

Financial Week Newsletter

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SMITH
SHELLNUT
WILSON

...as summarized by Smith Shellnut Wilson

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Equity Markets

- U.S. stock indexes were largely unchanged last week on concerns over a weakening economic backdrop and possible repercussions from government shutdown.

	1/18 Close	1/25 Close	Price Change
Dow Jones	24,706	24,737	Up 0.1%
S&P 500	2,671	2,665	Down 0.2%
NASDAQ	7,157	7,165	Up 0.1%
KBW Bank Index	97.54	98.21	Up 0.7%

Financials

- Regulators closed no banks last week; year-to-date closures remain at zero.

Credit Markets

- U.S. Treasury yields declined slightly last week, with the yield curve undergoing additional flattening.

	1/18 Close	1/25 Close	Yield Change
3-month Tsy	2.40%	2.38%	Down 2 bps
2-year Tsy	2.62%	2.60%	Down 2 bps
5-year Tsy	2.62%	2.59%	Down 3 bps
10-year Tsy	2.79%	2.75%	Down 4 bps

- Sarpy County, Nebraska's Sanitary and Improvement District No. 240 filed for Chapter 9 bankruptcy protection last week, the first municipal bankruptcy filing of 2019.
- The biggest issuers of U.S. corporate bonds are easing up on selling new securities, which could translate to gains for investors holding the debt; banks and other financial companies have sold around \$50 billion of bonds so far this year, down more than 40% from the same period a year ago, after banks sold enough debt to meet the requirements of a Federal Reserve regulation, and tax cuts lifted their cash flows, reducing their borrowing needs.

Treasury/Fed/Administration/Congress

- Just when the Federal Reserve most needs fresh data to keep its policy in sync with the U.S. economy, the government shutdown is getting in the way; while fourth-quarter gross domestic product is due January 30th -- as the Fed wraps up a two-day meeting -- a delay in the release is all but assured (even with the temporary reopening of the government announced last week)FW, given that the Commerce Department unit that produces the figures has been closed for a month.
- The FDIC published an advance notice of proposed rule-making and request for comments in connection with a comprehensive review of the regulatory approach to brokered deposits in light of technological and market developments since the applicable rules were first adopted.
- Federal Reserve officials are nearing a decision on when to end the reduction in bonds it is holding on its balance sheet, a key consideration for investors watching how far the central bank will go in tightening monetary policy, according to a Wall Street Journal report.
- The FOMC meets again this week to decide on the direction of monetary policy; most market participants expect the central bank to pause in its tightening campaign.

Economy

- Sales of previously owned U.S. homes fell in December to the slowest pace in more than three years, falling short of estimates and indicating that the housing market remained in a slowdown as the year ended; contract closings decreased 6.4% from the prior month to an annual rate of 4.99 million in December according to data from the National Association of Realtors.
- ECB chief Mario Draghi intensified his warning on the challenges facing the euro-area economy, signaling that the European Central Bank could be even more cautious about any withdrawal of crisis-era stimulus this year; Draghi noted that the risks to growth in the euro area have moved to the downside, after having stated only six weeks ago that risks were "broadly balanced".
- The Conference Board's leading economic index fell 0.1% in December, following a 0.2% increase in November; the biggest negative contributor to the December decline was stock prices.

This Week

Economic data scheduled to be released this week include consumer confidence and payroll numbers.

Quote

"The most that any of us know, is the least of that which is to be known."

-- Benjamin Whichcote

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