

Financial Week Newsletter

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...as summarized by Smith Shellnut Wilson

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Equity Markets

- U.S. equity indexes advanced to fresh all-time highs last week as strong economic data and positive market reaction to the Fed's tapering plan propelled stocks.

| | <u>10/29 Close</u> | <u>11/5 Close</u> | <u>Price Change</u> |
|----------------|--------------------|-------------------|---------------------|
| Dow Jones | 35,820 | 36,328 | Up 1.4% |
| S&P 500 | 4,605 | 4,698 | Up 2.0% |
| NASDAQ | 15,498 | 15,972 | Up 3.1% |
| KBW Bank Index | 138.64 | 139.18 | Up 0.4% |

Financials

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

Credit Markets

- U.S. Treasury yields fell last week as the Fed indicated little inclination to raise rates in the near term.

| | <u>10/29 Close</u> | <u>11/5 Close</u> | <u>Yield Change</u> |
|-------------|--------------------|-------------------|---------------------|
| 3-month Tsy | 0.06% | 0.04% | Down 2 bps |
| 2-year Tsy | 0.50% | 0.40% | Down 10 bps |
| 5-year Tsy | 1.19% | 1.06% | Down 13 bps |
| 10-year Tsy | 1.56% | 1.45% | Down 11 bps |

- At 10:10 am most workdays on Wall Street, officials at the Federal Reserve waded into the bond market. For the next 20 minutes, they proceeded to snap up bonds of all shapes and sizes. They're impervious to price moves, and they never sell. An indiscriminate bond-buying machine, they've now amassed a \$5.5 trillion stockpile of debt.

Treasury/Fed/Administration/Congress

- The Federal Reserve last week concluded its November FOMC meeting, announcing a \$15 billion per month asset-purchase tapering plan, while holding their fed funds target policy range unchanged.
- Ed Yardeni, the well-respected investment strategist at Yardeni research, suggested in an interview last week that there are some parallels between today's inflation environment and that of the 1970's, and that the Fed may consequently raise its inflation target to 3% in 2022.

- Federal Reserve Bank of Kansas City President Esther George said last week that bottlenecks contributing to high inflation will persist well into 2022 amid broadening price pressures, suggesting that central bank officials should not wait too long to respond.

Economy

- Persistent supply chain challenges continued to weigh on manufactures in October, lengthening supplier delivery times and bloating inventories, leading to a slowing of manufacturing output.
- U.S. service providers expanded at a record pace in October, powered by resilient demand and stronger business activity as the impact of the Delta variant faded; gauges of new orders and business activity increased to the highest in data dating back to 1997, indicating that the economy picked up steam at the start of the fourth quarter.
- Orders placed with U.S. factories for business equipment rose in September for a seventh straight month, pointing to ongoing strength in capital investment.
- Applications for state U.S. unemployment benefits fell for a fifth consecutive reporting week to the lowest level since March 2020, pointing to fewer dismissals and increasing demand for labor.
- Productivity in the U.S. fell by the most since 1981 in the third quarter, reflecting a sharp pullback in economic growth and an increase in hours worked; with the drop in productivity, unit labor costs jumped to an 8.3% rate following a 1.1% gain in the previous three months.
- The U.S. labor market got back on track last month with a larger-than-forecast and broad-based payroll gain, indicating greater progress filling millions of vacancies as the effects of the Delt variant faded; nonfarm payrolls increased 531,000 in October after large upward revisions to the prior two months.

This Week

Economic data scheduled to be released this week include consumer and producer prices, wholesale inventories and consumer confidence.

Quote

“Being president is like running a cemetery; You’ve got a lot of people under you and nobody’s listening.”

- -President Bill Clinton