WEEKLY MARKET PULSE

MONDAY

Following a challenging week in financial markets, a resurgence was witnessed, with McDonald's surpassing earnings forecasts. Moreover, investor attention was drawn to the eagerly awaited FOMC meeting, scheduled to take place Tuesday through Wednesday. At this pivotal gathering, members of the Federal Reserve Board will deliberate on the critical decision of whether to raise interest rates and continue their restrictive monetary policy framework, designed to slow the U.S. economy as well as inflation.

A consensus among the majority of analysts prevails: it is expected that the Federal Reserve will maintain its current interest rates. This decision arises from a deliberate approach to gauge the effects of prior rate hikes on the American economy, allowing them to shift throughout the economy and enact their intended effects, which are to cool inflation and the labor market.

Major Stock Indices Performance Today...

S&P 500: 1.20% Dow Jones: 1.58% NASDAQ: 1.16%

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WEEKLY MARKET PULSE

TUESDAY

Markets on Tuesday built upon the momentum gained earlier this week, with investors eagerly anticipating the upcoming announcement of steady interest rates scheduled for Wednesday. Furthermore, after enduring weeks of sustained turbulence, the yields on longer-term U.S. Treasury securities have shown signs of stabilizing, providing a welcome sense of reassurance for many investors in the early part of this week.

Major Stock Indices Performance Today...

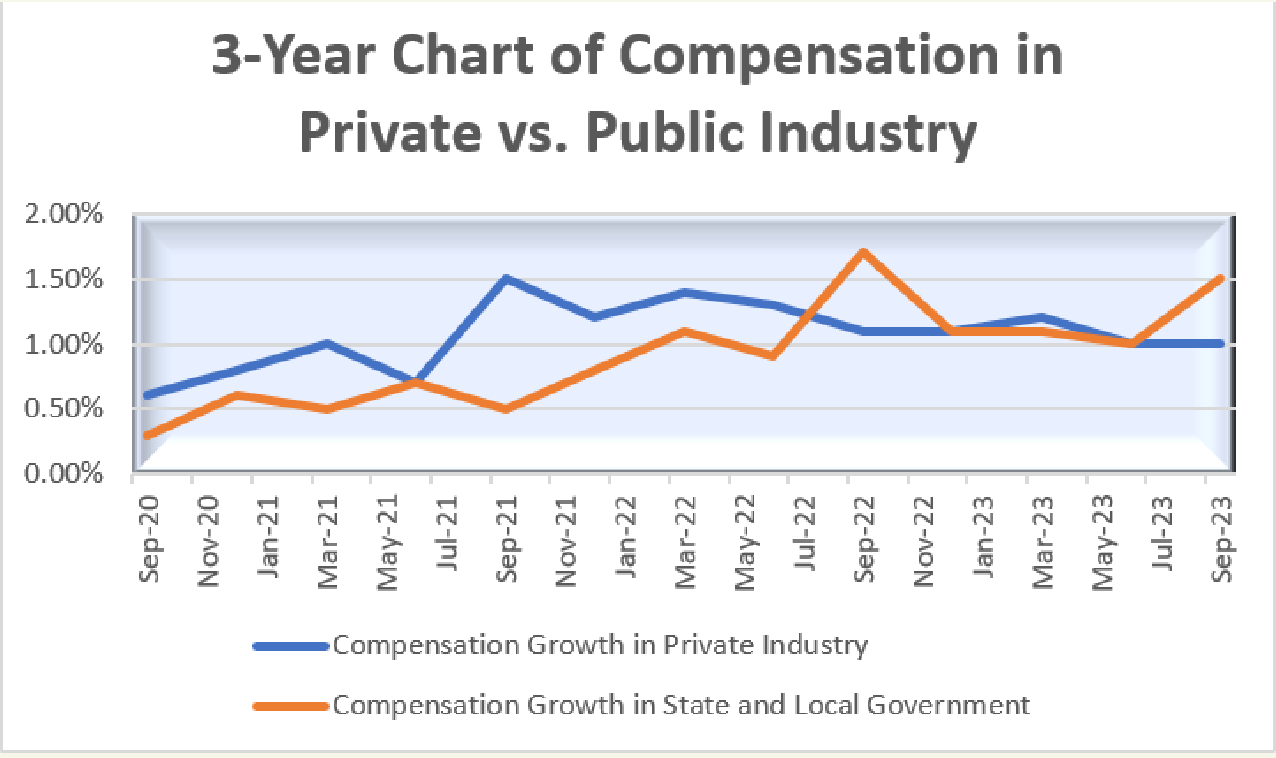
S&P 500: 0.65%   Dow Jones: 0.38%   NASDAQ: 0.48%

WEEKLY MARKET PULSE

September's Employment Cost Index

Conducted on a quarterly basis, the Employment Cost Index serves as a vital gauge for tracking fluctuations in employee compensation, encompassing wages, salaries, and benefits. Collectively, these components constitute the entirety of employment costs. In the three-month period ending in September, the costs of worker compensation experienced a notable 1.1% increase. This percentage uptick surpasses the 20-year average of 0.7% by a significant margin, highlighting the escalating nature of employment costs. Notably, wage growth played a pivotal role in propelling overall compensation upward, marking a robust increase of 1.2%.

While it's tempting to assume that businesses can absorb these heightened expenses in response to increasing consumer demand, there is a concern that this demand surge may not be sustainable. Projections indicate that consumer savings are poised to return to pre-pandemic levels in the foreseeable future, potentially triggering a decline in consumer demand, and ultimately reducing or slowing corporate profits. With an expectation of reduced corporate earnings and mounting interest rates on the horizon, companies may find themselves less capable of allocating a significant portion of their profits toward their workforce in the upcoming year. As a result, it is likely that we will witness a scenario characterized by either decelerated wage growth, a reduction in job openings and hires, or a combination of both in the near term.



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WEEKLY MARKET PULSE

WEDNESDAY

On Wednesday, financial markets experienced a substantial upswing, primarily driven by the Federal Reserve's decision to maintain existing interest rates. This significant move was complemented by Jerome Powell's cautious but reassuring tone in his FOMC statement.

The persistent fear of an impending recession, which had cast a long shadow over market sentiment, found a glimmer of hope in Powell's assessment. He stated that recent economic growth has made a recession in the near term highly unlikely.

Notably, the Nasdaq index emerged as a star performer during Wednesday’s market rally. Its exceptional performance was largely attributed to higher expected revenue results posted by Advanced Micro Devices (AMD).

Major Stock Indices Performance Today...

S&P 500: 1.05% Dow Jones: 0.67% NASDAQ: 1.64%

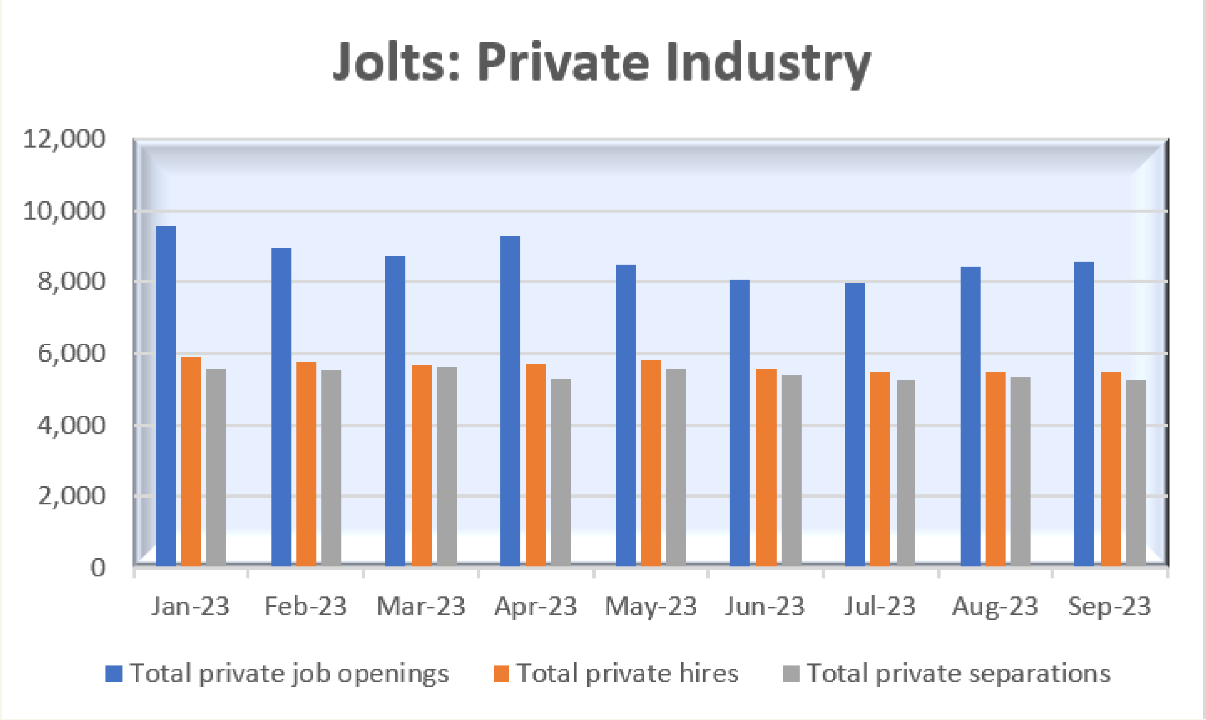
WEEKLY MARKET PULSE

September's Jolts Report

Published by the Bureau of Labor Statistics, the JOLTS (Job Openings and Labor Turnover Survey) report offers a valuable window into the ever-evolving job market. This comprehensive report provides data on shifts in job openings, hires, as well as both involuntary and voluntary separations.

In earlier discussions, we raised the possibility of a future decrease in job opportunities. However, the present scenario paints a more optimistic picture. The job market currently boasts robust opportunities, with job openings ascending by 0.6% and hiring showing a 0.4% increase. It's evident that both existing employees and those seeking new roles are well-placed in today's job market.

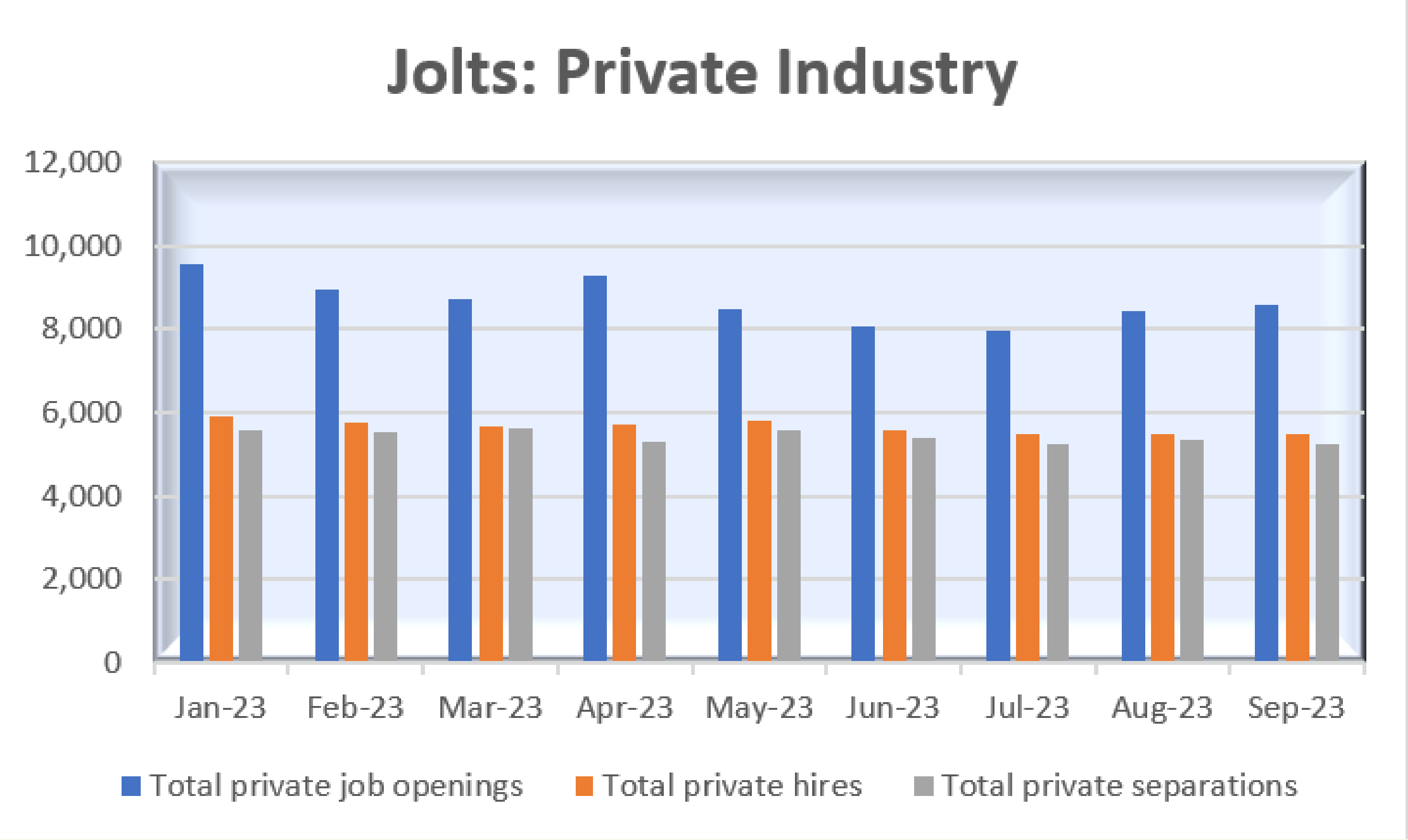
Soaring demand for labor has significantly favored the workforce, affording them not only a multitude of job prospects but also relatively stable job security. For instance, although layoffs did experience a rise compared to August, the pace of the increase was moderate, indicating that employers are opting to retain their staff. Notably, the number of individuals who voluntarily quit their jobs in September substantially exceeded the count of those who faced layoffs. While 1.5 million individuals encountered layoffs, an impressive 3.7 million individuals took the initiative to leave their jobs during this period. This data reflects a considerably higher likelihood of someone voluntarily resigning from their job rather than facing involuntary separation. It's an employee's market, driven by an imbalance between high labor demand and a limited pool of available workers.



September’s Jolts Report

That said, if you believe that your value as an employee merits a salary raise or an enhanced benefits package, now may be the time to engage in that conversation with your employer. On the other hand, if you’re on the job hunt, this calls for proactive measures. Polish your resume, hone your skills, expand your knowledge base, nurture your professional network, and embrace job interviews with enthusiasm. Forecasts suggest that the job market may not remain as abundant with opportunities in the coming year, making timely job acquisition an advantageous move.

An essential note: Those currently holding stable job positions should bear in mind that in the event of an upswing in unemployment, new hires are often among the first to face layoffs. Furthermore, it's crucial to acknowledge that the JOLTS report furnishes past labor market data, specifically drawing from the recent past, September.



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WEEKLY MARKET PULSE

Jerome Powell Speech at FOMC Conference Summary and Analysis

Jerome Powell, along with his colleagues at the Federal Reserve, reaffirms their unwavering commitment to the goal of achieving sustainable inflation at 2%. This commitment suggests a high likelihood of the Federal Reserve maintaining restrictive monetary policy until the targeted inflation rate is attained.

Powell highlights a critical point - the full impact of the Fed's restrictive monetary measures is yet to be fully realized. The reason lies in the continued benefits reaped by millions of individuals and businesses from the ultra-low interest rates available in the recent past. However, a turning point is on the horizon, as a considerable number of loans issued at those low rates are approaching maturity. This impending change will require companies and individuals alike to allocate a significantly larger portion of their income to servicing interest expenses on these loans.

In examining recent GDP figures, which have exhibited robust growth at 4.9%, it becomes evident that this upswing has been predominantly fueled by heightened consumer spending. Nevertheless, this surge in interest rates has cast a shadow over housing demand and fixed-business investment, resulting in a perceptible slowdown in these sectors.

Unemployment has managed to stay at low levels, thanks to an abundance of job opportunities, yet wage growth has slowed in recent months.

Jerome Powell Speech at FOMC Conference Summary and Analysis

Powell emphasizes that while inflation has shown signs of deceleration, it remains a persistent challenge. To curb inflation effectively, Powell suggests that the U.S. economy may witness a phase of below-potential growth, and the labor market could experience a cooling effect. In practical terms, this translates to potential reductions in employment opportunities, consumer spending, and business investment.

Despite differing opinions, Powell and his fellow Federal Reserve Open Market Committee members do not anticipate a recession in the near future.

As the next Federal Reserve meeting approaches, the future direction of interest rates remains uncertain. Nevertheless, a prevailing consensus among analysts leans towards the expectation that the Federal Reserve will maintain its current interest rates. However, the possibility of unforeseen data or news surfacing in the coming month could lead to a departure from this forecast. In such an event, it's highly probable that asset markets, including stocks, bonds, and commodities, could experience heightened volatility beyond their current levels.

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WEEKLY MARKET PULSE

THURSDAY

Financial markets witnessed a robust upswing this Thursday, responding positively to the news of unchanged interest rates. With the Federal Reserve maintaining the current interest rate levels, both investors and analysts are growing increasingly convinced that a future interest rate reduction is on the horizon in the middle of next year.

While the path ahead remains uncertain, investors and analysts are confident that the Fed will hold interest rates steady for some time until eventually cutting them in mid-2024. This outlook has instilled a sense of clarity and assurance among investors and analysts, contributing to the recent upward momentum in financial markets.

Major Stock Indices Performance Today...

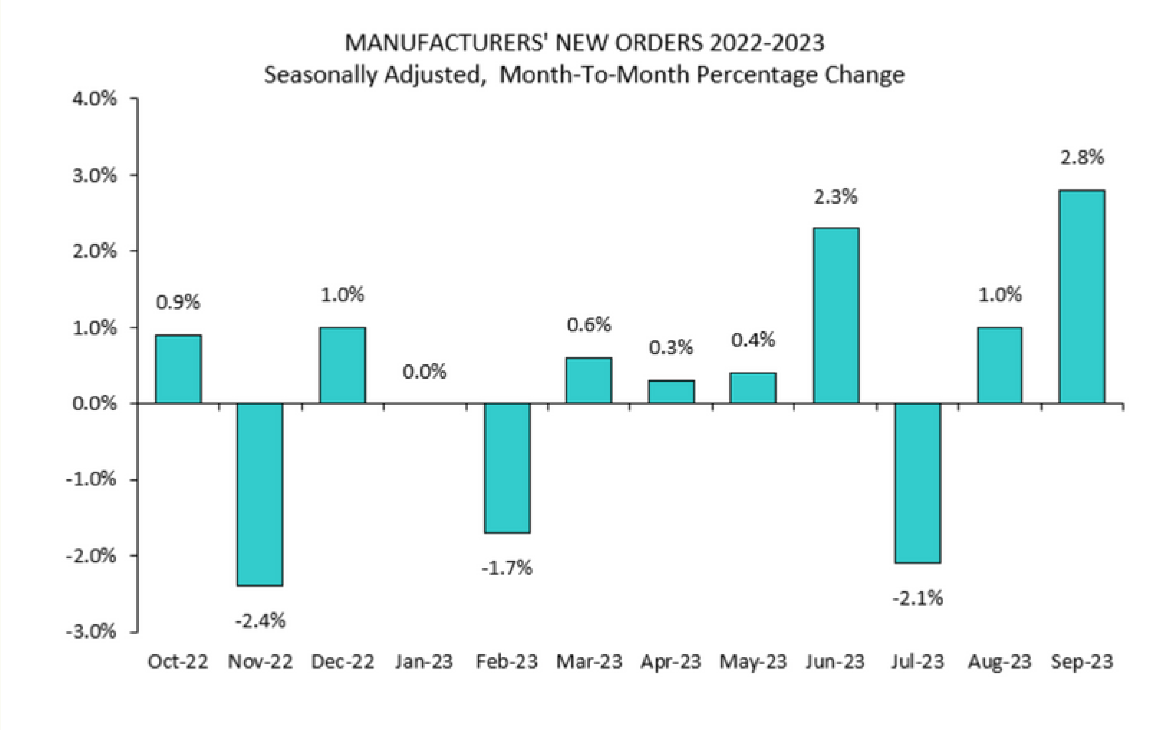
S&P 500: 1.89% Dow Jones: 1.70% NASDAQ: 1.78%

September’s Report on Manufacturers’ Shipments, Inventories, & Orders

In the month of September, we observed a notable surge in new orders for manufactured goods, encompassing a wide array of products such as computers, metals, electronics, and furniture. This uptick of 2.8% marks the most substantial monthly increase since January 2021, signifying a palpable rise in consumer spending.

Additionally, inventories experienced a modest increase, rising by 0.2%. This incremental growth may be indicative of businesses potentially overestimating consumer demand in the preceding months,.

While shipments of manufactured goods did register a 0.4% increase, it's important to note that this growth was somewhat slow in comparison to the rates observed in August and July. Furthermore, a compelling metric to consider is the rise in unfilled orders, representing a backlog of goods that have been ordered but not yet dispatched. This backlog escalated by 1.4%. The combination of slower shipments and a mounting number of unfilled orders may signal underlying supply chain disruptions. Such disruptions have the potential to exert upward pressure on the prices of manufactured goods.



Source: U.S. Census Bureau, Manufacturers’ Shipments, Inventories, and Orders, November 2, 2023.

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WEEKLY MARKET PULSE

FRIDAY

Financial markets wrapped up a remarkably strong week, fueled by a combination of factors that include higher unemployment rates and a decline in long-term Treasury yields. This news has triggered expectations among analysts that the labor market has cooled sufficiently to persuade the Federal Reserve to maintain its current interest rates at the upcoming meeting, thereby averting expectations of even higher interest costs for individuals and businesses.

Moreover, the prevailing consensus points to a scenario of few to no interest rate hikes in the foreseeable future. In tandem with these expectations, longer-term Treasury bond yields have witnessed a significant drop, now hovering at levels reminiscent of those seen back in September. These developments are not to be underestimated, as fluctuations in long-term bond yields, particularly the 10-year yield, can play a major role in interest rate fluctuations, especially mortgage rates.

Major Stock Indices Performance Today...

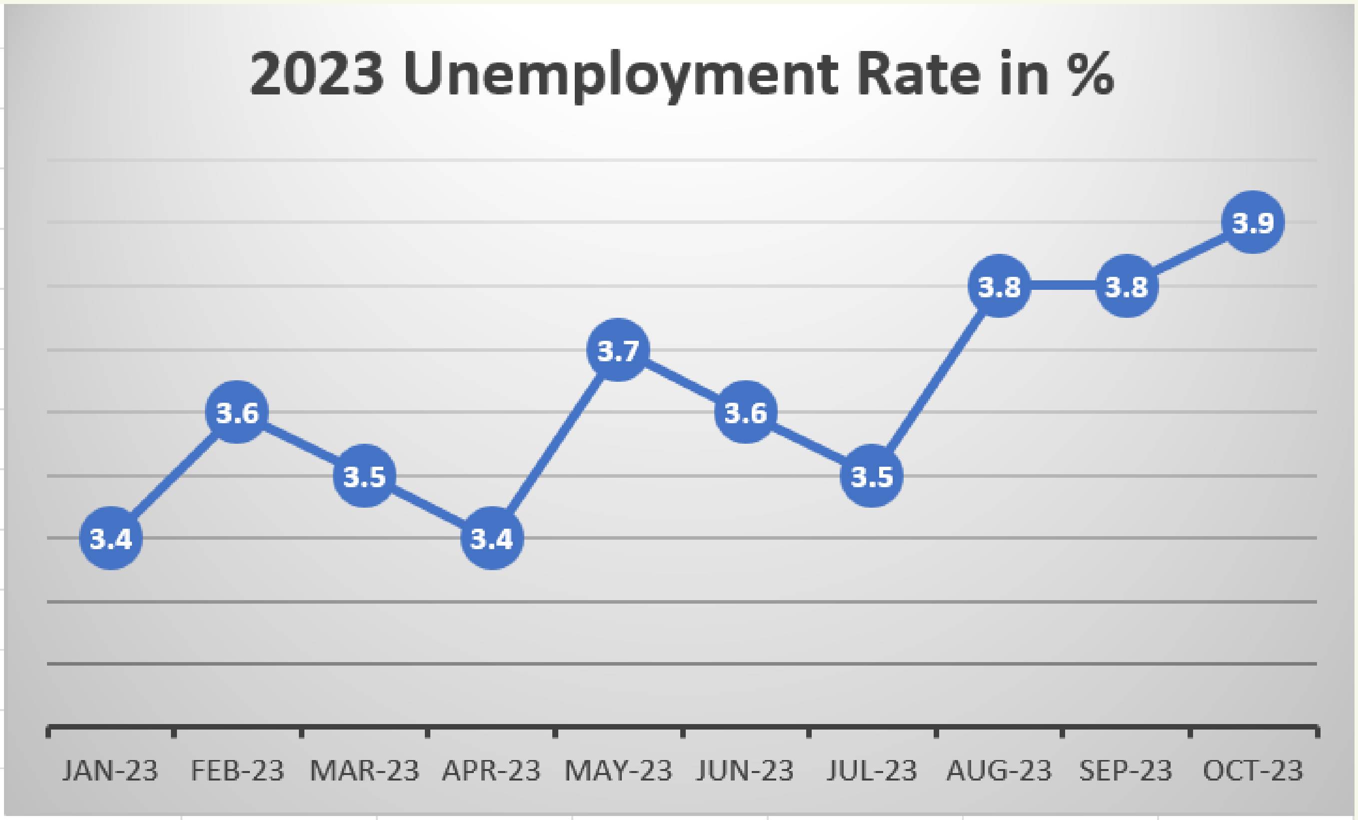
S&P 500: 0.94% Dow Jones: 0.66% NASDAQ: 1.38%

WEEKLY MARKET PULSE

October’s Employment Situation

In the month of October, we observed a significant transition within the labor force. Approximately 348,000 individuals departed from their employment, while 146,000 workers entered the realm of unemployment. Furthermore, the overall size of the labor force contracted by 201,000 individuals, signaling a reduced pool of available workers. This shift, driven by a moderate influx of 146,000 individuals into unemployment, contributed to a slight uptick in the unemployment rate, now resting at 3.9%. These fluctuations suggest a potential deceleration in the labor market's momentum.

If you find these labor market dynamics concerning as a working individual, it's crucial to proactively demonstrate your value in the workplace. Even during times of economic uncertainty, valuable employees tend to be more resilient against the threat of layoffs. Enhance your professional worth through a combination of diligence, increased efficiency, and skill development. Your proactive stance can serve as a safeguard, especially when job security becomes uncertain.



WEEKLY MARKET PULSE

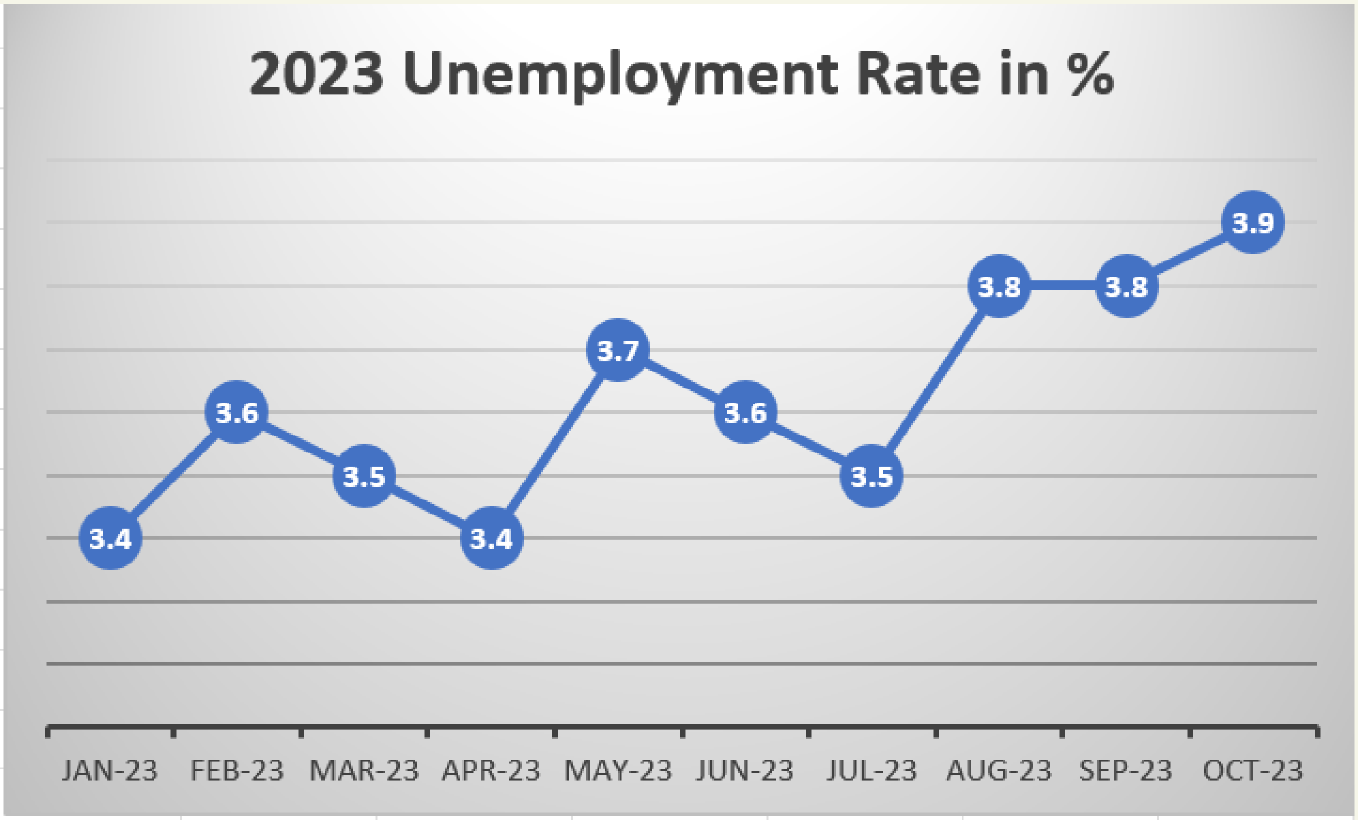
SERENE FINANCIAL SOLUTIONS

October's Employment Situation

Considering the likelihood of the labor market continuing to cool, it's important to prepare for the possibility of a job disruption. Economic downturns can lead to mass layoffs, impacting even top-performing employees. In such circumstances, two pivotal assets can provide you with an advantage: readiness to transition to a new job if necessary and the presence of an emergency fund.

Start by evaluating your financial preparedness with a critical question: "If I were to lose my job today, how long could I sustain myself without a stable income?" Depending on your response, it may be helpful to establish or bolster an emergency fund. This financial safety net, encompassing 3-6 months' worth of living expenses, can serve as a lifeline during unexpected disruptions in your primary source of income.

Furthermore, it's imperative to remain prepared to seek alternative employment. To achieve this, consider building a robust professional network of high-quality connections, maintaining an updated and polished resume, and actively scouting for potential job opportunities. These measures can equip you with the resilience to navigate the uncertainties of the labor market effectively.



MAJOR STOCK INDEX PERFORMANCE

	S&P 500	Dow Jones Industrial Average	Nasdaq Composite
Percent Change (Monday)	1.20%	1.58%	1.16%
Percent Change (Tuesday)	0.65%	0.38%	0.48%
Percent Change (Wednesday)	1.05%	0.67%	1.64%
Percent Change (Thursday)	1.89%	1.70%	1.78%
Percent Change (Friday)	0.94%	0.66%	1.38%
Weekly Change	5.85%	5.07%	6.61%

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	5.57	5.6	5.61	5.53	5.41	5.03	4.87	4.8	4.88	4.88	5.21	5.04
Tuesday	5.56	5.57	5.59	5.61	5.54	5.44	5.07	4.9	4.82	4.89	4.88	5.21	5.04
Wednesday	5.56	5.55	5.57	5.54	5.51	5.37	4.95	4.76	4.67	4.75	4.77	5.13	4.96
Thursday	5.52	5.56	5.54	5.53	5.5	5.38	4.98	4.78	4.65	4.68	4.67	4.99	4.82
Friday	5.53	5.56	5.53	5.5	5.45	5.29	4.83	4.62	4.49	4.55	4.57	4.93	4.77

LINKS TO ECONOMIC/FINANCIAL DATA FROM THIS WEEK

September's Employment Cost Index

https://www.bls.gov/news.release/eci.nr0.htm

September 's Jolts Report

https://www.bls.gov/news.release/jolts.nr0.htm

Jerome Powell Speech at FOMC Conference Summary and Analysis

https://www.youtube.com/watch?v=ohuJH9fld3w

September's Report on Manufacturers' Shipments, Inventories, & Orders

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

October's Employment Situation

https://www.bls.gov/news.release/empsit.nr0.htm

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