

# Financial Week Newsletter

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...as summarized by Smith Shellnut Wilson

## Equity Markets

- Most U.S. stock indexes slumped last week amid warnings from Federal Reserve officials on the need for more stimulus to lift the economy out of the coronavirus-induced recession.

	<u>9/18 Close</u>	<u>9/25 Close</u>	<u>Price Change</u>
Dow Jones	27,657	27,174	Down 1.7%
S&P 500	3,319	3,298	Down 0.6%
NASDAQ	10,793	10,914	Up 1.1%
KBW Bank Index	76.27	71.08	Down 6.8%

## Financials

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

## Credit Markets

- U.S. Treasury yields were little changed last week.

	<u>9/18 Close</u>	<u>9/25 Close</u>	<u>Yield Change</u>
3-month Tsy	0.09%	0.10%	Up 1 bp
2-year Tsy	0.14%	0.13%	Down 1 bp
5-year Tsy	0.28%	0.27%	Down 1 bp
10-year Tsy	0.70%	0.66%	Down 4 bps

- Surging coronavirus infections across Europe sent the region's credit-risk gauges to their highest levels in weeks, with hopes fading for a rapid economic rebound in the area.

## Treasury/Fed/Administration/Congress

- The Federal Reserve Bank of Dallas is projecting an annualized increase in GDP of 30% in the third quarter and a further strong increase in the fourth quarter, with U.S. GDP projected to grow by more than 3% in 2021.
- The Federal Reserve, following an earlier split between banking regulators, took an initial step to rewrite rules for hundreds of billions of dollars in lending and investment in lower-income neighborhoods, seeking public comment on a broad overhaul of its rules tied to Community Reinvestment Act, a 1977 law aimed at ending selective lending practices.

## Treasury/Fed/Administration/Congress (cont'd)

- Fed Chairman Jerome Powell, when asked during a hearing before a House subcommittee last week whether the Fed's "Main Street Lending Program" could be modified to help smaller businesses, noted that the SBA's "Paycheck Protection Program" would be a better way to reach these companies because the Fed would encounter difficulties trying to underwrite the credit for a large number of very small businesses.

## Economy

- U.S. existing home sales surged to their highest level in nearly 14 years in August as the housing market continued to outperform the overall economy, but record-high home prices continue to deter first-time home buyers.
- Applications for U.S. unemployment benefits were little changed in the latest reporting week, contrasting with estimates for a decline and highlighting an economic recovery that is proceeding in fits and starts; initial jobless claims in regular state programs increased by 4,000 to 870,000 in the week ended September 19, according to Labor Department released last week.
- Sales of new homes in the U.S. unexpectedly advanced for a fourth month in August to the highest level in almost 14 years as record-low mortgage rates continued to entice buyers into a market with ever-shrinking supply.
- U.S. imports leapt 5.9% to a record in August, according to S&P Global Market Intelligence, as retailers said they don't want to risk running out of merchandise if COVID-19 infections upend supply chains again.
- U.S. orders for durable goods increased in August at a slower pace than expected, restrained by bookings for motor vehicles and military equipment; core capital goods orders, a measure that excludes aircraft and military hardware and is seen as a barometer of business investment, rose 1.8% in August.

## This Week

Economic data scheduled to be released this week include a third and final read on second-quarter GDP and personal income and spending for August.

## Quote

"There are a million ways to lose a workday, but not even a single way to get one back."

-- Tom DeMarco

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

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