

## Equity Markets

Over the past several weeks, and especially since the last FOMC meeting, market volatility has reemerged. The S&P 500 has entered bear-market territory once again, down about 23% for the year. While there had been debate around whether the economy could emerge from this tightening cycle in a "soft landing," financial markets now broadly seem to be pricing in a new base-case scenario of a recession on the horizon.

	<u>9/26 Open</u>	<u>9/30 Close</u>	<u>Change</u>
Dow Jones	29,590	28,725	Dn 2.9%
S&P 500	3,693	3,586	Dn 2.9%
NASDAQ	10,868	10,576	Dn 2.7%
KBW Bank Index	98.9	95.8	Dn 3.1%
VIX	29.9	31.6	Up 5.7%

Although losses were not as steep as those in the previous two weeks, the major U.S. stock indexes fell nearly 3%. On Monday, the Dow joined the S&P 500 and the NASDAQ in bear market territory.

## Interest Rates/Bonds

The yield of the 2-year U.S. Treasury bond is up almost eighty basis points over the past month and 347 basis points for the year. Futures forecast that it will reach a peak of 4.34% and the 2 – 10-year Treasury spread will rise to ~55 basis points.

	<u>9/26 Open</u>	<u>9/30 Close</u>	<u>Change</u>
3mo UST	3.19%	3.21%	Up 2 bp
2yr UST	4.20%	4.20%	Flat
5yr UST	4.02%	4.03%	Up 1 bp
10yr UST	3.69%	3.80%	Up 11 bp
2-10yr UST Spread	-51 bp	-40 bp	Dn 11 bp
10yr Inflation Rate	2.38%	2.14%	Dn 24 bp

The yield of the 10-year U.S. Treasury bond rose modestly in what was otherwise an unusually volatile week in the bond market. The yield surged as high as 3.99% on Tuesday to the highest level in 14 years. The next day, it tumbled to 3.71% before ending Friday's trading at around 3.80%.

Implied volatility has increased to its highest point in almost 15 years. This has increased credit and option spreads across every bond sector, over the past three months.

## Washington

The U.S. Chamber of Commerce and six trade groups, including four banking groups, recently sued the Consumer Financial Protection Bureau in what industry experts said reflected growing pushback against the agency's crackdown on financial regulation. Along with the Chamber, the American Bankers Association, the Consumer Bankers Association, the Independent Bankers Association of Texas, and the Texas Bankers Association, among others, sued the CFPB on Sept. 28 for expanding its

examination manual in March to include illegal discrimination. The manual is used to determine whether banks are using "Unfair, Deceptive and Abusive Practices," or UDAAP.

Birmingham, Ala.-based Regions Bank was ordered by the bureau to pay \$191 million for allegedly charging "illegal" surprise overdraft fees to customers. The agency called the Regions Financial Corp. subsidiary a "repeat offender." The bank will pay \$50 million into the regulator's victims' relief fund and refund at least \$141 million to customers.

The Biden administration's student loan forgiveness plan will cost about \$400 billion, a quarter of funds owed, according to the Congressional Budget Office, Reuters reported Sept. 26. As of June 30, 43 million borrowers held \$1.6 trillion in federal student loans, and about \$430 billion of that debt will be canceled, according to CBO estimates.

## Economic Results 9/26 - 9/30

**Sep. Consumer Confidence:** The Conference Board's Consumer Confidence Survey results showed confidence rising from 103.6 in August to 108.0 in September.

**Aug New Home Sales:** New home sales picked up in August, rising 28.8% from July to an annual pace of 685,000 new home sales.

**Final 2<sup>nd</sup> Qtr GDP:** The final GDP reading shows that the US economy shrank 0.6% in the spring.

**Aug PCE & Income/Spending:** Core inflation rose 4.9% from a year ago in August and 0.6% monthly. Personal income rose 0.3%, the same as July and in line with the estimate. Spending rose 0.4% after declining 0.2% the month before.

## Economic Week Ahead

Aug. Construction spending (Mon), Aug Factory Orders (Tues), Sep. ADP employment change (Wed), Sep. Jobs and Unemployment (Fri)

## Quote

"Luck is preparation meeting opportunity."

– Oprah Winfrey

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