

Financial Week Newsletter

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...as summarized by Smith Shellnut Wilson

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Equity Markets

- U.S. equity indexes posted sharp gains last week, as fears driven by the spread of the coronavirus subsided.

	1/31 Close	2/7 Close	Price Change
Dow Jones	28,256	29,103	Up 3.0%
S&P 500	3,226	3,328	Up 3.2%
NASDAQ	9,151	9,521	Up 4.0%
KBW Bank Index	104.75	108.67	Up 3.7%

Financials

- Regulators closed no banks last week, continuing the year on solid footing in the banking sector.
- Banks expect to tighten lending standards and to see loan performance and collateral values weaken this year, with loan demand expected to remain broadly unchanged from 2019, according to the latest Federal Reserve Senior Loan Officer Opinion Survey.

Credit Markets

- Intermediate-term U.S. Treasury yields rose last week on a reversal of flight-to-quality trades.

	1/31 Close	2/7 Close	Yield Change
3-month Tsy	1.55%	1.55%	Unchanged
2-year Tsy	1.32%	1.40%	Up 8 bps
5-year Tsy	1.31%	1.41%	Up 10 bps
10-year Tsy	1.51%	1.58%	Up 7 bps

- Problem loans in the shared lending market rose 14% in 2019 from the prior year, with a significant portion of the increase concentrated in the leveraged-loan segment, according to a report by the FDIC.

Treasury/Fed/Administration/Congress

- Federal Reserve Bank of Atlanta President Raphael Bostic noted last week that the Fed's preferred inflation gauge, the core PCE price index, is "weak and not where we want it to be" but that other inflation measures are "stable and almost right at our target."

Economy

- A gauge of the health of the U.S. manufacturing sector rebounded sharply in January, signaling growth in the beleaguered sector for the first time since July, and coming off an almost four-year low reading in December.
- The U.S. trade deficit widened in December to \$48.9 billion from \$43.7 billion in November, as imports rebounded by 2.7%, outpacing the 0.8% gain in exports.
- Firmer business activity and orders helped lift a gauge of the services sector to a six-month high in January, indicating steady growth in the broader economy.
- China will halve tariffs on some \$75 billion of imports from the U.S. later this month, reciprocating a U.S. action and likely satisfying part of the interim trade deal.
- Productivity in the U.S. rose less than expected in the closing months of 2019, indicating that efficiency gains are settling back to their sluggish post-crisis trend.
- U.S. employers ramped up hiring gains in January, with nonfarm payrolls increasing by a solid 225,000, while wage gains posted a 0.2% increase.

This Week

Economic data scheduled to be released this week include consumer sentiment, retail sales and consumer prices.

Quote

"The only reason a great many American families don't own an elephant is that they have never been offered an elephant for a dollar down and easy monthly payments."

-- MAD Magazine