

Financial Week Newsletter

Oct. 29, 2018

SMITH
SHELLNUT
WILSON

...as summarized by Smith Shellnut Wilson

SSW Research Department
Office: (601) 605-1776
Email: rayt@ssw1776.com
Website: www.ssw1776.com

Equity Markets

- U.S. stock indexes tumbled last week, leaving broad-market indexes close to even on the year.

	10/19 Close	10/26 Close	Price Change
Dow Jones	25,444	24,688	Down 3.0%
S&P 500	2,768	2,659	Down 3.9%
NASDAQ	7,449	7,167	Down 3.8%
KBW Bank Index	99.81	94.83	Down 5.0%

- This month's rise in stock market volatility arrived right on schedule, based on the past performance of the Chicago Board Options Exchange Volatility Index, commonly known as "VIX"; October's average reading for the VIX from 1990 through 2017 was 21.67, the highest for any month in the volatility gauge's seasonal pattern, according to data compiled by Bloomberg.

Financials

- Regulators closed no banks last week, leaving year-to-date closures at zero.
- Banks regulated by the FDIC may be freed up to engage in small-dollar lending (a.k.a. "payday loans") after the regulator reviews whether to withdraw a 15-year-old bulletin that essentially made such loans off limits; the Office of the Comptroller of the Currency issued a bulletin in May encouraging banks to get back into the small-dollar lending market in a bid to provide a more consumer-friendly version of small-dollar lending than that provided by non-bank payday lenders.

Credit Markets

- Intermediate-term U.S. Treasury yields fell last week driven by a flight to safety.

	10/19 Close	10/26 Close	Yield Change
3-month Tsy	2.31%	2.32%	Up 1 bp
2-year Tsy	2.91%	2.81%	Down 10 bps
5-year Tsy	3.05%	2.91%	Down 14 bps
10-year Tsy	3.19%	3.08%	Down 11 bps

Treasury/Fed/Administration/Congress

- The Federal Reserve is getting more concerned about risks from the leveraged loan market, with a key official saying it's now taking a "closer look" at whether Wall Street banks are chasing deals without adequately protecting themselves against losses.

Economy

- U.S. purchases of new homes fell more than estimated in September to the weakest pace since December 2016, adding to signs that a lack of affordability is crimping demand, according to government data released last week.
- A majority of Federal Reserve districts reported modest to moderate economic growth, through October 15th, though uncertainties over trade and labor shortages put pressure on firms, according to a survey from the U.S. central bank; the central bank's Beige Book economic report, based on anecdotal information collected by the 12 regional Fed banks, continued to show that companies are generally not responding to the tightening labor market with significantly high wages.
- Orders placed with U.S. factories for business equipment declined in September for a second month, a sign that momentum in capital investment has paused as global trade concerns persist; non-military capital goods orders excluding aircraft, a proxy for business investment, fell 0.1% while shipments of those goods, used to calculate gross domestic product, were unchanged.
- Contracts to buy previously-owned U.S. homes rose in September for the first time in three months, indicating that the recent market slump may be starting to stabilize, according to National Association of Realtors data.
- The U.S. economy expanded at a 3.5% pace in the third quarter as consumers opened their wallets, businesses restocked inventories and governments boosted spending, marking the strongest back-to-back quarters of growth since 2014; the annualized rate of increase in gross domestic product compared with a 3.3% median estimate and followed a 4.2% advance in the prior three months.

This Week

Economic data scheduled to be released this week include personal income and spending, nonfarm payrolls, and worker productivity.

Quote

"To acquire knowledge, one must study; to acquire wisdom, one must observe."

--Marilyn Vos Savant

Smith Shellnut Wilson, LLC
150 Fountains Blvd., Ste A
Madison, MS 39110-6377
Office: (601) 605-1776
Fax: (601) 605-1710
Website: www.ssw1776.com
