Financial Week Newsletter

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. . .as summarized by Smith Shellnut Wilson

Equity Markets

- U.S. equity indexes rose last week, spurred by positive economic reports and hopes for a new round of fiscal stimulus.

	9/25 Close	10/2 Close	Price Change
Dow Jones	27,174	27,683	Up 1.9%
S&P 500	3,298	3,348	Up 1.5%
NASDAQ	10,914	11,075	Up 1.5%
KBW Bank Index	71.08	74.73	Up 5.1%

Financials

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

- A study ordered by Congress on the biggest change to bank accounting in decades dodged the biggest question it faced, blaming the pandemic for making an answer impossible; the study, conducted by the Treasury Department, concluded that an assessment of whether the current expected credit losses (CECL) standard would make it more difficult for banks to lend during an economic downturn “is not currently feasible” because of the coronavirus pandemic.

- As big U.S. commercial banks close their books on the third quarter, analysts expect them to report a 30% to 60% plunge in profits on a year-over-year basis due to the pandemic-induced recession and near record low interest rates, even though they are not expected to make outsized provisions for loan losses as they did in the first and second quarters.

Credit Markets

- U.S. Treasury yields rose last week, breathing life back into the placid bond markets, as expectations for addition fiscal stimulus take hold.

	9/25 Close	10/2 Close	Yield Change
3-month Tsy	0.10%	0.09%	Down 1 bp
2-year Tsy	0.13%	0.13%	Unchanged
5-year Tsy	0.27%	0.29%	Up 2 bps
10-year Tsy	0.66%	0.70%	Up 4 bps

Economy

- The U.S. merchandise trade deficit widened in August by more than expected to a fresh record as companies raced to replenish depleted stockpiles with imports in the face of firmer demand.

- U.S. home price growth accelerated in July as the nation continued to grapple with the coronavirus pandemic; Standard & Poor's said last week that its S&P CoreLogic Case-Shiller national home price index posted 4.8% annual gain in July, up from 4.3% in June.

- U.S. consumer confidence rebounded more than expected in September as households' views of the labor market improved; the Conference Board said last week that its consumer confidence index increased to a reading of 101.8 this month from 86.3 in August, the biggest jump in 17 years.

- U.S. gross domestic product plunged at a revised 31.4% annualized rate in the second quarter according to the government's third and final estimate, representing the sharpest quarterly contraction in at least 73 years.

- A leading indicator of the health of the housing market, pending home sales in the U.S. reached a new record in August--further evidence that housing has been a bright spot in the economy during the COVID-19 pandemic.

- U.S. consumer spending slowed in August while personal incomes fell, reflecting the expiration of the $600 weekly benefit for the unemployed; spending grew by just 1%, the weakest showing since spending actually fell 12.7% in April, while incomes fell 2.7% following a 0.5% gain in July.

- The modest decline in the ISM manufacturing index to 55.4 in September, from 56.0 in August, suggests that manufacturing output will continue to grow at a relatively fast pace as producers catch up with the resurgence in goods demand, but it also provides more evidence that low inventory levels are set to push goods inflation higher.

- The weaker-than-expected 661,000 rise in non-farm payrolls in September, following a 1.5 million gain in August, was due in part to a drop in government employment but, with the pace of private payrolls gains continuing to slow, it is clear that the economic rebound is entering a new, weaker phase.

This Week

Economic data scheduled to be released this week include a reading on the health of the services sector.

Quote

"If you wait long enough, it will be good weather."

-- Japanese Proverb

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

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