

Equity Markets

The major U.S. stock indexes started the week and ended it with sizable rallies, rebounding from the previous week's mostly negative results. The S&P 500, the NASDAQ, and the Dow all finished with weekly gains of around 5% as investors focused on quarterly earnings and prospects for further interest-rate increases. The subdued expectations for earnings season improved slightly as a second week's batch of quarterly results came in.

	<u>10/17 Open</u>	<u>10/21 Close</u>	<u>Change</u>
Dow Jones	29,635	31,083	Up 4.9%
S&P 500	3,583	3,753	Up 4.8%
NASDAQ	10,321	10,860	Up 5.2%
KBW Bank Index	98.2	98.8	Up 0.2%
VIX	32.0	29.7	Dn 7.2%
Oil (WTI)	86.4	83.4	Dn 3.5%

As of Friday, third-quarter net income was expected to rise 1.5% compared with the same period a year earlier, based on S&P 500 companies that have already reported combined with projections for those still scheduled to report. In the previous week, analysts had forecast growth of 1.3%.

Interest Rates/Bonds

The yield of the U.S. 10-year Treasury bond eclipsed 4.20% on Friday, a week after breaching the 4.00% level for the first time since October 2008. The yield of the 2-year Treasury was volatile, rising above 4.60% briefly on Thursday before slipping back to 4.51% on Friday—the highest since August 2007.

	<u>10/17 Open</u>	<u>10/21 Close</u>	<u>Change</u>
3mo UST	3.64%	3.96%	Up 32 bp
2yr UST	4.43%	4.51%	Up 8 bp
5yr UST	4.23%	4.33%	Up 10 bp
10yr UST	4.01%	4.22%	Up 21 bp
2-10yr UST Spread	-49 bp	-29 bp	Dn 20 bp
10yr Inflation Rate	2.39%	2.55%	Up 16 bp

Rising rates continue to make an impact on home buying. U.S. home sales in September fell for the eighth month in a row. Rising mortgage rates are the primary reason for the slowdown; the firm Freddie Mac reported on Thursday that the average 30-year fixed-rate mortgage rose to a rate of 6.94%, up from 6.92% the previous week and more than double the 3.09% figure from a year earlier.

Washington

The FDIC finalized a rule to increase deposit insurance assessments on U.S. banks. The amount banks must pay for deposit insurance will increase by two basis points, starting in the first quarter of 2023. The decision came after the FDIC adopted a plan in September 2020 to restore the deposit insurance fund to its statutory minimum of 1.35% before the deadline of Sept. 15, 2028.

The Small Business Administration will soon announce a notice of proposed rulemaking that will allow additional small-business development companies to participate in its flagship 7(a) program, American Banker reported, citing an email from Christalyn Solomon, an agency public affairs specialist.

Sen. Elizabeth Warren, D-Mass., wrote to Wells Fargo & Co. CEO Charles Scharf following the release of a report that said the bank's customers are reporting fraud and scam incidents on Zelle at twice the rate of other banks' customers.

"This data indicates that Wells Fargo appears to have a significant problem with regard to preventing fraud and scams on Zelle," Warren said. "My concerns about this alarming pattern are exacerbated by Wells' refusal to make public its Zelle scam and fraud data, and by your bank's long history of ripping off its customers."

Economic Results 10/17 - 10/21

Sep. Industrial Production: Total industrial production increased 0.4% in September, according to the report. The gain was quadruple the 0.1% increase forecasted by economist.

Sep. Housing Starts: Soaring rates took hold as housing starts dropped to 1.44 million in September, down 8.1% from revised August 2022 figures and down 7.7% from September 2021.

Sep. Existing Home Sales: 4.71 million existing homes were sold in September (SAAR), down 1.5% from August and down 23.8% from September 2021. The median existing-home price for all housing types in September was \$384,800, up 8.4% from September 2021.

Economic Week Ahead

Consumer Confidence (Tue),
Sep. New Home Sales (Wed),
3rd Qtr. GDP, Sep. Durable
Goods (Thu), Sep PCE (Fri),
UofM Consumer Sentiment

Quote

"Great things are done by a series of small things brought together."
— Vincent Van Gogh

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