Financial Week Newsletter

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. . .as summarized by Smith Shellnut Wilson

Equity Markets

- U.S. stock indexes rose sharply last week on renewed hopes for additional fiscal stimulus measures.

	11/20 Close	12/4 Close	Price Change
Dow Jones	29,263	30,218	Up 3.3%
S&P 500	3,558	3,699	Up 4.0%
NASDAQ	11,855	12,464	Up 5.1%
KBW Bank Index	88.28	95.62	Up 8.3%

- Returns across major U.S. equity asset classes in November were what you might expect to see over a full year, with the Dow posting an 11.8% price return for the month, its best November performance since 1928 and its best overall monthly performance since January 1987, while the S&P 500 and the NASDAQ both recorded their best monthly gain since April, rising more than 10% and 11%, respectively.

Financials

- Regulators closed no additional banks last week; year-to-date closures remain at four.
- The Federal Reserve, FDIC and OCC issued a joint statement last week further encouraging financial institutions to transition away from U.S. dollar LIBOR as soon as possible, noting that entering new contracts that use USD LIBOR as a reference rate after December 31, 2021 would create safety and soundness issues.
- FDIC-insured financial institutions posted an improvement in quarterly net income in the third quarter, primarily driven by lower provision expenses, while net interest margins fell to a record low and loan and lease balances declined as C&I lending activity decreased; on a year-over-year basis, all FDIC-insured institutions reported a net income decline of 10.7% in the third quarter, compared with a 10% increase for the period at community banks.

Credit Markets

- U.S. Treasury yields closed mixed last week, as the yield curve steepened.

	11/20 Close	12/4 Close	Yield Change
3-month Tsy	0.07%	0.08%	Up 1 bp
2-year Tsy	0.16%	0.15%	Down 1 bp
5-year Tsy	0.37%	0.42%	Up 5 bps
10-year Tsy	0.83%	0.97%	Up 14 bps

Treasury/Fed/Administration/Congress

- A group of Republican and Democratic lawmakers last week unveiled a $908 billion stimulus package in an attempt to break through partisan gridlock after months of failed relief negotiations; the compromise proposal, which was rejected by Senate Majority Leader Mitch McConnell, included $160 billion for state, local and tribal governments, $180 billion of additional unemployment insurance benefits, and $228 billion in additional assistance for small businesses.
- President-elect Joe Biden last week announced Janet Yellen as his pick for Treasury Secretary.

Economy

- November nonfarm payroll growth was significantly below expectations, breaking a pattern of exceeding consensus forecasts in six of the last seven months; the weakness was concentrated in private sector services, which are most vulnerable to lockdown measures.
- A gauge of contract signings to purchase previously-owned homes unexpectedly declined for a second straight month in October as higher prices and a limited number of listings impeded momentum in the housing sector.
- U.S. manufacturing expanded at a slower pace in November, easing back from the strongest reading in two years, as orders, employment and production cooled; even with some lost momentum, manufacturing sector output remains well above pre-pandemic levels.
- According to the latest Fed "Beige Book" survey, the pace economic recovery remains moderate across much of the country, is showing signs of a slowdown in areas where coronavirus cases are particularly high.

This Week

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

Quote

"As between God, country and apple pie, politicians have done the least harm in the name of apple pie."

-- Robert Brault

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

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