

# Financial Week Newsletter

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SMITH  
SHELLNUT  
WILSON

...as summarized by Smith Shellnut Wilson

SSW Research Department  
Office: (601) 605-1776  
Email: [rayt@ssw1776.com](mailto:rayt@ssw1776.com)  
Website: [www.ssw1776.com](http://www.ssw1776.com)

## Equity Markets

- U.S. stocks fell last week as investors fretted over the outlook for global growth and a potential escalation of tensions between Washington and Beijing.

	11/30 Close	12/7 Close	Price Change
Dow Jones	25,538	24,389	Down 4.5%
S&P 500	2,760	2,633	Down 4.6%
NASDAQ	7,331	6,969	Down 4.9%
KBW Bank Index	101.57	93.26	Down 8.2%

- It's been a challenging year for stock-market investors-- not only has market volatility been creeping higher, but volatility itself has become more volatile; the 260-day realized volatility of the Chicago Board Options Exchange S&P 500 Volatility Index (the so-called "VIX") has increased to the highest since the measure was created in 1990.

## Financials

- Regulators closed no banks last week, leaving year-to-date closures at zero.

## Credit/Commodities Markets

- Intermediate-term U.S. Treasury yields fell last week in response to tumbling equity markets and global trade worries.

	11/30 Close	12/7 Close	Yield Change
3-month Tsy	2.35%	2.39%	Up 4 bps
2-year Tsy	2.79%	2.73%	Down 6 bps
5-year Tsy	2.81%	2.71%	Down 10 bps
10-year Tsy	2.99%	2.87%	Down 12 bps

- OPEC and its allies finally broke an impasse over production curbs, agreeing on a larger-than-expected production cut after two days of fractious negotiations in Vienna last week; the cartel and its partners agreed to remove 1.2 million of barrels a day from the market, prompting a sharp rise in oil prices.

## Treasury/Fed/Administration/Congress

- Most Federal Reserve districts reported modest or moderate economic growth in recent weeks, although four regions said growth had slowed or was “slight,” a survey from the U.S. central bank showed last week; prepared by the Philadelphia Fed, the report will be reviewed by policy makers as they prepare for their Dec. 18<sup>th</sup>–19<sup>th</sup> meeting when they are expected to raise interest rates by a quarter percentage point for the fourth time this year.

## Economy

- A gauge of U.S. manufacturing rebounded in November as new orders picked up and companies added workers, indicating that factory output may be gaining steam in the fourth quarter.
- 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; on a year-over-year basis, however, the productivity trend remains weak, at 1.3%, equal to the average annual rate from 2007 to 2017 and well below the 3% pace of the late 1990s.
- The U.S. trade deficit widened more than forecast in October to the highest level in a decade, underscoring continued fallout from the trade dispute with China.
- U.S. consumer sentiment in December exceeded analyst estimates as low unemployment and growing incomes kept Americans in an upbeat mood, although the outlook component of the University of Michigan survey soured amid concern that the labor market will soften.
- U.S. payrolls rose by a less-than-forecasted 155,000 November while the unemployment rate held at the lowest in almost five decades, indicating some moderation in a still-healthy labor market; the report adds to signs that economic growth is cooling a bit.
- Durable goods orders slumped 4.3% in October, a sign that business investment is likely cooling despite above-trend growth in consumer demand and indications that the economy is hitting capacity constraints; total shipments--a direct feed into quarterly GDP-- also declined, signaling that weakness from the third quarter is carrying over into the final quarter of the year.
- A gauge of U.S. service industries unexpectedly rose in November to a near-record level, adding to indications that the sector remains robust in the fourth quarter.

## This Week

Economic data scheduled to be released this week include producer and consumer price indexes, retail sales, and industrial production.

## Quote

“Indecision may or may not be my problem.”

--Jimmy Buffett

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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](http://www.ssw1776.com)

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