

# Financial Week Newsletter

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...as summarized by Smith Shellnut Wilson

## Equity Markets

- U.S. equity indexes fell last week on concerns over stretched valuations

|                | <u>9/3 Close</u> | <u>9/10 Close</u> | <u>Price Change</u> |
|----------------|------------------|-------------------|---------------------|
| Dow Jones      | 35,369           | 34,608            | Down 2.2%           |
| S&P 500        | 4,535            | 4,459             | Down 1.7%           |
| NASDAQ         | 15,364           | 15,115            | Down 1.6%           |
| KBW Bank Index | 126.70           | 125.03            | Down 1.3%           |

## Financials

- Regulators closed no additional banks last week; year-to-date closures remain at zero.
- Reports from the 4,951 commercial banks and savings institutions insured by the FDIC reflected a 28% increase in net income in the second quarter of 2021, driven by a second consecutive quarter of negative provision expense, although net interest margins continued to contract to a record low; community banks reported a 29% year-over-year pickup in net income, supported by a decline in provision expense and an increase in net interest income.

## Credit Markets

- U.S. Treasury yields rose slightly last week on persistently high inflation readings.

|             | <u>9/3 Close</u> | <u>9/10 Close</u> | <u>Yield Change</u> |
|-------------|------------------|-------------------|---------------------|
| 3-month Tsy | 0.04%            | 0.04%             | Unchanged           |
| 2-year Tsy  | 0.21%            | 0.21%             | Unchanged           |
| 5-year Tsy  | 0.78%            | 0.82%             | Up 4 bps            |
| 10-year Tsy | 1.32%            | 1.34%             | Up 2 bps            |

- The transition away from LIBOR hit a milestone last week as Ford Motor Company announced the first U.S. syndicated loan tied to the Secured Overnight Financing Rate, the officially-endorsed benchmark replacement rate for the reputation-tarnished LIBOR.

## Treasury/Fed/Administration/Congress

- Federal Reserve Bank of Atlanta President Raphael Bostic believes that the Fed will be able to reduce its asset-buying campaign this year, but does not expect the decision at the central bank's meeting this month.
- The European Central Bank announced last week that it will moderately scale back its bond-buying program, an acknowledgment that the euro area's recovery is strong enough to endure with less support.

## Economy

- Applications for new U.S. state unemployment benefits fell to a new pandemic low of 310,000 in the latest reporting week as the labor market continues to recover, while continuing claims remained largely unchanged at 2.78 million.
- U.S. job openings rose to a fresh record high of 10.9 million in July, illustrating the lingering staffing shortages that are making it difficult for businesses to meet demand.
- U.S. consumer credit rose by \$17 billion in July, after a record of \$25 billion surge in June.
- The Mortgage Bankers Association reported that the number of applications for home mortgages decreased by 1.9% in the latest weekly tally to the lowest level since mid-July, dampened by declines in refinancing activity and purchase applications as mortgage rates remained unchanged.
- Transportation capacity remains on a downward trajectory, while prices and utilization are increasing at an increasing rate, according to a supply-chain survey released last week by the Council of Supply Chain Management Professionals.
- According to the Federal Reserve Bank of New York's latest so-called "Beige Book" survey of business conditions across the nation, economic growth downshifted slightly to a moderate pace in early July through August, with the deceleration largely attributable in most Fed Districts to a pullback in dining out, travel and tourism.
- U.S. producer prices surged in August, suggesting that high inflation is likely to persist for a while, with supply chains remaining tight as the COVID-19 pandemic drags on; in the twelve months through August, the PPI accelerated 8.3%, the biggest year-over-year advance since November 2010.

## This Week

Economic data scheduled to be released this week include consumer prices, retail sales and industrial production.

## Quote

"If you want to touch the past, touch a rock. If you want to touch the present, touch a flower. If you want to touch the future, touch a life."

-- Author Unknown

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

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