

Equity Markets

Following a deflating Tuesday CPI month over month result the markets fell hard, sending indexes to their steepest weekly decline since June. The market pulled back for the fourth time in five weeks, with the NASDAQ and S&P 500 dropping 5.5% and 4.7%, respectively.

	<u>9/12 Open</u>	<u>9/16 Close</u>	<u>Change</u>
Dow Jones	32,152	30,822	Dn 4.1%
S&P 500	4,067	3,873	Dn 4.7%
NASDAQ	12,112	11,448	Dn 5.5%
KBW Bank Index	110.3	106.1	Dn 3.8%
VIX	22.8	26.3	Up 15.4%

Equity volatility also jumped 15.4%, with investors hyper concerned with what this could mean for FOMC rate hikes and the resulting impact to the economy.

Interest Rates/Bonds

The yield of the 10-year U.S. Treasury bond climbed for the seventh straight week, reaching 3.45% on Friday. That was up thirteen basis points from the end of the previous week and up eighty-one basis points from the end of July. The yield curve remained inverted (-41 bps), as the 2-year Treasury yield rose to about 3.87% on Friday, finishing at the highest level since 2007.

	<u>9/12 Open</u>	<u>9/16 Close</u>	<u>Change</u>
3mo UST	2.98%	3.09%	Up 11 bp
2yr UST	3.55%	3.85%	Up 30 bp
5yr UST	3.43%	3.63%	Up 20 bp
10yr UST	3.32%	3.45%	Up 13 bp
2-10yr UST Spread	-23 bp	-41 bp	Dn 18 bp
10yr Inflation Rate	2.43%	2.37%	Dn 6 bp

The latest inflation report increased the likelihood that the U.S. Federal Reserve will lift its benchmark interest rates by three-quarters of a percentage point, with 18% of the market pricing in a full point, in its upcoming meeting ending on Wednesday. At both its June and July meetings, the Fed approved hikes of three-quarters of a point, the biggest since 1994, pushing the benchmark rate to its current range of 2.25% to 2.50%.

Credit spreads and implied volatility are heating up. Volatility, measured by the MOVE index, is running 35% above its 30-year average.

Washington

National Credit Union Administration Chairman Todd Harper urged Congress to provide an extension of an emergency liquidity facility for credit unions. The Central Liquidity Facility, a mixed-ownership government corporation, was changed as part of the Coronavirus Aid, Relief, and Economic Security Act in March 2020 to allow corporate credit unions temporary access to borrow for their needs, according to the NCUA. The liquidity facility, which serves as a liquidity lender to credit unions in times of unusual or unexpected liquidity shortfall, is owned by member credit unions and exists within the agency.

"Because of their limited balance sheets, smaller credit unions are at the greatest risk of unexpected liquidity needs," Harper said in prepared remarks at the National Association of Federally Insured Credit Unions' conference Sept. 14. "As a result, they are more likely to need access to emergency funds should a systemic liquidity event occur."

House Committee on Financial Services Chairwoman Maxine Waters, D-Calif., announced witnesses from the major banks for a full committee hearing titled "Holding Megabanks Accountable: Oversight of America's Largest Consumer Facing Banks" on Sept. 21.

The list of witnesses for the committee hearing includes JPMorgan Chase & Co.'s Chairman and CEO Jamie Dimon; U.S. Bancorp's Chairman, President and CEO Andy Cecere; PNC Financial Services Group Inc.'s Chairman, President and CEO William Demchak; Jane Fraser, CEO of Citigroup Inc.; Bank of America Corp.'s Chairman and CEO Brian Moynihan; Truist Financial Corp.'s Chairman, President and CEO William Rogers Jr.; and Charles Scharf, President and CEO of Wells Fargo & Co.

Economic Results 9/12 - 9/16

Aug CPI: CPI rose 0.1% and remained near a 40 year high.

Aug PPI: PPI rose 8.7% after rising 9.8% in July.

Aug Retail Sales: Retail sales unexpectedly rose 0.3% in August after July's number was revised downward by 0.4% from its prior unchanged level.

Economic Week Ahead

Aug Housing Starts (Tue)
Aug Existing Home sales (Wed)
FOMC Rate Decision (Wed)

Quote

"The first one gets the oyster, the second gets the shell."

– Andrew Carnegie

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