# Financial Week Newsletter

*As summarized by Smith Shellnut Wilson*

**October 2, 2023**

*"Being a good human being is good for business." Paul Hawken*

## Markets

**Macro Recap**: Throughout the week, investors prepared for the possibility of a U.S. government shutdown, as Congress faced challenges in reaching a consensus on a supplementary spending plan before the weekend deadline. This uncertainty led to increased volatility in U.S. Treasury bonds, contributing to another weekly rise in long-term debt yields.

The average U.S. mortgage rate reached its highest point in 23 years, coinciding with new home sales that didn't meet expectations. Government data revealed an 8.7% decline in new home sales for August compared to July.

The third estimate for Q2 GDP remained stable at 2.1%, in line with expectations. However, there was a favorable revision in the GDP Deflator, which decreased to 1.7%, down from the previously reported 2.0%. This 1.7% increase represented the lowest figure since the second quarter of 2020.

The U.S. Federal Reserve's preferred measure for monitoring inflation showed its slowest monthly increase since November 2020. In August, the Personal Consumption Expenditures Price Index, excluding the influence of volatile food and energy prices, rose at an annual rate of 3.9%. When including those categories, inflation was a more moderate 3.5%.

**Equity Recap**: The S&P 500 declined for the fourth consecutive week, reaching its lowest point in nearly four months. It experienced a decrease of less than 1% for the week, performing better than the Dow, while the NASDAQ managed to eke out a slight gain. September saw the S&P 500 drop by almost 5%, marking its second consecutive monthly decline and signaling a shift in momentum that has eroded a significant portion of its year-to-date gains. As of Friday's close, the index was down by nearly 7% from its peak on July 31st.

**Bonds/Rates Recap**: The 10-year note yield rose by 13 basis points during the week and surged by 48 basis points for the month, reaching 4.57%. In contrast, the 2-year note yield dropped by eight basis points for the week but increased by 18 basis points over the month, reaching 5.04%. Additionally, the 10-year Treasury yield crossed the 4.50% threshold, a level not seen since October 2007, while the 30-year yield surpassed 4.70%, reaching its highest point since February 2011.

## Indices

| | Sep 29 Close | Sep 25 Open | Weekly, %/BP Chg | Dec-22 | YTD Change |
|---|---|---|---|---|---|
| **DJIA** | 33,508 | 33,964 | -1.3% | 33,147 | 1.1% |
| **S&P 500** | 4,288 | 4,320 | -0.7% | 3,840 | 11.7% |
| **NASDAQ** | 13,219 | 13,212 | 0.1% | 10,466 | 26.3% |
| **Russell 2000** | 1,785 | 1,777 | 0.5% | 1,761 | 1.4% |
| **KBW Bank Indx** | 78.3 | 78.5 | -0.3% | 100.9 | -22.4% |
| **VIX** | 17.5 | 17.2 | 1.9% | 21.7 | -19.2% |
| **Oil (WTI** | $91.14 | $90.03 | 1.2% | $80.26 | 13.6% |
| **Prime** | 8.50 | 8.50 | 0.00 | 7.50 | 1.00 |
| **BTFP Rate** | 5.54 | 5.58 | -0.04 | 4.50 | 1.04 |
| **3m Tbill** | 5.43 | 5.47 | -0.04 | 4.34 | 1.09 |
| **2yr UST** | 5.09 | 5.11 | -0.02 | 4.43 | 0.66 |
| **10yr UST** | 4.62 | 4.43 | 0.18 | 3.87 | 0.75 |
| **2-10yr UST Spread** | -47 | -68 | 21 | -56 | 9 |
| **2y AAA Muni/10y UST** | 72.2% | 65.8% | 6.4% | 60.4% | 11.9% |
| **10y AAA Muni/10y UST** | 75.2% | 71.3% | 3.9% | 68.1% | 7.0% |
| **5yr Inflation Rate** | 2.25 | 2.31 | -0.06 | 2.38 | -0.13 |

## Week Ahead

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|---|---|
| **Monday** | Sep ISM Manufacturing, Aug Construction Spending |
| **Tuesday** | Aug JOLTS |
| **Wednesday** | Sep ADP Employment, Aug Factory Orders, Sep ISM Services |
| **Thursday** | No Major Reports |
| **Friday** | Sep Change in Nonfarm Payrolls |

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