

Financial Week Newsletter

Oct. 25, 2021



...as summarized by Smith Shellnut Wilson

SSW Research Department
Office: (601) 605-1776
Email: rayt@ssw1776.com
Website: www.ssw1776.com

Equity Markets

- The major U.S. stock indices set record highs last week amid a series of positive earnings surprises; further reflecting strong investor sentiment, the CBOE Volatility Index (VIX) also fell to its lowest level since the beginning of the COVID pandemic.

	<u>10/15 Close</u>	<u>10/22 Close</u>	<u>Price Change</u>
Dow Jones	35,295	35,677	Up 1.1%
S&P 500	4,471	4,545	Up 1.6%
NASDAQ	14,897	15,090	Up 1.3%
KBW Bank Index	137.03	142.61	Up 4.1%

Financials

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

Credit Markets

- Treasury yields surged last week, with shorter-maturity rates touching the highest levels since the start of the COVID outbreak, as concern over quickening inflation drove traders to price in two U.S. interest-rate hikes by the end of next year.

	<u>10/15 Close</u>	<u>10/22 Close</u>	<u>Yield Change</u>
3-month Tsy	0.05%	0.06%	Up 1 bp
2-year Tsy	0.40%	0.46%	Up 6 bps
5-year Tsy	1.13%	1.20%	Up 7 bps
10-year Tsy	1.57%	1.63%	Up 6 bps

- Interest rates on 30-year mortgage rates shot to a six-month high of 3.23% last week as global rates continued their march higher against a bout of stiff inflation and expectations that central banks will back further away from their pandemic-era easy-money policies.

Treasury/Fed/Administration/Congress

- Federal Reserve Chairman Jerome Powell sold between \$1 million and \$5 million in stocks at the beginning of October 2020 - a month that turned out to be the worst for Wall Street since the beginning of the COVID-19 pandemic; the transactions represent an uncomfortable echo of stock market activities that led to the recent resignations of the two regional presidents of the central bank.

Treasury/Fed/Administration/Congress cont.

- In an effort to blunt criticism, the Federal Reserve said last week that it will tighten its ethics rules concerning personal finances among its most senior officials to restrict any active trading and only allow for purchases of diversified investment vehicles such as mutual funds.
- President Joe Biden's acknowledgement that he doesn't have sufficient Senate Democratic backing for his proposed increase in the U.S. corporate tax rate gives fresh impetus to efforts by negotiators to find alternative revenue sources to fund a sweeping social spending bill.

Economy

- U.S. housing starts decreased by 1.6% in September, driven by a pullback in multifamily construction, as lingering supply-chain constraints, shortages of skilled labor and elevated materials costs continue to challenge builders; applications to build, a proxy for future construction, fell 7.7% for the month.
- Sales of previously owned U.S. homes rose in September by the most in a year, suggesting a slight easing in home-price growth and lower mortgage rates a month earlier provided a tailwind for demand.
- New weekly jobless claims held below 300,000 for the second consecutive week as labor market conditions trudged back towards pre-pandemic levels.
- Economic activity across the nation grew at a moderate rate in October according to the Federal Reserve's national monthly survey, although several Fed Districts noted the pace of growth had slowed, constrained by supply-chain disruptions, labor shortages, and uncertainty around the Delta variant of COVID-19.
- The Conference Board's leading economic index rose 0.2% in September, below expectations and following increases of 0.8% and 0.9% in August and July.
- Industrial production in the U.S. fell 1.3% in September after falling a revised 0.1% in August; despite the decrease in September, total industrial production rose 4.3% at an annual rate for the third quarter as a whole, its fifth consecutive quarter with a gain of at least 4%.

This Week

Economic data scheduled to be released this week include new home sales, durable goods orders, and personal income and spending.

Quote

“Success: Failure kicked to pieces by hard work.”

- Noah Lott

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

Smith Shellnut Wilson, LLC
661 Sunnybrook Road, Suite 130
Ridgeland, MS 39157-1813
Office: (601) 605-1776
Fax: (601) 605-1710
Website: www.ssw1776.com
