis points is over 90%.

THURSDAY

Stock Market: Earnings season is now fully underway which means that over the next several weeks companies will report their quarterly earnings. Over this period, market valuations are likely to fluctuate frequently as more companies release their earnings data. Early into earnings season, PepsiCo and Delta Air Lines were among the most notable companies to report their earnings, and they both surprised investors by beating expectations. Pepsi beat its revenue forecast of \$21.72 billion, posting its revenue for this quarter at \$22.32 billion. Additionally, Delta was forecast to produce \$14.44 billion in revenue, but the company performed better than expected, with a revenue of \$14.61 billion.

Markets today reflected the good news exhibited by Pepsi and Delta's earnings reports with the NASDAQ returning 1.58%, the S&P 0.85%, and the Dow Jones 0.13%.

Producer Price Index: The producer price index measures inflation from the perspective of producers. In June's PPI reading, prices were reported to have increased by 0.1% in June, compared to a 0.4% decrease in May. While prices did increase in June, the rate of price increases has slowed dramatically to 0.1% year-over-year. For perspective, the same PPI reading a year ago was 11.2%, so inflation on the side of producers has seen a big difference since last year.



FRIDAY

Stock Market: While Friday's market performance was mostly mixed, the Dow ended the day in the positive ahead of strong earnings from the UnitedHealth Group and JPMorgan. Both companies beat their earnings forecasts for the quarter with UNH's revenue of \$92.9 billion beating its forecast of \$90.34 billion and JPMorgan's \$41.3 billion revenue beating its forecast revenue of \$39.15 billion. As a result of their strong earnings, both stocks ended the day in the positive, but the UnitedHealth Group performed particularly well. Making up nearly 1/10th of the Dow, the UnitedHealth Group gained 7.24%, which is largely why the Dow posted positive gains today. Despite several big banks, such as JPMorgan, Wells Fargo, and Citigroup, posting earnings above forecast, many banks ended the day in the negative. Although not changing much, the S&P fell by 0.10%, and the NASDAQ fell by 0.18%.



Important News Regarding Student Loan Relief

Today, Kamala Harris issued a statement explaining a plan to provide \$39 billion in student loan relief to 804,000 student loan borrowers. To qualify for this relief, however, you must have been making student loan payments for 20 years or over. Very confidently, Ms. Harris claimed that student loan relief would not end there. She stated that Biden and herself plan to provide additional student loan relief through the Higher Education Act, which she says will reduce monthly payments on undergraduate loans by 50%.

MAJOR STOCK INDEX PERFORMANCE

	S&P 500	Dow Jones Industrial Average	Nasdaq Composite
Percent Change (Monday)	+0.24%	+0.62%	+0.18%
Percent Change (Tuesday)	+0.67%	+0.93%	+0.55%
Percent Change (Wednesday)	+0.74%	+0.26%	+1.15%
Percent Change (Thursday)	+0.85%	+0.13%	+1.58%
Percent Change (Friday)	-0.10%	+0.34%	-0.18%
Weekly Change	+2.42%	+2.30%	+3.32%

COMMODITY PERFORMANCE

	Crude Oil	Gold	Silver	Copper
Monday Price	\$72.99	\$1,931.00	\$23.345	\$3.7845
Tuesday Price	\$74.83	\$1,937.10	\$23.281	\$3.7660
Wednesday Price	\$75.75	\$1,961.70	\$24.310	\$3.8530
Thursday Price	\$76.89	\$1,963.80	\$24.949	\$3.9400
Friday Price	\$75.42	\$1,964.40	\$25.194	\$3.9330
Weekly Percent Change	+2.11%	+1.65%	+8.18%	+3.99%

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	5.34	5.47	5.48	5.53	5.54	5.38	4.85	4.54	4.25	4.14	4.01	4.24	4.05
Tuesday	5.35	5.48	5.49	5.53	5.55	5.44	4.88	4.52	4.24	4.13	3.99	4.22	4.03
Wednesday	5.36	5.49	5.47	5.52	5.53	5.35	4.72	4.36	4.07	3.97	3.86	4.14	3.96
Thursday	5.37	5.50	5.47	5.51	5.49	5.27	4.59	4.21	3.93	3.85	3.76	4.07	3.90
Friday	5.37	5.49	5.49	5.53	5.52	5.34	4.74	4.35	4.04	3.94	3.83	4.11	3.93

LINKS TO ECONOMIC DATA FROM THIS WEEK

- [Monthly Wholesale Trade](#)
- [Consumer Expectations](#)
- [Small Business Optimism Index](#)
- [CPI Inflation Report](#)
- [Producer Price Index](#)
- [Kamala Harris Statement on
Student Loan Forgiveness](#)

DISCLAIMER

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