Financial Week Newsletter

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. . .as summarized by Smith Shellnut Wilson

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Equity Markets

- Technology stocks, which have a heavy influence on major indices, pushed U.S. equities to a six-week low as investors searched for new catalysts to give direction to global markets.

	9/11 Close	9/18 Close	Price Change
Dow Jones	27,666	27,657	Down 0.1%
S&P 500	3,341	3,319	Down 0.6%
NASDAQ	10,854	10,793	Down 0.6%
KBW Bank Index	76.34	76.27	Down 0.1%

Financials

- Regulators closed no additional banks last week; year-to-date closures remain at two.
- JPMorgan Chase & Co. and Bank of America Corp., the two largest U.S. banks, trimmed expectations for net interest income last week as low rates and tepid loan growth continue to weigh on revenue.

Credit Markets

- U.S. Treasury yields edge up late in the week after a stronger-than-expected reading of consumer sentiment helped ease some concerns around the U.S. economic recovery.

	9/11 Close	9/18 Close	Yield Change
3-month Tsy	0.11%	0.09%	Down 2 bps
2-year Tsy	0.13%	0.14%	Down 1 bp
5-year Tsy	0.25%	0.28%	Up 3 bps
10-year Tsy	0.67%	0.70%	Up 3 bps

- State and local governments have issued $92 billion in taxable municipal bonds so far this year--the most in a decade, and equal to almost a third of all long-term bonds sold in 2020--as the Trump Administration's 2017 tax law changes took away the power of states and cities to sell tax-exempt bonds to fund a key refinancing technique known as an advance refunding.

Treasury/Fed/Administration/Congress

- It was billed as a lifeline for America's middle-market companies seeking cash to get through the pandemic, yet more than two months after its launch, the Federal Reserve's $600 billion Main Street Lending Program has only lent 0.2% of available funds, as the nation's biggest lenders demand crushing terms and many other banks have decided not to participate at all.

- The Senate last week failed to advance a slimmed-down $300 billion coronavirus relief bill that senators on both sides had acknowledged was unlikely to muster the votes to pass the chamber, leaving little chance that a stimulus bill will pass Congress before the November election.

- The Federal Reserve at its FOMC meeting last week kept rates steady at near-zero, and announced new inflation projections that suggest that policy interest rates will remain at that level through at least the end of 2023.

Economy

- A twice weekly report from the New York Fed still sees the economy contracting this year; the bank's "Weekly Economic Index" now projects a 4.6% decline, down from the 3.9% decline recorded on September 5th, but well above the negative 11.5% reading booked back on April 25th at the height of the pandemic.

- U.S. retail sales rose less than projected in August as the expiration of supplemental job benefits weighed on incomes and spending despite solid employment gains; the value of overall sales increased 0.6% after a downwardly-revised 0.9% increase in July.

- U.S. homebuilder confidence increased to a record high in September as historically low mortgage rates continue to boast the housing market despite the COVID-19 recession, which has left tens of millions of Americans unemployed.

- After a 17.9% surge in July, residential starts in the U.S. fell more than forecast in August (5.1%), reflecting less construction of apartments and a decline in the tropical storm-hit South. The latest month's result represents a pause in momentum for a housing market that's been a key source of fuel for the economy.

This Week

Economic data scheduled to be released this week include new and existing home sales and durable goods orders.

Quote

"If you can find a path with no obstacles, it probably doesn't lead anywhere."

-- Frank A. Clark

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

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