

Equity Markets

After two positive weeks in a row, the major U.S. stock indexes fell 3% to 4%. Investors worried that recently mixed inflation data could challenge the U.S. Federal Reserve's expectations of slowing the pace of interest-rate increases. A report released on Friday showed the prices that U.S. suppliers charge goods producers rose at a slower annual rate in November than they had in the previous month.

	<u>12/5 Open</u>	<u>12/9 Close</u>	<u>Change</u>
Dow Jones	34,430	33,476	-2.7%
S&P 500	4,072	3,934	-3.3%
NASDAQ	11,462	11,004	-4.0%
KBW Bank Index	106.4	99.7	-6.3 %
VIX	19.1	22.8	+19.4%
Oil (WTI)	79.8	70.94	-11.1%

The price of U.S. crude oil fell around 11% for the week to less than \$72 per barrel. The latest weekly decline pushed oil prices into negative territory on a year-to-date basis, as oil ended 2022 around \$75. The latest price is down nearly 23% from a recent high in early November.

Interest Rates/Bonds

Yields remained flat to slightly higher, week over week. The yield of the 10-year U.S. Treasury bond rose five basis points, settling around 3.56% on Friday after ending the previous week at 3.51%. The 2-to-10-year Treasury spread continues to remain extremely inverted at -78 basis points, rivaling the most negative since the early 1980's.

	<u>12/5 Open</u>	<u>12/9 Close</u>	<u>Change</u>
3mo UST	4.25%	4.26%	+1 bp
2yr UST	4.29%	4.34%	+5 bp
5yr UST	3.65%	3.76%	+11 bp
10yr UST	3.51%	3.56%	+5 bp
2-10yr UST Spread	-78 bp	-78 bp	Flat
10yr Inflation Rate	2.44%	2.28%	-16bp

At its next meeting ending on Wednesday, the U.S. Federal Reserve is expected to lift its benchmark interest rate fifty basis points for the seventh and final time of 2022. The meeting comes after Chair Jerome Powell confirmed in a recent speech that the Fed could begin to shift to smaller interest-rate increases this month to try to tame inflation. Officials approved rate hikes of three-quarters of a percentage point at each of their last four meetings.

Washington

The chances of cannabis banking legislation passing this year have dimmed after the measure was excluded from the must-pass National Defense Authorization Act, financial analysts said. Staunch opposition on the floor from Senate Minority Leader Mitch McConnell, R-Ky. The SAFE Banking Act, which has been passed by the House multiple times, would allow banks to lend to cannabis companies.

Following FTX Trading Ltd.'s bankruptcy, senators wrote to banking regulators raising concerns about the banking industry's ties to crypto firms. In the Dec. 8 letter, Sens. Elizabeth Warren, D-Mass., and Tina Smith, D-Minn., asked the

Federal Reserve, the Federal Deposit Insurance Corp., and the Office of the Comptroller of the Currency how they assess the banking system's exposure to cryptocurrency risks.

The Senate Banking Committee outlined the priorities of its Democratic majority for 2023. Included in the to-do list is addressing cryptocurrency and shadow bank risk, affordable housing, public transportation, climate-related risks, consumer protection and consumer debt, and defending the Consumer Financial Protection Bureau, or CFPB. Meanwhile, in the House, the Republican majority is expected to crack down on the CFPB. Republican lawmakers' yearslong opposition to the agency has strengthened since CFPB Director Rohit Chopra took over in October 2021 and taken actions such as targeting fees,

increasing the power of the agency's examiners, launching lawsuits against banks and other financial companies, and partnering with state regulators on enforcement actions.

A group of trade associations and the U.S. Chamber of Commerce are renewing their legal push against the CFPB's expansion of authority to look for "illegal discrimination." The chamber, along with the American Bankers Association, the Consumer Bankers Association, the Independent Bankers Association of Texas and the Texas Bankers Association, among others, are asking a court to provide summary judgment in their Sept. 28 lawsuit.

Economic Results 12/5 - 12/9

Nov. PPI: The producer price index, a measure of what companies get for their products in the pipeline, increased 0.3% for the month and 7.4% from a year ago. A 38% surge in wholesale vegetable prices helped push the food index up by 3.3%, offsetting an identical 3.3% decline in energy costs.

Economic Week Ahead

Nov CPI (Tue)
FOMC rate decision (Wed)
Nov. Retail sales (Thu)
Nov Industrial Prod.

Quote

"The best way to predict the future is to create it." – Peter Drucker

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