Financial Week Newsletter

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. . .as summarized by Smith Shellnut Wilson

Equity Markets

- U.S. stock indexes rose last week as traders awaited the opening of third-quarter earnings season this week.

	10/2 Close	10/9 Close	Price Change
Dow Jones	27,683	29,587	Up 3.3%
S&P 500	3,348	3,477	Up 3.9%
NASDAQ	11,075	11,580	Up 4.6%
KBW Bank Index	74.73	79.55	Up 6.4%

Financials

- Regulators closed no additional banks last week; year-to-date closures remain at two.
- The largest banks haven't been this cautious with their holdings in at least 35 years; cash, Treasuries and other assets effectively guaranteed by the government now make up more than 35% of the combined balance sheets of the 25 largest U.S. banks, according to data complied by the Federal Reserve.

Credit Markets

- U.S. Treasury yields rose last week after the release of FOMC meeting minutes that market participants viewed as somewhat hawkish.

	10/2 Close	10/9 Close	Yield Change
3-month Tsy	0.09%	0.10%	Up 1 bp
2-year Tsy	0.13%	0.16%	Up 3 bps
5-year Tsy	0.29%	0.34%	Up 5 bps
10-year Tsy	0.70%	0.78%	Up 8 bps

- For the past seven months, an arcane financial-markets proposal to amend New York law affecting trillions of dollars in financial contracts without adequate fallback language once LIBOR is officially discontinued at the end of next year has been collecting dust in the statehouse halls of Albany, New York; while that still leaves 15 months to hammer out a solution, anxiety is already mounting among those on Wall Street who had originally expected the proposal to sail through legislative process last spring.

Treasury/Fed/Administration/Congress

- Federal Reserve Chairman Jerome Powell said last week that policymakers should not be afraid to offer more support for the economy, warning that too little help from Congress and the Fed risks undermining efforts expended so far to promote the current economic recovery.
- President Donald Trump stunned campaign advisers and allies in Congress by unilaterally moving to scrap further stimulus talks; the President, in a pair of late-night tweets, then modified his previous statement by announcing his support for specific relief measures.
- The minutes of the Fed's September FOMC meeting revealed that even the relatively modest strengthening of its forward guidance that was incorporated into the accompanying statement was not supported by many FOMC members, and, with no serious discussion about the possibility of increasing the pace of its large-scale asset purchases, the tilt of the meeting was mildly hawkish.

Economy

- The marginal rise in the ISM services index to 57.8 in September, from 56.9 in August, is another encouraging sign that the U.S. economy is continuing to recover, albeit at a gradual pace, in contrast to recent declines in the Euro-zone services indexes.
- U.S. job openings declined in August for the first time in four months, pointing to a moderation in the pace of hiring as the pandemic drags on; the number of available positions slipped to 6.49 million during the month from an upwardly revised 6.7 million in July, according to the Labor Department's Job Openings and Labor Turnover Survey released last week.
- U.S. consumer credit decreased at a seasonally-adjusted annual rate of 2% in August, as revolving credit fell at an annual rate of 11¼% and nonrevolving credit rose by ¾%.
- The number of Americans seeking unemployment benefits fell for a second week while still remaining elevated at over 800,000, as the labor market makes scant progress amid risks of further weakness without additional federal stimulus.
- This Week

Economic data scheduled to be released this week include producer and consumer price indexes and retail sales.

Quote

"When you don't understand the cause of the problem--your solution will become part of it."

-- Dr. Idel Dreimer

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