

Financial Week Newsletter

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...as summarized by Smith Shellnut Wilson

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

Equity Markets

- Broad-based U.S. equity indexes last week snapped a five-week winning streak on signs of a jump in U.S. inflation gauges.

	<u>11/5 Close</u>	<u>11/12 Close</u>	<u>Price Change</u>
Dow Jones	36,328	36,100	Down 0.6%
S&P 500	4,698	4,683	Down 0.3%
NASDAQ	15,972	15,861	Down 0.7%
KBW Bank Index	139.18	140.04	Up 0.6%

- The S&P Indexes real earnings yield was negative 2.3% in October according to monthly data compiled by Bloomberg, the lowest reading since the S&P 500 was introduced in 1957.

Financials

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

Credit Markets

- U.S. Treasury yields rose last week after reports showed that inflation in the U.S. jumped more than economists expected.

	<u>11/5 Close</u>	<u>11/12 Close</u>	<u>Yield Change</u>
3-month Tsy	0.04%	0.05%	Up 1 bp
2-year Tsy	0.40%	0.51%	Up 11 bps
5-year Tsy	1.06%	1.22%	Up 16 bps
10-year Tsy	1.45%	1.56%	Up 11 bps

- General Electric Company announced that it will split into three separate companies, breaking up the once-mighty conglomerate into standalone businesses focused on health care, power and aviation.

Treasury/Fed/Administration/Congress

- Federal Reserve Governor Lael Brainard was interviewed for the top job at the U.S. central bank when she visited the White House last week, signaling that Chair Jerome Powell has a serious rival as President Joe Biden considers who will lead the Fed for the next four years.
- Federal Reserve Vice Chair Richard Clarida said last week that the “necessary conditions” to raise the U.S. central bank’s lending rate from near zero will probably be in place at the end of next year.

Economy

- Prices paid to U.S. producers accelerated in October, fueling concerns about the persistence of inflationary pressures in the economy; the producer price index for final demand increased 0.6% from the month prior and 8.6% from a year earlier, while core producer prices rose by 0.4% on a month-over-month basis and 6.8% from a year ago.
- U.S. consumers are spending more and ramping up credit card balances, reversing a shift that happened during the crisis when consumers scaled back spending and substantially paid down credit card debt, according to a report released last week by the Federal Reserve Bank of New York; even still, balances were \$123 billion lower than they were at the end of 2019.
- New weekly jobless claims touched a fresh pandemic-era low in the latest reporting week, with labor shortages and companies’ efforts to bring on and retain workers helping to put a cap on the pace of firings and other separations.
- Consumer prices jumped 6.2% in October on a year-over-year basis, the highest since 1990 and up from the 5.4% year-over-year print in September, as surging costs for food, gas, and housing showed no signs of abating.
- The University of Michigan’s final consumer sentiment fell in October, as the positive impact of higher income expectations and the receding coronavirus were offset by higher expected rates of inflation and falling confidence in government policies.

This Week

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

Quote

“A bend in the road is not the end of the road--unless you fail to make the turn.”

- -Author Unknown