Financial Week Newsletter

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. . .as summarized by Smith Shellnut Wilson

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Equity Markets

- U.S. stocks posted their best week since July as solid corporate earnings and a surprise increase in retail sales spurred a rally in companies that are more likely to benefit from an economic rebound.

	10/8 Close	10/15 Close	Price Change
Dow Jones	34,746	35,295	Up 1.6%
S&P 500	4,391	4,471	Up 1.8%
NASDAQ	14,580	14,897	Up 2.2%
KBW Bank Index	136.38	137.03	Up 0.5%

Financials

- Regulators closed no additional banks last week; year-to-date closures remain at zero.
- Bank of America Corp. beat analysts' earnings estimates as fees climbed at the company's dealmaking unit, boosted by a record-breaking period for mergers and acquisitions.
- According to JPMorgan's Chief Financial Officer Jeremy Barnum, the company's expenses will climb in 2022 as a surging investment-banking business and other 3rd quarter revenue gains translate to higher compensation costs. Investment-banking fees jumped 52%, helping the lender report earnings per share of $3.74 versus the $2.97 analyst estimate.
- Citigroup, Inc. reported a 3rd quarter profit of $4.6 billion, or $2.15 a share, with debt underwriting and stock trading acting as bright spots for the bank.
- Morgan Stanley's 3rd quarter profit rose to $3.7 billion, with its gains fueled by investment bankers who brought in record revenue from advising companies on transactions. Its investment-banking division hauled in $2.85 billion, a 67% jump that topped estimates.
- U.S. Bancorp's 3rd quarter profit rose due to lower provision for credit losses driven by a reserve release as the global economy improved, as well as strong credit and collateral performance.
- Goldman Sachs delivered blowout 3rd quarter earnings last week, aided by a surprise 23% jump in trading revenue that defied analyst projections for a 9% decline from last year.

Credit Markets

- The Treasury yield curve flattened last week as the swift increase in consumer prices reinforced bets that the Federal Reserve will remove stimulus soon and deliver a quicker policy response in short-term rates to combat inflationary pressures.

	10/8 Close	10/15 Close	Yield Change
3-month Tsy	0.06%	0.05%	Down 1 bp
2-year Tsy	0.32%	0.40%	Up 8 bps
5-year Tsy	1.06%	1.13%	Up 7 bps
10-year Tsy	1.61%	1.57%	Down 4 bps

Treasury/Fed/Administration/Congress

- Last week, Federal Reserve Bank of St. Louis President James Bullard said this year's surge in inflation, which most central bankers view as temporary, may well persist amid a strong U.S. economy and tight labor market.

- U.S. interest-rate traders have upgraded to nearly 50-50 the odds that the Federal Reserve will raise interest rates by 25 basis points next June. Further, Chair Jerome Powell told reporters during a post-FOMC meeting press conference that the process of tapering their $120 billion in monthly asset purchases would likely end around mid-2022.

Economy

- Retail sales in the U.S. unexpectedly jumped 0.7% last month following an upwardly revised 0.9% gain in August, suggesting resilient demand for merchandise even as production constraints limit supply.

- Prices paid by U.S. consumers rose in September by more than forecast, resuming a faster pace of growth and underscoring the persistence of inflationary pressures in the economy. The index increased 0.4% from August, according to the Labor Department data. Excluding the volatile food and energy components, core inflation rose 0.2% from the prior month.

- Prices paid by U.S. producers rose in September at the slowest pace of the year amid cooling costs of services including airfares as the delta variant impacted demand.

This Week

Economic data scheduled to be released this week include housing starts, existing home sales and industrial production.

Quote

"Be as you wish to seem."

- -Socrates

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