

CAPITAL MARKETS REPORT - SEPTEMBER 14, 2020



Birmingham (866) 405-6864
Baton Rouge (800) 421-6182
Shreveport (866) 453-5150
Little Rock (800) 737-0535
Memphis (901) 761-9660

SERVICE BEYOND COMPARISON

Market Movers:

- Markets volatile as investors search for conviction about direction of markets and economy
- Price data indicates that inflation is continuing to rise, albeit far from Fed's preferred rate
- Both bonds and stocks traded in wider than usual ranges last week as investors adjusted their growth forecasts and tweaked their positions. Equities finished the volatile week sharply lower with tech stocks being especially hard hit. Bond yields declined as investors sought the safety of government debt. Some analysts attributed the heightened market volatility to a lack of real conviction in equities recent strength. With several likely major events uncertain, primarily the outcome of the presidential election and the future of the COVID-19 pandemic, markets are desperate for data that will provide a less obstructed indication of future economic direction. As a result, many investors expect markets to remain erratic until there is more clarity about those two primary uncertainties. This morning, the stock market is poised to remain volatile with futures currently 180 points higher, while bonds yields are largely unchanged.
- Both consumer and producer prices increased by more than expected in August; indicating that pricing power is returning after the pandemic shutdown. Other recent data revealed that inflation is returning to levels seen before the virus outbreak. However, inflation remains elusive to much of the developed world and pre-pandemic numbers are still far from where central bankers prefer.
- This week's Fed meeting is expected to produce little significant news. Policymakers have indicated that changes to forward guidance or asset purchases are unlikely in the short run.
- Currently, the 10Y note is up 2/32 to yield .658%.

Market Last Week

	9/04/20 Close	9/11/20 Close	Weekly Change
2 yr. note	0.14%	0.13%	-1 bps
5 yr. note	0.30%	0.25%	-5 bps
10 yr. note	0.72%	0.67%	-5 bps
30 yr. bond	1.47%	1.41%	-6 bps
1 Mo. LIBOR	0.15425	0.15238	-.00187

Data This Week

Date/Time (EDT)	Economic Data	Market Estimate	Prior Report
9/15/20 8:30 AM	Empire Manu. (Sep)	7.0	3.7
9/15/20 9:15 AM	Industrial Production (Aug)	1.0%	3.0%
9/15/20 9:15 AM	Capacity Utilization (Aug)	71.4%	70.6%
9/16/20 8:30 AM	Retail Sales (Aug)	1.0%	1.2%
9/16/20 8:30 AM	Retail Sales Ex Auto & Gas (Aug)	0.9%	1.5%
9/16/20 2:00 PM	FOMC Rate Decision	unch.	unch.
9/17/20 8:30 AM	Building Permits (Aug)	1520k	1495k
9/17/20 8:30 AM	Housing Starts (Aug)	1480k	1496k
9/17/20 8:30 AM	Philadelphia Fed Business Outlook	15.0	17.2
9/17/20 8:30 AM	Initial Jobless Claims (Sep 12)	850k	884k
9/17/20 8:30 AM	Continuing Claims (Sep 5)	13000k	13385k
9/18/20 10:00 AM	U. of Michigan Sentiment (Sep)	75.0	74.1

John Williamson, CFA; jwilliamson@bankers-bank.com