

# Financial Week Newsletter

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...as summarized by Smith Shellnut Wilson

## Equity Markets

- U.S. equity indexes moved lower last week as the tech sell-off continued amid mixed economic data and stalled stimulus bill negotiations on Capitol Hill.

	<u>9/4 Close</u>	<u>9/14 Close</u>	<u>Price Change</u>
Dow Jones	28,133	27,666	Down 1.7%
S&P 500	3,427	3,341	Down 2.5%
NASDAQ	11,313	10,854	Down 4.1%
KBW Bank Index	79.23	76.34	Down 3.6%

## Financials

- Regulators closed no additional banks last week; year-to-date closures remain at two.
- Banks have plowed aggressively back into the municipal market; as state and local debt rebounded from a record-setting selloff early this year, banks increased their stakes by nearly \$20 billion during the second quarter, according to Municipal Market Analytics, citing data from the FDIC.

## Credit Markets

- U.S. Treasury yields fell last week, reflecting muted readings on the inflation front.

	<u>9/4 Close</u>	<u>9/14 Close</u>	<u>Yield Change</u>
3-month Tsy	0.11%	0.11%	Unchanged
2-year Tsy	0.15%	0.13%	Down 2 bps
5-year Tsy	0.30%	0.25%	Down 5 bps
10-year Tsy	0.72%	0.67%	Down 5 bps

- The U.S. corporate bond market has made a dramatic recovery from the early stages of the coronavirus pandemic, but is unlikely to improve further in the near term, according to UBS Group strategists; spreads on U.S. corporate debt--the premium investors demand to hold the riskier credit over risk-free Treasuries--have narrowed sharply since both the investment grade and the high-yield ICE/BofA indexes hit 11-year lows on March 23, with the recovery primarily attributable to the Federal Reserve's unprecedented intervention into credit markets.

## Treasury/Fed/Administration/Congress

- The Federal Open Market Committee meets again this week to decide on the course of monetary policy; no substantive changes to the Fed's current policy are expected by market participants, but the central bank may provide additional color on its newly-adopted average inflation targeting protocol.

## Economy

- U.S. small-business optimism rose by more than forecasted in August due to a recovery in job-creation plans, although owners continue to remain uncertain about the future, according to a release last week by the National Federation of Independent Business.
- U.S. job openings increased for a third straight month in July, consistent with steady improvement in the labor market as the nation grinds its way forward from a pandemic-induced recession; the number of available positions rose to 6.62 million during the month from a revised 6 million in June, according to a Labor Department release last week.
- Another 884,000 Americans filed for first-time unemployment benefits last week, matching the previous week's level and marking the first time since March that jobless claims came in below 1 million for two weeks in a row.
- U.S. producer prices rose a bit more than expected in August as the cost of services increased solidly, while underlying producer inflation continued to firm; in the 12 months through August, producer prices fell 0.2% after dropping 0.4% in the 12 months through July; consumer prices rose 0.4% in August, below July's 0.6% reading.
- The U.S. economy is recovering faster than economists expected, according to a monthly survey conducted by The Wall Street Journal; in the previous survey, the economists polled expected an annualized growth rate of 18.3% in the third quarter, but that estimate has jumped to 23.9% in the most recent survey.

## This Week

Economic data scheduled to be released this week include retail sales and consumer sentiment.

## Quote

"Correction does much, but encouragement does more."

-- Goethe

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