Financial Week Newsletter

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. . .as summarized by Smith Shellnut Wilson

Equity Markets

- U.S. stock indexes rose last week on prospects for a dividend government that would serve to temper any radical policy changes.

	10/30 Close	11/6 Close	Price Change
Dow Jones	26,502	28,323	Up 6.9%
S&P 500	3,258	3,509	Up 7.7%
NASDAQ	10,912	11,895	Up 9.0%
KBW Bank Index	76.93	78.52	Up 2.1%

- History suggests that the post-election day rally in U.S. stocks bodes well for further gains over the next three months; the S&P 500 jumped 2.2% last Wednesday, its best performance the day after a presidential election in data going back to 1932—following such initial rallies, the benchmark's median gain over the following three months has been 4.4%.

Financials

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

Credit Markets

- U.S. Treasury yields were little changed last week as the Fed held its current policy stance steady.

	10/30 Close	11/6 Close	Yield Change
3-month Tsy	0.09%	0.09%	Unchanged
2-year Tsy	0.15%	0.15%	Unchanged
5-year Tsy	0.38%	0.36%	Down 2 bps
10-year Tsy	0.87%	0.82%	Down 5 bps

- The "blue wave" election scenario that the bond market had already priced in fizzled last week, driving the Treasury curve somewhat flatter, although there remains significant steepness in the 5-7 and 7-10 years parts of the curve.

Treasury/Fed/Administration/Congress

- Federal Reserve Chair Jerome Powell opened the door to a possible shift in the central bank's bond purchases in coming months, saying that more fiscal and monetary support for the economy are needed as rising COVID-19 infections cloud the economic outlook; the FOMC kept interest rates near zero and heid current bond purchases at a $120 billion monthly pace at its meeting last week.

Economy

- U.S. manufacturing expanded in October at the fastest pace in more than two years, fueled by the strongest orders growth since 2004 and a pickup in employment.
- U.S. factory orders increased at a solid pace in September, but further gains may be limited by an anticipated slowdown in consumer spending as government money for businesses and workers impacted by the COVID-19 pandemic runs out; September factory orders rose by 1.1%, after having increased by 0.6% in August, boosted by increased demand for computers and electronic products as well as metals and motor vehicles.
- The U.S. services sector registered its fifth consecutive month of expansion in October after sharp contractions in April and May as shutdowns aimed at containing the virus closed many businesses and put millions of Americans out of work.
- U.S. states saw another 751,000 Americans file for first-time unemployment benefits in the latest reporting week, as still-elevated coronavirus case counts threaten to weigh on the pace of recovery in the labor market.
- U.S. productivity gains cooled in the third quarter despite the record pace of economic growth, as a surge in output was accompanied by a large increase in hours worked.
- Non-farm payrolls increased by 638,000 in October, defying expectations for more subdued gains amid an intensifying pandemic and lack of additional fiscal relief; the official unemployment rate fell to 6.9% in October from 7.9% in September, a bigger decline than economists projected.

This Week

Economic data scheduled to be released this week include consumer and producer prices and consumer sentiment.

Quote

"In France, if we wish to drain the swamps, we do not consult the frogs."

-- French Sen. Michel Delebarre

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