

Financial Week Newsletter

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. . . as summarized by Smith Shellnut Wilson

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Equity Markets

- U.S. equity indexes rose last week on generally positive economic reports.

	<u>9/17 Close</u>	<u>9/24 Close</u>	<u>Price Change</u>
Dow Jones	34,585	34,798	Up 0.6%
S&P 500	4,433	4,455	Up 0.5%
NASDAQ	15,044	15,048	Up 0.1%
KBW Bank Index	126.25	130.13	Up 3.1%

Financials

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

Credit Markets

- U.S. Treasury yields rose last week as risk premia returned to the market on the back of hawkish Fed guidance.

	<u>9/17 Close</u>	<u>9/24 Close</u>	<u>Yield Change</u>
3-month Tsy	0.04%	0.03%	Down 1 bp
2-year Tsy	0.22%	0.27%	Up 5bps
5-year Tsy	0.86%	0.95%	Up 9 bps
10-year Tsy	1.36%	1.45%	Up 9 bps

Treasury/Fed/Administration/Congress

- House Democrats last week set up a vote on a bill that would suspend the U.S. debt ceiling until after the 2022 congressional elections and temporarily fund the government to avert a shutdown after the end of this month, but Republicans have vowed to block the measure in the Senate as long as Democrats are pursuing their separate package of tax hikes and spending.
- Expectations are mounting that U.S. regulators will intensify supervision of banks exiting LIBOR following sluggish progress in the \$2 trillion syndicated loan market after a senior New York Federal Reserve official complained about inertia in the transition and repeated warnings that firms will create safety and soundness risks by writing LIBOR contracts beyond year end.

Economy

- U.S. housing starts rose by a greater-than-expected 3.9% in August, driven by multifamily projects, although backlogs continued to weigh on construction.
- Existing home sales fell 2% on a seasonally-adjusted basis in August, according to a report last week by the National Association of Realtors; the dip was largely anticipated because pending home sales--a leading indicator for actual sales--fell for two straight months, July and June.
- The Conference Board's leading economic index rose 0.9% in August for the second consecutive month, suggesting ongoing strength in the economy.
- Applications for U.S. state unemployment benefits unexpectedly rose in the latest reporting week, led by a surge in claims in California, a sign of choppy progress as the labor market continues its recovery.
- Sales of new U.S. homes rose in August to a four-month high, suggesting that demand is stabilizing as builders make gradual headway on backlogs.
- Orders placed with U.S. manufacturers for business equipment strengthened in August, extending a solid run of robust capital investment that's helping to fuel economic growth.
- Eric Rosengren, the head of the Federal Reserve Bank of Boston, is accelerating a long-planned retirement, citing a health issue, after coming under fire for securities trading he engaged in last year, when the central bank was active in rescuing financial markets from the pandemic crisis.

This Week

Economic data scheduled to be released this week include a read on the health of the services sector, factory orders, and nonfarm payroll growth.

Quote

"Imagination is the highest kite one can fly."

-- Lauren Bacall