

# Financial Week Newsletter

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...as summarized by Smith Shellnut Wilson

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## Equity Markets

- U.S. stocks retreated late last week after hawkish remarks from Federal Reserve officials and mounting concern that another wave of the pandemic in Europe could spur more lockdowns.

	<u>11/12 Close</u>	<u>11/19 Close</u>	<u>Price Change</u>
Dow Jones	36,100	35,602	Down 1.4%
S&P 500	4,683	4,698	Up 0.3%
NASDAQ	15,861	16,057	Up 1.2%
KBW Bank Index	140.04	136.28	Down 2.7%

## Financials

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

## Credit Markets

- Treasury yields finished unchanged for the week.

	<u>11/12 Close</u>	<u>11/19 Close</u>	<u>Yield Change</u>
3-month Tsy	0.05%	0.05%	Unchanged
2-year Tsy	0.51%	0.51%	Unchanged
5-year Tsy	1.22%	1.22%	Unchanged
10-year Tsy	1.56%	1.55%	Down 1 bp

## Treasury/Fed/Administration/Congress

- The Federal Reserve will probably have to raise its target for the federal funds rate to 3% or above to try to keep inflation in check, according to remarks last week by two former Federal Reserve Bank presidents.
- Federal Reserve Bank of St. Louis President James Bullard said that the central bank should speed up its reduction of monetary stimulus measures in response to a surge in U.S. inflation.
- President Joe Biden last week signed into law a much-debated \$1 trillion infrastructure bill, which will lean heavily on states to implement.
- Federal Reserve Chairman Jerome Powell's inflation dashboard is starting to show some signs of overheating--from spreading prices increases to rising wages, it's signaling more caution on the inflation front than when Powell unveiled the benchmarks less than three months ago at the Fed's annual Jackson Hole, Wyoming conference.

## Economy

- U.S. retail sales rose in October for a third month as higher prices boosted merchant receipts and household demand remained resilient; the value of overall retail purchases increased 1.7% last month, the largest increase in seven months, following an upwardly-revised 0.8% advance in September.
- Confidence among U.S. homebuilders rose to a sixth-month high in November on stronger sales and foot traffic even as labor and supply-side challenges delay completion times and drive up costs.
- Production at U.S. factories rebounded more than expected in October as the drag from Hurricane Ida faded and motor vehicle output picked up, even though the sector continues to be constrained by shortages of raw materials and labor; manufacturing output surged 1.2% last month to its highest level since March 2019, after falling 0.7% in September.
- U.S. import prices surged 1.2% in October as the costs of petroleum products and food increased, adding to signs of increasing inflationary pressures.
- New U.S. home construction unexpectedly slowed in October, driven by a drop in single family projects, as labor shortages and elevated materials costs continued to challenge builders; despite the 0.7% decline in home construction last month, applications to build, a proxy for future construction, increased by 3.8%.

## This Week

Economic data scheduled to be released this week include existing home sales, personal income and spending for October, and a second look at third-quarter GDP.

## Quote

“In real life, I assure you, there is no such thing as algebra.”

- Fran Lebowitz