

# Financial Week Newsletter

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SMITH  
SHELLNUT  
WILSON

INVESTMENT COUNSEL  
AND MANAGEMENT

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

...as summarized by Smith Shellnut Wilson

## Equity Markets

- U.S. equity markets closed mixed last week on counterbalancing economic news.

|                | <u>8/14 Close</u> | <u>8/21 Close</u> | <u>Price Change</u> |
|----------------|-------------------|-------------------|---------------------|
| Dow Jones      | 27,931            | 27,930            | Unchanged           |
| S&P 500        | 3,373             | 3,397             | Up 0.7%             |
| NASDAQ         | 11,019            | 11,312            | Up 2.7%             |
| KBW Bank Index | 78.94             | 74.21             | Down 6.0%           |

- Goldman Sachs boosted its year-end price target for the S&P 500 Index to 3,600 from 3,000, implying a further 6% gain from today's levels by year end, as a relentless stock-market rally off March lows leaves strategists' predictions in the dust.

## Financials

- Regulators closed no additional banks last week; year-to-date closures remain at two.

## Credit Markets

- Intermediate-term U.S. Treasury yields fell last week on prospects for contained inflation.

|             | <u>8/14 Close</u> | <u>8/24 Close</u> | <u>Yield Change</u> |
|-------------|-------------------|-------------------|---------------------|
| 3-month Tsy | 0.09%             | 0.09%             | Unchanged           |
| 2-year Tsy  | 0.15%             | 0.14%             | Down 1 bp           |
| 5-year Tsy  | 0.30%             | 0.27%             | Down 3 bps          |
| 10-year Tsy | 0.71%             | 0.63%             | Down 8 bps          |

- Some of the largest real estate investors are walking away from debt on bad property deals, even as they raise billions of dollars for new opportunities borne of the pandemic; the willingness of some players such as Blackstone Group Inc. to skip payments on private-label commercial mortgage-backed securities backed by hotels and malls illustrates how the economic fallout from the coronavirus has devalued many real estate properties while creating perceived opportunities elsewhere.

## Treasury/Fed/Administration/Congress

- The minutes of the most recent FOMC meeting in late July revealed that Fed officials have gone cold of the possibility of introducing yield-curve control measures that cap interest rates at targeted levels and now favor introducing some form of outcome- or calendar-based forward guidance in their statements, which would be combined with the adoption of an average inflation target in the longer-run strategies and goals statement.

## Economy

- Federal Housing Administration mortgages--the affordable path to homeownership for many first-time buyers, minorities and low-income Americans--are now posting the highest delinquency rates in at least four decades.
- U.S. homebuilders are riding a wave of optimism as record-low interest rates drive demand for new homes; a gauge of builder sentiment jumped in August to 78, a six-point gain from July, pushing the index to its highest level since 1998.
- Construction of new U.S. homes surged 22.6% while building permits jumped by 18.8% in July as homebuilders bounced back from a lull induced by the coronavirus pandemic; housing starts have now risen for three straight months after plunging in March and April.
- The number of individuals filing new unemployment insurance claims unexpectedly rose above 1 million last week, reflecting a still-elevated level of joblessness in the United States.
- The Conference Board's leading economic index rose 1.4% in July, after increasing approximately 3% in June and in May; on a year-over-year basis, the index registered a -6.8% reading, up from the cycle low of -13.1% in April of this year.
- Sales of previously-owned U.S. homes surged by the most on record in July, increasing by 24.7% from June, as lower mortgage rates continued to power a residential real estate market that's proving a key source of strength for the economic recovery.

## This Week

Economic data scheduled to be released this week include new home sales, durable goods orders, and personal income and spending.

## Quote

"We do not see things as they are. We see them as we are."

-- The Talmud