

Financial Week Newsletter

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...as summarized by Smith Shellnut Wilson

Equity Markets

- Broad-based U.S. equity indexes fell last week on economic and political crosscurrents.

	<u>10/16 Close</u>	<u>10/23 Close</u>	<u>Price Change</u>
Dow Jones	28,606	28,336	Down 0.9%
S&P 500	3,484	3,465	Down 0.5%
NASDAQ	11,672	11,548	Down 1.1%
KBW Bank Index	78.07	80.97	Up 3.7%

- The U.S. Justice Department filed an antitrust lawsuit against Google, accusing the world's largest search engine of abusing its monopoly power, in the most significant antitrust action against an American company in decades.

Financials

- Regulators closed one additional bank last week, bringing year-to-date closures to four.
- Banks that facilitated the U.S. government's Paycheck Protection Program at first saw the effort as a small revenue booster with a patriotic bonus, shepherding \$525 billion in loans to businesses slammed by the fallout from the COVID-19 pandemic; but as taxpayers take on the cost of forgiving these loans, lenders are girding for what is likely to be years of regulatory scrutiny into lax approval processes that resulted in fraudulent claims under the Program.

Credit Markets

- U.S. Treasury yields generally rose last week as the yield curve steepened slightly.

	<u>10/16 Close</u>	<u>10/23 Close</u>	<u>Yield Change</u>
3-month Tsy	0.09%	0.09%	Unchanged
2-year Tsy	0.14%	0.16%	Up 2 bps
5-year Tsy	0.32%	0.38%	Up 6 bps
10-year Tsy	0.75%	0.84%	Up 9 bps

Treasury/Fed/Administration/Congress

- A top Fed official warned that the U.S. economy would face a substandard and uneven recovery without additional government spending to shore up the hardest-hit sectors from the coronavirus pandemic, and, apart from the course of the virus itself, represents the most significant downside risk to the economic outlook.
- The Federal Reserve's latest "Beige Book"—a collection of economic anecdotes from across the country—highlighted two COVID-19 era trends: 1) "Residential housing markets continue to experience steady demand for new and existing homes, with activity constrained by low inventories," and 2) "Demand for autos remains steady, with low inventories constraining sales to various degrees."
- While the White House and Congress are fighting over an economic relief bill, and odds appear low that they will reach a deal before the November election, hundreds of billions of dollars already set aside by lawmakers to support the Federal Reserve's emergency aid programs may never be touched, illustrating the unevenness of Congress's bailout decisions from earlier this year.

Economy

- U.S. housing starts increased 1.9% in September on a sharp gain in single-family home construction, while building permits climbed by 5.2%, indicating that residential building had significant momentum at the end of the third quarter.
- New jobless claims unexpectedly dipped below 800,000 in the latest reporting week, but still remained historically high as hundreds of thousands of more Americans were put out of work during the ongoing pandemic.
- Sales of previously-owned U.S. homes rose by more than expected in September to the highest level in 14 years as a desire for more space and record-low mortgage rates continue to support demand.
- The Conference Board's leading economic index rose 0.7% in September, following increases of 1.4% and 2.0%, respectively, in August and July.

This Week

Economic data scheduled to be released this week include durable goods orders and an advance reading on third-quarter GDP.

Quote

"There are grammatical errors even in his silence."

-- Stanislaw J. Lec

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