WEEKLY MARKET PULSE

MONDAY

After a slight dip in U.S. Treasury bond yields last Friday, they quickly rebounded, indicating the possibility of rising interest rates. Surprisingly, this uptick in yields didn't deter the stock market, which delivered a strong performance. Meanwhile, the oil market experienced a brief surge in prices due to concerns about the Israel-Hamas conflict disrupting production and driving costs higher. However, these concerns subsided somewhat, leading to a drop in oil prices this Monday.

Major Stock Indices Performance Today...

S&P 500: 1.06% Dow Jones: 0.93% NASDAQ: 1.20%

WEEKLY MARKET PULSE

TUESDAY

Stock markets exhibited a mixed performance, reacting to the further ascent of U.S. Treasury yields. Though the Federal Reserve is not expected to implement an immediate interest rate hike, investors are increasingly concerned about the prospect of the Federal Reserve keeping interest rates at elevated levels for an extended period, and possibly raising rates again in the coming months.

Major Stock Indices Performance Today...

S&P 500: -0.01%   Dow Jones: 0.04%   NASDAQ: -0.25%

SERENE FINANCIAL SOLUTIONS

WEEKLY MARKET PULSE

September's Advance Monthly Sales for Retail and Food Services

The latest data on sales for the month of September reveals a notable uptick in economic activity. Sales saw a solid increase, growing from $699.9 billion in August to $704.9 billion in September. This represents a total rise of 0.7%. Such an increase is a meaningful indicator that suggests a positive shift in the dynamics of consumer demand and or higher prices within the U.S. economy.

The 0.7% rise in sales can be attributed to several factors. One possibility is an increase in consumer demand, where consumers are showing a higher appetite for products and services. When consumers are more willing to open their wallets and make purchases, it stimulates business activity and contributes to economic growth. Alternatively, this rise could be influenced by price increases. As the costs of goods and services increase, it can drive up sales, even if the quantity of goods purchased remains constant or falls. That being said, this boost in sales could potentially be linked to inflationary pressures in select business sectors, potentially leading to price increases in the near term.

Kind of Business	% Change from August 2023 to September 2023	% Change from September 2022 to September 2023
Retail and Food Services Total	0.7	3.8
Retail Total	0.7	3.0
Motor vehicle & parts dealers	1.0	6.2
Auto & other motor veh. dealers	1.1	6.3
Furniture & home furn. Stores	0.0	-5.9
Electronics & appliance stores	-0.8	-2.2
Building material & garden eq. & supplies dealers	-0.2	-4.0
Food & beverage stores	0.4	1.6
Grocery stores	0.4	1.6
Health & personal care stores	0.8	8.3
Gasoline stations	0.9	-3.5
Clothing & clothing accessories stores	-0.8	0.1
Sporting goods, hobby, musical instrument, & book stores	0.0	-2.1
General merchandise stores	0.4	2.0
Department stores	0.0	-4.7
Miscellaneous store retailers	3.0	-0.2
Nonstore retailers	1.1	8.4
Food services & drinking places	0.9	9.2

WEEKLY MARKET PULSE

WEDNESDAY

Amid a surge in long-term U.S. Treasury yields and oil prices, the stock market witnessed a significant downturn, raising concerns among investors about a potential extended period of elevated interest rates. Such a scenario could entail higher borrowing costs for both U.S. consumers and businesses from up to several months to years. While many have retained low-interest loans issued between 2020 and early 2022, a growing need for additional borrowing could force them into the current high interest rate environment. Consequently, numerous analysts and economists assert that we have yet to encounter the full impact of rising interest rates. Their viewpoint hinges on the notion of a lag effect, where interest rate adjustments take time to fully influence the American economy. As a result, it's presumed that the Federal Reserve will persist with high interest rates until they wield sufficient influence to mitigate inflation and increase unemployment levels, promoting a more balanced economic landscape.

Major Stock Indices Performance Today...

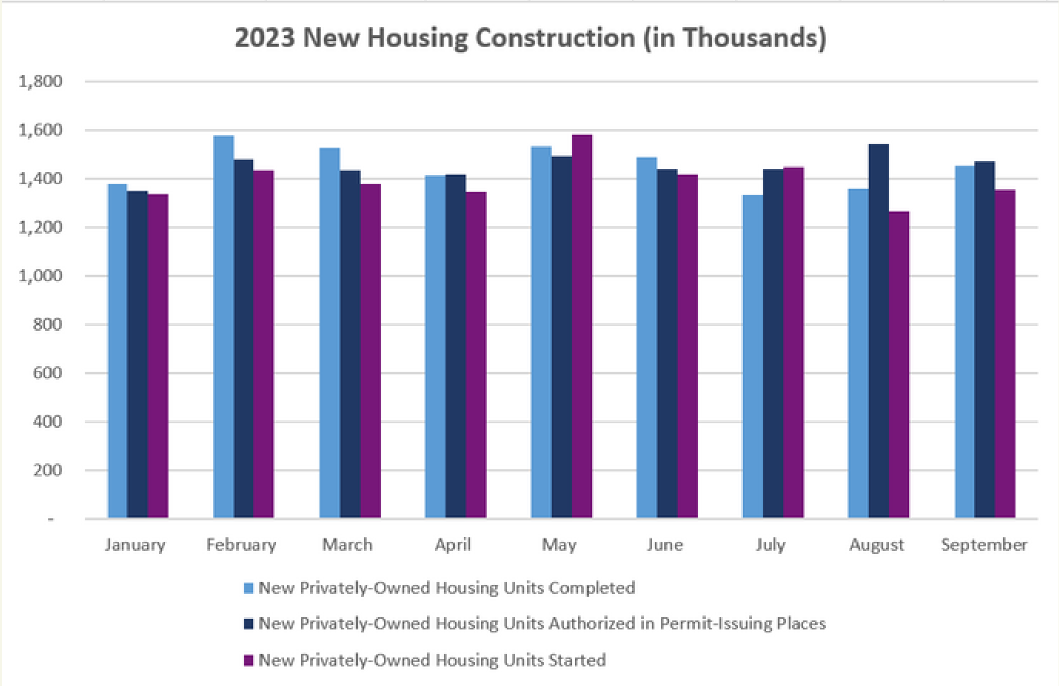
S&P 500: -1.34%   Dow Jones: -0.98%   NASDAQ: -1.62%

WEEKLY MARKET PULSE

September’s New Privately-Owned Residential Construction Report

While the housing market has long grappled with a persistent shortage of available homes, the latest data from the U.S. Census Bureau and the U.S. Department of Housing and Urban Development brings some encouraging news for prospective homebuyers and market dynamics. In September, there was a notable upswing in new housing construction, with a seasonally adjusted 1.45 million housing units introduced to the market. This marked a substantial 6.6% surge compared to August, representing a rebound from Augusts’s relatively low number of housing units completed. This increase in completed housing units represents a significant addition to the supply of new homes, potentially alleviating some upward pressure on housing prices. Furthermore, the growth in housing units where construction had commenced grew at a strong pace also. After a significant decline in new housing starts in August, September saw a robust rebound, with 1.36 million units initiated, reflecting a 7% total increase. While it's clear that the housing market still has some ground to cover in terms of achieving a sufficiently balanced supply, these improvements in units completed and initiated offer a ray of hope for price control in the near term.

In spite of this positive momentum, it's worth noting that the number of housing units authorized by building permits, which serves as an estimate of future additions to the housing market, witnessed a 4.4% dip compared to August. However, it's essential to contextualize this decline. August had seen the highest number of housing units authorized for construction in the entire year. Notably, September's tally of authorized housing units surpassed the yearly average, reaching 1.47 million units, exceeding the year's average. This suggests that while there was a pullback in permitting activity, it’s not as bad as it may seem.



WEEKLY MARKET PULSE

THURSDAY

Investors displayed a distinct unease as long-term Treasury Security yields continued their ascent, subsequently driving mortgage rates to even loftier heights. Adding to this apprehension was a message from Federal Reserve Chair Jerome Powell, who underlined the potential for a prolonged era of elevated interest rates and the likelihood of a future rate hike should inflation show no signs of deceleration.

Diving deeper into mortgage rates, the average 30-year fixed mortgage rate presently hovers around 8%, a figure that warrants significant attention. At this interest rate, a mortgage valued at $400,000 would result in a monthly payment of $2,935. To put this in perspective, just two years ago, when average rates were approximately 3%, that same $400,000 mortgage translated into a far more manageable $1,686 per month. Clearly, home buying has undergone a significant transformation, and not in the most favorable direction. The combination of elevated sticker prices, fueled by the post-Covid housing surge, and high interest rates has rendered homeownership extremely expensive.

Major Stock Indices Performance Today...

S&P 500: -0.85% Dow Jones: -0.75% NASDAQ: -0.96%

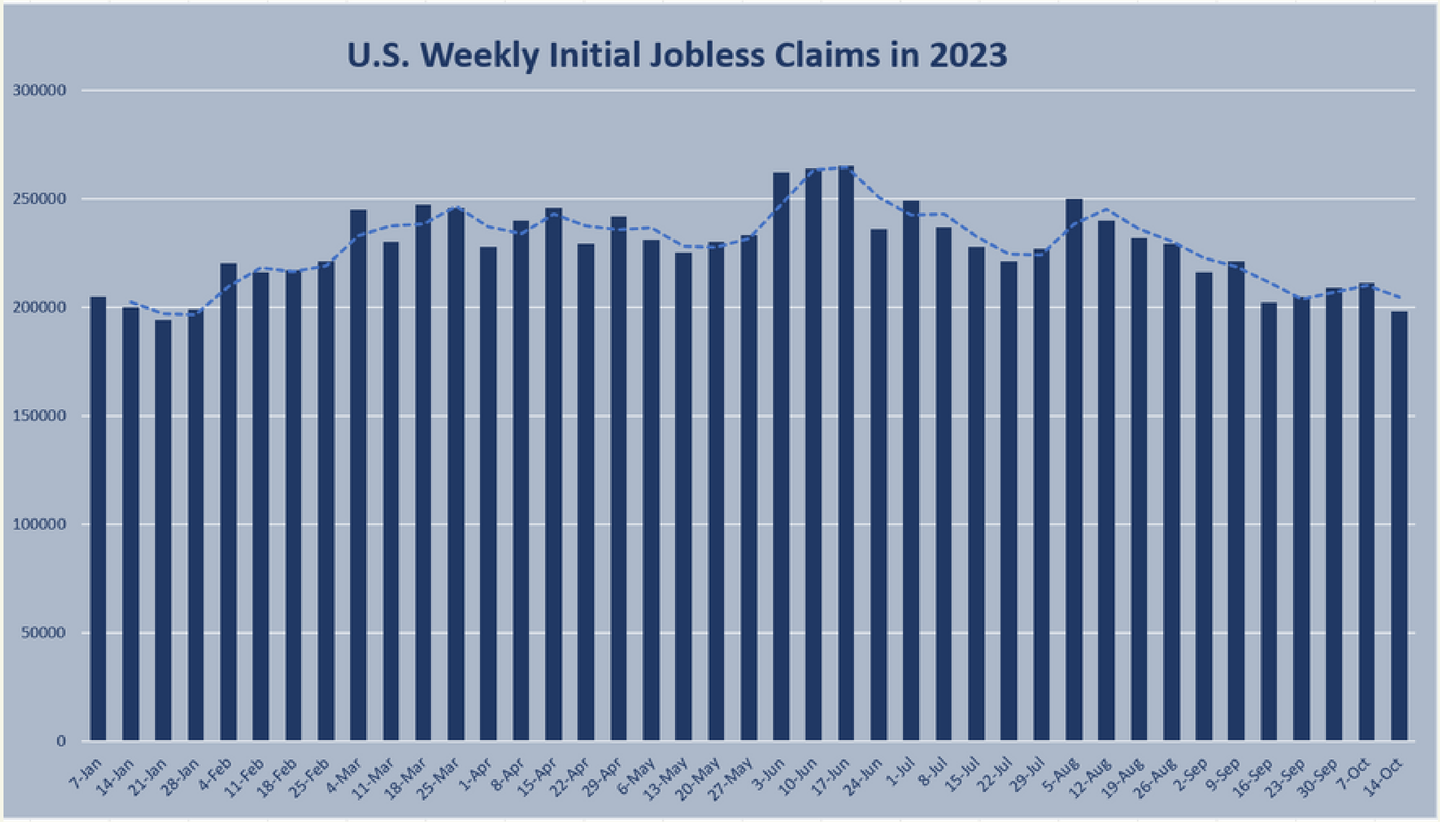
SERENE FINANCIAL SOLUTIONS

WEEKLY MARKET PULSE

U.S. Initial Jobless Claims (Week ending October 14)

Initial jobless claims, representing the number of people filing for unemployment benefits, came out at 198,000, the lowest number since January. This figure represents a significant drop of 13,000 compared to the previous week's 211,000 claims, marking the lowest level since January. Such a decline in jobless claims is a clear indicator of the tightening labor market, which carries several important implications for job seekers.

This trend reflects a substantial mismatch between the number of job positions that companies are looking to fill and the pool of available workers seeking employment. With a limited supply of potential candidates in relation to the number of job openings, the scales have tipped in favor of current job seekers. This situation has positioned job seekers into valuable and marketable assets. They are in a position of strength, as employers tend to be more willing to offer and or negotiate more competitive compensation, benefits, and incentives as a result of fewer potential workers they have to choose from.



SERENE FINANCIAL SOLUTIONS

WEEKLY MARKET PULSE

Summary and Analysis of Jerome Powell’s Remarks on Current Economic Conditions

Powell starts off by saying that a combination of more balanced supply and demand post-COVID and restrictive monetary policy (higher interest rates and the selling of assets from the Federal Reserve balance sheet) have helped in cooling down demand and increasing supply. As a result, PCE inflation has been able to make its way down, most recently coming in at 3.5% compared to its 7.1% peak last June. Overall, significant progress has been made in bringing inflation back down to a more sustainable level, but recent data has revealed a slowdown in progress. Much of this slowdown comes as a result of recent increases in gas prices.

While the labor market remains tight, there are several factors that are set to increase unemployment: an increase in worker supply due to greater labor participation and increased immigration, fewer job openings (although still relatively high), and lower wage premiums by those who change jobs. In knowing this information, it can be helpful to take advantage of this tight labor market and negotiate benefits and pay that reflect your worth as an employee. Additionally, while it may be helpful in your personal situation to transition into a new job, it appears that overall, the wage benefits that come from changing jobs are narrowing. Therefore, it is important to be aware of that information, but it is also important to be aware of both overall labor market conditions as well as your personal situation. For instance, you may be working in an industry where it is still incredibly beneficial to change jobs and receive better compensation and benefits.

WEEKLY MARKET PULSE

Summary and Analysis of Jerome Powell's Remarks on Current Economic Conditions

Improvements in supply chain conditions and high demand within the labor market have aided in relatively strong economic activity. Analysts expect GDP, a measure of economic growth, to continue growing this quarter before eventually decelerating into the fourth quarter and next year. Consequently, it is likely for you to hear that economic conditions are slowing in the coming months to year, possibly years. This means that consumer demand is likely to fall, labor conditions will likely become less favorable to employees, corporate earnings will likely decrease, and overall economic activity will likely slow.

In regards to what the Federal Reserve will do in response to developing economic conditions, Powell explains that the Fed plans to maintain restrictive monetary policy until inflation comes down to its 2% target. Therefore, unless something extremely tragic and surprising occurs, such as the failure of a big bank, it's unlikely that you will see lower interest rates or favorable credit conditions until inflation gets closer to 2%. With that said, if you would like to make a big purchase in the future, such as for a car or house, and you plan on taking out a loan to make the purchase, now could be a good time to save funds in preparation for that big purchase. Depending on your personal financial situation, it could be very helpful to save money now and make the big purchase at a time when interest rates are likely to be much lower.

SERENE FINANCIAL SOLUTIONS

WEEKLY MARKET PULSE

FRIDAY

As the Israel-Hamas conflict intensifies, concerns regarding its potential impact on the global economy are on the rise. There are growing apprehensions that the war could disrupt oil production in the region, potentially leading to supply constraints that might exert upward pressure on oil prices. These fears are compounded by persistent uncertainties surrounding the Federal Reserve's stance on interest rates, with expectations of prolonged high rates and the possibility of further increases. As apprehension and uncertainty mount, it's not uncommon to witness stock prices declining as investors seek refuge in safer assets like gold and bonds. While investment decisions should always align with individual circumstances, those who sell prematurely often realize smaller gains compared to those who hold on to their investments, even in times of market turbulence. Interestingly, significant market downturns can present opportunities for investors seeking to capitalize on discounted assets.

Major Stock Indices Performance Today...

S&P 500: -1.26% | Dow Jones: -0.86% | NASDAQ: -1.53%

MAJOR STOCK INDEX PERFORMANCE

	S&P 500	Dow Jones Industrial Average	Nasdaq Composite
Percent Change (Monday)	1.06%	0.93%	1.20%
Percent Change (Tuesday)	-0.01%	0.04%	-0.25%
Percent Change (Wednesday)	-1.34%	-0.98%	-1.62%
Percent Change (Thursday)	-0.85%	-0.75%	-0.96%
Percent Change (Friday)	-1.26%	-0.86%	-1.53%
Weekly Change	-2.39%	-1.61%	-3.16%

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	5.57	5.58	5.61	5.63	5.58	5.42	5.09	4.87	4.72	4.74	4.71	5.06	4.87
Tuesday	5.58	5.58	5.62	5.64	5.6	5.48	5.19	5.01	4.86	4.88	4.83	5.14	4.94
Wednesday	5.57	5.56	5.61	5.62	5.58	5.47	5.19	5.03	4.92	4.95	4.91	5.2	5.00
Thursday	5.58	5.57	5.6	5.62	5.56	5.44	5.14	5.01	4.95	5	4.98	5.3	5.11
Friday	5.56	5.56	5.58	5.61	5.54	5.41	5.07	4.93	4.86	4.93	4.93	5.27	5.09

LINKS TO ECONOMIC/FINANCIAL DATA FROM THIS WEEK

September's Advance Monthly Sales for Retail and Food Services

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

September's New Privately-Owned Residential Construction Report

https://www.census.gov/construction/nrc/pdf/newresconst.pdf

U.S. Initial Jobless Claims (Week ending October 14)

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

Jerome Powell's Remarks on Current Economic Conditions

https://www.federalreserve.gov/newsevents/speech/powell20231019a.htm

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