Financial Week Newsletter

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. . .as summarized by Smith Shellnut Wilson

Equity Markets

- U.S. stocks closed mixed last week on economic and stimulus crosscurrents.

	10/9 Close	10/16 Close	Price Change
Dow Jones	29,587	28,606	Down 3.3%
S&P 500	3,477	3,484	Up 0.2%
NASDAQ	11,580	11,672	Up 0.8%
KBW Bank Index	79.55	78.07	Down 1.9%

Financials

- Regulators closed one additional bank last week; year-to-date closures now total three.

- JPMorgan Chase, the largest U.S. bank by assets, kicked off the third-quarter earnings season for big banks by delivering stronger-than-expected earnings and revenue growth even as the coronavirus outbreak continues to roil the global economy; despite the COVID-19 crisis, the bank set aside only $611 million in credit reserves, down $903 million from the same quarter a year ago, and down significantly from the $15.7 billion the bank set aside in the first half of 2020.

- Wells Fargo's third-quarter profit slumped 56% as Chief Executive Officer Charlie Sharf took charges to address old scandals and begin his job-cutting push; the bank posted a surprise increase in third-quarter expenses as it set aside almost $1 billion for customer remediation and $718 million in restructuring charges, countering loan-loss provisions that came in at less than half of what analysts had expected.

Credit Markets

- U.S. Treasury yields were little changed last week on generally tame inflation readings.

	10/9 Close	10/16 Close	Yield Change
3-month Tsy	0.10%	0.09%	Down 1 bp
2-year Tsy	0.16%	0.14%	Down 2 bps
5-year Tsy	0.34%	0.32%	Down 2 bps
10-year Tsy	0.78%	0.75%	Down 3 bps

Credit Markets (cont'd)

- The Federal Reserve is signaling that the coronavirus disruptions that hit financial markets in March indicate that prime money-market funds and other sources of short-term liquidity may need tougher rules, noting that regulations imposed on money-market funds after the 2008 financial crisis "fell short."

Economy

- The modest rise in core consumer prices in September, which came despite the largest monthly jump in used vehicle prices since 1969, suggests that the previous upward pressure on prices resulting from supply constraints may be starting to fade; after surging by 0.6% on a month-over-month basis in July and a further 0.4% in August, core consumer prices rose by a more modest 0.2% in September, leaving core CPI inflation unchanged at 1.7%.

- The New York Fed reported that the expected path of the economy this year lost ground during the latest reporting week; the bank's real-time growth tracker, called the Weekly Economic Index, now sees GDP falling by 4.5%, from a 4.2% reading on October 3rd, due to decreases in consumer confidence and retail sales.

- U.S. wholesale prices jumped 0.4% in September as food costs rose by 1.2%, the sharpest rise since a 5.6% spike in May; the September increase followed a 0.3% rise in August and 0.6% surge in July.

- U.S. import prices rose 0.3% in September, with prices outside of petroleum products posting strong gains, suggesting that a weakening dollar is lifting imported inflation; data for August were revised up to show prices increasing 1.0% instead of 0.9% as previously reported.

- U.S. states saw another 898,000 Americans file first-time uninsurance claims in the latest reporting week, representing an unexpected rise in new claims with the pandemic still under way and another round of fiscal stimulus still out of reach.

- Retail sales rose more than expected in September, rounding out a strong quarter of economic activity; retail sales jumped 1.9% last month after having increased by 0.6% in August, as so-called "core retail sales" increased by 1.4% after having decreased by 0.3% in August.

This Week

Economic data scheduled to be released this week include housing starts and existing home sales.

Quote

"Perhaps you cannot make anyone's thankless task less difficult, but you can always make it thankless."

-- Robert Brault

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

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