

## Equity Markets

U.S. economic growth returned to positive territory in the third quarter after recording slightly negative results in the first two quarters of 2022, easing concerns about the prospects of a protracted recession.

	<u>10/24 Open</u>	<u>10/28 Close</u>	<u>Change</u>
Dow Jones	31,083	32,862	Up 5.7%
S&P 500	3,753	3,901	Up 4.0%
NASDAQ	10,860	11,103	Up 2.2%
KBW Bank Index	98.8	104.6	Up 5.9%
VIX	29.7	25.8	Dn 13.1%
Oil (WTI)	83.4	86.5	Up 3.2%

The S&P 500 and the NASDAQ posted strong gains for the second week in a row, and the DJIA notched its fourth consecutive positive result, surging nearly 6% to outperform its peers by wide margins. Mixed earnings results from some major technology companies weighed on the NASDAQ's result.

## Interest Rates/Bonds

The yield of the 10-year U.S. Treasury bond pulled back, finally snapping a 12-week string of increases that boosted the yield to the highest level since 2008. It settled to around 4.02% on Friday after briefly climbing as high as 4.33% the previous week. When the streak began in early August, the yield was around 2.60%.

	<u>10/24 Open</u>	<u>10/28 Close</u>	<u>Change</u>
3mo UST	3.96%	3.96%	Up 32 bp
2yr UST	4.51%	4.51%	Up 8 bp
5yr UST	4.33%	4.33%	Up 10 bp
10yr UST	4.22%	4.22%	Up 21 bp
2-10yr UST Spread	-29 bp	-29 bp	Dn 20 bp
10yr Inflation Rate	2.55%	2.55%	Up 16 bp

While the yield on the 10-year U.S. Treasury bond fell for the week, the yield of the 3-month Treasury climbed, rising above the 10-year yield on Tuesday and staying there for the remainder of the week. That rare occurrence marked a deepening of the yield curve inversion that began in early July, when the 2-year yield exceeded that of the 10-year Treasury. Many economists believe that the predictive power of the 3-month to 10-year inversion is a much more reliable indicator of a future recession.

This Wednesday, the U.S. Federal Reserve is expected to lift its benchmark interest rate by three-quarters of a percentage point, to its highest level since 2008.

## Washington

In action that drew immediate attacks from the financial industry, the CFPB said banks could be breaking the law when they charge consumers "surprise" overdraft and deposit fees. An overdraft fee could be considered a surprise when a customer "doesn't reasonably expect" one to be incurred. Such fees "likely violate the Consumer Financial Protection Act prohibition on unfair practices when consumers cannot reasonably avoid them," the agency said in a circular.

Analysts and trade groups said the guidance would have a resounding impact on banks and other financial institutions. They also said that litigation seeking to block the guidance from going into effect is likely.

Regulators appear keen on bringing banks to the largely cash-driven cannabis industry, indicating the growing momentum for the SAFE Banking Act to be passed. Cannabis banking currently faces the challenge of fragmentation, as it can be legal at the state level but not at the federal level. If the SAFE Banking Act passes, the regulatory hurdles on compliance and banking operations will be the same, but regulatory risks to banks will be lowered.

The money flow in the cannabis industry could reach about \$25 billion by the end of this year and may grow to \$200 billion within five years.

## Economic Results 10/24 - 10/28

### Consumer Confidence:

The consumer confidence index slumped to 102.5 from a revised 107.8 in September, according to data released Tuesday by the Conference Board.

**Sep. New Home Sales:** New home sales decreased 10.9% to a seasonally adjusted annual rate of 603,000 units last month, more evidence that higher mortgage rates are choking the housing market.

**3rd Qtr. GDP:** The U.S. economy grew at an annual rate of 2.6 percent in the third quarter, marking its first increase in 2022 and a sharp turnaround after six months of contraction.

**Sep PCE:** The core personal consumption expenditures price index in September increased 0.5% from the previous month and 5.1% from a year ago. Personal spending rose 0.6%, more than expected amid the rise in prices. Compensation costs increased 1.2% in the third quarter, in line with estimates.

## Economic Week Ahead

Oct. ISM Manufacturing (Tue)  
Oct. ADP Employment (Wed)  
FOMC Rate Decision (Wed)  
Oct ISM Services (Thu)  
Sep. Durable Goods (Thu)  
Oct Nonfarm Payroll (Fri)

## Quote

"It's very easy to be different but very difficult to be better."

- Jonathan Ive, Apple

## Contact

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

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