

Financial Week Newsletter

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SMITH
SHELLNUT
WILSON

...as summarized by Smith Shellnut Wilson

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Equity Markets

- U.S. stocks finished flat last week, digesting January's gain, while international stocks underperformed amid worries of a European slowdown.

	2/1 Close	2/8 Close	Price Change
Dow Jones	25,064	25,106	Up 0.2%
S&P 500	2,707	2,708	Up 0.1%
NASDAQ	7,264	7,298	Up 0.5%
KBW Bank Index	96.73	96.51	Down 0.2%

Financials

- Regulators closed no banks last week; year-to-date closures remain at zero.
- BB&T Corp announced last week plans to acquire SunTrust Bank in an all-share deal, which will represent the largest global bank merger in over a decade, and will create the sixth-largest bank in the U.S.
- The outlook for riskier debt has improved amid a more dovish tone from the Federal Reserve, higher than expected job gains and optimism over U.S-China trade talk. However, banks, such as Wells Fargo and Barclays, are still struggling to offload leveraged loan deals and hung loans without offering steep discounts.

Credit Markets

- Longer-term U.S. Treasuries climbed last week as investors flocked to safe harbor assets amid concern over economic growth and trade disputes.

	2/1 Close	2/8 Close	Yield Change
3-month Tsy	2.39%	2.42%	Up 3 bps
2-year Tsy	2.51%	2.47%	Down 4 bps
5-year Tsy	2.50%	2.45%	Down 5 bps
10-year Tsy	2.69%	2.64%	Down 5 bps

Treasury/Fed/Administration/Congress

- Wall Street banks will face particularly tough stress tests this year, with the Federal Reserve requiring banks to show they can keep landing during a harsh global recession. The tests will assume “sharp ride in U.S. employment to approximately 10% joblessness, falling yields on 10–year Treasuries, and declines in commercial real estate and housing prices.
- Bipartisan Senate legislation to expand transportation tax–exempt bond and loan programs for surface transportation offers a glimpse at how lawmakers, might address financing as infrastructure or surface transportation bills in a new congress without turning to tax increases, Bloomberg Government reported last week.

Economy

- The U.S. service sector heavily influenced by the recent government shutdown–struggled in January, as the non–manufacturing ISM Index fell to its lowest level since July 2018. The underlying details suggest that a modest strengthening in conditions could be in the cards in February.
- The U.S. trade deficit unexpectedly harassing in November largely stemmed from one–time factors–a drop in imports of consumer goods and crude oil–rather than a sign that tariffs are improving the U.S. trade position. The trade balance widening from June to October was due in part to a front–loading of imports as consumers and businesses tried to get ahead of incoming tariffs Bloomberg economics expect, the trade balance to widen in December.

This Week

Economic data scheduled to be released this week include consumer prices, producer prices, import and export prices, retail sales and business inventories.

Quote

“Genius is eternal patience.”

-- Michelangelo Di Lodovico Buonarroti Simoni

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

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