

# Financial Week Newsletter

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...as summarized by Smith Shellnut Wilson

## Equity Markets

- Despite positive COVID-19 vaccine developments and renewed stimulus bill hopes, the major U.S. equity indexes moved lower last week as the continued rise in COVID-19 cases and the recent return of virus-related restrictions in many regions dampened investor sentiment.

	<u>12/4 Close</u>	<u>12/11 Close</u>	<u>Price Change</u>
Dow Jones	30,218	30,046	Down 1 %
S&P 500	3,699	3,663	Down 1 %
NASDAQ	12,464	12,378	Down 1 %
KBW Bank Index	95.62	94.19	Down 1.5 %

- Not since the height of the dot-com bubble two decades ago has a public listing done more to enrich owners; the average first-day return for U.S. IPOs stands at more than 40% this year and, with day traders on board, the soaring debuts are sowing anxiety among Wall Street pros.

## 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.

	<u>12/4 Close</u>	<u>12/11 Close</u>	<u>Yield Change</u>
3-month Tsy	0.08%	0.07%	1 Down bp
2-year Tsy	0.15%	0.12%	Down 3 bps
5-year Tsy	0.42%	0.37%	Down 5 bps
10-year Tsy	0.97%	0.90%	Down 7 bps

## Treasury/Fed/Administration/Congress

- The Federal Open Market Committee meets this week for the last time in 2020; little is expected in the way of policy change, but the central bank may signal an adjustment to the maturities of its asset purchases to counter a recent rise in intermediate-term interest rates.
- The FDA authorized the first U.S. COVID-19 vaccine jointly developed by Pfizer and BioNTech and shipments were transported across the country over the weekend.

## Economy

- U.S. productivity rose by a revised 4.6% in the third quarter, while unit labor costs fell a revised 6.6%, according to data released last week by the Bureau of Labor Statistics.
- U.S. small-business optimism declined in November by the most in seven months as a resurgence in coronavirus cases and the outcome of the election more than offset favorable news on the vaccine front.
- U.S. mortgage applications fell 1.2% in the week ended December 4<sup>th</sup>, after falling 0.6% in the prior week, despite a drop in 30-year mortgage rates to a record-low 2.90%.
- U.S. job openings unexpectedly rose in October to a level that's consistent with a gradual improvement in the labor market, as employers seek to adjust headcounts against a backdrop of changing demand and coronavirus infection dynamics.
- A measure of prices paid by U.S. consumers rose by 0.2% in November after no change in October as costs of hotel stays, airfares and apparel jumped, although inflationary pressures elsewhere remained subdued as the pandemic continues to curb economy activity.
- According to a release by the Bureau of Labor Statistics, real average weekly earnings rose by 0.1% on a month-over-month basis in November and 3.2% on a year-over-year basis.
- Prices paid to U.S. producers remained tame in November, indicating limited pricing power as the pandemic continues to weigh on the economy; the producer price index rose 0.1% on a month-over-month basis in November after a 0.3% gain in October.
- A gauge of U.S. consumer sentiment unexpectedly increased in early December to the second-highest level since March, amid optimism that a COVID-19 vaccine will be coming soon to tame the pandemic; survey respondents' outlook for the economy over the next five years climbed by the most since 2011.

## This Week

Economic data scheduled to be released this week include industrial production, retail sales, housing starts, and the Conference Board's leading economic index.

## Quote

"The problems of victory are more agreeable than those of defeat, but they are no less difficult."

-- Winston Churchill

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

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