

## MONDAY

After Democrats and Republicans miraculously found a way to “agree,” extend government funding and avoid a government shutdown, markets weren’t exactly sure how to react. As a result, markets ended the day with fairly mixed results. While the S&P 500 and Dow Jones experienced little change, the NASDAQ finished with moderate gains.

### Major Stock Indices Performance Today...

S&P 500: 0.01%

Dow Jones: -0.22%

NASDAQ: 0.67%



## TUESDAY

This Tuesday, markets experienced a peculiar twist where what would typically be seen as "good news" was perceived with apprehension. In August, job openings surged by a 7.7%, jumping from 8.92 million to an impressive 9.61 million. Of course, this is great news for those looking for work and those who are concerned about job security because a considerable increase in job openings essential means that employees are in high demand. So why do investors and analysts see this as bad news? It ultimately comes down to the Federal Reserve, who has the power to influence the supply of money circulating into the economy and the interest rates we pay on our loans and credit. Since prices are at incredibly high levels, the Federal Reserve is enacting contractionary monetary policy by increasing interest rates and reducing the supply of money in the economy. While it may sound like a good thing that these policies can potentially bring down already very expensive prices, the more extreme they are, the more likely they are to hurt the economy and lead to negative events such as lower wage growth and more layoffs. Analysts and investors are understandably anxious about the repercussions. If interest rates are raised too high too fast, the economy may suffer significantly, and possibly enter into a recession.

Consequently, longer-term U.S. Treasury yields, exemplified by the 30-year bond, have continued their ascent, reaching new highs for the year. While this uptick in Treasury yields has genuinely worried investors and analysts regarding potential financial strain, it also presents an opportunity for households seeking secure, fixed-income investments. Individuals considering investment in U.S. Treasury fixed-income options, like bonds, now have the chance to do so at rates ranging between 4.8% and 5.6%, depending on the desired investment duration. For example, the 10-year U.S. Treasury bond currently offers an annual interest rate of approximately 4.8%. Although these rates might not evoke "jump out of your seat" excitement, they represent some of the highest, nearly risk-free rates available to Americans in quite some time.

### Major Stock Indices Performance Today...

S&P 500: -1.37%

Dow Jones: -1.29%

NASDAQ: -1.87%

## Job Openings and Labor Turnover (August)

Recent data underscores the resilience of the U.S. labor market. August's JOLTS report revealed an impressive 9.6 million total job openings, reflecting a 7.7% surge from July. Additionally, 5.9 million workers were hired in August, a modest 0.6% increase compared to the previous month, while job separations, encompassing layoffs and voluntary quits, rose by 0.7% to reach 5.7 million.

In spite of elevated interest rates and stricter credit conditions, alongside concerns about a potential economic slowdown, it is evident that employers are actively seeking to fill positions. It's important to note, however, that this positive outlook might not resonate equally for everyone reading this. Job prospects are significantly influenced by location and industry, leading to variations in the interpretation of data related to job openings and labor turnover.

**Here are some industries with the highest and lowest growth in job openings and hires:**

Industry	Job Openings Growth
Professional and business services	35.5%
State and Local Education	34.7%
Nondurable Goods	33.3%
Finance and Insurance	29.9%
Federal	20.5%
Transportation, warehousing, and utilities	-9.7%
Information	-7.9%
Trade, transportation, and utilities	-7.6%
Retail Trade	-6.7%
Wholesale Trade	-6.1%

Industry	Job Hires Growth
Finance and Insurance	15.0%
State and Local Education	12.1%
Arts, Entertainment, and Recreation	10.5%
Leisure and Hospitality	8.2%
Accommodation and Food Services	8.0%
Federal	-13.0%
Real Estate and Rental and Leasing	-12.7%
Information	-9.4%
Retail Trade	-8.0%
Construction	-6.8%

## WEDNESDAY

Overall, markets saw significant gains as bond yields decreased, and the September ADP National Employment Report indicated a mere 89,000 job additions in the private labor market. This represents a nearly 50% decline in job growth compared to August. Remarkably, this almost 50% drop in private employment stands as the slowest job growth since January 2021, a development surprisingly welcomed by investors and analysts.

Amidst apprehensions about a potential Federal Reserve rate hike, investors are eagerly seeking any indication of a decelerating economy. The reason is simple: if ample data surfaces suggesting an economic slowdown, the likelihood of the Federal Reserve raising rates diminishes. Moreover, the perception of a slower U.S. economy instills confidence in investors regarding the possibility of lower rates in the near term.

You might wonder why investors are so keen on lower interest rates. Consider any instance you've contemplated taking out a loan. Would you be more inclined to secure a mortgage for a \$500,000 home with a 3% interest rate or a 7% interest rate? Chances are, you'd opt for the 3% interest rate, as it translates to lower mortgage expenses, affording you more disposable income. In fact, a lower interest rate might even prompt you to invest in a more expensive home than you would with a higher rate due to the additional disposable income it would provide you.

Many investors comprehend this concept well. They understand that consumers and businesses tend to spend and invest more when interest rates are lower. Consequently, investors anticipate company earnings to increase with declining interest rates, fostering expectations of growth in their equity investments.

### Major Stock Indices Performance Today...

S&P 500: 0.81%

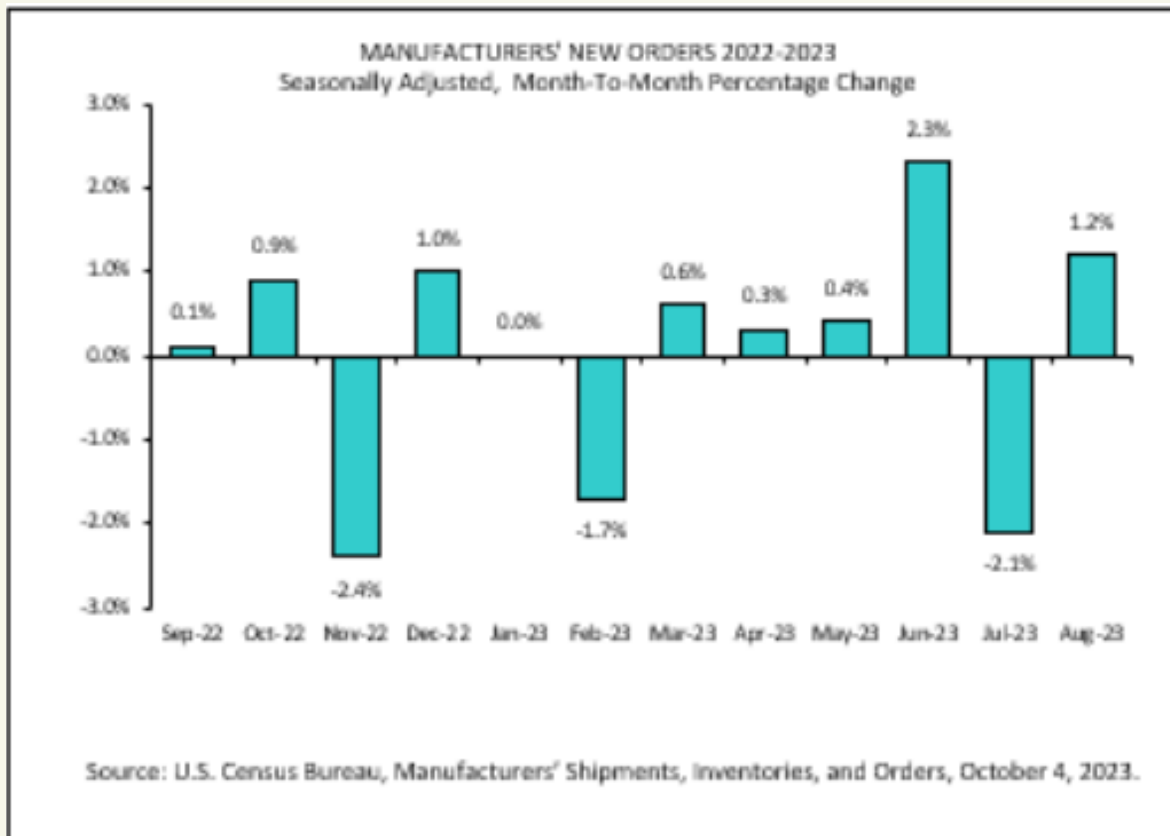
Dow Jones: 0.38%

NASDAQ: 1.35%

## August Report on Manufacturers' Shipments, Inventories, & Orders

Although fear of financial pain and even a recession has continued to rise recently, several fundamental economic data indicate that the U.S. economy is in a position of strong growth. Notably, manufacturers' new orders rose by 1.2% in August, marking the second-highest increase this year. Ultimately, this increase in new orders suggests that consumer demand was on the rise in August.

However, it's important to recognize that demand fluctuations exist when observed across different industries. Certain sectors demonstrated remarkable growth in new orders, including defense aircraft and parts, ships/boats, industrial machinery, electronic components, and household supplies. Conversely, industries like nondefense aircraft and parts, defense communications equipment, power transmissions equipment, and metalworking machinery reported lower growth in new orders.



## THURSDAY

Markets ended the day slightly in the negative despite data from the U.S. Initial Jobless Claims and U.S. Trade Balance reports highlighting a resilient U.S. economy. Investor attention turned towards Friday, with a keen interest in upcoming unemployment data.

Furthermore, bond yields finally stabilized somewhat on Thursday after experiencing considerable volatility throughout the week.

### Major Stock Indices Performance Today...

S&P 500: -0.13%

Dow Jones: -0.03%

NASDAQ: -0.12%



## U.S. Trade Balance (August)

Adding on to the week's news highlighting economic growth, the U.S. trade deficit shrunk a near 10% in August as a result of a significant increase in exports and sizeable decrease in imports. This news essentially means that Americans in August sold more goods and services to foreign countries than they purchased from them, leading to a lower trade deficit.

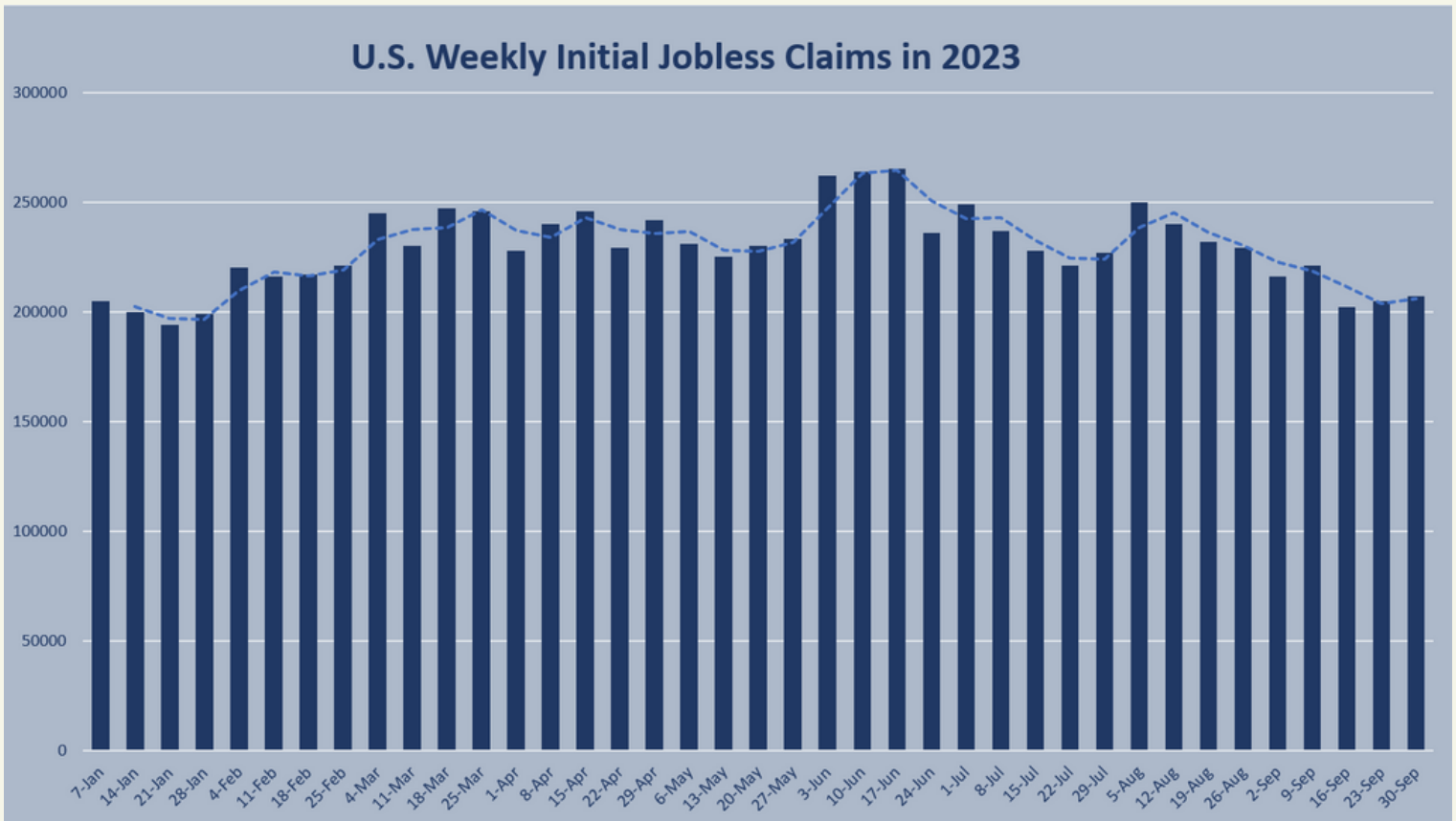
What's important to note about this is that a lower trade deficit often suggests economic growth because it often signifies that more money is flowing into the American economy from foreign countries than is flowing out. With that, it could potentially lead to inflationary pressures as Americans are left with more money to spend.

While more exports and fewer imports is seen as a good sign for economic growth, it's important to note that fewer imports could also potentially indicate lower consumer spending. Since imports represent the total value of goods and services that Americans purchased from other countries, it can sometimes indicate that Americans have less money to spend when imports fall.



## U.S. Initial Jobless Claims (Week ending September 30)

Initial jobless claims, representing the number of people filing for unemployment benefits, increased slightly compared to the previous week from 205,000 to 207,000. Last week's increase in jobless claims was relatively small and on top of that, they were well below the year's average, indicating that fewer people have been entering into unemployment in recent weeks.





## FRIDAY

Friday concluded with substantial gains in the markets, despite employment data surpassing expectations. Contrary to the anticipated sell-offs in the stock market following a robust jobs report, stocks showcased exceptional performance. Notably, sectors like leisure and hospitality, government, and healthcare witnessed significant job gains, contributing to the addition of approximately 336,000 jobs to the U.S. economy.

### Major Stock Indices Performance Today...

S&P 500: 1.18%

Dow Jones: 0.87%

NASDAQ: 1.60%

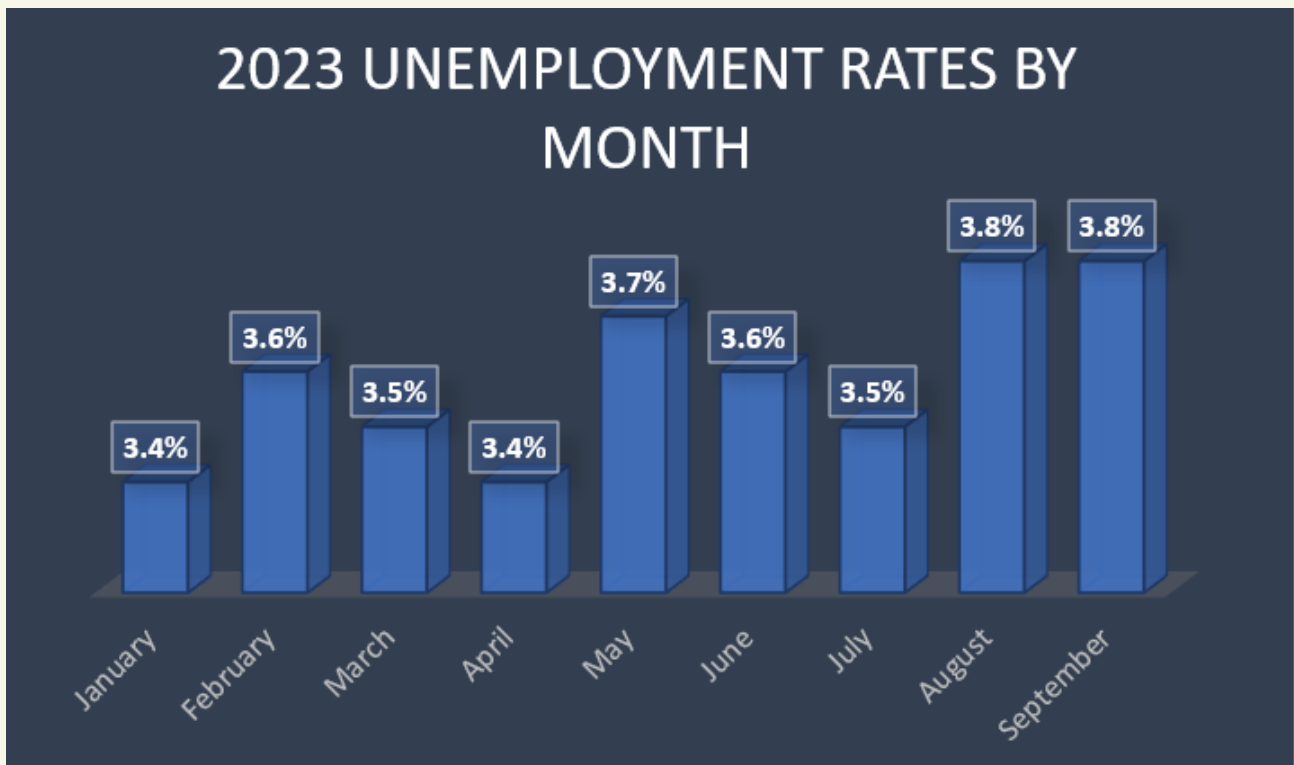


## U.S. Employment Situation (September)

In September, the U.S. unemployment rate (the number of individuals seeking employment compared to the total labor force) held steady at 3.8%, underscoring the resilience of the American labor market.

This stability in the unemployment rate implies that many workers and job seekers are currently in a favorable position due to a high demand for labor. As a result, individuals can feel reasonably confident about job prospects, job security, and the potential to negotiate for improved pay and benefits. In a job market where unemployment is low and labor demand is high, leveraging your value as an employee to negotiate for better compensation or enhanced benefits can be advantageous.

Moreover, for those who are currently unemployed, this period presents a good opportunity to secure a stable job, given the expected rise in unemployment and a potential narrowing of job opportunities in the coming year.



# MAJOR STOCK INDEX PERFORMANCE

	S&P 500	Dow Jones Industrial Average	Nasdaq Composite
Percent Change (Monday)	0.01%	-0.22%	0.67%
Percent Change (Tuesday)	-1.37%	-1.29%	-1.87%
Percent Change (Wednesday)	0.81%	0.38%	1.35%
Percent Change (Thursday)	-0.13%	-0.03%	-0.12%
Percent Change (Friday)	1.18%	0.87%	1.60%
Weekly Change	0.48%	-0.30%	1.60%

# 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	5.6	5.62	5.62	5.58	5.49	5.12	4.88	4.72	4.73	4.69	5.00	4.81
Tuesday	5.55	5.6	5.62	5.62	5.58	5.49	5.15	4.95	4.8	4.84	4.81	5.13	4.95
Wednesday	5.56	5.58	5.61	5.62	5.57	5.42	5.05	4.85	4.72	4.75	4.73	5.05	4.87
Thursday	5.57	5.59	5.61	5.62	5.56	5.39	5.03	4.82	4.68	4.73	4.72	5.06	4.89
Friday	5.59	5.6	5.63	5.64	5.59	5.43	5.08	4.87	4.75	4.79	4.78	5.13	4.95

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

## **Job Openings and Labor Turnover (August)**

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

## **August Report on Manufacturers' Shipments, Inventories, & Orders**

<https://www.census.gov/manufacturing/m3/current/index.html>

## **ADP National Employment Report**

<https://adpemploymentreport.com/>

## **U.S. Initial Jobless Claims (Week ending September 30)**

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

## **U.S. Trade Balance (August)**

<https://www.census.gov/foreign-trade/current/index.html>

## **U.S. Employment Situation (September)**

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



# WEEKLY MARKET UPDATE

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