Financial Week Newsletter

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. . .as summarized by Smith Shellnut Wilson

Equity Markets

- U.S. stocks dropped last week, capping their biggest weekly rout since March, after earnings from the largest tech companies disappointed investors concerned that a slowing economy will reduce corporate profits.

	10/23 Close	10/30 Close	Price Change
Dow Jones	28,336	26,502	Down 6.5%
S&P 500	3,465	3,258	Down 6.0%
NASDAQ	11,548	10,912	Down 5.5%
KBW Bank Index	80.97	76.93	Down 5.0%

- Any capital-gains tax increase resulting from a Democratic "Blue Wave" victory on election day is unlikely to have a big impact on stock prices according to Goldman Sachs; while past capital-gains tax hikes have been associated with declines in equity prices and in total household equity allocations, the trend of net equity selling and declining stock prices around them has usually been brief, reversing in subsequent quarters, according to Goldman strategists.

- The third-quarter earnings season is in full swing, and with 20% of S&P 500 companies having reported, current estimates point to a 16% year-over-year decline in operating earnings per share, after a 33% decline in the second-quarter and a 49% decline in the first-quarter.

Financials

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

Credit Markets

- U.S. Treasury yields remained largely unchanged for the week, with longer-term bonds selling off slightly.

	10/23 Close	10/30 Close	Yield Change
3-month Tsy	0.09%	0.09%	Unchanged
2-year Tsy	0.16%	0.15%	Down 1 bp
5-year Tsy	0.38%	0.38%	Unchanged
10-year Tsy	0.84%	0.87%	Up 3 bps

Treasury/Fed/Administration/Congress

- The U.S. economy faces “slow going” with no additional fiscal support likely for several months, according to former New York Fed President William Dudley: “The most likely scenario is that we continue to have a recovery with some downside risk of a double dip” recession amid worsening levels of coronavirus infections.

Economy

- Sales of new single-family homes unexpectedly fell in September on the heels of a downward revision to August sales; new home sales, which account for approximately 14% of total housing market sales, fell by a seasonally-adjusted 3.5% rate in September to 959,000 units.

- U.S. durable goods orders rose by a more-than-expected 1.9% in September as manufacturers continue to benefit from steady demand and lean inventories; core capital goods orders, a barometer for business investment which excludes aircraft and military goods, rose 1% in September, also ahead of forecasts.

- The S&P CoreLogic Case-Shiller national home price index rose 5.7% on a year-over-year basis in August, after rising 4.8% in July, indicating steady demand in the U.S. housing sector.

- A gauge of U.S. pending home sales unexpectedly declined in September for the first time in five months, a sign that elevated asking prices and lean supply may be tempering the boom in housing despite the record-low interest rates.

- The U.S. economy bounced back with a record 33.1% surge in growth in the third quarter as businesses reopened and stimulus cash powered consumer spending, just as the second-quarter plunge in output was the biggest in seven decades of data, so too was the third-quarter rebound.

This Week

Economic data scheduled to be released this week include construction spending, nonfarm payrolls and an FOMC rate decision.

Quote

“I guess man is the only kind of varmint sets his own trap, baits it, and then steps in it.”

-- John Steinbeck

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

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