Financial Week Newsletter

. . .as summarized by Smith Shellnut Wilson

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Equity Markets

- U.S. stock indexes posted solid gains last week as hopes were rekindled for an easing of trade tensions between the United States and China.

	10/26 Close	11/2 Close	Price Change
Dow Jones	24,688	25,271	Up 2.4%
S&P 500	2,659	2,723	Up 2.4%
NASDAQ	7,167	7,357	Up 2.7%
KBW Bank Index	94.83	99.37	Up 4.8%

Financials

- Regulators closed no banks last week, leaving year-to-date closures at zero.
- Regulators have proposed a softer oversight regime that dials back rules for U.S. banks considered unlikely to pose a threat to the financial system – – a step meant to limit the toughest demands only to the largest lenders; responding to legislation that called on federal agencies to ease compliance burdens for non-Wall Street banks, Federal Reserve governors voted on a plan that would separate megabanks from smaller, regional lenders.
- The biggest U.S. banks may be on their way to new capital standard for derivatives trading that addresses industry complaints that Wall Street's risk-taking has been overestimated; the Federal Reserve and two other agencies last week proposed a new approach meant to answer concerns that existing requirements ignore risk-reducing collateral and didn't allow enough netting of derivatives contracts with similar risk.

Credit Markets

- Intermediate-term U.S. Treasury yields rose last week on positive economic news.

	10/26 Close	11/2 Close	Yield Change
3-month Tsy	2.32%	2.32%	Unchanged
2-year Tsy	2.81%	2.91%	Up 10 bps
5-year Tsy	2.91%	3.03%	Up 12 bps
10-year Tsy	3.08%	3.21%	Up 13 bps

Treasury/Fed/Administration/Congress

- The Federal Open Market Committee meets again next week to plot the course of short-term interest rates; fed funds futures indicate only a 5% probability that the Fed will take any substantive action toward raising rates at that meeting.
- The U.S. Treasury Department said government borrowing this year will more than double from 2017, to $1.34 trillion, as the Trump administration finances a rising budget deficit.

Economy

- A gauge of U.S. manufacturing fell in October by more than forecast to a six-month low, as orders and hiring cooled amid escalating trade tensions with China.
- Productivity gains in the U.S. posted the best back-to-back quarters since 2015, echoing a pickup in economic growth and offering some hope that faster expansion without stoking inflation is possible; nonfarm business employee output per hour increased at a 2.2% annualized rate in July-September period, after having risen a revised 3% in the previous three months.
- U.S. employment costs rose by more than forecast in the third quarter as increases in private wages and salaries accelerated, indicating that workers are gaining leverage in a tightening labor market; the gauge was up 2.8% from a year earlier, matching the prior quarter as the fastest increase since 2008.
- Americans kept on spending in September even as income gains cooled, pushing down the savings rate to the lowest this year; the personal consumption expenditure index, the Fed's preferred inflation gauge, matched the Federal Reserve's 2.0% target, reinforcing the central bank's outlook for gradual interest-rate hikes.
- American workers enjoyed the biggest leap in pay since 2009 as job gains topped forecasts and the unemployment rate held at a 48-year low; October nonfarm payrolls rose 250,000, well ahead of the median estimate, and likely to keep the Fed on track to keep raising interest rates.

This Week

Economic data scheduled to be released this week include producer price indexes and a read on November consumer sentiment.

Quote

"Climate is what we expect, weather is what we get."

--Mark Twain

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