

MONDAY

Markets shared sector-wide gains on Monday, with the tech-heavy NASDAQ leading the way.

Major Stock Indices Performance Today...

S&P 500: 0.63%

Dow Jones: 0.62%

NASDAQ: 0.84%



Dallas Fed Manufacturing Survey (August)

This survey gathers the opinions of Texas business executives on both current and future business conditions in the manufacturing industry. Their thoughts on current conditions, in particular, provide a unique insight into the health of Texas's current manufacturing production and demand, so we will focus on current conditions in this article.

Out of the fifty U.S. states, Texas is the second-largest contributor to GDP, which means that manufacturing activity in Texas may indicate the health of the manufacturing industry in the broader U.S. economy.

Based on survey results in August, more business executives reported declines in production. Around 33% of the executives surveyed reported a decrease in production, the highest percentage since May 2020. What's concerning about the same percentage of executives reporting declines in production this August and in May 2020 is that May 2020 was positioned in the middle of the COVID-19 Recession. For the past several months, more and more executives have reported reduced production, and it's become apparent that a trend is forming.

Compared to last month, the percentage of executives who reported a decrease in new orders, an indicator of manufacturing demand, did not change. However, the percentage reporting increases in new orders rose slightly from 17.5% in July to 19.8% in August. Despite a slight improvement since last month, the percentage of executives reporting declines in new orders remains historically high, indicating a slowdown in manufacturing demand.



Dallas Fed Manufacturing Survey (August)

Texas Manufacturing Activity in August			
<i>Indicator</i>	% Reporting Increase	% Reporting no Change	% Reporting Decrease
<i>Production</i>	22	44.8	33.2
<i>New Orders</i>	19.8	44.6	35.6
<i>Employment</i>	17.8	68.7	13.5
<i>Wages & Benefits</i>	36.4	62.1	1.5
<i>Company Outlook</i>	11.8	58	30.2
<i>General Business Activity</i>	12	58.8	29.2

Adding to decelerating manufacturing activity, a higher percentage of firms in August reported that they laid off more workers than they hired. Additionally, employment is below the historical average, indicating that the labor market in the Texas manufacturing industry is cooling.

Texas Manufacturing Activity in July			
<i>Indicator</i>	% Reporting Increase	% Reporting no Change	% Reporting Decrease
<i>Production</i>	26.5	42.2	31.3
<i>New Orders</i>	17.5	46.8	35.6
<i>Employment</i>	22.7	64.6	12.7
<i>Wages & Benefits</i>	21.9	75.3	2.8
<i>Company Outlook</i>	8.3	66.5	25.2
<i>General Business Activity</i>	10.2	59.6	30.2

Although employment is cooling, wages and benefits are ramping up. Compared to only around 22% of surveyed executives reporting increases in wages and benefits in July, around 36% in August reported wage growth at their firm.

As a result of declines in consumer demand, company outlook fell, and general business activity remained low this August. Both company outlooks and general business activity are significantly below their historical averages, likely due to lower demand fueled by higher interest rates and tighter credit conditions.

TUESDAY

Markets this Tuesday embraced optimism after the release of weak data on the state of the U.S. labor market. While one would typically expect an indicator of economic slowdown to cause stocks to decline, many investors are more concerned about the implications of a sustained high-interest rate environment. This jobs report, known as JOLTS, measures fluctuations in hiring, layoffs, and quitting across the United States. In this report, the total number of job openings fell from 9,165 in June to 8,825 in July, indicating reduced labor demand. As a result of this decreased demand, investors and analysts anticipate that the Federal Reserve is more likely to lower interest rates in the coming months. What they find appealing about this prospect is that when the Federal Reserve eventually lowers interest rates, borrowing will become significantly cheaper, making it more affordable to make purchases on credit, particularly for significant expenses such as cars and homes. The expectation associated with lower interest rates is that more affordable borrowing will stimulate consumer and investment demand, thereby stimulating economic growth. It's important to keep in mind, however, that a cooling labor market is not necessarily a cause for celebration for the average American. In fact, it's a further sign that the United States could potentially enter a recession within the next year, leading to significant financial and economic hardship for millions of Americans.

Major Stock Indices Performance Today...

S&P 500: 1.45%

Dow Jones: 0.85%

NASDAQ: 1.74%

Earnings report data from major companies:

Company	Quarter 1 Revenue	Quarter 2 Forecast Revenue	Quarter 2 Revenue	% Estimated Quarterly Revenue Growth	Today's Stock Growth
Best Buy	\$9.47 B	\$9.52 B	\$9.58 B	1%	3.86%
HP Inc	\$12.9 B	\$13.38 B	\$13.2 B	2%	0.13%

U.S. Consumer Confidence Survey (August)

While consumer confidence had recently improved due to a series of optimistic economic data, such as slowing inflation and lower unemployment, consumer confidence took a hit in August. As a result of rising interest rates and a cooling labor market, consumers expect the American economy to decelerate in the coming months. In fact, the "Expectations Index," which measures consumers' expectations for near-future economic and financial conditions, fell from 88.0 in July to 80.2 in August. Additionally, an "Expectations Index" value of 80 has signaled a recession in the past, indicating that current consumer expectations are very close to that recession-signaling level.

That said, creating and maintaining an emergency fund is incredibly important in bolstering financial stability. Recent data has been pointing toward impending financial and economic challenges, possibly even a recession. Therefore, now is the time to save up for the possibility of such challenges. As the labor market continues to cool and businesses hire less, the likelihood of finding a job decreases, while the risk of job loss increases. In August, surveyed consumers reported that job opportunities were scarcer compared to July. Being that job openings are becoming more limited, the possibility of losing your primary income source arises. While this can of course put significant strain on your finances, if you can plan ahead, you can make it considerably easier to safeguard your finances from any severe financial stress that would be caused by a layoff or extended period of unemployment.



WEDNESDAY

As a result of another weak economic data report, this time on real GDP, markets rose for a third straight day this week. While lower real GDP means that the American economy did not grow as much as people originally believed, it also suggests that the Federal Reserve may reverse its economic policy stance sooner than expected, leading to lower interest rates. Although the first second-quarter real GDP figure came out at 2.4%, it was revised down to 2.1% on Wednesday.

Major Stock Indices Performance Today...

S&P 500: 0.38%

Dow Jones: 0.11%

NASDAQ: 0.54%



Pending Home Sales (July)

Pending home sales, a forward-looking indicator of home sales, increased by 0.9% in July. Based on this data, it is likely that home sales are set to increase, putting upward pressure on home valuations. While many potential homebuyers are unable to purchase homes due to low inventory and high mortgage rates, a strong labor market has been a pivotal factor in current home demand. Since the labor market is beginning to cool, however, a combination of high mortgage rates and fewer hires could slow down home demand in the U.S. and possibly push prices down.



THURSDAY

Despite the weak economic data from Tuesday and Wednesday, the PCE Price Index was released this Thursday, revealing that PCE inflation rose in July. Although higher inflation does indicate increased living expenses and, consequently, more financial stress, higher inflation is also a strong indicator of economic expansion because it is often associated with growing consumer demand. While, on one hand, recent data has suggested an economic slowdown, other data, such as the PCE Price Index, indicates that the U.S. economy may be continuing to accelerate. As a result of the confusion brought about by this conflicting data, markets ended the day with mixed results.

Major Stock Indices Performance Today...

S&P 500: -0.16%

Dow Jones: -0.49%

NASDAQ: 0.11%

Earnings report data from major companies:

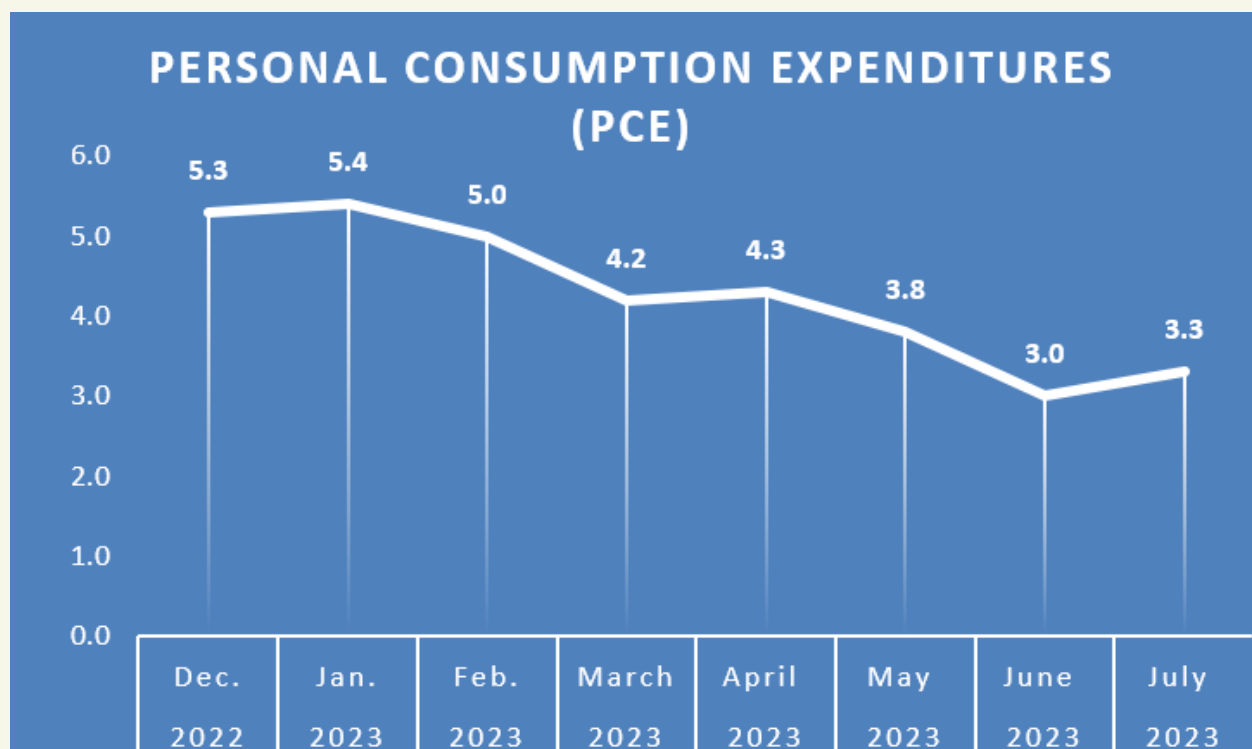
Company	Quarter 1 Revenue	Quarter 2 Forecast Revenue	Quarter 2 Revenue	% Estimated Quarterly Revenue Growth	Today's Stock Growth
Broadcom	\$8.73 B	\$8.85 B	\$8.88 B	2%	3,43%
UBS Group	\$8.74 B	\$8.63 B	\$9.54 B	9%	5.61%
Lululemon	\$2 B	\$2.17 B	\$2.2 B	10%	1.20%
Dell Tech	\$20.9 B	\$20.86 B	\$22.9 B	10%	0.99%
Dollar General	\$9.3 B	\$9.93 B	\$9.8 B	5%	-12.15%

PCE Price Index (July):

The PCE Price Index measures the price changes of various products and services that U.S. consumers purchase. Decreases in the index indicate that prices have fallen, while increases in the index indicate that prices have risen. In July, the PCE Index rose by 0.2% compared to June and by 3.3% compared to a year ago, indicating an overall increase in prices.

What's most concerning about this increase is that significant progress has been made over the past several months in bringing down inflation. Over the past year, PCE Inflation has mostly followed a downward trend, with it only increasing one other time this year, by 0.1% in April. PCE inflation hasn't increased this quickly the entire year, and as a result, it may signal to the Federal Reserve that continued contractionary monetary policy (e.g., higher interest rates) may be necessary.

Additionally, Core PCE Inflation, which excludes the prices of food and energy to limit the influence of their volatility on the index, rose by 4.2% compared to a year ago, marking its fastest increase of the year. While inflation may have been cooling throughout the majority of the first half of the year, the inflation situation is now taking a different direction.



FRIDAY

Markets were mixed on Friday as investors weighed Thursday's PCE inflation data and Friday's data on the current state of the labor market.

Major Stock Indices Performance Today...

S&P 500: 0.18%

Dow Jones: 0.34%

NASDAQ:-0.02%

Employment Situation (August)

The unemployment rate, which represents the number of people currently out of work but searching for a job compared to the number of people currently working, has risen to its highest level since February 2022. While the past few months were marked by an incredibly tight labor market, Americans are now finding it harder to secure employment, with the unemployment rate now standing at 3.8%.

Although the unemployment rate is incredibly helpful in understanding the health of the American labor market, the unemployment rate has a flaw, namely the fact that it fails to account for discouraged workers —people who want a job but have given up their search, usually due to limited work opportunities. If the population of discouraged workers were counted as unemployed, the unemployment rate would look more like 4% in August, compared to 3.7% in July.

While job opportunities are beginning to narrow, average hourly earnings in the private sector continued to increase in August, rising to \$33.82 compared to \$33.74 in July. Over the last year, the average hourly earnings of private-sector employees have risen by nearly 4.3%.



WEEKLY MARKET UPDATE

Industry	August 2022 Average Hourly Earnings	August 2023 Average Hourly Earnings	Year-Over-Year Average Hourly Earnings Growth
<i>Total private</i>	\$ 32.43	\$ 33.82	4.29%
<i>Goods-producing</i>	\$ 32.59	\$ 34.27	5.15%
<i>Mining and logging</i>	\$ 36.22	\$ 37.85	4.50%
<i>Construction</i>	\$ 34.91	\$ 36.71	5.16%
<i>Manufacturing</i>	\$ 31.06	\$ 32.61	4.99%
<i>Durable goods</i>	\$ 32.64	\$ 34.08	4.41%
<i>Nondurable goods</i>	\$ 28.40	\$ 30.04	5.77%
<i>Private service-providing</i>	\$ 32.40	\$ 33.72	4.07%
<i>Trade, transportation, and utilities</i>	\$ 27.81	\$ 29.17	4.89%
<i>Wholesale trade</i>	\$ 35.24	\$ 37.05	5.14%
<i>Retail trade</i>	\$ 23.05	\$ 24.01	4.16%
<i>Transportation and warehousing</i>	\$ 27.92	\$ 29.37	5.19%
<i>Utilities</i>	\$ 47.43	\$ 50.03	5.48%
<i>Information</i>	\$ 47.35	\$ 48.21	1.82%
<i>Financial activities</i>	\$ 41.79	\$ 44.11	5.55%
<i>Professional and business services</i>	\$ 38.92	\$ 40.54	4.16%
<i>Private education and health services</i>	\$ 32.13	\$ 33.12	3.08%
<i>Leisure and hospitality</i>	\$ 20.29	\$ 21.30	4.98%
<i>Other services</i>	\$ 28.91	\$ 29.96	3.63%

MAJOR STOCK INDEX PERFORMANCE

	S&P 500	Dow Jones Industrial Average	Nasdaq Composite
Percent Change (Monday)	0.63%	0.62%	0.84%
Percent Change (Tuesday)	1.45%	0.85%	1.74%
Percent Change (Wednesday)	0.38%	0.11%	0.54%
Percent Change (Thursday)	-0.16%	-0.49%	0.11%
Percent Change (Friday)	0.18%	0.34%	-0.02%
Weekly Change	2.5%	1.43%	3.25%

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	5.56	5.53	5.58	5.6	5.56	5.44	4.98	4.69	4.38	4.32	4.2	4.48	4.29
Tuesday	5.54	5.53	5.56	5.57	5.52	5.37	4.87	4.56	4.26	4.21	4.12	4.42	4.23
Wednesday	5.55	5.53	5.56	5.6	5.51	5.39	4.9	4.57	4.27	4.22	4.12	4.42	4.23
Thursday	5.52	5.55	5.56	5.61	5.48	5.37	4.85	4.54	4.23	4.19	4.09	4.39	4.2
Friday	5.51	5.55	5.53	5.58	5.47	5.36	4.87	4.57	4.29	4.27	4.18	4.48	4.29

LINKS TO ECONOMIC/FINANCIAL DATA FROM THIS WEEK

Dallas Fed Manufacturing Survey (August)

<https://www.dallasfed.org/research/surveys/tmos>

U.S. Consumer Confidence Survey (August)

<https://www.conference-board.org/data/consumerconfidence.cfm>

July Job Openings and Labor Turnover (JOLTS)

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

GDP Second Release

<https://www.bea.gov/data/gdp/gross-domestic-product>

Pending Home Sales (July)

<https://www.nar.realtor/newsroom/nar-statistical-news-release-schedule>

PCE Price Index (July)

https://www.bea.gov/newsreleases/news_release_sort_national.htm

Employment Situation (August)

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



WEEKLY MARKET UPDATE

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