

# Financial Week Newsletter

...as summarized by Smith Shellnut Wilson

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## Equity Markets

- U.S. stocks rebounded some late last week after President Donald Trump appeared to signal a willingness to reach a deal with China at this month's G-20 summit.

	11/9 Close	11/16 Close	Price Change
Dow Jones	25,989	25,413	Down 2.2%
S&P 500	2,781	2,736	Down 1.6%
NASDAQ	7,407	7,248	Down 2.2%
KBW Bank Index	101.18	100.37	Down 0.8%

## Financials

- Regulators closed no banks last week, leaving year-to-date closures at zero.
- Results of an October Federal Reserve survey of senior loan officers suggest that banks would tighten lending standards should short-term interest rates rise above intermediate- and long-term rates; asked how an inversion of the yield curve would impact lending practices, a "major share" of banks in the survey said they'd become less profitable and more risk-averse.
- Nearly half of major U.S. lenders are failing to satisfy the Federal Reserve's expectations in key areas of risk management, the central bank said last week in a report that reveals the regulator's overall assessment of the industry; the Fed's inaugural Supervision and Regulation Report highlights a number of positives -- including high capital and liquidity reserves -- but it also shows how risks may now come from mismanagement, cyber-attacks and failures to protect the banking system.
- Kyle Moffatt, chief accountant of the SEC's Division of Corporate Finance stated last week that some companies in their messages to investors and clients might be using complex-and sometimes disingenuous-individually tailored accounting methods instead of adhering to requirements laid out by rulemakers, noting that such methods can be misleading to the public and violate securities law.

## Credit Markets

- Equity market apprehension and the decline in crude prices caused a flight to safe haven assets last week, as Treasury prices rose across the board and the 10-yr fell to nearly 3%.

## Credit Markets cont'd

	11/9 Close	11/16 Close	Yield Change
3-month Tsy	2.35%	2.35%	Unchanged
2-year Tsy	2.93%	2.80%	Down 13 bps
5-year Tsy	3.04%	2.88%	Down 16 bps
10-year Tsy	3.19%	3.06%	Down 13 bps

## Treasury/Fed/Administration/Congress

- Federal Reserve Bank of San Francisco President Mary Daly in a speech last week noted that the economy is outstripping its longer-run sustainable growth pace, allowing the Fed to gradually bring policy back to a neutral rate of interest.
- Former Federal Reserve Chairman Alan Greenspan said a rising U.S. debt burden could derail the current expansion and warned that the tight labor market could further lift inflation.

## Economy

- The rebound in headline CPI inflation to 2.5% in October, from 2.3%, was mostly driven by a rise in gasoline prices which will be more than reversed over the next couple of months as the recent plunge in oil prices kicks in; the annual core inflation rate declined to 2.1% from 2.2% in September, and there is little sign that diminishing spare capacity is set to push price pressures markedly higher.
- October retail sales rose by the most in five months, with the gain almost entirely attributed to a rise in gasoline prices; given that oil prices have since nosedived in November, lower prices at the pump will help support solid growth in discretionary spending during the holiday shopping season.
- U.S. factory production expanded in October for a fifth straight month despite declines in mining and utilities; the manufacturing sector, by far the largest component of the headline index, continued to exhibit solid growth, a sign that trade tensions have not affected demand for industrial goods.

## This Week

Economic data scheduled to be released this week include housing starts, existing home sales durable goods orders and consumer sentiment.

## Quote

“It takes twenty years to make an overnight success.”

--Eddie Cantor

*The source for the information above is Bloomberg News unless otherwise noted.*

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