

Equity Markets

The major U.S. stock indexes closed out a holiday-shortened week with solid gains, snapping a three-week losing streak that sent the S&P 500 down more than 8%. Last week, the S&P 500 index rose nearly 4%; the NASDAQ's gain exceeded 4% and the Dow was up almost 3%.

	<u>9/6 Open</u>	<u>9/9 Close</u>	<u>Change</u>
Dow Jones	31,318	32,152	Up 2.7%
S&P 500	3,924	4,067	Up 4.1%
NASDAQ	11,631	12,112	Up 4.2%
KBW Bank Index	105.0	110.3	Up 5.0%
VIX	25.5	22.8	Dn 10.6%

Most of the stock market comfort came from a softer feel to inflation. This could be seen in the large decline to volatility, with the VIX index falling 10.6%.

Interest Rates/Bonds

With further interest-rate hikes expected the yield of the 10-year U.S. Treasury bond climbed for the sixth week in a row, reaching 3.32% on Friday. The yield is up from 2.64% at the end of July. Shorter rates also moved higher. The 2-year Treasury, at 3.55%, is at its highest level since 2007.

	<u>9/6 Open</u>	<u>9/9 Close</u>	<u>Change</u>
3mo UST	2.85%	2.98%	Up 13 bp
2yr UST	3.40%	3.55%	Up 15 bp
5yr UST	3.32%	3.43%	Up 11 bp
10yr UST	3.20%	3.32%	Up 12 bp
2-10yr UST Spread	-20 bp	-23 bp	Dn 3 bp
10yr Inflation Rate	2.50%	2.43%	Dn 7 bp

Futures show a much more aggressive Fed, than a few weeks back. The current market expectation for the FOMC overnight rate is priced to peak in March 2023 at 4.01%, before retreating to 3.55% by the end of 2023.

Credit spread volatility has been hot recently. Since mid-August investment grade credit spreads are up by more than 10%. Year to date, credit spreads are up by more than 53% on growing concerns of recessionary pressure.

Washington

The Fed's top banking regulator intends to address capital requirements for banks later this fall and M&A policy "relatively soon."

"Taking a holistic view will help us consider adjustments, if any, to the supplementary leverage ratio, countercyclical capital buffer and stress testing," Michael Barr, who took office as vice chair for supervision in July, said in a speech at the Brookings Institution.

On M&A policy, Barr gave fewer details but signaled that he intends to disclose more publicly soon.

"A merged institution may be able to provide more competitive products and services, but it can also have the potential to reduce competition and access to financial services in a geographic area by raising prices, narrowing the range of services offered or reducing the supply of small business or community development loans that rely on local knowledge," Barr said.

The total assets of banks on the Federal Deposit Insurance Corp.'s "Problem Bank List" fell in the second quarter but remained elevated, according to the FDIC's Quarterly Banking Profile. The number of banks on the list held steady at 40.

Economic Results 9/6 - 9/9

Aug ISM Services Index: A barometer of business conditions at companies such as restaurants and hotels rose to 56.9% in August from 56.7% in the prior month, the Institute for Supply Management said Tuesday. It rose the highest level since April on a pickup in demand.

Economic Week Ahead

Aug CPI (Tue)
Aug PPI (Wed),
Aug Retail Sales (Thu)
Aug Industrial Production (Thu)

Quote

"Everyone wants to live on top of the mountain, but all the happiness and growth occurs while you're climbing it."

- Andy Rooney

Contact

SSW Research Department

Chad McKeithen
P: (601) 605-1776
E: chad.mckeithen@ssw1776.com
www.ssw1776.com

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