Financial Week Newsletter

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. . .as summarized by Smith Shellnut Wilson

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Equity Markets

- Broad-based U.S. equity indexes increased last week on generally positive economic reports.

	10/22 Close	10/29 Close	Price Change
Dow Jones	35,677	35,820	Up 0.4%
S&P 500	4,545	4,605	Up 1.3%
NASDAQ	15,090	15,498	Up 2.7%
KBW Bank Index	142.61	138.64	Down 2.8%

Financials

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

Credit Markets

- U.S. Treasury yields were mixed last week ahead of the upcoming FOMC meeting.

	10/22 Close	10/29 Close	Yield Change
3-month Tsy	0.06%	0.06%	Unchanged
2-year Tsy	0.46%	0.50%	Up 4 bps
5-year Tsy	1.20%	1.19%	Down 1 bp
10-year Tsy	1.63%	1.56%	Down 7 bps

Treasury/Fed/Administration/Congress

- President Biden told CNN in a town hall meeting last week that he just doesn't have the votes to hike corporate taxes, as a substantial share of progressives won't allow topline taxes and higher spending bills, at odds with Democrats in swing states who are lobbying for the opposite.
- Fed governor Michelle Bowman, speaking at the 2021 Community Bankers Symposium, has called for continued study of a sharp drop in community bank startups as a potential cause of an "unhealthy level of similarity" in the U.S. banking system--low interest rates, increased regulatory costs and competition from unregulated financial technology companies have all led to only a handful of new community bank launches in the U.S. in recent years, according to Bowman.

Treasury/Fed/Administration/Congress cont'd

- The FOMC meets again this week and, despite weakening economic growth, is expected to move forward with its asset-tapering plan.
- Former Federal Reserve Chairman Alan Greenspan last week said he sees a sustained threat of markedly higher inflation, noting that, while some of the forces pushing prices up are likely to prove transitory, government debt and other underlying pressures could keep inflation elevated on a long-term basis.

Economy

- U.S. economic growth slowed more than expected in the third quarter to the softest pace of the pandemic recovery period as snarled supply chains and a surge in COVID-19 cases throttled spending and investment; gross domestic product expanded at a 2% annual rate in the third quarter following a 6.7% pace in the second quarter, according to the Commerce Department's preliminary estimate released last week.
- U.S. consumer confidence unexpectedly rebounded in October as concerns about high inflation were offset by improving labor market prospects after a turbulent third quarter, according to a Conference Board report released last week.
- Sales of new homes jumped 14% in September to the fastest pace in six months as strong demand helped offset rising prices.
- Pending homes sales, a leading indicator of the health of the housing market, fell 2.3% in September; however, the market is still running comfortably ahead of pre-pandemic levels.
- U.S. employment costs rose at the fastest pace on record in the third quarter as companies raised wages against a backdrop of labor shortages; the employment cost index, a broad gauge of wages and benefits, rose 1.3% in the third quarter, according to Labor Department data released last week.
- U.S. personal spending rose at a solid pace in September, reflecting a steady growth in outlays for services and suggesting some added momentum for the economy heading into the fourth quarter; purchases of goods and services, unadjusted for changes in prices, increased 0.6%, in September following an upwardly-revised 1% gain in August, according to Commerce Department data released last week.

This Week

Economic data scheduled to be released this week include a read on the health of the manufacturing and services sectors, and nonfarm payrolls.

Quote

"The supreme accomplishment is to blur the line between work and play."

- -Arnold Toynbee

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

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